

VA Financial Policies and Procedures  
Revenues

CHAPTER 1

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## 0101 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures regarding VA revenue. Revenue is the inflow of resources brought into VA, earned through exchange transaction activity, or received through non-exchange transactions. Exchange revenue is generated when a Government entity provides goods or services to the public or to another Government entity for a price. Another term for “exchange revenue” is “earned revenue.” Non-exchange revenue is generated primarily from exercise of the Government’s power to demand payments from the public (e.g., taxes, duties, fines, and penalties) but also includes donations.

To properly track revenue, VA uses revenue source codes for the life of revenue from the initial order, processing, and output to maintain a complete history of financial activity relating to those receipts. Appendix A contains additional information on the types of revenue generated at VA. Refer to Volume I, Chapter 4A, *Revenue Source Codes*, for more information.

Revenue does not encompass all financing sources available to VA. Although these other sources of financing do provide resource inflows, this chapter does not provide guidance for them. They may include, but are not limited to, appropriations, transfers of assets from other governmental entities, and credit subsidies. For more information on appropriations received, refer to Volume II, Chapter 2, *VA’s Budget Cycle and Fund Symbols*, and Volume V, Chapter 4D, *Appropriated Funds*. Additionally, refer to Volume V, Chapter 4, *Earmarked Funds*, Chapter 4B, *Revolving Funds*, Chapter 4C, *Special Funds*. More information on transfers may be found in Volume V, Chapter 9, *General Property, Plant, and Equipment*, and in Volume III, Chapter 6, *Heritage Assets*. For more information on credit subsidies, refer to Volume VI, Chapter 6, *Liabilities for Loan Guarantees*.

## 0102 POLICIES

010201 REVENUE CLASSIFICATION. VA will classify revenue in accordance with Statement of Federal Financial Accounting Standards (SFFAS) Number 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, issued by the Federal Accounting Standards Advisory Board.

A. Exchange Revenue. Exchange revenue is generated when VA provides goods or services to the public or to another Government entity for a price. In an exchange transaction, each party to the transaction sacrifices value and receives value in return. Examples of exchange revenue may include amounts derived from fees charged for services performed, the sale of goods or services, and other revenue proceeds from miscellaneous income sources. Customers may be public entities, private parties, businesses, foreign governments, state and local governments, other VA facilities or other Federal agencies.

1. VA's exchange revenue is primarily medical revenue. Medical revenue is earned by VA when services have been provided and are billable to the first party (e.g., the Veteran) and/or third party (i.e., insurance companies). Medical revenue is accrued when it has been earned, even though an invoice has not been rendered.
2. VA's exchange revenue may be earned in a revolving fund, appropriated fund, or trust fund activity. More information on VA's funds may be found in various subchapters of Volume II, Chapter 2.
3. VA may enter into bartering agreements and contracts with other entities following procedures outlined in Volume I, Chapter 10, *Bartering*.
4. VA will include interest on Treasury securities held by trust revolving funds as exchange revenue. A trust revolving fund earns exchange revenue, which is an offset to its gross cost. This interest is related to the cost of operations in the same way as the revenue earned from selling services. Refer to Volume V, Chapters 4A, *Trust Funds*, and 4B, *Revolving Funds*, for more information.
5. VA will include interest on uninvested funds received by direct loan and guaranteed loan financing accounts as exchange revenue. A guaranteed loan financing account holds uninvested balances as reserves against its loan guarantee liabilities and earns interest on these balances, which adds to its resources to pay these liabilities. A direct loan financing account may hold uninvested balances to bridge transactions that are integral to its operations, such as when it borrows from Treasury to disburse direct loans prior to the time of disbursement; it earns interest on these balances to reflect the time value of money and, thereby, finance the interest it pays on its debt to Treasury. This interest is earned through an exchange transaction with Treasury and offsets VA's cost of operations.

B. Non-Exchange Revenue. Non-exchange revenue is primarily from exercise of VA's power to demand payments from the public (e.g., duties, fines, and penalties) but also include donations. Donations include financial resources, such as cash or securities, and non-financial resources, such as land or buildings.

#### 010202 RECOGNITION OF REVENUE.

A. VA will recognize and record current year revenues in accordance with SFFAS No. 7.

1. VA will recognize exchange revenues when earned from other Federal agencies or the public as a result of costs incurred or services performed on their behalf. For example, revenue will be recorded in the period earned when a sale is made or a service is rendered regardless of when cash is received.

2. VA will recognize non-exchange revenue when received, and the related receivables, refunds, and offsets will be recognized when measurable and legally collectible.
3. VA will recognize revenue arising from donations for the amount of the financial resource or for the amount of a non-financial resource measured at the estimated fair market value of the contribution that meets recognition criteria for assets. No amount is recognized as a revenue if the asset is classified as a heritage asset or stewardship land.
4. VA will use the U.S. Standard General Ledger as a guide to record revenue following guidance in SFFAS No. 7. VA will record revenue using the appropriate revenue source code in VA's financial accounting system. Refer to Volume I, Chapter 2, *U.S. Standard General Ledger*, and Chapter 4A, *Revenue Source Codes*.

B. Gains from Exchange Transactions.

1. Gains from Disposal of an Asset. VA will recognize a gain for the sale of an asset (e.g., property, plant, and equipment) when VA has legal authority to retain the proceeds from the sale and when the sales price is more than the net book value. VA will recognize a gain in the amount of the difference as other income. If an asset is classified as property, plant and equipment (PPE) and it is fully depreciated or has been written off, VA will record the net book value at zero in accordance with SFFAS No. 7. Any value received on the transaction will be a gain. When the asset is a heritage asset or stewardship land, VA will record the net book value at zero for which the entire cost was expensed when the asset was purchased. These amounts are recorded as a gain because sales of assets are non-recurring events.
2. Gains from Retirement of Debt Securities. If VA retires debt securities held by revolving funds, special trust funds and trust revolving funds before maturity, and they are callable or redeemable on demand, the difference between the reacquisition price and the net carrying value debt will be recognized as a gain when the sales price is more than the net book value. VA will classify intra-governmental transactions as a gain when they are usual and recurring for a particular reporting entity.
  - a. VA will account for the gain as a non-exchange transaction if the interest on the associated debt securities is classified as a non-exchange revenue.
  - b. VA will account for the gain as exchange if the interest on the associated debt securities is classified as an exchange revenue.

010203 PRESENTATION AND DISCLOSURE OF REVENUE IN CONSOLIDATED FINANCIAL STATEMENTS.

- A. VA will eliminate intra-departmental revenue accounts at the end of the period to ensure proper presentation of the financial statements in accordance with OMB

Circular A-136. Refer to Volume I, Chapter 8, *Period-Ending Procedures*, for more information.

B. VA will report earned revenue under each of VA's Administrations or under Indirect Administrative Program Cost on the Statement of Net Cost.

C. VA will report donations received under Other Financing Sources (Non-Exchange) on the Statement of Changes in Net Position (SCNP) in accordance with OMB Circular A-136.

### **0103 AUTHORITY AND REFERENCES**

010301 [Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financial Sources](#)

010302 [Office of Management and Budget \(OMB\) Circular No. A-136, Financial Reporting Requirements](#)

010303 [Office of Financial Policy Publications Library](#)

### **0104 ROLES AND RESPONSIBILITIES**

010401 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 38 U.S.C. 309. 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.

010402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chiefs of Finance Activities, Chief Accountants and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

### **0105 PROCEDURES**

Refer to 0102 Policies for more information. The following appendices include additional information related to the policies:

- [Appendix A: Revenue Types and Related SGL Accounts.](#)
- [Appendix B: Revenue Types and Topics with Associated OFP Cross References.](#)

## **0106 DEFINITIONS**

010601 Appropriation. An act of Congress that provides the legal authority for Federal agencies to incur obligations and make payments from the Treasury for specified purposes.

010602 Budgetary Financing Sources. Section of the SCNP that displays financing sources and non-exchange revenue that are also budgetary resources, or adjustments to those resources.

010603 Capitalize. To record an expenditure or contribution which may benefit a future period as an asset rather than to treat the expenditure as an expense of the period in which it occurs. In general, expenditures subsequent to acquisition of the asset are capitalized only if they are material in amount and if they meet at least one of the following three conditions: (1) the useful life of the asset is increased as a result of the expenditure; (2) the quantity of units/services produced from the asset is increased; and (3) the quality of units/services produced from the asset is enhanced.

010604 Disclosure. Reporting information in notes regarded as an integral part of the basic financial statements.

010605 Exchange Revenue. Inflows of resources to a governmental entity that the entity has earned. They arise from exchange transactions, which occur when each party to the transaction sacrifices value and receives value in return.

010606 Federal Accounting Standards Advisory Board (FASAB). The Board that promulgates Federal accounting standards after considering the financial and budgetary information needs of citizens, congressional oversight groups, executive agencies and other users of Federal financial information.

010607 General Property, Plant and Equipment. A classification of tangible assets which: (1) have an estimated useful life of 2 or more years; (2) are not intended for sale in the ordinary course of operations; and (3) are intended to be used or available for use by the entity.

010608 Heritage assets. Heritage assets are PPE that are unique for one or more of the following reasons: historical or natural significance; cultural, educational or artistic importance; or significant architectural characteristics. Heritage assets are generally expected to be preserved indefinitely.

010609 Net Book Value. The recorded cost of an asset less any recorded accumulated depreciation.

010610 Non-exchange Revenue. Inflow of resources to the Government that the Government demands or receives by donations. Inflows may include taxes, duties, fines, and penalties.

010611 Notes to Financial Statement. Disclose detail information of VA's Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position and Statement of Budgetary Resources.

010613 Recognize. The process of formally recording or incorporating an item into the financial statements of an entity as an asset, liability, revenue, expense, or the like. To determine the amount, timing, classification and other conditions precedent to the acceptance and entry of a transaction.

010614 Recycling. The series of activities, including collection, separation and processing, by which products or other materials are recovered from the solid waste stream for use in the form of raw materials in the manufacture of new products other than fuel for producing heat or power by combustion.

010615 Revolving Fund. A fund consisting of permanent appropriation and expenditures of collections, from both the public and other Governmental agencies and accounts, that are earmarked to finance a continuing cycle of business type operations.

010616 Sales Price. The fair value of items received in an exchange.

010617 Special Fund. Federal fund accounts for receipts earmarked for specific purposes and the associated expenditure of those receipts.

010618 Statement of Changes in Net Position. Statement that reports the change in net position during the reporting period.

010619 Statement of Net Cost. Statement that provides an understanding of the net costs of each organization and each program that the Government supports with taxes and other unearned monies.

010620 Trust Funds. Accounts that are designated by law as trust funds, for receipts earmarked for specific purposes and the associated expenditure of those receipts.

010621 Trust Revolving Funds. Accounts that record permanent appropriation and expenditure of collections used to carry out a cycle of business type operations in accordance with a statute that designates the fund as a trust fund.

## **0107 RESCISSIONS**

010701 VA Directive 4667, Revenues, Other Financing Sources, & Expenses

**0108 QUESTIONS**

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

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



**APPENDIX A: REVENUE TYPES AND RELATED SGL ACCOUNTS**

This appendix contains an inventory of the general categories of revenue covered in the Standard General Ledger (SGL) maintained by VA's Financial Services Center (FSC). Refer to Volume I, Chapter 2, *United States Standard General Ledger*, for policies and procedures on SGL classifying and recording of revenues. The SGL 5700 series of accounts includes expended appropriations used and other financing sources, and are not considered revenue as covered in this chapter. The 5800 Series is currently not in use.

<b>SGL ACCOUNT SERIES</b>	<b>REVENUE TYPES</b>	<b>CATEGORIES</b>
5100	Sales	Real Property, Capital Lease, Drugs and Medical Supplies, Excess Supplies and Property, Printing and Reproduction Item, Special Therapeutic and Rehab, Sales to VA, Other Government Agencies, Veterans Canteen Service, and Non-Federal Entities, and Contra Revenue for Unreimbursed Medicare and Goods Sold
5200	Reimbursable Earnings	Medical Care Fees (e.g., co-payments, insurance claims), Reimbursements due or collected from Federal and Other than Federal sources for services rendered
5300	Interest Revenue	Revenue earned from interest from Federal or Non-Federal sources, including Penalties, Fines and Administrative Fees, Loan Receivables, etc. (In VA's accounting system, interest revenue may be affected by the fund and type of transaction. Not all interest revenue may be retained by VA.)
5500	Insurance Revenue	Amounts of cash collections, offsets or application of credits as premiums for insurance contracts
5600	Donation Income	General Cash Donations, Specific Cash Donations, Donated Property, Precious Metal Recovery Program, Contra Revenue

<b>SGL ACCOUNT SERIES</b>	<b>REVENUE TYPES</b>	<b>CATEGORIES</b>
5900	Other Revenue	Other Non-Federal Revenue, Other Federal Revenue, Miscellaneous Revenue, Miscellaneous Income (e.g. Property, Plant, and Equipment Transfers), Recycling Revenue, Bartering Revenue, Parking Garage Revenue, Freedom of Information Act Fees, Rental Revenue, Funding Fee Income, and other revenue/income received, but not otherwise classified. May also include Medical Care Collections Fund interest and administrative fees.

**APPENDIX B: REVENUE TYPES AND TOPICS WITH ASSOCIATED OFP CROSS REFERENCES**

This appendix contains an inventory of the revenue-related financial policy and procedure chapters in the Office of Financial Policy (OFP) Publications Library.

A. The chapters below provide the OFP volume, chapter number and titles, and the related SGL series.

<b>VOL</b>	<b>CH</b>	<b>CHAPTER TITLE</b>	<b>SGL ACCOUNT SERIES</b>	<b>REVENUE TYPES</b>
I	10	Bartering	5900	Other Revenue
II	2A	Supply Fund	5100 5200	Sales Reimbursable Earnings
II	2B	Franchise Fund	5100 5200	Sales Reimbursable Earnings
II	2E	Parking Garage Revenue	5900	Other Revenue
II	2G	Enhanced-Use Fund	5900	Other Revenue
II	2H	Life Insurance Program	5500	Insurance Revenue
II	7E	Recycling Revenue	5900	Other Revenue
V	5	Investments	5300	Interest Revenue
V	7	Loans Receivable	5300	Interest Revenue
XII	3	Freedom of Information Act Fees	5900	Other Revenue
XII	5	Medical Care Debts	5200	Reimbursable Earnings

B. Following are chapter titles and the topic covered relating to revenue.

<b>VOL</b>	<b>CH</b>	<b>CHAPTER TITLE</b>	<b>TOPIC RELATED TO REVENUE</b>
I	1	Introduction to VA's Accounting Policies	Revenue Accounting Policy
I	2	U.S. Standard General Ledger	Revenue Classification and Recording
I	4A	Revenue Source Codes	Revenue Classification and Recording
I	8	Period-Ending Procedures	Revenue Accrual Policy
V	6A	Interest Receivable	Interest Receivable Accounting Policy

<b>VOL</b>	<b>CH</b>	<b>CHAPTER TITLE</b>	<b>TOPIC RELATED TO REVENUE</b>
VII	1	General Financial Reporting Requirements	Financial Reporting Policy
VII	2	Consolidated Financial Statements	Revenue Reporting
VII	3	Quarterly Financial Statements	Revenue Reporting
XII	1A	Interest, Administrative Costs, and Penalty Charges	Accounting Policy of Costs