Financial Policy

Volume VI

Liabilities

Chapter 11

Employees' Accrued Salaries and Benefits

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1101 Overview

This chapter establishes the Department of Veterans Affairs (VA) financial policies regarding employees’ accrued salaries and benefits. Cycles for biweekly salary payments and benefit charges do not regularly align with monthly cost accounting or quarterly and year-end fiscal financial reporting. Therefore, salary and benefit expense incurred but not yet paid must be recorded as a liability at the end of each accounting period.

Key points covered in this chapter include:
- Calculating;
- Recording and reporting employees’ accrued salaries and benefits.

1102 Revisions

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<td>All</td>
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<td>OFP (047G)</td>
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1103 Definitions

**Accrued Salaries and Benefits.** The amounts owed by VA for accrued employees' wages, bonuses, salaries and entitlement benefits, such as Old Age Survivors and Disability Insurance (OASDI) that will be paid in the following period.

**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.

1104 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 providing support for the accounting and reporting of VA’s liabilities.

Office of Financial Reporting (OFR) is responsible for preparing VA’s financial statements and related disclosures.

1105 Policies

110501 General Policies

A. VA will recognize accrued salaries and benefits for amounts owed to employees from the current fiscal period but not yet paid in accordance with Federal Accounting Standards Advisory Board’s (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 1, Accounting for Selected Assets and Liabilities.

B. According to SFFAS No. 1, accrued salaries and benefits are examples of liabilities that would generally be classified among other current liabilities.

C. In accordance with Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, VA will record the portion of pay period expense accrued within the accounting period but not yet paid on the Other Liabilities line of the balance sheet.

110502 Calculating Employees’ Accrued Salaries and Benefits

A. VA automatically calculates accrued salary and benefit costs using projections of accrued normal (regular pay) costs incurred but not yet paid for current employees.

B. Local fiscal offices should compare actual expense for accrual periods to their accrual estimates to evaluate need for process changes to improve estimates.

C. Local fiscal offices may adjust the accrual entry to better match anticipated actual expense to the accrual estimate. Items regularly included in local field office adjustments for the accrual period include new hires’ regular pay, separations, overtime, other premium pay, leave without pay, lump sum annual leave payable, and Government contributions to social security taxes, retirement, Thrift Savings Plan (TSP) and other agency benefit contributions affected by accrued pay adjustments.

D. VA’s accounting system consolidates, in the general ledger, the automated accrual data and any local fiscal office input.
110503 Recording and Reporting Employees’ Accrued Salaries and Benefits

A. VA’s FSC ensures that the automated accrual records accrued salaries and benefits to the proper VA SGL accounts at the end of each financial reporting period. See United States Standard General Ledger (USSGL) online information, for all accounts and definitions.

1. Accrued salary includes - employee salary payments (except a Voluntary Separation Incentive Payment (VSIP) if present) and employer contributions to TSP.

2. Accrued employee benefits include - VA’s share of contributions to the following benefit programs: Retirement, Health Insurance, Life Insurance, VSIP, Federal Employees’ Compensation Act (FECA) unemployment insurance for Federal employees, OASDI (aka Social Security), and Medicare (Hospital Insurance – Part A).

B. Accrual transactions are reversed at the beginning of the subsequent accounting period or when payments are made.

C. VA will present accrued salaries and benefits under Other Liabilities on the consolidated balance sheet at the end of the fiscal year. See VA Financial Policy Volume VI, Chapter 10, Other Liabilities, for additional detail and division required in financial statement notes for other liabilities.

1106 Authorities and References

SFFAS No. 1, Accounting for Selected Assets and Liabilities

OMB Circular A-136, Financial Reporting Requirements

Treasury Financial Manual (TFM), USSGL Supplement

VA Financial Policy Volume VI, Ch 10, Other Liabilities

1107 Rescissions

Volume VI, Chapter 11, approved September 2, 2010.

1108 Questions

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

VHA VHA 10A3A Accounting Policy (Outlook)
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