



Department of Veterans Affairs

Financial Policy

Volume VII

Financial Reporting

Chapter 10

Financial Reporting: Agency Financial Report Preparation

Approved:

A handwritten signature in black ink, reading "Edward J. Murray", is written over a horizontal line. The signature is stylized and cursive.

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And Interim Chief Financial Officer

5-23-2016

Date

Financial Policies and Procedures
Financial Reporting: Agency Financial Report Preparation

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1001 OVERVIEW

The Department of Veteran's Affairs (VA) must prepare and submit audited financial statements to the Office of Management and Budget (OMB). The Chief Financial Officers (CFO) Act of 1990, as amended by the Government Management Reform Act of 1994 (GMRA), requires the 24 major agencies of the Federal Government to prepare and submit audited financial statements and Performance and Accountability Report (PAR) or Agency Financial Report (AFR). Agencies may choose to produce either a consolidated PAR that reports both performance and financial data, a separate AFR and Annual Performance Report (APR) or a combined Annual Performance Plan and Report (APP&R). PARs or AFRs/APRs provide financial and performance information that enables the President, the Congress, and the public to assess the performance of an agency relative to its mission and to demonstrate accountability.

Based on direction from OMB, VA has elected to produce a separate AFR and APP&R. This chapter provides the policies and procedures for preparing the AFR.

The AFR consists of the following components:

- Secretary's Message. A dated transmittal letter signed by the Secretary should be located at the beginning of the report.
- Management's Discussion and Analysis (MD&A) (AFR Section 1). The MD&A provides a clear and concise description of the reporting entity's key performance results, financial statements, systems and controls, compliance with laws and regulations, and actions taken or planned to address any issues. Refer to [VA Financial Policies and Procedures, Volume VII, Chapter 8, Management's Discussion & Analysis](#) for policies and procedures on preparing the MD&A portion of the AFR.
- Financial Section (AFR Section 2). The Financial Section contains the following components:
 - a. CFO Letter;
 - b. Auditor's Report;
 - c. Financial Statements and Notes;
 - d. Required Supplemental Information (RSI); and
 - e. Required Supplemental Stewardship Information (RSSI).

- Other Information (AFR Section 3). This section contains additional supporting information.
 - a. Combined Schedule of Spending;
 - b. Management Challenges;
 - c. Summary of Financial Statement Audit and Management Assurances;
 - d. Improper Payments Elimination and Recovery Improvement Act Reporting; and
 - e. Freeze the Footprint (through Fiscal Year (FY) 2016).

1002 REVISIONS

New Chapter

1003 DEFINITIONS

100301 Agency Financial Report (AFR). A report on the agency end of fiscal year financial position that includes, but is not limited to, financial statements, notes on the financial statements and a report of the independent auditors. The report also includes a performance summary.

100302 Annual Performance Plan and Report (APP&R). A combined annual report of agency performance and plans for the future and prior year's progress made on strategic objectives, performance goals, Agency Priority Goals and other indicators. The document is delivered to Congress every February with the agency's Congressional Budget Justification.

100303 Annual Performance Report (APR). A report on the agency performance that provides information on the agency's progress achieving the goals and objectives described in the agency's Strategic Plan and Annual Performance Plan, including progress on the Agency Priority Goals. The report is delivered to Congress every February with an agency's Congressional Budget Justification or alternatively, the APR may be delivered as a performance section of the Performance and Accountability Report that is published by agencies in November.

100304 Performance and Accountability Report (PAR). A combined annual report of agency performance, Annual Performance Report (APR), and financial position Agency Financial Report (AFR). The report contains the agency's audited financial statements and information on efforts to achieve goals during the past fiscal year. The AFR, combined with an APR, serves as an option to reporting the agency's end of fiscal year status through a consolidated PAR.

1004 POLICIES

100401 Preparation of VA's AFR. VA will prepare the AFR in accordance with the guidelines specified in OMB Circular A-136, Financial Reporting Requirements and the appropriate Federal Accounting Standards Advisory Board (FASAB) guidance for recording accounting transactions.

100402 Secretary's Message. The Office of Financial Policy (OFP) will prepare a call memo with a draft of the Secretary's message for the Administrations and Staff Offices to review with the third quarter financial information. The final Secretary's message will be recirculated to the Under Secretaries and Assistant Secretaries who will be expected to respond in a short turnaround for concurrence. The Secretary's message will be located at the beginning of the AFR and will include the following information:

- VA's mission, goals, and accomplishments;
- Assessment of the reliability and completeness of financial and performance data in the AFR; and
- Material internal control weaknesses and actions VA is taking to resolve them.

100403 Management's Discussion and Analysis (MD&A) (AFR Section 1).

The MD&A will provide a clear and concise description of the VA's key performance results, financial statements, systems and controls, compliance with laws and regulations, and actions taken or planned to address problems. Refer to [VA Financial Policies and Procedures, Volume VII, Chapter 8, Management's Discussion & Analysis](#), for details on preparing the MD&A.

100404 Financial Section – Financial Statements. OFP will prepare the Financial Section of the AFR, which includes the following components:

- **CFO Letter.** The CFO Letter will summarize:
 - a. Planned time frames for correcting audit weaknesses and noncompliance;
 - b. Major impediments to correcting audit weaknesses and noncompliance; and
 - c. Progress made in correcting previously reported problems.
- **Auditor's Report.** The final report must be signed by the auditor and may be placed either before or after the financial statements and notes.

- **Financial Statements.**
 - a. **Balance Sheet.** The Balance Sheet presents, as of a specific time, amounts of future economic benefits owed or managed by the VA (assets), amounts owed by the entity (liabilities), and amounts that comprise the difference (net position).
 - b. **Statement of Net Cost (SNC).** The SNC displays VA's net cost of operations, as a whole, by the major programs related to the major goals and outputs in VA's strategic and performance plans.
 - c. **Statement of Changes in Net Position (SCNP).** The SCNP reports the change in net position during the reporting period as a result of changes to the cumulative results of operations, unexpended appropriations, and budgetary financing sources.
 - d. **Statement of Budgetary Resources (SBR).** The SBR provides information on total budgetary resources, the status of budgetary resources, changes in obligated balances, and net budgetary authority and outlays.

Each statement will display current year and prior year balances. With the exception of the SBR, all statements will show consolidated totals that are net of intra-entity transactions. The SBR will show combined totals that are not net of intra-entity eliminations.

100405 Financial Section – Notes to the Financial Statements.

OFP will prepare the notes for the financial statements, which provide clarification and additional supporting information for balances reported on the statements. OFP will reference each note reported in the notes section on the corresponding line in the financial statements. Although it is possible for the notes to vary from year-to-year based on VA's financial activity, VA's AFR usually contains the following notes:

- The **Summary of Significant Accounting Policies** note summarizes the accounting principles and methods of applying those principles that management has determined are appropriate for presenting fairly the entity's assets, liabilities, net cost of operations, changes in net position, and budgetary resources.
- The **Non-Entity Assets** note consists of a table that details the current year and prior year balances for all major categories of non-entity assets.
- The **Fund Balance with Treasury** note provides the current and prior year fund balances for the different types of funds (e.g., Trust Funds, Special Funds, Revolving Funds, General Funds) and the Status of VA's Fund Balance with

Treasury (e.g., Unobligated, Obligated but not yet Disbursed, etc.). Refer to [VA Policy Volume V, Chapter 3, Fund Balance with Treasury](#) for additional details.

- The **Cash** note consists of a table that provides the current year and prior year balances for the cash under VA's control.
- The **Investments** note consists of a table that provides the cost, amortization method, amortized (premium) discount, interest receivable, net investments, other adjustments, and market value disclosure for major categories of securities including marketable, non-marketable (par value), and non-marketable (market-based). The table includes balances for the current and prior years.
- The **Net Accounts Receivable** note presents the gross receivables, the method used to estimate the allowance for uncollectible accounts, and the net amount due.
- The **Direct Loans and Loan Guarantees** note includes a series of tables providing details on direct loans and loan guarantees.
- The **Net Inventories and Related Properties** note includes a table that provides the current and prior year inventory balances for the major inventory categories (e.g., inventory held for current sale, inventory held in reserve for future sale, etc.).
- The **General Property, Plant, and Equipment (PP&E)** note includes a table that provides the cost, associated accumulated depreciation, and book value for each major general PP&E class in the current and prior years.
- The **Heritage Assets** note explains how VA's heritage assets relate to VA's mission, describes VA's stewardship policies, describes VA's major categories of heritage assets, and provides information on the number of units in each category for the current and prior year.
- The **Debt** note provides a table that details the balances and net borrowing for the current and prior years for each major debt category (e.g., Treasury and other Federal Agencies).
- The **Liabilities Not Covered by Budgetary Resources** note includes a table that provides the current and prior year balances of liabilities not covered by budgetary resources for the major liability categories.
- The **Federal Employee and Veterans' Benefits Liabilities** note provides details on assumptions used to calculate VA's employee and Veterans' benefits

liabilities and related expenses.

- The **Environmental and Disposal Liabilities** describes VA's environmental and disposal liabilities including the nature of the liability and the liability amount.
- The **Other Liabilities** note discloses all liabilities not reported elsewhere. It also reports the current and prior year liability balances and any additional information necessary to understand the liabilities.
- The **Leases** note describes VA's lease arrangements including the major lease categories and the lease terms for each category. The note also provides tables summarizing VA's capital leases and annual future payments due for the five fiscal years after the current fiscal year and the total payments due after the current year plus five years for operating leases.
- The **Insurance Programs** note provides all disclosures required by private sector standards and discloses all components of the liability for future policy benefits with a description of each amount and an explanation of its projected use and any other potential uses.
- The **Commitments and Contingencies** note lists contingencies where any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred. The note also provides an estimate of obligations related to cancelled appropriations for which VA has a contractual commitment for payment and amounts for contractual arrangements that may require future financial obligations.
- The **Funds from Dedicated Collections** note provides current and prior year condensed Balance Sheets, Statements of Net Cost, and Statements of Change in Net Position for each major fund from dedicated collections. The note also describes each fund's purpose, authority to use the fund, and revenue source.
- The **Exchange Transactions** note describes specific information related to VA's pricing policies and any expected losses for exchange transactions.
- The **Net Program Costs by Administration** note includes the Schedule of Net Costs by Administration and provides a breakdown of the costs presented in the Schedule of Net Costs for each major VA administration.
- The **Disclosures Related to the Statements of Budgetary Resources** identifies and explains material differences between amounts reported in the SBR and the actual amounts reported in the Budget of the United States Government as required by SFFAS No. 7. Since the financial statements are published before the Budget, this reconciliation will be based on the prior year's

SBR and actual amounts for that year in the most recently published Budget.

- The **Reconciliation of Net Cost of Operations to Budget** note provides a table that reconciles budgetary obligations and non-budgetary resources available to VA with VA's net cost of operations.
- If applicable in the given fiscal year, the **Restatements** note provides information to address the restatement of financial statements due to material errors.

100406 Required Supplementary Stewardship Information (RSSI).

The purpose of the RSSI section is to report on VA's stewardship over stewardship resources entrusted to VA that cannot be measured in traditional financial reports. These resources do not meet the criteria for assets and liabilities that are required to be reported in the financial statements but are important to understanding VA's operations and financial condition. RSSI will include a summary for the following types of investments:

- **Non-Federal Physical Property** investments are expenses incurred for the purchase, construction or major renovation of physical property owned by state and local governments. VA will report data on investments for the current year and four prior years. Reported data should include the full cost of the investment made for the current year, including a description of Federal property transferred to state and local governments. Refer to [VA Policy Volume III, Chapter 7, Required Supplementary Stewardship Information: Non-Federal Physical Property](#) for additional details.
- **Human capital** investments are expenses included in net cost for education and training programs intended to increase economic productive capacity. Note that this excludes training for Federal civilian or military personnel. VA will report data on investment for the current year and four prior years. Refer to [VA Financial Policy Volume III, Chapter 8, Required Supplementary Stewardship Information: Human Capital Investments](#) for additional details.
- **Research and Development** investments are comprised of expenses for basic research, applied research, and development that are intended to increase or maintain national economic productive capacity or yield other benefits. VA will report the full cost of the investment made for the current year and four prior years. Refer to [VA Financial Policy Volume III, Chapter 9, Research and Development](#) for additional details.

100407 Required Supplementary Information (RSI).

VA will provide RSI as an additional section in the AFR. As defined in OMB Circular A-136, RSI is comprised of eight types of information. The following three RSI sections apply to VA based on VA's mission and types of financial activity:

- **MD&A.** Refer to [VA Financial Policies and Procedures, Volume VII, Chapter 8, Management's Discussion & Analysis](#) for additional information in preparing the MD&A.
- **Deferred Maintenance and Repairs.** Deferred maintenance and repairs are maintenance and repair activities not performed when they should have been and are therefore delayed to a future period. In compliance with [SFFAS 42: Deferred Maintenance and Repairs](#), VA will document its policies on deferred maintenance, provide beginning and ending balances for deferred maintenance and repairs, and explain significant changes from the prior year. Refer to [VA Financial Policies and Procedures, Volume V, Chapter 9, General Property, Plant, and Equipment](#) for additional information
- **Combining Statement of Budgetary Resources.** In order to facilitate the monitoring of budget execution at the individual account level, VA will separately report for each of VA's major budget accounts the budget information that is combined in the SBR.

100408 Other Information (OI) (AFR Section 3).

VA is required to provide additional information not presented elsewhere in the AFR in the OI section. OMB Circular A-136 describes 11 different types of OI that agencies may provide. Of the 11 types of OI in OMB Circular A-136, VA reports the following information that is pertinent to its mission and financial activities:

- Combined Schedule of Spending;
- Management Challenges;
- Summary of Financial Statement Audit and Management Assurances;
- Improper Payments Detailed Report; and
- Freeze the Footprint (through FY 2016).

100409 Combined Schedule of Spending (SOS). The SOS presents an overview of how and where VA spends (i.e., obligates) money for the reporting period. The data used to populate the SOS is the same data used to populate the SBR and should be presented in a combined rather than consolidated basis. The final guidelines have not been established for the format of the SOS, but OMB Circular A-136 requests that agencies report the money that is available to spend, how the money was spent by major category such as object class, and to whom the money went (e.g., for profit, federal government, non-federal government, etc.). The SOS should also include high level explanations on the relationship between the SOS, SBR, and USAspending.gov, including the similarities and differences between the data sources.

100410 Management Challenges. VA's Office of the Inspector General (OIG) will prepare a summary of what the Inspector General (IG) considers the most serious management and performance challenges facing the agency and briefly assesses the agency's progress in addressing those challenges. The OIG must provide this statement to the VA Secretary at least 30 days before the AFR due date. The agency will provide a response to each management challenge.

100411 Summary of Financial Statement Audit and Management Assurances. VA will prepare tables providing a summary of the financial statement audit and a Summary of Management Assurances. The financial statement audit summary will provide the audit opinion, list the material weaknesses, and provide a status of each material weakness. The Summary of Management Assurances will provide the Statement of Assurance, the corresponding material weaknesses, and the status of each material weakness; it will also document VA's compliance with system requirements, accounting standards, and the United States Standard General Ledger (USSGL) at the transaction level.

100412 Improper Payments Detailed Report.

[The Improper Payments Information Act of 2002](#) (IPIA; Pub. L. 107-300), as amended by the [Improper Payments Elimination and Recovery Act of 2010](#) (IPERA; Pub. L. 111-204), and the [Improper Payments Elimination and Recovery Improvement Act of 2012](#) (IPERIA; Pub. L. 112-248), require agencies to annually report information on Improper Payments (IP) to the President and Congress through their annual PARs or AFRs. VA will report the following IP details listed below, in accordance with the detailed instructions in [OMB Circular A-136, Section II.5.8](#), and [OMB Circular A-123, Appendix C](#) for IP reporting.

- **Section I. Risk Assessment.** At least once every three years, VA will assess the IP risk level for each program that is not already reporting an IP estimate. VA will list all programs that it assesses for risk in this section and highlight any changes to the risk assessment methods or results that occurred since the last AFR or PAR.
- **Section II. Statistical Sampling.** VA will briefly describe the statistical sampling process conducted to estimate the IP rate for any VA programs or activities that are susceptible to significant IPs based on statutory thresholds listed in OMB Circular A-123, Appendix C, Part 1.A.9.Step 1 and are reporting an IP rate under Section III below.
- **Section III. Improper Payment Reporting.** VA will provide an Improper Payment Reduction Outlook matrix for all programs susceptible to significant IPs whether or not it is reporting an error measurement. For each program, the matrix will include outlays, the IP %, and IP dollar amount for the prior year through the current year plus three years (CY+3). For any high priority programs, VA will provide a basic summary of the supplemental measures, the frequency

that each supplemental measurement is reported on PaymentAccuracy.gov, the measurement baseline, a discussion of how information from the measurement will help the program reduce improper payments, and the actual (planned) targets, including any reasons for meeting, exceeding, or failing to meet the supplemental targets. In addition, high priority programs will provide graphic presentation of supplemental measures depicting the impact on IPs.

- **Section IV. Improper Payment Root Cause Categories.** For all programs and activities for which VA is reporting an IP estimate, VA will complete the Improper Payment Root Cause Category Matrix. Payment errors are required to be grouped into one of thirteen root causes and IP reported as either an overpayment or an underpayment.
- **Section V. Corrective Actions.** For all programs and activities as determined under OMB Circular A-123 Appendix C Part I.A.9.Step 2 with IPs exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C Part I.A.9.Step 1, VA will identify the reasons their programs and activities are susceptible to significant IPs and put in place a corrective action plan to reduce them. High-priority programs must also report: (1) Any action, taken or planned, to recover IPs; and (2) Any action intended to prevent future IPs.
- **Section VI. Internal Control Over Payments.** For all programs and activities as determined under OMB Circular A-123 Appendix C Part I.A.9.Step 2 with IPs exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C Part I.A.9.Step 1, VA will briefly summarize the status of internal control over payments. The summary will include a single narrative explaining efforts undertaken to provide reasonable assurance that internal controls over payments are in place and operating effectively as well as a matrix documenting the IP internal control status for each program that is susceptible to significant IPs.
- **Section VII. Accountability.** For all programs and activities susceptible to significant IPs, VA will describe the steps the agency has taken and plans to take (including timeline) to ensure that agency managers, accountable officers (including the Secretary), programs, and States and localities (where appropriate) are held accountable for reducing and recapturing IPs. Specifically, they should be held accountable for meeting IPs reduction targets. They should also be held accountable for establishing and maintaining sufficient internal controls that prevent IPs from being made, and promptly detect and recapture any IPs that are made.
- **Section VIII. Agency information systems and other infrastructure.** For all programs and activities as determined under OMB Circular A-123 Appendix C Part I.A.9.Step 2 with IPs exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C Part I.A.9.Step 1, VA will describe whether the agency has the internal controls, human capital, and information systems and

other infrastructure it needs to reduce IPs to its target levels. If the VA does not have such infrastructure, VA will describe the resources it requested in its most recent budget submission to Congress to establish and maintain the necessary internal controls, human capital, and information systems and other infrastructure.

- **Section IX. Barriers.** For all programs and activities as determined under OMB Circular A-123 Appendix C Part I.A.9.Step 2 with IPs exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C Part I.A.9.Step 1, VA will describe any statutory or regulatory barriers that may limit VA's corrective actions in reducing IPs. VA will also describe actions taken to mitigate the barriers' effects.
- **Section X. Recapture of Improper Payments Reporting.** VA will describe its payment recapture audit process, programs excluded from the recapture process, recapture audit reporting process, provide statistics on overpayments recaptured, report on overpayments recaptured outside of the payment recapture audit process, and provide payment recapture audit program targets.
- **Section XI. Additional Comments.** VA will provide any additional comments, if any, on overall agency efforts, specific programs, best practices, or common challenges identified, as a result of IPIA, IPERA, and or IPERIA implementation.
- **Section XII. Agency Reduction of Improper Payments with the Do Not Pay Initiative.** VA will describe how the agency has incorporated the IPERA-specified Do Not Pay databases, as well as other databases, into its business processes and programs. VA will also provide statistics on the results of integrating those databases into VA's business processes.

Refer to [VA Financial Policy Volume VII, Chapter 9, Financial Reporting — Erroneous and Improper Payment Reporting under OMB Circular A-123 Appendix C](#) for additional IP details.

100413 Freeze the Footprint. Consistent with Section 3 of the OMB Memorandum-12-12, *Promoting Efficient Spending to Support Agency Operations* and OMB Management Procedures Memorandum 2013-02, the "Freeze the Footprint" policy implementing guidance, all CFO Act departments and agencies shall not increase the total square footage of their domestic office and warehouse inventory compared to the FY 2012 baseline. The Office of Asset Enterprise Management (OAEM) will report Freeze the Footprint data including the square footage and operating costs for 2012 (the baseline year) and the prior fiscal year. VA will also briefly describe the actions it is taking to maintain its overall footprint and reduce the operating costs. OMB will release new square footage reporting requirements for reporting beginning in FY 2017.

100414 Summary of Performance and Financial Information (SPFI).

The Office of Performance Management (OPM) will prepare the SPFI. The SPFI will report the most relevant performance and financial information in a brief, user-friendly format that is easily understood by a reader with little technical background in these areas. At a minimum, the SPFI will report the following information:

- Agency mission and strategic goals and objectives;
- Summary of performance results;
- Summarized financial statement data;
- Summary of significant management challenges identified by the IG as well as GAO reports that VA needs to address;
- Specific references and Internet links that will take the reader to the supporting evidence for the information on the agency's program and financial performance (e.g., relevant sections of the agency's AFR, APR, and other related documents); and
- Specific examples of progress and problems within the context of how outcomes are achieved.

OPM will submit the draft SPFI to OMB no later than February 1 of the fiscal year, following the fiscal year that is being reported. OPM will also post the SPFI to the VA website no later than February 15th. If February 1st or 15th falls on the weekend or holiday, the due date will automatically move to the next business day.

1005 AUTHORITIES AND REFERENCES

100501 [Federal Managers' Financial Integrity Act of 1982](#)

100502 [Chief Financial Officers Act of 1990, Public Law 101-576](#)

100503 [Government Performance and Results Act of 1993](#)

100504 [Government Management Reform Act of 1994, Public Law 103-356 \(31 U.S.C. 331\(e\) \(1\), Section 405\)](#)

100505 [Federal Financial Management Improvement Act of 1996, Public Law 104-208](#)

100506 [Reports Consolidation Act of 2000, Public Law 106-531](#)

100507 [Improper Payments Information Act of 2002 \(IPIA\)](#)

100508 [Improper Payments Elimination and Recovery Act of 2010 \(IPERA\)](#)

100509 [Improper Payments Elimination and Recovery Improvement Act of 2012 \(IPERIA\)](#)

100510 [Office of Management and Budget \(OMB\) Circular A-11, Preparation, Submission and Execution of the Budget](#)

100511 [OMB Circular A-123, Management's Responsibility for Internal Control](#)

100512 [OMB Circular A-136, Financial Reporting Requirements – Revised](#)

100513 [Treasury Financial Manual, United States Standard General Ledger \(USSGL\)](#)

100514 [FASAB Handbook of Federal Accounting Standards and Other Pronouncements, as Amended](#)

100515 [VA Financial Policies](#)

1006 ROLES AND RESPONSIBILITIES

100601 The Secretary of VA is responsible for approving VA's AFR by signing the Secretary's Message and Statement of Assurance.

100602 The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities related to VA's programs and operations, as required by the CFO 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.

100603 Under Secretaries, Assistant Secretaries, Administration CFOs, Fiscal Officers, Chief Accountants, and other key officials are responsible for:

- Ensuring compliance with the policies and procedures set forth in this chapter.
- Reviewing and responding timely to concurrence request regarding Secretary's message draft and final. Finalizing the Secretary's message may require support from the Administrations and Staff Offices outside of normal working hours.
- Completing Statement of Assurance to be consolidated into Secretary's Statement of Assurance. Refer to [VA Financial Policy Volume I, Chapter 5, Management Accountability and Responsibility for Internal Controls](#) for additional information regarding Statement of Assurance.

100604 Administration CFOs and Staff Office CFOs (e.g., Office of Information and Technology and Supply Fund) are responsible for ensuring the financial information under their areas of jurisdiction is accurate and complies with VA policy, for performing an analysis of the financial information and preparing an explanation of significant line item variances, and for providing the information in accordance with timeframes established. Administration CFOs and staff office CFOs are also responsible for preparing and submitting summary end of fiscal year certification letters of the accounting records to OFP.

100605 The Deputy Assistant Secretary (DAS) for Finance/Deputy CFO oversees preparation of the AFR. The Office of Finance prepares the CFO Letter in coordination with other Office of Finance offices.

100606 OFP is responsible for the following tasks:

- Coordinating with Administrations and Staff Offices and consolidating VA comments to send to OMB during their request for comments regarding OMB Circular A-136 annual updates.
- Reviewing the revised OMB Circular A-136 guidelines released in the third quarter of each fiscal year, identifying changes that impact VA's accounting and financial reporting policies and procedures, and summarizing the changes and their impacts for the current and future FYs.
- Ensuring compliance with applicable accounting principles and standards, the U.S. Government's Standard General Ledger, and the form and content of financial statements as prescribed by OMB Circular A-136.
- Providing guidance and timelines to VA Administration CFOs, Fiscal Officers and Accounting Chiefs on the information needed to complete the statements, notes, and other information.
- Issuing a notification call/memo that provides updates to the process, changes, and what is expected and updating the AFR for end of year information (data as of September 30).
- Gathering and retaining adequate documentation supporting all information presented in the AFR.
- Preparing financial analysis section of the MD&A, the financial section (except for CFO's Letter, OIG Transmittal and Auditors' Report), SOS and Summary of Financial Statement Audit and Management Assurances of OI, and all AFR sections not specifically identified in this document as prepared by another VA office.

- Compiling the AFR and ensuring that it is properly formatted.
- Reviewing the document for grammatical, formatting and obvious content errors to ensure transition and consistency throughout the report.
- Shepherding the draft and final AFR through VA's concurrence process.
- Loading the interim financial statements of the AFR into OMB's MAX system for review by OMB and the Office of Federal Financial Management (OFFM).
- Submitting the updated AFR to OIG for review and comment.
- Ensuring the report is submitted to OMB, GAO, and the Congress by 6 p.m. EST on November 15th each year and posted on the VA website on the same day. If November 15th falls on a weekend or holiday, the due date will automatically move to the next business day.
- Ensuring the 508-compliant report is posted on VA website no later than 15 calendar days later.

100607 OPM is responsible for the following tasks:

- Providing the Performance Goals, Objectives, and Results section of the MD&A and responding to any OIG, OMB, and OFFM comments on those sections.
- Coordinating with the OIG to prepare Management Challenges section in the Other Information section.
- Preparing the SPFI.
- Preparing the APP&R.

100608 The Financial Management System Service, in coordination with the Financial Services Center (FSC) and Austin Information Technology Center (AITC), located in Austin, TX, are responsible for maintaining VA's Financial Management System, which provides VA's financial information used in preparing and producing financial statements from the Hyperion (MInX) software. The FSC has significant direct involvement in many of the sub-processes within the financial reporting key business process (i.e., General Ledger maintenance, adjustments, accruals, periodic closing of the General Ledger, and financial reporting).

100609 The Office of Financial Process Improvement and Audit Readiness (OFPIAR) is responsible supporting VA's Administrations and Staff Offices in defining a strategy for identifying root causes of audit deficiencies, developing and maintaining

standardized corrective action plans (CAPs) related to financial statement audit findings, and improving financial management, including control deficiencies in response to repeat conditions identified in the auditor’s report. OFPIAR is responsible for taking the lead in overseeing the execution of CAPs developed by VA’s Administrations and staff offices and coordinating a standardized, Department-wide corrective action plan effort, known as the Financial Statement Corrective Action Plan (FSCAP). FSCAP’s ultimate goal is to reduce the risk of material weaknesses on subsequent financial statement audits.

100610 The Office of Internal Control (OIC) is responsible for providing management controls and Secretary’s statement of assurance as part of MD&A.

100611 The Improper Payments Remediation and Oversight (IPRO) Office is responsible for providing improper payments detailed report section as part of OI.

100612 OAEM is responsible for providing “Freeze the Footprint” section as part of OI through FY 2016. OAEM works collaboratively with the Administrations and Staff Offices to facilitate a suite of strategies to manage the office and warehouse space necessary to enforce Department-wide office standards, acceleration of the disposal of vacant and underutilized assets, and consolidation of existing office and warehouse space which is a key component of providing the proper access to Veteran services.

100613 OIG will prepare a summary of what the IG considers the most serious management and performance challenges facing the agency and briefly assesses the agency’s progress in addressing those challenges. The OIG must provide this statement to the VA Secretary at least 30 days before the AFR due date.

1007 RESCISSIONS

None

1008 QUESTIONS

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

NCA	NCA Finance Service (540-658-7280)
VBA	VAVBAWAS/CO/FINREP (Outlook)
VHA	VHA CFO Accounting Policy (10A3A) (Outlook)
All Others	VACO OFP Special Projects (Outlook)