Financial Policy

Volume II
Appropriations, Funds and Related Information

Chapter 2i
Major Construction Working Reserve Line Items

Approved:

Edward J. Murray
Acting Assistant Secretary for Management
And Acting Chief Financial Officer

7-13-17
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0201 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures relating to the accounting and reporting of funds being managed in the Major Construction Working Reserve Line Items. Each year, VA requests appropriated funds to finance major construction projects. Because these projects can span several years, VA is authorized to carry forward fund balances from year-to-year in its construction accounts. VA is responsible for tracking and managing construction fund balances. Unexpended balances that remain after construction projects are completed are placed in the Major Construction Working Reserve. VA will ensure that unexpended fund balances are redirected to other major construction project needs within the Department. When Major Construction Working Reserve funds are used for a construction project that is in need of additional funds, it is called a reprogramming of funds.

Major construction projects include construction projects greater than $10 million\(^1\), such as new medical and benefits facility construction and renovations; new national cemetery and gravesite expansion; land acquisitions for additional national cemeteries and medical facilities; and support for other construction-related activities. The funds for Major construction are appropriated by project, along with individual line items for disposal of asbestos, hazardous waste, etc. When a project becomes complete, any remaining funds are redirected to the appropriate working reserve line item. VA has the authority to reprogram funds up cumulatively, up to 5 percent (%) of the total estimated cost (TEC) or $5M, whichever is less, for its major construction projects without notifying Congress. Reprogramming cumulatively greater than $5M or 5% of TEC requires notification of Congress. Since Fiscal Year (FY) 2013, when Congress appropriated 5-year funds for Major Construction, the Major Working Reserve Line Items will contain both no-year funds and 5-year funds.

0202 REVISIONS

<table>
<thead>
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<th>Reason for Change</th>
<th>Effective Date</th>
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<tr>
<td>Various</td>
<td>Reformatted to new policy format and completed 5 year review.</td>
<td>OFP (047G)</td>
<td>Reorganized chapter layout</td>
<td>July 2017</td>
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<tr>
<td>Overall</td>
<td>Changed the title to “Major Construction Working Reserves Line Items”.</td>
<td>APS (047GA)</td>
<td>New regulation, Consolidated Appropriations Act (P.L.114-223; 114-113;</td>
<td>July 2017</td>
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<tr>
<td></td>
<td>Used the phrase “line item” instead of “accounts” to identify</td>
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\(^1\) Title 38, U.S.C. Section 8104(a)(3)(A). The current threshold for Major Construction Projects is $10 million.
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<td></td>
<td>funds tracked to a project.</td>
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<td>P.L. 113-235; P.L. 113-76; and P.L. 113-6</td>
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<td></td>
<td>Changed the term “total project cost” to “total estimated cost (TEC)”.</td>
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<td></td>
<td>Replaced the word “account” with “fund”, or “line item” and replaced</td>
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<td></td>
<td>Added definition for Bid Savings, Reprogramming, and Release of Claims.</td>
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<td></td>
<td>Revised the definition for Major Construction Projects to be consistent</td>
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<td>0204 Roles and Responsibilities</td>
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<tr>
<td></td>
<td>Updated the role of VA CFO to standard language.</td>
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<td>July 2017</td>
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<td>Updated the responsibilities of CFM to by adding “The</td>
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<td>Added definition for Bid Savings, Reprogramming, and Release of Claims.</td>
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<td>Consolidated Appropriations Act (P.L.114-223; 114-113; 113-235; 113-76; and 113-6)</td>
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<td>Executive Director is responsible for overseeing the compilation of reprogramming packages.</td>
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<td><strong>APS (047GA)</strong></td>
<td>New Regulations: P.L. 114-315 &amp; Consolidated Appropriations Act (P.L.114-223; 114-113; 113-235; 113-76; and 113-6)</td>
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<td>Reorganized policy section chronologically beginning with bid savings policy.</td>
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<td>Removed outdated policy about moving funds prior to the completion of construction. Clarified reprogramming 5-year funds prior to no-year funds from the Reserve.</td>
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<td>Added policy related to upward adjustments for within scope changes.</td>
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<td>Added requirement for Congressional authorization for expanded scope requests.</td>
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<td>Updated titles and levels of approval by Major Construction Working Reserve Board, Executive Director CFM, VA CFO, and the Secretary.</td>
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<td>Added VA Working Reserve Board membership.</td>
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<td>Revised paragraph 020502 as: “VA will move the bid savings to the project reserve at the time of contract award. VA will maintain the project reserve on any major construction project until such time as it appears unlikely that additional funding will be necessary to complete the project. Once this occurs, the project reserve funds will be deposited into the</td>
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<td>applicable Major Construction Working Reserve Line Item. Prior to the movement of funds, CFM will provide email notification to the Office of Asset Enterprise Management (OAEM).”</td>
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<td>Revised paragraph 02050405 by adding word “Cumulatively”: All Major Construction Working Reserve fund reprogramming requests cumulatively over $5,000,000 will be sent to the VA Secretary for approval upon concurrence of the Executive Director, CFM, Executive Director, OALC, and the Working Reserve Board.</td>
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<td>Deleted paragraph 020503, After agreeing with the contractor to the release of claims for a completed major project, any additional excess funds remaining on the project will be moved to the applicable Major Construction Working Reserve Line Item.</td>
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<td>Deleted paragraph 020508, VA must account for the use of the Major Construction Working Reserve funds in the same fashion as is accomplished with all other obligations and expenditures of appropriated funds.</td>
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<td>0206 Authorities and References</td>
<td>Added the references for Consolidated Appropriations Act (P.L. 114-223; 114-113; 113-235; 113-76; 113-76); and P.L.114-315.</td>
<td>APS (047GA)</td>
<td>5 year review &amp; Consolidated Appropriations Act (since 2013)</td>
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0207 Rescissions
APS (047GA) 5 year review & Consolidated Appropriations Act (since 2013)
July 2017

0208 Questions
Updated title for CFM questions to Associate Executive Director, Office of Resource Management, CFM
APS (047GA) 5-year update
July 2017

Appendix A
Added Appendix A, Fund Availability
APS (047GA) 38 USC 8104
July 2017

0203 DEFINITIONS

Available Funds on a Major Construction Project - Unobligated funds that are no longer required for completion of said project and are available for redistribution after reprogramming to the Major Construction Working Reserve Line Item.

Bid Savings - Bid savings are calculated at the time of the last award on a major construction project. Bid Savings are funds that are excess to the needs of a major construction project after all other costs associated with the project have been taken into account, such as, design and construction contracts, construction period services, construction management services, testing labs, contingencies, impact funds, etc. Bid Savings are held and tracked in a project reserve on the project from which they were derived and will be tracked when the have been moved to the Major Construction Working Reserve.

Major Projects Construction - A construction, alteration, extension or improvement of any VA facility, including planning, architectural and engineering services, construction management services, maintenance or guarantee period services costs associated with equipment guarantees provided under the project, services of claims analysts, offsite utility and storm drainage system construction costs and site acquisition, where the estimated cost of the project is greater than $10,000,000 or where funds for a project were made available in a previous appropriation.”

Major Construction Working Reserve Line Item - established by VA to capture available major construction funds, allowing for the redirection of those funds to other construction projects, upon approval by the appropriate official.

Major Construction Working Reserve Line Item Reprogramming - A movement of funds from the appropriate Major Construction Working Reserve Line Item to a major construction project whose funding requirements exceed those appropriated.
Project Reserve - Funds remaining after the last construction contract award that are held for the project until a decision is made that the remaining funds are no longer required for the project.

Release of Claims - A form completed by the Contractor at the time of final payment under the contract. The contractor shall execute and deliver a release of claim discharging the Government, its officers, agents, and employees of and from all liabilities, obligations, and claims arising out of or under the contract.

Reprogramming - Shifting funds within an appropriation or fund account to use them for purposes other than those contemplated at the time of appropriation; it is the shifting of funds from one budget object class to another within an appropriation or from one program activity to another.

0204 ROLES AND RESPONSIBILITIES

The Assistant Secretary for Management/Chief Financial Officer (VA 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, Veterans Benefits. 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.

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 in this chapter.

The Office of Construction and Facilities Management (CFM) provides design, major construction project and major lease project management, design and construction standards, and historic preservation services. CFM executes all VA major construction, and is responsible for the financial execution of major construction project and major lease projects and reports to the Executive Director, Office of Acquisition, Logistics and Construction (OALC). CFM maintains a major construction working reserve line item for each Administration, wherein funds can be used to finance, in part, the construction, alteration, extension, and improvement of any of the facilities under the jurisdiction of VA, or for any of the purposes in various sections of Title 38 of the United States Code. The Executive Director is responsible for overseeing the compilation of reprogramming packages.

0205 POLICIES

020501 The VA Secretary will notify Congress when a major project realizes bid savings. Congressional notification is required within 14 days after bid savings have
been identified when the savings are above the 5% of the TEC or $5M, whichever is less.

020502 VA will move the bid savings to the project reserve at the time of contract award. VA will maintain the project reserve on any major construction project until such time as it appears unlikely that additional funding will be necessary to complete the project. Once this occurs, the project reserve funds will be deposited into the applicable Major Construction Working Reserve Line Item. Prior to the movement of funds, CFM will provide email notification to the Office of Asset Enterprise Management (OAEM).

020503 Reprogramming of Major Construction Working Reserve Line Items

02050301 VA can reprogram funds from the Major Construction Working Reserve Line Items to defray the costs of completing other major construction projects.

02050302 VA reprograms 5-year funds to the maximum extent practicable, prior to using no-year funds. (See Appendix A. Fund Availability).

02050303 VA will also notify Congress at least 14 days prior to reprogramming the funds from Major Construction Working Reserve Line Items to a major construction project. Notification to Congress means that both authorizing and appropriating Committees must be so advised about reprogramming activities within a certain cost level. VA will notify Congress of obligation, including:

A. The major construction project that is the source of the bid savings;
B. The other major construction project for which the amounts are being obligated; and
C. The amounts being obligated for such other major construction project.

02050304 VA will only reprogram funds from the Major Construction Working Reserve Line Item for an upward adjustment within the scope of the originally approved project.

02050305 VA will obtain Congressional authorization and approval, prior to funding an expanded scope of a project.

- All reprogramming funds over 5% of TEC or greater than $5M (whichever is less) for a major construction project must be reported to the Congressional appropriating and authorizing committees.
- All reprogramming of funds over $5M must be approved by the Committees on Appropriations of both Houses of Congress and reported to the Congressional appropriating and authorizing committees.

020504 Departmental-level internal control over Major Construction Working Reserve Line Items and reprogramming.
02050401 VA will ensure that all rules of budgeting, accounting, and financial reporting, as required by the Office of Management and Budget (OMB), and the Department of the Treasury (Treasury) are adhered to.

02050402 VA will provide regular reporting of the composition of the Major Construction Working Reserves by Administration to keep management aware of the availability of these specific no-year funds, and each of the 5-year funds (starting with FY 2013).

02050403 The Executive Director, CFM, will approve the use of Major Construction Working Reserve funds with a cumulative value up to $500,000. The Executive Director, CFM will approve moving funds from the project reserve up to $500,000 to support completion of the project.

02050404 The Assistant Secretary for Management/CFO will approve the reprogramming of Major Construction Working Reserve line item funds with a cumulative value over $500,000 to $5,000,000 and up to 5% of TEC. The Assistant Secretary for Management/CFO will ensure that all available funds from major construction projects are properly reprogrammed to, and accounted for, within the Major Construction Working Reserve Line Items.

02050405 All Major Construction Working Reserve fund reprogramming requests cumulatively over $5,000,000 will be sent to the VA Secretary for approval upon concurrence of the Executive Director, CFM, Executive Director, OALC, and the Working Reserve Board.

02050406 The Major Construction Working Reserve Board (WRB) reviews and approves reprogramming requests to add funds to a project, increasing the amount originally appropriated. The Major Construction Working Reserve Board members review all reprogramming requests for major construction funds from Major Construction Project Reserve line item and the line item balances at the request of the Chairperson. The Chairperson transmits requests electronically to other Board members. After review, Board members will respond electronically to the Chairperson with their concurrence or non-concurrence. Recommendations of the Board will be forwarded to the Executive Director, CFM for approval.

WRB Membership:

A. Associate Executive Director, CFM Office of Resource Management (Chairperson);

B. Representative from the Office of the Deputy Under Secretary for Health for Operations and Management;

C. Representative from the Office of Asset Enterprise Management;
D. Representative from the National Cemetery Administration (NCA);

E. Representative from the Veterans Benefits Administration (VBA);

F. Representative from the Office of CFM (respective Director of the Regional Office from which the project is being overseen); and

G. The CFO (or representative) of each Administration.

02050407 The Executive Director, CFM, is responsible for tracking and managing major construction account balances to ensure that any unexpended balances that remain after construction projects are completed are redirected to Working Reserve line item. The Executive Director is responsible for overseeing the compilation of reprogramming packages. Annually, as part of the financial reporting year-end accounting certification, the Executive Director, CFM, will certify that all unobligated and unliquidated funds on substantially completed projects or projects accepted for use are not excess and are necessary for project completion.

0206 AUTHORITIES AND REFERENCES

Chief Financial Officers (CFO) Act of 1990

31 U.S.C. Subtitle II, Chapter 15, Appropriation Accounting

38 U.S.C. 8104, Congressional approval of certain medical facility acquisitions

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

OMB Circular A-136, Financial Reporting Requirements - Revised


P.L. 113-235 CONSOLIDATED AND FURTHER CONTINUING APPROPRIATIONS ACT, 2015

P.L. 113-76 Consolidated Appropriations Act, 2014
P.L. 113-6 CONSOLIDATED AND FURTHER CONTINUING APPROPRIATIONS ACT, 2013


0207 RESCISSIONS

OFP Volume II, Chapter 2i, Major Construction Working Reserve Accounts, August 2009


0208 QUESTIONS

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

CFM Executive Associate Director, Office of Resource Management Office, CFM
All Others OFP Accounting Policy (Outlook)
APPENDIX A: Fund Availability

This appendix provides guidance for the source of funds from the Major Construction Working Reserves to support completion of a major project needing additional funds. In accordance with 38 USC 8104, Congressional approval of certain major construction projects, paragraph (d) 2, bid savings funds are available to fund projects authorized in current or prior fiscal years. The below chart and examples provide availability for allocating funds from the Major Working Reserve line items. VA will reprogram 5-year funds to the maximum extent practicable, prior to using no-year funds.

Sample Availability Chart

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</table>

A - Available - for new obligations and for upward adjustments of projects obligated during the 5 years or prior fiscal years.

E - Expired - available for upward adjustment for within scope changes to an existing obligation made in prior fiscal years.

C - Canceled - not available for any adjustments.

Examples of Availability

1. Funds returned in FY 16 to the Working Reserve from a project obligated in FY 13 with 5-year funds. FY 13-17 will be available for new obligation in FY 16 or FY 17, and available for upward adjustments for any projects initiated prior to FY 17.

2. A project obligated in FY 16 with FY 16-20 funds could receive additional funds from: No-year, FY 13-17; FY 14-18; FY 15-19; FY 16-20, and up until each fund cancels.