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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D C. 20503

October 4, 2002

THE DIRECTOR

M-03-01

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

FROM: Mitchell E. Daniels, Jr. *msdj*
Director

SUBJECT: Business Rules for Intragovernmental Transactions

In August 2001, President Bush announced the President's Management Agenda to "address the most apparent deficiencies where the opportunity to improve performance is greatest." One such deficiency is intragovernmental transactions, which the General Accounting Office has classified as a government-wide material weakness. Our inability to properly account for such transactions hinders true cost transparency, impedes achievement of our goal of a clean opinion on the U.S. Consolidated Financial Statements, and consumes significant resources in attempts to identify, reconcile, and resolve differences.

A major factor to the Government's inability to account for these transactions is the lack of standardization in processing and recording intragovernmental activities. As a key step toward resolving this weakness, we have established two sets of standard business rules. Attachment A contains a listing of business rules to be observed when engaging in intragovernmental exchange activity. These rules will be effective on January 1, 2003, unless otherwise specified. Attachment B contains a listing of business rules that are applicable to the recording and reconciliation of certain fiduciary transactions. The rules in Attachment B will be effective on October 1, 2003. Agencies that do not use these business rules will be downgraded on their progress score for financial management on the Executive Branch Management Scorecard.

The use of these business rules is another step towards achieving the President's vision of an electronic government. We will use these business rules to develop an electronic commerce portal that will enable the exchange of acquisition and payment data to execute an intragovernmental transaction.

Thank you for your continued leadership and commitment to carrying out the President's Management Agenda, to improving financial management, and to resolving the intragovernmental material weakness. Questions about this memorandum may be directed to Joseph L. Kull, Deputy Controller, at 202-395-3993.

Attachments

Attachment A

Exchange Transactions

Business Rules for Intragovernmental Exchange Transactions

1. Federal agencies that acquire goods or services from another federal agency and federal agencies that provide goods or services to another federal agency must obtain and use Dun & Bradstreet Universal Numbering System (DUNS) numbers as unique business location identifiers. Each agency may determine the organizational level for assignment of the DUNS numbers below the minimum assignment level, which is the major component or reporting entity. Each organizational level above the major component or reporting entity must also obtain a DUNS number for identification and consolidation purposes. Assignment at the regional location of each major component or reporting entity is strongly encouraged to facilitate reconciliation of intragovernmental activity and balances.
2. Federal agencies must register their DUNS numbers in the Central Contractor Registration (CCR) database by January 31, 2003, and must observe the requirements established by the system owner/manager, which is currently within the Department of Defense. A registration template will be provided separately.
3. Federal agencies are responsible for the accuracy of their respective CCR registration data.
4. The business process rules and data architecture are effective on January 1, 2003 on a "go-forward" basis. Augmentation of existing unfilled intragovernmental orders will not be required.
5. Beginning on October 1, 2003, certain purchases for goods and services that equal or exceed \$100,000 per order or agreement must be transmitted via the intragovernmental electronic commerce portal (portal). For orders that are not transmitted via the portal, agencies may continue to use existing methods and systems as long as the required data elements are associated with the order. Additional information on the transactions to be forwarded via the portal will be provided separately.
6. The threshold stipulated in rule #5 may be raised or lowered at a future date.
7. These rules are effective for all intragovernmental purchases of goods and services. Exceptions to these rules will be made for purchase card acquisitions, for national emergencies, and for national security considerations. The agency head (or his designee) may authorize such exceptions.
8. When the requesting agency (or buyer) determines that a requirement will be fulfilled by another federal agency, the requestor will prepare and transmit an intragovernmental order (order) to the providing agency (or seller). Negotiations between the business partners may take place prior to the preparation of the order, and the seller may prepare the order for the buyer. In addition to the order number, an interagency agreement number may be assigned. However, the order number assigned by the buyer will serve as the document control number. An agency may not assign the same document control number to more than one order.
9. To ensure that order fulfillment and revenue can be associated with a specific intragovernmental order, the seller must capture the buyer's intragovernmental order number

in the seller's order fulfillment or non-tax revenue system to associate the buyer's order number with any agreement or control number assigned by the seller's system.

10. The order must be authorized/approved in accordance with existing agency policies before transmittal to the seller. Necessary funding information/citation must be included on the order.
11. An order may, on occasion, contain consolidated or summary information. Additional information, such as a statement of work, occupancy agreements, terms and conditions, specifications, etc., may be attached to the order, if desired or necessary for order fulfillment and payment.
12. An obligation must be recorded in the buyer's core financial system prior to transmittal of the authorized order to the seller. If the obligation number is different from the order number, then the obligation record must include the intragovernmental order number and any interagency agreement associated with the obligation. An intragovernmental order will be deemed accepted when signed by both business partners, upon transmittal to the portal by the buyer, or when the order is issued in response to a quotation or proposal tendered by the seller.
13. When an accepted order is cancelled by the buyer, the seller is authorized to collect costs incurred prior to cancellation of the order plus any termination costs.
14. The standard data elements reflected in Attachment A-1 will be associated with the buyer's order record. The data elements to be transmitted to the seller via the portal will be a subset of these standard data elements and will be defined at a future date.
15. Electronic or hard copies of the order will be provided to administrative or program offices responsible for ordering, acceptance, and payment.
16. Bills must be issued according to the terms reflected in the order but not later than 10 days after delivery of the goods or services provided.
17. The standard data elements reflected at Attachment A-2 will be associated with the seller's billing record. The data elements to be transmitted via the portal will be a subset of the standard data elements and will be defined at a later date.
18. Consistent with voucher audit requirements that will be specified, bills transmitted via the portal will be "examined" for payment. Unless a dispute is initiated by the buyer within 10 business days from the bill date, constructive acceptance will be deemed to occur, and the portal will initiate the IPAC transfer automatically and route the payment transaction to Treasury's IPAC system. Notification of this transaction will be sent to the buyer and the seller.
19. Billings for intragovernmental orders that are not transmitted via the portal will be directly processed through Treasury's IPAC system. Only the responsible billing party may initiate the IPAC transaction. Responsibility for initiating the IPAC transfer may be negotiated between the buyer and seller, and the responsible billing party must be explicitly stated on the order. If no responsible billing party is specified, the seller will be deemed the party responsible for initiating the IPAC transfer.

20. There will be no advance payments for service orders unless explicitly required by law. Progress payments and periodic payments are permissible.
21. Advances will be permitted for orders for goods that exceed \$1,000,000. The advance may not exceed 50% of the order amount. Unless explicitly required by law, there will be no advances for orders for goods that are less than \$1,000,000.
22. Advance payments made prior to the effective date of these business rules will be subject to the rule requiring status reports.
23. For advance payments that are permitted, the buyer will record the payment as an "advance to." The seller will record the payments as an "advance from" and will provide monthly status reports to the buyer reflecting revenue earned. The buyer and the seller will make appropriate adjustments to their respective advance accounts.
24. The use of budget clearing account F3885 as outlined in OMB Circular No. A-11 is permitted under these rules.
25. In addition to other required elements, an IPAC transaction will include the buyer's order number, the DUNS number for the buyer's site location, the appropriation symbol for payment from (sender), the seller's bill number, the DUNS number for the seller's site location, and the appropriation symbol for collection by (receiver).
26. The buyer and the seller are expected to resolve any dispute within 30 business days of the billing date using existing dispute mechanisms. If the dispute cannot be resolved using these mechanisms, then the matter must be referred on the next business day to a dispute resolution task force for a binding decision. Administrative costs and penalties may be levied on the agencies involved in the dispute referral.
27. For intragovernmental orders that are not routed through the portal, the cut-off date for issuing new intragovernmental orders for the current fiscal year will be midnight on September 25 of that year (in order to allow selling agencies to receive and record customer orders). For orders that are routed through the portal, the cut-off date will be midnight on September 30 as measured by the date/time stamp assigned by the portal.
28. The cut-off date for new bills for each fiscal year will be midnight on September 30 as measured by the date/time stamp assigned by the portal. Revenue that is earned but not billed will be recorded as an accrued asset and a detailed notification of the revenue recognized will be provided by the seller to the buyer within 5 business days after the end of each fiscal year. The buyer will recognize an equivalent expense or asset and will record an accrued liability for the future payment. There will be no intragovernmental, unbilled accounts receivable for the seller at year-end.
29. Selling agencies are required to record an unfilled customer order immediately upon receipt and acceptance of an authorized intragovernmental order.

Attachment A-1
Exchange Transactions

Data Elements for Intragovernmental Orders

ORDER DATA ELEMENTS	DESCRIPTION
Order date	Calendar date that order placed (mm/dd/yyyy format)
Order No.	Document number that references a specific purchase transaction
Interagency Agreement No.	Number of document (interagency agreement, MOU, etc) to which this specific purchase is to be associated
Customer agency	DUNS number for site location placing order (buyer)
Delivery address	Delivery location if different from physical address listed in CCR/BPN
Providing agency	DUNS number for site location filling order (seller)
Line No.	Sequential number to differentiate among items when more than one item is ordered
Supply/Service	Description of supplies or services ordered
Quantity	Quantity ordered
Unit Cost	Cost of individual unit
Line Total	Unit cost times quantity in dollars/cents
Total Amount	Total of all line totals
Authorizing official	Electronic (certified) signature of authorizing official
Payment Terms	Quarterly/Monthly/Semi-annually/Upon delivery (specify only one option)
Ordering point of contact	Name of Individual to contact for questions about order
POC Phone	Phone number of ordering point of contact
E-mail	E-mail address of ordering point of contact
Program activity	Code/indicator to identify the major program/mission activity for which the order is required. (Purpose is to tie budget execution to performance of mission activity)
Obligation Mo/Yr	Month and year in which the obligation was recorded (Used to identify potential timing differences for reporting purposes)
Appropriation	Appropriation code that will be charged for purchase. Full symbol must be entered.
Funding organization	Code/indicator to identify organizational entity that is funding the purchase (This is the spending allocation that will be charged.)
Cost Center	Code/indicator for organizational entity that will be using the items purchase to execute the program/mission activity identified above. (This could be the same as the funding organization or it could be a specific project)
Object Class Code	Spending category that describes the type of goods or services being purchased. (Used for major object class reporting and for deriving general ledger posting.)
Fiscal Period	Number of fiscal month in which purchase transaction is recorded in the general ledger
Standard General Ledger	Proprietary and budgetary accounts in which the financial impact of the event is recorded
Capital Asset Indicator	Yes/No indicator to specify whether item purchased will be capitalized by the ordering agency and recorded as an asset rather than an expense

Attachment A-2
Exchange Transactions

Data Elements for Intragovernmental Bills

BILL DATA ELEMENTS	DESCRIPTION
Bill date	Calendar date of bill (mm/dd/yyyy format)
Bill No.	Document number that references a specific notice of delivery and/on invoice/bill
Intragovernmental Order No.	Document number that references the buyer's specific intragovernmental order number
Interagency Agreement No.	Number of document that corresponds with the interagency agreement associated with order and bill
Customer agency	DUNS number for site location placing the order (buyer)
Providing agency	DUNS number for site location fulfilling the order (seller)
Line No.	Line number from order that indicates the specific item being billed
Supply/Service	Description of supplies or services delivered. (Corresponds with the respective line number on the order)
Quantity	Quantity delivered for a given line
Unit Cost	Cost of individual unit delivered for a given line
Line Amount	Quantity delivered times the unit cost (expressed in dollars and cents)
Total Amount	Total dollar amount of all line amounts on the bill
Partial/Final Indicator	Enter "F" if bill represents final bill against the intragovernmental order. For interim bills, enter "P"
Settlement Date	Last date to make fund transfer before penalty charges can be applied
Delivery point of contact	Name of Individual to contact for questions about delivery
Delivery phone	Phone number of delivery point of contact
E-mail	E-mail address of delivery point of contact
Program activity	Code/indicator for major program/mission activity associated with the revenue/sale
Period of Performance	Beginning and ending period for which revenue was earned (mm/yyyy/mm/yyyy format). Ending period can be same as the beginning period
Revenue Fiscal Period	Number of fiscal month in which the revenue transaction was recorded in the general ledger
Bill Fiscal Period	Number of fiscal month in the accounts receivable was recorded in the general ledger
Appropriation	Appropriation that will receive the transfer of funds. Full symbol must be entered.
Funding organization	Code/indicator for organizational entity that will receive the funds (usually at operating plan level)
Revenue/Profit Center	Code/indicator for the organizational entity or project that earned the revenue. May be the same as the funding organization
Revenue Code	Revenue category that describes the type of goods or services sold
Inventory/Asset Indicator	Enter "I" if goods sold from inventory; enter "A" if property asset sold; enter "9" if neither
Standard General Ledger	Proprietary and budgetary accounts in which the financial impact of the event are recorded

BUSINESS RULES FOR INTRAGOVERNMENTAL FIDUCIARY TRANSACTIONS

1. Effective October 1, 2002, for intragovernmental investments with the Bureau of the Public Debt (BPD), BPD and trading partner agencies will use the interest method for amortization on market-based notes, bonds, and zero-coupon bond securities. BPD and the trading partner agencies will continue to use the straight line method for market-based bills. Additionally, the following three provisions also apply:
 - a. Amortization of market-based premiums to call date. Market-based notes and bonds purchased at premium will be amortized to call date.
 - b. Held-to-maturity vs. Available-for-sale. BPD will carry notes and bonds at amortized cost and will not reflect a market adjustment. BPD will carry zero coupon bond securities at amortized cost and will report market adjustments. However, agencies may recognize market adjustments on bills, notes, bonds, and zero coupon bond securities classified as available-for-sale.
 - c. Inventory relief method for redemptions prior to maturity. All agencies, including central fiduciary agencies must use the specific identification method (i.e. purchase dates / tax lots) to be relieved upon early redemption of securities. If securities are not specifically identified the FIFO method will be used to identify the security to be sold. NOTE: Agencies must reconcile securities inventories with BPD at the tax lot level by December 31, 2002.
2. Effective October 1, 2002, for borrowings and investments with the BPD and borrowings from the Federal Financing Bank (FFB), agencies will report amounts consistent with those reported by these central fiduciary agencies, except as noted above.
3. Effective October 1, 2002, the Office of Personnel Management (OPM) will provide a factor (OPM factor) to federal agencies for calculating future employment related benefits. This factor will be provided no later than 15 days after the end of each reporting period.
4. Effective September 30, 2002, actual basic pay data will be used to calculate the future liability for employment related benefits. Estimated basic pay data may be used for the month of September if actual figures are not available timely.
5. Effective September 30, 2002, the agencies will enter payroll benefit data to the Internet Fiduciary Confirmation System (IFCS) within 15 days after the end of each reporting period. Agencies and OPM will report identical amounts on their financial statements.
6. Effective October 1, 2002, the Department of Labor will enter liabilities for each agency in the IFCS within 15 days after the end of each reporting period. Agencies must report the DOL provided amount on their financial statements.

7. Effective immediately, the system of record for reconciling and confirming fiduciary balances between trading partner and central fiduciary agencies will be the IFCS.
8. Effective October 1, 2002, trading partner and central fiduciary agencies are responsible for working together to resolve any differences within 25 business days after the close of the reporting period. If the dispute cannot be resolved using these mechanisms, then the matter will be referred on the next business day to a disputes resolution task force for a binding decision. Agreed to adjustments will be recorded in the IFCS and in the financial records of both parties.

Transactions executed prior to the effective date(s) need not be retroactively augmented to meet these requirements.