

VA Financial Policies and Procedures
Reconciliations

CHAPTER 6

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0601 OVERVIEW

This chapter establishes financial management policies and procedures for the Department of Veterans Affairs (VA) reconciliations, which may occur monthly, quarterly and annually. A reconciliation process, whether manual or automated, is a necessary and important part of a sound financial management system. The less integrated the financial management system, the greater the need for adequate reconciliations because data are being accumulated from a number of different sources. Reconciliations are needed to ensure that data have been recorded properly between the various systems and manual records. The Comptroller General's special publication *Standards for Internal Control in the Federal Government*¹ highlights the need for reconciliations as a key control activity.

Proper reconciliation of accounts will consist of identification of differences between general ledger balances, subsidiary ledgers and supporting documentation. The reconciliation will also include timely processing of required actions to correct any differences between the control and subsidiary accounts and the underlying documentation. Accounting records will be promptly brought into agreement with the results of any audit findings or imbalances detected during the taking of physical inventories. Inconsistencies will be investigated to determine the cause and resolution. Procedures will be implemented to prevent recurrence and, if applicable, effect recoveries.

The reconciliation of general ledger accounts with subsidiary records and supporting documentation substantiates and maintains the accuracy of account postings and balances. The employee performing the reconciliation will apply sound professional judgment, combined with personal knowledge of the systems and controls involved. Different tools may be used to accomplish an effective reconciliation, but regardless of the tool used, the reconciliation procedures should be fully documented. When it is not feasible to review every document, statistical sampling may be used.²

0602 POLICIES

060201 VA will establish and perform the necessary reconciliation procedures to contribute to more effective and reliable financial reporting, including the underlying internal controls associated with each reporting activity. The importance of internal controls over financial reporting is described more fully in Volume I, Chapter 5, *Management Accountability and Responsibility for Internal Controls*.

060202 VA will use the accounting system of record to perform reconciliations.³

¹GAO/AIMD-00-21.3.1, November 1999 (<http://www.gao.gov/special.pubs/ai00021p.pdf>).

²The Government Accountability Office (GAO) specifically authorizes the use of statistical samples for certain reconciliations, such as the certification of obligations, which is generally a more stringent type of reconciliation.

³ The Financial Management System is the accounting system of record and source for general ledger account balances.

060203 VA will reconcile the general ledger accounts to official subsidiary ledgers at the level of detail required (e.g., undelivered orders) to ensure the reliability of financial reports related to VA operations.

060204 VA will precede preparation of external financial statements or financial reports by properly completing reconciliations to the maximum extent possible. Certain circumstances may exist when such reconciliations may not be achievable. When this arises, it is important to make certain that the proper reconciliations are completed as soon as practical after the issuance of statements or reports. A comparison of the reconciliation results should be made with the recently-issued financial statements or reports to determine if any adjustments are required to correct any previously-issued financial information.

060205 VA will maintain formal schedules and work papers for reconciliations in sufficient detail to ensure the accuracy of financial statements and financial reports. The working papers and other records, on which such verifications are based, will be retained within VA in a form that will help to facilitate sufficient audit details and identify who performed the reconciliations and who reviewed and signed off on the completed reconciliations.

0603 AUTHORITY AND REFERENCES

060301 [Chief Financial Officers \(CFO\) Act of 1990](#)

060302 [Federal Financial Management Improvement Act of 1996 \(FFMIA\)](#)

060303 [Treasury Financial Manual \(TFM\)](#)

060304 [TFM Volume 1, Part 2, Chapter 1500, Description of Accounts Relating to Financial Operations](#)

060305 [Office of Financial Policy Publications Library](#)

060306 [Office of Management and Budget, Revisions to Circular A-123, Management's Responsibility for Internal Control](#)

060307 [Comptroller General's Standards for Internal Control in the Federal Government](#)

0604 ROLES AND RESPONSIBILITIES

060401 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.

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.

The CFO has the immediate responsibility for: (1) establishing an agency-wide reconciliation policy that is consistent with the Treasury Financial Manual (TFM); (2) providing the maximum assurance that data recorded in the Fund Balance with Treasury (FBWT) is accurate; (3) certifying the monthly FMS-224, Statement of Transactions; and (4) directing the required monthly, quarterly and annual reconciliations be performed.

060402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chiefs of finance activities, Chief Accountants, and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

060403 The Administration (VHA, VBA, NCA) CFO, other office CFO (e.g., Supply Fund, OI&T) or senior executive of an office which has no CFO will submit all requisite information to the Office of Finance (OF) to support the preparation and submission of the quarterly financial statements, including analysis of variances with prior submissions and assurance that all documents have been recorded in the financial system of record in a timely manner.

0605 PROCEDURES

060501 VA will perform a series of reconciliations and related analyses to ensure that financial statements and financial reports are accurate, complete and informative to both internal and external users. VA will perform timely reconciliations and implement effective and efficient reconciliations processes.

060502 VA will reconcile its FBWT⁴. The FBWT is reflected in Standard General Ledger (SGL) Account 1010 and includes Intra-governmental Payments and Collections (IPAC) System transactions for each Treasury account symbol. The following guidance will help with the reconciliation process. Refer to Office of Financial Policy Volume V, Chapter 3, *Fund Balance with Treasury*, for additional guidance.

A. VA will reconcile SGL Account 1010, using Treasury guidance on preparing and completing reconciliations, to help VA provide assurance on the reliability of the receipts and disbursement data reported by VA to Treasury. The CFO certifies the reconciliation documentation and makes it available to management, auditors and Treasury, if requested. All adjustments will be researched and traced to supporting documents.

⁴TFM supplement, "Fund Balance with Treasury Reconciliation Procedures," is available on the Internet and it provides more detailed instructions to agencies on the various types of reconciliation. Agencies should use these procedures as a guide in the reconciliation process.

B. VA will use the Governmentwide Accounting and Reporting Modernization (GWA) Project Account Statement Module as a central source for retrieving accounting information on a real-time basis to facilitate the maintenance and reconciliation of the FBWT. VA will explain the cause of any discrepancies between their general ledger FBWT account balances and the balance in Treasury's GWA account statements. Each FBWT account and Treasury Account Symbol (TAS) will be reconciled. GWA will also enable VA to retrieve information when other agencies, such as the State Department, Treasury, Health and Human Services and the Defense Finance Accounting Service, report transactions against VA fund balances.

C. VA will prepare the FMS-224, "Statement of Transactions"⁵ as the primary tool for accomplishing effective reconciliations. The FMS-224 is one reporting mechanism used by Treasury to receive information about VA's financial conditions and operations. Any Treasury-identified differences will be cleared within 2 months following the reconciliation. Discrepancies due to a time lag will be reconciled and discrepancies due to an error will be corrected. Only authorized officials should approve adjustments to the FBWT. Refer to OFP Volume VII, Chapter 7, *Miscellaneous Reporting Topics - FMS-224*, for additional guidance.

060503 RECONCILIATION OF SUSPENDED DOCUMENTS IN FMS.

A. The Office of Financial Business Operations (FBO) will email the current *Unaccepted Document Aging Report (SUSF)* to designated recipients for review monthly. FBO will maintain the list of recipients and update, as notified, to ensure the monthly and quarterly SUSF reports are being sent to the finance activity or facility.

1. The finance activity or facility will review the monthly SUSF report and ensure that transactions more than 60 days old are processed or deleted within the next 30 days.

2. Quarterly, the FBO will email the SUSF report identifying transactions greater than 90 days old that have not been processed by the finance activity or facility to the Administration CFO, other office CFO or senior executive, or their designee.

B. The Administration CFO, other office CFO or senior executive, or their designee, will review the report and request additional information from the finance activities or facilities on issues preventing them from meeting the requirements.

1. The Administration CFO, other office CFO or senior executive, or their designee will review the issues and provide support to facilitate the processing of the transactions.

2. The Administration CFO, other office CFO or senior executive, or their designee, will send a memorandum listing the measures that have or will be taken to facilitate the processing of transactions greater than 90 days old to the OF within 10 business days

⁵For additional information on the preparation, review and submission of this Form, refer to Volume VII, Chapter 7, under Financial Reporting policies and procedures.

of receiving the SUSF report. The memorandum will be submitted as an encrypted email to the SUSF Certification Mailbox of the Associate Deputy Assistant Secretary for Financial Business Operations (see Appendix A for a memorandum sample).

060504. VA will perform other critical reconciliations and related analyses to ensure accurate financial information and reports. Other reconciliation activities include the following:

- A. Analysis of budgetary versus proprietary account relationships, determination of differences, and preparation of adjusting entries to reconcile relevant account balances.
- B. Review of Intra-Governmental Account Activity, including unreconciled and unexplained transactions that affect the change in net position.
- C. Review of Funds obligated with the estimated obligations reported on the Quarterly Analysis of Estimated Obligations and Status of Funds reports.
- D. Review of FACTS II to include edit check errors and subsequent reconciliation.
- E. Review of property and equipment accounts to ensure that property transactions are properly recorded as capitalized assets or expensed in the general ledger.
- F. Review of apportionments/allotments records to ensure proper funds control.
- G. Review of Statement of Budgetary Resources to the Standard Form 133 (SF-133), “Report on Budget Execution and Budgetary Resources” and the Programming and Financing Schedule, with differences reported to management and disclosed in the footnotes that support financial statements.
- H. Relational analysis for general ledger budgetary and propriety accounts that are impacted by reimbursable transactions (e.g., proprietary accounts receivable vs. budgetary reimbursements earned).

060505 VA will reconcile Treasury-reported differences on a monthly basis. Upon notification by Treasury, VA will investigate any differences and initiate and/or report any necessary adjustments to its SGL 1010 accounts and/or Treasury account symbol.

060506 VA will implement timely and effective reconciliation processes to preclude or mitigate the risks of fraud, waste and mismanagement of funds and to enhance the Government’s ability to properly monitor budget execution.

060507 VA will designate authorized officials to review and sign the monthly reconciliation documents, which will be made available to auditors and Treasury upon request.

060508 RECONCILIATION PROCESS.

A. VA will complete monthly reconciliations to compare balances in various accounts, reports, subsidiary records and systems to ensure complete and accurate financial reporting. Where applicable, items will be traced to supporting documentation to verify agreement. High profile accounts (e.g., intra-Governmental accounts, suspense accounts, undelivered orders) will be monitored on a regular basis, daily if necessary, to determine any out-of-balance conditions. When monitoring or reconciliation activities identify out-of-balance conditions, immediate corrective action will be taken.

B. VA will ensure policies are in place to guide the reconciliation process for various VA accounts, including, but not limited to, FMS-224, undelivered orders, payables, intra-Governmental activity or suspense items, and that the policies are regularly updated.⁶

060509 RECONCILIATION DOCUMENTATION. All VA offices and stations will maintain complete documentation to support the reconciliation activities, including the reconciliation schedules of the preparer, comments of the reviewer of the reconciliation and any comments made by the approving official, for a period of three years after the close of the fiscal year. These reconciliation procedures will be of sufficient detail to allow for an independent third party to review and follow the process. The reconciliation process will be documented, as indicated above, to provide an adequate audit trail and allow for results to be re-created.

060510 TIMELINESS OF RECONCILIATIONS. To meet external deadlines for reporting, reconciliations will be completed by the 20th workday of the following month. Any out-of-balance conditions that are discovered will be reported to the CFO in order to determine impact on VA's financial statements and the corrective action required.

060511 QUALITY CONTROL OVER RECONCILIATIONS. All reconciliations will have established procedures, which include sign-off by the individual preparing it and by the reviewing supervisor. The supervisor will review reconciliations at least monthly. VA managers and supervisors, in conjunction with the CFO, will continually monitor all sources of information for potential areas in which reconciliations may be necessary.

060512 FOLLOW-UP PROCEDURES. Follow-up on open or reconcilable items is critical to ensure that resources are being properly utilized and receivables are collected as timely as possible. Stations with accounting functions will develop and implement a formalized follow-up process. At a minimum, the follow-up should identify the document or item that has been pending and the age of the item, and request status or disposition instructions. Upon receipt of a follow-up letter, the organization involved will have 30 calendar days to respond to the originating office. The response will include the current

⁶ Refer to OFP Volume VII, Chapter 7, *Miscellaneous Reporting Topics - FMS-224*, Volume I, Chapter 8, *Period-Ending Procedures*, Volume II, Chapter 4, *Clearing (Suspense) and Deposit Funds*, and other OFP chapters for additional guidance.

status or disposition instructions for each item identified in the letter. If responses are not received within 30 days, additional follow-up will be made until the proper response is received.

060513 SPECIFIC ACTIVITIES AND RESPONSIBILITIES. VA personnel engaged in performing reconciliations will adhere to the following:

A. Accountants or accounting technicians will:

1. Complete assigned reconciliations, as determined by the Department, and report reviews timely.
2. Notify supervisors and/or management of problems or variances with reports or reconciliations.
3. Identify new or more efficient ways to achieve the goals of the reconciliation process.

B. Supervisors will:

1. Identify areas needing reconciliation and review.
2. Assign reconciliations that require completion, as determined by the Department, and assign reports to accountants.
3. Review all reconciliations and reports monthly.
4. Notify senior management of problems or variances with reports or reconciliations.
5. Identify new or more efficient ways to achieve the goals of the reconciliation process.

C. Senior Managers, Fiscal Officers and Chiefs of finance activities will:

1. Provide oversight of the reports and reconciliation process to ensure that VA program goals are being met.
2. Identify information that will facilitate the Departmental-requested reconciliations and reviews.
3. Determine the specific SGL accounts to be reconciled that relate to Departmental-requested reconciliations.
4. Ensure that summary level postings agree with detailed records maintained in the subsidiary system.
5. Communicate program changes to staff timely.

0606 DEFINITIONS

060601 Adjustment. An accounting entry that corrects or modifies any general ledger account balances, including subsidiary records, on a continuing basis whether monthly, quarterly or annually. An adjustment is based on proper research and has required supporting documentation.

060602 Governmentwide Accounting and Reporting Modernization (GWA). The online GWA Account Statement Module allows users to retrieve daily accounting information concerning their Agency Location Code and their Treasury Appropriation Fund Symbol. This system provides Federal program managers with a central source for retrieving account balance data to facilitate the maintenance and reconciliation of the FBWT.

060603 Intra-governmental Payment and Collection (IPAC) System. A Treasury system that provides a standardized interagency fund transfer mechanism for Federal Program Agencies (FPA) and facilitates the intra-Governmental transfer of funds, with descriptive data from one FPA to another.

060604 Reconciliation. Refers to a process that compares two sets of records (usually the balance of two accounts) to make sure they are in agreement. The process involves procedures that ensure the reliability of accounting records by comparing balances of transactions.

060605 SF-133. Report fulfilling the requirement in 31 U.S.C. 1511-1514 that the President review federal expenditures at least four times a year. The report contains information on the sources of budget authority and the status of budgetary resources by individual fund or appropriation.

0607 RESCISSIONS

060701 Volume I, Chapter 6, Reconciliations, dated August 20, 2009.

0608 QUESTIONS

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

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

APPENDIX A: REVIEW OF UNACCEPTED DOCUMENT AGING REPORT

Department of
Veterans Affairs

Memorandum

Date:

From: *Responsible CFO, other office CFO or senior executive*

Subj: Suspended Document Review

To: Associate Deputy Assistant Secretary for Financial Business Operations (047E)

In accordance with VA Financial Policy, Volume I, Chapter 6, Sections 060403 and 060503, I certify that I have reviewed the attached *Unaccepted Document Aging Report* (email). Follow-up and any necessary support will be provided to facilitate processing the transactions greater than 90 days old.

NOTE: The Unaccepted Document Aging Report will be sent to Administration (VHA, VBA, NCA), staff office CFO (e.g., Supply Fund, OI&T) or the senior executive of an office which has no CFO by system-generated email as part of the FMS quarter-end process. The CFOs will then certify their review by forwarding an encrypted email to the SUSF Certification Mailbox of the Associate Deputy Assistant Secretary for Financial Business Operations.