



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

DEPUTY DIRECTOR  
FOR MANAGEMENT

M-06-09

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MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

FROM: Clay Johnson III  
Deputy Director for Management

SUBJECT: Business Rules for Intragovernmental Transactions

In October 2002, former Director Daniels issued a memorandum establishing business rules to facilitate standard processing and recording of intragovernmental activities, M-03-01, Business Rules for Intragovernmental Transactions (<http://www.whitehouse.gov/omb/memoranda/m03-01.html>). The Chief Financial Officers' Council is currently reviewing those business rules to expand them to cover other types of intragovernmental activities not addressed in the original business rules. Standardizing such processes will facilitate the reconciliation of intragovernmental balances and place the Federal Government one step closer to achieving our goal of a clean opinion on the U.S. Consolidated Financial Statements by addressing this government-wide material weakness.

In the interim, the current business rules #20 and #21 of the Memorandum's Attachment A, Business Rules for Intragovernmental Exchange Transactions, regarding advance payments for goods and services, are temporarily waived.

*20. There will be no advance payments for service orders unless explicitly required by law. Progress payments and periodic payments are permissible.*

*21. Advances will be permitted for orders for goods that exceed \$1,000,000. The advance may not exceed 50% of the order amount. Unless explicitly required by law, there will be no advances for orders for goods that are less than \$1,000,000.*

These particular business rules have unintentionally caused confusion, particularly with reimbursable activity based on the Economy Act, the Clinger-Cohen Act and with the interagency funding of joint projects and initiatives. Agencies, however, should continue to follow the guidance provided in the OMB Circular A-11, Preparation, Submission and Execution of the Budget, with regard to advance payments ([http://www.whitehouse.gov/omb/circulars/a11/current\\_year/a11\\_toc.html](http://www.whitehouse.gov/omb/circulars/a11/current_year/a11_toc.html)).

Thank you for your continued leadership and commitment to improving financial management and to resolving the intragovernmental material weakness. Questions about this memorandum may be directed to the Office of Federal Financial Management at 202-395-3993.