

VA Financial Policies and Procedures
Bartering

CHAPTER 8

0801 OVERVIEW.....	2
0802 POLICIES	2
0803 AUTHORITY AND REFERENCES.....	5
0804 ROLES AND RESPONSIBILITIES.....	5
0805 PROCEDURES.....	6
0806 DEFINITIONS	8
0807 RESCISSIONS	9
0808 QUESTIONS.....	9
0809 REVISIONS	9
APPENDIX A: SAMPLE SCENARIOS OF ACCOUNTING ENTRIES	10

0801 OVERVIEW

This chapter establishes Department of Veterans Affairs (VA) policies and procedures for bartering transactions, which are the exchange of assets/goods or services (other than cash) for other non-monetary assets/goods or services. The exchange can be for similar or dissimilar goods, services, or assets.

Title 38 U.S. Code, Section 8111, *Sharing of Department of Veterans Affairs and Department of Defense Health Care Resources*, Section 8122, *Authority to Procure and Dispose of Property and to Negotiate for Common Services*, and Section 2412, *Lease of Land and Buildings*, grants VA the authority to enter into bartering agreements. These authorities permit VA to:

- A. Enter into bartering agreements and contracts with the Department of Defense (DOD) under Section 8111 for the mutual use or exchange of hospital and domiciliary facilities, as well as supplies, equipment, material, and other resources necessary to properly operate such facilities.
- B. Lease land or buildings, or parts or parcels thereof, to public or non-profit organizations for a term, not to exceed three years, in exchange for maintenance, protection, or restoration by the lessee of the property leased, as part or all of the consideration for the lease, under Section 8122.
- C. Grant the National Cemetery Administration (NCA) special authority to lease for a term, not to exceed 10 years, any undeveloped land and unused or under-utilized buildings, or parts or parcels thereof, to public or non-profit organizations in exchange for maintenance, protection, or restoration of the property leased by the lessee as a part or all of the consideration for the lease, under Section 2412.
- D. VA has no statutory authority to enter into a bartering agreement between VA appropriations, such as between the medical services appropriation and the research appropriation.

0802 POLICIES

080201 VA may enter into bartering agreements with another entity for the following:

- A. Assets/goods provided for services received
- B. Assets/goods provided for assets/goods received
- C. Services provided for assets/goods received

- D. Services provided for services received
- E. The use of fixed assets (property, plant, and equipment) for assets/goods or services received
- F. The use of fixed assets (property, plant, and equipment) received in exchange for the use of fixed assets provided that VA does not permit the transfer of ownership of fixed assets under bartering agreements, nor requires the capitalization of fixed assets, because there is no change of ownership in bartering transactions.

080202 VA will record accounting entries for bartering transactions into the accounting system, when the actual exchange occurs, i.e., when the assets/goods or services are provided by either side, not when the contract/agreement is signed.

080203 VA will account for bartering transactions based on the fair market value (FMV) of the assets/goods or services involved.

- A. The FMV of assets/goods or services bartered and those received will be of equal value, where possible. Otherwise, the value is based upon the mutual necessity of the entities involved.
- B. If the FMV of the assets/goods or services provided is not easy to obtain, the transaction will be recorded based on the FMV of the assets/goods or services received, if more readily determinable.
- C. If FMV is not determinable, the assets/goods or services received will be recorded at the carrying value (amount on the balance sheet) of the assets/goods or services VA provided.

080204 VA will establish the FMV of non-monetary assets/goods or services by referring to:

- A. The estimated realizable value in cash transactions of similar assets/goods or services;
- B. Quoted market prices;
- C. Independent appraisals;
- D. Estimated FMVs of assets/goods or services received in exchange; or
- E. Other available evidence.

080205 The respective bartering receivables or bartering liabilities must be accounted for as assets/goods or services provided or received.

080206 VA will recognize assets and liabilities with respect to timing differences. If the receipt and provision for assets/goods or services are not both provided within a single accounting period, the respective liability must be accounted for. For example, if VA has received assets/goods or services, but has not provided the corresponding assets/goods or services, then the liability for a future service to be provided must be recognized and accounted for.

080207 VA will only decrease liabilities upon satisfaction of the terms and conditions of the bartering agreement. For example, if an asset has been received, but the corresponding service has not been provided, then both the asset and corresponding liability shall continue to be recognized and accounted for.

080208 VA will retain ownership of its bartering assets/goods, until assets/goods are received in exchange, where VA has provided assets/goods or services without having received assets/goods in exchange. In addition, where VA has provided assets/goods or services without the reciprocal service component of the bartering agreement from the exchange, then the future receipt of these services shall be recognized as an asset, and decreased as services are provided.

080209 VA will record liabilities for services to be provided in the future as the actual cost expected to be incurred to provide these services. This may result in a loss or gain against the original provision, as the barter agreement is satisfied.

Where gains or losses arise, they must be recognized in accordance with generally accepted accounting principles. However, VA will recognize a loss only after appropriate collection procedures have been accomplished, as described in Section 0805, PROCEDURES, below.

080210 VA bartering transactions will be recognized in the period in which they occur. Disclosure in the published financial statements will include, but not be limited to, the basis of accounting for the assets exchanged via bartering agreements, and the respective gains or losses recognized on these transfers. Disclosure will be in accordance with generally accepted accounting principles.

080211 VA will include dispute resolution procedures in all bartering agreements in order to protect the agency's interest from loss in the event of non-compliance with the agreement.

0803 AUTHORITY AND REFERENCES

080301 [38 U.S.C. Section 8111, Sharing of Department of Veterans Affairs and Department of Defense Health Care Resources](#)

080302 [38 U.S.C. Section 8122, Authority to Procure and Dispose of Property and to Negotiate for Common Services](#)

080303 [38 U.S.C. Section 2412, Lease of Land and Buildings](#)

080304 [Statements of Federal Financial Accounting Standards \(SFFAS\) Number 1 – Accounting for Selected Assets and Liabilities](#)

080305 [Statements of Federal Financial Accounting Standards \(SFFAS\) Number 5 – Accounting for Liabilities of the Federal Government](#)

0804 ROLES AND RESPONSIBILITIES

080401 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 codified in Title 38, Section 309 of the U.S. Code. 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.

080402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Finance Officers, Chief Accountants, Chiefs of Finance Activities and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

080403 The Office of Finance, Office of Financial Policy (OFP) is responsible for developing, coordinating, reviewing, evaluating, and issuing VA financial policies, including those that impact financial systems and procedures for compliance with all financial laws and regulations. The Management and Financial Reports Service (MFRS) within OFP is responsible for preparing various comprehensive financial reports, such as those required by the President and the executive branch, including OMB/Treasury reports from the Hyperion (MinX) software. OFP works with the Office of Inspector General's independent contract auditors on VA's annual Consolidated Financial Statements audit and prepares and reviews the Consolidated Financial Statements, Notes, and Required Supplementary Information, etc.

080404 The Office of Business Oversight (OBO) will periodically perform reviews to ensure that transaction codes and transaction types for non-monetary (bartering) transactions are properly recorded into the accounting system.

080405 VA Fiscal Officers will review bartering receivable balances on a monthly basis in order to identify and act upon delinquent bartering receivables.

0805 PROCEDURES

080501 Recording Bartering Transactions

A. VA will enter into an authorized agreement with other Federal entities or non-Federal entities to barter assets/goods or services, based upon a memorandum of understanding or other appropriate document in accordance with procurement guidelines.

B. VA will update its system of records when the actual surrender or acceptance of assets/goods or services occurs.

C. VA will account for the receipt and provision of assets/goods or services by recording a bartering receivable or bartering liability for future services to be received or provided.

D. VA will reclassify bartering receivables and/or bartering liabilities to actual accounts receivable and liabilities, once they become one calendar year old.

080502 Reviewing Bartering Transactions

VA Fiscal Officers will review bartering receivable balances on a monthly basis in order to identify and act upon delinquent bartering receivables.

080503 Determining Fair Market Value

A. VA will use the FMV of the assets/goods or services surrendered, unless the FMV of the assets/goods or services received is more clearly evident, as the appropriate journal entry amount to record the bartering transaction into the general ledger.

B. Where VA cannot determine the full cost of the assets/goods or services exchanged, but the value of the assets/goods or services received may be determined from the reciprocating entity, then the fair value (or full cost) of the assets/goods or services can be obtained from the asset transfer form, DD250, "Material Inspection and Receiving Report." This form is deemed to be acceptable supporting documentation and audit evidence for capitalizing assets and recognizing liabilities.

C. However, where it is considered more prudent and reasonable to do so, the estimated full cost of assets/goods or services may be determined from the recorded transactions of similar assets, quoted market prices, independent appraisals, and/or any other relevant and auditable appraisal techniques available.

080504 Bartering Receivables

A. VA will include dispute resolution procedures in all bartering agreements and contracts to protect VA from loss in the event of non-compliance with the agreement. For example, the agreement must state, "VA may convert its bartering receivable into an actual receivable once the bartering receivable becomes one calendar year old and proceed with the applicable collection process based on the bartering partner involved."

B. VA will record bartering receivables when there is a timing difference in providing or receiving assets/goods or services. For example, VA will record a bartering receivable when it provides more assets/goods or services than it simultaneously receives.

C. VA will record bartering receivables at the FMV of the assets/goods or services, as determined above.

D. VA will write off the bartering receivable, establish an accounts receivable, and send a bill of collection to the bartering partner when a bartering receivable becomes one calendar year old.

E. VA will receive budget authority upon establishment of accounts receivable due from other Federal sources; however, VA will not receive budget authority until the cash is collected on accounts receivable balances due from non-Federal sources.

080505 Bartering Liabilities

A. VA will record a bartering liability when it receives more assets/goods or services than it simultaneously provides.

B. VA will record a bartering liability at the FMV of the assets/goods or services received.

C. VA will eliminate a bartering liability when it has fulfilled its obligation to the bartering partner, based on the bartering agreement/contract.

D. VA will reclassify a bartering liability to accounts payable and reduce the budgetary authority of a bartering liability when it becomes one calendar year old.

VA will not make a disbursement without receiving a bill of collection from its bartering partner.

E. VA will comply with its obligation to provide assets/goods or services to its bartering partner for similar assets/goods or services received; otherwise, VA will risk the possibility of violating appropriation law by augmenting its appropriation.

080506 Bartering Gains or Losses

VA will not recognize a gain or loss on a bartering transaction. Eventually, a loss can be recognized but only after appropriate collection procedures have been accomplished, according to official VA collection guidance.

0806 DEFINITIONS

080601 Bartering. The exchange of assets/goods or services (other than cash) for other non-monetary assets/goods or services. The exchange can be for similar or dissimilar assets/goods or services, or assets.

080602 Fair Market Value (FMV). An estimated value, based on a comparison with identical or similar past, actual, or expected assets/goods or services, of what a willing buyer/seller would pay another willing seller/buyer for assets/goods or services.

080603 Monetary Assets and Liabilities. Assets and liabilities whose amounts are fixed in terms of units of currency by contract or otherwise. Examples are cash, short- or long-term accounts, and notes receivable in cash, and short- or long-term accounts and notes payable in cash.

080604 Non-monetary Assets and Liabilities. Assets and liabilities that are other than monetary. Examples are inventories; property, plant and equipment; and liabilities for rent services provided in advance.

080605 Property, Plant, and Equipment (PP&E).¹ Tangible assets that have an estimated useful life of two or more years, are not intended for sale in the ordinary course of business, and are intended to be used or available for use by the entity.

080606 Timing Differences. Differences in accounting and reporting when accounting policy and practices used by an entity's accounting differ from those used for external reporting.

¹ The dollar capitalization criterion for Property, Plant, and Equipment is defined in [Volume V, Chapter 9, General Property, Plant and Equipment](#).

0807 RESCISSIONS

This chapter rescinds OFP Policy Volume I Chapter 10, *Bartering*, January 2009.

0808 QUESTIONS

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

VHA	VHA Accounting Policy (10A3A) (Outlook)
VBA	VAVBAWAS/CO/FINREP (Outlook)
All Others	OFP Accounting Policy (Outlook)

0809 REVISIONS

Section	Revision	Office	Effective Date
Overall	Reviewed chapter for accuracy and updated, as needed,	APPS (047)	October 2013
080403 & 080405	Added Roles and Responsibilities	APPS (047)	October 2013
080506	Changed to 080502 and renumbered the paragraphs accordingly	APPS (047)	October 2013
0809	Added	APPS (047)	October 2013
Appendix A	Added transaction ID for transactions	APPS (047)	October 2013

APPENDIX A: SAMPLE SCENARIOS OF ACCOUNTING ENTRIES

A. VA enters into a bartering agreement with the Department of Defense (DOD). VA will allow the use of 500 square feet of space in exchange for 100 pints of blood per month from DOD. The value of the space is constant at \$500 per month. VA and DOD representatives sign a contract or Memorandum of Understanding (MOU). No accounting entry is required at this step of the process (contract/MOU is in place).

B. DOD provides VA with 100 pints of blood for the use of 500 square feet of VA space.

(1) VA provides space:

Debit (Dr.) Barter Expense 61B1	\$500
Credit (Cr.) Contra Barter Expense 619C	\$500

(2) VA receives blood:

Dr. Contra Barter Revenue 59B1	\$500
Cr. Barter Revenue 51B1	\$500

TC	TT	FCAT	D1	CR1	D2	CR2	D3	CR3	D4	CR4	ID	ACEV
BT	01	Blank	61B1	619C	59B1	51B1					8738	SP04
BT	01	E	61B1	619C	59B1	51B1					8738	SP04

C. DOD uses the 500 square feet of VA space without supplying the 100 pints of blood.

(1) VA provides space:

Dr. Barter Expense 61B1	\$500
Cr. Contra Barter Expense 619C	\$500

(2) VA does not receive blood:

Dr. Barter Receivable 13B1	\$500
Cr. Barter Revenue 51B1	\$500

TC	TT	FCAT	D1	CR1	D2	CR2	D3	CR3	D4	CR4	ID	ACEV
BT	02	Blank	61B1	619C	13B1	51B1					8739	AR03
BT	02	E	61B1	619C	13B1	51B1					8739	AR03

D. DOD meets its obligation by supplying VA with 100 pints of blood per the barter agreement.

**Department of Veterans Affairs
Bartering**

**October 2013
Volume II - Chapter 8
Appendix A**

Dr. Contra Barter Revenue 59B1 \$500
Cr. Barter Receivable 13B1 \$500

TC	TT	FCAT	D1	CR1	D2	CR2	D3	CR3	D4	CR4	ID	ACEV
BT	03	Blank	59B1	13B1							9013	AR03
BT	03	E	59B1	13B1							9013	AR03

E. Assume one year has expired and DOD has not completed its obligation as specified in the contract/MOU. However, VA did fulfill its obligation to DOD, and the barter agreement specified that VA will convert all barter receivables to an actual accounts receivable if DOD does not fulfill its obligation one calendar year from the time VA fulfilled its obligation to DOD.

VA writes off the barter receivable and establishes an accounts receivable.

(1)
Dr. Receivable – Reimbursements – Amounts Due
From Federal Sources 1310 \$500
Cr. Barter Receivable 13B1 \$500

(2)
Dr. Reimbursements Earned – Federal Receivable
425F \$500
Cr. Anticipated Reimbursement and Other Income
4210 \$500

(3)
Dr. Barter Revenue 51B1 \$500
Cr. Miscellaneous Revenue 5204 \$500

TC	TT	FCAT	D1	CR1	D2	CR2	D3	CR3	D4	CR4	ID	ACEV
BT	04	Blank	1310	13B1	51B1	5204	425F	4210			9015	AR03
BT	04	E	1310	13B1	51B1	5204	425F	4210			9015	AR03

F. An appropriate entity must anticipate the reimbursable activity and request apportionment of income on an SF 132 Apportionment and Reapportionment Schedule.

Dr. Anticipated Reimbursements and Other Income
4210 \$500
Cr. Unapportioned Authority 4450 \$500

TC	TT	FCAT	D1	CR1	D2	CR2	D3	CR3	D4	CR4	ID	ACEV
AA	AR	Blank	4210	4450							1038	BE02

G. When the barter partner is a non-Federal entity, the following applies:

- (1)
- | | | |
|---|--|-------|
| Dr. Receivable – Reimbursements – Amounts Due | | |
| From Non-Federal Sources 1311 | | \$500 |
| Cr. Barter Receivable 13B1 | | \$500 |
- (2)
- | | | |
|--------------------------------|--|-------|
| Dr. Barter Revenue 51B1 | | \$500 |
| Cr. Miscellaneous Revenue 5204 | | \$500 |

TC	TT	FCAT	D1	CR1	D2	CR2	D3	CR3	ID	ACEV
BT	05	Blank	1311	13B1	51B1	5204			9017	AR03
BT	05	E	1311	13B1	51B1	5204			9017	AR03

H. VA must anticipate the reimbursable activity and request apportionment of income on an SF 132.

- | | | |
|---|--|-------|
| Dr. Anticipated Reimbursements and Other Income | | |
| 4210 | | \$500 |
| Cr. Unapportioned Authority 4450 | | \$500 |

TC	TT	FCAT	D1	CR1	D2	CR2	D3	CR3	D4	CR4	ID	ACEV
AA	AR	Blank	4210	4450							1038	BE02

I. VA will not record budgetary authority until the non-Federal barter partner remits payment.

- (1)
- | | | |
|--|--|-------|
| Dr. Disbursing Authority – Reimbursements 1013 | | \$500 |
| Cr. Receivable – Reimbursements – Amounts Due | | |
| From Non-Federal Sources 1311 | | \$500 |
- (2)
- | | | |
|---|--|-------|
| Dr. Reimbursements Earned – Public Collected 425P | | \$500 |
| Cr. Anticipated Reimbursement and Other Income | | |
| 4210 | | \$500 |

TC	TT	FCAT	D1	CR1	D2	CR2	D3	CR3	D4	CR4	ID	ACEV
BT	06	Blank	1013	1311	425P	4210					9273	AR03
BT	06	E	1013	1311	425P	4210					9273	AR03

J. DOD provides VA with 100 pints of blood, but VA does not have any available storage space at the time of the exchange.

**Department of Veterans Affairs
Bartering**

**October 2013
Volume II - Chapter 8
Appendix A**

(1)

Dr. Contra Barter Revenue 59B1 \$500
Cr. Deferred Barter Revenue 23B1 \$500

TC	TT	FCAT	D1	CR1	D2	CR2	D3	CR3	D4	CR4	ID	ACEV
BT	07	Blank	59B1	23B1							9018	SP05
BT	07	E	59B1	23B1							9018	SP03

(2) VA meets its obligation by providing DOD with 500 square feet of space per the barter agreement.

(a)

Dr. Barter Expense 61B1 \$500
Cr. Contra Barter Expense 619C \$500

(b)

Dr. Deferred Barter Revenue 23B1 \$500
Cr. Barter Revenue 51B1 \$500

TC	TT	FCAT	D1	CR1	D2	CR2	D3	CR3	D4	CR4	ID	ACEV
BT	08	Blank	61B1	619C	23B1	51B1					9019	AR06
BT	08	E	61B1	619C	23B1	51B1					9019	AR06

K. Assume that at the end of the accounting period VA has not fulfilled its obligation and will never do so.

(1)

Dr. Deferred Barter Revenue 23B1 \$500
Cr. Accounts Payable 2110/2111 \$500

(2)

Dr. Allowance Available for Obligation 4610 \$500
Cr. Unpaid Expended Authority 490F/490N \$500

TC	TT	FCAT	D1	CR1	D2	CR2	D3	CR3	D4	CR4	ID	ACEV
BT	09	Blank	23B1	2110	4610	490F					9217	AR03
BT	09	E	23B1	2110	4650	490F					9462	AR03
BT	10	Blank	23B1	2111	4610	490N					9241	AR03
BT	10	E	23B1	2111	4650	490N					0250	AR03

Regulations will not permit VA to disburse payments without evidence of receipt of goods or services and a request from the vendor in the form of an official invoice.

L. VA supplies 500 square feet of space to DOD, but DOD supplies only 50 pints of blood.

VA supplies the space

- (1)
- | | |
|--------------------------------|-------|
| Dr. Barter Expense 61B1 | \$500 |
| Cr. Contra Barter Expense 619C | \$500 |

TC	TT	FCAT	D1	CR1	D2	CR2	D3	CR3	D4	CR4	ID	ACEV
BT	11	Blank	61B1	619C							9274	SP04
BT	11	E	61B1	619C							9274	SP04

VA receives half of the agreed upon amount of blood

- (2)
- | | |
|----------------------------|-------|
| Dr. Barter Receivable 13B1 | \$250 |
| Cr. Barter Revenue 51B1 | \$250 |

- (3)
- | | |
|--------------------------------|-------|
| Dr. Contra Barter Revenue 59B1 | \$250 |
| Cr. Barter Revenue 51B1 | \$250 |

TC	TT	FCAT	D1	CR1	D2	CR2	D3	CR3	D4	CR4	ID	ACEV
BT	12	Blank	13B1	51B1	59B1	51B1					9255	AR03
BT	12	E	13B1	51B1	59B1	51B1					9255	AR03

M. DOD fulfills its obligation

- | | |
|--------------------------------|-------|
| Dr. Contra Barter Revenue 59B1 | \$250 |
| Cr. Barter Receivable 13B1 | \$250 |

TC	TT	FCAT	D1	CR1	D2	CR2	D3	CR3	D4	CR4	ID	ACEV
BT	13	Blank	59B1	13B1							9013	AR03
BT	13	E	59B1	13B1							9013	AR03