

VA Financial Policies and Procedures
Judgment Fund Liabilities

CHAPTER 20

| | |
|----------------------------------------------------------------|----|
| 2001 OVERVIEW..... | 2 |
| 2002 POLICIES | 3 |
| 2003 AUTHORITY AND REFERENCES | 4 |
| 2004 ROLES AND RESPONSIBILITIES | 5 |
| 2005 PROCEDURES..... | 6 |
| 2006 DEFINITIONS..... | 9 |
| 2007 RESCISSIONS..... | 12 |
| 2008 QUESTIONS | 12 |
| APPENDIX A - SUBMITTING PAYMENT REQUESTS TO TREASURY.. | 13 |
| APPENDIX B - EXAMPLE ACCOUNTING ENTRIES..... | 14 |
| APPENDIX C - USE OF COST CENTERS AND BUDGET OBJECT CODES | 15 |

2001 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures as related to Judgment Fund (Fund) payments or activities. Established by Congress, the Judgment Fund is a permanent, indefinite appropriation, which is available to pay:

- Certain judicially and administratively ordered monetary awards against the United States (U.S.); and
- Amounts owed under compromise agreements negotiated by the U.S. Department of Justice (DOJ) in settlement of claims arising under actual or imminent litigation.

The authority for payments from the Judgment Fund is 31 U.S.C. 1304, *Judgments, Awards and Compromise Settlements*. Interest may be paid when there is an express statutory provision, contractual agreement or constitutional waiver of sovereign immunity authorizing the assessment of interest against the United States. The Department of the Treasury Financial Management Service (Treasury) is responsible for administering and certifying payments from the Judgment Fund. Treasury certifies payments when the following four tests are met:

- Awards or settlements are final;
- Awards or settlements are monetary;
- Payment of the award or settlement is authorized in 31 U.S.C. 1304(a)(3); and
- Payment may not legally be made from any other source of funds.

In addition, a tort under the Federal Tort Claims Act (FTCA) is payable from the Judgment Fund only when the award amount exceeds \$2,500 (for administrative awards) and is in compliance with 28 C.F.R. Part 14, *Administrative Claims Under Federal Tort Claims Act*.

The Judgment Fund will not pay the following examples:

- Administrative awards of \$2,500 or less on claims under the Federal Tort Claims Act
- Administrative awards of \$100,000 or less on claims under the Military Claims Act
- Judgments against Government Corporations
- Judgments against the United States Postal Service

In accordance with 31 C.F.R. 256.40, VA is required to reimburse the Judgment Fund for payments made pursuant to the Contract Disputes Act (41 U.S.C. 612) and the Notification and Federal Employees Antidiscrimination and Retaliation (No FEAR) Act of

2002 (5 U.S.C. 2301 note). Refer to Vol. III, Chapter 11, *Reimbursements to Judgment Fund* for detailed information.

200101 REQUESTING PAYMENTS FROM THE JUDGMENT FUND. VA will submit a payment request to Treasury in accordance with the Treasury Financial Manual (TFM), Volume I, Part 6, Chapter 3100. Supporting documentation provided will vary based on the specific claim request but will identify the statute that forms the basis for the claim. However, not all adverse judgment payments are requested from the Judgment Fund.

200102 ACCOUNTING FOR JUDGMENT FUND LIABILITIES. As advised by the Office of General Counsel (OGC), VA will record an expense and a contingent liability¹ once it is determined that the legal claim is probable to end in a loss for VA and the amount is estimable.

200103 REPORTING AND DISCLOSURE ON JUDGMENT FUND PAYMENTS. Once the claim is either settled or a court judgment assessed against VA, VA will recognize the payment amount from the Judgment Fund on behalf of VA as an “other financing source” and remove the accrued contingent liability initially recorded. VA will estimate the unfunded liabilities for Judgment Fund claims of future payments and disclose the amount in the financial statements. Any potential liabilities from Federal Tort Claims Act cases will be footnoted as well.

2002 POLICIES

200201 REQUESTING PAYMENTS FROM THE JUDGMENT FUND. VA's OGC will complete all required Judgment Fund forms for request for payments from the Judgment Fund by Treasury for Contract Disputes Act claims and provide pertinent supporting documentation. VA will not request payments from the Judgment Fund for National Service Life Insurance (NSLI) adverse judgments. VA has the authority to pay these from insurance trust funds or other VA appropriations, as applicable. Likewise, VA will not request payments from the Judgment Fund for attorney fees or litigation costs awarded to a complainant who substantially prevails in Freedom of Information Act (FOIA) litigation because the OPEN Government Act of 2007, Public Law 110-175, section 4(b), requires that each Federal agency pay such fees and costs from "funds annually appropriated" for the Federal agency.

200202 ACCOUNTING FOR JUDGMENT FUND LIABILITIES. VA will account for and report legal claims submitted to Treasury for payment by the Judgment Fund as contingent liabilities if the claim is probable to end in a loss and the amount is estimable. Final adverse judgments, awards and compromise settlements will generally be paid by Treasury from the Judgment Fund, except for adverse NSLI judgments, Merit Systems Protection Board settlements and awards, administrative awards of \$2,500 or less on

¹ Refer to Vol. VI, Chapter 21, *Contingent Liabilities*, for more detailed information and the relationship with this chapter. A contingent liability should be recognized when a past event or exchange transaction has occurred; a future outflow or other sacrifice of resources is probable; and the future outflow or sacrifice of resources is measurable.

claims under the Federal Tort Claims Act and attorney fees and litigation costs awarded to a complainant who substantially prevails in FOIA litigation. VA will inform Treasury of any known delinquent, non-tax debts owed to the United States that may be collected by setoff from any judgment awards paid by Treasury.

200203 REPORTING AND DISCLOSURE ON JUDGMENT FUND LIABILITIES.

A. VA's Office of Financial Policy (OFP) will maintain a Judgment Fund contingent liability account to reflect the total current estimates of all its probable legal claims submitted for potential Judgment Fund payment and represent future losses to VA.

B. VA will recognize the amount paid from the Judgment Fund on behalf of VA as an "other financing source" and remove the accrued contingent liability initially recorded.

C. VA will use the appropriate cost centers and budget object codes (BOC) to record transactions and identify unfunded expenses and liabilities related to the Judgment Fund.

D. VA will use a cost allocation methodology at the Administration level to allocate Judgment Fund expenses by station, services and product line.

E. VA will estimate the unfunded liabilities for Judgment Fund claims of future payments on legal cases to be paid by the Treasury on behalf of VA and disclose this information in the footnotes to the annual consolidated financial statements for all claims that are deemed reasonably possible. Included in the footnote will be VA's estimate of liabilities associated with Federal Tort Claims Act cases.

F. VA's OGC will annually provide information to VA's Chief Financial Officer on all matters to which VA is a party to litigation, including various administrative proceedings, legal actions, claims brought against it and cases to be paid from the Judgment Fund against VA. Refer to Vol. VI, Chapter 21, *Contingent Liabilities*, for further information.

2003 AUTHORITY AND REFERENCES

[200301 5 U.S.C. 552 Amended, OPEN Government Act of 2007](#)

[200302 5 U.S.C. 2301 \(note\), Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002](#)

[200303 26 U.S.C. 6331, Levy and Distraint](#)

[200304 28 U.S.C. 2672, Administrative Adjustment of Claims](#)

[200305 31 U.S.C. 1304, Judgments, Awards and Compromise Settlements](#)

[200306 31 U.S.C. 3716, Administrative Offset](#)

200307 31 U.S.C. 3728, Setoff Against Judgment

200308 41 U.S.C. 612, Repayment of Claims

200309 31 U.S.C. 1553, Availability of Appropriation Accounts to Pay Obligations

200310 28 C.F.R. Part 14, Administrative Claims Under Federal Tort Claims Act.

200311 31 C.F.R. Part 256—Obtaining Payments from the Judgment Fund and Under Private Relief Bills

200312 31 C.F.R. 285.5, Centralized Offset of Federal Payments to Collect Nontax Debts Owed to the United States

200313 U.S. Attorney Manual 4-10.100, Payment and Satisfaction of Judgment Against the Government

200314 Financial Accounting Standards Advisory Board (FASAB), Statement of Federal Financial Accounting Standard (SFFAS) No. 5, Accounting for Liabilities of the Federal Government

200315 FASAB Interpretation No. 2: Accounting for Treasury Judgment Fund Transactions: An Interpretation of SFFAS No. 4 and SFFAS No. 5

200316 Department of the Treasury, Treasury Financial Manual (I TFM 6-3100)

2004 ROLES AND RESPONSIBILITIES

200401 In accordance with 31 U.S.C 1553(c)(1), the Secretary of VA, or his or her designee in the Office of the Secretary, would approve any obligation for an individual expired, fixed appropriation that would bring the total obligations for contract changes to that appropriation to exceed \$4,000,000 in a fiscal year. Similar approval of an obligation to exceed \$25,000,000 may not be approved until certain Congressional notification requirements and timeline have been met. See 31 U.S.C 1553(c)(2) for additional details.

200402 Delegation of Authority to the Secretary of VA under 28 C.F.R. Part 14, Administrative Claims Under Federal Tort Claims Act.

The Secretary of VA has the authority to adjust, determine, compromise and settle a claim involving the Department of Veterans Affairs under Section 1 of the Appendix to 28 U.S.C. 2672, *Administrative Adjustment of Claims*, relating to the administrative settlement of Federal tort claims, if the amount of the proposed adjustment, compromise or award does not exceed \$300,000. The Secretary may redelegate, in writing, the settlement authority delegated to him or her under this section. Whenever the Secretary

settles any administrative claim for an amount in excess of \$100,000, he or she will send a memorandum at the same time to the Director, FTCA Staff, Torts Branch of the Civil Division, fully explaining the basis for the action taken. Also, if the amount of a proposed compromise, settlement or award exceeds \$5,000, the Secretary will only exercise his or her authority after review by a VA legal officer.

200403 The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department's programs and operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309. Specific responsibilities include the direction, management and provision of policy guidance and oversight of VA's financial management personnel, activities and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities and provides guidance on all aspects of financial management.

200404 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chief Accountants and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter. Each Administration's CFO is responsible for devising a cost allocation methodology outside of VA's financial accounting system for eventual allocation of any unfunded Judgment Fund Expense to their respective stations, services and product lines.

200405 The OFP provides VA-wide financial policy and procedures guidance. Among its responsibilities, OFP develops, coordinates, issues, evaluates and reviews Departmental financial policies, systems and procedures for compliance with all financial laws and regulations. OFP calculates and posts transactions for the annual Judgment Fund liabilities and expenses.

200406 The Department of Justice (DOJ) handles the legal work for No FEAR Act claims.

200407 VA's OGC reviews Treasury requests for reimbursements to the Judgment Fund for No FEAR Act claims. OGC handles all legal issues related to Contract Disputes Act claims, makes the request to Treasury for the associated Judgment Fund payments and responds to inquiries from organizations that need to reimburse the Judgment Fund.

2005 PROCEDURES

200501 REQUESTING PAYMENTS FROM THE JUDGMENT FUND.

A. Claims Processing of Judgment Fund Payment Requests. Payments from the Judgment Fund appropriations may be made only upon certification by Treasury. Treasury will determine whether a given item is proper for payment under 31 U.S.C. 1304 or whether it is "otherwise provided for," i.e., whether it constitutes an obligation chargeable against agency funds. There are nearly 100 statutes pertaining to the Judgment Fund, 17 of which dictate the denial of payment from the Judgment Fund.

1. VA OGC will submit requests for payments from the Judgment Fund for Contract Disputes Act claims in accordance with 31 C.F.R. 256.11. Refer to the Judgment Fund web site or the TFM, Volume I, Part 6, Chapter 3100 for payment request forms or other approved methods for requesting payment. See Appendix A for a brief explanation of other approved methods.

a. VA will include a valid Taxpayer Identification Number (TIN) on all payment requests, unless an exception is listed per the Treasury TIN Policy. The TIN will be for the party entitled to the payment, whether or not that party is the payee. Failure to include the TIN may result in a payment not being completed by Treasury.

b. In accordance with 31 C.F.R. 256.20, VA will identify on the appropriate Judgment Fund form or other method used, any known debt owed to the United States that Treasury is expected to collect by setoff against the award. Such a debt will be set off pursuant to the provisions of 31 U.S.C. 3728, *Setoff Against Judgment*.

1. Separate and apart from its role as administrator of the Judgment Fund, Treasury, in its capacity as disbursing official for the executive branch, sets off Judgment Fund payments to collect delinquent, nontax Federal debts through the Treasury Offset Program (TOP)². This rule applies only to the setoff of Judgment Fund payments prior to payment certification, pursuant to 31 U.S.C. 3728 and not to disbursing official setoffs pursuant to other authorities. (See 31 C.F.R. 285.5 for requirements for disbursing official setoff of past-due delinquent, nontax debts pursuant to the authority set forth in 31 U.S.C. 3716.)

2. The setoff statute establishes a two-step process to collect debts that are owed to the United States. If VA notifies Treasury of a debt for which a court has issued a judgment against a debtor in favor of the United States or for which the IRS has issued a tax levy pursuant to 26 U.S.C. 6331, Treasury will automatically set off the debt from the payment. If the debt owed to the United States has not been judicially determined, Treasury will notify the claimant of the debt and request the debtor's consent to a setoff. If the debtor consents, Treasury will set off the debt. If the debtor does not consent, Treasury will then withhold from payment an amount equal to the debt. Treasury may also withhold an amount sufficient to pay the cost of litigating the debt to judgment. Treasury will then consult with VA's OGC and the DOJ regarding the necessity for a civil action to reduce the debt to judgment. If litigation proceeds and is successful, Treasury will set off the debt. If the suit is unsuccessful, Treasury will pay the withheld amount with interest accruing from the date when payment would have been made.

B. Supporting Documentation. If the form process is selected, VA will complete and sign all required Judgment Fund forms and attach all required supporting documents,

² Refer to Vol. XII, Chapter 1E, *Treasury Offset Program and Treasury Cross-Servicing*, for more information on VA's financial policies and procedures for debt collection through Treasury.

including the judgment or settlement agreement as applicable. See Appendix A for a brief explanation of other approved methods.

200502. ACCOUNTING FOR JUDGMENT FUND LIABILITIES. FASAB Interpretation No. 2, *Accounting for Treasury Judgment Fund Transactions: An Interpretation of SFFAS No. 4 and SFFAS No. 5*, requires agencies to recognize liabilities and expenses when unfavorable litigation outcomes are probable and the amount may be estimated for both Contract Disputes Act and No FEAR Act claim payments.

A contingent liability should be recognized when a past event or exchange transaction has occurred; a future outflow or other sacrifice of resources is probable; and the future outflow or sacrifice of resources is measurable. Legal claims which are probable and estimable represent contingent liabilities to VA and should be accounted for and reported in accordance with SFFAS No. 5.

A. Establishment of Expense and Liability. At the beginning of each fiscal year, VA will determine the previous fiscal year's Judgment Fund expenses for each VA Administration and Staff Office. VA will maintain a Judgment Fund liability account reflecting the total current estimates of all its probable legal claims and will record a contingent liability for the Judgment Fund in the Assets and Miscellaneous Accounts Fund (AMAF), Station Number 150.

1. VA will obtain the advice of OGC to determine the probability that a legal claim will end in a loss to VA and that the loss is estimable. If the loss is probable and estimable, VA will recognize an expense and liability for the full amount of the expected loss.

2. VA will periodically adjust the expense and liability based on any changes in the estimated loss. If the estimate of a claim is changed, from communication with OGC, before such claim is settled, VA will adjust the accrued liability account accordingly to reflect the current estimate. If a legal claim that was previously accrued becomes improbable or reasonably possible, VA will reduce the accrued liability account by the amount of such claim.

B. Recognition of Other Financing Sources.

1. VA is required to record an operating expense and imputed financing source for the Judgment Fund's pending claims and settlements. Once the Judgment Fund is determined to be the appropriate source for payment of the claim and the legal claim is either settled or a judgment is assessed against VA, VA will remove the accrued contingent liability for the claim from its accounting records and recognize the transaction as an "other financing source" amount (which represents the amount to be paid by the Judgment Fund). Refer to Appendix B.

2. If the Judgment Fund is responsible for only a portion of the claim or settlement, the imputed financing source amount would reflect only that amount to be paid by the Judgment Fund on behalf of VA.

C. Cost Allocations by Administration CFOs. Each Administration's CFO will devise a cost allocation methodology outside of VA's financial accounting system for the allocation of the related expenses to their respective stations, services and product lines.

200503 REPORTING AND DISCLOSURE ON JUDGMENT FUND LIABILITIES.

A. VA will discuss the Judgment Fund's role in the payment of a possible loss in a footnote to the financial statements.

1. All claims that are deemed reasonably possible should be disclosed in the footnotes to the financial statements. VA will estimate the unfunded liabilities for Judgment Fund claims of future payments on legal cases to be paid by the Treasury on behalf of VA and present them as part of the footnote relating to liabilities not covered by budgetary resources. No distinction is made as to what portion of these liabilities VA may or may not have to reimburse the Judgment Fund.

2. Certain legal matters to which VA may be a named party are administered and, in some instances, litigated by the Department of Justice. Generally, amounts more than \$2,500 for Federal Tort Claims Act cases to be paid under any decision, settlement or award are funded from the Judgment Fund. VA will provide an estimate of these cases and disclose this information in a footnote to the consolidated financial statements.

B. Representation Letter of General Counsel. As part of the end-of-year procedures during the fourth quarter of the fiscal year, VA's OGC will provide information to the CFO, on all matters to which VA is a party to litigation, including various administrative proceedings, legal actions, claims brought against it and cases to be paid from the Judgment Fund against VA. For additional information relating to the content of the representation letter, refer to Vol. VI, Chapter 21, *Contingent Liabilities*.

2006 DEFINITIONS

200601 Budget Object Codes. Categories in a classification system that present obligations by the items or services purchased by the Federal Government.

200602 Compromise. An offer and acceptance of a partial payment in settlement and full satisfaction of the offeror's indebtedness, as it exists at the time the offer is made. It is a final settlement, binding on the parties to the compromise, unless procured by fraud, misrepresentation of a material fact or mutual mistake of fact.

200603 Contingent Liability. A liability representing an amount that is recognized as a result of a past event where a future outflow or other sacrifice of resource is probable and measurable. A contingent liability should be disclosed in the notes to the financial statements if any of the conditions for liability recognition (probable and measurable) are not met and there is a reasonable possibility that a loss or additional loss may have been incurred. Disclosure should include the nature of the contingency and an estimate of the

possible liability, an estimate of the range of the possible liability or a statement that such an estimate cannot be made.

200604 Contract Dispute Claims. The Federal Acquisition Regulation defines a “claim” as a written demand or written assertion by one of the contracting parties seeking, as a matter of right, the payment of money in a sum certain, the adjustment or interpretation of contract terms or other relief arising under or relating to the contract. However, a written demand or written assertion by the contractor seeking the payment of money exceeding \$100,000 is not a claim under the Contract Disputes Act of 1978 until certified as required by the Act.

200605 Cost Center. The cost center is a sub-organization where costs are incurred. This is usually an organization's subordinate office that is distinguished by area of responsibility or geographic region. A cost center is represented by a four-to-six digit code established by VA as part of an overall accounting classification that identifies the organizational element associated with a financial transaction.

200606 Disclosure. Reporting information in notes or narrative regarded as an integral part of the basic financial statements.

200607 Esker Fax. Esker Fax is a digital fax that interfaces with the Judgment Fund's document storage system (see Appendix A).

200608 Exchange Transaction. Transactions in which each party to the transaction sacrifices value and receives value in return.

200609 Judgment Fund. The Judgment Fund is a permanent, indefinite appropriation which is available to pay certain judicially and administratively ordered monetary awards against the United States.

200610 Judgment Fund Internet Claims System (JFICS). JFICS gives agencies the capability to access the system externally to Treasury. VA will submit claims to the Judgment Fund Branch, accessing the JFICS Web site through a secure password, user ID and Public Key Infrastructure, which is an added level of security due to sensitivity of the information. Agencies that are users of JFICS are able to view claim status online from the time of submission to the payment of the claim.

200611 Imputed Financing Sources. Sources of financing that consist of imputed revenue for expenses relating to legal claims such as those paid by the Treasury Judgment Fund.

200612 Liability. The probable future outflow or other sacrifice of resources as a result of past transactions or events.

200613 Measurable. Reasonably estimable.

200614 No FEAR Act Claims. A Federal agency will reimburse the Judgment Fund for payments made to employees, former employees or applicants for Federal employment because of actual or alleged violations of Federal employment discrimination laws, Federal whistleblower protection laws and retaliation claims arising from the assertion of rights under those laws.

200615 Nontax Debt. Refers to a debt or claim, used interchangeably, to any amount of money, funds or property as determined by an appropriate official of the Federal Government to be owed to the United States by an individual, including debt administered by a third party as an agent for the Federal Government.

200616 Obligation. A legally binding agreement that will result in outlays, immediately or in the future. When you place an order, sign a contract, award a grant, purchase a service or take other actions that require the Government to make payments to the public or from one Government account to another, an obligation is incurred.

200617 Probable. That which may reasonably be expected or believed to be more likely than not on the basis of available evidence or logic, with the exception of pending or threatened litigation and unasserted claims. The probability of a future outflow or other sacrifice of resources is assessed on the basis of current facts and circumstances. These current facts and circumstances include the law that provides general authority for Federal entity operations and specific budget authority to fund programs.

200618 Recognize. Refers to the formal recording or incorporating of an item into VA's financial statements as an asset, liability, revenue, expense, etc.

200619 Representation Letter. This letter is the primary form of communication between VA's General Counsel, at the request of management and VA's auditor covering all litigation, claims and assessments pertaining to VA, including matters handled by VA Counsel or DOJ or any other outside legal counsel on behalf of VA. This letter is the auditor's primary means of corroborating the information furnished by management concerning the accuracy and completeness of litigation, claims and assessments.

200620 Setoff. An amount withheld by Treasury from a judgment award against the United States Government that is equal to a debt the individual owes the Government.

200621 Taxpayer Identification Number (TIN). For an individual, the TIN is the Social Security Number; for a business, the TIN is the Employer Identification Number issued by IRS.

200622 Treasury Offset Program (TOP). A centralized offset program, administered by the Treasury Debt Management Services (DMS), to collect delinquent debts owed to Federal agencies and States in accordance with 26 U.S.C. 6402(d) - collection of debts owed to Federal agencies, 31 U.S.C. 3720A - reduction of tax refund by amount of the debts and other applicable laws.

2007 RESCISSIONS

200701 OF Bulletin 99GC2.02, Paragraph 4, Accounting for Unfunded Liabilities and Expenses

2008 QUESTIONS

Questions concerning these financial policies and procedures should be directed as shown below:

| | |
|------------|---------------------------------|
| VHA | VHA Accounting Policy (Outlook) |
| VBA | VAVBAWAS/CO/FINREP (Outlook) |
| All Others | OFP Accounting Policy (Outlook) |

APPENDIX A

SUBMITTING PAYMENT REQUESTS TO TREASURY

A. Agencies may submit payment requests using one of the following methods:

1. Mail (to include Federal Express and courier services);
2. Esker Fax (a secure fax system); or
3. The Judgment Fund Internet Claims System (JFICS).

B. If requests are submitted through mail or Esker Fax, agencies will record the information on the Treasury forms and provide supporting documentation. The required request forms submitted by mail or Esker Fax are identified below:

1. Treasury 194: Judgment Fund Transmittal;
2. Treasury 196: Judgment Fund Award Data Sheet; and
3. Treasury 197: Judgment Fund Voucher for Payment.

These forms, along with the applicable fax sheet, are available on the Judgment Fund Web site at <http://www.fms.treas.gov/judgefund/>. No forms are needed if the payment request is submitted directly through JFICS.

C. If requests are submitted through JFICS, VA would enter its information into the system and submit the requests electronically. Until incorporated directly into JFICS, the supporting documentation for the request should be submitted by Esker Fax. The supporting documentation that will accompany VA's payment requests is detailed in Treasury regulations at 31 C.F.R. 256.12. Also, as stated in 31 C.F.R. 256.13, VA will include a valid taxpayer identification number (TIN) on all requests for payments, unless the situation meets one of the exceptions found in the following Treasury Web site at <http://www.fms.treas.gov/tinpolicy/regulations.html>. The "responsible agency" for litigative awards is the agency responsible for defending the United States in court. For administrative awards, the "responsible agency" is the agency authorized to settle the claim (see 31 C.F.R. 256.10).

APPENDIX B

EXAMPLE ACCOUNTING ENTRIES

A. Establishment of Expense and Liability. At the beginning of each fiscal year, VA will determine the previous fiscal year's Judgment Fund expenses for each VA Administration and Staff Office. VA will maintain a Judgment Fund liability account reflecting the total current estimates of all its probable legal claims and will record a contingent liability for the Judgment Fund in the Assets and Miscellaneous Accounts Fund (AMAF), Station Number 150. VA is required to record an operating expense and imputed financing source for the Judgment Fund's pending claims and settlements.

1. VA will obtain the advice of OGC to determine the probability that a legal claim will end in a loss to VA and that the loss is estimable. If the loss is probable and estimable, VA will recognize an expense and liability for the full amount of the expected loss. VA will make the following journal entry to record the expense and liability:

DR. 6803 Judgment Fund, Future Funded Expense

CR. 2921 Judgment Fund, Contractual Liability, or
2922 Judgment Fund, Non-Contractual Liability

B. Recognition of Other Financing Sources.

1. Once the Judgment Fund is determined to be the appropriate source for payment of the claim and the legal claim is either settled or a court judgment is assessed against VA, VA will remove the accrued liability for the claim from its accounting records and recognize the transaction as an "other financing source" amount (which represents the amount to be paid by the Judgment Fund).

2. If the Judgment Fund is responsible for only a portion of the claim or settlement, the imputed financing source amount would reflect only that amount to be paid by the Judgment Fund on behalf of VA. The following journal entries reflect these circumstances:

DR. 2921 Judgment Fund, Contractual Liability, or
2922 Judgment Fund, Non-Contractual Liability

CR. 6734 Imputed Judgment Fund Non-Contractual Expense

APPENDIX C

USE OF COST CENTERS AND BUDGET OBJECT CODES (BOC)

VA will use the following Cost Centers and BOCs to record transactions and identify unfunded expenses and liabilities related to the Judgment Fund.

1. Cost Centers³

- 5199 National Cemetery Administration (NCA) – Unfunded Expenses
- 3099 Veterans Benefits Administration (VBA) Centralized Payments (ORM use only).
- 8799 VHA Unfunded Expenses Deactivated in Fiscal Year 2007.
- 1899 Administration - Unfunded Expenses - NOTE - for program office use.

2. Budget Object Codes⁴

- 4201 Judgment Fund Expense – Contractual (VACO Station #150 use only).
- 4202 Unfunded Judgment Fund Expense – Non-Contractual (VACO Station #150 use only).
- 4203 Judgment Fund – Contract Disputes (VACO Station #101 use only).
- 4205 No FEAR Act Settlements. For payment of settlements made under the No FEAR Act.

³ Refer to Vol. XIII, Chapter 1, *Cost Center Codes*, for additional information.

⁴ Refer to Vol. XIII, Chapter 2, *Budget Object Codes*, for additional information.