

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

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also 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 **October 2019** is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated Office of Management and Budget Circular hyperlinks.	Revision
1.1	Added language to introduce the term “Federal Program Agencies” and streamline sentences.	Revision
2.0	Renamed section “Fundamental Requirement” (previously “Background”).	Revision
3.0	Renamed section “IGT Categories” (previously “Reciprocal Account Transactions”). Added description for each type of Intra-Governmental Transactions (IGT) Category.	Addition
4.0 (previous version)	Removed intragovernmental capitalized purchases. This information is now contained in Buy/Sell, paragraph 3.4.	Deletion
5.0	Consolidated Eliminations (previously subparagraph 5.4) and Elimination of Budgetary Accounts (previously section 6.0) under one Elimination sections, part of Fundamental Requirement Section (previously titled Background)	Revision
6.0	Added new section, highlighting trading partner accounting and communication responsibilities during the reporting period. Moved G-Invoicing (previously subparagraphs 5.1.1, and 5.4.1.1) and Memorandum of Understanding (previously subparagraph 5.4.1.2) to this section. Added phases of G-Invoicing, providing the key points of coordination during the G-invoicing trading process.	Addition
7.0	Consolidated reconciliation sections (previously paragraphs 2.2, 7.0, and 8.0).	Revision
7.2 7.4	Added Common Trading Partner Differences and Advana IGT Toolkit sub-sections to assist with reconciliations.	Addition

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CHAPTER 13

**ADJUSTMENTS, ELIMINATIONS, AND RECONCILIATION REQUIREMENTS FOR
INTRAGOVERNMENTAL BALANCES**

1.0 GENERAL

*1.1 Overview

Intra-Governmental Transactions (IGT) or balances result from business activities conducted between two federal entities or Federal Program Agencies (FPAs). When these transactions occur, these federal entities are 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 trading partners are unable to account for and reconcile differences among each other.

1.2 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 (Treasury) for use in preparing the Governmentwide financial statements.

1.3 Authoritative Guidance

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.

*2.0 FUNDAMENTAL REQUIREMENT

All DoD consolidation 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.

*3.0 IGT CATEGORIES

IGT categories represent a grouping of transactions processed in a similar manner related to a type of financial activity. IGTs consist of seven categories: Investments, Borrowings, Benefits, Buy/Sell, Transfers, Custodial, and General Fund transactions. Reciprocal categories are comprised of a set of financial statement line items (accounts) that are the reciprocal of each other. These categories assist in the elimination of federal activity at the Governmentwide. Additionally, these reciprocal categories facilitate the reconciliation of activities between federal entities.

3.1 Investments

Investments include intragovernmental securities. The Department invests primarily in non-marketable, market-based Treasury securities. The value of these securities fluctuates in tandem with the selling price of the equivalent marketable security. Securities are purchased with the intent to hold until maturity; thus, balances are not adjusted to market value. Investments are reciprocal of Borrowings. Table 13-1 shows the Investments and Borrowings reciprocal categories.

3.2 Borrowings

Borrowings involve the calculation and reporting of Borrowings from the Treasury through Fiscal Service or Federal Financing Bank. Balances calculated and reported by the lending entity and federal entities may include loans receivable/payable, capitalized interest receivable/payable, accrued interest receivable/payable, accrued interest revenue/expense, as well as gains and losses. Borrowings are reciprocal of Investments. Table 13-1 shows the Investments and Borrowings reciprocal categories.

Table 13-1 Investments and Borrowings Reciprocal Categories

Financial Statement	DoD	Treasury
Balance Sheet	Federal Investments	Federal Debt
Statement of Net Cost	Federal Securities Interest Revenue	Federal Securities Interest Expense

3.3 Benefits

Benefits include transactions in Benefit Program Contributions Receivable and Payables and Benefit Program Costs/Revenues. The Office of Personnel Management (OPM) and the Department of Labor (DOL) administer the employee benefits for the entities of the federal government. OPM administers retirement benefits, health benefits, and life insurance. DOL administers Federal Employees' Compensation Act (FECA) benefits and Federal Unemployment Tax Act (FUTA) benefits. Table 13-2 shows the Benefits reciprocal categories.

Table 13-2 Benefits Reciprocal Categories

Financial Statement	DoD	DOL and OPM
Balance Sheet	Benefit Contributions Payable	Benefit Contributions Receivable
Statement of Net Cost	Benefit Program Costs	Benefit Program Revenue

3.4 Buy/Sell

Buy/Sell transactions occur between federal entities where goods or services are purchased by one federal entity from another federal entity. This arrangement is typically accomplished through the issuance of a reimbursable agreement between the two federal entities. Table 13-3 shows the Buy/Sell reciprocal categories.

Table 13-3 Buy/Sell Reciprocal Categories

Financial Statement	Buyer	Seller
Balance Sheet	Accounts Payable	Accounts Receivable
Balance Sheet	Advances	Deferred Revenue
Statement of Net Cost	Expenses / Purchases	Revenue

3.5 Transfers

Transfers 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. Reciprocal categories include Transfer In (receiving entity) and Transfer Out (transferring entity) on the Statement of Changes in Net Position.

3.6 Custodial

Custodial transactions include collections by a collecting entity on behalf of a receiving entity. The federal entity that collects on behalf of another but is not entitled to retain the collections is referred to as the collecting entity or custodian. The federal entity on whose behalf the collecting entity is collecting is referred to as the receiving entity. This type of agreement is usually stipulated in legislation or is agreed upon by the federal entities involved. Reciprocal categories include Collections Transferred In (receiving entity) and Collections Transferred Out (collecting entity) on the Statement of Net Cost.

3.7 General Fund

General Fund transactions occur between a federal entity and the General Fund. Fund Balance with Treasury (FBWT) is a General Fund transaction. The Treasury records cash receipts and disbursements on the Department's behalf; funds are available only for the purposes for which they were appropriated. The Department's FBWT consists of general funds, revolving funds, trust funds, special funds, and other fund types. The reciprocal category is the Treasury's liability for FBWT.

4.0 LEVELS OF TRADING PARTNERS

There are three levels of intragovernmental trading partners for which intragovernmental transactions must be identified; Level 1 - Transactions between non-DoD FPAs, Level 2 - Transactions between DoD FPAs, and Level 3 - Transactions within a DoD Component.

4.1 Level 1 Non-DoD FPAs

Level 1 transactions are between DoD and Non-DoD 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 U.S. Standard General Ledger (USSGL) accounts. DoD entities **must** document the procedures used to identify and verify the accuracy of their intragovernmental assets, liabilities, revenues, and expenses balances.

4.2 Level 2 DoD Consolidation Entities

Level 2 balances result from transactions between DoD consolidation entities (e.g., between the Department of the Army Working Capital Funds (WCF) and the Department of the Navy General Fund (GF)). Volume 6B, Chapter 1, contains information on DoD consolidation 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.

4.3 Level 3 within a DoD Component

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 may be multiple 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.

*5.0 ELIMINATIONS

5.1 Intragovernmental Account Balances

5.1.1. Eliminations, or eliminating intragovernmental account balances, 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.

5.1.2. The purpose of eliminating intragovernmental account balances is to offset the effect of transactions between a DoD entity and other non-DoD FPAs, DoD consolidation entities, and organizations within a DoD consolidation entity in the DoD and Governmentwide financial statements with the exception of the Statement of Budgetary Resources.

5.2 Budgetary Accounts

5.2.1. Per Office of Management and Budget (OMB) Circular [A-136](#), "Financial Reporting Requirements," the Statement of Budgetary Resources is a combined statement where intragovernmental budgetary accounts are not eliminated.

5.2.2. Present budgetary information on a combined basis, with no elimination of budgetary accounts, consistent with information reported in the "Report on Budget Execution and Budgetary Resources" in accordance with OMB Circular [A-11](#), "Preparation, Submission, and Execution of the Budget."

*6.0 TRADING PARTNER RESPONSIBILITIES

In order to properly present the balances on the financial statements, trading partners must work together throughout the reporting period.

6.1 Accounting

6.1.1. Each USSGL account must be assigned the appropriate trading partner indicators defined in the *Standard Financial Information Structure (SFIS)*. See additional indicators for each USSGL account in Treasury's *USSGL Account Attribute Table*.

6.1.2. Trading partners must:

6.1.2.1. Record IGT transactions and accruals timely and identify supporting accounting methodologies.

6.1.2.2. Record Transfers-In and reciprocal Transfers-Out in the same accounting period.

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

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

6.1.2.5. Adjust balance in financial records as required prior to the period close, once differences are reconciled.

6.2 Trading Partner Communication

6.2.1. Trading partners must:

6.2.1.1. Provide timely, accurate data to partner agencies and/or accounting offices.

6.2.1.2. Confirm payments/collections and verify settlement of funds.

6.2.1.3. Verify reciprocal balances and reconcile balances to the authoritative source. If the balances do not agree, proactively work with trading partners to resolve reconciling items and adjudicate differences.

6.2.1.4. Provide documentation supporting billing, performance, transfers of, or receipt of funds, upon request. If documentation is not available, trading partners must work together to determine which partner must adjust its balance to match the supportable data.

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

6.3 G-Invoicing

6.3.1. To assist FPAs with reconciling intragovernmental Buy/Sell transactions, the Fiscal Service mandated the 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.

6.3.2. G-Invoicing requires both trading partners to agree on key phases of the trading process:

6.3.2.1. General Terms & Conditions (GT&Cs) Phase. The GT&Cs represent a Buy/Sell agreement that defines the terms and conditions, scope, and responsibilities of trading partners during the exchange. The objective of this stage is for trading partners to concur on and document the details of the GT&C before performing any services or delivering any goods.

6.3.2.2. Order Phase. Orders serve as the fiscal obligation (funding) and identify the specific Buyer requirements for the expected delivery of products or services by the Seller. Funding information within the Order includes all required points of contact authorizing the Order for both trading partners.

6.3.2.3. Performance Transactions Phase. This phase revolves around the delivery and receipt of goods and/or services. Revenue from IGT Buy/Sell transactions is earned and recorded as goods are delivered and as services are performed. A corresponding expense is recognized in the period that an exchange occurs. Thus, both trading partners should exchange performance-related data with one another surrounding the delivery and acceptance of goods, along with the receipt and consumption of services.

6.3.2.4. Fund Settlement Phase. This phase includes the payment and collection activities as well as the closeout of the agreement. After the performance has been accomplished according to the terms documented in the agreement, funds are transferred between the trading partners. Within G-Invoicing, fund settlement occurs upon completion of the Performance Transaction. As the agreement approaches its end date, the Buyer and the Seller must monitor each Order included in the agreement. During closeout, the Seller identifies Orders that are approaching an end date and checks the status with the Buyer to confirm that they are ready for closeout. The Buyer reviews the Order status and performs procedures to close out and deobligate the Order if the Statutory Authority for the agreement mandates it. Additionally, the Seller determines if any third-party supporting contracts are open that need to be deobligated and closed.

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

6.3.4. 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, as mandated by the Secretary of the Treasury in accordance with 31 U.S.C. 3512(b) and 3513.

6.4 Memorandum of Understanding

6.4.1. Alternatively, DoD [consolidation](#) entities may establish a bilateral Memorandum of Understanding with each of their DoD trading partners not using G-Invoicing.

6.4.2. Such agreements, at a minimum, must identify the following:

6.4.2.1. The reconciliation timeframes (frequency);

6.4.2.2. Accrual processes (agreed upon methodologies);

6.4.2.3. Availability or exchange of detailed transactions and key supporting documentation;

6.4.2.4. Protocol to resolve differences between trading partners; and

6.4.2.5. Other processes requiring clarification.

*7.0 TRADING PARTNER RECONCILIATIONS

7.1 Reconciliation

7.1.1. OMB Circular A-136 requires [consolidation](#) entities to reconcile and resolve differences between intragovernmental balances and transactions. TFM 2-4700 includes guidance to facilitate the reconciliation of intragovernmental transactions.

7.1.2. DoD entities reconcile with their trading partners at the detail transaction level. Detail transactions provide support for reported balances requiring elimination with trading partners. The 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.

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

7.1.2.2. Document identified differences including, but not limited to, the difference amount, USSGL accounts impacted, [the](#) rationale for the difference, and the status of communication with trading partners.

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

7.1.3. DoD entities must document reconciliations and retain documentation in accordance with the National Archives and Records Administration Records Management Guidance and Regulations.

*7.2 Common Trading Partner Differences

Consolidation Entities should adopt procedures to prevent, as much as possible, the following common trading partner differences:

7.2.1. 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. Trading partners must identify the total amount of the difference and determine if an adjustment should be made.

7.2.2. 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. Trading partners must identify the total amount of the difference and determine if an adjustment should be made.

7.2.3. Accounting methodology difference occurs when trading partners use different accounting methods to account for activity. Trading partners must identify the method(s) of accounting used and the dollar amount of the difference caused by the differing methodologies.

7.2.4. Accrual methodology difference occurs when trading partners use different accrual methods to account for activity. Trading partners must identify the method(s) of accrual used and the dollar amount of the difference caused by the differing methodologies.

7.3 Governmentwide Treasury Account Symbol (GTAS) Adjusted Trial Balance

Each quarter, the 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 the 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 Government-Wide Financial Report.

*7.4 The Advana IGT Toolkit

7.4.1. The Advana IGT toolkit supports interdepartmental trading partner reconciliations at the transaction level and can be used to validate completeness of entity-level IGT transactions recorded in the general ledger.

7.4.2. The Advana IGT Elimination application (part of the toolkit) provides users with a complete universe of buy/sell transactions consolidated from DoD financial systems. Use this application to:

7.4.2.1. Define the population by selecting criteria to define buyers and/or sellers.

7.4.2.2. Create On-Demand Applications (ODAGs) to reconcile the defined population and validate the selection against trading partner ledgers using IGT comparison logic.

7.4.2.3. Share reconciliation ODAGs with trading partners and teammates.

7.4.2.4. Compare Advana reconciliations with internal reports and key supporting documents to explain reconciling variances.

7.4.3. Advana users can access the IGT Toolkit under the (CAC enabled) [IGT Resources](#) link in the Advana Knowledge Base.

7.5 Disputes

7.5.1. DoD 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.

7.5.2. The Office of the Under Secretary of Defense, Comptroller (OUSDC) can assist with DoD dispute resolution between DoD consolidation entities. Submit requests for assistance no later than the 12th 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](#). For OUSDC support, contact the IGT mailbox at osd.pentagon.ousd-c.mbx.ousdc-igt@mail.mil. Entities must provide the following with the request:

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

7.5.2.2. Documentation supporting balances the DoD consolidation entities are seeking to resolve with trading partners.

8.0 OTHER FEDERAL TRADING PARTNER REQUIREMENTS

8.1 Trading Partner Codes

DoD Consolidation 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.

[8.2](#) 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.

[8.3](#) Non-Federal Trading Partners

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

[8.4](#) 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.