

VOLUME 15, CHAPTER 4: “CASH MANAGEMENT”**SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by an **asterisk (*)** symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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

The previous version dated **January 2016** is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
040201	Clarified that Executive Order 13637, “Administration of Reformed Export Controls,” is the source of authority for the execution of the Foreign Military Sales Trust Fund with the Department of Defense.	Revision
040301.A	Clarified language to reflect that Arms Export Control Act (AECA), section 29, “Foreign Military Construction Sales,” is authorized dependable undertaking in lieu of a cash advance.	Revision
040404.C	Relocated information on payment schedule revisions from paragraph 040401, “Requirements,” to subparagraph 040404.C, “Payment Schedule Revision.”	Revision
040501	Clarified the language to show that AECA § 29 is included as a category for the calculation of initial estimate of cash needed.	Revision
040801.A	Revised subparagraph 040801.A and deleted paragraph 040803 to combine duplicated wire transfer information.	Revision

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CHAPTER 4

CASH MANAGEMENT

0401 GENERAL

040101. Purpose

The purpose of this chapter is to provide policies to ensure cash is available to liquidate Foreign Military Sales (FMS) Trust Fund obligations as disbursements are due. Funds appropriated by the Congress for defense purposes cannot be used to liquidate obligations resulting from the use of FMS Trust Fund contract authority, except as authorized by law. The FMS purchaser, U. S. Government (USG) appropriation made available to finance FMS Trust Fund purchases, or a third-party payer must meet the cash requirements (outlay authority) of each FMS Trust Fund purchaser.

040102. Authoritative Guidance

The Arms Export Control Act (AECA), Public Law 90-629, as amended, codified as Title 22, United States Code, [Chapter 39](#) provides the authority and general rules for FMS and commercial sales of defense articles, services, and training.

0402 RESPONSIBILITIES

*040201. Defense Security Cooperation Agency (DSCA)

[Executive Order 13637](#), “Administration of Reformed Export Controls,” delegates authority and responsibility for Security Assistance (SA), from the President, to the Secretary of Defense and the Secretary of State. The authority of the Secretary of Defense is further delegated to the Deputy Secretary of Defense, to the Under Secretary of Defense for Policy, and finally to the DSCA Director in the Department of Defense Directive [\(DoDD\) 5105.65](#), “Defense Security Cooperation Agency (DSCA).” DSCA is responsible for:

A. Ensuring adequate cash availability in the FMS Trust Fund to meet DoD’s financial requirements;

B. Identifying the specific issue and remedy should cash flow problems arise (e.g., collection of additional funds or other alternative financial arrangements; adjustments to ordered values, delivery timeframes, or ordered quantity);

C. Approving Standby Letters of Credit (SBLCs), Federal Reserve Bank of New York (FRBNY) accounts, and Commercial Bank Accounts (CBAs) as they may pertain to FMS financial requirements;

D. Calculating and approving, on a quarterly basis, the Termination Liability (TL) reserve amounts required to protect the USG against liability if a particular FMS case is

terminated prior to completion. See paragraph 040602 for more information on the quarterly TL calculation;

E. Performing follow up actions on SA Program arrearages;

F. Constructing standard payment schedules (to include any contract termination costs); and

G. Preparing special bills for those customers with approved special billing arrangements (SBAs).

040202. Defense Finance and Accounting Service Security Cooperation Accounting (DFAS SCA)

A. DFAS SCA is responsible for:

1. Posting purchaser cash deposits within two business days of notification when the Defense Integrated Financial System (DIFS) is available. [When DIFS is unavailable due to scheduled maintenance, update upon availability;](#)

2. Posting disbursements by the 20th day of the following month to FMS case accounting records;

3. Reconciling summary trust fund-level account balances in DIFS with the Department of the Treasury (Treasury) balance in the Account Summary from the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS); and

4. Assuring that approved cash expenditure authority (EA) requests do not exceed the FMS purchaser's cash available balance in the FMS Trust Fund.

B. DFAS SCA is responsible for working with the accounting activities, contract payment offices, and certifying officers as appropriate to:

1. Ensure sufficient cash is available and approve EA requests prior to disbursing FMS funds;

2. Resolve all rejects of EA to lessen Prompt Payment Act interest payments;

3. Resolve situations where EA was approved but returned without a disbursement;

4. Ensure EA is obtained prior to processing a transfer, correction of charges against, or credits to the FMS Trust Fund using [Standard Form \(SF\) 1080](#), "Voucher for Transfers Between Appropriations and/or Funds," or [SF 1081](#), "Voucher and Schedule of Withdrawals and Credits;" and

5. Resolve situations where SF 1080 or SF 1081 transactions were not processed when EA was approved.

040203. Implementing Agencies (IAs)

A. Each IA is responsible for:

1. Providing information needed to [the DSCA](#) (Operations Directorate, Case Writing Division) for payment schedule preparation at the line level, in the Defense Security Assistance Management System (DSAMS). The IA will approve the schedule as part of the Letter of Offer and Acceptance (LOA) document coordination/signature process. Additional information on payment schedule [preparation](#) is in [the Security Assistance Management Manual \(SAMM\)](#), Chapter 9, [paragraph C9.9.1](#);

2. Developing [progress payment schedules or](#) historical cost curves systematically for DoD major weapon systems ([used to determine payment schedule distributions for procured materiel requiring progress payments to contractors](#)), and reviewing the [schedules or curves](#) when the acquisition strategy changes;

3. Reviewing all cases at least annually on the anniversary of the basic case implementation, in preparation for a formal review with the FMS purchaser, or when [the case value adjusts by ten percent or more](#);

4. Requesting and receiving EA approval from DFAS SCA prior to processing a disbursement citing the FMS Trust Fund;

5. Resolving problem disbursements using the authorities found in Volume 3, Chapter 11; and

6. Validating obligations in accordance with the requirements found in Volume 3, Chapter 8, [section 0804](#).

B. Case reviews include reviewing and reconciling general case and delivery-related data, expenditures/disbursements, and USG financial requirements:

1. If payment schedules are inadequate to meet USG financial requirements, the IA must promptly notify the responsible DSCA Country Financial Director, DFAS SCA, and the FMS purchaser of the additional requirements. The IA must also follow up on this notification by issuing a revised payment schedule via an LOA modification.

2. During the annual review of the case if payment schedules overstate USG financial requirements due to delays in contract award, delivery slippages, or other reasons, the IA must issue a revised payment schedule via an LOA modification. The IA is responsible for ensuring that the USG does not prematurely collect customer funds.

0403 CASH MANAGEMENT CHARACTERISTICS

040301. Cash in Advance

The FMS purchaser must make cash deposits into the FMS Trust Fund, a DSCA-approved Federal Reserve Bank (FRB), or DSCA-approved CBA for defense articles and services sold under AECA, sections 21, 22, and 29 in advance of delivery, performance, or payments to contractors, except as provided in subparagraphs 040301.B-C. Foreign Military Financing (FMF) and other USG appropriations used to finance a sale executed in the FMS Trust Fund must also make advance cash collections.

* A. AECA § 22(a) and § 29, Dependable Undertaking. As authorized by AECA § 22(a) and § 29, without charge to any appropriation or contract authorization otherwise provided, the President may enter into contracts for the procurement of defense articles, defense services, or design and constructions services in U.S. dollars to any foreign country or international organization if such country or international organization provides the USG with a dependable undertaking:

1. To pay the full amount of such contract that will assure the USG against any loss on the contract, and

2. To make funds available in such amounts and at such times as may be required to meet the payments required by the contract and any damages and costs that may accrue from the cancellation of such contract, in advance of the time such payments, damages, or costs are due.

B. AECA § 21(d) Exception. The President may determine that delayed payment is in the national interest, and allow payment to be made without interest within 60 days after delivery of defense articles from stock or rendering of in-house defense services as authorized by AECA § 21(d). In addition, the President may extend the 60-day period to 120 days if the President determines an emergency exists.

C. AECA § 22(b) Exception

1. Payment within 120 days after delivery of procured defense articles or rendering of procured defense services, as authorized by AECA § 22(b), requires the following Presidential determinations:

a. It is in the national interest to issue letters of offer under this authority, and

b. The emergency requirements of the purchaser for the acquisition of such defense articles and services exceed the funds available to the purchaser to make payments on a dependable undertaking basis.

2. Both determinations, [in subparagraph 040301.C.1](#), together with a special emergency request for authorization, and appropriation of additional funds to finance such purchases under the AECA, are submitted to Congress for approval.

D. Initial Deposit. Unless a waiver has been granted, an initial deposit must accompany the accepted LOA to provide the cash advance required to cover the outlays and/or deliveries anticipated until receipt of the first quarterly payment. Several factors affect the initial deposit. Refer to [the SAMM, Chapter 9, section C9.9](#) for initial deposit requirements.

E. Billing. DFAS SCA prepares FMS bills on a quarterly basis. The bills include information as of the end of December, March, June, and September. Payments are due on March 15, June 15, September 15, and December 15. DSCA must approve any deviations from this schedule. The bills must include the cash requirements for the calendar quarter following the payment due date. For example, a bill prepared with December data (due March 15) is to project cash requirements through June. Thus, the deposit for an LOA accepted in January would be the cash required through June, or 6 months of advance cash requirements. See Chapter 8 for a full discussion of the FMS billing process.

040302. FMS Trust Fund

The FMS Trust Fund is managed as a single cash entity, regardless of the source of the deposits. All FMS Trust Fund deposits are accounted for at purchaser and FMS case level by source of financing. Examples of SA funds include FMF (FMS Credit and FMS Credit (non-repayable)) and the Military Assistance Program (MAP) Merger. Examples of other types of funds are a purchaser's national funds, which include third-party funds, and other DoD appropriated funds.

040303. Security Assistance (SA) Funds

The USG may provide SA funds annually to selected allied or friendly countries to finance the purchase of U.S. defense articles and services. It is, therefore, in the USG's interest to use and manage these limited funds as effectively as possible.

A. In determining the order of funds to be paid into the FMS Trust Fund, DSCA normally draws down MAP Merger funds up to the amount reserved for each case prior to using available FMF funds, followed by requesting the FMS purchaser to use other funds. Likewise, MAP Merger funds on deposit in the FMS Trust Fund will be expended prior to FMF funds, followed by the expenditure of the purchaser's national funds.

B. SA funds that become excess due to FMS case reduction or closure may be reapplied to other FMS cases with DSCA approval. However, FMS Credit Funds must not be refunded to the FMS purchaser unless those funds originated from loans, have been fully repaid by the FMS purchaser, and no delinquent accounts receivable exist.

040304. Standby Letter of Credit (SBLC)

DSCA is authorized to approve an SBLC arrangement instead of the TL prepayment requirements described in [subparagraph 040501.B](#). An FMS purchaser, with prior approval from DSCA, may provide DSCA with a properly executed, separate SBLC to cover uncollected TL amounts for a billing quarter. In such an event, it will be necessary to deposit into the FMS Trust Fund (or authorized usage of previously undisbursed FMF funds) only the amount of funds needed to cover anticipated expenditures and disbursements during the billing cycle. Refer to SAMM, Chapter 9, [subparagraph C9.9.1](#) and/or contact DSCA (Country Financial Management Division) for details on an SBLC.

040305. FRB Accounts

A. DSCA is authorized to enter into a national funds investment account agreement with an FMS purchaser and the FRBNY for any country that finances all or a significant part of its FMS programs with national funds. The FRBNY accounts will normally not be considered for a country that finances FMS programs primarily with SA funds.

B. Upon account establishment, DSCA must compute the amount of funds to be transferred from the FMS Trust Fund to the purchaser's FRB investment account. After the establishment of the investment account, the purchaser remits all national funds payments to the FRBNY, usually identified to specific FMS cases. Payments made from FMF (FMS Credit (non-repayable) only) funds will not be remitted to an FRBNY account, but will be made directly to the FMS Trust Fund unless otherwise specified in U.S. law and/or DSCA policy. TL amounts may reside in the FRBNY accounts.

C. DFAS SCA is authorized by the account agreement to make periodic drawdowns, as needed (usually monthly), from the FRBNY account into the FMS Trust Fund, to ensure sufficient funds are available to make payments during the succeeding 30 days.

040306. Commercial Bank Accounts (CBAs)

[In accordance with DoDD 5105.65](#), DSCA is authorized to enter into a national funds investment account agreement with an FMS purchaser who has a duly authorized CBA agreement with a commercial bank. This agreement allows the FMS purchaser to deposit FMS payments into a CBA and earn interest. DSCA manages the CBAs, which operate like the FRBNY accounts. However, funds originating from USG appropriations (e.g., FMF funds (repayable and non-repayable [credits](#)) or Building Partner Capacity Cases) must not be deposited in this account, and TL amounts must not reside in the CBA. Any deviations must have DoD Office of the Deputy Chief Financial Officer written approval. [The USG will not exercise custody or control over the funds and is not a party to the account, nor is the USG liable for any financial losses resulting from the deposits of the FMS purchaser's funds in the account. Therefore, funds so deposited are not public funds within the meaning of Title 31, Code of Federal Regulations, \[part 202\]\(#\), "Depositories and Financial Agents of the Federal Government."](#) For specific details [regarding CBA agreements](#), refer to [DSCA policy memorandum 04-02](#), "FMS Transformation Deliverable: implementation

of Commercial Banking Account (CBA) [or Foreign Military Sales (FMS) (DSCA 04-02) [SAMM E-Change 04-02].”

040307. Disbursements

All cash disbursements for FMS Trust Fund purchases must be identified by FMS case identifier and line, and must not exceed the cash available in the purchaser’s FMS Trust Fund account (to include MAP Merger and FMF funds). A specific case may be in a deficit cash position with the deficit being funded by the purchaser’s cash advances on other cases. The cash deposited by country “X,” however, must not be used to liquidate obligations incurred for country “Y” unless an FMS Trust Fund purchaser authorizes the use of its excess cash deposits to meet the cash requirements of another purchaser. A reportable adverse financial condition exists when a single purchaser’s FMS Trust Fund cash summary account is in a deficit position (credit balance). See Chapter 3, [section 0312 for more information on adverse financial conditions](#).

0404 PAYMENT SCHEDULES

Payment schedules are a consolidated formal presentation to the FMS purchaser of the estimates of cash advances needed to meet USG financial requirements. See [section 0405](#) for cash requirement calculations. [The Department of Defense \(DD\) Form 645, "FMS Billing Statement," reflects the amounts shown on the current case payment schedule or the quarterly forecast of USG financial requirements, whichever is greater.](#) If financial requirements or anticipated disbursements exceed the current payment schedule or SBAs have been negotiated, [the billing statement, not the payment schedule, contains the required payment amount.](#) The IA must continually monitor USG financial requirements and confirm, at least annually, that payment schedules are accurate to ensure cash is available in an FMS purchaser’s [trust fund](#) account when disbursements are needed. The DSCA Financial Policy and Analysis Division is responsible for issuing detailed guidance [for payment schedule preparation](#). See SAMM, [Chapter 9](#) for more information on payment schedule preparation and billing requirements.

040401. Requirements

Payment schedule requirements will be included in each LOA in the format required in the SAMM, Chapter 9, [section C9.9](#).

040402. Timing

As a standard, new sales agreements can enter the billing system at DFAS SCA through the 10th day of the last month of the quarter. Therefore, if a new agreement is anticipated to be accepted by the purchaser and received by DFAS SCA after the 10th day of the last month of the quarter, the DoD Component should require an initial deposit for the first two quarters of the agreement.

040403. Initial Deposit

If an LOA requires a deposit upon acceptance, the deposit **must** equal the FMS administrative surcharge required, plus all anticipated costs and contingencies (e.g., contract holdback **and** TL) until the first billing statement can be rendered, and monies collected.

040404. Payment Schedule Revision

It is essential to prepare payment schedule revisions in the manner prescribed in [this chapter](#), consistent with the parameters of the FMS billing cycle. Since the payment schedule is the basis for billing the FMS purchaser, there must be an audit trail between the original payment schedule and any revision(s).

A. IA case managers are required to initiate payment schedule revisions when the LOA acceptance date is extended beyond the end of the billing quarter, to ensure that the purchaser has an LOA document that matches the payment schedule created in the billing system.

B. The payment dates shown on the revised payment schedule must be compatible with the FMS billing cycle. The payment schedule dates are in the SAMM, Chapter 9, [Table C9.T12](#).

* C. Payment schedule **revisions due to an** amendment (change in scope) or a modification **must** be in accordance with subparagraphs 040203.C.1-2.

D. Payment schedules are intended to reflect financial requirements that relate to the “Total Financial Requirements” on the DD 645. In preparing the revised payment schedule (examples in Figure 4-1), the following guidelines regarding specific entries are applicable:

1. The “Previous Payments Scheduled (with date specified)” entry is mandatory and must correspond to the last implemented version of the payment schedule; otherwise, the field should be blank. This entry ensures that all concerned (e.g., IA, DSCA, DFAS SCA, and the FMS purchaser) have a clear understanding of the relationship between the original and revised payment schedules. The “Previous Payments Scheduled (**with date specified**)” entry must be the last quarterly payment due date before the LOA amendment or modification is anticipated to be countersigned. It cannot be a date in the future.

2. If an amount “Due with Amendment Acceptance” is appropriate, this entry **must** also be shown. Such deposits do not apply to LOA modifications. For modifications, the FMS purchaser will provide any amount due on the next quarterly billing cycle **and this amount must be** shown in the “Revised Payments Scheduled” field **along with the date**.

3. The remaining payment date entries and associated quarterly and cumulative amounts are shown as necessary. The IA **must** ensure that these final entries correspond to the revised total case value (e.g., Block 13 of the LOA document).

0405 CASH REQUIREMENT CALCULATIONS

*040501. Calculation of Initial Estimate of Cash Needed

Calculation of the cash advance needed to meet the USG financial requirements for a specific FMS case requires dividing the costs into broad cost categories. The first category is the portion of case value under the authority of AECA § 21, which includes sales from DoD inventories and the services of DoD personnel. The second category is the portion of case value under the authority of AECA § 22, which includes procurement of hardware or contractor services for the FMS purchaser. The third category is the portion of the case under the authority of AECA § 29, which involves rendering design and construction services from DoD resources.

A. Initial Estimates of Cash Needed to Meet USG Financial Requirements in Support of the AECA § 21 Effort. The cash advance needed to meet USG financial requirements for the portion of the case classified as an AECA § 21 sale must include the estimated earned reimbursements to be realized by DoD appropriation/fund accounts through the 3-month period after the payment due date of the billing statement issued by DFAS SCA.

1. Sales From Inventory. The drop from inventory creates the earned reimbursement, to include applicable administrative surcharges and accessorial charges. Therefore, the applicable FMS case manager will develop the estimated portion of cash needed to meet USG financial requirements based on anticipated requisition release dates.

2. Sales of DoD Services. Base the estimates of earned reimbursement for DoD services provided directly to the FMS purchaser and for DoD services provided in support of an AECA § 22 contract on the estimated portion of the services that will occur in the applicable billing period. Services also include applicable administrative surcharges and accessorial charges.

B. Initial Estimates of Cash Needed to Meet USG Financial Requirements in Support of the AECA § 22 and § 29 Effort, When Dependable Undertaking is Authorized.

1. The cash advance needed to meet USG financial requirements for the portion of a case classified as an AECA § 22 or § 29 sale, must include estimated disbursements to contractors for contractor invoices and potential disbursements to contractors if the purchaser does not make additional cash deposits in a timely manner, or the purchaser unilaterally cancels the case. Potential disbursements to contractors include payment of contract holdbacks and termination costs that would result if the work were stopped when the cash available to pay contractor invoices is exhausted. The estimate of cash advance needed to meet USG financial requirements covers the period extending through the 3-month period after the payment due date of the FMS billing statement.

2. Base the cash advances needed to meet USG financial requirements in support of procurements for FMS purchasers on normal administrative and procurement lead-times for the type of commodity being procured. The use of progress payment schedules from contractors, when available, is preferred over relying on default cost curves when developing LOA payment schedules. Table 4-1 shows the total cash advance needed to meet USG financial

requirements for contracts in terms of percentage of contract costs. The percentages are a function of procurement lead-times. Table 4-1 also shows the [percentage](#) of the contract value required as a reserve for potential termination costs and contract holdback in the absence of an SBLC.

a. Potential termination costs represent the liability [the](#) USG has to contractors in the event termination occurs. Such costs include all accrued direct and indirect costs, as well as profits and subcontracts not covered by progress payments to the contractor, plus any penalty contract termination charges that might be realized. Potential termination costs do not include price increases to other ongoing contracts resulting from reductions in procurement quantities.

b. In the absence of procurement history for a particular system, a similar system, or cost curves obtained from the prime contractor, Table 4-1 may be used. The IAs [must](#) first exhaust all other avenues for obtaining forecasting or historical data from contractors and internal sources prior to using Table 4-1 as the basis for calculating expenditure and TL prepayment requirements.

c. The percentages in Table 4-1 are for procurement lead-times ranging from 6 months to 60 months. This table may be used for the development of payment schedules included in the LOA; see the example in Figure 4-2. The percentage figures shown in Table 4-1 include all applicable costs (e.g., progress payment amounts, contractor holdback, and potential TL). The amount of the cumulative monthly payment applicable to the TL/contractor holdback is shown in the second column (% TL) for each procurement lead-time.

d. The TL/contractor holdback amount is a percentage of the Cumulative Amount of Contract Cost. TL/contractor holdback amounts are cumulative throughout the life of the case, and the required percentages decline toward the end of the life of the case. Figure 4-3 is an example of a standard TL worksheet. Figure 4-4 is an example of a TL worksheet calculation for a payment schedule that includes AECA § 21 sales in addition to procurement items.

040502. Administrative Surcharge Included in Initial Deposit

The initial deposit to accompany the LOA must include the FMS administrative surcharge expense and the cash advance needed to meet USG financial requirements (to include other applicable surcharges and accessorial [charges](#)) for the time between LOA acceptance and the first payment due date. The FMS administrative surcharge amount included in the deposit is determined by the total amount of the surcharge.

A. For cases where the calculated administrative surcharge is \$30,000 or less, the entire administrative surcharge value is recouped as part of the initial deposit. For cases that have a Small Case Management Line (SCML), the entire value of the administrative surcharge and SCML is recouped as part of the initial deposit ([refer to SAMM, Chapter 9, paragraph C9.4.7](#), for more information on SCML).

B. For cases where the calculated administrative surcharge is greater than \$30,000, one-half of the administrative surcharge is recouped as part of the initial deposit. The remaining half is recouped based on the dollar value of items or services delivered in each year.

040503. Estimate of Cash Needed to Collect Nonrecurring **Cost (NC)** Recoupment Charges

NC Recoupment Charges are earned when the title is passed to the FMS purchaser and should be collected within 30 days of being earned. The title is normally transferred at the point of origin, at the time DoD releases the item from DoD's inventory, or [at the time the vendor ships the item](#). Refer to SAMM, [Chapter 7, section C7.3](#) for more information on title transfers.

040504. Forecasting Procedures

Alternative forecasting procedures may be used for requisition cases (i.e., Cooperative Logistics Supply Support Arrangement and other repair parts cases). Most payment schedules for these cases tend to be overstated because of variations in both requisitioning and supply actions. To prevent substantial over-billing, each IA must review and update payment schedules in accordance with subparagraph 040203.C.

A. Quarterly Forecast of Financial Requirements for Requisition Cases. The IA must provide DFAS SCA with a [quarterly forecast of financial requirements](#) for the Requisition Cases report. These inputs are submitted to DFAS SCA by the 15th day of the last month of each calendar quarter (i.e., March 15, June 15, September 15, and December 15) and show the most recent status of logistical commitments and unshipped obligations (on-hand unfilled requisitions). IAs [must](#) submit a report for all requisition cases. If there are no unfilled orders on the requisition case, then [the IA must](#) report "zero unfilled requisition value."

B. Unfilled Requisition Values. DFAS SCA compares the unfilled order values for requisition cases to the case payment schedule quarterly amounts. The committed value is used for the forecast requirement of the DD 645 instead of the payment schedule amount.

C. Accurate Payment Schedules. The [quarterly forecast of financial requirements for requisition cases](#) procedure does not preclude the requirement for an accurate payment schedule to be included in the LOA for a requisition type case. If an out-of-balance condition continues to exist between quarterly payment schedule amounts and the unfilled requisition value provided each quarter, then the IA [must](#) issue a new payment schedule.

0406 QUARTERLY TL RESERVE REQUIREMENT

040601. General

TL Reserve is the amount of prepayments collected in advance and placed in the TL Reserve Account on a quarterly basis. It is not an additional charge or cost. These funds are fenced for potential termination costs; however, they do not necessarily represent the entire cost

to cancel the contract. These funds cannot be used for normal disbursement activities (e.g., to pay for articles/services, administrative [surcharges](#), or accessorial [charges](#)).

040602. Quarterly Termination Liability (TL) Calculation

A. The computation for the quarterly TL calculation is based on the case line level source of supply (SOS) from DSAMS and the case level execution data from DIFS.

B. Refer to Figure 4-5 for the calculation steps and an example of the [quarterly TL reserve](#) calculation.

0407 CONTRACTOR REQUEST FOR PROGRESS PAYMENTS AND REIMBURSEMENT OF COSTS UNDER CONTRACTS INCLUDING FMS REQUIREMENTS

Current contracting procedures permit the procurement of both DoD and FMS purchaser(s) requirements in a single contract. Allocate the amount to be billed to DoD and to each FMS purchaser to implement FMS cash flow requirements. The part of the bill applicable to an FMS purchaser can be paid only to the extent that the FMS purchaser has sufficient cash available in its FMS Trust Fund account.

040701. Contractor Allocations

Per [the](#) Defense Federal Acquisition Regulation Supplement, [part 252.232-7002](#), “Progress Payments for Foreign Military Sales Acquisitions,” DoD contracts that include FMS requirements must require the contractor to:

- A. Submit a separate progress payment request for each progress payment rate;
- B. Submit a supporting schedule showing:
 - 1. The amount of each request distributed to [each country's requirements](#), and
 - 2. The total price per contract line item applicable to each [separate](#) progress payment rate;
- C. Identify in each progress payment request the contract requirements to which it applies (i.e., FMS or USG);
- D. Calculate each request on the basis of the prices, costs (including costs to complete), subcontractor progress payments, and progress payment liquidations of the contract requirements to which it applies; and
- E. Distribute costs among contract line items and [countries](#) in a manner acceptable to the Administrative Contracting Officer.

040702. Allocation of Payments on Contracts

Allocate progress payments in accordance with Volume 10, Chapter 10, [paragraph 100402](#). In addition, DoD contracts that include FMS requirements must identify amounts by accounting classification reference numbers (ACRNs), contract line item [numbers](#) (CLINs), and sub-line item [numbers](#) (SLINs), if applicable. This will enable the paying office to match payments to the applicable obligations.

040703. Contract Payment Offices

The contract payment offices [must](#) require that all bills submitted by contractors for payment include the proper ACRN/CLIN/SLIN. Contract payment offices must ensure they have all the documentation required to support payment (refer to Volume 10, Chapter 8, [section 0803](#)), and that payments are applied to the proper ACRN/CLIN/SLIN.

0408 DEPOSIT OF PURCHASER CASH INTO TREASURY ACCOUNTS

040801. General

DD 645s, SBAs, and LOA financial instructions direct that foreign purchasers forward payments (initial deposits on basic LOAs, amounts due with LOA amendments, or official billing statement payments) by [wire transfer or mailed check](#):

* [A.](#) Wire transfers [are](#) the preferred method for the foreign purchaser to forward payments.

1. Send wire transfers to the Treasury Account at FRBNY, using the standard Federal Reserve Funds Transfer (FRFT) format. The Federal Reserve System (FRS) will accept wire transfers only from banks that are members of FRS. Foreign banks must go through a U.S. correspondent bank that is a member of FRS.

2. The member bank must prepare the FRFT form as outlined in Table 4-2. This information must be provided to ensure prompt and correct application of the remittance.

3. DFAS SCA retrieves wire transfers daily from the Treasury Financial Communications System and prepares collection vouchers from this data for crediting FMS purchasers.

[B.](#) [Make](#) checks payable to the U.S. Treasury [and](#) mail to Disbursing Operation (DFAS-IN/JFD), [DSSN 3801 Center Collections - SCA, 8899 E. 56th Street](#), Indianapolis, IN 46249-6300, showing payment from (insert [purchaser](#)) for (insert case identifier). Any recipient of a check from an FMS purchaser is responsible for depositing the check into a Treasury account within 1 working day of receipt. These payments are sometimes misrouted to incorrect offices; see paragraph 040802.

040802. Misrouted Payments

When a recipient other than DFAS SCA is making a check deposit, the deposit must be processed as a courtesy deposit for DFAS SCA. The following procedures apply:

- A. Prepare a deposit ticket utilizing the Over the Counter Channel ([OTCnet](#)) application. For information on OTCnet see Volume 5, Chapter 11;
- B. Process the deposit through an FRB or supporting member bank; and
- C. Send a copy of the deposit ticket notification to DFAS-IN/JAX, ATTN: Customer Accounting, 8899 East 56th Street, Indianapolis, IN 46249-6300. Attach the supporting documentation received with the misrouted payment. DFAS SCA must voucher the collection into the FMS Trust Fund on receipt of the supporting documentation.

0409 EXPENDITURE AUTHORITY ([EA](#))

EA is an FMS country level authority which allows expenditures to be incurred against obligations previously recorded against a country's trust fund account. EA is formal segregation of trust fund cash in DFAS SCA records, making the cash no longer available for any other purpose.

040901. EA Requirements

- A. All trust fund expenditures require EA (including expenditure adjustments), except for administrative fund disbursements, which are accounted for separately.
- B. Certifying officers engaged in FMS Trust Fund certification must verify EA was obtained. EA can be obtained by contacting DFAS SCA, or interactively from DIFS.
- C. DFAS SCA can only approve and issue EA when sufficient cash is available in an FMS purchaser's trust fund account.
- D. EA must be obtained during the same calendar month in which the ensuing expenditure will be made.
- E. If the expenditure is not made in the same month as the EA request, the EA must be returned and reissued the subsequent month.
- F. Failure to request EA prior to expenditure is subject to reporting and disciplinary requirements. [Administrative control of funds and Antideficiency Act violations](#) are outlined in Volume 14.

040902. Cash Advances

A cash advance to an appropriation account must be obtained when a cash disbursement for an FMS contract would result in the applicable appropriation account being placed in a negative cash position. When cash advances are required, they must be processed. The amount requested must be equal to anticipated disbursing demands for a 30-day period. Liquidation of outstanding advances (earning the advance through payment to contractors) must be reported to DFAS SCA monthly. The objective is to limit the amount and length of time that outstanding advances remain against the [trust fund](#).

040903. Cash Flow Problems

DFAS SCA notifies the DSCA Country Financial Director when sufficient unencumbered cash is not available for DFAS SCA to provide cash advances or EA, and contractor billings cannot be paid by the due date. The DSCA Country Financial Director then takes appropriate action as outlined in [subparagraph 040201.B](#).

Figure 4-1. Payment Schedule Revision Examples

Given Data for Revisions 1-5:

A. Last Payment Due Date: December 15, 20XX (most recent quarterly payment before month of LOA amendment preparation)

B. LOA Amendment Prepared: February 20YY

C. Offer Expiration Date: May 25, 20YY

D. Next Payment Due Date: September 15, 20YY (next quarterly payment due date after Offer Expiration Date, SAMM Chapter 9, Table C9.T12)

Original Estimated Payment Schedule		
Payment Date	Quarterly	Cumulative
Initial Deposit	\$100,000	\$100,000
March 15, 20XX	90,000	190,000
June 15, 20XX	80,000	270,000
September 15, 20XX	35,000	305,000
December 15, 20XX	35,000	340,000
March 15, 20YY	10,000	350,000
June 15, 20YY	10,000	360,000
September 15, 20YY	5,000	365,000
December 15, 20YY	2,000	367,000

1. Upward Adjustment via Amendment: Collections Equal Previous Payments Scheduled

In Revision 1 (due at DFAS SCA not later than December 10, 20XX) the Previous Payments Scheduled amount of \$340,000 corresponds to the December 15, 20XX cumulative amount on the original payment schedule. An amount due with amendment acceptance (\$85,000) is requested on the LOA amendment and is therefore shown.

The “Due With Amendment Acceptance” figures include amounts for payments due March 15, 20YY (\$10,000), June 15, 20YY (\$10,000), and other requirements (\$65,000) for the period through the payment due September 15, 20YY. Any payments made by the purchaser that exceed the “Amount Received From Purchaser” are to be deducted from the “Due With Amendment Acceptance” amount. In this example, the current USG requirement of \$425,000 minus the \$340,000 already received from purchaser equals \$85,000 due at the time of amendment acceptance.

Figure 4-1. Payment Schedule Revision Examples (Continued)

Revision 1 Payment Schedule		
Payment Date	Quarterly	Cumulative
Previous Payments Scheduled (December 15, 20XX)	N/A	\$340,000
Current USG Financial Requirements		425,000
Amount Received From Purchaser		340,000
Due With Amendment Acceptance	85,000	425,000
September 15, 20YY	35,000	460,000
December 15, 20YY	25,000	485,000

NOTE: Cumulative USG financial requirement amounts are based on the new purchaser expenditure forecast. Quarterly payments after the “Due With Amendment Acceptance,” amount is the difference between the next forecasted cumulative amount and the previous forecasted cumulative amount (i.e., \$460,000 - \$425,000 = \$35,000; \$485,000 - \$460,000 = \$25,000). This methodology continues throughout the remainder of the examples.

2. Upward Adjustment via Amendment: Collections Exceed Previous Payments Scheduled

Revision 2 uses the same expenditure forecast as Revision 1, and identifies how the over-collection status on a case influences the future payment requirements on the schedule.

Any payments made by the purchaser that cumulatively exceed the “Amount Received From Purchaser” amount are to be deducted from the “Due With Amendment Acceptance” amount. The purchaser does not need to resume payments until the USG’s financial requirements warrant.

Revision 2 Payment Schedule		
Payment Date	Quarterly	Cumulative
Previous Payments Scheduled (December 15, 20XX)	N/A	\$340,000
Current USG Financial Requirements		425,000
Amount Received From Purchaser		455,000
Due With Amendment Acceptance	0	455,000
September 15, 20YY	5,000	460,000
December 15, 20YY	25,000	485,000

3. Upward Adjustment via Amendment: Collections Less Than Previous Payments Scheduled

Revision 3 uses the same expenditure forecast as Revision 1, and identifies how the under-collection status on a case influences the future payment requirements on the schedule. In this instance, the purchaser must “catch up” on its payments with the amount due with amendment acceptance (or, in the event of an LOA modification, with the next quarterly payment due).

Figure 4-1. Payment Schedule Revision Examples (Continued)

The “Due With Amendment Acceptance” figures include amounts for payments earlier shown as due March 15, 20YY, June 15, 20YY, and other requirements for the period through the payment due September 15, 20YY. Any payments made by the purchaser that exceed the “Amount Received From Purchaser” are to be deducted from the “Due With Amendment Acceptance” amount. In this example, the current USG requirement of \$425,000 minus the \$275,000 already received from purchaser equals \$150,000 due at the time of amendment acceptance.

Revision 3 Payment Schedule		
Payment Date	Quarterly	Cumulative
Previous Payments Scheduled (December 15, 20XX)	N/A	\$340,000
Current USG Financial Requirements		425,000
Amount Received From Purchaser		275,000
Due With Amendment Acceptance	150,000	425,000
September 15, 20YY	35,000	460,000
December 15, 20YY	25,000	485,000

4. Downward Adjustment via Modification: Collections Equal Revised Payments Scheduled

In Revision 4, the IA desires to reduce the total amount of the LOA by \$60,000 to \$400,000. The \$25,000 still due from the purchaser is distributed over the remaining quarters of the revised schedule.

Revision 4 Payment Schedule		
Payment Date	Quarterly	Cumulative
Previous Payments Scheduled (September 15, 20YY)	N/A	\$460,000
Current USG Financial Requirements		375,000
Amount Received From Purchaser		375,000
Revised Payments Scheduled (September 15, 20YY)	N/A	375,000
December 15, 20YY	15,000	390,000
March 15, 20ZZ	10,000	400,000

5. Downward Adjustment via Modification: Collections Exceed Revised Case Value

In Revision 5, the “Previous Payments Scheduled” amount of \$460,000 (due at DFAS SCA by September 10, 20YY) corresponds to the September 15, 20YY (previous) entry in Revision 1. Since the IA desires to reduce the total amount by \$60,000, a “Revised Payments Scheduled” entry of \$400,000 is shown. Based on the revised case value equaling \$400,000, the case is now in an overpayment status by \$25,000. The purchaser may elect to request that DFAS SCA transfer these funds to another case or holding account.

Figure 4-1. Payment Schedule Revision Examples (Continued)

Revision 5 Payment Schedule		
Payment Date	Quarterly	Cumulative
Previous Payments Scheduled (September 15, 20YY)	N/A	\$460,000
Current USG Financial Requirements		400,000
Amount Received From Purchaser		425,000
Revised Payments Scheduled (September 15, 20YY)	N/A	400,000

6. Upward Adjustment via Modification: Collections Less Than Revised Case Value

In Revision 6, the case value is being increased from \$460,000 to \$500,000 via a modification. Given the collections to date match the previous case value, the case requires additional funds. The purchaser must remit those additional funds with the next appropriate quarterly payment due date. The “Revised Payments Scheduled” amount equals the “Previous Payments Scheduled” because there is no payment due upon processing of a modification.

Revision 6 Payment Schedule		
Payment Date	Quarterly	Cumulative
Previous Payments Scheduled (September 15, 20YY)	N/A	\$460,000
Current USG Financial Requirements		460,000
Amount Received From Purchaser	460,000	460,000
Revised Payments Scheduled (September 15, 20YY)	N/A	460,000
December 15, 20YY	40,000	500,000

Figure 4-2. Example: Use of Percentages to Estimate Cash Advance Requirements

Assumptions:

A. An \$800,000 LOA was accepted December 20th, after the billing cutoff date December 10th. The period between acceptance and the payment due date will be approximately 6 months (e.g., for a December 20th acceptance, DFAS SCA would not bill until April for a due date of June 15th).

B. This LOA has a 36-month procurement lead-time, with 3-months administrative lead-time.¹ Due to the 3-month administrative lead-time, no contract cost will be incurred until April.

Initial Deposit²(due on acceptance)

Total Contract cost	\$800,000
Cumulative percentage of contract cost ³	<u>x1.1%</u>
Total ²	\$8,800

April billing (due June 15th)

Cumulative Amount of Contract Cost through September 2011 ³ (\$800,000 x 3.8%)	\$30,400
Less the deposit previously paid	<u>-\$8,800</u>
Equals the amount due on June 15th to cover July, August, and September	\$21,600

July billing (due September 15th)

Cumulative Amount of Contract Cost through December 2011 ³ (\$800,000 x 8.1%)	\$64,800
Less the previous amounts paid in the deposit and June 15 payment (\$8,800 + \$21,600)	<u>-\$30,400</u>
Equals the amount due on September 15th to cover October, November, and December	\$34,400

These calculations continue throughout the remainder of the contract as shown here:

Month	Gross % ³	Cumulative Amount of Contract Cost	Payment Schedule	
			Quarterly ⁴	Cumulative
December 2010 (Initial Deposit) ²	0.0	-	8,800	8,800
January 2011 ⁵	0.0	-	0	0
February 2011 ⁵	0.0	-	0	0
March 2011 ⁵	0.0	-	0	0
April 2011 ⁶	0.2	1,600	0	0
May 2011	0.5	4,000	0	0
June 2011	1.1	8,800	21,600	30,400
July 2011	1.8	14,400	0	0
August 2011	2.7	21,600	0	0

Figure 4-2. Example: Use of Percentages to Estimate Cash Advance Requirements (Continued)

Month	Gross % ³	Cumulative Amount of Contract Cost	Payment Schedule	
			Quarterly ⁴	Cumulative
September 2011	3.8	30,400	34,400	64,800
October 2011	5.0	40,000	0	0
November 2011	6.5	52,000	0	0
December 2011	8.1	64,800	52,800	117,600
January 2012	10.0	80,000	0	0
February 2012	12.2	97,600	0	0
March 2012	14.7	117,600	75,200	192,800
April 2012	17.5	140,000	0	0
May 2012	20.6	164,800	0	0
June 2012	24.1	192,800	100,000	292,800
July 2012	27.9	223,200	0	0
August 2012	32.1	256,800	0	0
September 2012	36.6	292,800	119,200	412,000
October 2012	41.3	330,400	0	0
November 2012	46.3	370,400	0	0
December 2012	51.5	412,000	125,600	537,600
January 2013	56.7	453,600	0	0
February 2013	62.0	496,000	0	0
March 2013	67.2	537,600	112,800	650,400
April 2013	72.2	577,600	0	0
May 2013	76.9	615,200	0	0
June 2013	81.3	650,400	81,600	732,000
July 2013	85.2	681,600	0	0
August 2013	88.6	708,800	0	0
September 13	91.5	732,000	47,200	779,200
October 2013	93.9	751,200	0	0
November 2013	95.9	767,200	0	0
December 2013	97.4	779,200	20,800	800,000
January 2014	98.5	788,000	0	0
February 2014	99.4	795,200	0	0
March 2014	100.0	800,000	0	800,000

Figure 4-2. Example: Use of Percentages to Estimate Cash Advance Requirements (Continued)

NOTES:

¹ IAs must provide the procurement lead-time and ensure that realistic contract administrative lead-times are used in preparing payment schedules. This example assumes an administrative lead-time of 3 months to go on contract award, although it is recognized that a given contract might not be awarded until much later, in which instance the administrative lead-time must be extended accordingly.

² The FMS administrative surcharge required and accessorial charges would be added to the cash advance requirements illustrated here.

³ See Table 4-1 for a 36-month contract cumulative monthly payment schedule percentage.

⁴ Date payment due at DFAS SCA.

⁵ Administrative lead-time (i.e., January through March 2011). IAs must ensure that realistic contract administrative lead-times are used in preparing payment schedules.

⁶ Start of the 36-month procurement lead-time.

Figure 4-3. Example: Payment Schedule in TL/Contractor Holdback Worksheet Format (No AECA § 21 Sales) ¹

Assumptions:

A. An \$800,000 LOA was accepted December 20th, after the billing cutoff date December 10th. The period between acceptance and the payment due date will be approximately 6 months (e.g., for a December 20th acceptance, DFAS SCA would not bill until April for a due date of June 15th).

B. This LOA has a 36-month procurement lead-time, with 3-months administrative lead-time.² Due to the 3-month administrative lead-time, no contract cost will be incurred until April.

Initial Deposit³:

Cumulative Amount of Contract Cost (Initial deposit)	\$8,800
Multiplied by the TL% ⁴	x 4%
Equals the amount of TL/contractor holdback reserve from the deposit	\$352

April billing:

TL Dollars due for cumulative contract cost through September 2011 (\$30,400 x 30%) ⁴	\$9,120
Less the TL amount previously included in the deposit	<u>-\$352</u>
Equals the amount of TL/contractor holdback from the first bill of \$21,600 (due June 15)	\$8,768

July billing:

TL Dollars due for cumulative contract cost through December 2011 (\$64,800 x 35%) ⁴	\$22,680
Less the TL amounts previously included (\$352+\$8,768)	<u>-\$9,120</u>
Equals the amount of TL/contractor holdback from the second bill of \$34,400 (due September 15)	\$13,560

These calculations continue throughout the remainder of the contract as shown on the continuation page.

Figure 4-3. Example: Payment Schedule in TL/Contractor Holdback Worksheet Format (No AECA § 21 Sales) ¹ (Continued)

Date	Payment		Estimated Disbursements		TL/Contractor Holdback ¹	
	(a) ^{5,6} Qtr	(b) ^{5,7,8} Cum	(c) ⁶ Qtr	(d) ^{7,8} Cum	(e) ⁶ Qtr	(f) ^{7,8} Cum
Initial Deposit³	8,800	8,800	8,448	8,448	352	352
June 15, 2011	21,600	30,400	12,832	21,280	8,768	9,120
September 15, 2011	34,400	64,800	20,840	42,120	13,560	22,680
December 15, 2011	52,800	117,600	34,320	76,440	18,480	41,160
March 15, 2012	75,200	192,800	48,880	125,320	26,320	67,480
June 15, 2012	100,000	292,800	73,784	199,104	26,216	93,696
September 15, 2012	119,200	412,000	101,656	300,760	17,544	111,240
December 15, 2012	125,600	537,600	140,072	440,832	(14,472)	96,768
March 15, 2013	112,800	650,400	164,040	604,872	(51,240)	45,528
June 15, 2013	81,600	732,000	112,488	717,360	(30,888)	14,640
September 15, 2013	47,200	779,200	61,840	779,200	(14,640)	0
December 15, 2013	20,800	800,000	20,800	800,000	0	0

NOTES:

¹ This analysis of TL/contractor holdback must be completed for all contracts regardless of value and must be a part of the case file.

² IAs must provide the procurement lead-time and ensure that realistic contract administrative lead-times are used in preparing payment schedules. This example assumes a 3-month administrative lead-time for the contract award. If the contract is awarded later, the administrative lead-time must be extended accordingly.

³ This example only requires an initial deposit for one quarter (see paragraph 040403).

⁴ See Table 4-1 for the TL percentage for a 36-month contract.

⁵ Columns a and b should be identical to the payment schedule in the LOA. See Figure 4-2.

⁶ Column a = c + e.

⁷ Column b = d + f.

⁸ At end of schedule, column b = column d; column f must be zero. Column f may also be zero prior to the end of the schedule, as illustrated.

Figure 4-4. Example: Payment Schedule in TL/Contractor Holdback Worksheet Format (Includes AECA § 21 Sales)¹

Assumptions:

A. An \$800,000 LOA plus AECA § 21 sales of \$240,000 was accepted December 20th, after the billing cutoff date December 10th. The period between acceptance and the payment due date will be approximately 6 months (e.g., for a December 20th acceptance, DFAS SCA would not bill until April for a due date of June 15th).

B. This LOA has a 36-month procurement lead-time, with 3-months administrative lead-time.² Due to the 3-month administrative lead-time, no contract cost will be incurred until April.

Date	Payment		Estimated Disbursements		TL/Contractor Holdback ^{1,3}	
	(a) ^{4,5} Qtr	(b) ^{4,6,7} Cum m	(c) ⁵ Qtr	(d) ^{6,7} Cum	(e) ⁵ Qtr	(f) ^{6,7} Cum
Initial Deposit⁸	28,800	28,800	28,448	28,448	352	352
June 15, 2011	41,600	70,400	32,832	61,280	8,768	9,120
September 15, 2011	54,400	124,800	40,840	102,120	13,560	22,680
December 15, 2011	72,800	197,600	54,320	156,440	18,480	41,160
March 15, 2012	95,200	292,800	68,880	225,320	26,320	67,480
June 15, 2012	120,000	412,800	93,784	319,104	26,216	93,696
September 15, 2012	139,200	552,000	121,656	440,760	17,544	111,240
December 15, 2012	145,600	697,600	160,072	600,832	(14,472)	96,768
March 15, 2013	132,800	830,400	184,040	784,872	(51,240)	45,528
June 15, 2013	91,600	922,000	122,488	907,360	(30,888)	14,640
September 15, 2013	77,200	999,200	91,840	999,200	(14,640)	0
December 15, 2013	40,800	1,040,000	40,800	1,040,000	0	0

NOTES:

¹ This analysis of TL/contractor holdback must be completed for all contracts regardless of value and must be a part of the case file.

² IAs must provide the procurement lead-time and ensure that realistic contract administrative lead-times are used in preparing payment schedules. This example assumes a 3-month administrative lead-time for the contract award. If the contract is awarded later, the administrative lead-time must be extended accordingly.

³ TL/contractor holdback are the same as Figure 4-3 schedule; however, total payment and estimated disbursements are greater due to monthly purchases of AECA § 21 articles/services. Total AECA § 21 sales are not included in the calculation but are added each month. (i.e., Fig. 4-3 initial deposit calculation \$8,800 + \$20,000 AECA § 21 sales = \$28,800).

⁴ Columns a and b should be identical to the payment schedule in the LOA.

⁵ Column a = c + e.

⁶ Column b = d + f.

⁷ At end of schedule column b = column d, by end of schedule column f must be zero. Column f may also be zero prior to the end of the schedule, as illustrated.

⁸ This example only requires an initial deposit for one quarter (see paragraph 040404).

Figure 4-5. Quarterly TL Reserve Calculation and Example

The quarterly TL reserve requirement is calculated as follows:		
1. Using data from DSAMS, determine the SOS for each line.		
Line	Value	SOS
Line 001	\$50,000	P
Line 002	\$50,000	X
Total Ordered Value of Articles/Services	\$100,000	
2. Using the estimated procurement on each case (100% of the “P” (procurement) SOS value and 50% of the “X” (mixed) SOS value), determine the estimated procurement percentage.		
<ul style="list-style-type: none"> - Net Case Value Subject to TL: (Line 001(\$50,000 x 100%) + Line 002 (\$50,000 x 50%)) = (\$50,000+\$25,000) = \$75,000 - Percentage of Case Subject to TL = Net Case Value Subject to TL/Total Ordered Value = \$75,000/\$100,000 = 75% 		
3. Calculate the TL on each case using Obligations/Order Value and Disbursements/Ordered Value data from DFAS SCA and the 60-month TL percentages in Table 4-1.		
Obligations: \$73,000 Obligations/Ordered: (\$73,000/\$100,000) = .73 60-month procurement lead-time and 42-month administrative lead-time: TL%: 13 (Table 4-1) (Obligations x TL%): \$73,000 x 13% = \$9,490		Disbursements: \$60,000 Disbursements/Ordered: (\$60,000/\$100,000) = .60 60-month procurement lead-time and 37-month administrative lead-time: TL%: 24 (Table 4-1) (Disbursements x TL%): \$60,000 x 24% = \$14,400
4. Apply the estimated procurement percentage calculated in Step 2 to each of the TL calculations.		
Obligations: Calculation 1 = \$9,490 Percentage of Case Subject to TL = 75% \$9,490 x 75% = \$7,117.50		Disbursements: Calculation 1 = \$14,400 Percentage of Case Subject to TL = 75% \$14,400 x .75 = \$10,800
5. Hold the lower of these two calculations for each case in reserve for that quarter.		
Quarterly TL Reserve Requirement = \$7,117.50		

Table 4-1. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost)

	Procurement Lead-Time											
	6 Months		9 Months		12 Months		15 Months		18 Months		21 Months	
Admin Lead-Time (Month)	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL
1	5.7	30	2.7	14	1.5	0	1.0	0	0.7	0	0.5	0
2	19.6	35	8.2	38	4.6	30	3.0	20	2.1	14	1.5	9
3	44.8	32	17.7	35	9.4	34	6.0	40	4.2	30	3.1	23
4	74.9	18	32.4	34	16.7	35	10.2	33	7.1	38	5.2	37
5	95.2	2	51.6	29	26.8	35	16.0	35	10.8	34	7.9	36
6	100.0	0	71.9	18	39.9	32	23.7	35	15.7	35	11.3	34
7			88.4	5	54.9	27	33.4	33	21.9	35	15.5	35
8			97.2	1	70.2	18	44.8	30	29.4	34	20.7	35
9			100.0	0	83.5	7	57.2	26	38.3	32	26.9	34
10					92.8	2	69.6	18	48.1	29	34.1	33
11					97.8	0	80.8	9	58.5	24	42.1	30
12					100.0	0	89.6	3	68.7	18	50.8	28
13							95.4	1	78.2	10	59.7	24
14							98.6	0	86.1	5	68.5	18
15							100.0	0	92.2	2	76.8	11
16									96.7	1	84.0	7
17									98.7	0	89.9	3
18									100.0	0	94.3	1
19											97.3	0
20											99.2	0
21											100.0	0

Table 4-1. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) (Continued)

	Procurement Lead-Time											
	24 Months		27 Months		30 Months		33 Months		36 Months		39 Months	
Admin Lead-Time (Month)	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL
1	0.4	0	0.3	0	0.3	0	0.2	0	0.2	0	0.2	0
2	1.2	5	0.9	2	0.8	0	0.6	0	0.5	0	0.5	0
3	2.4	18	1.8	14	1.5	10	1.2	8	1.1	4	1.0	2
4	4.0	30	3.1	24	2.6	20	2.0	17	1.8	14	1.6	10
5	6.0	39	4.7	35	3.9	30	3.1	27	2.7	24	2.4	18
6	8.5	35	6.6	38	5.4	40	4.4	38	3.8	30	3.3	26
7	11.5	34	8.9	34	7.2	37	5.9	37	5.0	39	4.4	34
8	15.2	35	11.7	34	9.4	33	7.6	35	6.5	37	5.6	39
9	19.6	35	15.0	35	11.9	34	9.6	33	8.1	35	7.0	37
10	24.8	35	18.9	35	14.9	35	11.9	34	10.0	34	8.6	35
11	30.7	33	23.4	35	18.3	35	14.6	35	12.2	34	10.4	34
12	37.4	32	28.5	34	22.2	35	17.7	35	14.7	35	12.4	34
13	44.7	29	34.2	32	26.7	34	21.2	35	17.5	35	14.7	35
14	52.4	27	40.4	31	31.6	33	25.1	34	20.6	35	17.3	35
15	60.2	22	47.0	29	36.9	31	29.4	33	24.1	35	20.1	35
16	67.9	18	53.9	27	42.7	30	34.1	32	27.9	34	23.2	35
17	75.3	12	60.9	22	48.8	28	39.2	31	32.1	33	26.6	34
18	81.8	7	67.8	18	55.0	26	44.6	29	36.6	32	30.3	33
19	87.4	4	74.4	13	61.3	22	50.2	28	41.3	30	34.3	32
20	91.9	2	80.4	8	67.5	18	55.9	25	46.3	29	38.6	32
21	95.2	1	85.7	5	73.5	13	61.6	22	51.5	27	43.1	29
22	97.5	0	90.1	2	79.0	9	67.2	18	56.7	25	47.8	28
23	99.1	0	93.6	1	83.9	6	72.6	14	62.0	22	52.6	27
24	100.0	0	96.2	1	88.2	3	77.7	10	67.2	18	57.5	24
25			98.1	0	91.7	2	82.3	7	72.2	14	62.4	21
26			99.4	0	94.5	1	86.4	4	76.9	11	67.2	18
27			100.0	0	96.6	1	89.9	2	81.3	7	71.8	14
28					98.1	0	92.8	1	85.2	5	76.2	11
29					99.3	0	95.1	1	88.6	3	80.3	9
30					100.0	0	96.9	0	91.5	2	84.0	6
31							98.2	0	93.9	1	87.3	3
32							99.2	0	95.9	1	90.2	2
33							100.0	0	97.4	0	92.7	2
34									98.5	0	94.7	1
35									99.4	0	96.3	1
36									100.0	0	97.6	0
37											98.6	0
38											99.4	0
39											100.0	0

Table 4-1. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) (Continued)

	Procurement Lead-Time													
	42 Months		45 Months		48 Months		51 Months		54 Months		57 Months		60 Months	
Admin Lead-Time (Month)	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL
1	0.1	0	0.1	0	0.1	0	0.1	0	0.1	0	0.1	0	0.1	0
2	0.4	0	0.3	0	0.3	0	0.3	0	0.2	0	0.2	0	0.2	0
3	0.8	2	0.6	0	0.6	0	0.6	0	0.5	0	0.4	0	0.4	0
4	1.3	8	1.1	6	1.0	5	0.9	4	0.8	2	0.7	1	0.6	0
5	2.0	16	1.7	12	1.5	10	1.3	9	1.2	8	1.1	6	1.0	3
6	2.8	23	2.4	20	2.1	18	1.8	15	1.7	14	1.5	12	1.4	10
7	3.8	30	3.2	26	2.8	24	2.4	22	2.3	18	2.0	17	1.8	15
8	4.8	38	4.1	32	3.7	30	3.1	27	2.9	24	2.6	22	2.3	20
9	6.0	38	5.1	40	4.6	36	3.9	32	3.6	30	3.2	27	2.9	25
10	7.3	36	6.3	38	5.6	39	4.8	39	4.4	35	3.9	33	3.6	30
11	8.8	34	7.6	36	6.7	37	5.8	38	5.3	40	4.7	38	4.3	35
12	10.5	34	9.0	33	8.0	35	6.9	36	6.3	38	5.6	39	5.1	40
13	12.4	34	10.6	34	9.4	33	8.1	35	7.3	36	6.6	37	5.9	38
14	14.5	35	12.4	34	10.9	34	9.4	33	8.5	34	7.6	35	6.9	36
15	16.9	35	14.2	35	12.6	34	10.8	34	8.7	33	8.7	33	7.9	35
16	19.5	35	16.6	35	14.4	35	12.3	34	11.2	34	9.9	33	9.0	33
17	22.3	35	19.0	35	16.5	35	14.0	35	12.7	34	10.2	34	10.1	33
18	25.5	34	21.6	35	18.7	35	15.8	35	14.3	35	12.6	34	11.4	34
19	28.8	34	24.4	34	21.1	35	17.8	35	16.1	35	14.2	35	12.8	35
20	32.5	33	27.5	34	23.7	35	19.9	35	18.1	35	15.9	35	14.3	35
21	36.3	32	30.8	33	26.5	34	22.2	35	20.2	35	17.7	35	15.9	35
22	40.4	30	34.3	32	29.6	33	24.7	34	22.4	35	19.7	35	17.6	35
23	44.6	29	38.0	31	32.8	33	27.3	33	24.8	35	21.8	35	19.4	35
24	49.0	28	41.9	30	36.1	32	30.1	33	27.4	34	24.0	34	21.4	35
25	53.5	26	45.9	28	39.7	31	33.1	32	30.1	33	26.4	34	23.5	35
26	58.0	23	50.0	27	43.4	30	36.2	31	33.0	32	28.9	33	25.7	34
27	62.5	22	54.2	26	47.2	28	39.5	30	36.0	32	31.6	33	28.1	33
28	66.9	18	58.4	24	51.0	27	42.9	29	39.1	31	34.4	32	30.6	33
29	71.2	14	62.6	22	55.0	26	46.4	28	42.4	30	37.3	32	33.2	32
30	75.4	11	66.7	18	58.9	23	50.6	27	45.7	29	40.3	31	35.9	31

Table 4-1. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) (Continued)

	Procurement Lead-Time													
	42 Months		45 Months		48 Months		51 Months		54 Months		57 Months		60 Months	
Admin Lead-Time (Month)	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL
31	79.2	9	70.7	15	62.9	20	53.6	26	49.1	28	43.4	29	38.7	31
32	82.8	6	74.6	12	66.7	18	57.2	23	52.6	27	46.6	28	41.6	30
33	86.1	4	78.3	9	70.5	15	60.9	20	56.1	26	49.9	27	44.6	29
34	88.9	3	81.7	6	74.2	13	64.5	18	59.6	22	53.2	26	47.6	28
35	91.4	2	84.8	4	77.7	9	68.1	15	63.1	20	56.5	24	50.7	27
36	93.5	1	87.6	3	80.9	7	71.6	13	66.6	18	59.8	22	53.9	26
37	95.3	1	90.1	2	84.0	6	75.0	10	70.0	15	63.1	20	57.0	24
38	96.7	1	92.2	2	86.7	4	78.2	8	73.3	13	66.4	18	60.2	22
39	97.8	0	94.0	1	89.2	3	81.2	6	76.4	10	69.6	16	63.4	20
40	98.8	0	95.5	1	91.3	2	84.0	4	79.4	8	72.7	13	66.5	18
41	99.5	0	96.8	1	93.2	2	86.6	3	82.2	6	75.7	10	69.5	16
42	100.0	0	97.8	0	94.8	1	88.9	2	84.8	5	78.6	9	72.5	13
43			98.6	0	96.2	1	91.0	2	87.2	3	81.3	7	75.4	11
44			99.3	0	97.3	1	92.8	1	89.4	2	83.8	6	78.1	9
45			100.0	0	98.2	0	94.4	1	91.3	2	86.1	4	80.7	7
46					98.9	0	95.8	1	93.0	1	88.2	3	83.2	6
47					99.6	0	97.0	0	94.4	1	90.1	2	85.5	4
48					100.0	0	98.0	0	95.7	1	91.8	2	87.6	3
49							98.8	0	96.8	1	93.3	1	89.5	2
50							99.5	0	97.7	0	94.6	1	91.2	2
51							100.0	0	98.4	0	95.7	1	92.8	1
52									99.1	0	96.7	0	94.1	1
53									99.6	0	97.5	0	95.3	1
54									100.0	0	98.2	0	96.3	1
55											98.8	0	97.2	0
56											99.3	0	98.0	0
57											100.0	0	98.6	0
58													99.2	0
59													99.6	0
60													100.0	0

Table 4-2. Federal Reserve Funds Transfer Format

The [electronic securities service for the U.S. Treasury](#), Fedwire Securities Service, only accepts messages in the proprietary message format. The key data elements of the message format include the following:

Required Information for Funds Transfer to Treasury			
Tag Name	Code Tag	Required Information	Example
Message Type/ Subtype Code	(1510)	Type and Subtype Codes entered by the sender.	1000
Amount	(2000)	The dollar amount of transfer. The amount will include the dollar sign and the appropriate punctuation including cents.	\$9,999,999.99
Sender FI	(3100)	Identifies the sending financial institution's 9-digit American Bankers Association (ABA) routing number and short name. The sending bank will provide this number.	999999999 BANK XYZ
Sender Reference	(3320)	The sender institution's reference information may be inserted by the sending bank to identify the transaction.	974101509303
Receiver FI	(3400)	Identifies the receiving institution. The 9-digit identifier 021030004 is the routing number of the Treasury. The short name for Treasury's routing number is TREAS NYC. This item is a constant and is required for all funds transfer messages sent to Treasury.	021030004 TREAS NYC/FUNDS TR
Beneficiary	(4200)	Provided by Agency. The 3, 4, or 8-digit numeric symbol (Agency Location Code (ALC)) used to identify Government departments and agencies. Agencies that use 3 or 4-digit ALCs must include preceding zeroes to create a complete 8-digit ALC number (EXAMPLE: 00001234). The ALC is mandatory and must be specified in the funds transfer Beneficiary Identifier field for the funds to be correctly classified to the respective agency. The agency name must be entered in the Beneficiary Name field.	00003801 DFAS- IN/JAX Defense Finance & Accounting Service
Originator to Beneficiary Info	(6000)	Used to identify information conveyed from originator to the beneficiary; e.g., details of the payment, including invoice numbers and amounts.	Payment from Bandaria for FMS case BN-D-XYZ