0201 OVERVIEW

This chapter prescribes the Department of Veterans Affairs’ (VA) financial policies and procedures relating to funds from dedicated collections. Generally, funds from dedicated collections represent specifically identified revenues, provided to the government by non-Federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the Government’s general revenues.

Funds from dedicated collections may be classified in a statute, unified budget or both, as a revolving, special, or trust fund (see Appendix A). VA’s funds from dedicated collections fall within these three fund classifications. This chapter addresses funds from dedicated collections as defined in Statement of Federal Financial Accounting Standards (SFFAS) No. 27, Identifying and Reporting Earmarked Funds, and SFFAS No. 43, Funds from Dedicated Collections: Amending SFFAS 27. The Financial Accounting Standards Advisory Board (FASAB) intends for the term “Funds from Dedicated Collections” to be applied based on the substance of the statute and consistent with the criteria below.

Per SFFAS No. 43, funds from dedicated collections must meet all three of the following criteria:

A. A statute committing the Federal government to use specifically identified revenues and/or other financing sources that are originally provided to the Federal government by a non-Federal source to be used only for designated activities, benefits or purposes;

B. Explicit authority for the fund to retain revenues and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and

C. A requirement to account for and report on the receipt, use and retention of the revenues and/or other financing sources that distinguish the fund from the Federal government’s general revenues.

Funds from dedicated collections may be given authority to make expenditures by means of a permanent indefinite appropriation, often enacted by Congressional legislation. If not, an appropriation provided in annual appropriation acts is necessary to make expenditures. Whether the budget authority is provided by authorizing legislation or annual appropriations acts, the funds are reserved or restricted to the designated activity, benefit or purpose. VA’s funds from dedicated collections are No-Year

1 In some cases, specifically identified revenues or other financing sources are collected from a non-Federal source by one agency and transferred or appropriated to another.
Appropriations as indicated by the X symbol in the VA account number. These funds are available for incurring obligations for an indefinite period of time.

Funds from dedicated collections are financed by specifically identified revenues and other financing sources (such as appropriations) and serve a variety of purposes. Revenue sources may be identified as exchange or non-exchange, and include but are not limited to payroll taxes, excise taxes, customs duties, fees, user charges, sales of goods and services, and interest earned.

A. Exchange revenue results from business-type activities; hence, it includes most user charges. The standards require that financial statements recognize exchange revenue at the time that a Federal entity provides goods or services, valued at the price likely to be received.

B. Non-exchange revenue includes inflows of resources arising from the Government’s sovereign power to tax, as well as the Government authority to receive voluntary donations. These revenues are recognized when the collection is probable (i.e., a reporting entity has established a specifically identifiable, legally enforceable claim to cash or assets) and the amount can reasonably be estimated.

0202 POLICIES

020201 When authorized, VA will invest in Department of the Treasury (Treasury) securities, which are assets of funds from dedicated collections. These investments are available for authorized expenditures when redeemed. Refer to VA Financial Policies and Procedures, Volume V, Assets, Chapter 5, Investments, for additional information relating to VA Investments.

020202 VA will report non-exchange revenue and other financing sources, including appropriations, and net cost of operations for funds from dedicated collections separately on its Consolidated Statement of Changes in Net Position. VA will report the portion of cumulative results of operations and unexpended appropriations attributable to funds from dedicated collections separately on VA’s consolidated balance sheet.²

SFFAS No. 27, as amended by SFFAS No. 43, is silent on any requirement to show exchange revenue for funds from dedicated collections separately.

0203 AUTHORITY AND REFERENCES

020301 31 U.S.C. 1341, Limitation on Expending and Obligating Amounts

020302 31 U.S.C. 1535, Agency Agreements

² Additional details on VA’s policies for financial reporting of funds from dedicated collections will be included in Volume VII, Financial Reporting, Chapter 2, Consolidated Financial Statements.
020303  Office of Management and Budget (OMB) Circular A-11, Preparation, Submission and Execution of the Budget

020304  OMB Circular A-136, Financial Reporting Requirements - Revised


020306  SFFAS No. 27, Identifying and Reporting Earmarked Funds

020307  Treasury Financial Management Service (Treasury FMS), Federal Trust Fund Accounting Guide

020308  Treasury FMS, Intragovernmental Payment and Collection (IPAC) System

020309  Treasury, Federal Account Symbols and Titles (FAST) Book

020310  Treasury Financial Manual (TFM), Volume 1, Part 2, Chapter 1500, Description of Accounts Relating to Financial Operations

020311  U.S. Standard General Ledger (USSGL), TFM, Part 1 Fiscal Year 2012 Reporting

020312  USSGL, TFM, Part 2 Fiscal Year 2012 Reporting

020313  SFFAS No. 43, Funds from Dedicated Collections: Amending SFFAS 27, Identifying and Reporting Earmarked Funds

0204  ROLES AND RESPONSIBILITIES

020401  The Assistant Secretary for Management and 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.

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.

020403  The Office of Finance, Office of Financial Policy (OFP) is responsible for developing, coordinating, reviewing, evaluating, and issuing VA financial policies,
including those that impact financial systems and procedures for compliance with all financial laws and regulations. OFP works with the Office of Inspector General’s (OIG) independent contract auditors on VA’s annual Consolidated Financial Statements audit and prepares and reviews Consolidated Financial Statements, Notes, and Required Supplementary Information, etc. Within OFP, the Management and Financial Reports Service (MFRS) is responsible for preparing various comprehensive financial reports, such as those required by the President and the Executive branch, including Office of Management and Budget (OMB)/Treasury reports from the Hyperion (MinX) software.

**0205 PROCEDURES**

020501 Presentation of VA’s Consolidated Financial Statements

VA will separately report non-exchange revenue and other financing sources, and net cost of operations for funds from dedicated collections in the Consolidated Statement of Changes in Net Position. VA will report the portion of cumulative results of operations and unexpended appropriations attributable to funds from dedicated collections on the Consolidated Balance Sheet. The funds will not be reported separately on the Consolidated Statement of Net Cost. The information on these funds from each Administration will be aggregated in VA’s consolidated financial statements and shown as a footnote disclosure.

020502 Disclosure Requirements

SFFAS No. 27, as amended by SFFAS No. 43, requires VA to disclose all funds from dedicated collections under its program management responsibility. However, SFFAS No. 27, as amended by SFFAS No. 43, provides an exception in information reporting to allow for aggregate reporting, if an entity has numerous individual funds from dedicated collections.

If VA reports a different portion of a program funded by dedicated collections than it reported in prior years, it should not re-state its prior year financial statements. It should disclose the change. This applies if VA does not report a fund from dedicated collections, that it reported in the prior year. It also applies if VA reports a fund from dedicated collections that it did not report in the prior year.

Although special funds from dedicated collections are usually the responsibility of a single entity, management responsibility for some special funds is shared by two or more entities. Under such circumstances, VA still must identify all special funds for which it has management responsibility, either by a list, official title or a statement, indicating where the information can be obtained. VA will provide specific information on special funds, including revenue sources, assets and liabilities, and changes in net position.

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3 Detailed procedures for funds from dedicated collections will be included in Volume VII, Financial Reporting, Chapter 2, Consolidated Financial Statements.
020503 Notes on Investments

VA’s investments in Treasury securities for funds from dedicated collections will be accompanied by a note explaining the following issues:

1. Treasury does not set aside assets to pay future expenditures associated with funds from dedicated collections. Instead, the cash generated from funds from dedicated collections is used by Treasury for general Government purposes.

2. Treasury securities are issued to the fund from dedicated collections as evidence of dedicated receipts and provide the fund with the authority to draw upon Treasury for future authorized expenditures (although for some funds, this is subject to future appropriation).

3. Treasury securities held by a fund from dedicated collections are an asset of the fund and a liability of Treasury, so they are eliminated in consolidation for the U.S. Government-wide financial statements.

4. When VA redeems its fund from dedicated collections Treasury securities to make expenditures, Treasury will finance those expenditures in the same manner in which it finances all other expenditures.

020504 Accounting and Budgetary Requirements

Illustrative general ledger treatment for these receipt and expenditure transactions is contained in the Department of the Treasury’s Financial Standards and Reporting’s Federal Trust Fund Accounting Guide, Updated January 2002 and USSGL Accounting Guidance (inclusive of the USSGL Search Tool). Specifically, they provide transactions that illustrate basic accounting for receipts and collections, expenditure transfers, non-expenditure transfers, and exchange/non-exchange transactions.

0206 DEFINITIONS

020601 Entity. The Government as a whole, or a unit of the Federal Government such as a department, agency, bureau, or program, for which a set of financial statements would be prepared. Entity also encompasses a group of related or unrelated commercial functions, revolving funds, trust funds and/or other accounts for which financial statements will be prepared in accordance with OMB guidance.

020602 Exchange Revenues. In-flows of resources to VA that have been earned. They arise from exchange transactions which occur when one party to the transaction sacrifices value and the other party receives value in return.

020603 Expended Appropriations (USSGL Account 5700). This account is the amount of appropriations used during the fiscal year when goods and services are received or benefits are provided.
020604 Fund. A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

020605 Funds from dedicated collections. Funds financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time and meet the three criteria described in the SFFAS No. 43, paragraph 7 (also shown in the 0201 OVERVIEW of this chapter). These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes and must be accounted for separately from the Government’s general revenues.

020606 Intra-Governmental Revolving Funds. Accounts whose receipts come primarily from other Federal appropriations or funds.

020607 Non-exchange Revenues. In-flows of resources that the Federal Government is able to demand or receive due to its sovereign powers, such as taxes.

020608 Public Enterprise Funds. Accounts where receipts come primarily from sources outside the Government.

020609 Revolving Fund. A fund established by Congress to finance a cycle of business-like operations through amounts received by the fund. A revolving fund charges for the sale of products or services and uses the proceeds to finance its spending, usually on a self-sustaining basis. A revolving fund is a form of permanent appropriation.

020610 Statements of Federal Financial Accounting Standards (SFFAS). Accounting standards for the Federal Government recommended by the Federal Accounting Standards Advisory Board and approved by the Director of OMB, the Secretary of the Treasury, and the Comptroller General.

020611 Trust Fund. A type of account, designated by law as a trust fund, for receipts and/or offsetting receipts dedicated for specific purposes and for the expenditure of these receipts.

020612 Trust Revolving Funds. Funds having no receipt account and whose collections are credited directly to an expenditure account.

020613 Unexpended Appropriations – Cumulative (USSGL Account 3100). This account contains the amount of unexpended appropriations after fiscal year-end closing. The balance in this account remains the same during the fiscal year. Activity to increase or decrease unexpended appropriations is reflected in other USSGL accounts.
in the 3100 series. At year-end, the nominal USSGL accounts in the 3100 series are closed to this USSGL account, including special and trust funds which receive appropriations from the General Fund of the Treasury. During the fiscal year, the net of debit and credit balances in the 3100 series accounts reflects the total remaining balance of unused appropriations. This account does not close at year-end.

020614 Unified Budget. The term refers to the combined on-budget and off-budget items. Most spending, including interest on the public debt, is on-budget; while spending on programs with dedicated taxes is considered off-budget, the largest being Social Security.

020615 U.S. Standard General Ledger. A uniform chart of accounts and technical guidance to be used in standardizing Federal agency accounting.

0207 RESCISSIONS

This chapter rescinds VA Financial Policy Vol. V Chapter 4, Earmarked Funds, dated August 2009.

0208 QUESTIONS

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

VHA VHA CFO Accounting Policy (10A3A) (Outlook)
VBA VAVBAWAS/CO/FINREP (Outlook)
All Others OFP Accounting Policy (Outlook)

0209 REVISIONS

<table>
<thead>
<tr>
<th>Section</th>
<th>Revision</th>
<th>Office</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>Changed Vol V Assets Ch 4 to Vol II Appropriations, Funds and Related Information, Ch 2F</td>
<td>APPS (047GA)</td>
<td>July 2013</td>
</tr>
<tr>
<td>Overall</td>
<td>Changed the term “earmarked funds” to “funds from dedicated collections”.</td>
<td>APPS (047GA)</td>
<td>July 2013</td>
</tr>
<tr>
<td>0201</td>
<td>Reworked per SFFAS 43.</td>
<td>APPS (047GA)</td>
<td>July 2013</td>
</tr>
<tr>
<td>0201</td>
<td>Moved sections related to classification and reporting to Appendix A.</td>
<td>APPS (047GA)</td>
<td>July 2013</td>
</tr>
<tr>
<td>0202</td>
<td>Moved detailed information on reporting (including new clarifications in SFFAS 43) to the Consolidated Financial Statement (C.F.S.) policy chapter.</td>
<td>APPS (047GA)</td>
<td>July 2013</td>
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<tr>
<td>0203</td>
<td>Updated the hyperlinks and verified the</td>
<td>APPS</td>
<td>July</td>
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<tr>
<td>020403</td>
<td>Updated the paragraph to be consistent with other policy chapters.</td>
<td>(047GA)</td>
<td>2013</td>
</tr>
<tr>
<td>0205</td>
<td>Moved detailed information on reporting to the C.F.S. policy chapter and renumbered the sections.</td>
<td>APPS (047GA)</td>
<td>July 2013</td>
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<tr>
<td>020501</td>
<td>Summarized A, B, C, D, E into one paragraph and moved detailed information to the C.F.S. policy chapter.</td>
<td>APPS (047GA)</td>
<td>July 2013</td>
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<tr>
<td>020502</td>
<td>Summarized A, B, C, D, E into one paragraph and moved detailed information to the C.F.S. policy chapter.</td>
<td>APPS (047GA)</td>
<td>July 2013</td>
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<tr>
<td>0206</td>
<td>Updated the definitions per the changes in SFFAS 43.</td>
<td>APPS (047GA)</td>
<td>July 2013</td>
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<td>0207</td>
<td>Added “0207 RESCISSIONS”.</td>
<td>APPS (047GA)</td>
<td>July 2013</td>
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<tr>
<td>0209</td>
<td>Added “0209 REVISIONS”.</td>
<td>APPS (047GA)</td>
<td>July 2013</td>
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<tr>
<td>Appendix A</td>
<td>Moved the appendix to the C.F.S. policy chapter and added New Appendix: Classification and Reporting of Funds from Dedicated Collections.</td>
<td>APPS (047GA)</td>
<td>July 2013</td>
</tr>
<tr>
<td>Appendix B</td>
<td>Separated by fund type and added it to Appendix A.</td>
<td>APPS (047GA)</td>
<td>July 2013</td>
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APPENDIX A: CLASSIFICATION AND REPORTING OF FUNDS FROM DEDICATED COLLECTIONS

Classification and reporting of funds from dedicated collections (e.g., revolving, special or trust fund) should be made at the level of an individual fund. A fund should be classified as a “fund from dedicated collections" if it meets the criteria in B and C in 0201 OVERVIEW, and either:

1. its predominant sources of revenue and other financing sources are non-Federal sources meeting the criteria stated in A in 0201 OVERVIEW, or

2. it has non-Federal sources of revenue and other financing sources meeting the criteria stated in A that are material to the reporting entity.

In situations where there is a mixed source of funding and the proportion and/or amounts vary from year-to-year so that it is difficult to determine a predominant source and/or assess materiality, acceptable options for classification include but are not limited to: (1) long-term expectations rather than periodic results that may fluctuate; or (2) 36-month averages. Changes in classification of funds from year to year should be disclosed.

The following chart displays the funds from dedicated collections groups used in Federal reporting to the Department of the Treasury Financial Management Service (Treasury FMS) and the Office of Management and Budget (OMB), and the correlation to SFFAS No. 27 (as amended by SFFAS No. 43) reporting requirements for specific funds.

<table>
<thead>
<tr>
<th>Fund Groups and Major Classes</th>
<th>Generally Subject to SFFAS No. 27 (as amended by SFFAS No. 43) Reporting Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revolving Funds ................4000-4999</td>
<td>Yes</td>
</tr>
<tr>
<td>Public Enterprise Funds:</td>
<td>Yes</td>
</tr>
<tr>
<td>All Other Public Enterprise Funds</td>
<td></td>
</tr>
<tr>
<td>Special Funds ....................5000-5999</td>
<td>Yes</td>
</tr>
<tr>
<td>Trust Funds ......................8000-8999</td>
<td>Yes</td>
</tr>
</tbody>
</table>

REVOLVING FUNDS

Revolving funds are authorized by specific provisions of law to finance a continuing cycle of business-type operations. The receipts are credited directly to the revolving fund as offsetting collections and are available for expenditure without further action by Congress. Treasury FMS classifies the receipts as: (1) intra-Governmental funds, where receipts come primarily from other appropriations or funds between Federal
agencies, or (2) public enterprise funds, where receipts come primarily from sources outside the Government. Of these two types of receipts, some, but not all, of the public enterprise funds are funds from dedicated collections.

VA Revolving Funds Accounts (maintained currently by Treasury)

36X4009 Servicemen’s Group Life Insurance Fund, Veterans Affairs (VBA)
36X4010 Veterans Reopened Insurance Fund, Veterans Affairs (VBA)
36X4012 Service-Disabled Veterans Insurance Fund, Veterans Affairs (VBA)
36X4014 Canteen Service Revolving Fund, Veterans Affairs (VHA)

SPECIAL FUNDS

Special funds consist of receipt and expenditure accounts, authorized for use for special purposes. The receipt account represents collections dedicated by law and is not generated from a continuing cycle of business-type operations. These collections are presented in the Budget of the United States Government as either Governmental (budget) receipts or offsetting receipts. The expenditure account is an appropriation account that records appropriations, obligations and outlays financed by the proceeds of special fund receipts.

VA Special Funds Accounts (maintained currently by Treasury)

36X5287 Medical Care Collections Fund, Veterans Affairs (VHA)
36X5392 National Cemetery Administration Facilities Operation Fund, Veterans Affairs (NCA)

TRUST FUNDS

Trust funds account for the receipt and expenditure of monies by the Government for carrying out specific purposes and programs in accordance with the terms of a statute that designated the fund as either a trust fund or a vehicle for carrying out the stipulations of a trust agreement where the nation is the beneficiary. Like special funds and certain public enterprise revolving funds, trust funds from dedicated collections are for specific spending purposes. The Federal budget meaning of the term “trust,” as applied to trust fund accounts, differs significantly from its private sector usage. In the private sector, the beneficiary of a trust usually owns the trust’s assets, which are managed by a trustee who must follow the trust stipulations. In contrast, the Federal Government owns the assets of most Federal trust funds and can raise or lower future trust fund collections and payments or change the purposes for which the collections are to be used by changing laws.
Trust funds normally consist of one or more receipt accounts to record receipts and an expenditure account to record the use of the receipts. Similar to special funds, large trust funds may have multiple expenditure accounts. A few trust funds, however, such as the Veterans Special Life Insurance fund, are established as revolving funds.

Treasury FMS credits trust fund receipt accounts with receipts generated by the terms of a trust agreement or statute that designates the fund as a trust fund. At the point of collection, these receipts are either available immediately or unavailable for expenditure, depending on statutory requirements. Treasury FMS establishes trust fund expenditure accounts to record amounts appropriated from trust fund receipts. VA may expend these receipts for specific purposes or programs according to the terms of a trust agreement or statute.

VA Trust Funds Accounts (maintained currently by Treasury)

- 36X8129 Department of Veterans Affairs Cemetery Gift Fund, Veterans Affairs (NCA)
- 36X8132 National Service Life Insurance Fund, Veterans Affairs (VBA)
- 36X8133 Post-Vietnam Era, Veterans Education Account, Veterans Affairs (VBA)
- 36X8150 United States Government Life Insurance Fund, Veterans Affairs (VBA)
- 36X8180 General Post Fund, National Homes, Veterans Affairs (VHA)
- 36X8455 Veterans Special Life Insurance Fund, Trust Revolving Fund, Veterans Affairs (VBA)