

**Financial Management Systems Improvement Council
Meeting Notes
Uptown Sheraton Hotel
Albuquerque, NM
August 16, 2007**

Attendees: Mike Bartos-ANL, Dan Becker-WSRC, Jim Campbell-DOE HQ, Jennifer Crooks-SNL, Cindy Conger-Fermilab, Marty Conger-PNNL, Jim Eakins-LANL, Nancy Fitchpatrick-DOE OR, Bruce Grover-DOE ID, John Hauser-BNL, Brian Morishita-INL, Al Moser-LLNL, Teresa Nightengale-National Securities Technologies LLC, Dean Olson-DOE HQ, Ron Ragland-BWXT Y12, Brian Sack-INL
Guests: Ron Butters-LLNL, Mike Derbidge-INL
Not present: Dennis Martinez-NNSA

Introduction of New FMSIC Member

- Dan Becker introduced Teresa Nightengale, National Security Technologies, who replaced Ron Butters who is now at Lawrence Livermore.

Headquarters Update - Jim Campbell

- CFO Meeting. One of the goals of the new DOE CFO, Steve Isakowitz, is to move the CFO organization in a more strategic direction in the next 12-18 months by focusing on the CFO's people (recruiting, developing, rewarding and retaining), the CFO's commitments (e.g., Loan Guarantees, Clean Audit Opinion, etc.), the CFO's value (e.g., performing financial analysis), and the CFO's customers, both internal (i.e., the program offices) and external (e.g., OMB and Congress). The CFO organization is facing the departure of three of its managers effective 01/03/08. They are Jim Campbell, Dean Olson and Eli Bronstein. The interview process for these positions will begin in a few weeks. Jim thought the CFO would be receptive to attending the November FMSIC meeting. Also, Pat Hodson will continue attending FMSIC meetings and would have attended this meeting but could not due to a previous commitment. Warren Huffer was named as the Director of Corporate Systems. At the DOE Field CFO meeting earlier in the week, submission of quality budgets was emphasized. Improving relationships with program customers was also discussed.

At the DOE CFO conference in AL, preceding the FMSIC meeting, numerous presentations were given. Dennis Martinez gave a presentation on contract transition and lessons learned at Y12, LANL, and LLNL. He also gave a briefing on NNSA contractor financial assurance and provided a model comparing performance of all eight M&O site contractors. Judy Penry provided an analysis on CFO customers.

Chris Ott gathered and presented advice from field CFOs to the HQ CFO including priorities. Briefings were also given on I-Manage and Financial statements.

ACTION: Dean Olson will check with Chris Ott and Judy Penry to see if their presentations can be distributed to FMSIC Members.

ACTION: Jennifer Crooks will distribute her presentation on contractor assurance.

PMA. Not much change from last time and only movement was down, which was caused by competitive sourcing.

- Financial Statements. It has been a top priority for the Department to receive a clean audit opinion on the financial statements. Quarterly statements have been difficult to get out this year but nevertheless haven't gotten out in a timely manner. KPMG performed a re-audit of the FY 2006 ending undelivered order (UDO) balances based on the issues and findings of the FY 2006 financial statement audit. Clean beginning balances in FY 2007 for UDOs would be a major item for obtaining a unqualified opinion on the FY 2007 statements. Just a small number of findings were noted during the audit and the dollar amount was small enough to be regarded as immaterial. KPMG went to eight sites and found no adjustments. DOE should have good opening balances. Secretary Bodman called Jim Campbell and asked him to thank everyone for their hard work.
- CFO Priorities. Priority 1. People. CFO organization is carrying 18% vacancies.. Steve Isakowitz met with the Federal CFO Council and all of the members of this council indicated they are experiencing the same staffing shortages. He is now leading a task force on human capital. The CFO organization is trying to understand the needs of the organization by talking to the employees, customers, CIO, HR, focus groups, and by sending email to the employees. His intent is to move by September on what needs to be done. Particular emphasis is being placed on adding value and building skills in the analytical environment. Priority 2. Need to reinstitute training. Various demographic data was presented.
- FY-2007 Financial Audit. Bi-weekly phone calls with IG and KPMG are occurring. IT application controls found had some issues. Environmental management has \$235B liability. Fixed assets will be tested. Spent nuclear fuel examined. Performance and Accountability Report – OMB established three reports. They are the annual financial report, annual performance report, and highlights of the two reports.
- Rick Lloyd and inter contractor balances. He has concerns about balances and believes they should be verified quarterly, and underscores the importance of year-end cutoffs and verifications.
- A-123. ORNL and INL were two labs selected for a follow-up IG audit on approach and methodology. Concern was expressed by Council members that no game plan exists for the third year of the program.

ACTION: Jennifer Crooks will take the lead on Contractor Assurance and A-123. She will ask Dennis Martinez to present on contractor assurance at the November FMSIC meeting and will ask Dean Childs path forward for A-123.

- Budget. Scenario planning for CR is going on. No LDRD direction.
- IGPP. Language in a the revised DOE Order 430.1B will relax the restrictions imposed on General and Administrative expenses with regard to IGPP. Overall indirect budget will be carefully considered and should not negatively impact a contractor's overall operations.

Conference Management Order

- A list of questions and concerns were turned over to Jim Solit at the ACM. A letter was prepared for Dan's signature delineating the issues but the letter has not gone out yet. Two unresolved issues: (1) collection of registration fees and when to remit to the Treasury. (2) Approval by DOE of attendance at conferences and delegation of this approval authority to contract management. Attempting to seek consistency between CRD and DOE order.

ACTION: Dan Becker will write a letter offering a FMSIC working group to work with DOE-HQ on clarification of the order. Marty Conger, Mike Bartos, Jim Eakins, and Jim Campbell will review the letter. Jim Campbell should be cc'd on the letter.

Uncompensated Overtime.

- Based on research, it was decided not to issue Department-wide guidance. It was noted that a DOL review at Sandia is potentially questioning aspects of the 9/80 work schedule.

Other Items

- DOE GL to SGL. It was decided to show a GL to SGL crosswalk table and display it on the FMSIC website. PNNL, Sandia, ANL and Fermilab would like this table. Dean suggested that the Council work with Rick Loyd to validate the crosswalk before providing it for use on the web site. ***ACTION: These labs will draft a letter to Rick Loyd and staff regarding the cross walk. Marty Conger will take the lead and get a call out to the other labs.***

Indirect Cost Training

- ***ACTION: Dean Olson has developed a presentation on M&O contractor indirect costs and will share this with other FMSIC members. Also, FMDP might be used too for training. Marty Conger will do a white paper on third party financing.***

- Topics for FMSIC to Address. (1) Cyber security and unfunded mandates. (2) Driving lab investments. Third party financing. Can FMSIC help the CFO office with this? Put together a paper for the CFO that addresses this. (3) Pension and post retirement benefits.
- ***ACTION: (Item #1) what was our action item here? (Item 2) Dan Becker will discuss this with Jim Campbell and will work with Eli Bronstein to see what kind of funding needs are out there. Will post on the FMSIC website. (Item #3) Marty Conger will prepare a white paper on third party financing.***

2007 FMSIC All-Contractors Meeting Evaluation Results

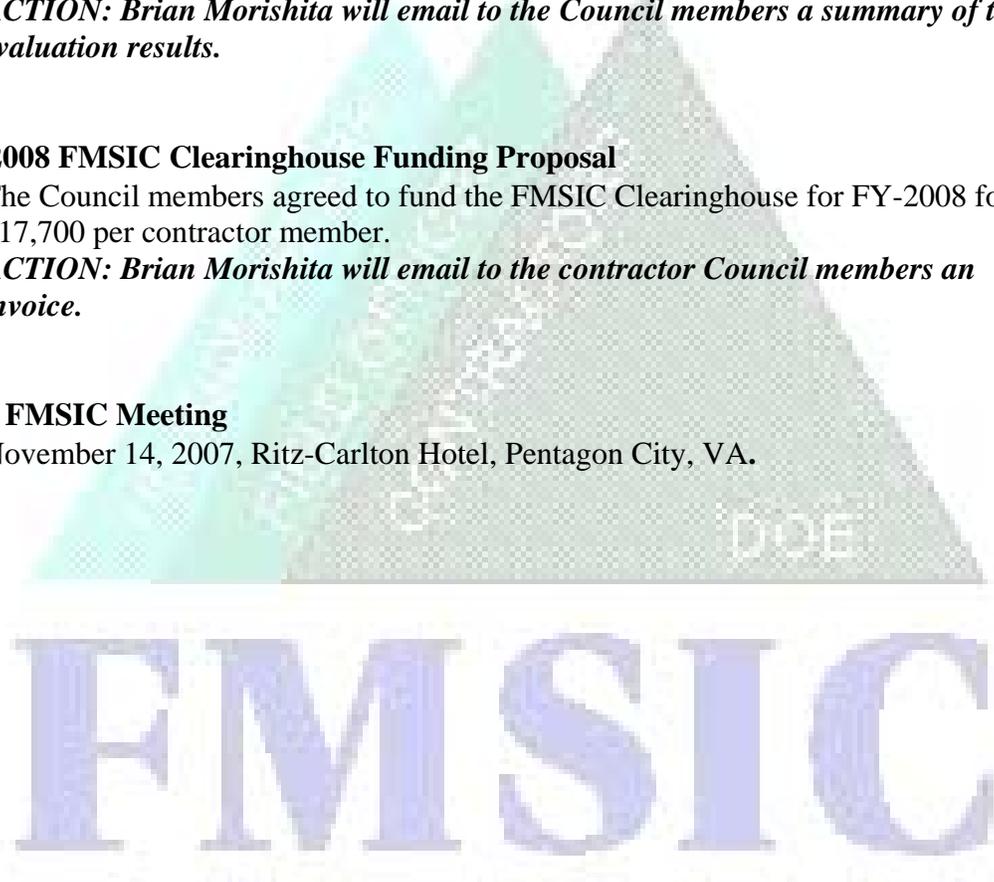
- ***ACTION: Brian Morishita will email to the Council members a summary of the evaluation results.***

FY-2008 FMSIC Clearinghouse Funding Proposal

- The Council members agreed to fund the FMSIC Clearinghouse for FY-2008 for \$17,700 per contractor member.
ACTION: Brian Morishita will email to the contractor Council members an invoice.

Next FMSIC Meeting

- November 14, 2007, Ritz-Carlton Hotel, Pentagon City, VA.



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