



## Department of Energy

Washington, DC 20585

October 24, 2011

MEMORANDUM FOR UNDER SECRETARIES

FROM: INGRID KOLB  
DIRECTOR, OFFICE OF MANAGEMENT

SUBJECT: Change in Contractor Salary Approval/Reporting Requirements

As part of the effort to address recommendations made by the National Laboratory Director's Council for streamlining requirements, the Office of Management has been collaborating with your organization on suggestions involving contractor salary approvals and associated reporting requirements. As a result of our collaboration, the organizations have agreed to (1) eliminate the reporting of individual salaries above a particular threshold and (2) provide contractors the flexibility, without prior DOE approval, to make minor shifts of funds across salary categories after approval of the Compensation Increase Plan (CIP) in order to meet the compensation requirements of their organization. The minor shifts of funds are subject to the following guidelines:

- Minor shift is defined as up to 10% of approved CIP funds by employment category (e.g., Scientist/Engineer, Admin, Exempt, Non-Exempt).
- Total increase expenditures will still be limited to the total CIP approved.
- Special Adjustment funds will not be interchangeable. These funds are approved (very rarely) for a specific purpose such as addressing internal inequities, equal pay act, or situations adversely impacting compliance issues.
- Contractors will notify DOE/NNSA at the time funds are shifted.
- Annual guidance on CIP approvals will include a statement allowing Contracting Officers to authorize minor shifts without prior approval.
- Flexibilities that contractors have under the pay freeze are not affected by any limitations described above.

In addition, the Secretary has agreed to limit the Department's annual approval of individual salary actions to the top contractor official (e.g., laboratory director/plant manager or equivalent), subject to the following guidelines:

- All key personnel with the exception of the Laboratory Director/Plant Manager (or equivalent top site manager) will be transitioned to the contractor's CIP. Salaries for Key Personnel shall continue to be approved until they are transitioned to the CIP.

- Contracts will be modified to establish the top contractor official (e.g., Lab/Plant Director/equivalent) base salary reimbursement level as the maximum allowable salary reimbursement. Unusual circumstances may require a deviation for an individual on a case-by-case basis. Any such deviations must be approved by the applicable program Under Secretary, or designee.
- DOE will continue to approve key personnel salaries upon initial contract award and when key personnel are replaced during the life of the contract.
- DOE will have access to all individual salary reimbursements. This access is provided for transparency; DOE will not approve individual salary actions (except as above).

DOE Order 350.1 will be revised to reflect the above Departmental policy, which was effective October 1, 2011. Your organizations are responsible for taking appropriate action, including modifying existing contracts, to achieve consistency with the above guidelines. Please note that this change in Departmental policy does not relieve the contracting officers of the responsibility to ensure that salary reimbursements are reasonable pursuant to the requirements of the Federal Acquisition Regulations Cost Principles set forth in 48 CFR 31.205-6, Compensation for Personal Services.

If you should have any questions, please feel free to contact me on 202-586-2550 or have your staff contact Robert Myers on 202-287-1584.