

Financial Policies and Procedures  
Accounts Payable

CHAPTER 3

0301 OVERVIEW.....	2
0302 POLICIES .....	2
0303 AUTHORITY AND REFERENCES .....	3
0304 ROLES AND RESPONSIBILITIES .....	3
0305 PROCEDURES.....	4
0306 DEFINITIONS.....	5
0307 RESCISSIONS.....	6
0308 QUESTIONS .....	6
APPENDIX A .....	7

## 0301 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures for recognizing and recording accounts payable in accordance with the Statement of Federal Financial Accounting Standards (SFFAS) No. 1, *Accounting for Selected Assets and Liabilities* and for reporting accounts payable as prescribed by the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*.

This chapter does not include policy for all VA liabilities, only the overall policy for accounts payable. Refer to Volume XIII, *Liabilities* and Volume VI, Chapter 1, *Definition and General Principles for Recognition of a Liability* for additional information regarding liabilities.

030101 RECOGNIZING ACCOUNTS PAYABLE. VA will recognize accounts payable in accordance with SFFAS No. 1. The amounts relate to both intra-Governmental and public accounts payable<sup>1</sup>.

030102 ACCOUNTING AND RECORDING ACCOUNTS PAYABLE. VA will record a liability by crediting accounts payable for the unpaid amount of goods upon acceptance of the title to goods, whether the goods are delivered or in transit or by constructive or de facto receipt, when formal acceptance is not the determining factor for recognition. For benefit payments, VA will record a liability by crediting accounts payable when amounts are sent to the Department of the Treasury (Treasury). VA will record accounts payable to the proper Standard General Ledger (SGL) accounts and will debit the accounts payable account when payments are made. VA will make adjusting entries to accounts payable, when necessary.

030103 FINANCIAL REPORTING AND DISCLOSURE FOR ACCOUNTS PAYABLE. VA will report accounts payable on the Consolidated Balance Sheet, segregating intra-Governmental payables from public accounts payables. If applicable, VA will disclose accounts payable not covered by budgetary resources.

## 0302 POLICIES

030201 RECOGNIZING ACCOUNTS PAYABLE. VA will recognize accounts payable for amounts owed for the receipt of goods and services.

A. VA will recognize a liability by crediting accounts payable for the unpaid amount of goods upon acceptance of the title to goods, whether the goods are delivered or in transit. VA will estimate the amounts owed if invoices for goods are not available when financial statements are prepared.

---

<sup>1</sup> For additional information on Intra-Governmental Activities and Reconciliations, refer to Volume VII, Chapter 5 and for more details on Intra-Governmental vs. Public Liabilities, refer to Volume VI, Chapter 2.

B. VA will recognize a liability by constructive or de facto receipt when formal acceptance of the products by the Government is not the determining factor for accounting recognition and will credit the amount to accounts payable.

C. VA will record a liability when amounts are sent to Treasury for the purpose of making benefit payments.

#### **030202 ACCOUNTING AND RECORDING ACCOUNTS PAYABLE.**

A. VA will record accounts payable (liability) to the proper SGL accounts in the financial accounting system. VA will debit the accounts payable account when payments are made and will maintain the account with amounts needed until proper payment is made.

B. VA will cancel any balances in accounts payable when an appropriation account is closed. Any legitimate balances will be reinstated in an unexpired account for the same purpose as the closed account until payment is made.

C. VA will make adjusting entries to accounts payable in cases of error, miscalculation or relief of payment, as necessary.

#### **030203 FINANCIAL REPORTING AND DISCLOSURE FOR ACCOUNTS PAYABLE.**

A. VA will report accounts payable on the balance sheet and represent amounts of intra-Governmental accounts payable separately from amounts owed to the public.

B. VA will disclose accounts payable not covered by budgetary resources, if applicable, in accordance with OMB Circular A-136 (e.g., payables associated with appropriations that have been cancelled).

### **0303 AUTHORITY AND REFERENCES**

[030301 SFFAS No. 1, Accounting for Selected Assets and Liabilities](#)

[030302 SFFAS No. 5, Accounting for Liabilities of the Federal Government](#)

[030303 OMB Circular A-136, Financial Reporting Requirements](#)

### **0304 ROLES AND RESPONSIBILITIES**

030401 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. 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.

030402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chief Accountants and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

### **0305 PROCEDURES**

030501 RECOGNIZING ACCOUNTS PAYABLE. VA will recognize accounts payable for amounts owed for the receipt of goods and services. VA will not include liabilities related to on-going continuous expenses, such as employee salaries and benefits, in accounts payable, which are covered by other current liabilities.

A. VA will recognize an accounts payable liability upon receipt of services or when accepting title to goods, whether delivered or in-transit by crediting accounts payable. Amounts recorded as accounts payable will be supported by adequate evidence of the existence of the liability (e.g., purchase order or contract and proof of receipt) and the terms upon which payment is to be made. VA will estimate accounts payable when amounts are not available at the end of the accounting period. Refer to Appendix A for the various methodologies used by VA's Administrations to determine reasonable estimates for the accounts payable, including the documentation required to support the estimates.

B. VA will recognize a liability by constructive or de facto receipt by crediting accounts payable when formal acceptance of the products by the Government is not the determining factor for accounting recognition. For facilities or equipment constructed or manufactured by contractors or grantees according to agreements or contract specifications, amounts recorded as payable will be based on an estimate of work completed under the contract or the agreement. The estimate of such amounts will be based primarily on the Federal entity's engineering and management evaluation of actual progress of performance and incurred costs.

C. VA will record a liability when amounts are sent to Treasury for the purpose of making the benefit payments rather than using the acceptance of title or de facto receipt recognition criteria, outlined above, which are irrelevant to benefit transactions.

030502 ACCOUNTING AND RECORDING ACCOUNTS PAYABLE.

A. VA will record the liability transaction in the appropriate accounts payable detail SGL account. The detail SGL accounts are then rolled up into SGL 2110, Accounts Payable for reporting. Various detail accounts payable SGLs are used for recording the various types of accounts payable, to include Federal (detail SGL 2110), Other than Federal (detail SGL 2111), etc.

1. VA will debit the accounts payable account after payments are made upon invoice receipt.

2. VA will ensure the accounts payable amount is sufficient to cover final acceptance for services or performance on a contract or order until liquidated through proper payment.

B. VA will cancel any balances in accounts payable when an appropriation account is closed. VA will reinstate any legitimately incurred obligations that have not been paid at the time an appropriation is canceled. VA will pay the amounts out of a current unexpired appropriation that is available for obligation for the same purpose as the closed account. See Volume VI, Chapter 19, *Accounts Payable from Cancelled Appropriations*, for more information.

C. VA will make adjustments to the appropriate accounts payable detail SGL account when necessary. VA will debit the account when it is deemed the amounts are no longer needed to be paid. This may include an error in the amount recorded, an adjustment to an initial estimate relief of payment or other situation.

#### **030503 FINANCIAL REPORTING AND DISCLOSURE FOR ACCOUNTS PAYABLE.**

A. VA will report all amounts owed for goods or services on the balance sheet. Goods and services received from Federal entities will be represented as intra-Governmental transactions, which are reported separately from amounts owed to the public.

B. VA will disclose accounts payable not covered by budgetary resources, if applicable, according to OMB Circular A-136. Accounts payable not covered by budgetary resources may include liabilities owed from cancelled appropriations.

#### **0306 DEFINITIONS**

030601 Accounts Payable. The amounts owed by the reporting entity for goods and services received from other entities, progress in contract performance made by other entities and rents due to other entities. The majority of VA's accounts payable, as shown on the face of the balance sheet, are public liabilities vs. intra-Governmental.

030602 Intra-Governmental Liabilities. A claim against VA by other Federal entities. The liabilities are reported separately from claims against VA by non-Federal entities.

030603 Liability. A probable future outflow or other sacrifice of resources as a result of past transactions or events. A liability may represent assets owed for goods received, services received, assets acquired, construction performed (regardless of whether invoices have been received), amounts received but not yet earned or other expenses incurred but not paid.

030604 Liabilities Covered by Budgetary Resources. Liabilities incurred that are covered by realized budgetary resources as of the balance sheet date. Budgetary resources encompass not only new budget authority but also other resources available to cover liabilities for specified purposes in a given year. Available budgetary resources include: (1) new budget authority, (2) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year, (3) spending authority from offsetting collections (credited to an appropriation or fund account) and (4) recoveries of unexpired budget authority through downward adjustments of prior year obligations. Liabilities are considered covered by budgetary resources if they are to be funded by permanent indefinite appropriations that have been enacted and signed into law and are available for use as of the balance sheet date, provided that the resources may be apportioned by OMB without further action by Congress and without a contingency having to be met first.

030605 Liabilities Not Covered by Budgetary Resources. Liabilities that are not considered to be covered by budgetary resources as provided in the above definition.

030606 Public Liabilities. A claim against VA arising from transactions with non-Federal entities.

030607 Recognize. The process of formally reporting a dollar amount on the face of the basic financial statements.

### **0307 RESCISSIONS**

None required.

### **0308 QUESTIONS**

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

VHA	VHA Accounting Policy (Outlook)
VBA	VAVBAWAS/CO/FINREP (Outlook)
All Others	OFF Accounting Policy (Outlook)

**APPENDIX A**

**METHODOLOGIES USED TO ESTIMATE ACCOUNTS PAYABLE**

Specific methodologies used by VA's Administrations for estimating accounts payable will be inserted here when provided to the Office of Financial Policy upon completion of a working group initiative.