

**SUMMARY OF MAJOR CHANGES TO
DoD 7000.14-R, VOLUME 15
“GLOSSARY”**

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
Title	Renamed title of chapter from “Definitions” to “Glossary” to clarify contents of chapter.	Update
All	Reworded and reformatted chapter for clarity, updated references, and added electronic links.	Update
All (Apr 2002)	Deleted definitions which duplicate terms covered in the overall Glossary to this Regulation, and obsolete terminology no longer used in the current business process.	Delete
All	Changed “customer” to “purchaser” to clarify terminology.	Update
3b, 15, 16	Changed “Defense Finance and Accounting Service (DFAS) DE/T” to “DFAS, Security Assistance Accounting (SAA)” to reflect transfer of function.	Update
8, 9	Replaced spending authority from offsetting collections with offsetting receipts in the definition of Budget/Contract Authority for Foreign Military Sales (FMS) Trust Fund transactions to clarify terminology.	Update
22	Added definition of “FMS-like” case.	Add
(Apr 2002)	Deleted Letter of Intent because term is no longer used.	Delete

GLOSSARY

★Definitions contained in this section of Volume 15 identify terms unique to Security Assistance policies and procedures. Refer to the Department of Defense (DoD) Financial Management Regulation (FMR) Glossary at <http://www.defenselink.mil/comptroller/fmr/glossary.pdf>.

1. Accessorial Charges. The costs of packing, crating, handling, and transportation (PCH&T) associated with the movement of Defense articles provided under the Foreign Military Sales (FMS) program.

2. Administrative Surcharge. The cost for administering sales made under the Arms Export Control Act (AECA). Captures manpower (both U.S. Government (USG) and contractor-furnished) and other costs required to develop, execute, and close FMS cases. These functions may be indirect (i.e., support across multiple purchasers/cases) or direct (i.e., support to a specific case or program).

3. Allotment. Authority issued to a DoD Component to incur commitments and obligations within a specified amount. In the FMS program, there are two types of allotments:

a. Allotment for Actual Administrative Expenses. All of the actual costs incurred by the DoD Components in administering the FMS program are funded by this allotment. The allotment is issued on a quarterly basis and may not be exceeded.

b. Allotment for Program Implementation. An allotment of FMS case contract authority used to fund obligations citing the allotment holder's accounting station. This type of allotment is made when the Defense Finance and Accounting Service, Security Assistance Accounting (DFAS SAA) determines it does not have the accounting capability to support detailed accounting requirements below the FMS case level, i.e., commitments, obligations, and disbursements resulting from contract award to implement individual FMS case line items. The amount released on each FMS case is a specific limitation, and the monthly status-of-allotment report must show the status of each case.

4. Anticipated Reimbursements. The dollar value of reimbursable orders that has been included in the DoD Component's budget. Applicable amounts are not available for obligation until an actual purchaser order has been received and accepted. There are two general types of anticipated FMS reimbursements:

a. Apportioned Anticipated Reimbursements. Initial and interim reports of budget execution reflect apportioned anticipated reimbursements, but commitments and obligations cannot exceed the value of approved amounts reflected in column 10 of the DD Form 2060 (FMS Obligational Authority) or automated equivalent. Budget execution reports as of September 30 will reflect a reduction in the amount of anticipated reimbursement to align with DD Form 2060 actual orders. In the event that the reimbursable program is subject to apportionment action, DD Form 2060 actual orders received in excess of the apportionment are not available for obligation until the apportionment for reimbursable orders is increased through

the DoD budget process.

b. Automatically Apportioned Anticipated Reimbursements. When anticipated reimbursements are subject to automatic apportionment, the value of any DD Form 2060 or automated equivalent reimbursable order is available for obligation.

5. Arrearage. An arrearage occurs when the FMS purchaser's total cash resources on deposit with the USG are insufficient to cover the unpaid accrued expenditures, considered collectively, made on behalf of that purchaser.

6. Attrition. The destruction of a DoD capital asset when a foreign student was in physical control of the asset or as a direct result of simple or gross negligence.

7. Below-the-Line Costs. On a Letter of Offer and Acceptance (LOA), costs identified as PCH&T, administrative charge, and other costs, that are displayed on lines 9 through 12 of the LOA.

★8. Budget Authority. Authority provided by law to incur financial obligations (in support of FMS cases) that will result in outlays. The specific form of budget authority applicable to the FMS program is contract authority.

★9. Contract Authority. Form of budget authority used by the FMS program that permits incurrence of obligations prior to the collection of offsetting receipts from the purchaser. The offsetting receipts are used to make the outlays to liquidate the obligations incurred.

10. Defense Stock. The term "stock" includes Defense articles on hand that are available for prompt delivery. It also includes Defense articles (contract) on order that are available for delivery within a reasonable time from the date of order by an eligible foreign government or international organization without increasing outstanding contracts or entering into new contracts. Any orders received from an eligible foreign government or international organization which cannot be filled in this manner fall within the provisions of section 22 of the AECA.

11. Dependable Undertaking. Pursuant to section 22(a) of the AECA, a firm commitment by the purchaser to (1) pay the full amount of a contract which assures the USG against any loss on the contract, and (2) 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. Refer to the Security Assistance Management Manual (SAMM) to validate which countries qualify for dependable undertaking.

12. Direct Cite. For the purposes of this volume, citation of the Trust Fund (97-11 X 8242) as the financing source on documents leaving the DoD system, contracts with such organizations as commercial firms, the General Services Administration, or the Department of Transportation. The term "direct cite" does not apply if any DoD organization establishes a reimbursable order to a DoD appropriation account or the Defense Working Capital Fund.

13. Distributed Costs. A cost that has been identified or allocated to an FMS case.
14. Estimated Actual Charges. A systematic and documented estimate of actual cost. This procedure is used in the absence of an established cost accounting system and is sometimes referred to as a cost-finding technique.
15. Expenditure Authority. Authority issued by DFAS SAA to a certifying officer/disbursing activity authorizing the subsequent disbursement of an FMS country's funds. See [Chapter 4](#) of this volume.
16. Financing Appropriation. The appropriation account originally increased as a result of the performing DoD Component's acceptance of a reimbursable order from the DFAS SAA. This activity is reflected as "FMS reimbursable."
17. FMS Billing Statement (DD Form 645). In the absence of a special billing arrangement, represents the USG's official claim for payment to the FMS purchaser.
18. FMS Case. A DoD LOA and associated supporting and executing documents.
19. FMS Contract Administration Services (CAS). FMS CAS is composed of three basic elements: (1) quality assurance and inspection; (2) contract audit; and (3) contract management (reference the [Federal Acquisition Regulation \(FAR\)](#), the [Defense Federal Acquisition Regulation Supplement \(DFARS\)](#), supplements thereto, and the [Defense Contract Audit Agency \(DCAA\) Contract Audit Manual](#)). The majority of the tasks associated with items (1) and (3) are performed by the Defense Contract Management Agency and the majority of the tasks associated with item number (2) are performed by the DCAA. Portions of CAS may be waived in accordance with the AECA.
20. FMS Contract Administrative Services (CAS) Surcharge. The FMS CAS surcharge is collected and applied on the value of payments made to contractors for items purchased through an FMS case.
21. FMS CAS Surcharge Account. A subaccount under the FMS Trust Fund to record all collections and payments/reimbursements relative to the CAS surcharge.
- ★22. FMS-like Cases. This term is used by the USG to track the sale of Defense articles or services generally funded by a USG entity. The FMS-like LOA itemizes the Defense articles and services included in the Letter of Request. The FMS-like LOA is not signed by the country and/or organization receiving the articles or services, except for Foreign Assistance Act, Section 607 transfers. The FMS-like LOA is authorized by the AECA.
23. Foreign Military Sales Order (FMSO). These are LOAs that implement Cooperative Logistics Supply Support Arrangements ([CLSSA](#)). Two LOAs are written: an FMSO I and an FMSO II. The FMSO I, Part A represents the on-hand value of DoD Continental United States (CONUS) inventories required to support FMS purchaser requisitions. The FMSO I, Part B provides the obligational authority to fund the remaining portion of the order. The

FMSO II is the consumption case, and all FMSO deliveries are reported against this case.

24. Full Value for DoD Stocks and Services. A selling price computed in accordance with [Chapter 7](#) of this volume.
25. Implementing Agency (IA). The DoD Component assigned responsibility by the [Defense Security Cooperation Agency](#) to prepare a LOA and implement the case. The implementing agency is responsible for overall management of the actions which will result in delivery of the materials or services set forth in an implemented LOA.
26. Indebtedness. Financial obligations of FMS [purchasers](#) to make payment(s) to the USG in accordance with the official billing statement.
27. Letter of Offer and Acceptance (LOA). The authorized document for use by the USG to offer to sell Defense articles and Defense services to a foreign country or international organization. Closely related to the “FMS case.” Signature by the purchaser represents acceptance of the offer.
28. Major Case. Determined based on type of FMS case (LOA) as follows: defined order \$25 million or greater; blanket order; or a CLSSA, \$10 million or greater, or 15 percent or more of a country’s total FMS program in terms of dollar value.
29. Major Defense Equipment (MDE). Those items of significant military equipment, as identified in the International Traffic in Arms Regulation U.S. Munitions List, that have incurred a nonrecurring cost for [Research, Development, Test, and Evaluation](#) of \$50 million or a total production cost of \$200 million or more.
30. Net Case Value. Total amount of cost reflected above-the-line on line 8 of the LOA.
31. Non-Standard Article. For FMS purposes, a non-standard article is one that [DoD](#) does not manage, either because applicable end items have been retired or because they were never purchased for [the DoD Components](#).
32. Non-Standard Service. For FMS purposes, a non-standard service is a service that [DoD](#) does not routinely purchase or perform.
33. Obligational Authority (OA). The authorized amount (funding) received by the IA on a DD Form 2060 (or automated equivalent) in advance of commitments and obligations to be incurred against a given FMS case in an amount not to exceed the value specified (line 20 of the DD [Form 2060](#)). The IA records reimbursable orders against an appropriation or directly cites the FMS Trust Fund while executing the FMS case. Line 10 of the DD Form 2060 displays the amount programmed as reimbursable authority, and line 11 displays the direct cite authority.
34. Omnibus Billing. A statement of additional charges or credits to cases that have been reclassified from active to inactive status.

35. Reimbursable Order. An order for services, supplies, material, or equipment placed by a requiring DoD Component and furnished by another DoD Component or Federal agency without separate identification of the items, or separate citation of the funds of the requiring DoD Component, and with subsequent delivery to and reimbursement by the requiring DoD Component. The reimbursable order is recorded as an obligation by the requiring DoD Component when the procuring DoD Component accepts the reimbursable order in writing. For FMS, the authority to enter into reimbursable work is established on line 10 of the DD Form 2060 (or automated equivalent).
36. Secondary Appropriation. An appropriation account increased as a result of reimbursable orders from an implementing agency which cite one of the implementing agency's appropriation accounts. Activity in a secondary appropriation is not categorized as "FMS reimbursable."
37. Special Billing Arrangement. An alternative to the DD Form 645 that serves as an official USG claim for payment to the FMS purchaser. Usually computed at the country or in-country service level.
38. Staging Cost. The cost incurred by DoD in consolidation of materiel before shipment to an FMS purchaser. Includes costs incident to storage and control of inventory, consolidation of incoming articles into a single shipment, and a break in CONUS transportation.
39. Standby Letter of Credit. Used in lieu of termination liability prepayment requirements, as authorized by DSCA.
40. Termination Liability. The amount of prepayments that cover payments required by the contract, and any damages and costs that may accrue from the cancellation of such contract. Funds prepaid for Termination Liability will convert to cover actual expenditures if the contract is not terminated prior to performance completion. Termination Liability may not apply to articles/services provided under other authorities of the Foreign Assistance Act or AECA.
40. Trust Fund. In this volume, the FMS Trust Fund, "Advances, Foreign Military Sales, Executive" (97-11 X 8242).
41. Uncommitted Acceptance. The unexecuted portion of the dollar value for an FMS case that has not been released to an implementing agency.
42. Undistributed Cost. A cost or disbursement to a budget authority which has not been allocated to a specific case.