Chapter 6
Eliminations, Reconciliations & Confirmations

I. Eliminations

The integrity of the data reported in the Department's and Bureaus' financial records and reports as well as the data reported in the Department's and Bureaus' audited financial statements is dependent on timely and accurate reconciliations of intra-governmental activity and resulting account balances.

The Department and Bureaus are required to comply with:

- Office of Management and Budget (OMB) Memorandum M-07-03, "Business Rules for Intergovernmental Transactions";
- OMB Circular No. A-136, Financial Reporting Requirements;
- Treasury Financial Manual (TFM) Bulletin No. 2007-03 Intragovernmental Business Rules;
- TFM Volume 1, Part 2 – Chapter 4700 Agency Reporting Requirements for the Financial Report of the United States Government ; and,
- Treasury's Federal Intra-governmental Transactions Accounting Policies Guide for reconciliation and elimination of intra-governmental, transactions.

The Department shall reconcile intra-governmental asset, liability, revenue, transfers, and expense amounts with trading partners on a quarterly basis

The Bureaus shall reconcile intra-departmental and intra-bureau asset, liability, revenue and expense amounts with their trading partners monthly through the Departmental Elimination Reconciliation Workbook (also known as the Top Ten Report). All unreconciled differences above the $75,000 threshold should be identified and resolved on a monthly basis and will be tracked by the Department of the Interior (DOI) Elimination Team and the Office of Financial Management (PFM).

Each bureau is responsible for:

- Establishing and maintaining an internal control structure for intra-governmental transactions;
- Documenting and supporting the information recorded in the bureau accounting records related to intra-governmental transactions;

- Reconciling the intra-governmental fiduciary data in bureau accounting records to the supporting documentation and corresponding records in the trading partners' accounts;
- Ensuring that the reconciliation and confirmed balances for intra-governmental fiduciary transactions agree to the Department's audited financial statements and the Federal Agencies' Centralized Trial-Balance System (FACTS) I reporting;
- Ensuring that the elimination process does not cause abnormal balances in these accounts when presenting current and non-current liabilities in the footnotes; and,
- Ensuring that quarterly requests for documentation to support Interior's Intragovernmental Reporting and Analysis System (IRAS) balances are responded to in a timely manner.

A. *Department Code Reporting for Treasury General Fund Activities*

As cited in TFM Volume 1, Part 2-4700, section 4706.30a, bureaus should use trading partner code "99" strictly for recording transactions with the Treasury General Fund. Bureaus should not confuse the Treasury General Fund with the Department of the Treasury, the agency (trading partner code 20). These codes are not synonymous and great care should be taken to distinguish one from the other when designating an appropriate partner code. Some examples of the Treasury General Fund are:

- Custodial activity, such as tax revenue—United States Standard General Ledger (USSGL) accounts applicable to this activity include but are not limited to USSGL accounts 2980F, 5800F, 5801F, 5990F, and 5991F;
- Other revenue collected or accrued for the Treasury General Fund;
- Employer Federal Insurance Contributions Act (FICA) contributions collected by the Internal Revenue Service;
- Governmentwide entity/custodial accounts (USSGL account 5790F) that consist primarily of interest revenue and seigniorage, for Treasury Bureaus the Financial Management Service and Bureau of Public Debt only;
- Transactions related to Treasury-managed trust funds;
- Liquidating fund assets in excess of liabilities;
- Receivable from appropriations (USSGL account 1921F) (for Treasury only);

- Rescissions that are permanently canceled by law; and,
- Other asset/liability activities associated with the Treasury General Fund (for example, USSGL accounts 1325F and 2400F).

Accounting activity with the Department of the Treasury as a trading partner on all other intragovernmental activities (such as judgment fund transactions, investments, borrowings, transfers, appropriations, and buy/sell activity) will use trading partner code “20”.

B. *Intragovernmental Accounting Rules for Exchange Transactions*

As stated in TFM Bulletin No. 2007-03, Attachment 1, once Buyers and Sellers (Trading Partners) have negotiated for the exchange of goods or services, the Buyer shall document such negotiations on an 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.

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. Accrue expenses (at least quarterly), 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 reports 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, liquidate the asset, and record an expense upon receiving notice of performance or billings, as required by the order.

The Seller's accounting system shall capture all detailed transactions associated with the order. Additionally, the Seller shall:

1. Accrue revenue (at least quarterly) 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 reports produced by Treasury (Material Differences Report) or by other communication protocol.

2. Record advance payments as a liability, 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.

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:

   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.

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.

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 2 a thru e above (page 6-4), the Buyer may "chargeback" (reject) the transaction.

3. Trading Partners shall follow the dispute resolution process.

Electronic payments are required between Federal Government agencies; the standard payment methodology is the Intragovernmental Payment and Collection System (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).

II. Reconciliation and Confirmations

A. *Intragovernmental Fiduciary Confirmation System (IFCS)*

As cited in TFM Volume 1, Part 2-4700, section 4706.20a, the IFCS, an Internet-based application for reconciling fiduciary transactions, is the official confirmation system for all Federal departments and agencies that engage in fiduciary intragovernmental transactions.

Specifically, OMB requires reporting agencies to reconcile/confirm intra-governmental activity and balances quarterly for the following reciprocal groupings:

- **Investments**—Including interest payables and receivables, interest income and expense, and amortization of premiums and discounts with the Bureau of the Public Debt (BPD);
- **Borrowings**—Including interest payables and receivables, and interest income and expense, from BPD or the Federal Financing Bank (FFB);

- **Federal Employees' Compensation Act (FECA) transactions with Department of Labor (DOL)**— Including routine payments and accruals for FECA liabilities; and,
- **Employee Benefit Program transactions with the Office of Personnel Management (OPM)**—Including routine payments and postretirement benefits related to the Federal Employees' Retirement System (FERS), the Civil Service Employees' Retirement System (CSRS), the Federal Employees' Life Insurance Program, and the Federal Employees' Health Benefits Program.

The Department shall reconcile the four fiduciary categories identified above by bureau by the due dates established on Treasury's website. Bureaus must confirm and reconcile investments and borrowings on a quarterly basis with trading partners. PFM will confirm and reconcile retirement, health benefits, and life insurance transactions with OPM and workers compensation benefit transactions with DOL on a quarterly basis.

The Department, in conjunction with the bureaus, must ensure that amounts entered into the IFCS agree with: (1) amounts reported to FMS in their FACTS I year-end reporting; and, (2) the amounts reported in the audited financial statements. The Department and bureaus will have an opportunity to revise the confirmations and adjust the FACTS I reporting for differences.

To access and confirm fiduciary balances in the IFCS, agency users should access the Internet Web site at **https://fmsapps.treas.gov/ias.**

B. *Intra-governmental Expenses related to IFCS*

There are three types of special Intra-government expenses to be reflected in the financial statements (one from the Office of Personnel Management and two from the Department of Labor). These expenses should be reported as part of operating expenses on the Statement of Net Cost.

1. Employee Pension and Retirement Benefit Expenses. This expense is an "imputed cost" for retirement costs paid by OPM that will never be paid by the Department. OPM provides rates for recording the estimated cost of pension and other future retirement benefits paid by OPM on behalf of federal agencies. Under Federal accounting standards, the cost of these benefits must be reflected on the financial statements of the agency that receives the benefit.

    a. The Department will present these costs as part of operating expenses on the face of the financial statement (and is identified as employee benefit expense in the operating expense footnote).

b. The Bureaus shall also include this expense on bureau financial statements; however, the expense may be presented on a separate line as long as it remains a part of total expenses.

Imputed Financing Sources are separately identified on the Statement of Changes in Net Position. The journal entry is provided below:

USSGL	Description	DR	CR
6730.G.24	Imputed Costs	xxx	
578A.G.24	Imputed Financing Sources		xxx

2. Department of Labor (DOL) Actuals & Accruals

The Department of Labor provides information to the Department regarding the two types of workers compensation and unfunded unemployment liability figures that must be reflected in agency financial statements.

The journal entries (proprietary) are:

a. FECA Accrued Liability

FECA accrued liability is the difference between the FECA benefits actually paid by the FECA Special Benefits Funds to beneficiaries (through the current fiscal year) and the agency's actual cash payments to the Fund (through a prior fiscal year). There is generally a two to three year timing difference between these payments. The accrued FECA liability equals actual payments due, but not yet paid due to timing differences.

The journal entries are:

USSGL Account	Description	DR	CR
6850.G.16	Employer Contributions to Employee Benefit Programs Not Requiring Current-Year Budget Authority	xxx	
2225.G.16	Unfunded FECA Liabilities		xxx

b. Unfunded Unemployment Accrued Liability

Record amounts of unfunded employment related liabilities not covered by the current year's budget authority and not otherwise classified. Include the unfunded liability for unemployment for Federal employees in this account.

USSGL Account	Description	DR	CR
6850.G.16	Employer Contributions to Employee Benefit Programs Not Requiring Current-Year Budget Authority	xxx	
2290.G.16	Other Unfunded Employment Related Liability		xxx

c. FECA Actuarial Liability

The FECA actuarial liability represents estimated future payments for disabled workers presently in the system. It includes the expected liability for death, disability, medical, and other approved costs and is recorded as a liability to the public. To record an increase in FECA Actuarial Liability received from DOL

USSGL Account	Description	DR	CR
7600.N	Changes in Actuarial Liability (Unfunded)	xxx	
2650.N	Actuarial FECA Liabilities		xxx

Note: USSGL 7600 will be presented as expense on the Statement of Net Cost.

On a quarterly basis, the DOL/OPM accrued costs should be estimated based on previous year end, generally taking one quarter of the previous year for the estimate unless another method is more appropriate. These accrual amounts are provided by PFM.

The DOL FECA actuarial liability will remain unchanged until year end. Estimates will be provided by PFM for year end accruals.

C. *Intragovernmental Accounting Rules for Fiduciary Transactions*

As stated in TFM Bulletin No. 2007-03, Attachment 1, 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.

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.

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 that the quarterly reconciliation processes is used to ensure the use of the correct codes.

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 the quarterly reconciliation processes.

D. ***Imputed Costs [For Imputed Costs Related to Intra-Gov with External Trading Partner See II A(2)].***

The Department began implementation of Statement of Federal Financial Accounting Standard (SFFAS) 4, *Managerial Cost Accounting Standards and Concepts*, in October 2004, by complying with Interpretation of Federal Accounting Standards Interpretation Number 6. As part of this implementation, the Department instructed component entities that provide goods and services to other components of the Department without reimbursement (or at reimbursement at less than full costs) to communicate those costs to the receiving components so that the receiving component can properly recognize those costs and the imputed financing source.

SFFAS 4 states: "The entity providing the goods or services has the responsibility to provide the receiving entity with information on the full cost of such goods or services either through billing or other advice." This requirement does not alleviate the responsibility of a receiving entity to accrue appropriate estimates of those goods or services when this information has not been provided.

The following applicable excerpts from SFFAS 4 and 30, *Inter-Entity Cost Implementation: Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts*, are provided:

1. Each entity's full cost should incorporate the full cost of goods and services received from other entities.

2. Recognition of inter-entity costs that are not fully reimbursed is limited to material items that: (a) are significant to the receiving entity; (b) form an integral or necessary part of the receiving entity's output; and, (c) can be identified or matched to the receiving entity with reasonable precision. Broad and general support services provided by an entity to all or most other entities should not be recognized unless such services form a vital and integral part of the operations or output of the receiving entity.

3. However, in the context of deciding which inter-entity transactions are to be recognized, materiality, as used here, is directed to the individual inter-entity transaction rather than to all inter-entity transactions taken as a whole. Under this concept, a much more limited recognition is intended than would be achieved by reference to the general materiality concept.

4. The decision as to whether the cost of non-reimbursed or under-reimbursed goods and services should be recognized requires the use of judgment. Ultimately, inclusion or exclusion of the cost should be

decided based on the specific facts and circumstances of each case, with consideration of the degree to which inclusion or exclusion would change or influence the actions and decisions of a reasonable person relying on the information provided.

E. *Treasury Managed Accounts*

Unclaimed Moneys

The Unclaimed Moneys Account 20X6133 is a Treasury Managed Account. The balance of account 20X6133 should represent only moneys which, when claimed, are unequivocally refundable. The sole purpose of this account, as originally established, was to hold such moneys in trust for rightful owners (as received by Government agencies from sources outside the Government). Accordingly, items cleared from agency uninvested trust, revolving, and deposit fund accounts for transfer to account 20X6133 must meet all four of the following criteria:

1. amount is $25.00 or more;
2. a refund, upon claim, would be absolutely justified ;
3. there is no doubt as to legal ownership of the funds ; and,
4. a named individual, business, or other entity can be identified with the item.

F. *Suspense "F" Account*

Discontinuance of Suspense Accounts F3875 and F3885

The FMS established clearing (suspense) accounts to temporarily hold unidentifiable general, revolving, special, or trust fund collections that belong to the Federal Government. The funds remain in the suspense accounts until agencies can classify them to the proper receipt or expenditure accounts. This process, however, leads to a delay in accurately reporting the collections in the proper accounts. In an effort to have more accurate financial information on a more timely basis, FMS has decided to discontinue the use of certain suspense accounts and to require agencies to classify the collections to the proper receipt or expenditure accounts at the time the collections are made. This discontinuance has been documented in Treasury Financial Manual Bulletin No. 2007-07.

Effective July 31, 2008, FMS will discontinue the use of F3875 and F3885 suspense accounts for those accounts not approved through the waiver process. From August 1, 2008, through February 28, 2009, agencies may use discontinued F3875 and F3885 suspense accounts only to reclassify transactions that were recorded prior to August 1, 2008.

Effective February 28, 2009, all discontinued F3875 and F3885 suspense accounts must have a zero balance. All agencies must correctly reclassify the entire balance in each discontinued F3875 and F3885 suspense account. If an agency cannot correctly classify the entire balance, it should take the following action:

1. For a positive balance, reallocate the entire balance to miscellaneous receipt account XX-3220 on the Statement of Transactions. Agencies should use their 2-digit agency identifier code.

2. For a negative balance, contact FMS and the agency's OMB Examiner for further instructions. Negative balances in suspense accounts may indicate potential Anti-Deficiency Act (ADA) violations and the appropriate steps will need to be taken. Potential next steps may include an investigation by the Office of the Inspector General or Independent Public Accountant as to whether an ADA violation has actually occurred. OMB and Treasury will handle each ADA violation on a case-by-case basis.

Note: Under no circumstances should an agency make payments from the F3875 suspense account.

Waiver Process

Reporting agencies that have justifiable business needs for keeping a suspense account may submit a waiver to OMB and FMS to request the continued use of the F3875 and/or F3885 suspense accounts for specific business purposes. Agencies must submit a written waiver request to OMB and FMS by January 31, 2008.

G. *Departmental Elimination Reconciliation Workbook (Top Ten Report)*

The Departmental Elimination Reconciliation Workbook (also known as the Top Ten Report) is a database driven reconciliation workbook that is compiled by downloading bureau applications on a monthly basis to a database utilized by bureaus and PFM. The database uses formulas to calculate the differences between intra-departmental (within Interior) bureaus. On a monthly basis (with the exception of October and November reporting periods), bureaus should reconcile absolute value differences between Interior bureaus and record the details and solutions in the proper column. Currently, all bureaus should be addressing all unreconciled differences above the $75,000 threshold established by the DOI Eliminations Team. Any differences that cannot be reconciled between bureaus should be immediately elevated to PFM for resolution.