

**SUMMARY OF MAJOR CHANGES TO
DoD 7000.14-R, VOLUME 15, CHAPTER 1
“GENERAL INFORMATION”**

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*

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reworded and reformatted chapter for clarity; updated references and electronic links.	Update
0101	Replaced “Introduction” paragraph title with “Overview.”	Update
010101.G, 010302	Changed “customer” to “purchaser” to clarify terminology.	Update
010101.J	Changed Joint Financial Management Improvement Program to Financial Systems Integration Office as a more appropriate source.	Update
010101	Combined Purpose and Objectives information from previous version into one subparagraph.	Update
010104 (April 2002)	Deleted paragraph on Volume Organization and Maintenance. Current information is in the Introduction of this Regulation.	Delete
010105 (April 2002)	Deleted obsolete policy change request information. Current information is in the Introduction of this Regulation.	Delete
010106 (April 2002)	Deleted obsolete effective date and implementation information.	Delete
0102	Clarified the use of 97-11 X 8242 for Department of Defense reporting of funds transferred to the Department from the Executive Branch, Office of the President by eliminating unneeded verbiage.	Update
010201.D	Added military pay Medicare-Eligible Retiree Health Care (MERHC) accruals and lease rental payments to miscellaneous receipts information.	Update
010202	Added “Military Debt Reduction Financing Accounts, Funds Appropriated to the President” (Account 4174) for loans with original disbursement dates prior to 1992. Provided clarification on selected appropriation uses.	Update
010202.A.1	Consolidated information on “Foreign Military Loan Liquidating Account, Funds Appropriated to the President” from former paragraph 010202.A.6.	Update

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Table 1-1	Revised National Geospatial Intelligence Agency and added Washington Headquarters Service, Business Transformation Agency, Missile Defense Agency, and State Department.	Update
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TABLE OF CONTENTS

GENERAL INFORMATION

- ★ 0101 [Overview](#)
- ★ 0102 [Treasury Accounts](#)
- 0103 [Types of Financing](#)
- ★ [Table 1-1 Accounting Classification Codes of the Foreign Military Sales \(FMS\) Trust Fund](#)

CHAPTER 1

GENERAL INFORMATION★0101 OVERVIEW

010101. Purpose. The purpose of this volume is to:

A. Establish the accounting, pricing, budgeting, and reporting policies and procedures which are necessary to implement the financial management requirements of the Arms Export Control Act (AECA), Public Law 90-629, as amended, codified at 22 United States Code (U.S.C.) 2751 et seq., and the Foreign Assistance Act (FAA), Public Law 87-195, as amended, codified at 22 U.S.C. 2151 et seq., and other legal authorities.

B. Establish the accounting, financing, and billing procedures for transactions citing the Foreign Military Sales (FMS) Trust Fund (e.g., 97-11 X 8242, Advances Foreign Military Sales, Funds Appropriated to the President) and in the performing appropriations when FMS orders are executed on a reimbursable basis.

C. Establish the pricing and costing criteria for FMS sales of defense articles and defense services (including training) and construction services furnished to friendly foreign governments and international organizations under authority of the AECA and FAA, as amended.

D. Ensure that the pricing policies are applied in situations where a contractor, involved in direct sales to a foreign government, acts as an agent of the foreign government in executing a purchase agreement with the United States Government (USG) for Department of Defense (DoD) materiel and services. The policies apply where coproduction, codevelopment, cooperative production, or cooperative development agreements are entered into with foreign governments.

E. Present an integrated accounting and financial control system that will record all financial transactions related to an FMS and/or FMS-like case from the time it is accepted until it is completed.

F. Present complete accounting support for the budget schedules and budget concepts, as reflected in Volume 2A and Volume 2B of this Regulation.

G. Present an accounting and financial control pattern for FMS work which gives appropriate recognition to the fact that the budget authority resulting from accepted FMS cases is not necessarily recorded for an obligation in the year in which the case is accepted by the FMS purchaser.

H. Ensure that FMS Trust Fund and performing appropriation accounting, reporting, and budget schedules are properly interfaced.

I. Facilitate budgeting, financial planning, and cost estimating for FMS transactions.

★ J. Ensure compliance with all requirements for the administrative control of funds and provide a FMS Trust Fund accounting system that will meet the accounting standards and financial management system requirements as defined by the Federal Accounting Standards Advisory Board; the Financial Systems Integration Office; and Volume 1, Chapter 3; and Chapter 4 of this Regulation.

010102. Applicability. Unless specifically exempted, FMS transactions should follow DoD accounting guidance contained elsewhere in this Regulation. All changes for this volume proposed by the DoD Components shall be coordinated with the Defense Security Cooperation Agency (DSCA) (Director of Business Operations). That office shall perform an initial review of proposed changes to assure consistency with the AECA and security assistance policy and procedures, and then forward the change with a written DSCA endorsement to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Accounting and Finance Policy for final approval. Revised guidance issued by OUSD(C) memorandum in advance of a formal change to the volume will be incorporated in a formal change as soon as possible after issuance of the memorandum.

★0102 TREASURY ACCOUNTS

Security Assistance (SA) funds and accounts are authorized by the Foreign Affairs/Foreign Relations committees of the Congress (rather than the Armed Services Committees). SA Funds are appropriated to the Executive Branch, Office of the President, and are identified by Treasury Index (TI) “11” (sometimes referred to as a department code). Funds and accounts authorized by Acts originating in the Armed Services committees of the Congress and appropriated to DoD are identified by Treasury Index: “97” Defense Department, “17” Navy, “21” Army, and “57” Air Force.

Treasury account 11-8242 is the parent account for the FMS Trust Fund, as authorized by Foreign Affairs/Foreign Relations legislation. Contract authority and collections are recorded centrally against 11-8242. Responsibility for the FMS Trust Fund execution (e.g., obligations and disbursements) was transferred from the Executive Branch, Office of the President, to DoD. Treasury account 97-11 X 8242 is a transfer account and reflects that DoD (TI 97) is accounting for funds transferred to DoD from the Executive Branch, Office of the President (TI 11). Consolidated financial statements and reports to the Department of the Treasury and the Office of Management and Budget require the complete fund cite 97-11 X 8242.

010201. Treasury Accounts Applicable to FMS Trust Fund Operations. The Department of the Treasury has established the following trust fund receipt and expenditure accounts to be used to account for cash collections, budget authority, and cash disbursements resulting from the FMS Program.

A. Cash Receipts. Cash collected from sales made under sections 21, 22, 29, and 30 of the AECA is deposited into Treasury Account 11 8242.001 (“Deposits, Advances,

Foreign Military Sales, Executive.”) The Defense Finance and Accounting Service, [Security Assistance Accounting \(DFAS SAA\)](#) processes cash collections into this account, including cash transfers from appropriations provided by the USG to finance credit sales under section 23 and the proceeds [from](#) guaranteed commercial loans under section 24 of the AECA. DoD reports issued to the Department of the Treasury concerning the status of collections shall reflect account 11 8242.001 and [shall be](#) listed in the system operated by the Department of the Treasury’s Financial Management Service under “Proprietary Receipts From the Public.”

B. [Budget Authority](#). The budget authority resulting from FMS or [FMS-like](#) orders is recognized in Treasury account 97-11 X 8242, “Advances, Foreign Military Sales, [Funds Appropriated to the President](#).” Budget authority is recognized only to the extent it is estimated that orders will be executed within a fiscal year. The portion of the order that cannot be executed is classified as an uncommitted acceptance.

C. [Cash Expenditures](#). Cash disbursements to contractors (when direct cite procedures are used) and to DoD Components for services, items from inventory, and procurements financed by DoD appropriations/fund accounts are made from account 97–11 X 8242, “Advances, Foreign Military Sales, [Funds Appropriated to the President](#).”

★ D. [Miscellaneous Receipts](#). [Amounts recovered from the operation of the FMS program are deposited to](#) Account 3041, “Recoveries Under the [Foreign Military Sales Program, Army, Navy, Air Force, Defense](#).” [This includes proceeds from sale of materiel not to be replaced, collection of nonrecurring cost and unfunded civilian pay retirement and benefits, military pay Medicare-Eligible Retiree Health Care \(MERHC\) accruals, and lease rental payments. See \[Chapter 2\]\(#\), Table 2-2 of this volume, for additional information on these programs.](#)

★ [010202. Treasury Accounts Applicable to Appropriations Made Available to Finance Credit Sales and Guaranties Under Sections 23 and 24 of the AECA and International Military Education and Training Under Section 541 of the FAA](#)

A. [Receipt and Utilization of Appropriations](#)

1. Account 11 X 4121, “Foreign Military Loan Liquidating Account, Funds Appropriated to the President” ([FMLLA](#)), is used to record the receipt and use of funds appropriated by the Congress to finance credit sales under section 23 and [credit sales](#) guaranties for pre-[fiscal year \(FY\)](#)1992 loan obligations under section 24. Procedures for end-of-year closeout return of excess collections, borrowings, and repayments are specified in the [Treasury Financial Manual \(TFM\), Volume I, Part 2, Chapter 4600](#). Accordingly, FMLLA excess collections are returned to miscellaneous receipts account 11 2814, “[Other Repayments of Investments and Recoveries](#)”.

2. Account 11 (Fiscal Year) 1085, “Foreign Military Financing, Direct Loan Program Account, Funds Appropriated to the President,” is used to record the appropriation that subsidizes the estimated long-term cost to the [USG](#) of post-FY 1991 foreign military direct loan obligations.

3. Account 11 X 4122, “Foreign Military Financing, Direct Loan Financing Account, Funds Appropriated to the President,” is used to receive the subsidy cost payments from the program account, and includes all other cash flows to and from the USG resulting from post-FY 1991 foreign military direct loans. This appropriation is for new loans with original disbursement dates on or after October 1, 1991.

4. Account 11 X 4174, “Military Debt Reduction Financing Account, Funds Appropriated to the President,” is used to record the rescheduling of loans and to collect loan payments on those loans rescheduled from 11 X 4121. These loans have original disbursement dates prior to FY 1992.

5. Account 11 (Fiscal Year) 1082, “Foreign Military Financing Program, Funds Appropriated to the President,” is used to record the receipt and use of funds appropriated by the Congress to finance, by grant, U.S. defense sales to selected foreign friends and allies, primarily through the FMS program. Based upon annual appropriation bill language, the funds are considered obligated upon apportionment and are available for expenditure for nine years after the appropriation has expired. These funds, transferred to the FMS Trust Fund, are expenditure transfers and, once transferred, remain available indefinitely for disbursement consistent with the purpose for which they were appropriated, obligated, and expended. Administration expenses for International Military Education and Training are transferred from this account to the Military Departments to fund administrative expenses.

6. Account 11 (Fiscal Year) 1081, “International Military Education and Training, Funds Appropriated to the President,” enables the training, on a grant basis, of selected foreign military and related civilian personnel in the United States (U.S.) and, in some cases, in overseas U.S. military facilities.

B. Cash Collections. The following accounts are used to capture collections made from foreign countries as a result of credit sales (loans) and loan guaranties.

1. Account 11 X 4121, “Foreign Military Loan Liquidating Account, Funds Appropriated to the President,” is used to collect the country’s repayments to the DSCA for default payment made by the DSCA to the Federal Financing Bank or commercial banks holding loans guaranteed by the DSCA for pre-FY 1992 loan obligations. This account is also used to collect any loan repayments for outstanding pre-FY 1992 loan obligations.

2. Account 11 X 4122, “Foreign Military Financing, Direct Loan Financing Account, Funds Appropriated to the President,” is used for collections of foreign country repayments for post-FY 1991 direct loan obligations. This appropriation is used for loans with original disbursement dates on or after October 1, 1991.

3. Account 11 X 4174, “Military Debt Reduction Financing Account, Funds Appropriated to the President,” is used to reschedule loans from 11 X 4121 based on agreements between the foreign government and the DSCA. This account is also used to collect

the payments from loans outstanding that have been rescheduled.

0103 TYPES OF FINANCING

010301. General. There are two types of financing associated with [the FMS Trust Funds](#): reimbursable and direct cite. The detailed budgeting and accounting requirements for each type are discussed throughout the remainder of this volume.

010302. Reimbursable Financing. Sales under section 21 of the AECA, and those sales under section 22 of the AECA for which the President has determined that it is in the national interest to bill for defense articles and services on or after delivery (deferred payment), shall be accomplished using reimbursable financing. [When](#) deferred payment is authorized, [an](#) appropriation [is required to](#) finance any outlays until the [purchaser makes](#) payment.

010303. Direct Cite Financing. New procurements initiated as a result of FMS orders under sections 22 and 29 of the AECA (except as exempted [in paragraph 010302](#)) should be accomplished to the maximum extent feasible and appropriate through direct citation of the FMS Trust Fund (97-11 X 8242) on applicable contractual documents.

010304. Accounting Classification Codes of the FMS Trust Fund. See Table 1-1 of this chapter. [The agency code signifies the implementing agency name within the FMS accounting system.](#)

Accounting Classification Codes of the Foreign Military Sales (FMS) Trust Fund		
Appropriation/Limit	Agency Code	Implementing Agency Name
97-11 X 8242.XXX1	B	Army
97-11 X 8242.XXXC	C	Defense Information Systems Agency
97-11 X 8242.XXX2	D	Air Force
97-11 X 8242.XXXE	E	U.S. Army Corps of Engineers
97-11 X 8242.XXXF	F	Defense Contract Management Agency
97-11 X 8242.XXXG	G	Defense Finance and Accounting Service
★ 97-11 X 8242.XXXH	H	Washington Headquarters Service
★ 97-11 X 8242.XXXJ	J	Business Transformation Agency
97-11 X 8242.XXXM	M	National Security Agency
★ 97-11 X 8242.XXXK	N	Missile Defense Agency
97-11 X 8242.28XX	P	Navy and Marine Corps
97-11 X 8242.XXXX	P	Navy (Standard Accounting and Reporting
97-11 X 8242.XXX9	Q	Defense Security Cooperation Agency
97-11 X 8242.XXXR	R	Defense Logistics Agency
★ 97-11 X 8242.XXXT	T	State Department
★ 97-11 X 8242.XXXU	U	National Geospatial Intelligence Agency
97-11 X 8242.XXXV	V	Defense Contract Audit Agency
97-11 X 8242.XXXW	W	Defense Advanced Research Projects Agency
97-11 X 8242.XXXZ	Z	Defense Threat Reduction Agency

NOTE: “XXX” in the limit or subhead is variable data dependent on the agency.

★Table 1-1. Accounting Classification Codes of the FMS Trust Fund