NNSA POLICY

NAP 412.1A

Approved: 12-16-2024
Certification Due: 12-16-2029

FINANCIAL INTEGRATION

NATIONAL NUCLEAR SECURITY ADMINISTRATION
Management and Budget

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FINANCIAL INTEGRATION

1. PURPOSE. To define the strategic plan, mission, function, responsibilities, processes, and requirements for the National Nuclear Security Administration's (NNSA) implementation of enterprise-wide financial integration (FI) effort. This NNSA Policy (NAP) establishes policy for NNSA and non-NNSA management and operating (M&O) contractors (i.e., Department of Energy [DOE]) that receive funding from NNSA, program, field, and functional offices to achieve enterprise-wide standards for cost collection to improve transparency of financial information and consistent reporting.

   To designate the Office of Business Systems and Integration as the Program Director for Financial Integration (PDFI).

2. AUTHORITY.

   a. This NAP is written under 50 United States Code (U.S.C.) 2402(d), which gives the Administrator authority to establish NNSA-specific policies, unless disapproved by the Secretary.

   b. This NAP responds to criteria set forth in section 3128 of the *National Defense Authorization Act for Fiscal Year 2014* (FY 2014 NDAA) (P.L. 113-66), "Plan for Improvement and Integration of Financial Management of Nuclear Security Enterprise," and section 3113 of the FY 2017 NDAA, "Common Financial Reporting System for the Nuclear Security Enterprise)."

3. CANCELLATION. NAP 412.1, *Financial Integration*, dated 02-11-19.

4. APPLICABILITY.

   a. Federal. Applies to all NNSA federal organizations.

   b. Contractors. The Contractor Requirements Document (CRD) provided as Attachment 1, and including Attachment 2, sets forth the requirements of this directive that apply to NNSA and non-NNSA M&O contractors. The CRD must be included in NNSA and non-NNSA M&O contracts that require monthly direct and indirect cost data file submissions, management of site business systems, and the support of data call requests.

   c. Exemption. In accordance with the responsibilities and authorities assigned by Executive Order 12344, *Naval Nuclear Propulsion Program*, and codified at 50 U.S.C. sections 2406 and 2511, and to ensure consistency throughout the joint Navy/DOE Naval Nuclear Propulsion Program, the Deputy Administrator for Naval Reactors (Director) will implement and oversee requirements and practices pertaining to this Directive for activities under the Director's cognizance, as deemed appropriate.

5. SUMMARY OF CHANGES.

a. Identified the Office of Business Systems and Integration (NA-MB-1.4).

b. Updated Exhibit 1: Financial Integration Summary.

c. Updated the responsibilities section to include the Administrator, Associate Administrator for Management and Budget, Deputy Associate Administrator for Budget, and Deputy for Financial Integration and Budget.

d. Assigned Financial Integration Executive Committee (EXCOM) responsibilities to the Director of Business Systems and Integration.

e. Reassigned approval of significant changes to the FI effort responsibility from the Heads of NNSA Elements to the PDFI for the Office of Business Systems and Integration.

f. Updated Attachment 1: Contractor Requirements Document, NAP 412.1, *Financial Integration*.

g. Updated Attachment 2: Definitions.

6. BACKGROUND. The FY 2014 NDAA required NNSA to develop a plan to improve and integrate the FI of the nuclear security enterprise, including improving the structure for the allocation of work; developing a clear and consistent cost structure for each program; identifying programs of record and base capabilities for programs; monitoring those programs during execution; and using the data collected to analyze programs and compare the cost of work across the nuclear security enterprise. The FY 2017 NDAA further required NNSA to implement a common financial reporting system. In response to these two bills, NNSA established the PDFI role to implement enterprise-wide FI. The roles and responsibilities of the PDFI are executed by the Director for the Office of Business Systems and Integration. NNSA plans to achieve enterprise-wide FI by collecting standardized financial management data; increasing the transparency of financial accountability; and improving cost analysis, comparability, and reporting consistency among programs and M&O contractors.

Exhibit 1: Financial Integration Summary

Exhibit 1 depicts the three stages of FI. The first stage is to collect reliable and accurate FI data from NNSA M&O contractors and, where appropriate, DOE M&O contractors or other NNSA federal contracts. The second stage is to transmit FI data to the NNSA program office information technology systems to track project and program execution. In the third stage, all FI data will be made available to NNSA program, field, and functional offices to analyze.

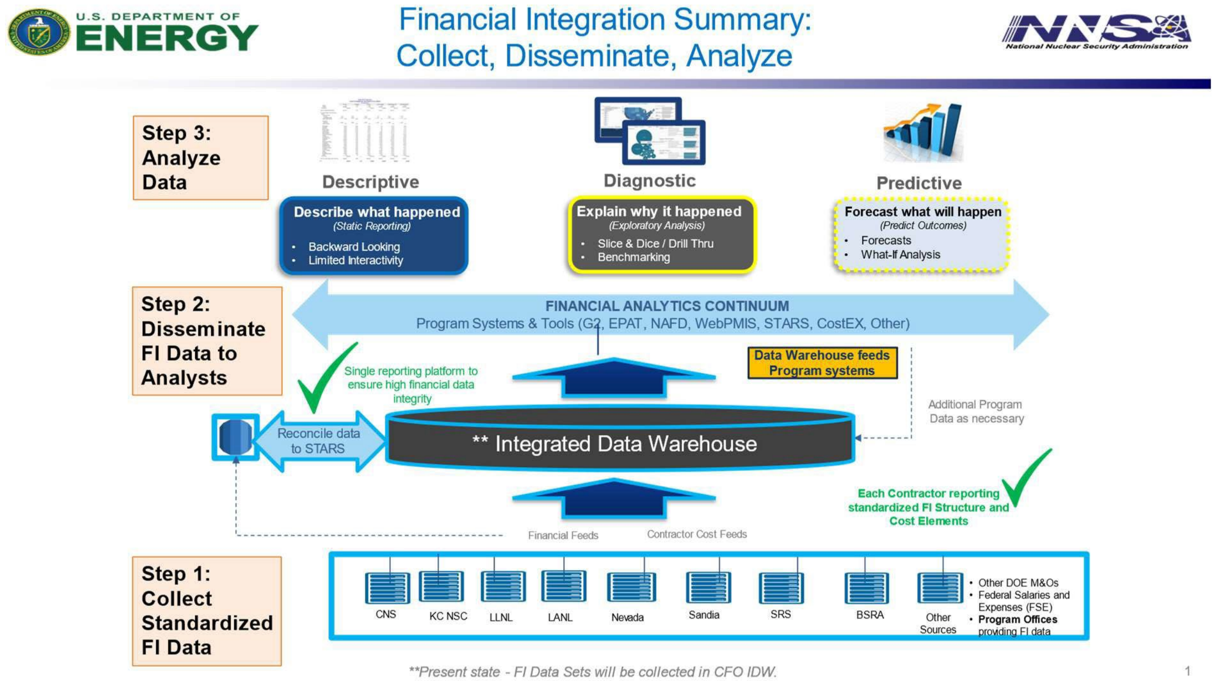

Exhibit 1. Financial Integration Summary

7. REQUIREMENTS. NNSA federal staff, NNSA M&O contractors, and non-NNSA M&O contractors must all use this NAP to govern and execute FI requirements.

8. RESPONSIBILITIES.

a. Administrator.

(1) Designates the responsibility for implementing NNSA enterprise-wide FI to the Associate Administrator for Management and Budget.

(2) Reviews and approves changes to FI strategic plans that affect multiple NNSA elements.

b. Associate Administrator for Management and Budget.

(1) Reviews changes proposed by one or more NNSA elements to the FI strategic plan that affect multiple NNSA elements and makes a recommendation to the Administrator.

(2) Approves changes proposed to the FI strategic plan that are requested by and affect individual NNSA elements with the concurrence of the relevant Head of NNSA element.

(3) Directs the Deputy Associate Administrator for Budget to include enterprise-wide FI in the mission and functions of the Office of Budget.

c. Deputy Associate Administrator for Budget.

(1) Designates the Director of Business Systems and Integration as the NNSA PDFI.

d. Deputy for Financial Integration and Budget.

(1) Plans for the resources needed to implement enterprise-wide FI.

(2) Approves the strategic plan for implementation of FI.

(3) Collects, prioritizes, and dispositions FI and Planning, Programming, Budgeting, and Evaluation system proposed functionality requirements with senior representatives from NNSA program, field, and functional offices.

e. Director of Business Systems and Integration.

(1) Fulfills the duties of the PDFI.

(2) Develops a strategic plan for the implementation of NNSA FI activities necessary to meet NDAA FI system and process requirements.

(3) Monitors the progress of FI.

(4) Leads enterprise-wide financial integration by developing a common data reporting framework and a common work breakdown structure (WBS) that aligns to the budget structure, common cost elements, standardized terms and definitions, and methodologies for identifying and reporting costs.

(5) Assesses NNSA and non-NNSA M&O contractor crosswalks of financial data to NNSA's cost elements.

(6) Manages and coordinates all NNSA financial integration activities necessary to meet NDAA FI requirements.

(7) Develops and maintains clear and consistent integrated FI reporting requirements for the NNSA enterprise.

(8) Maintains the official NNSA WBS structure and establishes and manages a change control process for assessment and disposition of changes.

(9) Issues WBS consistent with FI policy for requirements and standards after consulting with the program office.

(10) Establishes methodologies for identifying costs for programs of record and base capabilities.

(11) Coordinates, reviews, and resolves FI issues referred to NNSA for action.

(12) Analyzes enterprise-wide FI data using leading business best practices.

(13) Develops financial management reports and dashboards.

(14) Assesses the effectiveness of FI technology solutions, including whether the solution can validate and reconcile data and whether a change control process can be instituted without being overly burdensome. If the process technology solutions are not able to achieve these items, the Director of Business Systems and Integration will inform Associate Administrator for Management and Budget.

(15) Coordinates with NNSA Office of Management and Budget (NA-MB) organizations for quarterly (or semi-annual) meetings with federal staff, NNSA M&O contractors, and non-NNSA M&O contractors regarding fiscal context analyses and updates.

(16) Monitors and recommends strategic direction for the implementation of FI.

(17) Recommends significant changes to the FI effort, FI system architecture, and data sharing proposals.

f. Heads of NNSA Elements.

(1) Adhere to FI data collection, reporting, and requirements that support NDAA requirements.

(2) Approve changes to the FI strategic plan that affect cognizant program office.

(3) Develop and manage program-specific WBS in coordination with M&O contractors, conforming to a common framework, and manage changes through defined configuration control.

(4) Make updates, when necessary, to the WBS or other data fields in the information technology solution. Programs are solely responsible to manage program-specific WBS and other data in the information technology system.

(5) Coordinate with the PDFI to identify and define necessary enhancements to FI reporting requirements.

(6) Use FI cost data to transfer data into support program-specific systems, such as G2.

(7) Lead FI program-related cost analyses, as required.

g. Financial Integration Team. NA-MB federal staff who provide support to the PDFI.

(1) Oversees transmissions of monthly cost data uploaded by NNSA sites into the DOE Chief Financial Officer Integrated Data Warehouse and works with NNSA sites to resolve any issues that arise, to support FI reporting requirements.

(2) Shares FI data with program offices for review. The FI team must periodically review the effectiveness of the information technology system to determine if FI data can be validated and reconciled with the Department's official accounting system.

(3) Conducts annual assessment of NNSA and non-NNSA M&O contractors when providing financial data for consistency and accuracy with the associated WBS.

(4) Conducts initial assessments, follow-up crosswalk assessments, and common cost element assessments during NNSA and non-NNSA M&O contractor transitions.

9. REFERENCES.[1] The following references are useful or necessary to perform the functions covered by this NAP.

a. *National Defense Authorization Act of 2014*, section 3128, "Plan for Improvement and Integration of Financial Management of Nuclear Security Enterprise."

b. *National Defense Authorization Act of 2017*, section 3113, "Common Financial Systems for the Nuclear Security Enterprise."

c. Report to Congress, *Financial Integration Implementation*, September 2018.

d. Department of Energy, National Nuclear Security Administration, *Work Breakdown Structure Guideline for NA-14 Decision Support and NA-18 Systems Engineering and Integration*, September 2017.

10. CONTACT. Office of Business Systems and Integration, NA-MB-1.4, NA-MB-1.4_Shared@nnsa.doe.gov.

[1] This NAP is intended to collect data to support FI. There is a separate effort to collect cost estimating data led by the Office of Cost Estimating and Program Evaluation under the authority found in section 1652 of the *National Defense Authorization Act for Fiscal Year 2018* (P.L. 114-328).

BY ORDER OF THE ADMINISTRATOR:

Jill Hruby
Administrator

Attachments:

1. Contractor Requirements Document, NAP 412.1, *Financial Integration*
2. Definitions

ATTACHMENT 1: CONTRACTOR REQUIREMENTS DOCUMENT, NAP 412.1, *FINANCIAL INTEGRATION*

1. INTRODUCTION.

This Contractor Requirements Document (CRD) applies to the National Nuclear Security Administration (NNSA) management and operating (M&O) contractors and non-NNSA M&O contractors when providing financial data to NNSA.

NNSA and non-NNSA M&O contractors are responsible for complying with the requirements of this CRD. The contractor is responsible for distributing the requirements of this CRD to subcontractors at any tier to the extent necessary to meet the contractor's compliance with the requirements.

2. REQUIREMENTS.

a. NNSA and Non-NNSA M&O contractors must adhere to financial integration (FI) data collection and reporting requirements that support mission requirements and address National Defense Authorization Act FI reporting requirements.

b. The definitions in this CRD are only applicable for FI purposes. To the extent that any of the definitions in this CRD conflict with or differ from other definitions expressly applicable to this contract, the other definitions must take precedence over the definitions in this CRD, except as related to FI.

c. In the event an M&O contractor perceives a conflict between the definitions in this CRD and other contractual documents, the contractor must notify the cognizant Contracting Officer upon identification of a potential conflict.

3. RESPONSIBILITIES.

NNSA and non-NNSA M&O Contractors.

(1) Adhere to FI data collection and reporting requirements and analyze FI data, if appropriate.

(2) Manage site-level FI systems to support common cost collection requirements, including crosswalks, data file transmissions, and analyses.

(3) Support NNSA FI data calls and reporting requirements.

(4) Comply with the Financial Integration Cost Element definitions, collection, and framework in this CRD.

(5) Support NNSA FI data reporting assessments and validation, as required.

4. COMMON COST ELEMENT DATA COLLECTION.

Introduction.

NNSA uses program-specific work breakdown structures (WBSs) to report on the scope and cost of work. NNSA has also introduced the use of common methods of cost collection by defining common cost elements to collect detailed direct and indirect costs mapped to a WBS. NNSA is following best practices of WBS development as described in the Government Accountability Office Cost Estimating and Assessment Guide (GAO-20-195G) for reviewing and developing a program-specific WBS that conforms to a common framework.

Financial integration is designed to capture data sets of direct and indirect costs managed by NNSA's M&O contractors.

The model consists of common cost elements that are directly mapped to the WBS, reconciled to Standard Accounting and Reporting System (STARS), and systematically loaded into the Department of Energy (DOE) Chief Financial Officer's (CFO) Integrated Data Warehouse (IDW) on a monthly basis. FI requirements include the ability to consistently report cost elements and support any additional FI reporting requirements. The monthly collection of cost data enhances NNSA's ability to perform analyses on costs within programs and across contractors.

Over time, cost elements may be added or removed, as necessary.

5. COMMON COST ELEMENTS.

a. Direct Cost Elements.

- Direct Labor and Fringe
  - Craft
  - Technical, Engineering, and Scientific
  - Managerial and Administrative
- Travel
- Materials & Supplies
- Subcontracts
- Staff Augmentation
- Recovery of Service Center Costs (Recharges)
- Other Direct Costs

b. Overhead (Indirect) Cost Elements.

- Site Support
- Program Office Support
- General and Administrative
- New Mexico Gross Receipts Tax
- Fee
- Laboratory-directed Research and Development
- Plant-directed Research and Development
- Site-directed Research and Development
- Other Indirect Costs

6. PROCESS.

NNSA and non-NNSA M&O contractors must transmit data to the DOE CFO's integrated data warehouse CostEX system, as directed by a Contracting Officer, or Contracting Officer's Representative if delegated. This data will include monthly cost data by WBS, budget and reporting code, fund value, cost element, and any other fields. M&O contractors must reconcile data to STARS prior to transmission. If the transmission values do not reconcile to STARS, the FI team must reject the file. M&O contractors are then required to resolve all reconciliation discrepancies and retransmit the file to the IDW CostEX system. In the event M&O contractors anticipate updating STARS data due to STARS errors or other reasons, M&O contractors must transmit a current month data file that matches the current STARS data submitted. Corrections to the cost data will then be included in the following month's cost data file submittal consistent with the updated STARS submittal.

ATTACHMENT 2: DEFINITIONS

Note: This attachment applies to National Nuclear Security Administration (NNSA) federal and contractor personnel.

Management and operating (M&O) contractors and NNSA program offices must use the following cost element definitions for financial integration (FI). The Financial Integration Executive Committee will reaffirm or modify the list of definitions and terms at least once annually.

a. Non-NNSA. Department of Energy (DOE) M&O contractors that receive some funding from NNSA, program, field, and functional offices. It is necessary for NNSA to obtain data specified in this policy to achieve enterprise-wide standards of cost collection methods and lead to improved transparency of financial information and consistent reporting.

b. Cost Elements. Cost Elements track the type of costs and form categories of costs that are independent from external or financial reporting requirements but help management track costs according to internal accounting policies. Examples include labor, purchases, travel, and chargebacks.

   Source: Oracle Enterprise Resource Planning Financials, Cost Element Accounting.

c. Costs. The amount accrued or due for: 1) services performed by employees, contractors, vendors, carriers, grantees, lessors, and other government funds; 2) goods and tangible property received; and 3) programs for which no current service performance is required, such as annuities, insurance claims, benefit payments, and loans.

   Source: DOE Office of the Chief Financial Officer (CFO) Accounting Team.

d. Direct Labor and Fringe. Costs directly related to the creation of a product or execution of a program that is an expense that can be completely attributed to the production of specific goods or services. Direct Labor must be personnel that are performing directly on a project or program as specified in the work authorization or program implementation plan for the fiscal year. Direct Labor does not include labor charged indirect or to a Service Center. These labor costs will be captured in the Overhead or Service Center categories. Direct Labor and Fringe benefit costs will be reported under the following categories:

   (1) Craft Labor: pipefitters, mechanics, electricians, carpenters, machinists, welders, plumbers, steelworkers, operators, maintenance personnel, and security police officers.

   (2) Technical, Engineering, and Scientific Labor: various types of engineers, physicists, biologists, chemists, metallurgists, computer scientists, industrial hygienists, security system technicians, and supporting technical assistants.

(3) Managerial and Administrative Labor: program management, project management, project controls, security schedulers and assistants, administrative assistants, and clerical workers. Includes all other labor categories not included in previous categories.

Source: NNSA Financial Integration Team Cost Element.

e. Encumbrance/Commitment (fully burdened). Commitments (encumbrances) represent the unpaid balance of awarded subcontracts. The monthly financial reports should contain only the total unpaid portion of all commitments through the reporting period. Subcontracts that are either in the planning or formative stages should not be reported as commitments until the contract has been awarded. Reported amounts should include all Commitment Overhead charges, which represent the estimated M&O contractor fees on the unpaid portion of awarded contracts.

Source: NNSA Financial Integration Team and DOE CFO.

f. Fee. Costs incurred for the management and operation of the contract on behalf of DOE, including cost credits for prior year unearned fee reductions.

Source: NNSA Financial Integration Team Cost Element.

g. Financial Integration. The collection of common financial data, as identified in section 3128 of the *National Defense Authorization Act for Fiscal Year 2014* (FY 2014 NDAA) (P.L. 113-66) and section 3113 of the FY 2017 NDAA (P.L. 114-328).

h. General and Administrative. Costs incurred for institutional management and administration, procurement, and education and external relations activities.

Source: NNSA Financial Integration Team Cost Element.

i. Laboratory Directed Research and Development (LDRD). Costs incurred to fund basic scientific research and development, as approved by DOE Order 413.2C, *Laboratory Directed Research and Development*. Plant Directed Research and Development (PDRD) and Site Directed Research and Development (SDRD) are authorized in section 310 of the *Energy and Water Development Appropriation Act, 2001* (P.L. 106-377), section 3156 of the FY 2001 NDAA (P.L. 106-398), and section 310 of the *Energy and Water Development Appropriation Act, 2002* (P.L. 107-66).

j. Materials and Supplies. Costs for tangible goods that may be incorporated into or attached to a deliverable end item or that may be consumed or expended in performance of work. Materials and supplies include, but are not limited to, raw and processed materials, purchased parts, components, assemblies, fuels, small tools and supplies, and subcontracted materials identified with a particular final cost objective. Materials may include such collateral items as inbound transportation and in-transit insurance.

Source: NNSA Financial Integration Team Cost Element.

k. New Mexico Gross Receipts Tax. Allocable costs of the New Mexico business tax imposed on the Los Alamos National Laboratory and Sandia National Laboratories; Kansas City National Security Campus.

Source: NNSA Financial Integration Team Cost Element.

l. Other Direct Costs. All other direct NNSA-funded costs charged to a particular final cost objective but are not previously categorized. Includes relocation, and where identifiable, conference fees, training classes, training materials, and training supplies. Individual costs charged to Other Direct Costs should be relatively small; large costs should be examined and moved to the appropriate category.

Source: NNSA Financial Integration Team Cost Element.

m. Other Indirect Costs. All other indirect costs not charged to any other indirect cost element.

Source: NNSA Financial Integration Team Cost Element.

n. Overhead (indirect). The portion of total indirect costs allocated for recovery against a particular final cost objective. Includes LDRD, SDRD, PDRD, and fee. Does not include Service Center recoveries or recharges.

Source: NNSA FI Team Cost Element.

o. Program Office Support. Costs incurred for management and administration, project planning and controls, and customer liaison activities related to major contractor programs. The applicable rate is dependent on program type.

Source: NNSA Financial Integration Team Cost Element.

p. Recovery of Service Center Costs. Direct funded cost for support from designated contractor Service Centers charged directly to a particular final cost objective. Indirect funded Service Center cost/charges/allocation is reported in overhead.

Source: NNSA Financial Integration Team Cost Element.

q. Site Support. Costs incurred for organizational management and administration, site-wide infrastructure services, general purpose facility operations, worker safety and protection, computer and communications infrastructure, and other support costs necessary to ensure that work activities can be successfully managed and executed.

Source: NNSA Financial Integration Team Cost Element.

r. Staff Augmentation. Cost of temporary personnel charged directly to a particular cost objective (including parent company staff).

Source: NNSA Financial Integration Team Cost Element.

s. Subcontracts. Cost for service-based contracts and leases (all procurements other than materials, supplies, equipment, tooling, and staff augmentation), issued by the prime contractor.

Source: NNSA Financial Integration Team Cost Element.

t. Travel. Costs for transportation, lodging, subsistence, and incidental expenses incurred by personnel in official company business identified with a particular final cost objective including invitational travel. Sites with the ability to distinguish between travel and non-travel costs frequently combined in travel (e.g., conference fees, training, books, relocation) are requested to separate those costs and include them in Other Direct Costs.

Source: NNSA Financial Integration Team Cost Element.