

VA Financial Policies and Procedures
Refunds and Rebates

CHAPTER 7F

0701 OVERVIEW	2
0702 POLICIES	2
0703 AUTHORITY AND REFERENCES	4
0704 ROLES AND RESPONSIBILITIES	5
0705 PROCEDURES	5
0706 DEFINITIONS.....	5
0707 RESCISSIONS.....	6
0708 QUESTIONS	6

0701 OVERVIEW

This chapter establishes the Department of Veterans Affairs' (VA) policies and procedures relating to refunds and rebates. As a general rule, VA may not deposit any funds receipts into its appropriation without explicit statutory authority. A violation of this rule constitutes an illegal augmentation of the appropriation.¹ In accordance with 31 U.S.C. 3302, all receipts received for use by the United States must be deposited in the General Fund of the Treasury to the credit of the appropriate receipt account, unless deposit to the credit of an appropriation or other fund account is authorized by law.

One exception to this rule is that an agency may retain receipts that qualify as refunds directly related to previously recorded expenditures that are reductions of such expenditures. VA may retain and deposit receipts or refunds that are returns of advances, collections of overpayments, or adjustments for previous amounts disbursed or funds recovered from improper disbursements.

Rebates are monetary or financial incentives offered to the Government as a return of part of the original purchase price for a service or merchandise and, as a general rule, may not be retained unless provided for in a specific statute. However, VA may retain rebates that qualify as refunds to an appropriation. Current examples that meet this requirement are purchase, fleet and travel cards and energy savings.

The distinction between refunds and rebates is important as some rebates are deemed refunds, which impacts the accounting treatment. The specific legal language will often determine the distinction between the terms and the ultimate disposition of the funds involved in the transaction.

0702 POLICIES

070201 REFUNDS. VA may retain and deposit refunds that are directly related to previously recorded expenditures and are reductions of the expenditures.

A. VA will deposit refunds to the original appropriation charged, the Treasury's General Fund Proprietary Receipts, Not Otherwise Classified, All Other (Treasury's General Fund Receipts Account 3220) or in accordance with the statutory authority governing their collection. Once the account is closed, receipts for recoveries will be deposited to the Treasury's miscellaneous receipts account 3200.

B. VA may accept a credit for a prior year refund of a de minimis amount of \$100 or less (fair market value) and apply it against a current year invoice in lieu of requiring the vendor to issue a refund check, unless the method of making the refund is governed by other statutory legislation. Because of the cost savings to the vendor and VA, the

¹ For additional information on avoiding the augmenting of appropriations, refer to Volume II, Chapter 7D, "Guidelines to Avoid Augmenting an Appropriation."

insignificant impact on VA's appropriation is not viewed as an unauthorized augmentation of the appropriation. (B-250953, December 14, 1992 72 Comp.Gen. 63.)

C. VA may deposit a refund directly to Treasury's General Fund Receipts Account 3220 when a determination is made that it is not cost effective to credit the refund to the original appropriation charged. The determination may be based upon various factors, such as the amount of the check or the time remaining for the appropriation availability. For example, if VA receives a refund from a vendor and the original appropriation charged is at or near its cancellation date, since the appropriation will soon be cancelled, VA could determine it is not cost effective to deposit the refund to the credit of the appropriation and deposit it to the credit of the Treasury's General Fund Receipt Account 3220.

D. VA will deposit receipts for recoveries of amounts paid under a fraudulent contract to the credit of the appropriation charged with the payments until the appropriation account is closed.

E. VA will deposit receipts recovered from improper payments in the appropriate fund accounts in compliance with the Improper Payments Elimination and Recovery Act (IPERA) of 2010 (Public Law 111-204). This applies to all expired discretionary funds appropriated after July 22, 2010. For further information regarding improper payments, refer to Volume VII Chapter 9, *Financial Reporting – Erroneous and Improper Payment Reporting under OMB Circular A-123 Appendix C*.

070202 REBATES.

A. VA may retain and deposit rebates that qualify as refunds or that are authorized by specific statutory authority. If there is no basis to classify the rebate as a refund, VA will deposit it into Treasury's General Fund Receipts Account 3220. Refer to Section 070201A for guidance on deposits to the respective appropriation.

B. VA may retain certain rebates, to include purchase, fleet and travel cards and energy savings, provided they qualify as refunds to an appropriation and are in accordance with the following:

1. Purchase and fleet card rebates are monetary incentives offered to the Government by government-wide commercial purchase card issuers to pay purchase card invoices early. As described in Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*, Appendix B, Improving the Management of Government Charge Card Programs, a rebate is a term used in prior Government charge card guidance, which is synonymous with a "productivity refund."

2. Travel card rebates may be retained and deposited into the original appropriation charged in accordance with the determination by Comptroller General Decision B-217913, May 30, 1986, Rebates from Travel Management Center (Contractors).

3. The Energy Independence and Security Act of 2007 (Public Law 110-140 Sec 516) provided the statutory authority for VA to retain certain energy savings for the credit to its own appropriations without a cap on the percentage of the rebate which may be retained and expended.

4. Credits in the form of rebates may be credited to agency accounts where they meet the criteria for refunds, that is, they represent adjustments to previous expenditures from those accounts and thus serve to make the accounts whole.

C. VA will employ the necessary internal controls to identify and collect the correct rebates according to guidance found in OMB Circular A-123, Appendix B.

0703 AUTHORITY AND REFERENCES

070301 [Public Law 110 104-52, Energy Efficiency and Water Conservation Measures; Use of Rebates and Savings \(42 U.S.C. 8256\)](#)

070302 [Public Law 110-140, Energy Independence and Security Act of 2007](#)

070303 [Public Law 111-204, Improper Payments Elimination and Recovery Act of 2010](#)

070304 [31 U.S.C. 3302, Custodians of Money](#)

070305 [31 U.S.C. 1552, Procedure for Appropriation Accounts Available for Definite Periods](#)

070306 [42 U.S.C 8256 \(c\), Utility Incentive Programs](#)

070307 [Treasury, Postal Service and General Government Appropriations Act for 1996 \(Public Law 104-52, 109 Stat. 468, 502\), dated November 19, 1995](#)

070308 [Consolidated Appropriations Act, 2005, December 8, 2004, DIVISION I - Departments of Veterans Affairs and Housing and Urban Development and Independent Agencies Appropriations Act, 2005](#)

070309 [Comptroller General Decision B-302366, July 12, 2004, Department of Energy—Disposition of Interest Earned on State Tax Refund Obtained by Contractor](#)

070310 [Comptroller General Decision B-257905, December 26, 1995, Appropriation Accounting—Refunds and Uncollectibles](#)

070311 [Comptroller General Decision B-217913.3, June 24, 1994, Accounting for Rebates from Travel Management Center \(Contractors\)](#)

070312 [Comptroller General Decision B-217913.2, February 19, 1993, Accounting for Rebates from Travel Management Center \(Contractors\)](#)

070313 [Comptroller General Decision B-250953, December 14, 1992, Secretary of the Senate Processing and Accounting for “de minimis” credits](#)

070314 [Comptroller General Decision B-217913, May 30, 1986, Rebates from Travel Management Center \(Contractors\)](#)

070315 [Comptroller General Decision B-209650, July 20, 1983, Liquidating Current Year Liabilities with Refund Credits From Prior Years’ Activities](#)

070316 [OMB Circular A-123, *Management’s Responsibility for Internal Control*, Appendix B, Improving the Management of Government Charge Card Programs](#)

0704 ROLES AND RESPONSIBILITIES

070401 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 and 38 U.S.C. 309. Specific responsibilities include the direction, management and provision of policy guidance and oversight of VA’s financial management personnel, activities and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities and provides guidance on all aspects of financial management.

070402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chiefs of Finance Activities, Chief Accountants, and Other Key Officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

0705 PROCEDURES

Procedural guidance can be found in Section 0702.

0706 DEFINITIONS

070601 Augmentation of Appropriation. Increasing the amount of authority given to Federal agencies to incur obligations and to make payments from Treasury for specified purposes.

070602 De Minimis. Concept of value which considers both the value of the item and the frequency with which it is provided to be so small as to make accounting for it unreasonable or impractical. An essential element is that it is considered occasional or unusual in frequency.

070603 Improper Payment. Any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally

applicable requirements. Incorrect amounts include overpayments and underpayments, including inappropriate denials of payment or service. An improper payment includes any payment that was made to an ineligible recipient or for an ineligible service, duplicate payments, payments for services not received, and payments that are for the incorrect amount. Moreover, when an agency's review is unable to discern whether a payment is proper as a result of insufficient or lack of documentation, it is to be considered an error.

070604 Purchase, Fleet, and Travel Card Rebate. Purchase card rebates are monetary incentives offered to the Government by government-wide commercial purchase card issuers to pay purchase card invoices early.

070605 Rebates. Monetary or financial incentive offered to the Government as a return of part of the original purchase price for a service or merchandise (e.g., incentive offered by government-wide commercial purchase card issuers to pay purchase card invoices early).

070606 Refunds. Returns of advances, collections for overpayments, adjustments for previous amounts disbursed or recovery of improper disbursements from appropriations or fund accounts that are directly related to and are reductions of, previously recorded payments from the accounts.

0707 RESCISSIONS

070701 OFP Policy Volume II Chapter 7F Rebates and Refunds, February 2011

070702 OF Bulletin 05GA1.04, Accounting Policy Governing Rebates and Refunds, July 29, 2005

0708 QUESTIONS

Questions concerning these 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 (Outlook)