Financial Policy

Volume V

Assets

Chapter 1

Recognition and Accounting for Assets

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09:30:57 -04'00'

Jon J. Rychalski
Assistant Secretary for Management
and Chief Financial Officer
0101 Overview

This chapter establishes the Department of Veterans Affairs (VA) financial policies regarding accounting for assets and distinguishing entity, non-entity, intragovernmental and governmental (public) assets. Assets may include cash, receivables, inventory, other assets, and property, plant, and equipment.

Key points covered in this chapter:

- Entity and non-entity assets will be accounted for separately, but combined for presentation purposes in the balance sheet;
- Intragovernmental and governmental (public) assets will be accounted for separately; and
- Reporting of assets in the financial statements and corresponding disclosures in the notes will be in accordance with Office of Management and Budget (OMB) Circular A-136.

This chapter provides high-level information on reporting for assets, additional information related to specific categories of assets can be found in the subsequent chapters of VA Financial Policy Volume V, Assets.

0102 Revisions

<table>
<thead>
<tr>
<th>Section</th>
<th>Revision</th>
<th>Office</th>
<th>Reason for Change</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various</td>
<td>Reformatted to new policy format and completed five-year update</td>
<td>OFP (047G)</td>
<td>Reorganized chapter layout</td>
<td>March 2019</td>
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<tr>
<td>0104 Roles and Responsibilities</td>
<td>Updated office names to current nomenclature</td>
<td>OFP (047G)</td>
<td>Name change</td>
<td>March 2019</td>
</tr>
<tr>
<td>0105 Policies</td>
<td>Updated policy statements</td>
<td>OFP (047G)</td>
<td>Properly reflect VA’s current accounting and recognition of assets</td>
<td>March 2019</td>
</tr>
</tbody>
</table>

0103 Definitions

**Assets** – Tangible or intangible items owned by the Federal government which have probable economic benefits controlled by a Federal government entity. An asset has two essential characteristics: (1) it embodies economic benefits or services that can be
used in the future and (2) VA controls access to the economic benefits and therefore can regulate their use.

**Entity** – The Government, or a unit of the Federal Government such as a department, agency, bureau, or program, for which a set of financial statements would be prepared. Entity also encompasses a group of related or unrelated commercial functions, revolving funds, trust funds, and/or other accounts for which financial statements will be prepared in accordance with OMB guidance.

**Entity Assets** – Assets available to an entity for use in its operations. Entity assets include both intragovernmental and governmental assets.

**Fiduciary** – A federal entity that holds assets in trust for a non-federal entity in which the non-federal entity has an ownership interest that the federal government must uphold (based on statutory or other legal authority).

**Fiduciary Activities** – Processes wherein a Federal entity collects or receives and subsequently manages, protects, accounts for, invests, and/or disposes of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal government must uphold.

**Fiduciary Assets** – A type of non-entity asset in which non-Federal parties have an ownership interest that the Federal government must uphold under provision of law, regulation or other fiduciary arrangement.

**Governmental (Public) Assets** – Assets arising from transactions with nonfederal entities. These assets may include cash, accounts and interest receivable from nonfederal entities, and advances and prepayments made to nonfederal entities.

**Intangible Assets** – Assets having no physical existence such as trademarks, copyrights, patents, loans, notes, and other debt instruments, lease agreements, stock, and other instruments of property ownership.

**Intragovernmental Assets** – Assets arising from transactions among federal entities. These assets may include fund balance with Treasury, investments in Treasury securities, accounts and interest receivable from federal entities, and advance and prepayments to federal entities.

**Non-entity Asset** – Asset held by an entity that are not available for the entity to use in its operations. Assets held in a fiduciary capacity for another entity.

**Other Assets** – Title given to assets reported in a group on the face of the Balance Sheet, this category includes assets that are immaterial to the entity and do not warrant separate reporting.
Tangible Assets – Property that has a physical presence; including both real and personal property (Statement of Federal Financial Accounting Standards (SFFAS) 3, considers inventory and operating materials to be personal property).

0104 Roles and Responsibilities

Staff Office/Administration Fiscal Staff and Chief Financial Officers (CFOs) are primarily responsible for the appropriate recording and reporting of assets under their jurisdiction.

The Financial Reporting Office (FRO) is responsible for Department-wide accounting, reporting, and disclosure of assets per Federal Accounting Standards Advisory Board (FASAB) and OMB guidance.

Financial Services Center is responsible for providing support for the accounting and reporting of VA’s assets, including posting, reconciling, and recording asset transactions and events, as requested.

0105 Policies

010501 General Policies

VA will comply with guidance in SFFAS 1, Accounting for Selected Assets and Liabilities, requiring that all selected assets be reported separately as intragovernmental or governmental assets. The standard provides definitions of each asset as well as recognition, measurement, and disclosure requirements. VA will also comply with other applicable guidance from FASAB, OMB A-136, Treasury, and any overarching guidance on accounting and reporting of assets.

010502 Intragovernmental and Public Assets

Assets are tangible or intangible items owned by VA that have probable economic benefits that can be obtained or controlled by a Federal entity. The intragovernmental assets of an agency must be separately reported on the face of the balance sheet.

A. FSC and Staff Office/Administration Fiscal Staff and CFOs will separate intragovernmental assets from public assets when recording accounting transactions. Vendor attributes will identify transactions as either intragovernmental or public within VA’s accounting system to facilitate separate reporting. To see more in-depth examples of separation of assets, see Appendix A and Appendix B.
B. VA will maintain documentation which can be used to distinguish and report intragovernmental and public assets. Documentation must be available for review by VA management, auditors, and others who may have oversight responsibilities.

010503 Entity and Non-Entity Assets

A. Financial Services Center (FSC) and Staff Office/Administration Fiscal Staff and CFOs will separate entity and non-entity assets when recording accounting transactions so that it can be appropriately reported in the financial statements.

B. Per SFFAS 31, VA will distinguish fiduciary assets from all other non-entity assets and include a note disclosure providing the following information about its fiduciary activities in its audited financial statements:
   - An explanation of the nature of the fiduciary relationship,
   - A schedule of fiduciary net assets, and;
   - A schedule of fiduciary activity.

010504 Reporting of Assets

A. Entity, non-entity, and intragovernmental assets are defined in accordance with SFFAS 1.

B. VA will report assets in its financial statements and accompanying note disclosures in accordance with OMB Circular A-136 and other authoritative guidance.

C. VA will segregate intragovernmental and public assets on the balance sheet.

D. Entity and non-entity assets will be accounted for separately, but VA will combine entity and non-entity assets under VA custody or management when reported on the balance sheet. VA will detail entity and non-entity assets in a footnote to the financial statements.

0106 Authorities and References

OMB Circular A-136, Financial Reporting Requirements - Revised

SFFAS 1: Accounting for Selected Assets and Liabilities

SFFAS 3: Accounting for Inventory and Related Property

SFFAS 31: Accounting for Fiduciary Activities
0107 Rescissions

A. Volume V, Chapter 1 – Recognition and Accounting for Assets

0108 Questions

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

- **VHA**
  - VHA 10A3A Accounting Policy (Outlook)
- **VBA**
  - VAVBAWAS/CO/FINREP (Outlook)
- **NCA**
  - NCA Financial Policy Group (Outlook)
- **All Others**
  - OFP Accounting Policy (Outlook)
## II.3.9.2. Note 2: Non-entity Assets

<table>
<thead>
<tr>
<th>Intragovernmental:</th>
<th>2XXX (CY)</th>
<th>2XXX (PY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Balance with Treasury</td>
<td>$ xxx</td>
<td>$ xxx</td>
</tr>
<tr>
<td>Investments</td>
<td>$ xxx</td>
<td>$ xxx</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>$ xxx</td>
<td>$ xxx</td>
</tr>
<tr>
<td>Loans Receivable</td>
<td>$ xxx</td>
<td>$ xxx</td>
</tr>
<tr>
<td>Other</td>
<td>$ xxx</td>
<td>$ xxx</td>
</tr>
<tr>
<td><strong>Total Intragovernmental</strong></td>
<td>$ xxx</td>
<td>$ xxx</td>
</tr>
<tr>
<td>Cash and other monetary assets</td>
<td>$ xxx</td>
<td>$ xxx</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>$ xxx</td>
<td>$ xxx</td>
</tr>
<tr>
<td>Taxes Receivable</td>
<td>$ xxx</td>
<td>$ xxx</td>
</tr>
<tr>
<td>Loans Receivable and Related Foreclosed Property</td>
<td>$ xxx</td>
<td>$ xxx</td>
</tr>
<tr>
<td>Inventory and Related Property</td>
<td>$ xxx</td>
<td>$ xxx</td>
</tr>
<tr>
<td>Other</td>
<td>$ xxx</td>
<td>$ xxx</td>
</tr>
<tr>
<td><strong>Total Non-Entity Assets</strong></td>
<td>x.xxx</td>
<td>x.xxx</td>
</tr>
<tr>
<td><strong>Total Entity Assets</strong></td>
<td>x.xxx</td>
<td>x.xxx</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$ x.xxx</td>
<td>$ x.xxx</td>
</tr>
</tbody>
</table>

Disclose intragovernmental non-entity assets separately from other non-entity assets. Provide other information needed to understand the nature of the non-entity assets. See SFFAS 1 for further information.
Appendix B: Illustration for Entity and Non-Entity Assets (Extracted from VA’s Agency Financial Report)

NOTE 2. NON-ENTITY ASSETS

Entity and non-entity assets have been combined on the balance sheet. Non-entity assets relate primarily to state and local taxes included in FBWT, downward re-estimates for the Veterans Housing Program included in Intragovernmental Accounts Receivable, and amounts due to Treasury for medical costs billed to Veterans included in Public Accounts Receivable.

There are offsetting liabilities in the balance sheet for the non-entity assets reported below. Offsetting liabilities are included in intragovernmental accounts payable and other liabilities, along with public accounts payable, insurance liabilities, and other liabilities. There is no balance in the consolidated net position from the non-entity assets.

<table>
<thead>
<tr>
<th>Non-Entity Assets (dollars in millions)</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of September 30, 2018 and 2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intragovernmental:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund Balance with Treasury</td>
<td>$170</td>
<td>$146</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Total Intragovernmental</td>
<td>$183</td>
<td>$159</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>48</td>
<td>47</td>
</tr>
<tr>
<td>Total Non-Entity Assets</td>
<td>231</td>
<td>206</td>
</tr>
<tr>
<td>Total Entity Assets</td>
<td>102,514</td>
<td>89,056</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$102,745</td>
<td>$89,262</td>
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</table>