

**ADJUSTMENTS TO EXPENDITURES AND COST TRANSFERS BETWEEN VHA
FACILITIES FOR PATIENT CARE ACTIVITIES**

1. PURPOSE: This Veterans Health Administration (VHA) Directive revises the accounting and budget procedures for funding and adjustments to expenditures.

***NOTE:** To enhance financial reporting and accounting for adjustments to expenditures between VHA facilities, the Financial Management System (FMS) established transaction codes, (SE) and expenditure EB, that are covered in this Directive. The SE transaction code was cloned from the Standard Voucher (SV) transaction in FMS. The SE transaction is used to transfer expenses from Consolidated Mail-out Pharmacies (CMOP) to their VHA customers. It is also used to transfer expenses within a VHA Veterans Integrated Services Network (VISN), from a centrally funded facility in a VISN to other facilities in the same VISN. Both purchased items and services may be transferred using SE transactions. The SE transaction represents a standard voucher that transfers expenses, hence SE. The EB transaction was created from the Expenditure Transfer (ET) transaction in FMS. The EB transaction is used to transfer expenditures to and recover budgetary authority from facilities that have received either goods or services from a servicing facility. So the EB transaction represents an expenditure transfer that also transfers budget authority, hence EB.*

2. BACKGROUND

a. In recent years VHA facilities, due to accommodating the Cost Distribution Report (CDR) and Decision Support System (DSS), changed the way cost transfers for CMOP, reference laboratories, shared laundry, etc., were accomplished. The FMS allowed each Department of Veterans Affairs (VA) medical center to generate its respective increases or decreases to cost. However, since many of the offsetting transactions were not accomplished in the same accounting month, numerous out-of-balances were created. To correct this problem, a new transaction (SE) was created in FMS that allowed one VA medical center to be consistent in processing a document that would credit one facility's records and provide an offsetting entry in another facility's records. Funding for these activities between facilities was provided on Transfer Disbursing Authorities (TDAs). This process created considerable accounting entries for both facilities and VISNs.

b. The SE transaction will continue to be used for CMOP. Additionally, the SE transaction may be used to transfer cost for centralized VISN purchases of non-capitalized items and for centralized VISN services. SE transactions may be used by a servicing station for transferring costs of centralized purchases and services to other stations within its own VISN. Funding for the entire purchase of non-capitalized items or services must be provided to the servicing station in advance. When servicing stations are providing goods or services to stations outside of their VISN, EB transactions must be used. In cases where servicing stations are providing goods and services to stations both within and outside of its own VISN, the servicing station may use the SE for same VISN stations, while using the EB transaction for stations outside their VISN.

THIS VHA DIRECTIVE EXPIRES JULY 31, 2006

VHA DIRECTIVE 2001-042

July 18, 2001

c. To reduce the accounting entries for activities where funding is not provided in advance, or where the transaction occurs between facilities of different VISNs, other than CMOP, FMS has the Adjustments to Expenditures – Between Stations (EB). The EB allows the servicing station to adjust expenditures to and from other stations.

3. POLICY: It is VHA policy that effective with publication of this Directive, adjustments to expenditures and cost transfers will be accomplished as established in Attachment A and B of this Directive, as applicable.

4. ACTION: Servicing facilities are to remind all serviced facilities of the procedural changes contained in this Directive. Each servicing facility is to provide specific guidance to their customers on how they will implement the changes. VISNs will resolve any issues that arise within or between facilities in their respective Networks.

5. FOLLOW-UP RESPONSIBILITY: The VHA Chief Financial Officer (173) is responsible for the content of this Directive.

6. RESCISSION: VHA Directive 10-96-059 and changes, and VHA Directive 99-068 are rescinded. This VHA Directive expires on July 31, 2006.

S/ Tom Sanders for
Thomas L. Garthwaite, M.D.
Under Secretary for Health

Attachments

Distribution: CO: E-mailed 7/19/01
FD: VISN, MA, DO, OC, OCRO, and 200 – E-mailed 7/19/01

ATTACHMENT A

FINANCIAL PROCEDURES

1. Cost Transfers and Funding for Consolidated Mail Out Pharmacy (CMOPs) and Cost Transfers for Centralized Purchases of Non-Capitalized Items and Services. *NOTE: To enhance financial reporting and accounting for cost transfers between VHA facilities, the Financial Management System (FMS) established transaction code SE. The SE transaction code was cloned from the Standard Voucher (SV) transaction in FMS. The SE transaction is used to transfer costs from CMOP to their Veterans Health Administration (VHA) customers. It is also used to transfer costs within a VHA Veterans Integrated Service Network (VISN) from a centrally funded facility in a VISN to other facilities in the same VISN. Both purchased items and services may be transferred using SE transactions. The SE transaction represents a standard voucher that transfers costs.*

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a. The SE transaction allows one station to transfer cost to another station; and can be used for the transfer of operating expense or salary expense. The transactions generate the following general ledger entries: *NOTE: CM is the FMS transaction type code for operating expense transfers, i.e., SE CM; CP is the FMS transaction type code for payroll expense transfers, i.e, SE CP; DR is a debit entry to the general ledger; CR is a credit entry to the general ledger; and SASP is the acronym for the FMS table for the Suballowance Spending Control Inquiry Screen.*

<u>Tcode</u>	<u>Ttype</u>	<u>Description</u>				
SE	CM	Operating Cost	DR	6100	CR	5700
		Transfer		9938		9937
SE	CP	Payroll Cost	DR	6122	CR	5700
		Transfer		9938		9937

NOTE: The entries are for the serviced facility; servicing facility’s entries are reversed.

b. The CMOP or servicing station will be the station entering the SE transaction to transfer the cost to the other station(s). FMS security tables have been modified allowing those individuals with ‘PAYMENTS’ data entry authority to enter the SE transaction.

c. To perform this transfer, the station entering the transaction must know the Accounting Classification Code (ACC), Cost Center (CC), Budget Object Code (BOC) and SubBOC for a payroll cost transfer of the station receiving the cost transfer. To make coding of the CMOP cost transfer document easier, a standardized ACC for CMOP, 0100999CM, has been established and **must** be used with this transaction. Stations should input an add transaction (SA) to establish this new standardized ACC on their FMS SASP table.

d. Coding the SE follows the same instructions as the SV transaction, from which it was cloned.

(1) The ‘Doc Total’ amount on the initial input screen **must** be 0.00.

VHA DIRECTIVE 2001-042

July 18, 2001

(2) The type of transfer is an Expense (E).

(3) The 'Increase/Decrease' (ID) field for the station transferring cost will be coded with the indicator 'D.' The 'I/D' field for the station receiving the cost will be coded with the indicator 'I.'

2. CMOP Responsibilities

a. Each CMOP facility will prepare and distribute to their customers (serviced Department of Veterans Affairs (VA) medical centers) a price list for services to be furnished. The CMOP must ensure that personal services and operating costs are included in the price. The price list should be published in time for customers to estimate the amount of costs to be transferred to the CMOP. If equipment or Non-recurring Maintenance (NRM) costs are required, each serviced facility should be notified of their pro-rated share.

b. Travel for employees associated with the CMOP will be provided by serviced facilities or specific purpose funding and approved by the CMOP Board of Directors.

c. CMOPs are responsible for returning excess funding to customers. CMOPs are to notify the Allocation and Control Section (172B1) via MS-Outlook e-mail, of the funding amounts to be returned to their respective customers.

d. CMOPs and servicing stations are responsible for monthly processing of SE transactions as specified in paragraph 1, Attachment A.

3. Serviced Facility Responsibilities

a. Serviced facilities will reflect CMOP transfers as a part of their initial quarterly distribution. If CMOPs have not published price lists, customers should make a best estimate based on most recent purchases.

b. The customer is also responsible for initiating subsequent Transfer Disbursing Authority (TDA) documents that will increase initial funding action. Since CMOPs must have funds to process orders, it is essential that additional funds are provided on a timely basis so that CMOP operations will not be interrupted.

c. If there is disagreement with the amount of services rendered and/or amount of the bill, resolution must be accomplished in time for the entries to be recorded in the appropriate accounting period.

ATTACHMENT B

FINANCIAL PROCEDURES

1. Adjustments to Expenditures Except Consolidated Mail-out Pharmacy (CMOP) and Centrally Purchased Non-Capitalized Items and Services. *NOTE: To enhance financial reporting and accounting for adjustments to expenditures between Veterans Health Administration (VHA) facilities, the Financial Management System (FMS) established*

transaction code EB. The EB transaction was created from the Expenditure Transfer (ET) transaction in FMS. The EB transaction is used to adjust expenditures and recover budgetary authority from facilities that have received either goods or services from a servicing facility. So, the EB transaction represents an adjustment to an expenditure that also recovers budget authority.

a. A new expenditure transfer transaction, i.e., ET – Between Stations (EB), has been added to the FMS. The EB transaction allows one station to make adjustments to expenses of other stations. The EB transactions will be used for all inter-station adjustments except for CMOP, centrally purchased non-capitalized items, and centrally purchased service transactions. CMOP and centrally purchased non-capitalized item and service transfers will continue to be processed using SE transactions (see Att. A, par. 1).

b. The EB transaction allows a servicing station to adjust expenditures and simultaneously recover cash and budgetary authority from a serviced station when entering the document in FMS. The EB transaction can be used for both operating and salary expenses. *NOTE: DR is a debit entry to the general ledger; and CR is a credit entry to the general.* The new transactions generate the following general ledger entries:

<u>Tcode</u>	<u>TType</u>	<u>Description</u>	<u>Servicing Facility</u>		<u>Serviced Facility</u>	
				<u>Entries</u>		<u>Entries</u>
EB	01	Operating Cost Transfer	DR	1021	DR	6100
				490G/P		4610
				5700		3100*
			CR	6100	CR	1021
				4610		490G/P
				3100		5700*
				Decrease Indicator		Increase Indicator

NOTE: () The 3100/5700 entries processed for FMS, as applicable, are based on Fund Category.*

VHA DIRECTIVE 2001-042

July 18, 2001

<u>Tcode</u>	<u>TType</u>	<u>Description</u>	<u>Servicing Facility</u>		<u>Serviced Facility</u>	
				<u>Entries</u>		<u>Entries</u>
EB	56	Payroll Cost Transfer	DR	1021 490G/P 5700	DR	6122 4610 3100*
			CR	6122 4610 3100	CR	1021 490G/P 5700*
				Decrease Indicator		Increase Indicator

NOTE: () The 3100/5700 entries processed for FMS, as applicable, are based on Fund Category.*

<u>Tcode</u>	<u>TType</u>	<u>Description</u>	<u>Servicing Facility</u>		<u>Serviced Facility</u>	
				<u>Entries</u>		<u>Entries</u>
EB	03	Suspense Transfer	DR	1021	DR	2400/3
			CR	2400/3	CR	1021
				Decrease Indicator		Increase Indicator

c. The station initially costed, i.e., the Reference Laboratory station, will be the station entering the EB transactions to adjust the expenditures to the serviced stations. FMS security tables have been modified allowing those individuals with 'PAYMENTS' data entry authority to enter the EB transaction.

d. To process these transactions, the servicing station must know the Accounting Classification Code (ACC), Cost Center (CC), Budget Object Code (BOC), and if using an EB 56, payroll cost transfer, the subBOC of the serviced station. To make the coding of the documents easier, the following standardized ACCs have been established and may be used when processing documents for the respective activity: reference labs transfers - 0100999LB; laundry transfers - 0100999LA; and transfers for all other activities - 0100999AO. If facilities wish to use ACCs other than the standardized ones, the serviced stations must inform the servicing stations of the particular ACCs desired before the servicing stations input the EBs. Likewise servicing stations may use non-standardized ACCs for their portion of the EB input.

e. Coding the EB transaction follows the same instructions as the SV transaction, from which it was cloned.

(1) The 'Doc Total' amount on the initial input screen must be 0.00.

(2) The type of transfer is an Expense (E).

(3) The 'I/D' field for the servicing station will be coded with the indicator 'D.' The 'I/D' field for the serviced station will be coded with the indicator 'I.'

2. Servicing Facility Responsibilities

a. Servicing facilities are responsible for the monthly processing of the EB transactions. If the balance due from a serviced facility is not a material amount, the monthly processing may be delayed until the balance reaches a material amount or until the end of the quarter, whichever occurs first.

b. Servicing facilities must notify all serviced facilities, in advance, of the amount and date that the EB will be processed.

3. Serviced Facility Responsibilities. Facilities are responsible for:

a. Ensuring that unobligated balances exist to cover the transfer that will occur for services rendered.

b. If there is disagreement with the amount of services rendered and/or amount of the bill, accomplishing resolution in time for the entries to be recorded in the appropriate accounting period.