OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

COMPTROLLER

MAY 0 3 2019

MEMORANDUM FOR DEPUTY ASSISTANT SECRETARIES OF THE MILITARY DEPARTMENTS (FINANCIAL OPERATIONS)
COMPTROLLER OF THE JOINT STAFF
COMPTROLLER OF THE U.S. SPECIAL OPERATIONS COMMAND
COMPTROLLER OF THE U.S. TRANSPORTATION COMMAND
COMPTROLLERS OF THE DEFENSE AGENCIES
COMPTROLLERS OF THE DOD FIELD ACTIVITIES

SUBJECT: Financial Management Requirements for Trading Partner Eliminations (FPM 19-03)

This policy modifies the guidance in the Department of Defense (DoD) Financial Management Regulation (FMR) Volume 6B, Chapter 13, to eliminate the requirement of forcing the buyer reporting entity to adjust intragovernmental balances to equal the seller-side balances and the related buyer-side elimination waivers for the DoD Reporting Entities. While the "seller-side rules" policy has long been the practice of the Department, it results in material, unsupported adjustments to financial statement line items and audit findings. Therefore, to enable proper trading partner reconciliations and supportable balances, this practice is no longer authorized.

Effective the first quarter of fiscal year 2020, the policy mandating the use of "seller-side" information to derive the buyer's balances is rescinded. Therefore, there is no longer a need to issue buyer-side elimination waivers when there is a basis to conclude that the buyer-side data is more complete and accurate than the seller's data. The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) will no longer grant buyer-side elimination waivers. Existing waivers, including indefinite waivers, will be not be extended. All DoD Reporting Entities conducting business with one another or other Federal agencies must work together to reconcile all intergovernmental and intragovernmental transactions/balances and resolve differences between their trading partners in accordance with the Treasury Financial Manual (TFM) Volume I, Part 2, Chapter 4700, Appendix 10. The implementation guidance at Attachment 1 sets new guidelines for trading partner eliminations.

The DoD is committed to effective financial reform to eliminate material weaknesses with intragovernmental transactions. To this end, the Department is deploying Government Invoicing (G-Invoicing) as the long-term solution for the exchange of buy/sell transactions. Attachment 2 highlights the general terms and conditions (GT&C) of a trading partner agreement including the roles and responsibilities for the requesting agency (buyer) and the servicing agency (seller). If implemented effectively, this will improve the buyer-seller relationship. Components should begin working with their trading partners to enter GT&C information into the G-Invoicing system. DoD Reporting Entities must begin to reconcile with their trading partners at the detail transaction level. Detailed transactions should be supported by a Military Interdepartmental Purchase Request, sales order, customer bill, purchase order, contract, voucher, or seller's/buyer's line of accounting, and be readily available upon request. 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. Ongoing communication with the trading partners is key to successful reconciliations. The terms should be documented in GT&Cs for instances when both buyer and seller are currently on G-Invoicing, otherwise, use the memorandum of understanding in Attachment 3 for the interim.

Also effective the first quarter of fiscal year 2020, OUSD(C) will establish an internal DoD Dispute Resolution Process to resolve balance discrepancies between DoD Reporting Entities. Should Reporting Entities be unable to reach an agreement on trading partner balances, they should escalate the issue to the Financial Improvement and Audit Remediation (FIAR) directorate for resolution no later than the twelfth business day of the month following the end of the quarter. A Reporting Entity requesting FIAR directorate review must provide the following with its request:

- A completed Trading Partners Dispute Resolution Request Form at Attachment 4;
- Documentation demonstrating attempts to reconcile balances with trading partners at the senior executive or agency comptroller level; and
- Documentation supporting the balances that the DoD Reporting Entities are seeking to resolve with trading partners.

The FIAR directorate will facilitate resolution of the balance discrepancies within two business days. Reciprocal Accounts Disputes with other Federal agencies will continue to follow the TFM, Volume I, Part 2, Chapter 4700, Appendix 10, Section 2.3.4, "Dispute Resolution Process."

The next update to the DoD FMR Volume 6B, Chapter 13 will include these revisions. My point of contact on this matter is Ms. Alice Rice, at alice.r.rice2.civ@mail.mil or 703-693-3618.

Mark E. Easton
Deputy Chief Financial Officer

Attachments:
As stated:

cc:
Principal Deputy Inspector General of the Department of Defense

Implementation Guidance for Trading Partner Eliminations

I. Introduction

Until the Department of Defense (DoD) Financial Management Regulation (FMR), Volume 6B, Chapter 13 is updated, this implementation guidance replaces the "seller-side rule" criteria for reconciling and eliminating transactions between the DoD Reporting Entities and intragovernmental transactions with other Federal agencies. Instead of relying on the selling DoD Reporting Entities' information, the policy is now that parties must reconcile and resolve intragovernmental account balance discrepancies or elevate for resolution of the dispute. The DoD Reporting Entities must instill a detailed, ongoing reconciliation process with their trading partners. DoD Reporting Entities are required to report intragovernmental account balances in their financial statements and eliminate appropriate intra-DoD balances. The objective of eliminating intragovernmental account balances is to offset the effect of transactions between a DoD Component and other Federal agencies, including other DoD Reporting Entities. This guidance applies to all DoD Reporting Entities engaged in intragovernmental activity.

Each DoD Reporting Entity shall apply the accompanying General Terms & Conditions (GT&Cs) at Attachment 2, for Intergovernmental and Intragovernmental Transaction Account Balance Reconciliation, which are derived from the Treasury Financial Manual (TFM) Volume I, Part 2, Chapter 4700, Appendix 10, to all transactions with DoD and other Federal trading partners and with internal DoD trading partners currently using G-Invoicing for GT&Cs. Alternatively, DoD Reporting Entities may establish a bilateral Memorandum of Understanding (Attachment 3), with each of their DoD trading partners not using G-Invoicing. Such agreements at a minimum must identify: (1) the reconciliation timeframes (frequency); (2) accrual processes (agreed upon methodologies); (3) availability or exchange of detailed transactions and key supporting documentation; (4) protocol to resolve differences between trading partners; and (5) other processes outlined in this guidance.

II. Elimination Process – Intragovernmental Business Rules

The integrity of the data reported in the DoD Components and the DoD-wide financial statements are dependent on timely and accurate reconciliations of intragovernmental activity and resulting account balances. DoD Reporting Entities are expected to work with their respective trading partners throughout the reporting period to reconcile and resolve intragovernmental differences, with assistance from the Defense Finance and Accounting Service (DFAS). 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. To the extent possible, trading partners should ensure all balances are supported and differences resolved prior to or during the quarter. At fiscal year-end, it is imperative that final adjustments be completed prior to the issuance of the Annual Financial Report. The financial reporting schedule at the end of this attachment provides the key dates for the elimination process.

A. Reporting Entities with Clean Opinion or Entities Able to Support Balances

Reporting Entities with clean audit opinions on their annual financial statements should continue providing intragovernmental transaction data in accordance with DoD Annual and Quarterly Financial Statement Guidance. This includes detail supporting documentation (e.g., Military Interdepartmental Purchase Request, sales order, customer bill, purchase order, contract, voucher, or buyer's/seller's line of accounting) to validate balances and support adjustments to their trading partner's records. Other DoD Reporting Entities with sufficient intragovernmental transaction detail should also comply with this requirement for quarterly reporting. It is not expected that trading partner adjustments will have an adverse impact on agencies with a clean opinion; therefore, "unsupported adjustments" should not be allocated to agencies with a clean opinion.

B. Reporting Entities Unable to Support Balances

DoD Reporting Entities unable to track trading partner data at the transaction level must adjust their balance to match the supportable data (summary amount) of their trading partners whether that is the seller or the buyer until such time their data becomes supportable. The above rules will apply once the Reporting Entities data is supportable. DFAS and the customer must review data before exchanging data with their Federal trading partners, and ensure the seller/buyer-side data are in balance before the elimination entries are prepared.

C. Elimination of Undistributed Balances

- Supportable undistributed collections or disbursements applied to reduce accounts receivable or payable balances should be identified to the respective partners during the information exchange.

- No supported or unsupported undistributed collections or disbursements should be allocated to either accounts receivable or payable balances of agencies with a clean opinion, unless specifically identifiable to the agency.

D. Business with Other Federal Agencies

Business conducted with other Federal agencies must meet the same requirements as documented in this policy with the exception of the Dispute Process in paragraph E below. Please coordinate with Enterprise Solutions and Standards, Financial Reporting-Audited Financial Statements Directorate prior to directly contacting the other Federal agencies as it is the central DoD focus point for handling intragovernmental trading partner differences with other Federal agencies.

III. Resolving Trading Partner Differences

A. Communication

Reporting Entities should work closely with their trading partners to gain an understanding of their (1) accounting and accrual methodology and (2) cut-off periods to prevent, as much as possible, common timing and accounting differences. The DoD Reporting Entities must transition to the GT&Cs for Intergovernmental and Intragovernmental Transactions Account Balance Reconciliation, which govern all reimbursable buyers/seller transactions between the Reporting Entities. All reporting entities should be aware of accounts in which intragovernmental balances need to be eliminated, major causes of trading partner differences and how to use the dispute resolution process.

B. Accounts to be Eliminated

In accordance with TFM the following Reciprocal Accounts/Financial Statement Line Items should be eliminated:

Seller	Buyer
Accounts Receivable	Accounts Payable
Advances From	Advances To
Earned Revenue	Expense Incurred (Cost)
Transfers-Out	Transfers-In

Note: Eliminations may also include other accounts which represents activity with a Federal trading partner (e.g., gains and losses).

C. Major Causes/Categories for Trading Partner Differences

When differences exist, trading partners must provide an explanation and corrective actions, if applicable, to resolve the condition. Major categories identified within the TFM 4706.30b include:

(1) Accounting/reporting error – occurs when the reporting agency has incorrectly reported activity either by reciprocal category, trading partner, or amount. The total of these amounts must be identified and explained.

(2) Current-year timing difference – occurs when the reporting agency has reported activity in a different quarter than the trading partner reported the activity in the current year. The total of these amounts must be identified. Explain whether an adjustment should be made.

(3) Prior-year timing difference – occurs when a reporting agency has reported activity in a prior fiscal year and the trading partner reported the activity in the current fiscal year. The total of these amounts must be identified. Explain whether an adjustment should be made.

(4) Accounting methodology difference – occurs when the reporting agency uses a different method than their trading partner to account for activity. The method of accounting must be identified and explained as well as attempt to provide the dollar amount of the difference caused by the differing methodologies.

(5) Accrual methodology difference – occurs when the reporting agency uses a different accrual method than their trading partner to account for activity. The method of accrual must be identified and explained as well as attempt to provide the dollar amount of the difference caused by the differing methodologies.

(6) Other difference – not identified any other categories. Provide a description of the reconciling item. The total of these amounts must be identified. Explain whether an adjustment should be made.

D. Dispute Resolution Process – DoD Reporting Entities

In instances when trading partners are unable to reach an agreement with respect to intragovernmental account balances and each Reporting Entity contends that its seller/buyer-side data is more complete, accurate and supported, the Reporting Entities should escalate the issue using the form in Attachment 4 to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Financial Improvement and Audit Remediation (FIAR) Directorate for resolution.

Escalation to OUSD(C) FIAR:

- Requests to OUSD(C) FIAR should be made no later than the 12th business day of the month following the end of the quarter.

- DoD Reporting Entities must have documentation demonstrating attempts to reconcile balances with trading partners at the senior executive or agency comptroller level.

- DoD Reporting Entities must provide documentation supporting the balances that the DoD Reporting Entities are seeking to resolve with their trading partners.

- Within two (2) business days, FIAR will coordinate a meeting with DoD Reporting Entities to facilitate resolution.

- Once FIAR has rendered a final decision, the affected agencies must adjust their financial records to reflect the decision within three (3) business days, but no later than the end of the quarter. Agencies must ensure they continue to adhere to the decision that is rendered going forward.

- All trading partner balances arbitrated through OUSD(C) FIAR’s dispute process shall be held at the appropriate classification level with properly cleared individuals.

- Sensitive activity shall be reconciled at the aggregate level (schedules or other documents) to prevent disclosure of sensitive data.

- FIAR and DFAS will monitor disputes escalated for resolution and subsequent adjustments to the appropriate accounting records. As required, agency level meetings will be held at the senior executive or agency comptroller level to discuss continued compliance with this policy.

- All elimination adjusting entries shall be reversed at the beginning of the next reporting period.

E. Dispute Resolution Process – With Other Federal Agencies

Disputes with other Federal agencies concerning intragovernmental account balance discrepancies should be resolved in accordance with instructions provided in the TFM Volume I, Part 2, Chapter 4700, Appendix 10, Section 2.3.4, Dispute Resolution Process. Please work through DFAS, Enterprise Solutions and Standards, Financial Reporting-Audited Financial Statements Directorate for disputes with other Federal agencies as it is the central DoD focus point for handling intragovernmental trading partner differences with other Federal agencies.

F. Trading Partner Data Timeline

To ensure timely financial reporting it is imperative that Reporting Entities complete the reconciliation and elimination process in accordance with the below quarterly financial reporting schedule.

Quarterly DoD Financial Reporting Schedule	
5th Business Day	DoD Reporting Entities provide Buyer-Side Data to DFAS
6th Business Day	DoD Reporting Entities, or DFAS on behalf of the Reporting Entity, upload DDRS-AFS import sheets with Buyer-Side Data to DFAS ePortal
7th Business Day	Buyer-Side Challenges Due
8th Business Day	DoD Reporting Entities provide Seller-Side Data to DFAS
8th Business Day	Components provide all Level 1 trading partner data to DFAS or provide estimate
9th Business Day	DoD Reporting Entities, or DFAS on behalf of the Reporting Entity, upload DDRS-AFS import sheets with seller-side data to DFAS ePortal.
10th Business Day	Seller-Side Challenges Due
11th Business Day	DFAS process any updates for Seller-Side and Buyer-Side challenges
12th Business Day	DoD Reporting Entities record the effects of the Buyer-Side journal voucher (JV) prior to the initial Government Treasury Account Symbol (GTAS) load.
12th Business Day	Last day for DoD Reporting Entities to escalate trading partner discrepancies to OUSD(C) FIAR for resolution.
Per Treasury's GTAS Schedule	All trading partner data reported to Treasury via GTAS at the end of each quarter and in the Government-wide Financial Reporting System (GFRS) at the end of the fiscal year.

Note: At fiscal year-end, Financial Reporting Schedule converts to calendar days.

General Terms & Conditions for Intergovernmental and Intragovernmental Transaction Account Balance Reconciliation

Roles & Responsibilities for the Requesting Agency and Servicing Agency

In order to properly present the balances on the financial statements, intergovernmental and intragovernmental transactions must be eliminated. Trading partners identified in this document will work together throughout the reporting period to avoid a misstatement of financial balances.

4.1. THE SELLER SHALL-

4.1.1. Provide timely, accurate seller-side data to other agencies and/or accounting office.

4.1.2. Record revenue/receivable accruals timely and identify accounting methodologies.

4.1.3. Provide documentation supporting customer bill and actual performance, upon request. Key supporting documents include: Military Interdepartmental Purchase Request, sales order, customer bill, purchase order, contract, voucher or buyer/seller’s line of accounting) to validate balances and support adjustments to trading partner’s records.

4.1.3.1. If documentation is not available, work with Buyer to determine which agency must adjust its balance to match the Seller’s or Buyer’s supportable data (summary amount).

4.1.4. Confirm payments and collections received from the Buyer and verify settlement of funds (i.e., collection voucher).

4.1.5. Record Transfers-Out in the same accounting period as the trading partner.

4.1.5.1. Work with trading partner to determine transaction types, establish appropriate accounting data, and confirm proper account postings and eliminations.

4.1.6. Reconcile transactions with trading partner on a routine basis as agreed upon [weekly, monthly and/or quarterly].

4.1.6.1. Verify reciprocal balances and reconcile balances to the authoritative source. If the balances agree, no additional action is required. If the balances do not agree, work with trading partner to resolve reconciling items.

4.1.7. Proactively work with trading partners to resolve reconciling items and adjudicate differences.

4.1.7.1. Perform data analysis on the problematic areas to determine the root causes and identify the required corrective actions to resolve the problem.

4.1.7.2. When differences are identified, document the difference including, but not limited to, the difference amount, United States Standard General Ledger (USSGL) accounts impacted, rationale for the difference, and the communication with trading partners (e.g., date contact made, points of contact, date, etc.).

4.1.7.3. Work with trading partner to prioritize material differences to reduce high-dollar variances. If the difference is not material to the agency, the trading partner should either post the authoritative source's balance or document the rationale for the difference. Agencies must still work to reconcile and eliminate the difference regardless of the materiality.

4.1.7.4. Resolve disagreements or issues over accounting treatment and period for posting.

4.1.8. Once differences are reconciled, adjust balance in financial records as required prior to the period close.

4.1.9. Document reconciliations and retain documentation in accordance with the National Archives and Records Administration Records Management Guidance and Regulations.

4.2. THE BUYER SHALL-

4.2.1. Provide timely, accurate buyer-side data to agencies and/or accounting office.

4.2.2. Record expense/payable accruals in the period incurred and identify methodologies.

4.2.3. Confirm payment and collection to the Seller and verify settlement of funds (i.e., disbursement voucher).

4.2.3.1. If documentation is not available, work with Seller to determine which agency must adjust its balance to match the Seller's or Buyer's supportable data (summary amount).

4.2.4. Record Transfer-In in the same accounting period.

4.2.4.1. Work with trading partner to determine transaction types, establish appropriate accounting data, and confirm proper account postings and eliminations.

4.2.5. Perform reconciliation procedures with trading partner on a routine basis as agreed upon [weekly, monthly and/or quarterly].

4.2.5.1. Verify reciprocal balances and reconcile them to the authoritative source balances. If the balances agree, no additional action is required. If the balances do not agree, work with trading partner to resolve reconciling items.

4.2.6. Proactively work with trading partners to reconcile and adjudicate differences.

4.2.6.1. Perform data analysis on the problematic areas to determine the root causes and identify the required corrective actions to resolve the problem.

4.2.6.2. When differences are identified, document the difference including, but not limited to, the difference amount, USSGL accounts impacted, rationale for the difference (see Appendix A), and the status of communication with trading partners (e.g., date contact made, points of contact, date, etc.).

4.2.6.3. Work with trading partner to prioritize material differences to reduce high-dollar variances. If the difference is not material to the agency, the trading partner should either post the authoritative source's balance or document the rationale for the difference. Agencies must still work to reconcile and eliminate the difference regardless of the materiality.

4.2.6.4. Resolve disagreements or issues over accounting treatment and period for posting.

4.2.7. Once differences are reconciled, adjust balance in financial records as required prior to the period close.

4.2.8. Document reconciliations and retain documentation in accordance with the National Archives and Records Administration Records Management Guidance and Regulations.

Memorandum of Understanding (MOU)

Between

[Seller]

And

[Buyer]

Relating to Financial Statement Audit Support

for

Trading Partner Eliminations

Agreement Number XX

xxx xx, 2019

Attachment 3

DOCUMENT CHANGE CONTROL[1]

The following chart contains a history of this document's revisions.

Version	Primary Author(s)	Description of Change	Date Completed
1.0		Initial Version	

[1] Updates to the appendices or other minor changes do not require Senior Executive Service (SES) level signature. Minor changes will be coordinated through GS-15 level personnel, pending written consent, and will be documented within the Document Change Control section of this document. Other minor changes include updates to points of contact (POCs), hyperlinks, etc.

MEMORANDUM OF UNDERSTANDING

BETWEEN

[SELLER]

AND

[BUYER]

RELATING TO FINANCIAL STATEMENT AUDIT SUPPORT

FOR

TRADING PARTNER ELIMINATIONS

This is a Memorandum of Understanding (MOU) between the [first party] and the [second party] [if the second party is a non-Department of Defense (DoD) entity, include its address]. Throughout the MOU, the term trading partner refers to two entities engaged in intragovernmental activity. When referred to collectively, the [first party] and the [second party] are referred to as “Trading Partners”.

1 PURPOSE

As mandated by the Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, and in accordance with the DoD Financial Management Regulation (FMR) Volume 6b, Form and Content of the Department of Defense Audited Financial Statements, and the Treasury Financial Manual Volume I, Part 2, Chapter 4700, Appendix 10, entities are required to reconcile and resolve intragovernmental balances with trading partners on a routine basis. Federal agencies are expected to work together to resolve differences at a date required to meet its reporting and auditing deadlines.

This MOU establishes minimum requirements for trading partner reconciliations of intergovernmental and intragovernmental transactions/balances, accrual processes (agreed upon methodologies), key supporting documentation and communication between trading partners to resolve differences.

2 AUTHORITIES

- OMB Circular A-136, Financial Reporting Requirements, July 30, 2018
- DoD FMR Volume 6b, Form and Content of the Department of Defense Audited Financial Statements
- Treasury Financial Manual, Volume 1, Part 2, Chapter 4700
- DoD Audited Financial Statements Reporting & Analysis (DoD AFSR&A) Financial Reporting Guidance, [DATE]
- DoD Instruction 4000.19, “Support Agreements,” April 25, 2013 Incorporating Change 2, August 31, 2018

3 BACKGROUND

All DoD reporting entities are required to report intragovernmental account balances in their financial statements and eliminate appropriate intra-DoD balances. The objective of eliminating intragovernmental account balances is to offset the effect of transactions between a DoD Component and other Federal agencies, DoD reporting entities, and organizations within a DoD Component. All DoD Reporting Entities conducting business with one another or other Federal Government agencies must work together to reconcile all intergovernmental and intragovernmental transactions/balances and communicate to resolve differences in accordance with the Treasury Financial Manual Volume I, Part 2, Chapter 4700, Appendix 10, and in accordance with the Office of the Under Secretary of Defense Comptroller/Deputy Chief Financial Officer memorandum, "Financial Management Requirements for Trading Partner Eliminations."

Intragovernmental transactions (IGTs) consist of four categories: Fiduciary, Buy/Sell, Transfers, and General Fund transactions. Each category has a different process that drives distinct transaction activity.

- **Fiduciary IGTs** include transactions that originate from a centralized Fiduciary agent. A centralized Fiduciary agent is an entity that acts for and on behalf of another in a particular matter under circumstances that give rise to a relationship of trust and confidence.
- **Buy/Sell IGTs** include transactions that occur between two Federal entities where goods or services are purchased by one entity from another entity. This arrangement is typically accomplished through the issuance of a reimbursable agreement between the two entities.
- **Transfers IGTs** include non-exchange transactions that reduce resources (budgetary and proprietary) in one Treasury Account Symbol (TAS) and increase them in one or more other TAS by the total cumulative amount.
- **General Fund IGTs** include transactions that occur between a Federal entity and the General Fund.

4 RESPONSIBILITIES OF THE PARTIES

In order to properly present the balances on the financial statements, intergovernmental and intragovernmental transactions must be eliminated during the preparation process. Trading partners identified in this document will work together throughout the reporting period to avoid a misstatement of financial balances.

4.1. THE SELLER SHALL -

4.1.1. Provide timely, accurate seller-side data to other agencies and/or accounting office.

4.1.2. Record revenue/receivable accruals timely and identify accounting methodologies.

4.1.3. Provide documentation supporting customer bill and actual performance, upon request. Key supporting documents include: Military Interdepartmental Purchase Request, sales order, customer bill, purchase order, contract, voucher or buyer/seller's line of accounting) to validate balances and support adjustments to trading partner's records.

4.1.3.1 If documentation is not available, work with Buyer to determine which agency must adjust its balance to match the Seller's or Buyer's supportable data (summary amount).

4.1.4. Confirm payments and collections received from the Buyer and verify settlement of funds (i.e., collection voucher).

4.1.5. Record Transfers-Out in the same accounting period as the trading partner.

4.1.5.1 Work with trading partner to determine transaction types, establish appropriate accounting data, and confirm proper account postings and eliminations.

4.1.6. Reconcile transactions with trading partner on a routine basis as agreed upon [weekly, monthly and/or quarterly].

4.1.6.1. Verify reciprocal balances and reconcile balances to the authoritative source. If the balances agree, no additional action is required. If the balances do not agree, work with trading partner to resolve reconciling items.

4.1.7. Proactively work with trading partners to resolve reconciling items and adjudicate differences.

4.1.7.1. Perform data analysis on the problematic areas to determine the root causes and identify the required corrective actions to resolve the problem.

4.1.7.2. When differences are identified, document the difference including, but not limited to, the difference amount, United States Standard General Ledger (USSGL) accounts impacted, rationale for the difference, and the communication with trading partners (e.g., date contact made, points of contact, date, etc.).

4.1.7.3. Work with trading partner to prioritize material differences to reduce high-dollar variances. If the difference is not material to the agency, the trading partner should either post the authoritative source's balance or document the rationale for the difference. Agencies must still work to reconcile and eliminate the difference regardless of the materiality.

4.1.7.4. Resolve disagreements or issues over accounting treatment and period for posting.

4.1.8. Once differences are reconciled, adjust balance in financial records as required prior to the period close.

4.1.9. Document reconciliations and retain documentation in accordance with the National Archives and Records Administration Records Management Guidance and Regulations.

4.2. THE BUYER SHALL -

4.2.1. Provide timely, accurate buyer-side data to agencies and/or accounting office.

4.2.2. Record expense/payable accruals in the period incurred and identify methodologies.

4.2.3. Confirm payment and collection to the Seller and verify settlement of funds (i.e., disbursement voucher).

4.2.3.1 If documentation is not available, work with Seller to determine which agency must adjust its balance to match the Seller's or Buyer's supportable data (summary amount).

4.2.4. Record Transfer-In in the same accounting period.

4.2.4.1. Work with trading partner to determine transaction types, establish appropriate accounting data, and confirm proper account postings and eliminations.

4.2.5. Perform reconciliation procedures with trading partner on a routine basis as agreed upon [weekly, monthly and/or quarterly].

4.2.5.1. Verify reciprocal balances and reconcile them to the authoritative source balances. If the balances agree, no additional action is required. If the balances do not agree, work with trading partner to resolve reconciling items.

4.2.6. Proactively work with trading partners to reconcile and adjudicate differences.

4.2.6.1. Perform data analysis on the problematic areas to determine the root causes and identify the required corrective actions to resolve the problem.

4.2.6.2. When differences are identified, document the difference including, but not limited to, the difference amount, USSGL accounts impacted, rationale for the difference (see Appendix A), and the status of communication with trading partners (for example, contact made, points of contact, date, etc.).

4.2.6.3. Work with trading partner to prioritize material differences to reduce high dollar variances. If the difference is not material to the agency, the trading partner should either post the authoritative source's balance or document the rationale for the difference. Agencies must still work to reconcile and eliminate the difference regardless of the materiality.

4.2.6.4. Resolve disagreements or issues over accounting treatment and period for posting.

4.2.7. Once differences are reconciled, adjust balance in financial records as required prior to the period close.

4.2.8. Document reconciliations and retain documentation in accordance with the National Archives and Records Administration Records Management Guidance and Regulations.

5 PERSONNEL

Each Party is responsible for all costs of its personnel, including pay and benefits, support, and travel. Each Party is responsible for supervision and management of its personnel.

6 LIMITATIONS TO MOU

This MOU is not fully comprehensive when seeking audit controls, processes, and supporting documentation requirements, but shall be used in conjunction with other guidance, as referenced in paragraph 2.

7 GENERAL PROVISIONS

7.1. POINTS OF CONTACT (POCS)

The following points of contact will be used by the Trading Partners to communicate in the implementation of this MOU. Each Trading Partner may change its point of contact upon reasonable notice to the other Party.

7.1.1. FOR THE SELLER

7.1.1.1. Position, office identification, phone number and email of Primary POC:

7.1.1.2. Position, office identification, phone number and email of Alternate POC:

7.1.2. FOR THE BUYER

7.1.2.1. Position, office identification, phone number and email of Primary POC:

7.1.2.2. Position, office identification, phone number and email of Alternate POC:

7.2. CORRESPONDENCE

All correspondence to be sent and notices to be given pursuant to this MOU will be addressed, if to the [SELLER], to—

7.2.1. [insert mailing address and e-mail address]

and, if to the [BUYER], to—

7.2.2. [insert mailing address and e-mail address]

7.3. MODIFICATION AND REVIEW

This MOU may only be modified by the written agreement of the Trading Partners, duly signed by their authorized representatives. This MOU will be reviewed on or around the anniversary of its effective date triennially in its entirety.

7.4. DISPUTES

Agencies are expected to work with their respective trading partners to reconcile and resolve intragovernmental differences.

7.4.1. For DoD Components unable to reconcile or resolve differences, they should escalate the issue to the Office of the Under Secretary of Defense (Comptroller), Financial Improvement and Audit Remediation (FIAR) Directorate no later than the 12th business day of the reporting period. Reporting Entities requesting FIAR Directorate review, must provide the following with their request:

7.4.1.1. Documentation demonstrating attempts to reconcile balances with trading partners at the senior executive level or Comptroller, and

7.4.1.2. Documentation supporting the balances that the DoD Reporting Entities are seeking to resolve with trading partners.

7.4.1.3. The FIAR Directorate will review the documentation provided, coordinate meetings with Reporting Entities, and facilitate resolution of the balance discrepancies within two business days, unless extenuating circumstances exists. FIAR will issue a decision in writing.

7.4.1.3.1. Decisions involving the National Intelligence Program will be subject to final approval by the Office of the Director of National Intelligence, if applicable.

7.4.2. For intergovernmental activity with other Federal agencies, disputes should be resolved in accordance with instructions provided in the Treasury Financial Manual Volume I, Part 2, Chapter 4700, Appendix 10, Intragovernmental Business Rules.

7.4.3. Once a decision is made, the trading partners must adjust their financial records within three business days, but not later than the end of the financial statement reporting quarter.

7.5. Termination of Understanding

This MOU may be terminated in writing at will by either Party.

7.6. Transferability

This MOU is not transferable except with the written consent of the Parties.

7.7. Entire Understanding

It is expressly understood and agreed that this MOU embodies the entire understanding between the Parties regarding the MOU's subject matter, thereby merging and superseding all prior agreements and representations by the Parties with respect to such subject matter.

7.8. Effective Date

This MOU takes effect beginning on the day after the last Party signs.

7.9. EXPIRATION DATE
This MOU expires on ________.

AGREED:

FOR THE [FIRST PARTY]—

____
Signature

____
Name and Title of Signatory

FOR THE [SECOND PARTY]—

____
Signature

____
Name and Title of Signatory

MOU Appendix A: Additional Trading Partner MOU Requirements

Reporting Entities should incorporate procedures into their trading partner agreements to prevent, as much as possible, the following common trading partner differences:

(1) **Current-year timing difference—**occurs when the reporting agency has reported activity in a different quarter than the trading partner reported the activity in the current-year. The total of these amounts must be identified. Explain whether an adjustment should be made.

(2) **Prior-year timing difference**—occurs when a reporting agency has reported activity in a prior fiscal year and the trading partner reported the activity in the current fiscal year. The total of these amounts must be identified. Explain whether an adjustment should be made.

(3) **Accounting methodology difference—**occurs when the reporting agency uses a different method than their trading partner to account for activity. The method of accounting must be identified and explained as well as attempt to provide the dollar amount of the difference caused by the differing methodologies.

(4) **Accrual methodology difference—**occurs when the reporting agency uses a different accrual method than their trading partner to account for activity. The method of accrual must be identified and explained as well as attempt to provide the dollar amount of the difference caused by the differing methodologies.

Department of Defense Trading Partners Dispute Resolution Request Form

Submit completed form to:
[Insert e-mail inbox address]

Part I: Dispute Resolution Details	
☐ Agency Initiated:	
Section A: Agency Information	
DoD Reporting Entity One: ____	DoD Reporting Entity Two: ____
Contact Name: ____________________________	Contact Name: ____________________________
Title: ____________________________________	Title: ____________________________________
Email Address: ___________________________	Email Address: ___________________________
Phone Number: ___________________________	Phone Number: ___________________________
Section B: Total Difference Amount The total difference amount affecting both agencies (attach any additional information)	
Section C: Affected Reciprocal Categories and USSGL Accounts (attach any additional information)	
Section D: Difference Duration Time period from when the difference was first developed (attach any additional information)	
Section E: Difference Explanation Why the difference occurred?	
☐ Accounting/reporting error ☐ Current-year timing difference ☐ Prior-year timing difference ☐ Accounting methodology difference ☐ Accrual methodology difference ☐ Other (Explain): ____	

Section F: What has been done in attempt to reconcile? (attach any additional information)

Section G: Any Additional Supporting Documentation Attached
☐ Section A: Additional Information Attachment ☐ Section B: Additional Information Attachment ☐ Section C: Additional Information Attachment ☐ Section D: Additional Information Attachment ☐ Section E: Additional Information Attachment ☐ Section F: Additional Information Attachment ☐ Auditor's Documentation ☐ Correspondence between agencies (e-mails, sales/purchase order, bill, invoice, goods receipt, etc.) ☐ Authoritative Reference ☐ Other (Explain): ____

Section H: Certification
I certify that this written submission and supporting documentation are, to the best of my knowledge, complete and accurate. Signature, Chief Financial Officer or Designee Title Date

Part II Dispute Decision

FOR OUSD(C) FIAR USE ONLY
OUSD(C) FIAR'S DECISION

DoD Reporting Entity One: Adjustment Amount/Affected USSGL Accounts:	DoD Reporting Entity Two: Adjustment Amount/Affected USSGL Accounts:

The final decision above is rendered based on the supporting documentation. OUSD(C) FIAR Representative Signature Print Name Date