

VA Financial Policies and Procedures
Required Supplementary Stewardship Information:
Research and Development

CHAPTER 9

0901 OVERVIEW	2
0902 POLICIES	3
0903 AUTHORITY AND REFERENCES	4
0904 ROLES AND RESPONSIBILITIES	4
0905 PROCEDURES	5
0906 DEFINITIONS.....	6
0907 RESCISSIONS.....	9
0908 QUESTIONS	9

0901 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures relating to VA's stewardship investment in research and development. Research and development is one of VA's three stewardship investment categories presented as Required Supplementary Stewardship Information (RSSI) in the annual consolidated financial statements. Research and development stewardship investments are treated as expenses incurred for basic research, applied research and development programs that are intended to maintain or increase national productive capacity. The ultimate objective of such investment is to equip the Federal Government in dealing with war-related illnesses and post-deployment health issues on a long term basis.

VA reports the following two categories of stewardship investments outside its investment in research and development:

- Non-Federal Physical Property (see Volume III, Chapter 7)
- Human Capital (see Volume III, Chapter 8)

VA's research and development is comprised of the following programs: Medical Research Service; Rehabilitative Research and Development; Health Services Research and Development; Cooperative Studies Research Service; and Medical Research Support.

Federal financial reporting requires the Federal Government to report on its stewardship over certain resources entrusted to it and certain responsibilities assumed by it that cannot be measured in traditional financial reports. These resources and responsibilities do not meet the criteria for assets and liabilities that are required to be reported in the audited consolidated financial statements but are important to understand the operations and financial condition of the Federal Government at the date of the financial statements and in subsequent periods.

090101 AUTHORITY FOR RSSI: RESEARCH AND DEVELOPMENT. VA will conduct research and development to assist with the treatment of war-related illnesses and post-deployment health issues of Veterans. VA will maintain oversight of all medical research programs and provide grants to the members of the medical community for medical exchange services, as necessary.

090102 ACTIONS FOR RSSI: RESEARCH AND DEVELOPMENT. VA will report its stewardship investments in research and development as expenses and include the amount in the Statement of Net Cost.

090103 REPORTING FOR RSSI: RESEARCH AND DEVELOPMENT. VA will report its stewardship investments as unaudited RSSI in its annual Performance and Accountability Report (PAR), and include 5 years of data at the program level.

0902 POLICIES

090201 AUTHORITY FOR RSSI: RESEARCH AND DEVELOPMENT.

A. VA will conduct research and development for the purpose of advancing the knowledge, methods and techniques available for dealing with war-related illnesses and post-deployment health issues of Veterans.

B. VA will maintain oversight of all medical research programs through monitoring and evaluating the quality of health care.

C. VA will provide grant funds to the members of the medical community for medical exchange services.

090202 ACTIONS FOR RSSI: RESEARCH AND DEVELOPMENT.

A. VA will recognize its stewardship investments as expenses under the accrual basis of accounting and report amounts in nominal dollars.

B. VA will recognize the cost of its stewardship investments as expenses and include the amounts in the Statement of Net Cost.

C. VA will include stewardship investments information related to research and development, if applicable, in the accompanying Notes.

090203 REPORTING FOR RSSI: RESEARCH AND DEVELOPMENT.

A. VA will report its stewardship investments as RSSI in VA's annual PAR.

B. VA will report its annual stewardship investments at a meaningful level (e.g., program level) and include data for the current year and the preceding 4 years.

C. VA may report additional years' data if such data provides a better indication of the nature of the investment.

D. VA will include a narrative description of programs considered Federal stewardship investments in research and development in the RSSI.

E. VA will clearly identify the output and outcome measures used to justify continued treatment of stewardship investment as expenses.

0903 AUTHORITY AND REFERENCES

090301 38 U.S.C Part I, Chapter 5, Authority and Duties of the Secretary

090302 38 U.S.C Part II, Chapter 11, Compensation for Service-Connected Disability or Death

090303 38 U.S.C. Part III, Chapter 31, Training and Rehabilitation for Veterans with Service-Connected Disabilities

090304 38 U.S.C. Part III, Chapter 39, Automobiles and Adaptive Equipment for Certain Disabled Veterans and Members of the Armed Forces

090305 38 U.S.C Part V, Chapter 73, VHA-Organization and Functions

090306 38 U.S.C. Part VI, Chapter 81, Acquisition and Operation of Hospital and Domiciliary Facilities, Procurement and Supply, Enhanced-Use of Leases of Real Property

090307 Financial Accounting Standards Advisory Board (FASAB), Statement of Federal Financial Accounting Concept (SFFAC No. 1), Objectives of Federal Financial Reporting

090308 FASAB, Statement of Federal Financial Accounting Standards (SFFAS) No. 4, Managerial Cost Accounting Standards for the Federal Government

090309 FASAB, SFFAS No. 8, Supplementary Stewardship Reporting

090310 Office of Management and Budget (OMB) Circular No. A-136 Revised, Financial Reporting Requirements

090311 OMB Bulletin No. 01-09, Form and Content of Agency Financial Statements

090312 Treasury Financial Manual (TFM), Volume 1, Part 2, Chapter 4700, Appendix 4

0904 ROLES AND RESPONSIBILITIES

090401 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.

090402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chief Accountants and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

0905 PROCEDURES

090501 AUTHORITY FOR RSSI: RESEARCH AND DEVELOPMENT.

A. VA will conduct the following research and development initiatives by law:

1. Scientific studies of the intermediate and long term health consequences on Veterans of the Persian Gulf war (38 U.S.C. Part I, Chapter 5);
2. Scientific research on health hazards of low levels of chemicals, including dioxin and toxic agents in herbicides, used in allied military operations in the Vietnam war and exposure to depleted uranium in the Persian Gulf war (38 U.S.C. Part II, Chapter 11);
3. Research for the purpose of advancing the knowledge, methods, techniques and resources available for use in rehabilitation programs for Veterans (38 U.S.C. Part III, Chapter 31);
4. Research and development on adaptive equipment to support rehabilitation engineering research centers in the development of prosthetic and orthopedic appliances (38 U.S.C. Part III, Chapter 39); and
5. Research and development at its centers, including mental health centers, combat injuries centers, medical preparedness centers, medical emergency preparedness centers, epilepsy centers of excellence, Parkinson's disease and multiple sclerosis centers, centers for geriatric care and at the National Center For Preventive Disease (38 U.S.C. Part V, Chapter 73).

B. VA will establish an Office of Research Oversight, in accordance with 38 U.S.C. Chapter 73, to conduct oversight of medical research programs and maintain a comprehensive program to monitor and evaluate the quality of health care.

C. VA will enter into agreements with other members of the medical community for the exchange of medical information and techniques and provide grants to the members of this community for these medical exchange services. VA will, if required, conduct an audit and examination of the records of the recipient of such medical exchange services grants.

090502 ACTIONS FOR RSSI: RESEARCH AND DEVELOPMENT.

A. VA will measure its stewardship investment on the same basis of accounting as used for financial statement purposes, including appropriate accrual adjustments. Amounts will be reported in nominal dollars. Refer to SFFAS No. 4 for a full discussion of Federal cost accounting principles and standards.

B. VA will recognize the costs of stewardship investments as expenses in determining the net cost of operations and will include these expenses in its financial statements during the year the costs are incurred. Stewardship investments will be reflected in the Statement of Net Cost as part of net program costs.

090503 REPORTING FOR RSSI: RESEARCH AND DEVELOPMENT.

A. VA will report its stewardship investments as unaudited RSSI, accompanying its audited consolidated financial statements, in the PAR.

B. VA will report its annual stewardship investments at a meaningful category or program level (e.g., Medical Research Service) and include data, in nominal dollars, on the investments for the year being reported upon and the preceding 4 years.

C. VA may report additional years' data if such data provides a better indication of the nature of the investments.

D. VA will include a narrative description of programs considered Federal stewardship investments in research and development in the RSSI.

E. VA will report program outputs consistent with the intent of the program so that VA can continue categorizing stewardship investments as expenses for stewardship purposes.

1. VA will define output measures that reflect VA's goals and target levels related to research and development stewardship investments. Goals for research and development may include such items as percent of funded research projects relevant to VA's health-care mission in designated research areas or number of research and development projects.

2. VA will develop strategies in order to ensure that performance targets are achieved and will assess the outcome of the program based on achieving these target levels.

0906 DEFINITIONS

090601 Accrual Accounting. An accounting method that measures the performance and position of an entity by recognizing events regardless of when cash transactions

occur. The general idea is that, for example, economic events are recognized by matching revenues to expenses at the time in which the transaction occurs rather than when payment is made or received. This method allows the current cash inflows/outflows to be combined with future expected cash inflows/outflows to give a more accurate picture of an entity's current financial condition.

090602 Applied Research. Systematic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met.

090603 Basic Research. Systematic study to gain knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications toward processes or products in mind.

090604 Cost. The monetary value of resources used or liabilities incurred to achieve an objective. Costs may be charged to operations immediately or, in cases where the cost relates to goods or services that will benefit future periods, to an asset account for recognition as an expense of subsequent periods.

090605 Development. Systematic use of the knowledge and understanding gained from research for the production of useful materials, devices, systems or methods, including the design and development of prototypes and processes.

090606 Disclosure. Reporting information in notes or narrative regarded as an integral part of the basic financial statements.

090607 Expense. Outflows or other using up of assets or incurrences of liabilities (or a combination of both) during a period from providing goods, rendering services or carrying out other activities related to an entity's programs and missions, the benefits from which do not extend beyond the present operating period. (Accounting for Selected Assets and Liabilities, SFFAS No. 1)

090608 Human Capital Investments. Per OMB Circular A-136, these investments represent expenses that are included in net cost for education and training programs intended to: (1) increase or maintain national economic productive capacity and (2) produce outputs and outcomes that provide evidence of maintaining or increasing national productive capacity. This definition excludes education and training expenses for Federal civilian and military personnel. Continued categorization of human capital expenses as investment for stewardship purposes is predicated on demonstrated outputs and outcomes consistent with the intent of the program.

090609 Nominal Dollars. The dollar value assigned to a good or service in terms of prices current at the time of the good or service is required. This contrasts with the value assigned to a good or service measured in constant dollars.

090610 Non-Federal Physical Property. Physical properties financed by grants from the Federal Government but owned by state and local governments.

090611 Outcome. 1) Defined in broad terms in SFFAC No. 1 (Pars. 204-208) as accomplishments or results that occur (at least partially) because of the service efforts of Government entities. Some authorities use terms like “impact,” “effect,” or “results” to distinguish the change in outcomes specifically caused by the government activity from the total change in conditions that can be caused by many factors. 2) Defined in SFFAS No. 8 as an assessment of the results of a program compared to its intended purpose. They shall: 1) be capable of being described in financial, economic or quantitative terms; and 2) provide a plausible basis for concluding that the program has had or will have this intended effect.

090612 Output. A tabulation, calculation or recording of activity or effort that can be expressed in a quantitative or qualitative manner. They shall have two key characteristics: 1) they shall be systematically or periodically captured through an accounting or management information system and 2) there shall be a logical connection between the reported measures and the program’s purpose.

090613 Recognize. Having determined the amount, timing, classification and other conditions precedent to the acceptance and entry of a transaction, the recording of an amount on the books of account and the reporting of the amount on the face of the financial statements either individually or aggregated with other amounts.

090614 Required Supplementary Stewardship Information (RSSI). (1) Information reported outside of the principal financial statements that is an essential part of an entity’s financial reporting; and (2) The category defined by the Federal Accounting Standards Advisory Board for reporting information required by the stewardship standards. Stewardship information may be presented as RSSI, in the financial statements, or in the notes to them. Stewardship information will be necessary for a fair presentation of financial position and results of operations.

090615 Research and Development. Expenses incurred in support of the search for new or refined knowledge and ideas and for the application or use of such knowledge and ideas for the development of new or improved products and processes with the expectation of maintaining or increasing national economic productive capacity or yielding other future benefits. Research and development is composed of basic research, applied research and development.

090616 Stewardship. The Federal Government’s responsibility for the general welfare of the nation in perpetuity. (FASAB Concepts Statement No. 1, Objectives of Federal Financial Reporting)

090617 Stewardship Investment. Items recognized as expenses in calculating net cost, but meriting special treatment to highlight the substantial investment and long-term benefit of the expenses. This would include non-Federal physical property, human capital (e.g., Veterans' and dependents' education and health professions' education) and research and development.

0907 RESCISSIONS

None required.

0908 QUESTIONS

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

VHA	VHA Accounting Policy (Outlook)
VBA	VAVBAWAS/CO/FINREP (Outlook)
All Others	OFP Accounting Policy (Outlook)