



# Department of Veterans Affairs

## Financial Policy

### Volume II

#### Appropriations, Funds, and Related Information

### Chapter 5A

#### Commitments Policy

Approved:

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**0501 Overview**

This chapter establishes the Department of Veterans Affairs’ (VA) financial policies for establishing, reviewing, and eliminating commitments in VA’s accounting system.

Key points covered in this chapter:

- Commitments will only be recorded for:
  - Acquisition requests;
  - Grant agreements;
  - Interagency agreements (IAAs) that involve assisted acquisitions;
- Commitments will not be used for the purpose of reserving funds outside of those items specified above;
- Commitments will not be recorded for transactions not specified in this guidance, (e.g., purchase card transactions);
- Outstanding commitments will be reviewed monthly and manually de-committed if no longer valid;
- Commitments must be canceled at fiscal year-end; and
- VA will automatically de-commit outstanding commitments at fiscal year-end.

**0502 Revisions**

Section	Revision	Office	Reason for Change	Effective Date
Various	New Chapter	OFP (047G)	To introduce commitment accounting to the VA upon implementation of the Integrated Financial and Acquisition Management System (iFAMS)	June 2020

**0503 Definitions**

**Allotment** – Subdivisions of apportionments that are made by either the Secretary or another authorized employee to his/her subordinates for the current-period amount available for obligation or commitment.

**Assisted Acquisition** – A type of IAA when a servicing entity performs acquisition activities on the requesting entity’s behalf.

**Commitment** – The amount of budget authority reserved in anticipation of the issuance of an obligating document.

**Grant Agreement** – A legal instrument of financial assistance between a federal awarding agency and a non-federal entity to carry out a public purpose authorized by law.

**Inter or IntraAgency Agreement (IAA)** – A written agreement entered between federal agencies (Inter), or organizational units within the same agency (Intra), establishing a relationship between a buyer and seller, which specifies the goods to be furnished or tasks to be accomplished.

**Obligation** – A legally binding agreement that will result in outlays, immediately or in the future. An obligation is a legal liability of the Government against an available appropriation.

## **0504 Roles and Responsibilities**

**Under Secretaries, Assistant Secretaries, Administration CFOs, Fiscal Officers, Budget Officers, Chief Accountants, and Other Key Officials** are responsible for establishing a system of internal controls and monitoring to ensure appropriations are spent in accordance with Congressional intent and limits.

**Finance Offices** are responsible for recording commitments for allowable purposes; performing reviews of commitments; and de-committing amounts when appropriate.

**Acquisition Offices** are responsible for awarding contracts in accordance with the Federal Acquisition Regulation and applicable laws and providing supporting documentation to the Finance Office to record obligations in VA's accounting system. Contracting Officers, in conjunction with local field staff and the Finance Office, will execute timely contract modifications for contract closeout, period of performance date extensions, fund increases, and other administrative or performance requirements, in support of timely adjustments to open obligations.

**Logistics Offices** are responsible for reviewing and verifying requests for supplies and services prior to submitting to the Acquisitions Office to ensure no existing inventories or standardized contracts are available.

## **0505 Policies**

### **050501 General Policies**

- A. A commitment is a requisition for goods and services. It notifies the Contracting Officers of the goods and services to be ordered. It is not a legally binding obligation.
- B. VA will not use bulk commitments (i.e., a single commitment for numerous transactions).
- C. VA will only reserve funds via a commitment when it will specifically lead to an acquisition contract, grant agreement, or IAA that involves assisted acquisitions. Commitments will not be used outside of these three exceptions.
- D. VA may set aside funds for a specific purpose such as: beneficiary travel, tort payments or planned future transactions using budgetary allocations or allowances. Commitments should not be used for these purposes.
- E. VA will comply with National Archives and Records Administration (NARA) [General Records Schedule](#) for financial management and reporting records.
- F. See [Appendix A](#) for a summary of the commitment process and standard general ledger postings.

#### **050502 Establishing Commitments**

- A. VA will use commitment accounting, only for the approved uses below:
  - Acquisition contracts processed through VA Contracting;
  - Grant agreements; and
  - IAAs that involve assisted acquisitions processed through VA Contracting Officers.
- B. Commitments, when required, will be established in a timely manner.

#### **050503 Reviewing Commitments**

- A. Open commitments include those commitments that are not considered closed or complete and have a balance associated with a commitment document.
- B. VA will perform monthly review and reconciliation of open commitments. Reviews will be conducted by the Finance Office staff in consultation with COs and Logistics Office staff to ensure that:
  - 1. The commitment is still needed;
  - 2. Open balances are accurate and agree to source documents, i.e. requisition package;

3. Commitments aged over 30 days, or without activity in the past 30 days, are valid and should remain open;
4. The line of accounting is proper; and
5. The commitment does not represent a residual balance of an obligation and should be decommitted.

#### **050504 Eliminating Commitments (De-Committing Funds)**

- A. Outstanding commitments will be manually de-committed, by Finance Office staff, if no longer valid.
- B. Commitments must be canceled at fiscal year-end.
- C. VA will automatically de-commit outstanding commitments at fiscal year-end.

#### **0506 Authorities and References**

[31 U.S.C. § 1104, Budget and appropriations authority of the President](#)

[31 U.S.C. § 1301, Application of Appropriations \(also known as the Purpose Statute\)](#)

[31 U.S.C. § 1341, Limitations on Expending and Obligating Amounts](#)

[31 U.S.C. § 1553, Availability of appropriation accounts to pay obligations](#)

[Federal Acquisition Regulation](#)

[OMB Circular A-11, Preparation, Submission and Execution of the Budget](#)

[OMB Circular A-136, Financial Reporting Requirements](#)

[Treasury US Standard General Ledger](#)

[VA Acquisition Regulation](#)

[Volume I, Chapter 6 – Reconciliations](#)

[Volume II, Chapter 2, VA's Budget Cycle and Fund Symbols](#)

[Volume II, Chapter 3 – VA Fund Control](#)

[Volume II, Chapter 5 – Obligations Policy](#)

[National Archives and Records Administration \(NARA\) General Records Schedule](#)

**0507 Rescissions**

None.

**0508 Questions**

Questions concerning these financial policies and procedures should be directed to the following points of contact:

VHA	VHA 10A3A Accounting Policy (Outlook)
VHA	VAFSC Nationwide Accounting (Outlook)
VBA	VAVBAWAS/CO/FINREP (Outlook)
VBA	VAVBAWAS/CO/OPERATIONS (Outlook)
NCA	NCA Financial Policy Group (Outlook)
All Others	OFP Accounting Policy (Outlook)

## Appendix A: Summary of the Commitment Process, Standard General Ledger Postings, and Guidance for Specific Activity Categories

### A. Summary of the Commitment Process

#### *Daily Activities:*

- **Step 1 - VA prepares a written requisition:** The Requesting Office, within an Administration or Staff Office, identifies the need for a VA Contracting Officer to obtain goods or services and creates an unfunded requisition package request including, but not limited to, a: Statement of Work, Independent Government Cost Estimate, and Market Analysis. This package is sent to the Logistics Office.
- **Step 2 - Logistics reviews** the unfunded requisition package to determine if the request is for items that are available in existing inventories and/or if there are existing standardized contracts for the items. If there is still a need, Logistics forwards the unfunded requisition package to the Finance Office.
- **Step 3 – VA prepares and records a commitment:** The Finance Office updates the Requesting Office’s unfunded requisition package with a line of accounting and reviews for funds availability and completeness. If funds are available and the requisition package is complete, the Finance Office approves and establishes the commitment in iFAMS. Prior to iFAMS, VA did not use commitment accounting. After the commitment is recorded in iFAMS, the documentation is sent to the Contracting Officer for further action.
- **Step 4 – VA Contracting Officer awards/authorizes transaction and creates an obligation:** VA will record an obligation when VA incurs a legally binding agreement with a specified entity. The commitment will be automatically reversed (liquidated) when referenced by the obligation. If the obligation amount is less than the commitment amount, and the transaction is marked as “final” within iFAMS, the residual commitment balance will be automatically reversed (liquidated). Otherwise, the excess commitment amount must be manually de-committed.

#### *Monthly Activities:*

- **Step 5 - Reconciliation:** Monthly, Finance Office staff will review outstanding commitments and de-commit those that are no longer valid.

#### *Year-End Activities:*

- **Step 6 – Cancellation of commitments:** Commitments must be canceled at year-end. iFAMS will automatically de-commit any outstanding commitments at year-end.

## B. Standard General Ledger (SGL) Postings

### 1. Create a Commitment

- A commitment is only recorded in iFAMS if it is for a transaction to be processed by a Contracting Officer.
- The commitment process ensures funds are available and the correct funding is used. The commitment requires approval by the Program Office.
- The following SGL accounts are impacted.

Budgetary (creates commitment) (primary user entry)

Dr. 461000 Allotments – Realized Resources

Cr. 470000 - Commitments - Programs Subject to Apportionment

### 2. Create Obligation

- The obligation records a legally binding agreement that will result in outlays, immediately or in the future.
- The commitment will be automatically liquidated (de-committed) when referenced at time of obligation creation. If the obligation amount is less than the commitment amount, and the transaction is marked as “final” within iFAMS, the residual commitment balance will be automatically reversed (liquidated). Otherwise, the excess commitment amount must be manually de-committed.
- The following SGL accounts are impacted.

Budgetary (creates obligation) (primary user entry)

Dr. 461000 Allotments – Realized Resources

Cr. 480100 Undelivered Orders - Obligations, Unpaid

Budgetary (de-commits funds) (automated entry generated by referencing)

Dr. 470000 Commitments - Programs Subject to Apportionment

Cr. 461000 Allotments – Realized Resources

### *Monthly Activities:*

### 3. Review Commitments Monthly

- Outstanding commitments are reviewed and manually de-committed if no longer valid.
- The following SGL accounts are impacted when de-committed.

Budgetary (de-commits funds) (primary user entry)

Dr. 470000 - Commitments - Programs Subject to Apportionment

Cr. 461000 Allotments – Realized Resources

*Year-End Activities:*

4. Cancel Outstanding Commitments at Year-end
  - Outstanding commitments at year-end will automatically be canceled.
  - The following SGL accounts are impacted when de-committed.

Budgetary (de-commits funds) (automated entry generated by system)  
Dr. 470000 - Commitments - Programs Subject to Apportionment  
Cr. 461000 Allotments – Realized Resources