

Report of the AAPC Inter-Entity Costs Task Force

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TAB A: TASK FORCE RECOMMENDATIONS

- The Task Force's primary mission is to provide recommendations to AAPC (Accounting and Auditing Policy Committee) regarding:
 - Which, if any, additional inter-entity costs (for goods and services provided without reimbursement or with partial reimbursement) should be required for transactions between Federal agencies (inter-Departmental transactions)
 - If any additional required inter-entity costs are identified, at what reporting level(s) (e.g. agency, bureau, line office, program, treasury appropriation/fund symbol) should the inter-entity costs be recorded
 - Implementation issues for any new or revised requirements, including a) what government-wide guidance should be issued for any new requirements; and b) what entity(s) (e.g. OMB, FASAB, AAPC) would be responsible for issuing the guidance
- The Task Force reviewed the agency responses to the July 2000 AAPC survey on inter-entity costs, and reviewed in detail agencies' recommendations, collected by the Task Force, for possible additional required areas of inter-entity costs. See **Tab E** for a summary of the agencies' recommendations for task force consideration and the task force consensus for each possible area.

The Task Force concluded that none of the possible areas considered should be an additional required inter-entity cost. Some of the possible areas, however, could serve as examples of inter-entity costs that could be material to a particular agency's financial statements.

- Following up on a suggestion received, the Task Force developed and distributed to Federal agency CFOs a Real Property Inter-Entity Costs Questionnaire (**Tab F**).

The Task Force reviewed in detail the agencies' responses to the questionnaire and concluded that there did not appear to be enough of a material/significant, widespread applicability of inter-entity real property usage costs to warrant requiring Federal agencies to record inter-entity real property usage costs.

- The Task Force believes that the current OMB limitation on recording inter-entity costs is an impediment to the Federal government's (and agencies') continued progress towards full costing, as outlined in SFFAS No. 4. The Task Force also believes, however, that the revision or removal of the OMB limitation should not be implemented at this time due to the following:
 - The Task Force believes that the issue of inter-entity costs can be minimized by Federal agencies' expanded compliance with full costing standards. The expanded use of interagency agreements and billings between providing agencies and receiving agencies would help to reduce unrecorded inter-entity costs in agencies' financial statements. The Task Force believes this approach would be an effective way to minimize the unrecorded inter-entity costs, and should be pursued before consideration of the revision or removal of the OMB limitation.
 - The Task Force believes that various, significant government-wide requirements, including compliance with the intragovernmental business rules and improving intragovernmental transactions reconciliations, are more significant/material issues regarding Federal agencies' financial statements (based on the Task Force's work performed), and that the revision or removal of the OMB implementation would divert limited resources from these and other high priority matters

TAB B: BACKGROUND, MISSION AND PROCESS

Background

- On April 6, 1998, the Office of Management and Budget (OMB) issued a memorandum on inter-entity costs – “Technical Guidance for the Implementation of Managerial Cost Accounting Standards in Statement of Federal Financial Accounting Standards (SFFAS) No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*” (**Tab J**). Reporting entities were required to recognize several major categories of costs that are incurred by a reporting entity but are paid by other entities (this recognition is also required in SFFAS No. 4 and OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*).
- AAPC was asked to add to its agenda a project to study inter-entity costs and gather information from agencies. The first phase of the AAPC project began with a survey on inter-entity costs. The survey was sent to each Federal CFO in July 2000. The AAPC summarized the survey findings, and also prepared a staff issue paper discussing the survey findings and inter-entity cost issues. Please see **Tab K** for written materials issued by the AAPC regarding the first phase of the inter-entity costs project.
- The second phase of the project was to form a government-wide task force that will further assist the AAPC and OMB in developing effective guidance on inter-entity costs. James Taylor, Deputy CFO, Department of Commerce serves as the Task Force Chair, and the first meeting was held in February 2002. The task force consists of representatives from Federal Agencies and Federal Inspector General offices, and two FASAB staff accountants. Please see **Tab I** for the task force roster. The Task Force Chair would like to thank all task force members for their efforts, and further recognize Monica Valentine, Assistant Director, FASAB, (Federal Accounting Standards Advisory Board) for her invaluable assistance throughout the project.

Mission

- With broad participation from Federal agencies, the Federal audit community, and AAPC determine:
 - a) Which, if any, additional inter-entity costs (for goods and services provided without reimbursement or with partial reimbursement) should be required for transactions between Federal agencies (inter-departmental transactions)
 - b) If any additional required inter-entity costs are identified, at what reporting level(s) (e.g. agency, bureau, line office, program, treasury

appropriation/fund symbol, etc.) should the inter-entity costs should be recorded

- c) If any additional inter-entity cost areas are not identified, determine if the OMB limitation on recording inter-entity costs in only four areas should be revised or removed
 - d) Identify implementation issues, including a) what government-wide guidance should be issued for any new requirements; and b) what entity(s) (e.g. OMB, FASAB, AAPC) would be responsible for issuing the guidance. For any new requirements, the task force believes that:
 - There should be Federal audit community understanding and buy-in
 - There should be a process in place for evaluating materiality of the inter-entity costs
 - There should be guidance available for agencies to arrive at a common implementation path
- Provide conclusions and recommendations to the AAPC regarding the Task Force's work

Process

- Review applicable Federal standards, guidance studies, and surveys, including:
 - SFFAS No. 4, paragraphs 105 through 115 – Inter-Entity Costs (**Tab D**)
 - Implementing The Inter-Entity Cost Standard: Summary of Survey Findings and Discussion of Issues, A Staff Issue Paper Prepared for AAPC; July 2001 (includes agency responses to survey regarding inter-entity costs for both providing entities and receiving entities) (**Tab K**)
 - OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*, Section 4.3, Program Costs, page 31 (limits agencies' recording of inter-entity costs to three areas), which states:

“Reporting entities are required to recognize the following costs, including the portions that are funded through the Office of Personnel Management (OPM), the Department of Defense, the Department of the Treasury, the Department of Labor, or other agencies: (1) employees' pension, post-retirement health and life insurance benefits, (2) other post-employment benefits for retired, terminated, and inactive employees, which includes unemployment

and workers compensation under the Federal Employees' Compensation Act, and (3) losses in litigation proceedings (see FASAB interpretation No.2, *Accounting for Treasury Judgement Fund Transactions*). To ensure consistency, agencies should not recognize costs other than those listed until OMB provides further guidance."

- April 6, 1998 OMB memorandum, *Technical Guidance for the Implementation of Managerial Cost Accounting Standards for the Federal Government (Tab J)* (limits agencies' recording of inter-entity costs to four areas – similar to the areas listed in OMB 01-09 per above)
- Obtain any comments/feedback about the task force's mission from members' respective agencies
- Review agencies' responses to the previous AAPC survey on inter-entity costs (**Tab K**), and identify, any possible additional required areas of inter-entity costs for task force consideration
- Obtain members' respective agencies' recommendations of possible additional required areas of inter-entity costs for task force consideration. Members will also include their own recommendations for task force consideration.
- Consider the possible additional inter-entity cost areas collected, and determine if any additional areas of inter-entity cost should be required
- Determine if the OMB limitation on inter-entity costs should be revised or removed
- Identify implementation issues

TAB C: SUMMARY OF WORK PERFORMED

- Task Force meetings were held: February 21, 2002, March 17, 2002, July 26, 2002, and March 20, 2003

Preliminary Procedures:

- Discussed in detail the inter-entity costs standards, guidance, and OMB requirements
- Discussed in detail the a) July 2001 AAPC staff issue paper; and b) agencies' survey responses to the AAPC survey on inter-entity costs
- Discussed examples or possible examples of areas where agencies are not being reimbursed or are partially being reimbursed for costs incurred that benefit other agencies. For example, the task force discussed:
 - Social Security Administration's (SSA) maintenance of social security numbers
 - Disbursements processing by Treasury's Financial Management Service (FMS)
 - Overhead costs of OMB, FMS, and the Office of Personnel Management
 - Services of the General Services Administration that are not fully reimbursed
 - Legal services or contracted legal services of the Department of Justice
- Discussed possible inter-entity cost areas that may fall under the "broad, general support" discussed in SFFAS No. 4, paragraph 112, which states:

"Most often this type of support involves the establishment of policies and/or the provision of general guidance. The costs of such broad services should not be recognized as an expense (or asset) by the receiving entities when there is no reimbursement of costs. Thus the standard does not apply when support is of a general nature provided to all or most entities of the federal government."

 - Discussed, for example, that FMS' disbursements processing, on behalf of Federal agencies, likely falls under the broad, general support exception for many agencies

Review of Possible Additional Required Areas of Inter-Entity Costs:

- Discussed a publication article that reported on the plan being developed by the OMB and the State Department for a new requirement that Federal agencies share overseas embassy construction costs. The Task Force noted that this plan is indicative of the increased need of Federal agencies, due to budget constraints, to identify and recover costs incurred on behalf of or benefiting other agencies.
- Reviewed the agency responses to the July 2000 AAPC survey on inter-entity costs. Members took these items into consideration when providing their recommendations for possible additional required areas of inter-entity costs.
- Reviewed in detail each of the agency recommendations for possible additional required areas of inter-entity costs. See **Tab E** for the summary of agencies' recommendations for task force consideration and the task force consensus for each possible area.

NOTE: The Task Force concluded that none of the possible areas considered should be an additional required inter-entity cost. Some of the possible areas, however, could serve as examples of inter-entity costs that could be material to a particular agency's financial statements.

Review of the "Use of Real Property" as a Possible Additional Required Area of Inter-Entity Costs:

- It was suggested to the Task Force to pursue possibly requiring the recording of one additional area of inter-entity costs, and use this inter-entity cost area as a model for any future expansion of recording inter-entity costs across the government. It was further suggested that the "Use of Real Property" be specifically considered for this purpose. Examples of real property inter-entity costs include non-reimbursed or under-reimbursed usage of land or office space (e.g. if an agency allows another agency the free use of their land for storage of materials or if the Department of State provides free use of office space overseas). In the FASAB survey of a few years ago, for example, there were one or more instances of non-reimbursed or under-reimbursed usage of land. It was noted that:
 - Improved accounting of and accountability for real property is one current focus of OMB
 - Benchmark or third party information on market value rates, for example, a rent rate per square foot) and possibly other information could be available to agencies

- The recording of inter-entity costs in this area could help with real property peripheral issues, such as maintenance and utilities.
- The Task Force further discussed the real property inter-entity costs area and members brought up a few examples (from their individual knowledge or from the original AAPC survey) of inter-entity real property costs. The Task Force determined that a survey to Federal agencies would be beneficial.
- The Task Force developed and distributed to Federal agency CFOs a Real Property Inter-Entity Costs Questionnaire (Tab F). The Task Force summarized (Tab G), the agency responses received. Please see Tab H for agencies' complete responses.
- The Task Force reviewed in detail the agencies' responses to the questionnaire. The Task Force noted that responses included some examples of inter-entity costs for real property usage. It appears, however, that for many survey respondents, the non-reimbursed or under reimbursed usage of real property is not a significant/material part of their operations, and that the most accurate accounting for real property inter-entity costs generally would not materially impact the results of the agency financial statements at the agency level. Please note that the issue of materiality at the program level is a more complicated issue, and that it is hard to draw government-wide conclusions of inter-entity real property usage materiality at the program level.

The Task Force concluded, however, that there did not appear to be enough of a material/significant, widespread applicability of inter-entity real property usage costs to warrant requiring Federal agencies to record inter-entity real property usage costs.

- The Task Force noted that DOD indicated that Federal agencies use DOD real property, and that DOD currently has system limitations that prevent it from producing data regarding usage of DOD real property. The Task Force's conclusions are subject to this current limitation of information from DOD.
- The Task Force noted that it would be helpful to further pursue the GSA's "foregone rent" instances, in order to provide further clarification/guidance as to whether those costs should be considered inter-entity costs to the receiving agency.

Review of the Possible Revision or Removal of the OMB Restriction on Recording Inter-Entity Costs:

- The Task Force believes that the current OMB limitation on recording inter-entity costs is an impediment to the Federal government's (and agencies') continued progress towards full costing, as outlined in SFFAS No. 4. The Task Force also believes, however, that the revision or removal of the OMB limitation should not be implemented at this time due to the following:
 - The Task Force believes that the issue of inter-entity costs can be minimized by Federal agencies' expanded compliance with full costing standards. The expanded use of interagency agreements and billings between providing agencies and receiving agencies would help to reduce unrecorded inter-entity costs in agencies' financial statements. The Task Force believes this approach would be an effective way to minimize the unrecorded inter-entity costs, and should be pursued before consideration of the revision or removal of the OMB limitation.
 - The Task Force believes that various, significant government-wide requirements, including compliance with the intragovernmental business rules and improving intragovernmental transactions reconciliations, are more significant/material issues regarding Federal agencies' financial statements (based on the Task Force's work performed), and that the revision or removal of the OMB implementation would divert limited resources from these and other high priority matters
- Before implementation of any revision or removal of the OMB restriction, the Task Force believes that:
 - a) There should be detailed, practical guidance (beyond SFFAS No. 4 guidance) available to agencies on identifying, quantifying, and evaluating inter-entity costs, particularly evaluating the inter-entity costs' significance and materiality. For example, guidance could include case studies and examples, and a list of examples of inter-entity costs could be issued.
 - b) There should be established policies and procedures for the providing agency to submit necessary data to the receiving agency (for the receiving agency's evaluation and/or calculation of inter-entity costs). A particular concern is the providing" agencies' ability and/or willingness to provide the "receiving" agency with needed data, and the availability to the receiving agency of alternate data when the providing agency cannot or will not provide data to the receiving entity.

- c) There should be adequate consultation among Federal agencies and the Federal audit community about the revision or removal of the OMB restriction prior to implementation

TAB D: EXCERPTS FROM SFFAS NO. 4

INTER-ENTITY COSTS

Each entity's full cost should incorporate the full cost of goods and services that it receives from other entities. The entity providing the goods or services has the responsibility to provide the receiving entity with information on the full cost of such goods or services either through billing or other advice.

Recognition of inter-entity costs that are not fully reimbursed is limited to material items that (1) are significant to the receiving entity, (2) form an integral or necessary part of the receiving entity's output, and (3) can be identified or matched to the receiving entity with reasonable precision. Broad and general support services provided by an entity to all or most other entities should not be recognized unless such services form a vital and integral part of the operations or output of the receiving entity.

105. As stated in the preceding standard, to fully account for the costs of the goods and services they produce, reporting entities should include the cost of goods and services received from other entities. Knowledge of these costs is helpful to top-level management in controlling and assessing the operating environment. It is also helpful to other users in evaluating overall program costs and performance and in making decisions about resource allocations and changes in programs.

Inter-Entity Activities

106. Within the federal government, some reporting entities rely on other federal entities to help them achieve their missions. Often this involves support services, but may include the provision of goods. Sometimes these arrangements may be stipulated by law, but others are established by mutual agreement of the entities involved. Such relationships can be classified into two types depending upon funding methods.

Provision of goods or services with reimbursement -- In this situation, one entity agrees to provide goods or services to another with reimbursement at an agreed-upon price. The reimbursement price may or may not be enough to recover full costs. Usually the agreement is

voluntarily established through an inter-agency agreement. Revolving funds can also be included in this group, because they are usually established to recover costs through sale of their outputs to other government entities. They are usually meant to be self-sustaining through their sales, without receiving additional appropriations. However, they do not always charge enough to cover full costs.

Provision of goods or services without reimbursement --
One entity provides goods or services to another entity free of charge. The agreement may be voluntary, legally mandated, or inherently established in the mission of the providing entity.

107. Recently, consideration has been given to expanding the concept of inter-entity support within the federal government. Under this concept, entities could sell their outputs on a competitive basis. Entities would have the authority to purchase goods or services from any federal or private provider. This is seen as a way to improve government efficiency through competition since inefficient government providers would be forced to improve or stop providing these goods or services. This could result in consolidating support services in fewer governmental entities. Underlying this concept is the requirement that all costs be recognized in developing the price at which goods and services would be sold to other entities.

Accounting and Implementation Guidance

108. If an entity provides goods or services to another entity, regardless of whether full reimbursement is received, the providing entity should continue to recognize in its accounting records the full cost of those goods or services. The full costs of the goods or services provided should also be reported to the receiving entity by the providing entity.

109. The receiving entity should recognize in its accounting records the full cost of the goods or services it receives as an expense or, if appropriate, as an asset (such as work-in-process inventory). The information on costs of non-reimbursed or under-reimbursed goods or services should be available from the providing entity. However, if such cost information is not provided, or is partially provided, a

reasonable estimate may be used by the receiving entity. The estimate should be of the cost of the goods or services received (the estimate may be based on the market value of the goods or services received if an estimate of the cost cannot be made). To the extent that reimbursement is less than full cost, the receiving entity should recognize the difference in its accounting records as a financing source.¹ Inter-entity expenses/assets and financing sources would be eliminated for any consolidated financial statements covering both entities.

110. Implementation of this standard on inter-entity costing should be accomplished in a practical and consistent manner by the various federal entities. Therefore, the Office of Management and Budget, with assistance from the FASAB staff, should identify the specific inter-entity costs for entities to begin recognizing. OMB should then issue guidance identifying these costs. These particular inter-entity costs should be specified in accordance with this standard including the recognition criteria presented below. The OMB should consider information and advice from Treasury, GAO, and other agencies in developing the implementation guidance. It is anticipated that the largest and most important inter-entity costs will be identified first. As entities gain experience in the application of the standard, recognition of other inter-entity costs may be specified in future guidance or required by future standards.

Recognition Criteria

111. Ideally, all inter-entity costs should be recognized. This is especially important when those costs constitute inputs to government goods or services provided to non-federal entities for a fee or user charge. The fees and user charges should recover the full costs of those goods and services.² Thus, the cost of inter-entity goods or services

¹ Footnote 32 in SFFAS 4 reads: See Statement of Recommended Federal Accounting Concepts No. 2, Entity and Display, par. 65, page 21. See also, FASAB Exposure Draft, Accounting for Liabilities of the Federal Government, pars. 62-99, pages 26-46, which addresses accounting for pensions and other retirement benefits (ORB). The payment of pension and ORB costs for an entity by another entity has often been likened to providing goods and services. In the case of pensions, employees of the reporting entity provide services to that entity and part of the salary-related cost is paid by a different entity. The pension administering entity does not provide goods or services to the reporting entity (other than normal pension administration services), but rather pays their costs directly. The difference is subtle but important. However, the accounting is similar. This document is consistent with the section of the liabilities exposure draft dealing with accounting for pensions and other retirement benefits.

² Footnote 33 in SFFAS 4 reads: OMB Circular A-25 addresses user charges by federal entities.

needs to be recognized by the receiving entity in order to determine fees or user charges for goods and services sold outside the federal government. Such recognition, however, should be made in accordance with the implementation guidance issued by OMB as discussed above.

112. However, the situation is often different with goods or services transferred within the federal government that do not involve eventual sales to entities outside the federal government. The federal government in its entirety is an economic entity. Therefore, it is reasonable to expect some flow of goods or services between reporting entities as those entities assist each other in fulfilling their missions and operating objectives. There are some cases in which the cost of non-reimbursed or under-reimbursed goods or services received from other entities need not be recognized as part of the cost of the receiving entity. The following general criteria are provided to help in determining the types of inter-entity costs that should or should not be recognized.

Materiality -- As with other accounting standards, the provisions of this standard need not be applied to immaterial items. However, in the context of deciding which inter-entity transactions are to be recognized, materiality, as used here, is directed to the individual inter-entity transaction rather than to all inter-entity transactions as a whole. **Under this concept, a much more limited recognition is intended than would be achieved by reference to the general materiality concept.**

In this context, then, materiality should be considered in terms of the importance of the inter-entity transaction to the receiving entity. The importance of the transactions, and thereby their recognition, should be judged in light of the following factors:

Significance to the entity -- The cost of the good or service is large enough that management should be aware of the cost when making decisions.

Directness of relationship to the entity's operations -- The good or service provided is an integral part of and necessary to the output produced by the entity.

Identifiability -- The cost of the good or service provided to the entity can be matched to the entity with reasonable precision.

The determination of whether the cost is material requires the exercise of considerable judgment, based on the specific facts and circumstances of each transaction.

Broad, general support -- Some entities provide broad, general support to many, if not all, reporting entities in the federal government. Most often this type of support involves the establishment of policies and/or the provision of general guidance. The costs of such broad services should not be recognized as an expense (or asset) by the receiving entities when there is no reimbursement of costs. Thus the standard does not apply when support is of a general nature provided to all or most entities of the federal government.

An example of this situation can be found in the Office of Management and Budget which establishes policy and provides general guidance to all parts of the executive branch of government. The costs of OMB should not be spread over all reporting entities because the services provided are (1) general and broad in scope, (2) provided to almost all reporting entities in the executive branch, and (3) not specifically or directly tied to the receiving entity's outputs.

On the other hand, some services provided, under certain circumstances, should still be recognized even though they may be considered broad and general in nature if such services are integral to the operations of the receiving entity. Such services include check writing by the Department of Treasury or legal activities performed by the Department of Justice. For example, when the issuance of checks is integral to the operations of an entity (e.g., the Internal Revenue Service and the Social Security Administration), the receiving entity should include the full cost of issuing checks in the full cost of its outputs. However, if the issuance of checks is insignificant and incidental to the operations of an entity, the entity should not normally recognize that cost.

113. The decision as to whether the cost of non-reimbursed or under-reimbursed goods and services should be recognized requires the use of judgement. None of the criteria listed above are, by themselves, fully or exclusively determinative. They should be considered in combination. Ultimately, inclusion or exclusion of the cost should be decided based on the specific facts and circumstances of each case, with consideration of the degree to which inclusion or exclusion would change or influence the actions and decisions of a reasonable person relying on the information provided.

Accounting Example

114. The following tables provide an example of the accounting entries to be made when the receiving entity (Agency R) recognizes an expense for services received from a providing entity (Agency P) on a non-reimbursable basis. In the example, the full costs of these services to Agency P are \$100,000.

115. Agency R recognizes an "Expense of services provided by Agency P" equal to the full cost of the services received. It also recognizes a financing source, "Services provided by Agency P," equal to the amount not reimbursed, which in this case is the full \$100,000. Agency P recognizes an "Expense of services provided to Agency R" equal to the full cost of the services provided with a credit to "Appropriations used."

Table 1: Agency R's Accounting Entries *

	<u>Debit</u>	<u>Credit</u>
Expense of services provided by Agency P: \$100,000		
Services provided by Agency P:		\$100,000

* This example shows the cost recognized as an expense. However, as discussed in the text, it may be an asset.

Table 2: Agency P's Accounting Entries

	<u>Debit</u>	<u>Credit</u>
Expense of services provided to Agency R:	\$100,000	
Appropriated capital		\$100,000
Fund balance with Treasury		\$100,000
Appropriated capital used		\$100,000

FULL COST

Reporting entities should report the full costs of outputs in general purpose financial reports. The full cost of an output produced by a responsibility segment is the sum of (1) the costs of resources consumed by the segment that directly or indirectly contribute to the output, and (2) the costs of identifiable supporting services provided by other responsibility segments within the reporting entity, and by other reporting entities.

89. This standard states that reporting entities should measure and report the full costs of their outputs in general purpose financial reports. "Outputs" means products and services generated from the consumption of resources. The full cost of a responsibility segment's output is the total amount of resources used to produce the output. This includes direct and indirect costs that contribute to the output, regardless of funding sources. It also includes costs of supporting services provided by other responsibility segments or entities. The standard does not require full cost reporting in federal entities' internal reports or special purpose cost studies. Entity management can decide on a case-by-case basis whether full cost is appropriate and should be used for internal reporting and special purpose cost studies.

Direct Costs

90. Direct costs are costs that can be specifically identified with an output. All direct costs should be included

in the full cost of outputs. Typical direct costs in the production of an output include:

- (a) Salaries and other benefits for employees who work directly on the output;
- (b) Materials and supplies used in the work;
- (c) Various costs associated with office space, equipment, facilities, and utilities that are used exclusively to produce the output; and
- (d) Costs of goods or services received from other segments or entities that are used to produce the output (See discussions and explanations in the next section on "Inter-Entity Costs").

Indirect Costs

91. Indirect costs are costs of resources that are jointly or commonly used to produce two or more types of outputs but are not specifically identifiable with any of the outputs. Typical examples of indirect costs include costs of general administrative services, general research and technical support, security, rent, employee health and recreation facilities, and operating and maintenance costs for buildings, equipment, and utilities. There are two levels of indirect costs:

- (a) Indirect costs incurred within a responsibility segment. These indirect costs should be assigned to outputs on a cause-and-effect basis, if such an assignment is economically feasible, or through reasonable allocations. (See discussions on cost assignments in the "Costing Methodology" section.)
- (b) Costs of support services that a responsibility segment receives from other segments or entities. The support costs should be first directly traced or assigned to various segments that receive the support services. They should then be assigned to outputs.

92. A reporting entity and its responsibility segments may incur general management and administrative support costs

that cannot be traced, assigned, or allocated to segments and their outputs. These unassigned costs are part of the organization costs, and they should be reported on the entity's financial statements (such as the Statement of Net Costs) as costs not assigned to programs.³

94. Most of the employee benefit programs are covered by trust funds administered by the Office of Personnel Management (OPM) and the Department of Defense (DoD). Contributions to the trust funds come from three sources: current and retired employees, employing agencies, and direct appropriations. The management expenses of the trust funds are paid with the funds' receipts.

95. Federal financial accounting standards require that the employing entity accrue the costs to the federal government of providing pension and ORB benefits to employees and recognize the costs as an expense when the benefits are earned.⁴ The employing entity should recognize those expenses regardless of whether the benefits are funded by the reporting entity or by direct appropriations to the trust funds. This principle should also be applied to health and life insurance benefits for current employees and comparable benefits for military personnel. The costs of employee benefits incurred by responsibility segments should be directly traced or assigned to outputs.

96. OPEB costs include severance payments, counseling and training, health care, and workers compensation benefits paid to former or inactive employees. OPEB costs are often incurred as a result of such events as reductions in force or on-the-job injuries of employees. Federal financial accounting standards require that OPEB costs be reported as an expense for the period during which a future outflow or other sacrifice of resources is probable and measurable on the basis of events occurring on or before the accounting date.⁵

97. Since the recognition of OPEB costs is linked to the occurrence of an OPEB event rather than the production of

³ Footnote 28 in SFFAS 4 reads: A similar explanation is provided in FASAB Statement of Recommended Accounting Concepts No. 2, Entity and Display, par. 95, page 33.

⁴ Footnote 29 in SFFAS 4 reads: FASAB Exposure Draft, Accounting for Liabilities of the Federal Government (November 7, 1994), pars. 62-99, pages 26-46.

⁵ Footnote 30 in SFFAS 4 reads: Ibid., pars. 100-102, page 47.

output, in many instances, assigning OPEB costs recognized for a period to output of that period would distort the cost of output. In special purpose cost studies or cost findings, management may distribute OPEB costs over a number of years in the past to determine the costs of the outputs that the OPEB recipients helped to produce.

TAB E: TASK FORCE MEMBER RESPONSES

TASK FORCE CONSENSUS FOR POSSIBLE ADDITIONAL REQUIRED AREAS OF INTER-ENTITY COSTS

DATA CALL REQUEST TO AGENCIES (VIA MEMBERS):

Please provide your agency's recommendation of possible additional required categories of imputed costs/imputed financing sources (for inter-entity goods and services provided without reimbursement or with partial reimbursement). An example that was discussed would be Department of Justice costs (lawyers' salaries/outside fees/overhead, etc.) associated with Treasury Judgment Fund claims. Please list each possible required category along with sufficient explanation as to why the category of inter-entity costs would be required.

SUMMARY OF RECOMMENDATIONS/TASK FORCE CONSENSUS FOR POSSIBLE ADDITIONAL REQUIRED AREAS OF INTER-ENTITY COSTS:

NOTE: None of the below areas have been selected as additional required areas of inter-entity costs.

POSSIBLE AREA: Department of Treasury, Financial Management Service electronic funds transfer and disbursement services. **(EPA, HUD)**

TASK FORCE CONSENSUS: Likely falls under broad/general support. For some agencies, could be integral/material to their financial statements, however.

POSSIBLE AREA: Department of Justice (DOJ) efforts related to Treasury Judgment Fund claims. **(Bureau of the Census, Commerce-Office of the Secretary)**

TASK FORCE CONSENSUS: It was noted that Justice would have difficulty tracking individual costs to Treasury Judgment Fund claims – a system of allocations/estimates, etc. would have to be developed. Could be an example of an inter-entity cost that could be material to certain agencies.

POSSIBLE AREA: Department of Justice services for criminal and civil litigation. Some of the costs may be from the US attorney's office and others may be from the Environmental Group. **(EPA)**

TASK FORCE CONSENSUS: Possibly could be considered broad/general support. We noted that these costs maybe should be captured through interagency agreements - an Economy Act issue.

POSSIBLE AREA: Department of Justice legal services, including enforcement actions and defense litigation. **(HUD)**

TASK FORCE CONSENSUS: Possibly could be considered broad/general support. We noted that these costs maybe should be captured through interagency agreements - an Economy Act issue.

POSSIBLE AREA: Internal Revenue Service's costs of collecting and administering excise taxes that fund things like the Unemployment Trust Fund, the Highway Trust Fund, and the Airport Trust. **(Census)**

TASK FORCE CONSENSUS: Could be an example of an inter-entity cost material to certain agencies.

POSSIBLE AREA: Department of Treasury, Bureau of Public Debt costs for the collection of debts and the handling of Trust Fund and Agency balances **(EPA)**

TASK FORCE CONSENSUS: Could be considered broad/general support. This inter-entity cost is probably not material to most agency financial statements.

POSSIBLE AREA: SSA costs for issuance and maintenance of social security numbers and employer ID numbers for Treasury, IRS and others **(NSF)**

TASK FORCE CONSENSUS: SSA indicated that these costs are incurred for the purpose of SSA operations and not directly for the benefit of other agencies (even though social security numbers, for example, may benefit other agencies for varying purposes - e.g. the social security number can be used as an employee identification number). SSA also noted that it has some interagency agreements for sharing of SSA information with the other agency.

POSSIBLE AREA: DOE - rental fee for the use of Air Force land in New Mexico and Nevada **(NSF)**

TASK FORCE CONSENSUS: No widespread applicability. Could be an example of an inter-entity cost material to certain agencies.

POSSIBLE AREA: DOE - storage cost of crude oil for DOD **(NSF)**

TASK FORCE CONSENSUS: No widespread applicability. Could be an example of an inter-entity cost material to certain agencies.

POSSIBLE AREA: The USDA's Farm Service Agency – for the costs of providing services to the USDA's Commodity Credit Corporation-USDA **(NSF)**

TASK FORCE CONSENSUS: This is an intra-departmental inter-entity cost issue - the task force is addressing inter-departmental inter-entity costs.

POSSIBLE AREA: OPM costs of administering pension and workers compensation programs (relates to one of the OMB required inter-entity costs) **(Task Force Discussion)**

TASK FORCE CONSENSUS: Probably not material to most agency financial statements.

POSSIBLE AREA: Secret Service cost of various personnel investigations (they apparently do not charge for certain investigations) **(Task Force Discussion)**

TASK FORCE CONSENSUS: Probably not material to most agency financial statements.

POSSIBLE AREA: Allocation of public debt and interest on the public debt (Task Force Discussion)

TASK FORCE DISCUSSION:

- Possibly allocate the public debt and interest on the public debt (cost of capital) to Federal agencies based on an agency's proportion to the total Federal budget. Appropriated funds would normally therefore be allocated a portion, while revolving funds and Franchise Funds normally would not.
- Discussed whether the cost of capital could be considered broad and general support to Federal agencies
- Discussed whether the cost of capital should not be considered an inter-entity cost as defined in SFFAS No. 4, since the cost of capital is not really a good or service
- Discussed the difficulty or appropriateness of linking the Federal debt to agencies
- Discussed that a primary reason for recording inter-entity costs is to help in the decision making of the readers of the agency financial statements. It is unclear if recording the cost of capital in agency financial statements would be relevant to the readers of the agency financial statements.
- FASAB issued an "Invitation for Views – Accounting for the Cost of Capital by Federal Entities" in July 1996. Responses indicated that Federal agencies were not ready to tackle this issue.
- OMB at one point was to look into building the cost of capital into the Federal budget process. OMB is not currently working on this.
- Studying the cost of capital will be on the FASAB list of projects and will be discussed in the FASAB Agenda meeting

TASK FORCE CONSENSUS: The cost of capital area appears to be outside the scope of the task force's project, which is primarily dealing with inter-entity costs for goods and services. The Task Force believes, however, that FASAB should include the cost of capital research as a project.

COMPLETE MEMBER RESPONSES:

Department of Commerce, Bureau of the Census - Douglas Glenn:

I believe there are two possible additions to the list of required categories of imputed costs/financing sources. I understand that it may not make sense to expand the requirements when agencies are experiencing difficulty with the current requirements.

However, if and when the time comes to capture additional intra-governmental activities, I believe the following should be added:

Department of Justice (DOJ) efforts related to Treasury Judgment Fund claims.

Internal Revenue Service's costs of collecting and administering excise taxes that fund things like the Unemployment Trust Fund, the Highway Trust Fund, and the Airport Trust Fund.

I believe the above should be added based on the significant dollars involved and the breadth of their services to all other agencies. Finally, in looking at the July, 2001 Staff Issue Paper I see there are significant dollars (\$750 - \$800 million) being spent by NASA on behalf of DOD and Commerce. The paper indicates these expenditures are partially reimbursed but not to what extent. If there is a big push to include ALL significant activity, the extent of unreimbursed expenses should be identified and either completely reimbursed or reported as reported as imputed costs/financing.

Department of Commerce, Office of the Secretary - Bruce Henshel

When it is time to add additional imputed costs, I suggest the next item to add should be Department of Justice's full costs related to Treasury Judgment Fund claims. It currently is required to only record imputed costs for Treasury Judgment Fund claims paid, and I believe that the imputed costs related to Treasury Judgment Fund claims are not complete without the related DOJ full costs. I believe those costs may also be material.

DOD - Bill deBardelaben:

Nothing much, if anything, has changed at the Department of Defense, regarding the reporting of inter-entity costs, since the Department provided a negative reply to the AAPC inter-entity cost survey on November 13, 2000. The feedback we received from the Military Departments and Defense Agencies was that the costs for either under-reimbursed or not reimbursed at all for goods and services received did not appear to be material. As stated in SFFAS No. 4, reporting of inter-entity costs were limited only to material items that: (1) are significant to the receiving entity, (2) form an integral or necessary part of the receiving entity's output, and (3) can be identified or matched to the receiving entity with reasonable precision.

Additionally, in response to the survey, the Department recommended that serious consideration be given to the practicality of attempting to collect and report information on inter-entity costs that are under-reimbursed or not reimbursed at all. Even with amounts that are material, the lack of government-wide standards and processes make the reporting and verification of such intragovernmental transactions impractical. Further, the Department questioned whether the usefulness of such information likely would exceed the associated costs that would be incurred to collect such information.

EPA - Charles Young:

Our suggestions for additional categories of required imputed costs are:

Dept of Treasury, Financial Management Service - for the processing and payment of EPA disbursements

Dept of Treasury, Bureau of Public Debt - for the collection of debts (although they do take a piece of it) and the handling of Trust Fund and Agency balances

Dept of Justice - for criminal and civil litigation. Some of the costs may be from the US Attorney's office and others may be from the Environmental Group.

These three suggestions are services that EPA receives that is needed in the completion of EPA's mission. The processing of payments is vital because of the need to pay for employees, contractors, and grantees. It is a cost any organization would incur, yet is performed centrally. Much the same with the Bureau of Public Debt. They keep our "bank account" and manage our cash. Again, that is an activity any organization would need. In total, the dollar amounts may be small, but it is an activity that generates costs.

For the Dept of Justice, part of our mission is environmental enforcement. The Dept of Justice is our lawyer. To get the full costs of our enforcement programs, we would need DOJ's costs (their full costs) to incorporate into our costs.

HUD - Rita Hebb:

HUD (including FHA) has two recommendations for possible additional required categories of imputed financing sources for inter-entity services received without reimbursement. The recommendations include 1) electronic funds transfer and disbursement service provided by Treasury and 2) DOJ legal services including enforcement actions and defense litigation. Both of these services are integral to HUD's daily operations.

National Science Foundation – Phil Ziegler:

1. DOE: The rental fee for the use of Air Force land in New Mexico and Nevada.
2. Farm Service Agency USDA Costs of providing services to Commodity Credit Corporation USDA
3. DOE storage cost of crude oil for DOD.
4. SSA Costs for issuance and maintenance of social security numbers and Employer ID numbers for Treasury, IRS and others.

TAB F: INTER-ENTITY REAL PROPERTY COSTS QUESTIONNAIRE

MEMORANDUM TO FEDERAL CHIEF FINANCIAL OFFICERS

FROM: James Taylor, AAPC Inter-Entity Cost Task Force Chair

DATE: November 25, 2002

SUBJECT: Survey on Inter-Entity Real Property Costs

The Accounting and Auditing Policy Committee (AAPC) was established by the Federal Accounting Standards Advisory Board (FASAB) to assist the Federal Government in improving financial reporting. The AAPC assigned a task force to identify specific inter-entity costs, study their nature, and determine whether the costs meet the recognition criteria specified in Statement of Federal Financial Accounting Standard (SFFAS) No. 4, *Managerial Cost Accounting Concepts and Standards*. The goal of this effort is to allow the task force to recommend guidance to the AAPC that will lead to consistency among agencies in recognizing inter-entity costs. Any inter-entity costs recognition resulting from the task force's efforts would be in addition to inter-entity costs already recognized. OMB Technical Guidance issued for the Implementation of Managerial Cost Accounting Standards (April 6, 1998) lists several major categories of costs that are incurred and recognized by one reporting entity but are paid by other entities. These include the costs of: (a) employees pension benefits, (b) health, life insurance, and other benefits for retired employees, (c) other post-employment benefits, and (d) losses in litigation proceedings.

There are a variety of other inter-entity transactions among agencies and numerous kinds of inter-entity costs. Many of the inter-entity costs might be under-reimbursed, or not reimbursed at all. The task force has specifically identified the use of real property as a type of inter-entity cost that may have a potentially significant impact on agencies' financial statements. Examples of the non-reimbursed or under reimbursed use of real property include the use of office space abroad and the use of land for storage of materials. The enclosed questionnaire is intended to assess inter-entity real property costs that are being incurred to determine whether the inter-entity real property costs meet the recognition criteria discussed in SFFAS No. 4.

Please coordinate your responses to the questionnaire, as necessary, with other offices within your agency in order to provide the most accurate and complete information about your inter-entity real property costs.

Please provide your response by January 10, 2003. Responses should be addressed to:

Monica R. Valentine
Project Director
Federal Accounting Standards Advisory Board
441 G Street, NW, Room 6E45
Mail Stop 6K17V
Washington, D.C. 20548

You may also fax your response to (202) 512-7366 or e-mail to valentinem@fasab.gov.
If you have questions about this survey, please call Ms. Valentine at (202) 512-7362.

Thank you for your assistance in this effort.

cc: Deputy Chief Financial Officers

INTER-ENTITY REAL PROPERTY COSTS QUESTIONNAIRE

“Inter-entity costs” refers to the costs of goods and services provided by a federal entity (the providing entity) to other federal entities (the receiving entities). “Goods and services” include the performance of an activity, function, and support service; and the provision of materials, supplies, and other resources (such as the use of real property – that is, the use of land, land rights, buildings, and other structures and facilities). The following questions are directed to inter-entity real property costs that are not fully reimbursed by the receiving entity or are not reimbursed at all. Please do not include inter-entity real property costs that are fully reimbursed by the receiving entity. Only include the cost of the use of the real property itself (e.g., the value of the use of the land or office space). Do not, for example, include inter-entity janitorial, maintenance, or management service costs.

I. Provider Questions:

Does your entity provide the use of real property to other federal entities without reimbursement or with less than full reimbursement? If it does, please provide a description of the real property use your entity provides and for each real property use please supply the following information:

Which federal agency (or agencies) receives the use of real property?

Is your entity able to measure the full cost of the use of the real property in accordance with the full cost standard in SFFAS No. 4? If yes, please provide the full costs of those uses. If not, please explain why not?

Is a part of the costs reimbursed by the receiving entities? If so, what percentage of the full cost is reimbursed? (Please note, the questionnaire excludes inter-entity costs that are fully reimbursed.)

What is the estimated amount that is not reimbursed?

Does your entity receive any non-monetary compensation (such as a reciprocal service) from any of the receiving entities for the use of the real property that is not reimbursed? If so, please explain the type of compensation.

If more than one entity receives the use of the real property, would your entity be able to assign the non-reimbursed real property costs among the receiving entities? If so, what would be the assignment (or allocation) basis? If your entity would not be able to assign the costs, please explain why not.

Does your entity anticipate continuing to provide the use of the real property in future years?

Do you believe these real property costs meet the inter-entity cost recognition criteria? (See paragraphs 111 through 113, SFFAS No. 4) Please provide reasons for your reply.

II. Receiver Questions:

Does your entity receive the use of real property from other federal entities without reimbursement or with less than full reimbursement? If it does, please provide a description of the real property that your entity uses and for each real property use please supply the following information:

Which federal agency (or agencies) provides the use of the real property?

Does your entity (a) reimburse a part of the real property costs, or (b) receive the use of the real property without any reimbursement? (Please note the questionnaire excludes inter-entity costs that are fully reimbursed.)

What is the reimbursed amount for each real property cost and can you estimate the amount of the cost that is not reimbursed? If so, what is the amount? If not, would this information be available from the providing entity?

Does your entity give the providing entity any non-monetary compensation (such as a reciprocal service) for the non-reimbursed real property costs? If so, please explain the type of compensation.

Are the estimated real property costs significant to your entity? (Or, are the real property costs large enough that management should be aware of cost when making decisions? See SFFAS No. 4, par. 112.)

Is the use of the real property an integral or necessary part of your entity's output? (See SFFAS No. 4, par. 112.)

Do you believe these real property costs meet the inter-entity cost recognition criteria? (See paragraphs 111 through 113, SFFAS No. 4) Please provide reasons for your reply.

III. General Question:

Please detail any other factors specific to inter-entity real property costs that should be considered.

**TAB G: SUMMARY OF AGENCIES' RESPONSES TO INTER-ENTITY REAL
PROPERTY COSTS QUESTIONNAIRE**

AGENCY/ CONTACT	QUESTION #1 – PROVIDER	QUESTION #2 – RECEIVER	SUMMARY OF COMMENTS
1. National Endowment for the Arts – Sandy Stueckler	No.	No.	None.
2. Occupational Safety and Health Administration (OSHA) – Dennis Sprouse			OSHA does not have real property that is being used by another entity.
3. HUD – Rita Hebb	N/A	No.	HUD pays GSA full reimbursement for use of real property throughout the nation.
4. DoEd – Ron Coates	N/A	N/A	The Department rents office space from GSA and pays full market rate in rental payments for the occupied space utilized for Department services.
5. SBA – John Kushman	Various DoD installations involved in Federal procurement – without reimbursement (estimated value \$111,000)		Costs are not significant to SBA's \$800 million budget
6. NRC – Carl Fredericks	No.	No.	

AGENCY/ CONTACT	QUESTION #1 – PROVIDER	QUESTION #2 – RECEIVER	SUMMARY OF COMMENTS
7. DoD – Tom Waddell	Many Federal agencies use DoD real property. Generally the Department only requires other Federal agencies to reimburse DoD for sustainment costs.	DoD does use other Federal agency's real property, but such use is insignificant in relation to the vast DoD worldwide holdings of real property. Generally DoD does not reimburse agencies for the use of real property other than sustainment costs.	DoD does not have real property or financial systems that measure and capture full cost information in accordance with SFFAS 4.
8. Indian Health Service – Daniel C. Madrano	N/A	Air Force	HIS reimburses the Air Force \$16,000 for utility and custodial services only. The rental cost is unknown and would not be significant to the overall HIS appropriation of \$2.4 billion.
9. SSA – Chris Molander		The Public Health Service provides SSA with about 100 square feet of space free of charge.	In other locations [other than SSA headquarters] GSA provides space and we reimburse accordingly.
10. NSF – Preston Rich		The NSF LIGO facility is housed on DoE property.	No cost reimbursement is requested by, or provided to, the DoE for the use of the land.

AGENCY/ CONTACT	QUESTION #1 – PROVIDER	QUESTION #2 – RECEIVER	SUMMARY OF COMMENTS
11. VA – Janet McLean	Dol – lodge at Glendale National Cemetery; FAA – beacon at Calverton National Cemetery.	VA's NCA does not receive the use of any real property from other Federal entities without reimbursement or with less than full reimbursement.	Dol provides maintenance on the lodge; FAA does not provide any compensation. No fair value study of comparable properties has been done for the sites.
12. Corporation for National and Community Service – Stuart Graff			I believe that all real property cost incurred by the Corporation are fully reimbursed through IPAC payments to GSA for the full market value of the leased property we occupy at headquarters, service centers, and state offices.
13.A. DoE – Ed Dailide DoE's Albuquerque Operations Office (AL)	AL has a land use permit with the Air Force that grants the Air Force use of vacant DoE-managed land.	Air Force, at no cost to DoE.	1. The cost of providing the use of that site is not measured or calculated because the cost is considered minimal. 2. Waivers of rental consideration have been approved by the Air Force based on the defense nature of our work.
13.B. DoE's Rocky Flats	Several Federal agencies use the Rocky Flats North Live Fire firing range on an infrequent basis; no costs are reimbursed.		1. The cost of providing oversight of the range when used by other entities is not measured or calculated because it is so minor.

AGENCY/ CONTACT	QUESTION #1 – PROVIDER	QUESTION #2 – RECEIVER	SUMMARY OF COMMENTS
13.C. DoE's Los Alamos	- National Park Service - Forest Service - NSF	N/A	1. Can not measure full cost because these contracts are provided to other entities and in turn they provide DoE's NNSA with a service. DoE shares the costs with Forest Service on a lease on the local county's property.
14. OPM – Maurice Duckett	N/A	N/A	
15. HHS – Sue Mundstuk	HHS does not provide the use of real property to other Federal entities without reimbursement or with less than full reimbursement.	FDA and HIS receive the use of real property from other Federal agencies; FDA – without reimbursement and HIS reimburses for utility and custodial services only.	2. Estimated total value for six sites is \$23,300 – the costs are insignificant.
16. USDA – Robert Darragh	No.	Yes. GSA provides use of the USDA Headquarters Complex.	2. In lieu of rental payments, USDA is paying for the modernization of the buildings. Since the difference between the annual costs of modernization in lieu of rental payments is not known, non-reimbursed real property costs cannot be determined.

AGENCY/ CONTACT	QUESTION #1 – PROVIDER	QUESTION #2 – RECEIVER	SUMMARY OF COMMENTS
17. DoJ – Gail Jenkins	Users of DoJ field office space include all Federal law enforcement agencies and other Government agencies – none are reimbursed.	The State Dept. provides DoJ with office space overseas. DoJ currently does not reimburse State for rent costs for space overseas.	<p>1. The full cost of the use of the real property, in this case miscellaneous office space, is unable to be measured. The costs do not meet the test of materiality and the nature of the support is broad and general.</p> <p>2. Effective FY 2005, State will assess a capital surcharge based on overseas staffing levels to all Federal agencies with an overseas presence. The estimated costs are significant. The estimated costs are \$63 million in FY 2005 and \$77 million in FY 2006. Agencies will be allowed to include the funding in their budgets beginning FY 2005.</p>
18. EPA – Pam Doucoure	N/A	N/A	
19. GSA – Ed Gramp	Yes.	No.	These questions are relevant to a small portion of our total inventory of rentable space; however, yes, most provide partial reimbursement. GSA's rate is not solely based on full cost; it includes items such as an additional percentage to fund capital improvement programs.
20. DoC - Tony Akande	N/A	Yes	The "Receiver" questions apply to only one of our bureaus, and our answers to those questions are hereby attached.

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TAB H: AGENCIES' COMPLETE RESPONSES TO INTER-ENTITY REAL PROPERTY COSTS QUESTIONNAIRE

AGENCY RESPONSE: National Endowment for the Arts

CONTACT NAME: Sandy Stueckler

Director, Finance Office

202-682-5491

stueckls@arts.endow.gov

www.arts.gov

I. Provider Questions:

Does your entity provide the use of real property to other federal entities without reimbursement or with less than full reimbursement? **NO**. If it does, please provide a description of the real property use your entity provides and for each real property use please supply the following information:

Which federal agency (or agencies) receives the use of real property?

Is your entity able to measure the full cost of the use of the real property in accordance with the full cost standard in SFFAS No. 4? If yes, please provide the full costs of those uses. If not, please explain why not?

Is a part of the costs reimbursed by the receiving entities? If so, what percentage of the full cost is reimbursed? (Please note, the questionnaire excludes inter-entity costs that are fully reimbursed.)

What is the estimated amount that is not reimbursed?

Does your entity receive any non-monetary compensation (such as a reciprocal service) from any of the receiving entities for the use of the real property that is not reimbursed? If so, please explain the type of compensation.

If more than one entity receives the use of the real property, would your entity be able to assign the non-reimbursed real property costs among the receiving entities? If so, what would be the assignment (or allocation) basis? If your entity would not be able to assign the costs, please explain why not.

Does your entity anticipate continuing to provide the use of the real property in future years?

Do you believe these real property costs meet the inter-entity cost recognition criteria? (See paragraphs 111 through 113, SFFAS No. 4) Please provide reasons for your reply.

II. Receiver Questions:

Does your entity receive the use of real property from other federal entities without reimbursement or with less than full reimbursement? **NO**. If it does, please provide a

description of the real property that your entity uses and for each real property use please supply the following information:

Which federal agency (or agencies) provides the use of the real property?

Does your entity (a) reimburse a part of the real property costs, or (b) receive the use of the real property without any reimbursement? (Please note the questionnaire excludes inter-entity costs that are fully reimbursed.)

What is the reimbursed amount for each real property cost and can you estimate the amount of the cost that is not reimbursed? If so, what is the amount? If not, would this information be available from the providing entity?

Does your entity give the providing entity any non-monetary compensation (such as a reciprocal service) for the non-reimbursed real property costs? If so, please explain the type of compensation.

Are the estimated real property costs significant to your entity? (Or, are the real property costs large enough that management should be aware of cost when making decisions? See SFFAS No. 4, par. 112.)

Is the use of the real property an integral or necessary part of your entity's output? (See SFFAS No. 4, par. 112.)

Do you believe these real property costs meet the inter-entity cost recognition criteria? (See paragraphs 111 through 113, SFFAS No. 4) Please provide reasons for your reply.

III. General Question:

Please detail any other factors specific to inter-entity real property costs that should be considered.

AGENCY RESPONSE: Occupational Safety and Health Administration (OSHA)

CONTACT NAME: Dennis Sprouse (202-693-2429)

Dear Ms. Valentine,

The Occupational Safety and Health Administration (OSHA) does not have real property that is being used by another entity.

If you have any further questions, please let me know.

AGENCY RESPONSE: Department of Housing and Urban Development (HUD)

CONTACT NAME: Rita Hebb (202-708-0614 x3695)

Attached (below) is HUD's response to FASAB's survey. If you have questions, please contact Rita Hebb at 202-708-0614, ext 3695. Thank you for the opportunity to respond.

INTER-ENTITY REAL PROPERTY COSTS QUESTIONNAIRE – *HUD RESPONSE*

I. Provider Questions:

Does your entity provide the use of real property to other federal entities without reimbursement or with less than full reimbursement? If it does, please provide a description of the real property use your entity provides and for each real property use please supply the following information:

N/A

II. Receiver Questions:

Does your entity receive the use of real property from other federal entities without reimbursement or with less than full reimbursement? *No, HUD pays GSA full reimbursement for use of real property throughout the nation.*

If it does, please provide a description of the real property that your entity uses and for each real property use please supply the following information: *N/A*

III. General Question:

Please detail any other factors specific to inter-entity real property costs that should be considered. *None*

AGENCY RESPONSE: Department of Education (DoEd)

CONTACT NAME: Ron Coates (202-401-2090)

The subject survey has been completed and is attached/forwarded as requested. Although the survey criteria/questions are not applicable to the Department of Education, we hope that the narrative information provided is helpful in the development of SFFAS No.4 guidance, regarding the identity and recognition of Inter-Entity Real Property Cost.

We appreciate the opportunity to comment on this survey/document. If there are questions regarding our response I can be reached at (202) 401-2090.

Thanks,
Ron

I. Provider Questions:

Does your entity provide the use of real property to other federal entities without reimbursement or with less than full reimbursement? If it does, please provide a description of the real property use your entity provides and for each real property use please supply the following information:

The Department of Education does not provide the use of Real Property to other Federal entities without reimbursement or with less than full reimbursement. The Department is not a land holding agency and we do not provide Realty services to other Federal agencies. The Department utilizes the services of GSA for our realty needs; obtaining leased properties in commercially leased space or via occupancy agreements with GSA for Federally owned property. The Department does have two program areas wherein real property activities appear to exist, Impact Aid program and Post-Secondary Education College Housing Program. Neither of these programs meets the survey criteria of Inter-Entity Real Property Costs.

In January 2001, the status of the Impact Aid school facilities were reviewed and it was acknowledged that the Department's financial statements need not include Department owned Impact Aid facilities. This determination was based on a number of factors including:

The Impact Aid school buildings that are owned solely by the Department are unique in that they have low or negative value since they are 40-50 years old. Most were built in the early 1950's when the Impact Aid statute was first authorized. The Department does not acquire buildings under this authority.

In addition, the Impact Aid statute requires that the current holdings be transferred to appropriate entities as soon as possible and at no cost; therefore, fair market value cannot factor into the transfers. The recipients also must agree to the transfers, which, combined with low appropriations under this authority, has impeded the rate at which the facilities can be transferred. (Generally, the Department has to provide grants of \$2-4 million to upgrade the facilities to contemporary standards and, in exchange, districts agree to accept the facilities.) In the interim, Local Education Agencies continue to operate the schools on a daily basis through use permits from the Department. Many of the permits from the 1950's are still in effect.

The Department does not own the land underlying any of the buildings, which are all located on military bases. The restrictions on access to and on the military bases also minimize the value of the Department school facilities.

Many of these old buildings are in bad condition, and, in recent years, the military bases where certain school facilities were located have demolished several of them. In these situations, the buildings represent a potential negative value for the Department because other agencies may not always be able to assist with demolition.

Even though the buildings are of low to no value and at the end of their life cycle, the Department's Impact Aid Program maintains a property control system that meets the OMB standards for managing assets. A list of school facilities is maintained that includes the characteristics and location of the facilities. Subject to the availability of appropriations, the Program, consistent with one of its performance indicators, has been able to transfer 3-5 buildings a year for the last several years. The program also participates in GSA's Worldwide Web Inventory System and the properties are listed on that inventory, which will be updated annually as transfers occur or properties are demolished or declared as excess.

The survey criteria/questions do not apply to the Office of Post-Secondary, as there are no Inter-Entity Real Property Costs associated with the College Housing program.

Which federal agency (or agencies) receives the use of real property?

Not Applicable

Is your entity able to measure the full cost of the use of the real property in accordance with the full cost standard in SFFAS No. 4? If yes, please provide the full costs of those uses. If not, please explain why not?

Not Applicable

Is a part of the costs reimbursed by the receiving entities? If so, what percentage of the full cost is reimbursed? (Please note, the questionnaire excludes inter-entity costs that are fully reimbursed.)

Not Applicable

What is the estimated amount that is not reimbursed?

Not applicable

Does your entity receive any non-monetary compensation (such as a reciprocal service) from any of the receiving entities for the use of the real property that is not reimbursed? If so, please explain the type of compensation.

Not Applicable

If more than one entity receives the use of the real property, would your entity be able to assign the non-reimbursed real property costs among the receiving entities? If so, what would be the assignment (or allocation) basis? If your entity would not be able to assign the costs, please explain why not.

Not Applicable

Does your entity anticipate continuing to provide the use of the real property in future years?

Not Applicable

Do you believe these real property costs meet the inter-entity cost recognition criteria? (See paragraphs 111 through 113, SFFAS No. 4) Please provide reasons for your reply.

Not Applicable

II. Receiver Questions:

Does your entity receive the use of real property from other federal entities without reimbursement or with less than full reimbursement? If it does, please provide a description of the real property that your entity uses and for each real property use please supply the following information:

The Department rents office space from the GSA and pays full market rate in rental payments for the occupied space utilized for Department services.

Which federal agency (or agencies) provides the use of the real property?

Not Applicable

Does your entity (a) reimburse a part of the real property costs, or (b) receive the use of the real property without any reimbursement? (Please note the questionnaire excludes inter-entity costs that are fully reimbursed.)

Not Applicable

What is the reimbursed amount for each real property cost and can you estimate the amount of the cost that is not reimbursed? If so, what is the amount? If not, would this information be available from the providing entity?

Not Applicable

Does your entity give the providing entity any non-monetary compensation (such as a reciprocal service) for the non-reimbursed real property costs? If so, please explain the type of compensation.

Not Applicable

Are the estimated real property costs significant to your entity? (Or, are the real property costs large enough that management should be aware of cost when making decisions? See SFFAS No. 4, par. 112.)

Not Applicable

Is the use of the real property an integral or necessary part of your entity's output? (See SFFAS No. 4, par. 112.)

Not Applicable

Do you believe these real property costs meet the inter-entity cost recognition criteria? (See paragraphs 111 through 113, SFFAS No. 4) Please provide reasons for your reply.

Not Applicable

III. General Question:

Please detail any other factors specific to inter-entity real property costs that should be considered.

Not Applicable

AGENCY RESPONSE: Small Business Administration (SBA)

CONTACT NAME: John Kushman (202-205-6103)

II. Receiver Questions:

Does your entity receive the use of real property from other federal entities without reimbursement or with less than full reimbursement? If it does, please provide a description of the real property that your entity uses and for each real property use please supply the following information:

Which federal agency (or agencies) provides the use of the real property?

Various DOD installations involved in Federal procurement.

Does your entity (a) reimburse a part of the real property costs, or (b) receive the use of the real property without any reimbursement? (Please note the questionnaire excludes inter-entity costs that are fully reimbursed.)

(b) without reimbursement.

What is the reimbursed amount for each real property cost and can you estimate the amount of the cost that is not reimbursed? If so, what is the amount? If not, would this information be available from the providing entity?

37 SBA personnel X 100 sq ft/location X \$30/sq ft = \$111,000

Does your entity give the providing entity any non-monetary compensation (such as a reciprocal service) for the non-reimbursed real property costs? If so, please explain the type of compensation.

No.

Are the estimated real property costs significant to your entity? (Or, are the real property costs large enough that management should be aware of cost when making decisions? See SFFAS No. 4, par. 112.)

Absolutely not. Costs are not significant to SBA's \$800 million budget.

Is the use of the real property an integral or necessary part of your entity's output? (See SFFAS No. 4, par. 112.)

It is a minor, insignificant part of the SBA's output.

Do you believe these real property costs meet the inter-entity cost recognition criteria? (See paragraphs 111 through 113, SFFAS No. 4) Please provide reasons for your reply.

No, these costs do not meet the inter-entity cost recognition criteria. They are only .0001 percent of the SBA's budget.

AGENCY RESPONSE: Nuclear Regulatory Commission (NRC)

CONTACT NAME: Carl Fredericks

The following is the NRC's response to the FASAB questionnaire on inter-entity real property costs.

1. Provider Questions: Does your entity provide the use of real property to other Federal entities without reimbursement or with less than full reimbursement? *No.*
2. Receiver questions: Does your entity receive the use of real property from other Federal entities without reimbursement or with less than full reimbursement? *No. GSA charges the NRC rent for the use of office space. GSA regularly performs surveys to determine current market rates for space and looks at comparable properties in the area to determine market rates.*

AGENCY RESPONSE: Department of Defense (DoD)

CONTACT NAME: Lisa Dingman (703-604-6350 x104)

[See attached PDF file.](#)

AGENCY RESPONSE: Indian Health Service (IHS)

CONTACT NAME: Daniel C. Madrano (301-443-0307)

I. Provider Questions: N/A

Does your entity provide the use of real property to other federal entities without reimbursement or with less than full reimbursement? If it does, please provide a description of the real property use your entity provides and for each real property use please supply the following information:

- A. Which federal agency (or agencies) receives the use of real property?
- B. Is your entity able to measure the full cost of the use of the real property in accordance with the full cost standard in SFFAS No. 4? If yes, please provide the full costs of those uses. If not, please explain why not?
- C. Is a part of the costs reimbursed by the receiving entities? If so, what percentage of the full cost is reimbursed? (Please note, the questionnaire excludes inter-entity costs that are fully reimbursed.)
- D. What is the estimated amount that is not reimbursed?
- E. Does your entity receive any non-monetary compensation (such as a reciprocal service) from any of the receiving entities for the use of the real property that is not reimbursed? If so, please explain the type of compensation.
- F. If more than one entity receives the use of the real property, would your entity be able to assign the non-reimbursed real property costs among the receiving entities? If so, what would be the assignment (or allocation) basis? If your entity would not be able to assign the costs, please explain why not.
- G. Does your entity anticipate continuing to provide the use of the real property in future years?
- H. Do you believe these real property costs meet the inter-entity cost recognition criteria? (See paragraphs 111 through 113, SFFAS No. 4) Please provide reasons for your reply.

II. Receiver Questions:

Does your entity receive the use of real property from other federal entities without reimbursement or with less than full reimbursement? If it does, please provide a description of the real property that your entity uses and for each real property use please supply the following information:

Which federal agency (or agencies) provides the use of the real property?
US Air Force

Does your entity (a) reimburse a part of the real property costs, or (b) receive the use of the real property without any reimbursement? (Please note the questionnaire excludes inter-entity costs that are fully reimbursed.)

The IHS reimburses the Air Force for utility and custodial services only. This is a warehouse provided to us under Operation Transam whereby DOD provides IHS access equipment and supplies.

What is the reimbursed amount for each real property cost and can you estimate the amount of the cost that is not reimbursed? If so, what is the amount? If not, would this information be available from the providing entity?

The IHS reimburses the Air Force \$16,000 for the above services. The rental cost is unknown. The Air Force may be able to provide.

Does your entity give the providing entity any non-monetary compensation (such as a reciprocal service) for the non-reimbursed real property costs? If so, please explain the type of compensation.

No

Are the estimated real property costs significant to your entity? (Or, are the real property costs large enough that management should be aware of cost when making decisions? See SFFAS No. 4, par. 112.)

No, any rental costs at this one facility would not be significant to the overall IHS appropriation of \$2.4 billion.

Is the use of the real property an integral or necessary part of your entity's output? (See SFFAS No. 4, par. 112.)

No

Do you believe these real property costs meet the inter-entity cost recognition criteria? (See paragraphs 111 through 113, SFFAS No. 4) Please provide reasons for your reply.

Unknown

III. General Question:

Please detail any other factors specific to inter-entity real property costs that should be considered.

AGENCY RESPONSE: Social Security Administration (SSA)

CONTACT NAME: Chris Molander (410-965-0003)

We received your letter dated November 25, 2002 concerning "Inter-Entity Real Property Costs" with the accompanying questionnaire that you asked us to complete. We were relatively confident up-front that the Social Security Administration (SSA) neither provides nor receives the use of real property without reimbursement. To ensure we were correct though, we researched the issue by contacting our facilities people nationwide. With only one exception, they confirmed our assumptions. It seems that in one of our regional offices, the Public Health Service provides SSA with about 100 square feet of space free of charge. I am sure this is insignificant in the context of the broad study you are performing. Consequently, we did not complete your questionnaire.

SSA does maintain a large presence in the fifty states, U.S. territories, and in foreign countries. We have a complex of buildings at headquarters in the Baltimore area, and approximately 1300 field offices throughout the country. In certain cases, primarily in headquarters, SSA originally financed the acquisition of land and construction of buildings and retains ownership. In all other locations, the General Services Administration provides space and we reimburse it accordingly. In certain foreign countries, we reimburse the State Department for the space (and other services) it provides in its embassies.

If you have any further questions or comments, please call me at 410-965-0003.

*Chris Molander
Director, Division of Central Accounting and Reporting
Social Security Administration*

AGENCY RESPONSE: National Science Foundation (NSF)

CONTACT NAME: Preston Rich (703-292-4465)

The following is my response to your incoming subject memorandum dated November 25, 2002, a copy of which is attached.

After a thorough review of the missions, programs and initiatives underway at the National Science Foundation (NSF) only one aspect of one program currently appears to meet any of the definitions provided within the incoming memorandum and within the context of SFFAS No. 4. As background, the mission of NSF is to promote the progress of science; to advance the national health, prosperity, and welfare; and to secure the national defense. A short summary of the one program which may be pertinent to the definitions for the subject costs follows:

Interferometer Gravitational-Wave Observatory (LIGO)

The NSF LIGO construction project began in FY 1992 as a collaboration between physicists and engineers at the California Institute of Technology and the Massachusetts Institute of Technology to test the dynamical features of Einstein's theory of gravity and to study the properties of intense gravitational fields from their radiation. Today, several other institutions are also involved. LIGO consists of identical but widely separated detectors, one in Hanford, Washington and the other in Livingston, Louisiana, that will be used for fundamental physics experiments to directly detect gravitational waves and gather data on their sources.

The NSF LIGO program is likely a "Receiver" as defined by the attached memorandum since LIGO is a major NSF facility that is housed on a large tract of property owned by the Department of Energy (DOE) in Hanford, Washington. No cost reimbursement is requested by, or provided to, the DOE for the use of the land on which LIGO resides. While there are no hard dollar numbers available for the use of this land by the LIGO, there is an approximate equivalent exchange of "value". Quoting from the Permit granted by the DoE to the NSF on 8/26/93 "As consideration for this Permit, DoE recognizes that NSF is a Federal agency and, as such, mutual benefits are derived from this Permit." There is a further question as to whether the unreimbursed value of the land use would meet the materiality threshold as defined in SFFAS No. 4.

Please let me know if you need further clarification. My contact on this is Preston Rich of my office at 703 292 4465 or email: < brich@nsf.gov >.

Don McCrory, NSF DCFO

AGENCY RESPONSE: Department of Veterans Administration (VA)

CONTACT NAME: Janet McLean
Accounting Policy Division/047GA1
202-273-8802
Janet.McLean@mail.va.gov

The attached is the Department of Veterans Administration's response to the questions posed in your 25 November 2002 survey. Besides the National Cemetery Administration we are aware of no other VA administration or staff office providing or receiving the use of real property to/from other federal entities without reimbursement or with less than full reimbursement. Also, VA does not know of any other factors specific to inter-entity real property costs that should be considered.

I. Provider Questions:

Does your entity provide the use of real property to other federal entities without reimbursement or with less than full reimbursement? If it does, please provide a description of the real property use your entity provides and for each real property use please supply the following information:

Which federal agency (or agencies) receives the use of real property?

U.S. Department of Interior (DOI), Richmond National Battlefield Park leases the lodge at Glendale National Cemetery, and Federal Aviation Administration (FAA) has an electronic "beacon" located on Calverton National Cemetery property.

Is your entity able to measure the full cost of the use of the real property in accordance with the full cost standard in Statement of Federal Financial Accounting Standard (SFFAS) No. 4? If yes, please provide the full costs of those uses. If not, please explain why not?

No, National Cemetery Administration (NCA) has not conducted a fair market value study of comparable properties available for lease.

Is a part of the costs reimbursed by the receiving entities? If so, what percentage of the full cost is reimbursed? (Please note, the questionnaire excludes inter-entity costs that are fully reimbursed.) *No.*

What is the estimated amount that is not reimbursed?

Unknown. NCA has not conducted a fair market value study of comparable properties available for lease.

Does your entity receive any non-monetary compensation (such as a reciprocal service) from any of the receiving entities for the use of the real property that is not reimbursed? If so, please explain the type of compensation.

Yes. DOI, Richmond National Battlefield Park provides maintenance on the lodge. In addition, they have constructed two restrooms on the property at a cost of \$85,000. FAA does not provide any compensation.

If more than one entity receives the use of the real property, would your entity be able to assign the non-reimbursed real property costs among the receiving entities? If so, what would be the assignment (or allocation) basis? If your entity would not be able to assign the costs, please explain why not.

Not applicable.

Does your entity anticipate continuing to provide the use of the real property in future years?

Yes. DOI, Richmond National Battlefield Park has a lease permit that expires 31 January 2019. FAA has recently requested a renewal of their easement for an additional ten years.

Do you believe these real property costs meet the inter-entity cost recognition criteria? (See paragraphs 111 through 113, SFFAS No. 4) Please provide reasons for your reply.

This question can only be answered by the receiving entity, as according to paragraph 112, materiality should be considered in terms of the importance of the transaction to the receiving entity.

II. Receiver Questions:

NCA does not receive the use of any real property from other federal entities without reimbursement or with less than full reimbursement.

[Note: VA/NCA has received at no cost land from other Federal components for national cemetery development or expansion via legislative initiative, with full title to the land transferred to VA. Property has been transferred/received from Army, Navy, Air Force, and/or the Department of Interior.]

III. General Question:

Please detail any other factors specific to inter-entity real property costs that should be considered.

VA does not know of any other factors specific to inter-entity real property costs that should be considered.

AGENCY RESPONSE: Corporation for National and Community Service (CNCS)

CONTACT NAME: Stuart Graff (202-606-5000 x 230)

The following is a note I wrote to my supervisor shortly after the Survey on Inter-Entity Real Property Costs was issued. Unfortunately, I cannot remember whether or not I ever sent you the brief response suggested in the note. In any case I could not find such a note and thus presume that I did not.

Please accept the comment in the following message as the response from the Corporation for National and Community Service, and also please accept my apology for not providing this to you on a more timely basis.

*Stuart L. Graff
Financial Policy and Management Control
Chief Financial Officer Department
Corporation for National and Community Service
1201 New York Avenue, NW, Room 7122
Washington, DC 20525
Telephone (202) 606-5000, Ext. 230
Facsimile (202) 565-2780*

Jerry,

*I have reviewed the Inter-Entity Real Property Costs survey prepared by Monica Valentine of FASAB on behalf of an Accounting and Auditing Policy Committee task force. The survey is only concerned with inter-entity costs that are not fully reimbursed. **I believe that all real property costs incurred by the Corporation are fully reimbursed through IPAC payments to GSA for the full market value of the leased property we occupy at headquarters, service centers and state offices.** Therefore, no response is necessary to the survey. However, I believe in the interest of clarity that we should respond by E-mail to the survey author with a negative response. **We can say that all use of real property provided to us by GSA is fully compensated by intergovernmental payments to GSA.** That way, Monica Valentine will know that we have considered her questionnaire and decided that we did not have any relevant information to provide.*

What do you think?

Stu

AGENCY RESPONSE: Department of Energy (DoE)

CONTACT NAME: Ed Dailide (202-586-5422)

I am responding to your email of January 14 inquiring about the status of DOE's response to the FASAB survey on inter-entity real property costs. Below you'll find our response to the survey that we had sent earlier. Unfortunately you never received it because of a typo in your email address. Attached are responses that we received from our realty officers in the field that have situations that meet the survey criteria. I know that Jim Cayce has had some discussions with you to get clarification on the questionnaire. Hopefully, the attached questionnaires are responsive to your needs. If you have any questions or need some additional information, pls contact me or Andy Duran at 202-586-0072 directly.

*Ed Dailide
Deputy Director, Facilities & Infrastructure
Office of Engineering and Construction Management
Department of Energy
Tell: 202-586-5422
Fax: 202-586-4500
ed.dailide@hq.doe.gov*

DoE's Albuquerque Operations Office (AL) Survey Response

I. Provider Questions:

Does your entity provide the use of real property to other federal entities without reimbursement or with less than full reimbursement? If it does, please provide a description of the real property use your entity provides and for each real property use please supply the following information:

Which federal agency (or agencies) receives the use of real property?

Answer: The Albuquerque Operations Office has a land use permit with the Department of Air Force Kirtland Air Force Base (KAFB), which grants KAFB use of vacant DOE-managed land for Air Force purposes (Air Force Inspection and Safety Center). The Department of Energy National Nuclear Security Administration (NNSA) resides on KAFB. NNSA is in the process of transferring ownership of the land under permit to KAFB.

Is your entity able to measure the full cost of the use of the real property in accordance with the full cost standard in SFFAS No. 4? If yes, please provide the full costs of those uses. If not, please explain why not?

Answer: The cost of providing KAFB use of that site is not measured or calculated because the cost is considered minimal. DOE also has numerous land use permits for use of Air Force lands on KAFB which is discussed in the next section (Receiver Questions).

Is a part of the costs reimbursed by the receiving entities? If so, what percentage of the full cost is reimbursed? (Please note, the questionnaire excludes inter-entity costs that are fully reimbursed.)

No.

What is the estimated amount that is not reimbursed?

Unknown.

Does your entity receive any non-monetary compensation (such as a reciprocal service) from any of the receiving entities for the use of the real property that is not reimbursed? If so, please explain the type of compensation.

No.

If more than one entity receives the use of the real property, would your entity be able to assign the non-reimbursed real property costs among the receiving entities? If so, what would be the assignment (or allocation) basis? If your entity would not be able to assign the costs, please explain why not.

Not Applicable.

Does your entity anticipate continuing to provide the use of the real property in future years?

No, property is being transferred to receiving entity.

Do you believe these real property costs meet the inter-entity cost recognition criteria? (See paragraphs 111 through 113, SFFAS No. 4) Please provide reasons for your reply.

No.

II. Receiver Questions:

Does your entity receive the use of real property from other federal entities without reimbursement or with less than full reimbursement? If it does, please provide a description of the real property that your entity uses and for each real property use please supply the following information:

Which federal agency (or agencies) provides the use of the real property?

Answer: United States Department of Air Force, Kirtland Air Force Base (KAFB).

Does your entity (a) reimburse a part of the real property costs, or (b) receive the use of the real property without any reimbursement? (Please note the questionnaire excludes inter-entity costs that are fully reimbursed.)

No. The real property is provided under land use permits or revocable license agreements at no cost the Department of Energy National Nuclear Security Administration (NNSA). Waivers of rental consideration have been approved by the USAF-KAFB based on the defense nature of the work performed by NNSA, which directly supports the defense mission.

What is the reimbursed amount for each real property cost and can you estimate the amount of the cost that is not reimbursed? If so, what is the amount? If not, would this information be available from the providing entity?

See explanation in No. 2 above.

Does your entity give the providing entity any non-monetary compensation (such as a reciprocal service) for the non-reimbursed real property costs? If so, please explain the type of compensation.

No.

Are the estimated real property costs significant to your entity? (Or, are the real property costs large enough that management should be aware of cost when making decisions? See SFFAS No. 4, par. 112.)

No.

Is the use of the real property an integral or necessary part of your entity's output? (See SFFAS No. 4, par. 112.)

No.

Do you believe these real property costs meet the inter-entity cost recognition criteria? (See paragraphs 111 through 113, SFFAS No. 4) Please provide reasons for your reply.

No.

DoE's Rocky Flats Survey Response

I. Provider Questions:

Does your entity provide the use of real property to other federal entities without reimbursement or with less than full reimbursement? If it does, please provide a description of the real property use your entity provides and for each real property use please supply the following information:

Which federal agency (or agencies) receives the use of real property?

Answer:

The following Federal agencies use the Rocky Flats North Live Fire firing range on an infrequent basis when it is not being used for the Rocky Flats mission requirements.

Bureau of Alcohol, Tobacco, & Firearms

Federal Probation Department

US Marshal Service

Environmental Protection Agency

US Navy Seals – Reserve Unit

US Fish & Wildlife Service – Enforcement Unit

Federal Air Marshal Service

US Drug Enforcement Agency

Is your entity able to measure the full cost of the use of the real property in accordance with the full cost standard in SFFAS No. 4? If yes, please provide the full costs of those uses. If not, please explain why not?

Answer:

The cost of providing oversight of the range when used by other entities is not measured or calculated because it is so minor. In some cases the federal entities use the facilities on the weekends, or provide their own Range Masters and supervision, and there is no addition cost at all. The value of the facility to the government (DOE) is already realized by the site personnel that use the facilities as part of their training and job certifications.

Is a part of the costs reimbursed by the receiving entities? If so, what percentage of the full cost is reimbursed? (Please note, the questionnaire excludes inter-entity costs that are fully reimbursed.)

Answer: No costs are reimbursed.

What is the estimated amount that is not reimbursed? Estimate is too minimal to calculate.

Answer: All costs are fixed costs.

Does your entity receive any non-monetary compensation (such as a reciprocal service) from any of the receiving entities for the use of the real property that is not reimbursed? If so, please explain the type of compensation.

Answer: Cross services agreements do exist with local law enforcement but no federal benefit is derived from these other agencies. The US government has gained a benefit in utilizing this facility as in several cases the time constraints did not allow other facilities to be procured or other facilities simply did not exist.

If more than one entity receives the use of the real property, would your entity be able to assign the non-reimbursed real property costs among the receiving entities? If so, what would be the assignment (or allocation) basis? If your entity would not be able to assign the costs, please explain why not.

Answer: No.

Does your entity anticipate continuing to provide the use of the real property in future years?

Answer: Yes. But only for a couple more years until the Rocky flats site is closed and becomes a National Wildlife Refuge.

Do you believe these real property costs meet the inter-entity cost recognition criteria? (See paragraphs 111 through 113, SFFAS No. 4) Please provide reasons for your reply.

Answer: Yes.

II. Receiver Questions:

Does your entity receive the use of real property from other federal entities without reimbursement or with less than full reimbursement? If it does, please provide a description of the real property that your entity uses and for each real property use please supply the following information:

Answer: Entities were not contacted.

Which federal agency (or agencies) provides the use of the real property?

Answer: See No. 1 above.

Does your entity (a) reimburse a part of the real property costs, or (b) receive the use of the real property without any reimbursement? (Please note the questionnaire excludes inter-entity costs that are fully reimbursed.)

Answer: No.

What is the reimbursed amount for each real property cost and can you estimate the amount of the cost that is not reimbursed? If so, what is the amount? If not, would this information be available from the providing entity?

Answer: None.

Does your entity give the providing entity any non-monetary compensation (such as a reciprocal service) for the non-reimbursed real property costs? If so, please explain the type of compensation.

Answer: No.

Are the estimated real property costs significant to your entity? (Or, are the real property costs large enough that management should be aware of cost when making decisions? See SFFAS No. 4, par. 112.)

Answer: Probably not. With the difficulty in scheduling, this is only used as a convenience or in emergency cases such as the US Marshal's use for the Oklahoma City bombing trial in Denver.

Is the use of the real property an integral or necessary part of your entity's output? (See SFFAS No. 4, par. 112.)

Answer: No answer.

Do you believe these real property costs meet the inter-entity cost recognition criteria? (See paragraphs 111 through 113, SFFAS No. 4) Please provide reasons for your reply.

III. General Question:

Please detail any other factors specific to inter-entity real property costs that should be considered.

DoE's Los Alamos Survey Response

Does your entity provide the use of real property to other federal entities without reimbursement or with less than full reimbursement? If it does, please provide a description of the real property use your entity provides and for each real property use please supply the following information:

Which federal agency (or agencies) receives the use of real property?

The Los Alamos site Operations has the following DOE properties, which are being used by other federal entities.

Contract DE-RP04-98AI78650 to the National Park Service/ Bandelier National Monument. A piece of land in the TA-49 area for a construction of a fire cache to be readily accessible during forest fire activities.

Contract DE-GM32-00AL77169 to the National park Service. Land to be used as a Wild Life Reserve Center. DOE provide sufficient annual payments .

Contract # DE-A132-77DPO3792 to the U.S.D. Forest Service to provide liaison support to the Los Alamos National Laboratory and the Los Alamos Site Office. This contract is really a lease of a building on County land. The Department pays half of the lease and half of the salaries of the Forest Service. Annual contract amount is 40K.

Contract DE-RP04-01AL67224 to the National Science Foundation. Approximately 2.43 acres and utilities for a national Science Foundation building which support the Very Large Baseline array project.

Is your entity able to measure the full cost of the use of the real property in accordance with the full cost standard in SFFAS No. 4? If yes, please provide the full costs of those uses. If not, please explain why not?

No because these contract are provided to other entities and in turn they provide the NNSA with a service.

Is part of the costs reimbursed by the receiving entities? If so, what percentage of the full cost is reimbursed? (Please note, the questionnaire excludes inter-entity costs that are fully reimbursed.)

On contract DE-A132-77DPO3792 between the Forest Service and the NNSA the Forest Service pays 50%.

What is the estimated amount that is not reimbursed?

Don't know ??

Does your entity receive any non-monetary compensation (such as a reciprocal service) from any of the receiving entities for the use of the real property that is not reimbursed? If so, please explain the type of compensation.

Yes we receive services.

If more than one entity receives the use of the real property, would your entity be able to assign the non-reimbursed real property costs among the receiving entities? If so, what would be the assignment (or allocation) basis? If your entity would not be able to assign the costs, please explain why not.

No our agreements stipulate that when the agreement is over the lands revert back to NNSA control.

Does your entity anticipate continuing to provide the use of the real property in future years?

Yes

Do you believe these real property costs meet the inter-entity cost recognition criteria? (See paragraphs 111 through 113, SFFAS No. 4) Please provide reasons for your reply.

Can't determine don't know

II. Receiver Questions:

This part is not applicable to the Los Alamos Site Office

Does your entity receive the use of real property from other federal entities without reimbursement or with less than full reimbursement? If it does, please provide a description of the real property that your entity uses and for each real property use please supply the following information:

Which federal agency (or agencies) provides the use of the real property?

Does your entity (a) reimburse a part of the real property costs, or (b) receive the use of the real property without any reimbursement? (Please note the questionnaire excludes inter-entity costs that are fully reimbursed.)

What is the reimbursed amount for each real property cost and can you estimate the amount of the cost that is not reimbursed? If so, what is the amount? If not, would this information be available from the providing entity?

Does your entity give the providing entity any non-monetary compensation (such as a reciprocal service) for the non-reimbursed real property costs? If so, please explain the type of compensation.

Are the estimated real property costs significant to your entity? (Or, are the real property costs large enough that management should be aware of cost when making decisions? See SFFAS No. 4, par. 112.)

Is the use of the real property an integral or necessary part of your entity's output? (See SFFAS No. 4, par. 112.)

Do you believe these real property costs meet the inter-entity cost recognition criteria? (See paragraphs 111 through 113, SFFAS No. 4) Please provide reasons for your reply.

III. General Question:

Please detail any other factors specific to inter-entity real property costs that should be considered.

OPM's Response:

"Not Applicable"

Maurice O. Duckett
OPM

AGENCY RESPONSE: Dept. of Health & Human Services (HHS)
CONTACT NAME: Sue Mundstuk

I. Provider Questions:

Does your entity provide the use of real property to other federal entities without reimbursement or with less than full reimbursement? If it does, please provide a description of the real property use your entity provides and for each real property use please supply the following information:

HHS Answer: HHS Operating Divisions do not provide the use of real property to other federal Entities without reimbursement or with less than full reimbursement.

Which federal agency (or agencies) receives the use of real property?

Is your entity able to measure the full cost of the use of the real property in accordance with the full cost standard in SFFAS No. 4? If yes, please provide the full costs of those uses. If not, please explain why not?

Is a part of the costs reimbursed by the receiving entities? If so, what percentage of the full cost is reimbursed? (Please note, the questionnaire excludes inter-entity costs that are fully reimbursed.)

What is the estimated amount that is not reimbursed?

Does your entity receive any non-monetary compensation (such as a reciprocal service) from any of the receiving entities for the use of the real property that is not reimbursed? If so, please explain the type of compensation.

If more than one entity receives the use of the real property, would your entity be able to assign the non-reimbursed real property costs among the receiving entities? If so, what would be the assignment (or allocation) basis? If your entity would not be able to assign the costs, please explain why not.

Does your entity anticipate continuing to provide the use of the real property in future years?

Do you believe these real property costs meet the inter-entity cost recognition criteria? (See paragraphs 111 through 113, SFFAS No. 4) Please provide reasons for your reply.

II. Receiver Questions:

Does your entity receive the use of real property from other federal entities without reimbursement or with less than full reimbursement? If it does, please provide a description of the real property that your entity uses and for each real property use please supply the following information:

HHS Answer: *The Food & Drug Administration and the Indian Health Service receive the use of real property from other federal agencies as shown below.*

Which federal agency (or agencies) provides the use of the real property?

<u>For F&D</u>	U.S. Attorney's Office 138 Delaware Avenue Rooms 563 & 564 Buffalo, NY	USF 380	\$7,700 Est. Value
	U.S. Attorney's Office 615 Chestnut Street Suite 1250 Philadelphia, PA	USF 170	\$4,200
	DEA 3010 N. 2 nd Street Phoenix, AZ	USF 109	\$2,400
	FBI 1110 3 rd Avenue Seattle, WA	USF 64	\$3,300
	US Customs 9901 Pacific Highway Blaine, WA	USF 81	\$4,800
	US Customs 2203 North Lois Avenue Suite 600 Tampa, FL	USF 36	\$ 900
<u>For IHS</u>	U.F. Air Force		

Does your entity (a) reimburse a part of the real property costs, or (b) receive the use of the real property without any reimbursement? (Please note the questionnaire excludes inter-entity costs that are fully reimbursed.)

For FDA *Receives the use of the property without reimbursement.*

For IHS *Reimburses the AF for utility and custodial services only. This is a warehouse provided to us under Operation Transam whereby DoD provides IHS access equipment and supplies.*

What is the reimbursed amount for each real property cost and can you estimate the amount of cost that is not reimbursed? If so, what is the amount? If not, would this information be available from the providing entity?

For FDA *See above for estimated costs.*

For IHS *Reimburses the AF \$16,000 for the services. The rental cost is unknown. Perhaps the AF can provide.*

Does your entity give the providing entity any non-monetary compensation (such as a reciprocal service) for the non-reimbursed real property costs? If so, please explain the type of compensation.

HHS *No.*

Are the estimated real property costs significant to your entity? (Or, are the real property costs large enough that management should be aware of cost when making decisions? See SFFAS No. 4, par. 112.)

For FDA *No, the costs are insignificant compared to the total rent bill.*

For IHS *No, any rental costs at this one facility would not be significant to the overall IHS appropriation of \$2.4 billion.*

Is the use of the real property an integral or necessary part of your entity's output? (See SFFAS No. 4, par. 112.)

For FDA *Yes, these are critical OCI domiciles.*

For IHS *Yes.*

Do you believe these real property costs meet the inter-entity cost recognition criteria? (See paragraphs 111 through 113, SFFAS No. 4) Please provide reasons for your reply.

For HHS *Yes, the non-reimbursed costs are not a significant cost to this entity.*

III. General Question:

Please detail any other factors specific to inter-entity real property costs that should be considered.

AGENCY RESPONSE: Dept. of Agriculture (USDA)
CONTACT NAME: Robert Darragh (202-720-0994)

I. Provider Questions:

Does your entity provide the use of real property to other federal entities without reimbursement or with less than full reimbursement? **No.**

If it does, please provide a description of the real property use your entity provides and for each real property use please supply the following information:

Which federal agency (or agencies) receives the use of real property?

Is your entity able to measure the full cost of the use of the real property in accordance with the full cost standard in SFFAS No. 4? If yes, please provide the full costs of those uses. If not, please explain why not?

Is a part of the costs reimbursed by the receiving entities? If so, what percentage of the full cost is reimbursed? (Please note, the questionnaire excludes inter-entity costs that are fully reimbursed.)

What is the estimated amount that is not reimbursed?

Does your entity receive any non-monetary compensation (such as a reciprocal service) from any of the receiving entities for the use of the real property that is not reimbursed? If so, please explain the type of compensation.

If more than one entity receives the use of the real property, would your entity be able to assign the non-reimbursed real property costs among the receiving entities? If so, what would be the assignment (or allocation) basis? If your entity would not be able to assign the costs, please explain why not.

Does your entity anticipate continuing to provide the use of the real property in future years?

Do you believe these real property costs meet the inter-entity cost recognition criteria? (See paragraphs 111 through 113, SFFAS No. 4) Please provide reasons for your reply.

II. Receiver Questions:

Does your entity receive the use of real property from other federal entities without reimbursement or with less than full reimbursement? **Yes** If it does, please provide a description of the real property that your entity uses and for each real property use please supply the following information:

Which federal agency (or agencies) provides the use of the real property?

GSA provides use of the USDA Headquarters Complex (South Building, Cotton Annex Building, and Whitten Building).

Does your entity (a) reimburse a part of the real property costs, or (b) receive the use of the real property without any reimbursement? (Please note the questionnaire excludes inter-entity costs that are fully reimbursed.)

In lieu of rental payments, USDA is paying for the modernization of the buildings.

What is the reimbursed amount for each real property cost and can you estimate the amount of the cost that is not reimbursed? If so, what is the amount? If not, would this information be available from the providing entity?

The annual cost of modernization is estimated to be \$X for the next X years. The difference between the annual cost of modernization in lieu of rental payments is not known. This information may be available from GSA.

Does your entity give the providing entity any non-monetary compensation (such as a reciprocal service) for the non-reimbursed real property costs? If so, please explain the type of compensation.

Since the difference between the annual cost of modernization in lieu of rental payments is not known, non-reimbursed real property costs can not be determined.

Are the estimated real property costs significant to your entity? (Or, are the real property costs large enough that management should be aware of cost when making decisions? See SFFAS No. 4, par. 112.)

Yes.

Is the use of the real property an integral or necessary part of your entity's output? (See SFFAS No. 4, par. 112.)

Yes.

Do you believe these real property costs meet the inter-entity cost recognition criteria? (See paragraphs 111 through 113, SFFAS No. 4) Please provide reasons for your reply.

No, since the cost of modernization is in lieu of rental payments.

III. General Question:

Please detail any other factors specific to inter-entity real property costs that should be considered.

AGENCY RESPONSE: Dept. of Justice (DoJ)
CONTACT NAME: Chris Alvarez (202-616-5234)
Gail Jenkins (202-616-5228)

Providing Entity Survey – Department of Justice

Does your entity provide the use of real property to other federal entities without reimbursement or with less than full reimbursement? If it does, please provide a description of the real property use your entity provides and for each real property use please supply the following information:

Description: Both the Drug Enforcement Administration (DEA) and the Federal Bureau of Investigation (FBI) routinely provide space in their field offices for various Task Forces, as well as for staff from other state, local and federal law enforcement agencies and foreign consulates. The general "rule of thumb" for task forces is whichever agency has the lead, pays for the space. The amount of space devoted to detailed personnel varies tremendously by task force size, length of time, and overall size of the field office.

Another example is the US Attorney Offices (USAO) nationwide. The purpose of the USAO is to act as the chief law enforcement officer in each judicial jurisdiction. They also are responsible for coordinating multiple agency investigations within each district. Thus, the USAOs frequently provide office and trial support space to a wide range of other federal agencies and Department of Justice (DOJ) Components. Any federal agency trying a case within the jurisdiction of a USAO typically will ask the USAO if any space is available. Because the USAO also has an interest in the case if not direct oversight, the USAO does not request reimbursement from participating agencies. Lastly, the occupation of USAO space is in direct support of DOJ mission activities and the temporary occupation by various other federal agencies is incidental.

Survey Questions:

1. Which federal agency or agencies receives the use of real property?

Users of DOJ field office space include all federal law enforcement agencies, various DOJ headquarters offices, other Government agencies such as EPA, and state and local agencies.

2. Is your entity able to measure the full cost of the use of the real property in accordance with the full cost standard in SFFAS No. 4? If yes, please provide the full costs of those uses. If not, please explain why not?

The full cost of the use of the real property, in this case miscellaneous office space within existing offices, is unable to be measured, due to the varying sizes of task force and trial teams, the varying lengths of time for which such task forces and trials require space, the hundreds of offices nationwide within which these instances occur, and most importantly the dynamically changing mix of incidental partner occupants.

Provider Entity Survey – Department of Justice (continued)

3. Is a part of the costs reimbursed by the receiving entities? If so, what percentage of the full cost is reimbursed? (Please note the questionnaire excludes inter-entity costs that are fully reimbursed).

NO.

4. What is the estimated amount that is not reimbursed?

100%.

5. Does your entity receive any non-monetary compensation (such as a reciprocal service) from any of the receiving entities for the use of the real property that is not reimbursed? If so, please explain the type of compensation.

YES. The providing entity gains the assistance of the other agency that has detailed personnel to the task force or trial team.

6. If more than one entity receives the use of the real property, would your entity be able to assign the non-reimbursed real property costs among the receiving entities? If so, what would be the assignment or allocation basis? If your entity would not be able to assign the costs, please explain why not.

No. Costs would not be assignable due to the varying sizes of task force and trial teams, the varying lengths of time for which such task forces and trials require space, the hundreds of offices nationwide within which these instances occur and most importantly the dynamically changing mix of incidental partner occupants.

7. Does your entity anticipate continuing to provide the use of real property in future years?

YES.

8. Do you believe these real property costs meet the inter-entity cost recognition criteria? Please provide reasons for your reply.

NO. The costs don't meet the test of materiality because they are a relatively minor part of the many overall DOJ missions and programs. Secondly, the nature of the support is broad and general; the office space is used by a broad spectrum of government entities, both federal and state/local. Thirdly, the costs of the space provided to detailed personnel/task forces are not significant to the provider entity, because the actual percentage of space used varies so significantly among locations. Lastly, the costs associated with office space for detailed personnel/task forces would be extremely difficult to quantify, and could not be matched to the receiving entity with reasonable precision.

Receiving Entity Survey – Department of Justice

Does your entity receive the use of real property from other federal entities without reimbursement or with less than full reimbursement? If it does, please provide a description of the real property that your entity uses and for each real property use, please supply the following information:

Description: DOJ occupies offices overseas, which are essential for the conduct of various DOJ programs and missions. As a matter of general Government practice, overseas office space is located primarily in buildings or facilities controlled by the Department of State.

Survey Questions:

1. Which federal agency (or agencies) provides the use of the real property?

The State Department provides the Department of Justice (DOJ) with office space overseas.

2. Does your entity (a) reimburse a part of the real property costs or (b) receive the use of the real property without any reimbursement? (Please note the questionnaire excludes inter-entity costs that are fully reimbursed.)

DOJ currently does not reimburse the State Department for rent costs for space overseas. However, in October 2002, the State Department proposed an overseas capital security cost sharing program, which was developed to have all federal agencies with an overseas presence pay a portion of the State Department's new building program. The State Department is currently building or planning to build dozens of overseas facilities to provide secure, safe and functional workspaces for government employees overseas. DOJ, along with other federal agencies, currently does not pay for any of the capital costs of constructing these new facilities. Effective in FY 2005, the State Department will assess a capital surcharge based on overseas staffing levels to all federal agencies with an overseas presence.

3. What is the reimbursed amount for each real property cost and can you estimate the amount of the cost that is not reimbursed? If so, what is the amount? If not, would this information be available from the providing entity?

Although DOJ does not currently reimburse the State Department for rent costs overseas, DOJ will be assessed a capital surcharge in FY 2005 to contribute to the construction costs of secure new facilities overseas. It is estimated that the FY 2005 capital surcharge for DOJ will be \$63 million. Because State Department is implementing the capital surcharge program in stages, the FY 2005 surcharge only represents a portion of the DOJ's annual costs. The FY 2006 capital surcharge is more representative of DOJ's annual share of costs, which is estimated at \$77 million.

Receiving Entity Survey – Department of Justice (continued)

4. Does your entity give the providing entity any non-monetary compensation (such as a reciprocal service) for the non-reimbursed real property costs? If so, please explain the type of compensation.

No.

5. Are the estimated real property costs significant to your entity? (Or, are the real property costs large enough that management should be aware of cost when making decisions? (See SFFAS No. 4, par 112.)

Yes, the estimated costs of \$63 million in FY 2005 and \$77 million in FY 2006, representing DOJ's contribution to the overseas capital security cost sharing program, is significant. The costs are significant enough that the Office of Management and Budget has postponed implementation of the overseas capital security cost-sharing program until FY 2005 to allow DOJ and other federal agencies to include the funding in the FY 2005 budget.

6. Is the use of the real property an integral or necessary part of your entity's output? (See SFFAS No. 4, par. 112.)

Yes, DOJ requires an overseas presence in order to fully implement its law enforcement mission.

7. Do you believe these real property costs meet the inter-entity cost recognition criteria? (See paragraphs 111 through 113, SFFAS No. 4.) Please provide reasons for your reply.

Yes, the real property costs for space overseas meet the inter-entity cost recognition criteria. The estimated annual cost of \$77 million in FY 2006 for DOJ's share of the overseas capital security cost-sharing program is large enough that management should be aware of these costs when making decisions, which could affect the number of DOJ positions overseas. Furthermore, the presence of DOJ positions overseas is a necessary part of operations and plays an integral part in the Department's law enforcement mission.

AGENCY RESPONSE: Environmental Protection Agency (EPA)
CONTACT NAME: Pamela Doucoure (202-564-4939)
Juliette McNeil

We reviewed the specific questions presented on the survey, but none appear applicable to EPA. Our internal survey disclosed that EPA does not have real property leased to other agencies nor does it use other agencies' real property without reimbursement. Therefore, we do not have any information to report.

AGENCY RESPONSE: General Services Administration (GSA)

CONTACT NAME: Edward Gramp (202-501-0593)

Larry J. Bedker

I. Provider Questions:

Does your entity provide the use of real property to other federal entities without reimbursement or with less than full reimbursement? If it does, please provide a description of the real property use your entity provides and for each real property use please supply the following information:

These questions are relevant to a small portion of our total inventory of rentable space; however, yes, most provide partial reimbursement. GSA's rate is not solely based on full cost; it includes items such as an additional percentage to fund capital improvement programs.

Which federal agency (or agencies) receives the use of real property?

See attachments.

Is your entity able to measure the full cost of the use of the real property in accordance with the full cost standard in SFFAS No. 4? If yes, please provide the full costs of those uses. If not, please explain why not?

GSA calculates full cost per building instead of per customer. In some cases where the agency occupies the entire site, it is possible. However, our rate is not only based on full cost, it also builds in other factors such as funding for capital improvement programs. We do identify the lost or foregone rents, as shown in the attachments provided.

Is a part of the costs reimbursed by the receiving entities? If so, what percentage of the full cost is reimbursed? (Please note, the questionnaire excludes inter-entity costs that are fully reimbursed.)

GSA normally receives partial reimbursement. See attachments for details.

There are some cases where customers reimburse us for only the full cost of the space for that period. This however is still less than our assigned rate for such space.

What is the estimated amount that is not reimbursed?

See attachments for the annual foregone rents per customer.

Does your entity receive any non-monetary compensation (such as a reciprocal service) from any of the receiving entities for the use of the real property that is not reimbursed? If so, please explain the type of compensation.

Yes, in a limited number of cases. See attachments for details.

If more than one entity receives the use of the real property, would your entity be able to assign the non-reimbursed real property costs among the receiving entities? If so, what would be the assignment (or allocation) basis? If your entity would not be able to assign the costs, please explain why not.

Even though most of our buildings are multi-tenant, GSA does not make a practice of reassigning un-reimbursed costs to other customers; however, yes, we could.

Does your entity anticipate continuing to provide the use of the real property in future years?

Yes.

Do you believe these real property costs meet the inter-entity cost recognition criteria? (See paragraphs 111 through 113, SFFAS No. 4) Please provide reasons for your reply.

Yes, we believe some cost recognition is appropriate. However, it is unclear whether the foregone rent should be used as a basis of the customers recognizing cost due to the other factors that are included in our rate calculation. In some cases due to specific legislation or congressional exemption, agencies reimburse us up the full cost of their space; therefore, would not incur additional imputed costs on their books. See attachments for details per customer.

II. Receiver Questions:

Does your entity receive the use of real property from other federal entities without reimbursement or with less than full reimbursement? If it does, please provide a description of the real property that your entity uses and for each real property use please supply the following information: *NO*

III. General Question:

Please detail any other factors specific to inter-entity real property costs that should be considered. *N/A*

General Services Administration
Public Buildings Service
GSA-controlled Locations with Subsidized Rents to Customer Agencies

Address	State	RSF	Estimated Foregone Rent	Tenant
1 Bowling Green	NY	131,207	\$4,380,000	Smithsonian (1)
271 Cadman Plaza	NY	60,000	\$1,820,000	Post Office Agreement (2)
5th & F Sts.	DC	74,018	\$1,300,000	National Building Museum (3)
1300 Penns. Ave.	DC	104,101	\$5,400,000	Woodrow Wilson Center (4)
700 Grant St.	PA	49,326	\$368,697	USPS (5)
14th & Constitution Ave.	DC	16,000	\$400,000	Commerce (6)
M St., SE	DC	574,576	\$7,038,567	NIMA (7)
Nationwide locations		138,284	\$261,090	Senate (8)
12th & Jefferson Dr.	DC	324,903	*	Agriculture (9)
12th & C Sts.	DC	72,522	*	
14th & Independence Ave.	DC	1,806,711	\$43,000,000	
Nationwide locations		414,476	\$3,600,000	Railroad Retirement Bd. (10)
		1,326,142	\$17,000,000	Centers for Medicare & Medicaid Svcs.(11)
		26,431,812	\$40,000,000	Social Security Administration (12)

Total	31,524,078	\$124,568,354
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* Included in the \$43M shown for Bldg. at 14th & Independence

FOOTNOTES:

(1) The legislation directing GSA to provide 1st and 2nd floor space for the Musuem of the American Indian also stipulates that GSA will only charge them \$1.00 for the space.

(2) The USPS has a 99 year rent free deal with GSA that was part of the negotiated sale (or transfer?) of the building from USPS to GSA.

(3) A cooperative agreement provides for the museum organization to occupy the museum rent free in accordance with P.L.96-515.

(4) The WWC was granted a rent exemption in 1997.

(5) The agreement that transferred this building from the USPS to GSA included rent-free occupancy for 20 years (due to expire in May 2004) for the Postal Service.

(6) Rent is reduced because the National Aquarium Society (NAS) occupies some space through an MOU originally signed between the Fish and Wildlife Service (DOI), GSA, and NAS in 1982. The agreement gave a revocable license to NAS so that they could in turn hire a contractor to run the facility.

(7) Because of security concerns by the tenant, GSA does not have access to this building. By agreement, the tenant is responsible for funding all capital improvements for the building, as required, in addition to providing all operating and security services in return for GSA charging only ½ rent.

(8) The Senate's interpretation of the MOU agreement with GSA is that they do not have to pay Tenant Improvement charges. GSA disagrees with that interpretation but has been unable to collect.

(9) This is the result of OMB passback direction for the FY 1996 Budget. An agreement between USDA, OMB, and GSA was made for GSA to not bill USDA for their three headquarters buildings for a period of time such that USDA could accumulate funds needed for major repairs on these buildings. According to GSA records, we believe we should again start billing USDA for these buildings in fiscal year 2004.

(10) RRB requested and has been granted a partial rent exemption allowing them to pay only actual cost for their space in Fiscal Year 2002.

(11) CMS requested and has been granted a partial rent exemption allowing them to pay only actual cost for their space in Fiscal Year 2002.

(12) SSA requested and has been granted a partial rent exemption allowing them to pay only actual cost for their space in Fiscal Year 2002.

AGENCY RESPONSE: Department of Commerce (DoC)

**CONTACT NAME: Gordon T. Alston
Tony Akande (202-482-0239)**

The Department of Commerce is hereby providing our response to the Accounting and Auditing Policy Committee's questionnaire on Inter-Entity Real Property Costs. Please note that the "Provider" questions in your survey are not applicable to the Department. The "Receiver" questions apply to only one of our bureaus, and our answers to those questions are hereby attached.

Thank you for providing us with the opportunity to participate in your research. We hope that our response will provide you with a better understanding of the Inter-Entity Real Property Costs at our Department. If you have any questions regarding our response, please contact Tony Akande of my staff at 202-482-0239.

DOC Entity	Property Description	1. Federal Agency Provider	2. Do you reimburse part of the cost of property received?	3. Amount of Reimbursement or Estimate of Unreimbursed cost	Do you give the provider any Non Monetary Compensation?	5. Are the estimated real property costs significant to your entity?	6. Is the use of the real property an integral part of your operation?	7. Do these costs meet the recognition criteria?	General Comments
• Oceanic and Atmospheric Research (OAR), • Air Resource Laboratory (ARL), • Atmospheric Science Modeling Division (ASMD)	office space	Environmental Protection Agency	No	Can't estimate. Use of space is received under an interagency agreement	Provide air quality modeling research and consultation under an interagency agreement.	No	Yes	Difficulty interpreting SSFA No. 4	
Western Administrative Support Center (WASC)	land for installation of weather related instruments	94 agreements with a variety of agencies: Department of Defense, Federal Aviation Administration, Bureau of Land Management, and Forest Services	No	We reimburse a proportionate share of cost of services and utilities. Estimate of unreimbursed cost is not available.	No	No	Yes	No	
Aircraft Operations Center (Aoc)	storage and building facilities	Air Force, Air Mobility Command, 6th Air Mobility Wing	Aircraft Operation Center (AOC) responsible for maintenance and a portion of overhead associated with building.	None/ Estimated unreimbursed cost is \$1.25 million per year.	Aircraft Operation Center (AOC) and 6th Mobility wing work together in providing a variety of non-monetary compensation.	Yes	Yes	Yes	
• Oceanic and Atmospheric Research (OAR), • Air Resource Laboratory (ARL), • Atmospheric Turbulence and Diffusion Division (ATDD)	office space	Department of Energy	Yes	We pay \$120,000/year for utilities and general maintenance.	We provide access to our meteorological data and a ready resource for the Department of Energy in case of an accidental release.	Yes	Yes	Yes	DOE plans to transfer the property to NOAA by the end of 2003.

DOC Entity	Property Description	1. Federal Agency Provider	2. Do you reimburse part of the cost of the property received?	3. Amount of Reimbursement or Estimate of Unreimbursed cost	Do you give the provider any Non Monetary Compensation?	5. Are the estimated real property costs significant to your entity?	6. Is the use of the real property an integral part of your operation?	7. Do these costs meet the recognition criteria?	General Comments
National Marine Fisheries Services	research station in San Miguel Calif.	U.S. Navy	No	\$0	No	No	Yes	NA	
National Marine Fisheries Services	research station in San Miguel Calif.	Army Corps of Engineers, Fish and Wildlife Services	No	can't estimate cost	No	N/A	Yes	N/A	
National Marine Fisheries Services	office space in Calif.	Fish and Wildlife	No	\$0	No	No	No	No	
• Oceanic and Atmospheric Research (OAR), • Environmental Technology Laboratory (ETL)	land	U.S. Navy, Coast Guard and Bureau of Land Management	No	Estimated unreimbursed cost of \$2,400/year	No	No	Yes	Yes	
National Weather Service	building	Federal Aviation Administration	No	Estimated unreimbursed cost of \$474,000/year	No	No		No	
National Weather Service	storage	Geological Survey and Army Corps of Engineers	No	Estimated unreimbursed cost of \$180,000/year	No	No	Yes	No	

DOC Entity	Property Description	1. Federal Agency Provider	2. Do you reimburse part of the cost of property received?	3. Amount of Reimbursement or Estimate of Unreimbursed cost	Do you give the provider any Non Monetary Compensation?	5. Are the estimated real property costs significant to your entity?	6. Is the use of the real property an integral part of your operation?	7. Do these costs meet the recognition criteria?	General Comments
National Weather Service	storage	Army Corps of Engineers	No	Estimated unreimbursed cost of \$9,600/year	No	No	Yes	No	
National Weather Service	storage	Army Corps of Engineer	No	Estimated unreimbursed cost of \$6,000/year	No	No	Yes	No	
National Weather Service	storage	Forest Service, Department of Agriculture	No	Estimated unreimbursed cost of \$9,600/year	No	No	Yes	No	
National Weather Service	radar location	Department of Army	No	Estimated unreimbursed cost of \$9,600/year	No	No	Yes	No	
National Weather Service	storage	U.S. Park Service	No	Estimated unreimbursed cost of \$1,200/year	No	No	Yes	No	
National Weather Service	storage	U.S. Coast Guard	No	Estimated unreimbursed cost of \$9,000/year	No	No	Yes	No	

DOC Entity	Property Description	1. Federal Agency Provider	2. Do you reimburse part of the cost of property received?	3. Amount of Reimbursement or Estimate of Unreimbursed cost	Do you give the provider any Non Monetary Compensation?	5. Are the estimated real property costs significant to your entity?	6. Is the use of the real property an integral part of your operation?	7. Do these costs meet the recognition criteria?	General Comments
National Weather Service	storage	Army Corp. of Engineers, Bureau of Reclamation, Geological Survey	No	Estimated unreimbursed cost of \$95,700/year	No	No	Yes	No	
National Weather Service	land	Tennessee Valley Authority, Marine, Department of Agriculture	No	\$0	No	No	Yes	No	

TAB I: TASK FORCE MEMBER ROSTER

James L. Taylor, Chairman, Commerce
Lisa Casias, Commerce
Doug Glenn, Commerce
Bruce Henshel, Commerce
Jack Armstrong, DOD IG
Bill deBardelaben, DOD
Stephen Jones, DOI IG
Gail Jenkins, DOJ
Mark Hayes, DOJ
Wendy Calvin, DOT
Laurie Howard, DOT
James Evans, Education
Sarah Gamage, Energy IG
Colin Powers, Energy
Thomas Jones, EPA
Charles Young, EPA
Melissa Loughan, FASAB
Monica Valentine, FASAB
Michael Walker, FEMA
Mark Connelly, GAO
Bill Wright, GAO
Les Gelles, GSA
Cathy Cox, HHS
Sue Mundstuk, HHS
Paul Weinberger, HHS
Wallace Garner, HUD
Rita Hebb, HUD
Phil Ziegler, National Science Foundation
Kimberly Geier, OMB
Justine Rodriguez, OMB
Kenn Goodman, SSA
Dellareese Morton-Smith, SSA
Allan Lund, Treasury (FMS)
William Gilfillan, VA
Gary Michelson, Western Area Power Administration

TAB J: OMB APRIL 2, 1998 MEMORANDUM LIMITING INTER-ENTITY COSTS TO FOUR AREAS

SENT BY: EAO/OMB

4-8-98 11:17AM

OFF: NIS-

2012/000: 2/ 2



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

APR - 6 1998

MEMORANDUM FOR CHIEF FINANCIAL OFFICERS AND INSPECTORS GENERAL

FROM: G. Edward DeSeve (G E) Controller
SUBJECT: Technical Guidance for the Implementation of Managerial Cost Accounting Standards for the Federal Government

Statement of Federal Financial Accounting Standard (SFFAS) No. 4 directs the Office of Management and Budget (OMB) to identify specific inter-entity costs for entities to begin recognizing, and issue guidance for recognizing those costs. This memorandum provides the current status of and interim guidance on implementing the standard.

The OMB recognizes that there are a variety of inter-entity transactions among agencies and numerous kinds of inter-entity costs. Further research and consultation are necessary to identify specific categories of inter-entity costs that meet the SFFAS No. 4 requirements. Thus, the Accounting and Auditing Policy Committee will soon set up a special project to study inter-entity cost and gather information from agencies. The OMB will work closely with the AAPC to develop effective guidance.

At the same time, the OMB believes that we can make significant progress toward meeting the full cost standard by recognizing several major categories of costs that are incurred by a reporting entity but paid by other entities. Thus, for financial statements covering fiscal years 1998 and 1999, reporting entities are required to recognize the following costs, including the portions that are funded through OPM, DoD, Treasury, DoL, or other agencies: (1) employees' pension benefits, (2) the health, life insurance, and other benefits for retired employees, (3) other post-employment benefits for retired, terminated, and inactive employees, which include severance payments, training and counseling, continued health care, and unemployment and workers compensation under the Federal Employees' Compensation Act, and (4) losses in litigation proceedings (see FASAB Interpretation No. 2, Accounting for Treasury Judgment Fund Transactions). Moreover, to ensure consistency, agencies should not recognize costs other than those listed until OMB provides further guidance.

In accounting for the listed costs, reporting entities should refer to relevant Statements of Federal Financial Accounting Standards and Interpretations, such as SFFAS Nos. 4 and 5 and Interpretation No. 2, OMB Bulletin No. 97-01, and the Standard General Ledger for guidance. Reporting entities should also consult with the funding and administering agencies, such as OPM, for information needed to calculate the costs, such as pension benefit cost factors.

Questions concerning this memorandum should be directed to James Short, OMB, at (202) 395-3124.

TAB K: IMPLEMENTING THE INTER-ENTITY COST STANDARD, JULY 2001, AAPC

► SUMMARY OF SURVEY FINDINGS AND DISCUSSION OF ISSUES

IMPLEMENTING THE INTER-ENTITY COST STANDARD A Staff Issue Paper Prepared for AAPC July 2001

Background

Federal agencies often rely on each other to achieve their missions. This involves providing and receiving support goods and services among the entities. Most of the inter-entity goods and services are reimbursed but some of them are provided without reimbursement or with partial reimbursement. To account for the full cost of a program and its output, reporting entities need to include in their program costs the inter-entity costs, i.e., the full costs of goods and services received from other entities with or without reimbursement.

The requirement for recognizing inter-entity costs is prescribed in paragraphs 105 through 115, SFFAS No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*. The standard requires that each reporting entity recognize the full costs of goods and services that it receives from other entities. This includes the full cost of an inter-entity good or service that is not reimbursed or is partially reimbursed. (Please refer to the text of the standard in Appendix B.)

Although SFFAS No. 4 became effective for periods beginning after September 30, 1997, Federal entities have not yet begin to recognize non-reimbursed and under-reimbursed costs of inter-entity goods and services. This delay is related to a provision in SFFAS No. 4 that requires OMB to issue guidance identifying specific inter-entity costs for recognition. OMB has not issued such guidance.

In April 1998, OMB issued an interim guidance. In that interim guidance, OMB required that entities recognize four categories of costs incurred by an entity but paid by other entities. They are (1) employees' pension benefits, (2) the health, life insurance, and other benefits for retired employees, (3) other post-employment benefits for retired, terminated, and inactive employees, and (4) losses in litigation proceedings. However, these four categories of costs are not considered inter-entity costs within the meaning of the inter-entity cost standard because they are not costs of goods or services provided by one entity to another.⁶ OMB stated further research and consultation were necessary to identify inter-entity costs that meet the SFFAS No. 4 requirements.

Survey on Inter-Entity Costs

In July 2000, the Accounting and Auditing Policy Committee (AAPC) of the Federal Government sent a survey questionnaire on inter-entity costs to Chief Financial Officers of Federal agencies. The purpose of the survey was to identify specific inter-entity costs that are being incurred by agencies. Nineteen departments and agencies replied to the survey request. Of the 19 respondents, eleven responded to the questionnaire. They are USDA, Commerce, Energy, EPA, GSA, HUD, Justice, NASA, SSA, Treasury, and VA. The remaining eight departments indicated that they do not have material inter-entity costs and did not respond to our questionnaire. Those are Defense, Education, FEMA, HHS, Labor, NRC, NSF, and Transportation.⁷

Of the 24 CFO Act executive departments, the following departments have not replied to our survey: USAID, Interior, OPM, SBA, and State.

⁶ Footnote 32 in SFFAS No. 4 alluded to the difference between "inter-entity costs" as the term is intended in SFFAS No. 4 and the costs of Federal employees' pension and other benefits.

⁷ Although Defense and HHS claimed that they do not have material inter-entity costs, other respondents identified them as providers or recipients of inter-entity goods and services. For example, the Department of Energy, EPA, and NASA indicated that they provided to and received services from the Department of Defense. EPA also received services from HHS.

Summary of findings

Based on our review of the responses, we draw the following findings:

- ◆ Federal entities do provide and receive services to and from each other without reimbursement or with reimbursement at less than the full cost of those services. These inter-entity services are summarized in Appendix A. Some examples of the inter-entity services are cited in this section below. Some of the inter-entity costs might meet the recognition criteria. However, none of those costs has ever been recognized in the entity's financial statements. As mentioned earlier, under the provision in Paragraph 110, SFFAS No. 4 Federal entities would begin recognizing inter-entity costs only when OMB issued guidance identifying specific inter-entity costs for recognition. We have raised an issue in this paper on whether this restriction should be retained.
- ◆ Eight major departments and agencies stated that they did not have material inter-entity costs. The basis they used for determining the materiality for inter-entity costs is not clear. The materiality criteria discussed in the inter-entity cost standard tend to be general and would allow wide latitude for interpretation and judgment by Federal entities. For example, although DoD stated that it does not have material inter-entity costs, several other respondents indicated that their entities did provide services to or received services from DoD. The costs of those services might not be material for DoD, but it is not clear how DoD applied materiality criteria and reached its conclusions. There is a potential problem for inconsistent application of the materiality criteria by Federal agencies. For example, the materiality criteria could be applied on an entity-wide basis or on a program basis. An inter-entity cost could be material to the program that actually uses

the inter-entity service. But one might conclude that the same cost is immaterial because its amount is relative small when compared to the total cost of the entity. We raised this as an issue in this paper. AAPC may wish to interpret the material criteria so that they could be applied more consistently.

- ◆ Aside from the materiality issue, several respondents raised other issues to seek guidance. One of the issues concerns what would constitute a “broad and general support.” Under the inter-entity cost standard, services provided as a general and broad support are not subject to recognition as inter-entity costs. We posed several examples of services in this paper for AAPC to consider whether they fall into the broad and general support category. Another issue addresses whether non-reimbursed indirect costs should be recognized as inter-entity costs. Other issues concern the reliability of cost estimates and imputing interest on using other entities’ resources.

We cite below some examples of inter-entity goods and services identified by the respondents.

Examples from Providing Entities

Department of Energy provides storage of strategic crude oil for DoD. DoD paid the crude oil but does not pay its share of the storage cost.

EPA provides environmental assessments, oil spill cleanup, and federal facilities cleanup services to Coast Guard, DoD and other agencies. The direct costs of those services are reimbursed but indirect costs are not reimbursed.

FMS of Treasury makes payments, fund transfers, and collect debts for SSA, VA, IRS, and various other agencies without reimbursements.

IRS collects taxes and fees other than Federal income tax for SSA, Department of Labor, the Highway Trust Fund, the Railroad Retirement Board, and others, without reimbursement.

Social Security Administration investigates allegations of not receiving government payments on behalf of Treasury without reimbursement.

U.S. Secret Service provides forensic analysis, handwriting and finger printing search, polygraphs, etc. to CIA, FBI, and other agencies without reimbursement.

Examples from Receiving Entities

Department of Energy uses USAF land and building in New Mexico and Nevada for its lab operations without paying rent.

EPA received the results of Super Fund health effect studies performed by HHS. The direct costs of \$101 million were reimbursed but indirect costs were not reimbursed.

HUD receives legal enforcement and litigation defense services performed by Justice without reimbursement.

Commodity Credit Corp. receives operating and administrative services performed by Farm Service Agency without reimbursement. The annual cost is about \$270 million.

Discussion of Issues

Based on the survey findings we identified 7 issues. The first three are primary issues that would have an overall impact on the implementation of the inter-entity standard. The remaining four issues deal with some specific areas or situations. We recommend that AAPC consider the primary issues first because their resolution may have an impact on the secondary issues.

Primary Issue 1: OMB Guidance

SFFAS No. 4 clearly stated that to account for the full cost of a program's output it is necessary to recognize inter-entity costs. The benefits of accounting for full costs are also discussed in SFFAS No. 4. Although it prescribed a standard for the recognition of inter-entity costs, SFFAS No. 4 made the implementation of that standard virtually dependent on OMB identifying specific cost items for recognition. The intent of that provision was to assure consistency in recognizing inter-entity costs by various Federal entities.⁸

⁸ When SFFAS No. 4 was developed, AAPC was not fully established. AAPC was later established to assist Federal agencies implement accounting standards.

Since OMB has not identified inter-entity costs for recognition as required by SFFAS No. 4, some may argue that it was not a good idea to make the implementation depend on OMB guidance. To provide such guidance, OMB must first collect data from individual agencies. The data must be updated annually because inter-entity transactions might change from year to year. The process would be a prolonged one, even if it were productive. It is unlikely to produce timely results for the preparation of annual financial statements. On the other hand, each Federal agency knows exactly the inter-entity transactions that it is engaged in. Agency management should be able to exercise judgment on recognizing inter-entity costs in accordance with the standard.

Thus, if the requirement for OMB issuing guidance is lifted, Federal agencies' hands will be untied and can go forward to implement the standard. However, Federal agencies sometimes do need guidance. This would involve interpreting certain provisions of the standard. Agencies may also need help in reaching a conclusion on whether a specific inter-entity cost item meets the recognition criteria. As is the case with other standards, AAPC would be the appropriate forum for deliberating the issues and providing guidance.

Based on the above discussion, we pose the following question for AAPC's consideration:

Question:

Should Federal agencies be permitted to implement the inter-entity cost standard without OMB identifying specific inter-entity costs for recognition, and if so, should AAPC request that FASAB rescind paragraph 110 in SFFAS No. 4?

Primary Issue 2: Materiality criteria

In their response to the survey, several major departments and agencies, including DoD, HHS, and Education, stated that they did not have "material" inter-entity costs and therefore did not respond to the questionnaire. They did not explain what materiality factors they applied and how they reached their conclusions. EPA proposes that the materiality criteria in the inter-entity cost standard be clarified. We agree with EPA's view.

According to the inter-entity cost standard, whether an inter-entity cost is material depends on whether it is important enough to the receiving entity. The standard provides several factors for determining whether an inter-entity cost is material. Those factors are:

- ◆ Significance to the entity -- The cost of the good or service is large enough that management should be aware of the cost when making decisions.
- ◆ Directness of relationship to the entity's operations -- The good or service provided is an integral part of and necessary to the output produced by the entity.
- ◆ Identifiability -- The cost of the good or service provided to the entity can be matched to the entity with reasonable precision.

Potential problems might arise in applying those factors. These include (a) whether the materiality of a cost should be determined on a program basis or on an entity basis; and (b) whether “significance” of an item should be judged on both its importance and its dollar amount. We believe that AAPC could take a hard look of the three factors stated above and interpret those factors if necessary. AAPC interpretations could promote consistent application of the materiality factors. We discuss the materiality issues below:

Should the materiality of an inter-entity cost be determined on a program basis or on an entity basis?

This issue is raised because an inter-entity cost that is significant to a program might not be material when judged on an entity basis. Some may believe that the materiality of an item should be based on the total cost of the reporting entity. This belief is supported by the word “entity” used in all three factors. The entity-based measurement might be appropriate for inter-entity costs that are incurred at the entity level. Those inter-entity costs are related to the entity’s overall operations rather than related to any program’s operations. However, in many cases inter-entity services are provided to specific programs within an entity. Some believe the materiality of an inter-entity cost should be measured on a program basis, if the inter-entity cost meets these two criteria: (a)

it is directly related to a program's operations, and (b) it can be specifically matched with the program.

We believe that the program-based measurement is consistent with the objectives of the managerial cost accounting standards. Those objectives have a strong emphasis on measuring the full cost of a program and its output.⁹ To measure the full cost of a program, an inter-entity cost should be recognized so long as that cost is material to the program even if it is immaterial when compared to the total cost of the entity.

How “significance” should be interpreted?

This issue is raised because without interpretation, it is uncertain as to how “significance” would be judged by reporting entities. Some may view it solely as “large enough” for the entity or the program. Entities may also have different views on how large an item is large enough to be material. An effective interpretation could help entities reach similar conclusion about an item in similar circumstances. FASAB has held the view that an item that is not considered material from a quantitative standpoint may be considered qualitatively material if it would influence or change the judgment of the information user.¹⁰ It further emphasized that in the Federal government, Congress, agency officials, and program managers need financial and cost information to make budgetary and program authorization decisions, to improve operating economy and efficiency, to measure program performance, and to assure compliance with the budget. Thus, an item should be considered importance if its omission or misstatement could make a difference on any of those decisions and performance measurements.¹¹ Based on the above discussions, we suggest that an item might be considered important, or “qualitatively material” regardless of its dollar

⁹ This focus is reflected in the discussion about objectives of managerial cost accounting in paragraph 22, SFFAS No. 4.

¹⁰ See SFFAS No. 3, *Accounting for Inventory and Related Property*, paragraph 9.

¹¹ See SFFAS No. 3, paragraphs 11-12 and SFFAS No. 4 paragraph 22.

amount, if it is indispensable to the operations of an entity or one of its programs.

From a quantitative standpoint, AAPC may wish to consider whether it is desirable to provide a dollar amount or percentage threshold for materiality. For example an inter-entity cost incurred by a program should be considered material if it is 5 percent or more of the total cost of the program. In its response, GSA suggests that for its agency a cost of \$50 million or more should be material. An advantage of using such a quantitative threshold is to promote consistent determination for materiality. However, one of its serious disadvantages is that it could reduce or substitute management judgment. For example a cost item could be significant to a program's operation, although it might be less than 5 percent of the program's total cost. Thus, a quantitative threshold should be used with caution, and it should not discourage managerial judgment. Based on the above discussion, we suggest the following questions for AAPC to consider:

Questions:

1. *Should the materiality of an enter-entity cost be determined on a program basis if the inter-entity cost is directly related to a program's operations and can be matched with the program?*
2. *Could AAPC provide an interpretation for "significance" from the qualitative and quantitative standpoints? If so, please consider the following sub-issues:*
 - (a) *How should "significance" of an item be interpreted from a qualitative standpoint?*
 - (b) *Should AAPC provide a quantitative threshold for materiality? If so what would be the quantitative threshold?*

Primary Issue 3: Broad and General Service

It is stated in SFFAS No. 4 that the inter-entity cost recognition requirement does not apply to services in the nature of broad and general support. SFFAS No. 4 provides two criteria for “broad and general support”: (a) it is provided to all or most entities of the Federal government, and (b) it is not an integral part of any entity’s output. OMB was mentioned as an example because it provides broad policy guidance to almost all entities in the executive branch and the service is not an integral part of the receiving entities’ output.

As indicated in some responses to the survey, opinions differ on whether a specific service is considered as a broad and general support. AAPC may provide interpretations or guidance in this area. The following are some examples for which guidance might be needed:

Legal services provided by the Department of Justice

DoJ provides legal supporting services to other agencies. DoJ believes that its services are broad and general and thus should not be subject to inter-entity cost recognition under SFFAS No. 4. It provided the following arguments in support for its position:

- ◆ In most cases, litigation is not an integral activity to a receiving entity’s operation;
- ◆ DoJ may take a position that may or may not support the service receiving entity;
- ◆ In many cases, DoJ’s opinion may become binding on all executive branch general counsels, and thus it would not be reasonable to assign costs of a case to any entity.

HUD and GSA, however, identified DoJ’s legal services as an inter-entity service.

Question:

Should DoJ's legal services be considered as broad and general support services not subject to inter-entity cost recognition? Under what circumstances, if any, a legal service provided by DoJ to another Federal entity should be considered as an inter-entity service?

Fund transfer services provided by FMS

Several respondents believe that the fund transfer and disbursement service performed by FMS, U.S. Treasury, is significant to their operations although the cost may not be large in dollar amounts. FMS provides the service to many Federal entities and the annual cost of the service to FMS is about \$70 million.

Question:

Do you believe that the cost of this service should be assigned (or allocated) to entities that receive the service and recognized as an inter-entity cost by those entities?

The Administration of Federal employees' benefit programs

A respondent points out that although Federal entities now recognize the costs of employees' pension and post retirement benefits, they do not recognize the costs of administering those benefit programs. The same is true with workmen's compensation and judgment funds.

Question:

Do you believe the services provided by OPM, the Labor Department, and the

Treasury for administering the benefit programs and the judgment fund are broad and general support services or inter-entity services?

Secondary Issue 1: Costs Incurred in Joint Projects

NASA raised the following questions in its response to the survey:

- (a) NASA developed a satellite for another Federal entity. The satellite would provide benefits to both NASA and the other entity. NASA and the other entity each provided 50% of the project's direct costs. NASA absorbed the project's indirect costs. NASA asks "Should the 50% direct costs funded by NASA and NASA's G&A expenses allocable to the project be considered non-reimbursed costs subject to the inter-entity cost recognition standard?"
- (b) NASA performed a wind tunnel test requested by another Federal entity. The data generated by the test provided mutual benefit to NASA and the requesting entity. NASA funded the direct civil service labor costs identifiable to the test as well as all general and administrative costs. The other entity agreed to pay other costs of the test. NASA asks whether the costs funded by NASA should be recognized as inter-entity costs.

Question:

Do you believe the costs funded by NASA in those projects should be considered inter-entity costs?

Secondary Issue 2: The treatment of indirect costs

Several responding entities stated that for the inter-entity services they provided, they were reimbursed only for the direct costs but not for indirect costs. That practice was due to legal limits and cost-benefit considerations. Some

respondents asked whether the non-reimbursed indirect costs should be recognized as inter-entity costs? The following are some examples:

- (a) Department of Energy explained a legal limitation on reimbursements for work performed for other entities. It states that the National Defense Authorization Act of 1999, (P. L. 105-261) limits the reimbursable indirect (overhead) costs to 3 percent of direct costs incurred for each project. Due to this limitation, the project's full cost would not be fully reimbursed, if the actual indirect costs exceed 3 percent of the direct costs. In FY1999, the Department of Energy absorbed \$69 million indirect costs that were not reimbursed due to the statutory limitation.
- (b) EPA indicates that as a service provider, it usually receives reimbursements for direct costs but does not bill or receive reimbursement for indirect costs. EPA states that the allocation of indirect costs to specific services would require additional efforts in modifying its accounting system. EPA does not believe that the allocation is cost beneficial.

Question:

In cases cited above, do you believe the non-reimbursed indirect costs are in the nature of inter-entity costs and should be recognized as such if they are material to the receiving entity?

Secondary Issue 3: Cost Estimates

EPA also raised an issue with a provision in paragraph 109, SFFAS No. 4. That paragraph states that to recognize the full cost of inter-entity goods and services, receiving entities should obtain cost information from providing entities. That paragraph further states that "If such information is not provided, or is partially provided, a reasonable estimate may be used by the receiving entity."

EPA states that the estimates would be unreliable since some of the goods and services are unique and represent a limited market. EPA is concerned that the estimates may cause problems to auditors who must seek supporting evidence. EPA suggests that paragraph 109 be amended to require providing entities develop and provide the cost information.

Question:

Does AAPC agree with EPA? If so should AAPC request that FASAB amend paragraph 109?

Secondary Issue 4: Imputing Interest Cost

U.S. Mint provides storage of gold, silver and other precious and strategic metals for Treasury and Defense Logistics Agency without charging a fee. U.S. Mint, however, is authorized to make coins with the metals. The metals are replaced after the coins are sold. U.S. Mint pays no interest on the use of the valuable metals. U.S. Mint is considering whether the operation involves recognizable inter-entity costs for the storage and the imputed interest.

Question:

Assuming the costs involved are material, do you believe the storage cost and the imputed interest involved in the operations of U.S. Mint should be recognized as inter-entity costs?

APPENDIX A-1

RESPONSES FROM ENTITIES
THAT PROVIDE INTER-ENTITY GOODS AND SERVICES

Reporting entities	Type of goods/service provided	Estimated costs per year	Receiving entities	Partially reimbursed?	Basis for assigning costs to rec. entities	Able to supply cost information?
Department of Energy	Storage of crude oil for Defense future use	Storage cost not given (Oil cost \$106 million)	Department of Defense	No.	N/A	Yes
EPA	(1) Environmental assessment	\$13 million for FY 2000	Various agencies	Yes (Indirect costs were not billed.)	Based on total costs	Yes
	(2) Oil Spill Cleanup	\$13 million	Coast Guard	Same as above	Based on total costs	Yes
	(3) Federal facilities cleanup	\$10 million	Defense	Same as above	Based on total costs	Yes
Farm Service Agency (USDA)	Operating services	\$270 million for FY 1999	Commodity Credit Corp (USDA)	No.	N/A	Yes
NASA	Develops satellites, carries payloads on space shuttles, tests wind tunnels, performs research projects, provides facilities	\$750-\$800 million in total per year	Departments of Commerce and Defense	Yes	Did not explain.	Yes
Social Security Administration	Investigates allegations of not receiving government payments.	Not given	Treasury	No.	Share 50%, but did not give basis	Yes

APPENDIX A-1 Continued

RESPONSES FROM ENTITIES
THAT PROVIDE INTER-ENTITY GOODS AND SERVICES

Reporting entities	Type of goods/service provided	Estimated costs per year	Receiving entities	Partially reimbursed?	Able to assign costs to rec. entities	Basis for cost assignment
Treasury Inspector General for Tax Administration (Treasury)	Forensic exams	One thousand dollars per case; no estimates on annual basis	Various law enforcement agencies	Yes, (for examiners' travel/per diem only.)	Yes	Tracking time spent on each case
	Operational support and training for Inspector General Criminal Investigator Academy	\$565,000	IG Criminal Investigator Academy	No.	Yes	Direct tracing
FMS (Treasury)	Issues payments, pre-authorized debits, and benefit statements	More than \$70 million	SSA, VA, IRS, OPM, USDA, Education, etc.	Yes.	No.	
	Debt collection	\$41 million	Various fed. Agencies	Yes, about 48%.	Yes	Number of collections
U.S. Mint (Treasury)	Storage of metals and other materials	Not given	Treasury, GSA, Defense, etc.	Yes by Defense, but 90% not reimbursed	Yes	Square footage
	Collects taxes and fees other than Fed income tax.	Not given	SSA, Labor, Highway Trust Fund, RRB, etc.	No	Yes	Did not comment.
U.S. Secret Service, Forensic Division (Treasury)	Forensic document analysis, site security survey, handwriting and finger-printing search, polygraphs, audio/video enhancements	About 5% of the resources of Forensic Services Division.	CIA, FBI, and other agencies.	No.	Yes	Direct cost tracing

Appendix A-1 Continued

RESPONSES FROM ENTITIES
THAT PROVIDE INTER-ENTITY GOODS AND SERVICES

Reporting entities	Type of goods/service provided	Estimated costs per year	Receiving entities	Partially reimbursed?	Able to assign costs to rec. entities	Basis for cost assignment
U.S. Secret Service, Security Programs (Treasury)	Physical security survey	Average \$20,000 per survey.	Federal Reserve Banks, U.S. Bullion Depositories, U.S. Mint, FMS, U.S. Capitol, etc.	No	Yes	Per survey
U.S. Secret Service, Personnel security Branch (Treasury)	Personnel security investigations	Average \$3,200 per case, \$1,800 per update.	Various agencies	No	Yes	Per investigation
Dept. of Justice	Legal services (Representation, guidance, investigation, and other support activities)	Data not provided	The president and other Federal offices	Some are, but some are not.	No, DoJ's accounting system does not track costs by receiving agencies.	
National Environmental Satellite (Dept. of Commerce)	Global environmental data from satellite and other sources	Not provided.	Did not specify.	Yes for wholesale fees but not full costs.	Yes	

National Weather Service (Dept. of Commerce)	Hydrological software (DMBRK) and technical documents; Daily Weather Map and Weekly Crop Bulletin.	Not provided.	Did not specify.	Yes, only for material, printing or copy costs, but not full costs	Yes	
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Appendix A-1 Continued

RESPONSES FROM ENTITIES
THAT PROVIDE INTER-ENTITY GOODS AND SERVICES

Reporting entities	Type of goods/service provided	Estimated costs per year	Receiving entities	Partially reimbursed ?	Able to assign costs to rec. entities	Basis for cost assignment
GSA	Rental property and vehicles	Did not provide.	Various agencies	Yes. Some renting agencies pay a rent below the full rent.	Yes	Assessing rent for each property or vehicle.
	All other GSA goods and services	\$50 million per year.	Various agencies that receive GSA goods and services	Yes, but the charges did not include a portion of GSA's admin and IG costs covered by Appropriated funds.	Yes	By allocations.
VA	Healthcare services provided to active and retired military personnel and their dependents under VA/DoD agreements.	The total shared cost was \$227 million for FY 1999, but the non-reimbursed portion is not given.	Dept. of Defense	In most instances, full costs are reimbursed; sometimes less than full costs may be charged.	Yes.	On a cause-and-effect basis.

APPENDIX A-2:

RESPONSES FROM ENTITIES
THAT RECEIVE INTER-ENTITY GOODS AND SERVICES

Reporting entities	Type of goods/service received	Estimated costs per year	Providing entities	Partially reimbursed?	Meeting the inter-entity costs criteria?	Ability to obtain cost information
EPA	Super fund health effect studies	\$101 million plus non-reimbursed costs	HHS	Yes, but indirect costs are not.	Yes	Nor sure
Department of Energy	(1) Use of USAF land and buildings	Not given	US Air Force	No.	Yes	Not sure
	(2) Crude oil for Strategic Storage	\$97 million for FY 99	Interior (Mineral Management Service)	No.	Yes	Yes
Commodity Credit Corp. (USDA)	Operating services	\$270 million for FY 1999	Farm Service Agency (USDA)	No.	Yes	Yes.
GSA	Legal support	Not given	DoJ	No.	Yes	Not sure.
Rural Development	Electronic fund transfer and check writing	\$0.3 million	Department of Treasury	No.	No. The cost is not material.	Yes.
HUD	Legal enforcement, litigation defense	Not available	Department of Justice	No	No. The cost is immaterial.	Yes.
NASA	"Goods and services" (But did not specify)	\$700 to \$750 per year	Air Force, Navy, Army, and Commerce	Yes	No. The non-reimbursed portion is not significant.	Not sure.

Appendix A-2 Continued

RESPONSES FROM ENTITIES
THAT RECEIVE INTER-ENTITY GOODS AND SERVICES

Reporting entities	Type of goods/service received	Estimated costs per year	Providing entities	Partially reimbursed?	Meeting the inter-entity costs criteria?	Ability to obtain cost information
Bureau of Engraving and Printing (Treasury)	Financial Management services	Not able to estimate	FMS (Treasury)	No	No. (They are of "broad and general support" nature.)	Did not answer.
Treasury Franchise Fund	Employees on loan	\$1 million per year	Did not mention	No	Yes	Yes
U.S. Mint	Use of lock boxes	Not given	FMS	No, but received no interest for funds held in Treasury general account	Did not comment	
	Audit services	Not given	GAO and Treasury IG	Up to \$5000 per year for travel by Treasury IG personnel	Did not comment	
	Use Treasury gold and Defense silver stock to produce coins.	Not given	Treasury and Defense Logistics Agency (DLA)	The metals are returned to stock when coins are sold, but no imputed interest was reimbursed	Yes	Not certain.
Dept. of Justice	Fund transfers and disbursements	Not given	U.S. Treasury	No.	Yes.	Not known.

Appendix A-2 Continued

RESPONSES FROM ENTITIES
THAT RECEIVE INTER-ENTITY GOODS AND SERVICES

Reporting entities	Type of goods/service received	Estimated costs per year	Providing entities	Partially reimbursed?	Meeting the inter-entity costs criteria?	Ability to obtain cost information
VA	Services from the Judgment Fund, Employees' Post Retirement Benefits programs, and Fed. Employees' Compensation Act.	The costs of these services are not given.	Treasury, OPM, and the Dept. of Labor.	No.	Yes.	Not certain.
	Medical facilities and services used under sharing agreements	The aggregate cost was \$227 million for FY 1999. VA's non-reimbursed portion was not give.	DoD, HHS, GSA, and the Dept. of Energy.	Yes. The full costs were reimbursed in most cases, but less than full costs might be charged.	Yes.	Did not comment.

► THE INTER-ENTITY COST STANDARD IN SFFAS NO. 4

INTER-ENTITY COSTS

Each entity's full cost should incorporate the full cost of goods and services that it receives from other entities. The entity providing the goods or services has the responsibility to provide the receiving entity with information on the full cost of such goods or services either through billing or other advice.

Recognition of inter-entity costs that are not fully reimbursed is limited to material items that (1) are significant to the receiving entity, (2) form an integral or necessary part of the receiving entity's output, and (3) can be identified or matched to the receiving entity with reasonable precision. Broad and general support services provided by an entity to all or most other entities should not be recognized unless such services form a vital and integral part of the operations or output of the receiving entity.

105. As stated in the preceding standard, to fully account for the costs of the goods and services they produce, reporting entities should include the cost of goods and services received from other entities. Knowledge of these costs is helpful to top-level management in controlling and assessing the operating environment. It is also helpful to other users in evaluating overall program costs and performance and in making decisions about resource allocations and changes in programs.

Inter-Entity Activities

106. Within the federal government, some reporting entities rely on other federal entities to help them achieve their missions. Often this involves support services, but may include the provision of goods. Sometimes these arrangements may be stipulated by law, but others are established by mutual agreement of the entities involved. Such relationships can be classified into two types depending upon funding methods.

Provision of goods or services with reimbursement -- In this situation, one entity agrees to provide goods or services to another with reimbursement at an agreed-upon price. The reimbursement price may or may not be enough to recover full costs. Usually the agreement is

voluntarily established through an inter-agency agreement. Revolving funds can also be included in this group, because they are usually established to recover costs through sale of their outputs to other government entities. They are usually meant to be self-sustaining through their sales, without receiving additional appropriations. However, they do not always charge enough to cover full costs.

Provision of goods or services without reimbursement --
One entity provides goods or services to another entity free of charge. The agreement may be voluntary, legally mandated, or inherently established in the mission of the providing entity.

107. Recently, consideration has been given to expanding the concept of inter-entity support within the federal government. Under this concept, entities could sell their outputs on a competitive basis. Entities would have the authority to purchase goods or services from any federal or private provider. This is seen as a way to improve government efficiency through competition since inefficient government providers would be forced to improve or stop providing these goods or services. This could result in consolidating support services in fewer governmental entities. Underlying this concept is the requirement that all costs be recognized in developing the price at which goods and services would be sold to other entities.

Accounting and Implementation Guidance

108. If an entity provides goods or services to another entity, regardless of whether full reimbursement is received, the providing entity should continue to recognize in its accounting records the full cost of those goods or services. The full costs of the goods or services provided should also be reported to the receiving entity by the providing entity.

109. The receiving entity should recognize in its accounting records the full cost of the goods or services it receives as an expense or, if appropriate, as an asset (such as work-in-process inventory). The information on costs of non-reimbursed or under-reimbursed goods or services should be available from the providing entity. However, if such cost information is not provided, or is partially provided, a reasonable estimate may be used by the receiving entity. The estimate should be of the cost of the goods or services

received (the estimate may be based on the market value of the goods or services received if an estimate of the cost cannot be made). To the extent that reimbursement is less than full cost, the receiving entity should recognize the difference in its accounting records as a financing source.¹² Inter-entity expenses/assets and financing sources would be eliminated for any consolidated financial statements covering both entities.

110. Implementation of this standard on inter-entity costing should be accomplished in a practical and consistent manner by the various federal entities. Therefore, the Office of Management and Budget, with assistance from the FASAB staff, should identify the specific inter-entity costs for entities to begin recognizing. OMB should then issue guidance identifying these costs. These particular inter-entity costs should be specified in accordance with this standard including the recognition criteria presented below. The OMB should consider information and advice from Treasury, GAO, and other agencies in developing the implementation guidance. It is anticipated that the largest and most important inter-entity costs will be identified first. As entities gain experience in the application of the standard, recognition of other inter-entity costs may be specified in future guidance or required by future standards.

Recognition Criteria

111. Ideally, all inter-entity costs should be recognized. This is especially important when those costs constitute inputs to government goods or services provided to non-federal entities for a fee or user charge. The fees and user charges should recover the full costs of those goods and services.¹³ Thus, the cost of inter-entity goods or services needs to be recognized by the receiving entity in order to determine fees or user charges for goods and services sold outside the federal government. Such recognition, however,

¹² Footnote 32 in SFFAS 4 reads: See Statement of Recommended Federal Accounting Concepts No. 2, Entity and Display, par. 65, page 21. See also, FASAB Exposure Draft, Accounting for Liabilities of the Federal Government, pars. 62-99, pages 26-46, which addresses accounting for pensions and other retirement benefits (ORB). The payment of pension and ORB costs for an entity by another entity has often been likened to providing goods and services. In the case of pensions, employees of the reporting entity provide services to that entity and part of the salary-related cost is paid by a different entity. The pension administering entity does not provide goods or services to the reporting entity (other than normal pension administration services), but rather pays their costs directly. The difference is subtle but important. However, the accounting is similar. This document is consistent with the section of the liabilities exposure draft dealing with accounting for pensions and other retirement benefits.

¹³ Footnote 33 in SFFAS 4 reads: OMB Circular A-25 addresses user charges by federal entities.

should be made in accordance with the implementation guidance issued by OMB as discussed above.

112. However, the situation is often different with goods or services transferred within the federal government that do not involve eventual sales to entities outside the federal government. The federal government in its entirety is an economic entity. Therefore, it is reasonable to expect some flow of goods or services between reporting entities as those entities assist each other in fulfilling their missions and operating objectives. There are some cases in which the cost of non-reimbursed or under-reimbursed goods or services received from other entities need not be recognized as part of the cost of the receiving entity. The following general criteria are provided to help in determining the types of inter-entity costs that should or should not be recognized.

Materiality -- As with other accounting standards, the provisions of this standard need not be applied to immaterial items. However, in the context of deciding which inter-entity transactions are to be recognized, materiality, as used here, is directed to the individual inter-entity transaction rather than to all inter-entity transactions as a whole. **Under this concept, a much more limited recognition is intended than would be achieved by reference to the general materiality concept.**

In this context, then, materiality should be considered in terms of the importance of the inter-entity transaction to the receiving entity. The importance of the transactions, and thereby their recognition, should be judged in light of the following factors:

Significance to the entity -- The cost of the good or service is large enough that management should be aware of the cost when making decisions.

Directness of relationship to the entity's operations -- The good or service provided is an integral part of and necessary to the output produced by the entity.

Identifiability -- The cost of the good or service provided to the entity can be matched to the entity with reasonable precision.

The determination of whether the cost is material requires the exercise of considerable judgment, based on the specific facts and circumstances of each transaction.

Broad, general support -- Some entities provide broad, general support to many, if not all, reporting entities in the federal government. Most often this type of support involves the establishment of policies and/or the provision of general guidance. The costs of such broad services should not be recognized as an expense (or asset) by the receiving entities when there is no reimbursement of costs. Thus the standard does not apply when support is of a general nature provided to all or most entities of the federal government.

An example of this situation can be found in the Office of Management and Budget which establishes policy and provides general guidance to all parts of the executive branch of government. The costs of OMB should not be spread over all reporting entities because the services provided are (1) general and broad in scope, (2) provided to almost all reporting entities in the executive branch, and (3) not specifically or directly tied to the receiving entity's outputs.

On the other hand, some services provided, under certain circumstances, should still be recognized even though they may be considered broad and general in nature if such services are integral to the operations of the receiving entity. Such services include check writing by the Department of Treasury or legal activities performed by the Department of Justice. For example, when the issuance of checks is integral to the operations of an entity (e.g., the Internal Revenue Service and the Social Security Administration), the receiving entity should include the full cost of issuing checks in the full cost of its outputs. However, if the issuance of checks is insignificant and incidental to the operations of an entity, the entity should not normally recognize that cost.

114. The decision as to whether the cost of non-reimbursed or under-reimbursed goods and services should be recognized requires the use of judgement. None of the criteria listed above are, by themselves, fully or exclusively determinative. They should be considered in combination. Ultimately, inclusion or exclusion of the cost should be decided based on the

specific facts and circumstances of each case, with consideration of the degree to which inclusion or exclusion would change or influence the actions and decisions of a reasonable person relying on the information provided.

Accounting Example

114. The following tables provide an example of the accounting entries to be made when the receiving entity (Agency R) recognizes an expense for services received from a providing entity (Agency P) on a non-reimbursable basis. In the example, the full costs of these services to Agency P are \$100,000.

115. Agency R recognizes an "Expense of services provided by Agency P" equal to the full cost of the services received. It also recognizes a financing source, "Services provided by Agency P," equal to the amount not reimbursed, which in this case is the full \$100,000. Agency P recognizes an "Expense of services provided to Agency R" equal to the full cost of the services provided with a credit to "Appropriations used."

Table 1: Agency R's Accounting Entries *

	<u>Debit</u>	<u>Credit</u>
Expense of services provided by Agency P: \$100,000		
Services provided by Agency P:		\$100,000

* This example shows the cost recognized as an expense. However, as discussed in the text, it may be an asset.

Table 2: Agency P's Accounting Entries

	<u>Debit</u>	<u>Credit</u>
Expense of services provided to Agency R: \$100,000		
Appropriated capital		\$100,000

Fund balance with Treasury	\$100,000
Appropriated capital used	\$100,000

FULL COST

Reporting entities should report the full costs of outputs in general purpose financial reports. The full cost of an output produced by a responsibility segment is the sum of (1) the costs of resources consumed by the segment that directly or indirectly contribute to the output, and (2) the costs of identifiable supporting services provided by other responsibility segments within the reporting entity, and by other reporting entities.

89. This standard states that reporting entities should measure and report the full costs of their outputs in general purpose financial reports. "Outputs" means products and services generated from the consumption of resources. The full cost of a responsibility segment's output is the total amount of resources used to produce the output. This includes direct and indirect costs that contribute to the output, regardless of funding sources. It also includes costs of supporting services provided by other responsibility segments or entities. The standard does not require full cost reporting in federal entities' internal reports or special purpose cost studies. Entity management can decide on a case-by-case basis whether full cost is appropriate and should be used for internal reporting and special purpose cost studies.

Direct Costs

90. Direct costs are costs that can be specifically identified with an output. All direct costs should be included in the full cost of outputs. Typical direct costs in the production of an output include:

- (a) Salaries and other benefits for employees who work directly on the output;
- (b) Materials and supplies used in the work;
- (c) Various costs associated with office space, equipment, facilities, and utilities that are used exclusively to produce the output; and
- (d) Costs of goods or services received from other segments or entities that are used to produce the output (See discussions and explanations in the next section on "Inter-Entity Costs").

Indirect Costs

91. Indirect costs are costs of resources that are jointly or commonly used to produce two or more types of outputs but are not specifically identifiable with any of the outputs. Typical examples of indirect costs include costs of general administrative services, general research and technical support, security, rent, employee health and recreation facilities, and operating and maintenance costs for buildings, equipment, and utilities. There are two levels of indirect costs:

(a) Indirect costs incurred within a responsibility segment. These indirect costs should be assigned to outputs on a cause-and-effect basis, if such an assignment is economically feasible, or through reasonable allocations. (See discussions on cost assignments in the "Costing Methodology" section.)

(b) Costs of support services that a responsibility segment receives from other segments or entities. The support costs should be first directly traced or assigned to various segments that receive the support services. They should then be assigned to outputs.

92. A reporting entity and its responsibility segments may incur general management and administrative support costs that cannot be traced, assigned, or allocated to segments and their outputs. These unassigned costs are part of the organization costs, and they should be reported on the entity's financial statements (such as the Statement of Net Costs) as costs not assigned to programs.¹⁴

94. Most of the employee benefit programs are covered by trust funds administered by the Office of Personnel Management (OPM) and the Department of Defense (DoD). Contributions to the trust funds come from three sources: current and retired employees, employing agencies, and direct appropriations. The management expenses of the trust funds are paid with the funds' receipts.

95. Federal financial accounting standards require that the employing entity accrue the costs to the federal

¹⁴ Footnote 28 in SFFAS 4 reads: A similar explanation is provided in FASAB Statement of Recommended Accounting Concepts No. 2, Entity and Display, par. 95, page 33.

government of providing pension and ORB benefits to employees and recognize the costs as an expense when the benefits are earned.¹⁵ The employing entity should recognize those expenses regardless of whether the benefits are funded by the reporting entity or by direct appropriations to the trust funds. This principle should also be applied to health and life insurance benefits for current employees and comparable benefits for military personnel. The costs of employee benefits incurred by responsibility segments should be directly traced or assigned to outputs.

96. OPEB costs include severance payments, counseling and training, health care, and workers compensation benefits paid to former or inactive employees. OPEB costs are often incurred as a result of such events as reductions in force or on-the-job injuries of employees. Federal financial accounting standards require that OPEB costs be reported as an expense for the period during which a future outflow or other sacrifice of resources is probable and measurable on the basis of events occurring on or before the accounting date.¹⁶

97. Since the recognition of OPEB costs is linked to the occurrence of an OPEB event rather than the production of output, in many instances, assigning OPEB costs recognized for a period to output of that period would distort the cost of output. In special purpose cost studies or cost findings, management may distribute OPEB costs over a number of years in the past to determine the costs of the outputs that the OPEB recipients helped to produce.

¹⁵ Footnote 29 in SFFAS 4 reads: FASAB Exposure Draft, Accounting for Liabilities of the Federal Government (November 7, 1994), pars. 62-99, pages 26-46.

¹⁶ Footnote 30 in SFFAS 4 reads: Ibid., pars. 100-102, page 47.

► SURVEY QUESTIONNAIRE

SURVEY ON INTER-ENTITY COSTS

Introduction

Federal agencies often rely on each other to achieve their missions. This involves providing and receiving support goods and services. Some of the goods and services are provided without full reimbursement. To account fully for the costs of programs and outputs, reporting entities need to include in their program costs the inter-entity costs, i.e., the costs of goods and services received from other entities with or without reimbursement.

The Requirement for Recognizing Inter-entity costs

The requirement for recognizing inter-entity costs is prescribed in paragraphs 105 through 115, SFFAS No.4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*. The standard for inter-entity costs is summarized as follows:

Each entity's full cost should incorporate the full cost of goods and services that it receives from other entities. The entity providing the goods or services has the responsibility to provide the receiving entity with information on the full cost of such goods or services either through billing or other advice.

Recognition of inter-entity costs that are not fully reimbursed is limited to material items that (1) are significant to the receiving entity, (2) form an integral or necessary part of the receiving entity's output, and (3) can be identified or matched to the receiving entity with reasonable precision. Broad and general support services provided by an entity to all or most other entities should not be recognized unless such services form a vital and integral part of the operations or output of the receiving entity.

The Recognition Criteria

The criteria for recognizing inter-entity costs are discussed in detail in paragraph 112, SFFAS No.4. The standard requires that inter-entity costs that are material to the receiving entity and that meet the following criteria be recognized:

- Significance to the entity – The cost of the good or service is large enough that management should be aware of the cost when making decisions.
- Directness of relationship to the entity's operations – The good or service provided is an integral part of and is necessary to the output produced by the entity.
- Identifiably – The cost of the good or service provided to an entity can be matched to the entity with reasonable precision.

However, the provision of goods and services for broad and general support is excluded from the recognition requirement, unless such goods and services form a vital and integral part of the operations or output of the receiving entity. The standard states:

“Some entities provide broad, general support to many, if not all, reporting entities in the federal government. Most often this type of support involves the establishment of policies and/or the provision of general guidance. The costs of such broad services should not be recognized as an expense (or asset) by the receiving entities when there is no reimbursement of costs. Thus the standard does not apply when support is of a general nature provided to all or most entities of the federal government.”

For more information please refer to the text of the standard In the Appendix attached to the Survey.

Under-Reimbursed Inter-entity Goods and Services

The accounting standard requires recognition of the full cost of both non-reimbursed and under-reimbursed Inter-entity goods and services as an expense or, if appropriate, as an asset. If the full cost is partially reimbursed, the non-reimbursed portion should be recognized as a financing source. (See par. 109, SFFAS No. 4.)

Purposes of this Survey

This survey is focused on non-reimbursed and under-reimbursed inter-entity costs. To the extent that the inter-entity costs are reimbursed, the regular accounting procedure should automatically make necessary entries to record and recognize the reimbursed costs. Therefore, this survey does not cover fully reimbursed Inter-entity costs.

However, the Inter-entity cost standard has not been fully implemented for so-called “imputed costs,” i.e., costs that are not reimbursed. SFFAS No.4 provides that “Implementation of this standard on inter-entity costing should be

accomplished in a practical and consistent manner by the various Federal entities.’ SFFAS No.4 further states that the Office of Management and Budget with assistance of the FASAB staff should identify the specific inter-entity costs for entities to begin recognize. (Paragraph 110, SFFAS No. 4.)

Thus, the purpose of this survey is to gather information that would help identify inter-entity costs for recognition. The information gathered through this survey should:

- Provide an overview on existing inter-entity transactions that involve non-reimbursed and under-reimbursed inter-entity costs;
- Afford a description of the transaction characteristics that are relevant to the recognition criteria;
- Help identify potential issues or problems in recognizing inter-entity costs.

The information gathered should help develop guidance on inter-entity cost recognition. However, the survey itself is merely an information gathering process and does not involve a determination on what inter-entity costs should be recognized by reporting entities.

Approach

In this survey we have posed questions mainly to obtain a general description of inter-entity transactions. This would help us to understand the nature of those transactions and their characteristics. To ease the burden on respondents, we have avoided questions that would require a special effort to find detailed cost data. The general description would help us to identify and focus on transactions that are more likely to meet the recognition criteria. We could then request more detailed information on those transactions.

However, cost information is necessary for determining the significance of the inter-entity transactions. In SFFAS No.4, it was anticipated that the largest and most important inter-entity costs would be identified first. (See paragraph 110, SFFAS No. 4.) Therefore, we have asked respondents to provide cost information, if cost data are readily available.

Instructions to Respondents

- To maximize input, please furnish information on all inter-entity transactions that involve non-reimbursed and under-reimbursed costs regardless of whether they meet this recognition criteria, except for

those that are apparently immaterial. However, you are invited to express your opinions in response to question (F) under “Questions to Receiving entities” on whether the costs meet the recognition criteria.

- If your entity is both a provider and receiver of inter-entity goods and services, please respond to questions posed to both providing and receiving entities.
- All the questions address inter-entity costs that are not fully reimbursed by the receiving entity or are not reimbursed at all. Please do not include inter-entity costs that are fully reimbursed by the receiving entity. (For the purposes of this survey, the receiving entity may assume that an inter-entity good or service is fully reimbursed, if the entity has no information indicating that its reimbursement is less than the full cost of the good or service.)

► RESPONSES TO THE SURVEY

United States Department of Agriculture

Survey on Inter-entity Costs Questions to Providing Entities

If your entity provides goods or services to other Federal entities without receiving a reimbursement or with less than full reimbursement, please respond to the following questions:

- A) What are the specific goods and services that your entity provides to other Federal entities, and which Federal entity or entities receive the goods and services? (Please note the following: (a) if cost information is readily available, please indicate either an estimated or actual cost per year for each good or service; and (b) if the goods or services are provided to all or most of the agencies of the Federal government, please describe the broad nature of the goods or services rather than listing individual agencies.)

The Farm Service Agency (FSA) provides services to the Commodity Credit Corporation (CCC) covering administrative items for all object classes as follows:

11- Payroll
12- Benefits
13- Benefits to former Employees
21- Travel
22- Transportation
23- Rents, Communications & Utilities
24- Printing
25- Contractual Services
26- Supplies
31- Equipment (Non Capitalized)
42- Insurance Claims & Indemnities
43- Interest
plus imputed costs (from Department Overhead & OPM Benefits)*

The total amount recorded for these “imputed costs” for fiscal year 1999 to CCC was \$269,651,321.

- (B) Are any of the inter-entity goods and services you mentioned in your response to question (A) partially reimbursed by the receiving entities? If so, what is the estimated percentage of the full cost that is not reimbursed? If you are unable to estimate a percentage, please explain why.

CCC does not reimburse any of these costs to FSA.

- (C) Does your entity receive any non-monetary compensation (such as a reciprocal service) from any of the receiving entities for the non-reimbursed costs? If so, please explain the compensation.

FSA does not receive any non-monetary compensation from CCC for the above-mentioned costs.

(D) If more than one entity receives the goods or services, would your entity be able to assign the non-reimbursed costs to the receiving entities? If so, what would be the assignment (or allocation) basis? If your entity would not be able to assign the costs, please explain why not.

CCC is the only entity that receives the goods or services listed in (A) above.

(E) Does your entity anticipate continuing to provide the goods and services in future years?

Yes, FSA will continue to provide the goods and services **to** CCC in future years.

(F) The accounting standard states that the entity providing the goods and services is responsible for providing the receiving entity with information on the full cost of such goods and services. If requested for inter-entity costs recognition purposes, would your entity be able to provide the cost information to the receiving entities on a timely basis? If not, please explain reasons why not.

Yes, FSA would be able to provide CCC with information on the full cost of such goods and services.

Questions **to** Receiving Entities

If your entity receives goods or services from other Federal entities without reimbursement or with less than full reimbursement, please respond to the following questions:

A) What are the goods and services that your entity receives, and which Federal entities provide each of those goods and services?

Rural Development (RD) utilizes electronic funds transfer (EVE) and check writing services that are provided by the Department of Treasury on a daily basis. RD reported the approximate costs of these services to be \$3,000 for fiscal year 2000.

In addition, the Commodity Credit Corporation (CCC) receives services from the Farm Service Agency covering administrative Items for all object classes as follows:

- 11- Payroll
- 12- Benefits
- 13- Benefits to former Employees
- 21. Travel
- 22- Transportation
- 23- Rents, Communications & Utilities
- 24. Printing

25- Contractual Services

26-Supplies

31- Equipment (Non Capitalized)

42. Insurance Claims & Indemnities

43- Interest

plus Imputed costs to FSA (Dept Overhead & OPM Benefits)*

The total recorded for these “imputed costs” for fiscal year 1999 by CCC was \$269,651,321.

• **Included in this amount is** CCC's portion of the USDA audit performed by 01G. These costs are provided to FSA by the USDA's Office of the Chief Financial Officer (OCFO).

(B) Does your entity reimburse a part of the cost of each good or service? If so, can you estimate the percentage of the cost that is not reimbursed? If you can, and the data are readily available, please provide the percentage data. If you cannot, please explain why not.

None of the costs described in (A) are reimbursed.

(C) Does your entity give any of the providing entities a non-monetary compensation (such as a reciprocal service) for the non-reimbursed costs? If so, please explain the compensation.

There is no non-monetary compensation given for the services described In
(A).

(D) Are any of the non-reimbursed inter-entity goods and services significant to your entity and why? (The phrase "significant to the entity" means that the cost of the good or service is large enough that the management should be aware of the cost when making decisions. See paragraph 112, SFFAS No. 4.)

The costs of the ETF and check writing services are not considered material by management.

The services provided by FSA are significant to CCC. See the types of administrative services performed by FSA in list (A) above.

(E) For those goods and services that are significant to your entity, are they used in your entity's operations and for what purposes are they used? (See discussions in paragraph 112, SFFAS No.4.)

Yes, the services provided by FSA are used in CCC's operations. See the list in (A) above for the purposes for which these services are used.

(F) Do you believe that the inter-entity goods and services you mentioned in your response to this questionnaire meet the inter-entity cost recognition criteria discussed in paragraphs 111 through 113, SEFAS No.4? Please provide reasons for your reply.

The ETF and check writing services reported by RD are considered broad and general in nature and not considered integral to its operations. The inclusion or exclusion of these costs would not change or influence the actions and decisions of a reasonable person relying on this Information. Therefore, RD does not believe these costs meet the inter-entity cost recognition criteria.

The FSA services listed in (A) meet the inter-entity cost recognition criteria because they are material, significant to the entity, identifiable, and not a service provided to all or most entities of the Federal government. In addition, CCC does not reimburse FSA for these costs.

(G) Do you foresee any problems in implementing the recognition of inter-entity costs by your agency? Please respond to the following sub-questions:

No. Based on the responses above, USDA is currently recognizing Inter. entity costs for these activities.

(a) Do you believe your entity can obtain the necessary cost information from the entities that provide the goods and services?

Yes, the ETF and check writing costs are obtainable from Treasury, and the cost information for services provided to CCC is obtainable from FSA.

(b) If such information is not provided, can your entity make a reasonable estimate for the cost of the inter-entity goods and services (See par. 109, SFFAS No. 4)?

Yes. Unless the Treasury cost for ETF and check writing services was to change substantially in the future, these costs could be reasonably estimated. This question is not applicable to the costs from FSA because the cost information would be provided to CCC.

(c) Do you foresee other problems for recognizing inter-entity costs?

At this time, we do not foresee any problems in recognizing Inter. entity costs.

U.S. Department of Commerce
**Response to Survey on
Inter Entity Costs**

Questions to Providing Entities

If your entity provides goods or services to other Federal entities without receiving a reimbursement or with less than full reimbursement, please respond to the following questions:

(A) What are the specific goods and services that your entity provides to other Federal entities, and which Federal entity or entities receive the goods and the services?

(Please note the following: (a) if cost information is readily available, please indicate either an estimated or actual cost per year for each good or service; and (b) If the goods or services are provided to all or most of the agencies of the Federal government, please describe the broad nature of goods or services rather than listing individual agencies.)

- *National Environmental Satellite, Data, and Information Service provides timely access to global environmental data from satellites and other sources to promote, protect, and enhance the Nation's economy, security, environment, and quality of life. Wholesale fees, lower fees which do not include modernization costs, are charged to non-commercial users.*
- *The National Weather Service - Office of Hydrology provides two services/goods where the pricing policy does not cover full costs. First, the Hydrological Research Lab sells a software model called DMBRK and charges a processing fee that only covers the cost of materials (documentation, floppy disks, postage, etc.). Second the Hydrologic Design Studies Center produces technical documents that are available to the general public and other Federal agencies. The document prices are based on the number of copies and the printing cost.*
- *The National Weather Service - National Centers for Environmental Prediction sells the Daily Weather Map and Weekly Crop Bulletin, which provide weather and agriculture weather related information. The publications are sold at a subscription price based on printing costs, rather than full cost. Approximately fifteen hundred copies of each publication are sold to roughly six hundred subscribers, including universities, farmers, and private companies. Many free copies are provided to government agencies, libraries, and cooperating institutions, and most of the information in the publications are available on the Internet*

(B) Are any of the inter-entity goods and services you mentioned in your response to question (A) partially reimbursed by the receiving entities? If so, what is the estimated percentage of the full cost that is not reimbursed? If you are unable to estimate a percentage, please explain why.

- *The portion of cost that is not reimbursed is based on type rather than percentage of full cost, as explained in the response to question (A).*

(C) Does your entity receive any non-monetary compensation (such as a reciprocal service) from any of the receiving entities for the non-reimbursed costs? If so, please explain the compensation.

- *No.*

(D) If more than one entity receives the goods or services, would your entity be able to assign the non-reimbursed costs to the receiving entities? if so, what would be the assignment (or allocation) basis? If your entity would not be able to assign the costs, please explain why not.

- *Non-reimbursed costs are not assigned to the receiving entities, but based on type, as explained in the response to question (A).*

(E) Does your entity anticipate continuing to provide the goods and services in future years?

- *Yes.*

(F) The accounting standard states that the entity providing the goods and services is responsible for providing the receiving entity with information on the full cost of such goods and services. If requested for inter-entity cost recognition purposes, would your entity be able to provide the cost information to the receiving entities on a timely basis? If not, please explain reasons why not.

- *Yes.*

US. Department of Commerce
Response to Survey on
Inter Entity Costs

Questions to Receiving Entities

If your entity receives goods or services from other Federal entities without reimbursement or with less than full reimbursement, please respond to the following questions:

(A) What are the goods and services that your entity receives and which Federal entities provide each of those goods and services? (if cost data are readily available, please provide estimated costs of those goods and services.)

- *As a receiving entity, we have no information indicating that our reimbursements to other federal agencies are less than at the full cost*

(B) Does your entity reimburse a part of the cost of each good or service? If so, can you estimate the percentage of the cost that is not reimbursed? If you can and the data are readily available, please provide the percentage data. If you cannot, please explain why not.

- *See response to question (A).*

(C) Does your entity give any of the providing entities a non-monetary compensation (such as a reciprocal service) for the non-reimbursed costs? If so, please explain the compensation.

- *See response to question (A).*

(D) Are any of the non-reimbursed inter-entity goods and services significant to your entity and why? (The phrase “significant to the entity” means that the cost of the good or service is large enough that the management should be aware of the cost when making decisions. See paragraph 112, SFFAS No. 4.)

- *See response to question (A).*

(E) For those goods and services that are significant to your entity, are they used in your entity’s operations and for what purpose5 are they used? (See discussions in paragraph 112, SEFAS No. 4.)

- *See response to question (A).*

U.S. Department of Commerce
Response to Survey on
Inter Entity Costs

(F) Do you believe that the inter-entity goods and services you mentioned in your response to this questionnaire meet the inter-entity cost recognition criteria discussed in paragraphs 111 through 113, SFFAS No.4? Please provide reasons for your reply.

- *See response to question (A).*

(G) Do you foresee any problems in implementing the recognition of inter-entity costs by your agency? Please responds to the following sub-questions:

(a) Do you believe your entity can obtain the necessary cost information from the entities that provide the goods and services?

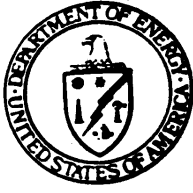
- *See response to question (A).*

(b) If such information is not provided, can your entity make a reasonable estimate for the cost of the inter-entity goods and services (See par. 109, SFFAS No. 4)?

- *See response to question (A).*

(c) Do you foresee other problems for recognizing inter-entity costs?

- *No*



Department of Energy Washington, DC 20585

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Nov 08 2000

Ms. Wendy M. Comes, Chair
Accounting & Auditing Policy Committee
4410 Street, NW
Suite 6814, Mail Stop 6K17V
Washington, DC 20548

Dear Ms. Comes:

This is in response to your July 19, 2000, memorandum to the Department of Energy's Chief Financial Officer, concerning your study of inter-entity costs. Our response to your questions to providing and receiving entities is enclosed for you review.

If you have any questions, please contact Cohn Powers at (301) 903-7313.

Sincerely,

James T. Campbell
Deputy Controller

Enclosure

Questions to Providing Entities

- (A) What are the specific goods and services that your entity provides to other Federal entities, and which Federal entity or entities receive the goods and the services? (Please note the following: (a) if cost information is readily available, please indicate either an estimated or actual cost per year for each good or service; and (b) if the goods or services are provided to all or most of the agencies of the Federal government, please describe the broad nature of goods or services rather than listing individual agencies.)

The Department of Energy (DOE) performs work for other Federal entities on a reimbursable work basis. The reimbursable work is generally not DOE's direct mission but part of the customer's mission. The work performed, almost always by our Management and Operating and other major, cost-type operating contractors, utilizes DOE's expertise and facilities. The total cost of work performed for other Federal entities for FY 1999 as reported in the DOE's Accountability Report was \$1,292 million. This cost includes allocations of Departmental overhead expenses (Federal salaries, etc.)

The DOE is also providing the Department of Defense (DOD) with crude oil storage in the Strategic Petroleum Reserve (SPR). As authorized by the FY 1993 Defense Appropriations Act, DOD crude oil with a historical value of \$106 million is stored at SPR. As of the end of FY 1999, the value of DOE crude oil stored at SPR was \$15,143 million.

- (B) Are any of the inter-entity goods and services you mentioned in your response to question (A) partially reimbursed by the receiving entities? If so, what is the estimated percentage of the full cost that is not reimbursed? If you are unable to estimate a percentage, please explain why.

DOE's policy is to establish prices for goods and services provided to other Federal entities at full cost, which includes all direct and indirect costs incurred by DOE and its contractors, and a Federal administrative charge of 3 percent of the full cost. The 3 percent Federal administrative charge is a statutory limit established by the National Defense Authorization Act for FY 1999 (P.L. 105-261). In FY 1999, the Department recorded revenue of \$1,254 million against the costs of \$1,292 million reported above. Thus, the revenue shortfall is primarily due to the provisions of P.L. 105-261 (1) limiting the Federal administrative charge "not to exceed 3 percent" when actual overhead costs are higher and (2) providing for the waiver of the Federal administrative charge from being assessed for certain reimbursable work based on determination by the Secretary.

- (C) Does your entity receive any non-monetary compensation (such as a reciprocal service) from any of the receiving entities for the non-reimbursed costs? If so, please explain the compensation.

The Department does not receive non-monetary compensation from any of the entities receiving goods or services from the Department.

- (D) If more than one entity receives the goods or services, would your entity be able to assign the non-reimbursed costs to the receiving entities? If so, what would be the assignment (or allocation) basis? If your entity would not be able to assign the costs, please explain why not.

DOE provides goods and services to numerous Federal entities including the various components of the Department of Defense, the National Institutes of Health, the Department of Transportation, etc. The DOE accounting system records the costs incurred against our Reimbursable Work for Other Federal Agencies responsibility segment, but not against specific customers. Consequently, the non-reimbursed costs cannot be assigned to specific receiving entities.

- (E) Does your entity anticipate continuing to provide the goods and services in future years? DOE has a long history of performing work for other Federal entities on a reimbursable basis. It is anticipated that this activity will continue.
- (F) The accounting standard states that the entity providing the goods and services is responsible for providing the receiving entity with information on the full cost of such goods and services. If requested for inter-entity cost recognition purposes, would your entity be able to provide the cost information to the receiving entities on a timely basis? If not, please explain reasons why not.

The DOE facility performing the reimbursable work (laboratory, etc.) could provide the receiving entity with the amount of the Federal administrative charge being waived on a particular reimbursable work order where an exception to full cost recovery has been approved. The allocation of Departmental overhead costs is not performed until fiscal year end so the actual full cost of the work could not be reported on a timely basis. An alternative would be to allocate the historic overhead rate to an individual work order and report that to the receiving entity as the full cost.

Question to Receiving Entities

- (A) What are the goods and services that your entity receives and which Federal entities provide each of those goods and services? (If cost data are readily available, please provide estimated costs of those goods and services.)

DOE's Albuquerque Operations Office (AL) and Sandia National Laboratories are located on Kirtland Air Force Base (AFB), Albuquerque, New Mexico. The majority

of AL facilities are owned by DOE; however, DOE does occupy Air Force land on which DOE has constructed some facilities. The Department does not pay rent for the Air Force land and buildings that AL and Sandia occupy, but does reimburse the Air Force for operating costs (e.g., utilities and fire protection) associated with DOE operations **at** Kirtland AFB.

At the Tonapah Test Range in Nevada, DOE occupies 335,000 acres of Air Force land on which DOE has constructed some facilities. This land is provided at no cost to DOE. The Department of Interior's Minerals Management Service is providing the DOE's SPR with the in-kind oil proceeds from oil leases in the Gulf of Mexico. In FY 1999, SPR received crude oil worth about \$97 million, which represented one sixth of the oil produced under the leases.

- (B) Does your entity reimburse a part of the cost of each good or service? If so, can you estimate the percentage of the cost that is not reimbursed? If you *can* and the data are readily available, please provide the percentage data. If you cannot, please explain why not.

As stated above, DOE does reimburse the Air Force for utilities, but pays no rent for occupation of the land **at** Kirtland AFB.

- (C) Does your entity give any of the providing entities a non-monetary compensation (such as a reciprocal service) for the non-reimbursed costs? If so, please explain the compensation.

There are no situations where DOE provides a non-monetary compensation to a providing entity.

- (D) Are any of the non-reimbursed inter-entity goods and services significant to your entity and why? (The phrase "significant to the entity" means that the cost of the good or service is large enough that the management should be aware of the cost when making decisions. See paragraph 112, SFFAS No. 4.)

The Air Force land permitted to DOE at Kirtland AFB encompasses 6,500 acres. The potential lease/rental cost for this property would likely be significant.

- (E) For those goods and services that are significant to your entity, are they used in your entity's operations and for what purposes are they used? (See discussions in paragraph 112, SFFAS No.4.)

The space occupied houses both Federal and contractor employees. These employees are involved in the Department's mission work and support functions. To that extent, the goods and services received are used in the Department's operations.

- (F) Do you believe that the inter-entity goods and services you mentioned in your response to this questionnaire meet the inter-entity cost recognition criteria discussed in paragraphs 111 through 113, SFFAS No. 4? Please provide reasons for your reply.

Depending upon the non-reimbursed value attributed to the property occupied by the DOE entities, it does meet the criteria for inter-entity cost recognition. If this property were not available, the Department would need to acquire property to house these operations or rent facilities at the commercial rate.

- (G) Do you foresee any problems in implementing the recognition of inter-entity costs by your agency? Please respond to the following sub-questions:

- (G)(a) Do you believe your entity can obtain the necessary cost information from the entities that provide the goods and services?

The ability of Kirtland AFB to provide reliable cost information is unknown.

- (G)(b) If such information is not provided, can your entity make a reasonable estimate for the cost of the inter-entity goods and services (See par. 109, SFFAS No. 4)?

As DOE has never been charged for use of the property discussed here, there is no data available to make a reasonable estimate.

- (G)(c) Do you foresee other problems for recognizing inter-entity costs?

No other problems are foreseen.

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

WASHINGTON, D.C. 20460

21 NOV 2000

OFFICE OF THE
CHIEF FINANCIAL Officer

Ms. Wendy M. Comes
Chair, AAPC
441 G Street, NW, Suite 6814
Mail Stop 6K17V
Washington, DC 20548

Dear Ms. Comes:

Thank you for providing the Environmental Protection Agency (EPA) the opportunity to respond to the survey of inter-entity costs. We support the concept of recognizing inter-entity costs when measuring the full cost of a program and its output. However, we also believe that any policy or guidance addressing this concept must carefully weigh the costs and benefits of obtaining "full cost" information. The benefits or value of including inter-entity costs in "full costing" depends on the intended use and purpose of the costing information.

Both SFFAS No.4, *Managerial Cost Accounting Concepts and Standards for the Federal Government* and your letter differentiate inter-entity costs between those that are reimbursed and those that are not reimbursed. Concerning the latter category, you will note in our responses to the survey that we do not provide any services *gratis* to other federal entities and we believe the only material non-reimbursed services provided to us are from the central agencies such as the Office of Personnel Management. Because of the central agencies' roles in providing government wide vital management services, we suggest that OMB and FASAB's guidance stipulated under Paragraph 110 should first focus on non-reimbursed costs for central agencies before addressing inter-entity costs between non-central agencies. However, such guidance must also stress other concepts embedded in SFFAS 4, namely materiality and the purpose/intended use of the information. Pricing factors or other costing information associated with central agencies may be appropriate for inclusion in EPA's year-end financial statements and other high-level reports. However, this information is less useful for certain internal-use reports and consequently may not be worth the investment required in our financial systems infrastructure to reflect such non-reimbursed costs.

Inter-entity costs which are reimbursed between federal agencies generally fall into two categories: those costs with full reimbursement and those with partial reimbursement. We expect that goods and services which are fully reimbursed emanate from agencies operating without appropriations through revolving funds or similar mechanisms. We see little need for additional guidance in these cases. Our most serious issue concerns inter-entity transactions with partial reimbursement, transactions which likely consists of an agency billing for direct costs but not any or all indirect costs.

As a provider of services, EPA does not bill other agencies for full indirect costs nor do we intend to due to augmentation of appropriation considerations. While we can develop a high-level indirect cost factor (a General and Administrative rate) to cover agencywide management services, any "full costing" indirect cost rate must be program-specific and would entail efforts which, in our view, would not be cost beneficial given the relatively small level of EPA services provided to other agencies. We doubt that the receiving Agency would find such a full cost rate useful for their purposes.

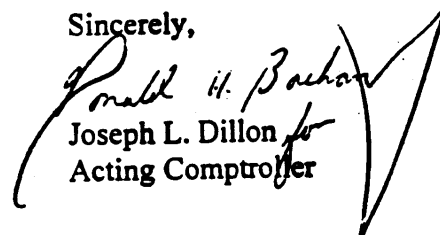
As a receiver of services, we believe we are paying "full costs" for many of the large dollar services we obtain from other agencies but for those instances where we do not, we are again concerned about the necessary investment in financial systems infrastructure to recognize the unbilled indirect costs. Since we're already recognizing the direct costs, any increased benefits from recognizing or considering unbilled indirect costs are marginal; we see little purpose or value for obtaining such information.

In conclusion, we would like to see the OMB/FASAB Paragraph 110 guidance: (1) focus on unreimbursed services from the central agencies; (2) strengthen and clarify the materiality provisions of Paragraph 112 by acknowledging that unreimbursed indirect costs may be immaterial and therefore not necessary for recognition; and (3) stress cost benefit factors when determining whether to recognize unreimbursed inter-entity costs, especially considering financial systems investments and how the current trend to Commercial Off-the-Shelf Software affects the requirement for inter-entity accounting.

In addition, we would like FASAB and OMB to consider modifying Paragraph 109, which states that receiving entities must develop estimates on non-reimbursed inter-entity costs based on the market value of goods or services received, when the providing entity does not supply that information. We believe these estimates would be unreliable since some goods and services are unique and represent a limited market. Estimates create problems for auditors who must decide if there is sufficient supporting evidence. Therefore, we believe agencies should only be responsible for developing the non-reimbursed inter-entity costs for their agency, when they are the providing agencies.

Our comments concerning specific questions in the survey are enclosed. If you or your staff has any questions concerning our comments, or if we can be of further assistance, please contact Juliette McNeil, Acting Director, Financial Management Division, at (202) 564-4905.

Sincerely,



Joseph L. Dillon, Jr.
Acting Comptroller

Enclosure

cc. Michael W. S. Ryan, Deputy Chief Financial Officer

Questions to Providing Entities

(A) What are the specific goods and services that your entity provides to other Federal entities, and which Federal entity or entities receive the goods and services? (Please note the following: (a) if cost information is readily available, please indicate either an estimated or actual cost per year for each good or service; and (b) if the goods or services are provided to all or most of the agencies of the Federal government, please describe the broad nature of goods or services rather than listing individual agencies.)

Response:

EPA provides Environmental Cleanup Services, Environmental Assessment, and Environmental Oversight. The chart below provides the top three services with the approximate costs for FY 2000.

FY 2000 EPA is the Providing Agency

Predominant Service	Receiving Agency	Amount
Environmental Assessment	Numerous	\$12,743,994
Oil Spill Cleanup	Coast Guard	\$12,748,900
Federal Facilities Cleanup	DOD	\$10,499,009
Total Top 3		\$35,991,903

(B) Are any of the inter-entity goods and services you mentioned in your response to question (A) partially reimbursed by the receiving entities? If so, what is the estimated percentage of the full cost that is not reimbursed? If you are unable to estimate a percentage, please explain why?

Response:

Yes, all Interagency Agreements (IAGs) where EPA is the provider are partially reimbursed, because we do not bill for indirect costs. Our estimate of the unbilled indirect costs is 35% of direct costs but this is a rough estimate using a rate that was developed for one program (Superfund).

(C) Does your entity receive any non-monetary compensation (such as a reciprocal service) from any of the receiving entities for the non-reimbursed costs? If so, please explain the compensation.

Response:

No, EPA does not receive any non-monetary compensation from any of the receiving entities for the non-reimbursed costs.

(D) If more than one entity receives the goods or services, would your entity be able to assign the non-reimbursed costs to the receiving entities? If so, what would be the assignment (or allocation) basis? If your entity would not be able to assign the costs, please explain why not.

Response:

Yes, we would allocate the non-reimbursed costs based on total dollars.

(E) Does your entity anticipate continuing to provide the goods and services in future years?

Response:

Yes

(F) The accounting standard states that the entity providing the goods and services is responsible for providing the receiving entity with information on the full cost of such goods and services. If requested for inter-entity' cost recognition purposes, would your entity be able to provide the cost information to the receiving entities on a timely basis? If not, please explain reasons why not.

Response:

We could provide a General & Administrative (G&A) rate covering the costs of agencywide management services. We could also use cost finding techniques to determine an indirect cost rate which considers program-specific factors, but we do not consider this effort cost-beneficial.

Questions to Receiving Entities

(A) What are the goods and services that your entity receives and which Federal entities provide each of those goods and services? (If cost data are readily available, please provide estimated costs of those goods and services.)

Response:

FY 2000 EPA as the Receiving Agency

Predominant Service	Providing Agency	FY 2000 Paid Amount
Superfund Cleanup Services	U. S. Army Corp of Engineers	\$358,000,000
Building Facilities'	GSA	\$149,000,000
Superfund Health Effects Studies	DHHS	\$101, 000,000
Superfund Cleanup Services	DOI	\$41,000,000
Superfund Enforcement Services	DOJ	\$41,000,000
Subtotal, Top Five		\$690,000,000
Other Services	27 Other Federal Agencies.	\$97,000,000
TOTAL ALL SERVICES		\$787,000,000

(B) Does your entity reimburse a part of the cost of each good or service? If so, can you estimate the percentage of the cost that is not reimbursed? If you can and the data are readily available, please provide the percentage data. If you cannot, please explain why not.

Response:

Of the top five (based on total dollars) interagency agreements, we believe that all except possibly DHHS are fully reimbursed. We assume the remaining interagency agreements are partially reimbursed. Since the other agencies have never shared this information with us, we do not know if there are non-reimbursed costs.

(C) Does your entity give any of the providing entities a non-monetary compensation (such as a reciprocal service) for the non-reimbursed costs? If so, please explain the compensation.

Response:

No, we do not provide non-monetary compensation for the non-reimbursed costs.

(D) Are any of the non-reimbursed inter-entity goods and services significant to your entity and why? (The phrase "significant to the entity" means that the cost of the good or service is large enough that the management should be aware of the cost when making decisions. See paragraph 112, SFFAS No. 4.)

Response:

No, we believe that most of the agencies who provide significant goods and services to EPA are fully reimbursed.

(E) For those goods and services that are significant to your entity, are they used in your entity's operations and for what purposes are they used? (See discussions in paragraph 112, SFFAS No. 4.)

Response:

All of the Superfund services provide an integral part of the outputs produced by EPA for the Superfund program which remediates hazardous waste sites on the National Priorities List and other sites as necessary.

(F) Do you believe that the inter-entity goods and services you mentioned in your response to this questionnaire meet the inter-entity cost recognition criteria discussed in paragraphs III through 113, SFFAS No.4? Please provide reasons for your reply.

Response:

We believe the "top 5" inter-entity goods and services listed in the table above do meet the inter-entity cost recognition criteria. We believe the "Other Services" from 27 agencies listed in the table do not meet the criteria for "full cost" recognition if "full costs" means that the other agencies' full unbilled indirect costs must be obtained from the providing Agency and recognized by EPA. Please refer to our transmittal letter.

(G) Do you foresee any problems in implementing the recognition of inter-entity cost by your agency? Please respond to the following sub-questions:

Response:

(a) Do you believe your entity can obtain the necessary cost information from the entities that provide the goods and services?

Response:

We believe the "top 5" agencies with the possible exception of DHHS are billing us for "full costs." For the other agencies, we are uncertain that we can obtain any further information regarding unbilled indirect costs but as we've previously stated, we do not consider such information necessary.

GSA Responses to AAPC Survey on Inter - Entity Costs

Questions to Providing Agencies:

General Comments: On the whole, GSA is reimbursed for the costs incurred for providing services such as office space rental, telecommunications services, ADP equipment and service, supplies, and vehicle rentals. This is required by the revolving fund authorities that we operate under. However, there are cases where particular customers do not pay the full amount that GSA's rates call for, as described below.

(A) 1) Rent -In some instances, our customer agencies have restrictions, imposed by Congress through the appropriations process, that specify an amount that can be paid to GSA for rent. These restrictions or rent caps are almost always below the amount that would have been assessed by GSA as the full rent due. In other instances, agencies appeal to GSA to waive the payment of rent, usually due to budget shortages.

When these conditions exist, amounts are not material to GSA, but can be material to the individual agency receiving the reduced rent. Individual instances range into the tens of million of dollars, with the gross annual amounts generally being less than \$100 millions.

2) Vehicles -GSA has promoted the expanded use of alternative fuel vehicles across the Federal government by partially subsidizing the additional capital investment required by such vehicles. Accordingly, customers are not always paying the full vehicle rental charges that would constitute full cost recovery to GSA. Annual amounts of such subsidies can run into the millions of dollars for GSA, though amounts would rarely be material to an individual customer's financial reporting.

3) Audit and Investigative Services -As GSA's Office of Inspector General (OIG) is funded by appropriations, no charge is allocated to the GSA programs that they provide auditing services, internal control assessments, and investigative services to. GSA's OIG operated on an appropriation in excess of \$33 million in FY 2000. As such costs were not reimbursable, the revolving funds receiving such services did not need to raise rates to their customers to cover such cost.

4) Administrative Services -GSA receives appropriations for a portion of its administrative operating costs. Of those costs, approximately \$17 million can be attributed to the Services and programs of GSA that provide reimbursable services across the government. As such costs were not reimbursed, the revolving funds programs receiving such services did not need to raise rates to their customers to cover such cost.

- (B) Regarding the discussion above, items 1 and 2 are instances of partial reimbursement of full cost. The percentages of reimbursement range from in excess of 95% to less than 5%, depending on the particular customer and funding limitation of a particular year. Items 3 and 4 are instances where costs are not reimbursed.
- (C) No non-monetary compensation is received for the services described.
- (D) For the services described, multiple entities receive such services. Such amounts can be clearly identified and assigned for item 1), and would be allocated for items 2), 3) and 4).
- (E) Yes, we expect these services to continue into the future. For items 1) and 2), we are always looking to reduce the amounts and frequency of the under~ reimbursement.
- (F) Yes, regarding item 1), the entities usually are readily aware of the reimbursement shortfalls. For Items 2), 3), and 4) methodologies could be developed to identify amounts to customers.

Questions to Receiving Entities:

General Comments: We assume that further discussions of the three inter-entity cost issues being reported on by agencies (post-retirement, workers' compensation and Judgment Fund costs) are not required. However, for each of these three issues, we consider that agencies are currently only recognizing a portion of the full cost of such programs. For instance, agencies are not being allocated the costs of administering pension and workers' comp programs that are funded by the OPM and DOL respectively. Similarly, no cost is being assigned to agencies for the legal support that the Department of Justice provides associated with cases they manage. For full cost allocation we believe that such costs should be reported as inter-entity costs by agencies benefited by those services.

- (A) Please refer to items (A). 3) and 4) in the previous discussion regarding providing entities. These two items are the only significant items being received by GSA entities that are not reimbursed.
- (B) No reimbursement is made for these appropriated services.
- (C) Non-monetary compensation is not provided for these services.
- (D) At a total cost of \$50 million, we consider the services to be sizable enough that they should be considered in certain financial management decisions.

(E) We believe the services received are described sufficiently as to their purpose.

(F) Yes, we see both of these services as making up a portion of the total costs of the Services/programs in GSA. These costs would not be borne by the Federal government without the existence of the programs that they service.

(G) (a) Yes, we can allocate such costs appropriately to the organizations using such services.

(b) Not applicable, see (a) above.

(c) None related to the two items discussed herein.

Response from HUD

Part I: Questions to Providing Entities

Not Applicable to HUD.

If your entity provides goods or services to other Federal entities without receiving a reimbursement or with less than full reimbursement, please respond to the following questions:

(A) What are the specific goods and services that your entity provides to other Federal entities, and which Federal entity or entities receive the goods and the services? (Please note the following: (a) if cost information is readily available, please indicate either an estimated or actual cost per year for each good or service; and (b) If the goods or services are provided to all or most of the agencies of the Federal government, please describe the broad nature of goods or services rather than listing individual agencies.)

(B) Are any of the inter-entity goods and services you mentioned in your response to question (A) partially reimbursed by the receiving entities? If so, what is the estimated percentage of the full cost that is not reimbursed? If you are unable to estimate a percentage, please explain why.

(C) Does your entity receive any non-monetary compensation (such as a reciprocal service) from any of the receiving entities for the non-reimbursed costs? If so, please explain the compensation.

(D) If more than one entity receives the goods or services, would your entity be able to assign the non-reimbursed costs to the receiving entities? If so, what would be the assignment (or allocation) basis? If your entity would not be able to assign the costs, please explain why not.

(E) Does your entity anticipate continuing to provide the goods and services in future years?

(F) The accounting standard states that the entity providing the goods and services is responsible for providing the receiving entity with information on the full cost of such goods and services. If requested for inter-entity cost recognition purposes, would your entity be able to provide the cost information to the receiving entities on a timely basis? If not, please explain reasons why not.

Part ii: Questions to Receiving Entities

If your entity receives goods or services from other Federal entities without reimbursement or with less than full reimbursement, please respond to the following questions:

(A) What are the goods and services that your entity receives and which Federal entities provide each of those goods and services? (If cost data are readily available, please provide estimated costs of those goods and services.)

The Department of Justice (DOJ) represents HUD in enforcement actions and defensive litigation. Cost data not available; HUD does not reimburse DOJ.

(B) Does your entity reimburse a part of the cost of each good or service? If so, can you estimate the percentage of the cost that is not reimbursed? If you can and the data are readily available, please provide the percentage data. If you cannot, please explain why not.

HUD does not reimburse any of the cost.

(C) Does your entity give any of the providing entities a non-monetary compensation (such as a reciprocal service) for the non-reimbursed costs? If so, please explain the compensation.

No.

(D) Are any of the non-reimbursed inter-entity goods and services significant to your entity and why? (The phrase "significant to the entity" means that the cost of the good or service is large enough that the management should be aware of the cost when making decisions. See paragraph 112, SFFAS No. 4.)

Because cost data is not available, significance is unknown but thought to be immaterial based on the definition of materiality provided in the standard.

(E) For those goods and services that are significant to your entity, are they used in your entity's operations and for what purposes are they used? (See discussions in paragraph 112, SFFAS No. 4.)

Significance of costs is unknown, but thought to be immaterial.

(F) Do you believe that the inter-entity goods and services you mentioned in your response to this questionnaire meet the inter-entity cost recognition criteria discussed in paragraphs 111 through 113, SFFAS No. 4? Please provide reasons for your reply.

It is believed that since the costs do not meet the general criteria for materiality as issued in paragraph 112 of the standard, the cost do not meet inter-entity cost recognition criteria.

(G) Do you foresee any problems in implementing the recognition of inter-entity costs by your agency? Please responds to the following sub-questions:

(a) Do you believe your entity can obtain the necessary cost information from the entities that provide the goods and services?

Yes.

(b) If such information is not provided, can your entity make a reasonable estimate for the cost of the inter-entity goods and services (See par. 109 SFFAS No.4)?

Yes.

(c) Do you foresee other problems for recognizing inter-entity costs?

No.

U.S. Department of Justice

Washington, D.C. 20530

DEC 15, 2000

Ms. Wendy Comes
Chair
Accounting and Auditing Policy Committee
441 G Street NW, Suite 6814
Washington, DC 20548

Dear Ms. Comes:

This letter responds to the Accounting and Auditing Policy Committee's survey on accounting for non-reimbursed inter-entity costs. We greatly appreciate the opportunity to comment on how the accounting standards for inter-entity costs should be applied to non-reimbursed goods and services exchanged between agencies.

The future decisions on which non-reimbursed inter-entity services meet the recognition criteria in Statement of Federal Financial Accounting Standards (SFFAS) No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, could have tremendous impact on the financial reporting of the Department of Justice (DOJ) and other agencies. We strongly believe that great deference should be given to the judgment of providing entities when determining how the SFFAS No. 4 recognition standards are applied to services in the broad and general support category. We have enclosed a separate discussion of that issue as it relates to DOJ as Enclosure III. The providing Entity and Receiving Entity survey responses are Enclosures I and II.

To complete our survey, we drew upon the expertise and points of view of senior accountants, budget officers, program managers, auditors, and attorneys. We will be most interested in hearing about the feedback on inter-entity costs that you received from the other agencies.

If you have questions concerning this response, or would like to discuss the DOJ viewpoints with the individuals contributing to the response, please contact Lee Lofthus, Director, Finance Staff, on 202661665800, or via email at Lee.J.Lofthus2Qusdoj.gOV.

Sincerely,

Stephen R. Colgate
Chief Financial Officer

Enclosures

Provider Entity Survey Department of Justice Response

The following responses are to the questions posed to the Providing Entity:

(A) What specific goods and services does your entity provide to other Federal entities on a non-reimbursed basis, or less than full reimbursement basis? Which Federal entities receive the services? (a) Is cost data readily available? (b) If the goods and services are provided to most of the agencies of the Federal government, please describe.

A.

The Department of Justice (DOJ) provides legal representation, guidance, and support to the President, the Cabinet, and the executive departments and agencies. DOJ defends the United States in litigation, prosecutes civil or criminal violations of the law, renders legal opinions, etc. DOJ also performs non-reimbursed law enforcement duties and investigative work.

(a) In many instances, DOJ performs legal services for other agencies on a full reimbursement basis. However, a significant portion of DOJ's legal activities are non-reimbursed and fall into the category of broad and general support provided to all executive agencies. While certain costs are tracked by case or other initiative, full cost data are not readily available for all services nor, in many cases, directly identified as to the recipient agency or agencies. Administrative and litigation systems, not accounting systems, are most often used for tracking certain case costs. DOJ's general legal support does not qualify as "integral" to a receiving entity's operations and is not directly tied to other agency output, as required by SFFAS Ito. 4. Wherever litigation activities are "integral" to an agency's operations, that fact typically is evidenced by a statute expressly giving that agency litigation authority; otherwise, all litigation in which the United States (including any agency or official of the United States) is expressly reserved to the Department of Justice by 28 U.S.C. 516.

(b) DOJ's non-reimbursed legal and law enforcement support typically is broad and affects all executive branch agencies, regardless of what the "source agency" (i.e., the agency with respect to which the matter arose) may be. Importantly, the SFFAS No. 4 traditional concept of

providing and receiving agencies is not well suited to how DOJ's legal services are performed. Even if DOJ's legal actions are occasioned or requested by a specific agency, it does not mean DOJ's ultimate legal actions are being provided to or limited to that source agency. In fact, DOJ may take legal positions and pursue the case in a manner entirely different, from or even opposed to that sought or requested by the source agency. Because decisions and legal outcomes set precedents that may affect the entire executive branch (immediately or in the future), properly speaking the client in a case handled by DOJ is the United States government as a whole, not the apparent source agency. Thus, at least in this crucial respect, the legal relationship of DOJ to its source agencies is fundamentally different from (and not properly analogous to) the relationship of attorneys to their clients, in the private sector. See further discussion in Enclosure III.

(B) Are any of the inter-entity goods and services mentioned in your response to Question (A) partially reimbursed by receiving entities? If so, what is the estimated percentage of the full cost that is not reimbursed? If you are unable to estimate a percentage, please explain why.

B. DOJ typically receives either full reimbursement or no reimbursement for its legal services. In some instances, depending on the circumstances of a given case and its underlying legal issues, DOJ may share the cost of a case and not recover the salaries and benefits of the actual litigators because it is DOJ's function by law to litigate. We do not believe those and other DOJ costs would typically meet the recognition indirectness criteria as discussed in SFFAS No. 4, paragraph 112. We also note that DOJ access to full cost data is limited as discussed in response (A) (a).

(C) Does your entity receive any non-monetary compensation (such as a reciprocal service) from any of the receiving entities for the non-reimbursed costs? If so, please explain the compensation.

C. No, DOJ does not receive non-monetary compensation from receiving entities for non-reimbursed costs.

(D) If more than one entity receives goods and services, would your entity be able to assign the non-reimbursed costs to the receiving entities? If so, what would be the assignment or allocation basis? If your entity would not be able to assign the costs, please explain why not.

- D. Where DOJ provides non-reimbursed services which benefit multiple agencies, the costs cannot be distributed to the ìbenefittingî agencies nor should they be. For example, assume Agency XYZ requests a legal opinion from DOJ on a Contracts Disputes Act issue. DOJ issues an opinion, without reimbursement from Agency XYZ. Assuming for purposes of this example that the costs would be significant to Agency XYZ, should DOJ report its non-reimbursed costs to Agency XYZ? No. Although the DOJ opinion was sought by Agency XYZ, the opinion is binding (as long as it stands) on all Executive-Branch agency general counsels and attorneys and this will broadly affect all federal agencies involved with Contracts Disputes Act cases from then on. DOJ will never know the extent to which agencies across the government will use, or benefit from, the DOJ opinion, nor would any attempt to cost out the opinion by receiving agency be desirable from either an accounting or program perspective. In short, the costs cannot be ìmatched to the receiving entity with reasonable precisionî as required by SFFAS No. 4 and thus do not meet the inter-entity recognition standard.

Hypothetically, even if DOJís broad services somehow were deemed reportable, DOJ would generally be unable to readily assign the non-reimbursed costs to the receiving entities, because DOJ accounting systems do not typically include data which identify legal representation costs by the receiving agencies, and DOJ administrative and litigative systems do not provide a ready means of reporting full costs for legal services.

(E) Does your entity anticipate continuing to provide goods and services in future years.

- E. Yes, DOJ will continue to provide legal and law enforcement support in future years.

(F) As a providing entity, would you be able to provide timely information to receiving entities on non-reimbursed costs? If not, please explain why not.

- F. As noted above, ìthe material portion of DOJís legal and law enforcement services is either already fully reimbursed in cases material to ìreceivingî entities, or is non-reimbursed and outside the recognition criteria of SFFAS No. 4. The non-reimbursed services are outside SFFAS No. 4 because the case costs are not significant to the receiving entity from a program management standpoint, the services are not

directly integral to the receiving entity's program output, and, in innumerable cases and opinions, the legal services provided affect multiple agencies in a broad manner (regardless of whether there may be an identifiable source agency), thus making full matching of the DOJ costs to receiving entity practically impossible. Accordingly, DOJ does not maintain readily available inter-entity cost data on these services. We also add that DOJ handles thousands of small cases, almost all of which are non-material, even in the aggregate, to the agencies where the litigation originated, and it is not cost effective to develop systems to allocate costs from them.

Receiving Entity Survey - Department of Justice Response

The following responses are to the questions posed to the Receiving Entity:

(A) What are the goods and services that your entity receives on a non-reimbursed or partial reimbursement basis, and which Federal entity provides those goods and services? If cost data is available, please provide estimated costs of those services.

A. DOJ receives services which include employee pension benefit support, health, life insurance, post employment benefit services, Office of Personnel Management services, and Judgement Fund support. These costs are already recognized as inter-entity exchange costs. DOJ does not receive material services from other agencies, other than broad and general support services, on a non-reimbursed or partial reimbursement basis, except for paper check and DD/EFT processing provided by Treasury.

(B) Does your entity reimburse a part of the cost of each good or service? If so, can you estimate which percentage is not reimbursed? If not, please explain why not.

B. DOJ generally makes full reimbursement for the services it receives. The Treasury disbursing support is not reimbursed. No, if we are not being charged on a full cost basis for a service, unemployment compensation benefits for example, we cannot easily estimate the percentage of the cost that is not reimbursed because DOJ is not privy to the overall operational scope or costs of the provider entity programs. Such information would have to be communicated from the providing entity.

(C) Does your entity give any of the providing entities a non-monetary compensation (such as a reciprocal service) for non-reimbursed costs? If so, please explain.

C. DOJ does not receive any material services from other agencies for which it provides non-monetary compensation.

(D) Are any of the non-reimbursed inter-entity goods and services significant to your entity and why? (The phrase "significant to the entity" means that the cost of the good or service is large enough that the management should be aware of the cost when making decisions. See paragraph 112, SFFAS No. 4).

D. DOJ does not generally receive significant goods or services from other entities on a non-reimbursed basis, except for the Treasury disbursing support. In other cases where DOJ receives non-reimbursed services, they are not significant.

(E) For those goods and services that are significant to your entity, are they used in your entities operations and for what purposes are they used?

E. As above, DOJ does not generally receive significant goods or services from other entities on a non-reimbursed basis, except for the Treasury disbursing support. The Treasury disbursing support is significant to DOJ's program and financial operations (but may not be financially material).

(F) Do you believe that the inter-entity goods and services mentioned in response to this questionnaire meet the inter-entity cost recognition criteria discussed in paragraphs 111 through 113, SFFAS No. 4? Please provide reasons for your reply.

F. Only the Treasury disbursing may meet the recognition criteria. DOJ has a high volume of disbursement transactions; the payments are essential to supporting DOJ's programs and financial operations; the DOJ transactions are identifiable by Treasury. DOJ would be willing to recognize these costs if the provider, Treasury, deemed the services to be recognizable under SFFAS No. 4 and provided its cost data to receiving entity agencies.

None of the other, less material, services which DOJ may receive on a non-reimbursed basis form an integral part of DOJ's mission, operations, or significantly affect the outcome of DOJ's programs. As such, they would not meet the criteria of SFFAS No. 4.

(G) Do you foresee any problems in implementing the recognition of inter-entity costs by your agency? Please provide responses to the following sub-questions:

G. Yes, we foresee problems, government wide, in complying with SFFAS No. 4, if it is stretched to include DOJ's legal services.

(a) Do you believe your entity can obtain the necessary cost information from the entities that provide goods and services?

(a) As a general comment, we believe the application of SFFAS No. 4 recognition criteria should be limited to significant, measurable services which directly support or enable agency operations, and which are provided on a traditional request for service basis.

Receiving entities will not be able to receive timely information from provider agencies on the costs of goods and services if an overly broad interpretation of SFFAS No. 4's recognition standards is adopted. The programmatic and operational systems of the provider agencies are unlikely to be able to provide cost data by receiving entity. Systems may not track services by receiving entity, nor will all programmatic systems be integrated with provider accounting systems. Currently, many agencies do not have adequate accounting systems which enable the ready reporting of the elimination entries required in today's financial statements. If basic elimination entry data is difficult to capture, costs for non-reimbursed services are also not likely to be available.

(b) If such information is not provided, can your entity make a reasonable estimate for the cost of the inter-entity goods and services it receives? (See paragraph 109, SFFAS No. 4).

(b) As noted above, DOJ believes the only potential material non-reimbursed service it receives is the Treasury disbursing support. While DOJ could estimate the cost of that service, we would not likely do so unless Treasury, as the provider, agreed that its services should be recognized as a non-reimbursed inter-entity cost, and if Treasury were unable to provide its own cost data, which is unlikely. In general, asking receiving entities to estimate provider costs is a weak process, as receiving agencies will not be privy to the overall operational scope or costs of the provider entity programs. To obtain accurate data, the information would have to be communicated from the providing entity.

(c) Do you foresee other problems for recognizing inter-entity costs?

(c) Yes. For specific concerns related to DOJ as a service provider, please see our discussion in Enclosure III. In general, please see below.

As noted in the committee's discussion paper accompanying the survey, the Federal government is an economic entity and

it is presumed that its various components will rely on each other to achieve their missions. While DOJ supports the notion that the government's financial statements should show, to the extent sensible, costs aligned by receiving agency, we believe, the services deemed recognizable should be chosen with great care.

The government is not analogous to a private corporation whose activities can be easily sorted into discrete "business lines" which cost and sell goods or services. Agencies have missions which are heavily intertwined and seemingly overlapping at times. The SFFAS No. 4 recognition criteria can be complied with where agencies provide directly identifiable services on a traditional "request for service" basis. However, when a providing agency's activities do not directly enable a receiving entity's output -- but still broadly support the activities of other agencies -- it will be extremely difficult to determine which activities meet the recognition criteria and which do not. That is why great deference must be given to the views of the providing agency in deciding whether or not the SFFAS No. 4 standards apply to a given service.

The ultimate goal should be ensuring that the financial statement presentation will be made in a form which is the most understandable and meaningful to the users of the statements (the public, the oversight agencies, the Congress, and federal agency management). Thus, costs should be reported where they will be most meaningful to the statement users. An overly-broad application of SFFAS No. 4 regarding non-reimbursed costs could undermine that ultimate goal.

General Comments on Recognizing Inter-entity Costs for
Department of Justice Activities

The following response provides the general views Department of Justice (DOJ) on whether or not its legal activities would be recognized under the SFFAS No. 4 standards for recognition of non-reimbursed inter-entity costs.

SFFAS No. 4, section 112, erroneously offers DOJ as an example of an agency that performs certain non-reimbursed services that, although they broad and general in nature, should be recognized as inter-entity costs by the receiving agency if the services are integral to the operations of the receiving entity. While we support the general theme of SFFAS No. 4 and aligning costs with their underlying programs, DOJ is firmly opposed to any application of broad or altered reading of SFFAS No.4 that included the myriad DOJ legal functions and activities which touch other federal agencies.

As mentioned in our Enclosure I survey response, DOJ already receives full reimbursement for many legal services under various statutes, such as Section 109 of its 1995 appropriations act. That provision states:

"Sec. 109. Notwithstanding 31 U.S.C. 3302 or any other law, in litigation involving unusually high costs, the Department of Justice may receive and retain reimbursement for salaries and expenses, for fiscal year 1995 and thereafter, from any other governmental component being represented in the litigation."

Section 109, as well as the Economy Act, enable DOJ to recover full costs for services in appropriate cases. Full cost billings have included major contract dispute cases and environmental related litigation. These costs, therefore, already comply with cost recognition standards and the costs are properly aligned with receiving entity programs.

However, a significant portion of DOJ's legal activities are performed on a non-reimbursed basis, even where the DOJ activity is related, directly or indirectly, to another agency or agencies. For the reasons listed below (and above), these non-reimbursed DOJ legal service costs should not be reported to other agencies as inter-entity costs.

1. DOJ is responsible for the legal representation of the entire executive branch, for enforcement of federal laws, and for defense of the United States' interests. DOJ's services can be in an advisory or guidance role, a prosecutorial role, or a defense role. Cases can be civil or criminal.

2. A substantial portion of DOJ's non-reimbursed legal activities involve the issuance of general legal guidance which does not directly or substantially involve any particular receiving agency and do not form a vital or integral part of the operations or output of the receiving entity. Thus, this portion of DOJ's activity falls into the broad and general support category excluded from the recognition requirement.

3. Even when DOJ is engaged in a matter specifically at the request of another agency, or engaged because of the actions of another agency, that does not mean DOJ's resulting services are, being provided to or are limited to that source agency. There is an important but subtle shift in responsibility when DOJ assumes litigation or other responsibility over a matter. Unlike attorneys in the private sector, whose function it is (within the bounds of ethics, their consciences, and the law) strictly to advocate their clients' interests, it is not DOJ's function necessarily to advocate the positions of its source agencies; in fact, DOJ is required to ~arguments a client may want to proffer, where DOJ finds the argument is not in the nation's (or the Executive Branch's) interest. DOJ's client is not the source agency which may be involved in a case, but the United States as a whole.

For example, the Army is responsible for clearing hazardous weapons materials from certain testing sites. In performing that activity, the Army may be sued by environmental groups, by state or local governments, etc. DOJ represents the government, in these cases. DOJ's legal position may please the Army or it may not; further, DOJ's legal position may have a result that also impacts the Department of the Interior. Interior's issues may expand far beyond the Army's original issues. DOJ's legal position may impact the Army in one manner, but affect Interior in another manner. Other groups may join the suit for reasons beyond the original issue related to the Army. DOJ may see and expand the legal parameters of the case in order to address larger legal issues unseen by (or irrelevant to) either Army or Interior, but which may benefit the litigation position of

the Environmental Protection Agency (EPA) in future (and wholly unrelated) cases. As a result, to whom should the imputed costs of DOJ's litigation accrue? The Army? Interior? EPA? Can the cost of litigation be reasonably matched to the involved agencies? We do not believe the costs can be reasonably matched; further, and more importantly, we do not believe it is a benefit to the reader of the financial statement to have either Army or Interior recognize the DOJ costs as interóentity costs. The costs are a cost of representing the United States, and the costs should properly be reported only on DOJ's statements.

To further elaborate upon this point, if Army's actual cost of clearing the test site was \$114, but the DOJ litigation cost \$200,000 and, broadly impacted DOD, Army, Interior, and other agencies, what provides the public with the best cost of clearing the test site? We believe the best practice would be for the Army to recognize only the \$1M cost of clearing the site. The cost of the broad litigation is best shown on the DOJ statements.

4. Another example would be the cost of enforcing the nation's fair housing laws. The Department of Housing and Urban Development (HUD) promulgates programs which make affordable housing available, and, issues regulations to ensure fair and non-discriminatory access to that housing. HUD may then uncover instances of non-compliance with those regulations and the prosecution of those cases may ultimately reach DOJ for action.

Is the public or management best served by adding the cost of DOJ's prosecutions to the HUD's cost for administering the affordable housing program? While one could argue the total cost of the program includes legal costs incurred by DOJ, is the DOJ action an integral part of HUD's program management or is it a post-implementation outcome of a third party's illegal behavior? We believe the DOJ action is not a program management cost because it is a postó implementation event for which ~ has statutory responsibility for enforcement.

5. One of the important goals of the nonóreimbursed interóentity cost recognition standard is articulated in SFFAS No. 4, paragraphs 105 and 112. Paragraph 105 explains that recognizing inter-entity costs is important so that top management of the receiving entity can assess their operating environment, assess overall program costs and see full cost data for decision making purposes. Paragraph 112

also addresses ~significance to the entity~ and says that large cost should be recognized so that management is aware of the cost when making decisions.

First, DOJ's services are not ~purchased~ in the traditional sense. They are mandated or authorized by law **once** litigation reaches a certain stage. DOJ's actions are undertaken on behalf of the United States government, not on behalf of the source agency's management. DOJ will litigate or prosecute, decline to litigate or prosecute, settle cases, or expand them, all according to the interests of its client --the United States -- and not necessarily according to the interests of the agency or agencies that may have occasioned the matter in question. Therefore, the source agency cannot use the cost data to control or direct DOJ's legal actions, decisions, or positions; that is, the source agency cannot use the cost data to control the relevant costs--surely the principal theoretical justification for providing the data in the first place. Why else would it be desirable to make management aware of these costs when making decisions? Especially in multi-agency cases, not only can DOJ costs not be reasonably matched to a ~receiving entity,~ the receiving entity management cannot use the DOJ cost data to influence the direction of the litigation or use the cost data to alter its own actions in similar cases in the future (since the entity's actions which caused the litigation may have been non-discretionary).

Second, in terms of the receiving entity management's needing full cost data for decision-making, receiving entity management already receives ample and sufficient feedback, in the form of a favorable or unfavorable court decision or settlement, for every case handled by DOJ. If a given agency's programs or actions are the source of significant litigation, management is already being provided with necessary information on the outcomes of its actions and can alter, where allowed by law, its future actions. Litigation is an instance where outcome information is directly provided to agency management. Recognition of non-reimbursed costs is not necessary to provide feedback to agency management in these cases.

6. As noted above, DOJ's non-reimbursed legal activities (sharply unlike those that exist in the private sector) do not correlate well with the general accounting notion of services which are bought and sold between agencies. Nor do the DOJ services correlate well with the general notion of ~providing~ and ~receiving~ entities, nor the notion of providing cost data to entity management in order to influence management's actions.

In terms of the fair presentation of financial statements, the committee should consider a standard government wide disclosure to be used on agency statements indicating that each agency may receive, directly and indirectly, broad legal representation and advice from the DOJ on both a reimbursed and a non-reimbursed basis. Where reimbursed, those costs are reflected on the agency's statements. Where non-reimbursed, those legal costs were not integral to the operations or output of the receiving entity, and that the costs are reported by DOJ as a cost of the Administration of Justice.

The supplemental Net Cost Detail information contained in the Financial Report of the United States Government can also be expanded to more fully disclose how legal activity costs are reported (see the FY 1999 report, page 100, "Administration of Justice").



National Aeronautics and Space Administration

Headquarters
Washington, DC 20546-0001

BFB

Reply to Ann of:

OCT 25 2000

Ms. Wendy Comes
Chair, Accounting and Auditing
Policy Committee
441 G Street, NW, Suite 6814
Mail Stop 6K17V
Washington, DC 20548

Dear Ms. Comes:

The National Aeronautics and Space Administration's response to the Accounting and Auditing Policy Committee's survey on inter-entity costs is enclosed. We appreciate the opportunity to participate in this survey.

Sincerely,

Arnold G. Holz
Chief Financial Officer

Questions to Providing Entities

If your entity provides goods or services to other Federal entities without receiving a reimbursement or with less than full reimbursement, please respond to the following questions:

(A) What are the specific goods and services that your entity provides to other Federal entities, and which Federal entity or entities receive the goods and the services? (Please note the following: (a) if cost information is readily available, please indicate either an estimated or actual cost per year for each good or service; and (b) If the goods or services are provided to all or most of the agencies of the Federal government, please describe the broad nature of goods or services rather than listing individual agencies.)

NASA provides a wide range of reimbursable goods and services to other Federal entities. Annual reimbursements from Federal entities total approximately \$750 to \$800 million per year. Although we have cost information readily available by entity, we do not have such information by type of good and/or service. NASA's largest Federal customers are the Department of Commerce and the Department of Defense. Within these departments, the National Oceanic and Atmospheric Administration is the largest DoC customer and the Air Force is the largest DoD customer. Examples of the goods and services that NASA provides to other Federal entities follow:

- Design, develop, launch and test satellites.
- Provide facilities, utilities, and other institutional support to tenants.
- Carry payloads on the Space Shuttle.
- Perform simulations and tests in unique facilities such as wind tunnels.
- Provide personnel and facilities to perform research and science projects.

(B) Are any of the inter-entity goods and services you mentioned in your response to question (A) partially reimbursed by the receiving entities? If so, what is the estimated percentage of the full cost that is not reimbursed? If you are unable to estimate a percentage, please explain why.

We cannot currently estimate the percentage of full cost that is not reimbursed because the definition of a "non-reimbursed" cost needs further clarification. Many of NASA's reimbursable agreements involving other Federal entities provide mutual benefit to NASA and the other entity. For these agreements, it is unclear if NASA-funded costs identifiable and/or allocable to the agreement are to be considered nonreimbursed or simply as costs of NASA programs. Two examples follow:

Example 1. NASA and another Federal entity enter into an agreement to jointly fund a satellite that will benefit both NASA and the other entity. The satellite is built and launched under a NASA contract and the other entity funds 50% of the contract

through a reimbursable order. Should the 50% funded by NASA and the G&A expenses normally allocable to a reimbursable order be considered non-reimbursed?

Example 2. NASA agrees to perform a wind tunnel test for another Federal entity. The data generated by the test will provide mutual benefit to both NASA and the other Federal entity. NASA agrees to fund all direct civil service labor identifiable to the test as well as all general and administrative expenses that would normally be allocable to the test. The other Federal entity agrees to fund (through a reimbursable order) all other costs identifiable to the test. Should the costs funded by NASA (but identifiable or allocable to the test) be considered non-reimbursed?

We recommend that this issue be considered before the AAPC reaches a decision on which inter-entity costs to recognize. In our opinion, any costs identifiable or allocable to an undertaking that provides mutual benefit should be considered a program cost (rather than a non-reimbursed cost) to the entity that funds the cost.

(C) Does your entity receive any non-monetary compensation (such as a reciprocal service) from any of the receiving entities for the non-reimbursed costs? If so, please explain the compensation.

NASA's agreements with tenant Federal agencies could possibly fit into this category. As an example, NASA has an arrangement with a tenant Army organization, to provide office space, electricity, supplies and other institutional support. In exchange, the Army provides its employees to support various NASA organizations. The cost of these services would not be significant to NASA.

(D) If more than one entity receives the goods or services, would your entity be able to assign the non-reimbursed costs to the receiving entities? If so, what would be the assignment (or allocation) basis? If your entity would not be able to assign the costs, please explain why not.

Currently, an estimate of the non-reimbursed costs could be provided to the receiving entity. NASA policy requires that a cost estimate be prepared for each reimbursable agreement/order showing estimated full costs, non-reimbursed (waived) costs, and reimbursed costs. This estimate could be provided to the other Federal entity for reporting.

(E) Does your entity anticipate continuing to provide the goods and services in future years?

Yes.

(F) The accounting standard states that the entity providing the goods and services is responsible for providing the receiving entity with information on ‘the full cost of such goods and services. If requested for Inter-entity cost recognition purposes, would your entity be able to provide the cost information to the receiving entities on a timely basis? If not, please explain reasons why not.

NASA could provide timely estimates of non-reimbursed costs to receiving entities.

Questions to Receiving Entities

If your entity receives goods or services from other Federal entities without reimbursement or with less than full reimbursement, please respond to the following questions:

(A) What are the goods and services that your entity receives and which Federal entities provide each of those goods and services? (If cost data are readily available, please provide estimated costs of those goods and services.)

NASA receives goods and services from a wide variety of Federal entities. The largest providers of goods and services are the Air Force, Navy, Army and Department of Commerce. Annual reimbursements to Federal entities total approximately \$700 to 750 million per year.

(B) Does your entity reimburse a part of the cost of each good or service? If so, can you estimate the percentage of the cost that is not reimbursed? If you can and the data are readily available, please provide the percentage data. if you cannot, please explain why not.

To our knowledge, NASA reimburses most costs for goods and services received.

(C) Does your entity give any of the providing entities a non-monetary compensation (such as a reciprocal service) for the non-reimbursed costs? If so, please explain the compensation.

Please refer to our response to question (C) in the “Questions to Providing Entities section.

(D) Are any of the non-reimbursed inter-entity goods and services significant to your entity and why? (The phrase “significant to the entity” means that the cost of the good or service is large enough that the management should be aware of the cost when making decisions. See paragraph 112, SFFAS No. 4.)

In our opinion, any non-reimbursed inter-entity goods and services are not significant to NASA.

(E) For those goods and services that are significant to your entity, are they used in your entity's operations and for what purposes are they used? (See discussions in paragraph 112, SFFAS No. 4.)

In our opinion, any non-reimbursed inter-entity goods and services are not significant to NASA.

(F) Do you believe that the inter-entity goods and services you mentioned in your response to this questionnaire meet the inter-entity cost recognition criteria discussed in paragraphs 111 through 113, SFFAS No.4? Please provide reasons for your reply.

NASA's inter-entity costs of goods and services received and provided do meet this recognition criteria based on their materiality, identifiably and relationship to NASA's operations.

(G) Do you foresee any problems in implementing the recognition of inter-entity costs by your agency?

NASA will not have a problem providing full cost information to our customers. Please responds to the following sub-questions:

(a) Do you believe your entity can obtain the necessary cost information from the entities that provide the goods and services?

NASA does not have in-depth knowledge of the costing and accounting systems utilized by other Federal entities therefor the availability of costing information cannot be determined.

(b) If such information is not provided, can your entity make a reasonable estimate for the cost of the inter-entity goods and services (See par. 109, SFFAS No. 4)?

Without costing information from the providing agency NASA would have a difficult time estimating the costs that have not been charged.

(c) Do you foresee other problems for recognizing inter-entity costs?

NASA can provide costing information to our customers but the availability of similar information for other agencies is unknown.

SOCIAL SECURITY
Office of the Deputy Commissioner

NOV 22 2000

Ms. Wendy M. Comes
Chair, Accounting and Auditing Policy Committee
General Accounting Office
441 G. Street NW, Suite 6814
Washington, DC 20548

Dear Ms. Comes:

The purpose of this letter *is* to transmit our response to your survey of inter-entity costs. Please find, enclosed, that response. I hope that this information is helpful to you. Please advise if you need additional information. Members of your staff who have questions should contact Len Figue at (410) 965-8619.

Sincerely,

Yvette S. Jackson
Deputy Commissioner
for Finance, Assessment and Management

Enclosure

SSA Response: Survey on Inter-entity Costs

BACKGROUND. The stated purpose of the survey is to focus on non-reimbursed and under-reimbursed inter-entity costs. In the case of services provided by SSA, these would be any such costs that SSA incurs in providing services or goods to other Federal agencies. The survey specifically excludes inter-entity costs that are fully reimbursed. According to the survey's guidelines, SSA may assume that any good or service that it receives from another agency is fully reimbursed unless we have specific information to the contrary.

GENERAL INFORMATION SSA employs a cost accounting system to determine its costs for both the agency's mission-related workloads and a number of workloads which it performs in support of other agencies and their major programs. While we are undertaking a major effort to update and upgrade this system to enhance its performance and to expand its coverage and utility, 'we believe that it generally provides a sound basis for computing most of SSA's inter-entity costs. While SSA uses several different mechanisms to recover these inter-entity costs; we believe that the vast majority of such costs are fully recovered. There are a few possible exceptions:

SOCIAL SECURITY NUMBERS: SSA issues and maintains the records for Social Security Numbers (SSNs). These numbers are required and employed as critical identifiers by numerous Federal agencies (e.g., the Internal Revenue Service of the Treasury Department) without reimbursement to SSA or other cost sharing. The entire expense of this workload is included in SSA's administrative budget and is funded by the Social Security/Medicare Trust Funds. SSA's costs for SSN issuance and maintenance totaled \$226.7 million during fiscal year (FY) 1999.

A substantial governmentwide survey effort would be required to identify the full extent and volume of SSN use by each Federal agency and program. Such an effort would be required to properly identify those agencies and programs that should reimburse SSA for these inter-entity costs. To ensure accuracy, the survey would have to be repeated periodically, perhaps annually. No such effort has been undertaken to date because of the expense and effort involved. Such an expense is not justifiable unless it is used to determine actual inter-entity reimbursement.

EMPLOYER IDENTIFICATION NUMBERS: SSA also issues and maintains the records for Employer Identification numbers (EIN). Like SSNs, these EINs are also required and employed as critical identifiers by certain other Federal agencies (e.g., the Internal Revenue Service), although their use is probably less widespread than use of SSNs. SSA currently receives no reimbursement for the use of EINs by other agencies and programs. The entire expense of this workload is included in SSA's administrative budget and is funded by the Social Security/Medicare Trust Funds. SSA's costs for EN issuance and maintenance totaled nearly \$4 million during FY 1999.

A Governmentwide survey would be required to identify the full extent and volume of EN use by Federal agencies and programs. Since both costs for and use of EINs are less than those of SSNs, the survey would probably have to be repeated less frequently, perhaps once every 3 years. No such effort has been undertaken to date because of the expense and effort involved. Such an expense is not justifiable unless it is used to determine actual inter-entity reimbursement.

PAYMENT INVESTIGATIONS: SSA investigates allegations of payment non-receipt, loss and a variety of similar payment issues concerning check and electronic transfer payments issued by the Treasury Department. Costs for this activity are borne by SSA, even though such functions arguably support the Treasury Department's responsibility to ensure accurate payments and to investigate and resolve discrepancies. Clearly, SSA is the natural first point of contact for its beneficiaries, and SSA records must be examined when a question arises concerning the proper amount of payment. Therefore, it is probably reasonable to assume for purposes of estimating costs that these costs might reasonably be shared equally between SSA and Treasury.

SAVINGS BOND CAMPAIGNS: Like all Federal agencies, SSA conducts annual savings bond enrollment drives among its employees. Such activities clearly support one of the Treasury Department's basic missions - financing the Federal debt. SSA receives no reimbursement for the administrative costs expended on these efforts, which have a tangible impact on lowering the costs for financing the public debt. No cost estimate is available for this unreimbursed inter-entity cost.

OTHER INFORMATION CURRENT DETAILED WORKLOAD ANALYSIS: SSA is currently conducting a very detailed, in-depth survey and analysis of all of its workloads and recurring tasks to identify all of their constituent elements. This effort is expected to require several years to complete. It is being undertaken to identify all SSA work measurement and management information requirements, especially those required to enhance SSA's managerial cost accounting. It is very possible that this detailed analysis will lead to identification of additional instances of unreimbursed inter-entity costs. In general, we expect any costs so identified to be individually fairly minor. Should numerous instances of such costs be identified during this effort, their cumulative total could be significant.



DEPARTMENT OF THE TREASURY FINANCIAL MANAGEMENT SERVICE
HYATTSVILLE, MD 20732

May 25, 2000

Ms. Wendy M. Comes
Executive Director, FASAB

Chair, AAPC

441 G. Street, NW
Washington DC 20548

Dear Ms. Comes:

This is in reference to the draft memo to CFOs provided to AAPC members with respect to unreimbursed inter-entity costs.

While I have no specific comments regarding the memo itself I feel compelled to comment about the relative merits of pursuing this action at this time. I recognize the need for OMB to reissue their April 6, 1998 memo since it provides guidance for fiscal years 1998 and 1999 only. However, I would recommend no expansion of the required reporting. I recommend this for two reasons. First, at the agency financial statement level and the government wide consolidated level, the federal government still is struggling with the implementation of the OMB technical guidance issued in 1998. Before any expansion, I would recommend we continue to work on meeting the current requirements. Second, I wonder if these cost refinements are sufficiently material to warrant the costs of deriving the information. I would think that a general study of the issues might be more appropriate at this time as opposed to what I see as a detailed cost study involving much effort to develop information that may be of limited value.

If you have any questions related to my concerns or need further elaboration, please contact me at 202-874-8010.

Sincerely,

A handwritten signature in black ink, appearing to read "Larry D. Stout", is written over a horizontal line.

Larry D.

Larry D. Stout
Assistant Commissioner
Governmentwide Accounting

Cc: Richard Gregg
Kenneth Papaj
Robert Reid



DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING
WASHINGTON, D.C. 20228

September 15, 2000

MEMORANDUM FOR JAMES LINGEBACH
ACTING DEPUTY CHIEF FINANCIAL OFFICER

FROM: Gregory D. Carper
Associate Director.
(Chief Financial Officer)

SUBJECT: Inter-entity Cost Survey

This memorandum is in response to your request dated August 17, 2000. Because the Bureau prices its services and products to recover all costs incurred, the attached survey response only addresses the Questions to Receiving Entities.

If you have any questions, please call me on 874-2020.

Attachment

Questions to Receiving Entities

A. What are the goods and services that your entity receives and which Federal entities provide each of goods and services? (If cost data are readily available, please provide estimated costs of those goods and services.)

The Bureau currently receives financial management services from the Financial Management Service.

B. Does your entity reimburse a part of the cost of each good or service? If so, can you estimate the percentage of the cost that is not reimbursed? If you can and the data are readily available, please provide the percentage data. If you cannot, please explain why not.

At this time, there is not fee for this service.

C. Does your entity give any of the providing entities a non-monetary compensation (such as a reciprocal service) for the non-reimbursed cost? If so, please explain the compensation.

There is no non-compensation provided in exchange for the noted service.

D. Are any of the non-reimbursed inter-entity goods and services significant to your entity and why? (The phrase ‘significant to the entity’ means that the cost of the good or service is large enough that the management should be aware of the costs when making decisions. See paragraph 112, SFFAS No. 4.)

We cannot assess the cost of providing this service. This question would be best directed to the Financial Management Service (the provider).

E. For those goods and services that are significant to your entity, are they used in your entity’s operations and for what purposes are they used? (See discussions in paragraph 112, SFFAS No. 4)

These services meet the definition of “broad, general support” in paragraph 112.

F. Do you believe that the inter-entity goods and services you mentioned in your response to this questionnaire meet the inter-entity cost recognition criteria discussed in paragraphs 111 through 113, SFFAS No. 4? Please provide answers for your reply.

We feel that the cost of these services may be excluded from recognition under paragraph 112 as “broad, general support” that is “not specifically or directly tied to the receiving entity’s outputs.”

G. Do you foresee any problem in implementing the recognition of inter-entity costs by your agency? Please respond to the following sub-questions:

a. Do you believe your entity can obtain the necessary cost information from the entities that provide the goods and services?

As noted above, we feel that the cost of these services may be excluded from recognition at the Bureau.

b. If such information is not provided, can your entity make a reasonable estimate for the cost of inter-entity goods and services (See par. 10, SFFAS No. 4)?

c. Do you foresee other problems for recognizing inter-entity costs?

Not at this time. However, we strongly feel that any costs are recognized should be reimbursed.



DEPARTMENT OF THE TREASURY
FEDERAL LAW ENFORCEMENT TRAINING CENTER
GLYNCO, GEORGIA 31524

FIN 7 (FIN)

September 14,2000

MEMORANDUM TO: James R. Lingeback

Acting Deputy Chief Financial Officer

FROM:

Michael R. Hanneld

*Deputy Associate Director, Planning and Resources/ Chief
Financial Officer*

SUBJECT:

Survey on Inter-entity Costs

Pursuant to your request of August 17,2000, concerning Inter-entity costs, the required surveys are attached. If there are any questions, please call Julie Martin, Financial Operations Officer at (912) 267-2400.

Attachments

Inter-Entity Cost Survey

Questions to Receiving Entities

(A) The FLETC receives the services of detailed instructors who are paid by their respective agency. Approximately 50% of FLETC's instructors are on detail from another agency. Average annual cost, including fringe benefits, per instructor is estimated to be \$75,000, or \$1.3 million for Fiscal Year 2000.

The Federal agencies that provide detailed Instructors are:

Alcohol, Tobacco and Firearms	US Capitol Police
Bureau of Diplomatic Security	US Coast Guard
Bureau of Engraving and Printing	US Customs
Bureau of Prisons	US Fish and Wildlife Service
Central Intelligence Agency	US Forest Service
General Services Administration	US Marshals Service
Immigration and Naturalization Service	US Mint
Internal Revenue Service	US Park Police
National Park Service	US Secret Service
Naval Criminal Investigative Service	
Presidents Council on Integrity and Efficiency	
US Border Patrol	

(B) In addition to reimbursing the salaries/benefits, the FLETC also reimburses the Incoming permanent change of station (PCS) cost and provides an annual uniform allowance. The PCS cost averages \$75,000 per move for an annual total of \$1.5 million. The uniform allowance is \$350 per Instructor for a total of approximately \$64,000.

(C) No.

(D) Yes. The amount is material in relation to the overall expenses of the FLETC.

(E) As explained in (A) above, the FLETC receives the services of detailed instructors. These instructor services are material to the FLETC in order to meet the mission of providing training to Federal law enforcement officers.

(F) Yes. SFFAS No.4, says in part that "Each entity's full cost should incorporate the full cost of goods and services that it receives from other entities." The detailed instructor cost is an integral and necessary part of the FLETC's operations.

(G) No. The costs can be readily identified or matched with reasonable precision.

(a) Yes

(b) Yes

(c) No, however Government-wide elimination entries could present a problem year-end on the FLETC and Treasury consolidated financial statements.



DEPARTMENT OF THE TREASURY FINANCIAL MANAGEMENT SERVICE
WASHINGTON, D.C. 20227

NOV 22 2000

MEMORANDUM FOR JAMES R. LINGEBACH
ACTING DEPUTY CHIEF FINANCIAL OFFICER

FROM: BRUCE E. WARD
COMPTROLLER
DEPUTY CFO
SUBJECT: Survey on Inter-Entity Costs

This is in response to your memorandum of August 17, 2000. Attached are the responses to the survey on Inter-Entity Costs for non-reimbursed and under-reimbursed programs.

The responses are attached as follows:

Attachment	Respondent
A	FMS, Assistant Commissioner for Regional Operations
B	FMS, Assistant Commissioner for Debt Management Services
C	FMS, Assistant Commissioner for Financial Operations

You can contact Kathy Reed of my staff with any questions concerning this survey. She can be reached on 874-6785.

cc: Scott Johnson
David Rebich
Audrey Stewart

DEPARTMENT OF THE TREASURY
FINANCIAL MANAGEMENT SERVICE
SURVEY ON INTER-ENTITY COSTS FOR NON-REIMBURSED
AND UNDER-REIMBURSED PROGRAMS

SURVEY QUESTIONS TO PROVIDING ENTITIES

- (A) What are the specific goods and services that your entity provides to other Federal entities, and which Federal entity or entities receive the goods and the services? (Please note the following: (a) if cost information is readily available, please indicate either an estimated or actual cost per year for each good or service; and (b) if the goods or services are provided to all or most of the agencies of the Federal government, please describe the broad nature of goods or services rather than listing individual agencies).

Regional Operations CR0) issues payments for virtually all Federal civilian agencies in the Executive Branch except for the Department of Defense and certain independent agencies such as the United States Postal Service. The major agencies RO disburses payments for are the Social Security Administration, the Department of Veteran Affairs, the Internal Revenue Service, the Office of Personnel Management, Department of Agriculture's National Finance Center, and the Railroad Retirement Board. In FY 2000, RO accrued approximately 69.5 million in postage con.

Another service RO performs is providing reimbursable preauthorized debit (PAD) services (electronically) to the Department of Education in support of the Agencies collection of student loan remittances (non-delinquent). In FY 2000, the services provided to the Department of Education PAD program totaled \$128,905.

A third service RO performs is enclosing inserts with tax refund checks on behalf of the Bureaus of Public Debt, US Mint and the General Services Administration to promote the purchase of U.S. Savings Bonds, special commemorative coins and consumer information. The total FY 2000 cost of enclosing inserts is \$28,205.

RO is responsible for processing and disbursing the Department of Labor, Office of Worker's Compensation (DOL-OWCP) payments from the Philadelphia Financial Center (PFC). In addition to its standard printing and mailing of checks, PFC agrees to print, intelligently match, enclose and mail Benefit Statements to DOL-OWCP beneficiaries. DOL-OWCP will reimburse FMS for postage and supplies costs associated with the issuance of these statements. The total FY 2000 cost of this program is \$91,488.

RO disburses disaster assistance checks on behalf of the Federal Emergency Management Agency (FEMA). The total FY 2000 cost of disbursing FEMA checks is \$12,023.

- (B) Are any of the inter-entity goods and services you mentioned in your response to question (A) partially reimbursed by the receiving entities? If so, what is the estimated percentage of the full cost that is not reimbursed? If you are unable to estimate a percentage, please explain why.

Yes, the inter-entity goods and services RO provides to other Federal entities are partially reimbursed by the receiving entities. The estimated percentage of the full cost that is not reimbursed for postage costs is approximately 8 percent Regional Operations is fully reimbursed for all production costs for RRB. The estimated percentage of the production costs for SSA that RO is not reimbursed for is 41.4 percent RO is fully reimbursed for costs associated with FE A disaster checks. Regional Operations is reimbursed for DoEd PAD per contract RO is also fully reimbursed for costs associated with the DOLOWCP program.

(C) Does your entity receive any non-monetary compensation (such as a reciprocal service) from any of the receiving entities for the non-reimbursed costs? If so, please explain the compensation.

Regional Operations does not receive any non-monetary compensation from any of the receiving entities for the non-reimbursed compensation.

(D) If more than one entity receives the goods or services, would your entity be able to assign the non-reimbursed costs to the receiving entities? If so, what would be the assignment (or allocation) basis? If your entity would not be able to assign the costs, please explain why not?

Regional Operations would not be able to assign the non-reimbursed costs to the receiving entities. RO does not have the capability to track these costs. However, RO does keep track of the reimbursable costs we are allowed by law to charge to the receiving entities. In order to keep track of the non-reimbursed costs or the direct costs associated with each receiving entity, RO would have to do an ABC type of study.

(E) Does your entity anticipate continuing to provide the goods and services in future years?

Yes, Regional Operations will continue to provide the disbursement of payments and services such as the PAD program and enclosing inserts in future years. RO will continue to receive reimbursement for the goods and services provided to other Federal entities under the requirements by law and the Economy Act.

(F) The accounting standard states that the entity providing the goods and services is responsible for providing the receiving entity with information on the full cost of such goods and services. If requested for inter-entity cost recognition purposes, would your entity be able to provide the cost information to the receiving entities on a timely basis? If not, please explain reasons why not.

Regional Operations would not be able to provide the full cost information to the receiving entities on a timely basis. However, RO does keep track of the reimbursable costs and sends this reimbursable cost information on a monthly basis to each federal agency that is being charged for reimbursable costs.

SURVEY QUESTIONS TO RECEIVING ENTITIES

- (A) What are the goods and services that your entity receives and which Federal entities provide each of those goods and services? (If cost data are readily available, please provide estimated costs of those goods and services).

The State Department mails benefit checks on the behalf of FMS. Regional Operations mails the checks overseas to Embassies and the State Department mails them to their rightful recipient from the Embassy. The estimated cost of this service is \$130,032.

- (B) Does your entity reimburse apart of the cost of each good or service? If so, can you estimate the percentage of the cost that is not reimbursed? If you can and the data are readily available, please provide the percentage data. If you cannot, please explain why not.

Regional Operations reimburses approximately 95 percent of the coat.

- (C) Does your entity give any of the providing entities a non-monetary compensation (such as a reciprocal service) for the non-reimbursed costs? If so, please explain the compensation.

Regional Operations does not give a non-monetary compensation.

- (D) Are any of the non-reimbursed inter-entity goods and services significant to your entity and why? (The phrase "significant to the entity" means that the cost of the good or service is large enough that the management should be aware of the cost when making decisions. See paragraph 112 SFFAS No. 4).

The non-reimbursed inter-entity goods and services are not significant to RO because the amount that is non-reimbursed is minimal.

- (E) For those goods and services that are significant to your entity, are they used in your entity's operations and for what purposes are they used? (See discussions in paragraph 112, SFFAS No. 4).

See previous answer.

- (F) Do you believe that the inter-entity goods and services you mentioned in your response to this questionnaire meet the inter-entity cost recognition criteria discussed in paragraphs 111 through 113, SFFAS No. 4? Please provide reasons for your reply.

The inter-entity goods and services mentioned in the response to this questionnaire meets the inter-entity cost recognition criteria discussed in paragraphs 111 through 113, SFFAS No. 4.

- (G) Do you foresee any problems in implementing the recognition of inter-entity costs by your agency? Please respond to the following sub-questions:

- (a) Do you believe your entity can obtain the necessary cost information from the entities that provide the goods and services?

(b) If such information is not provided, can your entity make a reasonable estimate for the cost of the inter-entity goods and services (See paragraph 109, SFFAS No. 4)?

(c) Do you foresee other problems for recognizing inter-entity costs?

(a) Regional Operations can obtain the necessary cost information from the State Department.

(b) Regional Operations can make a reasonable estimate for the cost of the inter-entity goods and services that are provided to us.

(c) Regional Operations does not foresee any problems for recognizing inter-entity costs.

**Survey on Inter-entity Costs for Non-reimbursed and Under-reimbursed
Programs
Financial Management Service, Financial Operations (FO)
October 2000**

Responses: Questions to Providing Entities

FO does not receive services from other Federal agencies; rather, it is a provider of services. Of those services, only the check claims processing function is mission critical and potentially material to its customers. The check claims processing function consists mainly of non-reimbursed components that can be attributed to specific customer agencies. For the benefit agency customers such as SSA, VA, and OPM, these services are mission-critical. For FY 2000, the non-reimbursable costs covered by the FO budget totaled \$8,514,260. Centrally budgeted costs such as space are not included in this figure.

- (A) The services that are reimbursed by receiving entities are distinct and not part of the check claims services described above. Thus there are no partially reimbursed services.
- (B) FO does not receive non-monetary compensation from any receiving entity.
- (C) The basis for assigning non-reimbursed costs to the receiving entities is the percentage of the total number of checks issued by FMS that are issued on behalf of each entity. It will be possible to make the assignment on this basis when current figures are available. It normally takes approximately four weeks after the end of the fiscal year for the figures to be available.
- (I) FO anticipates providing the services mentioned above in future years.
- (E) There might be some delay in providing cost information for recognition purposes. If “timely” means “in time for the entity’s financial statement preparation,” EMS might have difficulty providing data for the same fiscal year being reported on the financial statement. This delay is a result of the time lag mentioned in (D) above.

EMS/FO is not a receiving entity, so that part of the survey does not apply.

Survey of Inter-Entity Costs for Non-reimbursed and Under-reimbursed Programs

Attachment A- Questions to Providing Entities

- A. Within the Financial Management Service, Debt Management Services provides centralized debt collection services for federal agencies. These services are provided to agencies as a result of the Debt Collection Improvement Act of 1996.
- B. The total budgeted cost of the debt collection services for fiscal year 2001 is \$40.5 million. The expected reimbursement to the program is expected to be \$19.3 million. This represents a reimbursement of 47.7% of the total cost of the services provided to others. The other 43.3% of the cost of the program is derived from direct Appropriations from Congress. Although the DCIA of 1996 does allow the debt collection program to be fully reimbursed from federal agencies a percentage of the federal agencies can pass the fees onto the debtor. The remainder of the federal agencies must use Appropriations to reimburse DM5 the fees of collecting the debt. Since full recovery of cost would significantly impact the Appropriation of federal agencies, DM5 is gradually increasing the fees charged to federal agencies to recover costs associated with the program.
- C. DM5 does not receive any non-monetary compensation from a any receiving entities.
- D. Yes we would be able to assign the non-reimbursable costs to the receiving entities.
Yes, we would assign the 43.3 % of the cost to each of the customer agencies based to number of amount of collections for each agency.
- E. Yes, we anticipate continuing to provide goods and services in future years.
- F. Yes, we would be able to provide the cost information to the receiving agency in a timely basis.



**DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE**

WASHINGTON, D.C. 20224

November 13, 2000

MEMORANDUM FOR JAMES R. LINGEBACK

FROM: ACTING DEPUTY CHIEF FINANCIAL OFFICER
Mike Higgins
Acting Director, Financial Analysis

SUBJECT: Inter-entity Costs

In accordance with your request, we have surveyed our program offices and have noted our conclusions below. We also have provided specific responses to your questions on an attachment.

Providing Entities

IRS collects taxes for a number of agencies, including Social Security Administration, Department of Labor, Highway Trust Fund, the Railroad Retirement Board, etc. A review by the Office of Cost Accounting and Analysis has concluded that the IRS provides services to other federal agencies that are not fully reimbursed to IRS. However, we estimate on an annual basis the cost for providing this service to other agencies and those agencies reimburse the Treasury.

Receiving Entities

As far as we can determine, the IRS pays full cost for most goods and services we receive. As noted in the questionnaire responses, we do not reimburse or recognize costs incurred by FMS for certain lockbox services.

If you have any questions, please call me at (202) 6224973 or Eva Williams at (202) 633-7610.

Attachment

Providing Entities

- A. Processing of returns for numerous entities of the federal government. An example is the processing of returns and payments for Social Security. Cost information is not readily available at this time.
- B. Agencies remit payment to the Treasury. IRS does not receive the reimbursement.
- C. No.
- D. If costs were available, the IRS would assign them to the receiving entity.
- E. Yes.
- F. We currently provide estimates of the costs.

Receiving Entities

- A. Certain lockbox services provided by FMS.
- B. Some of the lockbox services are paid for by the IRS, however, no cost information is available to determine the percent that may not be fully reimbursed.
- C. No.
- D. Yes
- E. The services used in our Operations are lockbox services by the Federal Reserve Banks to receive various tax returns and payments.
- F. Yes.
- G. Yes.
 - (a) The necessary data can be obtained but not without conducting special studies.
 - (b) IRS can make reasonable estimates because from past experience we know some but not all of the costs.
 - (c) No.

McAndrew, Joseph

From: Draves, Bobbie [Bobbie.Draves@usmint.treas.gov]
Sent: Wednesday, October 25, 2000 2:59 PM
To: 'Joseph.McAndrew@do.beaS.gOV'
Cc: Hyman, Howard; James.Lingebach~do.freas.gov
Subject: Survey on Inter-entity Costs

Hi Joe - Attached is the Mint's response to the survey on inter-entity costs (SFFAS #4). I apologize for the delay in submitting our response.

A couple of things should be noted about inter-entity costs for the Mint.

1. The Mint's major inter-entity costs are related to the storage of Treasury gold and the Mint's usage of that gold for our operating inventory to produce commemorative coins. We are currently working with the Financial Management Service (General Ledger Branch), the Treasury 010, and our independent accountants to determine the proper reporting method for these costs.
2. We make heavy use of the lockbox services provided by FMS at no cost to the Mint. I did not include the lockbox services, or other services provided by FMS in our response because I felt they fell under the general, government-Wide services. The offset to the free lockbox service is that we receive no interest on our \$2 to \$2 billion held in the Treasury General, Account.

Please give me a call at 202-354-7974 if you have any questions.

Thank

Bobbie

inter-entity cost SFFAS 4.doc

Survey on Inter-entity Costs Responses to the Questions
United States Mint

QUESTIONS TO PROVIDING ENTITIES

- (A) What are the specific goods and services you provide to other Federal entities and which entities receive the goods or services?**

The V. S. Mint provides storage space for metals and other materials owned by the General Services Administration, the Defense Logistics Agency, the Department of the Treasury, and other agencies. Cost information is not readily available, but would be determined based on the square footage of the storage space and the associated security/protection Costs (primarily personnel costs).

- (B) Are any of the inter-entity goods and services listed In (A) reimbursed by the receiving entities?**

Yes, we are reimbursed on a limited basis by the DLA. Overall, we are probably *not* reimbursed approximately 90 percent of the cost of the storage and security provided to other agencies.

- (C) Does your entity receive any non-monetary compensation from the receiving entities?**

Yes, Treasury and DLA allow us to use their precious metals in the production of coins at no cost to the Mint until the coins are sold (at which time we reimburse Treasury and DLA for the metal at the current market value). However, we receive no compensation of any type for the storage of the Treasury gold reserves.

- (D) If more than one entity receives the goods or services, would your entity be able to assign the non-reimbursed costs to the receiving entities?**

Yes; the basis would be on the square footage occupied by the other entities' assets.

- (E) Does your entity anticipate continuing to provide the goods and services in future years?**

Yes.

- (F) Would your entity be able to provide the cost information to the receiving entities on a timely basis?**

Yes.

QUESTIONS TO RECEIVING ENTITIES

(A) What are the specific goods and services you receive from other Federal entities and which entities provide the goods or services?

The Mint receives audit services from General Accounting Office (GAO) and the Treasury Office of Inspector General (QIG). We receive legal services from the Department of Justice. We are also allowed to use a portion of the Treasury gold reserve and the DLA strategic stockpile silver as operating inventories for the production of coins. Cost data on these services are not readily available, as the providing entities do not provide that information.

(B) Does your entity reimburse a part of the cost of each good or service?

The Mint reimburses the Treasury OIG up to \$5,000 per year for travel associated with gold audits and inspections. Other than the travel reimbursement to the OIG, we do not reimburse the Treasury OIG, GAO, or the Department of Justice.

(C) Does your entity give any of the providing entities a non-monetary compensation for the non-reimbursed costs?

The only non-monetary compensation we provide to both Treasury and DLA is to store and protect/secure the gold and silver reserves and operating inventories at no cost, or in the case of DLA, at minimal cost.

(D) Are any of the non-reimbursed inter-entity costs significant to your entity and why?

Potentially. If the Mint were to recognize the “interest” on the loan of gold and silver used in operating inventories, it could have an impact on the profitability of our commemorative coin programs. However, if we were to recognize the interest on the loan of the metal, we would also recognize the offsetting cost of providing the storage space and security for the nation’s gold reserve.

(E) For those goods and services that are significant to your entity, are they used in your entity’s operations and for what purposes are they used?

The gold and silver in our operating inventories are used in the Mint’s Congressionally mandated commemorative coin programs.

(F) Do you believe that the inter-entity goods and services you mentioned in your response to this questionnaire meet the inter-entity cost recognition criteria discussed in paragraphs 111 through 113, SFFAS No.4?

The only inter-entity services that appear to meet the criteria in the cited paragraphs are (1) the custodial storage service we provide to the Department of the Treasury for securing the nation’s gold reserves

and (2) the imputed interest costs for the “loan” of Treasury gold and DLA silver to the Mint to produce coins. Much of the protection budget of the Mint is dedicated to securing the gold reserves held at Fort Knox, KY and West Point, NY.

(G) Do you foresee any problems in implementing the recognition of inter-agency costs by your agency? Respond to the following sub-questions.

(a) Do you believe that your entity can obtain the necessary cost information from the entities that provide the goods and services?

That is dependent upon the cost accounting systems those other agencies have in place from a Mint perspective, we can provide the costs to other entities.

(b) If such information is not provided, can your entity make a reasonable estimate of the cost of the inter-entity goods and services?

Not without a minimal amount of information from the providing entity.

(d) Do you foresee other problems for recognizing inter-entity costs?

Potentially, there could be an issue identifying the appropriate factor to use to recognize the value of the gold and silver inventories advanced to the Mint by Treasury and DLA. We know the market value of those inventories, but the question would be on the appropriate interest rate to use to calculate the value of the “loan” of gold and silver. We are currently working with the Financial Management Service, the Treasury OIG, and our independent auditors to resolve the proper way to report these costs.

Survey on Inter-Entity Costs

Questions to Providing Entities

If your entity provides goods or services to other Federal entities without receiving a reimbursement or with less than full reimbursement, please respond to the following questions:

(A) What are the specific goods and services that your entity provides to other Federal entities, and which Federal entity or entities receive the goods and the services? (Please note the following (a) if cost information is readily available, please indicate either an estimated or actual cost per year for each good or service; and (b) If the goods or services are provided to all or most of the agencies of the Federal government, please describe the broad nature of goods or services rather than listing individual agencies.)

The services that the U.S. Secret Service Financial Crimes Division provides to other federal entities are all of a liaison or public relations nature. Other federal law enforcement agencies and federal regulatory agencies are the primary recipients. Since the U.S. Secret Service Financial Crimes Division does not incur any significant costs in providing these services, the issue of reimbursement does not apply.

- (a) The U.S. Secret Service Financial Crimes Division does not incur any significant costs in providing these services.
- (b) N/A

(B) Are any of the inter-entity goods or services you mentioned in your response to question (A) partially reimbursed by the receiving entities? If so, what is the estimated percentage of the full cost that is not reimbursed? If you are unable to estimate a percentage, please explain why.

Since the U.S. Secret Service Financial Crimes Division does not incur any significant costs in providing these services, the issue of reimbursement does not apply.

(C) Does your entity receive any non-monetary compensation (such as a reciprocal service) from any of the receiving entities for the non-reimbursed costs? If so, please explain the compensation.

The reciprocal services that the U.S. Secret Service Financial Crimes Division receives from other federal entities are of a liaison or public relations nature, and are not in any way meant to represent a form of non-monetary compensation.

(D) If more than one entity receives the goods or services, would your entity be able to assign the non-reimbursed costs to the receiving entities? If so, what would be the assignment (or allocation) basis? If your entity would not be able to assign costs, please explain why not.

Since the U.S. Secret Service Financial Crimes Division does not incur any significant costs in providing these services, the issue of assigning costs does not apply.

(E) Does your entity anticipate continuing to provide the goods and services in future years?

The U.S. Secret Service Financial Crimes Division anticipates continuing to provide liaison and public relations related services to other federal law enforcement and regulatory agencies in future years, and it is not anticipated that these efforts will generate any significant costs.

(F) The accounting standard states that the entity providing the goods and services is responsible for providing the receiving entity with the information OR the full cost of such services. If requested for inter-entity cost recognition purposes, would your entity be able to provide the cost information to the receiving entities on a timely basis? If not, please explain why not.

The U.S. Secret Service Financial Crimes Division would not be able to provide cost information related to the liaison and public affairs services that it provides. Since the associated costs are not significant, no effort is made to track them. The changes that would be necessary to track these costs would likely result in expenses being incurred that are greater than the costs being tracked.

Survey on Inter-Entity Costs

Forensic Services Division Response to Questions A, B, C, and E.

Question A. What are the specific goods and services that your entity provides to other Federal entities, and which Federal entity or entities receives the goods and the services?

The Crime Bill of 1995 mandated that the Secret Service assist outside Federal, state and local agencies in areas where we possess unique capabilities. Forensic Services Division (FSD) is widely thought as the world leader in forensic document analysis. As such, our national experts have been called upon to assist in numerous high profile cases being investigated by other agencies and to support the National Center for Missing and Exploited Children. Our unique capabilities include document authentication or age determination through ink and paper analysis. Some of our unusual capabilities include three-dimensional modeling for site and security surveys, computerized databases for handwriting searches of unknown writers, computerized fingerprint searches, document chemistry, computerized databases of financial and identity documents, voiceprint analysis, on-site graphic artists, polygraphers, and audio/video enhancement.

Outside federal agencies typically serviced by Forensic Services Division include Bureau of Alcohol, Tobacco and Firearms

Central Intelligence Agency

Drug Enforcement Agency

Defense Criminal Investigative Service

Department of Environmental Quality Promotion:

Department of Interior

Department of Justice

Department of Navy

Federal Bureau of Investigation

Federal Emergency Management Agency

Federal retirement Thrift Investment Board

Fish and Wildlife Service

Food and Drug Administration

General services Administration

Inspector Generals Offices

National Park Service

Office of Personnel Management

Social Security Administration

US Army

US Capitol Police

US Customs

US Postal Inspection Service

US Railroad Retirement Board

Veterans Affairs

Some cases of interest with which Forensic Services Division was requested to assist follow:

- Various war crimes cases, to include the “Ivan the Terrible” Nan war crimes case;
- The Unabomber case;
- The JonBenet Ramsey murder investigation;
- The re-investigation of the Dr. Martin Luther King Jr. assassination/conspiracy theory,
- United Nations review of a national border dispute; and
- Several FDA product-tampering cases.
- Veterans Affairs claims
- Various Government lawsuits

It is estimated that approximately 5% of the resources (personnel, equipment, supplies and time) of Forensic Services Division are spent on outside agency requests. Many of these requests are very resource intensive in that they are generally much more difficult than usual forensic submissions. As such, more man-hours and the highest-grade personnel are generally utilized to accomplish these tasks.

Question B. Are any of the inter-entity goods and services you mentioned In your response to question (A) partially reimbursed by the receiving entities?

No. The Crime Bill of 1995 does, however, provide for \$2 million in yearly funding for Forensic Services Division to be utilized for their equipment and personnel.

Question C. Does your agency receive any non-monetary compensation (such as a reciprocal service) from any of the receiving entities for the non-reimbursed costs?

Yes. The Federal Bureau of Investigation provides Forensic Services Division access to their Integrated Automated Fingerprint Identification System in Clarksburg, West Virginia. This site gives the Service quick access (as fast as 2 hours) to approximately 40 million prints.

Question E. Does your entity anticipate continuing to provide the goods and services in future years?

Yes. As directed by the Crime Bill of 1995, Forensic Services Division will continue to provide support to state, local and federal agencies in matters with which the Service possess unusual capabilities that would not be cost effective for the Government to recreate at the requesting entity. There are definite monetary savings to the Government through continued service of this type.

Financial Impact of Outside Agency Cases

Forensic Services Division has participated in the investigation of numerous outside agency fraud and claims cases that resulted in a savings to the government of more than \$13.6 million in FY 1999 alone. That figure reflects a significant return on the investment when compared with the \$2 million in Crime Bill funding that FSD receives each year.

It is believed that there was asset forfeiture potential in many of these cases; however, specific figures relating to asset forfeiture in outside agency cases are not maintained by FSD.

Sample outside agency federal cases with significant financial impact follow:

175-865-29611

Food and Drug Administration case involving counterfeit “Epivir”, “Zerit”, “Hivid”, “Zovirax”, and “Invirase” tablets and bottle labels. The container labels were counterfeited utilizing computers, printers and color copier systems. The total loss for the case was in excess of \$1,100,000.00. The forensic analysis indicated the type of systems utilized to counterfeit the items and also linked the items together through common imperfections to smaller groups and to the suspects.

175-865-379

Department of Justice and US Postal Inspection Service joint investigation involving medical malpractice allegations. The case resulted in a financial loss to the US Government of \$3,000,000.00. The forensic examinations indicated that the medical doctor had produced various questioned entries all with the same inks, These entries were different than the inks used to produce other areas of the documents.

205-711-9700965

On September 23, 1999 Senior Examiner Tom Smith from FSD provided expert testimony in the U. S. District Court in the Eastern District of Michigan. The investigation of this case was a joint-effort by the U. S. Customs Service and the U.S. Secret Service. The defendant was charged with conspiracy, possession, and passing of counterfeit currency in the amount of \$99,300.00, smuggled into the U. S. from Nigeria. Through a handwriting examination, the suspect was identified as the author of several related documents. The suspect was found guilty, and is awaiting sentencing~

314-777-24897

On October 26, 1999, EQD Daniel Livecchi completed an ink examination that had been requested by the Oklahoma City Field Office on behalf of the **OK** State Attorney General’s Office and the Federal Bureau of Investigation. The case involved questioned items purportedly written by famous individuals, to include; Humphrey Bogart, M.J. Huggins, John J. McGraw, Ty Cobb, and Babe Ruth. The most challenging to examine were baseballs bearing the purported signatures of Ty Cobb and Babe Ruth. The forensic analysis indicated that 6 of the exhibits were produced with inks that did not exist until after the death of the purported writers, making those items fraudulent.

175-86541221

On October 27, 1999, Senior Document Analyst Susan Fortunato completed the examination of fifty-four counterfeit Nutramigen baby formula labels. The **US Food and Drug Administration**, Los Angeles, CA submitted this request. Counterfeit Nutramigen labels were being placed onto less expensive baby formula, resulting in infant illnesses. Through the forensic analysis of the labels it was determined that the labels were produced by Canon CLC 7005 and **Xerox 5750** color copiers at three Kinko's Copy Center locations furthermore, the actual date and time that the labels were produced was also determined though the examination of the security code information.

Department of Veterans Affairs - These cases typically involved documentation submitted by a veteran or a veteran's widow who was claiming compensation from the US government. These claims **typically** involved dollar amounts in the hundred thousands of dollars. These compensations were being requested for injuries and disabilities obtained during US military service. The documents were generally medical forms or letters and postcards written home to the families. Analyses of the paper, toner and writing inks were used to determine that the documents were either entirely fraudulent or genuine documents that had been altered in favor of the claimant's allegations. The forensic analysis assisted in saving the US government from these substantial false financial claims.

Martin Luther King Murder Conspiracy Theory Reinvestigation - Between 1998 and 2000, FSD was requested to assist the Department of Justice, Civil Rights Division in the reinvestigation of the issues surrounding the Dr. Martin Luther King, Jr. assassination.

Introduction.

At the time of MLK's death, the FBI in Memphis searched James Earl Ray's vehicle. It was a Ford Mustang. It was purported that an FBI agent (unassociated with the investigation) happened upon the scene because he did not feel that the 2 agents assigned to the vehicle search were going to provide adequate attention to the very volatile racial incident. He further purports that he opened the passenger door (when the assigned agents weren't looking) and out fell 2 documents. He placed the documents in his pocket and left the scene~ He has recently retired from FBI service and has now surfaced with the document⁵. One is a hand written note and the other a torn page from a phone book. The torn phone book page is key in that it has 2 handwritten entries. One contained the Dallas phone number of James Earl Ray and the other had a partial entry containing the name (Raul) and the area code for Dallas ("214-").

Forensic findings:

Handwriting, microscopy and chemical analysis were used to analyze the documents. Document Analyst James Winand, Lead Document Analyst Susan Fortunato and Laboratory Director Larry Stewart conducted the examinations.

1. The pencil entries found on the phonebook page were not made with the pencil found in James Earl Ray's possession.
2. The writings were most likely not done by James Earl Ray.
3. The torn phone page came from a Dallas 1963 phone book.
4. AU of the pencil entries could have been made very recently.
5. The entry "Raul 214-" was made after the page was torn from the phone book. In other words, either someone wrote "Raul 214-" on the already torn page while the rest of the phone number was on another page???? or someone was trying to make this document look like it had an entry regarding "Raul" and left no way of tracking it to a phone number.
Note: "Raul" is the name sometimes associated with the purported CIA conspirator in the President John F. Kennedy assassination. This document (if found to be legitimate) implies a connection between the conspirator, James Earl Ray, Dallas-1963 and Memphis-1968.

According to the forensic findings, the most likely scenario is that the agent either tried to bolster his story by adding the "Raul 214" entry after the fact or the whole document was falsely created. The forensic findings, in part, led to the completion of the reinvestigation. The findings were published by the Justice Department in June of 2000.

United Nations Request - On May 21, 2000, the Forensic Services Division was requested to examine two maps in an attempt to determine their authenticity. The maps were hand-carried to FSD by the D.C.J. Representative of the United States Mission to the United Nations. The request was made due **to** the ongoing land/border disputes currently between various mid-eastern countries. Both maps, although different, were being proffered as legitimate by two of the affected countries. The Immigration and Naturalization Service forensic laboratory had previously examined the maps. As a result of their examination, it was suggested that the U.S Secret Service laboratory could answer further questions regarding the authenticity and origin. The suggestion was made based on the unique forensic capabilities available in FSD in the areas of ink, paper and printing process determinations. Document Analyst Daniel Livecchi and Laboratory Director Larry Stewart conducted the examination.

Although both maps were similarly produced, there were numerous notable differences. One map contained a watermark (traceable to a specific country); the other did not. Certain entries on one map had been modified utilizing different fonts from the remaining printed entries. The methodology that was used to produce one of the maps indicated that it had been created by photographing another map, separating the colors through the use of filters and photographic negatives, and then reproducing a new map. This new map also contained remnant images from a removed borderline, which originally showed the separation line between two disputed areas. This borderline remains undisturbed on the other map.

As a result of these and other tests, it was concluded that one of the maps had indeed been modified.

FISCAL YEAR 2000 - ESTIMATED COSTS OF PROVIDING POLYGRAPH SERVICES TO OTHER FEDERAL AGENCIES

The U. S. Secret Service, Forensic Services Division, Polygraph Branch, provides polygraph tests to other Federal Agencies on a case-by-case basis. These polygraphs are given after an investigative agency has exhausted all other means of obtaining evidence in their particular investigation. These polygraph examinations save each agency numerous investigative man-hours and are an invaluable tool for use in a difficult investigation where all other investigative leads have proven futile.

Each polygraph examination is estimated to cost an average of \$ 1500.00 including travel costs associated with each test. None of these costs associated with providing the tests are reimbursed. Neither does this agency receive any reciprocal services or none monetary compensation for these services.

The U. S. Secret Service would be able to assign a cost based on a flat fee of \$500.00 per examination based on the average cost charged in the private sector, in addition to any travel costs associated with the examiner's travel.

The U. S. Secret Service anticipates continuing to provide polygraph examination services to other agencies on a case-by-case basis. These cases are evaluated on the investigative agencies case facts and whether the issue to be resolved is a testable issue.

If requested to provide the requesting agency with information on the full costs associated with providing these services the U. S. Secret Service would be able to provide records of the cost on a timely basis.

NATIONAL CENTER FOR MISSING AND EXPLOITED CHILDREN
14—TESTS \$21,000.00

SOCIAL SECURITY - OFFICE OF INSPECTOR GENERAL
2— TESTS \$3,000.00

DEPARTMENT OF STATE - OFFICE OF SECURITY
1-TEST \$1,500.00

FOOD AND DRUG ADMINISTRATION - OFFICE OF INSPECTOR GENERAL
1-TEST \$1,500.00

U. S. MARSHALL 1—TEST \$1,500.00

FEDERAL LAW ENFORCEMENT TRAINING CENTER
1—TEST \$1,500.00

TREASURY DEPARTMENT - OFFICE OF INSPECTOR GENERAL – TAX ADMINISTRATION
2— TESTS \$3,000.00

TOTAL COSTS - \$33,000.00

SURVEY ON INTER-ENTITY COSTS:

SECURITY PROGRAMS BRANCH

The Security Programs Branch conducts physical security surveys at the request of other Federal Agencies without receiving any reimbursement (Note: exception outlined in question (B)). The following are responses to the Department of the Treasury's *Questions to Providing Entities*:

- (A) The current average cost of conducting a physical security survey is estimated at approximately \$20,000.00 per survey
- (B) Since 1965, the U.S. Secret Service has conducted physical security surveys for the following federal entities:
 - AU twelve (12) Federal Reserve Banks
 - Thirty (30) Federal Reserve Bank Branches
 - Three (3) U.S. Bullion Depositories
 - Three (3) branches of the U.S. Mint
 - Two (2) branches of the U.S. Assay Office
 - Five (5) branches of the Bureau of Public Debt
 - Six (6) Regional Financial Centers, Financial Management Service
 - Bureau of Engraving and Printing (Washington and Fort Worth)
 - United States Capitol
 - United States Supreme Court
 - United States Park Service (Washington Monument)
 - Federal Law Enforcement Training Center
 - Main Treasury Complex

With the exception of the Bureau of Engraving and Printing, Washington D.C., the Secret Service did not receive any reimbursement for conducting physical security surveys **at** the above Federal entities. An agreement for Reimbursable Services, TDF 35-05.2, was signed to fully reimburse the Secret Service for the costs of conducting the requested physical security survey at the BEP.

- (C) No non-monetary compensation/reciprocal service was received by the Secret Service from any of the above Federal entities.
- (D) Does Not Apply.
- (E) The Secret Service receives approximately six requests per year from other Federal entities for physical security surveys. It is anticipated that the Secret Service will continue to honor these request.
- (F) If requested, the Secret Service would be able to provide the exact cost information to the receiving federal entity upon the completion of the requested physical security survey.

UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, DC, 2055-0001



November 3, 2000

Wendy M. Comes
Chair, AAPC
441 G Street, NW, Suite 6814
Mail Stop 6K1 7V
Washington, DC 20548

Dear Ms. Comes:

This is in response to your memorandum of July 19, 2000, to our-Chief Financial Officer regarding the Survey of Inter-Entity Costs. You requested that each agency furnish information on all inter-entity transactions that involved non-reimbursed and under-reimbursed costs regardless of whether they meet the recognition criteria, except for those that apparently are immaterial. Questions were posed to both providers and receivers of inter-entity goods and services.

The Nuclear Regulatory Commission (NRC) requires reimbursement from Federal agencies and other organizations for the full costs of activities that are not a part of its statutory mission and for which NRC has not received appropriations. Exceptions to the policy are either when a waiver is granted by the Commission or the work meets one of a specific list of criteria. In reviewing both sets of questions, it has been determined that individual inter-entity transactions that are either non-reimbursed or under-reimbursed are immaterial and should not be recognized in this survey.

If you have any questions, please contact Robert Rakowski at (301) 415-7340.

Sincerely,

James Turdici, Director
Division of Accounting and Finance
Office of the Chief Financial Officer

NATIONAL SCIENCE FOUNDATION
4201 WILSON BOULEVARD
ARLINGTON, VIRGINIA 22230

OCT 24 2000

Ms. Wendy M. Comes
Chair, AAPC
441 G Street, NW, Suite 6814
Mail Stop 6K17V
Washington, DC 20548

Dear Ms. Comes:

In response to the survey on inter-entity costs dated July 19, 2000, we are not aware of any material unreimbursed or partially reimbursed inter-entity costs undertaken by the National Science Foundation as a providing entity.

The majority of inter-entity services provided by the National Science Foundation encompass grant services and personnel detail assignments. These inter-entity services are fully reimbursed by other federal agencies.

Questions concerning this matter can be directed to John Lynskey of my staff at (703) 292-4457.

Sincerely,

Thomas N. Cooley
Chief Financial Officer

PERSONNEL SECURITY BRANCH

- (A) The U.S. Secret Service conducts personnel security investigations (both Single-Scope and update) on Departmental Offices applicants and employees (Department of Treasury), at no cost. *Estimated* cost for these investigations is as follows:

Single-Scope Background Investigation	\$3,200
Update	\$1,800

- (B) The U.S. Secret Service does not receive any reimbursement for providing this service to the Departmental Offices.

- (C) The U.S. Secret Service does not receive any non-monetary compensation for providing this service to the Departmental Offices.

- (D) N/A

- (E) The U.S. Secret Service has been conducting personnel security investigations on Departmental Offices applicants and employees for approximately 30 years. The U.S. Secret Service fully anticipates continuing to provide this service to the Departmental Offices.

- (F) The U.S. Secret Service is able to provide cost information to Departmental Offices on a timely basis.

RECRUITING AND HIRING COORDINATING CENTER

The Recruiting and Hiring Coordinating Center does not provide goods or services to other Federal entities.

(A) Questions to Receiving Entities

(A) What are the goods and services that your entity, receives and which Federal entities provide each of those goods and services? (If cost data are readily available, please provide estimated costs of those goods and services.)

Under P.L. 94524, the Department of Defense and the Coast Guard provide personnel, communications and equipment (airplanes, boats) for the President and Vice President for temporary duty which they cannot seek reimbursement For all other protection, they seek reimbursement for travel expenses.

White House Communications
Combined Management Communications Agency
Navy
U.S. Marines
Army
Air Force

Under P.L 94524, when the Service seeks assistance, the other agencies can only seek incremental costs only (e.g. overtime, night differential, holiday, Sunday and travel). They cannot charge us regular hours or benefits.

Department of the Treasury	IRS
	Custom Service
	ATF
Department of the Interior	National Park Service

(B) Does your entity reimburse a part of the cost of each good or service? If so, can you estimate the percentage of the cost that is not reimbursed? If you can and the date are readily available, please provided the percentage data. If you cannot, please explain why not.

See above

No. For the military, the Service would need to know the pay rate, how many personnel involved, cost of aircraft to transport our personnel and equipment for trips.

For the remaining agencies, the Service would need to know the pay rate, the number of regular hours worked. During a campaign year, this spikes up.

(C) Does your entity give any of the providing entities a non-monetary compensations (such as a reciprocal service) for the non-reimbursed costs? If so, please explain the compensation.

No

(D) Are any of the non-reimbursed inter-entity goods and services significant to your entity and why? (The phrase “significant to the entity” means that the cost of the good or service is large enough that the management should be aware of the cost when making decisions. See paragraph 112, SFFAS No. 4.)

The cost would be information that the Service could use; however, the cost would not be the determining factor in decisions dealing with protection issues. Example, if the President flies to Europe, White House Communication will provide the communication support and the Air Force will provide the aircraft.

(E) For those goods and services that are significant to your entity, are they used in your entity's operations and for what purposes are they used? (See discussions in paragraph 112, SFFAS No. 4.)

The services provided are an integral part of our protection mission.

(F) Do you believe that the inter-entity goods and services you mentioned in your response to this questionnaire meet the inter-entity cost recognition criteria discussed in paragraphs 111 through 113, SFFAS No. 4? Please provide reasons for your reply.

No

Significance to the entity – the cost is not a determining factor when making protection related decisions — especially dealing with the President and Vice President

Directness of relationship to the entity's operations — the services are an integral part of and necessary to our protective mission.

Identifiably - From the Senate Report No. 941325 — Requires the Secret Service to reimburse Federal agencies for any assistance they provide to the Secret Service in carrying out its protective duties. The single exception to this provision is that the Coast Guard and the Department of the Defense will not be reimbursed for temporary assistance when such assistance is provided to protect the president, in his capacity as Commander-in-Chief or, similarly, the officer next in line of succession. Such assistance is considered to be provided directly to the President in carrying out his duties as Chief Executive, and the expense is properly borne by the Department of Defense and the Coast Guard. This exception is to be construed to apply only to non-permanent, part-time assistance provided to the Secret Service primarily for protective purposes; the Department of Defense and the Coast Guard would not be reimbursed for services ordinarily supplied the President or Vice President which are for general purposes other than their protection, such as transportation and communications. The Service does not know if the cost can be reasonably matched to us since the military has some responsibility in providing assistance to the Commander-in-Chief.

(G) Do you foresee any problems in implementing the recognition of inter-entity costs by your agency? Please responds to the following sub-questions:

(a) Do you believe your entity can obtain the necessary cost information from the entities that provide the goods and services?

No, not from the military, based on (F) above, where do you draw the line from our protection and the military with dealings with the President in carrying out his duties as Chief Executive.

(b) If such information is not provided, can your entity make a reasonable estimate for the cost of the inter-entity goods and services (See par. 109, SFFAS No. 4)?

No, see (a) above.

(c) Do you foresee other problems for recognizing inter-entity costs?

At the present time, the Service does not foresee any other problems. However, when we start implementation, other issues may arise.



DEPARTMENT OF THE TREASURY WASHINGTON, D.C. 20220

December 5, 2000

Ms. Wendy M. Comes
Chair, Accounting and Auditing Policy Committee
Federal Accounting Standards Advisory Board
441 G Street NW, Suite 6814
Mail Stop 6K17V
Washington, D.C. 20548

Dear Ms. Comes:

As requested by the Federal Accounting Standards Advisory Board's (FASAB), Accounting and Auditing Policy Committee, memorandum dated July 19, 2000, our response to the "Survey on Inter-entity Costs" is enclosed.

In order to provide a comprehensive response, we asked every Treasury bureau (suborganization) to individually complete the survey. The attached are the responses from bureaus that determined that they had significant costs that were applicable to the survey.

If you have any questions, please contact me on (202) 622-1450.

Sincerely,


lingeback

James R. Lingeback
Acting Deputy Chief Financial Officer

**DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220**

**INSPECTOR GENERAL
For TAX ADMINISTRATION**

October 10, 2000

MEMORANDUM FOR JOSEPH MCANDREW

FROM: Patricia M. Greiner
National Director Performance & Investment/CFO
SUBJECT: Survey on Inter-entity Costs

Attached you will find the Treasury Inspector General for Tax Administration's questionnaire on Inter-entity Costs. We identified two activities for which we are currently providing services to other government agencies without reimbursement. We also identified one activity for which we receive a service from another Treasury component, for which we are not charged. We prepared separate surveys for each activity.

Please contact me at (202) 622-7586 if you have any questions.

Attachment

Questions to Providing Entities — TIGTA Forensic Lab

If your entity provides goods or services to other Federal entities without receiving a reimbursement or with less than full reimbursement, please respond to the following questions:

(A) What are the specific goods and services that your entity provides to other Federal entities, and which Federal entity or entities receive the goods and the services? (Please note the following: (a) if cost information is readily available, please indicate either an estimated or actual cost per year for each good or service; and (b) If the goods or services are provided to all or most of the agencies of the Federal government, please describe the broad nature of goods or services rather than listing individual agencies.)

The TIGTA Forensic Lab provides assistance to other law enforcement agencies (Federal, state and local) on a limited basis with reimbursement for travel/per diem in the event the TIGTA forensic examiner must testify in a case. Otherwise, there is no reimbursement for these services.

(a) Since October 1, 1998 TIGTA has assisted other law enforcement agencies with 6 cases. The average cost of this assistance was \$1,000 per case.

(b) The services are provided to other law enforcement agencies on a limited basis.

(B) Are any of the inter-entity goods and services you mentioned in your response to question (A) partially reimbursed by the receiving entities? If so, what is the estimated percentage of the full cost that is not reimbursed? If you are unable to estimate a percentage, please explain why.

The travel/per diem for a forensic examiner to testify is reimbursed directly to the employee.

(C) Does your entity receive any non-monetary compensation (such as a reciprocal service) from any of the receiving entities for the non-reimbursed costs? If so, please explain the compensation.

The forensic Lab receives assistance from other law enforcement agencies (Federal, state and local) on a limited basis for which no reimbursement for these services is provided. These services include areas which the TIGTA Forensic Lab has no capability and/or lack equipment, e.g. firearms, explosives, arson, hazardous materials identification, DNA, biological fluids, and performing AFIS searches.

(D) If more than one entity receives the goods or services, would your entity be able to assign the non-reimbursed costs to the receiving entities? If so, what would be the assignment (or allocation) basis? If your entity would not be able to assign the costs, please explain why not.

More than one entity does receive the services of our Forensic Laboratory. We would be able to assign costs to each entity, by tracking the amount of time each examiner spends on the entity's case.

(E) Does your entity anticipate continuing to provide the goods and services in future years?

Yes, we do. This is a common practice in the law enforcement community.

(F) The accounting standard states that the entity providing the goods and services is responsible for providing the receiving entity with information on the full cost of such goods and services. If requested for Inter-entity cost recognition purposes, would your entity be able to provide the cost information to the receiving entities on a timely basis? If not, please explain reasons why not.

Yes.

Questions to Providing Entities – TIGTA Inspector General Academy Support

If your entity provides goods or services to other Federal entities without receiving a reimbursement or with less than full reimbursement, please respond to the following questions:

(A) What are the specific goods and services that your entity provides to other Federal entities, and which Federal entity or entities receive the goods and the services? (Please note the following: (a) if cost information is readily available, please indicate either an estimated or actual cost per year for each good or service; and (b) If the goods or services are provided to all or most of the agencies of the Federal government, please describe the broad nature of goods or services rather than listing individual agencies.)

For FY 2000 and FY 2001 TIGTA Investigations provides support to the Inspector General Criminal Investigator Academy (IGCIA). The IGCIA was restructured in FY 2000. David Williams (TIGTA IG) is the Accountable Inspector General for the IGCIA.

- (a) Currently, we provide 5 FTEs for which TIGTA is not reimbursed. This also includes funding for travel, training, overtime, office supplies, etc. which comes to a total of approximately \$565,000 for which TIGTA is not reimbursed. TIGTA also provides office space for the Executive Director, IGCIA.
- (b) This support is only provided to the IGCIA, which supports the Inspector General community.

(B) Are any of the inter-entity goods and services you mentioned in your response to question (A) partially reimbursed by the receiving entities? If so, what is the estimated percentage of the full cost that is not reimbursed? If you are unable to estimate a percentage, please explain why.

TIGTA receives the same IGCIA training opportunities as other Inspector Generals however; it does not pay the annual assessment. For TIGTA this assessment would have been \$147,000 for FY 2000.

(C) Does your entity receive any non-monetary compensation (such as a reciprocal service) from any of the receiving entities for the non-reimbursed costs? If so, please explain the compensation.

No.

(D) If more than one entity receives the goods or services, would your entity be able to assign the non-reimbursed costs to the receiving entities? If so, what would be the assignment (or allocation) basis? If your entity would not be able to assign the costs, please explain why not.

Only one entity receives these services. 100% would be assigned to the IGCIA.

(E) Does your entity anticipate continuing to provide the goods and services in future years?

No.

(F) The accounting standard states that the entity providing the goods and services is responsible for providing the receiving entity with information on the full cost of such goods and services. If requested for inter-entity cost recognition purposes, would your entity be able to provide the cost information to the receiving entities on a timely basis? If not, please explain reasons why not.

Yes.

Questions to Receiving Entities – Training Funded by Treasury

If your entity receives goods or services from other Federal entities without reimbursement or with less than full reimbursement, please respond to the following questions:

(A) What are the goods and services that your entity receives and which Federal entities provide each of those goods and services? (If cost data are readily available, please provide estimated costs of those goods and services.)

Two basic training courses are fully funded by Treasury:

Criminal Investigator Training Program - is conducted by FLETC and includes costs for tuition.

Inspector General Investigator Training Program - is conducted by the IGCIA and includes costs for tuition.

(B) Does your entity reimburse a part of the cost of each good or service? If so, can you estimate the percentage of the cost that is not reimbursed? If you can and the data are readily available, please provide the percentage data. If you cannot, please explain why not.

No.

(C) Does your entity give any of the providing entities a non-monetary compensation (such as a reciprocal service) for the non-reimbursed costs? If so, please explain the compensation.

No.

(D) Are any of the non-reimbursed inter-entity goods and services significant to your entity and why? (The phrase significant to the entity' means that the cost of the good or service is large enough that the management should be aware of the cost when making decisions. See paragraph 112, SFFAS No. 4.)

No. The cost of this is not significant to our agency.

(E) For those goods and services that are significant to your entity, are they used in you entity's operations and for what purposes are they used? (See discussions in paragraph 112, SFFAS No. 4.)

N/A

(F) Do you believe that the inter-entity goods and services you mentioned in your response to this questionnaire meet the inter-entity cost recognition criteria discussed in paragraphs 111 through 113, SFFAS No. 4? Please provide reasons for your reply.

No. They are not material. The service is not large enough that management should be aware of it when making decisions. The Treasury Department provides this training at no cost to each of its Bureaus who have Criminal Investigator personnel.

(G) Do you foresee any problems in implementing the recognition of inter-entity costs by your agency? Please respond to the following sub-questions:

(a) Do you believe your entity can obtain the necessary cost information from the entities that provide the goods and services?

For the items identified in our survey responses, yes.

(b) If such information is not provided, can your entity make a reasonable estimate for the cost of the inter-entity goods and services (See par. 109, **SFFAS No. 4**)?

For most areas we would be able to make a reasonable estimate. For items like FMS check distribution, making an estimate would be very difficult without some information being provided by FMS.

(C) Do you foresee other problems for recognizing inter-entity costs?

The only problems we foresee are for those activities provided to all of government. If the entity does not have a very sophisticated cost accounting system, it will be almost impossible to come up with accurate information.



**DEPARTMENT OF VETERANS AFFAIRS
ASSISTANT SECRETARY FOR MANAGEMENT
WASHINGTON DC 20420**

March 23, 2001

Ms. Wendy M. Comes
Chair, Accounting and Auditing Policy Committee
441 G Street, NW, Suite 6814
Mail Stop 6K17V
Washington, DC 20548

Dear Ms. Comes:

Thank you for the opportunity to respond to the survey on inter-entity costs. The Department of Veterans Affairs (VA) appreciates the work performed by the Federal Accounting Standards Advisory Board and the Accounting and Auditing Policy Committee. We regret the delay in our response.

VA will continue its commitment to support full costing of programs and the proper recognition of inter-entity costs. If you have any questions regarding the completed survey enclosed, please contact William Gilfillan of the Cost Accounting and Medical Rates Division on (202) 273-5573. We look forward to participating in future projects and surveys.

Sincerely,

D. Mark Catlett
Acting

- (A) What are the specific goods and services that your entity provides to other Federal entities and which Federal entity/entities receive the goods and services? (Please note the following: (a) if cost information is readily available please indicate either an estimated or actual cost per year for each good or service; and (b) if the goods or services are provided to all or most of the agencies of the Federal government please describe the broad nature of goods and services rather than listing individual agencies.

The Department of Veterans Affairs' (VA) Veterans Health Administration (VHA) provides health services to Department of Defense (DoD) beneficiaries under two programs: VA/DoD Sharing and VA/Tricare (through DoD's Tricare managed care support contractors). Through VA/DoD sharing agreements, VA health care facilities buy and sell health services directly with the military. Some 165 VA medical centers have sharing agreements in which patients (usually active duty military) are referred to the other agency's facilities for health services. VA and the military services now have over 1,094 sharing agreements for more than 11,075 health services.

VA health care facilities also provide care to DoD beneficiaries through DoD's Tricare managed care program. Some 138 VA medical centers now participate in Tricare provider networks established by DoD managed care support contractors. VA health care facilities provide a broad array of services to DoD retirees and dependents of active duty service members.

Revenue generated from these programs is retained at the facility providing the service and is used to improve health care for veterans.

For health care resources sharing, VHA has a unique authority (38 USC 8153) that allows VA medical centers to buy any service needed for the operation of VA's health care system, or to provide health care resources that are not utilized to their maximum capacity to the local community. In FY 1999, VA medical centers executed 527 contracts under this authority. The flexibility of the sharing authority to purchase resources is reflected in the continuing trend of VA medical centers to purchase primary care services for community-based outpatient clinics, as well as cost-effective contracting for other medical and health care resources.

Total sharing of health care resources for FY 1999 was valued at \$227 million, which comprises resources purchased totaling \$192 million and resources sold totaling \$35 million. These totals represent a 31% increase over FY 1998. The cost data are not yet available for sharing of health care resources for FY 2000.

VA is prohibited under current law from billing Medicare for health care services provided to Medicare-eligible veterans. Unlike claims from private hospitals and physicians, VA claims for veterans with Medicare supplemental insurance are not adjudicated by Medicare and are not accompanied with Medicare remittance notice forms when submitted for reimbursement to those insurers. VA estimates 70% of VA claims are for veterans over the age of 65 with Medicare supplemental insurance. The Health Care Financing Administration (HCFA) and VA have entered into an agreement that will result in Medicare-equivalent adjudication of VA's claims for the cost of nonservice-connected health care services furnished to all insured Medicare-eligible veterans. A Medicare

Fiscal Intermediary and Medicare Carrier under contract with HCFA will provide the Medicare adjudication of VA claims. Medicare-furnished adjudication of VA's claims will be in the form of a Medicare Remittance Advice (MRA) and will be equivalent to the adjudication furnished under the Medicare program to private sector providers of health care services. HCl~A, the entity responsible for Medicare, put the MRA initiative on hold due to Y2K priorities. MRA functionality is turned off while the initiative is on hold. Testing of the hospital inpatient MRA process is expected to resume during the summer of 2000. Following, successful testing of the hospital inpatient MRA process, and if no software changes are required in VA's or HOFA's Medicare systems, the hospital inpatient MRA process will be implemented according to an implementation plan ratified by HCFA and VA.

• (B) Are any of the inter-entity goods and services you mentioned in your response to question (A) partially reimbursed by the receiving entities? If so, what is the estimated percentage of the full cost that is not reimbursed? If you are unable to estimate a percentage, please explain why.

VA facilities and veterans integrated service networks will negotiate reimbursement rates that generate revenues sufficient to cover, at a minimum, the full (direct and indirect) costs of providing care to Tricare beneficiaries. However, although full cost recovery is the primary objective of sharing agreements entered into by VA medical centers and other entities, other situations exist whereby less than full costs may be charged. These include instances when the full cost of a good or service is not competitive in the local market or when the sale of services is necessary to maintain clinical skills or programs essential to the veteran population. In addition, the expanded authority (38 USC 8153(b)) does provide VA the flexibility to negotiate payments and allows exemption from full costing guidelines.

(C) Does your entity receive any non-monetary compensation (such as a reciprocal] service) from any of the receiving entities for the non-reimbursed costs? If so, please explain the compensation.

No.

(D) If more than one entity receives the goods or services would your entity be able to assign the non-reimbursed costs to the receiving entities? If so, what would be the assignment (or allocation) basis? if your entity would not be able to assign the costs. please explain why not.

Yes. The assignment of costs would be on a cause-and-effect basis as evident in utilizing an activity-based costing methodology.

(E) Does your entity anticipate continue to provide the goods and services in future years?

Yes.

(F) The accounting standard states that the entity providing the goods and services is responsible for providing the receiving entity with information on the full cost of such goods and services. If requested for inter-entity cost recognition purposes would your entity be able to provide cost information to the receiving entities on a timely basis? If not, please explain reasons why not.

Yes.

Questions to Receiving Entities

- (A) What are the goods and services that your entity receives and which Federal entities provide each of those goods and services? (If cost data are readily available, please provide estimated costs of the goods and services)

Last year, VA received non-reimbursed services from the Department of the Treasury, the Office of Personnel Management (OPM) and the Department of Labor (DOL). Treasury provides Judgment Fund services, OPM provides post retirement benefit services, and DOL provides support based on the Federal Employees Compensation Act (FECA).

VA's Veterans Health Administration (VHA) may enter into sharing agreements to acquire health care resources, which includes health care support and administrative resources, the use of medical equipment, or the use of space. Health care support and administrative resources include those services, apart from direct patient care, determined necessary for the operation of VA facilities. VHA's medical facilities currently have existing interagency reimbursements with DoD, HCFA, the Department of Health and Human Services, Department of Energy, and General Services Administration. 38 U.S.C. 8111 authorizes VA/DoD sharing agreements. Reimbursable agreements under the Economy Act are authorized by 38 U.S.C. 8153.

- (B) Does your entity reimburse a part of the cost of each good or service? If so, can you estimate the percentage of the cost that is not reimbursed? If you can and the data are readily available please provide the percentage data. If you cannot, please explain why not.

There is no reimbursement for the following costs except for Judgment Fund contract dispute claims. Figures below represent non-reimbursed services:

Treasury's Judgment Fund cost for FY 1999 —\$83,193,148
OPM's Post Retirement Costs for FY 1999— \$832,319,828
DOL — FECA for FY 1999 (actuarial liability) —(\$88589,871)*

*A negative number exists for FECA due to a decline in our liability.

VHA reports that reimbursement rates and procedures for payment are negotiated in the best interest of the government. Therefore, VA facilities will consider local commercial market rates for similar services as well as VA's cost in providing the services when negotiating reimbursement rates. Under several sharing agreements, less than full cost may be considered in setting prices for services only if it is necessary to maintain the level of quality or to keep a program in existence for veteran care. As previously stated, total sharing of health care resources for FY 1999 was valued at \$227 million, which comprises resources purchased totaling \$192 million and resources sold totaling \$35 million. These totals represent a 31% increase over FY 1998. The cost data are not yet available for sharing of health care resources for FY 2000.

(C) Does your entity give any of the providing entities a non-monetary compensation (such as a reciprocal service) for the non-reimbursed costs? If so, please explain the compensation.

No.

(D) Are any of the non-reimbursed inter-entity goods and services significant to your entity and why?

Please see response to question A above.

(E) For those goods and services that are significant to your entity, are they used in your entity's operations and for what purposes are they used? (See discussions in paragraph 112. SFFAS No. 4.

Treasury maintains a Judgment Fund appropriation for VA and makes payments for legal claims on behalf of VA. OPM post-retirement costs are paid by OPM on behalf of VA. FECA is a self-insured program administered by DOL, and the change in VA'S unfunded liability is based on the actuarial liability reported by DOL For VHA, the medical services acquired are used to provide healthcare services to the veteran population.

(F) Do you believe that the inter-entity goods and services you mentioned in your response to this questionnaire meet the inter-entity cost recognition criteria discussed in paragraphs 111 and 113. SFFAS No. 4? Please provide reasons for your reply.

Yes. The cost of services provided under VA/DoD sharing agreements is material and identifiable for compliance with SFFAS No. 4 inter-entity cost recognition. Other organizations within VA must develop rates for services they perform. The costs identified are to be included in the rate development process to ensure they recover full cost.

(G) Do you foresee any problems in implementing the recognition of inter-entity costs by your agency? Please respond to the following sub-questions.

No. VA has taken, and will continue to take, the required steps to recognize all necessary and material inter-entity costs. We currently obtain the cost information from the entities providing the goods or services. In instances where the cost information was not available, VA recorded an estimated cost. We do not foresee additional problems recognizing inter-entity costs.

- (a) Do you believe your entity can obtain the necessary cost information from the entities that provide the goods and services? Yes.
- (b) If such information is not provided can your entity make a reasonable estimate for the cost of inter-entity goods and services? Yes.
- (c) Do you foresee other problems for recognizing inter-entity costs? No.



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-110

NOV 13 2000

Ms. Wendy M. Comes
Chair, Accounting and Auditing Policy Committee
441 G Street, NW
Suite 6814
Washington, DC 20548

Dear Ms. Comes:

This is the Department of Defense (DoD) response to the Accounting and Auditing Policy Committee (AAPC) survey (questionnaire) on inter-entity costs as requested in your memorandum, dated July 19, 2000, addressed to the Chief Financial Officers.

In completing the survey, the Department notes that there are some types of goods and services for which inter-entity costs were either under-reimbursed or not reimbursed at all. However, based on the information available, the value of those goods and services do not appear to be material. In accordance with the SFFAS No.4, recognition of inter-entity costs not fully reimbursed is limited to material items that: (1) are significant to the receiving entity, (2) form an integral or necessary part of the receiving entity's output, and (3) can be identified or matched to the receiving entity with reasonable precision. Since the inter-entity costs that are under-reimbursed or not reimbursed at all, as identified by the Department, do not meet the above criteria, the Department offers a negative reply to the AAPC survey on inter-entity costs.

Notwithstanding the negative response, the Department recommends that serious consideration be given to the practicality of attempting to collect and report information on inter-entity costs that are under-reimbursed or not reimbursed at all. Even when amounts are material, the lack of government-wide standards and processes make the reporting and verification of such intragovernmental transactions impractical. Further, the Department questions whether the usefulness of such information likely would exceed the associated costs that would be incurred to collect such information.

My point of contact for this matter is Mr. William J. deBardelaben. Mr. deBardelaben may be contacted either by email: debardew@osd.pentagon.mil or by telephone at (703) 697-0585.

Nelson E. Toy.
Deputy Chief Financial Officer



OFFICE OF THE CHIEF FINANCIAL OFFICER

January 3, 2001

Wendy M. Comes
Chair, AAPC
441 O Street, NW, Suite 6314
Mail Stop 6K17V
Washington, DC 20543

Dear Ms Combs:

Thank you very much for your interest in the Department of Education (ED) and the opportunity to review/comment on the Inter-Entity Cost Survey.

The Department of Education does not have material inter-entity transactions that involve non-reimbursed cost. Nor do we have material inter-entity transactions that involve under-reimbursement cost.

The service/support that ED receives is primarily from central agencies such as Treasury and OMB. The service/support are of a general nature and is provided to most entities of the Federal government. Any cost associated with the related services/support that ED receives is not material or significant to warrant major consideration when making decisions. If there are any questions you may contact Ron Coats of my staff on (202) 401-2090.

Thank you for the opportunity to review this document.

Terry L. Bowie

Terry L. Bowie
Financial

Director, Financial Management Operations

FAX TRANSMITTAL

To: <i>Richard Moore</i>		From: <i>Ron Coats</i>	
Dept./Agency: <i>AAPC</i>		Phone #: <i>(202) 401-2090</i>	
Fax #: <i>(202) 512-7366</i>		Fax #: <i>(202) 205-2435</i>	
NSN 7540-01-317-7300		5099-101 GENERAL SERVICES ADMINISTRATION	



Federal Emergency Management Agency

Washington, D.C. 20472

NOV 20 2000

Ms. Wendy M. Comes
Chair, AAPC
441 G Street NW, Suite 6814
Mail Stop 6K17V
Washington, DC 20548

Dear Ms. Comes:

We have received and reviewed your Survey on Inter-entity Costs. FEMA has no Inter-entity costs that are either non-reimbursed or under-reimbursed.

Sincerely,

Patricia A. English
Acting Chief Financial Officer
Office of Financial Management

DEPARTMENT OF HEALTH & HUMAN SERVICES
Office of the Secretary

NOV 21 2000

Washington, D.C. 20201

MEMORANDUM

TO: Wendy M. Comes
Chair, AAPC

FROM: George Strader
Deputy Chief Financial Officer, HHS

SUBJECT: Survey on Inter-entity Costs

This is in response to your request that we conduct a survey within our Department to see if the government should extend the present four (4) major categories for which we recognize inter-entity costs in accordance with SFFAS No. 4.

We have asked our Operating Divisions (OPDIVs) to carefully review the questions posed by the AAPC to determine if they are providing goods and services at no cost or at less than cost; likewise, if they receive goods and services without reimbursing the provider or reimbursing at less than cost.

Without exception all of our OPDIVs advise that they charge full cost for all services provided, and that they do not receive goods or services at no cost, beyond the present four categories. Further, to the best of their knowledge they are reimbursing provider entities at the entities full cost.

We appreciate having the opportunity to revisit this issue, recognizing the importance of including costs, both direct and imputed, in the preparation of our Net Cost Reports, as well as providing accurate information to top level program managers.

If you have questions, please contact me or Sue Mundstuk on (202) 690-8228.



U.S. Department of Labor
Office of the Chief Financial Officer
Washington, D.C. 20210

OCT 30 2000

Wendy M. Comes
Chair, Accounting and Auditing
Policy Committee
441 G Street, N.W. Room 6814
Mail Stop 6K17V
Washington, D.C. 20548

Dear Ms. Comes:

Thank you for the opportunity to respond to your "Survey on Inter-entity Costs." The Department of Labor has no material inter-entity costs that are not fully reimbursed.

Again, the opportunity to respond to this survey is greatly appreciated.

Sincerely

KENNETH M.BRESNAHAN
Chief Financial Officer

**U.S. Department of
Transportation
Office of the Secretary
of Transportation**

**400 Seventh St. S.W.
Washington, D.C. 20590**

September 19, 2000

Ms. Wendy M. Comes
Chair, AAPC
441 G Street, NW, Suite 6814
Mail Stop 6K17V
Washington, DC 20548

Dear Ms. Comes:

We have circulated the AAPC Survey on Inter-entity Costs throughout the Department of Transportation (DOT). Financial management officials in all DOT entities were contacted in an effort to identify inter-entity costs which are not reimbursed or are under-reimbursed.

Our inquiries did not reveal any instances where DOT entities provide goods or services to other Federal entities without full reimbursement. Other than the four categories of costs previously identified by the Office of Management and Budget, we are also unaware of any situations where DOT entities receive goods or services from other Federal entities without full reimbursement.

If you have any questions regarding DOT's response to this survey, please contact Christine Kent of my staff at (202) 366-5622.

Sincerely,

A. Thomas Park
Director of Financial Management