

**Assistant Secretary for Management
Action Item**

Subject: Approval of five new policy chapters in accordance with the Financial Policy Improvement Initiative (FPPI).

Vol.	Ch.	Title
VI	1	<i>Definition and Principles for Recognition of Liabilities</i>
VI	2	<i>Intra-Governmental vs. Public Liabilities</i>
VI	21	<i>Contingent Liabilities</i>
XIII	1	<i>Cost Centers</i>
XIII	2	<i>Budget Object Codes</i>

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

- Volume VI, Chapter 1, *Definition and Principles for Recognition of Liabilities*, discusses how VA may recognize a liability for a Government-related event similar to an exchange transaction, while a liability for a Government-acknowledged event is recognized only when the Government formally acknowledges financial responsibility for the cost.
- Volume VI, Chapter 2, *Intra-Governmental vs. Public Liabilities*, discusses how VA may distinguish intra-Governmental from public liabilities in the accounting records by using separate classifications and report them separately in the financial statements.
- Volume VI, Chapter 21, *Contingent Liabilities*, discusses how VA may, in consultation with the General Counsel, determine whether it is probable that a legal or other claim or condition will result in a loss to VA and that the loss is estimable.
- Volume XIII, Chapter 1, *Cost Centers*, discusses how VA may maintain a cost center structure to facilitate the correct identification and recording of costs. VA will use the proper cost centers to identify the office/sub-organization as part of the record for financial transactions. Since the appendices are a total of 110 pages, only the first page of Appendix A has been printed out. Please inform us if you would like an e-mail or a print-out of all of the appendices.
- Volume XIII, Chapter 2, *Budget Object Codes*, discusses how VA may use the proper BOC for personal services, the purchase of goods or services, and expenditure transfers. VA Administrations and staff offices will forward requests for BOC additions, deletions or modifications to the Cost Accounting and Medical Rates Division for approval. Since the appendices are a total of 50 pages, only the first page of Appendix A has been printed out. Please inform us if you would like an e-mail or a print-out of all of the appendices.

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

Approved:

_____/s/
W. Todd Grams
Acting Assistant Secretary for Management

7/28/2010
Date