

**CHAPTER 5
ACCOUNTING FOR OBLIGATIONS**

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I. INTRODUCTION

I.A. Purpose

This chapter prescribes general requirements applicable to incurring, recording, and reporting obligations.

An obligation is defined as a “definite commitment that creates a legal liability of the government for the payment of goods and services ordered or received, or a legal duty on the part of the United States that could mature into a legal liability by virtue of actions on the part of the other party beyond the control of the United States.” (GAO-05-734SP Budget Glossary)

I.B. Applicability

This chapter applies to all Departmental elements. Applicability of the Financial Management Handbook (FMH) to the Power Marketing Administrations is discussed in Chapter 1 *Financial Management Handbook Overview*.

I.C. Policy

In accordance with applicable statutory requirements, the Departmental policy for obligations is as follows:

- I.C.1. Incur obligations only for the purpose for which the appropriation is intended and within the time limits applicable to the appropriation.
- I.C.2. Obligate time-limited appropriations only to meet *bona fide* needs arising in the fiscal year(s) for which the appropriation is available, unless specified otherwise by law.
- I.C.3. Exercise adequate controls to ensure that obligations do not exceed the amount appropriated by statute and are not incurred before the appropriation becomes law, unless otherwise provided by law.
- I.C.4. Promptly record each obligation within the monthly accounting period in which the obligation event occurs. Record an amount as an obligation only when supported by documentary evidence as prescribed by 31 USC 1501(a).
- I.C.5. Record all legal obligations even when authority for the obligation has been exceeded with regard to purpose, time, or amount.
- I.C.6. Review, at least annually, all unpaid obligations.
- I.C.7. Record, report, and identify the recovery of funds obligated in prior years, unless otherwise excluded in this chapter, or by law. These funds may be deobligated at any time, but they shall not be available for reuse until they have been formally allotted.
- I.C.8. Maintain documentary evidence in support of all obligations.

- I.C.9.** Ensure that all final invoices are paid and that all unpaid obligations are deobligated before the cancellation of time-limited funds.

II. COMMITMENT AND CERTIFICATION OF FUNDS AVAILABILITY

In accordance with FMH Chapter 2, *Administrative Control of Funds*, funds shall be reserved before incurring obligations. A commitment (synonymous with “reservation”) of funds is a budgetary and accounting action taken to reserve funds to ensure that funds are available before contractual documents are awarded. In addition, commitments are recorded for anticipated expenditures such as payroll and contingent liabilities. Commitments are valid only during the fiscal year in which they are executed. If funds are not obligated by the end of the fiscal year, a new commitment of funds must be made in the new fiscal year.

III. RECORDING OBLIGATIONS

In accordance with the policy set forth in Section I.C. above, program budget and accounting officials must ensure all obligations are recorded in a timely and accurate manner and against the applicable legislative control levels and appropriation. Their responsibility includes preventing the over-recording and under-recording of obligations and meeting the standards for proper recording. Because the Department of Energy (DOE) has a wide variety of transactions, the decision and action to record an obligation must be evaluated carefully and conducted on a case-by-case basis, with an emphasis on recording only legal obligations.

IV. OBLIGATION OF TIME-LIMITED FUNDS

Budget and accounting officials must comply with the *bona fide* need rule. The *bona fide* need rule comes from 31 USC 1502(a), which prohibits an agency from obligating funds that are appropriated for the needs of a time-limited period (single-year or multi-year) to meet the needs of subsequent time periods unless the obligation is authorized by more specific statutory authority such as the *Federal Acquisition Streamlining Act of 1994* (41 USC 3902). The *bona fide* needs rule applies to multiyear appropriations and single-year appropriations; **it does not apply to no-year appropriations.**

IV.A. Obligations for Non-Severable Requirements

Agencies may obligate time-limited funds to cover all non-severable requirements (as determined by the Contracting Officer) that will be performed under the entire contract, including the portion of the requirements that will be performed subsequent to the period during which the time-limited funds may be obligated. The entire non-severable requirement (with all of its separate components) is considered a *bona fide* need of the time period that the agency entered into the contract.

IV.B. Obligation for Severable Requirements

Agencies may obligate time-limited funds only to cover the severable requirements (as determined by the Contracting Officer) that will be performed

in the period during which the time-limited funds may be obligated. Each of the separate components of the severable requirements must be funded only with the time-limited funds applicable to the period in which the need for the component arises.

One partial exception to this basic rule for the funding of severable requirements is the *Federal Acquisition Streamlining Act of 1994* (41 USC 3902), which provides that an agency may enter into a contract, option, or order for severable services that crosses fiscal years and fund it (with all of its components) with funds of the current fiscal year, provided that the period of performance of the contract, option, or order does not exceed twelve months. The partial exception applies to one-year funds and to multiple year funds in the last year of their availability for obligation (before the last year there is no need for an exception to obligate funds across fiscal years during the normal period of availability). Additional Guidance is provided in the DOE Acquisition Chapter 32-703-3 *Time-Limited Funding on Contract Planning, Award, and Administration*.

IV.C. Travel with Time-Limited Funds

IV.C.1. General Rule

Obligations for travel are charged to funds available for obligation in the fiscal year that the travel occurs. When using time limited funds for travel that occurs in the next fiscal year, an office should consider that the current fiscal year is properly chargeable if the travel was identified as a bona fide need in the current fiscal year, the scheduling was beyond the control of the agency, and the time between procurement and performance is not excessive.

IV.C.2. Travel Spanning Fiscal Years

When the travel is a bona fide need of the current fiscal year, the entire cost of the trip may be charged to funds available for obligation in the current year, even if the travel begins in the current year and ends in a subsequent year.

When the portion of the travel occurring in subsequent fiscal years does not represent a bona fide need of the current fiscal year, the travel authorization must be modified to ensure that the expenses of the subsequent fiscal year (e.g., per diem and mileage) are charged to the funding available for obligation in the subsequent year.

IV.C.3. Travel Booked in the Current Year with Travel Occurring in the Following Year

When the travel is a bona fide need of the current fiscal year, the entire cost of the trip may be charged to funds available for obligation in the fiscal year that the travel was booked.

When the travel is not a bona fide need of the current fiscal year, only expenses paid in the current fiscal year (typically transportation paid in advance) may be charged to funding available for obligation in the current fiscal year. Expenses of the subsequent year must be charged to funding available for obligation in the subsequent year.

IV.C.4. Specific Annual Guidance

More specific guidance on accounting and obligations for travel during year-end periods is included in year-end guidance, *Agency Financial Report and Financial Statement Reporting Guidance*, provided by the CFO Office of Finance and Accounting.

IV.D. Training and Development

These expenses may be charged to the currently available time-limited funds in which the obligation is incurred even if the training may extend into the following fiscal year. See 31 USC 1502(a). Training typically tends to be non-severable.

An agency also may charge currently available time-limited funds for the entire cost of a training course scheduled to begin in the next fiscal year when:

- The training meets a *bona fide* need of the current fiscal year;
- Scheduling of the training is beyond the agency's control; and
- The time between procurement and performance is not excessive.

Additional information can be found in Chapter 5 of the *GAO Principles of Federal Appropriations Law*.

IV.E. Agreements with Other Federal Agencies

When other Federal agencies provide services or materials to the Department under an interagency agreement authorized by the Economy Act, DOE must deobligate any time-limited funds that have not been obligated by the performing agency before the expiration of the funds. The deobligation is a control to ensure that expired funds are not improperly obligated by the performing agency. These expired funds are not available for new obligations.

IV.F. Replacement Contracts

Replacement contract rules are applicable to situations when:

- The Department must replace original contracts due to termination, and
- The funding provided for the initial contract has expired and thus is not available for new obligations.

The replacement contract rules may apply when a contract is terminated because of:

- Default by the contractor or pursuant to a court order or

- Determination by a Contracting Officer that the award was improper due to explicit evidence the award was erroneous and when the determination is documented with appropriate finding of fact or law or by another competent authority (board of contract appeals, Government Accountability Office, or contracting officer) that the contract award was improper.

Under the replacement contract rules, the funds obligated under the original contract may be available for the purpose of engaging another contractor to complete the unfinished work, notwithstanding the fact that their original period of obligational availability has expired.

In order for funds to remain available beyond expiration for a replacement contract, four conditions must be met:

- IV.F.1.** The original contract was made in good faith.
- IV.F.2.** A bona fide need for the work, supplies, or services must have existed when the original contract was executed, and it must continue to exist up to the award of the replacement contract; and
- IV.F.3.** The replacement contract must not exceed the size and scope of the original contract. If it does, it is a new obligation and must be charged to funds currently available for obligation at the time the replacement contract is entered into; and
- IV.F.4.** The replacement contract must be awarded without undue delay, within a reasonable time after termination of the original contract.

Additional information can be found in Chapter 5 of the *GAO Principles of Federal Appropriations Law*.

IV.G. Adjustment(s) Increasing an Obligation after the Expiration of the Appropriation (Upward Adjustments)

Upward adjustments should be recorded and reported only as valid upward adjustments in accordance with requirements set in FMH Chapter 2, *Administrative Control of Funds*.

IV.H. Adjustment(s) Decreasing an Obligation after the Expiration of the Appropriation (Deobligations of Expired Funds)

Deobligation of expired funds should be reported as downward adjustments in accordance with requirements set in FMH Chapter 2, *Administrative Control of Funds*.

Please note:

- IV.H.1.** When deobligated, expired funds are not legally available for incurring new obligations, but they may be used to cover other valid upward adjustments within the original appropriation or fund in the expired account.
- IV.H.2.** Deobligated, expired funds are not legally available for incurring obligations on new or successor contracts. New or successor

contracts must be obligated using current unexpired appropriation(s) that are available for incurring new obligations at the time the contracts are awarded.

IV.I. Closed Appropriations

In accordance with 31 USC 1552 and FMH Chapter 2, *Administrative Control of Funds*, obligated balances of expired accounts (closed fixed period) remain available for 5 years after the expiration of the funds for expenditures and valid upward adjustments of the original obligation.

At the end of the 5-year period, all unliquidated obligations must be canceled by the Department, and the accounts closed. Any subsequent payment or obligation associated with a closed account shall be paid from a current unexpired appropriation made for the same general purpose. If it is unclear whether funds are available that were appropriated for the same general purpose, consult with the CFO Office of Budget to determine whether current funds may be used to satisfy the unpaid obligation or whether a deficiency appropriation is needed.

The total amounts of payments or obligations associated with a closed account may not exceed either the amount available in the original appropriation or fund account that was closed, or one percent from the current unexpired appropriation.

V. TYPES OF OBLIGATIONS

V.A. Contracts

V.A.1. Site Facility/Management Contracts (including Management and Operating Contracts)

Record an obligation based on the funding amounts specified by the financial plans that are included as part of the contract action or contract modification.

V.A.2. Firm Fixed Price Contracts

Record obligations for the total amount stated in a firm fixed price contract when the contract is executed. An exception to this policy is made if the contract contains a limitation of Government obligation clause and the project has been approved through the budget process for incremental funding. In such a case, the contract may be funded incrementally; that is, obligations may be recorded to cover termination costs and current-year requirements only. When the termination costs decline as the project approaches completion, the obligations should be reduced accordingly.

V.A.3. Fixed Price Contracts with Escalation, Price Redetermination, or Incentive Provisions

When a fixed price contract is executed, record an obligation in the amount of the price stated in the contract or in the amount of the billing price if the contract includes an incentive clause. The initial obligation shall include an amount to cover the expected payments to be made under the variable conditions of the contract, such as engineering services, prepaid transportation, and container deposits. The recorded obligation shall be adjusted to cover price revisions at the time the revisions are determined in accordance with the contract.

V.A.4. Cost Reimbursement Contracts and Time and Material Contracts

These contracts include cost plus fixed fee, cost, cost sharing, cost plus incentive fee, cost plus award fee, time and material, and labor hour contracts. When a contract is executed, record an obligation in an amount not in excess of the total estimated costs, including the fixed fee in the case of a cost-plus fixed fee contract and the target fee in the case of a cost-plus incentive fee contract. Adjustments to the initial recorded obligation shall be made only when they are supported by properly executed modifications to the contract.

V.A.5. Indefinite-Delivery Type Contracts

V.A.5.i. Open-End or Indefinite Quantity Contracts include call contracts, options contracts, as desired or wish, want, or will contracts, basic agreements and basic ordering agreements, blanket purchasing agreements for small purchase orders, credit cards, and indefinite delivery contracts. These contracts are collectively termed “open-end” because they place no obligation on the Government, regardless of its requirements, to place orders beyond any stated minimum quantity.

Funds for the stated minimum quantity are obligated upon execution of the contract. Funds for any quantity in excess of the stated minimum are obligated upon issuance of the order.

V.A.5.ii. Definite Quantity Contracts provide for deliveries of definite quantities of specific goods or services for fixed periods, with deliveries scheduled at designated locations. DOE is obligated to purchase the quantity of supplies or services designated in the schedule of a definite quantity contract. Depending on the situation, a definite quantity contract may provide for a fixed unit or a fixed price. The entire contract amount is recorded as an obligation against the appropriation available at the time of contract award.

V.A.5.iii. Requirements Contracts provide for filling all actual purchase requirements for specific goods or services during specified contract periods. Deliveries under the contract are

scheduled by placing orders with the contractor. The amount of each order is recorded as an obligation when issued.

V.A.5.iv. Task Order Contracts are usually service-related contracts awarded for specific performance periods. When services are required, a task order is issued to the contractor. The task order provides the scope of work, the deliverable, and the expected cost, and is recorded as an obligation when issued.

V.A.6. Contracts Under Specific Statutory Authority

The DOE obligation for a contract under specific statutory authority (such as the acquisition of source material or utility services) shall be recorded at the beginning of each month or quarter for the estimated deliveries during that period. At the end of each fiscal year, the unpaid obligation under the contract shall be adjusted to the actual or estimated amount determined at that time to be due for deliveries actually received through the end of the fiscal year.

V.A.7. Other Contracts

V.A.7.i. Contracts Authorizing Variations in Quantities

An obligation shall be recorded when a contract is executed and only in the amount and for the quantity specified for delivery, exclusive of permitted variations. Increase or decrease the amount recorded to cover the amount for the quantity actually delivered and accepted.

V.A.7.ii. Combination Contracts

Combination contracts are contracts or agreements that contain more than one type of obligation. The total amount to be recorded as an obligation upon execution of such a contract should be the sum of amounts arrived at as appropriate for each of the various types.

V.A.7.iii. Contracts Covering Lands and Structures

Contracts covering lands and structures involve procurement of land and interest in land, buildings and other structures, additions to buildings, nonstructural improvements, and fixed equipment. Obligations shall be established upon execution of the contracts for the total amounts involved, in the absence of incremental funding as described in Section V.A.2.

V.A.7.iv. Lease Purchases and Capital Leases

Under OMB Circular A-11 *Preparation, Submission, and Execution of the Budget*, lease purchases and capital leases must be fully obligated at the beginning of the lease term (or the date of the first payment, whichever is earlier).

Exceptions to this general rule include leases between Federal agencies if the lessor recorded the full cost of the asset when it was acquired, approved telecommunication systems, intragovernmental lease transactions with the General Services Administration (GSA Leases), Energy Savings Performance Contracts (ESPCs), or any other exception approved or permitted by the Office of Management and Budget.¹

Additional information regarding accounting transactions for leases can be found in FMH Chapter 10, *Property, Plant and Equipment*.

V.A.7.v. Operating Leases

To qualify as an operating lease, the amount obligated must be an amount sufficient to cover the lease payments for the first year at a minimum, the amount of the lease payments over the minimum lease period plus any required cancellation payment. The definition of an operating lease for budgetary purposes is contained in OMB Circular A-11 *Preparation, Submission and Execution of the Budget*, Appendix B. Appendix B provides six criteria for an operating lease. If the lease agreement does not meet all six criteria, the lease shall be considered a capital lease or a lease purchase.

For rent or property leases (for which the Department is the lessee), normal Departmental practice is to structure the lease agreement so that it meets the six OMB requirements for an operating lease, including a cancellation provision.

OMB Circular A-11 *Preparation, Submission and Execution of the Budget* provides special rules for GSA leases funded through GSA's Federal Buildings Fund. The obligational requirements for such leases are the same as the requirement for operating leases, and DOE obligations are required only for the annual lease payment.

¹ Additionally, DOE Order 130.1A *Budget Planning, Formulation, Execution and Departmental Performance Management*, Section 4.B.(6)(a) sets forth the policy on notification to OMB regarding High Performance Computing.

V.A.7.vi. Letter Contracts and Amendments Thereto

A letter contract or any amendment thereto, must be sufficiently specific and definitive to show the purpose and scope of the contract to be executed and, when accepted in writing by the contractor, shall constitute documentary evidence to support the recording of an obligation at the time the document is executed. The obligation shall be recorded in the amount stated as the maximum under the letter or amendment.

The maximum shall be the amount necessary to cover costs and commitments to be incurred by the contractor before the execution of a definitive contract. Increase or decrease the obligation so recorded to the amount provided in the definitive contract when it is executed. If the letter merely indicates the Government's intention to enter into a contractual relationship at a later date, treat the amount involved as a reservation rather than an obligation.

V.A.7.vii. Condemnation Proceedings

For condemnation proceedings, obligate the estimated price of the land at the time the Attorney General is requested to start the proceedings, adjusted to the amount of the payment to be held in escrow when there is a declaration of the taking.

V.A.7.viii. Multi-year Service Contracts

Multi-year service contracts such as grounds maintenance and purchase contracts for expendable commodities should be obligated as if they were operating leases.

V.B. Grants, Cooperative Agreements, and Technology Investment Agreements

Grant, cooperative agreement, and technology investment agreement obligations are incurred at the time an authorized contracting officer signs the award document. The grantee accepting the award need not sign the award document for the obligation to be incurred and recorded. Once funds have been obligated for a grant, cooperative agreement, or a technology investment agreement, a modification or an amended award document signed by an authorized contracting officer is required to deobligate funds.

This applies to a newly awarded grant, cooperative agreement, or a technology investment agreement, not accepted by the grantee, to a reduction in an amount previously awarded, and to a closeout adjustment to the balance of a DOE obligation. FMH Chapter 14, *Financial Assistance and Technology Investment Agreements*, provides additional information.

V.C. Purchase Orders

Record obligations in the amounts stated in the purchase orders for materials or services at the time the purchase orders are issued.

V.D. Payroll**V.D.1. Employee Salaries**

Obligate the actual amounts earned by and paid to employees during the pay period from computations based on payrolls at the close of each pay period. Additionally, accrue and obligate each month the estimated amounts due but not paid to employees, and adjust or reverse this obligation in the following month.

V.D.2. Other Charges Based on Salaries

Living and quarters allowances; supplemental pay allowances under 5 USC 3373; and employers' shares of contributions to retirement funds, insurance premiums, and Federal Insurance Contributions Act and Medicare taxes are obligated at the time employee salaries are earned and obligated as stated above in Section V.D.1

V.D.3. Other Allowances such as Uniform Allowances and Incentive Awards

Obligate these types of allowances and awards when they become payable to the employees.

V.D.4. Severance Pay

Obligate severance pay for the pay period covered, on a pay-period-by-pay-period basis.

V.D.5. Annual Leave, Sick Leave, and Compensatory Time

Obligate annual leave for DOE employees when it becomes due and payable as terminal leave or when otherwise specifically authorized by law, rather than at the time the leave is earned. Sick leave and compensatory time is obligated, costed, and paid when used.

V.E. Travel**V.E.1. Temporary Duty (TDY)**

Record an obligation for TDY travel based on approved travel orders when a travel voucher is processed in the Departmental travel system. For TDY funded by time-limited appropriations that spans fiscal years, see Section IV.C.

V.E.2. Permanent Change of Station (PCS)

For PCS, record an obligation representing the estimated travel costs to the current appropriation when the travel authorization is issued. Record an adjustment to the obligation based on the costs itemized on the traveler's settlement voucher.

V.E.3. Local Travel

Usually, local travel costs are obligated based on receipt and approval of the traveler's claim voucher.

V.F. Transportation of Other Goods

Government bills of lading, other commercial contracts, and intra-governmental orders for specific transportation services are recorded as obligations when issued. Obligations for transportation that has not been commenced at year end must be deobligated and obligated in the next fiscal year if still valid. In the case of expenses for shipment of household goods and for other change-of-station expenses, record an obligation against current-year funds when the employee is issued travel orders. The obligation shall remain recorded until it is liquidated by payment or there is a modification or cancellation of the travel orders.

V.G. Communications and Public Utilities

Normally, the estimated or actual amounts for metered services received in that month are obligated at the close of each month.

V.H. Agreements with Other Federal Agencies

The Economy Act of 1932 (31 USC 1535) and the Atomic Energy Act are examples of authorities that allow DOE to enter into agreements to acquire or provide goods or services with other Federal agencies. FMH Chapter 13.1, *Reimbursable Work and Interagency Agreements*, provides the policies for funds-in agreements.

V.H.1. DOE as Ordering Agency (Funds Out)

An agreement made by DOE with another Federal agency for the furnishing of materials or services that are chargeable to DOE's appropriations shall be recorded as a valid obligation for the full amount stipulated in the agreement as of the date of acceptance, see Section IV.E. When the agreement is executed by a transfer appropriation (Standard Form (SF) 1151, *Non-expenditure Transfer Authorization*), the obligation is recorded based on the obligation reported by the performing agency on its SF-133, *Report on Budget Execution*.

V.H.2. DOE as Performing Agency (Funds In)

Funds provided under reimbursable agreements are to be used solely for the intended purposes and in accordance with the legal and other limitations imposed on the use of funds as specified in the agreements. Failure to adhere to these limitations constitutes an unauthorized use of funds and a potential violation of 31 USC 1301.

V.I. Cooperative Work with Other Federal and Non-Federal Entities.

DOE funds shall not be used to finance a cosponsor's share of a cooperative work project. FMH Chapter 13.1, *Reimbursable Work and Interagency Agreements*, provides the policies for cooperative work.

V.J. Interagency Orders Required by Law

In some instances, the law requires that orders for supplies or services be placed with certain Federal agencies operating under self-sustaining, revolving, or working-capital funds established by law. Record an obligation when the order is issued to the other agency, even though the work may be completed or supplies may be delivered during the ensuing fiscal year. The amount obligated shall be based on the order placed with the other agency. When an order is placed for a variable quantity, the amount obligated shall be based on the estimated quantity to be delivered during the fiscal year.

V.K. Claims**V.K.1. Tort Claims**

In the case of an award, compromise, or settlement of a tort claim by DOE in an amount of \$2,500 or less, funds are obligated on the date of the award, compromise, or settlement (28 USC 2672) out of appropriations made available by DOE. An award, compromise, or settlement in excess of \$2,500 may be paid under the Permanent Appropriation or Judgement Fund (31 USC 1304(a)) if the payment is not otherwise provided for. If an award, compromise, or settlement cost is consistent with the purpose of available DOE appropriations, funds should be obligated using available DOE appropriations. Questions regarding whether an existing DOE appropriation provides funding for a specific award, compromise, or settlement should be referred to the Office of General Counsel.

V.K.2. Contractor Claims before the Board of Contract Appeals

If sufficient funds are not obligated under the contract, the Designated Financial Officer obligates funds in either of the following cases:

V.K.2.i. When a compromise or settlement agreement in favor of the contractor is executed while a claim is before the Board of Contract Appeals, on the date (or as soon after the date as possible) of the compromise or settlement agreement.

V.K.2.ii. If the board decision is adverse to DOE, on the date the decision becomes final (30 days after receipt of the decision by either party; unless either party requests board reconsideration within the 30-day period). Check with the board recorder to ascertain the status of a board decision.

V.K.3. Claims before the U.S. Court of Claims

Contractors have the option of presenting their claims directly to the U.S. Court of Claims. Upon notification of such a claim, the finance office shall obligate funds in the same manner as described in Section V.K.2 above.

V.L. Inter-Entity Work

Detailed requirements for the Inter-entity Work Order Process are provided in FMH Chapter 12, *Inter-Entity Work between DOE Organizations*.

V.M. DOE Working Capital Fund (WCF)

Funds are obligated to the WCF when Departmental Elements provide those funds to the CFO for related purposes and CFO posts the funds to the Working Capital Fund.

V.N. Interest

DOE is not liable for interest unless it has consented to be liable for interest, either by the enactment of legislation or by contractual agreement. When DOE is liable, the Designated Financial Officer shall obligate interest for the amount that is owed during the reporting month.

V.O. Foreclosures

The cost of foreclosures shall be obligated when the cost is identified and authorized in accordance with a loan default or delinquent receivable settlement action.

V.P. Payments in Lieu of Taxes

Payments in lieu of taxes (PILT) are recorded as obligations in accordance with the terms of the Intergovernmental Agreement (IGA). The obligation is recorded when the IGA or a modification to the IGA is executed. Obligations for recurring payments in fiscal years subsequent to an IGA or modification are recorded when the PILT for that fiscal year is approved for payment.

V.Q. Loan Programs

V.Q.1. Title XVII Loan Guarantees. Obligations shall be recorded for the credit subsidy cost of a loan guarantee made under the Title XVII Clean Energy Financing Program² at the time of conditional commitment, consistent with the provisions governing conditional commitment specified in 10 CFR 609.

V.Q.2. ATVM Loans. Obligations of the subsidy amount of loans made under the Advanced Technology Vehicles Manufacturing (ATVM) program³ shall be made at the time of conditional commitment when the

² Loan guarantees made under the authority of Title XVII of the *Energy Policy Act of 2005* (42 USC 16511-16516).

³ Loans authorized under section 136 of the Energy Independence and Security Act of 2007, P.L. 110-140.

conditional commitment meets the requirements specified in 10 CFR 611.105(a).⁴

V.R. Other Miscellaneous Obligations

Other miscellaneous obligations, not otherwise specified in this policy, must be recorded when there is documentary evidence of the obligation, as specified in 31 USC 1501 or other applicable statute.

VI. ADJUSTMENTS TO OBLIGATIONS

To comply with the requirement that obligations be recorded in a timely manner, adjustments to increase or decrease obligations must be recorded when events or justifiable conditions occur. Program budget and accounting officials have mutual responsibility to ensure the following minimum requirements are considered or used to adjust obligations:

VI.A. Modifications of Agreements

When contract modifications involve changes in amounts for any reason, including corrections of estimates, required obligation adjustments shall be recorded promptly upon approval of the contract modification.

VI.B. Termination of Contracts and Agreements

When a contract or agreement is terminated in whole or in part for the convenience of DOE, decrease the pertinent obligation to an amount sufficient to meet the settlement costs under the termination. Do not decrease the obligation below the amount estimated by the contracting officer. The deobligation shall be supported by contract modification or formal termination agreement, except in the cases of deobligation of small purchase and delivery orders, for which the contracting officer may use a locally approved form in lieu of a contract modification to indicate that remaining funds are not needed for further payment and should be deobligated. For the purpose of this exception, small purchase and delivery orders shall be limited to the Federal Acquisition Regulation Simplified Acquisition threshold.

VI.C. No-Year Appropriations

Unpaid obligations shall be canceled when the Secretary or President determines the purpose(s) within a no-year appropriation has been carried out and there is an absence of any disbursement for two consecutive fiscal years.

⁴ 10 CFR 611.105(a) states that "Only an Agreement executed by a duly authorized DOE Contracting Officer can contractually obligate the government to make a loan made by and through the Federal Financing Bank with the full faith and credit of the United States government on the principal and interest."

VI.D. Special Requirements for Increasing Obligations

Adjustment(s) correcting an erroneously reported prior year deobligation must be made in coordination with the CFO Office of Finance and Accounting.

VI.E. Special Requirements for Decreasing Obligations (Deobligations)

To ensure compliance with OMB Circular A-11, changes in obligations incurred in prior years must not be netted against current obligations.

When conditions change and funds are no longer needed on a particular contract, in whole or in part, the funds are removed from the contract (deobligated). If the original unpaid obligation occurred in a prior fiscal year, these deobligations should be recorded and reported as a downward adjustment to prior year unpaid obligations (prior year deobligation) and are not available for obligation. Prior year deobligation within unexpired accounts that are subject to apportionment require reapportionment by the OMB before being reissued (issuance of a new allotment) by the CFO Office of Budget, Funds Distribution and Control Team for future obligation.

A reapportionment is a revision of a previous apportionment of budgetary resources for an appropriation or fund account. Agencies are required to submit requests for reapportionment to OMB as soon as a change becomes necessary due to changes in amounts available, program requirements, cost factors, or de-obligations/re-obligations above specific levels (OMB Circular A-11, Section 120).

The transition from one site/facility management contract to another contract managing the same facility requires advance planning to ensure that the prior-year funds are properly apportioned and available for obligation on the new contract. When DOE funds are moved from one site/facility management contract to a new site/facility management contract, the DOE funds must be deobligated from the closed contract. Any DOE funds that were originally obligated in a prior year must be reapportioned before the funds can be obligated on the new contract, even if the contractor remains the same. As soon as the new site/facility management contract is anticipated, written notice must be made to the Director of the Office of Budget and the CFO Funds Control and Distribution Team in order to facilitate requests for the required reapportionment requests. Whenever possible, contract transitions should be timed to occur when sufficient current-year funds are available for immediate obligation on the new contract.

Select DOE funds may be exempt from apportionment by law or by approval from the Director of OMB per OMB Circular A-11, Section 120. While these types of funds are exempt from the requirement to request apportionment, deobligation of these funds should be recorded and reported as a prior year deobligation (PYD) to ensure accurate financial reporting. Consult with the

CFO Office of Budget, Funds Control and Distribution Team, for questions relating to DOE funds that are exempt in the apportionment system.

The following exceptions do not need to be recorded and reported as prior year deobligations and do not require reapportionment.

VI.E.1. Administrative changes to existing obligations do not constitute prior year deobligations

Transactions that make administrative or non-substantive changes to the accounting information of current obligations are not deobligations. Thus, such administrative changes to prior year obligations should not be recorded as prior year deobligations within STARS.

Generally, a transaction is considered an administrative change if it does not decrease the total dollar amount obligated; change vendor information (except as provided elsewhere in this policy); change the fund code; or reduce the funds available for the work scope specified by the contract or the work authorization.

Administrative changes would include recasts requested by the HQ CFO, corrections to erroneous transactions, administrative adjustments to reflect a change in the DOE office responsible for contract administration, and accounting adjustments that do not reduce the funding available to the contractor for a particular work scope. Examples of such accounting adjustments would include changes to a local use code made to ensure that expenditures are recorded appropriately or changes to an object class value when funds that were approved for a miscellaneous item of equipment (MIE) purchase are no longer needed for that purpose.

VI.E.2. Replacement Contracts

Expired funds may be used for replacement contracts under the limited circumstances described in Section IV.F. of this policy. Because they are expired, such funds cannot be reapportioned.

When replacement contracts are permitted, the funds deobligated from the vendor that was unable to complete the work scope should be marked as current year obligations. This allows the funds to be re-obligated on the replacement contract.

VI.E.3. Reimbursable Work Funding

As referenced in DOE Order 481.1E *Strategic Partnership Projects*, reimbursable work is performed by DOE under the authority of the Atomic Energy Act. Under the rules applicable to this authority, funding provided by customers is considered obligated at the time the work is accepted by DOE. Thus, subsequent DOE contract actions or other transactions needed to perform work under the scope of the original agreement, including the recording of a deobligation from a

site/facility management contract, are not considered prior year deobligations as there is no change to the legal obligational status of the funding.

When a reimbursable work agreement is completed, the deobligation of any remaining funds obligated in prior years should be recorded as a prior year deobligation.

VI.F. Furnishing of Items by DOE to Contractors

When certain items are procured by the contractor and the estimated cost is included in the contract amount obligated and it becomes necessary or advisable for DOE to supply such items, a modification or other applicable contract action shall reflect a change in amount, and the pertinent obligation shall be reduced accordingly. Loan of equipment by DOE to a contractor may require similar action.

VII. REVIEW AND REPORTING OF OBLIGATIONS

VII.A. Periodic Review and Validation of Unpaid Obligations

Designated Financial Officers have primary responsibility for ensuring that all known transactions meeting the criteria of 31 USC 1501 have been recorded as obligations; that the unpaid balances of these obligations are reviewed at a minimum, at least annually, and are valid; and that invalid, inactive (stale), or excess balances, as a result, are promptly deobligated.

VII.B. Annual Certification

Designated Financial Officers certify the accuracy of the balances contained on the Year end Closing Statement; specifically, they certify that all known obligations are recorded correctly and that each meets the criteria established in 31 USC 1501. Designated Financial Officers are also responsible to perform reconciliations of obligations (i.e., FDS to STARS, STARS to STRIPES, PO to GL). In addition, Designated Financial Officers are expected to continue to monitor their reports throughout the fiscal year, and report as directed by the CFO Office of Finance and Accounting.

Additionally, Designated Financial Officers have the responsibility for ensuring that inactive (stale) obligations are identified, reported, and reviewed in accordance with the guidance and requirements set forth in the *Comprehensive Field Financial Review and Certification Standard Operating Procedure* (CFFR) provided by the CFO Office of Finance and Accounting.

VII.C. Reporting of Uncosted Obligated Balances

Uncosted obligated balances are periodically projected, analyzed, and reported by Departmental elements in support of the budget formulation process. Specific reporting requirements will be provided by the CFO Office of Budget.

SUBJECT: LIMITED CHANGE TO CHAPTER 5, ACCOUNTING FOR OBLIGATIONS

1. EXPLANATION OF CHANGES. These changes provide clarification for travel and added a new section for Loan Programs.
2. LOCATIONS OF CHANGES: Substantive limited changes made throughout the document are summarized at the beginning of the chart.

Page	Section	Section Title	Summary
5-5, 5-6	IV.C.	Travel with Time-Limited Funds	Clarifies language relating to travel with time-limited funds. The revised language more closely aligns with the end-of-year guidance provided for FY 2023 by the Office of Finance and Accounting.
5-16	V.Q.	Loan Programs	New section added regarding obligations for loan programs (Title XVII and ATVM loans). The updates to the obligation point for Title XVII corresponds to a recent update to 10 CFR 609, Loan Guarantees for Clean Energy Projects. The obligation point for ATVM loans corresponds to the existing regulations at 10 CFR 611.