



# Department of Veterans Affairs

## Financial Policy

### Volume II

### Chapter 2C

## Suspense (Clearing) and Deposit Funds

Approved:

A handwritten signature in blue ink, reading "Jon J. Rychalski", is written over a horizontal line.

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1/25/2018  
Date

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**0201 Overview**

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures relating to Clearing (Suspense) Accounts and Deposit Funds.

Federal agencies are required to record collections in the proper receipt or expenditure account at the time of collection. However, as some collections do not contain the information necessary to allow an agency to record the collections properly, Treasury has established clearing (or suspense) funds that an Agency can use to temporarily hold unidentifiable collections.

Treasury has also established deposit funds which are used to account for monies that do not belong to Federal Government, e.g., contract rewards, payroll deductions for state income taxes, and certain cash and investments held outside of Treasury.

Key points covered in this chapter:

- VA will not use clearing (suspense) accounts for outlays or payments; or to mask an over obligation or over expenditure of an appropriation;
- The Financial Service Center (FSC) will review on a monthly basis the balances held in VA's clearing (suspense) accounts to ensure collections are being properly distributed within 60 days; and
- According to Treasury's requirement, FSC will certify annually, to Treasury's Bureau of Fiscal Service (BFS), that the balances in VA's clearing (suspense) accounts for the preceding year-end do not include transactions in excess of 60 days.

**0202 Revisions**

| <b>Section</b>                  | <b>Revision</b>  | <b>Office</b> | <b>Reason for Change</b>    | <b>Effective Date</b> |
|---------------------------------|--|---------------|-----------------------------|-----------------------|
| Various                         | Reformatted to new policy format and completed 5 year review.  | OFP (047G)    | Reorganized chapter layout. | January 2018          |
| Overall                         | Clarified policy to match Treasury's and OMB's requirements and guidance.                                    | OFP (047G)    | Treasury and OMB updates.   | January 2018          |
| 0201 Overview                   | Added the key points covered in this policy chapter.<br><br>Moved detailed guidance to the Policies section. | OFP (047G)    | 5 year review.              | January 2018          |
| 0204 Roles and Responsibilities | Added Admin CFOs and Staff Office CFOs.<br><br>Added FSC's roles in the                                      | OFP (047G)    | New role for FSC.           | January 2018          |

| Section       | Revision   | Office     | Reason for Change | Effective Date |
|---------------|--|------------|-------------------|----------------|
|               | monthly monitoring and annual certification of clearing (suspense) accounts.   |            |                   |                |
| 0205 Policies | <p>Updated Treasury's requirement on suspense accounts for annual recertification of accounts' balances instead of waiver.</p> <p>Clarified outlays and payments cannot be made out of clearing (suspense) accounts.</p> <p>Emphasized clearing balances in clearing (suspense) accounts within 30 days and no longer than 60 days.</p> <p>Removed the Statement of Difference based on current Central Accounting Reporting System (CARS).</p> <p>Updated the guidance for monthly reconciliation, classification, reporting, and disposition of clearing (suspense) and deposit funds.</p> | OFP (047G) | 5 year review.    | January 2018   |

**0203 Definitions**

**Clearing (Suspense) Account** – An account established to temporarily hold funds that are later refunded or transferred once an administrative or final determination as to the proper disposition is made.

**Deposit Fund** - An account established by Treasury BFS to record monies that do not belong to the Federal Government. The criteria for deposit funds may be found in Treasury Financial Manual (TFM) Volume I Part 2 Chapter 1500, Section 1535, Deposit Fund Accounts.

**Fiduciary** - Per Statement of Federal Financial Accounting Standards (SFFAS) No. 31, a Federal entity that holds assets in trust for a non-Federal entity in which the non-Federal entity has an ownership interest that the Federal Government must uphold (based on statutory or other legal authority).

**Fiduciary Activity** - Activity that relates to the 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.

**Refunds** - The return of funds improperly collected or collected in excess of the amount owed.

## 0204 Roles and Responsibilities

**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.

**Administration CFOs and staff office CFOs** are responsible for ensuring that a process exists for clearing suspense accounts timely, responding to questions from the FSC, and for ensuring that monthly reconciliations are performed.

**Financial Services Center (FSC)** will evaluate on a monthly basis the balances in the clearing (suspense) accounts and contact organizations which are not clearing suspense items in a timely manner. FSC will also complete an annual certification, with Treasury BFS, in order to continue using these accounts.

## 0205 Policies

### 020501 Clearing (Suspense) Accounts General Policies

- A. VA will strictly adhere to the guidance mandated by Treasury (TFM Bulletin No. 2017-10) and OMB (OMB A-11) to continue using Treasury-approved clearing (suspense) accounts.
- B. VA will ONLY use clearing(suspense) accounts to temporarily hold monies that are to be later refunded or transferred once an administrative or final determination as to the proper disposition is made.
- C. VA will not make expense payments from clearing (suspense) accounts, under any circumstances, as this may lead to an Anti-Deficiency Act violation.

- D. VA will make every effort to properly dispose clearing (suspense) account transactions within 30 days, and transaction shall not be allowed to remain in the suspense account for more than 60 days<sup>1</sup>.

### 020502 Clearing (Suspense) Accounts List

Clearing (suspense) funds are in the “3800” series fund group and are identified with an "F" preceding the last 4 digits of the fund account symbol. VA’s clearing (suspense) accounts are: 036F3845, 036F3875, 036F3880, and 036F3885. Below is a description of each account.

A. **036F3845** 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. The sales proceeds will first be deposited in this account even if the replacement equipment is purchased prior to the collection. The sales proceeds will then be transferred to the appropriate expenditure fund. The profits will be available to VA in the fiscal year of sale and for one fiscal year thereafter. This account is not subject to the requirement to dispose funds within 60 days.

B. **036F3875** Budget Clearing Account (Suspense)

This account temporarily holds unidentified remittances that ultimately will be credited to a receipt, appropriation or fund account but the correct fund account is not known at the time of receipt, or, when it is known or can be reasonably presumed that the remittances will be refunded or ultimately paid to a private firm or individual. Examples of this type of receipt are:

- 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;
- Collections covering advance payment of fees for copying Government records and certain Medical Care Collections Fund (MCCF) claims that need additional investigation;
- Collections of guarantees and deposits in connection with bids or contracts;
- Collections to be applied in conjunction with appropriations or funds as payment of vouchers; and
- Withheld taxes for moving expenses.

C. **036F3880** Unavailable Check Cancellations and Overpayments (Suspense)

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<sup>1</sup> Except the funds in account F3845 (Proceeds of Sales, Personal Property), and the funds found on premises under the control of VA with ownership unknown and deposited in F3875.

This account is a Treasury-established budget clearing account used for holding credit or chargeback amounts, pending identification of the appropriation or fund charged for the original check issuance. When payees have not received their checks (e.g., benefit checks) or the checks have been lost, stolen or mutilated, Treasury has delegated to administrative agencies the authority to certify second payments. This account is restricted to unavailable check transactions and may not be used for any other purpose.

1. VA will adhere to the Treasury's procedures and forms prescribed in TFM Volume I Chapter 7000 for processing and canceling U.S. Treasury checks that are stale dated, undeliverable, returned, identified as not received, lost, stolen, destroyed, mutilated, or to which the payee is no longer entitled.
2. VA will research the 036F3880 entries to determine the correct appropriations that the amounts will be charged to and transfer the correct amounts with a journal voucher.
3. Items in the 036F3880 account 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 transferring the collection to the Miscellaneous Receipt Account in Treasury.

**D. 036F3885 Undistributed Intra-Governmental Payments Account (Suspense)**

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 balance in 036F3885 cannot be cleared within 60 days, it will be reversed, corrected and resubmitted to Treasury by the submitter or rejected in accordance with IPAC rules.

**020503 Disposition of Funds in Clearing (Suspense) Accounts**

- A. VA's Clearing/Suspense accounts are managed at the station level.
- B. Finance staff at VA stations will research transactions in the clearing/suspense accounts to identify the proper accounting treatment and transfer transactions to the appropriate appropriation/fund. Transactions remaining in the clearing (suspense) accounts longer than 30 days require approval from the responsible official. Every effort should be made to clear these transactions within 60 days. All accounting entries used to transfer funds from clearing (suspense) accounts will be properly documented.

- C. If the proper accounting treatment cannot be identified and all reasonable efforts have been exhausted to identify and properly account for a suspense transaction, finance staff at the stations will transfer the clearing/suspense account transaction to one of the following three accounts based upon the criteria listed below:
- 036X3220, *General Fund Proprietary Receipts, Not Otherwise Classified, All Other*, for the return of moneys paid to, but not due, the recipient, that can't be classified as compensation for loss of or damage to property and other miscellaneous recoveries and refunds;
  - 020X6133, *Payment of Unclaimed Moneys*, for unclaimed amounts of \$25 or more that are unequivocally refundable but cannot be refunded because the rightful owner's whereabouts is unknown; or
  - 036X1060, *Forfeitures of Unclaimed Money and Property*, for unclaimed amounts of less than \$25 and do not meet all provisions for 020X6133.

Transfers will be made by a properly documented journal voucher.

- D. If the responsible official is uncertain about how to properly account for a suspense transaction, they may contact the FSC for assistance. The FSC can, if needed, request assistance/guidance from Treasury and OMB. Refer to TFM Part 6, Chapter 3000, which provides the steps to follow in determining the disposition of clearing (suspense) account transactions and transferring funds appropriately.

#### **020504 Monthly Monitoring of Clearing (Suspense) Accounts**

VA will monitor budget clearing account balances on a monthly basis.

- A. The amounts in the clearing accounts will be examined by responsible officials at the end of every month using the Unapplied Deposit Summary Table (UDST) in VA's Financial Management System and/or the F856 Nationwide Unapplied Deposits, or similar report.
- B. FSC will monitor clearing (suspense) accounts' balances over 30 days and 60 days and collaborate with responsible officials to clear the items on a timely basis.

#### **020505 Clearing (Suspense) Accounts: Annual Certification**

- A. Annually, Treasury BFS will send an e-mail to VA's CFO or designee to request completion of an online survey for certification of clearing (suspense) accounts. The request for certification will coincide with the annual Year-end Closing Bulletin which is normally issued each year in July.
- B. Annually VA will submit the requested certification statement to Treasury BFS. The certification statement will either attest to the fact that balances in VA's clearing

(suspense) accounts F3875 and F3885 do not include transactions older than 60 days or clearly articulate the reasons why balances were not distributed timely.

- C. FSC will use the same reports, which are used for monthly monitoring, to examine the balances as of the close of the fiscal year in the clearing accounts and report to Treasury BFS.

### **020506 Deposit Funds General Policies**

- A. VA will establish separate deposit fund accounts to hold non-Government monies as authorized by statute for individual programs.
- B. The deposit fund account classification is proper for any account that meets one of the following three criteria:
  - 1. 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, State income taxes).
  - 2. 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.
  - 3. Deposits received from outside sources for which the Government is acting solely as a banker, finance agent or custodian. Also, refer to TFM Volume I Part 2, Chapter 3400, Accounting for and Reporting on Cash and Investments Held Outside of the U.S. Treasury, for additional information.
- C. VA will comply with the guidance in SFFAS No. 31 for accounting and recording fiduciary activities as well as in preparing VA's notes to the financial statements.
- D. As some fiduciary activities are excluded from SFFAS No. 31 reporting requirements (e.g., amounts related to unpaid<sup>2</sup> payroll withholdings and garnishments<sup>3</sup>), VA will recognize liabilities for unpaid payroll withholdings and garnishments in accordance with SFFAS No. 1. Two deposit fund accounts (036X6278, All Other Payroll Withholdings, and 036X6279, Deductions from Veterans Benefits Payments) fall under SFFAS No. 1 guidance.

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<sup>2</sup> Unpaid means that amounts withheld or garnished have not been paid to the designated recipient.

<sup>3</sup>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.

### 020507 Deposit Funds List

VA will use 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 associated accounting and reporting standards.

- 036X6020, Personal Funds of Patients, Veterans Administration, Veterans Affairs (fiduciary in nature), holds funds for patients hospitalized at VA facilities. It operates much like a checking account without accruing interest.
- 036X6275, Withheld State and Local Taxes.
- 036X6276, Other Federal Payroll Withholding, Allotments. This accounts in only used when payroll withholding amounts must be held to make monthly payments, for example, Thrift Savings Plan (TSP) payments.
- 036X6278, All Other Payroll Withholdings. For example, Military Service Deposit (MSD), Rehabilitation Intervention Therapy Service (RITS) and Defense Finance and Accounting Service (DFAS) related transactions, such as Permanent Change of Station (PCS) withholdings, Federal Employee Health Benefit (FEHB) refunds, Electronic Funds Transfer (EFT) returns, etc.
- 036X6279, Deductions from Veterans Benefits Payments, Veterans Affairs. For example, the deductions held for premiums and other insurance purposes, made from benefits due the insured.
- 036X6500, Advances without Orders from Non-Federal Sources. This account is used for advances without orders from non-federal sources.
- 036X6501, Small Escrow Amounts. This account is for small escrow amounts held less than one year and less than \$1 million.

### 0206 Authorities and References

Statement of Federal Financial Accounting Standards (SFFAS) No. 1, Accounting for Selected Assets and Liabilities.

SFFAS No. 31, Accounting for Fiduciary Activities.

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

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

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

TFM, Volume 1, Part 6, Chapter 3000, Payments of Unclaimed Moneys and Refund of Moneys Erroneously Received and Covered.

TFM Bulletin 2017-10 Reporting Suspense Account Activity Using F3875 and F3885 and Using Default Accounts F3500 and F3502 as a Central Accounting Reporting System (CARS) Reporter.

TFM Bulletin No. 2007-06, Volume I: Intra-Governmental Payment and Collection (IPAC) System – Treasury Account Symbol (TAS)/Business Event Type Code (BETC) Reporting.

TFM Bulletin No. 2007-03: Intra-Governmental Business Rules.

TFM Announcement No. A-2009-03, Revised Federal Account Symbols and Titles (FAST) Book, January 2009.

Federal Management Regulations, 41 C.F.R., Part 38, Sale of Personal Property, Subpart D, 102-38.295.

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

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

## **0207 Rescissions**

VA Volume II Chapter 2C, Clearing (Suspense) and Deposit Funds, August 2009.

## **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)    |
| NCA        | NCA Finance Group (Outlook)     |
| All Others | OFP Accounting Policy (Outlook) |