

VA Financial Policies and Procedures
Recognition and Accounting for Assets

CHAPTER 1

0101 OVERVIEW	2
0102 POLICIES	3
0103 AUTHORITY AND REFERENCES	4
0104 ROLES AND RESPONSIBILITIES	4
0105 PROCEDURES	5
0106 DEFINITIONS.....	7
0107 RESCISSIONS.....	9
0108 QUESTIONS	9
0109 REVISIONS.....	9
APPENDIX A: ILLUSTRATION FOR ENTITY AND NON-ENTITY ASSETS (Extracted from OMB Circular A-136, Financial Reporting Requirements)	11
APPENDIX B: ILLUSTRATION FOR ENTITY AND NON-ENTITY ASSETS (Extracted from VA's Performance and Accountability Report).....	12
APPENDIX C: ILLUSTRATIVE BALANCE SHEET – ASSETS	13

0101 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures for accounting for assets and for distinguishing entity, non-entity, Intragovernmental and Governmental (Public) assets. Assets are tangible or intangible items owned by the Federal government which would have probable economic benefits that can be obtained or controlled by a federal government entity. One of the objectives of VA accounting is to establish financial control over assets provided to or acquired by VA. Assets must be under continuous accounting control from acquisition to disposition. This control process will help to ensure the use of these assets is both proper and authorized, including adequate care and preservation, since no asset can be acquired, put into use, transferred, have its value written down or written off, or disposed of without the proper authorization. All of VA's assets will be accounted for, including assets-in-transit and assets in the hands of contractors, private parties and other Federal agencies.

Entity assets are those assets used in operations which VA has a legal obligation to use to meet statutory requirements or has separate authority to decide how the assets can best be utilized (e.g., General Administration appropriation).

Non-entity assets are those assets which are held by VA, under the custody and management of VA, but are not available or authorized for use in its operations. For example, in some circumstances, VA may maintain cash or other non-entity assets in a fiduciary capacity for the U.S. Department of the Treasury (Treasury), other Federal agencies or non-Federal entities (e.g., Personal Funds of Patients).

The Statement of Federal Financial Accounting Standards ([SFFAS](#)), [No. 1, Accounting for Selected Assets and Liabilities](#), establishes accounting standards for selected assets, which include entity and non-entity assets. Some examples of assets that are both entity and non-entity assets are cash and receivables:

A. Entity versus non-entity cash. Entity cash is the amount of cash that VA holds and is authorized by law to spend. Non-entity cash is cash that VA collects and holds on behalf of the Federal Government or other entities.

B. Entity versus non-entity receivables. Entity receivables are amounts that VA claims for payment from other Federal or non-Federal entities and that VA is authorized by law to include in its obligation authority or to offset its expenditures and liabilities upon collection. Non-entity receivables are amounts that VA collects on behalf of the Federal Government or other entities, and is not authorized to spend.

This chapter also establishes VA financial policies and procedures for accounting and reporting of Intra-governmental and Governmental (Public) assets, as authorized by statute and by rules issued by such regulatory entities as the Office of Management and Budget (OMB) and Treasury.

Intragovernmental assets arise from transactions among Federal entities. These assets are claims of one Federal entity against another Federal entity or entities. Examples of Intragovernmental assets include Fund Balance with Treasury, investments in Treasury securities, accounts and interest receivable and advances and prepayments.

Governmental (Public) assets arise from claims of the Federal Government or an entity of the Federal Government with non-Federal entities. Examples of Governmental (Public) assets include cash, accounts and interest receivable and advances and prepayments. VA presents Governmental (Public) assets in its Consolidated Financial Statements as public assets.

[Appendix A, Illustration For Entity And Non-Entity Assets](#), obtained from OMB Circular A-136, is an illustration showing footnote disclosures for non-entity assets and Fund Balance with Treasury. As part of the illustration, there are line items for both total entity assets and total assets.

[Appendix B, Illustration For Entity And Non-Entity Assets](#), obtained from VA's Performance and Accountability Report, is an illustration showing the relationship between non-entity and entity assets with the Fund Balance with Treasury.

[Appendix C, Illustrative Balance Sheet – Assets](#), is a sample from OMB Circular A-136 with notes showing intragovernmental and governmental assets.

These appendices can be used together to assist in the development of the proper footnote disclosures in VA's financial statements.

Additional VA financial policies and procedures detailing accounting for and reporting assets are described in the following chapters of this volume:

- Chapter 2, Cash and Fund Balance With Treasury
- Chapter 5, Investments
- Chapter 6, Accounts and Interest Receivables
- Chapter 7, Loan Receivables (VBA)
- Chapter 8, Inventories
- Chapter 9, General Property, Plant and Equipment
- Chapter 10, Other Assets

0102 POLICIES

010201 VA will account for and report entity and non-entity assets in its financial statements and accompanying note disclosures.

010202 VA will report non-entity cash separately from entity cash on the balance sheet.

010203 VA will disclose in a note to the financial statements (not in the balance sheet) non-entity cash meeting the definition of a fiduciary asset.

010204 VA will report Intragovernmental assets on its financial statements separately from Governmental assets, including accompanying disclosure notes.

010205 VA will maintain complete supporting documentation of its Departmentwide financial activities of valid transactions and other sources of information used to compile its financial statements. This documentation must be readily available for review by VA management, auditors and others with oversight responsibilities over VA operations.

0103 AUTHORITY AND REFERENCES

010301 [Office of Management and Budget \(OMB\) Circular A-136, Financial Reporting Requirements - Revised](#), October 21, 2013

010302 [Statement of Federal Financial Accounting Standards \(SFFAS\), No. 1, Accounting for Selected Assets and Liabilities](#), March 30, 1993

010303 [SFFAS No. 31, Accounting for Fiduciary Activities](#), October 24, 2006

0104 ROLES AND RESPONSIBILITIES

010401 The Assistant Secretary for Management/Chief Financial Officer (CFO), oversees all financial management activities relating to the Department's programs and operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309: Specific responsibilities include the direction, management and provision of policy guidance and oversight of VA's financial management personnel, activities and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities and provides guidance on all aspects of financial management.

010402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chiefs of Finance Activities, Chief Accountants and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

010403 The Office of Financial Policy (OFP), under the CFO's direction, provides Departmentwide financial policy and guidance. Among its responsibilities, OFP develops, coordinates, issues, evaluates and reviews VA financial policies, including

those that impact financial systems, and procedures for compliance with all financial laws and regulations.

0105 PROCEDURES

010501 REPORTING REQUIREMENTS.

010501.01 Reporting Entity and Non-Entity Assets. Combine entity and non-entity assets, except for non-entity fiduciary assets, on the face of the balance sheet, as prescribed by OMB Circular A-136.

010501.02 Reporting Intragovernmental Assets.

OMB Circular A-136 and SFFAS No. 1 provide the following as examples of Intragovernmental assets: Fund Balance with Treasury, investments in Treasury securities, accounts and interest receivable from Federal entities and advances and prepayments to Federal entities. Intragovernmental assets are reported by VA to Treasury in its financial statements and its accompanying footnotes. See [Appendix C](#) for an illustration of the form and content reporting requirements for presenting these assets in a balance sheet.

010501.03 Reporting Governmental (Public) Assets.

OMB Circular A-136 and SFFAS No. 1 provide the following as examples of Governmental assets: cash, accounts, loans and interest receivable from non-Federal entities, investments held outside U.S. Treasury, inventories and related properties, general property, plant and equipment and advances and prepayments made to non-Federal entities. Governmental (Public) assets are reported by VA to Treasury in its financial statements and its accompanying footnotes. See [Appendix C](#) for an illustration of the form and content reporting requirements for presenting these assets in the balance sheet.

010501.04 Intragovernmental assets will be reported separately from Governmental (Public) assets. This requirement applies to all of the selected assets addressed in this chapter and SFFAS No. 1. Specifically, SFFAS No. 1 and OMB Circular A-136 provide that:

A. Intragovernmental assets will be reported separately from other assets on the face of the Balance Sheet and accompanying disclosure note.

B. Receivables from Federal entities are Intragovernmental receivables and should be reported separately from receivables from non-Federal entities.

C. Interest receivable from Federal entities will be accounted for and reported separately from interest receivable from the public.

D. Advances and prepayments made to Federal entities are Intragovernmental items and will be accounted for and reported separately from those made to non-Federal entities.

E. Investments of Federal entities in U.S. securities are Intragovernmental investments. Security investments issued by the Treasury or other Federal entities will be accounted for and reported separately from investments in securities issued by non-Federal entities.

010502 DISCLOSING NON-ENTITY ASSETS

For those assets held by VA but not available for use in its operations, VA will present those non-entity assets in accompanying footnote disclosures to its balance sheet, as prescribed by OMB Circular A-136. See Appendix A for an illustration of the form and content footnote disclosure requirement for non-entity assets.

010503 DISCLOSING NON-ENTITY FIDUCIARY ASSETS

A. SFFAS No. 1 prescribes that both entity and non-entity assets under VA custody or management will be reported in VA's financial statements, except for non-entity assets meeting the definition of fiduciary assets, which will not be recognized on the balance sheet, but will be disclosed in accordance with the provisions of SFFAS No. 31, Accounting for Fiduciary Activities.

B. SFFAS No. 31 requires Federal entities to distinguish the information relating to fiduciary activities of the Federal entity from all other activities of that Federal entity. Fiduciary assets will not be recognized on the balance sheet of any Federal entity. The Federal entity is required to include in its own audited financial statements a note disclosure providing the following information about its fiduciary activities:

1. An explanation of the nature of the fiduciary relationship
2. A schedule of fiduciary net assets
3. A schedule of fiduciary activity

This requirement applies even if the Federal entity issues stand-alone audited financial statements for the fiduciary activity. For entities managing several distinct fiduciary activities, disaggregated information is required by activity according to SFFAS No. 31.

010504 SYNCHRONIZING REPORTING AND DISCLOSURE REQUIREMENTS

A. VA Central Office will ensure the proper distinction is made between entity and non-entity assets, as required, in its reports and footnotes to the financial statements.

B. Field stations will properly segregate entity and non-entity assets, standard general ledger accounts, in order to facilitate the tracking of such assets by fund, appropriation,

etc. and allow the station information to be rolled up properly into VA Central Office accounts.

0106 DEFINITIONS

010601 Asset. A tangible or intangible item owned (or held) by the Federal Government which would have probable economic benefits that can be obtained or controlled by a Federal Government entity. An asset has two essential characteristics: (1) it embodies economic benefits or services that can be used in the future and (2) VA controls access to the economic benefits or services and therefore can obtain them or deny or regulate access by other entities.

010602 Cash and Other Monetary Assets. Cash consists of: (1) coins, paper currency and readily negotiable instruments, such as money orders, checks and bank drafts on hand or in transit for deposit; (2) amounts on demand deposit with banks or other financial institutions including non-confirmed collections and disbursements; (3) investments held outside of Treasury; and, (4) foreign currencies which, for accounting purposes, shall be translated into U.S. dollars at the exchange rate on the financial statement date.

010603 Entity. The Government as a whole, or a unit of the Federal Government, such as a department, agency, bureau or program, for which a set of financial statements would be prepared. Entity also encompasses a group of related or unrelated commercial functions, revolving funds, trust funds and/or other accounts for which financial statements will be prepared in accordance with OMB guidance.

010604 Entity Asset. An asset that the reporting agency has authority to use in its operations. The authority to use funds in an entity's operations means that management at that entity has the authority to decide how funds are used, or is legally obligated to use funds to meet entity obligations, e.g., repay loans from Treasury. The fund balance which the entity is authorized to use will be disclosed by fund type in the notes to the financial statement; e.g., trust fund, revolving fund, etc.

010605 Entity Cash. The amount of cash that the reporting entity holds and is authorized by law to spend.

010606 Entity Receivable. An amount that a Federal agency claims for payment from other Federal or non-Federal units/agencies and is authorized by law to include in its obligational authority or to offset its expenditures and liabilities upon collection.

010607 Fiduciary. A Federal entity that holds assets in trust for non-Federal parties in which the non-Federal parties have an ownership interest that the Federal Government must uphold.

010608 Fiduciary Activities. Federal Government activities that relate to the collection or receipt and the subsequent management, protection, accounting, investment and disposition of cash or other assets in which non-Federal individuals or entities (non-Federal parties) have an ownership interest that the Federal Government must uphold. The fiduciary relationship must be based on statutory or other legal authority and the fiduciary activity must be in furtherance of that relationship.

010609 Fiduciary Asset. Assets in which non-Federal parties have an ownership interest and are held by a Federal entity under provision of law, regulation or other fiduciary arrangement.

010610 Fund Balance with Treasury (FBWT). The aggregate amount of funds on deposit with Treasury from a wide range of sources, including trust funds, special funds and revolving funds.

010611 Governmental (Public) Assets. Claims of the Federal Government or an entity within the Federal Government against non-Federal entities.

010612 Intragovernmental Assets. Assets arising from transactions among Federal entities. These assets are claims of one Federal entity against other Federal entities.

010613 Investments. Investments in Federal securities include non-marketable par value Treasury securities, market-based Treasury securities, marketable Treasury securities and securities issued by other Federal entities.

010614 Non-entity Asset. An asset that is held by an agency but is not available for the agency to use in its operations. In some circumstances, an agency may maintain cash or other non-entity assets in a fiduciary capacity for the Treasury other Government agencies or non-Federal units.

010615 Non-entity Cash. Cash that a Federal entity collects and holds on behalf of the Federal Government or other entities. In some circumstances, the entity deposits cash in its accounts in a fiduciary capacity for the Federal Government or other entities.

010616 Non-entity Receivable. An amount that an agency collects on behalf of the Federal Government or other agencies/units and is not authorized to spend. Receivables not available to an agency are non-entity assets and should be disclosed separately from receivables available to the agency. An agency may have receivables that, once collected, can be used as offsets to the agency's budget authority and outlays only when authorized by Congress. Before receiving the authorization, however, those receivables are considered non-entity receivables.

010617 Non-Federal Entities. Domestic and foreign persons and organizations outside the U.S. Government. The term public is also used to denote non-Federal entities.

010618 Other Assets. Assets not reported in a separate category on the face of the balance sheet. Examples of “Other Assets” may include, but are not limited to, advances and pre-payments (see Volume II, Chapter 7C and Volume V, Chapter 10). Advances are cash outlays made by a Federal entity to its employees, contractors, grantees or others to cover a part or all of the recipients' anticipated expenses or as advance payments for the costs of goods and services the entity receives. Pre-payments are payments made by a Federal entity to cover certain periodic expenses before those expenses are incurred. Progress payments on work in process are not to be included in advances and pre-payments.

0107 RESCISSIONS

010701 OFP Policy Volume V Chapter 1, *Intragovernmental vs. Governmental (Public) Assets*, dated August, 2009

010702 OFP Policy Volume V Chapter 2, *Entity vs. Non-Entity Assets*, dated August 2009

0108 QUESTIONS

Questions concerning these financial policies and procedures should be directed as shown below:

VHA	VHA CFO Accounting Policy (10A3A) (Outlook)
VBA	VAVBAWAS/CO/FINREP (Outlook)
All Others	OFP Accounting Policy (Outlook)

0109 REVISIONS

Section	Revision	Office	Date
Overall	Rescinded Volume V, Chapters 1 and 2, merged information into new chapter and retitled Recognition and Accounting for Assets.	APS (047GA)	July 2014
0101	Added definition of assets and referenced other chapters in this volume.	APS (047GA)	July 2014
0101	Updated the title of the appropriation, from General Operating Expenses to General Administration	APS (047GA)	July 2014
0107	Added Rescissions Section	APS (047GA)	July 2014

Section	Revision	Office	Date
0109	Added Revision Section	APS (047GA)	July 2014
Appendices	Merged Appendices for both chapters	APS (047GA)	July 2014

APPENDIX A: ILLUSTRATION FOR ENTITY AND NON-ENTITY ASSETS (Extracted from OMB Circular A-136, Financial Reporting Requirements)

Note 2. Non-entity Assets¹	2xxx (CY)	2xxx (PY)
Intragovernmental:		
Fund Balance with Treasury	\$ xxx	\$ xxx
Investments	xxx	xxx
Accounts receivable	xxx	xxx
Loans receivable	xxx	xxx
Other	<u>xxx</u>	<u>xxx</u>
Total intragovernmental	\$ x,xxx	\$ x,xxx
Cash and other monetary assets	xxx	xxx
Accounts receivable	xxx	xxx
Taxes receivable	xxx	xxx
Loans receivable & related foreclosed property	xxx	xxx
Inventory and related property	xxx	xxx
Other	<u>xxx</u>	<u>xxx</u>
Total non-entity assets	\$ x,xxx	\$ x,xxx
Total entity assets	<u>x,xxx</u>	<u>x,xxx</u>
Total Assets	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>
Note 3. Fund Balance with Treasury		
A. Fund Balance	2xxx (CY)	2xxx (PY)
Trust Funds	\$ xxx	\$ xxx
Special Funds	xxx	xxx
Revolving Funds	xxx	xxx
General Funds	xxx	xxx
Other Fund Types	<u>xxx</u>	<u>xxx</u>
Total	\$ xxx	\$ xxx
B. Status of Fund Balance with Treasury	2xxx (CY)	2xxx (PY)
Unobligated Balance		
Available	\$ xxx	\$ xxx
Unavailable	xxx	xxx
Obligated Balance not yet Disbursed	xxx	xxx
Non-Budgetary FBWT	<u>xxx</u>	<u>xxx</u>
Total	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>
C. Other Information		

¹Disclose intragovernmental non-entity assets separately from other non-entity assets. Also, provide other information needed to understand the nature of non-entity assets.

APPENDIX B: ILLUSTRATION FOR ENTITY AND NON-ENTITY ASSETS
 (Extracted² from VA's Performance and Accountability Report)

Note 2. Non-Entity Assets

Entity and Non-entity Assets have been combined on the balance sheet. Non-entity assets relate primarily to patient funds.

Non-entity Assets as of September 30	2xxx (CY)	2xxx (PY)
Fund Balance with Treasury	\$ xxx	\$ xxx
Intragovernmental Accounts Receivable	xxx	xxx
Public Accounts Receivable	<u>xxx</u>	<u>xxx</u>
Total Non-entity Assets	<u>\$ x,xxx</u>	<u>\$ x,xxx</u>

Note 3. Fund Balance with Treasury

Fund Balance with Treasury as of September 30	2xxx (CY)	2xxx (PY)
Entity Assets		
Trust Funds	\$ xxx	\$ xxx
Revolving Funds	xxx	xxx
Appropriated Funds	xxx	xxx
Special Funds	xxx	xxx
Other Fund Types	<u>xxx</u>	<u>xxx</u>
Total Entity Assets	<u>\$ x,xxx</u>	<u>\$ x,xxx</u>
Non-entity Assets		
Other Fund Types	xxx	xxx
Total Non-entity Assets	<u>\$ xxx</u>	<u>\$ xxx</u>
Total Entity and Non-Entity Assets	<u>\$ x,xxx</u>	<u>\$ x,xxx</u>
Status of Fund Balance with Treasury		
Unobligated Balance		
Available	\$ xxx	\$ xxx
Unavailable	xxx	xxx
Obligated Balance not yet Disbursed	xxx	xxx
Deposit/Clearing Account Balances	<u>xxx</u>	<u>xxx</u>
Fund Balance With Treasury	<u>\$ x,xxx</u>	<u>\$ x,xxx</u>

² Slightly modified to allow for a comparison with the OMB A-123 illustrations in Appendix A

APPENDIX C: ILLUSTRATIVE BALANCE SHEET – ASSETS

Department/Agency/Reporting entity BALANCE SHEET As of September 30, 2xxx (CY) and 2xxx (PY) (in dollars/thousands/millions)		
	2xxx (CY)	2xxx (PY)
Assets (Note 2):		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	\$ xxx	\$ xxx
Investments (Note 5)	xxx	xxx
Accounts Receivable, Net (Note 6)	xxx	xxx
Loans Receivable (Note 7)	xxx	xxx
Other Assets (Note 12) ³	<u>xxx</u>	<u>xxx</u>
Total Intragovernmental Assets	xxx	xxx
Governmental (Public):		
Cash and Other Monetary Assets (Note 4)	xxx	xxx
Investments (Note 5)	xxx	xxx
Accounts Receivable, Net (Note 6)	xxx	xxx
Loans Receivable, Net (Note 7) ⁴	xxx	xxx
Inventories and Related Property, Net (Note 8) ⁵	xxx	xxx
General Property, Plant & Equipment, Net (Note 9) ⁶	xxx	xxx
Other Assets (Note 12)	<u>xxx</u>	<u>xxx</u>
Total Governmental (Public) Assets	xxx	xxx
Total Assets	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>
Stewardship PP&E (Note 10) ⁷		
The accompanying notes are an integral part of these statements. ⁸		

³Other Assets may include, but are not limited to, advances and prepayments.

⁴Report interest receivable as a component of the appropriate asset accounts: loans receivable; accounts receivable and/or investments.

⁵This account includes inventory, operating materials and supplies and stockpile materials.

⁶This account includes building and structures, furniture and fixtures, equipment, vehicles, internal use software and land.

⁷Stewardship PP&E consists of Heritage Assets and Stewardship land.

⁸Refer to OMB Circular A-136 for description of notes' contents.