

**SUMMARY OF MAJOR CHANGES TO
DoD 7000.14-R, VOLUME 13, CHAPTER 4
“LIABILITIES”**

All changes are denoted by blue font

Substantive revisions are denoted by a ★ preceding the section,
paragraph, table, or figure that includes the revision

Hyperlinks are denoted by *underlined, bold, italic, blue font*

PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reworded and reformatted chapter for clarity and ease of reading. Added references and electronic links.	Update
0401	Added an Overview section to provide purpose and scope paragraphs.	Add

TABLE OF CONTENTS

LIABILITIES

★ 0401 Overview

0402 Liabilities

0403 Accountability for Liabilities

0404 Payment of Liabilities

CHAPTER 4

LIABILITIES★0401 OVERVIEW

040101. Purpose. This chapter prescribes the standard policies surrounding Nonappropriated Fund (NAF) liabilities.

040102. Scope. Policies in this chapter apply to all Nonappropriated Fund Instrumentalities (NAFIs) and their supporting Accounting Offices (AOs) except the Armed Service Exchanges.

0402 LIABILITIES. Liabilities represent probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events. Liabilities are classified as current or long term. Current liabilities are classified as current if their liquidation is reasonably expected to require the use of existing resources properly classifiable as current assets or to create other current obligations. Current liabilities are due on demand or will be due on demand within one year. Long term liabilities are obligations that are not due or payable within one year.

040201. Recognition of Liabilities. Liabilities, i.e., accounts payable, arise from the acquisition of goods or services. Accounts payable liability shall be recognized upon receipt of services or when accepting title to goods. Accrued Liabilities have their origin in the end of the period adjustment process required by accrual accounting. Commonly, these include wages and salaries payable, benefits payable, interest payable, and taxes payable.

040202. Contingent Liabilities. Contingencies are existing conditions, situations, or circumstances involving uncertainty as to possible gain or loss that will ultimately be resolved when one or more future events occur or fail to occur. Loss contingencies are accrued when the outcome is probable and the amount is reasonably estimable. Do not record gain contingencies. When a contingency is identified, the AO will footnote the year-end Military Service level consolidated financial statements explaining the contingency and the potential for gain or loss.

0403 ACCOUNTABILITY FOR LIABILITIES. The NAFI authorized representative is responsible for approving the disbursement of NAFs. The AO is not authorized to make disbursements without the approval of the NAFI authorized designee or as authorized in this regulation.

0404 PAYMENT OF LIABILITIES

040401. Documentation Required for Payment. Department of Defense (DoD) Directive 4105.67, “NAF Procurement Policy,” and DoD Instruction 4105.71, “NAF Procurement Procedure,” provides information on established policy and assigned responsibility

for procurements using NAFs. The following documentation is needed prior to payment of liabilities:

A. NAFIs will submit the following documents, properly prepared and authenticated, to the AO to support payment for procurements:

1. Procurement document, e.g., purchase order (PO), contract, blanket purchase agreement, or other similar documents.

2. Department of Defense (DD) Form 250, “Material Inspection and Receiving Report,” or another signed document that provides evidence that goods were accepted or services were received.

3. Vendor invoice or claim for payment. The invoice or claim may be for a specific delivery or show deliveries made over a specified period.

B. Overseas Shipments. The AO must receive a vendor invoice and proof of shipment before payment can be made on overseas shipments. These payments may be made prior to receipt or acceptance of goods.

C. Partial Shipments. The NAFI will submit a DD Form 250 or locally produced receiving report, which shows acceptance of goods to the AO. The form must have “Partial Shipment” written on the top. The AO will establish an accounts payable open item. When the AO receives the invoice, payment will be processed and the supporting documents are annotated as partial shipment received.

040402. Purchases from Other NAFIs. When a NAFI purchases goods or services from another NAFI, a DD Form 1149, “Requisition and Invoice/Shipping Document,” or similar form will be submitted to the AO to support the transaction.

040403. Purchases from the Government. When a NAFI purchases goods or services from the Government (e.g., bills from appropriated funds) it is not usually supported by a procurement instrument. The NAFI will submit a DD Form 250 or other signed document to the AO to support the payment.

040404. Purchase Orders, Vendor Invoices, and Receiving Reports

A. Purchase Orders. A PO is a document issued by the NAFI to a seller, indicating the type, quantity, and agreed price for goods or services to be provided. Sending a PO to a supplier constitutes a legal offer to buy goods or services. Acceptance of a PO by a seller forms a contract between the NAFI and the seller.

B. Vendor Invoices. A vendor invoice represents a claim against NAF. All invoices should be date stamped at time of receipt.

C. Receiving Reports. A receiving report is a document prepared by the receiving activity to document the receipt of services or acceptance of goods.

040405. Discounts. For NAFIs, a discount is the amount deducted from the total amount of the invoice when goods are supplied Free on Board (FOB) destination. If the goods are supplied FOB other and a separate freight charge is shown, then the discount is taken on the cost of goods only. The FOB delivery terms are shown on the PO. The amount of discounts not taken shall be charged to operations in the appropriate general ledger account.

040406. Prompt Payment Act. The Prompt Payment Act, 5 Code of Federal Regulations (CFR) 1315, requires Federal agencies (including NAF activities) to make payments in a timely manner. If a payment to a contractor is late, then an interest payment is due to the contractor. This interest payment is made without contractor request. A notice stating the amount of the interest penalty, the number of days late, and the rate used for calculation accompanies the interest payment. 5 CFR 1315 and Volume 10, Chapter 7 of this Regulation provide information on the Prompt Payment Act.