



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

May 29, 2019

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

FROM: Kimberly Darling *Kimberly Darling*
Director, Finance Office/Comptroller

SUBJECT: Intra-governmental Payment and Collection Approval
Policy Memorandum 19-02

Background:

During fiscal year (FY) 2013, we issued Policy Memorandum 13-01 in response to a FY 2012 reported finding during the FY 2012 financial statement audit citing a lack of control over the review and approval of IPAC payments. That policy required that NOAA Line Offices (LOs) 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 were required to 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.

The NOAA Finance Office further set forth a requirement in that policy requiring us to send a copy of IPACs in excess of \$25 thousand electronically to the LO Project Officer (PO) 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 unless the IPAC is sent back citing an accounting change or a reason for charging the costs back to the Partner Agency.

During Fiscal Year (FY) 2018, approximately 7,000 IPAC payments were made to other Federal Agencies by NOAA exceeding \$1.6 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.

Purpose:

The purpose for updating this policy is to continue consistency within NOAA Line Offices and the NOAA Finance Office for reviewing and approval of all IPAC disbursements to other Federal agencies. The policy should be the basis for corrective actions by the LO to its 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.

In our efforts to streamline our processes and better direct our resources, this policy will also increase the threshold for which the NOAA Finance Office is responsible for automatically sending out IPACs to LOs from \$25k to \$100k. It should be further noted that the actual IPAC serves as a notice that the Partner Agency has taken NOAA funds from Treasury for services and goods provided as outlined in the IA and is not an invoice for a future payment. Once the IPAC is posted in our accounting system, LO reports provide the same financial information that is identified on the IPAC itself. Consequently, those reports coupled with detailed information provided to the LO from the Partner Agency should enable the LO to monitor and manage its costs without a copy of the actual IPAC.

Policy:

NOAA LOs must maintain procedures for personnel to administer, manage and monitor Interagency Agreements, Memorandums of Understanding, and other binding agreements with other Federal Agencies to ensure payments for goods and services provided by those agencies are accurate, reasonable, complete and in accordance with terms as set forth in those agreements. Line Offices 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 agreement has been fulfilled.

Roles and Responsibilities:

Line Offices

It is the responsibility of each Project Officer within each LO 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 to ensure that amounts billed are accurate, reasonable, and complete.

The PO is responsible for maintaining the official file for the agreement. The file must include: all invoice documentation from the partner Agency, 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.

As a courtesy, the NOAA Finance Office will send a copy of IPACs electronically to the LO POs that are in excess of \$100k or as requested. In order to expedite this process, the LO must contact the NOAA Finance Office when a PO change is made. The PO must review their financial reports along with IPAC's in excess of \$100k 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.

Based on performance metrics issued by the Department, the FO is currently required to process IPACs within 5 days or by month end accounting close, whichever is sooner. Consequently, POs should generally complete their analysis of the supporting documentation within 5 days of receipt of the IPAC from the FO. Since responsibility resides with the LO PO as to the acceptance of the costs billed by the partner Agency and the maintenance of the detailed documentation, the FO does not require IPACs be returned unless otherwise requested or the PO's analysis results in an accounting change or the FO charging the costs back to the Partner Agency. Therefore, the FO will operate under the premise that the costs are accurate, complete and thoroughly documented by the LO PO unless the IPAC is sent back.

Each LO/Staff Office is responsible for ensuring each PO is adequately trained in appropriate Federal procurement laws and regulations and that each PO 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 POs are complying with the subject policy and LO procedures for verifying 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 \$100 thousand (see Appendix A) electronically to the LO POs upon receipt from Treasury to be used for verification of payments. The FO is currently required to process IPACs within 5 days or by month end accounting close. FO 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 unless the IPAC is sent back from the PO.

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

Appendix A Exceptions to Policy

A number of IPACs are for insignificant dollar amounts including amounts as small as \$.01. Additionally 95.1% of total IPAC charges are for individual IPACs in excess of \$100,000. 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 \$100,000 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 \$100,000 threshold was determined based on the following FY 2018 IPAC analysis:

FY 2018 IPAC Analysis

Total FY 2018 IPACs	7,007
Total FY 2018 IPAC Amount (absolute value)	\$1,626,472,161

\$25,000 Threshold

Number of IPACs over \$25,000	1,911
Percentage of IPACs over \$25,000	27.27%
Total Absolute Value of IPACs over \$25,000	\$1,600,933,791
Dollar Percentage of IPACs over \$25,000	98.43%

\$100,000 Threshold

Number of IPACs over \$100,000	875
Percentage of IPACs over \$100,000	12.46%
Total Absolute Value of IPACs over \$100,000	\$1,547,472,695
Dollar Percentage of IPACs over \$100,000	95.14%