

**VOLUME 6B, CHAPTER 13: “ADJUSTMENTS, ELIMINATIONS, AND OTHER SPECIAL INTRAGOVERNMENTAL RECONCILIATION REQUIREMENTS”**

**SUMMARY OF MAJOR CHANGES**

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

Substantive revisions are denoted by an asterisk (\*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated **March 2012** is archived.

<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
All	Revised chapter title from “Adjustments, Eliminations, and Other Special Intragovernmental Reconciliation Procedures,” to “Adjustments, Eliminations, and Other Special Intragovernmental Reconciliation Requirements,” as the chapter does not contain procedural information.	Revision
130101	Added an overview paragraph providing a definition of intragovernmental transactions and identifying the need to eliminate reciprocal activity between trading partners.	Addition
130103	Added an authoritative guidance paragraph identifying policies used to report intragovernmental activity between trading partners.	Addition
130103.B, 130202.B, 1304, 130501.A, 130502, 130504.C.3, & 130902	Revised “Federal Agency” references to “Federal Program Agencies” to align with the terminology used by the Bureau of the Fiscal Service.	Revision
130201, 130202, 130503.A, 130503.B, & 130503.C (Previous Version)	Deleted policy on elimination waivers and seller-side adjustments, as this policy was superseded by the Deputy Chief Financial Officer (DCFO) policy memorandum, “Financial Management Requirements for Trading Partner Eliminations (FPM 19-03),” dated May 3, 2019.	Deletion
130202.A	Added information on eliminations used to ensure reciprocal transactions between reporting entities are recorded in the financial statements.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
130202.B	Added language clarifying Office of Management and Budget (OMB) Circular A-136, "Financial Reporting Requirements," policies do not eliminate intragovernmental budgetary accounts on the Statement of Budgetary Resources.	Revision
1303	Added information on reciprocal categories used to facilitate elimination of federal activity at the Governmentwide level.	Revision
1304	Replaced the United States Standard General Ledger (USSGL) accounts with a reference to the Department of Defense (DoD) Standard Reporting Chart of Accounts identifying USSGL accounts used for DoD financial reporting.	Revision
130501.A & 130801.C	Added information on the Government-Invoicing system used to manage the receipt and acceptance of intragovernmental transactions.	Addition
130501.B	Revised information identifying the authoritative source for intragovernmental reporting attributes used for financial reporting.	Revision
130502	Added a reference to the Treasury Financial Manual containing a current listing of federal trading partner codes.	Revision
130502.A.2, 130502.B.2, 130802, & 130901	Updated to reflect the Governmentwide Treasury Account Symbol Adjusted Trial Balance System as the system used to facilitate the reconciliation and reporting of trading partner balances.	Revision
130502.B.1	Revised the transaction types used to reconcile intragovernmental fiduciary transactions to reflect the current listing required by OMB Circular A-136.	Revision
130502.B.2, 130903, & 130904	Revised to identify required policies related to intragovernmental eliminations.	Revision
130503.A	Added examples of trading partner codes, and supplemental internal DoD codes, used to record intragovernmental transactions.	Revision
130504	Revised policy for reconciling intragovernmental transactions required by the DCFO policy memorandum FPM 19-03.	Addition
130801.A	Added language requiring reporting entities to resolve differences between intragovernmental balances and transactions as required by OMB Circular A-136.	Revision
130802 (Previous Version)	Deleted paragraph identifying reporting policies for legacy systems.	Deletion

<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
130903	Added the Standard Financial Information Structure code used to identify federal and non-federal transactions within DoD.	Revision
130904	Replaced policies used to report balances for the Foreign Military Sales Trust Fund with a reference to the DoD Financial Reporting Guidance containing this information.	Revision
Policy Memo	This revision incorporates relevant information from the DCFO policy memorandum FPM19-03. The procedural-level information from the memorandum remains available on the DCFO Financial Management Policy and Reporting web page under the “Dual Purpose Policy Memos & Other Information” section.	Revision

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## CHAPTER 13

**ADJUSTMENTS, ELIMINATIONS, AND OTHER SPECIAL INTRAGOVERNMENTAL RECONCILIATION REQUIREMENTS**

## 1301 GENERAL

## \*130101. Overview

Intragovernmental transactions result from business activities conducted between two federal entities, called trading partners. The accurate reporting of reciprocal balances, and proper elimination of reciprocal activity between trading partners, requires accurate documentation of accounting events. Imbalances occur when federal entities or trading partners are unable to account for and reconcile differences when buying and selling goods and services.

## 130102. Purpose

This chapter provides general instructions for trading partner exchange of data, eliminating intragovernmental transactions from the Department of Defense (DoD) quarterly and annual financial statements, and providing elimination information to the Department of the Treasury for use in preparing the Governmentwide financial statements.

## \*130103. Authoritative Guidance

A. Volume 1, Part 2, **Chapter 4700** of the Treasury Financial Manual (TFM), “Federal Entity Reporting Requirements for the Financial Report of the United States Government,” (TFM 2-4700) contains policy for the reporting requirements for the federal intragovernmental transactions process.

B. Treasury’s Bureau of the Fiscal Service (Fiscal Service) requires the use of Government-Invoicing (**G-Invoicing**) for the exchange of intragovernmental transactions between federal trading partners under Title 31, United States Code, sections **3512(b)** and **3513**. G-Invoicing adoption is required by all Federal Program Agencies (FPAs) by June 30, 2021, as mandated in the **G-Invoicing Implementation Playbook Checklist**.

C. The **DoD Financial Reporting Guidance** includes instructions and adjusting entries used to record intragovernmental eliminations.

## 1302 BACKGROUND

## 130201. Intragovernmental Balances

All DoD reporting entities are required to report intragovernmental account balances in their financial statements, eliminate appropriate intra-DoD balances, and classify intragovernmental account balances by category and level. The category of transaction refers to the nature of the accounting event causing the transaction. Refer to section 1303 for information

addressing [reciprocal account](#) transactions. The level of the transaction refers to the nature of the trading partner involved. Refer to [section 1305](#) for information addressing levels of intragovernmental trading partners.

\*130202. Eliminations

A. Eliminations represent the process where a federal entity having transactions with another federal entity ensures that the amounts on its trial balances for specific accounts correlate with those amounts in the reciprocal accounts of the federal entity with which business was conducted.

B. The purpose of eliminating intragovernmental account balances is to offset the effect of transactions between a DoD [reporting entity](#) and other FPAs, DoD reporting entities, and organizations within a DoD [reporting entity in the financial statements](#). For reference, per Office of Management and Budget (OMB) Circular [A-136](#), “Financial Reporting Requirements,” the Statement of Budgetary Resources is a combined statement and intragovernmental budgetary accounts are not eliminated.

\*1303 RECIPROCAL ACCOUNT TRANSACTIONS

[Divide](#) the transactions for intragovernmental data collected into the reciprocal categories, and the reciprocal United States Standard General Ledger ([USSGL](#)) accounts comprising these categories. A reciprocal category is comprised of a set of reclassified financial statement line items that are the reciprocal of each other (accounts payable/accounts receivable). These categories assist in the elimination of federal activity at the Governmentwide level to prepare the Financial Report of the United States Government ([FR](#)). Additionally, these reciprocal categories facilitate the reconciliation of activities between federal entities. See Appendices 2 and 3 of TFM 2-4700 for additional information on reciprocal categories.

\*1304 INTRAGOVERNMENTAL CAPITALIZED PURCHASES

[Capture and report](#) all current year capitalized asset purchase amounts in USSGL accounts included in the [DoD Standard Reporting Chart of Accounts](#). These accounts must identify whether the items capitalized were purchased from non-federal sources or FPAs. [Reporting entities capture](#) agency trading partner codes [when](#) the capitalized items are from FPAs. [Use this information](#) to prepare the financial statements and reconcile reciprocal accounts with the federal trading partners. The full reconciliation equation, “expense plus current year capitalized acquisitions from a FPA equals the reciprocal FPA revenue,” is reflected in the “Buy/Sell Costs/Revenues” category for elimination of intragovernmental transactions addressed in TFM 2-4700.

## 1305 LEVELS OF INTRAGOVERNMENTAL TRADING PARTNERS

## \*130501. General

A. G-Invoicing. To assist FPAs with reconciling intragovernmental transactions, Fiscal Service mandated use of G-Invoicing, which facilitates the exchange of intragovernmental transaction information between federal trading partners and serves as the interface by which FPAs submit and reconcile intragovernmental data. FPAs involved with intragovernmental reimbursable activities use G-Invoicing to originate and settle intragovernmental agreements, orders, and invoices. G-Invoicing adoption is required by all FPAs by June 30, 2021, as mandated in the G-Invoicing Implementation Playbook Checklist.

B. Reporting Attributes. Assign each USSGL account the appropriate federal/non-federal indicator as defined in the Standard Financial Information Structure (SFIS). See the USSGL Account Attribute Table in Part 1, Section IV of the USSGL for additional guidance pertaining to permitted indicators for each USSGL account. There are three levels of intragovernmental trading partners for which intragovernmental transactions must be identified.

## \*130502. Level 1 Trading Partners – Non-DoD FPAs

Level 1 transactions are between DoD and other FPAs, e.g., between the Department of the Air Force and the Department of Commerce. Identify Level 1 transaction balances by the Treasury Trading Partner codes and attributes attached to the USSGL accounts. Use Level 1 transaction balances to eliminate intragovernmental transactions during preparation of the FR. Appendix 1a of TFM 2-4700 contains a current list of federal trading partner codes. 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. DoD reporting entities are to document the procedures used to identify and verify the accuracy of their intragovernmental assets, liabilities, revenues, and expenses balances.

## A. Intragovernmental Transactions

1. Fiscal Service issued TFM 2-4700 to streamline the accounting for intragovernmental transactions and provide a means for federal entities to ensure accurate recording, reporting, and reconciliation. 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 transaction guidance contained in TFM 2-4700, and to exchange and capture the pertinent data elements specified.

2. Treasury eliminates all intragovernmental transactions when preparing the FR. Since Treasury eliminates these amounts, the accounting centers must ensure balances confirmed with the trading partners agree with balances submitted via the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS).

## B. Intragovernmental Fiduciary Transactions

1. Selected Level 1 [intragovernmental](#) transactions with the Treasury Investments, Borrowings, and Federal Financing Bank; the Department of Labor Federal Employees Compensation Act transactions; the Office of Personnel Management Employee Benefit transactions for Retirement, Health Insurance, Life Insurance; and [custodial and non-entity transactions with federal entities other than the General Fund \(GF\)](#) are specifically required to be fully reconciled.

\* 2. Treasury eliminates [all intragovernmental fiduciary transactions](#) when preparing the FR. Accounting centers [must](#) ensure balances confirmed with the trading partners agree with balances submitted via [GTAS](#).

## 130503. Level 2 and 3 Trading Partners – Other DoD Reporting Entities

\* A. [Level 2](#). Level 2 balances result from transactions between DoD reporting entities, e.g., between the Department of the Army Working Capital Funds (WCF) and the Department of the Navy GF. Volume 6B, Chapter 1, [contains information on](#) DoD reporting entities. Level 2 transactions are identified by trading partner codes and supplemental internal DoD codes, [such as business partner numbers, trading partner federal/non-federal indicators, and other trading partner codes included in SFIS](#).

B. [Level 3](#). Level 3 trading partners are within a DoD Component, 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, [with the](#) elimination totals shown on the DoD Component's supporting consolidating statements. For example, the Navy GF Level 3 eliminations would be between: (A) Navy Military Personnel and Navy Procurement; (B) Navy Military Personnel trial balance AT17AA1\_1453 and Navy Reserve Personnel trial balance AT17AA1\_1405; and (C) internally within Navy Military Personnel trial balance AT17AA1\_1453.

## \*130504. Eliminations

A. [Trading Partner Reconciliations](#). DoD reporting entities reconcile with their trading partners at the detail transaction level. [Detail transactions provide support for reported balances requiring elimination with trading partners. The reporting entity is ultimately responsible for the accuracy of its trading partner data; therefore, it is responsible for initiating actions to reconcile balances with its trading partners. DoD buy/sell eliminations include detailed transactions and should be supported by a Military Interdepartmental Purchase Request, sales order, customer bill, purchase order, contract, voucher, or the seller/buyer's line of accounting, and be readily available upon request. Include similar detail supporting documentation for other reciprocal categories identified in TFM 2-4700. A DoD reporting entity unable to provide detail transactions at the appropriate time of the financial statement reporting cycle must adjust its balance to match the seller's or buyer's supportable data.](#)



1. Reporting entities document the trading partner agreement in the General Terms and Conditions (GT&C) for instances where both buyers and sellers are currently on G-Invoicing. Reporting entities apply the GT&C to all transactions with DoD, other federal trading partners, and with internal DoD trading partners using G-Invoicing for GT&C.

2. Alternatively, DoD reporting entities may establish a bilateral Memorandum of Understanding with each of their DoD trading partners not using G-Invoicing. Such agreements, at a minimum must identify the following:

- a. The reconciliation timeframes (frequency);
- b. Accrual processes (agreed upon methodologies);
- c. Availability or exchange of detailed transactions and key supporting documentation;
- d. Protocol to resolve differences between trading partners; and
- e. Other processes requiring clarification.

B. Intragovernmental Business Rules. Reporting entities with clean audit opinions on their annual financial statements provide intragovernmental transaction data in accordance with the DoD Financial Reporting Guidance. It is not expected that trading partner adjustments will have an adverse impact on agencies with a clean audit opinion; therefore, unsupported adjustments should not be allocated to agencies with a clean audit opinion. No supported or unsupported undistributed collections or disbursements should be allocated to either accounts receivable or payable balances of agencies with a clean audit opinion, unless specifically identifiable to the agency.

1. Document identified differences including, but not limited to, the difference amount, USSGL accounts impacted, rationale for the difference, and the status of communication with trading partners.

2. Prioritize trading partner material differences to reduce high-dollar variances. Agencies must work to reconcile and eliminate differences regardless of materiality.

C. Dispute Resolution. The Office of the Under Secretary of Defense (Comptroller) oversees a DoD dispute resolution process to resolve balance discrepancies between DoD reporting entities. Reporting entities unable to reach an agreement with respect to intragovernmental account balances must escalate the issue to the Financial Improvement and Audit Remediation (FIAR) Directorate for resolution. Submit requests to the FIAR Directorate no later than the 12<sup>th</sup> business day of the month following the end of the quarter. At fiscal year-end, final adjustments must be completed prior to the issuance of the Agency Financial Report.

1. Reporting entities requesting FIAR Directorate review must provide the following with the request:

a. Completed Trading Partner Dispute Resolution Request Form;

b. Documentation demonstrating attempts to reconcile balances with trading partners at the senior executive or agency comptroller level; and

c. Documentation supporting balances the DoD reporting entities are seeking to resolve with trading partners.

2. The FIAR Directorate will facilitate resolution of the balance discrepancies within 2 business days. Once FIAR has rendered a final decision, the affected agencies must adjust their financial records to reflect the decision within 3 business days, but no later than the end of the quarter.

3. DoD reporting entities are expected to work with their respective non-DoD trading partners to reconcile and resolve intragovernmental differences. Working through the Defense Finance and Accounting Service, Enterprise Solutions and Standards, Financial Reporting-Audited Financial Statements Directorate, reciprocal accounts disputes with other FPAs will continue to follow the dispute resolution process identified in Appendix 6 of TFM 2-4700.

#### 1306 ELIMINATION OF BUDGETARY ACCOUNTS (4000 SERIES ACCOUNTS)

**Present** budgetary information 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” in accordance with OMB Circular [A-II](#), “Preparation, Submission, and Execution of the Budget.”

#### 1307 RECONCILIATION WITH OTHER REPORTS

**Review** all information reported in any other external reports for consistency with the information included in the quarterly and the annual audited financial statements.

#### 1308 RECONCILIATION WITH LEVEL 1 TRADING PARTNERS

##### \*130801. Reconciliation

A. OMB Circular A-136 requires reporting entities to reconcile and resolve differences between intragovernmental balances and transactions.

B. TFM 2-4700 includes guidance to facilitate the reconciliation of intragovernmental transactions.

C. G-Invoicing maintains a repository of intragovernmental transactions and internal controls to ensure the accuracy of transactions for buyers and sellers.

\*130802. GTAS

Each quarter, Treasury populates detailed trading partner data in [GTAS](#). [GTAS](#) provides comparisons of balances reported by all federal partners and facilitates intragovernmental consolidation and elimination required for Governmentwide reporting. As an output of the [GTAS](#) comparison, Treasury provides quarterly Intragovernmental Material Differences Reports by Treasury Index. [Review](#) these reports and explain differences to Treasury in accordance with TFM 2-4700 and the DoD [Financial Reporting](#) Guidance. Treasury uses the Level 1 trading partner amounts reported in [GTAS](#) to compile the elimination entries necessary to prepare the FR.

1309 FEDERAL TRADING PARTNER CODES

\*130901. Trading Partner Codes

[Reporting entities](#) submit trading partner code information to Treasury by [GTAS](#) Attributes. Use the trading partner codes, in conjunction with the [USSGL](#) account information, to identify [required elimination entries](#).

130902. Trading Partner Effect of Prior Period Adjustments

When it is determined that a prior period adjustment is necessary for a transaction involving another [FPA](#), the accounting centers identify the trading partner and determine how the transaction was recorded. Additionally, the accounting centers must work with the trading partner to inform Treasury of the prior period adjustment. This will assist Treasury with eliminations on the Governmentwide financial statements.

\*130903. Non-Federal Trading Partners

All accounting centers and DoD reporting entities [must identify trading partner information properly according to the federal/non-federal indicator attribute included in SFIS](#).

\*130904. Foreign Military Sales Trust Fund Reporting

In general, DoD Components performing reimbursable activities on behalf of the Foreign Military Sales Trust Fund (11X8242) [must recognize related accounts receivable and revenue as federal citing entity code 11X8242 as the Level 1 trading partner](#). [Refer to the DoD Financial Reporting Guidance for additional reporting policy for the Foreign Military Sales Trust Fund](#).