INTRA-GOVERNMENTAL TRANSACTIONS (IGT) CUSTODIAL AND NON-ENTITY TRANSACTIONS

Section 1—Custodial and Non-Entity Transactions–Other Than the General Fund of the U.S. Government

Transactions discussed in this section are limited to the recording of exchange and non-exchange transactions and the related balances of custodial and non-entity assets between federal entities other than the General Fund. This section was not developed nor intended to assist the user in determining if they have custodial activity. Users should consult applicable accounting standards and legislation to make that determination.

This section will assume that the federal entity seeking this guidance falls under one of the two types of participants in this type of transaction; the collecting entity or the receiving entity. The collecting entity is defined as an entity that collects the custodial collection from a non-federal, and in limited instances, from a federal entity. The receiving entity is defined as the federal entity to which the collecting entity transfers the collected custodial funds.

Non-entity assets are non-exchange by nature. Custodial transactions can be either exchange or non-exchange depending on the events generating the revenue. Exchange revenues are defined as revenues that result when goods or services are provided to the public or another government entity for a price. Non-exchange revenues are defined as those revenues arising primarily from the exercise of the government's power to demand payments from the public (e.g., taxes, duties, fines, and penalties). The activity reported in this sub-category is further divided into exchange or non-exchange activity and reconciles based on the exchange/non-exchange attribute domain value of the USSGL account in addition to the USSGL account number.

1.1—Application

It is anticipated that most activity reported in the Custodial and Non-Entity Transactions – Other Than the General Fund sub-category will be related to custodial activity, which is categorized under non-entity assets in FASAB. There may be limited cases that are not considered custodial, where one Federal Program Agency (FPA) holds non-entity assets for another FPA outside the General Fund. However, custodial collections are the norm for this sub-category, and thus are the focus of this section.

1.2—Transactions

The Custodial and Non-Entity Transactions – Other Than the General Fund sub-category consists of exchange and non-exchange transactions impacting assets and liabilities. In general, the collecting entity will have a liability to the receiving entity (at any point) if it holds funds that it must remit to the receiving entity. In addition, some collecting entities will accrue collections anticipated from the public, net of allowance, if applicable, which will also create a liability to the receiving entity. The collecting and receiving entities should develop processes to ensure that the amount of liability, from the collecting entity to the receiving entity, reconciles with the asset being recorded by the receiving entity. For specific transaction detail, refer to the USSGL Implementation Guidance – Custodial Activity Collected on behalf of a Federal Entity Other than the General Fund of the U.S. Government.

When the collecting entity receives the collections, it must transfer those funds to the receiving entity as quickly as possible. In doing so, the collecting entity will avoid a liability and the receiving entity, in most cases, will have those funds available for the authorized purpose for which the related law was written.

1.3—Revenue Type and Trading Partner

Accounting for custodial collections begins when an FPA collects funds on behalf of another FPA, or an FPA books a receivable for funds to be collected on behalf of another FPA, net of allowance, if applicable. In most cases, these funds are collected from the public. At the point of collection or accrual, the collecting entity increases its Fund Balance with Treasury (FBWT) or receivable and recognizes either exchange or non-exchange revenue with the source from which the funds were received. In addition, the receipt of these funds recognition of the receivable creates a liability to the receiving entity which must be recorded. When the collecting entity records the liability, the trading partner must be identified. In instances where the federal trading partner is unknown, the custodian must use Trading Partner (TP) FR Entity 9999 (Unidentified).

It is imperative that the collecting entity knows how the receiving entity records the collections. If the receiving entity reports the transfer-in of custodial collections as exchange, then the collecting entity must report the collections for others, accrued collections for others, and custodial collections transferred out as exchange. The same situation applies for non-exchange.

1.4—Eliminating USSGL Accounts

TFM Volume I, Part 2, Chapter 4700, Appendix 3, presents the eliminating accounts used by DOL and the employer entities that provides FECA benefits. For DOL FECA, the trading partners are defined as:

- **Collecting Entity:** The entity who collects the custodial or non-entity collection from a non-federal and in limited instances federal entity.
- **Receiving Entity:** The federal entity to whom the collecting entity transfers the custodial or non-entity assets collected.

1.5—Roles and Responsibilities

Since the exchange/non-exchange attribute is determined by how the receiving entity records the transactions in its financial statement, it is the responsibility of the receiving entity to communicate to the collecting entity how it records the transactions. Therefore, the collecting entity will also record its side of the transactions the same way (i.e. exchange vs. non-exchange). If the two FPAs do not agree, not only at the USSGL level, but also at the exchange/non-exchange attribute level, they will be reporting activity in different RCs, which will cause intra-governmental difference issues.

The collecting entity (or TAS) initiates the collection or accrual of resources and the receiving entity (or TAS) receives the resources. Unlike fiduciary transactions, these transactions do not have an authoritative source or a specific entity that determines proper balances and accounting methods. Therefore, the trading partners must determine revenue types, establish appropriate accounting data, and communicate with each other to confirm proper account postings and eliminations. The collecting entity must confirm balances of custodial liabilities so that the receiving entity can properly report the asset. The receiving entity must confirm the revenue type with the collecting entity so that the collecting entity can properly report the accrual or transfer.

Prompt communication will ensure consistent accounting treatment by both trading partners, to the extent possible, and the efficient posting of transactions within the same accounting period.

1.6—Common Errors for Custodial and Non-Entity Transactions–Other than the General Fund of the U.S. Government

Error Type	Description	Solution
Exchange /Non-exchange Indicator Error	The collecting entity and receiving entity reporting of the accrual/transfer activity related to custodial or non-entity assets is not the same causing the activity to be reported in separate reciprocal categories.	The receiving entity must communicate the exchange/non-exchange indicator it uses for the collections so that the collecting entity can properly reflect the accrual and transfer.
Timing Difference	Entities do not always record offsetting transactions within the same FY. For example, the collecting entity records the transfer-out of custodial collections transaction in fiscal 2021 and the receiving entity records the transfer-in transaction in fiscal 2022.	The transferring TAS and the receiving TAS must confirm consistent accounting treatment for each transaction and must record transactions within the same accounting period. They must communicate disagreements and issues with the accounting treatment and must reconcile them within the same FY.
Collections Receivable /Payable	Entities do not always record offsetting balances in custodial liability or non-entity liability (USSGL accounts 298000 or 298500) and reciprocating receivable (USSGL account 198100).	The collecting entity must submit balances of accruals to the receiving entity in a manner that allows the receiving entity enough time to report.