Financial Policy

Volume VI

Liabilities

Chapter 10

Other Liabilities

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1001 Overview

This chapter contains the Department of Veterans Affairs (VA) financial policies accounting principles, and related requirements necessary to establish financial control regarding other liabilities. Other liabilities are immaterial liabilities that do not present individually as line items on VA’s consolidated balance sheet. According to the Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements – Revised, other liabilities may include liabilities related to, but not limited to, capital leases, advances and prepayments, deposit fund amounts held in escrow, and accrued liabilities related to ongoing continuous expenses such as federal employee salaries and accrued employee annual leave. Other liabilities also cover adjudicated losses due to litigation, claims, and contingencies.

Key points covered in this chapter include:

- VA will separately record and report its intragovernmental and public other liabilities on the face of its consolidated balance sheet;
- VA will separately disclose funded and unfunded other liabilities within intragovernmental and public other liabilities in the notes to the financial statements;
- VA will comply with OMB Circular A-136 and the Federal Accounting Standards Advisory Board (FASAB) standards when reporting other liabilities.

1002 Revisions

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1003 Definitions

**Liability** – A probable future outflow or other sacrifice of resources as a result of past transactions or events.

**Other Liabilities** – Title given to liabilities not reported in a separate line item on the face of the consolidated balance sheet, which includes all liabilities that are immaterial to the agency and not reported elsewhere.
1004 Roles and Responsibilities

Administration/Staff Office Fiscal Staff and Chief Financial Officers (CFOs) are primarily responsible for recording and reporting other liabilities under their jurisdiction. Staff Office/Administration Fiscal Staff and CFOs also provide assistance in preparing VA’s quarterly and year-end financial statements and accompanying notes, which include the appropriate reporting and disclosure of VA’s other liabilities.

Financial Services Center (FSC) is responsible for working with VA’s payroll service provider to record accrued liabilities for workers compensation, annual leave, salaries and benefits, and other employee benefits.

1005 Policies

100501 General Policies

A. Administration/Staff Office Fiscal Staff and CFOs will account for other liabilities under their jurisdiction.

B. VA will report other liabilities in two categories on the face of its consolidated balance sheet in accordance with OMB Circular A-136 and FASAB authoritative guidance. The two categories are: (1) intragovernmental other liabilities; and (2) public other liabilities.

   1. Intragovernmental other liabilities are other liabilities arising from other federal entities’ claims against VA.

   2. Public other liabilities are other liabilities arising from nonfederal entities’ claims against VA.

C. VA will separately disclose intragovernmental and public other liabilities in the “Other Liabilities” note to the financial statements. In addition, in the “Liabilities not covered by budgetary resources” note, VA will separate intragovernmental other liabilities from public other liabilities.

D. VA will separately disclose funded and unfunded other liabilities within intragovernmental and public other liabilities. Funded liabilities are generally considered to be current liabilities. Unfunded liabilities represent future financial commitments that are currently not funded and considered non-current.
100502 Intragovernmental Other Liabilities

A. Intragovernmental other liabilities consist of items such as but not limited to Credit Reform Act subsidy reestimates, general fund receipt accounts (GFRA) liability, Federal Employees’ Compensation Act (FECA) compensation and other employee benefits, future funded expense – contract dispute act, and other.

B. Veteran Benefits Administration (VBA) will return any excess cash balance based on subsidy reestimates to Treasury. VBA will record and report any excess funds not returned to Treasury by the end of the accounting period, as a part of intragovernmental other liabilities. For detailed policies guiding VA’s borrowing from Treasury, see VA Financial Policy Volume VI, Chapter 5 – Treasury Debt Borrowing.

C. VA returns funds collected to Treasury’s GFRA and will not use them for obligations and expenditures, unless authorized by law. VA will record and report collections not returned to Treasury by the end of an accounting period as a GFRA liability under the intragovernmental other liabilities. VA Financial Policy, Volume II, Chapter 2D – General Fund Receipt Account, provides detailed policies related to GFRA.

D. FSC and VA’s payroll service provider will record the accrued liabilities for FECA and Other Employee Benefits, which represent money owed by VA to the Department of Labor (DOL) and the Office of Personnel Management (OPM). This type of liability is a part of VA’s intragovernmental other liabilities.

E. The Contract Dispute Act (CDA) requires VA to reimburse Treasury for claims involving CDAs. FSC will record the amount not covered by current budgetary resources in the CDA Future Fund Expense Account, as an item under intragovernmental other liabilities. VA Financial Policy, Volume VI, Chapter 20 – Judgment Fund, illustrates detailed policies regarding the process.

F. VA will account for and report any advances received in the Supply Fund and Franchise Fund as a part of intragovernmental other liabilities. See VA Financial Policy, Volume II, Chapter 2A – Supply Fund and Chapter 2B – Franchise Fund, for detailed policies guiding the two funds.

100503 Public Other Liabilities

Public other liabilities consist of accrued annual leave, accrued salaries and benefits, accrued payables, contingent legal liabilities, deposit and clearing account liability, and other.

A. FSC and VA’s payroll service provider will recognize a liability for the accrued cost of employee annual leave that has been earned but not yet taken. VA will record and report the liability as a part of VA’s public other liabilities. VA Financial Policy,
Volume VI, Chapter 7 – Federal Employees’ and Veterans’ Benefits Liability, contains policies for VA employees’ annual leave.

B. FSC and VA’s payroll service provider will accrue liabilities for VA’s share of the cost for employee benefits, such as, retirement, life insurance, and payroll taxes. VA will record and report these liabilities as a part of public other liabilities. VA Financial Policy, Volume VI, Chapter 11 – Employees’ Accrued Salaries and Benefits, provides policy guidance related to VA’s liabilities of accrued salaries and benefits.

C. VA will use deposit fund accounts and clearing (suspense) accounts to hold remittances until proper disposition can be made. VA will record and report these non-government monies held by VA as “Deposit and Clearing Account Liability” as a part of public other liabilities. VA Financial Policy, Volume II, Chapter 2C – Clearing (Suspense) and Deposit Funds, presents policies related to deposit and clearing accounts.

D. VA will recognize contingencies as contingent liabilities in accordance with recognition criteria promulgated by FASAB Statement of Federal Financial Accounting Standards (SFFAS) 1 and 5. VA will record and report contingent liabilities as an item under public other liabilities. Contingent liabilities are disclosed in both other liabilities and commitments and contingencies. VA Financial Policy, Volume VI, Chapter 21 – Contingent Liabilities, delivers detailed policies for contingencies and contingent liabilities.

E. VA will group liabilities not required to be reported separately and report these liabilities as “Other” in the public other liabilities section. These liabilities include, but are not limited to, liabilities arising from contract holdbacks, advances received from non-federal entity, Veterans Canteen Service (VCS) unredeemed coupons, and VA capital leases. Details about each of these liabilities are discussed below:

1. VA will withhold funds from contract progress payments for various reasons as permitted by the Federal Acquisition Regulation (FAR) Part 52.

2. VBA will receive collections of prepaid interest on direct loans or loans guaranteed; and will record and report these advance payments as a part of public other liabilities.

3. VA will recognize a liability upon the sale of VCS coupons, which will be recorded and reported as a part of VA’s public other liabilities. The amounts received from the sale will be transferred to the VCS revolving fund account. VA Financial Policy, Volume VI, Chapter 13 – Unredeemed Coupons – Veterans Canteen Service, provides detailed policy for unredeemed VCS coupon.

4. VA will recognize its capital lease liabilities; and record and report these liabilities as a part of other public liabilities. VA Financial Policy, Volume VI, Chapter 18 – Capital Lease Liability, provides detailed policies pertinent to capital lease.
1006  Authorities and References

SFFAS 1: Accounting for Selected Assets and Liabilities

SFFAS 5: Accounting for Liabilities of The Federal Government

OMB Circular A-136, Financial Reporting Requirements - Revised

1007  Rescissions

VA Financial Policy, Volume VI, Liabilities, Chapter 10 – Other Liabilities dated December, 2010

1008  Questions

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

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