Financial Policy

Volume II

Appropriations, Funds, and Related Information

Chapter 5

Obligations Policy

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Chapter 5

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0501 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures relating to establishing, maintaining, and reconciling obligations. Appropriations represent legal authority granted by Congress to incur obligations and to make disbursements for the purposes, during the time periods, and up to the amount limitations specified in the appropriation acts.

The Constitution of the United States gives the Congress the “power of the purse” and further provides that the executive branch “faithfully execute” the laws that Congress passes. Article 1, Section 9 of the Constitution stipulates that “no money shall be drawn from the Treasury, but in consequence of appropriations made by law.” Because money cannot be paid from the Treasury except under an appropriation and because an appropriation must be derived from an act of Congress, Congress determines the purposes for which an appropriation may be used. Simply stated, 31 United States Code (U.S.C.) 1301(a) says that public funds may be used only for the purpose(s) for which they were appropriated. It prohibits charging authorized items to the wrong appropriation and unauthorized items to any appropriation.

Executive branch agencies are prohibited from operating at a level that is above and beyond what the Congress has authorized. The processes used to ensure that obligations and expenditures stay within the authorized limits are collectively referred to as the administrative control of funds. The Antideficiency Act (ADA) of 1906, as codified in Title 31 of the U.S.C., serves as a primary foundation for the government’s administrative control of funds system.

The law:

- Prohibits the making of expenditures or the incurring of obligations in advance of an appropriation;
- Prohibits the incurring of obligations or the making of expenditures in excess of amounts available in appropriation or fund accounts unless specifically authorized by law (31 U.S.C. 1341(a));
- Prohibits the acceptance of voluntary or personal services unless authorized by law (31 U.S.C. 1342);1
- Requires the Office of Management and Budget (OMB), via delegation from the President, to apportion appropriated funds and other budgetary resources for all

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1 Refer to Volume II Chapter 7D, Guidelines to Avoid Augmenting an Appropriation. Pursuant to 38 U.S.C. 513, VA may accept uncompensated services for necessary services as the Secretary may consider practicable. 38 U.S.C. 7405 provides further statutory authority to employ, without compensation, those persons listed in 38 U.S.C. 7401(1) and (3). Under 5 U.S.C. 3111, VA may accept volunteer services from students with the permission of the institution at which the student is enrolled as a part of an agency program established for the purpose of providing educational experience for the student. The Department of Veterans Affairs’ Voluntary Service (VAVS) Program has been established for this purpose.
executive branch agencies (31 U.S.C. 1512);

- Requires a system of administrative controls within each agency (31 U.S.C. 1514 for the administrative divisions established);

- Prohibits incurring any obligation or making any expenditure in excess of an apportionment or reapportionment or in excess of other subdivisions established pursuant to 31 U.S.C. Sections 1513 and 1514 (31 U.S.C. Sections 1517); and

- Specifies penalties for deficiencies (ADA Violation).

An ADA Violation occurs when one or more of the following happens:

- Overobligation or overexpenditure of an appropriation or fund account (31 U.S.C. 1341(a));

- Entering into a contract or making an obligation in advance of an appropriation, unless specifically authorized by law (31 U.S.C. 1341(a));

- Acceptance of voluntary service, unless authorized by law (31 U.S.C. 1342); or

- Overobligation or overexpenditure of (1) an apportionment or reapportionment, or (2) amounts permitted by the administrative control of funds regulations (31 U.S.C. 1517(a)).

When a determination has been made that a violation of the Antideficiency Act has occurred, the agency head must report all relevant facts, including a statement of actions taken, to the President and Congress. A copy of the report is submitted to the Government Accountability Office (GAO) Comptroller General (CG). Penalties for ADA violations include administrative discipline, such as suspension from duty without pay or removal from office. In addition, an officer or employee convicted of willfully and knowingly violating the law shall be fined not more than $5,000, imprisoned for not more than 2 years, or both (31 U.S.C. 1349, 1350, 1518, and 1519).

0502 POLICIES

050201 OBLIGATIONS. VA will obligate funds consistent with the purpose and availability of appropriations and amounts apportioned by OMB. VA requests an initial
apportionment from OMB for annual and some two-year funds on a quarterly basis; the amounts requested in a quarter may be different percentages rather than a flat 25 percent of the appropriation. Additional apportionment requests may be submitted as required; however, the total of all requests may not be more than the total appropriation. Refer to Volume II Chapter 2, VA’s Budget Cycle and Fund Symbols, for additional information. Refer to Section 050201.02 Severable Services Contracts Crossing Fiscal Year for guidance specific to these types of obligations. Following are the general definitions for purpose, time, and amount that must be considered:

- **Purpose:** The obligation is within the purpose for which the appropriation is made;
- **Time:** The obligation occurs within the time limits or period of availability applicable to the appropriation and meets a legitimate or bona fide need, arising in or in some cases arising prior to but continuing to exist in, the fiscal year for which the appropriation was made; and
- **Amount:** The obligation and expenditure amounts or reasonable estimates are within the amounts Congress has established and apportioned by OMB.

A. VA will ensure that funds are available to cover the obligation and expenditure prior to entering into an agreement, to include adjustments made in expired year appropriations. Refer to  Volume II, Chapter 6, 1358 Obligations, for details related to these obligations. Obligations may include the following types:

1. **Direct Obligations:**
   - Obligations in credit programs and liquidating accounts;
   - Obligations that are not financed from offsetting collections and where the account is not a revolving fund; or
   - Obligations financed from offsetting collections from non-exchange transactions (e.g., donations, refunds).

2. **Reimbursable Obligations:**
   - Obligations in non-credit revolving or liquidating fund accounts;
   - Obligations financed by offsetting collections that are payment for goods or services; or
   - Obligations financed from offsetting collections from other Federal Government accounts where the collections are for a jointly funded grant or project.

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4 Refer to OMB Circular A-11, Section 83.5, for more information regarding direct and reimbursable obligations.
B. VA will record obligations at the object class level to ensure that budget and reporting requirements can be met. Refer to Volume XIII, Chapter 2, Budget Object Codes, for additional information.

C. VA will use a standard numbering schema for obligations to aid in identification and payment processing of invoices. Refer to Appendix A, VA Standard Numbering Schema for Obligations, for additional detail on the standard numbering scheme.

D. VA will ensure obligations are supported by sufficient detail (documentary evidence) to ensure proper accounting within the financial statements. Erroneous or inaccurate obligations may hinder VA in accomplishing its mission and presenting its financial position accurately. Refer to Section 050201.01 Delinquent Obligations and Unauthorized Commitments for additional information on these specific items.

E. VA will record adjustments to ensure the net obligated balance is properly reported in the financial statements. Adjustments should be made to the appropriate obligation to ensure balances are accurate and supported, to include prior year adjustments for expired funds.5

1. Adjustments to obligations in an expired year appropriation. If the amount of an adjustment exceeds the balance available in an expired account at the VA level, the adjustment may only be made pursuant to a supplemental or deficiency appropriation or other congressional action.6

2. Adjustments to obligations in a canceled year appropriation. Legitimate obligations not previously obligated or adjusted may only be charged to an unexpired appropriation available for the same purpose as the closed or canceled appropriation, subject to limitation. Refer to Volume VI, Chapter 19, Accounts Payable in Closed Appropriation Accounts, for additional information on the payables and limitations.

F. At the end of each fiscal year, VA will deobligate remaining balances for reimbursable obligation transactions authorized by the Economy Act, Title 31 U.S.C. 1535, Agency agreements. In accordance with the Economy Act and OMB A-11, Section 20.13, the obligation is limited by the statutory requirement to the amount that the agency or unit filling the order has provided goods or services or incurred obligations (have authorized contracts or purchase orders) before the end of the period of availability of the ordering appropriation. Economy Act obligations (orders) may not be carried over into the following fiscal year based on the severable services contract authority, Section 050201.02.

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5 Prior year upward adjustments may only be made in accordance with appropriation law or other regulatory authority. Refer to Volume II Chapter 7, Various Appropriations Law Related Topics.

For example, if VA were to enter into an Economy Act reimbursable agreement with another federal agency to perform a service funded with a 2012 annual appropriation in August 2012, the 2012 funds may only be obligated at the end of the year to the extent that services have been provided or the performing agency has incurred obligations during fiscal year 2012. In other words, if the performing agency has not provided a portion of the services or has not incurred obligations (to support the services) during 2012, the full obligation amount may not be carried over into the next fiscal year. The obligation would need to be reduced by the amount not fulfilled. If the remaining services are determined to be appropriate and funds are available in the next fiscal year (2013), the remaining services or goods may be obligated.

Refer to Section 050501D for additional procedures and Volume I Chapter 11, Reimbursable Agreements, for additional information on the Economy Act and related procedures.

050201.01 DELINQUENT OBLIGATIONS AND UNAUTHORIZED COMMITMENTS (RATIFICATION). Delinquent obligations and unauthorized commitments are two very distinct transactions and are not treated the same. A delinquent obligation is an obligation that has been properly authorized to procure services, supplies or equipment by a person with purchasing authority, but has not been recorded by the respective finance activity in the accounting system of record. This may be caused by finance staff not completing the submission process or the transaction rejecting and not being corrected. An unauthorized commitment, however, is a transaction that exceeds a contracting officer’s warranted authority or is a commitment made by an individual who lacks contracting authority.

A. VA will record a delinquent obligation within the accounting period the transaction is identified. Prior to recording the transaction, the respective finance activity will ensure that the obligation has been properly approved by the contracting activity and has not been processed in the accounting system under a different document number (duplicate transaction). If the contracting office did not properly approve the transaction and it is not a duplicate, the transaction will be treated as an unauthorized commitment.

B. VA will follow the procedures for ratification of unauthorized commitments and subsequent obligation as outlined in the VA Acquisition Regulation, Section 801.602-3, Ratification of unauthorized commitments, and VA Directive and Handbook 7401.7, Unauthorized Commitments and Ratification. VA will not pay invoices that are received on an unauthorized commitment until the order has been ratified. Per acquisition policy and procedures for unauthorized commitments that are not ratified, a notification will be sent to the vendor notifying them of their rights.

050201.02 OBLIGATIONS FOR SEVERABLE SERVICE CONTRACTS CROSSING FISCAL YEARS. Severable services are continuing and recurring in nature, such as lawn maintenance, janitorial services or security services, and from which the agency realizes a benefit at the time services are provided even if the contract has not been
performed to completion. Services are considered severable if they can be separated into components that independently provide value to meet an agency’s needs.  

A. VA may enter into a basic contract, option-year contract, or purchase orders for procurement of severable services for a period beginning in one fiscal year and ending in the next fiscal year provided the basic contract, option-year contract, or purchase order does not exceed one year (41 U.S.C. 3902). Refer to Appendix B, Severable Service Background, for additional information. This authority does not carry over to Economy Act obligations (orders). Refer to Section 050201F for guidance on deobligating Economy Act orders.

1. VA may fully obligate the total amount of the contract or purchase order using a current-year annual appropriation when the criteria in paragraph A above is met, i.e., a severable service contract crossing fiscal years that does not exceed 12 months.

2. For contracts with option years that are funded with an annual appropriation, VA may obligate the first fiscal year the contract is in effect and the estimated costs associated with a necessary termination of the contract. The contract must state that the need for goods or services is severable, reasonable, and continuing, and the contract serves the best interests of VA. The contract must also include a clause for termination if funds are not available in the following fiscal year (option years).

3. The finance officer and the contracting officer will discuss the proper fiscal year’s funds used to pay for severable service contracts crossing fiscal years, to include option years exercised for continued severable services performed in a subsequent fiscal year to a base year contract. The finance officer has ultimate responsibility to make the final determination of the proper fiscal year’s funds to use.

B. In lieu of obligating the contract across fiscal years with an annual fund, VA may also split or pro rate the obligation between fiscal years that the contract covers provided the contract does not exceed 12 months. In this case, only the portion current to the annual appropriation would be obligated. If the subsequent portion is not contracted as an option (with termination clause), then it would need to be contracted and obligated in the following fiscal year.

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7 As a general rule, severable services fall under the “bona fide needs” rule, GAO Principles of Federal Appropriations Law, Volume I, Chapter 5, Availability of Appropriations - Time. Personal service contracts, if any, are generally considered severable. Personal services are presumptively severable by their nature and are properly chargeable to the fiscal year in which the services are rendered (e.g., performance on an evaluation team), GAO CG Decision B-174226, Mar. 13, 1972. Legal services have been viewed as either personal or non-personal.

8 Federal Acquisition Regulation also reflects this law, 32.703-3(b) Contracts crossing fiscal years. 41 U.S.C. 253 quoted was revised to 41 U.S.C. 3902.

9 In accordance with 31 U.S.C. 1535, Agency agreements, and OMB A-11, Section 20.13, transactions authorized by the Economy Act are limited by the statutory requirement that the amount obligated by the ordering appropriation is required to be deobligated to the extent that the agency or unit filling the order has not incurred obligations before the end of the period of availability of the ordering appropriation.
C. VA may fully obligate a multi-year severable services contract with a multiple-year or no-year appropriation\textsuperscript{10} provided the contract does not exceed the availability of the multiple-year or no-year appropriations (41 U.S.C. 3903). The one year contract period limitations defined in 41 U.S.C. 3902 do not apply to VA contracts funded by multiple-year or no-year appropriations when made on a multi-year contract subject to the approval of a contracting officer.

050202 OBLIGATIONS - UNDELIVERED ORDERS (UDOs). Managing and reconciling UDOs is a key component to determining the net amount of obligations outstanding as reported on the financial statements. UDOs occur when goods or services are ordered and obligated, but have not been received. The amount may include orders for which advance payment has been made but delivery or performance has not yet occurred. An excess amount of UDOs found to be invalid or improper may hinder an agency’s ability to fully execute its mission or to fairly present its financial statements.

A. VA will record an obligation as an undelivered order transaction as unpaid or prepaid/advanced, as required by the Department of the Treasury (Treasury) and OMB guidance.

B. VA will ensure UDOs are properly recorded with sufficient detail to ensure proper accounting within the financial statements.

C. VA will record general ledger account 48XX per Treasury U.S. Standard General Ledger (USSGL) guidance to reflect the proper status of UDOs, and the attributes required for Federal Agencies’ Centralized Trial-Balance System II (FACTS II) reporting. For UDOs prepaid/advanced, the corresponding proprietary (general ledger) transaction is represented as an advance in the accounting system.

050203 OBLIGATIONS - DELIVERED (ACCRUED) ORDERS, UNPAID. These occur when goods and services are ordered and obligated and have been received. Managing and reconciling unpaid delivered orders is important to ensure that the total amount obligated and accrued is accurate, especially where the transaction has been established as a service and the accruals are auto-generated. Over-obligations can diminish VA’s capability to accomplish its mission and overstate expenditures in the financial reports.

A. VA will record a delivered obligation, unpaid, as required by Treasury and OMB guidance.

B. VA will record general ledger account 49XX per Treasury USSGL guidance to reflect the proper status of delivered orders, and the attributes required for FACTS II reporting.

\textsuperscript{10}Refer to GAO CG Decision B-317636, Severable Services Contracts, identified in the Authority and References Section of this chapter.
The corresponding proprietary (general ledger) transaction is represented as a payable in the accounting system.

050204 RECONCILIATION OF OPEN OBLIGATIONS. VA will perform monthly reviews and reconciliations to ensure that open obligations, to include UDOs and delivered unpaid obligations, are valid and appropriate and adjustments are made as necessary. Appendix D contains procedures for reconciling UDOs for VHA. Refer to Volume I Chapter 6, Reconciliations, for additional information.

050205 ANTI-DEFICIENCY ACT (ADA). The ADA requires OMB to apportion the accounts and to monitor spending; prohibits agencies from spending more than the amounts appropriated or apportioned, whichever is lower; requires that agencies control their spending; and provides penalties for overspending.

A. VA will not:

• Enter into obligations or expenditures before appropriations are enacted and accounts are apportioned;

• Enter into obligations or expenditures that exceed the available amount in the appropriation or fund accounts unless specifically authorized by law; or

• Enter into obligations or expenditures that exceed the OMB apportionment or reapportionment or other subdivisions established.

B. VA will control obligations and expenditures by using a system of administrative control of funds (31 U.S.C. 1514) that, at a minimum:

• Restricts both obligations and expenditures (outlays or disbursements) from each appropriation to the lower amount of the OMB apportionment or reapportionment or the amount available for obligation and/or expenditure; and

• Enables the CFO to determine and affix responsibility in instances where obligations or expenditures have been incurred in violation of the ADA.

C. VA will comply with ADA requirements. ADA violations will be reported to the President through the OMB Director, to Congress, and the Comptroller General. The CFO will ensure that VA takes appropriate corrective action and administrative discipline, and reports to Congress, as required, for violations.

0503 AUTHORITY AND REFERENCES


Obligations

050303 31 U.S.C. 1502(a), Subtitle II, Chapter 15, Appropriation Accounting, also known as the "Bona Fide Needs" Statute

050304 31 U.S.C. 1535, Agency Agreements (Economy Act)

050305 38 U.S.C. Section 513, Contracts and Personal Services

050306 41 U.S.C. 3902, Severable Service Contracts for Periods Crossing Fiscal Years

050307 44 U.S.C. 501, Public Printing and Documents, Chapter 5 - Production and Procurement of Printing and Binding

050308 44 U.S.C. 503, Printing in Veterans’ Hospital

050309 The Federal Property and Administrative Services Act of 1949, Section 303L

050310 The Federal Acquisition Streamlining Act of 1994, Section 1073, Severable Services Contracts Crossing Fiscal Years


050312 Federal Acquisition Regulation (FAR) 32.703-3(b), Contracts Crossing Fiscal Years

050313 OMB Circular A-11, Preparation, Submission and Execution of the Budget

050314 OMB Circular A-136, Financial Reporting Requirements

050315 GAO, Principles of Federal Appropriations Law

050316 GAO Comptroller General Decisions


050318 Treasury US Standard General Ledger

050319 Government Printing and Binding Regulations, February 1990

050320 GAO, A Glossary of Terms Used in the Federal Budget Process, September 2005

050321 VA Office of Financial Policy Volumes and Chapters
0504 ROLES AND RESPONSIBILITIES

050401 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 (CFO Act) 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.

050402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Finance Officers, Chiefs of Finance Activities, Fiscal Officials, Chief Accountants and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

050403 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. The Management and Financial Reports Service within OFP is responsible for preparing various VA comprehensive financial reports, such as those required by the President and the executive branch, including OMB/Treasury reports from the Hyperion (MinX) software. OFP also works with the Office of Inspector General’s (OIG) independent contract auditors on VA’s annual Consolidated Financial Statements audit and prepares and reviews the Consolidated Financial Statements, Notes and Required Supplementary Information.

050404 The Office of Budget (O/B) provides guidance and support to the Department’s administrations and staff offices on matters relating to budget formulation and execution. The ultimate objective of the formulation process is to ensure the timely, accurate and informed submission of VA’s budget request to OMB and the President’s budget request to Congress. O/B serves as the primary liaison with OMB and relevant congressional committees during the formulation process, defending and promoting VA’s program plans and budget estimates before examiners and committee staff. In addition, O/B monitors VA’s budget execution process, which starts with the apportionment process.

050405 The Office of Acquisition and Logistics (OAL) is responsible for the acquisition policy of all PP&E purchases (except major construction and real property) and supports VA’s vast array of diverse programs and functions involving expenditures for
supplies and services. It also has a Government wide role in the supply management of medical supplies and non-perishable subsistence. Because of its Department wide and Government wide mission, as well as its role in protecting the integrity of the procurement and supply system, OAL is organizationally independent of the activities it serves.

050406 The Office of Asset Enterprise Management (OAEM) provides oversight in the capital asset arena and ensures a consistent and cohesive Department approach to capital asset management. OAEM serves as the principal policy office and business advisor regarding the acquisition, management and disposal of all VA capital assets. OAEM works collaboratively with all areas of the Department to ensure capital investments are based on sound business practices and principles and, most importantly, meet our Veterans’ health care, benefits and burial needs.

050407 The Office of Construction and Facilities Management (CFM) provides design, major construction and lease project management, design and construction standards and historic preservation services. CFM acquires fee-simple or lessor (including easements, licenses, permits and leases) interest in real property, executes all VA major construction, is responsible for financial execution of major construction and lease projects, transfer of disbursement authority for minors, and reports to the Principal Executive Director, Office of Acquisition, Logistics, and Construction. CFM maintains a major construction working reserve account for each Administration, from which funds may be used to finance, in part, the construction, alteration, extension or improvement of any of the facilities under the jurisdiction of VA or for any of the purposes set forth in various sections of Title 38 of the United States Code.

050408 The Office of Information and Technology (OIT) provides strategy and technical direction and guidance to ensure IT resources are acquired and managed for VA in a manner that implements various Federal laws and regulations, including the Clinger-Cohen Act and OMB A-130, Management of Federal Information Resources. OIT is the steward of VA’s IT assets and resources and is responsible for ensuring the efficient and effective operation of VA’s IT Management System to meet mission requirements of the Secretary, Under Secretaries, Assistant Secretaries and other key officials. OIT directs its financial management, human capital management, IT asset management, and procurement activities of IT resources, and links the budgeting process with IT programs. OIT manages VA’s IT appropriations to ensure sustainment and modernization of VA’s IT infrastructure.

0505 PROCEDURES

050501 OBLIGATIONS. Before an agreement may be made which binds the Government, the responsible official will ensure funds are available. The establishment of an obligation in excess of available funds, except where authorized, violates 31 U.S.C. 1341, Limitations on Expend ing and Obligating Amounts (ADA). Documentation of funds availability may be in the form of a system document where VA systems permit. It is the responsibility of the Budget Officer to process the necessary transactions to place the
funds into the VA systems. Documentation of funds availability may be in the form of correspondence from the appropriate budget officer where VA systems cannot handle an automated action. Examples of correspondence from the budget officer may be a signed memo, a digitally signed email, or an approved funded operating plan signed by the appropriate budget official. The policy’s intent is that the message is made available for the contracting officer to retain as support for the original obligation or modification in the documentation folder for the procurement action. For purposes of this policy, the budget officer, when providing this communication, is “committing” these funds and “certifying” their availability.

A. VA will incur obligations only for the purpose for which the specific VA appropriation is intended and within the time limits applicable to the appropriation. When the amount of the obligation is undetermined at the time incurred, a reasonable estimate will be calculated. When information is available which shows the original estimate is inaccurate, appropriate obligation adjustments will be recorded in the financial system. Refer to Appendix C, Printing Obligations, for specific information related to these types of obligations.

B. VA will promptly record each obligation within the monthly accounting period in which the obligation event occurs, as follows:

1. Record an amount as an obligation only when supported by documentary evidence. Such evidence will provide a clear audit trail and substantiate the validity of the obligation. Evidence such as purchase orders and contracts will be retained within VA to provide proof that obligations were properly authorized and represent legitimate claims.

2. Process valid adjustments to obligations upon receipt of invoices or other contact authority regarding price change. Upward and downward adjustments will be recorded as required per OMB A-11, Preparation, Submission, and Execution of the Budget.

C. VA will liquidate an obligation as a result of one or a combination of actions, including the complete or partial cancellation of the obligation, or the receipt of goods or services in full or partial satisfaction of the obligation.

1. In the case of a cancellation, VA will de-obligate the original obligation, including any subsequent adjustments.

2. In the case of the receipt of goods or services, VA will record the accrued expense and establish the corresponding accounts payable liability. The VA ordering facility will confirm the delivery and acceptance of the goods or services.

D. At the end of the fiscal year or end of the period of availability for an obligation (order) placed under the Economy Act, VA will deobligate the amount for which the agency or unit filing the order has not provided services or incurred obligations. The amount of obligations recorded are calculated on the extent the agency or unit filing the order has provided goods or services or made an authorized contract with another person to provide the goods or services.
1. Finance activities will notify the ordering organization of open reimbursable orders or agreements.

2. Ordering organizations or the managing organization will notify the respective finance activity of the final services or goods provided.

E. VA will ensure payments are properly matched with the recorded obligation amounts.

050502 RECONCILIATION OF OPEN OBLIGATIONS.

A. VA will perform monthly reviews and reconciliations on open obligations. Open obligations include those obligations that are not considered closed or complete and have a balance associated to them whether undelivered or unpaid. Open obligations should be reviewed to ensure that:

- Time frames are correct, (i.e., beginning and ending dates are accurate);
- Open balances are accurate and agree to source documents, (i.e., receiving reports, invoices, and payments);
- Obligations without activity in the past 90 days are valid and should remain open; and
- Line of accounting is proper.

B. Refer to Appendix D for VHA procedures for reviewing open obligations.

C. The following reports provide information to be used in the monthly review of open obligations.

1. RSD 889B - Analysis of Open Documents Report. Currently, FMS generates the Analysis of FMS Open Documents – Detail by Document Type. The report lists the open documents, type and age with other accounting information. The report identifies open documents by type, e.g., undelivered orders, advances, and payables.


3. F851 - Verification of General Ledger Accounts Payable (Fed/NonFed) (Summary and Detail).

D. VA will retain the documentation of the review of open obligations.

0506 DEFINITIONS

050601 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.

050602 Bona Fide Needs Rule. Without express statutory authority, no agency may obligate an appropriation made for the needs of a limited period of time, usually one year, for the needs of prior or subsequent years. This rule applies to all Federal government funding activities carried out with appropriated funds, regardless of whether the funding mechanism used is a contract, grant, or cooperative agreement.

050603 Canceled Appropriations. Accounts for which any remaining balances are withdrawn (closed or canceled) or are not available for obligation or expenditure for any purpose.

050604 Deficiency Appropriation. An appropriation made to pay obligations for which sufficient funds are not available. The need often results from violations of the ADA. Though technically distinct from a supplemental appropriation, Congress has stopped passing separate deficiency appropriations and the distinction therefore has become obscured since the 1960s.

050605 Deobligation. A cancelation or downward adjustment of previously incurred obligations. Deobligated funds may be reobligated within the period of availability of the appropriation and/or reappropriation. For example, annual appropriated funds may be reobligated in the fiscal year in which the funds were appropriated, while multiyear or no-year appropriated funds may be reobligated in the same or subsequent fiscal years.

050606 Expired Appropriation (Availability for New Obligations). Budget authority that is no longer available to incur new obligations but is available for an additional five fiscal years for disbursement of obligations properly incurred during the budget authority’s period of availability. Unobligated balances of expired budget authority remain available for five years to cover legitimate obligation adjustments or for obligations properly incurred during the budget authority’s period of availability that the agency failed to record. (See 31 U.S.C. §§ 1552(a), 1553(a).)

050607 Multiple-Year Appropriation (Multiyear). Budget authority available for a fixed period of time in excess of one fiscal year. This authority generally takes the form of two-year, three-year, and so forth availability but may cover periods that do not coincide with the start or end of a fiscal year. For example, the authority may be available from July 1 of one fiscal year through September 30 of the following fiscal year, a period of 15 months. This latter type of multiple-year authority is sometimes referred to as “forward funding.”

050608 Non-Severable Services. Services representing a single undertaking that cannot feasibly be separated into components, but will be performed as a single task to meet a need of the Government. If the services produce a single or unified outcome, product or report, the services are considered non-severable (e.g., a consulting study conducted over several months culminating in a final report).

050609 No-Year Appropriation. Budget authority that remains available for obligation for
an indefinite period of time. A no-year appropriation is usually identified by language such as “to remain available until expended.”

050610 Obligation. A legally binding agreement that will result in outlays, immediately or in the future. When an order is placed, a contract signed, a grant awarded, or a service purchased, or when other actions are taken that require the Government to make payments to the public or from one Government account to another, an obligation is incurred.

050611 One-Year (Annual) Appropriation. Budget authority available for obligation during a specific fiscal year that expires at the end of that fiscal year. It is also known as “fiscal year” or “annual” budget authority.

050612 Reappropriation. Legislation permitting an agency to obligate, whether for the same or different purposes, all or part of the unobligated portion of budget authority that has expired or would otherwise expire if not reappropriated. In the President’s budget, reappropriations of expired balances are counted as new budget authority or balance transfers depending on the year for which the amounts are reappropriated.

050613 Reconciliation. Refers to a process that compares different sets of records (usually the balance of two accounts) to make sure they are in agreement. The process involves those procedures required to be performed to ensure the reliability of accounting records by comparing balances of transactions.

050614 Severable Services. Services that are continuing and recurring in nature, such as lawn maintenance, janitorial services or security services, and from which the agency realizes a benefit at the time services are provided even if the contract has not been performed to completion. Services are considered severable if they can be separated into components that independently provide value to meet an agency’s needs.

050615 Undelivered Orders. The value of goods and services ordered and obligated that have not been received. This amount includes any orders for which advance payment has been made, but delivery or performance has not yet occurred.

050616 Unexpired Appropriation (Availability for New Obligations). Budget authority that is available for incurring or adjusting obligations and making disbursements to liquidate the obligations.

050617 Unobligated Balance. The portion of obligational authority that has not yet been obligated. For an appropriation account that is available for a fixed period, the budget authority expires after the period of availability ends but its unobligated balance remains available for 5 additional fiscal years for recording and adjusting obligations properly chargeable to the appropriations period of availability. For example, an expired, unobligated balance remains available until the account is closed to record previously unrecorded obligations or to make upward adjustments in previously under recorded obligations, such as contract modifications properly within scope of the original contract. At the end of the fifth fiscal year, the account is closed and any remaining balance is canceled. For a no-year account, the unobligated balance is carried forward.
indefinitely until (1) specifically rescinded by law or (2) the head of the agency concerned or the President determines that the purposes for which the appropriation was made have been carried out and disbursements have not been made from the appropriation for two consecutive years.

0507 RESCISSIONS

050701 Volume II Chapter 5, Policy on Obligating Printing, August 2009

050702 Volume II Chapter 7A, Severable Service Contracts Crossing Fiscal Years, August 2009

0508 QUESTIONS

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

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

0509 REVISIONS

<table>
<thead>
<tr>
<th>Section</th>
<th>Revision</th>
<th>Office</th>
<th>Effective Date</th>
</tr>
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<tbody>
<tr>
<td>Appendix D</td>
<td>Enhance procedures for reconciliation of open obligations</td>
<td>OALC</td>
<td>August 2018</td>
</tr>
<tr>
<td>Appendix A</td>
<td>Added Standard Numbering for funds 0140, 0172, and 1123</td>
<td>OFP (047G)</td>
<td>July 2018</td>
</tr>
<tr>
<td>050502</td>
<td>Revised Procedures for reconciliation of open obligations</td>
<td>OFP (047G)</td>
<td>January 2018</td>
</tr>
<tr>
<td>Appendix D</td>
<td>Added Appendix D with procedures for reconciling UDOs.</td>
<td>OFP (047G)</td>
<td>January 2018</td>
</tr>
<tr>
<td>Section</td>
<td>Revision</td>
<td>Office</td>
<td>Effective Date</td>
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<tr>
<td>050201.02</td>
<td>Revised to clarify the finance officer has ultimate responsibility to determine proper fiscal year’s funds to use for severable service contracts crossing fiscal years.</td>
<td>APS (047GA)</td>
<td>May 2014</td>
</tr>
<tr>
<td>050501</td>
<td>Revised to allow alternative methods for providing funds assurance, e.g. a digitally signed email, or an approved, funded project plan signed by the appropriate budget officer.</td>
<td>APS (047GA)</td>
<td>May 2014</td>
</tr>
<tr>
<td>Overall</td>
<td>Information from original Vol II Ch 5 <em>Policy on Obligating Printing</em>, moved to Appendix and chapter renamed. Sections and hyperlinks updated.</td>
<td>APS (047GA)</td>
<td>September 2012</td>
</tr>
<tr>
<td>0501 Overview</td>
<td>Included information from Vol II Ch 1, <em>General Information</em>, 0101 Overview, and GAO Budget Glossary. Updated ADA information in accordance to law and deleted reference to allotment and sub-allotment.</td>
<td>APS (047GA)</td>
<td>September 2012</td>
</tr>
<tr>
<td>050201 E Adjustments</td>
<td>Additional information on adjustments for expired and canceled year appropriations.</td>
<td>APS (047GA)</td>
<td>September 2012</td>
</tr>
<tr>
<td>050201 F and 050501 E, Economy Act Orders</td>
<td>New information for economy act orders (obligations).</td>
<td>APS (047GA)</td>
<td>September 2012</td>
</tr>
<tr>
<td>050201.02 Severable Service Contracts</td>
<td>Updated to clarify guidance.</td>
<td>APS (047GA)</td>
<td>September 2012</td>
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<tr>
<td>050202 Undelivered Orders</td>
<td>New section and information.</td>
<td>APS (047GA)</td>
<td>September 2012</td>
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<tr>
<td>050203 Delivered Orders</td>
<td>New section and information.</td>
<td>APS (047GA)</td>
<td>September 2012</td>
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<tr>
<td>050204 and 050502 Reconciliation</td>
<td>New section and information.</td>
<td>APS (047GA)</td>
<td>September 2012</td>
</tr>
<tr>
<td>Appendix A</td>
<td>Standard Numbering Schema from Vol II Ch 1, <em>General Information</em>.</td>
<td>APS (047GA)</td>
<td>July 2013</td>
</tr>
<tr>
<td>Appendix B</td>
<td>Severable Service background information from Vol II Ch 7A, <em>Severable Service Contracts Crossing Fiscal</em></td>
<td>APS (047GA)</td>
<td>September 2012</td>
</tr>
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<td>Effective Date</td>
</tr>
<tr>
<td>---------------</td>
<td>------------------------------------------------------</td>
<td>-------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Appendix C</td>
<td>Obligations for Printing, moved from chapter to appendix.</td>
<td>APS (047GA)</td>
<td>September 2012</td>
</tr>
</tbody>
</table>
APPENDIX A: STANDARD NUMBERING SCHEMA FOR OBLIGATIONS

A. PURPOSE. This appendix provides policy for a standard numbering schema for obligations, to include purchase card.

B. BACKGROUND. The standard numbering schema evolved from the requirement of the Invoice Payment Processing System (IPPS) to match invoices with an appropriate receiving report. The system’s design requires a unique, but standard numbering schema to facilitate centralized processed payments.

1. The standard numbering schema establishes a method to identify a station and the type of purchase order to ensure that incoming documents are routed to the proper system and section for processing payments.

2. The Financial Management System (FMS) transactions normally include a one-digit fiscal year in the document number. Because this field is duplicated at 10-year intervals (e.g., fiscal year digit “8” is used for 1998, 2008, etc.), the FMS Service runs standard document clearing routines to remove the old documents from the system so the document number may be reused.

3. For obligations, the FMS clearing routines look for the fiscal year in a specified position of the document number (after the station number) per the standard numbering schema as outlined below. This helps to ensure the clearing routines are efficient and accurate.13

4. VA’s standard numbering schema provides a system user with the ability to recognize which station a transaction relates to and from which source the funding comes without having to review each transaction line. This standard numbering simplifies automated processes, including routing documents in financial applications and clearing aged documents by allowing business rules to be established on the basis of the numbering schema. It also makes it easier to train users on how to recognize transactions.

5. VA administration CFOs, fiscal officers, and finance and accounting chiefs are responsible for ensuring compliance with the procedural guidelines in this policy.

   a. Finance activities will exercise care to avoid assigning the same number to more than one document (prior to input) at a station during the fiscal year. Although the VA systems will check for duplicate numbers, some processes allow for a manual

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13 For actions other than obligations, FMS Service has developed non-standard clearing routines to address a particular Administration or other staff office’s use of other document numbering conventions. However, these non-standard routines have complicated the clearing effort and made it difficult to ensure that all documents are cleared.
assignment of a document number. In this case, preparers will ensure that the systems are checked for the next sequential document number.

b. At the beginning of each fiscal year, the finance activity will furnish its respective acquisition and logistics offices with a number series for each appropriation and fund under which it issues orders. The numbering series will be kept to an absolute minimum.

C. STANDARD NUMBERING SCHEMA FOR OBLIGATIONS.


a. The standard numbering schema consists of a nine-digit alphanumeric code that may not be duplicated. Also refer to 1.b. for other considerations when assigning standard numbering.

- The first three positions represent the station number (numeric only).
- The fourth position consists of an alpha code that identifies the appropriation and/or document type.
- The fifth position consists of the fiscal year of the appropriation. For no-year appropriations, the current fiscal year will be used. Recognized deviations from this standard are the Austin receivables and Imprest Fund standard numbering schema. Refer to Figure 5A-1: Standard Numbering Schema by Appropriation for the fiscal year position and Figure 5A-2: Other Standard Numbering Schema for recognized deviations.
- The sixth through ninth positions (or the remaining four positions) consist of a schema that further identifies the document. Refer to Figure 5A-1: Standard Numbering Schema by Appropriation below.

b. Other Considerations.

(1) When a finance activity requires more numbers (for a station) than available in a series, the alpha code in the fourth position may be switched with the fifth or fiscal year position. However, this should be only implemented at the point in the fiscal year when the originally assigned block is exceeded.

(2) When an administration or staff office requires an exception to the above standard numbering schema, the appropriate office will coordinate the changes with the FSC and FMS Service. For example, an administration identifies the need to use alpha characters in the sixth through ninth positions of the document number for those processed by the FSC.
c. For obligations other than travel and transportation, the standard numbering schema consists of subdivisions that facilitate the proper handling and categorizing of payments:

- **Non-Federal Receiving Report.** Used with non-Federal purchase order that requires a receiving report, generally queued to IPPS.

- **Certified Invoice.** Used for non-Federal certified invoice that does not require a receiving report. Generally the payments are processed centrally except for non-VA purchased care payments that are processed through the Fee Basis system.

- **Federal Invoice.** Used with Federal requisitions. Generally are not processed through IPAC. May include both services and supplies.

- **Federal Billings (Advance Offset).** Generally processed through IPAC. Examples include Defense Logistics Agency, Office of Personnel Management, General Services Administration, and other Federal providers. Refer to Section C. 4. Standardized Obligations and *Figure 5A-3: Examples for Standardized Obligations* for additional numbering schema requirements.
The following standard numbering schema will be used for the appropriations and types of transactions indicated. The three-digit numeric station number will precede the standard number.

**Figure 5A-1: Standard Numbering Schema by Appropriation**

<table>
<thead>
<tr>
<th>Appropriation</th>
<th>Type</th>
<th>Non Fed RR</th>
<th>Cert Inv</th>
<th>Fed Inv</th>
<th>Fed Billings</th>
</tr>
</thead>
<tbody>
<tr>
<td>36_0152</td>
<td></td>
<td>A_0000-A_9999</td>
<td>C_0000-C_9999</td>
<td>B_0000-B_4999</td>
<td>B_5000-B_9999</td>
</tr>
<tr>
<td>36_0160</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36_0162</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36_0169</td>
<td>1358 Obligations¹⁴</td>
<td>C_0000-C_9999</td>
<td></td>
<td></td>
<td>B_5000-B_9999</td>
</tr>
<tr>
<td>36_0172</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36X0160X4 CWT</td>
<td>CWT</td>
<td>L_0000-L_4999</td>
<td>L_5000-L_7999</td>
<td>L_8000-L_9999</td>
<td></td>
</tr>
<tr>
<td>36_0140</td>
<td>1358 Obligations</td>
<td></td>
<td></td>
<td></td>
<td>Y_0000-Y_9999</td>
</tr>
<tr>
<td>36_0137</td>
<td>State Approving Agency</td>
<td>S_0000-S_9999</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36_4130</td>
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<td>N_0000-N_9999</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36_1119</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>A_0000-A_9999</td>
</tr>
<tr>
<td>36_1120</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36_1123</td>
<td></td>
<td>EH_000-EH_399</td>
<td>EH_400-EH_799</td>
<td></td>
<td></td>
</tr>
<tr>
<td>36_/0161</td>
<td>1358 Obligations</td>
<td></td>
<td></td>
<td>EH_800-EH_999</td>
<td></td>
</tr>
<tr>
<td>36X4539</td>
<td></td>
<td>D_0000-D_1999</td>
<td>D_2000-D_4999</td>
<td>D_5000-D_7999</td>
<td>D_8000-D_9999</td>
</tr>
</tbody>
</table>

¹⁴ In the past many stations used specific designations, such as an 8 or 5 for prime vendor in the third digit to identify 1358 obligations. The 1358 sequence range of numbers allows flexibility for integrated stations to assign individual ranges of numbers within their Networks and allow the option to assign selected numbers for specific programs that utilize 1358 documents.
## Appropriation

<table>
<thead>
<tr>
<th>Appropriation</th>
<th>Type</th>
<th>Non Fed RR</th>
<th>Cert Inv</th>
<th>Fed Inv</th>
<th>Fed Billings</th>
</tr>
</thead>
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<td></td>
<td>J_0000-J_4999</td>
<td></td>
<td></td>
<td>B_5000-B_6999</td>
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<tr>
<td>36_/_.0129</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>36X0129</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36_/_.0130</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36X5392</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36X8129</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36X0102H</td>
<td>1358 Obligations</td>
<td></td>
<td></td>
<td></td>
<td>B_7000-B_7999</td>
</tr>
<tr>
<td>36X0102G</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36_0170</td>
<td>Stns 101 or 786 only</td>
<td>N_0000-N_4999</td>
<td></td>
<td></td>
<td>B_5000-B_6999</td>
</tr>
<tr>
<td>36X4537</td>
<td></td>
<td>J_0000-J_4999</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36X4537 1VA+</td>
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<td></td>
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<td>36X8180</td>
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<td></td>
<td></td>
</tr>
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<td>36X6020</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36X0181</td>
<td>Construction Projects</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
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<td></td>
<td>J_0000-J_1999</td>
<td></td>
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<td>J_8000-J_9999</td>
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<td>36_/_.0165</td>
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<td>36X0110</td>
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<td>36X0111</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2. Other Standard Numbering Schema. The three-digit numeric station number will precede the standard number.

*Figure 5A-2: Other Standard Numbering Schemas by Document Type*

<table>
<thead>
<tr>
<th>Document Type</th>
<th>Numbering</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Charge Orders</td>
<td>NC0000-NC9999</td>
</tr>
<tr>
<td>All Travel and Shipping (for $250 and over)15</td>
<td>T_0000-T_9999</td>
</tr>
<tr>
<td>Station Receivables</td>
<td>K_0000</td>
</tr>
<tr>
<td>Austin Receivables</td>
<td>_K0000</td>
</tr>
<tr>
<td>Imprest Fund</td>
<td>IF_0000</td>
</tr>
<tr>
<td>Subsistence</td>
<td>W_0000-W_9999</td>
</tr>
</tbody>
</table>

3. Purchase Card Numbering Schema. Finance activities and facilities will use a nine-digit alpha-numeric code as a unique reference number for purchase card transactions. Refer to OFP Volume XVI, Chapter 1, *Government Purchase Card*, for detailed information on the use of the purchase card.

The standard purchase card numbering schema consists of a nine-digit alpha-numeric code that may not be duplicated.

- The first three positions of the number will consist of the numeric station number.
- The fourth position will consist of the alpha character P, Q, or R. Finance activities and facilities will always begin with the alpha character in the fourth position. When the available combinations have been exhausted, the alpha character (fourth position) may be reversed with the fiscal year (fifth position). For VHA, because of the large volume of purchase card transactions, the alpha and fiscal year positions may be reversed.
- The fifth position will normally consist of the fiscal year of the appropriation. For no year appropriations, the current fiscal year will be used.
- The sixth and seventh position may be alpha or numeric characters.
- The eighth and ninth characters are numeric. Alpha characters are not permitted in these positions.

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15 Government Bill of Lading (GBL) or Commercial Bill of Lading (CBL) Contact VATLC@va.gov. Per VA Volume XIII, Chapter 2A Budget Object Code (BOC) Appendix B, BOC 2220, Other Shipments-Not Capitalized, “If the shipping cost exceeds the purchase order threshold of $250, a separate purchase order must be established for the shipping cost using BOC 2220.” Per VAAR 801.670-1, individuals with only micro-purchase authority may not issue bills of lading or otherwise procure transportation services.
4. Standardized Obligations Numbering Schema. These are used for allocating costs for centrally billed charges or to allow for easy identification of the obligation, such as Federal Employees Compensation Program (FECP) and National Archives Records Service (NARA).

- The first three positions represent the station number (numeric only).
- The third position of the standardized number consists of the fiscal year.

The following table depicts examples of common standardized obligations used by VA. These are subject to change annually.

**Figure 5A-3: Examples of Standardized Obligations**

<table>
<thead>
<tr>
<th>Description</th>
<th>Standardized Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>FECP</td>
<td>FE2008</td>
</tr>
<tr>
<td>SHPS, Inc. (Dependent Care)&lt;sup&gt;16&lt;/sup&gt;</td>
<td>DC2009</td>
</tr>
<tr>
<td>SHPS, Inc. (Health Care)&lt;sup&gt;16&lt;/sup&gt;</td>
<td>HC2010</td>
</tr>
<tr>
<td>NARA</td>
<td>NA2001</td>
</tr>
</tbody>
</table>


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<sup>16</sup> SHPS is contracted by the Office of Personnel Management (OPM) to administer the Flexible Spending Account (FSA) program.
APPENDIX B: SEVERABLE SERVICE CONTRACTS BACKGROUND

The Federal Acquisition Streamlining Act of 1994 (FASA), implemented in 1995, provided the legal authority for the head of an executive agency to enter into a contract for procurement of severable services for a period that begins in one fiscal year and ends in the next fiscal year if (without regard to any option to extend the period of the contract) the contract period does not exceed one year. The act allowed agencies to simplify contracting and administration of severable service contracts by allowing single, fully funded contract actions using an annual appropriation in lieu of multiple contracts or complex obligation arrangements.

The Federal Acquisition Regulation (FAR) was revised accordingly, as follows:

32.703-3 Contracts crossing fiscal years.

(b) The head of an executive agency, except NASA, may enter into a contract, exercise an option, or place an order under a contract for severable services for a period that begins in one fiscal year and ends in the next fiscal year if the period of the contract awarded, option exercised, or order placed does not exceed one year (10 U.S.C. 2410a and 41 U.S.C. 2531)\(^\text{17}\). Funds made available for a fiscal year may be obligated for the total amount of an action entered into under this authority.

A contract viewed as “severable” is continuing and recurring in nature. Federal agencies have authority to enter into severable service contracts and to fund these contracts for up to one year with a current annual appropriation, even if the contract crosses fiscal years. Section 32.703-3(b) above was passed to help close end-of-fiscal-year funding gap issues.

A severable service may be separated into components that independently meet a separate need of the Government. As a general rule, severable services fall under the “bona fide needs” rule\(^\text{18}\), Principles of Federal Appropriations Law. According to this rule, a need must exist for the requirement in the year the appropriation is available for obligation in order to use those years’ appropriated funds. 31 U.S.C. 1502(a) defines the “bona fide needs” rule as follows:

- The balance of an appropriation or fund limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability, or to complete contracts properly made within that period of availability and obligated consistent with 31 U.S.C. 1501. However, the appropriation or fund is not available for expenditure for a period beyond the period otherwise authorized by law.

\(^{17}\)41 U.S.C. 253 has been revised to 41 U.S.C. 3902.

\(^{18}\)This rule not only applies to contracts but also to all Federal Government activities carried out with appropriated funds, including contract, grant and cooperative agreement transactions. It is applicable to both annual and multiple-year funds.
APPENDIX C: PRINTING OBLIGATIONS

A. OVERVIEW. VA closed its sole Federal printing plant in 1984, and since then, has been primarily engaged in field duplicating activities and a limited number of printing operations (44 U.S.C. 503, Printing in Veterans’ Hospital). Printing includes the processes of composition, plate-making, presswork, duplicating, silk screen processes, binding, microform and the end items of such processes. These printing operations will be established or discontinued only by direction of the Under Secretary for Health with the advance approval of VA’s Deputy Secretary and the Chairman, Congressional Joint Committee on Printing (JCP).

VA’s printing operations are decentralized to field stations (e.g., VA medical centers) meeting their requirements either through internal printing and duplicating activities or through regional printing procurement offices of the United States Government Printing Office (GPO). VA Central Office (VACO) fulfills its printing needs through GPO. As authorized by Title 44 of the U.S.C, the GPO is the printer for the Federal government. All printing, binding and blank-book work for executive departments will be procured through GPO (Washington, D.C.) or through the regional printing procurement field facilities nearest to the organization obtaining printing, unless specific exceptions apply.

As provided in Title 44 U.S.C., VA’s printing, binding and duplication requirements will be completed through GPO, unless:

- The printing is in an authorized field printing plant operated by an executive department, independent office or establishment (and within the limits of its charter).
- The printing is a class of work the JCP\(^{19}\) considers urgent or necessary to be done elsewhere.
- It is an individual printing order costing not more than $1,000, if the work is not of a continuing or repetitive nature, and as certified by the Public Printer \(^{20}\) if the work is included in a class of work which cannot be provided more economically through GPO.
- Printing from other sources is specifically authorized by law.

\(^{19}\) A Congressional joint committee authorized by 44 U.S.C. to assure effective and efficient printing throughout the Federal government. It may use any measure it considers necessary to remedy neglect, delay, duplication or waste in public printing.

\(^{20}\) The Executive head of GPO, a legislative branch agency, oversees the production and distribution of information products and services for all three branches of the Federal government. GPO makes Government publications widely available, by gathering, cataloging, providing, and preserving published information in all forms. GPO provides information to the public through GPO Access, which contains searchable databases of Government information, and through the Federal Depository Library Program, which is a partnership with hundreds of libraries throughout the country.
B. PROCEDURES. In accordance with Public Law 102-392, VACO printing requests will be submitted to the Office of Acquisition and Logistics, (OAL) Publications Service Division for processing using VA Form 7700, Request for Reproduction Services. Field activities must also procure all printing either through Publication Service Division or from a Regional GPO Printing and Procurement Office.

1. VA will comply with the legal requirements set forth in Title 44 which states “no… funds appropriated… may be obligated or expended by… the executive branch for the procurement from commercial sources of any printing related to the production of Government publications (including forms), unless such procurement is by or through GPO.”

   a. VA field stations may procure their own printing needs without going through GPO if the printing meets the exemption criteria from Title 44 as referenced in Section A, Overview, and the GPO Public Printer certifies in writing that an exception is granted prior to procuring printing needs outside the GPO.

   b. VA will use authorized printing and binding equipment in VHA’s printing facilities to produce essential printing and binding as permitted under 44 U.S.C. 503.

   c. When appropriated funds are used for the printing and binding of VA publications, subject to the provisions of 44 U.S.C. 103 and 501, the printed product will not be made available to any private publisher for initial publication without the approval of the JCP.

1. VA will record an obligation for printing services at the time there is a requisition for services. The requisition will show there is a present need for the printing and be accompanied by a copy of the required printing document or specification of the printing requirement sufficient for GPO to proceed with the job. If the exact amount is unknown, VA will record a reasonable estimate for the printing services. Proper documentation will be provided to support the estimate. As more precise information becomes available, the estimate will be adjusted.

   a. VA will not include printing requirements within contracts and grants leading to an obligation of funds without specific JCP authorization. Allowable printing by contractors and grantees usually must be done through GPO.

   b. VA will not use VA Form 1358, 1358 Obligation or Change in Obligation, for printing transactions, except for printing being procured through the GPO (refer to OFP Volume II, Chapter 6, 1358 Obligations, Appendix A, Approved Uses, item 20).

C. RESPONSIBILITIES

1. The OAL Publications Service Division is responsible for supporting VA’s vast array of diverse programs and functions and for providing advice and guidance to all VA Publication Control Officers (PCO) on the creation, printing and storage of printed materials. OAL serves as VA’s liaison to the JCP, GPO and the Interagency Council on
Printing, while developing policies and other guidance necessary for VA to comply with Federal printing laws and regulations. Refer to the VAAR Subpart 808.8 - Acquisition of Printing and Related Supplies.

2. Department and staff office heads are jointly and individually responsible for the development of printing material. It is the responsibility of these officials to ensure (1) the content of the material to be printed is in accordance with governing laws and policies; (2) the material has been properly coordinated with interested officials; (3) necessary approval has been obtained; (4) the most economical and efficient method of printing and reproduction is selected and that only the quantity of material actually needed is printed, distributed and stored; and (5) the development of pamphlets and periodicals is in conformance with VA printing policies.
APPENDIX D: VHA MONTHLY REVIEW AND RECONCILIATION OF OPEN OBLIGATIONS

Fiscal Officers are accountable for their budget, and therefore should review their facility's obligations for financial validity and take appropriate action to ensure the prudent use of funds.

Section 1: VHA Accrued Services Payable and Undelivered Orders

A. The responsible finance office will review data contained in the F850 and F851 reports monthly. The purpose of the review is to reconcile the outstanding and/or undelivered balance column to the anticipated cost of unpaid posted authorizations or the amount unpaid according to the Integrated Funds Distribution, Control Point Activity, Accounting and Procurement (IFCAP) system. As part of the review, the Finance Office will identify FMS open obligations with a last activity date greater than 90 days.

1. FMS 850 (Verification of General Ledger Balances) – This report lists each open document and its remaining balance, a total Standard General Ledger (SGL) balances (GL4801), and a difference line. The F850 should be reviewed against supporting documentation monthly to ensure reports, subsidiary records and systems reflect proper costing, accurate delivery date/end date, and correctly calculated unliquidated balance.

2. FMS 851 (Verification of General Ledger Balances) – This report lists each accrued payable and the vendor, SGL balance (GL4901), and the total outstanding accrued amount. The F851 should be reviewed against supporting documentation monthly to ensure reports, subsidiary records and systems reflect proper vendors and correctly calculated delivered/unpaid balances.

3. In conducting reviews, field site Finance Offices should verify the following for accuracy:

   a. **Transaction Code/Type in FMS** – This must be appropriate for goods or services being procured (SO/AR, MO/RT).

   b. **Accrual flag in FMS** – This must be properly set for the services being procured on SOs. MO’s do not have an accrual flag, and do not accrue.

   c. **Delivery Due date/end date** – These should match in all systems and be supported by appropriate source documentation.

   d. **Fund, Cost Center, and Budget Object Code** – These must agree in eCMS, IFCAP, and FMS, and the combination must be in accordance with VA
Financial Policy Volume XIII, Chapters 1 and 2, and appropriate for goods or services being procured. Any discrepancies should be identified and documented.

B. The Finance Office will email the list of obligations to the Initiating Service within five calendar days of the start of the month.

C. The Initiating Service will research transactions with last activity dates greater than 90 days, or any other transactions requiring adjustments, and provide a response to the Finance Office within ten calendar days. The Finance Office will maintain the documentation as evidence of the review. For transactions requiring adjustments, the Initiating Service will complete the following actions within this timeframe:

1. For miscellaneous (1358) obligations on the list, the Initiating Service will adjust or cancel the remaining balance. This adjustment will alert the Finance Office to process the transaction in VA’s Accounting System.

2. If goods have been received but no receiving action has been initiated, the Initiating Service will contact Logistics and request that they process the receiving action.

3. If goods have been received and receiving action has been processed but no invoice has been received, the Initiating Service will contact the vendor to request an invoice.

4. If services have been provided but no invoice has been received, the Initiating Service will follow up with vendor to request an invoice.

5. If goods or services have not been received, determine if the goods or services are still needed.

   a. If goods and services are no longer needed, the Initiating Service will notify the Contracting Officer that the remaining balance of the contract needs to be modified. See the instructions in Section 3 below for obligation closeout procedures.

   b. If the goods or services are still required, the Initiating Service will request the Contracting Officer follow up with the vendor to determine the reason for non-receipt and determine an updated delivery/performance date.

D. The responsible Finance Office will notify the Facility Associate Director when there is no response from the Initiating Service. The Finance Office will escalate notification to the next level of Facility Leadership, should the Initiating Service continue not to respond to monthly requests to validate the status of outstanding obligations.
NOTE: Monthly reports must show date, signature and title of employees conducting the review and their supervisor, reviewer comments on the reconciliation and those of approving official.

E. Contracting Officers will follow the guidelines in the VHA Procurement Manual and Section 3 below to process contract modifications and cancel orders for goods or services that are no longer needed within five calendar days of being notified by the Initiating Service. If workload does not permit the Contracting Office to accomplish the modification within this timeframe, the Acquisitions Office will collaborate with the VISN CFO to establish a prioritized listing of modifications, based on age and cost impact. (For example, a single cancellation of a larger dollar acquisition will more positively impact the accuracy of the financial statements than performing several modifications to smaller dollar acquisitions.) The IFCAP adjustment will alert the Finance Office to process the transaction in VA’s financial systems.

F. If the prioritized listing has not been accomplished within the allotted five calendar day period, the Finance Office will notify the Veterans Integrated Service Network (VISN) CFO. The VISN CFO will work with the Network Contracting Office (NCO) Director of Contracting (DOC) to develop a plan to reduce the outstanding obligations.

G. For miscellaneous (1358) obligations with last activity dates greater than 90 days, the Initiating Service will adjust or cancel the remaining balance. This adjustment will alert the Finance Office to process the transaction in VA’s Accounting System.

Section 2: Quarterly Review of Open Obligations on the Expenditure PACE Report

The VISN and local Finance Offices will use the Expenditure PACE report to monitor open obligations to identify obligated funds that are not being fully utilized, or that may not be utilized during the useful life of the funds.

Because VA relies on estimated obligations, it is necessary to periodically monitor the expenditure of estimated contracts.

A. On a quarterly basis, the VISN Finance Office will review the Expenditure PACE report to identify obligations that are not on track to be expended prior to expiration. The Expenditure Pace report identifies obligations with expenditures significantly trailing what should be expensed when compared to the period of service.

B. The VISN Finance Office will send contract items identified on the Expenditure PACE report to the Network Contracting Office (NCO). The NCO will run the obligation number identified on the Expenditure PACE report against the eCMS
identifying information (Contract / Order Number and Contracting Officers), and distribute the items to the appropriate Contracting Officers.

C. For NCO obligations, the Contracting Officer will review the report, in coordination with the Initiating Service. If appropriate, the Initiating Service will enter a modification request into the Forecast of Opportunities and Requirements Center for Excellence (FORCE) System. The modification request will include a memorandum requesting to de-obligate excess funds and follow the instructions in Section 3 to request a decrease to the obligation.

Section 3: Instructions for Modification or Closeout of Obligations with Funds Remaining

A. The Initiating Service will review the emailed list from the Finance Office to determine if an obligation may be decreased or closed. For each item that has been verified delivered or service performed, the Initiating Service will enter a request into the Forecast of Opportunities and Requirements Center for Excellence (FORCE) System to close the contract. The request for cancellation of the order will include:

- Information to identify the order, such as the contract / order number and IFCAP transaction number or obligation number;
- Written explanation of the required action (decrease work or quantity, etc.) and the reason for the modification (such as “Estimated Order”, or “Item no longer required; order may be cancelled”);
- Contract Line Items that require modification and the amount / quantity to be adjusted (change from old quantity amount to new quantity amount);
- A statement verifying that all invoices have been received and paid, and the remaining funds on the obligation may be decreased, or a statement verifying that the remaining funds on the obligation are sufficient to pay anticipated remaining invoices; and
- Documented evidence of receipt of property of services (such as a receiving report or a statement that services were performed and acceptable), if applicable.

B. Upon receipt of the modification request through the FORCE module, the Contracting Officer will review the documentation provided by the Initiating Service. The Contracting Officer will process the contracting modification to decrease the obligation in the eCMS and IFCAP systems.

C. The IFCAP adjustment will alert the Finance Office to process the transaction in VA’s Accounting System.

D. On a monthly basis FORCE modification request delinquency reports will be sent out nationally to contracting staff showing the aging of requests beyond the five-day suspense period that require review and response.