

VA Financial Policies and Procedures
Required Supplementary Stewardship Information:
Human Capital Investments

CHAPTER 8

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0801 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures relating to VA's human capital stewardship investments, consisting of Veterans' and dependents' education and health professions education, as defined in Office of Management and Budget (OMB) Circular A-136. VA includes stewardship information as part of its Required Supplemental Stewardship Information (RSSI) in its annual Performance and Accountability Report (PAR). These education investments represent expenses incurred for programs for education and training of the public that are intended to maintain or increase national productive capacity and produce outputs and outcomes that provide evidence of maintaining or increasing national productive capacity. This chapter excludes education and training expenses whose purpose is not to maintain or enhance national productive capacity. In addition to these human capital stewardship investments, VA reports the following two other categories of stewardship investments:

- Non-Federal Physical Property (see Volume III, Chapter 7)
- Research and Development (see Volume III, Chapter 9)

The Veteran Benefits Administration (VBA) administers several programs that are considered stewardship education and training investments. They fall under two lines of business (LOB): education and vocational rehabilitation. Under the education LOB, VBA provides educational assistance to eligible Veterans, active duty personnel, reservists and dependents. Under the vocational rehabilitation LOB, VBA administers the Vocational Rehabilitation and Employment (VR&E) program for eligible disabled Veterans.

The Veterans Health Administration (VHA), as mandated in Title 38 U.S.C., assists in the training of health care professionals for its own needs and those of the Nation. Through partnerships with affiliated academic institutions, VHA conducts education and training programs to enhance the quality of health care provided to Veterans within the VA health care system. VHA plays a significant role in defining the education of future health care professionals that help meet the changing needs of the Nation's health care delivery system.

Federal financial reporting requires the Federal Government to report on its stewardship over certain resources entrusted to it and certain responsibilities assumed by it that cannot be measured in traditional financial reports. These resources and responsibilities do not meet the criteria for assets and liabilities that are required to be reported in the financial statements. Instead, they are important to understand the operations and financial condition of the Federal Government at the date of the financial statements and in subsequent periods.

080101 AUTHORITY FOR RSSI: HUMAN CAPITAL INVESTMENTS. VA will provide education assistance to Veterans and active duty personnel in accordance with

38 U.S.C. Chapter 30; to members of the Armed Forces for service commencing on or after September 11, 2001, in accordance with 38 U.S.C. Chapter 33; to reservists in accordance with 10 U.S.C. Chapters 1606-1607; and to dependents in accordance with 38 U.S.C. Chapter 35. In addition, VA will provide disabled Veterans with services and payments under the VR&E program under 38 U.S.C. Chapter 31. Title 38 mandates that VA will assist in the training of health care professionals for both VA's and the Nation's needs.

080102 ACTIONS FOR RSSI: HUMAN CAPITAL INVESTMENTS. VA will measure its stewardship investments in these investments as expenses and include the amount in the Statement of Net Cost.

080103 REPORTING FOR RSSI: HUMAN CAPITAL INVESTMENTS. VA will report its stewardship investments as Required Supplementary Stewardship Information (RSSI) in its PAR and include 5 years of data at the program level, along with information on various program outputs/outcomes.

0802 POLICIES

080201 AUTHORITY FOR RSSI: HUMAN CAPITAL INVESTMENTS.

A. VBA will provide educational assistance to all qualified individuals (e.g., Veterans, active duty personnel, reservists and dependents). In addition, VBA will provide assistance to disabled Veterans under the VR&E program.

B. VHA will conduct education and training programs to enhance the quality of current and future health care within VA's health care delivery system.

080202 ACTIONS FOR RSSI: HUMAN CAPITAL INVESTMENTS.

A. VA will recognize its stewardship investment expenses under the accrual basis of accounting and report amounts in nominal dollars.

B. VA will expense the costs of its stewardship investment expenses and include the amount in the Statement of Net Cost.

C. VA will include stewardship investment expenses and earned revenue related to these stewardship investments, if applicable, in the accompanying Notes.

D. VA will obligate funds for its stewardship investments in the 25 and 41 series of Budget Object Codes (BOC).

080203 REPORTING FOR RSSI: HUMAN CAPITAL INVESTMENTS.

A. VA will report its stewardship investments as RSSI in the annual PAR.

B. VA will report its annual stewardship investments at a meaningful level (e.g., Program Level) and include data for the current year and the preceding 4 years.

C. VA will report additional years' data, if such data would provide a better indication of the nature of the investments.

D. VA will include narrative descriptions of both VBA's and VHA's education and training stewardship investment programs in the RSSI section of the PAR.

E. VA will identify program outcomes/outputs that provide justification for the continued treatment of these expenses as stewardship investments.

0803 AUTHORITY AND REFERENCES

080301 10 U.S.C. Chapter 1606, Educational Assistance for the Members of the Selected Reserve

080302 10 U.S.C. Chapter 1607, Educational Assistance for Reserve Component Members Supporting Contingency Operations and Certain Other Operations

080303 38 U.S.C. Chapter 30, All-Volunteer Force Educational Assistance Program

080304 38 U.S.C. Chapter 31, Training and Rehabilitation for Veterans with Service-connected Disabilities

080305 38 U.S.C. Chapter 33, Post-9/11 Educational Assistance

080306 38 U.S.C. Chapter 35, Survivors' and Dependents' Educational Assistance

080307 38 U.S.C. Chapter 73, Veterans Health Administration - Organization and Functions

080308 38 U.S.C. Chapter 74, Veterans Health Administration - Personnel

080309 38 U.S.C. Chapter 81, Acquisition and Operation of Hospital and Domiciliary Facilities; Procurement and Supply; Enhanced-Use Leases of Real Property

080310 38 C.F.R. Part 21, Subparts A, C, E, H, K, L, P, Vocational Rehabilitation and Education

080311 Federal Accounting Standards Advisory Board (FASAB), Statement of Federal Financial Accounting Concepts (SFFAC) No. 1, Objectives of Federal Financial Reporting, par. 99-102

080312 FASAB, SFFAS No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government

080313 FASAB, SFFAS No. 8, Supplementary Stewardship Reporting

080314 OMB Circular No. A-136 Revised, Financial Reporting Requirements

080315 TFM Volume 1, Part 2, Chapter 4700, Agency Reporting Requirements for the Financial Report of the United States Government

080316 VHA Directive 1400, Office of Academic Affiliations

0804 ROLES AND RESPONSIBILITIES

080401 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.

080402 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.

0805 PROCEDURES

080501 AUTHORITY FOR RSSI: HUMAN CAPITAL INVESTMENTS.

A. VBA will provide education assistance to Veterans, active duty personnel, reservists and dependents covered under any of the following programs:

1. Veterans, active duty personnel and reservists are covered under the respective G.I. Bill or educational assistance program covered in 38 U.S.C. Chapters 30, 33, 1606 and 1607.
2. Dependents are covered under the Survivors' and Dependents' Educational Assistance (DEA) Program as defined in 38 U.S.C. Chapter 35. Under certain circumstances, a Veteran's education benefit in 38 U.S.C. Chapter 33 will be transferred to the Veteran's spouse or dependents.

Additional information on these programs can be found in Chapters 4 and 11 of the *Federal Benefits for Veterans, Dependents and Survivors* book.

VBA will also provide assistance to service-connected disabled Veterans under the VR&E program. Authority for this program is covered by 38 U.S.C. Chapter 31. For detailed information regarding the eligibility, entitlement and procedural requirements, see the *Federal Benefits for Veterans, Dependents and Survivors* book, Chapter 2.

B. VHA will assist in the education and training of health care professionals to enhance the overall quality of VA's health care delivery system as provided in 38 U.S.C. Chapters 73, 74 and 81.

080502 ACTIONS FOR RSSI: HUMAN CAPITAL INVESTMENTS.

A. VA will measure its stewardship investments on the same basis of accounting as used for financial statement purposes, including appropriate accrual adjustments. Amounts will be reported in nominal dollars. Refer to SFFAS No. 4 (see Authority and References section above) for a full discussion of Federal cost accounting principles and standards.

B. VA will expense the costs of stewardship investments in determining the net cost of operations and include the expenses in its financial statements during the year the costs are incurred. Stewardship investment expenses will be reflected in the Statement of Net Cost.

C. All stewardship investment expenses will be recorded as obligations using the 25 and 41 series of BOC as applicable to VBA and VHA (see Appendices A and B). For additional information on BOCs, refer to Volume XIII, Chapter 2, *Budget Object Codes*.

080503 REPORTING FOR RSSI: HUMAN CAPITAL INVESTMENTS.

A. VA will report its stewardship investments as RSSI, accompanying its financial statements, in the PAR.

B. VA will report its annual stewardship investments at a meaningful category or program level (e.g., VR&E) and include data, in nominal dollars, on the investments for the year being reported upon and the preceding 4 years.

C. VA will report additional years' data, if it is decided that more information would better explain the nature of the investments.

D. VA will include narrative descriptions of both VBA's and VHA's education and training programs considered Federal stewardship investments in the RSSI.

E. VA will report program outcomes/outputs consistent with the intent of the program so it can continue categorizing these expenses as investments for stewardship purposes.

1. VA will use output data that best provide indications of the intended program outcomes to justify continued treatment of expenses as investments when outcome data does not occur for several years or becomes available.
2. VA will disclose the number of Veterans and dependents impacted by VBA's programs and the number of physician residents/fellows, medical and nursing students and associated health residents/students who rotate through VHA's health professions education program.

0806 DEFINITIONS

080601 Accrual Accounting. An accounting method that measures the performance and position of an entity by recognizing events regardless of when cash transactions occur. For example, the general idea is that economic events are recognized by matching revenues to expenses at the time in which the transaction occurs rather than when payment is made or received. This method allows the current cash inflows/outflows to be combined with future expected cash inflows/outflows to give a more accurate picture of an entity's current financial condition.

080602 Annual Investment. Refers to the full cost of the investment, as measured and accounted for in accordance with SFFAS No. 4, Managerial Cost Accounting Standards for the Federal Government.

080603 Budget Object Code (BOC). Categories in a classification system that present obligations by the items or services purchased by the Federal Government.

080604 Cost. The monetary value of resources used or liabilities incurred to achieve an objective. Costs may be charged to operations immediately or, in cases where the cost relates to goods or services that will benefit future periods, an asset account for recognition as an expense of subsequent periods.

080605 Disclosure. Reporting information in notes or a narrative regarded as an integral part of the basic financial statements.

080606 Eligibility. A defined period of time established where a person will be qualified to utilize the benefits of a given program.

080607 Entitlement. A right to be considered for educational or vocational benefits. Depending on the specific program, the requirements may include a minimum number of aggregate days on active duty, honorable discharge or dependent status related to a Veteran disabled or killed in action.

080608 Expense. Outflows or other spending of assets or incurrences of liabilities (or a combination of both) during a period from providing goods, rendering services or

carrying out other activities related to an entity's programs and missions, the benefits from which do not extend beyond the present operating period. (Accounting for Selected Assets and Liabilities, SFFAS No. 1)

080609 Full Cost. The sum of all costs required by a cost object including the costs of activities performed by other entities regardless of funding sources.

080610 Human Capital Investments. Per OMB Circular A-136, these investments represent expenses that are included in net cost for education and training programs intended to: (1) increase or maintain national economic productive capacity and (2) produce outputs and outcomes that provide evidence of maintaining or increasing national productive capacity. This definition excludes education and training expenses for Federal civilian and military personnel. Continued categorization of human capital expenses as an investment for stewardship purposes is predicated on demonstrated outputs and outcomes consistent with the intent of the program.

080611 Nominal Dollars. The dollar value assigned to a good or service in terms of prices current at the time the good or service is required. This contrasts with the value assigned to a good or service measured in constant dollars.

080612 Non-Federal Physical Property. Physical properties financed by grants from the Federal Government, but owned by state and local Governments.

080613 Outcome. (1) Defined in broad terms in SFFAC No. 1 as accomplishments or results that occur (at least partially) because of the service efforts of Government entities. Some authorities use terms like "impact," "effect," or "results" to distinguish the change in outcomes specifically caused by the Government activity from the total change in conditions that can be caused by many factors. (2) Defined in SFFAS No. 8 as an assessment of the results of a program compared to its intended purpose. They shall: (1) be capable of being described in financial, economic or quantitative terms; and (2) provide a plausible basis for concluding that the program has had or will have this intended effect.

080614 Output. A tabulation, calculation or recording of activity or effort that can be expressed in a quantitative or qualitative manner. It shall have two key characteristics: it shall be (1) systematically or periodically captured through an accounting or management information system and (2) a logical connection between the reported measures and the program's purpose.

080615 Recognize. Having determined the amount, timing, classification and other conditions precedent to the acceptance and entry of a transaction, the recording of an amount on the books of account and the reporting of the amount on the face of the financial statements either individually or aggregated with other amounts.

080616 Required Supplementary Stewardship Information (RSSI). (1) Information reported outside the principal financial statements that is an essential part of an entity's financial reporting; and (2) The category defined by the Board for reporting information required by the stewardship standards. Stewardship information may be presented as RSSI, in the financial statements or in the notes to them. Stewardship information will be necessary for a fair presentation of financial position and results of operations.

080617 Research and Development. Federal investment in research and development refers to those expenses incurred in support of the search for new or refined knowledge and ideas and for the application or use of such knowledge and ideas for the development of new or improved products and processes with the expectation of maintaining or increasing national economic productive capacity or yielding other future benefits. Research and development is composed of basic research, applied research and development.

080618 Stewardship. The Federal Government's responsibility for the general welfare of the nation in perpetuity. (FASAB Concepts Statement No. 1, Objectives of Federal Financial Reporting)

080619 Stewardship Investment. Items recognized as expense in calculating net cost, but meriting special treatment to highlight the substantial investment and long-term benefit of the expenses. This would include non-Federal physical property, human capital (e.g., Veterans and dependents education and health professions education) and research and development.

0807 RESCISSIONS

None required.

0808 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)

APPENDIX A

**EDUCATION AND VOCATIONAL REHABILITATION PROGRAMS
VETERAN BENEFITS ADMINISTRATION**

CHAPTER 31 – Training and Rehabilitation for Veterans with Service-connected Disabilities

<u>BOC</u>	<u>Description</u>
2504	Contract Counseling Initial Service. (VBA use only)
2505	Rehabilitation Service Counseling. (VBA use only)
2506	Employment Service Counseling. (VBA use only)
4107	Tuition and Fees
4108	Books
4109	Supplies
4112	Handling Charges.
4113	Tutorial Expenses.
4146	Beneficiary Travel Non-Subsistence.
4147	Special Contractual Services. Includes independent instruction, extended evaluations (to improve employability or determine medical feasibility), special training and computer equipment evaluations (computer training, interpreter services, special transportation assistance), management services. (VBA use only)
4150	Equipment.
4155	One Time Miscellaneous.
4156	Non-Contractual Special Services.
4157	Contractual Special Services.
4177	Non-Subsistence. Includes payments for tuition, fees, books, supplies and equipment associated with the Chapter 31 readjustment benefit program.
4192	All Other Contract Counseling - Education/Vocational.

ALL OTHER CHAPTERS – 30, 33, 35, 1606, 1607

4110	Grants, Subsidies and Contributions to States. Readjustment benefit payments and readjustment allowances; and payments under 38 U.S.C. Chapter 35.
4193	Non-Chapter 31 Contract Counseling Payments - Prior Year Obligations.

APPENDIX B

HEALTH PROFESSIONS EDUCATION PROGRAMS
VETERANS HEALTH ADMINISTRATION
38 U.S.C. CHAPTERS 73, 74 and 81

BOC

Description

2560	Medical Care Contracts and Agreements with Institutions and Organizations
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