

WHAT IS NEW WITH INTRAGOVERNMENTAL



Presentation to:

Federal Financial Management Conference

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What's the Problem?

To eliminate the material weakness:
“The Federal Government’s inability to adequately account for and reconcile intragovernmental activity and balances between federal agencies.”

HOW BIG IS IT?

Statistics – IPAC:

- **In the FR for FY 2007, to make the financial statements balance, and labeled as “Other – Unmatched transactions and balances” in the statements, Treasury recorded a net decrease of \$6.7 billion to the Statement of Operations and Changes in Net Position. For FY 2006 they recorded an \$11 billion decrease.**
- **Almost 1 million Intragovernmental transactions were processed through IPAC in FY 2007.**
- **Those transactions totaled approximately \$63 trillion dollars (fiduciary AND non-fiduciary).**
- **Revised counts and balances (eliminating the Bureau of Public debt which is the largest portion of fiduciary transactions) are 865 thousand transactions and \$531 billion dollars.**

Topics of Discussion



- ☐ **Intragovernmental Transactions**
- ☐ **Impact of Intragovernmental Transactions on the Financial Report**
- ☐ **Governmentwide Intragovernmental Out of Balance**
- ☐ **Treasury Initiatives to Resolve Intragovernmental Differences**
- ☐ **Other Treasury Actions**
- ☐ **Fiscal Year 2008 YearEnd Intragovernmental Key Dates**
- ☐ **Reminders**

Intragovernmental Transactions

- Business activities occurring within or between Federal agencies.

Fiduciary Categories

- Investments in Treasury Securities with Bureau of the Public Debt (BPD)
- Borrowings from Treasury (Bureau of the Public Debt and Federal Financing Bank (FFB))
- Federal Employees Compensation Act (FECA) Transactions with Department of Labor (DOL)
- Employee Benefit Program Transactions with Office of Personnel Management (OPM)

Non-Fiduciary Categories

- Transfers
- Buy/Sell
- Imputed Financing Source/Cost
- General Fund

Resolving Intragovernmental Transactions Continues to be a difficult challenge

Impact of Intragovernmental Transactions on the Financial Report (FR)

- ❑ Prevents the FR from receiving an unqualified audit opinion because unreconciled intragovernmental transactions are still a material weakness at the Governmentwide level.
- ❑ Causes financial statements to be Out-of-Balance because numerous agencies did **NOT** fully reconcile with their trading Partners, and contributes to the amount of unreconciled transactions.

Governmentwide Intragovernmental Out of Balance

	<u>Fiscal Year 2006</u>	<u>Fiscal Year 2007</u>
<input type="checkbox"/> Buy/Sell and Transfers	\$38 billion*	\$42 billion*
<input type="checkbox"/> Fiduciary Trading Partners	\$30 billion*	\$16 billion*
<input type="checkbox"/> General Fund	\$20 billion	\$30 billion

Contribute to the \$11 billion (net) “plug” in *Statement of Operations and Changes in Net Position* for Fiscal Year 2006 reporting.

Contribute to the \$6.7 billion (net) “plug” in *Statement of Operations and Changes in Net Position* for Fiscal Year 2007 reporting.

Treasury Initiatives to Resolve Intragovernmental Differences

Intragovernmental Fiduciary Confirmation System (IFCS)	System became operational in 2001 to assist agencies in confirming and reconciling balances for fiduciary transactions (largest dollars).
Intragovernmental Reporting and Analysis System (IRAS)	Tool developed in 2002 to provide data to agencies on “F” transactions. Assists agencies with effort to reconcile fiduciary and non-fiduciary transactions.
Intragovernmental Eliminations Taskforce (IGET)	Meets periodically to discuss intragovernmental issues, quarterly and yearend reporting requirements, and share best practices.
Closing Package Note Disclosure	Financial Management Service (FMS) required the intragovernmental balances by trading partner to be audited within the Closing Package beginning with fiscal year 2006 reporting.
Use of Central Accounting Data (UCAD)	Improves interagency eliminations by providing agencies with a tool to reconcile transactions and balances directly to Treasury’s Central Accounting Data. Addresses reporting inconsistencies by comparing with Treasury’s Central Accounting Data.

Intragovernmental Fiduciary Confirmation System (IFCS)

- ❑ Internet application and official confirmation system for Federal agencies that engage in fiduciary intragovernmental transactions.
- ❑ Agencies are required to confirm and reconcile, on a quarterly basis, the following transactions:
 - Investments in Treasury Securities with BPD
 - Borrowings from Treasury (BPD and FFB)
 - FECA transactions with DOL
 - Employee Benefit Program transactions with OPM

Intragovernmental Reporting and Analysis System (IRAS)

IRAS Methodology

- Uploads data files (quarterly intragovernmental trial balance extracts, Quarterly IFCS, FACTS I, and Closing Package information) in a Relational Database Software Application, supported by Structured Query Language (SQL), using Visual Basic Protocol.
- Generates reports and data queries by activating various parameters (e.g., reporting agency, trading partner, reciprocal category, United States Standard General Ledger (USSGL)), fund group within a quick-access, user-friendly environment). Also, generates reports for access through GFRS to 35 CFO/Non-CFO agencies to facilitate reconciliation at the reporting level.
- Federal transaction files are required quarterly and at yearend, in two standard formats per TFM 2-4700.

Quarterly Intragovernmental Activity Reports

- Intragovernmental activity reports are available for agencies to access on Discoverer Viewer via Governmentwide Financial Report System (GFRS).
- Compares amounts between reporting agency and trading partner.
- Facilitates further reconciliation.
- CFOs complete material differences/status of disposition certification and additional explanation form.
- FMS prepares and sends out to agencies their comparative explanation of difference reports, which allow auditors to focus on inconsistent reporting agency and trading partner explanation of differences.

Quarterly Intragovernmental Activity Reports, *Cont'd*

Detail by Trading Partner
Summary by Trading Partner
Detail by Reciprocal Category
Summary by Reciprocal Category
Fiduciary Quarterly Data vs. IFCS Agency Benefits Report
Fiduciary Quarterly Data vs. IFCS Comparison Report
Material Differences/Status of Disposition Certification
General Fund Detail Report
Comparative Status of Disposition Certification Report



Other Treasury Actions

□ “Confirmed” and “Unknown” Reporting Differences

- Material Differences explained as “confirmed reporting” by both the reporting agency and its trading partner must be resolved by the next reporting period. Also, material differences explained as “unknown” must be resolved by the next reporting period.
- If reporting differences cannot be resolved by the end of the third quarter, fiscal year 2008, CFOs from the respective agencies will be required to provide FMS a “plan of action” to address unresolved material “confirmed reporting” and/or “unknown reporting” differences.
- Fiduciary work group (started in 2007)
- Other reciprocal category work group (to begin in 2008)

Other Treasury Actions, *Cont'd*

☐ Use of Central Accounting Data (UCAD)

Purpose

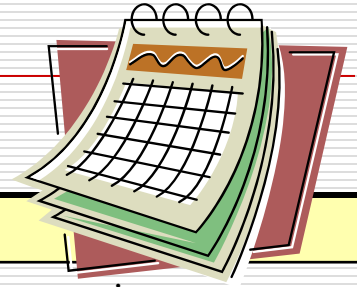
- To improve interagency eliminations by providing agencies with a tool to reconcile transactions and balances directly to Treasury's Central Accounting Data (authoritative data)

Benefit

- To address the following reporting inconsistencies:
 - ☐ Agency financial statements vs. agency monthly reporting to Treasury
 - ☐ Agency financial statement data not consistent with USSGL by matching with the authoritative data (one-to-one relationship from Central Accounting System to yearend financial reporting)

Fiscal Year 2008 Year-End Intragovernmental Key Dates

DRAFT

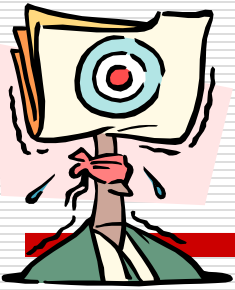


Due Date	Intragovernmental YearEnd Timeline
11/15/2008 COB (6pm EST)	CFO approval of the closing package is due for the verifying agencies.
11/17/2008 COB (6pm EST)	IGs opine on the Closing Package, including Trading Partner Note (Module 4) in GFRS.
11/21/2008	Verifying agencies generate Intragovernmental Reporting and Analysis System (IRAS) reports based on the Closing Package data using Discoverer viewer via GFRS.
11/26/2008	CFOs deliver a report containing CFO representations for intragovernmental activity and balances with the completed Closing Package material differences/status of disposition certification reports to the agency IG, FMS, and GAO.
11/28/2008	FMS provides intragovernmental comparative Closing Package explanations of differences report to CFOs and IGs.

Reminders



- ☐ Submit all quarterly “F” files in a timely manner and in the standard formats.
- ☐ Communicate and reconcile with trading partners on a quarterly basis.
- ☐ Use FMS tools (IRAS, IFCS, IGET) to identify and resolve intragovernmental differences.
- ☐ Use UCAD to facilitate reconciliations.
- ☐ Resolve differences at the agency level to improve consolidated financial information at the Governmentwide level.
- ☐ Adhere to due dates.



How to Solve it?

- ☐ Improved reporting/visibility, and accountability
- ☐ Business process improvement
- ☐ Technology



Improved Reporting / Visibility

- ☐ CFO Council
- ☐ Intra-governmental Dispute Resolution Committee
- ☐ "Watchlist"

CFO Council

- ❑ Revised Intragovernmental Business Rules (published in Treasury Financial Manual)
- ❑ Exploring process improvements such as standard template for Inter-agency agreements
- ❑ Exploring possible IT solutions

Intra-governmental Dispute Resolution

- Intra-governmental Dispute Resolution Committee
 - Imbalances material to one agency
 - Arbitration by peers – accounting and financial reporting differences

The “Watchlist”

- ❑ Contribute to material government-wide imbalances
- ❑ Focus on “00” Unidentified trading partner and imbalances between agency pairings
- ❑ Meet with Agency CFO, OMB, and Treasury

Business Process Improvements



•Tracking transactions from the outset through settlement

- Establish an agreement (IAA) with business partner
- Record obligation in the accounting system
- Record expenses and revenues in the accounting system
- Record disbursements/collections and match to obligation

•Intragovernmental must following accrual accounting methods

TECHNOLOGY

- ☐ IPAC is the base technology
 - System used for disbursements and collections
 - Can it be used to create discipline around obligations and accruals?
- ☐ Reviewing products
 - Government
 - ☐ Dept of Treasury's Material Differences report
 - ☐ Trading Partner ad hoc reports
 - Non-government
 - ☐ Systems, e.g., DoD's IVAN project
 - ☐ External information

TECHNOLOGY

☐ Need to set requirements

- Formal agreement between Trading Partners
 - ☐ Specify agreement number, appropriations, period of performance, etc
 - ☐ Establish whether there will be an advance of funds
 - ☐ Establish performance methodologies
- Record obligation in the accounting systems
 - ☐ Record advances correctly
- Upon performance, record revenues/expenses in the accounting system
- Record disbursements and collections
 - ☐ Match to obligations
 - ☐ Reject IPACs only when not compliant with the agreement



Contact/Questions

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Q & A