



# Intra-governmental Transactions Transformation Plan: Resolving What Makes Us Different



FMS Conference  
August 20, 2012

# Presenters

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# Introduction

## Disclaimed Opinion on Financial Report

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**Problem: 15 Years with Disclaimed Opinion**

**Issue: Material Weakness on Elimination of IGTs**

“...inability to adequately account for and reconcile intra-governmental activity and balances between Federal entities.”

**Cause: Lack of process controls and communication between trading partners; not trading partner imbalances**

# Solution: IGT Long-term Plan

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**Revised IGT Policy: Treasury has developed a long-term plan to reduce the IGT material weakness. The major components of the plan are:**

- **Revise IGT Policy and Guidance**
- **Develop/Implement IGT Metrics and Scorecards**
- **Review IGT Audit Standards**

## Challenge: Policy and Guidance

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- **Guidance around IGT eliminations is not clear and sometimes inconsistent**
- **Guidance is not consolidated in a single policy document**
- **Guidance does not fully explain the unique process model for each category of IGT**
- **Guidance for transfer activities is incomplete based on the varied scenarios for recording**

## Solution: Revise IGT Policy

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Treasury is working in concert with agencies to revise Treasury Financial Manual (TFM) Volume I, Chapter 2, Section 4700 Appendix 7 (Reciprocal Categories) and Appendix 10 (IGT Guide) by:

- **Collaborating with "Trusted Advisors" to improve guidance**
- **Hosting policy overview sessions with all FPAs**

# Challenge: Consistent Trading Partner Communication

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- **Inconsistent communication of IGT information**
- **Inconsistent methodologies (e.g., accrual calculation)**
- **Lack of proactive communication to resolve differences**
- **Recurring differences for known IGT issues**

# Solution: Define Required Trading Partner Communications

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Treasury is promoting a foundation for effective and organized communications around IGT differences by:

- **Minimum Accounting Data Elements (MADE)**
- **Authoritative Data Sources (e.g., UCAD)**
- **Reconciliation with Fiduciary/Benefits Authoritative Sources**

# IGT Policy

## Buy / Sell Minimum Accounting Data Elements (MADEs)

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#	Data Element	Purpose
1	<b>Seller Common Agreement/Order Number</b>	A unique identifier used to capture and track the following for each order: 1. Overall agreement number 2. Order number 3. Order modification number
2	<b>Order Point of contact (POC)</b>	Contact information for the individual, typically a COTR or equivalent, responsible for authorizing actions and expenditures for orders.
3	<b>Agreement/Order Period</b>	The start/end dates for the agreement, as well for the order.
4	<b>Order Action</b>	The action taken on the order signifying a newly created, modified or cancelled order. Modifications or cancellations to order or agreement change Order Action MADE.
5	<b>Order Amount</b>	The total amount obligated for the order, including direct costs and overhead fees and charges.
6	<b>Buy/Sell Transaction Type</b>	The type of buy/sell transaction requested by the buyer.
7	<b>Accrual/WIP Amount</b>	Accrual amount based on the identified methodology and timing for recording expense and revenue as costs are incurred.

# IGT Policy

## Buy / Sell Minimum Accounting Data Elements (MADEs)

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#	Data Element	Purpose
8	<b>Advance / Nonadvance Indicator</b>	Indicator for the use of advances.
9	<b>Capitalized / Noncapitalized Indicator</b>	Indicator for the intent to capitalize or expense a good.
10	<b>TAS</b>	The receipt, appropriation, expenditure, and other fund account symbols and titles as assigned by FMS. .
11	<b>Delivery Status/Amount</b>	A status indicator to confirm the receipt and acceptance of goods and/or services. Seller must adjust appropriately for partial and final deliveries. .
12	<b>Collected Amount</b>	Total collected amount to reflect current account balances for receivables and advance payments. Seller should adjust amount with each collection.

# Challenge: Lack of Visibility into IGT Differences

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- **Little insight into the full scope of IGT differences**
- **No explanations below the \$250M thresholds**
- **Ongoing differences with General Fund**

# Solution: Develop IGT Metrics and Scorecards

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Treasury developed and implemented Agency scorecards that identify differences and corrective actions:

- **Focus on key problem areas**
- **Identify Agency corrective actions**
- **Identify trends with IGT differences**

# IGT Metrics

## Sample Agency Scorecard (page 1)



### Department X Intra-governmental Transactions (IGT) Scorecard

Source Data: FY2012, Q2



**Objective:** Implement process controls to address IGT differences based on presented significant findings. Demonstrate progress towards the elimination of IGT differences and provide data for root cause analysis.

#### Summary:

Below is a snapshot of the agency's Intra-governmental Transactions (IGT) scorecard:

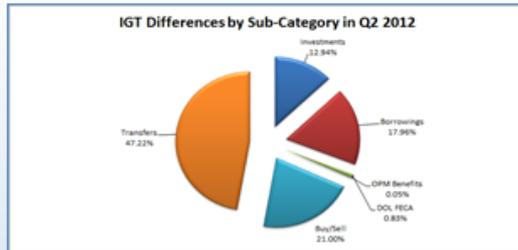
- Ranking: Department X ranks **7<sup>th</sup> out of 89** Federal agencies for IGT contributions
- Red flag reconciliation items
  - Transfers total IGT differences of \$5.2 Billion
  - Buy/Sell total IGT differences of \$2.3 Billion
- Compliance
  - Treasury was **not** compliant with the proper use of TP 99 in **3 out of 5** sub-categories
  - Treasury was **not** compliant with **2 out of 4** Authoritative sources
- There were minimal differences in the following sub-categories:
  - OPM Benefits

#### Agency Contribution to IGT Difference:

Rank	Agency Name	Total Differences
5	Department TBD	\$ 13,921,626,992.39
6	Department TBD	\$ 11,658,981,651.15
<b>7</b>	<b>Department X</b>	<b>\$ 11,402,958,753.89</b>
8	Department TBD	\$ 11,060,251,807.59
9	Department TBD	\$ 11,033,137,510.95

As of Q2, the agency has approximately \$11.4 Billion in IGT differences and is the 7th largest contributor to total IGT differences.

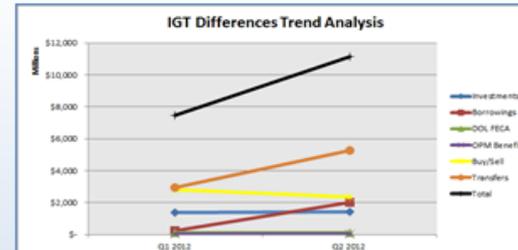
#### Agency Sub-Category Breakout:



Investments	Borrowings	DOL FECA	OPM Benefits	Buy/Sell	Transfers
\$ 1,439,081,063.72	\$ 1,998,191,312.91	\$92,441,490.52	\$ 5,421,902.24	\$ 2,335,521,583.03	\$ 5,252,855,321.12

- Minimal difference was reported in the OPM Benefits sub-category.
- The largest differences were reported in the Transfers and Buy/Sell sub-categories.
- 80% of differences in the Transfers sub-category are located in RC 08 (No expenditure Transfers of Unexpended Appropriations and Financing Sources).

#### Quarter-to-Quarter Snapshot:



Investments	Borrowings	DOL FECA	OPM Benefits	Buy/Sell	Transfers	Total
3%	>100%	4%	4%	20%	44%	53%

- Total IGT differences increased \$3.6 Billion from the previous quarter.
- DOL FECA and Buy/Sell subcategories experienced reductions in reported differences.
- The Transfers (\$2.2 Billion) and Borrowings (\$1.7 Billion) increases were the largest contributors to the overall increase in total IGT differences.

Increase Decrease

Findings presented on this scorecard are generated using unadjusted data reported to IRAS, quarterly.

# IGT Metrics

## Sample Agency Scorecard (page 2)



**Agency X Intragovernmental Transactions (IGT) Scorecard**  
Source Data: FY2012, Q2



**Authoritative Source Compliance:**

Non-compliance with Authoritative Source balances are a recurring cause of IGT differences. The compliance status of each fiduciary sub-category is listed below.

Investments	Borrowings	DOL FECA	OPM Benefits
Green	Green	Yellow	Yellow

Compliance was determined using the following thresholds:

<\$100K	\$100K-\$1M	>\$1M
Green	Yellow	Red

**Trading Partner (TP) 99 Proper Use:**

Identified below is the agency's compliance with the appropriate use of TP 99 as cited in Treasury Financial Manual (TFM) Appendix 10, Intragovernmental Transaction (IGT) Guide, for General Fund (GF) transactions.

Investments	Borrowings	Benefits	Buy/Sell	Transfers
Compliant	Compliant	Compliant*	Non-Compliant	Compliant

\* Compliance pending FICA validation

**Significant TP Relationship Challenges:**

**Transfers**

- The top Transfers entity differences are attributed to the following:
  - Entity 1, which equate to 93% or \$3.3 Billion of the total IGT Transfer differences.

**Buy/Sell**

- The top Buy/Sell trading partner/entity differences are attributed to the following:
  - Agency 5, which equates to 79% or \$735 Million of the total IGT Buy/Sell differences.
  - Agency 6, which equates to 11% or \$102 Million of the total IGT Buy/Sell differences.

Note: Submit supporting documentation for reported differences above \$100 Million to Dispute Resolution prior to the next reporting period, if you cannot reconcile with your trading partner.

**Suggested Corrective Actions:**

Below you will find a number of priority issues that will assist in reconciling IGT differences as well as improving controls.

**Analysis:**  
Agencies reporting Non-expenditure Financing Sources – Capital Transfers In/out (USSGLs 575600F and 576600F) should not use TP 99. Buy/Sell differences could be related to unrecorded WIP (accrual) as well as advance/expense accounting errors.

**Recommended Action:**

- Correct Capital Transfers In/out as Intradepartmental (as TP 72).
- Ensure WIP Information is exchanged on a quarterly basis.
- Work with the following trading partners to validate advance activity is appropriately recorded in compliance with TFM guidance (See Appendix 10; Section 8.2.1):
  - Agency 7 - \$11 Million
  - Agency 8- \$11 Million

Findings presented on this scorecard are generated using unadjusted data reported to IRAS, quarterly.

# Challenge: Failure to Resolve Differences

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- **Inconsistent documentation of IGT differences**
- **Lack of awareness of Treasury's dispute resolution process**
- **Little attention to IGT differences below \$250M**
- **Inconsistent reconciliation procedures**

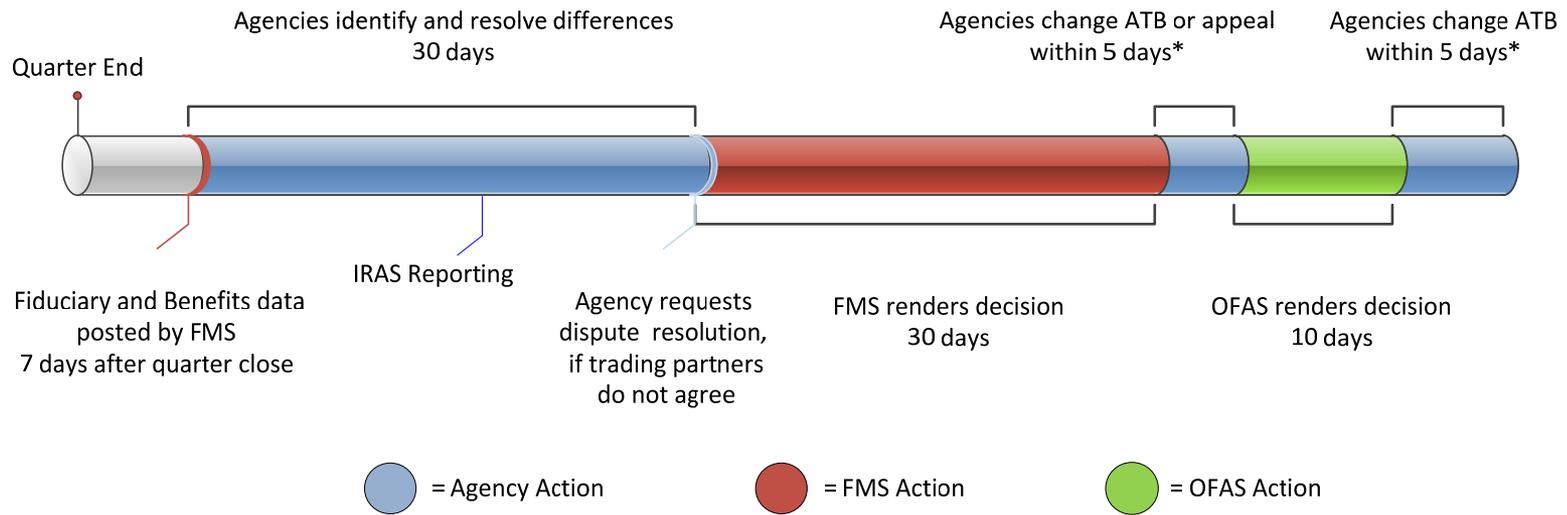
# Solution: Enhance the Dispute Resolution Process

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Treasury is expanding the dispute resolution process to provide agencies with additional methods for resolving IGTs:

- **Trading Partners work together to reconcile**
- **Agencies document rationale for differences**
- **Agencies initiate dispute resolution process for material differences**

# IGT Policy Dispute Resolution Process



\*Within 5 days or by quarter End, whichever is greater

Time measured in calendar days

# The Community Solution

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**Agencies must play together to achieve a government-wide clean opinion. Separately we are excellent instruments of government, but together we are a harmonious symphony!**

# Keys to Implementing the Community Solution

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- **What are the key policy changes that will be implemented?**
- **How will this impact my agency?**

# Proposed 2013 Policy Changes

## General Changes for All IGT Categories

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Policy Change	Key Changes/Requirements	Agency Impact
<b>Lower the Material Difference Threshold used in Material Differences reports</b>	<ul style="list-style-type: none"><li>Lower the material differences threshold (e.g., \$100M) used in the FMS Material Differences reports</li></ul>	<ul style="list-style-type: none"><li>Agencies explain additional differences below \$250M</li><li>The increased number of differences will increase workload, but is limited</li></ul>
<b>Revise material difference explanations and definitions</b>	<ul style="list-style-type: none"><li>Establish more granular categories for material differences explanations and allow for improved measurement of difference categories</li></ul>	<ul style="list-style-type: none"><li>Agencies use more granular explanations</li><li>Agencies provide status of differences (e.g., in dispute resolution)</li></ul>
<b>Enhance the Dispute Resolution (DR) Process</b>	<ul style="list-style-type: none"><li>Proactively require agencies to seek dispute resolution for balances that cannot be reconciled through communications with trading partners</li></ul>	<ul style="list-style-type: none"><li>Agencies work with trading partners to reconcile</li><li>Agencies must document and seek dispute resolution for unreconciled differences above threshold</li></ul>

# Proposed 2013 Policy Changes

## General Changes for All IGT Categories

Policy Change	Key Changes/Requirements	Agency Impact
<b>Develop and communicate General Fund business rules</b>	<ul style="list-style-type: none"> <li>Define appropriate usage of General Fund Trading partner code "99"</li> </ul>	<ul style="list-style-type: none"> <li>Agencies refrain from using TP99 for balances identified in guidance</li> </ul>
<b>Define Federal program agency points of contact</b>	<ul style="list-style-type: none"> <li>Establish specific points of contact for IGT reconciliation activities at the sub-Department level for individual sub-categories</li> </ul>	<ul style="list-style-type: none"> <li>Agencies assign POCs at the sub-Department level and by sub-category</li> <li>POCs provide SME related to IGT reconciliation</li> </ul>
<b>Refine Reciprocal Categories (RC) in Appendix 7 of TFM Chapter 4700</b>	<ul style="list-style-type: none"> <li>Update alignment of SGLs to RCs for increased granularity and transparency</li> <li>Update RCs to more accurately reflect IGT activity and eliminations</li> <li>Agencies required to document SGLs impacting multiple categories</li> </ul>	<ul style="list-style-type: none"> <li>Agencies work with trading partners to eliminate IGT differences using new RCs</li> </ul>

# Proposed 2013 Policy Changes

## Authoritative Sources

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Policy Change	Key Changes/ Requirements	Agency Impact
<b>Fiduciary and Benefit Authoritative Source Model</b>	<ul style="list-style-type: none"><li>• Identify and establish Authoritative Sources (e.g., DOL for FECA benefits)</li><li>• Identify requirement for FPAs to post Authoritative Source data unless a difference is identified</li><li>• If a material difference is identified, FPAs must reconcile with the authoritative source and if unable to resolve the difference seek dispute resolution</li><li>• If immaterial, FPAs must document differences and make available upon Treasury request</li></ul>	<ul style="list-style-type: none"><li>• Agencies must seek dispute resolution if unable to reconcile with Trading partners</li><li>• Agencies must document reason for differences</li></ul>

# IGT Policy

## Buy/Sell Policy Highlights

Policy Change	Key Changes/ Requirements	Agency Impact
<b>IGT Bad Debt (Allowance, Expense)</b>	<ul style="list-style-type: none"><li>• Require written approval from Treasury /OMB before establishing an allowance for Federal receivables and all write-offs</li><li>• Prohibit allowance from exceeding a set percentage of total accounts receivables</li><li>• Require amounts to be cleared or transferred to bad debt expense and written off within a set timeframe</li><li>• Define controls to capture usage (e.g., metrics)</li><li>• Define reciprocal account</li></ul>	<ul style="list-style-type: none"><li>• Agency limited usage of Bad Debt accounts and request approval from OMB/Treasury</li><li>• Revise agency policy based on OMB/Treasury policy for process/approval</li></ul>
<b>IPAC Cutoff</b>	<ul style="list-style-type: none"><li>• Establishes cutoff for IPAC processing, including chargebacks, 3 business days prior to quarter-end close</li></ul>	<ul style="list-style-type: none"><li>• Discussion underway to limit agency usage of IPAC during quarter-close</li></ul>

# IGT Policy

## Buy/Sell Policy Highlights (cont.)

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Policy Change	Key Changes/Requirements	Agency Impact
<b>Assisted Acquisition</b>	<ul style="list-style-type: none"><li>• Define assisted acquisition as a process to support buy/sell transaction types</li><li>• Establish business rules specifying USSGL accounts for recording assisted acquisition transactions using the designated buy/sell revenue and expense accounts</li></ul>	<ul style="list-style-type: none"><li>• Agencies apply guidance related to process and usage of USSGL</li><li>• Increased clarity around assisted acquisition process</li><li>• Guidance for assisted acquisition transactions</li></ul>
<b>Minimum Accounting Data Element (MADE) Reporting</b>	<ul style="list-style-type: none"><li>• Designate 12 MADEs to support proper accounting of business events from initiation to settlement</li><li>• Requires the seller agency to report MADEs to the buyer agency for all new agreements</li></ul>	<ul style="list-style-type: none"><li>• Agencies begin capturing and communicating all MADEs in FY13 for new agreements over \$1M</li><li>• Confirmation of MADEs with trading partners at initiation</li><li>• Proactive communication of agreement status and progress</li></ul>

# IGT Policy

## Transfers Policy Highlights

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Policy Change	Key Changes/ Requirements	Agency Impact
<b>Accounting for Transfers</b>	<ul style="list-style-type: none"><li>• Provide a logic model to assist trading partners with properly identifying and accounting for transfer types.</li></ul>	<ul style="list-style-type: none"><li>• Agency provide feedback on logic model and supporting guidance</li><li>• Agency utilize logic model for categorizing and accounting for transfers</li></ul>
<b>Transfer Definition</b>	<ul style="list-style-type: none"><li>• Build consensus on the definition of a transfer between OMB and the policy document.</li><li>• Define primary categories of Transfer types:<ul style="list-style-type: none"><li>○ Expenditure</li><li>○ Non-expenditure</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Discussions underway with OMB regarding transfer definitions</li><li>• Agency utilize guidance on definition of a transfer, with regard to which transactions should be classified as a transfer</li></ul>

# Points of Contact

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