

**SUMMARY OF MAJOR CHANGES TO
DOD 7000.14-R, VOLUME 6B, CHAPTER 13
“ADJUSTMENTS, ELIMINATIONS, AND OTHER SPECIAL
INTRAGOVERNMENTAL RECONCILIATION PROCEDURES”**

All changes are denoted by **blue font**.

Substantive revisions are denoted by a ★ preceding the section, paragraph, table or figure with the substantive change or revision.

Hyperlinks are denoted by *underlined, bold italic fonts*.

PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
130101	Added website for location of guidance provided to those who prepare financial statements.	Addition
130201	Revised paragraph to require reconciliation of buyer-side intragovernmental balances with the seller- side balances.	Revision
130202	Added reference to elimination effect once agencies capture Federal current year capitalized asset amounts.	Addition
130204 & Table 13-1	Deleted summary of FY2001 intragovernmental elimination process table. This information will be provided to those who prepare financial statements on the Office of the Under Secretary of Defense Comptroller’s (OUSD(C)) website.	Deletion
130301	Added new paragraph explaining reconciliation requirements and Treasury’s website for the reciprocal account categories.	Addition
130401	Added requirement to capture Federal current year capitalized assets.	Addition
130502	Added paragraph on levels of trading partners. Collapsed several previous paragraphs into this category.	Addition
130503.B.	Revised paragraph on waiver from elimination adjustments to clarify reporting requirements.	Revision
1306	Removed this paragraph on recording buyer side departmental level IntraDoD Transaction Balance Adjustments. This information will be provided to those who prepare financial statements on OUSD(C)’s website.	Deletion
1306	Added paragraph to require the reporting of budgetary accounts in accordance with OMB guidance.	Addition
1307	Added paragraph-specifying requirements to reconcile with other Federal reports.	Addition
130802	Added paragraph requiring Federal agencies to develop a methodology for estimating trading partner balances when their legacy systems cannot accurately compile such data for reporting purposes.	Addition
130803	Added paragraph explaining Treasury’s use of the Intragovernmental Reconciliation and Analysis System	Addition

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PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
	(IRAS) to facilitate intragovernmental consolidation and elimination for Government Wide reporting.	
1309	Deleted Prior Period Adjustment section, which is covered in FMR, Volume 6B, Chapter 6, “Statement of Changes in Net Position.”	Deletion
1309 130901 through 130904	Added sections requiring Federal agencies to use Federal Trading Partner Codes to identify amounts that must be eliminated when preparing financial statements at the Government Wide level.	Addition

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CHAPTER 13

ADJUSTMENTS, ELIMINATIONS, AND OTHER SPECIAL INTRAGOVERNMENTAL RECONCILIATION PROCEDURES1301 OVERVIEW

130101. This chapter provides [general](#) instruction for: (A) [preparing](#) worksheets in support of trading partner exchange of data, (B) [eliminating intragovernmental transactions from the Department of Defense \(DoD\) quarterly and annual financial statements](#), and (C) providing elimination information [to the Department of Treasury for use in preparing the Government Wide financial statements](#). [Additional information regarding the elimination process and journal voucher entries can be found in the DoD Financial Reporting Guidance under “Guidance/Policies and Guidance/Financial Reporting and Analysis” located on the Office of the Under Secretary of Defense Comptroller’s \(OUSDC\) website.](#)

130102. For the most part, the Department’s accounting systems were designed and implemented prior to the establishment of the requirement to eliminate intragovernmental transactions. These accounting systems do not capture trading partner information at the transaction level. Therefore, current systems cannot produce the data necessary for reconciliations between buyers and sellers. Additionally, the problem of accurately identifying, summarizing, and eliminating all intragovernmental transactions by customers is a Federal Government Wide problem. Government Wide workgroups have been established to develop a solution for the entire Federal government. This chapter provides interim policies and procedures to be used until required systems and process improvements can be implemented.

1302 BACKGROUND

★ 130201. All DoD reporting entities are required to report intragovernmental account balances in their financial statements and eliminate appropriate intra-DoD balances. Intragovernmental account balances are classified by category and level. The category of transaction refers to the nature of the accounting event that resulted in the transaction. Refer to section 130301 [of this chapter](#), for further discussion on the categories of transactions. The level of the transaction refers to the nature of the trading partner involved. Refer to section 1305 of this chapter for further discussion on the levels of intragovernmental trading partners. The objective of eliminating intragovernmental account balances is to offset the effect of transactions between: (A) a DoD Component and other Federal agencies, (B) DoD reporting entities, and (C) organizations within a DoD Component. [The Statement of Budgetary Resources is presented as a combined statement and thus intragovernmental budgetary accounts are currently not coded or eliminated. For intra-DoD accounts receivable, revenue, and advances from others \(unearned revenue\) it is presumed that the amounts reported by the seller are more accurate than the corresponding amounts reported by the buyer. The Defense Finance and Accounting Service \(DFAS\) and the DoD reporting entities, therefore, use information from the DoD reporting entity making sales or providing services \(“seller-side”\) to another DoD reporting entity who would be the recipient and purchaser of those goods or services \(“buyer-side”\) as the basis for reporting](#)

most of its intra-DoD balances. For DoD reporting entities who are not waived from elimination adjustments, intra-DoD accounts payable, expenses, advances, and assets (where the information is available) must be adjusted to match the seller records. Additional information on the intragovernmental process can be found in the [DoD Financial Reporting Guidance](#), under “Guidance/Policies and Guidance/Financial Reporting and Analysis,” and the [Defense Departmental Reporting System- Audited Financial Statements \(DDRS-AFS\) User Manuals](#), Module IX-Query. Refer to section 130503.B. of this chapter, for a discussion of elimination waivers.

130202. Eliminating entries shall be based on the information provided by the seller/service provider unless a waiver is obtained. Refer to [section 130503.B. of this chapter](#) for waiver requirements. Information regarding the data that is required for financial reporting and the steps the DoD reporting entities and DoD accounting centers (DFAS Centers and United States Army Corps of Engineers (USACE) –Finance Center must take to collect, review, and adjust summary level trading partner data prior to eliminating the effect of intra-DoD transactions can be found in the [DoD Financial Reporting Guidance](#) under “Guidance/Policies and Guidance/Financial Reporting and Analysis.” located on OUSD(C)’s website. This guidance also includes examples of basic journal entries that should be made at the departmental level to: (A) record adjustments for unrecorded buyer-side transactions needed to match seller performance, and (B) eliminate the effects of intra-DoD transactions. As information for current year capitalized assets is captured, buyer side adjustments may include that information. Refer to section 130401 of this chapter for further discussion of intragovernmental capitalized purchases.

1303 RECIPROCAL ACCOUNT TRANSACTIONS

130301. The transactions for which intragovernmental data shall be collected will be divided into the following reciprocal categories: Securities issued by Federal Agencies, Federal Interest Receivable/Payable, Interest Revenue/Expense and Gains/Losses, Federal Loans Receivable/Payable, Transfers, Accounts Receivable/Payable, Advances From/To Others, Intragovernmental Buy/Sell Cost/Revenue, Imputed Costs/Financing, Intragovernmental Benefit Cost/Revenue, Federal Transfers Receivable/Payable, Unexpended Appropriations- Transfers In/Out, and Other Uncategorized Reciprocal Accounts not identified above. These categories and the reciprocal U.S. Standard General Ledger (USSGL) accounts that comprise these categories are listed in [Appendix 6](#) of the [Treasury Financial Manual, “Agency Reporting Requirements for the Financial Report of the United States Government” \(TFM 2-4700\)](#), and [Appendix A](#) of the Department of the Treasury, Financial Management Service (FMS) [Federal Intragovernmental Transactions Accounting Policy Guide](#). Refer to section 130502.A. of this chapter, for intragovernmental transaction guidance.

1304 INTRAGOVERNMENTAL CAPITALIZED PURCHASES

130401. All current year capitalized asset purchase amounts must be captured and reported in USSGL 8801, Offset for Purchases of Capitalized Assets, 8802, Purchases of Property, Plant and Equipment, 8803, Purchases of Inventory and Related Property, and 8804, Purchases of Assets - Other. These accounts must identify whether the items capitalized were

purchased from Nonfederal sources or Federal agencies. Where the capitalized items were from Federal agencies, the agencies' trading partner codes must be captured. This requirement is addressed in the Treasury Financial Manual for the [USSGL](#). This information will be used to prepare the financial statements and will be considered during the reconciliation of reciprocal accounts with the federal trading partners. The full reconciliation equation "expense plus current year capitalized acquisitions from a Federal agency will equal the reciprocal Federal agency revenue" is reflected in the Buy/Sell Cost/Revenue category for elimination of intragovernmental transactions and is addressed in the [Federal Intragovernmental Transactions Accounting Policy Guide](#).

1305 LEVELS OF INTRAGOVERNMENTAL TRADING PARTNERS

130501. The USSGL accounts shall be assigned either a Federal (F) or a Nonfederal (N) attribute. When an account is assigned an F attribute, a trading partner identification attribute shall also be assigned. There are three levels of intragovernmental trading partners for which intragovernmental transactions must be identified.

130502. Level 1 Trading Partners – Non-DoD Federal Agencies. Level 1 transactions are between the Department of Defense and other Federal agencies, e.g., between the Department of the Air Force and the Department of Commerce. Level 1 transaction balances are identified by the Treasury Trading Partner (TP) [codes and attributes](#) attached to the USSGL accounts and are used to eliminate intragovernmental transactions during preparation of the Financial Report of the U.S. Government (FRUSG), formerly called the Consolidated Financial Statement of the United States. Level 1 transactions include sales of goods and services and specialized transactions, such as loans, interest receivable, other post-employment benefits, or civil service retirement benefit payments. The DoD reporting entities are to document the procedures used to identify and verify the accuracy of [their](#) intragovernmental assets, liabilities, revenues and expense balances.

A. Intragovernmental Transactions. The Department of the Treasury, FMS issued the [Federal Intragovernmental Transactions Accounting Policy Guide](#). The guide is designed to streamline the accounting procedures regarding intragovernmental transactions and provide a means for Federal entities to ensure accurate recording, reporting and reconciliation. The guide also provides the [Intragovernmental Business Rules](#) published in the Treasury Financial Manual. All DoD entities executing or participating in intragovernmental acquisitions (either internal to DoD or external with other Federal partners) are required to follow the [Intragovernmental Business Rules](#) and to exchange and capture the pertinent data elements specified in the rules. The Department of the Treasury in preparing the FRUSG eliminates all Intragovernmental transactions. Since the Department of the Treasury eliminates these amounts in preparing the FRUSG, the DoD accounting centers must ensure that the balance confirmed with the trading partner agrees with the balance submitted via the Federal Agencies' Centralized Trial-Balance System (FACTS)I [and in the Governmentwide Financial Reporting System \(GFRS\)](#).

B. Intragovernmental Fiduciary Transactions. Selected Level 1 information for transactions with the Department of the Treasury Investments, Borrowings, and Federal Financing Bank; the Department of Labor Federal Employees Compensation Act transactions; and the Office of Personnel Management (OPM) Employee Benefit transactions for Retirement, Health Insurance, and Life Insurance are specifically required to be fully reconciled. Reconciliation of the intragovernmental fiduciary transactions is performed in the Department of Treasury web-based Intragovernmental Fiduciary Transactions Confirmation System. The Department of the Treasury eliminates these amounts when preparing the FRUSG. It is imperative that the DoD accounting centers ensure that the balances confirmed with the trading partners agree with the balances submitted via FACTS I and in GFRS.

130503. Level 2 and 3 Trading Partners – Other DoD Reporting Entities. Level 2 balances result from transactions between the DoD reporting entities, e.g., between the Department of the Army Working Capital Funds (WCF) and the Department of the Navy General Funds (GF). The DoD reporting entities are identified in Chapter 1, section 0106 of this volume. Level 2 transactions are identified by TP codes and supplemental internal DoD codes. Level 3 trading partners are within a DoD Component. Level 3 transactions are between Components of the DoD audited financial statement reporting entities, i.e., Army WCF, Supply Management and Army WCF, Depot Maintenance, Other; and Department of the Navy GF, Operations and Maintenance and Department of the Navy GF, Research Development, Test, and Evaluation. There are up to four sublevels of eliminations. The elimination totals are shown on the DoD Component's supporting consolidating statements. For example, the Navy GF Level 3 eliminations would be between: (A) Navy and Marine Corps; (B) Navy Military Personnel and Navy Procurement; (C) Navy Military Personnel trial balance AT17AA1_1453 and Navy Military Personnel trial balance AT17AA1_1405; and (D) internally within Navy Military Personnel trial balance AT17AA1_1453.

A. The DoD accounting centers, in conjunction with the supported DoD reporting entities, will accumulate seller-side data at the buyer entity code trial balance level and use it to adjust buyer side accounts. These steps are for Levels 2 and 3 only. This action will not affect the Level 1 balances identified in paragraph 130502 of this chapter.

★ 1. Step 1. The DoD reporting entities will ensure that their reported seller-side balances are accurate and compliant, including proper revenue recognition and timely liquidation of receivables to avoid erroneous adjustments being forced to their customer's buyer-side balances. The DoD accounting centers shall work with their customers to aggregate the seller-side balances at the buyer's entity code trial balance level. When gathering, reviewing, and exchanging data with trading partners internal to DoD at all levels, the DoD accounting centers shall ensure that seller-side data provided is complete and accurate. The DoD accounting centers must review data with the customers before exchanging the data with their DoD trading partners. This review shall identify any abnormal balances, such as negative revenue. The DoD accounting centers shall work with their customers to resolve the abnormal balances and correct them before exchanging DoD trading partner data. These balances will include all Level 2 and 3 transaction amounts for the reciprocal accounts described in section 1303 of this chapter, for the entity code trial balance levels they service. In conjunction with the identification and

application of supported undistributed collections (refer to [Chapter 4](#) of this volume for guidance related to the application of undistributed transactions) to outstanding accounts receivable, sellers may identify a portion of such undistributed transactions as relating to federal partners and may allocate a portion to reduce accounts receivable for specific partners. Supported undistributed collections applied to reduce accounts receivable balances should be identified to the respective partners during the information exchange previously discussed. No supported undistributed collections or disbursements should be allocated to either accounts receivable or payable balances with waived entities (refer to section 130503.B. of this chapter), however specifically identifiable amounts will be assigned to waived entities. Each accounting center shall input the seller-side totals ([adjusted for waived buyers](#)) into DDRS-AFS.

2. [Step 2.](#) After the seller-side balances are input into DDRS-AFS, the accounting center maintaining the departmental level general ledger accounts for the buyer reporting entity [will generally post](#) departmental level adjusting entries to balance the appropriate account balances with the seller-side records in DDRS-AFS. [DoD buyers with supporting documentation may challenge DoD sellers in accordance with timeframes contained in the Financial Statement and Agency Financial Report Schedule.](#)

3. [Step 3.](#) Any changes made to seller-side data after data was exchanged with trading partner shall be communicated to the trading partner. These changes shall be communicated by reissuing only the revised seller-side data to respective trading partners.

4. [Step 4.](#) The level 2 and level 3 eliminations shall be computed as part of the process of preparing the entity and supporting schedule level financial statements. The DoD accounting centers must ensure that the buyer-side and seller-side data are in balance before the elimination entries are prepared.

5. [Step 5.](#) All elimination adjusting entries shall be reversed at the beginning of the next reporting period.

B. [Waiver from Elimination Adjustments.](#) In some instances, a DoD reporting entity may believe that its buyer-side data is more complete, accurate, and supported than is the associated seller-side data. The DoD reporting entity with the supported buyer-side data must send a [memorandum](#) to the Office of the Deputy Chief Financial Officer, Director for Financial Reporting & Analysis (ODCFO(FRA)) [requesting](#) a waiver from elimination adjustments. The request must be sent to the ODCFO(FRA) by December 1 of each fiscal year. The request must include [independent auditor validation \(internal or external\) of trading partner data submitted for the financial statements of the most recent fiscal year ended.](#) The independent validation should include random sampling of an established population and procedures must be adequate to support a determination as to the validity of the submitter's data. Results of the test, including record counts and amounts tested and outcomes, must accompany the request. Initial requests must always be accompanied by this independent validation. If approved, subsequent waiver requests may be exempted from the requirement for independent validation, subject to FRA approval. Requests for exemption from this requirement must be coordinated with FRA in

advance of the December 1 waiver request due date. If the waiver request is approved, all of the following apply:

1. It will be effective for that fiscal year only. The DoD reporting entity must submit a [new request for each subsequent](#) fiscal year.

2. The DoD [reporting entities will](#) identify both seller-side and buyer-side balances [to their supporting accounting center](#). The accounting center supporting the reporting entity will provide the customer buyer-side details to the accounting center supporting the seller. The accounting center supporting the seller will identify any adjustments that may be required to force seller-side balances to agree with the buyer-side balances provided. The desired sellers may challenge the buyer-side balances in accordance with procedures in [paragraph 3. of this section](#). The accounting center supporting the seller will enter the final seller-side balances into DDRS-AFS.

3. If the seller disagrees with the buyer-side balances supplied by waived entities, they should dispute the balances. If waived buyer-side balances are disputed, the waived entity must work with their supporting accounting center to provide documentation to support the buyer-side data. If the reconciliation identifies that adjustments are required, such adjustments will be recorded in accordance with time frames established annually by the DFAS [Agency Wide AFS Directorate](#). [Both the buyer and seller will report all waived entity challenges to ODCFO \(FRA\), regardless of outcome, within 30 days of the quarter-end.](#)

4. If both the buyer and seller have been waived from buyer-side adjustments, the waived entities shall work with one another and their respective accounting centers to reconcile the balances and to identify any reconciling items that must be considered during the eliminations process. [Both waived entities will report all challenges to ODCFO\(FRA\), regardless of outcome, within 30 days of the quarter-end.](#)

1306 ELIMINATION OF BUDGETARY ACCOUNTS (4000 SERIES ACCOUNTS)

The budgetary information shall be presented on a combined basis, [with](#) no elimination of budgetary accounts, [in order](#) to be consistent with information reported on the [Report on Budget Execution and Budgetary Resources \(SF 133\)](#) in accordance with [Office of Management and Budget \(OMB\) Circular A-11, Preparation, Submission, and Execution of the Budget](#).

1307 RECONCILIATION WITH OTHER REPORTS

[All information reported in any other external reports shall be reviewed for consistency with the information included in the quarterly and the annual audited financial statements.](#)

1308 RECONCILIATION WITH LEVEL 1 TRADING PARTNERS

★ 130801. OMB Circular A-136, Financial Reporting Requirements, requires reporting entities to reconcile intragovernmental reciprocal accounts described in section 1303 of this chapter, with their trading partners. The Federal Intragovernmental Transactions Accounting Policy Guide includes guidance to facilitate the reconciliation of intragovernmental transactions.

★ 130802. The lack of federal identifiers within the legacy systems limits the ability of some DoD reporting entities to accurately compile and report intragovernmental balances with other federal partners. This may require that some DoD reporting entities devise methodologies to estimate the associated partner balances. Where this is applicable, the affected DoD reporting entities shall develop and document an estimation methodology. This methodology may include, but is not limited to, the assessment of balances provided or previously reported by Level 1 partners. If Level 1 partner balances are used to estimate DoD balances for reporting, those balances must first be either reconciled with the Level 1 partners, or at a minimum assessed for reasonableness by the DoD reporting entity.

★ 130803. Each quarter, the Treasury populates detailed trading partner data into the Intragovernmental Reconciliation and Analysis System (IRAS). The IRAS provides comparisons of balances reported by all federal partners and facilitates intragovernmental consolidation and elimination required for Governmentwide reporting. As an output of the IRAS comparison, Treasury will provide quarterly Intragovernmental Material Differences Reports by Treasury Index to each Military Service (Departments 17, 21, 57), USACE (Department 96), and the Other Defense Organizations (Department 97). These reports will be reviewed and explanations for differences will be provided to the Treasury in accordance with requirements contained in the TFM 2-4700, and in the DoD Financial Reporting Guidance, under “Guidance/Policies and Guidance/Financial Reporting and Analysis.” located on OUSD(C)’s website.

130804. The Department of the Treasury shall use the Level 1 trading partner amounts reported in the FACTS I, along with information submitted in GFRS, to compile the elimination entries necessary to prepare the FRUSG.

1309 FEDERAL TRADING PARTNER CODES

★ 130901. Trading Partner Codes. Trading partner code information is used by Treasury FMS. This information is reported to the Treasury in the FACTS I Attributes and in GFRS. The trading partner codes are used in conjunction with the general ledger account information to identify amounts that must be eliminated when preparing financial statements. The Department of the Treasury requires the Treasury Index agency code to be used by all Federal agencies for these purposes. A complete list of trading partner codes and additional guidance may be found in Appendix 5 of the (TFM 2-4700) and in the Federal Intragovernmental Transactions Accounting Policy Guide.

★ 130902. Trading Partner Effect of Prior Period Adjustments. When it is determined that a prior period adjustment is necessary for a transaction involving another

Federal agency, the DoD accounting centers shall identify the trading partner and determine how the transaction was recorded. Additionally, the DoD accounting centers must work with the trading partner to inform the Department of the Treasury about the prior period adjustment. This will assist the Department of the Treasury with eliminations on the Government Wide financial statements.

130903. Nonfederal Trading Partners. All DoD accounting centers and DoD reporting entities shall work to properly identify transactions and account balances as Federal or Nonfederal. The identification of transactions as Federal or Nonfederal is not always clear cut, as Nonfederal entities may have names suggesting they are Federal. For example, the USDA Graduate School is a Nonfederal trading partner.

130904. FMS Trust Fund Reporting. In general, transactions with the Foreign Military Sales Trust Fund (11X8242) should be coded as public. Foreign Military Sales are by definition, transactions with entities outside the United States Government. The Trust Fund serves as a conduit or pass-through to the other country. However, certain administrative service-related transactions with the Defense Security Cooperation Agency (DSCA) account (AT97AM6_6800), which manages the Trust Fund, are recorded as intragovernmental activities. Revenue and accounts receivable related to activities performed by the Defense Contract Management Agency (DCMA), as well as contract audit or financial management activities as performed by the Defense Contract Audit Agency (DCAA) and DFAS for the Trust Fund, are intragovernmental and are funded through the surcharge to cover administrative items. Transactions with the Trust Fund that are directly related to Foreign Military Sales are by definition public. Transactions occurring prior to a final transaction with the Trust Fund may be coded as intragovernmental. For example, if a foreign country were to buy planes that needed modification from the Department of the Navy, the aircraft modifications performed by the Navy WCF for the Navy GF would be intragovernmental; while the actual transfer of the planes to the Trust Fund would be public. It becomes simpler to determine the trading partner when each transaction is considered separately.