United States Department of Agriculture
Office of the Chief Financial Officer
Associate Chief Financial Officer – Financial Operations
Washington D.C. 20250

OCFO BULLETIN

Bulletin: OCFO 13-01

Date: March 6, 2013

To: USDA Agencies

Subject: Intradepartmental Transactions Reconciliation

PURPOSE

The purpose of this bulletin is to prescribe the policies and procedures for identifying, reconciling, and reporting intradepartmental transactions to facilitate elimination of intradepartmental balances and activity in the consolidated financial statements.

DEFINITIONS

Adjusted Trial Balance (ATB): A group of U.S. Standard General Ledger (USSGL) accounts and related attributes, and balances for a specific fund symbol as of a specific date.

ATB File: The trial balance sent to Treasury per TFM 2-4700, sometimes referred to as the F File, FACTS I file, or the GTAS file.

FMMI: Financial Management Modernization Initiative

INTR: A type of Sales Order used for Intra USDA Agreements.

Intradepartmental: Transactions occurring between USDA organizations, referred to in this bulletin as agencies. Intradepartmental is a subset of intragovernmental.

Intradepartmental Transaction Reconciliation System (ITRS): A web based application that compares pre-closing trial balances by reciprocal category and identifies reciprocal categories that are out of balance. Agencies can make manual entries to adjust balances to bring the reciprocal category into agreement. ITRS also generates the elimination entries after it is closed. The ITRS website is https://www.nfc.usda.gov/ocfoitr/nfc_warning.asp.

Intragovernmental: Transactions and/or balances resulting from business activities conducted by two different Federal Government entities included in the Financial Report of the United States Government (FR). Interdepartmental and intradepartmental are subsets of intragovernmental.

Providing Agency (PA): The Federal agency providing services, products, goods, transferring funds, investments, debt, and/or incurring the reimbursable costs. The PA is considered the seller for exchange transactions and the transferring out entity when appropriations are transferred.

Receiving Agency (RA): The Federal agency receiving services, products, goods, transfer funds, purchasing investments and/or borrowing from Treasury (or other agency). The RA is the purchaser for exchange transactions and the transferring in entity when appropriations are transferred.

Reciprocal Categories (RC): Pairings of related USSGL accounts that should be used by the providing and receiving agencies to reconcile like intragovernmental transactions and balances. It is also a pair of closing package financial statement Federal line items that will be used to perform elimination at the Governmentwide level. TFM 2-4700, that can be found on Treasury's Web site http://fms.treas.gov/factsi/regulations.html, lists the reciprocal account categories' 2-digit codes representing groupings of similar reciprocal transaction types.

Trading Partner (TP): An FR agency, department, bureau, or other Federal entity that is party to intragovernmental transactions with another FR agency. The PA and the RA that are party to the same transaction are trading partners

SCOPE

Although ITRS is opened each month this bulletin addresses only the reporting months that come at the end of the quarter. This bulletin covers only USDA trading partners.

BACKGROUND

In fiscal year 2011, the OIG noted that USDA agencies were not adequately researching and reconciling intradepartmental activity. Transactions occurring between USDA agencies are required to be identified, reconciled, and reported to facilitate elimination of intradepartmental balances for the consolidated financial statements.

The elimination of intradepartmental activity for the consolidated financial statements requires that the same amount must exist in each trading partner's general ledger in reciprocal accounts. In cases where agencies fail to confirm balances to their trading partners, or confirm without researching the amounts and accounts, the process could result in material misstatements of the consolidated financial statements for USDA.

Through FMMI, USDA is taking steps to modernize its financial systems through a state-of-the-art software package that will provide online, real-time transaction capability and access that impacts every Agency and Staff Office in the Department. It replaces the Foundation Financial Information System (FFIS) and program financial systems, as applicable. USDA launched FMMI after identifying the need to upgrade Department and agency financial and administrative payment and program general ledger systems. Department officials will use FMMI to address challenges and opportunities in the rapidly changing Federal financial management, and technology environment. One of these challenges is reconciliation of the intradepartmental balances. FMMI contains a unique INTR feature that will aid in the reconciliation of transactions and, in the future, may eliminate the need for reconciliation.

RESPONSIBILITIES

The Chief Financial Officer of each USDA organization is responsible not only for the financial statements of his or her own agency but also for reporting intradepartmental transactions according to policy for elimination in the consolidation of USDA accounts.

POLICY

It is USDA's policy to use Generally Accepted Accounting Principles for the Federal Government; OMB Circular No. A-136 – Financial Reporting Requirements; and TFM 2-4700, Intragovernmental Requirements Section, to record, process, summarize, reconcile, and report intragovernmental transactions and balances by TP. Positive confirmation with trading partners of intradepartmental balances as recorded in the general ledger is required. This includes communication of intradepartmental activity and balances by account, determination of whether any differences exist, and resolution of those differences by recording a correcting entry to the general ledger before the accounting period closes. It also requires that agencies account for intradepartmental activity in a manner to be able to readily identify the related amounts and accounts in the general ledger.

A $250,000 minimum reconciliation threshold remains in effect. No difference greater than $250,000 per reciprocal category may exist prior to period close. There is no threshold for within agency transactions.

PROCEDURES

ITRS

ITRS will be loaded with data as of the 23rd of the last month of each quarter. For the last quarter of the fiscal year ITRS will be loaded a second time with data as of the end of September. Balances that are not loaded from the Financial Statement Data Warehouse (FSDW) should be entered manually or through the auto-file (bulk file) load feature available through the ITRS website.

ITRS shows the differences between USSGL balances within the reciprocal category. It should be the agencies' goal to reconcile and reduce the differences to as close to $0 as possible to decrease the amounts that ITRS automatically adjusts into TP 00.

To do this, agencies should provide their trading partner with a transactional detail that supports their activities and open balances.

Any adjustments/accruals recorded in the general ledger regarding TP 12 activities after ITRS is loaded on the 23rd must be manually adjusted in ITRS. The agencies' ITRS amounts must match the agencies' general ledger.

Agencies reporting abnormal balances must understand, explain, and/or adjust those balances.

OCFO will close ITRS as soon as possible after the end of the period. Any differences that remain after ITRS is closed will be automatically adjusted in ITRS. The lower of the two values will be adjusted up to match the higher of the two values in ITRS. Since USDA uses double entry accounting, the other side of the entry will be to the same USSGL account using TP 00, the code for the unknown TP.

For example if agency A is showing $249,000 in USSGL 6100F(12) and agency B is showing $240,000 in USSGL 5100F(12), then Agency B USSGL 5100F(12) will be adjusted up from $240,000 to $249,000 and the $9,000 will be a debit to USSGL 5100F(00). Note that USSGL 5100F's balance didn't change. The reciprocal accounts are now a balanced elimination pair, USSGL 5100F(12) is $249,000 and USSGL 6100F(12) is $249,000. After the elimination entries are calculated, there should be no other TP 12 activity because the activity will not be eliminated.

Treasury monitors TP 00 balances. The smaller the TP differences in ITRS the smaller effect ITRS has on TP 00 balances ITRS adjustments are only one of many reasons, not covered by this bulletin, that TP 00 balances can increase.

OCFO-FO will notify the agencies when they can go to the ITRS website to download their adjusted balances. These balances should be used to adjust the F file so that it matches the agencies' statements. The ITRS Adjustment Worksheet can be exported to Excel.

OCFO-FO then runs the elimination worksheet and sends it to the FSDW.

Correct reporting of the current period is the goal and ITRS is one of the tools used to achieve that goal. Errors should not be perpetuated from period to period. Missed or incorrectly recorded accruals from prior fiscal years should be analyzed so that the current year is stated correctly and a request for a potential prior period adjustment should be made to OCFO-FO for evaluation.

ITRS opens before the end of the period and the goal is to make adjustments in the system while the period is still open. Therefore only material CSXE adjustments, adjustments over the current $5 million threshold, will be made after the period closes. The threshold is subject to change and if such a change is made agencies will be notified by email. This threshold doesn't impact the requirement that agencies reconcile with their trading partner to within $250,000 or current threshold.

Billing and Collection

A schedule will be followed for recognition by both the PA and the RA for all intradepartmental transactions including:

- Assets and liabilities;
- Revenue and expense;
- Accruals; and all other related entries.

The process for each trading partner must meet the following requirements.

- Intradepartmental transactions for payments of regular amounts, such as for rent, should be billed by the PA, typically in the amount of 1/12 of the annual total, via INTR, IPAC, SF-1080, or SF-1081, by the 10th business day of the current month.
- Intradepartmental transactions for services without predictable or regular amounts, including utilities and telephones, and all other intradepartmental transactions must be billed by the PA, via INTR, IPAC, SF-1080, or SF-1081, by the 10th business day for the preceding month.
- Settlement of amounts billed by the PA should occur by the 23rd of each month.

Agencies typically use direct appropriations to fund reimbursable activity. When reimbursable activity exceeds direct appropriations available, a negative cash balance may result. Therefore, timely billing and collection is essential to avoid abnormal cash balances.

INTR

The INTR process is for a USDA FMMI agency to a USDA FMMI agency in order to process collections and payments. On a daily basis or at a minimum, Monday, Wednesday, and Friday, IPAC Control Branch (ICB) personnel perform the INTR payment run to retrieve all outstanding accounting documents created from billing documents that have been generated via the running of resource related billing and debit memo requests against existing INTR sales orders. The INTR payment run will also pick up any A/R accounting document that contains a FMMI agency customer, including those direct entry documents that reference Forecast of Revenue (FoR) documents and those that do not. There are edits in the FMMI payment run for INTR payment methods that will look up the customer's Purchase Order (PO) recorded on the vendor agency's sales order and ensure there is sufficient funding and that the correct vendor and business area are referenced on the PO for the billed agency. There are also other edit checks in place that must be passed in addition to these. If any of these edits fail, the A/R documents are displayed on the INTR Reject Report. This report identifies the error preventing the A/R document from being picked up in the payment run. ICB personnel download the INTR error report and forward it to the appropriate agency personnel for error correction. Once the agency performs the appropriate error correction in FMMI, the open A/R accounting document will be processed/picked up via the next INTR payment run.

After A/R documents pass edit checks in the payment run, clearing documents are created by FMMI to record the cash collections, when the payment run is complete. In order to record the disbursements for the customer agency, ICB personnel then run the INTR clearing job. The INTR clearing job creates an A/P LIV invoice document that references the PO from the A/R documents, the referenced sales order or the FoR documents, and also creates the associated cash clearing document. A system generated common reference number is placed in the reference field of the clearing documents of both the A/R and A/P invoices (LIV). If for any reason the A/P invoice (LIV) cannot be created by the clearing job (i.e. the PO had insufficient funds), this job will automatically reverse the associated A/R collection clearing document and re-open the A/R document. This final edit check assures that offsetting intra-USDA collections and disbursement are recorded, and that one does not occur without the other which would cause elimination entry issues.

IPAC

The billing through IPAC by the PA must provide complete accounting information. For any IPAC intradepartmental transactions in a RA suspense account due to failure of the PA to provide complete accounting information for the RA, the RA should charge the transaction back to the PA.

No IPAC processing of intragovernmental billing should occur during the last 5 business days of any quarter ending month.

Transfers

Non-FMMI agencies must contact their partner agency by email to notify their trading partner of the transfer amount and the reciprocal category where the entry will be recorded.

FMMI, transfer documents are entered with key elements including TP numbers. The agency sending the money will enter the TP number of the RA. The RA enters the TP number of the sending agency.

Agencies will check Treasury daily to monitor warrant and transfer activity that is POSTED or PENDING. When they see that a warrant or transfer has been posted they extract a copy of the audit log, the transfer detail screen, and the Warrant or Transfer Authorization.

Accruals

Should an accrual be required agencies must contact their partner agency by email to notify them of the accrual amount and the reciprocal category where the entry will be recorded. The trading partner must acknowledge the notification by return email. No accruals should be entered into the accounting system without a trading partner acknowledgement. Accruals should be entered before the bulk file is loaded into ITRS, explained above. The need for accruals should be minimized by sweeping the A/P accounts when INTR payments are made. Accruals should be made by agreement and not combined.

An accrual should not be recorded for revenue when a sales order or FoR document has been created for a reimbursable agreement. The sales order and FoR billing process will record revenue and a receivable. The PA and RA will need to communicate when no collection has occurred for a billing to reconcile ITRS differences. The sales order and FoR billing process eliminates the need to record a revenue accrual.

Adjustment Document (B2)

An adjustment document (B2) is used to move expense transactions between agencies to the proper account (treasury symbol, fund, cost center, etc.) due to an error in recording the original transaction. If the vendor in the original transaction is a nonfederal entity, then use trading partner CON and COM for personnel and commercial transactions, respectively, to make the correction. If the vendor in the original transaction is a federal entity, then use this vendor as the trading partner to make the correction.

Cutoff Date

Agencies with different cutoff dates will make every effort to move their dates to conform to the rest of the Department. If they cannot, they should consider using estimates and not post the actual unless the difference is material.

Unprocessed IPAC bills should be cleared before the ITRS bulk file is loaded. FMMI billing rejects should be cleared by the date that ITRS is loaded.

All Greenbook and WCF transactions should be recorded by the date that ITRS is loaded.

Dispute Resolution

If the two agencies are not able to agree on the amount subject to elimination, the entities should contact the ACFO-FO.

INQUIRIES

Any questions concerning this bulletin should be directed to Robert Darragh at robert.darragh@cfo.usda.gov or **(202) 720-0994**.

OCFO BULLETIN

EFFECTIVE DATE

This bulletin supersedes Departmental Accounting Policy AP-01-001, Intradepartmental Transactions, dated July 12, 2001; OCFO Bulletin 2002-002, Positive Confirmations of Trading Partner Balances, dated June 4, 2002; and OCFO Bulletin 2002-004, Avoidance of Timing Differences for Intradepartmental Transactions, dated July 15, 2002, and is effective immediately.

/s/

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