

Intragovernmental Eliminations



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Overview

- Intragovernmental Transactions (IGT)
- Reporting Requirements
- DoD's Material Weakness
- DoD's Proposed Solution
- The Impact of OMB's Intragovernmental Transactions Exchange on IPAC
- Your Role in the IGT Improvement Process

Intragovernmental Transactions

- Any transactions involving sales, services or transfers between two entities of the federal government
- There are 3 recognized levels of intragovernmental transactions
 - Level 1 = Between DoD and Non-DoD Entities
 - Level 2 = Between DoD Components
 - Level 3 = Within DoD Components
- DoD's reporting system further subdivides Level 3 transactions
 - Level 4 = Between DoD Agencies
 - Level 5 = Between Entities of one Agency
 - Level 6 = Within an Entity

Reporting Requirements

- Generally Accepted Accounting Principles (GAAP) require the elimination of intragovernmental transactions from consolidated financial statements to prevent overstating accounts for intra-entity activity
 - Revenues/Expenses (and Capitalized Assets)
 - Accounts Receivable/Accounts Payable
 - Transfers In/Transfers Out
- When the seller's revenue matches the buyer's expenses, both are eliminated - removed from the consolidated total
- Goal is to eliminate all intragovernmental balances with no adjustments needed
- Eliminations must be fully supported with transaction level details, including identification of buyers and sellers – they must be auditable

DoD's Material Weakness

- DoD cannot support eliminations with the details required to pass an audit
 - Most DoD systems do not capture the required data fields
 - Lack of standardization
 - Timing differences
 - Inability to reconcile between trading entities
- To achieve an unqualified audit opinion DoD must overcome this obstacle

DoD's Solution

- Develop a clearing house for DoD intragovernmental transactions that will:
 - Allow for identification of parties to transactions
 - Summarize transactions for reporting purposes
 - Facilitate reconciliation of reported intragovernmental transactions to the source accounting systems and between trading partners
 - Provide detail support necessary to pass audit
- The DoD Intragovernmental Transactions System (IGTS) will:
 - Capture and summarize at all levels
 - Provide amounts by general ledger account and trading partner for reporting and reconciliation
 - Interface with OMB's Intragovernmental Transactions Exchange for level 1 transactions to which DoD is a party

The Impact of OMB's Intragovernmental Transactions Exchange on IPAC

- Mandatory Elements Required for all Transactions
 - BPN Number
 - Order Number
 - Line of Accounting
- IGTE Acts as a Portal for Intragovernmental Transactions
 - Receives orders/bills for level 1 transactions
 - Initiates level 1 disbursements in IPAC as 3rd party requestor
 - E-mail notification to BPN POCs
 - Views IPAC error reports
- IGTS Identified Issues with IGTE
 - FSN modified to default in IGTE before transmission to IPAC
 - Field length limitations – document field currently 11 positions
 - Availability of supplementary fields currently used by DoD

Your Role in the IGT Improvement Process

- Support the Initiative
 - Ensure mandatory data fields are filled
 - Communicate with your customers
- Provide Input
 - Identify potential issues to the IGTS Project Management Office
 - Suggest improvements to current IPAC processes
 - Suggest work-around where process improvements are not feasible

Success is Achievable

Intragovernmental Transactions in Consolidated Financial Reports

