

CHAPTER 4

LIABILITIES0401 GENERAL.

040101 Definition. Liabilities represent obligations resulting from past transactions to pay sums of money, convey other assets, or perform certain services. Liabilities must be fully recognized and properly measured on the balance sheet to accurately portray amounts owed. Liabilities may be current or long-term. Current liabilities are obligations whose liquidation is reasonably expected to require use of existing resources properly classified as current assets or the creation of other current liabilities. Long-term liabilities represent probable future sacrifices of economic benefits arising from present obligations that are not due or payable within the next 12 months.

040102 Accountability for NAF Resources.

Accountability for NAF resources rests with the NAFI manager. Therefore, disbursement of NAF resources can only take place with the specific approval of the Program Manager, NAFI Manager or as authorized in this regulation.

040103 Documentation Required for Payment.

A. The following documents, properly prepared and authenticated, is authority for payment.

1. A procurement instrument such as a purchase order, a contract, a blanket purchase agreement, or other similar documents.

2. A receiving report or other signed documentary evidence that the goods or services have been received by the NAFI.

3. An invoice or claim from the vendor requesting payment. This may be an invoice issued for a specific delivery or a statement showing deliveries over a month, week, or other period.

B. Overseas Shipments. Vendor invoice and proof of shipment must be received before payment can be made on overseas shipments prior to receipt of goods.

C. Partial Shipments. Partial shipments are paid for using a DD Form 250, Material Inspection and Receiving Report, or locally devised form as a receiving report. Ensure "Partial Shipment" is written on the top of the form. Establish as an accounts payable open item. On receipt of an invoice, process for payment. Annotate the check as partial shipment received.

040104 Purchases From Other NAFIs. Purchase of goods or services from other NAFI will be supported by a request for the goods or services and a signed document showing receipt. DD Form 1149 or similar form will suffice.

040105 Purchases From the Government. Purchase of goods or services from the Government (e.g., bills from appropriated funds) will not normally be supported by a procurement instrument, however, a receiving report or other signed evidence of receipt must be present to support the payment.

0402 PURCHASE ORDERS AND VENDOR INVOICES.

040201 Purchase Orders. A purchase order is a document forwarded to a supplier by an activity specifying unit size and price, as well as delivery terms for desired products to be delivered at a specified time and place. The supplier can then accept and act on the offer or refuse it. A purchase order log is maintained in numerical sequence and all purchase order numbers must be accounted for.

040202 Vendor Invoices. A vendor invoice represents a claim against NAF. All invoices should be date stamped at time of receipt.

0403 RECEIVING REPORTS. Receiving reports must be prepared for all merchandise received or services performed.

0404 DISCOUNTS. Accounts payable will be recorded net of discounts. Discounts are to be taken on the gross amount of the invoice if goods are supplied FOB destination. If the goods are supplied FOB other and a separate freight charge is shown, the discount will be taken on the cost of goods only. The FOB delivery terms are shown on the purchase order. Discounts lost will be recorded in the appropriate general ledger account.

0405 PROMPT PAYMENT ACT. The Prompt Payment Act (PPA) of May 21, 1982 (Public Law 97-177), amended on October 17, 1988 (Public Law 100-496), requires Federal agencies (including NAF activities) to make payments in a timely manner. If a payment to a contractor is late, an interest payment also is due to the contractor and should be made without a contractor having to request the interest payment. Specific policy and procedures, record keeping, computation of interest payments and reporting requirements are contained in Volume 10 of the DoD Financial Management Regulation, DoD 7000.14-R.

0406 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. Accrue loss contingencies where the outcome is probable and the amount is reasonably estimable, however, do not record gain contingencies. When a contingency is identified, attach a footnote to the year end service level consolidated financial statements explaining the contingency and the potential for gain or loss.