



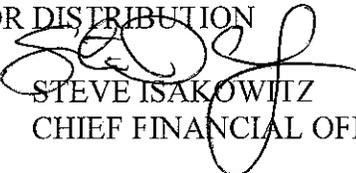
Department of Energy

Washington, DC 20585

July 29, 2009

MEMORANDUM FOR DISTRIBUTION

FROM:


STEVE ISAKOWITZ
CHIEF FINANCIAL OFFICER

SUBJECT:

Fiscal Year (FY) 2009 Performance and Accountability Reporting
Guidance and Requirements

The purpose of this memorandum is to establish reporting requirements for the FY 2009 Performance and Accountability Reporting. In FY 2009, the Department will produce the following three component reports: the Agency Financial Report (AFR), the Annual Performance Report (APR) and the Summary of Performance and Financial Information (previously titled the Citizens' Report). The AFR presents the Department's high-level financial information. The Department's detailed performance results are provided in the APR and transmitted with the Congressional Budget Justifications. The Summary complements these two documents by providing performance and financial information in a brief executive format.

This memorandum transmits overall guidance on organizational responsibilities and reporting instructions (also available at <http://www.cfo.doe.gov/crorg/cf1-2.htm>) for major deliverables that support the production of the three component reports. The accompanying documents include requirements for: a) providing assurances on the status of internal controls required under the Federal Managers' Financial Integrity Act, Appendix A of OMB Circular A-123, *Management's Responsibility for Internal Control* and the American Recovery and Reinvestment Act of 2009 risk areas; b) preparing and submitting field management representation letters to support the production of audited financial statements; c) reporting on research and development data as *Required Supplementary Stewardship Information* in the AFR; and d) submission of key performance and strategic theme information that will be required for component reports. The Office of Program, Analysis and Evaluation will coordinate the development of all performance related information and will provide additional instructions and timelines in the coming months.

The OMB continues to maintain aggressive deadlines for submission of the final AFR, APR and Summary Report, which provides very little flexibility in the established milestone dates. As such, I request your continued support to ensure strict adherence to the timelines presented in Attachment A. Your dedication and commitment in FY 2008 helped the Department to be one of the early AFR submitters to OMB and also earn the prestigious Certificate of Excellence in Accountability Reporting. I look forward to continued success in FY 2009 through our on-going partnership and coordination. If you have any questions regarding this guidance, please contact Lynn Harshman, Office of Financial Control and Reporting, at 301-903-2556.

Attachments



Distribution:

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Chief Operating Officer, Office of Electricity Delivery & Energy Reliability, OE-1.1
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Oak Ridge Office	Richland Operations Office
Savannah River Operations Office	Golden Field Office
Naval Reactors Laboratory Field Office	National Energy Technology Laboratory
Strategic Petroleum Reserve Project Management Office	Bonneville Power Administration
Western Area Power Administration	Southeastern Power Administration
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U.S. Department of Energy
AFR Guidance and Requirements
FY 2009
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**DUE DATES FOR MAJOR DELIVERABLES
FY 2009 PERFORMANCE AND ACCOUNTABILITY REPORTING**

<u>Deliverable</u>	<u>Due Date</u>
I. AFR Overall Reporting Dates	
Preliminary Draft	Sep 18, 2009
Program/Office of Management and Budget (OMB) Draft	Oct 16, 2009
Secretarial Draft	Oct 28, 2009
Auditor's Final Draft	Nov 4, 2009
Final Report to OMB	Nov 13, 2009
Research and Development Data	
Headquarters (HQ) Elements and Bonneville Power Admin. submit Research & Development information	Aug 7, 2009
Status of Internal Controls & Assurance Memorandum Reporting	
- FMFIA – Section II and IV	
Selected HQ Elements provide third quarter updates of Leadership Challenge summaries	Aug 3, 2009
Heads of Field Elements report to Lead Program Secretarial Officers (LPSO) w/copies to Cognizant Secretarial Officers (CSO)	Aug 14, 2009
Heads of HQ Elements, including NNSA, report to Secretary	Sep 15, 2009
- Financial Reporting - OMB Circular A-123, Appendix A	
Heads of Field Elements report assurances to LPSO & the Chief Financial Officer (CFO) with copies to CSOs	Aug 14, 2009
LPSO & Corporate Departments (MA & CIO) report assurances to the Secretary	Sep 15, 2009
-American Recovery and Reinvestment Act	
Selected Heads of Field Elements report assurances to the LPSO and the CFO	Aug 14, 2009
Selected Heads of HQ Elements report to the Secretary	Sep 15, 2009
Management Representation Letters	
Heads of Field Elements report to LPSOs and the CFO with copies to CSOs	Oct 9, 2009
Headquarters Management Representation Letters to the CFO	Oct 23, 2009
II. APR Reporting Dates	
Initial Performance Information from Programs	Oct 16, 2009
Final Report Due	Feb 15, 2010
III. Summary of Performance and Financial Information	
Initial Performance Information from Programs	Oct 16, 2009
Final Report Due	Feb 15, 2010

REPORTING ON THE STATUS OF INTERNAL CONTROLS

(Field and Headquarters Reporting Elements, including the National Nuclear Security Administration (NNSA))

Internal Controls – Sections II and IV

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) and related Office of Management and Budget (OMB) guidance require the Department to establish and maintain an internal control program and to report annually on internal controls to the President and Congress. Attachment B-3 lists those Departmental Elements, including NNSA, subject to the internal control program.

To support Departmental reporting, Heads of Departmental Elements, including NNSA, are required to report on the status of their organizations' internal controls, including reportable problems identified and progress made in correcting prior reportable problems. The report must cover the internal controls in place for all programs and administrative functions under his or her cognizance. It is the responsibility of each organization to ensure that its report covers all activities within the organization's purview, including the cross-cutting areas of (1) environmental management, (2) nuclear safety management, and (3) non-nuclear safety management. As in the past, the Heads of Field Elements are required to report to the respective Lead Program Secretarial Officer, with official copies simultaneously provided to the Cognizant Secretarial Officer(s). Heads of Headquarters Elements, including NNSA, report to the Secretary, and if applicable, through the appropriate Under Secretary. The report should be based on the results of existing reviews and day-to-day knowledge of the organization's operations. Because significant realignments and cutback activities increase the risk that deviations from established policy will occur, special consideration should be given to the impact these have on internal controls. The report is also required to consider the following:

1. Department of Energy (DOE) Order 413.1B, *Internal Control Program*. The Order contains requirements for evaluating and reporting annually on the status of internal controls, including internal control over financial reporting.
2. The Department of Energy FY 2008 Agency Financial Report. (Available electronically at <http://www.cfo.doe.gov/cf1-2/2008afr.pdf>) The FY 2008 AFR identified the most serious problems facing DOE as Leadership Challenges under the FMFIA program and describe actions taken and remaining to remove the deficiencies. Leadership Challenges were reported in the following nine areas: Contract and Project Administration, Acquisition Process Management, Security, Environmental Cleanup, Nuclear Waste Disposal, Stockpile Stewardship, Cyber Security, Human Capital Management and Safety and Health. Each office should review the FY 2008 AFR and ensure that careful consideration is given to evaluating controls related to the nine Leadership Challenges. In addition, offices with responsibility for correcting the Leadership Challenges should provide an updated status of actions taken and planned to the Challenge Champion. The Challenge Champion write-up must be coordinated among all the responsible program offices prior to submission.

3. Inspector General (IG) Memorandum on IG Audit Reports and Chief Financial Officer (CFO) Memorandum on Government Accountability Office (GAO) Audit Reports. These two memoranda are issued annually and provide information on the IG and GAO audit reports that have been issued during the year. The contact for the Inspector General memorandum is Felicia Jones at 202-586-7013. The contact for the CFO memorandum is Dianne Williams at 202-586-1295. These IG and GAO audit reports should be carefully considered when preparing your report and have been provided under separate cover. Any areas that are the subject of significant adverse audit coverage should be included in your assurance memorandum.
4. Audit of the Department of Energy's FY 2008 Consolidated Financial Statements. Last year, the IG contracted with the accounting firm of KPMG LLP to conduct the audit of the Department's consolidated financial statements. Careful consideration should be given to findings issued at both the Departmental and local levels as a result of the FY 2008 audit. The FY 2008 financial statement audit report identified a significant deficiency in the Department's system of internal controls relating to unclassified network and information systems security; however, it is not considered to be a material weakness. The audit report indicated that network vulnerabilities and weaknesses in access and other security controls over unclassified computer information systems continue to exist. Auditors found that the vulnerabilities increased the risk that malicious destruction/alteration of data or unauthorized processing could occur. The KPMG audit report can be found on page 88 of the Department of Energy FY 2008 AFR.

Reports submitted by Field Elements should reflect the status of internal controls as of the date of signature. Year-end reports from Heads of Field Elements are to be submitted by August 14, 2009. Year-end reports from Headquarters, including NNSA, cover Headquarters operations, summarize any Field issues that should be reported to the Secretary, and are due by September 15, 2009. Headquarters reports should reflect the status of internal controls as of the date of signature.

Specific reporting instructions to be utilized in the preparation and submission of the year-end reports follow. Attachment B-1 includes process instructions to be used, and Attachment B-2 includes financial management system requirements that Departmental Elements with financial management systems or system components are to use when conducting a Summary Financial Management System Review.

Any questions on these instructions should be directed to Genoa Mitchell, Office of Internal Review, on 301-903-1243.

Internal Controls – Financial Reporting

In December 2004, OMB released a revised Circular A-123. While changes were made throughout the document, the most critical changes were concentrated in the newly added Appendix A, *Internal Control over Financial Reporting*. The primary changes were strengthened documentation, monitoring and testing requirements. The ultimate intent of Appendix A was to "strengthen the process management used to assess internal control over financial reporting." The Department, in recognition of its fundamental responsibility to develop and maintain effective internal controls, established a corporate program to effectively implement and manage the requirements of Appendix A. Attachment B-3 lists those Departmental Elements, including NNSA, subject to assessments of internal control over financial reporting pursuant to Appendix A.

To support Departmental reporting, Heads of Departmental Elements, including NNSA, are required to report on the status of their organizations' internal controls over financial reporting, including reportable conditions / material weaknesses identified and progress made in correcting prior reportable conditions / material weaknesses. The report covers the controls over financial reporting specifically identified in their A-123 Assessment and Reporting Tool (AART). Departmental Elements should take the following steps as part of generating their report:

1. Follow the instructions in Section B (Steps 1 and 2) of the *Reporting and Assurance* Quick Start Guide to prepare for the year-end submission (for those Departmental Elements that have limited their assessments to Entity Controls), or follow the instructions in Sections B (Steps 1 and 2), D, F and G to prepare for the year-end submission and run the Assurance Tool (for those Departmental Elements that have also assessed Process Controls).
2. Consider, at a minimum, the following items as part of determining the level of assurance to provide:
 - a. Deficiencies identified during the evaluation of items not in the FY 2009 assessment scope. You must consider all known deficiencies, regardless of whether the A-123 evaluation that identified them was required in the current fiscal year.
 - b. Deficiencies identified by outside parties (e.g. auditors or other external reviewers). You must consider all known deficiencies, regardless of whether they were identified through the A-123 process. If external parties note a deficiency, and it could result in a material weakness at the local level, then it should be considered. Any issue determined to be a material weakness should be reported.

Heads of Field Elements are also required to report on the status of their organizations' internal controls over financial reporting, including reportable conditions/material weaknesses identified and progress made in correcting prior reportable conditions/material weaknesses. The report covers the controls over financial reporting specifically identified in their AART. Field Elements should take the following steps as part of generating their report:

1. Follow the instructions in Sections A, B (Steps 1 and 2), D thru G of the *Reporting and Assurance* Quick Start Guide to prepare for the year-end submission and run the Assurance Tool.
2. Consider, at a minimum, the items in Step 2 (above) when determining the level of assurance to provide.
3. The final assurance letter should be generated and submitted according to instructions in Attachment B-1.

Site/Facility Management Contractors, while not required to provide a report, should follow the instructions in Sections D, F and G of the *Reporting and Assurance* Quick Start Guide to run the Assurance Tool prior to sending the AART to their respective Field Element.

Any questions on these instructions should be directed to Donna Haslam, Office of Internal Review, on 301-903-3075.

Internal Controls – American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act (ARRA) of 2009 was signed into law on February 17, 2009. ARRA is a stimulus bill designed to create jobs, restore economic growth, and strengthen America's middle class through the measures that modernize the nation's infrastructure, enhance America's energy independence, expand educational opportunities, preserve and improve affordable health care, provide tax relief, and protect those in greatest need, and for other purposes. The bill can be found at <http://appropriations.house.gov/pdf/RecoveryBill01-15-09.pdf>.

Under ARRA, DOE has been awarded almost \$40 Billion. These funds will be used for promoting energy efficiency, deploying renewable power, modernizing the grid, reducing oil consumption, restoring America's scientific leadership, reducing legacy environmental footprints, and reducing greenhouse gas emissions. ARRA represents a huge challenge for all of DOE, both in transacting and accounting for the size of the investment, while ensuring the money is spent quickly but wisely. To combat these challenges, the Department has accelerated the roll out of the Financial Management Assurance (FMA) program. The FMA program was designed as a risk mitigation program to manage and monitor the control environment. The FMA program enables each organization to provide the required year-end assurances. For FY 2009, FMA will primarily focus on ARRA risk areas.

To support Departmental reporting, Heads of Departmental Elements, including NNSA, are required to report on the status of their organizations' internal controls over ARRA risk areas. The report covers the controls over ARRA areas identified in their FMA Tool. Departmental Elements should take the following steps as part of generating their report:

1. Follow the instructions in the FMA Implementation Guidance issued in May. Steps include establishing a local framework, identifying risks, performing an exposure risk rating for ARRA activities, identifying and recording mitigating controls for ARRA activities, performing control testing for ARRA activities, rating the control risk and documenting control issues, planning/initiating any remediation activities, and reporting.
2. Consider, at a minimum, the following items as part of determining the level of assurance to provide:
 - a. Deficiencies identified during the evaluation of items. You must consider all known deficiencies.
 - b. Deficiencies identified by outside parties (e.g. auditors or other external reviewers). You must consider all known deficiencies, regardless of whether they were identified through the FMA process. If external parties note a deficiency, and it could result in a material weakness at the local level, then it should be considered. Any issue determined to be a material weakness should be reported.
3. Submit the FMA tool to A-123Helpdesk@hq.doe.gov by September 15, 2009.

Heads of Field Elements are also required to report on the status of their organizations' internal controls over ARRA risk areas. The report covers the controls over ARRA areas identified in their FMA tool. *Any Program/Field/Contractor with less than \$500K in ARRA activity may be

excused from reporting if the cognizant Field/Headquarters Element can still provide assurance at their level. The report covers the controls over ARRA areas identified in their FMA tool. Field Elements should take the following steps as part of generating their report:

1. Follow the instructions in the FMA Implementation Guidance issued in May 2009. Steps include establishing a local framework, identifying risks, performing an exposure risk rating for ARRA activities, identifying and recording mitigating controls for ARRA activities, performing control testing for ARRA activities, rating the controlled risk and documenting control issues, planning and initiating any remediation activities, and reporting.
2. Consider, at a minimum, the following items as part of determining the level of assurance to provide:
 - a. Deficiencies identified during the evaluation of items. You must consider all known deficiencies.
 - b. Deficiencies identified by outside parties (e.g. auditors or other external reviewers). You must consider all known deficiencies, regardless of whether they were identified through the FMA process. If external parties note a deficiency, and it could result in a material weakness at the local level, then it should be considered. Any issue determined to be a material weakness should be reported.
3. Submit the FMA tool, including those of site/facility management contractors under their cognizance to A-123Helpdesk@hq.doe.gov by August 14, 2009. The final assurance letter should be generated and submitted according to instructions in Attachment B-1.
4. Site/Facility Management Contractors, while not required to provide a report, should send the FMA tool to their respective Field Element.

Any questions on these instructions should be directed to Donna Haslam, Office of Internal Review, on 301-903-3075.

2009 INTERNAL CONTROL PROGRAM REPORT INSTRUCTIONS

1. 3rd QUARTER DRAFT OF LEADERSHIP CHALLENGES

Headquarters organizations responsible for Departmental Leadership Challenges should provide updates to the narrative summary for the responsible Challenge Champion in accordance with the instructions issued by the cognizant Champion organization. Leadership Challenge updates must reflect information as of June 30, 2009 and must be provided via e-mail to Genoa.Mitchell@hq.doe.gov by August 3, 2009.

2. YEAR-END REPORT PROCESS INSTRUCTIONS

- a. Heads of Field Elements should submit assurance reports covering their program and administrative functions (including internal controls over financial reporting), financial management systems or system components, and the activities of site/facility management contractors (e.g., management and operating contractors, management and integrating contractors, and environmental restoration management contractors), if applicable. It is ultimately the responsibility of the Head of the Field Element to assure that site/facility management contractors under their purview are performing duties for the Department consistent with applicable laws and have sufficient internal controls in place to safeguard government resources against waste, loss and unauthorized use. Site/facility management contractors are not required to perform summary management reviews or summary financial management system reviews in order to provide the necessary assurance; however, these site/facility management contractors should rely on existing internal and external reviews and day-to-day knowledge in order to provide assurances to the respective Head of Field Element. It is paramount that Field Elements receive assurances from all site/facility management contractors in order to adequately provide reasonable assurance that internal controls are operating efficiently and effectively for their site.

Operations and Field Office reports are to be addressed to the Lead Program Secretarial Officer with official copies provided to the Cognizant Secretarial Officer(s). Power Marketing Administration reports are to be addressed to the Secretary. Heads of Field Elements assurance memoranda are due August 14, 2009 and should reflect the status of internal controls as of the date of signature. Please note that OMB Circular A-123, Appendix A requires assurances of internal control over financial reporting to be as of June 30th.

Heads of Headquarters Elements, including NNSA, submit assurance memoranda covering their programs and administrative functions (including internal controls over financial reporting) and, if applicable, summarizing Field and/or Headquarters reportable problems (or reportable conditions and material weaknesses related to internal controls over financial reporting) at the overall Departmental level (for example, the Assistant Secretary for Environmental Management summarizes all environmental compliance problems for the Department). Those Headquarters organizations responsible for a financial management system or system component must also summarize the results of the summary financial management system review(s) (see Attachment B-2). Headquarters reports are to be addressed to the

Secretary through the appropriate Under Secretary. NNSA and Headquarters assurance memoranda are due September 15, 2009 and should reflect the status of internal controls as of the date of signature. Please note that OMB Circular A-123, Appendix A requires assurances of internal control over financial reporting to be as of June 30th.

- b. Both Field and Headquarters Elements, including NNSA, are required to submit a signed pdf version of the year-end report to Genoa.Mitchell@hq.doe.gov.

3. ASSURANCE MEMORANDUM FORMAT

Templates of the assurance memorandum reporting (available at <http://www.cfo.doe.gov/crorg/cf1-2.htm>) must be adhered to. The templates and report format consists of the following components.

- c. Memorandum. Executive level memorandum summarizing the results of evaluations conducted on the organization's internal controls (including internal controls over financial reporting) and financial management system, if applicable.
- d. Index and Crosswalk for Action Plans. A cover sheet providing an index and crosswalk for action plans submitted is required with the annual assurance memorandum.
- e. Action Plans. Action plans are required for all reportable problems and nonconformance's (and for reportable conditions or material weaknesses related to internal control over financial reporting) identified in the assurance memorandum.

FY 2009 FINANCIAL MANAGEMENT SYSTEMS REQUIREMENTS

Departmental Elements with financial management systems or system components included in the Department of Energy Financial Management System Inventory are required to conduct Summary Financial Management System Reviews annually.

In conducting the Summary Financial Management System Reviews, managers are to consider existing information they have at their disposal. Using that information, managers are to then determine whether their system or system component is operating as designed and complies with government-wide financial management system requirements. Following are the standards the financial management system is required to comply with:

1. OMB CIRCULAR A-127, *Financial Management Systems*. This circular is available electronically at <http://www.whitehouse.gov/omb/circulars/a127/a127.aspx>. The financial systems shall adhere to the requirements contained in Circular A-127. This Circular was updated dated January 9, 2009 (rescinding previous updates to this Circular) and effective October 2009, with early implementation encouraged. The following provides a summary of the Circular A-127 requirements still in effect for FY 2009 (available electronically at <http://www.whitehouse.gov/omb/circulars/a127/a127.html>).

Following are the A-127 requirements:

- a. Agency-wide Financial Information Classification Structure. The design of the financial management systems shall reflect an agency-wide financial information classification structure that is consistent with the U.S. Government Standard General Ledger (SGL), provides for tracking of specific program expenditures, and covers financial and financially related information. This structure will minimize data redundancy, ensure that consistent information is collected for similar transactions throughout the agency, encourage consistent formats for entering data directly into the financial management systems, and ensure that consistent information is readily available and provided to internal managers at all levels within the organization. Financial management systems' designs shall support agency budget, accounting, and financial management reporting processes by providing consistent information for budget formulation, budget execution, programmatic and financial management, performance measurement, and financial statement preparation.
- b. Integrated Financial Management Systems. Financial management systems shall be designed to provide for effective and efficient interrelationships between software, hardware, personnel, procedures, controls, and data contained within the systems. In doing so, they shall have the following characteristics:
 - Common Data Elements. Standard data classifications (definitions and formats) shall be established and used for recording financial events. Common data elements shall be used to meet reporting requirements and, to the extent possible, used throughout the agency for collection, storage and retrieval of financial information. Government-wide information standards (e.g., SGL) and other external reporting requirements shall be incorporated into the agency's standard data classification requirements.

--Common Transaction Processing. Common processes shall be used for processing similar kinds of transactions throughout the system to enable these transactions to be reported in a consistent manner.

--Consistent Internal Controls. Internal controls over data entry, transaction processing and reporting shall be applied consistently throughout the system to ensure the validity of information and protection of Federal government resources.

--Efficient Transaction Entry. Financial system designs shall eliminate unnecessary duplication of transaction entry. Wherever appropriate, data needed by the systems to support financial functions shall be entered only once, and other parts of the system shall be updated through electronic means consistent with timing requirements of normal business/transaction cycles.

- c. Application of SGL at the Transaction Level. Financial events shall be recorded by agencies throughout the financial management system applying the requirements of the SGL at the transaction level. Application of the SGL at the transaction level means that the financial management system will process transactions following the definition and defined uses of the general ledger accounts as described in the SGL. Compliance with this standard requires:

--Data in Financial Reports consistent with the SGL. Reports produced by the systems that provide financial information, whether used internally or externally, shall provide financial data that can be traced directly to the SGL accounts.

--Transactions Recorded Consistent with SGL Rules. The criteria (e.g., timing, processing rules/conditions) for recording financial events in all financial management systems shall be consistent with accounting transaction definitions and processing rules defined in the SGL.

--Supporting Transaction Detail for SGL Accounts Readily Available. Transaction detail supporting SGL accounts shall be available in the financial management systems and directly traceable to specific SGL account codes.

- d. Federal Accounting Standards. Agency financial management systems shall maintain accounting data to permit reporting in accordance with accounting standards recommended by the Federal Accounting Standards Advisory Board (FASAB) and issued by the Director of OMB and reporting requirements issued by the Director of OMB and/or the Secretary of the Treasury. Where no accounting standards have been recommended by FASAB and issued by the Director of OMB, the systems shall maintain data in accordance with the applicable accounting standards used by the agency for preparation of its financial statements. Agency financial management systems shall be designed flexibly to adapt to changes in accounting standards.

All 32 of the following Statements of Federal Financial Accounting Standards (SFFAS) are available electronically at <http://www.fasab.gov/standards.html> and have

been recommended by the FASAB, and all have been accepted by the Congress and officially promulgated by OMB:

- SFFAS 1 -- Accounting for Selected Assets and Liabilities
- SFFAS 2 -- Accounting for Direct Loans and Loan Guarantees
- SFFAS 3 -- Accounting for Inventory and Related Property
- SFFAS 4 -- Managerial Cost Accounting Concepts and Standards
- SFFAS 5 -- Accounting for Liabilities of the Federal Government
- SFFAS 6 -- Accounting for Property, Plant, and Equipment
- SFFAS 7 -- Accounting for Revenue and Other Financing Sources
- SFFAS 8 -- Supplementary Stewardship Reporting
- SFFAS 9 -- Deferral of Implementation Date for SFFAS 4
- SFFAS 10 -- Accounting for Internal Use Software (amends SFFAS 6)
- SFFAS 11 -- Amendments to Accounting for PP&E – Definitions (amends SFFAS Nos. 6 and 8)
- SFFAS 12 -- Recognition of Contingent Liabilities from Litigation (amends SFFAS 5)
- SFFAS 13 -- Deferral of Paragraph 65.2 - Material Revenue-Related Transactions (amends SFFAS 7)
- SFFAS 14 -- Amendments to Deferred Maintenance Reporting (amends SFFAS Nos. 6 and 8)
- SFFAS 15 -- Management’s Discussion and Analysis
- SFFAS 16 -- Amendments to Accounting for PP&E - Multi-Use Heritage Assets (amends SFFAS Nos. 6 and 8)
- SFFAS 17 -- Accounting for Social Insurance
- SFFAS 18 -- Amendments to Accounting Standards for Direct Loans and Loan Guarantees (amends SFFAS 2)
- SFFAS 19 -- Technical Amendments to Accounting Standards for Direct Loans and Loans Guarantees (amends SFFAS 2)
- SFFAS 20 -- Elimination of Certain Disclosures
- SFFAS 21 -- Reporting Correction of Errors and Changes in Accounting Principles
- SFFAS 22 -- Change in Certain Requirements for Reconciling Obligations and Net Costs of Operations
- SFFAS 23 -- Eliminating the Category National Defense Property, Plant, and Equipment
- SFFAS 24 -- Selected Standards for the Consolidated Financial Report of the United States Government
- SFFAS 25 -- Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment
- SFFAS 26 -- Presentation of Significant Assumptions for the Statement of Social Insurance
- SFFAS 27 -- Identifying and Reporting Earmarked Funds
- SFFAS 28 -- Deferral of the Effective Date of Reclassification of the Statement of Social Insurance (amends SFFAS Nos. 25 and 26)
- SFFAS 29 -- Heritage Assets and Stewardship Land
- SFFAS 30 -- Inter-Entity Cost Implementation (amends SFFAS No. 4)
- SFFAS 31 -- Accounting for Fiduciary Activities
- SFFAS 32 -- CFR of the U.S. Government Requirements

- e. Financial Reporting. The agency financial management system shall meet the following agency reporting requirements:

--Agency Financial Management Reporting. The agency financial management system shall be able to provide financial information in a timely and useful fashion to (1) support management's fiduciary role; (2) support the legal, regulatory, and other special management requirements of the agency; (3) support budget formulation and execution functions; (4) support fiscal management of program delivery and program decision making; (5) comply with internal and external reporting requirements including, as necessary, the requirements for financial statements prepared in accordance with the form and content prescribed by OMB and reporting requirements prescribed by Treasury; and, (6) monitor the financial management system to ensure the integrity of financial data.

--Performance Measures. Agency financial management systems shall be able to capture and produce financial information required to measure program performance, financial performance, and financial management performance as needed to support budgeting, program management, and financial statement presentation. As new performance measures are established, agencies shall incorporate the necessary information and reporting requirements, as appropriate and feasible, into their financial management system.

- f. Budget Reporting. Agency financial management systems shall enable the agency to prepare, execute and report on the agency's budget in accordance with the requirements of OMB Circular A-11, *Preparation and Submission of Budget Estimates*, and other circulars and bulletins issued by Office of Management and Budget. OMB Circular A-11 is available electronically at http://www.whitehouse.gov/omb/circulars/a11/current_year/a11_toc.html.

- g. Functional Requirements. Agency financial management systems shall conform to existing applicable functional requirements for the design, development, operation, and maintenance of financial management systems. Functional requirements were previously defined in a series of publications entitled *Federal Financial Management Systems Requirements* issued by the Financial Systems Integration Office (FSIO). Functions of the FSIO have been realigned with the Joint Financial Management Improvement Program (JFMIP). Requirements issued by the JFMIP will remain in effect until further notification. Additional functional requirements may be established through OMB circulars and bulletins and the Treasury Financial Manual. Agencies are expected to expeditiously implement new functional requirements as they are established and/or made effective. The following Federal Financial Management System Requirements have been issued:

- Core Financial System Requirements – Issued January 2006 by the OFFM.
- Human Resources and Payroll System Requirements (April 1999)
- Travel System Requirements (July 1999)
- Seized/Forfeited Asset System Requirements (December 1999)
- Direct Loan System Requirements (June 1999)
- Guaranteed Loan System Requirements (March 2000)
- System Requirements for Managerial Cost Accounting (February 1998)
- Benefit System Requirements (September 2001)

- Grant Financial System Requirements (June 2000)
- Property Management System Requirements (October 2000)
- Inventory, Supplies, and Materials System Requirements (August 2003)
- Revenue System Requirements Document (January 2003)
- Acquisition Financial System Requirements (June 2002)
- Insurance System Requirements (June 2006)

The above systems requirements are available electronically at http://www.fsio.gov/fsio/fsiodata/docs_systemrequirements.shtml

- h. Computer Security Act Requirements. For those financial management systems that contain "sensitive information" as defined by the Computer Security Act and the Government Information Security Reform Act (which primarily addresses the program management and evaluation aspects of information security), agencies shall plan for and incorporate security controls in accordance with the Computer Security Act of 1987 and Circular A-130. This circular was updated by Transmittal Memorandum No. 4, dated November 28, 2004, and is available electronically at <http://www.whitehouse.gov/omb/circulars/a130/a130trans4.html>.
- i. Documentation. Agency financial management systems and processing instructions shall be clearly documented in hard copy or electronically in accordance with (a) the requirements contained in the Federal Financial Management Systems Requirements documents issued by JFMIP or (b) other applicable requirements. All documentation (software, system, operations, user manuals, operating procedures, etc.) shall be kept up-to-date and be readily available for examination. System user documentation shall be in sufficient detail to permit a person, knowledgeable of the agency's programs and of systems generally, to obtain a comprehensive understanding of the entire operation of each system. Technical systems documentation such as requirements documents, systems specifications, and operating instructions shall be adequate to enable technical personnel to operate the system in an effective and efficient manner.
- j. Internal Controls. The financial management systems shall include a system of internal controls that ensure resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and, reliable data are obtained, maintained, and disclosed in reports. Appropriate internal controls shall be applied to all system inputs, processing, and outputs. Such system related controls form a portion of the internal control structure required by OMB Circular A-123, revised December 21, 2004. OMB Circular A-123 is available electronically at http://www.whitehouse.gov/omb/circulars/a123/a123_rev.html.
- k. Training and User Support. Adequate training and appropriate user support shall be provided to the users of the financial management systems, based on the level, responsibility and roles of individual users, to enable the users of the systems at all levels to understand, operate and maintain the system.
- l. Maintenance. On-going maintenance of the financial management systems shall be performed to enable the systems to continue to operate in an effective and efficient manner. The agency shall periodically evaluate how effectively and efficiently the financial management systems support the agency's changing business practices and

make appropriate modifications.

2. FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT

To further emphasize the adherence to these federal financial management system requirements, the President enacted the Federal Financial Management Improvement Act of 1996 (FFMIA). The listing below identifies the Department's financial systems that must be considered by Departmental Elements with cognizance over the system and/or system component.

- a. Departmental Budget Formulation System
- b. Funds Distribution System
- c. I-MANAGE Standard Accounting and Reporting System
- d. Labor Distribution System
- e. DOE Info
- f. I-MANAGE Data Warehouse
- g. Active Facilities Database
- h. STRIPES
- i. Power Marketing Administration Systems
- j. Federal Energy Regulatory Commission Systems
- k. Facilities Information Management System
- l. Integrated Planning, Accountability and Budgeting System
- m. Funds Controls and Distribution System
- n. Budget Execution and Reporting System
- o. Departmental Inventory Management System

3. Departmental Elements have the flexibility to perform the summary financial management system review in a manner that suits their method of operation. 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 Government Accountability 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;
- i. prior Summary Financial Management System reviews;
- j. A-123 items; and
- k. FMA/ARRA items.

4. To enable requirements to be met, financial management systems must process and record financial events effectively and efficiently and provide complete, timely, reliable and consistent information. 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.

Based on the evaluation, Departmental Elements must determine if there are nonconformances which should be reported to the next higher level of management and develop plans for the actions to be taken to correct any reportable nonconformances identified.

5. Required for HQ/CFO only. Determine, in accordance with the Federal Financial Management Improvement Act (FFMIA) guidelines, if there is “Noncompliance” or if the systems “Substantially Comply”. The Federal Financial Management Improvement Act of 1996 was intended to advance Federal financial management by ensuring that Federal financial management systems can and do provide reliable, consistent disclosure of financial data, and that they do so on a basis that is uniform across the Federal government from year to year consistently using professionally-accepted accounting standards.

Agencies that can do the following are substantially compliant with FFMIA:

- a. Prepare financial statements and other required financial and budget reports using information generated by the financial management system(s);
- b. Provide reliable and timely financial information for managing current operations;
- c. Account for their assets reliably, so that they can be properly protected from loss, misappropriation, or destruction; and
- d. Do all the above in a way that is consistent with Federal accounting standards and the Standard General Ledger.

If an FFMIA non-compliance is identified, management must determine whether it is also a FFMIA Section IV non-conformance. A consensus statement will be prepared after considering each participating CFO Office Director’s assurance statement. This consolidated assurance statement will be included in the CFO’s assurance letter to the Secretary.

**DEPARTMENTAL ELEMENTS SUBJECT TO
THE INTERNAL CONTROL PROGRAM**

The Departmental Elements listed below, including NNSA, are subject to the requirements of the Department's internal control program contained in this guidance document.

Departmental Element	FMFIA	A-123 Appendix A	ARRA
Chief Financial Officer	X	X	X
Chief Information Officer	X	X	
Civilian Radioactive Waste Management	X	X	
Congressional and Intergovernmental Affairs	X		
Economic Impact and Diversity	X		X
Electricity Delivery and Energy Reliability	X		X
Energy Efficiency and Renewable Energy	X	X	X
Energy Information Administration	X		
Environmental Management	X	X	X
Fossil Energy	X	X	X
General Counsel	X		
Health, Safety and Security	X		
Hearings and Appeals	X		
Human Capital management	X		
Inspector General	X		X
Intelligence and Counterintelligence	X		
Legacy Management	X	X	
Management	X	X	X
Nuclear Energy	X	X	
Policy and International Affairs	X		
Public Affairs	X		
Science	X	X	X
Federal Energy Regulatory Commission	X		
National Nuclear Security Administration	X	X	X
Chicago Office	X	X	X
Consolidated Business Center	X	X	X
Idaho Operations Office	X	X	X
Oak Ridge Office	X	X	X
Richland Operations Office	X	X	X
Savannah River Operations Office	X	X	X
NNSA Service Center	X	X	X
Golden Field Office	X	X	X
National Energy Technology Laboratory	X	X	X
Southeastern Power Administration	X	X	
Southwestern Power Administration	X	X	
Western Area Power Administration	X	X	X
Naval Petroleum Reserves – Casper	X		
Naval Reactors Laboratory Field Office	X	X	
Office of River Protection	X		
Strategic Petroleum Reserve Office	X	X	
Advanced Research Project Agency – Energy (ARPA-E)	X		X
Bonneville Power Administration		X	

FY 2009 MANAGEMENT REPRESENTATION LETTER GUIDANCE

(Field Organizations, Including National Nuclear Security Administration)

The Government Management Reform Act of 1994 requires the Department to prepare and have audited Department-wide financial statements. In compliance with this Act, the Department will submit financial statements to KPMG through the Office of Inspector General (Inspector General) for audit. A critical step in the audit is to obtain a management representation letter from the Department's senior managers. The Department's final management representation letter will include detailed representations signed by the Department's Secretary, Chief Operating Officer, and the Chief Financial Officer.

To support the Department's process, Heads of Field Elements, including the National Nuclear Security Administration, will prepare a Field Office management representation letter and submit it to the Lead Program Secretarial Officer and Department's Chief Financial Officer. At the same time, a copy will also be officially transmitted to the applicable Cognizant Secretarial Officer(s). In the management representation letter, individual Field Elements will provide assurances that all known liabilities have been disclosed and assets are fairly valued. The assertions will be based upon managerial knowledge of the respective financial information.

Field management representation letters are due to the Lead Program Secretarial Officer and Chief Financial Officer by October 9, 2009. These letters and separate assertions provided by Heads of Headquarters Elements will serve to support the final management representation letter submitted to KPMG through the Inspector General. Attachment C-1 contains guidance and a format for completing the Field Element's, including the National Nuclear Security Administration, management representation letter.

If you have any questions on the representation letter process, call Tammi Garnand or Mindy Bledsoe of the Office of Financial Control and Reporting on 301-903-4732 and 301-903-2553, respectively.

**INSTRUCTIONS FOR PREPARING
FIELD ELEMENT'S, INCLUDING NNSA,
MANAGEMENT REPRESENTATION LETTERS**

1. Heads of Field Elements should submit a management representation letter addressed to the Lead Program Secretarial Officer and the Department's Chief Financial Officer (CFO) by October 9, 2009. The letter to the Chief Financial Officer should be forwarded to the Chief Financial Officer, Attention: Office of Financial Control and Reporting, CF-12, GTN, Rm E-254. A copy should be simultaneously provided to applicable Cognizant Secretarial Officer(s).
2. Field Element management representation letters and separate assertions provided by Heads of Headquarters Elements will serve to support the Department's management representation letter package submitted to KPMG through the Inspector General. The representation letter is an integral part of the financial statement audit. The attached sample letter (C-2) is to be used as a starting point by Field Elements in preparing their letters and describes the types of representations that may be made by the Chief Operating Officer and the Chief Financial Officer to KPMG through the Inspector General. The final letter assists KPMG in forming an opinion on whether the Department's financial statements are presented fairly, in all material respects, in conformity with Federal accounting standards.
3. Field Element assertions will, to a large extent be based upon a detailed analysis of their respective financial statement accounts. This analysis should build upon the Financial Statement Analysis and Footnote Disclosure requirements issued separately by the Office of Financial Control and Reporting, CF-12.
4. Power Marketing Administrations (PMAs) - As in the past, these organizations will not be required to issue a complete management representation letter. It is assumed these organizations will provide the cognizant auditor with all the necessary assertions for the PMA's FY 2009 financial statement audit. However, the PMAs will be required to issue several assertions to the Headquarters CFO on the data submitted for combination with the Department's financial activity and performance measurement information. Assertions listed below may be used as a starting point.

The information provided to the Office of the Chief Financial Officer by <Power Marketing Administration> and consolidated into the Department-wide financial activity presented in the Departmental financial statements accurately reflects the Department of Energy's portion of *Power Marketing Administration's* financial activity.

<Power Marketing Administration> acknowledges our responsibility for the fair presentation of the (financial) performance measure information presented in the Overview and Supplemental Information sections of the financial statements.

<*Power Marketing Administration*> believes this data to be accurate and reliable.

5. Field Elements should include all applicable assertions included in the following Management Representation Letter Format. The format was developed from the Department's FY 2008 Management Representation Letter to KPMG, it is understood that not all representations are required from each field element and that field elements may be required to change assertions based on the events of the current fiscal year.

SAMPLE FIELD MANAGEMENT REPRESENTATION LETTER

MEMORANDUM FOR LEAD PROGRAM SECRETARIAL OFFICER
DEPARTMENT'S CHIEF FINANCIAL OFFICER

FROM: HEAD OF FIELD ELEMENT

SUBJECT: FY 2009 MANAGEMENT REPRESENTATION LETTER

Obtaining a representation regarding the fair presentation of the FIELD ELEMENT'S financial statements is a significant procedure in the audit of those statements. As Manager of the FIELD ELEMENT, I confirm that I am responsible for the fair presentation of the FIELD ELEMENT'S statements, in conformity with principles generally accepted in the United States of America. This letter covers the following organizations under my cognizance: [include any organizations/offices here].

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

In connection with the audit of the Department's September 30, 2009, consolidated financial statements and its September 30, 2008, consolidated financial statements, I confirm, to the best of my knowledge and belief, the following representations made to you and, where applicable, to KPMG:

1. The FIELD ELEMENT'S consolidated financial statements are fairly presented in accordance with the Office of Management and Budget (OMB) requirements and in conformity with U.S. generally accepted accounting principles.
2. FIELD ELEMENT has made available to you and to KPMG:
 - a. All financial records and related data.
 - b. Communications from OMB concerning noncompliance with or deficiencies in financial reporting practices, if applicable.
 - c. All reports from the Department's service organizations.
3. The FIELD ELEMENT has complied, in all material respects, with applicable laws, regulations, and provisions of contracts and grant agreements that could have a material effect on the consolidated financial statements in the event of noncompliance. We have disclosed to you all known instances of non-compliance with laws, regulations, and provisions of contracts and grant agreements.

4. The FIELD ELEMENT is responsible for compliance with the laws, regulations, and provisions of contracts or grant agreements applicable to the Department. The FIELD ELEMENT has identified and disclosed to you all laws, regulations, and provisions of contracts or grant agreements that have a direct and material effect on the determination of consolidated financial statement amounts.
5. I acknowledge responsibility for the design and implementation of programs and controls to prevent, deter and detect fraud. I understand that the term “fraud” includes misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets. Misstatements arising from fraudulent financial reporting are intentional misstatements, or omissions of amounts or disclosures in financial statements or performance results to deceive financial statement users. Misstatements arising from misappropriation of assets involve the theft of the Department's assets where the effect of the theft causes the consolidated financial statements not to be presented in conformity with U.S. generally accepted accounting principles.
6. Except as disclosed to you, there have been no known:
 - a. Instances of fraud, or suspected fraud, whether or not material, involving management or other employees who have a significant role in internal control over financial reporting, or others (e.g. recipients of Federal financial assistance or other Federal payments) where the fraud could have a material effect on the financial statements.
 - b. Allegations of fraud or suspected fraud affecting the Department received in communications from employees, former employees, regulators or others.
 - c. Instances where any officer of the Department, or any other person acting under the direction thereof, has taken any action to fraudulently influence, coerce, manipulate or mislead you during this audit.
 - d. Communications from other governmental entities or agencies (e.g., the U.S. Department of the Treasury) concerning noncompliance with, or deficiencies in, financial accounting practices.
 - e. Communications from regulatory or oversight agencies such as OMB and the Government Accountability Office (GAO), concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the consolidated financial statements.
 - f. Violations, or possible violations, of laws or regulations whose effect should be considered for disclosure in the consolidated financial statements or as a basis for recording a loss contingency, except for unresolved recommendations in prior Office of Inspector General and GAO audit reports, which have been considered in preparing the consolidated financial statements, and those items noted in the Independent Auditors' Report.
 - g. Violations or possible violations of specific requirements of contracts, grants and budgetary procedures, the effects of which should be considered for disclosure in the consolidated financial statements or as a basis for recording a loss contingency, except for those items which have been considered in preparing the consolidated financial statements.

- h. Allegations, either written or oral, of misstatements or other misapplications of accounting principles in the FIELD ELEMENT consolidated financial statements.
- i. Allegations, either written or oral, of deficiencies in internal control that could have a material effect on the FIELD ELEMENT consolidated financial statements.
- j. Communications from the legal counsel reporting evidence of a material violation of law or breach of fiduciary duty or similar violation by the Department or any agent thereof.
- k. False statements affecting the consolidated financial statements made to you, our Inspector General, or other auditors who have audited entities under our control upon whose work you may be relying in connection with your audits.

7. Except as disclosed to you in writing, there are no known:

- a. Unasserted claims or assessments that our General Counsel or the Department of Justice General Counsel has advised us are probable of assertion and must be disclosed in accordance with the Statement of Federal Financial Accounting Standards No. 5, *Accounting for Liabilities of the Federal Government*, as amended, that have not been disclosed.
- b. Other liabilities or gain or loss contingencies that have not been accrued that are required to be accrued or disclosed by the Statement of Federal Financial Accounting Standards No. 5, *Accounting for Liabilities of the Federal Government*, as amended.
- c. Material transactions (e.g., obligations) or events that have not been properly recorded in the accounting records underlying the consolidated financial statements.
- d. Events that have occurred subsequent to September 30, 2009, and through the date of this letter, that would require adjustments to or disclosure in the consolidated financial statements.
- d. Commitments (excluding leases and PMA power) by the Department that need to be disclosed in the consolidated financial statements.

8. The Department indemnifies its management and operating contractors against financial responsibility from nuclear accidents, under the provisions of the Price-Anderson Act. Except to the extent otherwise disclosed in the Legal Representation Letter and in the Non-Monetary Loss Contingency Report submitted to the Inspector General by the Department's program offices, I am aware of no liabilities or loss contingencies resulting from this indemnification.

9. The following, pertaining to the FIELD ELEMENT have been properly recorded or disclosed in the consolidated financial statements:

- a. Purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices.
- b. Changes in accounting principles affecting consistency.

- c. Agreements to repurchase assets previously sold including sales with recourse.
 - d. The existence of and transactions with joint ventures and other related organizations.
 - e. Guarantees (for example, loan guarantee programs), whether written or oral, under which the Department is contingently liable.
 - f. Commitments for the purchase or sale of services or assets at prices involving material probable losses.
 - g. Losses to be sustained as a result of other than temporary declines in the fair value of investments.
 - h. Losses to be sustained from the inability to fulfill any sales commitments.
 - i. Lease commitments. The Department has commitments to the United States Enrichment Corporation under the lease agreement between the United States Department of Energy and the United States Enrichment Corporation, dated July 1, 1993, for the lease of the gaseous diffusion uranium enrichment plants located at Paducah, Kentucky and Portsmouth, Ohio, and as supplemented December 7, 2006, for certain gas centrifuge enrichment plant facilities at Portsmouth, Ohio.
10. The FIELD ELEMENT has identified and properly accounted for all non-exchange transactions.
11. Except as disclosed in the consolidated financial statements, the Department has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities. The Department's consolidated financial statement footnotes adequately disclose that future decisions, including but not limited to changes in environmental cleanup standards or remediation technologies, decisions to dispose of nuclear materials, revisions in land use or waste disposal assumptions, or reductions in Federal Government spending, could have a material effect on environmental remediation liabilities. The Department will ascertain the impact on the environmental remediation liabilities once it has some assurance that a policy, decision or assumption is likely to be altered and make any necessary adjustments or disclosures in future consolidated financial statements.
12. The FIELD ELEMENT'S inventories and operating materials are stated at historical cost in accordance with Statement of Federal Financial Accounting Standards No. 3, *Accounting for Inventory and Related Property*, except where valuation at net realizable value is authorized by the Statement. Exceptions include (1) stockpile materials that management has determined have permanently declined in value below cost or are damaged or decayed; and (2) excess, obsolete or unserviceable items. Where feasible, physical counts and measurements of inventories and operating materials were made, and records were appropriately adjusted to reflect the physical inventories. The Department's inventory of nuclear materials is valued at standard transfer value, which approximates historical cost, except for certain nuclear materials that have been identified as surplus or excess to the Department's needs. These nuclear materials are recorded at their net realizable value. Costs associated with the stockpile life extension program, the tritium production program and the plutonium pit production have been

capitalized into inventory in accordance with the provisions of Chapters 9 and 15 of the Department's *Accounting Handbook*.

13. I believe that the carrying amounts of all of the FIELD ELEMENT'S material assets are recoverable. I understand that with respect to the majority of the Department's assets, including nuclear materials and plant and equipment, the term "recoverable" does not imply that the Department can or would recoup the assets' carrying values by selling them, but that the assets are fulfilling their intended purposes and that their serviceability has not been impaired or that any material impairments are reflected in reduced carrying values for the assets.
14. The FIELD ELEMENT has satisfactory title to all owned assets and there are no liens or encumbrances on such assets nor have any assets been pledged as collateral.
15. The FIELD ELEMENT has not, directly or indirectly, including through a component entity, extended or maintained credit, arranged for the extension of credit, or renewed an extension of credit in the form of a personal loan to or for any management member of the Department.
16. The FIELD ELEMENT has properly accounted for all property, plant and equipment sold, destroyed, abandoned or considered to be obsolete and to have no further use. The FIELD ELEMENT has also properly accounted for property, plant and equipment predominately used in environmental remediation activities.
17. The FIELD ELEMENT has properly accounted for all capital assets, as either work-in-progress or completed projects as required in the Department's policy. Further, all capital assets are properly capitalized and, if applicable, depreciated.
18. The FIELD ELEMENT and its contractors have properly accounted for all internal use software that is used to operate programs and produce goods and services, as required, by Statement of Federal Financial Accounting Standards No. 10, *Accounting for Internal Use Software*. Capitalized internal use software costs are limited to those costs incurred after the completion of conceptual formulation, design, and testing of possible software project alternatives. The FIELD ELEMENT and its contractors have capitalized labor costs for employees that worked on software development projects for a substantial portion of time.
19. The FIELD ELEMENT has performed the necessary procedural requirements to develop and support the deferred maintenance estimate reported in the disclosure required by Statement of Federal Financial Accounting Standards No. 6, *Accounting for Property, Plant, and Equipment*, as amended. All estimates developed for purposes of reporting the FIELD ELEMENT'S deferred maintenance levels were developed in accordance with the Department's internal guidance. These estimates are properly documented and readily verifiable.
20. Provisions, when material, have been made:
 - a. To reduce excess, obsolete, damaged or unusable inventories to their estimated net realizable value. For example, the FIELD ELEMENT has analyzed all of its nuclear materials and identified all such materials that are excess to the FIELD ELEMENT'S needs and recorded appropriate allowances to record such inventories at net realizable value.

- b. For any material adjustments of long-lived assets as a result of permanent impairment, in accordance with Statement of Federal Financial Accounting Standards No. 6, *Accounting for Property, Plant, and Equipment*, as amended.
21. Receivables of the FIELD ELEMENT reported in the consolidated financial statements represent valid claims against debtors for sales or other charges arising on or before the balance sheet date, and have been appropriately reduced to their estimated fair value.
22. Related party transactions of the FIELD ELEMENT, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments and amounts receivable or payable to related parties, have been properly recorded and disclosed in the consolidated financial statements. I understand that the term “related party” refers to affiliates of the Department or its contractors; trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; key administrative, financial and legislative personnel and other members of the Department’s management or businesses they represent or in which they have an interest; members of the immediate families of the Department’s management; and other parties with whom the Department may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. Another party is also a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.
23. During the fiscal years ended September 30, 2009, and 2008, the FIELD ELEMENT did not exceed its Congressionally-approved budgetary authorities.
24. All significant estimates, uncertainties and material concentrations of risk known to the FIELD ELEMENT management have been properly recorded and/or disclosed in the consolidated financial statements. Significant estimates are at the balance sheet date, and could change materially within the next year. Concentrations refer to volumes of transactions, revenues, available sources of supply, or markets or geographic areas for which it is reasonably possible that events could occur which would significantly disrupt normal operations or financing sources within the next year.
25. All sales transactions entered into by the FIELD ELEMENT are final and there are no side agreements with customers or other terms in effect which allow for the return of items sold, except for defectiveness or other conditions covered by the usual and customary warranties.
26. I believe that the actuarial assumptions and methods used to measure actuarial liabilities and costs of contractor employee pension and post-retirement benefit plans for financial accounting and disclosure purposes are appropriate in the circumstances.
27. I have provided background and detailed cost information for all environmental liabilities identified to date, as well as information regarding pending, threatened or unasserted claims related to the environmental project sites identified. Provision has been made for any material loss that is probable from remediation liabilities and liabilities for post-remediation stewardship associated with Department-owned properties, formerly utilized sites and sites with uranium

mill tailings. Recorded environmental remediation and stewardship liabilities are based on the Department's best and most recent estimates of the expected costs, stated in fiscal year 2009 dollars, to remediate legacy facilities and contaminated sites managed by the Office of Environmental Management (EM) or other programs, perform long-term post-remediation stewardship activities, remediate active and surplus facilities managed by other programs, dispose of high-level waste and spent nuclear fuel, and to dispose of surplus nuclear materials and unneeded materials and chemicals. I believe that such estimates are reasonable based upon available information and that the liabilities, related loss contingencies, and the expected outcome of uncertainties have been adequately disclosed in the consolidated financial statements and related footnotes. The environmental remediation liability includes adequate provisions for costs to dispose of all nuclear materials and other unneeded materials and chemicals whose disposition as waste is probable (more likely than not) as defined by Statement of Federal Financial Accounting Standards No. 5, *Accounting for Liabilities of the Federal Government*, as amended. I have made a reasonable effort to identify the presence or likely presence of potential environmental contamination at Department-owned properties, and to identify formerly utilized sites and sites with uranium mill tailings for which the Department will be responsible for post-remediation stewardship.

28. The environmental remediation liability for facilities and sites managed by EM (EM liability) is based partly upon assumptions as to anticipated funding. Although all funding is subject to OMB and Congressional approval, I believe that the funding assumptions underlying the EM liability are reasonable. In addition, the liability includes an estimate of the cost impact of differences between the funding assumptions in the EM baseline estimates and current funding expectations.
29. The assumptions in the EM cost estimates with respect to shipments of high-level waste, including the capsules containing cesium and strontium stored at the Hanford site and the high-level waste calcine at Idaho, and spent nuclear fuel to a geologic repository, and the liability for disposal of high-level waste and spent nuclear fuel, are based upon reasonable expectations as to repository availability, the rate of waste acceptance, and waste acceptance criteria. EM is working with the Office of Civilian Radioactive Waste Management to ensure that the repository's waste acceptance criteria include the waste forms assumed in EM's cost estimates, and I believe that these efforts will be successful.
30. The cleanup approach for the Hanford site assumes that the Department will determine that a portion of the waste currently managed as high-level waste may be disposed of on-site as low-level waste. The Department believes that there is only a slight chance that authorization to so classify the waste will not be received.
31. The environmental remediation liabilities for construction, commissioning and operation of the Hanford Waste Treatment and Immobilization Plant are based upon the best information currently available and reflect reasonable expectations as to the future costs of the projects.
32. The liability for disposition of the high-level waste calcine at Idaho is based on a direct disposal planning case. At this point in the project, we believe there is no reasonable basis to view any other treatment or disposal option as more likely than direct disposal.
33. The Department's estimate of remediation and closure costs for the Radioactive Waste Management Complex, including Waste Area Group 7, at Idaho includes a provision for the

estimated cost of all work scope that is likely to be necessary and acceptable to regulatory authorities.

34. I agree with the findings of specialists preparing cost estimates for environmental remediation projects and disposal of wastes and surplus or unneeded materials, measuring employee retirement and postretirement benefit obligations, measuring and sampling inventories of nuclear materials, and evaluating potential damages from spent fuel litigation and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the consolidated financial statements and underlying accounting records. I did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
35. ***TBD Spent nuclear fuel litigation assertion – working with local auditors to modify wording to reflect current Yucca Mountain situation***
36. Costs of the FIELD ELEMENT have been recorded in accordance with the Statement of Federal Financial Accounting Standards No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*.
37. Pursuant to the *Federal Managers' Financial Integrity Act (FMFIA)*, I have assessed the effectiveness of the FIELD ELEMENT'S my internal control in achieving the following objectives:
 - a. Reliability of financial reporting - transactions are properly recorded, processed and summarized to permit the preparation of consolidated financial statements, MD&A, RSI and RSSI, in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use or disposition; and
 - b. Compliance with applicable laws and regulations - transactions are executed in accordance with: (i) laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the consolidated financial statements, and (ii) any other laws and regulations and government-wide policies that the OMB, Departmental management, or the Inspector General have identified as being significant for which compliance can be objectively measured and evaluated.
 - c. Reliability of performance reporting – transactions and other data that support reported performance measures are properly recorded, processed and summarized to permit the preparation of performance information in accordance with criteria stated by management.
38. Except as disclosed, all internal controls are operating as of September 30, 2009, and for the year then ended, in accordance with the applicable policies and procedures and are effective in meeting the FMFIA objectives set forth above.
39. I have assessed the financial management systems to determine whether they comply substantially with Federal financial management systems requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level. My assessment was based on guidance issued by OMB.

40. The financial management systems complied substantially with Federal financial management systems requirement and the U.S. Government Standard General Ledger at the transaction level as of September 30, 2009.
41. The FIELD ELEMENT has properly accounted for all liabilities and commitments to the United States Enrichment Corporation (USEC) under the lease agreement between the U.S. Department of Energy and the USEC, dated July 1, 1993, for the lease of the gaseous diffusion uranium enrichment plants located at Paducah, Kentucky, and Portsmouth, Ohio.
42. In accordance with *Government Auditing Standards*, I have identified to you the significant findings and recommendations from previous financial audits, attestation engagements, performance audits, and other studies related to the objectives of this audit and have accurately communicated to you the related corrective actions taken to address the findings.
43. All undelivered order balances represent valid obligations of the FIELD ELEMENT and are based on valid contracts or agreements for which goods or services have not been received.
44. ***TBD- Recovery and Reinvestment Act assertion – working with local auditors to develop appropriate language.***

RESEARCH AND DEVELOPMENT DATA

(Headquarters Departmental Elements, including National Nuclear Security Administration and Bonneville Power Administration)

This attachment contains the requirements and instructions for reporting on research and development (R&D) data efforts. The Statement of Federal Accounting Standard Number 8, *Supplementary Stewardship Reporting - Chapter 7* "Research and Development," requires the Department to report R&D information in the annual Accountability Report. This Standard requires Federal agencies to report on R&D costs in the supplementary data included with the audited financial statements.

Investment in R&D refers to those expenses incurred to support the search for new or refined knowledge and ideas. It also refers to the application or use of such knowledge and ideas for the development of new or improved products or processes with the expectation of maintaining or increasing national economic productive capacity or yielding other future benefits. Research and development is composed of the following three categories: Basic, Applied and Development.

The format for submitting this data is included as Attachment D-1 and is also available at <http://www.cfo.doe.gov/crorg/cf1-2.htm>. Attachment D-2 is a listing of known, current R&D Programs to be used as a starting point when preparing your submission; however, changes may be required to ensure consistency with current R&D programs. Specific steps for the submission are included below:

Step 1: Complete Attachment D-1 for each of your R&D programs. In some cases organizations may have to include percentages for Standard Accounting and Reporting System (STARS) Value Codes that are not 100 percent R&D and for those STARS Value Codes that are split among the three categories of R&D. This attachment will be used to formulate the Agency Financial Report (AFR) R&D information. Once consolidated, the R&D Report will be issued in draft to all applicable program organizations for review. The final report will be included in the FY 2009 AFR. As done in the past to facilitate the audit and assist with meeting OMB deadlines, a 3rd Quarter draft of this report will also be issued with increased emphasis on the accuracy of that draft. The auditors will be reviewing and testing in detail the data included in the 3rd Quarter draft.

The definitions for basic, applied and development R&D included in the SFFAS No. 8 are identical to the definitions contained in OMB Circular A-11, *Preparation and Submission of Budget Estimates*. If you need copies of these definitions, please contact Genoa Mitchell on 301-903-1243. Please ensure that you indicate in Attachment D-1, the categories of research, and the percentage if necessary.

Step 2: Please submit all R&D information to Genoa Mitchell at Genoa.Mitchell@hq.doe.gov, 301-903-1243, fax 301-903-2550, Rm C-179, Germantown by August 7, 2009. Please direct questions to this contact also.

RESEARCH AND DEVELOPMENT
REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
For Fiscal Year Ending September 30, 2009

SUBMITTING OFFICE: _____

APPROPRIATION: _____

PROGRAM: _____

Research and Development STARS Code Value	Category of R&D & Percentage if Necessary (Applied, Basic, Development)

Continue for each appropriation and program as necessary to address all R&D programs in your organization.

CONTACT NAME & NUMBER: _____

RESEARCH AND DEVELOPMENT PROGRAMS

Bonneville Power Administration

Civilian Radioactive Waste Management
Nuclear Waste Disposal

Energy Efficiency and Renewable Energy
Biomass and Biorefinery Systems R&D
Building Technologies
DEMP/FEMP
Geothermal Technology
Hydrogen/Fuel Cell Technology
Industrial Technologies
Solar Energy
State Energy Programs
Vehicle Technologies
Weatherization
Wind Energy

Environmental Management

Fossil Energy
Natural Gas Technology
Oil Technology
Zero Emissions Coal-Based Electricity & Hydrogen Production

National Nuclear Security Administration
Advanced Simulation and Computing Campaign
Directed Stockpile Work
Elimination of Weapons-Grade Plutonium Production
Engineering Campaign
Environmental Projects and Operations
Facilities and Infrastructure Recap Program
Fissile Materials Disposition
Global Threat Reduction Initiative (GTRI)
Inertial Confinement Fusion Ignition and High Yield Campaign
International Nuclear Materials Protection, Control and Cooperation
Naval Reactors
Non Proliferation and Verification R&D

- Nonproliferation and International Security
- Nuclear Weapons Incident Response
- Pit Manufacturing and Certification Campaign
- Readiness Campaign
- Readiness in Technical Base and Facilities (Operations)
- Safeguards and Security
- Science Campaign
- Secure Transportation Asset

Nuclear Energy

- Develop New Nuclear Generation Technologies
- Maintain and Enhance National Nuclear Infrastructure

- Office of Electricity Delivery & Energy Reliability
 - Electric Transmission and Distribution

- Office of Intelligence and Counterintelligence

- Office of Health, Safety and Security

Science

- Advance Scientific Computing Research
- Basic Energy Sciences
- Biological and Environmental Research
- Fusion Energy
- High Energy Physics
- Nuclear Physics

PERFORMANCE INFORMATION

This attachment contains the guidance and templates for developing performance information for the Management, Discussion and Analysis (MD&A) section of the Agency Financial Report (AFR) and for the Annual Performance Report (APR). This information will also be used to create a Summary Report. The Office of Program, Analysis and Evaluation (CF-20) will coordinate the development of all performance information. All required performance information should be e-mailed to **Karen Elwell** by the underlined due dates. She can be reached at 202-586-2665 for questions.

Agency Financial Report (MD&A) requirements are as follows (due to CF-20 by Aug. 14, 2009):

- Each program should provide a high-level discussion of selected key accomplishments related to DOE's strategic priorities. The discussion of each accomplishment should be limited to a single paragraph (4-6 sentences). In your response, identify one challenge associated with the accomplishment and the steps taken to overcome the identified challenge. Also, mention the impact of Recovery Act funding.
- Each program should provide one or two concise high-level paragraphs on accomplishments related to the program's support of DOE's mission through research and development.
- Highlight budget, cost data, and intra/inter-departmental relationships that had an affect on key accomplishments.
- In each of the above narratives, provide Internet links that will take the reader to detailed information related to the accomplishments cited. Provide charts and pictures to explain major points.

AFR Template

(use a separate copy for each strategic priority)

Requirement	Narrative
Strategic Priority	
Describe Program's Key Accomplishments	
Describe Challenges Related to Accomplishments and Resolutions	
Describe Impact from Recovery Act	
Describe How R&D Supports DOE Strategic Priorities	
Budget/Cost Affects Supporting Accomplishments	
Inter/Intra-Departmental Efforts Supporting Accomplishments	
Supporting Charts, Pictures	
Informational Internet Links	

Annual Performance Report requirements are as follows:

- All programs should have a staff person trained and proficient in the Performance Measure Manager (PMM) system. Contact Lynette Walker at 202-586-2019 (CF-20) for a training session.
- All programs should have entered their 3rd quarter 2009 performance results into the PMM system by July 17, 2009. This data will be used to create the draft APR for internal management review.
- All programs should enter their year-end 2009 performance results in PMM by Oct. 16, 2009.
- Provide a list of all unmet measures from the FY 2008 APR using the template below by Oct. 30, 2009.

APR FY08 Unmet Measures Template
(use a separate copy for each measure)

Requirement	Narrative
Strategic Priority	
Measure Number	
Current Status	(Met, Not Met, Unknown)
Description of Performance Target	
Action Plan for Resolution	
Crosswalk to FY 2009 Measure	
FY 2008 APR page #	

Strategic Priorities:

Science – Invest in science to achieve transformational discoveries

- Organize and focus on breakthrough science
- Develop and nurture science and engineering talent
- Coordinate DOE work across the department, across the government, and globally

Clean, Secure Energy – Reduce our dependence on oil and change the landscape of energy demand and supply

- Drive energy efficiency to decrease energy use in homes, industry, and transportation
- Develop and deploy clean, safe, low-carbon energy supplies
- Enhance DOE’s application areas through collaboration with its strengths in science

Climate Change: Position United States to lead on climate change policy, technology, and science

- Provide science and technology inputs needed for global climate negotiations
- Develop and deploy technology solutions domestically and globally
- Advance climate science to understand better the human impact on the global environment

Economic Prosperity – Create millions of green jobs and increase competitiveness

- Reduce energy demand
- Deploy cost-effective low-carbon clean energy technologies at scale
- Promote the development of an efficient, “smart” electricity transmission and distribution network
- Enable responsible domestic production of oil and natural gas
- Create a green workforce

National Security – Maintain nuclear deterrent and prevent proliferation

- Ensure that the U.S. weapons stockpile remains safe, secure, and reliable without nuclear testing
- Reduce nuclear dangers through nonproliferation and arms control activities
- Complete legacy environmental clean-up
- Provide safe, militarily-effective nuclear propulsion plants to the U.S. Navy

Energy Policy Goals and Targets: *Use this information to frame discussion of major accomplishments and challenges*

Carbon Reduction	<p>Target:</p> <ul style="list-style-type: none"> > Reduce carbon dioxide emissions by 1000 million metric tons per year by 2020; reduce by 5100 million metric per year tons by 2050 (80% below 1990 levels) [compared to 2007 emission levels]
Oil Savings	<p>Targets:</p> <ul style="list-style-type: none"> > By 2020 reduce oil consumption by 3.5 million barrels per day (18% reduction) [compared to 2007 consumption levels] > By 2030 reduce oil consumption by 7.4 million barrels per day (35% reduction) [compared to 2007 consumption levels]
Transport	<p>Goals:</p> <ul style="list-style-type: none"> > All new vehicles flex fuel by 2012 > Fuel efficiency: 39 mpg for cars, 30 mpg for trucks by 2016 <p>Target:</p> <ul style="list-style-type: none"> > Deploy 1 million PHEVs (150+ mpg) by 2015
Biofuels	<p>Goal:</p> <ul style="list-style-type: none"> > All new vehicles flex fuel by 2012 <p>Targets:</p> <ul style="list-style-type: none"> > 60 Bgal per year of environmentally-sustainable biofuels by 2030 > Reduce carbon of fuel by 5% 2010 to 2015; 10% by 2020
Grid	<p>Goals:</p> <ul style="list-style-type: none"> > Establish a Smart Grid investment matching grant program > Create programs to deploy advanced techniques for managing peak load reductions and energy efficiency savings

Efficiency	<p>Goal: > Update and expand appliance standards</p> <p>Targets: > Reduce electricity demand 15% from DOE's projected levels by 2020 > Decrease power consumption in new commercial buildings by 80% by 2030 > Reduce federal energy consumption by 15% by 2013 > Modernize 75% of federal buildings > Weatherize >1 million homes annually</p>
Renewables	<p>Goal: > Double renewable energy generation in next three years</p> <p>Target: > Federal RPS of 10% by 2012, 25% by 2025</p>
Clean Coal	<p>Goals: > Increase CCS technology funding > Retrofit existing coal plants > Transfer CCS technology globally</p> <p>Target: > Five large-scale commercial coal plant partnerships</p>
Nuclear	<p>Goals: > Design, develop, license & build safe advanced reactors > Ensure safe and secure plant operations supported by reliable fuel services > Develop long-term storage capability (on-site or at centralized interim storage sites) > Research advanced fuel cycles to support increased access to nuclear energy</p> <p>Target: ➤ Lay cornerstone for new commercial reactor in the United States ➤ Develop framework for international civil nuclear framework that minimizes proliferation risks.</p>