

Financial Policies and Procedures
Employees' Accrued Salaries and Benefits

CHAPTER 11

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1101 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures regarding employees' accrued salaries and benefits. The Financial Accounting Standards Advisory Board's (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 1, *Accounting for Selected Assets and Liabilities*, defines accrued salaries and benefits under the category of other current liabilities. Other current liabilities are generally related to on-going and continuous expenses which are typically recognized throughout each accounting period rather than on an individual transaction basis. This chapter provides financial policies and procedures for recognizing and recording transactions that map to the other current liabilities line of the balance sheet per VA's Standard General Ledger (SGL) Chart of Accounts.

Federal financial reporting requirements for other liabilities, which include accrued salaries and benefits, are prescribed by Office of Management and Budget (OMB) Circular A-136. Accrued salaries and benefits are amounts to be paid to the employee within a fiscal year. Accrued salaries include wages, bonuses and salaries owed to employees for services rendered in the current fiscal period for which paychecks will be issued in the following period. Accrued benefits include amounts earned in the current period but not yet paid for pension, Old Age, Survivors and Disability Insurance (OASDI), Federal Employees' Health Benefits (FEHB) and others.

110101 RECOGNITION OF ACCRUED SALARIES AND BENEFITS.

VA will recognize accrued salaries and benefits for amounts owed to employees from the current fiscal period but not yet paid.

110102 ACCOUNTING AND RECORDING ACCRUED SALARIES AND BENEFITS.

VA will record accrued salaries and benefits for those amounts owed to employees but not yet paid at the end of the fiscal period. VA will record accrued salaries and benefits to the proper SGL accounts with a credit and will debit the accrued salaries and benefits account for reversals made at the beginning of the subsequent period or when payments are made.

110103 FINANCIAL REPORTING AND DISCLOSURE FOR ACCRUED SALARIES AND BENEFITS.

VA will report accrued salaries and benefits on the consolidated balance sheet under Other Liabilities, specifically as Other Public Funded Liabilities. VA will present public and intra-Governmental liabilities separately.

1102 POLICIES

110201 RECOGNITION OF ACCRUED SALARIES AND BENEFITS.

A. VA will recognize accrued salaries and benefits for amounts owed to employees from the current fiscal period but not yet paid in accordance with SFFAS No. 1.

B. VA will accrue the liability for an employee's salary and benefits using the information contained in his or her employee master record.

110202 ACCOUNTING AND RECORDING ACCRUED SALARIES AND BENEFITS.

A. VA's financial accounting system will record a liability, based on a system-generated accrual, by crediting accrued salaries and benefits for the unpaid amounts for salaries and benefits rendered in the current fiscal period. The stations will post manual adjustments to this accrual resulting from any information that they may have that will either increase or decrease the system-generated accrual amount (e.g., retirement, lump-sum pay, overtime and award).

B. VA will record accrued salaries and benefits to the proper Standard General Ledger (SGL) accounts.

C. VA will debit the accrued salaries and benefits account when payments are made or when monthly accruals are reversed at the beginning of the subsequent month.

110203 FINANCIAL REPORTING AND DISCLOSURE FOR ACCRUED SALARIES AND BENEFITS.

A. VA will report accrued salaries and benefits on the balance sheet under Other Liabilities, specifically as Other Public Funded Liabilities.

B. VA will report accrued salaries and benefits in the notes to the financial statements.

1103 AUTHORITY AND REFERENCES

[110301 SFFAS No. 1, Accounting for Selected Assets and Liabilities](#)

[110302 OMB Circular A-136, Financial Reporting Requirements](#)

[110303 Volume I, Chapter 3A, PAID Accounting Operations](#)

1104 ROLES AND RESPONSIBILITIES

110401 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.

110402 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.

110403 VA's Financial Services Center (FSC) is primarily responsible for implementing a full range of accounting support activities, including PAID accounting operations, which include payroll functions, payment and cancellation transactions, processing salary overpayment and collection activities, recording personal services accruals, preparing payroll adjustments and maintaining overall accounting records.

1105 PROCEDURES

110501 RECOGNITION OF ACCRUED SALARIES AND BENEFITS.

A. VA will recognize employees' accrued wages, bonuses and salaries for services rendered in the current fiscal period for which paychecks will be issued in the following period as other current liabilities. The accrued benefits portion relates to the current period cost associated with future payments (e.g., OASDI and FEHB not yet paid) and will be recognized as current liabilities.

B. VA will accrue all amounts based on the information (basic pay, necessary deductions, benefit elections, etc) maintained in the employee master record as presented in Volume III, Chapter 5, *Payroll Accounting*. VA will update any changes in an employee's status, when necessary, to ensure that amounts accrued each period in the system are accurate.

110502 ACCOUNTING AND RECORDING ACCRUED SALARIES AND BENEFITS.

A. VA's financial accounting system will record an accrued salaries and benefits liability at the end of the fiscal period for services rendered but not yet paid for personal services performed by employees. The field stations will post manual adjustments to this accrual resulting from information (e.g., retirement, lump-sum pay, overtime, award) they possess which will cause the system-generated accrual amount to increase or decrease. See Volume I, Chapter 3A, *PAID Accounting Operations*, Paragraph 030506, for more information on accrued personal services.

B. VA will record Accrued Salaries and Benefits to the following SGL accounts¹:

- Account 2210
Account Title: Accrued Salaries and Wages Payable
Normal Balance: Credit

This is a liability account maintained by appropriation to show the accrued amount payable for personal services performed.

- Account 6122
Account Title: Operating Expense – Personal Services
Normal Balance: Debit

This is an expense (nominal) account maintained by (1) appropriation (except 36X0110 and 36X0111) and, (2) segment of appropriation for 36_0151, at the VA FSC to show the cumulative amount of personal services expense applied on an accrual basis.

C. VA will debit the Accrued Salaries and Benefits account at the beginning of the subsequent period when monthly accruals are reversed or when payments are made.

110503 FINANCIAL REPORTING AND DISCLOSURE FOR ACCRUED SALARIES AND BENEFITS.

A. VA will present accrued salaries and benefits under Other Liabilities on the consolidated balance sheet at the end of the fiscal year, as Other Public Funded Liabilities.

B. VA will present accrued salaries and benefits separate from intra-Governmental other liabilities in the notes to the consolidated financial statements.

1106 DEFINITIONS

110601 Accrued Salaries and Benefits. The amounts owed by VA for accrued employees' wages, bonuses and salaries for services rendered in the current fiscal period for which paychecks will be issued in the following year and accrued entitlement benefits payable, such as Old Age Survivors and Disability Insurance (OASDI) applicable to the current period but not yet paid.

110602 Chart of Accounts. Provides the basic structure for the Standard General Ledger (SGL). It incorporates both proprietary and budgetary accounts, which represent sets of general ledger self-balancing accounts (namely, total debits equal total credits).

¹ See Volume I, Chapter 2, *United States Standard General Ledger*, Appendix A, for all accounts and definitions.

110603 Intra-Governmental liability. Amounts payable, including accounts and interest payable, to Federal entities and other current liabilities due to Federal entities, such as receipt of Federal advances and prepayments.

1107 RESCISSIONS

None required.

1108 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) |