

Federal Accounting Corner by Simcha Kuritzky, CGFM CPA

One Transaction, Two Vendors

Impact on Eliminations

The concept behind intragovernmental eliminations is that transactions between agencies should not be reported in the consolidated statements. This assumes that each transaction involves only one vendor. What do you do when multiple vendors are involved? Are your systems prepared to handle it?

Changing Vendors

The simplest case of multiple vendors occurs when a transaction with a particular vendor follows a different transaction with a different vendor. One simple case would be a travel order, cut to an employee, for change of station that includes storage fees that are billed by, and paid directly to, the storage company. To make this example especially relevant, let us say this travel is overseas and the State Department is handling the storage and being reimbursed for it. When paying the invoice, the authorizing agency would debit 4801 Unpaid Undelivered Orders with the employee as the vendor, but credit 4902 Paid Delivered Orders with State as the vendor. If the agency accounting system was properly designed, it would reverse the obligation using the data from the obligation, and enter the voucher with new data. So the employee would appear on entries to debit 4801 credit 4610 Available Authority, and State on debit 4610 credit 4902. This moves the imbalance to account 4610, where vendor is irrelevant.

Different Vendors for Different General Ledger Accounts

A more complicated transaction is an imprest fund voucher. The payment goes to the cashier, who should be the vendor on the accounts payable (account 2110). However, the expense (account 6100) or advance (account 1410) paid out of the imprest fund should be in the name of the employee on whose behalf the transaction occurred. Fortunately, imprest fund transactions rarely involve federal agencies, so even if the vendors do get mixed up, it won't impact eliminations.

Another transaction that occurs routinely is the recording of a reimbursable expenditure. The SGL shows the expenditure and the reimbursement as two separate transactions (A310 and B107), but they must occur simultaneously in order for the expenditure to be supported by funding. Some agencies do both postings when paying the invoice, so, for example, a payment to GSA for equipment would show an expense, but also the revenue and receivable which ought to use the client vendor. Most agencies avoid this reconciliation problem by using a special subaccount for unbilled receivables and revenue that is recorded by the voucher, which the bill then reduces (using the client agency as the vendor). The unbilled revenue and receivable accounts should have zero overall balances each month and not be used as input to the trial balance reported to Treasury. If there is a (hopefully small) balance, the system should force the vendors to be public so they don't report, in this example, a receivables debit for GSA offset by a credit for the client agency.

More difficult to deal with are transfers of future-funded liabilities between funds. A future-funded liability recognizes that funding will come from another appropriation, so it really isn't tied to any fund currently. However, every balance has to reside in a fund, so most agencies record these in their main Salary and Expense appropriation. One future funded expense is FECA liability, which is recorded (B326) by a debit to 6850 Employer Contribution ... Not Requiring ... Authority and credit to 2225 FECA Liability, using the Trading Partner 16 (Department of Labor). If this is recorded in the FY03 appropriation, it should be moved to the FY04 appropriation the next year. Since 6850 will close to 3310 Cumulative Results and postings are not allowed in 3310, the transfer should be posted using 5720 and 5730 Financing Sources Transferred In/Out Without Reimbursement. Accounts 5720 and 5730 require the Trading Partner (TP) be the transfer agency, in this case, both sides use the agency who is recording the FECA liability. The liability, however, needs to use TP 16. So the accounting system must be able to record the debit using a different vendor than the credit. If it can't, then the agency should use a pass-through proprietary account that doesn't report Trading Partner, such as cash.

Comments, suggestions, and critiques are welcome. Send them to Simcha.Kuritzky@ams.com, and not to the AGA.