

VA Financial Policies and Procedures
Quarterly Financial Statements

CHAPTER 3

0301 OVERVIEW	2
0302 POLICIES	2
0303 AUTHORITY AND REFERENCES	3
0304 ROLES AND RESPONSIBILITIES	3
0305 PROCEDURES	3
0306 DEFINITIONS.....	5
0307 QUESTIONS	6

0301 OVERVIEW

The Department of Veterans Affairs (VA) is required to prepare and submit to the Office of Management and Budget (OMB) three quarterly and interim unaudited financial statements, the Trial Balance, Statement of Net Costs and Statement of Budgetary Resources, without notes. This requirement is in addition to the reports submitted to OMB for the purpose of monitoring budget execution. The content and form are prescribed by OMB Circular A-136 for annual and quarterly reporting.

This chapter provides the policies and procedures relating to the preparation and submission of VA's quarterly financial statements. The policies and procedures conveyed herein stress the need for strict adherence to the prescribed submission dates, since these submissions affect various VA reporting requirements.

0302 POLICIES

030201 VA's quarterly financial statements will include all accounts under VA's control, including appropriation, trust, special and revolving funds.

030202 VA's quarterly financial statements must be prepared under an effective system of internal control from the balances derived from VA's General Ledger, commonly referred to as the Financial Management System (FMS), in accordance with the United States Government Standard General Ledger ([USSGL](#)) requirements.

030203 VA's quarterly financial statements must be prepared in accordance with generally accepted accounting principles ([GAAP](#)) and the form and content requirements of [OMB Circular A-136, Financial Reporting Requirements](#). GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board ([FASAB](#)), which is the official standard-setting body for the Federal Government.

030204 VA's quarterly financial statements will be supported by adequate documentation, including crosswalks.

030205 VA's quarterly financial statements will be prepared on a consistent basis from period to period. Where significant changes are made in accounting classifications or other concepts underlying them that significantly impair comparability, the effects of the changes will be disclosed.

030206 Much of the substantive testing performed by VA's financial statement auditors will be accomplished around the quarterly statements and the underlying documentation. VA will create footnotes as of June 30th.

0303 AUTHORITY AND REFERENCES

- 030301 [Chief Financial Officers Act of 1990, Public Law 101-576](#)
- 030302 [OMB Circular A-123, Management's Responsibility for Internal Control](#)
- 030303 [OMB Circular A-127, Financial Management Systems](#)
- 030304 [OMB Circular A-136, Financial Reporting Requirements - Revised](#)
- 030205 [Federal Accounting Standards Advisory Board \(FASAB\) Pronouncements](#)

0304 ROLES AND RESPONSIBILITIES

030401 The Assistant Secretary for Management/Chief Financial Officer (CFO), as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309, oversees all financial management activities relating to the Department's programs and operations. 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.

030403 CFOs within the Veterans Health Administration (VHA), Veterans Benefits Administration (VBA) and National Cemetery Administration (NCA), Fiscal Officers and Accounting Chiefs will submit all requisite information to the OF to support the preparation and submission of the quarterly financial statements, including analysis of variances with prior submissions.

030404 The Office of Finance (OF) is responsible for all external financial reporting and provides guidance and timelines to agency CFOs, Fiscal Officers and Accounting Chiefs on the steps needed to complete the quarterly financial statements.

0305 PROCEDURES

030501 To ensure the accuracy of the quarterly financial statements, OF will:

- A. Develop and implement a schedule to manage the preparation of the quarterly financial statements to ensure that it incorporates all required information and meets completion timeframes.

- B. Ensure the data comprising the quarterly financial statements is drawn from the information contained in FMS and the Management Information Exchange (MINX) reporting system.¹
- C. Require that adequate work papers and documentation are prepared and maintained to support the flow of numbers from FMS and the MINX.²
- D. Document all adjustments to amounts derived from FMS and obtain explanations of significant variances noted.
- E. Reconcile internal records with data from outside sources, such as reports from the Department of the Treasury, in a timely manner.
- F. Review the numbers for reasonableness, including a comparison against prior-year amounts and analyze and document all significant variances.

030502 VA will submit the quarterly financial statements to OMB no later than 21 days after the end of each of the first three quarters of each fiscal year.

030503 VA will prepare the following quarterly statements in accordance with the form and content requirements of OMB Circular A-136:

- A. Consolidated Balance Sheet, as of the last day in each applicable quarter
- B. Consolidated Statement of Net Cost, for the period through the last day in each applicable quarter
- C. Combined Statement of Budgetary Resources, for the period through the last day in each applicable quarter.

030504 VA must perform an Analysis of Significant Variances (“Fluctuation Analysis”) as a means of implementing an effective system of internal control over financial reporting that requires the careful analysis of financial statements prior to their publication or submission. VA must compare the current financial statements to the financial statements for the same period from a previous accounting period to understand significant changes that may have occurred. These significant changes are then analyzed to determine what has occurred to cause the change. This analysis can point out accounting errors, such as the failure to complete an adjusting or closing journal voucher or changes in accounting practices.

¹MINX is a Hyperion-based reporting system that automates the preparation of VA’s financial statements. MINX maintains an interface from FMS.

²Manual entries in MINX need to be reviewed to ensure they are reflected in the statements.

030505 VA must submit the results of the above variance analysis to OMB as a separate component of its quarterly financial statement submission. If a quarterly financial statement submission does not have significant variances between the comparative periods, this should be noted in the file that would otherwise contain the analysis.

030506 VHA, VBA and NCA CFOs will assist the OF with the analysis and explanation of any significant variances that relate to their areas of stewardship.

030507 VA must ensure the agency-wide, combined Report on Budget Execution and Budgetary Resources (SF-133) agrees with its Statement of Budgetary Resources (SBR). To accomplish this task, VA must perform the following:

A. Compare the current quarter's SBR and the comparable quarter's agency-wide SF-133. The Departmentwide SF-133 for VA can be found at <http://www.whitehouse.gov/omb/reports/sf133>.

B. Prior to completing the quarterly financial statements, VA must perform an analysis of significant differences between the current quarter's unaudited SBR and the current quarter's Departmentwide SF-133. VA must provide an explanation for the differences between the SBR and SF-133 for comparable line items related to budgetary resources, obligations and outlays.

C. Submit its explanation of material differences to OMB, using the format in Circular A-136 and within *45 days* after the end of each quarter. If VA does not have material differences for a given quarter, it must submit the same format but indicate that there are no material differences.

0306 DEFINITIONS

030601 Balance Sheet. Presents, as of a specific time, amounts of future economic benefits owned or managed by the reporting entity (assets), amounts owed by the entity (liabilities) and amounts that comprise the difference (net position).

030602 Report on Budget Execution and Budgetary Resources (SF-133). Fulfills the requirement in [31 U.S.C. 1511-1514](#) that the President review Federal expenditures at least four times a year. Prepared at the individual fund level, an Agency-wide SF-133 should generally agree with the Statement of Budgetary Resources.

030603 Significant Variance. The measure of materiality regarding financial statement differences between current year and prior year for the same period of time (e.g., first quarter FY 2009 vs. first quarter FY 2008). The following significant variances have been circulated to VA management as a general guide for this type of analysis:

- Balance Sheet – 10% change from year to year and \$100 million

- Statement of Net Cost – 10% change and \$50 million
- Statement of Budgetary Resources – 10% and \$100 million
- Statement of Changes in Net Position – 10% and \$100 million.

030604 Statement of Budgetary Resources (SBR). This statement and related disclosures provide information about how budgetary resources were made available as well as their status at the end of the period.

030605 Statement of Net Cost. Provides an understanding of the net costs of each organization and each program the Government supports with taxes and other unearned monies.

0307 QUESTIONS

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

VHA
VBA
All Others

VHA Accounting Policy (Outlook)
VAVBAWAS/CO/FINREP (Outlook)
OFP Accounting Policy (Outlook)