Funds Control

Brief

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<tr>
<td>Publication date</td>
<td>1/31/2018</td>
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<td>Effective date</td>
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BRIEF

Policy Summary

This policy describes the requirements for funds control at Lawrence Berkeley National Laboratory (Berkeley Lab). It also defines the guidelines for initiating the Stop Work process to ensure compliance with these funds control requirements.

Who Should Read This Policy

Any Berkeley Lab employee with financial or project management responsibilities

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Contact Information

Budget Officer

Field Finance Manager

Policy

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POLICY

A. Purpose

This policy describes the requirements for funds control at Lawrence Berkeley National Laboratory (Berkeley Lab). It also defines the guidelines for initiating the Stop Work process to ensure compliance with these funds control requirements.

B. Persons Affected

Any Berkeley Lab employee with financial or project management responsibilities

C. Exceptions

This policy includes guidance for stopping work to prevent a funds control violation. This guidance provides a collaborative approach between the Office of the Chief Financial Officer (OCFO) and the area/division experiencing a potential funds control violation designed to investigate the issue and come to a joint resolution as quickly as possible. If warranted by the severity of the risk, the Chief Financial Officer (CFO), Deputy CFO, and/or Budget Officer have the authority to bypass the steps described in this policy and unilaterally stop or suspend work. This action will be immediately followed by the evaluation steps described below in Section D.4. They can exercise this authority in order to mitigate risk to the Laboratory while supporting its scientific mission.

Other non-financial factors may also result in the requirement to stop work. These factors are covered in other policies.
### D. Policy

#### 1. General

a. The scope of this policy applies to work funded through Contract 31. This includes activities funded by the Department of Energy (DOE), Strategic Partnership Projects (SPP) sponsors, and Cooperative Research and Development Agreements (CRADAs).

b. DOE and other sponsors fund the work of Berkeley Lab. The funds for authorized activities are included in Contract 31 through the Authorized Funding Plan (AFP) contract modifications. These funds are subject to limitations related to the authorized scope of work, the timing of funds receipts, and the period of performance.

   i. For projects funded by DOE, the work authorization describing the work to be performed, along with the associated funds (the AFP), must be received at the Laboratory before starting work.

   ii. For a federal SPP agreement, work may commence after a fully executed contract is awarded, the period of performance is in effect, and funds have been received at the Laboratory. The Laboratory may elect to, at its own risk, utilize bridge funding to begin work prior to all of these requirements being met.

   iii. For a non-federal SPP agreement, work may commence after a fully executed contract is awarded, a cash advance has been requested and received, the period of performance is in effect, and funds have been received at the Laboratory. The Laboratory may elect to, at its own risk, use bridge funding to begin work prior to all of these requirements being met. Non-federal SPP agreement funds are limited to the cash received from the sponsor. In some cases, a project may continue to incur costs in excess of cash received with approved bridge funding (see the Bridge Funding Policy for details).

c. Funds control is a process to ensure that:

   i. Costs are expended solely for their authorized and appropriated purpose.

   ii. Funds are obligated and expended within their authorized amounts.

   iii. Costs and encumbrances are incurred within applicable time limits.

   1. Funds must be received at the Laboratory before being spent or encumbered.

   2. Costs and encumbrances may only be expended during the authorized period of performance.

d. Projects must be managed to ensure that costs and encumbrances do not exceed the funds available at Berkeley Lab. A funds control violation occurs when costs and encumbrances are incurred in excess of funds included on the contract at the funds control level. Examples of funds control violations are detailed below in Section D.2.

e. If a funds control violation is likely to occur, the area/division should work with its designated Field Finance Team and the Budget Office to determine mitigating actions, such as requesting additional funds from the sponsor or the use of bridge funding on SPP awards. If all mitigating actions have been exhausted, the Stop Work process described below in Section D.4 should be initiated.

f. If it is determined that an actual funds-control violation exists, per the process outlined in Section D.4, work activities must stop until the issue is resolved.

#### 2. Examples of Funds Control Violations: Possible funds control violations may include:

a. DOE Direct-Funded Work

   i. Costs and/or encumbrances incurred in excess of funds available.

   ii. Costs and/or encumbrances incurred prior to receipt of funds through the Authorized Funding Plan (AFP) contract modification.

   iii. Costs and/or encumbrances incurred for activities outside the purpose specified in the DOE work authorization.

   iv. Costs and/or encumbrances incurred after the expiration of limited-appropriation funds.

b. Sponsored Research Work

   i. Costs incurred prior to the receipt of an accepted reimbursable work agreement (e.g., a written agreement to perform work or provide a service for another federal agency or non-federal sponsor, signed by a contracting officer or an authorized business official with delegated authority to commit Berkeley Lab to perform sponsored research, and approved by an authorized approver of the sponsor).

   ii. Costs incurred prior to receipt of DOE approval.

   iii. Costs incurred outside the reimbursable work agreement period of performance.

   iv. Costs incurred after the expiration of limited-appropriation funds, if applicable, on work for non-DOE federal sponsors.

   v. Costs incurred outside the reimbursable work agreement terms (statement of work). Activities must be allowable and allocable.

   vi. Costs incurred in excess of funding.

      1. For a federal reimbursable work agreement, "funding" is defined as the contract value.

      2. For a non-federal reimbursable work agreement, "funding" is defined as cash received (advance payments + invoice payments), plus bridge funding.

         a. The financial terms of a reimbursable work agreement are not met by the sponsor.

         b. The delinquent payment of invoices (generally invoices outstanding for 120 days or more).

         c. The sponsor refuses to reimburse the Laboratory.

c. The violations described above could result in uncollectible or unallowable costs for Berkeley Lab. Accordingly, it is important to monitor funds to prevent these types of issues from occurring.

#### 3. Responsibility for Monitoring Costs

a. The Principal Investigator/Project Manager (PI/PM) has the primary responsibility to ensure that project costs are managed so that costs and encumbrances do not exceed funds available for the project.

b. The Resource Analyst (RA) matrixed to the division is responsible for providing data that enables the PI/PM in monitoring costs and assuring funds control to its Business Managers or Operations Deputies.

c. The area/division leadership is responsible for assuring funds control processes are in place and being followed. The area/division leadership may assign responsibilities for providing support to the PI/PM in monitoring costs and assuring funds control to its Business Managers or Operations Deputies.

d. The PI/PM and RA should collaborate to monitor costs and encumbrances on an ongoing basis to identify projects that are at risk of exceeding available funding in a timely manner. Monitoring should take into consideration the availability of funds for the next 90 days in comparison with the timing of costs/encumbrances, including long lead material and future travel costs.

e. If there is the risk of a funds control violation within 90 days, the division should work with its designated Field Finance Manager.
4. Process for Initiating Stop Work for Funds Control Compliance

The Stop Work process is initiated only after all other appropriate mitigating actions have been taken to prevent a funds control violation. An overview of the process for stopping work based on funds control issues is shown below.

<table>
<thead>
<tr>
<th>POSITION</th>
<th>COMMUNICATION</th>
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<tbody>
<tr>
<td>Field Finance Department Head</td>
<td>Mandatory</td>
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<tr>
<td>Resource Analyst (RA) (matrixed to the division)</td>
<td>Mandatory</td>
</tr>
<tr>
<td>Budget Office Manager</td>
<td>Mandatory</td>
</tr>
<tr>
<td>Business Manager/Deputy Director</td>
<td>Mandatory</td>
</tr>
<tr>
<td>Division Director</td>
<td>Discretionary</td>
</tr>
<tr>
<td>Principal Investigator (PI)</td>
<td>Mandatory</td>
</tr>
<tr>
<td>Contracts Officer (IPO or RG)</td>
<td>If applicable</td>
</tr>
<tr>
<td>Budget Officer</td>
<td>Discretionary</td>
</tr>
<tr>
<td>Innovation and Partnership Office Manager</td>
<td>If applicable</td>
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ii. If the team determines that a Stop Work course of action is unnecessary, the RA and designated Field Finance Manager must summarize the issue, distribute to the team, and solicit the team’s recommendation.

iii. If the team recommends a Stop Work course of action, the RA and designated Field Finance Manager will communicate to the Budget Office the team’s recommendation and outline the funding alternatives that were explored but determined not to be viable options.

iv. The designated Field Finance Manager will simultaneously communicate with the division's Business Manager and/or the Division Deputy of Operations and to the Budget Officer. The Business Manager reviews the Stop Work recommendation with the Division Director and notifies the Budget Officer if there are additional concerns prior to the CFO review. The Budget Officer, along with the Field Finance Manager, reviews the recommendation with the CFO for final determination.

v. Given the severity of a Stop Work situation, the determination process should be completed expeditiously

c. Stop Work Notification

i. If a Stop Work is the recommended course of action, the CFO or designee reviews the issues with the Division Director or designee. The Division Director is responsible for implementing the Stop Work. The Stop Work status is in effect until the funds-control violation is resolved.

ii. Once the Division Director concurs with the Stop Work recommendation, the sponsor will be notified. The Contracts Officer will handle the formal sponsor notification for sponsored research, and the Division Director for DOE direct-funded projects.

iii. If warranted by the severity of risk, the CFO, Deputy CFO, and/or Budget Officer have the authority to bypass the steps described above and unilaterally stop or suspend work. Exercising this authority will be immediately followed by the evaluation steps described above in Section D.4. They can exercise this authority (at their discretion) to mitigate risk to the Laboratory while supporting its scientific mission.

d. Resource Allocation

i. Since activities on the project at issue must cease:
   1. The Budget Office Analyst will place the project in “Costs Are Final” to prevent any further charges to the project until the issue has been resolved.

   2. The PI's and staff's effort must be redirected to another appropriate activity, such as work on other benefitting projects or employee-between-assignment activities funded through area or organizational burdens, if applicable. It is inappropriate to charge research and development costs to area and organizational burdens (see the Organization Burden policy). Therefore, if alternatives are unavailable, the division must pursue appropriate action with Human Resources (e.g., administrative leave, termination, etc.).

ii. In cases of abrupt funding termination, the division may seek non-Contract 31 funds (e.g., Fee).

E. Roles and Responsibilities

<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibility</th>
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| Principal Investigator/Project Manager (PI/PM) | • Monitors costs on assigned projects to ensure funds control compliance.  
• Works with their designated Field Finance team to take mitigating actions to prevent funds control violations.  
• When a Stop Work order is implemented, redirects PI/PM and staff effort to appropriate activities. |
| Resource Analyst (RA) (matrixed to the division) | • Provides financial support, knowledge, and expertise to the PI/PM.  
• Assists in identifying mitigating actions to prevent funds control violations.  
• When a Stop Work process is initiated, participates in the Stop Work fact-finding team.  
• In coordination with the designated Field Finance Manager, drafts the findings from the investigation and team recommendations. |
| Stop Work Initiator                      | • Notifies the designated Field Finance Manager of potential funds control violations as outlined in policy.  
• Participates in the fact-finding team. |
| Designated Field Finance Manager         | • Notifies the appropriate parties of a potential Stop Work.  
• Establishes and facilitates the fact-finding team.  
• In coordination with the Resource Analyst (RA), drafts the findings from the investigation and team recommendations. Distributes the findings/recommendations as outlined in the policy.  
• Reviews the Stop Work recommendation with the CFO, if applicable. |
| Budget Office Manager                    | • Participates in the fact-finding team.  
• In coordination with the Budget Officer, reviews recommendations. |
| Contracts Officer (Lab CO) (if applicable) | • Participates in the fact-finding team.  
• Notifies the sponsor of a Stop Work implementation, if applicable. |
| Business Manager/Deputy of Operations (as designated by the area/division leader) | • Based on area/division leader assignments, may provide support to PIs/PMS for ensuring funds control.  
• Participates in the fact-finding team.  
• Reviews the Stop Work recommendation with the Division Director, if applicable. |
F. Definitions/Acronyms

<table>
<thead>
<tr>
<th>Term</th>
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<tbody>
<tr>
<td>AFP (Authorized Funding Plan)</td>
<td>DOE-produced document that provides Berkeley Lab the budget authority to enter into obligations that will result in immediate or future outlays involving government funds.</td>
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<td>Contract Modification (Mod)</td>
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<tr>
<td>DOE Work Authorization</td>
<td>DOE-produced programmatic document that specifies activities for which the funds are to be used.</td>
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<tr>
<td>Limited-appropriation funds</td>
<td>Funding authority provided by Congress designated as one-year, multiyear, or no-year funding. This designation describes the period of time the funds are available for obligation and expenditure. One-year and multiyear funds expire and cannot be costed or committed after the expiration date. Funds available for a limited period of time are referred to as limited-appropriation funds.</td>
</tr>
<tr>
<td>Reimbursable work agreement</td>
<td>A written agreement to perform work or provide a service for another federal agency or non-federal customer.</td>
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<tr>
<td>Sponsored research</td>
<td>Work for non-DOE entities performed by DOE/contractor personnel and/or utilizing DOE facilities and which are not directly funded by DOE appropriations.</td>
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G. Recordkeeping Requirements

None

H. Implementing Documents

None

I. Contact Information

Budget Officer
Field Finance Manager

J. Revision History

<table>
<thead>
<tr>
<th>Date</th>
<th>Revision</th>
<th>By whom</th>
<th>Revision Description</th>
<th>Section(s) affected</th>
<th>Change Type</th>
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<tr>
<td>1/31/2018</td>
<td>0</td>
<td>T. Carlson</td>
<td>Establish new Funds Control Policy; incorporate previous Stop Work Process for Funds Control Compliance Policy into this policy</td>
<td>All</td>
<td>Major</td>
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Document Information

DOCUMENT INFORMATION

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<td>Document number</td>
<td>11.02.006.000</td>
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Source Requirements Documents

- Department of Energy Accounting Handbook, Chapter 2, Administrative Control of Funds
- DOE Order 481.1D, Strategic Partnership Projects [Formerly Known as Work for Others (Non-Department of Energy Funded Work)]
- Principles of Federal Appropriations Law

Implementing Documents

None