



Department of Veterans Affairs

Financial Policy

Volume II

Appropriations, Funds, and Related Information

Chapter 10A

Supply Fund

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|--|-----------|
| 1001 Overview | 2 |
| 1002 Revisions | 2 |
| 1003 Definitions | 3 |
| 1004 Roles and Responsibilities | 3 |
| 1005 Policies | 4 |
| 100501 General Policies | 4 |
| 100502 Supply Fund Uses | 5 |
| 100503 Supply Fund Accounting | 5 |
| 100504 Supply Fund Reporting | 6 |
| 1006 Authorities and References | 7 |
| 1007 Rescissions | 8 |
| 1008 Questions | 8 |
| Appendix A: Prior Revisions Table | 9 |
| Appendix B: Acquisition Center’s | 15 |

1001 Overview

This chapter establishes the Department of Veterans Affairs' (VA) financial policies for VA's supply fund which supports VA's mission and other Federal agencies through the operation and maintenance of a supply system. VA's supply fund is used for the procurement of supplies, equipment, personal services and the repair and reclamation of used, spent or excess personal property. The primary customers of the supply fund are VA, Department of Defense (DOD) and the Department of Health and Human Services (HHS).

The statutory authority for the supply fund is contained in [38 U.S.C. 8121 – Revolving Supply Fund](#).

Key points covered in this chapter:

- VA's supply fund was created without fiscal year limitations and by law, supply fund costs of furnished services, equipment, and supplies must be reimbursed by customers from appropriated resources;
- VA's supply fund will provide services on a reimbursable basis;
- Revenues will be recognized when earned, and expenses will be recognized when incurred; and
- The rates for the cost of services, equipment and supplies furnished are determined by the Secretary based on estimated or actual direct cost.

1002 Revisions

| Section | Revision | Office | Reason for Change | Effective Date |
|---------|---|------------|--|----------------|
| Various | Updated to new policy format and completed a five-year review | OFP (047G) | Prior version did not accurately reflect current practice | September 2020 |
| Various | Chapter number changed to align with new Revolving Fund chapter hierarchy | OFP (047G) | Changed to align with new Revolving Fund chapter hierarchy | September 2020 |
| 0203 | Updated definitions. | OFP (047G) | Outdated | September 2020 |

| Section | Revision | Office | Reason for Change | Effective Date |
|---------|--|------------|-------------------|----------------|
| 0204 | Updated Roles and Responsibilities to reflect current practice. | OFP (047G) | Outdated | September 2020 |
| 0205 | Updated all subsections to reflect current practices and the new organization restructure. | OFP (047G) | Outdated | September 2020 |

1003 Definitions

Revenues - Inflow of resources that have been earned.

Fund Budget - Includes all anticipated revenues and expenses for Enterprise Centers (ECs) within the fund.

Revolving Fund - A fund established by Congress to finance a cycle of business-like operations through fees charged for goods or services provided.

1004 Roles and Responsibilities

Secretary of the Department of Veterans Affairs approves all additions and deletions of Enterprise Centers to the fund.

Revolving Fund Board of Directors (RFBOD) approves activities to be included in the funds, reviews and approves budgets, identifies, and approves actions to resolve problems in a fund's operations, and reviews studies of costs and service quality.

Principal Deputy Assistant Secretary for Management and the **Deputy Executive Director, Office of Acquisition, Logistics and Construction** are co-chairs of the RFBOD, and oversee all financial management activities relating to the fund's programs and operations.

Under Secretaries, Assistant Secretaries, CFOs, Fiscal Officers, Chief Accountants, and Other Key Officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

1005 Policies

100501 General Policies

- A. VA's supply fund's principal business lines are the Denver Logistics Center; Hines Service and Distribution Center; National Acquisition Center (NAC); Strategic Acquisition Center (SAC); Technology Acquisition Center (TAC); VA Acquisition Academy (VAAA); Office of Acquisition Logistics (OAL); Office of Procurement Acquisitions and Logistics (OPAL); Revolving Fund Fiscal Office Publications Service; and the Service and Reclamation Division.
- B. VA utilizes the Acquisition Centers for a variety of services. For more information on the various Acquisition Centers refer to Appendix B.
- C. VA's supply fund was created without fiscal year limitations to operate and maintain a VA supply system for the procurement of supplies, equipment, and personnel services. What this means is that annual funds obligated under a supply fund agreement will remain obligated even if the supply fund does not complete performance or contract out for services by the end of the fiscal year. However, the time between contracting and delivery must not be excessive, and the procurement can't be for a standard commercial item readily available from other sources. For example, if the supply fund's National Acquisition Center (NAC) is unable to procure items by the end of fiscal year (FY) 2020 for a VA medical center (VAMC) that obligated to the NAC using annual FY 2020 funds, the VAMC's obligation is still valid (does not need to be deobligated) and the NAC can make purchases in FY 2021 against the FY 2020 VAMC obligation.
- D. Supply fund authority allows VA to sell goods and services to VA, HHS, and DOD organizations. The supply fund will operate under the authority of the Economy Act for all other buy/sell transactions. Agreements entered into using the Economy Act do not follow the supply fund authority as outlined in paragraph C above. Agreements using the Economy Act must be deobligated at the end of the fiscal year to the extent that the performing agency has not performed or incurred valid obligations. These agreements are used for one agency to obtain supplies or services from another agency. Authority for Economy Act agreements can be found at 31 U.S.C. 1535. For additional information on the Economy Act, refer to VA Policy Volume I, Chapter 11, Intragovernmental Reimbursable Agreements.
- E. VA's supply fund charges for the sale of products or services and uses the proceeds to finance its spending, without the requirement for an annual appropriation.
- F. Amounts collected by the supply fund do not expire.

- G. VA's supply fund will be reimbursed from appropriations for the cost of all services, equipment and supplies furnished at rates determined by the Secretary on the basis of estimated or actual direct cost (which may be based on the cost of recent significant purchases of the equipment or supply item involved) and indirect cost. See 38 U.S.C. § 8121.
- H. VA will process all supply fund transactions involving cash collections and disbursements under an approved Treasury Account Symbol (TAS) (e.g. 36X4537).
- I. At the end of each fiscal year, VA's Secretary will determine, if any, the amount of excess cash in the supply fund. Excess cash is defined as monies not needed to maintain an adequate inventory level and effective financial management of the supply fund. Excess cash will be transferred to the Department of the Treasury as miscellaneous receipts.

100502 Supply Fund Uses

- A. VA will use supply fund collections to pay for:
 - Expenses incurred by the Office of Acquisition and Logistics (OAL) and the Office of Procurement Acquisition and Logistics (OPAL);
 - Expenses incurred by the Office of Small and Disadvantaged Business Utilization;
 - Repair, inspection and testing costs of supply fund property; and
 - Incidental charges for transporting and storing supply fund property.
- B. VA will not use supply fund collections to pay for Expenses associated with building a new structure or refurbishing an existing structure. Such expenses must be paid by the appropriate construction appropriation account.

100503 Supply Fund Accounting

- A. The supply fund uses the modified accrual method of accounting. Modified accrual accounting is a combination of accrual and cash basis accounting.

Supply fund accounting transactions will be recorded under accrual accounting with operating expenses recognized currently, while those expenses for capital and other long-term assets are capitalized and not recognized as expenses until used.

- B. Supply fund staff will reconcile proprietary and budgetary information monthly in accordance with all applicable rules and regulations.

- C. The supply fund's control and subsidiary accounts will be reconciled monthly by supply fund staff to assure the validity of account balances. To the extent possible, inaccuracies or discrepancies disclosed should be located and adjusted prior to preparation and submission of financial reports.
- D. The supply fund will prepare an annual business-type budget for operations under the fund.
- E. VA will use the supply fund budget authority to incur obligations and will recognize revenue from its customers on a "fee-for-service" basis.
- F. Services provided by the supply fund will be on a reimbursable basis.
- G. The VA supply fund will use reimbursable authority established from its interagency agreements with customers to procure the goods and services to be furnished. Receipts resulting from the operation of the fund, including property returned to the supply system when no longer required by activities to which it had been furnished, the proceeds from disposal of scrap, excess or surplus personal property of the fund and receipts from carriers and others for loss of or damage to personal property may also be used to procure goods and services.
- H. Any item issued from the supply system inventory will be treated as a sale. Sales will be reimbursed from the operating appropriations. Appropriation obligations will be established just prior to delivery. VA's supply fund will rely on Just-In-Time (JIT) deliveries from most suppliers to keep inventory levels low.
- I. The supply fund's accounting system must conform to the accounting principles, standards and general requirements prescribed for VA as a whole; and must provide for the integration of the supply funds accounts with those of VA.

100504 Supply Fund Reporting

- A. The VA supply fund will adhere to all VA reporting requirements.
- B. The supply fund has its own consolidated financial statements independent of VA's consolidated financial statements. The supply fund consolidated financial statements will be prepared in accordance with Federal Accounting Standards Advisory Board (FASAB) standards and related concepts, which constitute Federal generally accepted accounting principles.
- C. The VA supply fund will provide information for inclusion in VA's quarterly and year-end consolidated financial as well as other submissions to the Treasury such as,

Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) and Treasury Report on Receivables (TROR).

- D. VA's supply fund will utilize United States Standard General Ledger (USSGL) accounts, to identify supply fund specific activities that are reported both separately by the fund and as part of VA's consolidated quarterly and annual financial reporting cycles.

1006 Authorities and References

31 U.S.C. 3512, Executive Agency Accounting and Other Financial Management Reports and Plans

31 U.S.C. 3515, Financial Statements of Agencies

38 Comp. Gen. 628 (1959), Contracts With Other Government Agencies

38 U.S.C. 8121, Revolving Supply Fund

Statement of Federal Financial Accounting Standards (SFFAS) No. 7: Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting

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

OMB Circular A-123, Management's Responsibility for Internal Control

OMB Circular A-123, Appendix A, Internal Control over Financial Reporting

OMB Circular A-123 Appendix D, Compliance with FFMIA

OMB Circular A-130, Management of Federal Information Resources

OMB Circular A-136, Financial Reporting Requirements - Revised

Treasury Federal Account Symbols and Titles (FAST) Book

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

National Acquisition Center (NAC)

[Service and Distribution Center \(SDC\), Hines, IL](#)

1007 Rescissions

020701 This chapter rescinds VA financial policies and procedures, Volume II, Chapter 2A, Supply Fund, dated August 2014.

1008 Questions

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

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

Appendix A: Prior Revisions Table

| Section | Revision | Office | Reason for Change | Effective Date |
|-------------------------------|--|-------------|-------------------|----------------|
| Header | Deleted: August 2009 Added: April 2014 | APS (047GA) | | August 2014 |
| 0201 Overview | Added: "s" to opening sentence so "include" now says "includes" Deleted link for: "38 U.S.C. 8121" Updated link to: "38 U.S.C. 8121 – Revolving Supply Fund" | APS (047GA) | | August 2014 |
| 020202 | Editorial, updates and deletions provided by OAL. | OAL | | August 2014 |
| 020204B | Added: ", and logistics reviews conducted by Management Quality Assurance Service (MQAS)" so 020204B says: "All expenses incurred by the Office of Small and Disadvantaged Business Utilization and certain elements of VHA's Procurement and Logistics Office, and logistics reviews conducted by Management Quality Assurance Service (MQAS)." | OBO | | August 2014 |
| 0203 Authority and References | Corrected alphabetization and renumbered authority and reference links. Removed reference to Volume V, Chapter 4B. | APS (047GA) | | August 2014 |
| 020301 | Renumbered link (formerly 020312): "38 Comp. Gen. 628 (1959), Contracts With Other Government Agencies". | APS (047GA) | | August 2014 |

| Section | Revision | Office | Reason for Change | Effective Date |
|---------|--|----------------|-------------------|----------------|
| 020302 | Deleted link for: "31 U.S.C. 3512, Executive Agency Accounting and Other Financial Management Reports and Plans" Updated link for: "31 U.S.C. 3512, Executive Agency Accounting and Other Financial Management Reports and Plans" Renumbered link: Was 020301. | APS (047GA) | | August 2014 |
| 020303 | Deleted link for: "31 U.S.C. 3515, Financial Statements of Agencies" Updated link for: "31 U.S.C. 3515, Financial Statements of Agencies" Renumbered link: Was 020302. | APS (047GA) | | August 2014 |
| 020304 | Deleted link for: "38 U.S.C. 8121, Revolving Supply Fund" Updated link for: "38 U.S.C. 8121, Revolving Supply Fund" Renumbered link: Was 020303. | APS (047GA) | | August 2014 |
| 020307 | Added link for: "Implementation Guide for OMB Circular A-123, Management's Responsibility for Internal Control, Appendix A, Internal Control over Financial Reporting, dated July 22, 2005" | APS (047GA) | | August 2014 |
| 020308 | Renumbered Link (formerly 020304): "Office of Management and Budget (OMB) Circular A-11, Preparation, Submission and Execution of the Budget" | APS (047GA) | | August 2014 |

| Section | Revision | Office | Reason for Change | Effective Date |
|---------|--|----------------|-------------------|----------------|
| 020309 | Deleted link for: "OMB Circular A-123, Management's Responsibility for Internal Control" Updated link for: "OMB Circular A-123, Management's Responsibility for Internal Control" Renumbered link: Was 020305. | APS (047GA) | | August 2014 |
| 020310 | Deleted link for: "OMB Circular A-127, Financial Management Systems" Updated link for: "OMB Circular A-127, Financial Management Systems" | APS (047GA) | | August 2014 |
| 020311 | Deleted link for: "OMB Circular A-130, Management of Federal Information Resources" Updated link for: "OMB Circular A-130, Management of Federal Information Resources" Renumbered link: Was 020307. | APS (047GA) | | August 2014 |
| 020312 | Deleted link for: "OMB Circular A-136, Financial Reporting Requirements - Revised" Updated link for: "Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements - Revised" Renumbered link: Was 020308. | APS (047GA) | | August 2014 |
| 020314 | Added link: "Radiology Quality Assurance Services" | OAL | | August 2014 |

| Section | Revision | Office | Reason for Change | Effective Date |
|---------|--|----------------|-------------------|----------------|
| 020315 | Added link: "Service and Distribution Center (SDC), Hines, IL" | OAL | | August 2014 |
| 020317 | Added link: "Strategic Acquisition Center (SAC), Frederick, Maryland" | OAL | | August 2014 |
| 020318 | Added link: "Strategic Acquisition Center (SAC), Fredericksburg, Virginia" | OAL | | August 2014 |
| 020319 | Added link: "Technology Acquisition Center (TAC), Austin, Texas" | OAL | | August 2014 |
| 020320 | Added link: "Technology Acquisition Center (TAC), Eatontown, New Jersey" | OAL | | August 2014 |
| 020321 | Renumbered link: "Treasury Federal Account Symbols and Titles (FAST) Book" Formerly 020310. | OAL | | August 2014 |
| 020322 | Deleted link for: "Treasury Financial Manual (TFM) Part 2--Chapter 1500, Description of Accounts relating to Financial Operations" Updated link for: "Treasury Financial Manual (TFM) Volume 1, Part 2, Chapter 1500, Description of Accounts Relating to Financial Operations" Renumbered link: Was 020309. | APS (047GA) | | August 2014 |
| 020324 | VA's General Counsel Decision VAOPGCADV 26-97, issued September 24, 1997 | APS (047GA) | | August 2014 |

| Section | Revision | Office | Reason for Change | Effective Date |
|---------|---|----------------|-------------------|----------------|
| 020401 | Deleted: “The Assistant Secretary for Management/Chief Financial Officer (CFO), as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309, oversees all financial management activities relating to the Department’s programs and operations.” Added: “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.” | APS (047GA) | | August 2014 |
| 020401 | Added: "and oversight", so 020401 says: "The CFO establishes financial policy, systems and operating procedures for all VA financial entities and provides guidance and oversight on all aspects of financial management." | OBO | | August 2014 |
| 020505 | Editorial, updates and deletions provided by OAL. | OAL | | August 2014 |
| 020701 | Deleted: “This chapter rescinds MP-4, Part 5, Chapter 7, Supply Fund Accounting; VA Directive 4800.20, Section 4(d), Records, Reports and Accounting; and OF Bulletin 05GA1.01, Obligating annual funds to the franchise fund or supply fund.” Added: “020701” and “This chapter rescinds VA financial policies and procedures, Volume II, Chapter 2A, Supply Fund, dated August 2009.” | APS (047GA) | | August 2014 |

| Section | Revision | Office | Reason for Change | Effective Date |
|---------|---|-------------|-------------------|----------------|
| 020708 | Updated Veterans Health Administration e-mail address | APS (047GA) | | August 2014 |

Appendix B: Acquisition Centers

I. [National Acquisition Center \(NAC\)](#),

The NAC is responsible for supporting the health care requirements of the VA and other government agencies. Under the [Federal Supply Schedule](#) and [National Contract Programs](#), the NAC awards high volume multiple award schedule, national contracts, and blanket purchase agreements for the acquisition and direct delivery of pharmaceuticals; medical, surgical, dental, and patient mobility equipment/supplies; high technology medical equipment; temporary allied healthcare staffing services; and just-in-time distribution programs. The NAC has three locations:

- Hines IL, NAC:
- Golden, CO, NAC Commodities and Service Acquisition Service (CSAS), and
- Golden, CO, NAC Denver Logistics Center (DLC).

II. [Technology Acquisition Center \(TAC\)](#)

Headquartered in Eatontown, New Jersey, is a multi-disciplined organization of acquisition professionals and support staff who provide streamlined Business and contracting solutions for a variety of major Information Technology (IT) programs.

III. [Strategic Acquisition Center \(SAC\)](#)

The Strategic Acquisition Center (SAC) located in Frederiksberg, Virginia and Frederick, Maryland, provides dedicated acquisition and program management expertise and support for life cycle management of non-IT enterprise-wide solutions for VA's highly complex requirements and strategically sound contracts.