DOE Contractors - Accounting and Financial Oversight

Self-Study Guide

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This self-study can be electronically accessed in the FMDP web page on
www.doeal.gov/ofcfo/fmdp/fmdp.htm

NOTICES

This guide is a part of a series of self-study courses developed for the Financial Management Development Program.

ACKNOWLEDGEMENT

This self-study guide is the result of a collective effort of many people. These people contributed thoughtful, detailed, and constructive comments and input based on their experience and knowledge. Special thanks go to all the people who worked on this self-study guide.

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INTRODUCTION

Background

The Secretary of Energy specified in a ten-point plan that the controller shall develop a training program for financial managers at all career levels. This training program should enable these professionals to "apply comprehensive and thorough financial management techniques to the budgetary and fiscal management of our program."

In response to this directive, the Office of Chief Financial Officer (CF-1) has implemented a Financial Management Development Program (FMDP), which strives to equip financial professionals to meet the challenges necessary for successful financial management within the U.S. Department of Energy (DOE).

The FMDP is a broad professional development program which uses various formats, including classroom instruction, on-the-job training, and self-study courses, to attain its goals. Emphasis is placed on experiential learning through on-the-job training, rotational assignments, and other hands-on training. However, not all educational objectives can be met through experiential learning. Self-study courses, such as the study of DOE orders and other regulations, can fulfill many of these educational objectives.

The Purpose of the Self-Study Guides

This guide is part of a series of self-study courses. It is designed as basic training material and should not be considered a policy document. When working on any issues addressed in this self-study guide, users must refer to the official regulatory references for current and specific policies and procedures.

About This Study Guide

This self-study guide is designed to acquaint users with DOE accounting guidance. It is also designed to provide background information for the financial oversight of DOE contractors.

Target Population

Accountants - Level 2
Budget Analysts - Level 2
Financial Managers

Prerequisite Knowledge and Skills

Before beginning this self-study course, users need to have a basic understanding of the roles and responsibilities of DOE financial operations and knowledge of basic accounting theory and financial oversight processes.

Structure of the Self-Study Guide

- Begin this self-study guide by reading the course objectives.

- If you feel that you are competent enough to accomplish the course objectives, you may skip the instruction portion of the self-study guide. Please complete the criterion test at the end of the guide. Check your answers with the answer keys.

- If you feel that you are not currently able to fulfill the course objectives, read the self-study guide and proceed at your own pace. When you finish the guide, complete the criterion test. Check your answers with the answer key.

Objectives

Upon completion of this study guide, the user will be able to do the following:

1. Describe the various sources of accounting and financial oversight guidance for DOE contractors.

2. Demonstrate knowledge of the Federal vision for Financial Management and understand the main components of contractor financial oversight.

3. Define Internal Controls and understand the concepts used in performing financial oversight.

4. Describe the potential areas of vulnerability within the financial operations of DOE contractors.

5. Understand the concepts used to monitor financial performance.

ACRONYMS

AICPA	American Institute of Certified Public Accountants
BMOP	Business Management Oversight Process
BPA	Bonneville Power Administration
CAS	Cost Accounting Standards
CASB	Cost Accounting Standards Board
CFO	Chief Financial Officer
CRD	Contracts Requirements Document
DEAR	Department of Energy Acquisition Regulations
DOD	Department of Defense
DOE	U.S. Department of Energy
ERMC	Environment Restoration Management Contract
FAR	Federal Acquisition Regulations
FASAB	Federal Accounting Standards Advisory Board
FFIA	Federal Financial Improvement Act
FFMIA	Federal Financial Management Improvement Act
FMFIA	Federal Managers' Financial Integrity Act
GAAP	Generally Accepted Accounting Principles
GAO	General Accounting Office
GMRA	Government Management Reform Act
GPRA	Government Performance and Results Act
GSA	General Services Administration
JFMIP	Joint Financial Management Improvement Program
MARS	Management Analysis Reporting System
M&I	Management and Integrating (Contract)
M&O	Management and Operating (Contract)
NASA	National Aeronautics and Space Administration

NPR	National Performance Review
OFPP	Office of Federal Procurement Policy
OMB	Office of Management and Budget
SFFAS	Statements of Federal Financial Accounting Standards
SGL	Standard General Ledger

PART I - REGULATORY FOUNDATION

The Department's financial staff is faced with the task of overseeing a wide variety of types of contracts and contractors. Some contractors are small businesses while others are multi-billion dollar corporations. These contractors have different business structures, accounting systems, charts of accounts, accounting practices, and financial policies and procedures. Therefore, flexibility is required in awarding contracts, so that each contract recognizes the different aspects of each contractor as well as the needs of DOE.

The National Performance Review (NPR) resulted in "Contract Reform" and the increased use of Federal Acquisition Regulation (FAR) cost principles and fixed-price contracts. Among the goals of Contract Reform are greater contractor financial accountability and cost effectiveness.

Having different types of contractors and contracts poses a challenge for the DOE's financial staff. The financial staff is required to be knowledgeable of all financial-related rules, regulations, DOE Orders, and contractual clauses applicable to the contract. In addition, the financial staff is required to be knowledgeable of the contractors' accounting systems, chart of accounts, accounting practices, and financial policies and procedures.

While nearly all DOE contractors have different accounting systems and practices, they do have one common thread: their accounting activities must be in compliance with all applicable rules, regulations, and contractual terms.

Before proceeding further with this discussion of oversight, it is important for you to understand several commonly used rules, regulations, procedures, and contractual terms. Where applicable, website links have been provided.

Federal Acquisition Regulations and Department of Energy Acquisition Regulations

The Federal Acquisition Regulations (FAR) was established to codify uniform policies for acquisition of supplies and services by executive agencies. It is issued and maintained jointly, pursuant to the Office of Federal Procurement Policy (OFPP) Reauthorization Act, under the statutory authorities granted to the Secretary of Defense, Administrator of General Services and the Administrator, National Aeronautics and Space Administration (NASA). Statutory authorities to issue and revise the FAR have been delegated to the

Procurement Executives in Department of Defense (DOD), General Services Administration (GSA), and NASA.

The Department of Energy Acquisition Regulation (DEAR) implements and supplements the FAR and is not, by itself, a complete document; it must be used in conjunction with the FAR. These documents can be found on:

http://www.management.energy.gov/DEAR.htm

http://www.arnet.gov/far

Cost Accounting Standards

The 1960s and 1970s were marked by many disputes about the high cost of defense contracts. The original Cost Accounting Standards Board (CASB) was established in 1970 as an agency of Congress in accordance with a provision of Public Law 91-379. Their objective was to establish uniform cost accounting standards that must be used in the pricing of negotiated government contracts. CASB was authorized to:

(1) Promulgate cost accounting standards designed to achieve uniformity and consistency in the cost accounting principles followed by defense contractors and subcontractors under Federal contracts, and

(2) Establish regulations to require defense contractors and subcontractors, as a condition of contracting, to disclose in writing their cost accounting practices, to follow the disclosed practices consistently and to comply with duly promulgated cost accounting standards. Subsequently, DOE contractors were also required to comply with CAS. The original CASB promulgated 19 standards and associated rules, regulations and interpretations. It went out of existence on September 30, 1980. The standards can be reviewed at http://www.arnet.gov/far/loadmain.html beginning with section 9904.401.

On November 17, 1988, President Reagan signed legislation (Public Law 100-679), which reestablished the CASB. The new CASB is located within the OFPP, which is under the OMB. The CASB consists of five members: the Administrator of OFPP who is the Chairman and one member each from DOD, GSA, industry, and the private sector.

Treasury Financial Manual

The Treasury Financial Manual is the official publication for financial accounting and reporting of all receipts and disbursements of the Federal Government. It can be found at:

www.fms.treas.gov/tfm/

Generally Accepted Accounting Principles

Generally Accepted Accounting Principles (GAAP) are commonly defined as, “conventions, rules, and procedures necessary to describe accepted accounting practice at a particular time." They cover items including, but not limited to, revenue and expense matching, full disclosure, and consistency in reporting.

The Accounting Standardization Act of 1995 established the following four-part hierarchy for generally accepted accounting principles for the Federal government:

1. JFMIP Pronouncements
2 OMB Bulletin 93-02 (Form and Content Requirements for Financial Statements
3 Agency Accounting Standards (such as the DOE Accounting Handbook)
4 Accounting Principles published by authoritative standards setting bodies (such as Federal Accounting Standards Advisory Board)

Federal Managers' Financial Integrity Act of 1982

The Federal Managers' Financial Integrity Act (FMFIA) of 1982 (P.L. 97-255, 31 U.S.C Sections 1105,1113, and 3512) was enacted to provide a framework for ongoing evaluations of agency systems for internal accounting and administrative control. The Act's goal is to improve accountability by requiring agencies to evaluate their internal accounting and administrative control systems, i.e., management controls. Specifically, the Act's goal is to help ensure that programs achieve their intended results; resources are used consistently with the agency's mission; programs and resources are protected from waste, fraud, and mismanagement; laws and regulations are followed; and reliable and timely information is available for decision making.

Anti-Deficiency Act

This Act states that:

- An officer or employee of the U.S. Government may not make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation;

- An officer or employee of the U.S. Government may not involve the Government in a contract or obligation for the payment of money before an appropriation is made, unless authorized by law;

- An officer or employee of the U.S. Government may not accept voluntary services for the government or employ personal services exceeding that authorized by law; except for emergencies involving the safety of human life or the protection of property; and

- Violations of this act will be reported immediately to the President and Congress with relevant facts and a statement of action taken.

Federal Accounting Standards Advisory Board

The Federal Accounting Standards Advisory Board (FASAB) was established in October 1990 by the Secretary of the Treasury, the Director of the OMB, and Comptroller General. It was created to consider and recommend accounting standards and principles for the Federal Government to improve the usefulness of Federal financial reports. The

Board is an advisory body under the Federal Advisory Committee Act and its recommendations are made to the Board principals.

When the Board's principals adopt the recommendations, they are published as Statements of Federal Financial Accounting Standards (SFFAS), which are known as Federal GAAP. On October 19, 1999, the American Institute of Certified Public Accountants' (AICPA) Council designated the FASAB as the accounting standards-setting body for the Federal government entities under Rule 203 of the AICPA's Code of Professional Conduct.

The FASAB standards and concepts must be followed when preparing the DOE financial statements. For more on FASAB, go to:

http://www.fasab.gov

Chief Financial Officers Act of 1990

The Chief Financial Officers (CFO) Act of 1990 (P.L. 101-576) disclosed that the Federal Government was in need of fundamental financial management reform and that current financial reporting did not accurately disclose the true cost of operations. This Act represented the most comprehensive financial management reform initiative in 40 years. The DOE is one of the 24 Executive Departments/Agencies covered by the CFO Act. This Act requires Agency CFOs to:

- Provide for improvement of systems of accounting, financial management, and internal controls to assure the issuance of reliable financial information and to deter fraud, waste and abuse of Government resources;
- Report directly to the head of the Agency regarding financial management matters;
- Oversee all financial management activities relating to the programs and operations of the Agency;
- Develop and maintain an integrated agency accounting and financial management system including financial reporting and internal controls which provides for (1) complete, reliable, consistent and timely information (2) the development and reporting of cost information (3) the integration of accounting and budgeting information and (4) the systematic measurement of performance;
- Implement agency asset management systems, including systems for cash management, credit management, debt collection, and property and inventory management and control;
- Monitor the financial execution of the budget of the agency in relation to actual expenditures, and prepare and submit to the head of the agency timely performance reports;
- Perform biennial pricing reviews for fees, royalties, rents, and other charges imposed by the agency for services and things of value it provides; and
- Prepare and submit, to the OMB Director, a financial statement for the preceding year.

Government Performance and Results Act of 1993

The Government Performance and Results Act (GPRA) of 1993 (P.L. 103-62) is a far-reaching act designed to improve accountability in the government. The Act's purpose is to hold federal agencies accountable for achieving program results and requiring federal agencies to clarify their missions, set program goals, and measure performance toward achieving those goals.

This Act provides for the establishment of strategic planning and performance measurement. The Act required agencies to submit five-year strategic plans to OMB and Congress. The five-year strategic plans are to be updated at least every three years. The strategic plans shall include:

- A comprehensive mission statement covering the major functions and operations of the agency;
- General and outcome related goals and objectives for the major functions and operations of the agency;
- A plan for achieving the goals and objectives that includes a description of the operating processes, skills and technology, and resources required to meet the goals and objectives;
- A basis for comparing actual program results with the established program goals. A description of the process to verify and validate measured values;
- Identification of barriers to achievement of the goals and objectives; and
- A description of the program evaluations used in establishing or revising general goals and objectives, with a schedule for future program evaluations.

Government Management Reform Act of 1994

The Government Management Reform Act (GMRA) of 1994 (P.L. 103-356) expanded the CFO Act to all activities of Executive Branch agencies. GMRA requires that the DOE annually submit audited financial statements to the Office of Management and Budget (OMB) beginning with 1996. A department-wide audit is then conducted to determine whether there is reasonable assurance the DOE's consolidated financial statements are free of material misstatements. GMRA also requires that Accountability Reports be issued which include program and financial information (such as the audited financial statements and performance measures reflecting performance in meeting key agency goals, and the Inspector General's semi-annual reports).

Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act (FFMIA) of 1996 (P.L. 104-208) also expands on the CFO Act by requiring financial statement auditors, beginning with the 1997 fiscal year financial statements, to report whether agencies' financial management systems comply with federal financial management systems requirements, federal accounting standards, and the Standard General Ledger (SGL), hence providing the statutory basis for the Statement of Federal Financial Accounting Standards. More information is available at:

http://www.whitehouse.gov/omb/financial/ffs_ffmia.html

DOE Order 224.1 - Contractor Performance Based Business Management

The objectives of this order, which is titled the "Business Management Oversight Process" or BMOP, are:

- To improve contractor performance in business management functions through a performance-based process;
- To institutionalize a business management system that encourages and rewards excellence, continuous improvement, and timely communication;
- To affect a level of communication, partnership, and trust that minimizes the Department's need for conducting on-site reviews of contractor business management functions;
- To establish performance objectives, measures, and expectations that drive cost-effective performance improvement, focus on performance results, and maintain appropriate internal controls and compliance and that, when possible, are objectively measurable, thereby allowing meaningful trend and rate of change analysis; and
- Encourage benchmarking initiatives as a means of incorporating industry business standards that are meaningful, appropriate, and consistent with DOE requirements. See the following website for more details:

http://www.directives.doe.gov/pdfs/doe/doetext/neword/120/g1201-5.html

DOE Order 520.1 Office of Chief Financial Officer

This order, issued in January 2001, provides guidance to "support the CFO in meeting the financial management requirements established by the [CFO] Act and by OMB policies. Specifically, field CFOs will manage and operate their offices in consonance with the financial policies, procedures, and guidance promulgated by the CFO." This order should "help achieve the CFO Act's objectives of sound financial management policies and practices, effective internal controls, and accurate and timely financial information."

DOE Order 534.1 and the DOE Accounting Handbook

The DOE Order and the associated Accounting Handbook applies to all DOE elements except for the Bonneville Power Administration (BPA). The handbook provides DOE's standards, procedures, and operational requirements in support of the accounting policies, principles, and applicable legal requirements contained in DOE Order 534.1 and the implementing Accounting Handbook. It provides guidance regarding the OMB, Treasury, and General Accounting Office (GAO) accounting principles and standards that must be followed. It also provides general guidance for accounting and financial management policies for functions and responsibilities not otherwise covered and that may be unique to DOE. The provisions of the Accounting Handbook apply to all Departmental elements (except BPA) and integrated contractors performing work for the Department as provided by law or contract as implemented by the appropriate contracting officer. Nonintegrated contractors shall follow the applicable standards and procedures as specified in this handbook to the extent provided in their contracts.

~~http://www.cfo.doe.gov/policy/actindex/index.html-ssi~~

MARS/SGL Chart of Accounts and Related Codes Manual

This manual provides the user with the DOE's Chart of Accounts. It also provides coding definitions for a multitude of data such as: Status Codes, Asset Types, Object Classification Codes, Fund Types, Summary Classification Codes, Transaction Classification Codes, Financial Plan Codes, Other Reference Codes, and Other Party Identification Codes. An updated version of this manual can be accessed at:

http://www.cfo.doe.gov/efasc/frad/guidance.htm.

The DOE will ultimately be recording its financial activity at the transaction level using the SGL chart of accounts. The SGL is the federal government's uniform chart of accounts used by all agencies. It provides a standard account structure to enhance financial control and support financial reporting. It has a 4-digit structure, provides account titles, and includes budgetary and proprietary accounting entries. The structure of SGL is as follows:

Accounts	Names
1000	Assets
2000	Liabilities
3000	Net Position
4000	Budgetary
5000	Revenue
6000	Expenses
7000	Gains/Losses
8000/9000	Memorandum

Contractual Clauses

The general provisions of a prime Government contract (sometimes referred to as "boiler-plate") have, over the years, assumed a more-or-less standard form. Thus, although there are some variations, most contracts -- whether they are for supplies, services, construction, etc. -- contain the same basic clauses. This concept of standard general provisions is a good one. The various clauses, their operation, and their interpretation become familiar to the parties and can then be used in new contracts with a minimum of discussion. Also, to some extent at least, these standard provisions minimize unexpected occurrences. Moreover, their use saves time and effort, since it reduces the necessity for negotiating specific and new contract language for each procurement. These clauses can have very significant implications for DOE. Therefore, it is very important in contract oversight that you be familiar with these clauses.

OMB Circular A-127 Financial Management Systems

This circular states that financial and program managers are accountable for financial results of actions taken, control over the Federal Government's financial resources and protection of Federal assets. Specific requirements of this circular include:

- Each agency shall maintain a single, integrated financial system.
- Financial systems must be designed in a manner consistent with the US Government Standard General Ledger, and is capable of tracking specific program expenditures.
- Integrated financial management systems must possess (1) common data elements, (2) common transaction processing, (3) consistent internal controls and (4) efficient transaction entry.
- Agency financial management systems shall be able to produce financial information required to measure program performance, and support budgeting, program management and financial statement presentation.

OMB Circular A-123 Management Accountability and Control

This circular states that managers are responsible for the quality and timeliness of program performance, increasing productivity, controlling costs, and compliance with applicable laws. The circular requires Agencies and individual Federal managers to take systematic and proactive measures to:

- Develop and implement cost-effective management controls for results-oriented management,
- Assess the adequacy of management controls in Federal programs and operations,
- Identify needed improvements,
- Take corresponding corrective action, and
- Report annually on management controls.

PART II - GENERAL FINANCIAL OVERSIGHT

Federal Vision for Financial Management

In 1996, the Department issued its vision for federal financial management, based on a set of guiding principles designed to meet the objectives of ensuring sound financial stewardship and providing the President, Congress and the public with a reliable assessment of the health of its financial management operations.

These guiding principles build on the tenets of the CFO performance goals, objectives, and measures and provide the basis for establishing a comprehensive performance-based management strategy which emphasizes operational awareness and balances performance measurement with other activities to promote responsive, economical, and efficient operations. The guiding principles were designed to capture existing statutory and regulatory requirements and did not add new requirements for Field Chief Financial Officers.

The DOE CFO reissued these guiding principles in 1998.

Definition of Effective Contractor Financial Oversight

Historical oversight processes, including compliance reviews and on-site financial inspections by field office personnel, have been reduced in favor of performance-based contract reforms and initiatives. However, DOE Order 520.1, issued in January 2001, required the field to re-establish financial review capability. The two primary drivers that form the foundation for effective financial management are accountability and decision usefulness.

Ensuring accountability for Government resources and assets is one of the most dynamic and difficult responsibilities of management. Managers need an oversight process that will ensure a positive answer to the question "Did we use our resources effectively, in accordance with program priorities, and in compliance with laws and regulations?"

The second primary driver, decision usefulness, mandates that the structure and integrity of financial accounting systems are proficient in providing current, accurate, and relevant information. Such information is necessary to enable managers to make prudent, informed decisions affecting their operations. Thus managers need a financial management system that positively answers "Is reliable, timely, and useful financial information available to assist us in making effective management decisions?"

Effective contractor financial oversight includes steps to implement laws that have placed more responsibilities on field CFOs. GPRA and the GMRA seek to make government more effective and responsive through improved financial planning and more meaningful customer oriented financial information.

The CFO community has a critical responsibility to provide all levels of management, with the financial information necessary to make sound decisions in a time of scarce resources and rapidly shifting mission priorities. Effective contractor financial oversight must ensure that the Department's contractors' financial management practices, systems and results possess integrity, provide timely and relevant information, and are reliable .

Successful accomplishment of the five guiding principles, identified by the Department, should provide management assurance that the contractor has a sound financial management program that provides for accountability and informed management decision-making. The five guiding principles are described below. It is important to keep in mind that all of the elements of this concept are necessary to assure effective financial management. Eliminating any of the elements, or insufficient performance of any element, will result in less than effective financial management.

Principle 1. Evaluate and Assess Effectiveness of Financial Planning

Field Managers rely upon their Field CFOs to ensure that resources are available to meet DOE mission requirements. Therefore, budgets must be formulated with programmatic insight and result in justifiable requests for resources to satisfy mission needs. The financial community must partner with functional and program managers to ensure that limited financial resources are allocated in order of priority and that these resource allocations are used for their intended purposes.

Principle 2. Manage Resources to Accomplish Program Goals

To assure that program priorities are achieved within provided funding levels, systems must be in place that provide management with timely insight into trends and financial results. Therefore, the CFO monitors budget execution, including monitoring projects, tasks, program accomplishments, and the overall financial health of its operations to ensure that plans and priorities are achieved.

Principle 3. Provide Accurate and Relevant Financial Reporting to Customers

It is paramount that all levels of DOE management have current, accurate and relevant financial data for sound decision-making. In addition, this information must be presented in a useful format that addresses the needs of individual managers. Financial information is essential to planning, real-time decision-making, and assessing program performance.

Principle 4. Assess Adherence to Laws, Regulations, and Financial Contract Clauses

Over the years, Congress has enacted several laws making departmental officials accountable for financial integrity, performance and stewardship. Therefore, the Department has the responsibility to ensure that all applicable laws and regulations are carried out to ensure responsible use of taxpayer dollars and protection of the Department's assets against fraud, waste, abuse, and mismanagement.

Principle 5. Assess Effective and Efficient Use of Government Resources

A main CFO responsibility is to ensure that scarce resources are being utilized economically and efficiently. Oversight efforts and analyses should focus on high impact areas. These high impact areas should be determined through the use of risk assessments that identify the degree of probability of loss, exposure, or detriment to the Department as a result of ineffective, inefficient, or non-compliant processes. Emphasis should be placed on identifying deficiencies during infancy stages of projects and processes in order to take timely corrective actions. There should also be emphasis on identifying and implementing commercial best business practices that includes modernization of systems, reengineering, decentralized control, application of modern quality principles, and implementation of electronic commerce. Consistent with these concepts should be the design and management of business processes, which balance the risk of loss or exposure with the cost of control and compliance activities.

The entire "Guiding Principles" document can be found on:

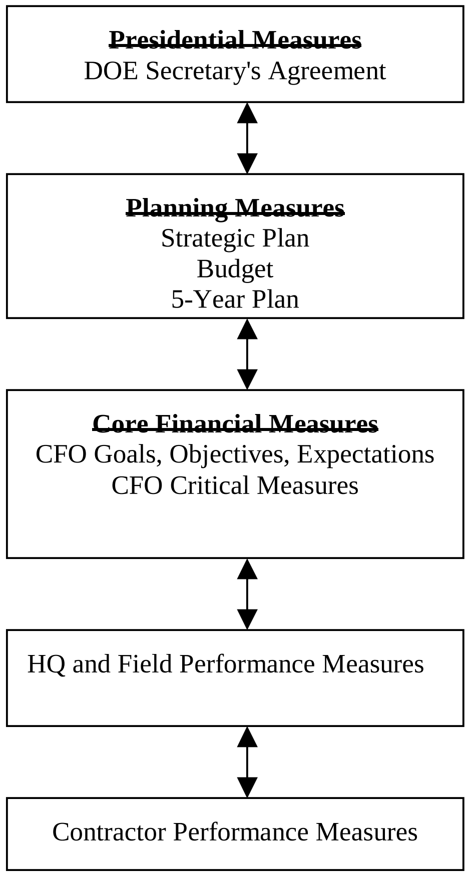
http://www.cfo.doe.gov/cf1-2/indexFO.htm

Chief Financial Officer's Performance Goals, Objectives and Expectations

The CFO has established Goals, Objectives, and Expectations in fulfillment of requirements of the CFO Act and the Government Performance Results Act and to support the CFO's comprehensive oversight strategy. This strategy balances traditional performance measurement with activities to ensure adequate management controls and compliance. The success of this concept depends heavily on the establishment of clear expectations of overall performance at all levels of the organization.

The goals and objectives, along with the Guiding Principles and annual performance expectations, represent the key CFO guidance for oversight. They contain high-level principles and detail the performance measures that tie the entire Department, at all levels, together. The "performance pyramid" shows how all the levels fit together:

DOE Performance Pyramid



Each level supports and flows with the level above and below it. This creates a cohesive plan of goals, objectives, and expectations from the Secretary's agreement with the President to the performance measures in each of the site contractor's contracts. More information can be found on:

http://www.cfo.doe.gov/cf1-2/indexFO.htm

CFO's Critical Performance Measures

The CFO has identified critical financial performance measures. Field offices are required to report on these measures. DOE program offices in partnership with their field office counterparts develop, negotiate, and mutually agree to performance objectives, measures and expectations annually for each business management function. Each year the HQ CFO provides the critical financial performance measures. In FY 2001, for example, there were 10 critical measures. They included having audited financial statements with an unqualified opinion, payments made on time, carryover balances effectively managed, and effective audit resolution. All the current year measures can be found on:

http://www.cfo.doe.gov/cf1-2/indexFO.htm

Business Management Oversight Process

The BMOP institutes a business management system that encourages and rewards excellence, continuous improvement, and timely communication, especially in regard to the critical measures identified by the CFO. The objectives of BMOP are stated in Order 224.1, "Performance Based Business Management Oversight Process".

The BMOP is currently an integral part of the Department's Strategic Management System. It should be linked to the Strategic Plan whenever possible. These objectives are integrated at the field office level to form the site specific performance measures and incentives. These are conveyed to the contractor in the form of contract specific measures and incentives to ensure consistent management focus and attention.

DOE and Contractor Responsibilities

Various DOE HQ offices are responsible for policy guidance, identification of overall performance objectives and departmental measures under BMOP. HQ assesses the field office implementation of the BMOP system and accurate reporting of measures. The HQ CFO not only performs these functions for financial matters, but also provides general oversight of the BMOP process.

The DOE field offices are responsible for contract administration, site-specific measures and the assessment of contractors. Additionally, each site must perform a self-assessment annually against the measures.

Regardless of the type of contract negotiated with the contractor, the DOE field office and the contractor share financial stewardship and fiduciary responsibilities. Contractors are required to use the taxpayers' money responsibly, to conduct operations in an efficient and effective manner, to ensure that funds are expended in accordance with provisions of the contract and applicable appropriations laws respectively, and to adequately account for costs charged to the Government under their contract.

The Field Office must provide Headquarters, OMB and the Congress reasonable assurance that these requirements are being met and that adequate systems and controls are in place for preventing fraud, waste, abuse and mismanagement of Government assets.

Types of Contracts/Contractors and Financial Oversight

As stated before, the Department awards various types of contracts. These types of contracts include Management and Operating (M&O), Management and Integrating

(M&I), Environmental Restoration Management Contracts (ERMC), Federal Acquisition Regulations (FAR) based contracts, etc. Depending on the type of contract, the contractors may have different accounting systems, chart of accounts, accounting practices, policies and procedures.

Financial staff should be involved early in the contractual process to assure that all the necessary requirements and clauses are included in contractual language. Similarly, financial staff should remain informed of changes to the contracts and provide oversight support for the Contracting Officer.

Recently, contracts have been negotiated with fees and payments that are dependent upon performance (i.e., performance incentives). Financial staff should be keenly aware of these agreements and assess whether or not the contractor's financial system can accurately collect and report cost in the manner the incentives are negotiated.

PART III - RISK MANAGEMENT AND INTERNAL CONTROLS

Financial oversight of both internal agency and contractor operations requires adequate, efficient and effective management control, internal control and risk management.

What is Internal Control?

Internal Control is a process within an organization designed to provide reasonable assurance regarding the achievement of the following primary objectives:

- The reliability and integrity of information,
- Compliance with policies, plans, procedures, laws, regulations, and contracts,
- The safeguarding of assets,
- The economical and efficient use of resources,
- The accomplishment of established objectives and goals for operations or programs.

The Control Environment

The control environment refers to the attitude and actions of contractor management regarding the significance of controls within the organization. Evaluation of how well contractor employees adhere to the control environment, as established by management, is an important factor to consider in performing accounting and financial oversight. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values
- Management's philosophy and operating style
- Organizational structure
- Assignment of authority and responsibility
- Human resource policies and practices
- Competence of personnel

Risk Assessment

Risk assessments are a systematic process for assessing and integrating professional judgments about probable adverse conditions or events. The risk assessment process should provide a means of organizing and integrating professional judgments for development of an audit or review schedule.

The following detail defines and explains the risk factors used in determining the areas to be audited or reviewed.

> Inherent risk is the basic susceptibility to the risk of a material error or loss occurring within an entity due to its very nature. Some entities, by their very nature, present specific levels of risk. For example, management of nuclear material is inherently more risky than management of business forms and cash is inherently more susceptible to theft than are checks. Those entities with high inherent risk should compensate for that risk with corresponding higher levels of internal controls. Inherent risk must be analyzed along with the control risk to give an overall assessment of the entity's total quality of control.
>
> Control risk is the risk that control systems (internal controls) will fail to prevent or detect material errors or irregularities, on a timely basis, in the financial statements or operating systems. Controls are generally stronger for those entities with higher levels of inherent risk. Control risk must be analyzed along with inherent risk to give an overall assessment of the entity's total quality of controls.
>
> New and changing systems add to an entity an element of the unknown. Although a system may have been tested in other environments, each entity has its own nuances that create an element of risk within that entity.
>
> Materiality/Exposure: The size of a unit will normally affect the magnitude of its potential losses. Thus, the larger an audit entity in terms of total sales, assets, headcount, etc., the larger the need for audit resources will be. Entities may also be subject to significant exposure or publicity that may not always be measured financially.
>
> As the operating complexity of an entity increases, the control environment, accounting and management information system, and control procedures also become more complex. Complex entities are difficult to understand and transaction trails are more difficult to follow. These factors serve to increase the potential for a material misstatement and thus increase risk to the company.
>
> The results of previous reviews give an indication of the risks within an entity. Past performance can be an indicator of present and future performance and is therefore factored into the risk analysis.
>
> Because the review function detects and deters inappropriate activity, the effects will likely be the greatest just before and just after a review. As the time since the last review increases, the risk of loss of internal control increases.

The amount of management emphasis on certain topics also provides input into the risk assessment process.

Evaluating Operational Control Activities

Control activities are the policies and procedures that help to ensure that management directives are carried out. They help ensure that necessary actions are taken to address risks to achievement of the entity's objectives. Management is responsible for establishing operating or program objectives and goals, developing and implementing control procedures, accomplishing desired operating or program results and establishing criteria to determine if objectives and goals have been accomplished. Types of control activities include:

- Top level reviews
- Direct functional or activity management
- Information processing
- Physical controls
- Segregation of duties
- Performance indicators
- Policies and procedures

Information and Communication Systems

Information and communication systems enable staff to capture and exchange the information needed to conduct, manage and control its operations. Types of controls over information systems include:

- Overall general controls (such as who has access to data or to changing data)
- Task-specific application controls (such as the ability of a piece of software automatically detect and flag errors)
- Relationships between general and application controls
- Evolving issues (such as new laws on environmental liabilities)
- Entity specific (aspects of an information system that are unique to one organization within DOE)

Monitoring

The entire process must be monitored to report conditions and necessary modifications. In this way, the system can react dynamically, evolving as conditions warrant. The overall purpose of monitoring an internal control activity is to assure the on-going quality of the system of control.

Roles and Responsibilities Internal to the Entity

All individuals in the organization have a responsibility to the organization and to themselves to assure that the control system operates properly. It is as much a protection for the employees as it is for the entity itself. Certain employees will have specifically identified control responsibilities (e.g., senior management, board of directors, internal auditors, etc.), while others will have the undefined but equally important duty of reporting conditions and events when necessary.

Roles and Responsibilities External to the Entity

All of the responsible parties are not found inside the organization. Examples of responsible parties external to the entity are:

- External auditors
- Legislators and regulators
- Customers
- Vendors

These external groups provide a "checks and balances" control that assists DOE and the contractors in, for example, ensuring that regulatory compliance (regulators) and billings are accurate (customers and vendors).

Part IV - POTENTIAL AREAS OF VULNERABILITY

While risk assessments will provide the most useful information related to areas of vulnerability, there are certain transactions or types of cost that require more attention. The list below is not all-inclusive; it provides some explanation of areas of vulnerability and what can be tested.

Accounting Practice Changes are considered to be any change to a costing or allocation methodology. Guidance that is helpful with many types of accounting changes can be found in the Cost Accounting Standards. Examples include allocating overhead on direct labor in one period and to total cost in another period; or changing the valuation methodology of inventories from period to period. To ensure consistency of data between periods and reliability of data for management decisions, accounting practice changes should be documented and tracked. Comparison data between periods in which accounting practice changes have been made should be adjusted so that the data being compared is relevant. Accounting practice changes become particularly important if fee is paid on the reduction of certain costs, as costs can be "shifted" to non-fee bearing areas.

Accounting System Deficiencies are areas of weakness or omission in accounting practices, processes, or systems, which make it questionable as to whether a system can adequately accumulate, segregate, and bill costs under government contracts. This is often a question of the reliability of information. Examples include poor time reporting practices, ineffective and/or untimely closeout of audit findings, or inability of a system to capture subcontractor costs separately.

Administrative Control of Funds requires planning, programming, and utilizing integrated budget and accounting systems to preclude violations of the Anti-Deficiency Act. Adequate controls must be in place to alert financial staff of the possibility of a cost overrun and impending Anti-Deficiency Act violation. At a minimum, the following requirements must be met:

- Funds are expended solely for the purposes for which they were appropriated, except as otherwise provide by law;

- Funds are certified as available and committed before obligations;
- Obligations or expenditures are not authorized or incurred in excess of available funds or in excess of any legal or administrative limitations;
- Only valid obligations are recorded in the accounting records, and all obligations incurred are recorded accurately and promptly; and,
- Unliquidated obligations are validated annually.

<u>Cost Transfers</u> allow the correction or adjustment of prior cost entries. The cost transfer process is a potential area of vulnerability because if there are not appropriate controls in place, costs can be transferred for the purpose of avoiding overruns, to increase fee, or to avoid a "color of money" issue (i.e., using funds from "operating" to cover a "capital" overrun). Supporting documentation, showing a reasonable and necessary justification for the cost transfer, should be available. All transfers should be tracked in a Cost Transfer Log and assigned a control number. Additionally, all affected parties, especially the responsible person receiving the cost, should sign the documentation agreeing to the transfer.

<u>Inadequate Competition in Contracting</u> is covered in the FAR, which requires full and open competition in all acquisitions, where practicable. All acquisitions must be conducted so it allows all responsible sources to compete. However, FAR Part 6 does not require compliance by all acquisitions. The following situations do not require compliance with FAR full and open competition requirements:

- Acquisitions using simplified acquisition procedures;
- Orders placed under requirements contracts or definite-quantity contracts;
- Contract modifications that are within the scope and under the terms of an existing contract; and,
- Contracts awarded under the Small Business Administration's 8(a) program.

Financial staff should seek assistance from the appropriate procurement parties to review the adequacy of the competition in contracting documentation.

<u>Labor Charging</u> practices should be periodically reviewed to ensure employee time is accurately recorded to reflect the work actually performed. Time charging procedures should provide internal controls, as well as comply with contractors' contractual, regulatory, and ethical requirements.

Labor charging practices should have clear distinctions regarding the responsibilities of employees, managers, and timekeepers. For example, it is a usual practice that employees fill in their own timecards on a daily basis. Also, timekeeping should be completed on a daily basis to maximize the accuracy of the timecard, as an employee's memory may not reflect the true division of work completed earlier in the week.

<u>Related Party Transactions</u> should be reviewed to assure that the substance of the transaction is the same as its legal form. Simply, was the transaction conducted in the

same relative manner, as it would have been with a non-interested party (an arm's length transaction)? Related parties are:

- A company's affiliates;
- Its management and their immediate family members;
- Its owners and their immediate family members; and
- Any other party with which the company may deal when one party controls or has the ability to significantly influence the management or operating policies of the other.

Examples of related party transactions include non-monetary exchanges and borrowing or lending on an interest-free or low-rate interest basis.

Related party transactions should be identified and tested to assure that internal controls are in place to manage increases in risk and that the company's financial statements reflect the true cost of the transactions. If there is no evidence to the contrary, transactions between related parties should not be considered outside the normal course of business.

<u>Variance Distributions (or Rate Changes)</u> Invariably, a contractor's indirect rates will require adjustment to more closely reflect actual indirect spending and allocation bases. Variance distributions are a point-in-time correction of cost that either takes additional dollars from pool customers to pay for excess cost, or returns overpayments made by customers. Care should be taken to ensure that the costs are returned to the same control points and in the same proportion as they were taken. This will assure an equitable distribution of cost. Likewise, rate changes should be reviewed to determine if the resulting effects would be equitable to all indirect pool customers. This may be done quarterly or more frequently, but must be completed before the end of the Fiscal Year.

A thorough analysis of rates in the beginning of the execution year should be completed. The financial staff should review to assure that the rates are not overstated. Overstating indirect rates allows the contractor to increase the amount of indirect "funds" and reduce funding available to accomplish DOE’s direct mission. Rates should be set as closely as possible to the expected actual results.

PART V – MONITORING FINANCIAL PERFORMANCE

Ensuring accountability for Government resources and assets is one of the most dynamic and difficult responsibilities of management throughout the Government and its private sector contractors. In order to meet this responsibility, managers need an oversight process that will ensure a positive answer to the question, “Did we use our resources effectively, in accordance with program priorities, and in compliance with laws and regulations?”

Financial Performance Assessment and Monitoring Activities

Assessing or monitoring financial performance involves two distinctly different kinds of activities:

- An assessment of the processes that are in place to control and manage resources (discussed in previous section), and
- An evaluation of financial performance measured against established goals.

One of the major influences of the current environment regarding contract structure and the financial oversight and monitoring of contract performance is Contract Reform. The basic elements or tenets of Contract Reform are:

- Increased Competition;
- Increased Use of Fixed-Price Contracts;
- Performance Criteria and Measures;
- Results-Oriented Statement of Work;
- Performance Based Incentives;
- Cost Reduction;
- Protection of the Worker, the Public, and the Environment;
- Greater Financial Accountability;
- Improved Financial Management; and
- Increased Use of FAR Principles.

Even though the primary subject of this self-study section is to focus on Financial Oversight and Monitoring of Contract Performance, it is relevant to first describe performance based contracting. "Performance-based contracting structures all aspects of an acquisition around the purpose of the work to be performed as opposed to either the manner by which the work is to be performed or broad and imprecise statements of work." (Office of Federal Procurement Policy, Policy Letter 91-2, 1991). In order to either direct or motivate a contractor to achieve optimum performance results, some key factors need to be instituted or in place. Contract language or clauses is one key factor. Examples of contract clauses that attempt to achieve the result of optimum contract performance are:

- FAR 52.216-10 Incentive Fee
- FAR 52.216-12 Cost Sharing Contract – No Fee
- FAR 52.232-28 Invitation to Propose Performance-Based Payments
- FAR 52.232-32 Performance-Based Payments
- DEAR 970.5204-54 Total Available Fee: Base Fee Amount and Performance Fee Amount
- DEAR 970.5204-86 Conditional Payment of Fee, Profit, or Incentives

The clauses provided above are meant to depict an example of contract clauses available to stimulate optimum contract performance. They are not meant to be all-inclusive.

Monitoring or Analyzing Contractor Activities

The following provides general guidance on steps that may be performed while analyzing/monitoring contractor performance. The level of detail necessary to perform each analysis must be assessed independently on each assignment.

- Determine analysis objective
- Perform initial survey
- Perform risk assessment
- Develop analysis plan
- Review and test internal controls
- Perform analysis
- Discuss findings and recommendations with appropriate parties
- Issue report

DOE Accounting Handbook

Program and budget officials shall perform administrative funds control by planning, programming, and utilizing integrated budget and accounting systems to preclude violations of the Anti-Deficiency Act. If deemed appropriate, an office may utilize local systems to complement and enhance the control, recording and reporting of accounting and budgetary activities and status of the budget. The administrative control of funds shall satisfy the requirements set forth in OMB Circular A-34, "Instructions on Budget Execution." At a minimum, the following requirements must be met:

- Funds are expended solely for the purposes, for which they were appropriated, except as otherwise provided by law;

- Funds are certified as available and committed before obligations;
- Obligations or expenditures are not authorized or incurred in excess of available funds or in excess of any legal or administrative limitations;
- Only valid obligations are recorded in the accounting records, and all obligations incurred are recorded accurately and promptly; and
- Unliquidated obligations are validated annually.

Departmental policies regarding accounting systems and organization are as follows:

- To accurately record on a timely basis financial information consistent with the SFFAS and, in the absence of SFFAS, the GAO Policy and Procedures Manual and generally accepted accounting principles;
- To maintain a reliable, complete, and verifiable accounting system on an accrual accounting basis;
- To maintain a single integrated financial management system that serves program management, budgetary, and accounting needs;
- To support reporting to the OMB, the Treasury, Office of Personnel Management, GSA, and other agencies as required;
- To support internal reporting to DOE management;
- To ensure that obligations and payments do not exceed funds appropriated by Congress;
- To ensure that integrated contractors' customary accounting practices conform with generally accepted accounting principles, contain sufficient details to account for all DOE funds, assets, liabilities, and costs, produce accurate results, provide the necessary DOE financial reports, and do not conflict with provisions of the DOE Accounting Handbook; and
- To ensure that contractors comply with the standards of the CASB when such standards are required to be followed under the terms of the contract.

Specifically, we can relate financial policy and its goals into four general objectives, which are:

1. To develop, implement, maintain, and interpret Departmental accounting, budget, and financial policy including travel, transportation, cost accounting, pricing of products and services, cash management, budget formulation and execution, and general procedural requirements for federal accounting and reporting activities;

2. To develop, implement, maintain, and interpret a broad spectrum of financial activities including financial clauses for the sites contracts and to oversee inclusion of and any deviations from those clauses;

3. To maintain cash management and debt collection programs, and to oversee the cost accounting, financial management of inventories, and pricing of products and services; and

4. To direct participation in selected financial management improvement initiatives and to direct and/or coordinate various crosscutting financial management activities.

Department of Energy Acquisition Regulations and Federal Acquisition Regulations

These two regulations are important in monitoring the financial performance of government contractors. Financial staff should be familiar with the requirements within both FAR and DEAR and constantly monitor contractor performance against those requirements.

Agency heads or their designees may authorize individual deviations to these regulations. Contracting Officer authority and responsibility are defined within the FAR. Contracting officers are responsible for the following:

- Ensuring that sufficient funds are available for obligation;
- Ensuring that contractors receive impartial, fair, and equitable treatment; and
- Requesting and considering the advice of specialists in audit, law, engineering, transportation, and other fields.

Financial staff should provide support and recommendations to the Contracting Officer to assist in meeting these objectives. Reviews should be performed as necessary to test the allowability, allocability, and reasonableness of contractor costs against FAR and DEAR criteria. Financial staff may be called upon to regularly certify that funds are available for obligation. Unique situations often arise which require researching regulations and recommending specific courses of action for Contracting Officer approval.

Cost Accounting Standards

The cost accounting standards were designed to achieve uniformity and consistency in the cost accounting practices of large Federal government contractors' and subcontractors' contracts and to establish regulations to require contractors and subcontractors, as a condition of contracting, to disclose in writing their cost accounting practices, to follow the disclosed practices consistently and to comply with duly promulgated cost accounting standards.

Financial staff should be very familiar with the applicability of CAS to their government contracts and, when applicable, review the contracts against the 19 standards and associated rules, regulations and interpretations.

Initially, contractors should provide the Contracting Officer (and financial staff) with a Cost Accounting Standards Disclosure Statement that outlines all their major accounting practices. This statement should be reviewed for adequacy of the statement (Does it cover all necessary practices?), accuracy (Does it accurately reveal the contractor's practices?), and compliance with CAS and FAR Part 31 (Are the practices in compliance with CAS and FAR Part 31?).

Financial staff should assure that contractor practices are consistent with CAS guidance in relation to advance agreements, direct costs, indirect costs, applicability to subcontractors, and contracts with educational institutions, Indian tribal governments, and nonprofit organizations.

Analytical Methods and Statistical Analysis

Analytical methods include, but are not limited to, comparing contractor data to:

- Industry data;
- Similar prior-period data;
- Anticipated results; or
- Non-financial data.

One of the more sophisticated analytical methods is statistical analysis.

The most common type of statistical analysis for financial staff is regression analysis. This analysis is used to evaluate the reasonableness of a data set to other relevant information. For example, total amount of computer repair and maintenance costs may relate to the number of computers used, the age of the computers, and the complexity of the system. A regression analysis could be used to statistically determine, based on past experience, the anticipated value of future computer repair and maintenance costs.

Statistical analysis can be completed with the assistance of software programs. These allow the reviewer to make calculations and complete analysis more efficiently and effectively. For example, a contractor's general ledger accounts can be input into the reviewer's system, totals can be reported year after year, and analysis completed to assist the reviewer in obtaining an understanding of the contractor's general ledger.

Another major benefit of computerized analytical procedures is the ease of updating the calculations when adjusting entries to the contractor's statements are made. If there are several adjusting entries to the records, the analytical procedures calculations can be quickly revised. (Auditing, Arens and Loebbecke, 1994).

EXAM

1. Which DOE Order contains the BMOP objectives?

2. What is the purpose of the Government Performance and Results Act of 1993?

3. Fill in the blanks. ______________ and _______________ are the two primary drivers that form the foundation for effective financial management.

4. What is a risk-based approach in relation to the financial oversight of DOE contractors?

5. According to the FAR, what are the Contracting Officer's responsibilities? How should financial staff support the Contracting Officer?

6. What are the five guiding principles, as identified by the Department, to provide management assurance that the contractor has a sound financial management program that provides for accountability and informed management decision-making?

7. When are cost transfers appropriate, why is it a vulnerability, and what can be done to assure cost transfers are correctly achieved?

8. Use of risk assessments, implementation of commercial best business practices, modernizing systems, and balancing risk of loss with the cost of controls relates to which of the five guiding principles?

9. Define "internal control" and list five internal control process components?

10. List the eight steps that may be performed while monitoring or analyzing contractor performance.

11. Fill in the blank and answer the question. Program and budget officials shall perform administrative funds control by planning, programming, and utilizing integrated budget and accounting systems to preclude violations of the _______________________________. What four requirements are included in this Act?

EXAM ANSWERS

1. DOE Order 224.1 Contractor Performance Based Business Management (pg. 20)

2. The Government Performance and Results Act (GPRA) of 1993 (P.L.103-62 is a far reaching act designed to improve accountability in the government. The Act's purpose is to hold federal agencies accountable for achieving program results and requiring federal agencies to clarify their missions, set program goals, and measure performance toward achieving those goals. (pg.12-13)

3. Accountability and decision usefulness (pg. 16)

4. Risk assessments are a systematic process for assessing and integrating professional judgments about probable adverse conditions and/or events. The risk assessment process should provide a means of organizing and integrating professional judgments for development of an audit or review schedule.

   The following are the risk factors used in determining the areas to be audited or reviewed: inherent risk, control risk, new and changing, materiality, operating, results of previous, time since the last review, management emphasis. (pg. 22-23)

5. Contracting officers are responsible for ensuring that sufficient funds are available for obligation; that contractors receive impartial, fair, and equitable treatment; and requesting and considering the advice of specialists in audit, law, engineering, transportation, and other fields.

   Financial staff should provide support and recommendations to the Contracting Officer to meet these objectives. Financial staffs are called upon to regularly certify that funds are available for obligation. Additionally, unique situations often arise which require financial staff to research the body of regulations and recommend specific courses of action for Contracting Officer approval. (pg. 32)

6. The guiding principals are:

   Principle 1. Evaluate and Assess Effectiveness of Financial Planning
   Principle 2. Manage Resources to Accomplish Program Goals

Principle 3. Provide Accurate and Relevant Financial Reporting to Customers
Principle 4. Assess Adherence to Laws, Regulations, and Financial Contract Clauses
Principle 5. Assess Effective and Efficient Use of Government Resources
(pg. 17-18)

7. Cost Transfers allow the correction of prior cost entries. The cost transfer process is a potential area of vulnerability because if there are not appropriate controls in place, costs can be transferred for the purpose of avoiding overruns, to increase fee, or to avoid a "color of money" issue. Supporting documentation, showing a reasonable and necessary justification for the cost transfer, should be available. All transfers should be tracked in a Cost Transfer Log and assigned a control number. Additionally, all affected parties, especially the responsible person receiving the cost, should sign the documentation agreeing to the transfer. (pg. 27)

8. Principal 5: Assess the Effective and Efficient Use of Government Resources (pg. 18)

9. Internal Control is a process within an organization designed to provide reasonable assurance regarding the achievement of the reliability and integrity of information; compliance with policies, plans, procedures, laws, regulations, and contracts; the safeguarding of assets; the economical and efficient use of resources, and the accomplishment of established objectives and goals for operations or programs.

   The five internal control components are the Control Environment, Risk Assessment, Evaluating Operational Control Activities, Policies and procedures, Information and Communication Systems, and monitoring. (pg. 22)

10. The eight steps for monitoring contractor performance are:

    - Determine analysis objective
    - Perform initial survey
    - Perform risk assessment
    - Develop analysis plan
    - Review and test internal controls
    - Perform analysis
    - Discuss findings and recommendations with appropriate parties
    - Issue report (pg. 30)

11. Anti-Deficiency Act. The four requirements included in this Act are:

- An officer or employee of the US Government may not make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation.
- An officer or employee of the US Government may not involve the Government in a contract or obligation for the payment of money before an appropriation is made, unless authorized by law.
- An officer or employee of the US Government may not accept voluntary services for the government or employ personal services exceeding that authorized by law,

except for emergencies involving the safety of human life or the protection of property.

- Violations of this act will be reported immediately to the President and Congress with relevant facts and a statement of action taken. (pg. 11)