Chapter 6
Eliminations, Reconciliations & Confirmations

A. 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, intra-departmental, and intra-bureau activity and resulting account balances.

The Department and Bureaus are required to comply with OMB Memorandum M-03-01, "Business Rules for Intergovernmental Transactions", OMB Bulletin 01-09, "*Form and Content of Agency Financial Statements*", and Treasury's Federal Intra-governmental Transactions Accounting Policies Guide for reconciliation and elimination of intra-governmental, intra-departmental, and intra-bureau transactions.

- ❑ The Department shall reconcile intra-governmental asset, liability, revenue and expense amounts with our trading partners quarterly.

- ❑ The Bureaus shall reconcile intra-departmental and intra-bureau asset, liability, revenue and expense amounts with their trading partners quarterly for the first three quarters and monthly during the fourth quarter.

Each bureau is responsible for:

- ❑ Establishing and maintaining an internal control structure for its intra-governmental, intra-departmental, and intra-bureau transactions.

- ❑ Documenting and supporting the information recorded in its accounting records related to intra-governmental, intra-departmental, and intra-bureau transactions.

- ❑ Reconciling the intra-governmental fiduciary, intra-departmental, and intra-bureau data in its accounting records to the supporting documentation and corresponding records in their trading partners' accounts.

- ❑ Ensuring that the reconciliation and confirmed balances for intra-governmental fiduciary, intra-departmental, and intra-bureau transactions agree to the Department's audited financial statements and FACTS I reporting.

- ❑ When presenting current and non-current liabilities in the footnotes, ensure the elimination process does not cause negative balances in theses accounts.

1. ***Trading Partner Codes***

The bureaus shall use the two digit department code of the trading partner when reporting USSGL account balances that relate to activity with another federal agency and the two digit bureau partner code for transactions with another Interior bureau. For purposes of this guidance, the "F" and "G" designation are interchangeable and both the "F" and the "G" refer to a Federal Government trading partner. A non-Federal Government trading partner is an "N". The Federal trading partner codes can be found in Appendix B of Treasury's Federal Intragovernmental Transactions Accounting Policies Guide.

- ❑ Trading partner code "F.20" should be used for transactions with the administrative Treasury entity for activities like reimbursable services, and for fiduciary transactions with the Bureau of Public Debt and the Federal Financing Bank.

- ❑ Trading partner code "F.99" is for recording transactions with the Treasury General Fund, rather than the Treasury administrative entity, such as:

  - Custodial activity, such as tax revenue and miscellaneous revenue that is collected or accrued on behalf of the Treasury General Fund. USSGL accounts applicable to this activity include 2980.F *Custodial Liability*, 5801.F *Tax Revenue Accrual Adjustment*, 5990.F *Collections for Others*, and 5991.F *Accrued Collections for Others*.
  - Employer FICA contributions that are collected by the Internal Revenue Service.
  - Transfers out and distributions of income (e.g., USSGL Account 7500.F *Distribution of Income - Dividend*).
  - Treasury-managed trust funds.
  - Liquidating fund assets in excess of liabilities.
  - Unrequisitioned authorized and receivable appropriations (USSGL Account 1920.F *Unrequisitioned Authorized Appropriations* and USSGL Account 1921.F *Receivable from Appropriations*).
  - Other asset and liability activities associated with the Treasury General Fund.

2. ***Vendor Tables***

Incorrect data entry to the Vendor Table in the accounting system is a major cause of eliminations reconciliations problems and research.

- ❑ Vendor tables need to be reviewed and modified monthly by properly trained bureau personnel in order to maintain accurate trading partners, attributes, and balances.

- ❑ Review the process and postings of Bank of America card transactions to determine if the data is accurate regarding the MCC9399 code for Government transactions.

- ❑ Determine actions to be taken to insure that the data on the interface is correct and that the vendor tables are setup adequately for the NBC bankcard interface to work for Government transactions in the Federal Financial System (FFS).

3. ***Advances***

There will be no advance payments for service orders unless explicitly required by law. Progress payments and periodic payments are permissible. The Department of the Interior's Franchise Fund explicitly requires advance payments. The Economy Act does not explicitly require advance payments.

Advances will be permitted for orders for goods that exceed $1,000,000. The advance may not exceed 50% of the order amount. Unless explicitly required by law, there will be no advances for orders for goods that are less than $1,000,000.

Advance payments made prior to the effective date of these business rules will be subject to the rule requiring status reports.

For advance payments that are permitted, the buyer will record the payment as an "advance to." The seller will record the payments as an "advance from" and will provide monthly status reports to the buyer reflecting revenue earned. The buyer and the seller will make appropriate adjustments to their respective advance accounts.

4. ***Assets/Liabilities***

Beginning balances in bureau accounting systems must reconcile with Hyperion beginning balances by trading partners and to the "XA" server transaction files for yearend. The beginning balances must be rolled forward in Hyperion by December 31 to meet first quarter deadlines for FACTS II.

- ❑ Reconciliations must be completed no later than 15 days after the end of the quarter.

- ❑ Bureaus must list unbilled receivables and advances on the "XA" server by the 15th of the subsequent month following the end of the quarter.

- ❑ Bureaus should close out all advances over five years old. All new allowable advances must normally not exceed one year.

- ❑ Bureaus should reconcile all suspense accounts on a monthly basis. All suspense accounts should be closed out on a quarterly basis.

5. ***Timing Differences***

Timing is an issue at yearend because of recognition by one party before close and another after close (new FY).

- ❑ Bureaus must post all accruals by the 15th of the subsequent month following the end of the quarter. All accrual balances must be supported by the agreement number (ordering office's obligation number).

- ❑ No collections or disbursements should remain in a clearing account over thirty days.

- ❑ Refunds of over-collections should be processed within thirty days of the end of a project.

- ❑ All IPACs should include the ordering office's obligations number and servicing period. IPAC transactions exceeding the obligation amount should also be charged back.

- ❑ Advances should be analyzed quarterly. Monthly cost reports should be generated for advances so that the advances can be drawn down.

- ❑ Statement of Differences must not exceed Treasury guidelines. Prior period adjustments must not exceed $100,000 and three months. All adjusting entries must have supporting documentation.

6. ***Impasses***

Occasionally, bureaus are unable to agree on amounts that must be accrued or eliminated due to timing differences or lack of supporting documentation. Improved communication is needed both within bureaus and between bureaus.

- ❑ Bureaus must be more responsive to other bureaus' requests for information and documentation.

Sufficient documentation must be provided to the customer bureau by the bureau providing the goods and/or services when the providing bureau records the transaction. If the customer bureau does not agree with the supporting documentation from the providing bureau after substantive discussions, then PFM should be contacted to help resolve the impasse.

7. ***Automation***

The current elimination reconciliation process is entirely manual and very time intensive. Different accounting posting models and unresolved issues have compounded the timeliness and accuracy of the elimination process. The Department plans to automate the intra-departmental and intra-governmental elimination process. Specific guidance will follow after implementation.

B. Reconciliations and Confirmations

1. ***Judgment Fund***

Bureaus are required to reimburse Treasury's Judgment Fund for payments made under the Contracts Dispute Act from Treasury fund symbol 20x1743. When Treasury pays a Contract Disputes Act claim from this fund on behalf of a bureau, Treasury records a receivable. At the same time, the bureau should record a payable to the Judgment Fund in USSGL Account 299J.F.20.

- ❑ Bureaus shall reconcile Judgment Fund transactions with Treasury each quarter. Bureaus can find Judgment Fund transactions at: http://www.fms.treas.gov/judgefund/payments.html

2. ***Intra-governmental Fiduciary Transactions Reconciliation***

The Intra-governmental Fiduciary Transactions Accounting Guide contains policies and procedures for accounting, reporting and reconciling to be implemented by all federal entities for the following intra-governmental transactions:

- ❖ Investments in Treasury Securities issued by the Bureau of Public Debt
- ❖ Borrowings from the Bureau of Public Debt and Federal Financing Bank
- ❖ Federal Employees' Compensation Act transactions with the Department of Labor
- ❖ Employee benefit transactions with the Office of Personnel Management

- ❑ The Department shall reconcile with its trading partners each quarter the four fiduciary transactions identified in Treasury's Federal Intra-governmental Fiduciary Transactions Accounting Policies Guide.

3. ***Intra-governmental Fiduciary Confirmation System (IFCS)***

The IFCS is an internet-based system for reconciling fiduciary transactions. It is the official confirmation system for Federal departments that engage in fiduciary intra-governmental transactions with BPD, FFB, OPM and DOL.

- ❑ Bureaus must confirm and reconcile investments and borrowings on a quarterly basis with their 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.

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

The Internet address for user access to the IFCS changes quarterly based on the current quarter that needs to be confirmed and reconciled. PFM will inform bureaus quarterly as soon as web site is available.

Questions about the IFCS should be addressed to Phil Daniels, the Department's contact administrator, at 202 208 5225 or Philip_Daniels@ios.doi.gov or Ella Hughes-Bailey, FMS, at 202 874 6389 or ella.hughes-bailey@fms.treas.gov.

4. ***Intra-governmental Expenses***

There are three types of 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 and are listed below.

a. Employee Pension and Retirement Benefit Expenses

This expense is an "imputed cost" for retirement costs paid by the Office of Personnel Management that will never be paid by the Department. The Office of Personnel Management (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.

- ❑ 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).

- The Bureaus shall also include this expense on their financial statements, however, may elect to present them on a separate line as long as they remain 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 for future use when annual rates are provided by OPM:

Journal Entry:

Account	Description	DR	CR
6730.F.24	Imputed Costs	xxx	
578A.F.24	Imputed Financing Sources		xxx

b. *Department of Labor (DOL) Actuals & Accruals*

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

The journal entries (proprietary) are provided below for each type of liability.

(1) ***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.

- To record an increase in unfunded FECA liability.

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

(2) ***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. The DOL FECA actuarial liability will remain unchanged until year end.

- Estimates will be provided by PFM for year end accruals.