

Department of  
Veterans Affairs

# Memorandum

Date: **AUG 20 2009**

From: DAS for Finance (047)

Subj: Approval of Policy Chapters in the Financial Policy Improvement Initiative (FPPI)

To: Acting Assistant Secretary for Management (004)

Pursuant to a Fiscal Year 2006 audit recommendation, the Office of Management initiated a process to standardize V A's financial policies and procedures. To comply with the recommendation, during Fiscal Year 2007, the Financial Process Improvement Initiative (FPPI) was developed. The purpose of the initiative is to mitigate the Operational Oversight material weakness on V A's financial statements by standardizing and streamlining the development or revision of VA policy.

The Financial Policy Steering Committee (FPSC) and the Financial Policy Working Group (FPWG) were established and tasked with ensuring that VA's financial policies and procedures are updated or developed in compliance with all applicable financial laws and regulations. The FPSC is comprised of representatives from VA's senior management and Administrations' Chief Financial Officers (CFO). FPSC-approved policies are forwarded to VA's CFO for approval.

In accordance with the above requirements, I am requesting your approval of the attached Financial Policy chapters.

/ s /

Edward J. Murray  
DAS for Finance and Deputy CFO

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Rita Reed  
Acting Assistant Secretary for Management, Acting CFO

Approve/Disapprove

Attachments:

Final Chapters Approved by the FPSC Background Information  
FPSC Approved Financial Policy Chapters

## FPSC Approved Financial Policy Chapters

Below is a brief description of the volumes as they were developed by Grant Thornton (GT), reviewed and approved by the FPSC and FPWG. A continuing challenge with the chapters is the amount of detail and information involved. The group as a whole would like more detail, but realize the policy is developed for V A as a whole and not for a single organization or user. When the need arises to retain more detail information, a decision has been made to include the information as an appendix which would require minimal effort to be researched, approved and then updated into an existing policy.

We are also maintaining a list of issues that we were not able to resolve before the chapters were completed. The excluded items do not diminish the content of the chapters as they are currently written. As the items are researched, developed and properly included in an appropriate chapter, they will only enhance the application of the policy. As an example, we are working to gather additional information for procedures of recording intragovernmental payments and collections which arose during the Policy on Obligating Printing Costs discussions.

### VOLUME I GENERAL ACCOUNTING

Volume I consists of 15 chapters, of which the final six are attached for approval. These six chapters cover various accounting topics including internal controls in Chapter 5. Overall, the chapters were developed and reviewed with minimal issues. Chapter 5 originally was titled "Management Accountability and Control Program." During the development of the chapter, it became evident there was confusion among the SMEs due to the impact of the FMFIA and OMB A-123, Appendix A. Additional chapters are scheduled for development in future years. As a result of the discussions during the FPWG meetings, OBO and ICS drafted a framework for the chapter which was then renamed "Management Responsibility for Internal Control." Appendix A outlining the management responsibilities was also included for more detail information.

### VOLUME II - APPROPRIATIONS, FUNDS AND RELATED INFORMATION

Volume II consists of 21 chapters, of which 14 are attached for approval covering a range of appropriation topics. Even though many of the chapters are small, the content went through several iterations before a final approval was given. Considerable attention was given to the following chapters: Clearing (Suspense) and Deposit Funds, Incentive Awards Ceremony Expenses/Mementos, Policy on Obligating Printing Costs, Severable Service Contracts Crossing Fiscal Years, Honoraria, Advance Payments and Rebates and Refunds.

As an example of the work and discussions involved at each level, the last chapter to be approved in this volume was Policy on Obligating Printing Costs. The chapter was initially drafted by GT based upon VA Bulletin No. 03GA1.04, "Policy on Printing Costs for Station 101" VA Central Office. The FPWG discussed the chapter in regards to limiting the discussion to only Station 101, but decided to approve the chapter based upon information as presented. When the chapter was sent for vote by the FPSC, members raised concerns that the chapter was too limited and should cover all of V A, including regional offices and field stations, etc. Based upon the feedback, GT produced a second version of the chapter to encompass all printing obligations whether through Government Printing Office (GPO) or commercial. During the revision, the FPWG learned that the VA Bulletin above was not being followed in totality; constraints of the current accounting

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system seemed to be the prevailing culprit. The FPWG determined the revised chapter needed to be written at a high level for only the obligation side. Other issues dealing with intragovernmental payments and V A Supply Fund would be addressed at a later date either as an update to this chapter or another chapter.

### VOLUME V -ASSETS

Volume V initially consisted of 28 chapters covering the various assets of VA; the volume now consists of 17, 16 chapters are attached for approval. As chapters were reviewed and revised, the FPWG identified the need to consolidate several of the chapters. With the concurrence of the Contracting Officer and GT, the four chapters for Trust, Revolving, Special and Other Fund Types were consolidated into one chapter, Earmarked Funds and the ten chapters covering various aspects of Property, Plant and Equipment (PP&E) were consolidated into one chapter, General Property, Plant and Equipment.

Along with the consolidations, several chapters in the volume required many conversations and revisions before final approval. Many of the chapters required review by an additional source that normally was not a part of the group and identified during the FPWG meetings. Chapter 6 on Accounts Receivable required many discussions since related information is scheduled to be covered in 18 separate chapters on Debt Management during the Option Year 1 period. No former VA manuals, etc ... were identified for rescissions because the material is still required for the 18 new chapters. This chapter was reviewed by Cost & Debt Management numerous times to ensure it was accurate and compatible with related chapters in the COWC volume and with material to be contained in the 18 new chapters.

The General PP&E chapters raised many questions and issues. The initial configuration of the ten chapters would have required VA employees to go to multiple sources for related information. As a result, a vote was cast in early April to consolidate all sub chapters into one chapter. Various iterations and much discussion ensued before a final chapter was finally approved. During the last formal FPSC meeting, the consolidated chapter was deferred due to late submission of information from VHA. Changes were made and approved by the FPWG and finally submitted for electronic vote by the FPSC.

### VOLUME VII -FINANCIAL REPORTING

Volume VII consists of nine chapters of which six are attached for approval covering VA reporting requirements. Overall, the chapters were developed and reviewed with minimal issues. GT worked directly with the Management and Financial Reports Service on the development and content of the chapters. The chapters were subsequently approved with minimal changes by both the FPWG and FPSC.

### VOLUME XI -COMMITTEE ON WAIVERS AND COMPROMISES (COWC)

Volume XI consists of seven chapters attached for approval covering information specific to Committee on Waivers and Compromises. Initial discussions on the chapters identified confusion as to the application of the chapters. Key V A organizations were contacted and numerous

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discussions were held with Grant Thornton. At the conclusion of these discussions, the chapters were revised and presented to the FPWG for approval. FPWG approval was granted with no significant open issues. When the chapters were presented to the FPSC, one member raised concerns with three of the chapters because they did not appear to include VHA's role in the process. Communications between Grant Thornton, VHA and Cost & Debt Management resulted in some changes being made to two chapters. It was also identified that some of VHA concerns would be covered in another chapter during the GT contract Option Year 1. The revised chapters were voted on electronically and approved by the FPSC.

FPSC Approved Financial Policy Chapters

| Vol              | Ch | CHAPTER TITLE   |
|------------------|----|---|
| <b>Volume I</b>  |    |   |
| I                | 4A | Revenue Source Codes  |
| I                | 5  | Management Responsibility for Internal Control                                  |
| I                | 6  | Reconciliations   |
| I                | 8  | Period-Ending Procedures  |
| I                | 9  | Interstation Transactions   |
| I                | 9A | Expenditure Transfers, Adjustments to Expenditures, and Reimbursable Agreements |
| <b>Volume II</b> |    |   |
| II               | 2A | Supply Fund   |
| II               | 2C | Clearing (Suspense) and Deposit Funds   |
| II               | 2E | Parking Garage Revenue  |
| II               | 2G | Enhanced-Use Funds  |
| II               | 2I | Major Construction Working Reserve Accounts                                     |
| II               | 4  | Incentive Awards Ceremony Expenses/Mementos                                     |
| II               | 5  | Policy on Obligating Printing Costs   |
| II               | 7  | Various Appropriations Law Related Topics                                       |
| II               | 7A | Severable Service Contracts Crossing Fiscal Years                               |
| II               | 7B | Honoraria   |
| II               | 7C | Advance Payments  |
| II               | 7D | Guidelines to Avoid Augmenting an Appropriation                                 |
| II               | 7E | Recycling Revenue   |
| II               | 7F | Rebates and Refunds   |
| <b>Volume V</b>  |    |   |
| V                | 1  | Intra-governmental vs. Governmental (Public) Assets                             |
| V                | 2  | Entity vs. Non-Entity Assets  |
| V                | 3  | Fund Balance with Treasury  |
| V                | 3A | Cash Held Outside Treasury  |
| V                | 4  | Earmarked Funds   |
| V                | 4A | Appropriated Funds  |
| V                | 5  | Investments   |
| V                | 6  | Accounts Receivable   |
| V                | 6A | Interest Receivable   |
| V                | 7  | Loans Receivable  |
| V                | 8  | Inventories   |
| V                | 8A | Operating Materials and Supplies  |

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| Vol                    | Ch  | CHAPTER TITLE   |
|------------------------|-----|---|
| <b>Volume V cont'd</b> |     |   |
| V                      | 8B  | Stockpile Materials   |
| V                      | 9   | General Property, Plant and Equipment   |
| V                      | 10  | Other Assets  |
| V                      | 10A | Other Assets - Real Estate Owned  |
| <b>Volume VII</b>      |     |   |
| VII                    | 1   | General Financial Reporting Requirements  |
| VII                    | 2   | Consolidated Financial Statements and Footnotes   |
| VII                    | 3   | Quarterly Financial Statements  |
| VII                    | 4   | Government-wide Financial Report System (GFRS)  |
| VII                    | 6   | Federal Agencies Centralized Trial Balance System (FACTS II) Budget Execution Reporting |
| VII                    | 8   | Management's Discussion and Analysis  |
| <b>Volume XI</b>       |     |   |
| XI                     | 1   | General Policy - COWC   |
| XI                     | 2   | Equity and Good Conscience - COWC   |
| XI                     | 3   | Home Loan Program - COWC  |
| XI                     | 4   | Processing a Request for a Waiver - COWC  |
| XI                     | 5   | Compromise of Debts - COWC  |
| XI                     | 6   | Record on Committee Actions - COWC  |
| XI                     | 7   | Evaluation Standards - COWC   |