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# Treasury Financial Manual

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**Bulletin No. 2007-03**

**Volume I**

**Retention: October 31, 2007**

**To: Heads of Government Departments, Agencies, and Others Concerned**

**Subject: Intragovernmental Business Rules**

## **1. Purpose**

This bulletin, which includes Attachments 1 and 2, revises requirements for the Intragovernmental Business Rules (Rules). As indicated in the Office of Management and Budget (OMB) Memorandum M-07-03, Business Rules for Intragovernmental Transactions, dated November 13, 2006, the requirements of this bulletin supersede OMB Memoranda M-03-01 and M-06-09, dated October 4, 2002, and March 29, 2006, respectively.

## **2. Applicability**

The provisions of this bulletin apply to all intragovernmental business. Accordingly, these Rules provide Federal entities with guidance for recording and reconciling intragovernmental exchange transactions, fiduciary transactions [Bureau of the Public Debt (BPD) investments and borrowings; Federal Financing Bank (FFB) borrowings; Department of Labor (DOL) Federal Employee Compensation Act (FECA) transactions; and Office of Personnel Management (OPM) employee benefit transactions], and transfers between Federal entities. Since these Rules delineate business practices, they are applicable to all accounting systems. For purposes of these Rules, the requesting agency is a “Buyer,” the providing agency is a “Seller,” and, collectively, they are “Trading Partners.”

## **3. Dispute Resolution**

Intragovernmental disputes and major differences shall be resolved as delineated in Section VII of Attachment 1, through a Chief Financial Officers Council’s Intragovernmental Dispute Resolution Committee.

## **4. Effective Date**

This bulletin is effective October 1, 2006.

## 5. Inquiries and Assistance

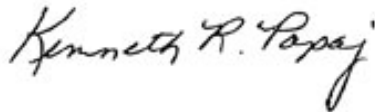
Direct general inquiries relating to this bulletin to:

Financial Management Service  
Department of the Treasury  
Telephone: 202-874-9910  
E-mail: [financial.reports@fms.treas.gov](mailto:financial.reports@fms.treas.gov)

Office of Federal Financial Management  
Office of Management and Budget  
Telephone: 202-395-3993  
E-mail: [statements@omb.eop.gov](mailto:statements@omb.eop.gov)

Direct inquiries relating to the Intra-governmental Payment and Collection (IPAC) System to:

Financial Management Service  
Department of the Treasury  
Telephone: 202-874-5980  
E-mail: [holden.hogue@fms.treas.gov](mailto:holden.hogue@fms.treas.gov)



Date: November 15, 2006

Kenneth R. Papaj  
Commissioner

Attachments

## INTRAGOVERNMENTAL BUSINESS RULES

### I. Scope

These Rules apply to all intragovernmental business, specifically, transactions that entail the exchange of goods and services, investments and borrowings, and transfers between Federal entities. Accordingly, these Rules provide Federal entities with guidance for recording and reconciling intragovernmental exchange, fiduciary [the Bureau of the Public Debt (BPD) investments and borrowings; Federal Financing Bank (FFB) borrowings; Department of Labor (DOL) Federal Employee Compensation Act (FECA) transactions; and Office of Personnel Management (OPM) employee benefit transactions], and nonexchange activities. Since these Rules delineate business practices, they are applicable to all accounting systems. For purposes of these Rules, the requesting agency is a “Buyer,” the providing agency is a “Seller,” and, collectively, they are “Trading Partners.”

### II. Assumptions

- A. The following accounting methodologies are used to record and report intragovernmental transactions: (1) generally accepted accounting principles and (2) the U.S. Government Standard General Ledger (USSGL).
- B. Buyers obtain goods or services from another Federal entity via an intragovernmental agreement or “order”; an order is an official request for goods or services. See Section VI for the requirements of the order.
- C. Once Sellers officially accept orders, both Buyers and Sellers record (obligate) the accepted orders in their respective official accounting systems.
- D. Sellers start performance on the order after acceptance of the order. However, national emergencies, or statutes and laws may dictate the Seller’s performance start date. Sellers shall track related cost and keep consistent, reliable evidence of performance.
- E. Trading Partners use the Department of the Treasury’s:
  1. Intra-governmental Payment and Collection (IPAC) System as the primary system to settle intragovernmental exchange transactions. However, if other systems are used to settle intragovernmental transactions, these Rules still apply.
  2. Intragovernmental Fiduciary Confirmation System (IFCS) as the primary system for reconciling and confirming fiduciary balances between central fiduciary agencies and Trading Partners.
  3. Governmentwide Accounting (GWA) Nonexpenditure Transfer (NET) Application as the mechanism for executing nonexpenditure transfers.
  4. Systems’ produced management products to the maximum extent, for example, the Material Differences Report (Attachment 2). These management products facilitate reconciling and balancing between Trading Partners.

## Attachment 1

- F. Trading Partners shall not chargeback or reject transactions that comply with these Rules. No new or adjustment transaction shall be created to circumvent these Rules. Disputable transactions are addressed in Section VII.

### III. Intragovernmental Accounting Rules for Exchange Transactions

- A. Once Buyers and Sellers (Trading Partners) have negotiated for the exchange of goods or services, the Buyer shall document such negotiations on an order. See paragraph VI.A.3 for the data that must be specified in the order. Overall, the order shall include:
  - 1. The indicative data needed so that the Seller's performance data (i.e., data regarding the delivery of goods and services) and bills can be efficiently matched to the Buyer's order.
  - 2. The frequency and type of performance reporting. Such performance reporting shall be provided no later than 30 days after the accountable event, or before the close of the quarterly reporting period, whichever occurs first.
- B. The Buyer's accounting system shall capture all the detailed transactions associated with the order (e.g., obligations, expenses, payables, and disbursements) for the life of the order. Additionally, the Buyer shall:
  - 1. At least quarterly, accrue expenses, either upon receipt of performance data or upon applying an estimation methodology, as agreed upon in the order. The Buyer may verify that such performance has been accrued by the Seller by monitoring the Material Differences Report (Attachment 2) produced by the Department of the Treasury, or by other communication protocol.
  - 2. Monitor the activity and age of an order. For obligation/payable balances that have shown no activity for more than 180 days, the Buyer shall determine the reason for the lack of activity on the order. Once the Buyer determines that an order has been fulfilled, the Buyer will inform the Seller that the order will be deobligated within 30 days. However, if the Seller provides proof of continuing, or unbilled work, an order's unliquidated obligation/payable balances shall remain available for use and shall be reflected as such in both the Buyer's and Seller's respective accounting systems.
  - 3. Record advance payments as an asset, then liquidate the asset and record an expense upon receiving notice of performance or billings, as required by the order.
- C. The Seller's accounting system shall capture all detailed transactions associated with the order. Additionally, the Seller shall:
  - 1. At least quarterly, accrue revenue consistent with generally accepted accounting principles and as agreed upon in the order. The Seller may verify that the Buyer has acknowledged its performance by monitoring the Material Differences Report (Attachment 2), or by other communication protocol.
  - 2. Record advance payments as a liability, then liquidate the liability and record revenue, as progress is made on the order. The Seller shall provide proof of performance to the Buyer in a timely manner, as required by the order.

- D. Trading Partners shall reconcile receivables and payables, advances to and advances from, and revenue and expenses (in capitalized assets) for the same reporting period. The following practices will facilitate this process:
1. A process shall be established between the Trading Partners to settle and report performance (accruals).
  2. The following information shall be included in the settlement or performance transaction, along with the other indicative data required by the order (see Section VI):
    - a. The common agreement number (order number).
    - b. The appropriate Treasury Account Symbol (TAS) for both Trading Partners. If multiple TAS are included on one order, specify amounts for each TAS, as appropriate.
    - c. The Business Event Type Code (BETC) for both Trading Partners.
    - d. The amount to accrue, advance, or disburse.
    - e. The Business Partner Network (BPN) number for both Trading Partners.
- E. Trading Partners shall report intragovernmental transactions using the correct/appropriate USSGL account number and correct partner codes as prescribed by the Treasury Financial Manual (TFM); see the USSGL Web site at <https://www.fms.treas.gov/ussgl>. “Default” coding is not allowed.
- F. Disputed exchange transactions:
1. Upon request, the Seller shall provide documentation supporting the bill. Such documentation shall be provided within an agreed upon timeframe, not to exceed 2 weeks.
  2. If the Seller’s bill or performance transaction does not identify the elements required in paragraph D.2, above, the Buyer may “chargeback” (reject) the transaction. See paragraph VII.B for chargeback rules.
  3. Trading Partners shall follow the dispute resolution processes delineated in Section VII.
- G. Electronic payments are required between Federal Government agencies; the standard payment methodology is IPAC. No check writing techniques shall be used between and among Federal agencies unless written approval is obtained from the Department of the Treasury, Financial Management Service (FMS).

#### **IV. Intragovernmental Accounting Rules for Fiduciary Transactions**

- A. Intragovernmental investments with BPD [i.e., investments in the Government Account Series (GAS)] shall be accounted for as follows:
1. BPD and its Trading Partners shall use the effective interest method for amortization on market-based notes, bonds, Treasury Inflation Protected Securities (TIPS), and zero coupon bond securities; amortization begins the day of purchase. Market-based notes, bonds, and TIPS purchased at premium will be amortized to the call date.

## Attachment 1

- a. BPD will carry notes, bonds, and TIPS at amortized cost and will not reflect a market adjustment.
  - b. BPD will carry zero coupon bond securities at amortized cost and will report market adjustments.
  - c. Trading Partners may recognize market adjustments on notes, bonds, TIPS, and zero coupon bond securities classified as available for sale.
2. BPD and its Trading Partners shall use the straight-line method for amortization on market-based bills; amortization begins the day after purchase.
  3. Interest accruals shall begin the day after purchase and are calculated using actual calendar days.
  4. Upon early redemption of securities, Trading Partners may use the specific identification method (i.e., purchase dates/tax lots). If securities are not specifically identified, the First In First Out (FIFO) method will be used to identify the security to be sold.

**Note:** As of December 31, 2002, security inventories have been reconciled with BPD; therefore, differences in inventory method are no longer a legitimate explanation for quarterly elimination purposes.

5. BPD shall report Federal investment activity on behalf of its Trading Partners to FMS via the Statement of Transactions (SF 224), or the GWA System when implemented. Federal investment activity includes: investments, unrealized discounts, redemptions and interest for all GAS securities. BPD's Trading Partners will continue to report investment fund receipts and disbursements under their existing procedures and to receive the GWA Account Statement Expenditure Activity report, which reflects all investment account activity for each month.
- B. If Trading Partners purchase non-GAS marketable Treasury securities, they must inform BPD of such purchases within 3 calendar days. The communication protocol shall be specified by BPD. The purchaser shall ensure that BPD codes non-GAS marketable Treasury securities as intragovernmental, not public, and shall use quarterly reconciliation processes to ensure that the correct codes are used.
  - C. GAS securities purchased using deposit fund monies will be classified as public, and **not** intragovernmental. Trading Partners shall ensure that BPD records these securities as public, not intragovernmental, through their quarterly reconciliation processes.
  - D. Intragovernmental borrowings from BPD and FFB shall be accounted for as follows:
    1. FMS and its Trading Partners shall accrue interest on uninvested funds at least quarterly for credit reform.
    2. Trading Partners shall record accruals for interest expense related to borrowings; these accruals shall be recorded in the agency's accounting system and in IFCS at least quarterly. The accrual amounts shall be consistent with the accrual amounts reported by BPD and FFB.
    3. Trading Partners governed by the Federal Credit Reform Act shall estimate interest accruals based on the prior year's annual interest rate for the first three quarters of

the fiscal year (December 31, March 31, and June 30). The actual interest rates are available in the 4<sup>th</sup> quarter and should be used for recording the interest accruals. The Trading Partners not governed by the Federal Credit Reform Act shall accrue interest based on the interest rate as outlined in the legislation or borrowing agreement. The principal loan balance for calculating accruals includes the GWA borrowing and repayment transactions processed in accordance with the end-of-month cutoff instructions in the TFM Volume I, Part 2, Chapter 4600, Treasury Reporting Instructions for Credit Reform Legislation. BPD and FFB shall provide their Trading Partners with an interest accrual report no later than 4 calendar days after the end of each quarter. The accrual report shall include relevant audit support.

4. FFB and BPD shall provide FMS data for input into IFCS no later than 5 calendar days after the end of each quarter.

E. Intragovernmental fiduciary activity with OPM shall be processed as follows:

1. OPM will provide its Trading Partners a factor (OPM Factor) for calculating future employment related benefits. This factor will be provided by the 16<sup>th</sup> calendar day before the end of each quarter and will be posted on OPM's Web site at <http://www.opm.gov>.
2. Trading Partners will use actual basic pay data to calculate the future liability for employment related benefits. Estimated basic pay data may be used for the end of the reporting period if actual figures are not available timely.
3. OPM shall provide the FMS employee benefit data for input into IFCS no later than noon 6 calendar days after the end of each quarter. IFCS shall open on the 7<sup>th</sup> calendar day.
4. Trading Partners shall reconcile to OPM in IFCS, and the confirmed amounts must be included in the agency's trial balance and financial statements.

F. Intragovernmental fiduciary activity with DOL shall be processed as follows:

1. DOL shall provide FMS quarterly estimates for unbilled FECA current liabilities and billed but unpaid current liabilities by Trading Partner for input into IFCS. DOL shall provide the data by close of business 6 calendar days after the end of each quarter. IFCS shall open on the 7<sup>th</sup> calendar day.
2. Trading Partners shall reconcile billed but unpaid current liabilities with DOL in IFCS, and the confirmed amounts must be included in the agency's trial balance and financial statements. Trading Partners must also include in the agency's trial balance and financial statements the unbilled estimates of current liabilities as identified by DOL. To facilitate reconciliation of billed but unpaid current liabilities, DOL shall make available to Trading Partners details concerning FECA current liabilities that have been billed to the Trading Partners and details of any payments received from the Trading Partners.

G. The following will facilitate Trading Partner reconciliations:

1. FMS shall ensure that each Trading Partner is separately identified in IFCS.

## Attachment 1

2. Trading Partners shall report investment and borrowing amounts consistent with those reported by BPD and FFB. IFCS shall be used to determine BPD's and FFB's reported amounts.
  3. Intragovernmental transactions with the General Fund, BPD and FFB shall be coded as Federal. The General Fund shall be coded with a Trading Partner code of "99", and BPD and FFB shall be coded with a trading partner code of "20" in the Intragovernmental Reporting and Analysis System (IRAS).
  4. Trading partners shall resolve any material differences, as defined by either Trading Partner, within 25 calendar days after the close of the reporting period. If the dispute cannot be resolved, then the matter shall be handled as specified in Section VII. Agreed upon adjustments will be recorded in the financial records of both parties and will be reflected in IFCS in the next reporting cycle.
- H. Additional guidance for reporting investments is available in TFM Volume I, Part 2, Chapter 4300, Reporting Instructions for Accounts Invested in Department of Treasury Securities. Additional guidance on reporting for borrowing is available in TFM Volume I, Part 2, Chapter 4600, Treasury Reporting Instructions for Credit Reform Legislation.
- I. Intragovernmental disputes shall be resolved as delineated in Section VII.

### **V. Intragovernmental Accounting Rules for Transfers**

- A. In the case of transfers, the "Transfer From" or paying entity dictates the nature of the transfer. The transferor must communicate with the transferee to ensure consistent reporting by USSGL accounts. Proprietary accounts shall be included in the nonexpenditure transfer request.
- B. Transferors shall establish procedures to ensure that transfers are acknowledged and recorded by the transferee in a timely manner.
- C. The Department of the Treasury shall establish mechanisms for providing Nonexpenditure Transfer Authorizations (SF 1151s) and Warrants to the respective agencies in a timely manner.
- D. Intragovernmental disputes shall be resolved as delineated in Section VII.

### **VI. Procurement Requirements**

- A. The following shall be included in an intragovernmental agreement/order:
  1. Trading Partners that acquire goods or services from another Federal agency and Federal agencies that provide goods and services to another Federal agency must obtain and use a BPN unique business location identifier.
  2. Trading Partners must register their BPN numbers in the BPN Federal Register (FedReg). Trading Partners are responsible for the accuracy of their respective BPN registration data in FedReg, and must access FedReg at least annually to validate/update their BPN data.



3. The agreement/order shall include:
  - a. The common agreement number (order number) and the funding source.
  - b. The TAS for both Trading Partners.
  - c. The BETC for both Trading Partners.
  - d. The effective date and duration of the agreement, to include the expiration of the funding source.
  - e. The amount and the method of payment.
  - f. The BPN number for both Trading Partners.
  - g. The method and frequency of performance (revenue and expenses) reporting.
  - h. If applicable, provisions for advance payments and method of liquidating such advance.
  - i. The parties' right to modify, cancel, or terminate the agreement.
  - j. An alternative Dispute Resolution clause.
  - k. A clause specifying that if the Buyer cancels the order, the Seller is authorized to collect costs incurred prior to cancellation of the order plus any termination costs.
  - l. Accounting/finance office point of contact information, such as, name, location, and telephone number. As well as, Contracting Officer or Contracting Officer's Technical Representative point of contact information.

## **VII. Resolving Intragovernmental Disputes and Major Differences**

- A. Disputes resolution shall involve (1) the program offices, (2) the accounting offices, (3) the contracting officer, and (4) the agency's Chief Financial Officer (CFO), as appropriate. Disputes shall be documented in writing with clear reasons for the dispute. A memorandum of agreement will be signed by the CFOs of each department and agency to acknowledge that department's or agency's active participation in the dispute resolution process.
- B. Trading Partners shall not chargeback or reject transactions that comply with these Rules. Further, new transactions shall not be created to circumvent these Rules. Transactions that comply with these Rules, but are disputed, shall be resolved as delineated in paragraph C, below.
- C. Disputes are of two types: accounting treatment (e.g., of advances, nonexpenditure transfers) and contractual (e.g., payment, collection, interagency agreement).
  1. If intragovernmental differences result from differing accounting treatment, the Trading Partners have 60 calendar days from the date that (1) the difference is identified in the Material Differences Report (Attachment 2), or (2) a charge is disputed, whichever comes first, to agree on the treatment of an accounting entry. If agreement cannot be reached, both Trading Partners' CFOs shall request that a final decision be rendered by the CFOs Council's Intragovernmental Dispute Resolution

## Attachment 1

Committee established for this purpose. The Committee may at its discretion refer disputes or differences to the Accounting and Auditing Policy Committee (AAPC) established by the Federal Accounting Standards Advisory Board. The Committee or the AAPC shall render a decision within 90 calendar days of receiving the request. The decision will be final and both Trading Partners will then adjust their accounting records to reflect that decision.

2. If intragovernmental differences result from contractual disputes, the Trading Partners have 60 calendar days from the date that (1) the difference is identified in the Material Difference Report, or (2) a charge is disputed, whichever comes first, to agree on the contractual terms. If agreement cannot be reached, both Trading Partners' CFOs shall request that a binding decision be rendered by the CFOs Council's Committee established for this purpose. The Committee shall render a decision within 90 calendar days of request. The Trading Partners will then coordinate to ensure any necessary IPAC transaction needed to effect the decision is processed as applicable.
  - a. Missing indicative data on an intragovernmental transaction (as delineated in paragraph III.D.2) is cause for a contractual dispute.
  - b. The Buyer may establish a monetary threshold before asking for contractual decisions; the threshold shall not exceed \$100,000 per order. If an amount is under the Buyer's threshold, and the Buyer elects not to pursue a dispute, then the Buyer shall pay the amount.

**MATERIAL DIFFERENCES REPORT: 4th Quarter FY 2006**

Agency Code/Name: \_\_\_\_\_

Agency Contact/Ph/Email: \_\_\_\_\_

Indicate reasons for reporting differences by placing an "X" in columns 1,2 or 5 and the dollar amount for adjustments in columns 3 or 4. If your agency reporting cannot be substantiated, indicate by 'X' in column 5 - Unknown.

TP	RC	P_or_S <sup>a</sup>	Rptg_Agy	Trdg_Partner	Material Diff	1-Confirm Rptg (X)	2-Acctg Method Diff (X) List Below <sup>b</sup>	3-Acctg/Rptg Error <sup>c</sup>	4-Timing Difference-CY <sup>d</sup>	5-Unknown	6-Timing Difference-PY <sup>d</sup>

<sup>a</sup>P=Primary, S=Secondary

<sup>c</sup>Identify the amounts of accounting error attributable to reporting agency.

<sup>d</sup>CY=Current Year; PY=Prior Year.

TP	RC	<sup>b</sup> Basis of Accounting Methodology Used by the Agency (Material Difference #2, Above) - <b>MANDATORY</b>

**Certification**

I have reviewed the Material Differences Report generated by FMS' IRAS from intragovernmental data submitted by our agency and associated trading partner(s). The data provided by this agency is consistent with its supporting records and is derivative of unaudited financial statement data submitted to OMB, as indicated from the disposition of agency reporting by 'X' in columns: 1-confirm reporting, 2-accounting method difference, or 6-prior year timing difference

In the event of accounting/reporting error or current year timing difference, the agency is expected to correct reporting in the subsequent period.

\_\_\_\_\_  
Chief Financial Officer or Designee

\_\_\_\_\_  
Date