

# **INSTRUCTIONS ON THE COLLECTION OF FINANCIAL INFORMATION FOR INTERAGENCY AND INTRAGOVERNMENTAL ELIMINATIONS**

**Background.** Traditionally, Department of Defense (DoD) accounting systems have captured information relative to sales of goods and services to customers with the use of Reimbursement Source Codes (RSCs). These RSCs permit the capturing of sales data to customers within the DoD, to other federal agencies outside the DoD, and to public enterprises (including state, local and foreign governments). The most prevalent sales within the Department occur between Defense Working Capital Fund organizations and operating appropriations and between host and tenant activities. However, even these sales are reported at summary levels and there is little information available at departmental levels to identify the dollar amount of such sales to specific DoD Components. Information on intragovernmental sales (between the DoD and other federal agencies) is less precise and provides little breakdown as to the specific federal agencies with whom the Department has been trading.

In past years, the Department has assumed that if it could identify a specific dollar amount of sales by one DoD Component to another DoD Component or to another federal agency, then those activities should be reporting an equal amount of purchases. For reporting purposes, the selling activity has identified the dollar amount of sales and provided the general ledger accounts for Accounts Receivable, Revenues, Unearned Revenues and Collections. An equal amount of Accounts Payable, Expenses, Advances and Disbursements has been presumed to have been recorded on the accounting records of the purchasing activity. Because many current accounting systems do not have the capability to capture the above proprietary general ledger data by the source of funds (i.e., government versus nongovernment), the dollar amount of sales was determined based upon budgetary general ledger accounts reported in "Report on Reimbursements" (RCS: ACCT-RPT(M)725).

**New Requirements.** New accounting requirements issued by the Office of Management and Budget (OMB) place emphasis on eliminating the effects of trading between federal agencies and necessitate the capture of sales (seller) data and customer (purchaser) data at the agency level. Beginning with FY 1999, sales and purchases from both government and nongovernment sources must be segregated in both proprietary and budgetary general ledger accounts and such data must be included in the data stream used to prepare both budget execution reports and the Chief Financial Officer (CFO) financial statements. In addition, to ensure that both parties of any given interentity or intragovernmental transaction are properly and timely reported, reconciliations between the provider entity and the receiving entity (trading partners) are required for verification purposes.

**Data Requirements.** Financial information on the sale and purchase of goods and services from other DoD Components and other federal agencies during FY 1998 is requested on Enclosures 1 through 4, respectively. The financial information is necessary to identify the dollar value of transactions that occur between DoD agencies and to identify the major trading partners that typically participate in these activities. Much of the sales information currently is available in general ledger accounts or budget execution reports, or a combination of both. Purchase information, however, must be extracted from the accounting and/or management information systems since previously there has not been a reporting requirement to capture the detail data necessary to complete the attached enclosures. A coordinated effort is needed on the part of both

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program managers and the Defense Finance and Accounting Service to identify system sources and extract the necessary data concerning interentity, interagency, and intragovernmental transactions from both the provider entity and receiving entity's perspective. These instructions, as well as Enclosures 1 through 4, are located on the Under Secretary of Defense (Comptroller) Internet home page at: <http://www.dtic.mil/comptroller/buspracs/>.

**Audit and Verification.** *The information obtained from this request will be used to develop procedures for making elimination entries for the FY 1999 CFO financial statements.*

Elimination entries are subject to audit and verification by the audit community. However, currently there is no formal guidance concerning the verification/reconciliation of elimination amounts reported by, and to, federal agencies. Notwithstanding, DoD reporting entities are expected, in the future, to perform reconciliations between interentity, interagency and intragovernmental trading partners. The extent to which those reconciliations are performed and used will be decided by applicable government-wide teams established by the OMB to develop: (1) standard guidance concerning the reporting and reconciliation of interagency elimination transactions, (2) specific guidance concerning the identification of elimination amounts in the Federal Agencies' Centralized Trial-Balance Systems, (3) reasonable materiality thresholds for the reporting and validation of interagency elimination transactions, or (4) other applicable government-wide efforts.