

VA Financial Policies and Procedures
Entity vs. Non-Entity Assets

CHAPTER 2

0201 OVERVIEW	2
0202 POLICIES	3
0203 AUTHORITY AND REFERENCES	3
0204 ROLES AND RESPONSIBILITIES	3
0205 PROCEDURES	4
0206 DEFINITIONS.....	5
0207 QUESTIONS	6
APPENDIX A	7
APPENDIX B	8

0201 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures relating to its entity versus non-entity assets. 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 tangible 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 Operating Expenses 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](#), sets accounting standards for selected assets, which include entity and/or 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.

Appendix A of this chapter, 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 of this chapter, 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.

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

0202 POLICIES

020201 VA will account for and report entity and non-entity assets in its financial statements and accompanying note disclosures.

020202 VA will report non-entity cash separately from entity cash on the balance sheet.

020203 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.

0203 AUTHORITY AND REFERENCES

020301 [Statement of Federal Financial Accounting Standards \(SFFAS\) No. 1, Accounting for Selected Assets and Liabilities](#)

020302 [SFFAS No. 31, Accounting for Fiduciary Activities](#)

020303 [Office of Management and Budget \(OMB\) Circular A-136, Financial Reporting Requirements - Revised](#)

0204 ROLES AND RESPONSIBILITIES

020401 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.

020402 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.

020403 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.

0205 PROCEDURES

020501 Reporting Requirement

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.

020502 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.

020503 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.

020504 Synchronizing Reporting and Disclosure Requirements

A. VA Central Office will ensure that 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 maintain their own separate standard general ledger accounts that will properly segregate entity and non-entity assets 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.

0206 DEFINITIONS

020601 Assets. 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.

020602 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.

020603 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.

020604 Entity Cash. The amount of cash that the reporting entity holds and is authorized by law to spend.

020605 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.

020606 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.

020607 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.

020608 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.

020609 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 nonentity assets in a fiduciary capacity for the Treasury other Government agencies or non-Federal units.

020610 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.

020611 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.

0207 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

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

Note 2. Non-entity Assets ¹	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	2xxx (CY)	2xxx (PY)
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>

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