

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

**ORDER**

DOE O 413.1A

Approved: 04-18-02

This directive was reviewed and certified as current and necessary by Bruce M. Carnes, Director, Office of Management, Budget and Evaluation/Chief Financial Officer, 9-18-02.

**SUBJECT: MANAGEMENT CONTROL PROGRAM**

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1. OBJECTIVES. To establish requirements and assign responsibilities for the Department of Energy (DOE) Management Control Program. The objectives of the Management Control Program are to—
  - a. ensure sound management controls and overall consistency in exercising the statutory authorities that vest in the Secretary and the Director, Office of Management, Budget and Evaluation/Chief Financial Officer (CFO) for implementing the Federal Managers' Financial Integrity Act of 1982 (P.L. 97-255) and related central agency guidance;
  - b. evaluate management controls using existing information and day-to-day knowledge to the maximum extent possible;
  - c. provide reasonable assurance that the Department's, including the National Nuclear Security Administration's (NNSA's), programs are protected from waste, fraud, and mismanagement;
  - d. promote open recognition of problems prior to identification by outside organizations;
  - e. focus attention on correcting the most serious problems facing the Department, NNSA, and component organizations; and
  - f. report the status of the Department's, including NNSA's, major problems up through the chain of command to the President and Congress.
2. CANCELLATION. DOE O 413.1, *Management Control Program*, dated 12-6-95. Cancellation of an Order does not, by itself, modify or otherwise affect any contractual obligation to comply with the Order. Canceled Orders that are incorporated by reference in a contract remain in effect until the contract is modified to delete the reference to the requirements in the canceled Orders.
3. APPLICABILITY.
  - a. DOE Elements. Except for the exclusions in paragraph 3c, this Order applies to all DOE elements, including the NNSA; however, only the Departmental elements named in Attachment 1, Departmental Elements, are required to maintain separate management control programs. All other Departmental

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organizations must not establish separate management control programs as required by this Order, but must participate in the programs established by the respective Departmental elements to which they report.

- b. Contractors. Except for the exclusions in paragraph 3c, the Contractor Requirements Document (CRD), Attachment 2, sets forth requirements of this Order that will apply to contractors responsible for the management and operation of the Department-owned facilities whose contracts include the CRD, hereafter referred to as site/facility management contractors. This Order does not apply to other than site/facility management contractors. Any application of any requirements of this Order to other than site/facility management contractors will be communicated separately from this Order.
  - c. Exclusions. The Bonneville Power Administration, which is treated as a Government Corporation, is exempt from the reporting requirements in this Order.
4. REQUIREMENTS. Requirements are set forth in Chapters I through VII.
5. RESPONSIBILITIES.
- a. Secretary. Reports annually to the President and Congress on the status of the Department's management controls and its most significant Departmental challenges.
  - b. Heads of Departmental Elements, including the NNSA Administrator.
    - (1) Maintain stewardship of Federal resources and ensure they are used efficiently and effectively to achieve intended program results.
    - (2) Take systematic and proactive measures to establish cost-effective and appropriate management controls.
    - (3) Establish and maintain a separate management control program as required by this Order.
    - (4) Appoint a management control action officer to coordinate all planning, evaluating, and reporting related to the DOE Management Control Program.
  - c. Director, Office of Management, Budget and Evaluation/Chief Financial Officer.
    - (1) Coordinate the Management Control Program for DOE.
    - (2) Oversee the process of evaluating and reporting on management controls and financial management systems.

- (3) Review Departmental elements' assurance memorandums to evaluate whether reporting requirements in this Order are followed.
- (4) Evaluate for the Secretary year-end assurance memorandums and attachments prepared by Departmental elements and identify potential Departmental challenges.
- (5) Prepare and present to the Departmental Internal Control and Audit Review Council an executive summary on the status of DOE's management controls and potential Departmental challenges.

d. Inspector General.

- (1) Provides technical assistance in the evaluation and improvement of management and financial management system controls.
- (2) Reviews year-end assurance memorandums from Departmental elements to ensure that previously detected waste and other problems are appropriately disclosed.
- (3) Provides independent written assurance to the Secretary annually on whether the evaluation of DOE management controls has been carried out in a reasonable and prudent manner.
- (4) Reports on whether the Department's financial systems comply with Federal financial management system requirements, applicable Federal accounting standards, and the standard general ledger at the transaction level.

e. Departmental Internal Control and Audit Review Council (DICARC) provides senior management oversight of the DOE Management Control Program and reviews and approves Departmental challenges for forwarding to the Secretary. Membership includes the Director of the Office Management, Budget and Evaluation/Chief Financial Officer (Chairperson); the Inspector General; the Principal Deputy Administrator for NNSA; Assistant Secretary for Environmental Management; a Headquarters Secretarial Officer, appointed on a rotating basis; and a Special Assistant to the Secretary.

6. REFERENCES.

- a. General Accounting Office, "Policy and Procedures Manual for Guidance of Federal Agencies," Title 2, Accounting; Title 6, Pay, Leave, and Allowances; and Title 7, Fiscal Procedures, which prescribes standards for internal management controls and financial systems operations.
- b. Office of Management and Budget Circular A-123, revised, "Management Accountability and Control" dated 6-21-95, which prescribes policies for establishing, evaluating, and reporting on agency management controls.
- c. Office of Management and Budget Circular A-127, "Financial Management Systems," dated 7-23-93, which prescribes policies for developing, operating, evaluating, and reporting on financial management systems.
- d. Office of Management and Budget's Revised Implementation Guidance for the Federal Financial Management Improvement Act (FFMIA), dated January 2001, details the specific requirements of FFMIA, as well as factors to consider in reviewing systems for compliance with the Act.
- e. Office of Management and Budget Circular A-130, revised, "Management of Federal Information Resources," dated 11-30-00, which establishes policy for the management of Federal information resources.
- f. Public Law 97-255, 31 United States Code 3512, Federal Managers' Financial Integrity Act of 1982 (FMFIA), which requires establishing internal management controls in accordance with GAO standards; evaluating internal management controls in accordance with Office of Management and Budget guidelines; and reporting annually by the Secretary to the President and Congress.
- g. Public Law 81-784, Title I, Part II, Accounting and Auditing Act of 1950, as amended, sections 112 and 113, 31 United States Code 3512, which requires Federal departments to maintain effective systems of internal controls.
- h. Public Law 106-531, 31 United States Code Chapter 35 as amended, Reports Consolidation Act of 2000, which authorizes the consolidation of several key financial and performance management reports required of Federal agencies.
- i. Public Law 106-398, Title X, subtitle G, "Government Information Security Reform Act," which amends the Paperwork Reduction Act of 1995, by enacting a new subchapter on "Information Security." The Act primarily addresses the program management and evaluation aspects of security.

- j. Public Law 104-208, 31 United States Code 3512, Federal Financial Management Improvement Act of 1996 (FFMIA), which requires—
  - (1) each agency to implement and maintain financial management systems that comply substantially with Federal financial management systems requirements, applicable Federal accounting standards and the United States Government Standard General Ledger accounting at the transaction level, and
  - (2) auditors to report on the Department's compliance with the previously stated requirements as part of the financial statement audit report.
- 7. CONTACT. For assistance, contact the Office of Management, Budget and Evaluation, Office of Program Liaison and Financial Analysis at 301-903-2551.



SPENCER ABRAHAM  
Secretary of Energy

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## **CHAPTER I**

### **REQUIREMENTS OVERVIEW**

The DOE Management Control Program requires DOE elements to evaluate and report on the status of the management controls used in the Department's programs and administrative functions and to report and correct any problems identified. DOE elements must—

1. identify annually the programs and administrative functions subject to the evaluation and reporting requirements in this Order (see Chapter II);
2. conduct annual summary management reviews of programs and administrative functions (see Chapter III);
3. conduct annual summary financial management system reviews of financial management systems or system components contained in the Department of Energy Financial Management System Inventory (see Chapter IV);
4. develop executive-level summary action plans reflecting the timely and effective correction of reportable problems and financial system reportable nonconformances of concern to the next higher level of management (see Chapter V);
5. report the status of management controls and any reportable problems and/or financial management system nonconformances through the Department's reporting management chain to support the Secretary's report to the President and Congress (see Chapter VI); and
6. track progress on correcting reportable problems and financial system nonconformances (see Chapter VII).

The head of each Departmental element must appoint a management control action officer to coordinate all planning, evaluating, and reporting related to the DOE Management Control Program.

## CHAPTER II

### IDENTIFYING PROGRAMS AND ADMINISTRATIVE FUNCTIONS

1. GENERAL. Each Departmental element is required to develop an annual list of its programs and administrative functions to serve as the basis for the evaluations of management controls required by this Order.
2. PURPOSE. The list designates those specific programs, administrative functions, and other sensitive areas for which summary management reviews are to be performed. This list further helps ensure that all appropriate Departmental activities are evaluated and reported on.
3. CRITERIA FOR IDENTIFYING PROGRAMS AND ADMINISTRATIVE FUNCTIONS. The following paragraphs outline the criteria for identifying each Departmental element's programs, administrative functions, and other activities that are subject to the requirements of this Order. The word "program" as used in this chapter refers to programs identified by Congress as funding control levels (e.g., budget and reporting code EM01, DP02, etc.).
  - a. Headquarters Elements.
    - (1) Each individual program with a total obligational authority of \$10 million or more.
    - (2) If no individual program has a total obligational authority of \$10 million or more, all programs must be consolidated and treated as a single program at the organizational level (e.g., General Counsel, Hearings and Appeals).
  - b. Field Elements. Each individual program with a total obligational authority of \$5 million or more if total Departmental funding for the program is \$10 million or more.
  - c. Headquarters and Field Elements.
    - (1) Each applicable administrative function and crosscutting area, included in Attachment 3, regardless of funding level.
    - (2) Each "sensitive area" identified by the Office of Management, Budget and Evaluation in its annual year-end reporting guidance, regardless of funding level.

Evaluation of programs and activities that do not meet these criteria is not required under this Order. However, Departmental elements have the option of including these programs and activities if management considers them to be sensitive at the local level.

4. DEVELOPING THE LIST OF PROGRAMS AND ADMINISTRATIVE FUNCTIONS.

- a. The Departmental element must develop its list using budget reports on current-year funding and unobligated carryover to identify the programs for which it is responsible and programs that are subject to the requirements of this Order.
- b. The list must identify applicable administrative functions and crosscutting program areas, as well as any sensitive areas, regardless of funding level.
- c. The programs, administrative functions, and other activities in the list may be aligned to reflect the Departmental element's internal use. However, Departmental elements must document that all applicable programs (identified by budget and reporting code), administrative functions, and other activities have been included.
- d. Occasionally, funding is provided to a Departmental element that does not have the programmatic responsibility to determine the manner in which those funds are used. In those instances, the Departmental element with the funding must exclude that program from its list after documenting that the Departmental element with the programmatic responsibility agrees and has included that program on its own list.

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## CHAPTER III

### SUMMARY MANAGEMENT REVIEW

1. GENERAL. Each Departmental element is responsible for evaluating the adequacy of its management controls to determine whether they conform to the principles and standards established by Office of Management and Budget Circular A-123. This evaluation is accomplished by performing annual summary management reviews of the Departmental element's programs and administrative functions.
2. PURPOSE. Summary management reviews must provide an overall look at the operations under a manager's cognizance and provide a framework for identifying and summarizing inadequate management controls and reportable problems.
3. CONDUCTING SUMMARY MANAGEMENT REVIEWS. Heads of Departmental elements may perform summary management reviews in a manner that suits their method of operation. However, the appropriate responsible managers must be involved to ensure that adequate summary management reviews are conducted.

During a summary management review, managers must—

- a. consider existing information regarding the activities under their cognizance;
  - b. consider underlying management principles included below;
  - c. determine if there are problems which should be reported to the next higher level of management;
  - d. develop action plans to correct the reportable problems identified; and
  - e. document, in a succinct manner, the process used and the rationale for the conclusions reached.
4. EXISTING INFORMATION. The following types of information, as well as any other relevant information available to management, must be considered during performance of the summary management review. Not all of the types of information will be available to every organization; therefore, managers must determine which items are applicable. Furthermore, if the available information is not sufficient, the head of the Departmental element should ensure that an appropriate evaluation is conducted to obtain the needed information.
    - a. Prior-Year Reportable Problems. Managers must consider problems at the organizational level that were reported the previous year, as well as prior-year Departmental challenges. The following factors must be considered:

- (1) any changes that have affected the nature of the problem;
  - (2) whether critical milestones reported last year still appropriately describe the corrective actions to be taken and are on schedule; and
  - (3) whether the root cause has been fixed for problems that are now considered closed.
- b. Current-Year Evaluations and Information. Managers must consider available current-year information to determine whether any new potentially reportable problems have surfaced or any previously undetected reportable problems exist. The following factors must be considered:
- (1) current-year internal and external reviews, audits, appraisals, and other types of evaluations and any problems that were disclosed;
  - (2) activity reports and other existing mechanisms for reporting to management and any problems that were disclosed;
  - (3) day-to-day knowledge of the program or administrative function that would indicate whether reportable problem(s) exist;
  - (4) problems identified through ongoing improvement-related initiatives;
  - (5) problems uncovered by reviews or audits in other areas that may also exist in the program or administrative function being evaluated; and
  - (6) information on the status of site/facility management contractors' activities.
- c. Strategic Plans, Budgets, and Customer Needs. The strategic plan, the budget, annual performance plans, and the needs of customers are critical DOE processes and interests that must be considered in determining whether reportable problems exist. The following factors must be considered:
- (1) difficulties in meeting the goals and/or objectives in the immediate organization's and/or the Department's strategic plan;
  - (2) difficulties in achieving the performance targets in the immediate organization's or Department's performance plans;
  - (3) problems for which funding has been requested and/or identified in the budget; and
  - (4) problems in meeting customer needs.

5. UNDERLYING MANAGEMENT PRINCIPLES. When conducting the summary management review, managers must consider the following underlying principles which incorporate the principles stated in the General Accounting Office's *Standards for Internal Controls in the Federal Government*.
- a. Policies and objectives have been established and are understood and accepted. Management must set expectations for the organization before employees can do their jobs, satisfy their customers, and strive to improve the quality of their work. Specific policies and objectives reflecting requirements in applicable laws and regulations and the Departmental element's mission, core values, and operating philosophy must be established. Once these have been established, managers must take actions to ensure that employees share the organization's vision.
  - b. Roles and responsibilities have been assigned and are understood and accepted. It is management's obligation to ensure that an organizational structure and delegations of authority are in place to support the accomplishment of the organization's mission and that employees understand what their responsibilities are. Before taking responsibility for their work, employees must know management's expectations, know why a task is being performed, and be empowered to carry out assigned tasks.
  - c. Work is planned and controlled to ensure that objectives are met. Work must be carefully planned and controlled to ensure management's objectives are met. Relevant risks associated with achieving management's objectives, such as those defined in strategic and annual performance plans, should be identified and analyzed to form a basis for determining how risks should be managed. Needs must be thought out, organizational goals identified, lines of communication put in place, manpower and other resources provided, and accountability established. Management must also ensure that the right material, tools, and processes are in place and used appropriately.
  - d. Employees are capable of performing their assigned tasks and are adequately supervised. Management must ensure that employees are capable of performing assigned tasks. Work assigned to employees should be equivalent to their skill levels. Employees should have appropriate education and training, including professional development and on-the-job training. Employees should be supervised to ensure they understand the specific tasks assigned to them and that the organization's work is successfully accomplished.
  - e. Responsibilities for critical verifications and approvals are assigned to separate employees and/or organizations. Some critical tasks and work processes require verifications or approvals to ensure that the final product meets specifications or that strict operating requirements are adhered to. Management is responsible for assigning the responsibility for these critical verifications and approvals to employees and/or organizations that are separate from those performing the work.

- f. Decisions are based on accurate, up-to-date information. Decision making must be based on accurate information that is available when needed. This requires that significant events and relevant data be promptly and accurately documented, recorded, and distributed in a form and time frame that permits people to perform their duties efficiently. Managers must also use information from other internal and external sources that could affect their operations.
  - g. Work is assessed to ensure it meets expectations. Employees must critically assess their efforts and determine if they have accomplished what they set out to do. In addition, a system of assessments must be established and implemented by management. In carrying out these assessments, work performance should be measured against defined standards and must be conducted by competent individuals with expertise in the subject area involved. Management should also track major agency achievements and compare these to the plans, goals, and objectives established under the Government Performance and Results Act.
  - h. General and application control activities are in place for information systems. General controls apply to all information systems—mainframe, minicomputer, network, and end user environment. These controls include backup and recovery procedures, contingency and disaster planning, controls over acquisition, implementation and maintenance of all systems software, protection of systems networks from inappropriate access, and processes in place for safely developing new systems and modifying existing systems. Application controls should be installed at an application's interfaces with other systems to ensure that all inputs are received and are valid and outputs are correct and properly distributed.
  - i. Problems are identified and corrected. Problems must be identified, documented, analyzed, resolved, and followed up. Management must be committed to preventing problems, correcting them when identified, and improving quality. Managers should establish an environment in which problems are viewed as opportunities for improvement.
6. REPORTABLE PROBLEM IDENTIFICATION. After considering day-to-day knowledge, existing information, and the underlying management principles, heads of Departmental elements must determine whether any of the problems identified are reportable. Generally, if the problem would be of concern to the next higher level of management, it should be considered by the head of the Departmental element to be reportable. As problems are reported up the management chain, judgments of reportability are made by progressively senior individuals with a broader perspective on the Department's mission and function.

The following guidance is provided to aid heads of Departmental elements in determining whether a problem is reportable to the next higher level of management. Specifically, heads of Departmental elements must consider whether the problem in their view:

- a. substantially impairs the organization's performance, mission, and strategic plan;
  - b. violates significant statutory or regulatory requirements;
  - c. substantially weakens safeguards against waste, loss, unauthorized use, and misappropriation of funds or other assets;
  - d. results in a conflict of interest;
  - e. creates adverse publicity that affects the organization's credibility;
  - f. merits the attention of senior DOE management, the Secretary, Congressional Oversight Committees or the Executive Office of the President;
  - g. exists in a majority of programs, administrative functions, and/or organizations and can cause harm, even though minor individually, because the aggregate is significant;
  - h. risks or results in the actual loss of either \$10 million or 5 percent of the resources of a budget line item;
  - i. could reflect adversely on the management integrity of the organization if not reported;
  - j. endangers national security; and/or
  - k. has received significant adverse audit coverage.
7. ACTION PLANS FOR REPORTABLE PROBLEMS IDENTIFIED AND DEPARTMENTAL CHALLENGES. An action plan must be developed for the actions the Departmental element will take to correct each reportable problem identified. Action plans for prior year reportable problems must be updated on an annual basis including the year of closure. In addition, Departmental elements responsible for a Departmental challenge, or portion of a Departmental challenge, should ensure the actions in the Departmental plan are updated. Instructions for completing the action plan(s) are in Chapter V.
8. SUMMARY MANAGEMENT REVIEW DOCUMENTATION. Heads of Departmental elements must document the summary management review in a succinct narrative that is sufficient to evidence—
- a. that a summary management review was conducted;
  - b. what information was used to conduct the evaluation; and
  - c. the rationale for the conclusion reached.



Managers are encouraged to retain additional supporting documents (e.g., management reports) as part of the summary management review documentation if they are critical to the conclusions reached and are not readily available otherwise. In determining the need for documentation, managers should keep in mind that they are not required to maintain exhaustive documentation and must use their best judgment as to the minimum amount required to adequately support their evaluation and conclusions reached. However, documentation should be sufficient to withstand review by auditors or other reviewers.

CANCELED

## CHAPTER IV

### SUMMARY FINANCIAL MANAGEMENT SYSTEM REVIEW

1. GENERAL. The Department is responsible for evaluating its financial management system to determine whether it conforms to the principles and standards established by the Comptroller General and the requirements of Office of Management and Budget Circulars A-127 and A-130 and the Government Information Security Reform Act. This evaluation is accomplished through the performance of two types of financial management system reviews:
  - a. Summary Financial Management System Reviews. Summary financial management system reviews must be conducted annually by each Departmental element responsible for a financial management system and/or system component.
  - b. Financial Statement Audit Reviews. As part of the audit of the Department's financial statements, the Inspector General, or contractor working for the Inspector General, must review the Department's financial management systems annually to determine whether they substantially comply with requirements delineated in the Federal Financial Management Improvement Act.

The remainder of this chapter contains requirements pertaining to the summary financial management system review.

2. PURPOSE. The purpose of the summary financial management system review is to give the manager an overall look at the financial system and/or system component under his or her cognizance and provide a framework for identifying and summarizing reportable nonconformances.
3. CONDUCTING SUMMARY FINANCIAL MANAGEMENT SYSTEM REVIEWS. Departmental elements have the flexibility to perform the summary financial management system review in a manner that suits their method of operation. However, the appropriate financial and systems managers must be involved to the extent required to ensure an adequate summary financial management system review is conducted.

During the summary financial management system review, managers must—

- a. consider the existing information they have at their disposal regarding their financial management system or system component;
- b. determine whether the system complies with General Accounting Office, Office of Management and Budget, Joint Financial Management Improvement Program (JFMIP), and legal and regulatory requirements;
- c. determine if there are nonconformances which should be reported to the next higher level of management;

- d. develop plans for the actions they will take to correct the reportable nonconformances identified; and
  - e. document, in a succinct manner, the process used and the rationale for conclusions reached.
4. DOE FINANCIAL MANAGEMENT SYSTEM INVENTORY. The Department must review the following financial management systems and system components:
- a. Departmental Integrated Standardized Core Accounting System (DISCAS),
  - b. Financial Information System (FIS),
  - c. Departmental Funds Distribution System (FDS),
  - d. Management Analysis and Reporting System (MARS),
  - e. Financial Management System (FMS) of the Power Marketing Administrations,
  - f. Corporate Human Resources Information System (CHRIS), and
  - g. Departmental Budget Formulation System (BFS).
- Departmental elements must evaluate only requirements under their control during the summary financial management system review. For example, operations offices and field elements would consider only those DISCAS requirements not controlled by Headquarters.
5. EXISTING INFORMATION. In conducting the summary financial management system review, managers must consider existing information at their disposal. Examples of such sources of information are:
- a. Inspector General and/or General Accounting Office reviews;
  - b. day-to-day knowledge;
  - c. management reviews, including, but not limited to, computer security reviews and summary management reviews;
  - d. financial statement audits and findings;
  - e. Department's 5-Year Systems Development Plan;
  - f. problems identified through ongoing initiatives;
  - g. system change requests;
  - h. problem(s) identified by user groups or councils; and
  - i. prior Summary Financial Management System reviews.

If existing information is insufficient for an adequate evaluation, the manager must use other techniques (e.g., financial analysis, questionnaires, transaction testing) to obtain the needed information.

6. COMPLIANCE WITH FINANCIAL MANAGEMENT SYSTEMS REQUIREMENTS. The financial management system must comply with applicable requirements in Title 2, Title 6, and Title 7 of the GAO Policies and Procedures Manual, Office of Management and Budget Circulars A-127 and A-130, the Government Information Security Reform Act, JFMIP System Requirements, and applicable accounting standards. To enable these requirements to be met, financial management systems must process and record financial events effectively and efficiently, and provide complete, timely, reliable and consistent information for decision makers and the public. Specific requirements call for the following:

- a. an agency-wide financial information classification structure that is consistent with the U.S. Government Standard General Ledger;
- b. integrated financial management systems;
- c. use of the Standard General Ledger at the transaction level;
- d. timely, useful reports on financial information and performance measures;
- e. budget preparation, execution and reporting in accordance with Office of Management and Budget;
- f. adherence to design, development, operation and maintenance requirements;
- g. incorporation of Government Information Security Reform Act and other Government-wide computer security requirements;
- h. up-to-date systems documentation adequate to user needs;
- i. appropriate internal controls;
- j. training and user support services;
- k. ongoing maintenance for continued effective and efficient operations; and
- l. adherence to Federal accounting standards.

The Office of Management, Budget and Evaluation must issue annual instructions on the specific requirements to be considered during the summary financial management system review.

7. REPORTABLE NONCONFORMANCE IDENTIFICATION. Heads of Departmental elements must judge whether any of the nonconformances identified are reportable. Generally, nonconformances that would be of concern to the next highest level of management are reportable. As nonconformances are reported up, judgments of reportability are made by progressively senior individuals.

The following is provided to assist heads of Departmental elements in determining if a nonconformance is reportable to the next highest level of management. Specifically, reportable nonconformances in a financial management system must meet one or more of the following criteria:

- a. merits the attention of senior management, the Director, Office of Management, Budget and Evaluation/Chief Financial Officer and/or the Secretary;
- b. prevents the financial system from achieving central control over financial transactions and resource balances;
- c. results in significant adverse effect on external reporting and internal management decisions; and
- d. prevents conformance of financial systems with the Financial Management System Requirements in paragraph 6.

In addition, if management has agreed to a material systems weakness identified through audited financial statements, that issue must be considered a reportable nonconformance and an action plan must be submitted with the assurance memorandum. Heads of Departmental elements should bear in mind that the existence of a reportable nonconformance does not preclude the system's overall conformance with financial management system requirements, so long as the nonconformances, when considered together, are not sufficiently serious to prevent reasonable assurance that the system as a whole conforms.

8. ACTION PLANS FOR REPORTABLE NONCONFORMANCES IDENTIFIED. An action plan must be developed for the actions the Departmental element will take to correct each reportable nonconformance identified. Action plans must be updated on an annual basis, including the year of closure. Instructions for preparing action plans are in Chapter V.
9. SUMMARY FINANCIAL MANAGEMENT SYSTEM REVIEW PROCESS DOCUMENTATION. Heads of Departmental elements must document the summary financial management system review in a succinct narrative sufficient to evidence:
  - a. That a summary financial management system review was conducted;
  - b. What information was used to conduct the evaluation; and
  - c. The rationale for the conclusion.

Managers are encouraged to retain additional supporting documents (e.g. management reports, etc.) as part of the summary financial management system review documentation if critical to the conclusions reached and not readily available otherwise. In determining the need for documentation, managers should keep in mind that they are not required to maintain exhaustive documentation and must use their best judgment as to the minimum amount required to adequately support their evaluation and conclusions reached. However, documentation should be sufficient to withstand review by auditors and other reviewers.

10. MAJOR CONTRACTOR FINANCIAL MANAGEMENT SYSTEMS. Heads of field elements are responsible for ensuring that major contractor financial management systems and practices necessary to carry out the Department's financial policy, principles and objectives are acceptable.

## CHAPTER V

### ACTION PLANS

1. GENERAL. Action plans are used by Departmental elements to describe their reportable problems and financial management system reportable nonconformances and the timely and effective actions they plan to take to correct them. In addition, cognizant Headquarters organizations use the field action plans to identify potential reportable problems or nonconformances during their year-end process, which are then considered for inclusion as one of the Departmental challenges reported by the Secretary.
2. PREPARATION OF ACTION PLANS. Action plans must—
  - a. concisely describe reportable problems or nonconformances, their root cause(s), and impact on the Department;
  - b. consolidate related or similar problems within the same program and administrative function at the Departmental element level;
  - c. be prepared at the executive summary level, using existing information when available;
  - d. identify planned critical milestones that portray broad, summary-level steps to rectify the problem, and its root cause(s);
  - e. reflect only those actions to be taken by the Departmental element reporting the problem; and
  - f. reflect critical milestones that are in line with the direction of the Departmental element's strategic plan.
3. REQUIRED FORMAT. Action plans must include the categories detailed below. (See Attachment 4 for a sample action plan.)
  - a. Title. A descriptive name for the action plan.
  - b. Reportable Problem or Reportable Nonconformance. Indicate whether the action plan relates to a reportable problem or a financial management system reportable nonconformance.
  - c. Headquarters Organization (Field Only) and Program or Administrative Function. Identify the cognizant Headquarters organization and the title of the program or administrative function, consistent with the Department's budget and reporting codes or the administrative functions in Attachment 3. Reportable problems in crosscutting areas must identify the crosscutting area as the program or administrative function and the cognizant Headquarters element with programmatic responsibility for correcting it.

- d. Description. A brief explanation describing the reportable problem or nonconformance, its impact on the program or administrative function, and the root cause(s).
  - e. Assessment of Progress. A brief explanation of progress in implementing the milestones and alleviating the problem or nonconformance during the current reporting period. If the last critical milestone is not the closure date of the problem or nonconformance, the projected month and year for closure must be indicated. Any slippage in critical milestone dates during the current reporting period must be explained and the overall impact on the completion of the plan provided.
  - f. Critical Milestones.
    - (1) In chronological order, provide the key tasks and target dates representing broad events required to correct the problem and its root cause(s).
    - (2) All critical milestones must list an “Original Target Completion” date by month and year. This is the date included in the original action plan as the proposed completion of the milestone and must stay the same through closure. A “Revised Target or Actual Completion” date denoted by month and year must be listed if:
      - (a) the milestone target completion date has been revised, in which case the most current date must be listed; or
      - (b) the milestone has been completed, in which case the completion month and year must be listed.

Critical milestones completed during the current year should correspond with planned actions indicated on the prior year’s plan.
  - g. Success Indicators for Closed Action Plans. A statement provided only for those reportable problems or nonconformances that are being closed. Briefly describe the qualitative or quantitative success indicators used to show completed actions have eliminated the problem or nonconformance and its root cause(s).
  - h. Name, Title, and Date. Provide the name and title of the manager responsible for reporting problems or nonconformances to the next higher level of management and the date the action plan was prepared or updated.
4. SUBMITTING ACTION PLANS WITH ASSURANCE MEMORANDUMS. An action plan for reportable problems and reportable nonconformances must be submitted with the Departmental element’s annual assurance memorandum. In addition, a cover sheet providing an index and crosswalk for the action plans submitted is required. The cover sheet should include the following information:
- a. program, as indicated by the Department’s budget and reporting code, or administrative function included on the applicable action plan;
  - b. title of the action plan;
  - c. responsible Headquarters organization;

- d. closed or open designation; and
- e. page number.

The information above should be included for new action plans and action plans from the previous year that continue to be reportable. Departmental elements should also include information on action plans reported previously that have closed during the reporting year. Finally, Departmental elements should include updated Departmental challenge action plans under their responsibility with their year assurance memorandum. Attachment 4 includes a sample format for the index and crosswalk.

5. DEPARTMENTAL ACTION PLANS. Each of the Departmental challenges will have a corresponding action plan including assignment of a responsible program manager(s) and the office responsible for each critical milestone.

Responsible offices should also ensure that appropriate planned critical milestones are included in subsequent year's performance plans. Inclusion will help to ensure actions necessary for closure are completed within the timeframe intended. Action plans related to the Departmental challenges will be updated yearly by responsible program organizations and tracked by the Office of Management, Budget and Evaluation.

CANCELLED



## CHAPTER VI

### REPORTING

1. GENERAL. Heads of Departmental elements must report annually on the management controls and financial management system(s) in their respective programs and administrative functions. The following factors must be considered, where applicable, in preparing the annual report:
  - a. current year summary management review and related action plans;
  - b. status of reportable problems identified in the prior year;
  - c. status of actions taken to correct problems previously reported by the Secretary;
  - d. current financial management system review and related action plans; and
  - e. site/facility management contractors' management controls and financial management systems.

Headquarters annual assurance reports must, if applicable, summarize field and/or Headquarters reportable problems at the overall DOE level. The annual assurance reports must not supercede, but must build on, the reporting required under other Departmental programs.

2. REPORTING REQUIREMENTS. Departmental elements' annual assurance reports must include an assurance memorandum and action plans for correcting reportable problems and/or financial system reportable nonconformances. The DOE Office of Management, Budget and Evaluation must issue detailed reporting requirements annually that contain specific information on preparing the current year's report. These annual instructions will incorporate the Office of Management and Budget's current reporting requirements, specify current Department-wide sensitive areas, provide current year report dates, and outline the language to be used in the annual assurance report. (See Attachment 4 for a sample assurance memorandum.) The basic requirements are as follows:
  - a. Assurance Memorandum. The annual assurance memorandum is a high-level document that presents salient issues of concern to the next higher level of management and should be prepared in an executive summary fashion. It must include the following:
    - (1) A statement that management controls were reviewed using all known information, including assurances from site/facility management contractors, and that underlying management principles incorporating the General Accounting Office's *Standards for Internal Controls in the Federal Government* were considered.
    - (2) A statement that current Department-wide sensitive areas (identified annually in the reporting instructions issued by the Office of Management, Budget and Evaluation) have been considered and whether or not deficiencies were identified.

- (3) A statement that there is or is not reasonable assurance that management controls were working effectively and programs and administrative functions were performed economically and efficiently consistent with applicable laws; property, funds and other resources were safeguarded; obligations and costs were proper; and accountability for assets was maintained.
  - (4) A statement that the financial management system does or does not comply with Government-wide financial management system requirements. (Only organizations with financial management systems should include this statement.) In addition, Departmental elements with site/facility management contractors must include a statement that the contractor financial management system does or does not conform to DOE requirements.
  - (5) An executive summary of the reportable problems and system nonconformances in action plans attached to the assurance memo. If reportable problems are being closed, the letter must also include a statement that actions taken have resolved the problem. Cognizant Headquarters elements must include a statement indicating concurrences with reportable problem closures reported by field elements.
  - (6) An optional brief summary of other significant issues facing the reporting Departmental element. These are issues the head of the Departmental element believes meet the standard of a reportable problem, either as a current or emerging issue, but for which correction is outside the scope of their responsibility or operational authority.
- b. Action Plan(s). Plans for correcting reportable problems and financial management system reportable nonconformances identified in the Departmental element's assurance memorandum must be attached. All milestones in Departmental challenge action plans must be incorporated into and represented by an action plan from the responsible organization. The format and instructions for the action plan provided in Chapter V should be strictly adhered to. Guidance for determining which problems and financial management system nonconformances should be reported are in Chapters III and IV, respectively.

## CHAPTER VII

### TRACKING

1. GENERAL. Departmental elements and the Director, Office of Management, Budget and Evaluation/Chief Financial Officer must track all reportable problems and nonconformances identified during the year-end evaluation and reporting process to monitor the progress towards correction.
2. TRACKING REQUIREMENTS. Action plans for all reportable problems and nonconformances must be tracked through completion and validated to ensure intended results have been achieved. The Department's management control tracking program is two pronged as described below:
  - a. Departmental elements must locally track all reportable problems and reportable nonconformances. Actions must be tracked through completion and validation that actions have produced intended results. If reportable problems are identified by site/facility management contractors, Departmental elements may rely on the site/facility management contractors' systems to track problems and nonconformances if the contractor has adequate procedures in place to ensure adequate tracking occurs through closure.
  - b. The Office of Management, Budget and Evaluation must track Departmental challenges reported by the Secretary.

## DEPARTMENTAL ELEMENTS

Except for the exclusions in paragraph 3c, this Order applies to all Departmental elements. Changes to the following list of Departmental elements will be identified within the annual guidance and requirements document issued by the Office of Management, Budget and Evaluation. All Departmental elements are required to maintain a separate management control program. All other Departmental organizations must not establish separate management control programs as required by this Order, but must participate in the programs established by the respective Departmental elements to which they report.

Chief Information Officer  
Civilian Radioactive Waste Management  
Congressional and Intergovernmental Affairs  
Counterintelligence  
Economic Impact & Diversity  
Energy Efficiency & Renewable Energy  
Energy Information Administration  
Environment, Safety and Health  
Environmental Management  
Fossil Energy  
General Counsel  
Hearings and Appeals  
Independent Oversight & Performance Assurance  
Inspector General  
Intelligence

Management, Budget, and Evaluation/Chief Financial Officer  
National Nuclear Security Administration (NNSA)  
Nuclear Energy, Science & Technology  
Policy and International Affairs  
Public Affairs  
Security  
Science  
Worker and Community Transition  
Federal Energy Regulatory Commission

Albuquerque Operations Office  
Chicago Operations Office  
Idaho Operations Office  
Nevada Operations Office  
Oak Ridge Operations Office  
Oak Ridge Operations Office - NNSA  
Oakland Operations Office  
Oakland Operations Office - NNSA  
Richland Operations Office  
Savannah River Operations Office  
Savannah River Operations Office - NNSA  
Carlsbad Field Office (WIPP)  
Golden Field Office  
Ohio Field Office

Rocky Flats Field Office  
National Energy Technology Laboratory  
Southeastern Power Administration  
Southwestern Power Administration  
Western Area Power Administration  
Naval Petroleum and Oil Shale Reserves in CUW  
Pittsburgh Naval Reactors Office  
Schenectady Naval Reactors Office  
Strategic Petroleum Reserve Project Management Office  
Office of River Protection

CANCELED

## **CONTRACTOR REQUIREMENTS DOCUMENT**

### **DOE O 413.1A, MANAGEMENT CONTROL PROGRAM**

Department of Energy (DOE) site/facility management contractors must consider all existing information and report annually to the appropriate head of a Departmental element on the status of their management control and financial management systems. Definitions for management control and financial management systems are contained in Attachment 5, "Definitions." Significant problems the Department needs to be aware of, which meet any of the following criteria, must be reported:

1. substantially impairs the organization's mission;
2. could constitute a violation of a significant statutory or regulatory requirements;
3. substantially weakens safeguards against waste, loss, unauthorized use, and misappropriation of funds or other assets;
4. results in a conflict of interest;
5. creates adverse publicity that affects the organization's credibility;
6. merits the attention of senior DOE management, the Secretary, congressional committees or the Executive Office of the President;
7. exists in a majority of programs, administrative functions, and/or organizations and can cause harm, even though minor individually, because the aggregate is significant;
8. risks or results in the actual loss of either \$10 million or 5 percent of the resources of a budget line item;
9. could reflect adversely on management integrity if not reported;
10. endangers national security;
11. has received significant adverse audit coverage; and/or
12. significantly impairs the Department's ability to meet financial management systems requirements as outlined in this CRD and section IV(6) of DOE Order 413.1A..

## **ADMINISTRATIVE FUNCTIONS AND CROSSCUTTING AREAS**

This attachment identifies the program and administrative functions and crosscutting areas that must be identified as separate activities in both Headquarters and field element lists where applicable, regardless of funding level. All field elements have responsibility for administrative functions and should conduct summary management reviews in these areas and report any administrative problems identified. However, only Headquarters elements with Department-wide administrative responsibilities are required to perform summary management reviews of the administrative function(s) under their cognizance. As such, summary management reviews are to be performed for each of these activities, with emphasis placed on the evaluation of the listed subactivities.

### **Administrative Functions**

1. Human Resource Management
2. Facilities Management
  - a. Site Development Planning
  - b. Facilities Engineering
  - c. In-House Energy Management (Headquarters Only)
3. Information Management
4. Printing and Graphics
5. Control of Real Property
6. Commercial Activities Review (Headquarters Only)
7. Equal Opportunity (Headquarters Only)
8. Budget
  - a. Budget Formulation
  - b. Budget Execution
9. Finance and Accounting
  - a. Disbursements
  - b. Receipts
  - c. Cash Management
  - d. Administrative Control of Funds
  - e. Miscellaneous Asset Accounting
  - f. Payroll
  - g. Travel
  - h. Financial/Accounting Systems
  - i. Financial Administration of Reimbursable Work
  - j. Financial Management Oversight
10. Procurement and Assistance Management
  - a. Acquisition
  - b. Financial Assistance
  - c. Sales Contracts
  - d. Funds - In Agreements
11. Contractor Human Resources Management
12. Control of Personal Property
13. Program/Project Management and Control
14. Business Management

## Crosscutting Areas

1. Environmental Management
2. Nuclear Safety Management
3. Nonnuclear Safety and Health Management

## Administrative Functions

1. Human Resource Management - Includes subfunctions such as staffing, training, labor management relations, position classification and compensation, and employee relations. This functional category covers all activities related to personnel of the Federal sector. Staffing includes activities associated with recruiting, placing, detailing, reassigning and/or promoting Federal employees as well as activities related to reviewing, approving, and executing necessary disciplinary actions to maintain an effective Federal work force. Training includes activities associated with Federal employee development and training to assure maximum utilization of the existing work force. The labor management relations function includes activities of negotiating and making agreements with Federal employee organization on the rights, benefits, and entitlement of employment. Position classification and compensation includes activities directed towards assuring salaries are properly determined and positions are organized in the most efficient manner; pay changes, special salary scales, benefit programs, relocation payments, workers compensation, and related pay/compensation programs are properly administered.
2. Facilities Management - Includes all agency activities associated with facility planning engineering, improvement, and maintenance. The major functions included under this unit are:
  - a. Site Development Planning includes all activities related to developing, maintaining, and administering the DOE site development planning program. It also includes subfunctions such as overseeing the preparation of site development plans by all DOE sites; reviewing site construction projects and space allocation/ utilization for conformance to the approved site plan; and maintaining an up-to-date site development plan library. The purpose of this activity is to ensure the efficient utilization of land, facilities, and utilities and to assure priorities and scope of the planned construction activities meet the approved operational objectives.
  - b. Facilities Engineering includes subfunctions such as utilities management, facilities maintenance, and facility energy conservation. Utilities management includes overseeing programs of site/facility management contractors, providing technical administration and management of utility contracts for DOE facilities, and providing technical support in utility rate hearings. Facility maintenance is accomplished on a continuing, effective, and efficient basis. Energy conservation activities are directed towards assuring methods are employed throughout DOE (including in its Government-owned, contractor-operated facilities) to reduce consumption and increase efficiency in use of energy in existing facilities, new construction, and general operations.
  - c. In-House Energy Management (Headquarters Only) includes all aspects of development and execution of retrofit projects to improve energy efficiency in DOE owned facilities. Specific subfunctions are budget formulation and budget execution. Budget formulation includes: development of retrofit projects by energy conservation surveys



and central plant studies, including engineering and economic analyses; ranking and selection of projects; and budget preparation. Program execution includes: financial plan preparation; controlling, and monitoring of obligation and costs; and completion of surveys, studies, and retrofit projects.

3. Information Management - includes all agency activities and Federal oversight of contractor activities associated with the planning, budgeting, operation, transmission, dissemination, protection, and retention of information. This includes requirements in the Clinger-Cohen Act, Paperwork Reduction Act, the Government Information Security Reform Act, and Office of Management and Budget Circular A-130. The major functions include strategic planning, information technology capital planning and investment processes, information standards and architecture, records management, unclassified computer security, telecommunications and telecommunications security, and the management and operations of ADP resources and facilities.
4. Printing and Graphics includes the activities associated with the internal production and acquisition of services and equipment for printing and publishing of technical and scientific reports, administrative documents, forms, etc.; preparation of visual presentation (i.e., view graphs, 35-mm slides, etc.); supporting photography (including industrial photography); and copying. Micropublishing is included when it is used in lieu of distribution of hard copies. Coverage of internal activities, as well as oversight of contractor activities, could be provided under the functional category. The specific coverage afforded would include management, operation and maintenance, resource projects, and acquisition of printing services from the Government Printing Office, etc.)
5. Control of Real Property - This area includes all activities associated with the management and control of DOE real property and space management. Real property management activities include planning for future real estate needs; acquisition, control and disposition of DOE-owned real property; assuring effective and efficient utilization of real property assets; real property inventory management; and oversight of major contractor real estate activities. Space management activities include planning for space needs; acquiring, controlling and disposing of space; assuring for effective and efficient use of assigned space (DOE-leased, -owned, or -controlled); and oversight of the major contractor space management activities.
6. Commercial Activities Review. Under the Headquarters-managed program, DOE organizations periodically review their in-house commercial activities to determine the most cost effective means of conducting their work, i.e., continued in-house or by contractor.
7. Equal Opportunity (Headquarters Only). This program encompasses three main activities for affirmative action, complaints and investigations, and external civil rights. The affirmative action program ensures that DOE fulfills its responsibility to develop and implement an affirmative action program (including special emphasis programs for women and Hispanics) in accordance with Federal laws, Executive orders, and regulations. The complaints and investigations program develops and administers the EEO discrimination complaint processing and adjudication program within DOE. The external civil rights program implements compliance with and enforces laws prohibiting discrimination in programs and activities receiving financial assistance from the Department.

8. Budget. This administrative function would include all agency activities associated with budgeting. The major functions included under this unit are—
  - a. Budget Formulation represents the initial stage of the budget process in which data is developed; annual estimates of funding requirements are prepared; detailed analysis and reviews are performed; budget data is consolidated and summarized; detailed justification is developed including prioritizing requirements; presentations are provided to internal and external reviewing and approving authorities; and budget changes are controlled and communicated throughout the organization. This category would include evaluation of all budgetary activities occurring up to the time an approved fiscal year funding appropriation is received by the agency.
  - b. Budget Execution represents the phase of the budget process during which funding for the approved fiscal year is made available to carry out the Department's missions, functions, and program. Activities performed under the execution phase seek to assure obligations incurred and resulting expenditures are in accordance with existing laws, regulations, and control levels and that approved program objectives are accomplished within approved funding authorizations. These activities include preparation of approved financial plans; controlling and monitoring of this plan through a process of apportionment, allotment, suballotment; identifying and analyzing trends in receipt, obligation, and expenditure of funds; preparing and documenting requests for increases or decreases in funding levels; initiating reprogramming requests when appropriate; and reporting on the status of funding to internal and external management officials.
9. Finance and Accounting. This administrative function includes all activities related to the financial operations of the agency except for budgetary type activities. The major functions included under this unit are—
  - a. Disbursements include financial/accounting systems related to payments; e.g., payroll, travel, cash advances for grants and other programs, online transactions with other Federal agencies, letters of credit, accounts payable, other liabilities. Federal oversight of major contractor disbursement activity would also be addressed in this category.
  - b. Receipts include financial/accounting systems associated with collections, billings, reimbursements, accounts receivable, sale proceeds, automated transactions with other Federal agencies, etc. Federal oversight of major contractor receipt related activities would also be addressed in this category.
  - c. Cash Management encompasses all activities associated with the management of cash and physical control of cash. Activity would involve evaluation of control systems which assure prompt payments and collections, prompt depositing of cash; proper control, accounting and processing of cash related transactions; proper management of letters of credit and cash advance transactions; etc. Federal oversight of major contractor cash management activities would also be addressed in this category.
  - d. Administrative Control of Funds includes the responsibilities for the effective control of funds by restricting obligations and expenditures against each appropriation or fund to

the amount of the apportionment, reapportionment, allotment, or approved funding program.

- e. Miscellaneous and Asset Accounting includes the recording of all properties, plant and capital equipment, suspense account activity, and other assets in the Department of Energy accounting system and also ensure that assets are uniformly classified in proper accounts as prescribed by DOE.
  - f. Payroll includes all activities associated with the processing of time and attendance sheets and maintenance of pay and leave records.
  - g. Travel includes the activities relating to all types of authorized travel by DOE employees in carrying out their duties with the Department.
  - h. Financial/Accounting Systems includes accounting and reporting systems such as general ledger, product pricing and costing, financial inventories, cost/budget, obligation/budget, plant and capital equipment, reimbursable work, DISCAS, etc. Also includes the periodic generation of automated validator routines to ensure the accuracy and consistency of the accounting data among the various data sets.
  - i. Financial Administration of Reimbursable Work The Department's policy on the financial administration of reimbursable work is published in Chapter 13 of the DOE Accounting Handbook. A review of the financial administration of reimbursable work should address these requirements.
  - j. Financial Management Oversight includes responsibilities for oversight of all financial management activities related to the programs and operations of DOE.
10. Procurement and Assistance Management. This administrative function would include all agency activities involving (a) the acquisition of necessary supplies and services to perform agency programs of the desired quality, in a timely manner, and at fair and reasonable prices; and (b) providing assistance to a non-Federal party by transferring money, property, services, or anything of value in order to accomplish a public purpose of support or stimulation authorized by Federal statute. The major functions included under this unit are—
- a. Acquisition includes the following subfunctions: establishment of needs, description of requirements to satisfy agency needs, solicitation and selection of sources, award of contracts, oversight of contractors' activities to ensure compliance with the terms of the contracts, issuing approvals required under the contracts so that work proceeds in an orderly manner and contractors are paid appropriately while the work goes forward, modifying the contracts when appropriate, and closeout.
  - b. Financial Assistance includes the following subfunctions associated with the award and administration of financial assistance instruments. In the pre-award phase, in general, these subfunctions are presolicitation planning, solicitation, merit review, negotiations, and developing the special terms of conditions of award/agreement. (The pre-award subfunctions may vary if a noncompetitive award(s) is anticipated.) The postaward administration subfunctions include programmatic monitoring, monitoring and

enforcement of award/agreement terms and conditions (especially recipient cash management, report submission, property management), audit resolution, settlement, follow-up, and closeout.

- c. Sales Contracts includes the following subfunctions: determination of authority, pricing announcement of sales opportunity(ies), evaluation of purchase requests, negotiation of contractual document, contract execution, contract administration, delivery of goods or services payment.
  - d. Funds-In Agreements includes the following subfunctions: determination of authority, execution of delegation documents, pricing negotiation and execution of agreements, assurance of necessary resources, arrangements for advances/billing, provision of goods or services.
11. Contractor Human Resource Management. This administrative function includes all agency activities associated with management of the Human Resource Management functions of DOE contractors, and involves the development and negotiation of Advance Understandings on Personnel Costs as part of the contracts as well as all actions required of the Contracting Officer. The Federal activities performed include management of contractor compensation, including incentive compensation, welfare benefits, retirement income programs and training and development. Control systems are in place which require Federal analysis and approval of contractor compensation and benefit program policies and practices as well as evaluation of contractor performance in these areas of Contractor Human Resource Management.
12. Control of Personal Property. This administrative function includes all activities associated with the development, implementation, and administration and policies, programs, and procedures for effective and economical acquisition planning, acquisition, receipt, inspection, storage, issue, use, control, physical protection, physical inventories, care and maintenance, disposal, determination of requirements and maintenance of related operating records, (exclusive of accounting records) as appropriate, for Government personal property (inclusive of major contractor personal property) which includes equipment, supplies consumed incident to the operation of the Department, the inventory of equipment held for future use, motor equipment, motor vehicles, aircraft, and watercraft. It includes such established management functions as (a) conducting periodic appraisals of performance, (b) furnishing staff assistance and guidance to DOE and contractor counterparts, and (c) making special surveys and studies of practices and procedures and regular staff reviews and analyses of property requirements in budget estimates, financial plans, and reports.
13. Program/Project Management and Control. This administrative function includes all activities associated with developing, executing and managing the Department's Major Systems projects (total project cost of \$400 million or greater and any Other Project designated by the Secretary) and Other Projects (total project cost less than \$400 million and not designated as a Major System). All associated implementing management policies, processes, and practices of the Department's and its site/facility management contractors' construction efforts are covered under this function. It includes staff responsibilities for the Acquisition Executive, including the responsibility for budget validation, independent assessments and oversight of Secretarial/program offices and field elements for project execution. Also included are the

implementation and review of field project management systems, processes, and procedures, including the review and approval of contractor project management systems.

14. Business Management. This administrative function includes all agency activities associated with business management systems, processes, and procedures including contractor management systems. Included is the review, development and implementation of efficient, cost effective, standards, procedures and systems throughout the DOE complex, including contractor organizations.

### **Crosscutting Areas**

1. Environmental Management. All Headquarters and field line managers are responsible for assuring their respective activities comply with environmental requirements. Activities included in this area are those that affect the quality of air, water, soil, including self assessments performed to assure effectiveness, regardless of where funded. The following activities are included.
  - a. Assuring compliance with Federal, State, and local environmental protection statutes and related Departmental Orders and regulations.
  - b. Implementing independent environmental audit systems and quality assurance programs.
  - c. Analyzing hazards to assess associated risks and the adequacy of risk limiting mechanisms.
  - d. Investigating environmental incidents to determine contributing factors and provide feedback to correct identified problems.
  - e. Collecting, evaluating, and disseminating information on DOE's performance regarding environmental projects.
  - f. Anticipating and detecting emergencies and maintaining emergency response.
2. Nuclear Safety Management. All Headquarters and field line managers are responsible for assuring their respective activities comply with Departmental nuclear safety policies, regardless of where they are funded. Activities included in this area involve implementing and carrying out Departmental policy for nuclear reactors and nonreactor nuclear facility safety, including self-assessment functions performed. Reactor and nonreactor nuclear facility safety encompasses all systems and activities that can influence the potential for uncontrolled release of fission products, or for nuclear criticality. The process of ensuring nuclear safety involves not only verifying that nuclear reactor and nonreactor nuclear facility designs comply with applicable standards, but also verifying that plant modification; operations, maintenance, and plant material conditions meet nuclear safety requirements and that human performance aspects that could potentially affect nuclear safety are receiving appropriate attention. Also included is the anticipation and detection of nuclear related emergencies, as well as maintaining an emergency response capability.

3. Nonnuclear Safety & Health Management - All Headquarters and field line managers are responsible for assuring their activities comply with nonnuclear safety and health requirements. Activities included in this area encompass those that affect the well-being of both operating personnel and the general public. They also include the responsibility for DOE elements to protect Government and public property against accidental loss and damage. Nonnuclear safety and health issues include the following activities regardless of whether they are funded.
- a. Assuring compliance with Federal, State, and local safety and health statutes and related Departmental Orders and regulations.
  - b. Anticipating and detecting emergencies and maintaining emergency response capability.
  - c. Providing safety and health services for Federal employees.
  - d. Implementing independent appraisal systems for safety and health functions, including quality assurance programs.
  - e. Analyzing hazards to assess associated risks and the adequacy of risk limiting mechanisms.
  - f. Investigating safety and health incidents to determine contributing factors and provide feedback to correct identified problems.
  - g. Collecting, evaluating and disseminating information on DOE's performance in the area of safety and health issues, particularly epidemiology and radiological protection.
  - h. Performing safety certifications of packages for shipment of DOE radioactive materials.

SAMPLE SUBMISSION

**MEMORANDUM FOR THE SECRETARY**

**FROM: HEAD OF DEPARTMENTAL ELEMENT**

**SUBJECT: Management Control and Financial Management System Review**

In accordance with the Federal Managers' Financial Integrity Act, I have completed a summary management review of the management controls for the (*name of Departmental element*) in effect as of the fiscal year ending September 30, \_\_. The review was performed in conformity with Departmental guidelines and accordingly included a review of whether the management controls comply with underlying management principles which incorporate the General Accounting Office's *Standards for Internal Controls in the Federal Government*. The review included consideration of the results of audit reports, internal management reviews, assurances from site/facility management contractors under my cognizance, and all other known information. In addition, our review considered the areas of (1) environmental management, (2) nuclear safety management, and (3) nonnuclear safety management, and no problems were identified. The results of the review indicate there is (*is not*) reasonable assurance that the management controls were working effectively and that program and administrative functions were performed in an economical and efficient manner consistent with applicable laws; property, funds, and other resources were safeguarded against waste, waste, loss, unauthorized use or misappropriation; obligations and costs were proper; and accountability for assets was maintained. The concept of reasonable assurance recognizes that management controls must be cost effective, and there is always some potential for errors or irregularities to go undetected.

The above review did, however, (*did not*) disclose the following (*any*) reportable problems.

An evaluation of the financial management system for the (*name of Departmental element*) has also been conducted in accordance with DOE guidelines. The results of the review indicate that the system generally conforms (*does not conform*) with Federal financial management system requirements. In addition, the financial management systems of site/facility management contractors under my cognizance are in conformance with DOE accounting policies and procedures.

The financial management systems evaluation did (*did not*) disclose the following (*any*) financial management system reportable nonconformances.

Upon review of all reportable problem closures identified by field elements, we concur that with the actions taken, closure is warranted. (*Optional Section*) The review also disclosed the following significant issues facing my organization. While these issues may meet the definition of a reportable problem, correction of these issues is outside the scope of my Departmental element's responsibility or operational authority and, therefore, I have attached no action plans.

The attachment to this report contains the action plans for correcting reportable problems of the management control system and reportable nonconformances of the financial management system.

## 200X INDEX AND CROSSWALK FOR ACTION PLANS

### AAA Field Office

PROGRAM/ ADMINISTRATIVE FUNCTION	TITLE	HQ ORG	OPEN/ CLOSED	PG #
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New action plans for current FY assurance memorandum:

Information Management	Unclassified Computer Security Problems	SO	Open	1
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Action plans submitted with prior FY assurance memorandum that continue for current FY:

Nuclear Safety Management	Nuclear Safety Oversight of Contractors	NE	Open	3
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Action plans submitted with prior FY assurance memorandum that have been closed in current FY:

Environmental Restoration	Lack of Environmental Restoration Performance	EM	Closed	5
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Updated action plans for Departmental challenge:

Environmental Restoration	Environmental Compliance	EM	Open	7
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## **ACTION PLAN**

### **AAA Operations Office September 30, 200X**

Title: Ineffective Management of Projects at DOE Laboratory

Action Plan: \_\_\_\_\_ Reportable Problem: X Reportable Nonconformance: \_\_\_\_\_  
HQ Organization: CR Program/Admin. Function: Program/Project Management

Description: Performance of DOE Laboratory in the area of project management was evaluated as “needs improvement.” The “needs improvement” assessment reflects problems/weaknesses in project management. These weaknesses have been particularly evident in several key projects at the Laboratory that have experienced severe problems maintaining schedule, staying within budget, and maintaining the expected level of quality. This performance problem is critical at this time because the Department plans to invest nearly one billion dollars in new projects at the Laboratory over the next five years.

The key weaknesses identified include (1) poor project development and baseline definition, (2) failure to integrate program and project management, (3) lack of implementation and enforcement of project controls by the Laboratory, and (4) insufficient oversight. Continued poor project performance at the Laboratory could impact the Laboratory’s capability to meet assigned missions.

Assessment of Progress: In response to the identified project management deficiencies, the Department and Laboratory have undertaken additional assessment activities to determine root causes, corrective actions, and implementation strategies required to fully establish and maintain an effective construction project management program and ensure proper management of the Stockpile Management at the Laboratory. A key result of these efforts was the formulation of a Nuclear Construction Projects Office (NCPO) within the field site in July of 1997. The NCPO was established to provide a single DOE field line management organization responsible for management oversight of projects at the Laboratory. The NCPO includes both field office and site personnel, and therefore, previously cited actions were incorporated into the formulation of the new office.

Critical Milestones	Original Target Completion Month/Year	Revised Target or Actual Month/Year
1. Develop laboratory corrective action plan.	12/97	12/97
2. Reconstitute DOE/lab project oversight committee.	12/98	04/99
3. Strengthen management structure.	12/98	01/99
4. Strengthen project management controls.	09/99	09/00
5. Prepare interface agreement for Stockpile Management.	11/99	09/00

Success Indicator for Closed Corrective Action Plans:

Is plan closed?      X   Yes           No, not applicable.

Formal project reviews occur monthly, with “at risk” projects. Several of the Laboratory’s projects have turned around and been taken off the Chief Operating Officer’s watch list. DOE staff now also participate in the generation, negotiation, and assessment of contract performance measures for the laboratory related to project management.

Name:    John B. Surname

Title:    Assistant Manager for Facilities Management

Date:    September 16, 200X

## DEFINITIONS

1. Action Plans describe reportable problems or reportable financial management system nonconformances, their root cause(s), and the actions planned for correcting them.
2. Assurance Report is an annual report from heads of Departmental elements on the status of management controls and financial management system(s) within their respective programs and administrative functions.
3. Departmental Challenge is a reportable problem determined to be of significance at the overall Departmental level, warrants the attention of the President and/or Congress, and is reported by the Secretary.
4. Financial Management Systems are systems—both manual and automated—used to collect, classify, analyze, and report data for financial decision making; process, control, and account for financial transactions and resources; formulate and execute the budget; and generate financial information in support of the Department’s mission.
5. Management Controls (internal controls) are the organization, procedures and methods managers use to achieve their goals. They include processes for planning, organizing, directing, and controlling operations. Management controls are designed to reasonably assure that programs achieve intended results; resources are used consistent with DOE’s mission and are protected from waste, loss, unauthorized use, and misappropriation; laws and regulations are followed; and decisions are based on reliable data. Management controls apply to all programs and administrative functions.
6. Programs and Administrative Functions are the Departmental element’s programs and administrative functions subject to evaluation and reporting.
7. Reportable Nonconformance is a financial management system nonconformance with Office of Management and Budget and General Accounting Office requirements that is of concern to the next higher level of management. Chapter IV contains specific criteria to aid managers in determining whether a nonconformance is reportable.
8. Reportable Problem is a problem that generally would be of concern to the next higher level of management. Chapter III contains specific criteria to aid managers in determining whether a problem is reportable.
9. Responsible Manager is a manager responsible for a specific program or administrative function.
10. Sensitive Area is an area identified by the Office of Management, Budget and Evaluation in its annual year-end reporting guidance which must be identified as a separate program in each Department element’s list of programs and administrative functions, regardless of funding level.

11. Significant Issue is an issue reported by the head of a Departmental element which meets the standard of a reportable problem either as a current or emerging issue, but for which correction is outside the scope of their responsibility or operational authority.
12. Site/Facility Management Contractors is a term used to describe the universe of contractors responsible for the management and operation of Department-owned facilities. These may include management and operating contractors, integrated, integrating contractors, etc.
13. Summary Management Review is an annual evaluation of a Departmental element's programs and administrative functions based on day-to-day knowledge and existing evaluations. It is an overall look at an operation and provides a framework for identifying and summarizing inadequate management controls and reportable problems.
14. Summary Financial Management System Review is an annual evaluation of the Departmental element's financial management system to determine if it conforms to Federal financial management system requirements.

CANCELED