

VA Financial Policies and Procedures
Various Appropriations Law Related Topics

CHAPTER 7

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0701 OVERVIEW

Congress enacts laws and appropriates funds to implement them, while the Executive Branch carries out the laws, using Congressionally-approved funds. When funds are appropriated, the amount determines the authorized program spending level of each department, agency or program of the Government. Each year, Congress is required to pass these spending bills to ensure the operation of Government. If Congress fails to pass such a bill, or the President fails to sign it into law, non-essential functions of the Government will cease because, by law, no one has authority to spend money. In order to prevent the interruption of Government services, Congress will often pass a continuing resolution, which authorizes Government agencies to use a level of funding until either the resolution expires, or an appropriation bill has passed. A continuing resolution must be passed by both houses of Congress and signed into law by the President.

Besides appropriation acts, there are other statutory and related topics that relate to appropriations, as well as other aspects of financial management. These other topics involve acts that also place requirements on agencies of the Government and are discussed below.

A. The Budget and Accounting Procedures Act of 1950, as amended ([31 U.S.C. 3511-3513](#)), provides Congressional policy on the purposes and need for adequate accounting systems and financial reporting. This Act establishes the responsibilities of each executive agency, the Government Accountability Office (GAO), the Office of Management and Budget (OMB) and the Treasury Department (Treasury) for the implementation of these policies. Section 3512(b) provides for:

1. The maintenance of accounts on an accrual basis to show resources, liabilities and costs of operation to facilitate the preparation of cost-based budgets.
2. The use of cost-based budgets and consistency in accounting and budget classifications and the synchronization of such classifications with organization structure.
3. The imposition of the requirement that the accounting system includes adequate monetary property accounting records.

B. The Antideficiency Act ([31 U.S.C. 1341-1342](#), [1349-1351](#), [1514](#) and [1517-1519](#)) provides that obligations shall not exceed amounts appropriated or apportioned or amounts allotted for administrative control. The Act makes individual officers and employees personally responsible for the authorizing or creating of any obligation or the authorizing or making of any expenditure in excess of available funds.

C. Section 1311, Supplemental Appropriation Act of 1955 ([31 U.S.C. 1501](#)), sets forth the criteria that govern the recording and reporting of financial transactions as obligations.

D. Section 3678 of the Revised Statutes ([31 U.S.C. 1301a](#)) states that, except as otherwise provided by law, sums appropriated shall be applied solely to the objects for which they are made and for no others. The objective of this statute, also known as the “purpose statute” is to assure that the agency carries out its programs in accordance with the purposes and intent of Congress.

E. [Sections 1551-1557](#) of Title 31, Appropriation Accounting, provides for the system of payment of obligated balances of expired appropriations and for the withdrawal and restriction of unobligated balances.

F. The Federal Property and Administrative Services Act of 1949 requires agencies to maintain adequate inventory controls and accountability systems for property under its control.

G. [Section 1534](#) of Title 31, Appropriation Accounting, authorizes the charging of any appropriation available to an agency for the benefit of any other appropriation of the same agency for the procurement of materials and services, for which funds are available in both appropriations and subject to limitations applicable to the appropriations, with the provision that appropriate adjustment or reimbursement be made between the financing and benefiting appropriations during or as of the close of each fiscal year.

H. Federal Claims Collection Act of 1966, ([31 U.S.C. 3711](#)), increases the authority of an agency to settle claims for amounts owed to the Government by reason of the activities of such agency.

I. Congressional Budget and Impoundment Control Act of 1974, ([31 U.S.C. 1102](#)), requires that the fiscal year begin October 1 and end September 30.

J. Budget and Accounting Act of 1921, as amended ([31 U.S.C. 1104](#)), requires the President to prepare budgets of the United States, propose deficiency and supplemental appropriations, and use uniform terms in stating the purposes and conditions of appropriations, along with various other requirements.

K. The Federal Acquisition Regulation (FAR) prescribes the policies and procedures applicable to interagency acquisitions under the Economy Act ([31 U.S.C. 1535](#))¹, which provides the authority for placement of orders between major organizational units within an agency, as well as between Federal agencies. The Act authorizes the head of an

¹The Act does not apply to acquisitions from required or optional sources of supplies, which have separate statutory authority (e.g., Federal Supply Schedule contracts) or acquisitions using Government-wide acquisitions contracts.

agency or major organizational unit within an agency to place an order with a major organizational unit within the same agency or another Federal agency for goods or services provided that:

1. The ordering agency has enough money to pay for the order.
2. The head of the ordering agency or unit decides the order is in the best interest of the United States Government.
3. The agency or unit filling the order is able to provide or acquire by contract the ordered goods or services.
4. The head of the ordering agency decides that the ordered goods or services would be more economical from these sources than procured from a commercial enterprise.
5. Transactions authorized by the Act are limited by the statutory requirement that the amount obligated by the ordering appropriation is required to be de-obligated to the extent that the agency or unit filling the order has not incurred obligations before the end of the period of availability of the ordering appropriation.

L. Central Agency Regulations, including those issued by GAO, OMB and Treasury, provide agencies with guidance on matters of budgeting, accounting and financial reporting. Such guidance can take the form of legal decisions, circulars, bulletins, manuals and other forms.

M. VA may use a revolving fund when a law that establishes the revolving fund authorizes VA to credit payments to the fund that performs the work. Revolving funds operate on a reimbursable basis when working capital (undisbursed cash) is available. The Economy Act authorizes Federal agencies to perform work or furnish materials to each other on a reimbursable basis. The performing agency will incur obligations or expenditures for another agency, after a reimbursable agreement has been executed and before payment has been received.

0702 POLICIES

General

070201 VA will implement fund control measures to ensure that (1) funds are used only for authorized purposes, (2) funds are economically and efficiently used, (3) obligations or expenditures do not exceed the amounts authorized and (4) the obligation or expenditure of amounts authorized is not reserved or otherwise deferred without Congressional knowledge and approval.

070202 VA will implement effective accounting and reporting in order to provide information for use in controlling obligations and expenditures, preventing the over-

obligation of and assisting in the economical and efficient distribution and use of, apportionments, reapportionments and allotments.

A. Appropriate control records should be maintained for each statutory and agency limitation established and for estimated reimbursements to appropriations or funds, including amounts estimated, orders received to date and amounts earned and collected to date.

B. Reviews of estimated reimbursements should be made monthly and compared with actual realizations and future plans and the related accounts adjusted.

070203 VA will establish administrative controls designed to restrict obligations or expenditures of each fund or appropriation to the amount of apportionments or reapportionments.

070204 VA will exercise accounting control for apportionments, reapportionments and allotments at the agency level.

070205 VA will implement procedures to safeguard against any over-obligation of funds.

Supplemental Appropriations

070206 VA will consider supplemental appropriation requirements for apportionment on a deficiency basis under the following circumstances:

A. When laws have been enacted, subsequent to the transmittal to Congress of the budget estimate for the authority involved, that require expenditures beyond administrative control.

B. Under circumstances involving emergencies that may affect the safety of human life, the protection of property, or the immediate welfare of individuals, where an appropriation has already been made to enable the United States to make payment of or contributions toward specific sums required to be paid to individuals whether fixed by law or calculated by some formula, also prescribed in law.

C. To permit payment of such pay increases as may be granted those employees (commonly known as wage board employees) whose compensation is fixed and adjusted from time to time in accordance with prevailing wage rates.

D. In addition, other laws may be enacted that authorize apportionments that anticipate the need for supplemental estimates of appropriations (e.g., a continuing resolution that authorized deficiency apportionments necessitated by civilian and/or military pay increases).

070207 VA may request a supplemental appropriation, but available funds may not be used in anticipation of the supplemental.

070208 VA will not submit to OMB any supplemental appropriation request, under any of the circumstances set forth above, until it has first been determined what part, if any, of the additional requirements can be funded within available appropriated amounts.

Non-expenditure Transfers between Appropriations and Funds

070209 VA will only make non-expenditure transfers² between appropriations and funds, when specifically authorized by law and approved by OMB in an apportionment. A non-expenditure transfer involves the movement of budgetary resources from one budget account, appropriation or fund to another that does not involve an outlay. Within VA's appropriations, sub-funds exist and transfers within these sub-funds do not require OMB approval.

Expenditure Transfers [Note: Refer to Volume I, Chapter 9A, Expenditure Transfers, Adjustments to Expenditures and Reimbursable Agreements]

070210 VA will record a transaction as an expenditure transfer only after an obligation and expenditure have been incurred by one organization on behalf of another organization.

070211 VA will record a transaction as an expenditure transfer between VA appropriations, only if a law specifically mandates that a payment be made by one appropriation on behalf of another.

070212 VA will record a transaction as an expenditure transfer, if the transfer purchases goods or services that benefit the transferring account (for example, Economy Act transactions or purchases from revolving funds, including working capital funds, such as a rental payment to GSA's Federal Buildings Fund).

070213 VA will record a transaction as an expenditure transfer if the transfer of budgetary resources from one account to another shifts the budgetary resources between Federal funds (general, special and revolving fund accounts) and trust funds (trust fund and trust revolving fund accounts), regardless of the purpose.

070214 VA will record expenditure transfers only after an obligation and expenditure have been incurred by one organization on behalf of the other organization.

²A transfer usually involves the shifting of budgetary resources between two Treasury accounts. However, the shifting of budgetary resources within a single Treasury account should be considered a transfer if the action moves budgetary resources between separate statutory appropriations.

Adjustments to Expenditures [Note: Refer to Volume I, Chapter 9A, Expenditure Transfers, Adjustments to Expenditures and Reimbursable Agreements]

070215 VA will record adjustments to expenditures only after an obligation and expenditure have been incurred by one organization on behalf of another organization.

070216 VA will record adjustments to expenditures to temporarily charge one VA appropriation for an expenditure benefiting another VA appropriation, as long as amounts are available in both appropriations and the accounts are adjusted to reimburse the appropriation initially charged during or as of the close of the fiscal year.

070217 VA will record adjustments to expenditures when refunding one VA appropriation for costs that were initially charged to it for the full cost of some acquisition which jointly benefits several VA organizations (e.g., procurement involving volume discounts).

070218 VA will record adjustments to expenditures by transferring expenditures from one VA organization to another (e.g., one of the organizations gives an award to a VA employee who works in another VA organization and the employing organization has already obligated and expended the award to its employee).

070219 VA will record adjustments to expenditures when transferring costs associated with an employee's activity (e.g., travel) from one organization completed on behalf of another organization, if the costs have already been obligated and expended by the employing organization. It is preferable, though, to have the sponsoring office initially obligate and expend the funds.

070720 VA will record adjustments to expenditures when correcting errors made relating to payroll accounting when employees transfer between offices, particularly those instances when organizations are funded by different appropriations.

Obligating Funds to Specific Cost Centers or Budget Object Codes

070221 When VA makes funding transfers within the same appropriation, funds will be obligated under the organizations' Administrative Office (AO) code, using the cost center, budget object code (BOC) or the accounting classification code (ACC) set up for the specific project/program being funded. The organization managing the project/program will expend funds against the obligations established by those organizations transferring the funds.

Reprogramming of Funds

070222 VA will operate with an operating budget plan that must remain flexible to meet unanticipated requirements.

070223 VA will notify the appropriate Congressional officials, when required, and whenever a certain level of reprogramming becomes necessary. In addition, Congress should be notified of any other reprogramming action, if such action would have the effect of committing the agency to significant funding requirements in future years. Also, prior clearance with OMB must be arranged on all matters involving OMB policy guidance.

070224 VA will generally reprogram funds at the Central Office level only. Major programming proposals which represent significant changes from the budget or appropriated amount must be cleared through VA's Director, Office of Budget.

Appropriation Refunds

070225 VA will credit appropriation refunds to the appropriation originally charged and accounted for as reductions of expenditures (e.g., collections for advanced sick and advanced annual leave will be treated as an appropriation refund and applied to the appropriation originally charged).

Appropriation Reimbursements

070226 VA will credit appropriation reimbursements directly to the appropriations and not treat them as a correction or adjustment of previously recorded expenditures. Stations must be in a position to justify the handling of a collection as an appropriation reimbursement if called upon in connection with an audit by the Government Accountability Office (GAO), the Inspector General or any other external auditor.

Expired Appropriations

070227 Appropriation under which no new obligation can be accepted, but which is still available for recording, adjusting and liquidating obligations properly chargeable to that account. The following situations permit VA to obligate and expend expired funds:

A. Upward Adjustment – modifications to existing obligations may be paid from prior-year funds in an expired appropriation only when the adjustment or contract change is determined to be within the scope of the original contract or pursuant to a provision in the original contract. Upward adjustments of obligations reduce unobligated balances. Refer to OMB Circular A-11, Section 130.10, for additional guidance on treating these types of adjustments in the SF 133, Report on Budget Execution and Budgetary Resources.

B. Unrecorded Obligations – invoices due and payable by VA that were never booked as obligations or inadvertently deobligated in the accounting system, but the supporting documentation clearly shows that a legitimate obligation was incurred during the original period of availability of the appropriation.

C. Corrective Redistributions and Adjustments to Expenditures – when legitimate charges are either incorrectly coded or can feasibly be moved to a different funding source, or if the final amount of the product purchased or completed service is adjusted, necessary accounting actions should be implemented to reflect the true costs or charge of the product or service.

070228 VA will not use unobligated balances in expired accounts to satisfy an obligation properly chargeable to current appropriations (50 Comp. Gen. 863) or to any other expired account.

070229 VA can adjust their expired accounts to more accurately reflect obligations and liabilities actually incurred during the period of availability (63 Comp. Gen 525, 528). However, arbitrary deobligation in reliance upon the authority to make subsequent adjustments is not consistent with the statutory purpose (B-179708, July 10, 1975).

Apportionments and Reapportionments

070230 VA will ensure that apportionment and reapportionment requests are aligned with the strategic direction of the agency, all operational budget plans and overall program objectives. All available funds will be apportioned, unless a decision is made to rescind or defer some budget authority or part of a revolving fund not required for current year operations. The necessity for a reasonable allowance for contingencies shall be recognized in developing and requesting apportionments and reapportionments.

070231 VA will provide supporting data and other special requirements needed in the preparation of the SF 132, Apportionment and Reapportionment Schedule, including appropriate explanation and justification for: (1) changes resulting from reprogramming decisions requiring advance approval of Appropriation Committees, (2) amounts and purpose of anticipated reimbursements, (3) transfers-in or -out and purpose and (4) anticipating the need for a supplemental appropriation.

Management, Revolving and Trust Funds

070232 Management, revolving and trust funds, which are apportioned, will be subject to the same procedures and controls used for administrative appropriation and fund accounting. OMB may grant exemptions from apportionment for certain trust funds and management funds from apportionment (see [OMB Circular A-11, Appendix H, page 3](#)). In its fund control regulations, submitted to OMB, VA must discuss its administrative control of funds policies that specifically apply to its management, revolving and trust funds, including those that are exempt from apportionment. For the latter, VA must describe the procedures used to control these exempt funds.

Rescissions and Deferrals

070233 VA will prepare the necessary reports, with the assistance of the concerned department head or staff office director for each requested rescission or deferral. The Congressional intent, in providing the original budget authority, must be considered when determining the need for a reportable action to OMB. When the action, or inaction, is inconsistent with that intent, it will be reported to OMB and reflected in the apportionment process according to OMB Circular A-11 and other OMB guidance.

070234 VA will process deferral actions when available budgetary resources are withheld from the apportionment temporarily, with the intent of using them later before they lapse.

Deficiency Apportionments

070235 VA will request deficiency apportionments only when a need for supplemental funds results from legislation or other uncontrollable causes.

Allotments

070236 VA will make allotments to each department and certain staff offices³, while allowances will be made to other staff offices. These allotments and allowances will be made by the Director, Office of Budget.

070237 VA will support its allotments with operating budget plans, approved by the Secretary of Veterans Affairs and allotments will be maintained within apportionment, reapportionment or other restrictions on funds available. The necessity for a reasonable allowance for contingencies shall be recognized in developing operating budget plans.

070238 VA will follow as broad an allotment pattern as permitted by sound budgetary control practices in allotting available funds and allotments are to be made for the purpose of fund control and not for the purpose of reporting costs.

070239 VA will issue allotments immediately after receipt of approved apportionments, control them at the highest practical level and issue them normally on a quarterly basis.

070240 Whenever amounts are allotted for time periods less than a fiscal year, VA will carry forward unobligated balances at the end of the period for obligation in subsequent periods within the current fiscal year without reallocation, unless otherwise specified on the allotment document.

³Office of Construction & Facilities Management, General Counsel, Office of Inspector General and the Office of Data Management and Telecommunications are to be treated as operating departments.

Allowances

070241 Allowances will be made to each field facility by the department [head] or staff office [director] having jurisdiction and to the Director, Management and Financial Reports Service, for the operations of Central Office elements. Below the allowance level is an established cost ceiling, issued by facility directors to control point officials, intended to show the expenditure pattern or operating budget they will be expected to follow in light of the programs and activities contemplated by the overall facility budget or plan of expenditures. This cost ceiling is, however, not an authorization to incur obligations.

070242 Allowances shall be based upon annual plans, when practical, developed prior to the beginning of each fiscal year, maintained on as current a basis as possible throughout the year, maintained within allotted amounts and not made in excess of reasonable and justified requirements regardless of allotted amounts.

070243 Allowances are made for the purpose of management control and not for the purpose of controlling or reporting costs, and funds are to be made available using as broad an allowance pattern as permitted by sound budgetary control practices.

070244 Allowances will normally be issued quarterly; however, whenever amounts are issued for time periods of less than a fiscal year, unobligated balances at the end of the period will be carried forward for obligation in subsequent periods within the current fiscal year, unless otherwise specified on the allowance document. When amounts remain available beyond the end of a fiscal year, a new allowance is required for the new fiscal year, except in the cases of no-year and unexpired multiyear appropriations and funds.

070245 Allowances are guidelines in the nature of an operating budget and may be exceeded by very nominal amounts without obtaining a revision. In all cases where a material deviation is contemplated, either by way of an increase or decrease, the recipient must promptly report the facts to the issuer, and if an increase is involved, no action shall be taken until a revision of the allowance has been approved.

0703 AUTHORITY AND REFERENCES

070301 [31 U.S.C. 1301\(a\), Application](#)

070302 [31 U.S.C. 1341\(a\), Limitations on Expending and Obligating Amounts](#)

070303 [31 U.S.C. 1501, Documentary Evidence Requirement for Government Obligations](#)

070304 [31 U.S.C. 1535, Economy Act](#)

070305 [31 U.S.C. 1551-1557, Expired Funds Control Act of 1990](#)

- 070306 [31 U.S.C. 3302\(b\), “Miscellaneous Receipts” Statute; Custodians of Money](#)
- 070307 [Chief Financial Officers Act of 1990](#)
- 070308 [Consolidated Appropriations Act of 2004 \(Public Law 108-199\)](#)
- 070309 [Office of Management and Budget \(OMB\) Circular A-11, Preparation, Submission and Execution of the Budget](#)
- 070310 [Principles of Federal Appropriations Law Volume I, pages 1-12 and 1-49](#)
- 070311 [Principles of Federal Appropriations Law Volume II, page 6-4](#)
- 070312 [Principles of Federal Appropriations Law, Volume II, page 6-162, Chapter 6.E.1](#)
- 070313 [Treasury Financial Manual, Part 2, Chapter 2000, Warrant and Non-expenditure Transfer \(net\) Transactions](#)
- 070314 [Treasury Financial Manual, Part 2, Chapter 2500, Expenditure Transactions between Appropriation, Fund and Receipt Accounts](#)
- 070315 [U.S. Government Standard General Ledger, Supplement No. S2 Treasury Financial Manual, S2 08-03, Part 1—Fiscal 2008 Reporting, dated August 2008_](#)
- 070316 [OMB Bulletin 09-02, Budget Execution of the American Recovery and Reinvestment Act of 2009 Appropriations, dated February 25, 2009](#)

0704 ROLES AND RESPONSIBILITIES

070401 The Secretary of Veterans Affairs is ultimately responsible for exercising administrative control over incurring obligations and making expenditures within appropriations and of apportionments or reappropriations of such appropriations or funds. However, these primary responsibilities have been delegated to the VA officials below.

070402 The Assistant Secretary for Management/Chief Financial Officer (CFO), as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309, oversees all financial management activities relating to the Department’s programs and operations. 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.

070403 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chief Accountants and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

All Administration Heads who receive allotments are responsible for:

- A. Controlling obligations by issuing allowances to facility directors under their control for those appropriations and funds which are allotted by the Office of Budget.
- B. Releasing for obligation reimbursements and other income, if the amount allotted for use during the current period for any appropriation or fund includes estimated reimbursements or other anticipated receipts.
- C. Maintaining constant and careful oversight to insure that these reimbursements and other income are earned, received and credited, as planned, so that appropriate funding adjustments can be implemented as necessary; assuring the realization of these reimbursements and other income.
- D. Maintaining such accounts and records as are necessary to carry out their responsibilities in administering allotments.
- E. Maintaining such balances and making such adjustments as are deemed necessary by them to achieve program objectives within allotments and available funds.
- F. Ensuring that allowances do not exceed allotments and that total obligations do not exceed allotments.
- G. Ensuring that quarterly allowances are issued on a timely basis (no later than the first day of the applicable quarter).
- H. Controlling their operations, within allowances issued by VA's Office of Budget, and those staff offices funded by the General Operating Expenses Appropriation whose activities are Central Office related only.

070404 Director, Office of Budget, issues allotments to appropriate VA officials and is responsible for assuring that the monies allotted do not exceed the monies apportioned or reapportioned by OMB. The primary responsibilities of the Director, Office of Budget, in the area of administrative control, based on operating budget plans approved by the Secretary, are:

- A. Preparing information, usually furnished by department heads and staff office directors, as required for the apportionment or reapportionment of appropriations and funds, for submission to OMB.
- B. Allotting available appropriations and funds to department heads and staff office directors in amounts, consistent with legal and administrative requirements, which will

insure maximum economical utilization of these resources in accomplishing agency program objectives.

C. Allotting reimbursements and other income, if the amount apportioned for use through the current period for any appropriation or fund includes estimated reimbursements or other anticipated receipts. These reimbursements and other income will not be allotted unless there is reasonable assurance (written certification when deemed necessary) from the responsible operating officials that such reimbursements and other income will be collected.

D. Controlling funding and making adjustments to allotments, as deemed necessary, as a result of reapportionment action by OMB; or for other reasons to maintain effective control within available apportionments of appropriations and funds.

E. Establishing and maintaining such accounts and records as are necessary to carry out the responsibilities of administering apportionments and reapportionments.

F. Issuing one allotment to the Office of Budget itself, for all staff offices funded by the General Operating Expenses Appropriation, whose activities are Central Office related only and providing allowances for each of those particular staff offices.

070405 Facility Directors. Once allowances have been given to the facility directors, where appropriate, these directors will assign cost ceilings to their various operating officials and are responsible for the following:

A. Establishing local controls necessary to ensure that obligations are controlled in accordance with the allowance received.

B. Determining the appropriate distribution of resources among the activities within their sphere of management responsibility.

C. Developing sufficient managerial controls so they are able to definitively fix responsibility within their organization to an individual in the event their allowance is exceeded.

D. Reporting any violations of these regulations to the Office of Budget through the appropriate fund distribution channel.

070406 Fiscal/Finance Officers are responsible for:

A. Determining the availability of funds, recording and liquidating obligations and reporting the status of obligations and fund balances.

B. Providing advice on any obligation that may be a possible violation of the Antideficiency Act.

C. Advising on any case where an officer or employee has authorized or created an obligation or made an expenditure in excess of an allowance.

070407 Control Point Officials are the primary point of contact on matters pertaining to resources management within their specific functions and are responsible for:

A. Establishing a control system within their department designed to preclude cost ceiling deficiencies.

B. Operating their service within the cost ceilings assigned.

C. Maintaining adequate fund control records which will reflect uncommitted and/or unobligated balances at all times.

D. Reconciling fund balances with reports supplied by the fiscal or finance officer.

E. Providing the fiscal or finance officer or other designee with information regarding trends, needs and other data required in their service for formulation of the facility's budget.

070408 Allowance Recipients are responsible for ensuring that the rate of obligations will be controlled in such a manner as to prevent the exhaustion of the allowance prior to expiration of the allowance period.

0705 PROCEDURES

Supplemental Appropriations

070501 Supplemental appropriation estimates will be developed by the head of the department or staff office for which the need arises.

A. Estimates and supporting justification developed by the department or staff office head will be transmitted to the Director, Office of Budget, for review. Such submission on the part of the department head or staff office director implies the needs cannot be funded within amounts presently available. If the supplemental requires a deficiency apportionment, the department head or staff office director will identify the specific authority for such deficiency apportionment.

B. Upon completion of the review by the Budget staff, the Director, Office of Budget, will recommend, through the CFO, the action to be taken.

C. Upon the CFO's decision that a request must be made for supplemental funds, the Director, Office of Budget, will be responsible for preparing the estimate for submission to OMB in the manner and format prescribed in applicable regulations and directives issued by OMB.

Non-expenditure Transfers Between Appropriations and Funds⁴

070502 If required, the organizational element needing the funds will initiate the action by submitting an appropriate request to the Director, Office of Budget, who is responsible for preparing the necessary documentation for OMB and Treasury to effect the transfer. The Director, Office of Budget, will process the non-expenditure transfers through Treasury's Government-wide Accounting System Authority Transfer Module.

070503 In recording non-expenditure transfers in the budget, do not record an obligation or an outlay or an offsetting collection or offsetting receipt. Record non-expenditure transfers as a decrease either in budget authority or unobligated balances in the transferring account and as an increase either in budgetary authority or unobligated balances in the gaining account.

070504 Whether you record the reduction and increase as a change in budget authority or as unobligated balances depends on the circumstances.

A. If you transfer unobligated balances and the transfer results from a transfer specified in law that changes the purpose for which the funds will be used, record a decrease in budget authority in the transferring account and an increase in the budget authority in the gaining account.

B. If you transfer unobligated balances and the transfer results from general transfer authority or corresponds to a transfer of an activity such that the purpose does not change, record a decrease in unobligated balances in the transferring account and an increase in the unobligated balances in the gaining account.

C. If you transfer budget authority in the year it becomes available, regardless of the purpose, record a decrease in budget authority in the transferring account and an increase in the budget authority in the gaining account.

070505 The following information must be documented relative to the non-expenditure transfer between the transferring account and the gaining account:

- A. Identity of the transferring office.
- B. Account from which funds are to be transferred and the gaining account.
- C. Amount of the transfer in dollars.
- D. Statutory references for the transfer authority.
- E. Reference to any OMB approval, if applicable.

⁴Refer to Treasury Guidance on accounting for non-expenditure transfers – Paragraph 070313.

F. Statement of whether the action is an appropriation transfer, a reappropriation or obligated or unobligated transfer.

G. Statement as to the applicable lines where the transfer amounts will be reflected on the Apportionment and Reapportionment Schedule (SF 132).

H. Statement as to the applicable lines where the transfer amounts will be reflected on the Report on Budget Execution (SF 133).

I. Identify the designated official responsible for the issuance of the SF 1151.

J. Statement as to whether VA's Office of Budget will make formal notification to Congress of the amount transferred, if required by law.

Expenditure Transfers⁵ [Note: Refer to Volume I, Chapter 9A, Expenditure Transfers, Adjustments to Expenditures and Reimbursable Agreements]

070506 If VA orders goods or services from another agency, any reimbursements to be credited the servicing appropriation shall not exceed the costs incurred, unless there is legal authority to do so. Lacking such authority, any deposit of excess costs incurred would constitute an unauthorized augmentation of an appropriation. Transactions authorized by the Economy Act are limited by the statutory requirement that the amount obligated by the ordering appropriation is required to be deobligated to the extent that the agency or unit filling the order has not incurred obligations before the end of the period of the ordering appropriation.

070507 If VA orders goods or services from another agency, payments are made through IPAC, either in advance or after the work is completed. However, advances and reimbursements made to VA from another Federal agency appropriation, are available for obligation by VA, when the requesting agency records a valid obligation to cover the order. The actual payment and collection may be recorded in incremental amounts during the fiscal year. The Economy Act states that VA shall charge the requesting agency "on the basis of the actual cost of goods or services provided," as agreed to by the agencies.

070508 VA will record expenditure transfers as a direct disbursement against an established obligation when it orders goods or services from another agency. The servicing agency will record the outlay as an offsetting collection or offsetting receipt. Some laws override the requirement to first deposit collections in receipt accounts. These collections are credited directly to expenditure accounts, where the collections are generally available for obligation and outlay without further action by Congress. When doing work under the Economy Act and one account reimburses another account

⁵Refer to Treasury Guidance on accounting for expenditure transactions – Paragraph 070314.

for this work, the Act authorizes the collections to be credited directly to the expenditures account that provided the goods or services.

070509 VA will record the full amount of the authorized expenditure transfer as an obligation at the beginning of the fiscal year, based on a continuing resolution or upon enactment of VA's appropriations; whereas the servicing agency will record the full amount of the authorized reimbursement for offsetting collections as an accounts receivable. The actual payment and collection may be recorded in incremental amounts during the fiscal year.

Adjustments of Expenditures

070511 When one VA organization procures goods or services that may involve volume discounts and the purchase benefits more than one organization funded through different appropriations, the initial full cost may be billed a single appropriation, but later apportioned among the various appropriations benefiting from the acquisition. VA will process an expenditure transfer adjustment to transfer the cost from the original appropriation to all affected appropriations that benefited from the volume discount transaction.

Reprogramming of Funds

070512 The operating budget is subject to revision during the operating year when changes in concepts and policies or entirely new developments require a shift of emphasis in VA activities. Such changes, as may be required in financing arrangements in order to meet new procurements, new services or new operations, must be accomplished within the total of the applicable appropriation or apportionment or reappportionment made available to VA.

070513 Changes resulting from reprogramming decisions may require the advance approval of Congressional Appropriation Committees, if language is provided in any Congressional reports, bills or other communication with VA. Currently, VA must notify Congress when construction project costs will exceed approved projects costs by greater than 10 percent, but this does not necessarily mean there was reprogramming of funds. If there is a need of reprogramming, the notification would cover that situation as well.

070514 The department heads and staff office directors have authority to make those reprogramming adjustments within their available funds that do not represent a significant departure from the spending program approved in the President's Budget for the year or the appropriated level as applicable.

Appropriation Refunds

070515 Collection documents representing refunds to appropriations should contain, whenever possible, a reference to the voucher or contract being adjusted and also the symbol of the disbursing officer under whom the original payment was made.

A. Refunds of collections deposited in error as appropriation refunds will be processed for payment after entry to the general ledger and allotment accounts where appropriate.

B. Monies erroneously deposited into the Treasury as "Miscellaneous General Fund Receipts," which are determined to be refundable to the depositor, will be disbursed from Treasury Account 20X1807, "Refund of Monies Erroneously Received and Covered" appropriation account.

C. Appropriation repayments or other payments which cannot be properly classified as refunds must be deposited as miscellaneous receipts in accordance with the general rule with respect to collections contained in 31 U.S.C. 3302(b).

Appropriation Reimbursements

070516 VA will treat the following transactions as appropriation reimbursements:

A. Collections covering payments for hospitalization and medical services rendered to individuals other than those entitled to service under the laws bestowing such benefits to Veterans. These will be treated as General Fund Receipts. These collections will be deposited to the credit of the appropriation available at the time the services were rendered (authority-appropriation act current at time services were rendered).

B. Collections from the VA Canteen Service for services furnished by VA field facilities (authority-sec. 601 of the Economy Act (31 U.S.C. 1536)).

C. Collections for services and non-Supply Fund property furnished to other Government agencies under provisions of section 601 of the Economy Act (31 U.S.C. 1536). When it is determined that replacement of materials, supplies or equipment sold is not necessary, proceeds are proper for deposit as "Miscellaneous Receipts."

D. Collections covering payments to the Medical Care appropriation for physical examinations conducted under the employee health maintenance program. These reimbursements will be computed and processed in Central Office.

E. Collections received for an employee's travel expenses under the authority provided in 38 U.S.C. 4113, should be deposited as an appropriate reimbursement to the appropriation from which the employee's expenses were paid.

F. Collections received for quarters and facilities: rental rates for quarters provided an employee or occupied on a rental basis by an employee under any other provision of this statute and the charges for facilities made available in connection with the occupancy of the quarters, will be based on the reasonable value of the quarters and facilities to the employee under the circumstances in which the quarters and facilities are provided, occupied or made available (5 U.S.C. 5911(c)).

1. The amounts of the rates and charges shall be paid by, or deducted from the pay of, the employee, or otherwise charged against him/her in accordance with law.
2. The amounts of payroll deductions for the rates and charges will remain in the applicable appropriation or fund.
3. When payment of the rates and charges is made by other than payroll deductions, the amounts of payment must be deposited into miscellaneous receipt account 36_3220, General Fund Proprietary Receipts, Not Otherwise Classified, All Other, unless an agency has specific authority to retain the payments.

G. Income earned at Regional Medical Education Center (RMEC) facilities for medical and health for non-VA employees shall be deposited as an appropriation reimbursement to the applicable VA Medical Appropriation (38 U.S.C. 4123(b), 5054(b)).

070517 Refunds of collections deposited in error as appropriation reimbursements will not be recorded to the allotment accounts, but will be processed for payment provided sufficient funds are available in the appropriate disbursing authority account. Appropriation repayments or other payments which cannot be properly classified as reimbursements must be deposited as “miscellaneous receipts” in accordance with the general rule with respect to collections contained in 31 U.S.C. 3302(b).

070518 Collections for commodities or services furnished or to be furnished and which by law may be credited directly to appropriations shall be deemed as appropriation reimbursements. Collections under this type of repayment result generally from contracts or agreements made by one agency with another to furnish commodities or services. The amounts involved may not be directly related to any particular disbursement previously made. These transactions do not represent a correction or adjustment of previously recorded expenditures. Collections of appropriation reimbursements for unexpired appropriations will not be available for disbursement except for making refunds of erroneous collections

Expired Appropriations

070519 The appropriation retains its fiscal year identity for five years after it expires and any remaining account balances are available to make legitimate obligation adjustments, that is, to record previously unrecorded obligations, to make upward adjustments in previously under recorded obligations and to liquidate obligations

properly chargeable to that appropriation. The expired appropriation is closed out after five years.

070520 VA must report an overobligation of an expired appropriation resulting from such adjustments to the President and Congress and when necessary request additional funding to cover the overobligation or obtain authority to charge the overobligation to a current year appropriation account.

070521 Once an expired appropriation account has been closed and cancelled, obligations and adjustments to obligations that would have been properly chargeable to that account, both as to purpose and in amount, before closing and that are not otherwise chargeable to any current appropriation account of the agency, may be charged to any current appropriation account of the agency available for the same purpose (31 U.S.C. 1553(b)(1) provided that the total amount of charges may not exceed an amount equal to 1 percent of the total appropriations for that account (31 U.S.C. 1553(b)(2)).

070522 Authorized collections after the 5 years, relating to the closed/cancelled accounts, are deposited to Treasury's Miscellaneous Receipts account 3200, Collections of Receivables from cancelled Accounts (31 U.S.C. 1552).

Apportionments and Reapportionments

070523 The Director, Office of Budget, is responsible for all apportionment and reapportionment actions originating in VA.

070524 Statutory limitations shall be adhered to strictly when the Director, Office of Budget, allots to department heads and staff office directors.

070525 The Director, Office of Budget, will prepare and submit all apportionment and reapportionment requests in accordance with the policies outlined above and instructions contained in OMB Circular A-11 or otherwise prescribed by OMB.

070526 Department heads and staff office directors will be responsible for preparing statements to accompany apportionments or reapportionments which request that funds be apportioned on a deficiency basis. Statements will be prepared in accordance with the requirements in OMB Circular A-11.

Management, Revolving and Trust Funds

070527 For those management, revolving and trust funds, if any, which are not apportioned, the accounting procedures for control of funds differ from those generally used for administrative appropriation and fund accounting. For example, administrative control of funds, to preclude violations of the Antideficiency Act, is maintained at the station level solely through the use of proprietary accounts.

070528 For those management, revolving and trust funds, if any, which are not apportioned, a violation of the Antideficiency Act will be considered to have occurred when obligations or expenditures exceed budgetary resources available for obligation. Exceeding cash balances is not, in itself, a violation of the Antideficiency Act, if adequate additional resources exist.

070529 For those management, revolving and trust funds, if any, which are not apportioned, a violation within the agency will be considered to have occurred when:

- A. Obligations are made that will result in expenditures, upon receipt of billings, delivery of material or rendering of services, that would be in excess of cash available.
- B. Actual disbursements are in excess of cash balances.

Rescissions and Deferrals

070530 Any funds proposed for rescission or deferral must be reported to Congress by the Office of Management and Budget pursuant to the Congressional Budget and Impoundment Control Act of 1974, Sections 1012 and 1013, respectively. The rescission report will be accompanied by the proposed legislative language for each proposed rescission. When funds in the same account are deferred for different reasons, a separate report will be submitted for each reason.

070531 Reserves must be established to provide for contingencies, such as for pay raises or increased cost of materials, under authority of the Antideficiency Act and for other reasons under the Impoundment Control Act (31 U.S.C. 1512). Portions of revolving fund balances being held restrictively (e.g., withheld from obligation during a period of time when the funds could have been effectively and legally used) is a reportable action.

A. There is a distinction between deferrals, which must be reported, and “programmatic” delays, which are not impoundments and are not reportable under the Impoundment Control Act. A programmatic delay is one in which operational factors unavoidably impede the obligation of budget authority, notwithstanding the agency's reasonable and good faith efforts to implement the program. A programmatic delay may become a reportable deferral if the programmatic basis ceases to exist. Delays resulting from the following factors may be programmatic, depending on the facts and circumstances involved:

1. Funding established internally at the agency level to provide management with normal operating flexibility.
2. Delays in obligating funds for activities or projects caused by unavoidable slippage in planned schedules, where such delays were not caused by specific management action or inaction.

Deficiency Apportionments

070532 Program officials who receive funds in anticipation of a deficiency supplemental must take special care to control the rate of spending within the amount of funds which is anticipated by the deficiency.

070533 Program officials must be ready to make immediate downward adjustments in their spending rate should the President or Congress reduce or reject the supplemental request.

Allotments

070534 Appropriated funds will be distributed or withdrawn through the medium of VA Form 4-4564, Transfer of Disbursing Authority (TDA) or a computer generated transfer of disbursing authority, properly executed and bearing the signature of an authorizing official.

070535 The amount of estimated reimbursements, contained in the allotment (to be separately controlled), and the conditions to be met before obligations may be incurred against these estimates, will be indicated on the form. Both issuer and recipient must have on file an authenticated copy of each distribution.

070536 Initial allotments will be based on the quarterly distribution approved on the operating budget plans.

070537 Adjustment of allotments is made in accordance with the policy that allotments shall be based upon related operating budget plans. An allotment adjustment normally must be preceded by appropriate revision of the operating budget plan to which it relates.

070538 The Director, Office of Budget, will establish and maintain such accounts and records as will be required to insure that allotments are maintained within available apportionments or reapportionments.

Allowances

070539 Allowances are only advisory guides, not rigid restrictions, on the authority of the recipient to incur obligations. Such authorizations do not create a separate subdivision of funds, but rather they certify that funds previously made available under a specific subdivision of funds are on hand for the desired obligation or expenditure. Allowances will be distributed or withdrawn through the medium of VA Form 4-4564, Transfer of Disbursing Authority or a computer generated transfer of disbursing authority, properly executed and bearing the signature of an authorizing official. Both issuer and recipient must have on file an authenticated copy of each authorization. The original of each TDA will be furnished to the Accounting Section of the field station.

070540 In addition to the primary document number shown in the "Central Office Transfer No." block of VA Form 4564, a series of control numbers will be established and maintained for each station.

A. These numbers will be shown in the "Station Transfer No." block. This information will appear on the computer generated transfer of disbursing authority under the headings "C.O. Transfer No." and "Station Transfer No." respectively.

B. When a station receives a TDA and detects a break in the sequence of control numbers, all inquiries shall be directed to the appropriate authority in the most expeditious manner possible given the circumstances. Written authorizations shall be prepared concurrently with less formal communication and promptly transmitted to the recipient. The recipient will fully document the communication for recording purposes. Upon receipt, the formal authorization will be attached to the documentation used for recording purposes.

070541 Initial allowances will be based on the quarterly distribution approved on the operating budget plans updated to include all subsequent actions approved by Central Office through the date specified on the initial allowance document. Amounts of disbursing authority approved for subsequent quarters will be posted to General Ledger account 1010, Disbursing Authority.

0706 DEFINITIONS

070601 Adjustments to Expenditures. Adjustments made to post expenditures to the proper appropriations due to incorrect initial postings or are related to the reimbursing of expenditures allowed under 31 U.S.C. 1534.⁶

070602 Administrative Subdivision of Funds. Any subdivision of an appropriation or fund, subject to the provisions of the Antideficiency Act, which makes funds available in a specified amount for the purpose of incurring obligations. Under the VA administrative control of funds, only allotments are considered to be administrative subdivisions of funds. An example of an administrative subdivision of funds (Allotment) is the breakout of funds by activity (department or staff office) within the General Operating Expenses Appropriation.

070603 Agency Limitation. Any subdivision below the allotment level created for the purpose of operating needs. Agency limitations are the mechanism by which responsible officials exercise practical control to comply with Presidential (OMB), Congressional and/or agency management policy guides. Agency limitations are not administrative subdivisions of funds and therefore are not subject to the provisions of the Antideficiency Act. Under the VA administrative control of funds, only allowances are considered to be agency limitations. Examples of agency limitations (allowances) are: (1) any restraint imposed by OMB not reflected on the apportionment form; (2) any

⁶This statute is intended to facilitate "common service" activities.

funds identified in the Congressional Subcommittee Reports for the construction or modification of a specific VA facility; (3) the breakout of funds by activity (program) within the Medical and Prosthetic Research Appropriation; (4) the breakout of funds by project (not identified by Congress in the Appropriation Act) within the Construction Major Projects or Construction Minor Projects Appropriations.

070604 Allotment. An authorization by VA's Director, Office of Budget, to department heads and staff office directors to incur obligations within specified amounts, during a specified period, pursuant to OMB apportionment or reapportionment action or other statutory authority making funds available for obligation. An allotment is an administrative subdivision of funds and therefore is subject to the provisions of the Antideficiency Act.

070605 Allowance. An authorization by department heads and staff office directors to facility directors and other officials, of obligational authority, showing the expenditure pattern or operating budget they will be expected to follow in the light of the programs and activities contemplated by the overall VA budget or plan of expenditures.

070606 Appropriation Refunds. Collections representing refunds of payments made in error, refunds of overpayments and refunds of authorized advances except advances of travel funds.

070607 Appropriation Reimbursements. Collections representing repayments for commodities or services furnished, or to be furnished, and which by law may be credited directly to appropriations. Collections under this type of repayment generally result from contracts or agreements made by one agency with another to furnish commodities or services. The amounts involved may not be directly related to any particular disbursement previously made. These transactions do not represent a correction or adjustment of previously recorded expenditures.

070608 Common Service Activity. Activities involving services rendered by one organization that may also benefit another organization, both within or between Federal agencies. These activities may include the use of information technology systems, data bases, Treasury functions, accounting and financial services, operational services and use of property.

070609 Control Point Official. An individual designated to control funds for a specifically designated activity or group of activities. The responsible official is always the senior official assigned to the office and on duty. A control point official does not have the authority to incur obligations.

070610 Cost-Based Budget. A budget that is based upon the cost of resources used or consumed or work put in place taking into account carryovers of inventory and working capital from obligations of prior years. A cost-based budget is not subject to the provisions of the Antideficiency Act.

070611 Cost Ceiling. A classification below the allowance level, issued by facility directors, to control point officials, showing the expenditure pattern or operating budget they will be expected to follow in the light of the programs and activities contemplated by the overall facility budget or plan of expenditures. A cost ceiling is not an authorization to incur obligations.

070612 Expenditure Transfers. A transfer that involves withdrawals and credits between accounts, all transfers between budgetary and nonbudgetary accounts, annual travel advance adjustments, adjustments to correct errors in expenditure transactions or withdrawals and credits between accounts not specifically defined as non-expenditure transactions.

070613 Expired Appropriation. Appropriation under which no new obligation can be accepted, but which is still available for recording, adjusting and liquidating obligations properly chargeable to that account.

070614 Facility Limitation. A subdivision below the allowance level created for the purpose of operating needs. Facility limitations are the mechanism by which responsible officials exercise practical control to comply with facility management policy guides. Facility limitations are not administrative subdivisions of funds and therefore are not subject to the provisions of the Antideficiency Act. Under the VA administrative control of funds only cost ceilings are considered to be facility limitations.

070615 Interagency Acquisition. A procedure by which an agency needing supplies or services (requesting agency) obtains them from another agency (servicing agency).

070616 Management Fund. Treasury-established accounts, which are working fund accounts authorized by law, to facilitate accounts for administration of intra-Governmental activity other than of a continuing cycle of operations. Management funds with Treasury Appropriation Fund Symbols (TAFS) 3900-3999 are exempt from apportionment and program reporting categories that include obligation information on the SF-133 budget report.

070617 Non-expenditure Transfers. The shifting of funds between appropriations that does not involve an outlay. It is defined as a redistribution of either unobligated balances of budget authority provided in a previous year or budget authority provided in the current year between appropriations or funds for the benefit of the gaining appropriation or fund. Transfers of obligated balances and sometimes reappropriations also require non-expenditure transfers.

070618 Obligation. A legally binding agreement that will result in outlays, immediately or in the future. When you place an order, sign a contract, award a grant, purchase a service or take other actions that require the Government to make payments to the public or from one Government account to another, an obligation is incurred.

070619 Refunds. Returns of advances, collections for overpayments, adjustments for previous amounts disbursed or recovery of erroneous disbursements from appropriations or fund accounts that are directly related to, and are reductions of, previously recorded payments from the accounts.

070620 Reimbursable Agreements. Contractual relationships under which one Federal agency can enter into agreements with other Federal agencies and accept funding from those entities as reimbursement for the cost of goods provided or services rendered.

070621 Revolving Fund. A fund established by Congress to finance a cycle of business-like operations through amounts received by the fund. A revolving fund charges for the sale of products or services and uses the proceeds to finance its spending, usually on a self-sustaining basis. A revolving fund is a form of permanent appropriation.

070622 Statutory Limitation. A restriction contained in an authorization or appropriation act, which establishes the maximum or minimum amount which may be obligated or expended for specified purposes from an appropriation or other funds. A statutory limitation is not an authorization to incur obligations. Statutory limitations are not administrative subdivisions of funds and therefore are not subject to the provisions of the Antideficiency Act. However, reports of violations of statutory limitations will be made to the Office of Management and Budget. A statutory limitation may be applicable to the obligation or expenditure of funds Congressionally enacted for an appropriation or fund and may include amounts received in reimbursements from other sources for expenses of the same activity (Reference General Counsel Opinion, title "Decision on Employee Travel Appropriations Limitations," dated October 13, 1978.). Compliance with statutory limitations is accomplished in the accounting system through the issuance of separate allotments and/or allowances. Examples of statutory limitations are: (1) the restriction Congress imposes each year in the Appropriation Act on the amount of General Operating Expenses which may be expended for "Official Reception and Representation Expenses;" (2) any funds identified by Congress in the Appropriation Act for the construction or modification of a specific VA facility and (3) the restriction imposed on travel expenses in the general provisions of the Appropriation Act.

070623 Trust Fund. A type of account, designated by law as a trust fund, for receipts and/or offsetting receipts earmarked for specific purposes and for the expenditure of these receipts.

0707 RESCISSIONS

This chapter rescinds the following VA Manual MP-4, Part V, Chapter 1, Sections 1A.09, 1B.04, 1B.06 and 1B.10, Controller Policy Administrative Accounting; and MP-4, Part V, Chapter 2, Section 2D.01 – 2D.04, General Ledger Accounting.

0708 QUESTIONS

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

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