CHAPTER 2C

0201 OVERVIEW..................................................................................................................2
0202 POLICIES .....................................................................................................................3
0203 AUTHORITY AND REFERENCES ..................................................................................6
0204 ROLES AND RESPONSIBILITIES ..............................................................................7
0205 PROCEDURES ............................................................................................................7
0206 DEFINITIONS .............................................................................................................11
0207 RESCISSIONS .............................................................................................................12
0208 QUESTIONS ...............................................................................................................12
OVERVIEW

Clearing (Suspense) Accounts

Federal agencies are required to classify collections to the proper receipt or expenditure account at the time of collection. Because some collections do not provide the information that will allow an agency to match the transactions to a specific receipt or expenditure account when received, the Department of the Treasury (Treasury) Financial Management Service (FMS) established clearing (suspense) accounts to hold unidentifiable collections. The clearing (suspense) accounts are used to temporarily hold unidentifiable general, special or trust fund collections and disbursements that belong to the Federal Government. The funds are included in VA’s budget once they are posted to either a receipt or expenditure account. An "F" preceding the last 4 digits of the fund account symbol identifies these accounts. Clearing accounts consist of the "3800" series fund group preceded by the 2-digit agency code.

Funds remain in the clearing accounts until they are classified to the proper receipt or expenditure accounts by the agencies. For example, an agency will record amounts in the clearing account to temporarily credit unclassified transactions from the public when there is a reasonable expectation that the amounts belong to a Federal Government account other than a miscellaneous receipt account in the Treasury. Also, an agency may use a clearing account to temporarily credit unclassified transactions between Federal agencies, including Intra-Governmental Payment and Collection (IPAC) transactions.

The process of using clearing (suspense) accounts leads to a delay in accurately reporting the collections in the proper accounts. In an effort to have more accurate and timely financial information, Treasury FMS decided to discontinue the use of clearing accounts F3875 and F3885 effective July 31, 2008, unless an agency was granted a waiver. VA was granted a waiver to continue the use of clearing (suspense) accounts, providing it adheres to the guidelines outlined in the policy section of this document.

Deposit Funds

Deposit funds are established by Treasury to record monies that do not belong to the Federal Government, and, consequently, they are not included in VA’s budget. Deposit funds are a liability in the Government’s central summary general ledger because they do not belong to the Government. The deposit fund account (liability) classification is proper for any account that meets one of the following three criteria:

A. Monies withheld from Government payments for goods and services received. Agencies may treat this transaction as a deposit fund liability only when they have charged a budget account and the Government is holding the funds pending payment (for example, payroll deductions for savings bonds or State income taxes).
B. Monies the Government is holding while awaiting distribution based on a legal determination or investigation. This category includes monies in dispute between the Government and outside parties, where ownership is in doubt and there is no present basis for estimating ultimate distribution.

C. Deposits received from outside sources for which the Government is acting solely as a banker, finance agent or custodian. This includes certain cash and investments held outside of Treasury. Also, refer to I TFM 2-3400 for additional information.

0202 POLICIES

Clearing (Suspense) accounts

020201 VA will continue to use Treasury-approved clearing (suspende) accounts, F3875 and F3885, as long as VA meets the following Treasury-mandated requirements:

A. Clearing (suspende) account will not be used for payroll and transfer allotments.

B. VA will work toward system improvements that will classify transactions at inception.

C. VA will actively participate in the inter-agency working groups under the Chief Financial Officers’ Council, which will help improve the reporting of intra-Governmental activity and lessen the need to use clearing account F3885.

D. Clearing account F3875 will not be used to make outlays or payments, except for refunds, as this may cause Anti-Deficiency Act violations. This account is used to temporarily hold unidentifiable collections or for other business processes approved by Treasury.

E. VA will annually recertify that the balances in the clearing accounts for the preceding year do not include transactions over 60 days old. Any exceptions will be explained upon completion of the annual certification of year-end balances.

020202 VA will certify the balances of the approved clearing (suspende) accounts F3875 and F3885 to Treasury FMS annually at year-end as part of the closing process required by Treasury.

020203 VA will adhere to Treasury and OMB requirements to clear account balances that are over 60 days old.

020204 VA will not use clearing (suspende) accounts to mask any over-obligation or over-expenditure of an expenditure account.

020205 VA will only use clearing(suspende) accounts F3875 and F3885 to temporarily hold monies that are later refunded or paid into another Government fund when an administrative or final determination as to the proper disposition is made. Monies that
do not belong to VA will be refunded, but outlays or payments will not be processed from these accounts.

020206 If the specific appropriation/fund symbol is not known when a collection is received, VA will deposit monies into the four clearing (suspense) accounts listed below in order to account for unidentified collections that ultimately will be credited to a receipt, appropriation or fund account within the Federal Government.

A. 36F3845 Proceeds of Sales, Personal Property

Proceeds from the sale of personal property will be used to purchase similar replacement equipment in accordance with the requirements of the Federal Management Regulations, 41 C.F.R. 102-38, Sale of Personal Property, and the Federal Property and Administrative Services Act of 1949. These proceeds will first be deposited in this account even if the replacement equipment was purchased prior to collection of the proceeds. The proceeds will then be transferred to the appropriate expenditure fund. The proceeds will be available to VA for the fiscal year of sale and one fiscal year thereafter.

B. 36F3875 Budget Clearing Account (Suspense)

1. Payments from 36F3875 account, except for refunds, will be avoided under all circumstances, as this may lead to an Anti-Deficiency Act violation. Unidentified remittances that ultimately will be credited to a receipt, appropriation or fund account within the Federal budget, if the correct fund account is not known at the time the collection is received, will be held temporarily in this account. Examples of this type of collection are:

(a) Proceeds received from an enhanced-use lease activity and initially deposited in a suspense account. Such proceeds will be reconciled and moved to the appropriate account within 60 days.

(b) Collections in cases where the exact amount due the Government has not been determined and refund of all or part of the collection is possible.

(c) Collections covering advance payment of fees for copying Government records and certain Medical Care Collections Fund (MCCF) claims that need additional investigation.

2. When it is known or can be reasonably presumed that the remittances will be refunded or ultimately paid to a private firm or individual, VA will immediately deposit remittances into the 36F3875 account until proper disposition can be made. Examples of this type of collection are:

(a) Collections of guarantees and deposits in connection with bids or contracts.
(b) Collections to be applied in conjunction with appropriations or funds as payment of vouchers.

(c) Withheld taxes for moving expenses.

C. **36F3880 Unavailable Check Cancellations and Overpayments (Suspense)**

When payees have not received their checks (e.g., benefit checks) or the checks have been lost, stolen or mutilated, the Department of the Treasury has redelegated to administrative agencies the authority to certify second payments. This clearing (suspense) account has been assigned by Treasury to record and adjust cancellation and stop payment credits and charges for clearance by the Agency Locator Code (ALC). This account is restricted to unavailable check transactions and may not be used for any other purpose.

D. **36F3885 Undistributed Intra-Governmental Payments Account**

This clearing account will be used to record a credit for unclassified transactions between Federal agencies including IPAC transactions.

Each Undistributed IPAC Disbursement will be transferred to its proper expenditure account within 60 days. If the transaction cannot be cleared in 60 days, it will be reversed, corrected and resubmitted to Treasury by the submitter or rejected in accordance with IPAC rules.

**Deposit Funds**

020207 VA will establish separate deposit fund accounts to hold non-Government monies for individual statutory authorizations or programs.

020208 VA will utilize the following Deposit Fund Accounts that are either fiduciary or non-fiduciary in nature, depending upon the purpose of the fund, and will comply with the proper accounting and reporting standards:

A. 36X6019 - Escrowed Funds for Shared Medical Equipment Purchases, Veterans Affairs

B. 36X6020 - Personal Funds of Patients, Veterans Administration, Veterans Affairs (fiduciary in nature)

C. 36X6021 - Funds Due Incompetent Beneficiaries, Veterans Administration, Veterans Affairs (fiduciary in nature)

D. 36X6050 - Employees Payroll Allotment Account, United States Savings Bonds

E. 36X6275 - Withheld State and Local Taxes
F. 36X6276 - Other Federal Payroll Withholding, Allotments

G. 36X6278 - All Other Payroll Withholdings, Veterans Affairs¹

H. 36X6279 - Deductions from Veterans Benefits Payments, Veterans Affairs²

I. 36X6500 - Advances without Orders from Non-Federal Sources

J. 36X6501 - Small Escrow Amounts.

020209 VA will comply with the accounting and reporting guidance in Statement of Federal Financial Accounting Standards (SFFAS) No. 1 for liabilities associated with all deposit funds not considered fiduciary in nature. The only two deposit funds considered fiduciary are 36X6020 and 36X6021, listed in paragraphs 020208B and 020208C above. These two funds will comply with SFFAS No. 31 as to disclosure requirements.

0203 AUTHORITY AND REFERENCES

020301 Statement of Federal Financial Accounting Standards No. 1, Accounting for Selected Assets and Liabilities

020302 Statement of Federal Financial Accounting Standards No. 31, Accounting for Fiduciary Activities, Paragraphs 13-24

020303 Office of Management and Budget (OMB) Circular A-11, Preparation, Submission and Execution of the Budget


020305 Treasury Financial Manual, Volume I, Part 2, Chapter 1500, Description of Accounts Relating To Financial Operations (T/L 615)

020306 Treasury Financial Manual, Volume 1, Part 4, Chapter 7000, Cancellations, Deposits and Claims for Checks Drawn on the U.S. Treasury

020307 Treasury Financial Manual, Volume 1, Part 6, Chapter 3000, Payments of Unclaimed Moneys and Refund of Moneys Erroneously Received and Covered (T/L 594)

¹This Deposit Fund account was established by Treasury in January 2009. Items deposited into the Fund account include recurring deductions, tax levies, tax and commercial garnishments, parking and death net, which is when an employee dies and his/her final pay goes into suspense in order to pay beneficiaries when they file claims.

²This Deposit Fund account was also established by Treasury in January 2009. Items deposited into the Fund include Veterans’ benefit payments for child support and fiduciary claims, as well as deposits for items such as Special Adaptive Housing and Attorney Fees.

020309 Treasury Federal Account Symbols and Titles (FAST) Book


020311 Federal Property and Administrative Services Act of 1949, Title II, Section 201(c)

020312 A Glossary of Terms Used in the Federal Budget Process, September 2005

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.

0205 PROCEDURES

Clearing (Suspense) Accounts

020501 VA will certify the balances in the approved F3875 and F3885 clearing (suspense) accounts to Treasury FMS as part of the annual year-end closing process.

A. Treasury FMS’s Year-end Closing Bulletin, generally issued in July, will provide more information on submitting certifications for suspense accounts. Waivers will automatically expire if certifications are not provided.

B. Treasury FMS will send an e-mail to VA’s CFO or designee and other agencies with approved clearing (suspense) accounts to request completion of an online survey for certification. The time for submitting the certification for the clearing accounts will coincide with the annual Year-end Closing Bulletin.

020502 VA will use clearing (suspense) accounts as temporary repositories.
A. The amounts in the clearing accounts will be examined by the field facilities at the end of every month through the Unapplied Deposit Summary Table (UDST) in VA’s Financial Management System and/or the F856 Nationwide Unapplied Deposits, or similar report, and reclassified to the appropriate funds to prevent the aging of items in suspense over 60 days. This will provide sufficient time for finance staff to identify the appropriate appropriation/fund for a transaction and transfer the funds to that appropriation/fund. This includes those initiated by facilities 101 (VACO) and 104 (FSC). The funds will be cleared within 30 days. If they are not cleared within this time period, they must be cleared by 60 days. To carry forward any uncleared funds greater than 30 days requires higher level approval.

B. Items remaining in the clearing accounts longer than 30 days require approval from the station fiscal officer and must be cleared by 60 days. All accounting entries used to adjust accounting records will be supported by documentation such as a source document or a journal voucher.

020503 Disposition of funds held in clearing accounts will be made as follows:

A. An examination of all items in account 36F3875 will be conducted at the end of every month to avoid having any amounts remaining in the accounts over 60 days. If it is determined that a remittance belongs to the U.S. Government, it will be transferred to the applicable appropriation or fund by a journal voucher transaction supported by appropriate documentation.

B. Once all reasonable efforts to identify the suspense item have been made, the responsible facility will transfer the unidentified monies to the General Fund Receipt Account - 36_3220; General Fund Proprietary Receipts, Not Otherwise Classified; All Other, Forfeitures of Unclaimed Money and Property Account 36_1060; or Payment of Unclaimed Moneys Account 20X6133. The transfer will be made by a journal voucher transaction supported by appropriate documentation.  

---

3 Refer to Treasury's Transmittal Letter 594 for further guidance and criteria to use in making the above transfers.
C. If VA is uncertain about the ownership of unclaimed monies, VA’s CFO will request guidance from Treasury and OMB. Also, refer to the Treasury Financial Manual (TFM) Part 6, Chapter 3000, which provides the steps needed to dispose of clearing (suspense) amounts and transfer funds appropriately.

020504 VA will adhere to the Treasury's prescribed procedures and forms for processing and canceling U.S. Treasury checks that are stale dated, undeliverable, returned, identified as not received, lost or stolen, destroyed or mutilated, or checks to which the payee is no longer entitled. These Treasury procedures describe the actions taken that lead to entries being made in the F3880 clearing (suspense) accounts and address reporting requirements for agencies.

A. The F3880 is a Treasury-established budget clearing account used for holding credit or chargeback amounts only, pending identification of the appropriation or fund charged for the original check issuance. Treasury posts all credits for canceled unavailable checks and charges resulting from negotiation of previously-canceled unavailable checks through this budget clearing account.

B. VA will research the F3880 entries to determine the correct appropriations that the amounts will be charged to and transfer the correct amounts with a journal voucher.

1. If the journal voucher transferred a credit from the F3880 account to the appropriation or fund account, VA will report a charge to the F3880 account and a repayment (credit) to its appropriation or fund account.

2. If the journal voucher transferred a charge from the F3880 account to the appropriation or fund account, VA will report a credit to the F3880 account and a debit (charge) to its appropriation or fund account.

C. Items should be cleared within 30 days of notification but must be cleared by 60 days. After 60 days have elapsed, the transaction will be cleared by processing back to the original appropriation or by transferring the collection to the Miscellaneous Receipt Account in the Treasury.

020505 VA will reconcile budget clearing accounts (for example, F3875, F3880 and F3885), deposit funds and Statements of Difference by fiscal year-end. Treasury may request classification of large differences and reclassification of amounts in either budget clearing accounts or deposit funds in advance or through additional reports.

Deposit Funds

020506 VA will place money automatically in the deposit fund account in the following two situations: (1) an employee’s death and (2) recurring deductions.

A. In the event of an employee’s death, their final paycheck automatically goes into the deposit fund account. Upon receiving a claim from the beneficiaries, the local payroll
office fills out voucher SF-1154, Public Voucher for Unpaid Compensation Due a Deceased Civilian Employee. Once completed, the payroll office will send this voucher to the accounting office. The accounting staff will issue a check to the beneficiaries listed on the SF-1154.

B. Recurring deductions include bills of collection for medical care and debts to VA or other Federal agencies (e.g., the Internal Revenue Service) that are being repaid as part of a payment plan.

1. When the local payroll office receives notification that the employee owes a debt, the office will process a transaction that will deduct the money from the employee’s pay and place it in Deposit Fund 36X6278.

2. When the local accounting office receives notification from the payroll office, it posts the payments to offset the debt. Payments to offset debts to other Federal agencies will be handled by the respective agencies.

020507 Proper Classification and Reporting

A. SFFAS No. 31, Accounting for Fiduciary Activities, issued in October 2006, represents the accounting and recording guide for fiduciary activities. Fiduciary activities are initiated by fiduciary collections and may involve a variety of fiduciary assets, liabilities and transactions. Two of VA’s existing deposit accounts (36X6020, Personal Funds of Patients, Veterans Administration, and 36X6021 Funds Due Incompetent Beneficiaries, Veterans Administration) fall under SFFAS No. 31 guidance.

B. Some fiduciary activities are excluded from SFFAS No. 31 reporting requirements (e.g., amounts related to unpaid payroll withholdings and garnishments). Liabilities for unpaid payroll withholdings and garnishments will be recognized in accordance with SFFAS No. 1, paragraphs 74-86. VA’s two new deposit fund accounts (36X6278, All Other Payroll Withholdings, and 36X6279, Deductions from Veterans Benefits Payments), established in January 2009, fall under this latter description and will comply with SFFAS No. 1 guidance.

C. Fiduciary activities reported in VA’s notes to the financial statements, as required in SFFAS No. 31, paragraphs 17-24, will be disclosed in the required schedules and measured using the standards provided in generally accepted accounting principles (GAAP).

D. Refer to SFFAS No. 1 and SFFAS No. 31 for additional guidance on the procedures required to implement both standards. Links for these statements are contained in the

---

4 Unpaid means that amounts withheld or garnished have not been paid to the designated recipient.
5 Garnishment includes amounts withheld from an individual’s salary or tax refund for payment of child support or payment to another third party in compliance with a statute or court order.
6 For the definition of GAAP, refer to AICPA Professional Standards, U.S. Auditing Standards (AU) Section 411.
Authorities and Reference Section above. Specific illustrations are shown to assist in preparing note disclosures.

1. Agencies with deposit funds that are fiduciary in nature will adhere to SFFAS No. 31 and will report fiduciary assets, fiduciary liabilities, fiduciary net assets, as well as the inflows and outflows when applicable, in the notes to the financial statements.

2. Agencies with deposit funds that are non-fiduciary in nature will adhere to SFFAS No. 1 and will continue to report assets and liabilities on the financial statements.

0206 DEFINITIONS

020601 Clearing (Suspense) Account. Combined receipt and expenditure accounts established to temporarily hold funds that are later refunded or paid into another Government fund once an administrative or final determination as to the proper disposition is made.

020602 Deposit Fund. A deposit fund account established by Treasury FMS to record monies that do not belong to the Federal Government. A description of deposit fund criteria may be found in the Treasury Financial Manual, Section 1535, Deposit Fund Accounts.

020603 Fiduciary. Per SFFAS No. 31, 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.

020604 Fiduciary Activity. An activity that relates to the collection or receipt, and the management, protection, accounting, investment and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold. Non-Federal parties must have an ownership interest in assets held by the Federal entity under provision of law, regulation or other fiduciary arrangement, usually including an ownership interest in any related income generated. For there to be a fiduciary activity under this standard, there must be a fiduciary relationship based on statutory or other legal authority and evidence that the Government activity is in furtherance of that relationship. The ownership interest must be enforceable against the Federal Government. Judicial remedies must be available for the breach of the fiduciary obligation.

020605 Fiduciary Collections. An inflow to a Federal entity of cash or other assets in which non-Federal parties have an ownership interest that the Federal Government must uphold.

020606 Payroll Withholdings. Amounts that are withheld from payment of wages to an employee and subsequently remitted to other payees, such as Federal, State or local Governments; or to health or life insurance providers, on behalf of the employee.
020607 Refunds. Returns of advances, collections for overpayments, adjustments for previous amounts disbursed, or recovery of erroneous disbursements from appropriations or fund accounts that are directly related to, and are reductions of, previously recorded payments from the accounts.

0207 RESCISSIONS

This chapter rescinds OF Bulletin 07GA1.06, VA Clearing and Deposit Funds Accounts Policy, August 14, 2007; and VA Handbook 4550, Section 4, Accounts for Purposes Other Than Budget Presentation, Section 4a-Deposit Fund Accounts and Section 4c-Receipt Clearing Accounts.

0208 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)