

**Assistant Secretary for Management
Action Item**

Subject: Subject: Approval of six policy chapters in accordance with the Financial Policy Improvement Initiative (FPII).

Vol.	Ch.	Title
III	6	<i>Heritage Assets (Revised)</i>
III	10	<i>Accounting for Internal Use Software</i>
XII	1	<i>VA Debt Collection Standards</i>
XII	1A	<i>Interest, Administrative Costs & Penalty Charges</i>
XII	1J	<i>Reporting Discharge of Indebtedness to IRS</i>
XII	5	<i>Medical Debts</i>

Discussion: The Financial Policy Steering Committee voted, approved, and recommended CFO approval of the following six policy chapters:

- Volume III, Chapter 6, *Heritage Assets (Revised)*, discusses how VA may recognize, account and measure the costs associated with heritage assets in the period they are incurred as an operating expense on the Statement of Net Costs (SNC).
- Volume III, Chapter 10, *Accounting for Internal Use Software*, discusses how VA may recognize IUS project costs and any major enhancement of existing IUS assets as capitalized assets, if they meet VA's capitalization criteria.
- Volume XII, Chapter 1, *VA Debt Collection Standards*, discusses how VA may pursue various collection actions on debts owed using different methods, techniques and collection entities to assist in the collection process.
- Volume XII, Chapter 1A, *Interest, Administrative Costs & Penalty Charges*, discusses how VA may provide notification to debtors in the initial debt collection letter that interest and other late payment charges will be added to the debt at a specified rate from the date of the letter, unless payment in full is received within 30 days.
- Volume XII, Chapter 1J, *Reporting Discharge of Indebtedness to IRS*, discusses how VA may report the discharge of indebtedness to IRS as income in the year an obligation is closed out, satisfied at less than face value (compromised), or forgiven (waiver).
- Volume XII, Chapter 5, *Medical Debts*, discusses how VA may recover the reasonable cost of medical care furnished to a Veteran for the treatment of a nonservice-connected (NSC) disability or condition when the Veteran or VA is eligible to receive payment for such treatment from a third party.

Recommendation: Approve the six policy chapters and sign indicating approval below.

Approved:

_____/s/
Assistant Secretary for Management

5/312010
Date