

Department of Veterans Affairs
Washington, DC 20420

VA Directive 4560
Transmittal Sheet
December 13, 1995

COST ACCOUNTING DIRECTIVE

- 1. REASON FOR ISSUE:** Establish the VA cost accounting directive.
- 2. SUMMARY OF CONTENTS:** This directive provides for new policy by which VA will cost the acquisition and/or production, management, and delivery of its products and services to a customer.
- 3. RESPONSIBLE OFFICE:** Cost Accounting and Medical Rates Division (047GC2), Office of the Associate Deputy Assistant Secretary for Financial Policy (047G).
- 4. RELATED HANDBOOK:** VA Handbook 4560, Cost Accounting.
- 5. RESCISSION:** MP-4, Part V, Chapter 6.

CERTIFIED BY:

BY DIRECTION OF THE SECRETARY

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COST ACCOUNTING

- 1. PURPOSE:** This directive establishes VA's cost accounting policy.
- 2. POLICY**
 - a. All rates, rents, fees, royalties, and charges made by VA will cover the full cost of the product or service being delivered.

b. In determining the cost of a product or service, all resource expenditures in the acquisition or production, maintenance, and delivery of that product or service will be determined, valued, and allocated to the product or service. Those resources shall include:

- (1) Salaries and benefits;
- (2) Support services;
- (3) Local and administrative overhead;
- (4) Real property maintenance, construction, and reconstruction;
- (5) Utilities;
- (6) Equipment and supplies;
- (7) Maintenance;
- (8) Fee for Service.

c. All resources will be identified within the following criteria:

- (1) Direct costs are defined as the resources expended for an identifiable product or service. These costs are those which can be directly identified to a particular product or service.
- (2) Direct overhead costs identifiable with several or many cost objects, but not all. A direct overhead cost is incurred because of an existing capacity or functionality but not because of one specific activity.
- (3) Overhead costs/expenses (i.e. rent, insurance, or heating) not chargeable to a particular part of the product or service being produced by an organization. Costs that are outside the control of the department managers.

3. RESPONSIBILITIES:

a. The Cost Accounting and Medical Rates Division (047GC2), Office of the Associate Deputy Assistant Secretary for Financial Policy (047G), is responsible for the certification that all charges made by VA cover the full cost of providing the good or service.

b. The Chief Financial Officer or comparable office within a VA Administration or Staff Office shall develop detailed and specific cost accounting handbooks in accordance with the need and mission of their responsibility segments. These handbooks must include the following:

- (1) Receive concurrence from the VA CFO through the Cost Accounting and Medical Rates Division (047GC2);
- (2) Use the General Ledger as the basis for cost data;
- (3) Be uniform throughout the administration;
- (4) Cost Accounting coding structure developed by individual Administrations and Staff Offices must have hierarchical structure and be consistent throughout the Department;

(5) Conform to this directive and accompanying handbook;

(6) Apply to all VA activities except where not allowed by law.