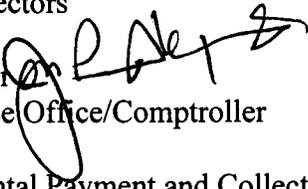




UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
Office of the Chief Financial Officer
Finance Office

March 25, 2013

MEMORANDUM TO: Line Office Chief Financial Officers and
Staff Office Directors

FROM: Jon P. Alexander 
Director, Finance Office/Comptroller

SUBJECT: Intra-governmental Payment and Collection Approval
Policy Memorandum 13-01

Background:

During fiscal year (FY) 2012, approximately 7,150 Intra-governmental Payment and Collection (IPAC) payments were made to other Federal agencies by NOAA exceeding \$1.5 billion for a broad range of activities that support NOAA's overall mission. The NOAA Finance Office recognizes the importance of strengthening the IPAC payment process to ensure that the IPAC payment process is effectively managed.

During NOAA's FY 2012 financial statement audit, the auditors reported a material weakness which included identification of a lack of control over the review and approval of IPAC payments. The auditors recommended that the National Weather Service (NWS) and Office of the Chief Administrative Officer (OCAO) establish and implement formal policies and procedures for review and approval of all IPAC payments. They further recommended that National Environmental Satellite, Data, and Information Service (NESDIS) program managers follow its policies and procedures for IPAC review.

Purpose:

In order to develop consistency within NOAA, the NOAA Finance Office is issuing this NOAA-wide policy for review and approval of all IPAC disbursements to other Federal agencies. The policy will compliment and be the basis for corrective actions by the Line Offices (LO) to draft procedures for monitoring costs. This policy requires LOs to maintain adequate internal controls to ensure that the transfer of funds to other Federal agencies are for services provided in

accordance with the provisions set forth in Interagency Agreements (IA), Memorandum of Understandings (MOU) or other binding agreements.

Policy:

NOAA LOs must establish procedures for personnel to administer manage and monitor IAs, MOUs, and other binding agreements with other Federal agencies to ensure that payments for goods and services provided by those agencies are accurate, reasonable, complete and in accordance with terms as set forth in those agreements. LO procedures must also include provisions to ensure that funds used for payments are in accordance with applicable appropriation law, and that remaining funds are deobligated in a timely manner once the goods and services have been received and the applicable agreement has been fulfilled.

Roles and Responsibilities:

Line Offices

It is the responsibility of each project officer, program manager, or other responsible party (herein referred to as PO/PM) within each LO or Financial Management Center (FMC) administering IAs, MOUs etc. to ensure that billings and payments to other Federal agencies are for work performed in accordance with the terms and conditions as set forth in the IA or MOU. It is the further responsibility of the PO/PM to ensure that amounts billed are accurate, reasonable, and complete.

The NOAA Finance Office will send a copy of IPACs electronically to the LO PO/PMs. In order to expedite this process, the PO/PM must contact the partner agency and request that their name be included on the IPAC. Furthermore, when a PO/PM change is made, the LO must notify the NOAA Finance Office immediately. The PO/PM must review each IPAC and match the billed costs to detailed documentation provided by the partner agency. The IPAC documentation support should be reasonable, accurate, and validate the progress of work.

If the NOAA PO/PM finds that the costs are reasonable and accurate, the PO/PM will maintain a copy of the IPAC in the official NOAA PO/PM file. The file must include: all invoice documentation from the partner agency, a copy of the IPAC, period of performance for work being billed, and all other supporting documentation. This information must be readily available upon request by both internal and external auditors to support the acceptance of the billed costs. NOAA PO/PMs who have not received supporting cost documentation and adequate documentation on the progress of work should either: 1) continue to work with their partner agency to get the necessary information; or 2) notify the NOAA Finance Office to disapprove payment which will result in the IPAC being charged back to the partner agency.

Based on previous policy issued by the Department of Treasury, the NOAA Finance Office is currently required to process IPACs within five (5) days or by month end accounting close, whichever is sooner. Consequently, PO/PMs should generally complete their analysis of the supporting documentation within five (5) days of receipt of the IPAC from the NOAA Finance Office. It is the LO PO/PM responsibility to monitor the costs billed by the partner agency and

maintain the detailed documentation. Do not return the IPAC to the NOAA Finance Office unless requested or the PO/PM's analysis determines that the costs should be charged back to the partner agency. Therefore, the NOAA Finance Office will operate under the premise that the costs are accurate, complete, and thoroughly documented by the LO PO/PM unless the IPAC is sent back citing the reason for the chargeback.

Each NOAA LO is responsible for ensuring that each PO/PM is adequately trained in appropriate federal procurement laws and regulations, and that each PO/PM is aware of the aforementioned requirements for adequately monitoring the financial costs of their project. It is also the responsibility of each LO to conduct periodic reviews to ensure that PO/PMs are complying with the subject policy and LO procedures for verifying that billed costs from our partner agencies are reasonable, accurate, and complete.

NOAA Finance Office

The NOAA Finance Office will send a copy of IPACs in excess of \$25 thousand (see Appendix A) electronically to the LO PO/PMs upon receipt from Treasury to be used for verification of payments. The NOAA Finance Office is required to process IPACs within five (5) days or by month end accounting close, whichever is sooner. Therefore, the NOAA Finance Office will record the IPACs within the mandated time period and operate under the premise that the costs are accurate, complete and thoroughly documented by the LO PO/PM unless the IPAC is sent back citing the reason for the chargeback.

In those instances where the IPAC does not provide adequate accounting information to record the charges, the NOAA Finance Office will continue its current practice of contacting LO PO/PM for the specific accounting data.

The NOAA Finance Office will conduct periodic Quality Assurance (QA) reviews of sampled IPACs from each LO to provide assurance that IPACs are being monitored for reasonableness, accuracy and completeness in accordance with this policy. The QA review will include a review and verification of the PO/PM's files that should include all invoice documentation from the partner agency, a copy of the IPAC, period of performance for work being billed, and all other supporting documentation.

If you have any questions on this matter, please contact Tom Koontz of the Accounting Operations Division, NOAA Finance Office by telephone at 301-444-2771 or by e-mail at william.koontz@noaa.gov.

Appendix A
Exceptions to Policy

A number of IPACs are for insignificant dollar amounts including amounts as small as \$.01. Additionally 98.5% of total IPACs charges are for individual IPACs in excess of \$25, 000. Therefore, while it is still the responsibility of the LO PO/PM to ensure IPAC payments are necessary, accurate and complete, the NOAA Finance Office will not systematically send out IPACs in amounts less than \$25,000 but will instead issue only at the request of the PO/PM. In those instances where the IPAC does not provide adequate accounting information to record the charges, the NOAA Finance Office will continue its current practice of contacting the LO PO/PM for the specific accounting data. The \$25,000 threshold was determined based on the following FY 2012 IPAC analysis:

FY 2012 IPAC Analysis

Total FY 2012 IPACs	7,151
Total FY 2012 IPAC Amount (absolute value)	\$1,609,390,871
<u>\$5,000 Threshold</u>	
Number of IPACs over \$5,000	3,615
Percentage of IPACs over \$5,000	50.55%
Total Absolute Value of IPACs over \$5,000	\$1,604,655,675
Dollar Percentage of IPACs over \$5,000	99.71%
<u>\$10,000 Threshold</u>	
Number of IPACs over \$10,000	2,900
Percentage of IPACs over \$10,000	40.55%
Total Absolute Value of IPACs over \$10,000	\$1,599,517,184
Dollar Percentage of IPACs over \$10,000	99.39%
<u>\$25,000 Threshold</u>	
Number of IPACs over \$25,000	2,079
Percentage of IPACs over \$25,000	29.07%
Total Absolute Value of IPACs over \$25,000	\$1,586,247,055
Dollar Percentage of IPACs over \$25,000	98.56%

Due to the immateriality of individual charges, additional exceptions to this policy include IPACs with the Government Printing Office, security investigations with the Office of Personnel Management, and telecommunication charges and motor pool charges procured through General Services Administration.