149262

United States General Accounting Office

GAO

Staff Study

June 1993

BUDGET ISSUES

Financial Reporting to Better Support Decision-making

149262

057278/149262

GAO/AFMD-93-22

Preface

One goal of the Chief Financial Officers Act of 1990 is to provide tools to better integrate financial information into public policy decisions. To achieve this goal, GAO has been working with the Federal Accounting Standards Advisory Board (FASAB), the Office of Management and Budget (OMB), and the Department of the Treasury to improve the federal government's financial reporting. As part of this effort, GAO undertook this staff study to analyze the use of financial audit reports and accounting data in budgeting, since the budget is the principal tool used to effect policy decisions.

GAO chose the Department of Veterans Affairs (VA) as the basis for this staff study because audited financial statements were available for fiscal years 1986 through 1989. In addition, VA is responsible for a broad range of programs and services and its experience with budgeting and financial audit reports would appear to be applicable to other federal entities.

Properly structured audited financial statements can provide several valuable benefits to those involved in the budget process. They can contribute to achieving and demonstrating accountability for financial resources and, with the addition of recently required overview sections, for the results of government programs and activities, as reflected in accomplishments, benefits, and effectiveness. Audits provide assurances on the accuracy of actual spending data, thus increasing the reliability of information used in budget planning. The accrual concepts used in financial statements can provide early warning of the cost consequences of budget decisions and of long-range costs which can then be addressed earlier by those involved in budgeting.

In addition, the discipline instilled by undergoing regular financial statement audits can enhance the overall accountability structure of the federal government by providing greater assurance that all important transactions are recorded and reported. Audits can also increase confidence that the systems producing the data are designed to provide accurate information on how well the agency has performed in the past.

GAO and FASAB found that users of financial information are often interested in the accrued cost of operations as they occur, in addition to information on when an obligation is made or cash is disbursed. Data on the cost of operations would be used to assess the cost of achieving a certain level of performance. Financial statements provide such accrual data; budgets generally do not. Financial statements provide information that supplements the cash basis data available in the budget, thus contributing to better-informed decisions.

OMB guidance on the form and content of agency financial statements encourages agencies to develop financial statements that provide information useful to the Congress, managers, and the public. This study presents a conceptual framework of financial statements designed to satisfy more of the information needs of potential financial statement users. The new types of statements included in this staff study are but one way of addressing user needs. They are meant to provide a basis for continued discussion and debate and to contribute to the development of prototypes which can then be adapted by each agency to meet the needs of its specific set of users.

In chapter 3, the study describes how VA used accounting data from its accounting systems in budgeting. It discusses the problems that result when accounting systems are not structured to provide the types of data needed in the budget process.

Copies of this study are being sent to the Directors of the Office of Management and Budget and the Congressional Budget Office, the Secretary of Veterans Affairs, the Federal Accounting Standards Advisory Board, the Senate Committee on Governmental Affairs, the House Committee on Government Operations, and other interested congressional committees. Copies will also be made available to other interested parties on request.

This staff study was prepared under the direction of Paul L. Posner, Director, Budget Issues, (202) 512-9573, and John W. Hill, Jr., Director, Audit Support and Analysis, (202) 512-8549.

Donald H. Chapin
Assistant Comptroller General
Accounting and Financial Management

Contents

Abbreviations

CBO	Congressional Budget Office
CDR	cost distribution report
CFO	Chief Financial Officer
FASAB	Federal Accounting Standards Advisory Board
GAO	General Accounting Office
NTB	nationwide trial balance
OMB	Office of Management and Budget
SGL	standard general ledger
VA	Department of Veterans Affairs

Introduction

The Budget Process

The federal budget process consists of three major phases that occur over a 2-1/2 year cycle. They are: (1) budget formulation, (2) congressional review and approval, and (3) budget execution. The budget formulation process begins 10 months before the President's budget is presented to the Congress in January or February. During budget formulation, agency internal budget reviews and decision-making, based in part upon consideration of accounting data from agency accounting systems, culminate in the agency's submission of a budget request to the Office of Management and Budget (OMB). Administration policy, revenue and economic projections, and other policy-related factors are considered by OMB in deciding upon the budget request presented in the President's budget.

The President's budget includes program and financing[1] and object classification schedules detailing most budget accounts' prior fiscal year actual obligations, current fiscal year estimated obligations, and budget year planned obligations, both for program by activity and by object class.[2] Appendix I includes the reporting categories shown in the program and financing schedule of the President's budget for the Department of Veterans Affairs (VA) medical care account.

The Congress reviews the President's budget submission and adopts or modifies the request according to its priorities. After enactment of funding legislation, agencies are responsible in the budget execution phase for ensuring that funds are obligated as specified by the legislation. Agency financial management systems are used for monitoring agency budget execution and reporting to OMB and the Department of the Treasury.

Chief Financial Officers Act of 1990

The Congress passed the Chief Financial Officers (CFO) Act (Public Law 101-576), in part, to improve the quality of federal financial data. The act seeks comprehensive improvements in federal financial management and reporting by providing for (1) more effective general and financial management practices, (2) improvement of agency accounting systems,

[1] A "Program and Financing" schedule is published in the budget for appropriation or fund accounts. The schedule consists of four sections: (1) Program by Activities—a programmatic breakdown of actual and estimated obligations which is unique for each budget account, (2) Financing, (3) Relation of Obligations—orders placed, services received, contracts awarded—to Outlays—the liquidation of obligations, and (4) Adjustments to Budget Authority and Outlays.

[2] Object classification is a uniform system for identifying obligations of the federal government by the nature of the things or services purchased (such as personnel compensation, supplies and materials, and equipment) without regard to the agency involved or the purpose of the programs for which they are used. These data are provided in the budget on an obligation basis in object classification schedules, along with the corresponding Program and Financing schedule.

and (3) the production of complete, reliable, timely, and consistent financial information. It calls for financial statements containing information with which the Congress, agency managers, the public, and others can assess management performance and stewardship. The annual budget process is a primary arena for government policymaking, especially as efforts to reduce the deficit result in hard choices between new spending, reductions in current programs, and increased taxes. Passage of the CFO Act provides an opportunity to improve the quality and accessibility of financial information to budget decisionmakers.

To ensure that financial management improvements are achieved, the act mandates the appointment of chief financial officers to oversee all agency financial management activity, including the integration of budgeting and accounting information, the preparation of financial statements, independent audit of those financial statements, and compilation of annual reports.

Under the act, OMB sets form and content requirements for the financial statements. The most recent OMB guidance[3] prescribes the form and content for agency financial statements but also encourages agencies to modify their presentations to allow the financial statements to reflect more accurately the financial condition and results of operations. The OMB formats provide a framework within which individual agencies have the flexibility to develop financial statements that provide information useful to the Congress, managers, and the public. Also, according to the OMB guidance, statements prepared pursuant to the act are to include an overview of the reporting entity—a narrative candid discussion of the reporting entity's activities, accomplishments, financial results and condition, problems, and needs. It should also discuss whether and how well the entity's mission is being accomplished and what, if anything, needs to be done to improve either program or financial performance. OMB guidance also calls for comparisons of actual expenses of each program with the budget authority for the program.

The act requires that annual reports be prepared for certain agencies, including VA, and that they consist of the agency's audited financial statements, a description and analysis of the status of financial management of the agency, the audit report, and a summary of the report on internal accounting and administrative control systems prepared under the Federal Managers Financial Integrity Act of 1982. Financial statements

[3]OMB Bulletin No. 93-02, "Form and Content of Agency Financial Statements," October 22, 1992, and Memorandum for Chief Financial Officers from the Deputy Director for Management, regarding financial statements and performance measures, February 5, 1992.

are to be submitted to OMB by March 31 of the calendar year following the fiscal year audited; audit reports are to be submitted to the agency head by June 30. Annual reports are to be prepared and released within 60 days of the audit report's issuance.

User Needs and Objectives

The Federal Accounting Standards Advisory Board (FASAB) was established jointly by the Comptroller General, the Director of OMB, and the Secretary of the Treasury to develop accounting standards for federal agencies. Comprised of nine members from federal entities (including GAO, OMB, and Treasury) and the nonfederal community, FASAB is considering budget concerns as well as financial accounting needs to support the integration of accounting and budgeting in accounting standards.

FASAB's primary mission is to recommend accounting standards that result in providing users of financial statements, including those involved in budgeting, with understandable, relevant, and reliable information about the financial position and operating results of the government. To do this, FASAB undertook a study to identify the information needs of users of federal financial reports. The users in its study were classified into four major groups—citizens, the Congress, executives, and program managers. It found that all user groups wanted information about the budget. Citizens wanted assurance that elected and appointed officials had raised and spent money in accordance with the law. Congressional and executive users of financial reports needed reliable information on budget aggregates in order to establish fiscal policy. They wanted to know if prior year "actuals" were accurately recorded in the budget using the same budgetary principles used to prepare the estimates. Program managers needed information about the status of available budgetary resources. Those in the user groups who were involved in making budgeting decisions—primarily those in the congressional and executive groups—were also interested in having reliable program cost information so programs could be compared and alternative courses of action evaluated. They were also interested in information enabling them to assess the effect of the government's activities on the financial condition of the nation, such as the government's exposures to future claims for payments for deposit and pension insurance and Social Security and the government's investments in physical and human capital. Finally, all user groups were interested in information on internal controls and the adequacy of financial management systems. The information from FASAB's user needs study was used by an interagency task force, led by OMB, to advise FASAB on the objectives of federal financial reporting. As a result, FASAB has proposed four financial reporting objectives for the federal government,[4] which are discussed in chapter 2.

Objectives, Scope, and Methodology

The objectives of this staff study were to obtain information on (1) what changes to the information provided by financial statements could make them more useful to decisionmakers, and (2) how decisionmakers used VA's accounting data in the budget formulation process and what changes could make the data more useful in budgeting.

We discussed the needs of users of financial reports with various policy-level participants in the budget process and others who have an effect on VA budget decisionmaking. This included staffs of the congressional budget, appropriation, and authorization committees; OMB budget examiners; Congressional Budget Office (CBO) staff; and members of veterans' groups. We interviewed central budget staff within each of the three VA administrations.[5] We concentrated in particular on their use of the financial statements and entity overviews included in the audit reports. Interviewees were asked what elements were most useful and what aspects of these reports could be improved to increase their usefulness.

To find out how VA used accounting data in budget formulation, we interviewed VA budget formulators and accountants for six VA budget accounts: (1) General Operating Expenses, (2) Supply Fund, (3) Construction, Major Projects, (4) Compensation and Pensions, (5) Medical Care, and (6) National Service Life Insurance Fund. The six budget accounts represent (1) each major program, (2) different types of budget authority, and (3) each of the three administrations within VA. We did not include budget accounts related to credit programs because accounting data needs for these programs changed in fiscal year 1992 in response to credit reform[6] implementation.

[4]Objectives of Federal Financial Reporting, Statement of Recommended Accounting Concepts, Exposure Draft, Volume 2: Complete Text, Federal Accounting Standards Advisory Board, January 8, 1993.

[5]The three administrations are: (1) Veterans Benefits, (2) National Cemetery System, and (3) Veterans Health Administration, formerly the Veterans Health Services and Research Administration.

[6]Credit reform refers to the revised method of controlling and accounting for credit programs in the federal budget as required by the Federal Credit Reform Act of 1990.

Benefits of Financial Audit Reports for the Budget Process

Financial audit reports can provide information useful to those involved in making budget decisions. Although they provide accurate historical cost data for use in congressional review of the budget, more importantly they report costs on an accrual basis[1] which provides early warning of long-range costs that are not conveyed in the generally cash-based budget. In the current arena of high annual deficits, early warnings are necessary for making long-range budget plans that address future funding needs. If tailored to the needs of budget analysts for data at the budget account level of detail, financial audit reports could increase accountability over how budgeted funds have been spent by presenting accurate (audited) budget execution data. Finally, the discipline instilled in accounting systems by producing financial statements which undergo regular audits would increase the reliability of any as yet unaudited data and reports produced by the systems. Thus, even unaudited specialized reports prepared by agencies to support their budget requests would be more reliable.

Financial Statements Could Be Made More Useful in the Budget Process

Financial statements can be developed to provide better information to those making budget decisions. The federal financial reporting objectives developed by FASAB provide a starting point for developing a conceptual reporting framework for new types of financial statements. Based on those objectives, we developed three sets of new principal financial statements which could be used by VA and other agencies to provide information useful to the Congress, managers, and the public. In addition, we identified some changes and additions to the overview section of financial statements which would improve its usefulness to those making budget and management decisions.

New Principal Financial Statements Related to Reporting Objectives

FASAB used the information from its user needs study to develop the following four major objectives for federal financial reporting.

- Budgetary integrity: Federal financial reporting should assist in fulfilling the government's duty to be publicly accountable for money raised through taxes and other means and for their expenditure in accordance with the government's enacted budget and related laws and regulations.
- Operating performance: Federal financial reporting should assist report users in evaluating the service efforts, costs, and accomplishments of the

[1]The accrual basis of accounting is the method of accounting whereby revenues and expenses are identified with specific periods of time, such as a month or year, and are recorded as incurred, along with acquired assets, without regard to the date of receipt or payment of cash.

reporting entity, the manner in which these accomplishments have been financed, and the management of the entity's assets and liabilities.

- Stewardship: Federal financial reporting should assist report users in assessing the impact on the country of the government's operations and investments for the period, and how, as a result, the government's and the nation's financial condition has changed and may change in the future.
- Deterring fraud, waste, and abuse: Federal financial reporting should assist the report users in understanding whether adequate financial management systems and internal controls are in place.

We developed three sets of principal financial statements to address the first three of the objectives. The fourth objective would be addressed by internal control reports done as part of financial statement audits. Table 2.1 shows the objectives and related sets of financial statements.

Table 2.1: Financial Reporting Objectives and Related Statements

Reporting objective	Financial statement
Budgetary integrity	Financial resources statements — Budget execution reports — Schedule of reconciliation to budget — Financial resources and funded liabilities statement
Operating performance	Operating performance statements — Flow of program costs and changes in net position statement — Statement of operating position
Stewardship	Stewardship statements — Report on physical and intangible investments not included in operating performance statements — Report on future claims on budgetary resources
Deterring fraud, waste, and abuse	Internal control reports

The statements we developed should be viewed as a starting point and are but one way of addressing user needs. The challenge is to develop statements that provide needed information in an understandable format. Certain data may be required for purposes of reporting on a consolidated basis, but VA and other agencies could use the flexibility permitted under OMB's guidance on form and content of financial statements to adopt the framework we have developed or modify their financial statements to address the specific needs of users of financial reports. Also, FASAB could consider these concepts and formats in its work on developing financial reporting models.

Financial Resources Statements

We developed three financial resources statements to address the budgetary integrity reporting objective. According to FASAB, financial reports addressing the budgetary integrity objective should enable the report user to determine (1) how budgetary resources have been obtained and used, (2) whether their use was in accordance with the enacted budget, (3) the status of budgetary resources, (4) whether information on the status of budgetary resources is integrated and consistent with other accounting information on assets and liabilities, and (5) how budgetary reporting relates to accounting information on the costs of program operations.

Information that might help meet the budgetary integrity objective could be presented using budget terms and concepts, except for items 4 and 5 above which would use both budgetary and accrual-based accounting data. Audited data on budget authority, obligations, and outlays by appropriation account were desired by many users in the budget community. Users also requested information about the sufficiency of budget authority for covering commitments and the status of unobligated and unliquidated budgetary resources. To address how budgetary reporting relates to accounting information as contemplated by item 5 would require a "crosswalk" between the primarily cash-based budget data and accrual-based data in accounting reports. Such a crosswalk, currently required by OMB as part of the financial statements, would provide the bridge between cash-based financial reports which address budgetary integrity, and accrual-based reports, which address the second objective, operating performance.

Reports addressing the budgetary integrity objective would be done at the appropriation or fund account level and would compare actual obligation and outlay data from budget execution against appropriations made by the Congress. Thus, when audited, such reports would validate the "actual" obligations and outlays reported in the Budget of the United States Government. These reports would be analyzed in the overview of the reporting entity where significant changes in account balances and reasons for differences between budget estimates and actual obligations and outlays would be discussed.

Figures 2.1 and 2.2 present two simplified budget execution reports. Figure 2.1, done at the account level, ties directly to numbers in the budget. Auditing it would provide assurance that numbers reported in the budget are correct. Figure 2.2 highlights differences between the budget plan for the fiscal year as presented in the Budget (which is usually issued in February, close to the midpoint of the fiscal year) and the actual results at year-end. It could provide the basis for questioning why a particular budget was not executed as planned. It addresses specific user needs concerned with the extent of compliance with the budget and the sufficiency of budget authority for covering obligations.

Figure 2.1: Sample Budget Execution Report

DEPARTMENT OF VETERANS AFFAIRS
BUDGET EXECUTION REPORT
By Major Budget Account
For Fiscal Year 1991

	Medical Care	Compensation and Pensions	National Service Life Insurance	All other accounts	1991 total VA	1990 total VA
Financing:						
Unobligated balance, start of year						
Appropriation						
Borrowing authority						
Contract authority						
Spending authority from offsetting collections:						
Federal funds						
Nonfederal sources						
Transferred to or from (-/+) other accounts						
Total Financing						
Relation of Obligations to Outlays:						
Total obligations						
Obligated balance, start of year						
Obligated balance, end of year(-)						
Adjustments in expired accounts						
Outlays (gross)						
Less: Deductions for offsetting collections:						
Federal funds						
Nonfederal sources						
Outlays (net)						

Figure 2.2: Sample Budget to Actual Comparison

DEPARTMENT OF VETERANS AFFAIRS
BUDGET EXECUTION REPORT
BUDGET TO ACTUAL COMPARISON
By Major Budget Account
For Fiscal Year 1991

Budget account	Total financing		Obligations		Net outlays	
	2/91	Actual	2/91	Actual	2/91	Actual
Medical Care						
Compensation and Pensions						
National Service Life Insurance						
All other accounts	____	____	____	____	____	____
Total Veterans Affairs	____	____	____	____	____	____

To more fully address the budgetary integrity objective, we developed a schedule to show the adjustments necessary to relate the accrual-based operating performance reports to the budget execution reports. Those making budget decisions are often interested in the cost of operations as they occur, especially when trying to evaluate performance. For example, many potential users expressed interest in knowing the cost, on an accrual basis, of operating each VA hospital so that they could be compared to each other and to other alternatives providing the same services. Such costs of operations would appear in the operating performance reports on an accrual basis. To use accrual cost data in making budgeting decisions, however, one must know how it translates into the obligation and outlay numbers used in budgeting. The Schedule of Reconciliation to Budget by Major Program, shown in figure 2.3, provides this crosswalk between accrual-, obligation-, and cash-based reports. It could be prepared for major budget accounts as well as on a consolidated basis.

Figure 2.3: Sample Schedule of Reconciliation to Budget by Major Program

DEPARTMENT OF VETERANS AFFAIRS
SCHEDULE OF RECONCILIATION TO BUDGET BY MAJOR PROGRAM
For Fiscal Year 1991

	Veterans Health	Construction	Credit Assistance	Life Insurance	Other Veterans benefits	1991 total VA	1990 total VA
Total Expenses:	___	___	___	___	___	___	___
Add adjustments for:							
Purchase of inventory							
Purchase of property, plant, and equipment							
Purchase of foreclosed property held for sale							
Loans issued	___	___	___	___	___	___	___
Total Adjustments Added							
Less adjustments for:							
Accrued annual leave							
Depreciation and bad debts							
Reimbursements and other income							
Change in accounts payable, net							
Other unfunded expenses	___	___	___	___	___	___	___
Total Adjustments Deducted							
Budgetary Outlays	___	___	___	___	___	___	___
Obligations Incurred, Net:							
Less change in unpaid obligations, net	___	___	___	___	___	___	___
Budgetary Outlays	___	___	___	___	___	___	___

Users of financial reports expressed interest in the ability of an agency or program to meet funded claims with its liquid or financial resources. We designed a third budget execution statement, shown in figure 2.4, that reports on net financial resources—that is, total financial resources less total funded liabilities. Net financial resources is a general measure of the program or entity's financial sufficiency before new appropriations are provided. The statement shows the composition of the entity's net financial resources, highlighting unobligated balances of budget authority—an item of interest to those involved in budgeting. However, it should be noted that the availability of any portion of these resources to cover new obligations may be limited by prior laws, such as appropriation acts providing budget authority for specific purposes. These limitations should be disclosed in footnotes to the statements or on the face of the statement.

It should be noted that this and the remaining statements are organized by major program as opposed to budget accounts as in the previous set of statements. The FASAB study on user needs for financial information found that users wanted information on the major programs or activities an agency was expected to address. Having this information by agency could lead to governmentwide financial reporting on the revenues applied to specific programs or activities. This information is currently unavailable.

Figure 2.4: Sample Financial Resources and Funded Liability Statement

DEPARTMENT OF VETERANS AFFAIRS
FINANCIAL RESOURCES AND FUNDED LIABILITY STATEMENT
By Major Program
For Fiscal Year 1991

	Veterans Health	Construction	Credit Assistance	Life Insurance	Other Veterans Benefits	1991 total VA	1990 total VA
Financial Resources:							
Fund balance with U.S. Treasury and cash							
Accounts receivable, net - public							
Accounts receivable - intragovernmental							
Loans receivable, net - public							
Interest receivable, net - public							
Investments - public							
Foreclosed property held for sale							
Investments in U.S. Treasury securities							
Other financial assets							
Total Financial Resources							
Less: Funded Liabilities							
Accounts payable - public							
Accounts payable - intragovernmental							
Accrued payroll and payroll related benefits							
Accrued benefit entitlements							
Insurance policy reserves							
Unearned revenue and other, public							
Subsidy cost for loan guarantees							
Borrowing from Treasury							
Other liabilities							
Total Funded Liabilities							
Net Financial Resources Consists of:							
Unobligated balance of budgetary authority							
Obligated balance of budget authority							
Net Financial Resources							

Operating Performance Statements

We developed two operating performance statements to address the operating performance objectives. Both statements would include data essential for performance measurement. In combination with other nonfinancial data, such as output and outcome measures of performance, the statements should enable report users to determine (1) the costs of providing specific programs and activities, (2) the efforts, accomplishments, impact, and changes over time in relation to costs, and (3) the efficiency and effectiveness of the government's management of its assets and liabilities.

These statements would reflect the flow of operating costs and revenues. Figure 2.5 shows the Flow of Program Costs and Changes in Net Position Statement, which is similar to a traditional Statement of Operations in its coverage of administrative costs. It would include only those costs essential for evaluating the efficiency and effectiveness of management's operating performance. The statement would include certain costs related to the using up of physical assets and costs which are actually part of current operations, even if they are unfunded, such as the full cost of employee benefits.

To display the type of expenses that might be shown under the operations and investment expenses categories, the operating statement we included as figure 2.5 is presented at the major activity level. It should be noted that certain expenses could be either operating or investment in nature. We defined investment expenses as those which are expected to produce benefits in the future as opposed to those that are used up during the current period for operations. Determining the actual definition of investment expenses will require a great deal of further study, which is under way. We identified the items shown on this statement merely to display what some potential investment expenses might be. Some of these investment expenses will be tracked on a stewardship statement discussed later in this report and shown in figure 2.7.

Figure 2.5: Sample Statement of Operating Performance, Flow of Program Costs and Changes in Net Position

DEPARTMENT OF VETERANS AFFAIRS
STATEMENT OF OPERATING PERFORMANCE
FLOW OF PROGRAM COSTS AND CHANGES IN NET POSITION
Hospital Operations
For Fiscal Year 1991

Cost of Operations	1991	1990
Operating Expenses:		
Patient care		
Training		
Miscellaneous benefits and services	___	___
Total Operating Expenses	___	___
Investment Expenses:		
Capital improvements		
Training		
Research		
Purchase of equipment and leasehold	___	___
Less amount capitalized	___	___
Total Investment Expenses	___	___
Revenue		
Appropriations used		
Revenue from sales of goods and services to the public		
Intragovernmental reimbursements		
Cost recoveries, net		
Donations	___	___
Total Revenue	___	___
Net Results	___	___
Changes in Net Position		
Beginning net position 9/30/91		
Transfers to and from (-+) VA	___	___
Ending Net Position	___	___

Similar to the Flow of Program Costs and Changes in Net Position Statement, the Statement of Operating Position, shown in figure 2.6, would include only those financial and nonfinancial resources and liabilities that are managed by the reporting entity and are relevant to measuring performance. For example, it would exclude (because they are not relevant to measuring management's operating performance) estimated future veterans educational benefits even though, with no change in policy, some would consider such future claims to be liabilities. Under this new reporting model, those claims not related to operating performance would be reported in a separate stewardship statement, which will be discussed later.

On the Statement of Operating Position, which is analogous to a traditional balance sheet, the difference between financial resources and liabilities represents financing needs that must be provided from future operations, either through fees charged or through appropriations. This amount represents the difference between what has been funded in the budget and liabilities that have been incurred.

Figure 2.6: Sample Statement of Operating Position

DEPARTMENT OF VETERANS AFFAIRS
STATEMENT OF OPERATING POSITION
By Major Program
As of September 30, 1991

	Veterans Health	Construction	Credit Assistance	Life Insurance	Other Veterans benefits	1991 total VA	1990 total VA
Entity							
Financial Resources:							
Fund balance with U.S. Treasury and cash							
Accounts receivable, net - public							
Interest receivable, net - public							
Investments in U.S. Treasury securities							
Other financial assets							
Total Financial Resources							
Less:							
Funded Liabilities							
Accounts payable - public							
Accounts payable - intragovernmental							
Accrued payroll and payroll related benefits							
Accrued benefit entitlements							
Accrued life insurance							
Due to Treasury for loans							
Total Funded Liabilities							
Net Financial Resources							
Unfunded Liabilities:							
Insurance policy reserves							
Accrued unfunded leave							
Liability for Federal Employees Compensation Act							
Total Unfunded Liabilities							
Add: Non-financial Resources							
Operating materials and supplies							
Property and equipment, net depreciation							
Total Non-financial Resources							
Net Operating Position							
Less:							
Funded balance with U.S Treasury							
Investments in U.S. Treasury securities							
Subtotal							
Governmental Financial Position							
Non-entity							
Financial Resources:							
Accounts receivable, net - public							
Total Financial Resources							
Liabilities:							
Accounts payable - intragovernmental							
Total Liabilities							

The operating performance statements permit an evaluation of the cost of government at the program and agency level as well as any other level where the information is considered important. While related to the budget, the operating performance statements also reveal cost consequences that are not now recognized in the budget, such as accrued but unfunded leave costs. Even so, these operating performance statements still do not include (because they are not relevant to measuring management's operating performance) some investments and long-term obligations that are important for full accountability. The third set of statements we developed—the stewardship statements—are necessary to have a complete picture of the agency's and government's financial position.

Stewardship Statements

The purpose of this third set of statements is to capture data not included in the other statements so that, using all the statements, it is possible to assess the impact for the country of the agency's and government's operations and investments for the reporting period and how the nation's financial condition has changed and may change in the future. These statements—the Report on Other Physical and Intangible Investments and the Report on Future Claims on Budgetary Resources—facilitate the reporting of information about management's responsibilities for other assets, ongoing activities, and future claims on budgetary resources that supplement information provided in the other statements. They would contribute to achieving governmental accountability for all assets and would aid in planning for the future.

The Report on Other Physical and Intangible Investments would include physical capital, such as weapons systems and park lands, that were not reported in the operating position statements because the allocation of their costs to future periods does not specifically relate to measuring efficiency and effectiveness. It would also include other investment expenditures, such as investments in human capital, which may also be reported on the operating performance statements but are tracked here for a time period thought to reflect the time that it would take to realize benefits from the investment expenses. This would allow costs to be accumulated and compared to the benefits expected to be achieved over a longer period than one year. Since not all investments would take the same length of time to create benefits, there may be different periods reported for each type of investment.

Figure 2.7 presents this report for VA.[2] Intangible investments for the creation and enhancement of human capital, such as education and training expenditures, are intended to improve the nation's future productive capacity and economic competitiveness. Thus, this stewardship statement would provide the past expenditures for these programs over an appropriate evaluation period—in VA's case we chose 5 years—to disclose VA's financial effort to contribute to society and the economy and to track costs for future performance measurement. Physical assets which are not relevant to evaluating agency performance, such as weapons systems, would also be identified and described in either physical terms, such as numbers of ships, or in financial terms when useful and practical.

Figure 2.7: Sample Report on Other Intangible Investments

DEPARTMENT OF VETERANS AFFAIRS
REPORT ON OTHER INTANGIBLE INVESTMENTS
For Fiscal Year 1991
(Outlays)

	1987	1988	1989	1990	1991	Total
Training expenditures						
R&D expenditures						
Housing programs						
Other						

The second stewardship statement discloses the future claims on the government's budgetary resources. Defining, measuring, and reporting these claims are particularly difficult. The lines between "moral obligation" and "legal obligation" and between liabilities to be reported on operating performance statements and future claims on budgetary

[2] VA does not have any physical capital investments that are not included in its operating performance statements; thus VA's statement focuses only on intangible investments and is called the Report on Other Intangible Investments.

resources are not always clear. FASAB is continuing to work on defining liabilities and future claims on budgetary resources.

Notwithstanding these difficulties, we developed a Report on Future Claims on Budgetary Resources, shown in figure 2.8, based on VA's programs and our analysis of the user needs expressed by those involved in VA budget decisionmaking and the results of FASAB's user needs study. The statement would show future payments that VA would have to make under current law to veterans who have already qualified for benefits. It also would include deferred maintenance since that expense has already been incurred but not funded. Finally, it would include some detail on contracted construction projects which VA is obligated to either complete or pay cancellation fees.

Figure 2.8: Sample Report on Future Claims on Budgetary Resources

DEPARTMENT OF VETERANS AFFAIRS
REPORT ON FUTURE CLAIMS ON BUDGETARY RESOURCES
For Fiscal Year 1991

	PV	Projected outlays						
	1991	1992	1993	1994	1995	1996	1997+	Total
Compensations and Pensions (includes burial and miscellaneous benefits)								
Estimated future liability for the next 5 years and thereafter								
Additional due to Desert Storm								
Total								
Education								
Perpetual Cemetary Maintenance								
Deferred Maintenance (cumulative)								
Capital Projects								
Current construction projects are valued at $xxx billion								

Current Construction Projects

	Budget authority			Obligations		
Project	Cumulative thru 9/30/90	Fiscal year changes	Cumulative thru 9/30/91	Contracts awarded	Other	Total
35 Nursing homes						
VA-Detroit replacement hospital						
VA was awarded 29 major projects (included are the following)						
Clinic at Berkley, WV						
Research Center at Indianapolis, IN						
Hospital at Palm Beach, FL						
Replacement hospital at Pittsburgh, PA						
Replacement hospital at Seattle, WA						
All other						

	Outlays					Accrued expenditures	
Project	To date +	Estimated to complete =	Current estimate at completion	Original estimate at completion	Over/under original estimate	Cumulative to date	Percent of completion
35 Nursing homes							
VA-Detroit replacement hospital							
VA was awarded 29 major projects (included are the following)							
Clinic at Berkley, WV							
Research Center at Indianapolis, IN							
Hospital at Palm Beach, FL							
Replacement hospital at Pittsburgh, PA							
Replacement hospital at Seattle, WA							
All other							

The types of measurements and concepts used in the stewardship statements will differ from the generally cash-based budget integrity statements and the generally accrual-based operating performance statements. Economic concepts, such as present value, are needed to provide information for stewardship and planning. Economic concepts may (1) take accruals beyond the point where year-to-year results can be objectively verifiable, e.g., the 75-year social security liability with its volatile swings from year to year, (2) utilize measurement concepts which may be useful for accountability purposes but not relevant to performance measurement (e.g., the number of operational and mothballed naval ships or spending over a specified period for education), or (3) reflect social costs that the government has not yet committed itself to pay (e.g., nuclear facility clean-up costs).

We believe, and users of federal financial reports have expressed the same interest, that the federal government's role in promoting the general welfare of the nation requires the disclosure of programs and circumstances that could conceivably need government funding under current law. Even though the measurement of future claims on budgetary resources is difficult, attempts should be made to report them. However, users should be warned about the uncertainties and sensitivities of some estimates to small changes in economic or demographic factors.

Additions to the Overview Could Increase Its Usefulness

OMB guidance recommends that agencies consult budget staff and decisionmakers external to the agency regarding which data and what types of analysis would prove most useful in the overview section of audit reports. This could result in a constructive expansion of overview topics and in wider use of the financial statements overall.

OMB Bulletin No. 93-06, issued January 8, 1993, calls for auditors to determine if the information provided in the overview of the reporting entity is consistent with that provided in the principal and combining statements. This requirement for limited auditor review of the overview attempts to ensure the reliability of the overview's data. After agencies have gained experience in producing and auditing financial statements, OMB has indicated that it will require that the overview be audited, making it of greater value to users.

With regard to specific elements of VA's overview, future financial statement audit reports could better meet the expressed needs of a variety of internal and external VA budget decisionmakers by (1) providing improved hospital cost data and more analysis of cost comparisons, such as among similar private and VA facilities, (2) assessing VA's experience in implementing new programs, (3) providing data on credit subsidy estimates and re-estimates, (4) relating costs to measures of program performance, and (5) evaluating equipment replacement needs.

Hospital Cost Data

Many of those involved in budgeting for VA felt that the overview should report standardized VA hospital cost data and provide comparisons and analyses among and between VA hospitals and nonfederal facilities. We were told that published VA hospital cost information was unreliable and based on inconsistent distribution of costs and that much of the data needed for analysis were unavailable. The data tended to be aggregated for the VA hospital system and not comparable to other hospital facilities. VA budget staff believed that the ability to compare among VA institutions, as well as with other public and private health facilities, would improve the government's ability to assess and increase VA hospital efficiency and effectiveness.

The information desired by these budget decisionmakers would be too detailed for general purpose financial statements. However, if agency accounting systems are structured to produce the types of reports discussed earlier at the program and activity level, the information would be available to those specifically requesting it.

Experience With New Programs

In addition, future VA overviews could help the budget community by assessing experience with new programs. OMB guidance requires that overviews present the significant results achieved by the reporting entity's programs, which would include any new programs. Several members of the budget community suggested that, as VA undertakes new initiatives or program expansions, an evaluation of its experience with those changes would be extremely useful, at least for the first few years after the changes have been implemented. For example, VA's Medical Care Cost Recovery Fund, established in 1990 to collect reimbursements from third party insurers, could be reviewed to determine how successful collection efforts have been and how actual collections compare with estimates published at the time the legislation was passed. Such analyses would be helpful in assessing the quality of the estimates made prior to legislative change and in evaluating the initiatives' success.

Credit Schedules to Evaluate Subsidy Cost Estimates

The need for less consolidated information should be of particular interest to those involved in budgeting for VA's credit programs under the requirements of the Federal Credit Reform Act of 1990. The costs of credit programs are estimated each fiscal year by program. To evaluate the validity of cost estimates, data must be available at the program level, rather than at the consolidated levels provided in current financial statements.

The Credit Reform Act, implemented in fiscal year 1992, was intended to provide a means for the budget to better recognize the full—current and future—costs of federal credit programs. Under credit reform, the subsidy costs of direct loans and loan guarantees—the estimated long-term costs to the government, on a net present value basis—must be appropriated before the loans or guarantees can be obligated or committed. Prior to credit reform, a direct loan was recorded in the budget totals as a cash outlay in full when it was disbursed. Loan guarantees were recorded in the budget totals only when cash outlays were made, such as upon the borrower's default.

Agencies will budget for credit programs by estimating the credit subsidy cost, based on the net present value of estimates of the cash flows to and from the government over the credit programs' lives. The cash flows include such items as interest payments, defaults, and fees. Additionally, the subsidy cost will be re-estimated annually, based on changes in economic conditions, actual experience with cash flows, and a refined analysis of the level of risk. Any resulting increase over the original estimate is appropriated to the agency without further congressional action. Thus, it is important that the original estimates and subsequent re-estimates be based on correct data on payments and defaults. Auditing provides assurance that such data are correct.

Additional information in financial statements on credit programs would permit evaluation of the validity of original credit subsidy estimates on a program-by-program basis. In the past, financial statements have not contained this program level data. However, audited financial statements with reliable information on the subsidy estimates and re-estimates, by program, rather than on a consolidated basis, would provide needed data to those involved in credit budgeting.

Audited disaggregated information showing subsidy estimates and re-estimates by credit program and cohort[3] would be useful for evaluating

[3]A cohort of loans is a group of loan or loan guarantees obligated or committed in the same fiscal year.

the quality of agency estimates. Creation of additional financial schedules for each credit program could offer the means for tracking credit subsidy cost estimates and re-estimates over the programs' lives. Table 2.2 shows a schedule for a single hypothetical credit program. A separate schedule could be produced for each credit program within a credit account.

The schedule shows the original subsidy cost estimate for each cohort of loans or loan guarantees and any adjustments based on re-estimates made in subsequent years. The reasons for any re-estimate would be shown in footnotes. Re-estimates could be shown for an appropriate period of time based on the length of the loan life and historical default rates. For example, re-estimates could be shown for the first 5 years for a given cohort; after that, the re-estimates could be consolidated for the middle years of the loans' lives and shown individually for the latest 2 years.

Table 2.2: Sample Credit Subsidy Cost Summary Schedule

Dollars in millions

Cohort	Initial estimate of subsidy cost (Year 1)	Additional cost based on re-estimate (Year 2)	Additional cost based on re-estimate (Year 3)	Total to date
1	$100	$30[a]	$0	**$130**
2	200	5[b]	•	**205**
3	300	•	•	**300**

[a]The re-estimate consists of $20 million due to increase in interest rates at the time of disbursement and $10 million due to increased defaults.

[b]The re-estimate consists of $5 million due to increase in interest rate at disbursement.

Cost Related to Performance Measures

The CFO Act encourages agencies to develop systematic measurements of performance and results of operations. Performance indicators could be used to evaluate management efficiency and to compare similar programs or activities among agencies as well as with private operations. In the case of the Medical Care Cost Recovery program, such an indicator could be cost per dollar of recovery. Such outcome-oriented measures could help managers assess success of new programs in terms of program objectives. A recent OMB report[4] presents some common performance measures for agencies to consider in developing program performance information for their overviews.

[4]Performance Measures: A Report on an Interagency Effort to Establish Common Measures for Similar Programs, Office of Management and Budget, July 13, 1992.

Equipment Replacement Needs

Several staff involved in congressional budget decision-making suggested that an assessment of equipment needs also should be included in the expanded reports done pursuant to the CFO Act. Although one group of interviewees expressed concern about the methods of equipment valuation, several in the budget community told us that an equipment inventory, coupled with an assessment of replacement/maintenance needs would be a useful addition to the budget review process.

Entity overviews will vary in content depending upon the specific analytic needs and policy issues that apply to that entity. The expansions of the overview discussed above address common unmet needs in the VA budget community and could result in more informed budget decisions affecting VA; similar, but not identical, expansions could benefit other agencies as well.

Use of Accounting Data for Budget Formulation

Agency accounting systems are generally the source of data on resources used in prior years. If those systems are capable of producing audited financial statements that can be relied upon, then other data from those systems should be reliable.

We examined the accounting information available to support the budget formulation process at VA for six budget accounts. We learned that, in several cases, budget staff manually translated accounting data from the categories used in the accounting system into the categories used in the budget, often also converting accrual accounting data to an obligation basis for the budget. In addition, the accounting data that agency budget staff used did not all come from systems that have been subject to audit discipline or from systems that had been adjusted for changes made to financial statements as a result of the audit process.

Differences Between Obligational and Accrual Accounting

The concepts used in budget reporting today differ greatly from federal accounting principles used to produce financial statements. The differences become especially evident when a budget document is compared to financial statements. Although certain of these differences are fundamental to the separate disciplines, other differences, such as the use of different reporting categories, could be diminished to improve the integration of accounting and budgetary information.

Accrual accounting recognizes revenue when it is earned, liabilities when they are created, and costs when resources are consumed. Thus, it matches revenue with the costs of activities undertaken in any particular period, regardless of when cash is disbursed. Budgets, by contrast, are based on obligations—which represent orders placed, contracts awarded, or services received—and on outlays or disbursements of cash, regardless of when resources are consumed.

Budget Formulators Allocate Accounting Data to Estimate Actual Obligations

Individuals involved in formulating the budget for each of the six accounts included in our study told us that they allocated accounting data manually to display it in the program by activity categories used in the budget. Allocations ranged from minor changes for two accounts—the General Operating Expenses and Construction, Major Projects accounts—to time-consuming allocations of data for the Medical Care account. For example, accrued costs in accounting categories such as medical bed sections, surgical bed sections, psychiatric bed sections, and VA nursing care were allocated into budget categories such as VA hospital care, nursing home care, and outpatient care. Then, the accrued costs were converted into obligations. Appendix I shows the differences in the budget's categories and the accounting categories in the Medical Care account's Cost Distribution Report (CDR) (the accounting report used to support the budget).

In some cases, budget staff also allocated accounting data to obtain object class detail needed for the budget. Generally, this was easier than the allocations required for program by activity categories because the accounting data conformed more closely to object class categories.

As previously stated, accounting data are generally on an accrual basis, while budgets are formulated on an obligation basis. When we asked budget staff what reports they used as a basis for determining actual obligations in the President's budget, four of the six stated that they relied on accrual-based cost reports for program by activity data that they convert to an obligation basis before reporting it in the budget. The other two relied on already available obligation-based reports. The conversion from accrual-based accounting reports to an obligation basis, in combination with the allocation of accounting data into program by activity categories previously discussed, is performed manually and not audited. Because this conversion process involves assumptions, estimations, and manual adjustments, the reliability of the data may be compromised.

In contrast, object class data were more readily available on an obligation basis. Analysts for four of the six accounts had access to systems that reported object class information on an obligation basis.

Financial Information Not Always Subject to Independent Audit or Adjusted for Audit Changes

Budget formulators for the six budget accounts relied on six different financial data systems for prior year financial information, one of which produces data that were not subject to independent audit. With the exception of the Veterans Health Administration's Cost Distribution Report, each of the systems feeds either accrual- or obligation-based data, organized by object class and by other specific activities within each account, into the Nationwide Trial Balance (NTB), VA's central accounting system. Information from the NTB, after further consolidation, is used as the basis for agency financial statements, which are audited. Thus, budget formulators for five of the six accounts drew accounting data from accounting systems whose data are subject to audit.

Data from the CDR, on the other hand, are not subject to audit. The CDR relies on the directors of each of VA's 171 hospitals to determine how to distribute costs among different activities, such as allocating a nurse's salary between a surgical ward and an emergency room.[1] VA did not have cost accounting standards for such cost allocations, but has issued some guidance for making them. The CDR is separate from the system whose data are subject to audit and does not itself feed data into financial statements. Thus, it does not benefit from the discipline and reliability instilled by regular financial audits.

Additionally, VA corrects errors in its financial statements identified by the annual audit. However, the corrections are not usually made to the NTB accounts or to the subsidiary accounts in the feeder systems.

Standard General Ledger Would Facilitate Use of Accounting Data in Budgeting

Budget formulators could more effectively use existing data from agency accounting systems if the data were presented in the categories used in the budget and were reported on the same basis as the budget. For most accounts, this would be the obligation basis but, in certain cases, it may be appropriate for the budget to reflect accrual data.

Agency adoption of the federal government's Standard General Ledger (SGL) would be a step towards establishing an integrated structure for budget and accounting data. The SGL is a uniform chart of accounts for all federal agencies. It incorporates both budgetary and proprietary[2] accounts, thereby permitting the production of reports on accrual, cash, and obligation bases. Subaccounts could be created to maintain financial information at more detailed levels, such as the program by activity categories used in the budget. VA managers told us that they had procured an off-the-shelf financial management system and were in the process of customizing it to meet VA's needs. It will incorporate the Standard General Ledger accounts and will become the central source of VA financial information. Such a system, if structured to meet budget information needs, could facilitate the use of reliable accounting data in budgeting.

[1]Current federal standards issued by the Cost Accounting Standards Board emphasize full cost recovery and are used mainly by agencies with a large volume of contracts. They are not applicable to VA hospital allocations. Cost accounting standards would be important for good performance measurement.

[2]Budgetary accounts reflect budgetary operations and conditions such as those maintained for estimated revenues and appropriations. Proprietary accounts reflect assets and liabilities and display the results of operations in terms of revenue, expense, surplus, or deficit.

Accrual Budgeting Could Promote Use of Accounting Data

A limited form of accrual budgeting has been practiced by federal agencies since 1956 when agencies were required by the Budget and Accounting Act of 1921, as amended, to formulate budgets using accrued cost information. Between 1961 and 1981, OMB required agencies to prepare budget schedules showing accrued costs for program by activities categories for 3 fiscal years (prior year actuals and estimates for the current and budget years). Budget schedules had a single line adjustment to translate the estimated accrued costs into estimated annual obligations so that they would be consistent with the way the Congress appropriated funds. In 1982, OMB began requiring agencies to obtain OMB approval before presenting accrued costs in their budget schedules. Beginning in 1985, OMB budget formulation guidance did not include this option. Officials who worked at OMB at that time stated that accrued cost data were discontinued because the Congress did not use such information for budgetary decisionmaking purposes. Instead, the budget process focused on budget authority, obligations, and outlays.

The CFO Act now requires most agencies to develop financial statements that include accrued costs. Discussions conducted by FASAB with potential users of financial statements, including congressional staff and program managers, identified accrual cost information as a commonly expressed information need. The FASAB discussions showed that those involved in the budget process are becoming increasingly aware of the value of accrual cost data in addition to obligation and cash outlay data. The credit reform law included some accrual data in the budget for federal credit programs because such data are more representative of the actual cost of credit programs than the previously used cash basis. OMB is considering using accrual reporting for other programs, like insurance, in which the obligation and cash bases are not sufficient for making fully informed budget decisions that will have long-term effects. When agencies develop program performance measures, accrual cost data would also be useful in making budget decisions about the level of spending needed to achieve specific levels of performance. For accounts in which accrual cost data would be useful for budget decisionmaking, OMB could provide a mechanism similar to the method used prior to 1982 for including these data in the President's Budget schedules.

Agency decisionmakers for three of the six accounts we analyzed said that they made budget decisions based at least in part upon accrued cost. These accounts finance programs similar to those found in the private sector that measure program costs, not obligations. The VA Supply Fund, for example, maintains most of its records on a cost basis and uses them when making internal budget decisions. However, costs are translated into obligations for purposes of budgetary reporting to the Congress. The National Service Life Insurance Fund operates similarly. While recognizing the weaknesses in the CDR data, budget formulators for the Medical Care account also consider accrued costs in at least initial budget decisions, making this account another candidate for accrual budgeting.

Observations

Agency adoption of the federal government's Standard General Ledger would be a step toward establishing an integrated budgeting and accounting structure.

Adopting accrual budgeting when it is useful in making budget decisions could provide another means to help integrate budget formulation decisions with accounting data. Because accrued costs more accurately measure resources as they are used by an activity than do obligations and cash outlays, an accrual-based approach to budget decision-making could result in more complete disclosure of program costs.

Comparison of Budget and Accounting Categories Within the Medical Care Account

Figure I.1 is an example of the Program and Financing schedule for VA's Medical Care account. The Program and Financing schedule identifies capital and operating obligations by program activity, sources of program financing, and the relation of outlays to obligations for fiscal year 1989 actuals. Table I.2 lists the category headings used in the VA Cost Distribution Report (CDR) for Medical Care. A comparison shows that, while some categories are the same, many are different. For example, the Program and Financing schedule reports categories such as VA hospital care, outpatient care, and education and training while the CDR reports categories like medical bed sections, surgical bed sections, psychiatric bed sections, and non-VA outpatient.

Figure I.1: Program and Financing Schedule for VA's Medical Care Account

Program and Financing (In thousands of dollars)

Identification code 36-0160-0-1-703		1991 actual
	Program by activities:	
	Direct program:	
	Operating expenses:	
	Maintenance and operation of VA facilities:	
00.01	VA hospital care	$ 6,118,232
00.02	Nursing home care	710,584
00.03	Domiciliary care	168,457
00.04	Outpatient care	2,887,190
00.05	Miscellaneous benefits and services	551,415
00.06	Education and training	711,933
	Contract care:	
00.10	Hospitalization	152,683
00.11	Community nursing home care	288,031
	Grants for State home care:	
00.15	Domiciliary	16,893
00.16	Nursing home	85,346
00.17	Hospitalization	4,293
	Civilian health and medical program of the Department of Veterans Affairs (CHAMPVA):	
00.20	Hospitalization	43,274
00.21	Outpatient care	56,681
00.91	Total operating expenses	11,795,012

	Capital investment:	
	Maintenance and operation of VA facilities:	
01.01	VA hospital care	363,645
01.02	Nursing home care	36,466
01.03	Domiciliary care	10,433
01.04	Outpatient care	126,141
01.06	Education and training	2,943
01.20	CHAMPVA	41
01.91	Total capital investment	539,669
01.92	Total direct program	12,334,681
02.01	Reimbursable program	65,645
10.00	Total obligations	12,400,326
	Financing:	
25.00	Unobligated balance expiring	649
39.00	**Budget authority (gross)**	**12,400,975**
	Budget Authority:	
	Current:	
40.00	**Appropriation**	**12,335,330**
	Permanent:	
68.00	Spending authority from offsetting collections (new)	**65,645**
	Relation of obligations to outlays:	
71.00	Total obligations	12,400,326
72.40	Obligated balance, start of year	1,751,537
74.40	Obligated balance, end of year	-1,820,138
77.00	Adjustments in expired accounts	-55,358
87.00	Outlays (gross)	12,276,367

	Adjustments to budget authority and outlays:	
	Deductions for offsetting collections:	
88.00	Federal funds	-42,372
88.40	Non-Federal sources	-23,273
88.90	Total, offsetting collections	-65,645
89.00	Budget authority (net)	12,335,330
90.00	Outlays (net)	12,210,722

Table I.2: Cost Distribution Report Categories for VA's Medical Care Account

Category Headings
Medical Bed Sections
Surgical Bed Sections
Psychiatric Bed Sections
VA Nursing Home Care
VA Domiciliaries
Intermediate Care
VA Ambulatory Care
Non-VA Inpatient
Non-VA Outpatient
VA Off Facility
Miscellaneous Benefits and Services

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015

or visit:

Room 1000
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000
or by using fax number (301) 258-4066.

PRINTED ON RECYCLED PAPER

United States
General Accounting Office
Washington, D.C. 20548

Official Business
Penalty for Private Use $300

First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100