

<p style="text-align: center;">SUMMARY OF MAJOR CHANGES TO DOD 7000.14-R, VOLUME 4, CHAPTER 9 “ACCOUNTS PAYABLE”</p> <p style="text-align: center;">Substantive revisions are denoted by a ★ preceding the section, paragraph, table or figure that includes the revision</p>		
PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
0901	Updated section to clarify that the accounts payable do not include on-going continuous expenses such as employees salaries and benefits, or contract holdbacks.	Update
0902	Updated section to comply with SFFAS 1, defined accounts payable, segregate accounts payable recognition from the reviewing and validating the accounts payable balances, and establish policy for recording the accounts payable upon receipt of services or when accepting title.	Update
0903	Edited the paragraph to provide the Treasury transactions codes for recording the most common transactions.	Update

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CHAPTER 9

ACCOUNTS PAYABLE★0901 GENERAL.090101. Purpose

A. This chapter provides accounting policy for recognizing accounts payable and procedures to record accounts payable transactions that map to the accounts payable line of the balance sheet per the United States Standard General Ledger (USSGL) Treasury Financial Manual (TFM) Section V. Specifically, this chapter outlines procedures to record: (1) goods and services received, (2) disbursements in transit, (3) accrued interest payable, (4) transfers payable for balances that are currently invested, (5) expenditure transfers payable, (6) subsidy payable to the financing account, and (7) accounts payable from canceled appropriations.

B. This chapter implements the Accounts Payable and Interest Payable provisions of Statements of Federal Financial Accounting Standards (SFFAS) Number 1, "Accounting for Selected Assets and Liabilities," and the requirements to recognize a payable from the program account to the financing account for subsidies relating to loan guarantees and direct loans.

C. Accounts payable does not include liabilities related to on-going continuous expenses such as employees' salaries and benefits. The other liabilities line of the balance sheet contains the employees' salaries and benefits. Refer to Chapter 10 of this volume for further discussion on employees' salaries and benefits. Accounts payable also does not include amounts for contract holdbacks. Contract holdbacks map to the other liabilities line of the balance sheet.

★0902 ACCOUNTING POLICY FOR ACCOUNTS PAYABLE

Accounts payable are amounts owed to other entities for receipt of goods and services, progress in contract performance, and rents. The following paragraphs outline the policy for recognizing and reviewing the accounts payable liability.

090201. Accounts Payable Recognition

A. An entity shall recognize an accounts payable liability upon receipt of services or when accepting title to goods, whether delivered or in-transit. Amounts recorded as accounts payable shall be supported by adequate evidence of the existence of the liability (e.g., purchase order or contract, and proof of receipt), and the terms upon which payment is to be made. The DoD Components shall estimate the accounts payable when they accept title and amounts are not available (e.g. invoice not available) at the end of an accounting period.

B. Accounts payable resulting from ongoing shipbuilding or construction of facilities is based on the percentage of completion of the project. The DoD Component should

support the percentage of completion with engineering estimates and management evaluation of actual performance progress. The recorded accounts payable should be equivalent to the amount certified by the contracting officer and should not include any amounts held pending completion and acceptance of the contract. Contract holdbacks are recorded as a part of the other liabilities rather than being included in accounts payable. The accounts payable is recognized because formal acceptance of the final product by the DoD Component is not the determining factor for accounting recognition. The DoD Component acquires an asset during each accounting period based on constructive or de facto receipt and should recognize an accounts payable during each accounting period.

C. Late invoices received must be determined to be valid before payment. Entities should meet the requirements outlined in [Volume 3, Chapter 10](#) of this regulation before making payment on a late invoice involving canceled accounts.

D. The entity shall not delay recognizing the liability based on the availability of funds and shall disclose the accounts payable not covered by budgetary resources.

E. Accounts payable resulting from transactions with other federal entities shall be separately identifiable from those resulting from transactions with the public.

F. The entity shall ensure their accountant (in most cases this is the Defense Finance and Accounting Service (DFAS)) records accounts payable net of all economically justified discounts offered by vendors. In connection with any discount offered for prompt payment, compute the time elapsed from the date of the invoice. If the vendor does not place a date on the invoice, the disbursing office shall annotate the invoice with the date of receipt and calculate the discount from the date of invoice receipt. Refer to [Volume 10, Chapter 2](#) of this regulation for further discussion on discount offers and calculations.

G. The DoD Component shall record an accounts payable for interest incurred on late payments and refunds but not paid at the end of the reporting period. Interest incurred on borrowed funds but unpaid is accrued and recorded on the debt line of the balance sheet.

H. Entities issuing monetary credits as compensation for property or services received from nonfederal agencies shall record a liability equal to the value of the monetary credit. Issuance of monetary credits shall be limited to those instances supported by specific statutory authority and could arise in a situation where an entity enters into a barter agreement in which the services provided another entity have a market value less than the services received (e.g. cross servicing agreements for refueling North Atlantic Treaty Organization ships outlined in [Volume 11A, Chapter 8](#)).

I. The entity shall recognize an accounts payable liability upon receipt of an invoice for a contract authorizing fast pay procedures. The fast pay procedures allow payment prior to verifying receipt and acceptance of supplies under the limited conditions listed in the Federal Acquisition Regulation ([FAR](#)) [13.402](#) and the Defense Federal Acquisition Regulation ([DFAR](#)) [213.402](#). The limited conditions require the contractor to certify delivery at the time of

presenting the invoice and replace, repair, or correct any supplies not received or supplies received damaged or nonconforming to requirements. Disbursing offices shall establish the controls described in [Volume 10, Chapter 10](#), Section 1003 of this Regulation to ensure receipt of receiving reports within a reasonable period. Disbursing offices shall take action to determine actual receipt of the goods and services when not provided receiving reports in a reasonable period. The disbursing office shall establish an accounts receivable and credit the asset account when determining the customer (ordering activity) did not receive the goods or received damaged or nonconforming goods. Disbursing offices may liquidate the accounts receivable by offsetting it against current payments to a vendor. The disbursing office shall maintain a clear audit trail of any offset by maintaining documentation approved by the appropriate management official. If the customer does not anticipate further purchases then the disbursing office shall prepare a contract debt package in accordance with [FAR 32.610](#) and process the demand for payment in accordance with Defense Finance and Accounting Service (DFAS) procedures.

090202. Reviewing Account Payable Balances.

A. The accounting office shall review and reconcile the accounts payable balances to the accounts payable ledger in conjunction with the triannual review of commitments and obligations required in [Volume 3, Chapter 8](#) of this Regulation. The accounting office shall research any differences, document the rationale for necessary adjustments, and obtain approval from the DoD Component's Comptroller or their designated representative.

B. The disbursing office shall request an invoice from the contractor for any accounts payable when not receiving an invoice within 180 days from the date of acceptable final performance. If there is no response, the disbursing office shall send a follow-up request to the contractor after 60 days. The accounts payable for acceptable final performance on a contract or order shall remain on the accounts until liquidated through proper payment. The DoD Components shall recognize payables from canceled appropriations as outlined in paragraphs 090302 and 090308 of this chapter.

C. The accounting office shall investigate debit balances over \$100 among the trial balance of accounts payable. If the investigation discloses an overpayment or under recouped funds, the accounting office shall offset the amount, due on a current invoice as authorized by FAR 32.611 or a demand for payment of contract debt package shall be prepared and process in accordance with FAR 32.610.

D. The inability to match a performance report or invoice to the applicable undelivered order may indicate a breakdown of fund control processes and a material weakness in internal controls. When the process of posting a transaction to accounts payable does not disclose a matching undelivered order, this may be evidence that the customer has either not awarded a contract or has incorrectly posted the contract award. In this circumstance, the accounting office shall request the necessary documentation to support the required accounting entry. The accounting office shall notify appropriate officials when receiving performance reports or invoices without a corresponding delivered order recorded in the accounting records.

★0903 ACCOUNTING PROCEDURES FOR ACCOUNTS PAYABLE

090301. This section illustrates the use of the applicable USSGL accounts for recording the proprietary and budgetary transactions that map to the accounts payable line on the balance sheet. The referenced Transaction Codes (TC) are outlined in the USSGL TFM, Section III.

090302. Accounts Payable (Account 2110)

A. This account represents amounts owed to federal or nonfederal entities for goods ordered and received, and for services rendered by organizations and people other than employees.

B. The DoD Components shall establish subsidiary ledgers as needed to meet external reporting requirements and to provide internal control over amounts owed to others.

C. Outlined below are the USSGL TFM TCs that are most common for USSGL account 2110, Accounts Payable:

1. Use TC B302 to recording the receipt of goods or services pending payment. In addition, use TC E202 if the assets purchased are capitalized assets and TC B134 if you funded the purchase from a direct appropriation.

2. Use TC B110 to record payment for goods or services.

3. Use TC F128 to record the cancellation of a valid obligation and accounts payable in the canceling appropriation. In addition, use TC B134 if funded by a direct appropriation and TC F120 to cancel the expired authority and withdraw funds. The accounts payable is reestablished in USSGL 2960, Account Payable from Canceled Appropriations using TC F130 as provided in paragraph 090308.B.1 of this chapter.

090303. Disbursements in Transit (Account 2120)

A. Disbursements in transit represent outlays that an accounting activity has transmitted to a designated disbursing office but await disbursement.

B. Provided below are the USSGL TFM TCs that are most common for USSGL account 21200, Accounts Payable.

1. Use TC B308 to reclassify payables scheduled for disbursement to “in-transit” until the disbursing office confirms the payment.

2. Use TC B110 to record the confirmed payment of the disbursement schedule.

090304. Accrued Interest Payable (Account 2140)A. This account represents the amount of interest accrued and owed to others for interest accrued on late payments and refunds. Interest accrued on borrowed funds is accrued and reported on the debt line of the balance sheet.

B. Provided below are the USSGL TFM TCs that are most common for USSGL account 2140, Accounts Payable.

1. Use TC B322 to record the liability for the interest expenses incurred but not paid. In addition, use TC B134 if funded by direct appropriation.

2. Use TC B112 to record the payment for accrued interest.

090305. Payable for Transfers of Currently Invested Balances (Account 2150) and Expenditure Transfers Payable (Account 2155). The Department does not normally accrue transfers but normally makes the transfers directly between funds. Any DoD Component needing to accrue a transfer and an associated payable should consult the [USSGL](#) Treasury Financial Manual, Section III for the appropriate accounting entries.

090306. Subsidy Payable to Financing Account (Account 2170)

A. The DoD Components shall restrict the use of the Subsidy Payable for Financing Account to record the amount of subsidy payable from a program account to a financing account for both direct loans and loan guarantees. Generally, when a DoD Component disburses the loan, it simultaneously transfers the subsidy to the financing account. This account is most commonly used when the DoD Component annually estimates the subsidy and it requires an increase.

B. Provided below are the [USSGL](#) TFM TCs that are most common for USSGL account 2170, Accounts Payable.

1. Use TC B324 to record the subsidy payable accrued in the program account that the entity will fund in the future.

2. Use TCs A150 and B105 to record the disbursement of the subsidy from the program fund to the financing fund when the loan is disbursed. In addition, if the entity funds it from a direct appropriation, use TC A134.

090307. Contra Liability for Subsidy Payable to Financing Account (Account 2179). The Department does not presently use this account because there is no situation within the Department that requires its use. The DoD Components shall request authority from the Department's Deputy Chief Financial Officer prior to using this account.

090308. Accounts Payable Canceled (Account 2960)

A. The DoD Components shall use the Accounts Payable From Canceled Appropriations account to reinstate valid accounts payable for canceled appropriations. It is necessary to differentiate regular and canceled accounts payable because an entity cannot disburse a legitimately incurred obligation from a canceled appropriation. The entity must disburse legitimately incurred canceled year obligations from current year appropriations per Office of Management and Budget (OMB) [Circular A-11](#), Section 130.11. Accounts payable presented for payment that cite canceled appropriations shall not be paid until the disbursing office obtains a currently available appropriation fund cite from the funding activity.

B. Provided below are the USSGL TFM TCs that are most common for [USSGL](#) account 2960, Accounts Payable.

1. Use TC F130 to reinstate the accounts payable from a canceled appropriation. This entry should be made in conjunction with removing the accounts payable upon cancellation of the appropriation (TC F128) and withdraw of funds (TC F120) as provided in paragraph 090302.C.3 of this chapter.

2. Use TC B316 to record in the canceled appropriation the removal of the canceled appropriation the removal of the canceled payable upon receipt of a valid bill. Post this transaction in conjunction with TC B314, which records an obligation and an accounts payable in an unexpired appropriation for a valid bill related to a canceled appropriation. In addition, if the transaction is funded from a direct appropriation, use TC B134.