



Department of Veterans Affairs

Financial Policy

Volume II

Appropriations, Funds, and Related Information

Chapter 5

Obligations Policy

Approved:

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0501 Overview

This chapter establishes the Department of Veterans Affairs' (VA) financial policies for establishing, maintaining, and reconciling obligations. Appropriation acts represent the legal authority granted by Congress to incur obligations and to make disbursements for the purpose, time, and amounts specified in the acts.

Key points covered in this chapter:

- VA will obligate funds consistent with the purpose of the appropriation, within the time frames applicable to the appropriation, and within the amounts Congress has established;
- VA will implement a system of internal controls to prevent or minimize the possibility of an Anti-Deficiency Act (ADA) violation;
- VA will perform reconciliations of open obligations and record adjustments, as necessary, so that obligation and expenditure amounts are accurately reported on VA's financial statements;
- Obligations aged beyond 90 days of the period of performance end date or without activity in the past 90 days are considered stale obligations and must be reviewed and de-obligated. An exemption can be made if the initiating service can support that the obligations are valid and should remain open; and
- If the period of performance has expired and the obligation is valid, the period of performance end date must be updated.

0502 Revisions

See Appendix A for a full listing of previous revisions to this policy.

Section	Revision	Office	Reason for Change	Effective Date
0504 Roles and Responsibilities	Add Office of Financial Audit (OFA)	OFA	Implementation of the quarterly obligation monitoring requirement	September 2021
050505	Incorporate quarterly monitoring requirement by OFA	OFA	Implementation of the quarterly obligation monitoring requirement	September 2021
Appendix F	Removed Section 2, quarterly review of the Expenditure Pace report	OFA	Implementation of the quarterly obligation monitoring requirement	September 2021

Section	Revision	Office	Reason for Change	Effective Date
Appendix H	Incorporate procedures for the quarterly obligation monitoring report	OFA	Implementation of the quarterly obligation monitoring requirement	September 2021
050505	Allow the quarterly review for obligations with lengthy acquisition lead times	VHA	For clarification	May 2021
0503 Definitions	Update definitions to align with Office of General Counsel (OGC) review	OGC	For clarification	December 2020
050506 and 050507	Clarify that de-obligations must be done in accordance with standard contracting methods	OGC	For clarification	December 2020
Appendix B	Update FMS standard numbering chart and examples	OFP (047G)	Requested by VHA Procurement	December 2020
Appendix C	Incorporate standard numbering for iFAMS	OFP (047G)	Implementation of iFAMS	December 2020
Appendix F	Incorporate requested edits from OGC and VHA Procurement	OFP (047G)	For clarification	December 2020
Various	Reformatted to new policy format and completed five-year update	OFP (047G)	Reorganized chapter layout	October 2020
Appendix B: Severable Service Contracts	Removed	OFP (047G)	Content was moved to Vol II Ch 7 – Various Appropriations Law Topics	October 2020

0503 Definitions

Accounting Period – The period in which a transaction is established in the general ledger.

Adjustment – An accounting entry that corrects or modifies general ledger account balances, including subsidiary records. An adjustment is based on proper research and has required documentation to support the modification.

Allotment – Subdivisions of apportionments that are made by either the Secretary or another authorized employee to his/her subordinates.

Apportionment – Distributions made by OMB of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, programs, activities, projects, objects, or any combination of these. The apportioned amount limits the obligations that may be incurred. An apportionment may be further subdivided by an agency into allotments, sub-allotments, allowances, and sub-allowances.

Appropriation – Provisions of law enacted by Congress, authorizing the federal agency to incur obligations and make payments for a given purpose. Usually, but not always, an appropriation provides budget authority.

Cancelled Appropriation – An account for which any remaining balances are withdrawn (closed or cancelled) or are not available for obligation or expenditure for any purpose. An appropriation becomes “closed” five years after the end of its period of availability as defined by the applicable appropriations act. Also referred to as a “Closed” Appropriation.

Closed Account – A fund account for which obligated and unobligated balances have been withdrawn and cancelled. Any funds remaining in a closed account are returned to the Department of Treasury (31 U.S.C § 1552 and §1553).

Current Appropriation – An appropriation whose availability for new obligations has not expired under the terms of the applicable appropriations act.

Deficiency Appropriation – An appropriation made to pay obligations for which sufficient funds were not available at the time the obligations were incurred. The need for deficiency appropriations often results from violations of the ADA and can be made in the same fiscal year as the over-obligated appropriation or in a later year.

Delivered (Accrued) Orders – Unpaid – Occur when goods and services are ordered and obligated and have been received, but payment has not been made.

De-obligation – A cancellation or downward adjustment of previously incurred obligations. De-obligated funds may be re-obligated within the period of availability of the appropriation and/or reapportionment. For example, annual appropriated funds may be re-obligated in the fiscal year in which the funds were appropriated, while multi-year

or no-year appropriated funds may be re-obligated in the same or subsequent fiscal years. Funds made available due to a previous year de-obligation must be identified as prior year recoveries and authorized through an apportionment to become part of the current year's budgetary resources. See VA Financial Policy Volume II, Chapter 9 – Prior Year Recovery, for additional information.

Direct Obligation – An obligation financed by appropriations, in contrast to reimbursable obligations.

Expired Appropriation – An appropriation whose period of availability for new obligations has expired, but which retains its fiscal identity and is available for recording, adjusting, and liquidating open or unliquidated obligations properly chargeable to the original appropriation.

Initiating Service – For the purposes of this policy, the initiating service is the term used to encompass the individual or program office that initiated the request for the obligation, such as the contracting officer's representative (COR), requesting office, customer, requirement submitter, and program office representative.

Multiple-Year Appropriation (Multi-year) – Budget authority available for a fixed period of time in excess of one fiscal year. This authority generally takes the form of two-year, three-year, and so forth availability but may cover periods that do not coincide with the start or end of a fiscal year. For example, the authority may be available from July 1 of one fiscal year through September 30 of the following fiscal year, a period of 15 months. This latter type of multiple-year authority is sometimes referred to as "forward funding."

No-Year Appropriation – Budget authority that remains available for obligation for an indefinite period of time. A no-year appropriation is usually identified by language such as "to remain available until expended."

Obligation – A legally binding agreement that will result in outlays, immediately or in the future. An obligation is a legal liability of the Government against an available appropriation.

One-Year (Annual) Appropriation – Budget authority available for obligation during a specific fiscal year that expires at the end of that fiscal year. It is also known as "fiscal year" or "annual" budget authority.

Period of Availability – The period of time for which appropriations are available for obligation. If funds are not obligated during their period of availability, then the funds expire and are generally unavailable for new obligations.

Reconciliation – A systematic and periodic process comparing two or more different sets of related records, explaining variances, and identifying needed adjustments to ensure the accuracy and validity of the financial transactions.

Reimbursable Obligation – An obligation financed by offsetting collections credited to an expenditure account in payment for goods and services provided by that account.

Stale Obligation – an obligation that is aged beyond 90 days of the period of performance end date or without activity in the past 90 days. Activity within 90 days may include an invoice received for services occurring prior.

Supplemental appropriation – An appropriation that provides additional appropriations to cover additional obligations to meet needs identified by the executive branch and concurred in by Congress in advance of the obligational event.

Unauthorized commitment – A purchase made by a Government representative who lacks the authority to bind the Government or who exceeds his or her warranted authority for purchases made that are not in accordance with Federal Acquisition Regulations or the VA Acquisition Regulation.

Undelivered Orders – Supplies and services that have been approved and awarded on an obligation but have not been delivered to or accepted by the government. This includes any orders for which advance payment has been made, but delivery or performance has not yet occurred.

Unrecorded obligation – An obligation that has been properly entered into for the procurement of services, supplies or equipment by a person with purchasing authority, but has not been recorded by the respective finance office in the accounting system of record.

0504 Roles and Responsibilities

Under Secretaries, Assistant Secretaries, Other Key Officials, Administration and Staff Office CFOs, and Fiscal Officers are responsible for establishing a system of internal controls and monitoring to ensure appropriations are spent in accordance with the Congressional intent and limits.

Office of Management, Office of Budget (OB) provides guidance and support to the Department's Administrations and Staff Offices on matters relating to budget formulation and execution. OB serves as the primary liaison with the Office of Management and Budget (OMB) and relevant congressional committees. OB also obtains apportionments from OMB and issues Financial Management Allowances and Transfer of Disbursing Authority documents.

Financial Services Center (FSC) is responsible for coordinating any changes to the standard obligation numbering schema with the Administrations and Staff Offices.

Finance Offices are responsible for performing reconciliations and providing oversight of open obligations to ensure funds are expended appropriately and proper amounts are reflected in VA's financial statements. This includes coordinating with the local staff and acquisition offices to modify contracts necessary for adjustments to obligations.

Acquisition Offices are responsible for awarding contracts in accordance with the Federal Acquisition Regulation and applicable laws and providing supporting documentation to the finance offices to record the obligation in VA's Accounting System. Acquisition staff, in conjunction with local field staff and finance offices, are also responsible for executing timely contract modifications for contract close-out, period of performance date extensions, de-obligation of unused funds and other administrative or performance requirements, in support of timely adjustments to open obligations. For the purposes of this policy, acquisition office is the term used for Contracting or Procurement Offices.

Office of Financial Audit (OFA) is responsible for preparing and distributing the quarterly list of obligations identified for review and validation by Administrations and Staff Offices.

0505 Policies

050501 General Policies

- A. Article 1, Section 9 of the Constitution gives Congress the "power of the purse" by stipulating that "no money shall be drawn from the Treasury, but in consequence of appropriations made by law." 31 United States Code (U.S.C.) 1301(a) states that public funds may only be used for the purpose(s) for which they were appropriated.
- B. 31 U.S.C. 1341, Limitations on expending and obligating amounts, and 31 U.S.C. §1517, Prohibited obligations and expenditures, are commonly known as the Anti-Deficiency Act, and serve as the foundation for the government's administrative control of funds.
- C. The Anti-Deficiency Act prohibits executive branch agencies from operating at a level that is above and beyond what the Congress has authorized in its enacted appropriations.
- D. There are additional guidelines for obligations related to printing and reproduction. See Acquisition of Printing and Related Supplies information from the Office of Acquisition and Logistics (OAL), and VHA Directive 1118, Printing and Reproduction Management.

050502 Appropriations

- A. When Congress passes appropriation laws, the Office of Budget (OB) submits apportionment requests to OMB for annual, multiple year, and no-year appropriations. Once an apportionment request is submitted, VA has an automatic 30-day prorated amount available. OB relays these authorities to the FSC for funds control entries in VA's accounting system.
- B. Once an apportionment is approved, OB develops allotment documents to transfer disbursing authority of appropriated funds to the Administrations and Staff Offices for obligation. VA Financial Policy Volume II, Chapter 2, VA's Budget Cycle and Fund Symbols contains detailed information on the budget cycle, to include appropriation, apportionment, allotment, and sub-allotment topics.
- C. Appropriated funds will be obligated consistent with fiscal restrictions on federal spending. VA may obligate and expend appropriations only for the specific purpose for which the appropriation was made and within the time limits applicable to the appropriation. VA may not obligate more than the amount appropriated by Congress.
- D. The Anti-Deficiency Act requires federal agencies to use appropriated funds in the manner intended by Congress. See VA Financial Policy Volume II, Chapter 3 – VA Fund Control and VA Financial Policy Volume II, Chapter 7, Various Appropriations Law Related Topics for detailed information on the ADA and ADA Violations.
- E. There are three phases of an appropriation lifecycle. Phases 1 and 2 are reported to Treasury and the Office of Management and Budget; Phase 3 is not.
 - Phase 1 Current: The appropriation is available for obligation.
 - Phase 2 Expired: The period of availability for new obligations has ended. Only liquidations or certain adjustments to previously incurred obligations are permitted. Refer to Government Accountability Office (GAO) Redbook Chapter 5, Availability of Appropriations: Time, B. The Bona Fide Needs Rule, #6, Replacement Contracts.
 - Phase 3 Cancelled: The funds are closed and may not be used for any purpose.

050503 Classifying Obligations

- A. There are two types of obligations: Reimbursable and Direct. In general, reimbursable obligations are those financed by offsetting collections received in return for goods and services provided and direct obligations are funded by appropriations.
 1. Reimbursable Obligations are:
 - Obligations in non-credit revolving or liquidating accounts;

- Obligations financed by offsetting collections (i.e., the receipt of cash for goods or services delivered); or
 - Obligations financed from offsetting collections from other Federal Government accounts where the collections are for a jointly funded grant or project.
2. Direct Obligations are:
- Obligations in credit programs and liquidating accounts (See VA Financial Policy Volume V, Chapter 7, Loans Receivable, for detailed information);
 - Obligations that are not financed from offsetting collections and where the account is not a revolving fund; or
 - Obligations financed from offsetting collections from non-exchange transactions (e.g., donations, refunds).
- B. Refer to OMB Circular A-11, Section 83.5, for more information regarding direct and reimbursable obligations.

050504 Obligation of Funds

- A. VA will ensure that funds are available to cover the obligation and expenditure prior to entering into an agreement. This includes verifying prior year funds are sufficient in expired year appropriations before making upward adjustments to obligations.
- B. The amount of an obligation may be estimated when the exact amount cannot be determined at the time the obligation is incurred. Appropriate obligation adjustments must be recorded in the financial system as information becomes available.
- C. VA will record obligations, in accordance with OMB Circular A-11, Preparation, Submission, and Execution of the Budget.
- D. 31 U.S.C. § 1104, Budget and appropriations authority of the President, requires the President's Budget to present obligations by object class for each account. Object classes are categories in a classification system that present obligations by the items or services purchased by the Federal Government.
- E. VA will adhere to the major object class, as published in Section 83 – Object Classification, of:
- 10 – Personnel compensation and benefits
 - 20 – Contractual services and supplies
 - 30 – Acquisition of assets
 - 40 – Grants and fixed charges
 - 90 – Other

Refer to VA Financial Policy Volume XIII, Chapter 2, Budget Object Class Codes, for additional information.

- F. VA will use a standard numbering schema for obligations to aid in identification and payment processing of invoices.
1. The standard numbering schema evolved from the requirement to match invoices with an appropriate receiving report in the payment system. The system's design requires a unique, but standardized numbering schema to facilitate the centralized processing of related payments.
 2. Refer to Appendix B (FMS) and Appendix C (iFAMS) for more information on the standardized numbering scheme.
- G. VA Finance Staff will:
1. Record each obligation in VA's Accounting System within the monthly accounting period in which the obligation event occurs;
 2. Record an amount as an obligation only when supported by documentary evidence;
 3. Process valid adjustments to obligations upon receipt of invoices;
 4. In accordance with OMB A-11, Preparation, Submission, and Execution of the Budget, process accounting system contract modifications (upward and downward adjustments) received from acquisition offices.
 5. VA will record an undelivered order as unpaid or prepaid/advanced, as required by the Department of the Treasury and OMB Circular A-136, Financial Reporting Requirements.

050505 Periodic Review of Open Obligations

- A. Open obligations include those obligations that are not considered closed or complete and have a balance associated with them, whether undelivered or unpaid.
- B. All finance offices with open obligations will perform monthly reviews and reconciliations to ensure that their obligations, to include undelivered orders (UDOs) and delivered unpaid obligations, are valid.

Obligations with lengthy acquisition lead times (e.g., software product development, high-tech medical equipment, or construction design contracts) can be reviewed quarterly. The quarterly review must validate that the obligations have legitimate lengthy periods of inactivity during the period of performance, which would not require an adjustment to the obligation.

- C. In addition to the monthly reviews and reconciliations, finance offices will comply with the procedures in Appendix H for the quarterly review and close-out of obligations identified by the Office of Financial Audit.
- D. All VA offices will review both current year and prior-year obligations.
- E. Open obligations (non-travel related) should be reviewed by the finance offices, in coordination with the individual or program office that initiated the request for the obligation (hereafter referred to as the initiating service) to ensure that:
- Period of performance dates are correct, (i.e., beginning and ending dates are accurate);
 - Open balances are accurate and agree with source documents, (i.e., contracts and purchase orders, receiving reports, invoices, and payments);
 - Obligations aged beyond 90 days of the period of performance end date or without activity in the past 90 days are valid and should remain open; The line of accounting is proper;
 - The accrual flag is set appropriately; and
 - Proper accruals have occurred.
- F. When an open obligation requiring adjustment is identified, the initiating service will:
- For obligations originating from an acquisition office, submit a contract modification request to the contracting officer. Appendix F (FMS) and Appendix G (iFAMS) contains procedures for reconciling UDOs for VHA;
 - For non-contractual obligations (i.e. those that did not originate from an acquisition office), adjust the obligations accordingly.
- G. Travel obligations should be reviewed and reconciled per VA Financial Policy Volume XIV, Chapter 1 – Travel Administration.
- H. See Appendix D (FMS) and Appendix E (iFAMS) for the reports used in VHA's monthly review of open obligations.

050506 Stale Obligations

- A. Obligations that were not established by a contracting officer (e.g. training obligations, regulated utilities, tort claims / EEO settlements, etc.) that are aged beyond 90 days of the period of performance end date or without activity in the past 90 days are considered to be stale obligations and must be de-obligated unless the initiating service can prove that the obligations are valid and should remain open.
- B. Obligations that were established by a contracting officer aged beyond 90 days of the period of performance end date or without activity in the past 90 days are considered stale obligations. The initiating service will coordinate necessary actions to de-obligate funds with the logistics and acquisition offices. Potential actions include but are not limited to the following:

1. If goods have been received but no receiving action has been initiated, the initiating service will contact Logistics and request that they process the receiving action.
 2. If goods have been received and receiving action has been processed but no invoice has been received, the initiating service will contact the vendor to request an invoice.
 3. If services have been provided but no invoice has been received, the initiating service will follow up with vendor to request an invoice
 4. If goods or services have not been received, the initiating service will determine if the goods or services are still needed.
 - a. If goods and services are no longer needed, the initiating service will notify the contracting officer so that the contracting officer completes a termination for convenience or modification to the contract / order and adjusts the obligation accordingly.
 - b. If the goods or services are still required, the initiating service will request that the contracting officer follow up with the vendor to determine the reason for non-receipt and obtain an updated delivery/performance date.
 - c. If the goods and services have been received, but the vendor failed to bill in accordance with the contract terms, the initiating service will request the contracting officer follow up with the vendor to determine the reason for the non-compliant billing and take appropriate action.
- C. Evidence of the need to have a stale obligation remain open must indicate that the goods/services are still required and contain the expected delivery or performance date.
- D. Documentation of actions taken to address stale obligations must be retained for audit and management review.

050507 Adjustments to Obligations

- A. VA will adjust an obligation when:
1. A contract/order is cancelled, VA will de-obligate the remaining balance on the obligation.
 2. A contract/order is modified, VA will appropriately de-obligate or obligate funds.

3. If funds remain on the obligation after the delivery and the initiating service has confirmed acceptance of all goods and / or services and that all invoices have been received and paid, the acquisition office will modify the contract / order to reflect the final cost / quantity of the goods and / or services, and decrease the remaining funds on the obligation.
- B. VA will record obligation adjustments within the current accounting period when the need for the adjustment is identified to ensure that the net obligated balance, in the financial statements, is properly reported.
- C. Adjustments should ensure balances accurately reflect expected outlays.
- D. VA will verify that sufficient funds exist before making upward adjustments to obligations.
1. Adjustments to current obligations: If the amount of an upward adjustment exceeds the balance available in a current appropriation, the adjustment may only be made pursuant to a supplemental or deficiency appropriation, or other congressional action.
 2. Adjustments to obligations in an expired year appropriation: If the amount of an upward adjustment exceeds the balance available in an expired appropriation at the VA level, the adjustment may only be made pursuant to a supplemental or deficiency appropriation or other congressional action.
 3. Adjustments to obligations in a canceled year appropriation: Legitimate obligations not previously obligated or adjusted may only be charged to an unexpired appropriation available for the same purpose as the closed or canceled appropriation. Refer to VA Financial Policy Volume VI, Chapter 19, Accounts Payable in Closed Appropriation Accounts, for additional information on the payables and limitations.
- E. Refer to VA Financial Policy Volume II, Chapter 7 - Various Appropriations Law Related Topics, and VA Financial Policy Volume II, Chapter 9 – Prior Year Recoveries.
- F. At the end of each fiscal year or end of the period of availability, VA will de-obligate remaining balances for reimbursable obligation transactions authorized by the Economy Act, 31 U.S.C. 1535, Agency agreements. As per the Economy Act and OMB A-11, Section 20.12, the obligation is limited by the statutory requirement to the amount that the agency or unit filling the order has provided goods or services or incurred obligations (have authorized contracts or purchase orders) before the end of the period of availability of the ordering appropriation. Economy Act obligations (orders) may not be carried over into the following fiscal year based on the severable services contract authority. Refer to VA Financial Policy Volume I Chapter 11A, Buy / Sell Transactions, for additional information on the Economy Act and related procedures.

050508 Unrecorded Obligations

- A. When an unrecorded obligation is identified, it must be researched and recorded promptly (i.e., within the accounting period the transaction was identified).
- B. Prior to recording the obligation, the finance office will:
 - 1. Ensure the obligation was properly approved by the acquisition office (unless it was for a non-contractual related transaction, as those do not require action by the acquisition office); and
 - 2. Determine if the obligation was processed in the accounting system under a different document number.

050509 Unauthorized Commitments

- A. VA will follow the procedures for ratification of unauthorized commitments and subsequent obligation as outlined in the VA Acquisition Regulation, Section 801.602-3, Ratification of unauthorized commitments, and VA Directive and Handbook 7401.7, Unauthorized Commitments and Ratification.
- B. VA will not pay invoices that are received on an unauthorized commitment until the order has been ratified. The initiating service will send a notification to the vendor notifying them of their rights for unauthorized commitments that are not ratified.
- C. For unauthorized commitments that have been ratified in accordance with VA policy, an obligation will be established using the funds from the fiscal year that the unauthorized commitment occurred. VA will verify availability of funds (in the applicable appropriation) before establishing the obligation.
- D. Current year funds may be used for unauthorized commitment obligations that:
 - Occurred in the current fiscal year; or
 - For obligations that occurred related to a closed appropriation that would have been properly charged, both as to purpose and in amount, before closing and that are not otherwise chargeable to any other appropriation, in accordance with 31 U.S.C. 1553, Availability of appropriation accounts to pay obligations.

050510 Documentation Requirements

- A. VA will ensure obligations are supported by sufficient detail (documentary evidence), as established in 31 U.S.C. 1501, Documentary evidence requirement for Government obligations. Such evidence will provide a clear audit trail and

substantiate the validity of the obligation. Evidence such as purchase orders and contracts will be retained to provide proof that obligations were properly authorized and represent legitimate claims.

- B. Required monthly reconciliations of open obligations will be documented and retained per VA Financial Policy Volume I, Chapter 6 – Reconciliations.
- C. VA will comply with National Archives and Records Administration (NARA) General Records Schedule for financial management and reporting records.

0506 Authorities and References

[Article 1, Section 9 of the Constitution](#)

[31 U.S.C. § 1104, Budget and appropriations authority of the President](#)

[31 U.S.C. § 1301, Application of Appropriations \(also known as the Purpose Statute\)](#)

[31 U.S.C. § 1341, Limitations on Expending and Obligating Amounts](#)

[31 U.S.C. § 1553, Availability of appropriation accounts to pay obligations](#)

[31 U.S.C. § 1501, Documentary Evidence Requirement for Government Obligations](#)

[31 U.S.C. 1517, Prohibited Obligations and Expenditure](#)

[31 U.S.C. 1535, Agency Agreements \(Economy Act\)](#)

[Federal Acquisition Regulation](#)

[Franchise Fund Support Program Office](#)

[FY2018 Omnibus Bill, Public Law 115-141](#)

[GAO Redbook](#)

[Governmentwide Treasury Account Symbol Adjusted Trial Balance System \(GTAS\)](#)

[National Archives and Records Administration \(NARA\) General Records Schedule](#)

[OMB Circular A-11, Preparation, Submission and Execution of the Budget](#)

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

[Treasury Financial Manual Volume I Part 2 Chapter 4200 Agency Reporting on](#)

[Unexpended Balances of Appropriation Accounts](#)

[Treasury US Standard General Ledger](#)

[VA Acquisition Regulation](#)

[VA Acquisition Regulation, Section 801.602-3, Ratification of unauthorized commitments](#)

[VA Directive and Handbook 7401.7, Unauthorized Commitments and Ratification](#)

[VA Mission Act of 2018](#)

[VA Financial Policy Volume I, Chapter 6 – Reconciliations](#)

[VA Financial Policy Volume I Chapter 11A, Buy / Sell Transactions](#)

[VA Financial Policy Volume II, Chapter 2, VA's Budget Cycle and Fund Symbols](#)

[VA Financial Policy Volume II, Chapter 3 – VA Fund Control](#)

[VA Financial Policy Volume II, Chapter 5A – Commitments](#)

[VA Financial Policy Volume II, Chapter 7, Various Appropriations Law Related Topics](#)

[VA Financial Policy Volume II, Chapter 9 – Prior Year Recovery](#)

[VA Financial Policy Volume VI, Chapter 19, Accounts Payable in Closed Appropriation Accounts](#)

[VA Financial Policy Volume XIII, Chapter 2, Budget Object Class Codes](#)

[VA Financial Policy Volume XIV, Chapter 1 – Travel Administration](#)

0507 Rescissions

VA Financial Policy Volume II, Chapter 5 – Obligations Policy, September 2018

0508 Questions

Questions concerning these financial policies should be directed to the following points of contact:

VHA

VHA 10A3A Accounting Policy (Outlook)

VHA
VBA
VBA
NCA
All Others

VAFSC Nationwide Accounting (Outlook)
VAVBAWAS/CO/FINREP (Outlook)
VAVBAWAS/CO/OPERATIONS (Outlook)
NCA Financial Policy Group (Outlook)
OFP Accounting Policy (Outlook)

Appendix A: Previous Policy Revisions

The previous policy versions prior to this update were in a different numerical and sequential format. Sections have been moved, revised, and removed in the updated version. Contact the Office of Financial Policy for specific questions on the history of revisions to this policy, or to obtain copies of archived versions.

Section	Revision	Office	Effective Date
Previous section 050206	Added Obligate and Pay methodology for VHA Community Care funds beginning in Fiscal Year 2019	OFP (APS)	September 2018
Appendix F (previously Appendix D)	Enhance procedures for reconciliation of open obligations	OALC	August 2018
Appendix B (previously Appendix A)	Added Standard Numbering for funds 0140, 0172, and 1123	OFP (047G)	July 2018
Appendix F (previously Appendix 050502)	Revised Procedures for reconciliation of open obligations	OFP (047G)	January 2018
Appendix F (previously Appendix D)	Added Appendix F with procedures for reconciling UDOs.	OFP (047G)	January 2018
050201.02 (Removed in current policy version)	Revised to clarify the finance officer has ultimate responsibility to determine proper fiscal year's funds to use for severable service contracts crossing fiscal years.	APS (047GA)	May 2014
050501 (Removed in current policy version)	Revised to allow alternative methods for providing funds assurance, e.g. a digitally signed email, or an approved, funded project plan signed by the appropriate budget officer.	APS (047GA)	May 2014

Section	Revision	Office	Effective Date
Overall (Removed in current policy version)	Information from original Vol II Ch 5 <i>Policy on Obligating Printing</i> , moved to Appendix and chapter renamed. Sections and hyperlinks updated.	APS (047GA)	September 2012
0501 Overview	Included information from Vol II Ch 1, <i>General Information</i> , 0101 Overview, and GAO Budget Glossary. Updated ADA information in accordance to law and deleted reference to allotment and sub-allotment.	APS (047GA)	September 2012
0502 Policies	Included information from Vol II Ch 1, <i>General Information</i> , and Vol II Ch 7A, <i>Severable Service Contracts Crossing Fiscal Years</i> .	APS (047GA)	September 2012
050201 E Adjustments	Additional information on adjustments for expired and canceled year appropriations.	APS (047GA)	September 2012
050201 F and 050501 E, Economy Act Orders	New information for economy act orders (obligations).	APS (047GA)	September 2012
050201.02 Severable Service Contracts	Updated to clarify guidance.	APS (047GA)	September 2012
050202 Undelivered Orders	New section and information.	APS (047GA)	September 2012
050203 Delivered Orders	New section and information.	APS (047GA)	September 2012
050204 and 050502 Reconciliation	New section and information.	APS (047GA)	September 2012
Appendix A	Standard Numbering Schema from Vol II Ch 1, <i>General Information</i> .	APS (047GA)	July 2013
Appendix B	Severable Service background information from Vol II Ch 7A, <i>Severable Service Contracts Crossing Fiscal Years</i> .	APS (047GA)	September 2012

Section	Revision	Office	Effective Date
Appendix C (removed in current policy version)	Obligations for Printing, moved from chapter to appendix.	APS (047GA)	September 2012

Appendix B: FMS Standard Numbering Schema for Obligations

- A. This appendix provides the standard numbering schema for obligations, to include purchase card.
- B. The following standard numbering schema will be used for the appropriations and types of transactions indicated. The three-digit numeric station number will precede the standard number. Note: In the past many stations used specific designations, such as an 8 or 5 for prime vendor in the third digit to identify 1358 obligations. The 1358 sequence range of numbers allows flexibility for integrated stations to assign individual ranges of numbers within their Veterans Integrated Service Networks (VISNs) and allow the option to assign selected numbers for specific programs that utilize 1358 documents.
- C. The Standard Numbering Schema consists of a nine-digit alphanumeric code that may not be duplicated:
- The first three positions represent the station number (numeric only).
 - The fourth position consists of an alpha code that identifies the appropriation and/or document type.
 - The fifth position consists of the fiscal year of the appropriation. For no-year appropriations, the current fiscal year will be used. Recognized deviations from this standard are the Austin receivables and Imprest Fund standard numbering schema (shown below).
 - The sixth through ninth positions (or the remaining four positions) consist of a schema that further identifies the document.
- D. When a finance office requires more numbers (for a station) than available in a series, the alpha code in the fourth position may be switched with the fifth or fiscal year position. However, this should be only implemented at the point in the fiscal year when the originally assigned block is exceeded.
- E. When an administration or staff office requires an exception to the above standard numbering schema, the appropriate office will coordinate the changes with the FSC and FMS Service. For example, an administration identifies the need to use alpha characters in the sixth through ninth positions of the document number for those processed by the FSC.
1. The accounting system transactions normally include a one-digit fiscal year in the document number. Because this field is duplicated at ten-year intervals (e.g., fiscal year digit “8” is used for 1998, 2008, etc.), the FMS Service runs standard document clearing routines to remove the old documents from the system so the document number may be reused (there are exceptions to the clearing process for no-year funds).

2. For obligations, the accounting system clearing routines look for the fiscal year in a specified position of the document number (after the station number) per the standard numbering schema as outlined below. This helps to ensure the clearing routines are efficient and accurate. For actions other than obligations, FMS Service has developed non-standard clearing routines to address a particular Administration or other staff office's use of other document numbering conventions. However, these non-standard routines have complicated the clearing effort and made it difficult to ensure that all documents are cleared.
- F. VA's standard numbering schema provides a system user with the ability to recognize which station a transaction relates to and from which source the funding comes without having to review each transaction line. This standard numbering simplifies automated processes, including routing documents in financial applications and clearing aged documents by allowing business rules to be established on the basis of the numbering schema. It also makes it easier to train users on how to recognize transactions.
- G. VA administration CFOs, fiscal officers, and finance and accounting chiefs will exercise care to avoid assigning the same number to more than one document (prior to input) at a station during the fiscal year. Although VA systems will check for duplicate numbers, some processes allow for a manual assignment of a document number. In this case, preparers will ensure that the systems are checked for the next sequential document number. At the beginning of each fiscal year, the finance office will furnish its respective acquisition and logistics offices with a number series for each appropriation and fund under which it issues orders. The numbering series will be kept to an absolute minimum.
- H. For obligations other than travel and transportation, the standard numbering schema consists of subdivisions that facilitate the proper handling and categorizing of payments:
- **Non-Federal Receiving Report.** Used with non-Federal purchase order that requires a receiving report, generally queued to IPPS.
 - **Certified Invoice.** Used for non-Federal certified invoice that does not require a receiving report. Generally, the payments are processed centrally except for Community Care payments that are processed through the Community Care system.
 - **Federal Invoice.** Used with Federal requisitions. Generally, are not processed through the Intra-Governmental Payment and Collection (IPAC); these may include both services and supplies.
 - **Federal Billings (Advance Offset).** Generally processed through IPAC. Examples include Defense Logistics Agency, Office of Personnel Management, General Services Administration, and other Federal providers.

Standard Numbering Schema for FMS Obligations

Appropriation	Type	Non-Federal Receiving Report	Certified Invoice	Federal Invoice	Federal Billings
36_0152 36_0160 36_0162 36_0169 36_0172		A_0000 – A_9999	C_0000 – C_9999	B_0000 – B_4999	B_5000 – B_9999
	1358 Obligations		C_0000 – C_9999		B_5000 – B_9999
	DMLS				K_0000 – K_9999
	0160 Community Care		Y_0000 – Y_9999		
36X0160X4 CWT	CWT	L_0000 – L_4999	L_5000 – L_7999		L_8000 – L_9999
36_0140	1358 Obligations		Y_0000 – Y_9999		
36_0142		J_0000 – J_1999	J_2000 – J_4999	J_5000 – J_7999	J_8000 – J_9999
36_0151		J_0000 – J_1999	J_2000 – J_4999	J_5000 – J_7999	J_8000 – J_9999
36_0137	State Approving Agency		S_0000 – S_9999		
36_4130			N_0000 – N_9999		
36_1119 36_1120					A-0000-A_9999
36_1123		EH_000 – EH_399	EH_400 – EH_799		
	1358 Obligations		EH_800 – EH_999		
36_/_0161		D_0000 – D_1999	D_2000 – D_4999	D_5000 – D_7999	D_8000 – D_9999
36X4539		J_0000 – J_1999	J_2000 – J_4999	J_5000 – J_7999	J_8000 – J_9999

Appropriation	Type	Non-Federal Receiving Report	Certified Invoice	Federal Invoice	Federal Billings
36_0129 36_/_0129 36X0129 36_/_0130 36X5392 36X8129	1358 Obligations	J_0000 – J_4999	J_5000 – J_6999		B_5000 – B_6999
			J_7000 – J_7999		B_7000 – B_7999
36X0102H	Stations 101 or 786 only	N_0000 – N_4999	N_5000 – N_6999		
		J_0000 – J_4999	J_5000 – J_6999		B_5000 – B_6999
	Construction Projects		XN_000 – XN_999 ZN_000 – ZN_999		XN_000 – XN_999 ZN_000 – ZN_999
36X0102G		J_0000 – J_4999	J_5000 – J_6999		B_5000 – B_6999
	Construction Projects		XC_000 – XCN_999 ZC_000 – ZC_999		XC_000 – XCN_999 ZC_000 – ZC_999
36_0170		J_0000 – J_1999	J_2000 – J_4999	J_5000 – J_7999	J_8000 – J_9999
36X4537 36X4537 1VA+		G_0000 – G_1999	G_2000 – G_4999	G_5000 – G_7999	G_8000 – G_9999
36X8180	Station 101 only	H_0000 – H_1999	H_2000 – H_4999	H_5000 – H_7999	H_8000 – H_9999
36X0183	Station 101 only – 1358 Obligations	P_0000 – P_4999	P_5000 – P_7999		
36_0165		U_0000 – U_4999	U_5000 – U_7999		
36_0167 36_/_0167	1358 Obligations	S_0000 – S_2999	S_5000 – S_6999		S_8000 – S_9999
				S_3000 – S_4999	
36X0110		X_0000 – X_4999	X_5000 – X_7999		
36X0111		Z_0000 – Z_4999	Z_5000 – Z_7999		

- I. Example of a standard numbering selection: 503A10025.
- “503” is the three-digit station number code;
 - “A” represents a non-federal receiving report type of obligation from one of the applicable appropriations listed in the standard numbering table (0152, 0160, 0162, 0169, or 0172);
 - “1” represents the one-digit fiscal year 2021 in this example; and
 - “0025” is the sequential numbering selected for this obligation.
- J. Other Standard Numbering Schema. The three-digit numeric station number will precede the standard number.

1. Other Standard Numbering Schemas by Document Type:

Document Type	Numbering
No charge orders	NC0000 – NC9999
All travel and shipping (for \$250 and over) *	T_0000 – T_9999
Station Receivables	K_0000
Austin Receivables	_K0000
Imprest Fund	IF_0000
Subsistence	W_0000 – W_9999
Convenience Check Service Fees (1358 Authority Code #3)	US_001 – US_999

2. *Government Bill of Lading (GBL) or Commercial Bill of Lading (CBL) - Contact the VA Transportation and Logistics Center (VATLC) (VATLC@va.gov). Per VA Financial Policy Volume XIII, Chapter 2A Budget Object Code (BOC) Appendix B, BOC 2220, Other Shipments-Not Capitalized, “If the shipping cost exceeds the purchase order threshold of \$250, a separate purchase order must be established for the shipping cost using BOC 2220.” Per VAAR 801.670-1, individuals with only micro-purchase authority may not issue bills of lading or otherwise procure transportation services. Shipping costs estimated over \$250 (but below the micro-purchase threshold) may be made via a separate Government Purchase Card order; however, a Government Bill of Lading for the purchase must be obtained prior to the purchase using the following procedures:
- a. Send a Form 134a with the GPC holder info to vatlc@va.gov.
 - b. VATLC will issue a VCBL.
 - c. Vendor/Origin will contact carrier for pickup.
 - d. Once the shipment is complete, VATLC will receive, audit and send the GPC holder an invoice package from the carrier with contact info/instructions.
 - e. GPC holder will make payment to the carrier

For VA Form 134A and further information on Government Bill of Lading, visit the website at <https://vaww.va.gov/opal/lss/freight.asp>.

- K. Purchase Card Numbering Schema. Finance offices and facilities will use a nine-digit alpha-numeric code as a unique reference number for purchase card transactions. The standard purchase card numbering schema consists of a nine-digit alpha-numeric code that may not be duplicated.
- The first three positions of the number will consist of the numeric station number.
 - The fourth position will consist of the alpha character P, Q, or R. Finance offices and facilities will always begin with the alpha character in the fourth position. When the available combinations have been exhausted, the alpha character (fourth position) may be reversed with the fiscal year (fifth position). For VHA, because of the large volume of purchase card transactions, the alpha and fiscal year positions may be reversed.
 - The fifth position will normally consist of the fiscal year of the appropriation. For no year appropriations, the current fiscal year will be used.
 - The sixth and seventh position may be alpha or numeric characters.
 - The eighth and ninth characters are numeric. Alpha characters are not permitted in these positions.
- L. An example of a standard purchase card: 503P10025.
- “503” is the three-digit station number code;
 - “P” represents the alpha character designation for purchase card;
 - “1” represents the one-digit fiscal year 2021 in this example; and
 - “0025” is the sequential numbering selected for this obligation.
- M. Standardized Obligations Numbering Schema. These are used for allocating costs for centrally billed charges or to allow for easy identification of the obligation, such as Federal Employees Compensation Program (FECF) and National Archives Records Service (NARA).
- The first three positions represent the station number (numeric only).
 - The third position of the standardized number consists of the fiscal year.

The following table depicts examples of common standardized obligations used by VA. These are subject to change annually.

Examples of Standardized Obligations

Description	Standardized Numbering
FECF	FE2008
SHPS, Inc (Dependent Care)	DC2009
SHPS, Inc (Health Care)	HC2010
NARA	NA2001

For VHA, refer to the Franchise Fund Support Program Office, <http://vaww.franchisefund.med.va.gov/Obligations.asp>, for a complete listing. SHPS is contracted by the Office of Personnel Management (OPM) to administer the Flexible Spending Account (FSA) program.

Appendix C: iFAMS Standard Numbering Schema for Obligations

- A. This appendix provides the standard numbering schema for obligations, to include purchase card, in iFAMS.
- B. The standardized numbering schema for obligations in iFAMS does not reflect station or order identifying information (e.g. “A” for supplies or “C” for service).
 - 1. Identifying information related to the funding and organization / division code are configured in iFAMS, so the purchase order number does not need to reflect the individual station or finance office. This information is captured in the accounting line and the organizational data is used for workflow approvals.
 - 2. Instead of station and order identifying information, iFAMS uses a format string dependent on the type of order, called the document type.
- C. The variables used in the Standard Numbering Schema for Acquisitions – Itemized Orders consists of the following variables:

Variable	Variable Name	Description
%D	Document Type	The type of document.
%f	Fiscal Year	The fiscal year without the century. Appears as a two-digit number, e.g. 99 or 09.
%M	Month (Fiscal)	The Fiscal Month of the document. Appears as a two-digit number, e.g., 01 or 12. Defaults to the current accounting period.
%d	Day	The day of the month. Appears as a two-digit number, e.g. 01 or 31.
#	Sequence	The automatically generated document number.

- D. The Standard Numbering Schema for Acquisitions – Itemized Orders consists of a 14-digit alphanumeric code that may not be duplicated. The Document Type and Description for Acquisitions – Itemized Orders is listed in the table below, followed by the format string. An example of an iFAMS document is: EEO20112400001.
 - “EEO” is the document type;
 - “20” is the two-digit fiscal year;
 - “11” is the two-digit month;
 - “24” is the two-digit day of the month; and
 - “00001” is the five-digit sequential numbering selected for the obligation.

Document Type	Document Description	Format String
EEO	EEO Settlements	%D%f%M%d#####
OEE	External Obligation	%D%f%M%d#####
OFE	Fleet Card Obligation	%D%f%M%d#####
OGE	Grant Obligation	%D%f%M%d#####
OGX	Converted Grants Obligations	%D%f%M%d#####

Document Type	Document Description	Format String
OME	Miscellaneous Obligation	%D%f%M%d#####
OMX	Converted Miscellaneous Obligation	%D%f%M%d#####
OPE	Purchase Card Order	%D%f%M%d#####
OPX	Converted Purchase Card Order	%D%f%M%d#####
ORE	Internal Reimbursable Order	%D%f%M%d#####
OSE	Standard Obligation (non-acquisitions obligation)	%D%f%M%d#####
OST	Obligation with Two Levels of Approval	%D%f%M%d#####
OSX	Converted Standard Obligation (non-acquisitions obligation)	%D%f%M%d#####
OTE	Training Order	%D%f%M%d#####

E. The variables used in the Integrated Purchase Request consists of the following variables:

Variable	Variable Name	Description
F	Fiscal Year (Century)	The fiscal year with the century. Appears as a four-digit number, e.g. 1999 or 2009.
%k	AAC/DODAAC	Used to insert an AAC/DODAAC number into the format string from the AAC/DODAAC field on the New Form creation page of Acquisitions forms or from the AAC/DOCAAC specified on the User Settings.
%f	Fiscal Year	The fiscal year without the century. Appears as a two-digit number, e.g. 99 or 09.
#	Sequence	The automatically generated document number.

F. The standard numbering format for Integrated Purchase Requests is:

Document Type	Document Description	Format String
IPR	Integrated Purchase Request	F%k-%f-#####

G. FMBT develops and maintains the complete listing of standardized numbering used for document types in iFAMS. This appendix pertains to the only the document types relating to obligations. For a complete listing of standardized numbering in iFAMS, contact OFP.

H. iFAMS is configured to not allow the same number to be assigned to more than one document type.

Appendix D: FMS Reports Used in the Monthly Review of Open Obligations

- A. RSD 889B - Analysis of Open Documents Report. Currently, FMS generates the Analysis of FMS Open Documents – Detail by Document Type. The report lists the open documents, type and age with other accounting information. The report identifies open documents by type, e.g., undelivered orders, advances, and payables.
- B. F850 - Undelivered Orders Report, F854 - Verification of G/L Balances - Employee, and F855 - Verification of GL Balances Advances Federal/ Non-Federal.
- C. F851 - Verification of General Ledger Accounts Payable (Fed/Non-Fed) (Summary and Detail).
- D. F892/F892B – Analysis of Open Documents. This report combines data from the 8892 report with the F889, with a drilldown to the document ID level.

Appendix E: iFAMS Reports Used in the Monthly Review of Open Obligations

The “Status of Allowance” report in iFAMS contains open obligation information, to include:

- Open documents, type and age with other accounting information.
- Open documents by type, e.g., undelivered orders, advances, and payables.
- Undelivered Orders Report
- Verification of G/L Balances – Employee
- Verification of GL Balances Advances Federal/ Non-Federal.
- Verification of General Ledger Accounts Payable (Fed/Non-Fed) (Summary and Detail).

Appendix F: VHA Review and Reconciliation of Open Obligations (FMS)

Fiscal Officers are accountable for their budget, and therefore should review their facility's obligations for financial validity and take appropriate action to ensure the prudent use of funds.

Section 1: VHA Accrued Services Payable and Undelivered Orders

- A. The responsible finance office will review data contained in the F850 and F851 reports monthly. The purpose of the review is to reconcile the outstanding and/or undelivered balance column to the anticipated cost of unpaid posted authorizations or the amount unpaid according to the Integrated Funds Distribution, Control Point Activity, Accounting and Procurement (IFCAP) system. As part of the review, the finance office will identify open obligations in VA's accounting system with an end date that is greater than 90 days past and/or last activity date greater than 90 days.
1. **FMS 850 (Verification of General Ledger Balances)** – This report lists each open document and its remaining balance, a total Standard General Ledger (SGL) balances (GL4801), and a difference line. The F850 should be reviewed against supporting documentation monthly to ensure reports, subsidiary records and systems reflect proper costing, accurate delivery date/end date, and correctly calculated unliquidated balance.
 2. **FMS 851 (Verification of General Ledger Balances)** – This report lists each accrued payable and the vendor, SGL balance (GL4901), and the total outstanding accrued amount. The F851 should be reviewed against supporting documentation monthly to ensure reports, subsidiary records and systems reflect proper vendors and correctly calculated delivered/unpaid balances.
 3. In conducting reviews, field site finance offices should verify the following for accuracy:
 - a. **Transaction Code/Type in FMS** – This must be appropriate for goods or services being procured (SO/AR, MO/RT).
 - b. **Accrual flag in FMS** – This must be properly set to "Y" for the services being procured on SOs. MO documents should have a "N" accrual flag for no automatic accrual. These reflect payable amounts upon processing of receiving actions/reports by Logistics.
 - c. **Delivery Due date/end date** – These should match in all systems (i.e. the accounting system, IFCAP, and the Electronic Contract Management System (eCMS), etc.) and be supported by appropriate source documentation. The eCMS contract is the authoritative document for delivery due dates and end dates.

- d. **Fund, Cost Center, and Budget Object Code** – These must agree in eCMS, IFCAP, and VA's accounting system, and the combination must be in accordance with VA Financial Policy Volume XIII, Chapters 1 – Cost Centers and 2 – Budget Object Codes, and appropriate for goods or services being procured. Any discrepancies should be identified, documented, and corrected in a timely manner.
- B. The finance office will email the list of obligations to the initiating service within five calendar days of the start of the month.
- C. The initiating service will research transactions 90 days past the end date or with last activity dates greater than 90 days, or any other transactions requiring adjustments, and provide a response to the finance office within ten calendar days. The finance office will maintain the documentation as evidence of the review. For transactions requiring adjustments, the initiating service will complete the following actions within the ten calendar days timeframe:
 1. For non-contractual obligations on the list (obligations that were not established by a contracting officer), the initiating service will determine if goods or services are still necessary and adjust or cancel the remaining balance. This adjustment will alert the finance office to process the transaction in VA's Accounting System.
 2. If goods have been received but no receiving action has been initiated, the initiating service will contact Logistics and request that they process the receiving action.
 3. If goods have been received and receiving action has been processed but no invoice has been received, the initiating service will contact the vendor to request an invoice.
 4. If services have been provided but no invoice has been received, the initiating service will follow up with vendor to request an invoice.
 5. If goods or services have not been received, the initiating service will determine if the goods or services are still needed.
 - a. If goods and services are no longer needed, the initiating service will notify the contracting officer that the remaining balance of the contract needs to be modified. See the instructions in Section 2 below for obligation close-out procedures.
 - b. If the goods or services are still required, the initiating service will request the contracting officer follow up with the vendor to determine the reason for non-receipt and determine an updated delivery/performance date.

- D. The responsible finance office will notify the medical center facility associate director when there is no response from the initiating service. The finance office will escalate notification to the next level of facility leadership, should the initiating service continue not to respond to monthly requests to validate the status of outstanding obligations.

NOTE: Monthly reports must show date, signature and title of employees conducting the review and their supervisor, reviewer comments on the reconciliation and those of approving official. Documentation will remain on file in accordance with the NARA General Records Schedule for financial management and reporting records.

- E. Contracting officers will follow the guidelines in the FAR, VA Acquisition Regulation, and Section 2 below to process contract modifications and cancel orders for goods or services that are no longer needed within five calendar days of being notified by the initiating service. If workload does not permit the contracting office to accomplish the modification within this timeframe, the acquisition office will collaborate with the VISN CFO to establish a prioritized listing of modifications, based on age and cost impact. (For example, a single cancellation of a larger dollar acquisition will more positively impact the accuracy of the financial statements than performing several modifications to smaller dollar acquisitions.) The IFCAP adjustment will alert the finance office to process the transaction in VA's financial systems.
- F. If the prioritized listing has not been accomplished within the allotted five calendar day period, the finance office will notify the Veterans Integrated Service Network (VISN) CFO. The VISN CFO will work with the Network Contracting Office (NCO) Director of Contracting (DOC) to develop a plan to reduce the outstanding obligations.

Section 2: Instructions for Modification or Close-out of Obligations with Funds Remaining

- A. The initiating service will review the emailed list from the finance office to determine if an obligation may be decreased or closed. For each item that has been verified delivered or service performed and accurately paid in full, the initiating service will enter a request into the Forecast of Opportunities and Requirements Center for Excellence (FORCE) System to close the contract. The request for cancellation of the order will include:
- Information to identify the order, such as the contract / order number and IFCAP transaction number or obligation number;
 - Written explanation of the required action (decrease work or quantity, etc.) and the reason for the modification (such as "Item no longer required; order may be cancelled");

- Contract Line Items that require modification and the amount / quantity to be adjusted (change from old quantity amount to new quantity amount);
 - A statement verifying that all invoices have been received and paid, and the remaining funds on the obligation may be decreased, or a statement verifying that the remaining funds on the obligation are sufficient to pay anticipated remaining invoices; and
 - Documented evidence of receipt of property of services (such as a receiving report or a statement that services were performed and acceptable), if applicable.
- B. Upon receipt of the modification request through the FORCE module, the contracting officer will review the documentation provided by the initiating service. The contracting officer will process the appropriate action to terminate for convenience or modify the contract / order in the eCMS and IFCAP systems.
Reference the Federal Acquisition Regulation and VA Acquisition Regulation for detailed guidance on Contract Modification Procedures.
- C. The IFCAP adjustment will alert the finance office to process the modification in VA's Accounting System.

Appendix G: VHA Review and Reconciliation of Open Obligations (iFAMS)

This information will be incorporated into VA Financial Policy when it is developed.

Appendix H: Review of the Quarterly Obligation Monitoring Report (QOMR)

- A. The Office of Financial Audit (OFA) prepares, creates a SharePoint list, and distributes the Quarterly Obligation Monitoring Report (QOMR) to Administrations and Staff Offices. The QOMR identifies obligations that:
1. Are aged beyond 90 days of the period of performance end date; or
 2. Without activity in the past 90 days, and
 3. Meet a specific materiality threshold established by OFA based on the analysis of obligations that meet criteria (1) or (2).
- B. The network and local finance office will perform the following procedures and respond to OFA within three weeks of receipt of the QOMR:
1. Research each obligation and payable included on the QOMR.
 2. Explain the status of each obligation or payable and maintain supporting documentation locally at the facility.
 3. Close-out or adjust invalid obligations or payables that are no longer needed for the intended purpose.
- C. The network and local finance office will send contract items identified on the QOMR to the initiating service for a preliminary review of open obligated amounts in coordination with the acquisition office. The acquisition office will run the obligation number identified on the QOMR against the contracting system and distribute the items to the appropriate contracting officers.
- D. For acquisition office obligations, the contracting officer will review the report in coordination with the initiating service. If appropriate, the initiating service will follow the Administration or Staff Office procedures to initiate contract modification or close-out. The initiating service will provide the results to the local finance office to respond to the QOMR report
- E. The initiating service will perform the required validation, adjustment, or close-out of obligations established outside the contracting office and will provide the results to the local finance office to respond to the QOMR report.
- F. The Administration or Staff Office CFO will escalate non-responsiveness or untimely closure of invalid obligations to the Assistant Secretary for Management, VA Chief Financial Officer. In addition to required monthly reviews and reconciliations of open obligations, the network and local finance offices will use the QOMR to monitor aged or inactive obligations and payables.