

## Intragovernmental Business Rules (RULES)

### I. Scope

These Rules apply to all intragovernmental business, specifically, transactions that entail the exchange of goods and services (reimbursable agreements), investments and borrowings, and transfers between Federal entities. They 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 servicing agency is a “seller,” and, collectively, they are “trading partners.”

### II. Definitions

**Business Partner Network (BPN)** – The BPN helps identify trading partners at the level in an agency where reimbursable business is being conducted. It identifies the specific unit within an agency that is requesting or receiving the goods or services (see the Web site at <http://www.bpn.gov>). The BPN number is the standard name for this data element; however, this may be a trading partner’s Data Universal Numbering System number (DUNS) or the Department of Defense Activity Address Code (DODAAC).

**Buyer** - A buyer is the general term used for a trading partner that is purchasing goods and/or services for all types of intragovernmental activity. A buyer is also the requesting agency. The term “requesting agency” is used specifically in the recommended standard IAA. However, since these are business rules for all Intragovernmental activity, the term “buyer” will be used in these Rules.

**Interagency Agreement (Recommended Standard IAA)** – The recommended standard IAA is the recommended trading partner agreement for reimbursable agreements. It is the standard template and communication tool between the buyer and seller and enables them to agree on the data elements and terms of the reimbursable transaction before business begins. The recommended standard IAA has two sections, the General Terms and Conditions (GT&C) Section and the Order Requirements and Funding Information (Order) Section. Each recommended standard IAA always must have one GT&C and at least one Order.

**Reimbursable Agreement** – A reimbursable agreement, also known as buy/sell activity, permits a Federal entity that has entered into a reimbursable agreement by law, to buy goods or services from another Federal entity and/or to sell goods or services to another Federal entity. Reimbursable agreements are a type of Intragovernmental transaction.

**Seller** – A seller is the general term used for a trading partner that is providing goods and/or services for all types of Intragovernmental activity. A seller is also the servicing agency. The term “servicing agency” is used specifically in the recommended standard IAA. However, since these rules apply to all Intragovernmental activity, the term “seller” will be used in these Rules.

**Trading Partner Agreement (TPA)** – The TPA is required for all Intragovernmental transactions and contains trading partner information including but not limited to the Agency Location Code (ALC), BPN, Treasury Accountant Symbol (TAS)/Business Event Type Code (BETC), U.S. Government Standard General Ledger (USSGL), and terms of the agreement. There are many types of intragovernmental transactions, including, but not limited to reimbursable and borrowing agreements. Trading partners must mutually agree on that TPA format to use for their intragovernmental transactions. For example, the recommended standard IAA is the standard TPA format for reimbursable agreements. Also, trading partners doing business with BPD will use the current borrowing agreement as defined by BPD.

### III. Guidance

- A. Federal entities use Generally Accepted Accounting Principles (GAAP) and the USSGL to record and report intragovernmental transactions.

B. Trading Partners use the Department of the Treasury's:

1. Intra-governmental Payment and Collection (IPAC) System to settle intragovernmental exchange transactions [see the Financial Management Service (FMS) Web site at <http://www.fms.treas.gov/ipac/index.html>].

Disputable transactions are addressed in Section VII, Resolving Intragovernmental Disputes and Major Differences.

2. Agency Transaction Module (ATM) to execute nonexpenditure transfers (see the FMS Web site at [http://www.fms.treas.gov/gwa/factsheet\\_atm.html](http://www.fms.treas.gov/gwa/factsheet_atm.html)).
3. Material Differences Report to facilitate reconciling and balancing between trading partners (refer to subsection(s) 4705.65, 4705.70 and 4706.30)).
4. Intragovernmental Fiduciary Confirmation System (IFCS) to reconcile and confirm fiduciary balances between central fiduciary agencies and trading partners (see the FMS Web site at <http://www.fms.treas.gov/factsi/index.html>).

C. Trading partners must not chargeback or reject transactions that comply with these Rules. They must not create any new or adjustment transaction to circumvent these Rules.

D. For reimbursable activity, trading partners must follow the standard business processes as stated in the Financial Management Line of Business (FMLoB) Standard Business Processes Document v 1.2, Reimbursable Management Processes (Chapter 5.0). See the Web site at <http://fms.treas.gov/finstandard/forms/reimbursables-management-processes-v1.2.pdf> or <http://www.cfoc.gov>.

#### IV. Reimbursable Agreements Between Federal Trading Partners

*For guidance on Reconciliation, agencies should follow Section IV, D, (referenced below) until the "Intragovernmental Solution" provides reimbursable reconciliation tools and related guidance is published.*

A. Trading Partner Requirements for Reimbursable (Buy/Sell) Agreements

Federal entities should use<sup>1</sup> the recommended standard IAA (see the FMS Web site at <http://www.fms.treas.gov/finstandard/reference.html>) for most reimbursable transactions<sup>2</sup> between trading partners.

1. Reimbursable Transactions Using the Recommended Standard IAA

- a. Buyers and sellers benefit from negotiating the exchange of products and/or services using standard data elements and terms. The recommended standard IAA has the GT&C Section and the Order Section.
- b. The GT&C Section is the partnership document of the recommended standard IAA that sets the relationship between the parties. It identifies the agencies entering into the agreement, the authority permitting the agreement, and the agreement action, period, and type.

<sup>1</sup> The recommended standard IAA is not the solution for all intragovernmental activity such as high-volume, low-dollar type transactions between agencies. It is intended to standardize and facilitate the exchange of data among intragovernmental trading partners for contractual type transactions.

<sup>2</sup> See the FMLoB Standard Business Processes Document v 1.2, Reimbursable Management Processes (Chapter 5.0), pages 4-5, on the Web site at <http://fms.treas.gov/finstandard/forms/reimbursables-management-processes-v1.2.pdf> or <http://cfoc.gov>.

- c. The Order Section contains specific information about the product(s)/service(s) being purchased based on a bona fide need, the buyer's funding information, advance accounting methodology, shipping information, and points of contact for the buyer and seller.
  - d. Trading partners must complete on recommended standard IAA, which always includes one GT&C Section and at least one Order Section.
  - e. Buyers and sellers must follow the recommended standard IAA instructions to capture the necessary data elements to ensure a complete agreement prior to beginning reimbursable activity.
2. Trading Partner Identification – BPN
    - a. Trading partners must obtain and use a BPN from the Federal Register (FedReg) to identify the specific unit within an agency that is requesting or receiving the goods or services (see the Web site at <http://www.bpn.gov>).
    - b. Trading partners must register their BPN in the BPN FedReg. They are responsible for the accuracy of their respective BPN registration data in FedReg. They must access FedReg at least annually to validate/update their BPN data and/or at any time that new BPN registration requirements are issued (see the Web site at <https://www.bpn.gov/far>).

#### B. Trading Partner Billing/Payment Requirements

Electronic payments are required between Federal Government agencies; the standard payment methodology is IPAC (see the FMS Web site at <http://www.fms.treas.gov/ipac/index.html>).

The seller must bill the buyer according to the billing frequency terms negotiated in the recommended standard IAA or in the agreed upon TPA form.

1. The buyer must pay the seller according to the payment terms negotiated in the recommended standard IAA.
2. Upon request, the seller must provide documentation supporting the bill and actual performance.
3. The seller must issue a final bill according to the billing frequency as stated in the recommend standard IAA Order Section. If the seller does not issue a final bill according to the agreed upon billing frequency, then the buyer should contact the seller immediately to get the final bill and close the order. If the buyer still does not receive a final bill within 30 days, the buyer should follow the dispute resolution delineated in Section VII.

#### C. Trading Partner Accounting

1. The buyer and seller must post their related accounting transactions according to each negotiated recommended stand IAA and the Reimbursable Management Processes, Chapter 5 (2009), Standard Business Processes, or any subsequent publication, thereof (see the Web site at <http://fms.treas.gov/finstandard/forms/reimbursables-management-processes-v1.2.pdf> or <http://www.cfpc.gov>).
2. The Billing Frequency and Payment Terms on each recommended standard IAA drive the timing of the accounting posting.
3. To prevent reconciliation issues for the recommended standard IAA, trading partners, and departmental levels, the buyer and seller must post their detailed accounting transactions during the same accounting period according to the current USSGL TFM transaction codes (TCs). See the FMS Web site at <http://www.fms.treas.gov/ussgl/index.html>.

4. If an advance is allowed on a recommended standard IAA as referenced by the buyer's authority and supported by the seller's business need, then the buyer must record the advance payment as an asset and the seller must record it as a liability. The advance must be reduced according to the accrual method determined in each recommended standard IAA and the related TCs as stated in the current USSGL TFM (see the FMS Web site at <http://www.fms.treas.gov/ussgl/index.html>).
5. According to the Financial Accounting Standards Advisory Board (FASAB), Statement of Federal Financial Accounting Standards (SFFAS) Statement of Recommended Accounting Standards No. 7, advance payments may **not** be expensed. "...Revenue should **not** be recognized **until costs are incurred from providing goods and services...**"

#### D. Trading Partner Reconciliation

On a quarterly basis, trading partners must reconcile receivables and payables, advances to and advances from, and revenue and expenses for all reimbursable accounts.

This section supersedes the Reconciliation guidance found in the Reimbursable Management Processes document cited in section, III. D (referenced above).

Agencies should follow all other business processes in the Reimbursable Management Processes document cited in section, III. D (referenced above).

#### E. Agency Implementation of the Recommended Standard IAA

The following provides information to assist agencies that use the recommended standard IAA for their reimbursable activity.

1. Inventory – Develop an inventory of reimbursable activity to determine if the activity is processed by paper or automation and determine how to use the recommended standard IAA for reimbursable activity.
  - a. Paper processing
    - (1) Determine how to incorporate the recommended standard IAA into the business cycle for completing reimbursable agreements that are processed by paper. For example, some agencies may begin in March to develop their reimbursable agreements and sign them by August for the next fiscal year. Therefore, they have a 6-month business cycle for completing their reimbursable agreements, from March to August. Agencies can update their business processes to use the recommended standard IAA during their next reimbursable business cycle in fiscal 2011.
    - (2) Use the available fillable form on the Financial Management and Budget Standardization Web page (see the FMS Web site at <http://www.fms.treas.gov/finstandard/reference.html>).
  - b. Automated processing
    - (1) Develop a gap analysis to identify the missing data elements.
    - (2) Identify the resources and timeline necessary to update the automated process to capture the recommended standard IAA data elements.
    - (3) Identify and manage the successful updates in an efficient and effective manner.
2. Standard Operating Procedures (SOPs) – Develop SOPs, from the Word document instructions for the recommended standard IAA (see the FMS Web site at <http://www.fms.treas.gov/finstandard/reference.html>), to support mission specific recommended standard IAA procedures for each reimbursable activity.

3. Subscribe to the Financial Management and Budget Standardization Web page automatic email update notification (see the FMS Web site at <http://www.fms.treas.gov/finstandard/index.html>),

#### V. Intragovernmental Accounting Rules for Fiduciary Transactions

- A. Trading partners must account for Intragovernmental investments with BPD [that is, investments in the Government Account Series (GAS)] as follows:
  1. BPD and its trading partners:
    - a. Must 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.
    - b. Must use the straight-line method for amortization on market-based bills. Amortization begins the day after purchase.
    - c. Must carry securities at amortized cost value and must not reflect market adjustments.
  2. Interest accruals begin the day after purchase and are calculated using actual calendar days.
  3. Upon early redemption of market-based securities, trading partners may use the specific method (that is, purchase dates/tax lots). If securities are not specifically identified, the first in-first out method will be used to identify the security to be sold.
  4. BPD must report Federal investment activity on behalf of its trading partner to FMS via the Governmentwide Accounting (GWA) system. Federal investment activity includes investments, unrealized discounts, redemptions, and interest for all GAS securities. BPD's trading partners report investment fund receipts and disbursements, and they receive the GWA Account Statement Expenditure Activity report, which reflects all investment account activity for each month.
- B. Trading partners must account for intragovernmental investments with BPD [that is, investments in marketable Treasury securities such as Treasury bills, notes, bonds, TIPS, and Treasury Interest Securities (TINTS)] as follows:
  1. If trading partners purchase non-GAS marketable Treasury securities, they must inform BPD of their outstanding portfolio balances no later than the first business day following the current month. BPD must specify the communication protocol. The purchaser must ensure that BPD codes non-GAS marketable Treasury securities as intragovernmental, not public, and must use the quarterly reconciliation processes to ensure that the correct codes are used.
  2. TINTS are Treasury fixed-principal notes or bonds that have been stripped through the commercial book-entry system. Each principal payment becomes a separate zero-coupon bond security that has its own identifying number and can be held or traded separately. When a Federal agency invests in TINTS (future interest payment of a security that has been stripped), Treasury records the TINTS as accrued interest 6 months prior to maturity. This security is not recorded as principal.
- C. Treasury securities purchased using deposit fund or fiduciary activities monies are classified as public and **not** intragovernmental. Trading partners follow Treasury FMS TFM reporting guidance and SFFAS No. 31. Trading partners must inform BPD when they begin investing fiduciary funds in Treasury securities.
- D. Trading partners must account for intragovernmental borrowings from BPD and FFB as follows:
  1. FMS and its trading partners must accrue interest on uninvested funds at least quarterly for credit reform.

2. Trading partners must record accruals for interest expense related to borrowings. They must record these accruals in the trading partner's accounting system and in IFCS at least quarterly. The accrual amounts should be consistent with the accrual amounts reported by BPD and FFB.
  3. Trading partners governed by the Federal Credit Reform Act must 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 fourth quarter and should be used for recording the interest accruals. Trading partners not governed by the Federal Credit Reform Act must 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 TFM Volume I, Part 2, Chapter 4600, Treasury Reporting Instructions for Credit Reform Legislation. BPD and FFB must provide their trading partners with an interest accrual report no later than 4 calendar days after the end of each quarter. The accrual report must include relevant audit support.
  4. FFB and BPD must provide FMS data for input into IFCS no later than 5 calendar days after the end of each quarter.
- E. Trading partners must process intragovernmental fiduciary activity with OPM as follows:
1. OPM provides its trading partners a factor (OPM Factor) for calculation future employment related benefits. OPM provides this factor by the 16<sup>th</sup> calendar day before the end of each quarter and posts the factor on its Web site at <http://www.opm.gov>.
  2. Trading partners use actual basic pay data to calculate the future liability for employment related benefits. They may use estimated basic pay data for the end of the reporting period if actual figures are not available timely.
  3. OPM must provide the FMS employee benefit data for input into IFCS no later than noon 6 calendar days after the end of each quarter. IFCS opens on the 7<sup>th</sup> calendar day after the end of each quarter.
  4. Trading partners must reconcile to OPM in IFCS and must include the confirmed amounts in the agency's trial balance and financial statements.
- F. Trading partner must process intragovernmental fiduciary activity with DOL as follows:
1. DOL must provide FMS quarterly estimates for unbilled FECA current liabilities and billed but unpaid current liabilities by trading partner for input into IFCS. DOL must provide the data by close of business 6 calendar days after the end of each quarter. IFCS opens on the 7<sup>th</sup> calendar day after the end of each quarter.
  2. Trading partners must reconcile billed but unpaid current liabilities with DOL in IFCS, and they must include the confirmed amounts in their trial balance and financial statements. They also must 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 must make available to trading partners the details concerning FECA current liabilities that have been billed to the trading partners and the details of any payments received from the trading partners.
- G. The following facilitates trading partner reconciliations:
1. FMS must ensure that each trading partner is identified separately in IFCS.
  2. Trading partners:
    - a. Must report investment and borrowing amounts consistent with those reported by BPD and FFB. They must use IFCS to determine BPD's and FFB's reported amounts.

- b. Must code intragovernmental transactions with the General Fund of the U.S. Treasury, BPD, and FFB as Federal. They must code the General Fund of the U.S. Treasury with trading partner code “99”, and BPD and FFB with trading partner code “20” in IRAS.
  - c. Must resolve any material differences, as defined by either trading partner, within 25 calendar days after the close of the reporting period. If the trading partners cannot resolve the differences, they must handle the dispute as specified in Section VII. Both trading partners must record agreed-upon adjustments in their financial records. These adjustments 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 the 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. Trading partners must resolve intragovernmental disputes as delineated in Section VII.

#### **VI. Intragovernmental Accounting Rules for Nonexpenditure Transfers (NETs)**

- A. For NETs, the “Transfer From” agency dictates the nature of the transfer. NETs are governed by statutory authority and initiated by the “Transfer From” agency in accordance with such authority. The “Transfer From” agency should include reference to such legislation. It must communicate with the “Transfer To” agency to ensure consistent reporting by USSGL accounts. Both the “Transfer From” and “Transfer To” agencies must include proprietary accounts in the NET request.
- B. The “Transfer From” agency must establish procedures to ensure that transfers are acknowledged and recorded by the “Transfer To” agency within the same accounting month.
- C. NETs are processed through the GWA System NET application. The GWA System provides a mechanism for agencies to submit and retrieve nonexpenditure authorization documents.
- D. Trading partners must resolve Intragovernmental disputes as delineated in Section VII.

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

- A. Trading partners must not chargeback or reject IPAC transactions that comply with these Rules. Further, they must **not** create new IPAC transactions to circumvent these Rules. Trading partners must resolve IPAC transactions that comply with these Rules, but are disputed, as delineated below.
- B. Within 30 days of identifying a dispute with a trading partner, the trading partners should communicate with each other and attempt to jointly reach a resolution.
  - 1. If trading partners cannot resolve accounting disputes, they can submit the disputes to FMS-Governmetwide Accounting (FMS-GWA) for resolution. The trading partners should submit all relevant documentation justifying their accounting treatment to the Assistant Commissioner, FMS-GWA. The Assistant Commissioner, FMS-GWA will render a decision on how the trading partners must account for the disputed transaction. Trading partners may submit appeals of the FMS-GWA Assistant Commissioner’s decision to the Office of the Deputy Assistant Secretary-Accounting Policy, Office of the Fiscal Assistant Secretary (OFAS), Department of the Treasury. The decision rendered by the Deputy Assistant Secretary-Accounting Policy (OFAS) is final.
  - 2. Trading partners should document all the relevant details behind the dispute and any related supporting documentation using the Intragovernmental Dispute Resolution Request Form (last page of this appendix). They should complete the form and send it to the email address stated on the form. The Assistant Commissioner, FMS-GWA’s decision will be based on the documentation submitted.

3. Any decisions reached by the Deputy Assistant Secretary-Accounting Policy (OFAS) are considered final and should result in the trading partners agreeing to reflect the decision(s) rendered by:
  - a. Processing the necessary IPAC transaction;
  - b. Adjusting their financial management records;

AND/OR

- c. Updating any other related documentation.