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DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 15: "SECURITY COOPERATION POLICY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 15, CHAPTER 1: "GENERAL INFORMATION"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * 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 August 2013 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
010203.D	Added 11 (Fiscal Year) 4116 "Special Defense Acquisition Fund, Funds Appropriated to the President" to the list of Treasury Accounts per the Treasury Financial Manual.	Addition

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CHAPTER 1

GENERAL INFORMATION

0101 GENERAL

010101. Overview

A. Security Cooperation (SC). SC consists of all activities undertaken by the Department of Defense (DoD) to encourage and enable international partners to work with the United States (U.S.) to achieve strategic objectives. SC includes all DoD interactions with foreign defense and security establishments including all DoD administered Security Assistance (SA) programs that: build defense and security relationships that promote specific U.S. security interests (including all international armaments cooperation activities and SA activities); develop allied and friendly military capabilities for self-defense and multinational operations; and provide U.S. forces with peacetime and contingency access to host nations, per ***DoD Directive 5132.03***, "DoD Policy and Responsibilities Relating to SC".

B. Security Assistance (SA). SA refers to a group of programs authorized by U.S. Code (U.S.C.) ***Title 22*** or other legal authorities under which the U.S. provides defense articles, military training, and other defense-related services by grant, loan, credit, cash sales, or lease, in furtherance of national policies and objectives. DoD does not administer all SA programs. Those SA programs administered by DoD are a subset of SC. The Defense SC Agency (DSCA) Manual 5105.38-M, the "SA Management Manual" (***SAMM***), provides guidance on the seven major programs DoD administers:

1. Foreign Military Sales (FMS),
2. Foreign Military Construction Services,
3. Foreign Military Financing (FMF) Program,
4. Leases,
5. Military Assistance Program,
6. International Military Education and Training (IMET), and
7. Drawdowns.

C. Building Partner Capacity (BPC) Programs. BPC programs refer to SC and SA activities funded with U.S. Government (USG) appropriations and administered as cases within the FMS infrastructure. When executing BPC programs authorized by law, DoD may enter into agreements for provision of defense articles and/or services to other USG departments and agencies under the authority of the Economy Act or other transfer authorities for the purpose of:

1. Building the capacity of partner nation security forces and enhancing their capability to conduct counterterrorism, counter drug, and counterinsurgency operations; or

2. Supporting U.S. military and stability operations, multilateral peace operations, and other programs.

See ***SAMM Chapter 15***, "BPC Programs", for a detailed discussion of BPC programs.

010102. Authoritative Guidance

SA authorities include the Foreign Assistance Act (***FAA***), Public Law 87-195, codified as ***Title 22 U.S.C. Chapter 32***, and the Arms Export Control Act (***AECA***), Public Law 90-629, codified as ***Title 22 U.S.C. Chapter 39***.

010103. Applicability

SC transactions should follow DoD accounting guidance in this Regulation unless specifically exempt. The DSCA Directorate of Business Operations (DSCA DBO) must coordinate on any DoD Components proposed changes to Volume 15. DSCA DBO must perform an initial review of the proposed changes to assure consistency with the AECA and SA policy and procedures. If the change is acceptable, DSCA DBO will forward with a written 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 will be incorporated into a formal change to Volume 15 as soon as possible after issuance.

0102 TREASURY ACCOUNTS

The Foreign Affairs/Foreign Relations Committees of the Congress (rather than the Armed Services Committees) authorize SA funds. The Executive Branch, Office of the President, identified by Treasury Index (TI) "11", receives the SA funds. Funds and accounts authorized by Acts originating in the Armed Services Committees of the Congress and appropriated to DoD are identified by TI: "97" Defense Department, "17" Navy, "21" Army, and "57" Air Force.

010201. Treasury Accounts Applicable to Foreign Military Sales (FMS) Trust Fund Operations

Treasury account 11-8242 is the parent account for the FMS Trust Fund and is used for centrally recording contract authority and collections. Responsibility for the FMS Trust Fund execution (e.g., obligations and disbursements) was transferred from the Executive Branch, Office of the President (TI 11) to DoD (TI 97); the Treasury account is 97-11 X 8242. The complete fund cite 97-11 X 8242 is required for consolidated financial statements and reports to the Bureau of Fiscal Service (Fiscal Service) and the Office of Management and Budget. Fiscal

Service has established trust fund receipt and expenditure accounts to account for cash collections, budget authority (BA), and cash disbursements resulting from the FMS Program.

A. Cash Receipts. Cash collected from sales made under AECA Sections 21, 22, 29, and 61 is deposited into Treasury Account 11 8242.001, "Deposits, Advances, FMS, Executive." The Defense Finance and Accounting Service, Security Cooperation Accounting (DFAS SCA) processes cash collections into this account, including cash transfers from appropriations provided by the USG to finance credit sales under AECA Section 23 and the proceeds from guaranteed commercial loans under AECA Section 24. Collections must reflect account 11 8242.001 on DoD reports issued to the Fiscal Service and be listed under "Proprietary Receipts From the Public" in the Fiscal Service system.

B. BA. The BA resulting from FMS or BPC orders is recognized in Treasury account 97-11 X 8242, "Advances, FMS, Funds Appropriated to the President." BA is recognized only to the extent it is estimated that orders will be executed within a fiscal year (FY). The portion of the order that cannot be executed is classified as an uncommitted acceptance.

C. Cash Expenditures. Cash disbursements are made from account 97-11 X 8242, "Advances, FMS, Funds Appropriated to the President" 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.

D. Miscellaneous Receipts. Amounts recovered from the operation of the FMS program are deposited in Account 3041, "Recoveries under the FMS Program, Army, Navy, Air Force, Defense" including proceeds from the sale of materiel not to be replaced, collection of nonrecurring costs, collection of unfunded civilian pay retirement and benefits, military pay Medicare-Eligible Retiree Health Care accruals, and lease rental payments. See Volume 15, Chapter 2, Table 2-5, Pricing Elements and Their Financing Appropriations, for additional information.

010202. Treasury Accounts Applicable to Credit Sales and Guaranties (Arms Export Control Act Sections 23 and 24) and International Military Education and Training (Foreign Assistance Act, Part II, Chapter 5)

A. Receipt and Utilization of Appropriations. The accounts described in 010202.A.1-6 are used to capture the receipt of SA 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 appropriated funds to finance credit sales under AECA Section 23 and credit sales guaranties for pre-FY 1992 loan obligations under AECA Section 24. FMLLA excess collections are returned to miscellaneous receipts account 11 R 2814, "Other Repayments of Investments and Recoveries."

2. Account 11 (FY) 1085, "FMF, 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, "FMF, Direct Loan Financing Account, Funds Appropriated to the President," is used to receive the payments for the subsidy cost from the program account, 11 (FY) 1085, 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," is used to record the rescheduling of loans and to collect loan payments on those loans rescheduled from 11 X 4121. These loans have pre-FY 1992 original disbursement dates.

5. Account 11 (FY) 1082, "FMF Program, Funds Appropriated to the President," is used to record the receipt and use of appropriated grant funds to finance U.S. defense sales to selected foreign friends and allies, primarily through the FMS program. The funds are considered obligated upon apportionment and are available for expenditure for nine years after the appropriation has expired, based on annual appropriation bill language. 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. BA is transferred from this account to DoD Components to fund administrative expenses of FAA programs (e.g., IMET and End Use Monitoring).

6. Account 11 (FY) 1081, "IMET, Funds Appropriated to the President," is used to record the receipt and use of appropriated grant funds for the training of selected foreign military and related civilian personnel in the U.S. and, in some cases, in overseas U.S. military facilities.

B. Cash Collections. The accounts described in 010202.B.1-3 are used to capture collections made from foreign countries because of loans and loan guaranties.

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

2. Account 11 X 4122, "FMF 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," is used to reschedule loans from 11 X 4121. This account is also used to collect the payments from outstanding loans that have been rescheduled.

*010203. Other Treasury Accounts

Other Treasury accounts used in SC include those for BPC cases, Humanitarian Assistance, and the Special Defense Acquisition Fund (SDAF). For more information on these programs see SAMM Chapter 15; ***SAMM Chapter 12***, "Humanitarian Assistance and Mine Action Programs"; and ***SAMM Chapter 11***, "Special Programs and Services", respectively. The Treasury accounts include, but are not limited to:

A. 11 (FY) 1032 "Peacekeeping Operations, Funds Appropriated to the President";

B. 11X1032 "Peacekeeping Operations, Funds Appropriated to the President";

C. 11 (FY) 1083 "Pakistan Counterinsurgency Capability Fund, Funds Appropriated to the President";

* D. 11 (FY) 4116 "SDAF, Funds Appropriated to the President";

E. 11X4116 "SDAF, Funds Appropriated to the President";

F. 21 (FY) 2091 "Afghanistan Security Forces Fund, Army";

G. 21 (FY) 2092 "Iraq Security Forces Fund, Army";

H. 21 (FY) 2095 "Pakistan Counterinsurgency Fund, Army";

I. 97 (FY) 0100 "Operation and Maintenance (O&M), Defense-Wide, Defense";

J. 97X0100 "O&M, Defense-Wide, Defense";

K. 97 (FY) 0819 "Overseas Humanitarian, Disaster, and Civic Aid Defense"; and

L. 97X0819 "Overseas Humanitarian, Disaster, and Civic Aid, Defense.

0103 TYPES OF FINANCING

There are two types of financing associated with the FMS Trust Fund: reimbursable and direct cite. The detailed budgeting and accounting requirements for each type are discussed throughout the remainder of Volume 15.

010301. Reimbursable Financing

Sales under AECA Sections 21 and 22 that the President has determined are in the national interest to bill for defense articles and services on or after delivery (deferred payment), must be accomplished using reimbursable financing. When deferred payment is authorized, an appropriation is required to finance any outlays until the purchaser makes payment.

010302. Direct Cite Financing

New procurements initiated because of FMS orders under AECA Sections 22 and 29 (except as exempted in paragraph 010301) 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.

010303. Accounting Classification Codes of the FMS Trust Fund

See Table 1-1. The agency code signifies the agency name executing FMS Trust Funds within the FMS accounting system.

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

Appropriation/Limit	Agency Code	Agency
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	DFAS
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.XXXN	I	Missile Defense Agency
97-11 X 8242.28XX	P	Navy and Marine Corps
97-11 X 8242.XXXX	P	Navy (Standard Accounting and Reporting System)
97-11 X 8242.XXX9	Q	DSCA
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: "X" in the limit or subhead is variable data dependent on the agency.

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

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97-11 X 8242.XXX1	B	Army
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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.XXXN	I	Missile Defense Agency
97-11 X 8242.28XX	P	Navy and Marine Corps
97-11 X 8242.XXXX	P	Navy (Standard Accounting and Reporting System)
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: "X" in the limit or subhead is variable data dependent on the agency.

VOLUME 15, CHAPTER 2: "FINANCE"

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.

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

The previous version dated January 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
020307	Moved previous section 0205 "Cooperative Logistics Supply Support Arrangement" information to 020307.	Revision
Previous Table 2-2	Removed the format and validation criteria for the Foreign Military Sales Inventory Control System (FICS) REI Transactions; they are included in the Defense Integrated Financial System (DIFS) memorandum of understanding.	Deletion
Previous Table 2-4	Removed the format and validation Criteria for FICS R4I Transactions; they are included in the DIFS memorandum of understanding.	Deletion

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CHAPTER 2

FINANCE

0201 GENERAL

020101. Purpose

The purpose of this chapter is to provide guidance on foreign military sales (FMS) Trust Fund budget authority (BA), to include FMS Trust Fund obligation authority (OA) for implemented cases, the FMS administrative surcharge budget, and contract administration services (CAS) surcharge budget.

020102. Authoritative Guidance

The Arms Export Control Act (***AECA***), Public Law 90-629, as amended, codified as Title 22, United States Code (U.S.C.) ***Chapter 39*** provides the authority and general rules for FMS and commercial sales of defense articles, services, and training. Additional specific authorities are in the applicable sections.

0202 RESPONSIBILITIES

020201. Defense Security Cooperation Agency (DSCA)

A. DSCA must prepare annual budget requests for the FMS Trust Fund obligation and outlay authority to support the FMS Trust Fund program. DSCA reviews, approves, and distributes budgets for the FMS administrative surcharge, Security Cooperation Organizations, and the FMS CAS surcharge accounts.

B. DSCA is responsible for establishing the annual Safety Level amount to be maintained in the FMS Trust Fund Administrative Surcharge Account. The Safety Level amount will represent 18 months of operational funding based on current budget levels. DSCA will establish the Safety Level before the close of the fiscal year (FY) and forward the information to the Defense Finance and Accounting Service, Security Cooperation Accounting (DFAS SCA).

1. Calculate the 18 month Safety Level by dividing the amount under the Annual State and Foreign Operations Appropriation Act by 12 to compute a monthly operating amount, and then multiplying that amount by 18. For detailed information on the calculation, refer to the DSCA Manual 5105.38-M, Security Assistance Management Manual (SAMM) Chapter 9, ***section C9.15***.

2. Any changes requiring adjustment of the Safety Level computation methodology will be forwarded to the Office of the Under Secretary for Defense (Comptroller) (OUSD(C)) for review and approval.

020202. Implementing Agency (IA) and Performing Agency

A. Each implementing and performing agency that prepares data for Letters of Offer and Acceptance (LOAs) must ensure that:

1. Department of Defense (DD) Form 2060, FMS Obligational Authority (or the automated equivalent), is submitted to DFAS SCA to initiate performance of the case and support Component budget estimates, and

2. Sufficient anticipated appropriation or fund reimbursable authority is included in the Department of Defense (DoD) budget.

B. IAs are responsible for fulfilling FMS Trust Fund orders using these financing techniques:

1. Issuance and acceptance of reimbursable orders into a financing appropriation or Defense Working Capital Fund (DWCF) account,

2. Issuance of allotments of the FMS Trust Fund to performing DoD Components, or

3. Authorization to use the FMS Trust Fund (11 X 8242) directly.

C. IAs must submit FMS and CAS budget requests annually.

020203. DFAS SCA

DFAS SCA must:

A. Establish BA not to exceed the cumulative value of the accepted LOA documents (Basic, Amendments, and Modifications),

B. Record BA resulting from accepted LOA documents (Basic, Amendments, and Modifications) in the FMS Trust Fund accounting system by case identifier,

C. Approve DoD Component requests for FMS Trust Fund OA in a timely manner, and

D. Obtain cash advances from FMS Trust Fund purchasers necessary to liquidate obligations resulting from the use of BA created by the FMS Trust Fund program.

0203 BUDGET AUTHORITY (BA)

020301. General

The processing of DD 2060 or the automated equivalent (OA Request) and DD Form 2061, FMS Planning Directive or the automated equivalent (Planning Directive) for accepted LOAs, Amendments, and processed Modifications establishes FMS BA.

A. BA requests must be limited to:

1. The total case value for approved LOAs, Amendments, and processed Modifications; or

2. The amount expected to be obligated in the current FY.

B. At the end of each FY, DFAS SCA reduces unused BA or OA. Following the year-end accounting closing entries, reversal entries restore BA values for the new FY.

C. BA for FMS case lines, with the exception of Contingency, Small Case Management Lines, and CAS distributed to the Defense Contract Audit Agency or Defense Contract Management Agency (DCMA) is distributed to IAs. BA for the below-the-line surcharges (FMS administrative surcharge, and packing, crating, handling, and transportation (PCH&T)) are not distributed to IAs.

D. Figure 2-1 depicts the BA process, showing the relationships among the forms and formats, as well as relationships among organizations and the FMS Trust Fund purchaser at various stages of processing.

020302. Source Documents

A. LOA. The LOA is the basic source document for an FMS case. The LOA does not in itself create BA in either the FMS Trust Fund or in a DoD appropriation or fund account; however, it is required for establishing BA. See Figure 2-2 for a sample LOA; instructions for preparing LOAs are contained in SAMM Chapter 5, ***section C5.4***.

B. Amendment to an LOA. An Amendment is designed to obtain FMS Trust Fund purchaser acceptance of a change in LOA scope when the original purpose of a case line or note changes. Amendments are used to alter the original LOA and provide the basis to change FMS Trust Fund BA, when applicable. See Figure 2-3 for a sample Amendment; instructions for preparing an Amendment are in SAMM Chapter 6, ***section C6.7***.

C. Modification to an LOA. A Modification is a notification document to alert FMS Trust Fund purchasers of within-scope cost increases, cost decreases, or other minor changes to the program. Modifications are used to alter the original LOA and provide the basis to change FMS Trust Fund BA, when applicable. See Figure 2-4 for a sample Modification; instructions for preparing a Modification are in SAMM Chapter 6, section C6.7.

D. Planning Directive. The installation preparing the LOA data for the IA prepares and maintains a Planning Directive. The form is a working paper that serves three major purposes:

1. It provides identification of the cost elements included in prices reflected on the LOA and helps assure the case is priced in accordance with DoD pricing policies in Chapter 7;

2. It provides a time-phased plan for execution of the case upon FMS purchaser acceptance and implementation; and

3. It identifies the appropriations or funds that will be used to finance new procurement or realize earned reimbursements through delivery of items from inventory or from DoD in-house services.

See Figure 2-5 for a sample DD 2061; instructions for completing the form are contained in Table 2-1.

E. OA Request. An OA Request is prepared based on the Planning Directive.

1. Part A is prepared at the FMS case line level and is the basis for line level control of OA. Part B identifies the appropriations or funds that have been or will be used to finance the lines reflected in Part A. For reimbursable orders, Part B is submitted to DFAS SCA by the 20th calendar day following the close of each accounting month.

2. The OA Request may be prepared for an individual case or for multiple cases.

3. The OA Request is also used to convey the FMS CAS surcharge OA (see section 0205).

4. See Figure 2-6 for a sample DD 2060; instructions for completing the form are in Table 2-2.

020303. Recognition of BA by the FMS Trust Fund

A. Establishment of FMS Trust Fund BA. To establish BA, FMS Trust Fund purchasers must return all accepted LOAs, and Amendments, and processed Modifications to the IA and DFAS SCA; IAs must submit an OA Request to DFAS SCA. When DFAS SCA receives the OA Request, the FMS case level accounting records are reviewed to determine if:

1. The case is valid;

2. The FMS Trust Fund purchaser has deposited necessary cash in advance to implement the FMS case; and

3. The requested OA does not exceed the dollar values established in the LOA and any applicable Amendments or Modifications.

If these three requirements are met, DFAS SCA must create FMS Trust Fund BA and approve the OA Request.

B. Trust Fund Direct Citation. The OA Request must be used to request commitment/OA for direct citation of the FMS Trust Fund. The OA Request is used as a control device, and commitments/obligations must be limited to the dollar value of the approved OA Request.

020304. Recognition of FMS Reimbursable BA in DoD Appropriation or Fund Accounts

A. Trust Fund Orders for Reimbursable Orders

1. The LOA, Amendment, or Modification does not represent a reimbursable order to the performing DoD Components. The approved OA Request is the reimbursable order. The OA Request includes the reimbursable portion of the order that may be credited to appropriations by a DoD Component for each line within a case for a FY. The OA amount for each line within a case cannot be exceeded. Reporting violations of this administrative limitation will follow the procedures in Volume 15, Chapter 3 and Volume 14. The reimbursable portion of the OA Request must arrive at DFAS SCA by the 20th calendar day following the close of each accounting month. See paragraph 020402 for preparation instructions for OA Requests.

2. The applicable DoD appropriation or fund accounting system must maintain an audit trail between the applicable OA Request and the appropriation or fund accounting records. Performance within the financing appropriation or fund account will be controlled in accordance with the accounting system established for that particular appropriation or fund account. Appropriation or DWCF bills for earned reimbursements must be processed in accordance with Volumes 11A and 11B. Thus, the FMS accounting system tracks orders into and out of the normal appropriation or fund accounting systems.

3. The FMS accounting system is not intended to track the financial status, or obligation, while reimbursable performance is in process. The status of specific purchaser requisitions can be obtained through logistical system inquiries. Applicable logistics status reports are provided to case managers and to FMS purchasers and are not to be confused with financial status reports.

4. Those DoD Components that are not IAs, but support the FMS program in response to IA work requests, must carefully review applicable work requests to determine the financing source. If the financing source is an IA appropriation account, the request must be recorded and processed as an internal DoD order. If the recipient is a sub-allotment holder, the required allotment status report must be provided to the allotment holder

and consolidated into the DoD Status-of-Allotment report to DFAS SCA, as discussed in Chapter 3.

B. Apportionment for Reimbursable Orders

1. When authority to accept reimbursable orders is subject to apportionment, obligations on a reimbursable program may not exceed the apportioned amounts of anticipated reimbursement. Reimbursable BA may be recognized up to the apportioned amount to the extent the FMS Trust Fund purchaser has advanced necessary cash under subparagraph 020303.A, or has orders charged to appropriated funds. Reimbursable orders in excess of apportionment are not available for obligation; an additional apportionment of anticipated reimbursable orders needs to be requested and received through the reapportionment process.

2. Apportionments and reapportionments for reimbursable programs must be requested by appropriation account and FY. An appropriation that is available for obligation for more than one year requires an apportionment for anticipated reimbursable orders in the first year of availability. That apportionment must be reduced to the value of orders actually received in the first year. In the subsequent years of availability, a reapportionment for anticipated reimbursable orders is required to accept the purchaser's orders that fund within-scope price increases. The reapportionment request for anticipated reimbursable orders in the final year of availability is especially critical because any unused amounts in the reapportionment are automatically available for acceptance of additional reimbursable orders necessary to fund within-scope price increases after the appropriation has lapsed.

3. Receipt of an apportionment or reapportionment for anticipated reimbursable orders does not constitute authority to incur obligations. The actual purchaser's orders must be received and recorded in appropriation accounting records before applicable BA may be used.

020305. Contract Authority

A. Contract authority is the statutory authority to incur obligations with liquidation of obligations dependent on a future act, such as receipt of an appropriation. FMS orders, along with the OA Request, create contract authority. New contract authority reported in the "Report on Budget Execution and Budgetary Resources," Standard Form (SF) 133, is the value of FMS orders accepted for performance during the current FY for which BA has been approved in accordance with the requirements of paragraph 020303.

B. Funds appropriated by Congress for defense purposes cannot be used to liquidate obligations resulting from the use of FMS contract authority, unless specifically allowed in appropriation acts or supplemental funding bills. See AECA section 22(b), Public Law 90-629, as amended, codified as Title 22 U.S.C. Chapter 39. FMS purchaser cash deposits liquidate these obligations and unfunded contract authority. Below departmental-level, contract authority loses its unfunded identity and is treated in the same way as other budgetary resources available for obligation.

C. Procurements for FMS purchasers are accomplished citing the FMS Trust Fund in applicable documents. Amounts in the FMS Trust Fund are, in a technical sense, appropriated funds, even though they are not annually appropriated by Congress and are not subject to direct Congressional control. Accordingly, accounting for commitments, obligations, and accrued expenditures in the FMS Trust Fund is accomplished as a direct fund cite.

020306. BA for FMS Administrative Expenses

The cumulative BA available in the current FY is composed of actual collections for FMS administrative expenses (including the FMS administrative charges and logistics support charges (LSCs)), less any prior allotments of such amounts and the amount to be reserved for future administrative expenses (i.e., the Safety Level). In no event should the annual allotment be higher than the limitation imposed in the annual Department of State, Foreign Operations, and Related Programs Appropriations Acts, unless otherwise approved through the process required by law.

*020307. BA for Cooperative Logistics Supply Support Arrangements (CLSSAs)

Proper recognition and phasing of BA resulting from LOAs written to implement CLSSAs (see ***DoD Instruction 2000.20***) create unique challenges. Under these arrangements, the purchaser funds the acquisition and maintenance of stock to normal DoD inventories and due-ins. Once these increments are established, the purchaser is provided supply support with the same responsiveness as is provided to DoD military units within the same Force Activity Designator. The applicable LOAs have three distinct financial subdivisions:

A. Foreign Military Sales Order (FMSO) I

1. FMSO I, Part A. FMSO I, Part A, represents the on-hand inventory level required in Continental United States (CONUS) to support FMS requisitions to replenish in-country stocks. Normally, the on-hand level represents 5 months of demand. The cash necessary to establish on-hand inventory accompanies the accepted LOA.

2. FMSO I, Part B. FMSO I, Part B, results in recognition of the contract authority necessary to award contracts for pipeline resupply to support FMS purchaser demands.

a. The purchaser's requisition is filled from on-hand inventory acquired under FMSO I, Part A. The inventory is then replaced by a delivery of a due-in from a contractor. Purchaser payments under FMSO II (the foreign purchaser's anticipated yearly consumption under CLSSA) provide the cash necessary to pay the contractor and establish new contract authority to award a contract for additional items, thus maintaining quantities in the pipeline.

b. Because cash received from FMSO II is used to pay for due-ins, the purchaser is not required to deposit cash in support of FMSO I, Part B. However, billings against the FMSO I, Part B are required if FMSO II demands are below expected levels.

FMSO I, Part B, normally represents 12 months of demand or the procurement lead-time, whichever is greater.

3. BA. The FMSO I case exists for the duration of the CLSSA and is modified only if the quantity of the end items to be supported changes or FMSO consumption patterns differ from expectations. The reimbursable BA resulting from acceptance of the FMSO I is credited to financing appropriations current at the time the contracts are awarded to increase on-hand and on-order quantities.

B. FMSO II

FMSO II is the consumption case. FMSO II does not create BA for re-procurement until applicable requisitions are received (earned reimbursements) and purchaser cash is deposited in the financing appropriation account (collected). Upon shipment and collection, additional BA is recognized to maintain the pipeline created by FMSO I, Part B. FMSO II BA is credited to appropriations current at the time material is released from inventory in response to FMSO II requisitions.

0204 PLANNING DIRECTIVES AND OA REQUESTS

020401. General

Planning Directives and OA Requests are required for all new cases that have been submitted to FMS Trust Fund purchasers for acceptance and for all cases in the process of implementation. The Planning Directive and OA Request must initially be developed when the LOA data is prepared. The OA Request must be included with the LOA package. The IA must retain the Planning Directive as backup for the LOA package.

A. The Planning Directive reflects detailed pricing elements, planned financing appropriations (or direct citation), the amount of OA required for the current year, and an estimate of OA for the budget year. The initial Planning Directive may contain abbreviated financial analysis data. However, as execution begins, the Planning Directive must be expanded to encompass all required cost elements and data.

B. Activities furnishing articles or services to fulfill case requirements must provide the case manager the necessary data to accomplish his or her responsibilities. The case manager must ensure that all applicable nonrecurring research, development and production costs (see Chapter 7) are included in the LOA package and identified for reimbursement to the appropriate Miscellaneous Receipts Account in the OA Request.

C. Planning Directives and OA Requests must be prepared for each case and must also be prepared:

1. In support of requests for Amendments and Modifications reflecting financial impact;

2. In support of price changes of less than 10 percent of the estimated cost of articles and services (utilizing the most recently approved document);

3. In support of variations of more than $100,000 between reimbursable accounts or between direct cite and reimbursable accounts discovered subsequent to case implementation;

4. In support of changes in current year OA requirements within the net case value as reflected on the most recently approved Planning Directive and OA Request; and

5. As necessary, to ensure adequate OA is available in the budget year before commencement of that year.

020402. Preparation of Planning Directives and OA Requests

Procedures for completing a Planning Directive using DD 2061 are in Table 2-1. Procedures for completing an OA Request using DD 2060 are in Table 2-2. All Planning Directives and OA Requests are cumulative. Therefore, case managers must maintain an audit trail that will relate each to its predecessor.

A. To ensure control over the flow of documentation, the case manager must assign and maintain a system of control numbers. The control numbers are composed of the FMS Trust Fund purchaser country code, case designator, Julian date, and serial number (e.g., BN-BLX-08181 08).

B. All amounts on Planning Directives and OA Requests must be in United States (U.S.) currency.

C. Before the end of each FY, unless real time OA Request procedures are in effect (on line pulling of OA versus hardcopy or batch processing), the IA must submit a consolidated OA Request to DFAS SCA requesting budget year OA. This case data will be based on information taken from the "Budget Year ( ) Funding Plan," of the Planning Directive, and is necessary to ensure that case execution is not delayed due to funding problems.

D. Case managers must scrutinize financial performance on a continuing basis to ensure the availability of sufficient OA for both the current FY and case completion.

E. Each case manager preparing the year-end OA Request must identify the OA requirements through the end of the upcoming FY. If the sum of the budget year, current year, and prior year requirements exceed the case value, then the case manager must initiate action for the processing of a case Amendment or Modification, as appropriate.

F. The various pricing elements and related appropriations and funds required to prepare Planning Directives and OA Requests are in Table 2-3.

0205 OA REQUESTS FOR BUDGETED FMS CAS COSTS AND FUNDS REIMBURSED BY THE FMS CAS SURCHARGE ACCOUNT

020501. FMS CAS Services Budget

DoD Components will develop and submit an annual FMS CAS Budget request to the DSCA Comptroller by August 10 of each year. These estimates must support only FMS CAS related efforts as outlined in the Federal Acquisition Regulation (***FAR***) and Defense FAR Supplement (***DFARS***). As such, these estimates cannot include FMS CAS related efforts that are not charged in whole or in part under AECA section 21(h). See Chapter 7 and SAMM Chapter 9, section C9.6. The estimates include individual reciprocal countries agreements processed by OUSD Acquisition, Technology and Logistics (OUSD/AT&L) (see Chapter 7); CAS waivers for North Atlantic Treaty Organization (NATO) and NATO Cooperative Projects (see Chapter 7); CAS waivers applicable to other special projects; and FMS CAS work excluded by specific Public Laws (see AECA and Chapters 7 and 8).

A. The FMS CAS Budget request must specify the amount of anticipated FMS CAS work that will be performed and needs to be reimbursed for that particular FY. An OA Request must accompany the budget request with anticipated FMS CAS costs, to include the projected unfunded civilian retirement (UCR) costs and associated salary and retirement costs for military personnel performing full-time FMS CAS. The DoD reimbursable rates are computed annually (see Volume 11A, Chapter 6) and approved and released by OUSD(C) (see ***DoD Reimbursable Rates***).

B. The OA Request must reflect the total amount of reimbursements that are expected to be performed for that FY and list all appropriations and reflect the estimated amount for each appropriation. The sum of the amounts reflected for each appropriation must equal the requested total and the FMS CAS Budget. The UCR costs are computed on the basic pay only, excluding overtime (see ***5 U.S.C. 8331*** and Office of Management and Budget (OMB) Circular A-11, ***section 20.5***).

C. The DCMA CONUS FMS CAS Budget estimates must be based on a DCMA established annual command rate as explained in Chapter 8, subparagraph 080602.C.3. In addition to the budget estimates, DCMA must provide a copy of the Command Rate Report and the Quarterly Functional Workforce Analysis worksheet.

D. The DCMA Overseas FMS CAS Budget estimates must be based on actual costs for full-time employees (90-percent or more) and the DoD hourly rate for part-time employees.

1. All other costs (e.g., equipment, vehicles, or computers) associated with full-time employees are included in the estimates. Budget presentation of full-time employees must not be based upon a composite of part-time effort. Follow the Funded Environment and Morale Leave (FEML) funding guidance issued by OUSD. Full-time employees, who are provided Environmental and Morale Leave (EML) travel as assistance-in-kind (AIK) by the host government, may not also travel on FMS CAS funded FEML in the same

year. Under no circumstances may the combination of FMS CAS funded FEML and AIK EML exceed one trip per year. The travel on AIK tickets must not be augmented with further tickets or travel that is FMS CAS funded.

2. The estimates for the part-time employees (10 percent to 90 percent) will include only actual work performed (costs relating to salaries), UCR rate computed on salaries, and overseas temporary duty cost. FMS CAS funds will not be used to fund EML travel for part-time FMS CAS employees. FMS CAS funds will not be used to fund salaries or support for employees who spend less than 10 percent of their time on FMS CAS tasks.

3. Military positions must be reimbursed based on the guidelines in this section.

4. For more information on CAS costs, reference Chapter 8, paragraph 080602.

020502. FMS CAS OA Requests

Upon approval of the budget estimate by DSCA, the OA Request must be forwarded to DFAS SCA for approval, processing, reporting (see Chapter 3, subparagraph 030408.E), and general ledger control (see Chapter 3, subparagraph 030408.C). Before FMS CAS surcharge costs may be incurred, the DoD Component must establish a reimbursable order in the financing appropriation that will initially pay the actual cost of such services. The OA Request must list the appropriations and anticipated reimbursements to each appropriation.

A. The initial approved OA Request must represent the reimbursable order to perform FMS CAS work on FMS cases. If it is suspected that the OA Request is no longer valid, and the OA amount needs either to be increased or decreased, then an updated OA Request must be forwarded with a cover letter to the DSCA Comptroller explaining the need for the OA change. The revised OA Request must be forwarded to DFAS SCA for processing.

B. During the FY, monthly ***SF 1080s***, "Vouchers for Transfers Between Appropriations and/or Funds," must be prepared and forwarded to DFAS SCA for payment as specified in Chapter 8.

C. At year-end, the annual OA Request must be updated to reflect the September 30 end-of-year obligated position. New obligations are not authorized after September 30 of the closing FY. When all costs have been finalized and reimbursements have been processed by DFAS SCA (i.e., when actual costs, disbursements and obligations all are equal), a "Final FMS OA" document must be prepared and forwarded to the DSCA Comptroller for approval and processing.

1. The "Final FMS OA" documents must show the actual cost incurred by each individual appropriation, including the UCR costs that are deposited in Miscellaneous Receipts Account 3041 (see 5 U.S.C. 8331 (3) and OMB Circular A-11,

section 20.5) and the military pay accounts for military personnel costs associated with salary and retirement for full-time FMS CAS employees. The U.S. Treasury accounting symbols are listed in the Federal Account Symbols and Titles (***FAST Book***).

2. DFAS SCA must use this "Final FMS OA" as the basis for withdrawing OA for all unobligated balances that were recorded under each appropriation for that FY. Prior to the close out of a particular FY and during the subsequent FYs, joint financial reviews will be conducted between the billing agency, DFAS SCA, and DSCA. All adjustments or revisions will be submitted within 30 days following the completion of the review.

3. CONUS FMS OA documents should be forwarded to DSCA on or before December 14 of that year. Overseas "Final FMS OA" documents must be forwarded to DSCA when all costs have been reimbursed and all associated disbursements have been processed by DFAS SCA.

D. Revenues to fund FMS CAS expenses are prescribed in Chapter 3, subparagraph 030405.A. The methods for reimbursing the DoD Components for performing FMS CAS are prescribed in Chapter 8, subparagraphs 080602.A-B.

E. DoD Components that purchase equipment, vehicles, computers, and other items using the FMS CAS Surcharge Account must establish disposal guidance to ensure compliance with Volume 11A, Chapter 5, Table 5-2, item 8d to ensure that all funds resulting from the sale or disposal of this equipment are returned to the FMS Trust Fund.

Figure 2-1. Generation of BA (New Cases)

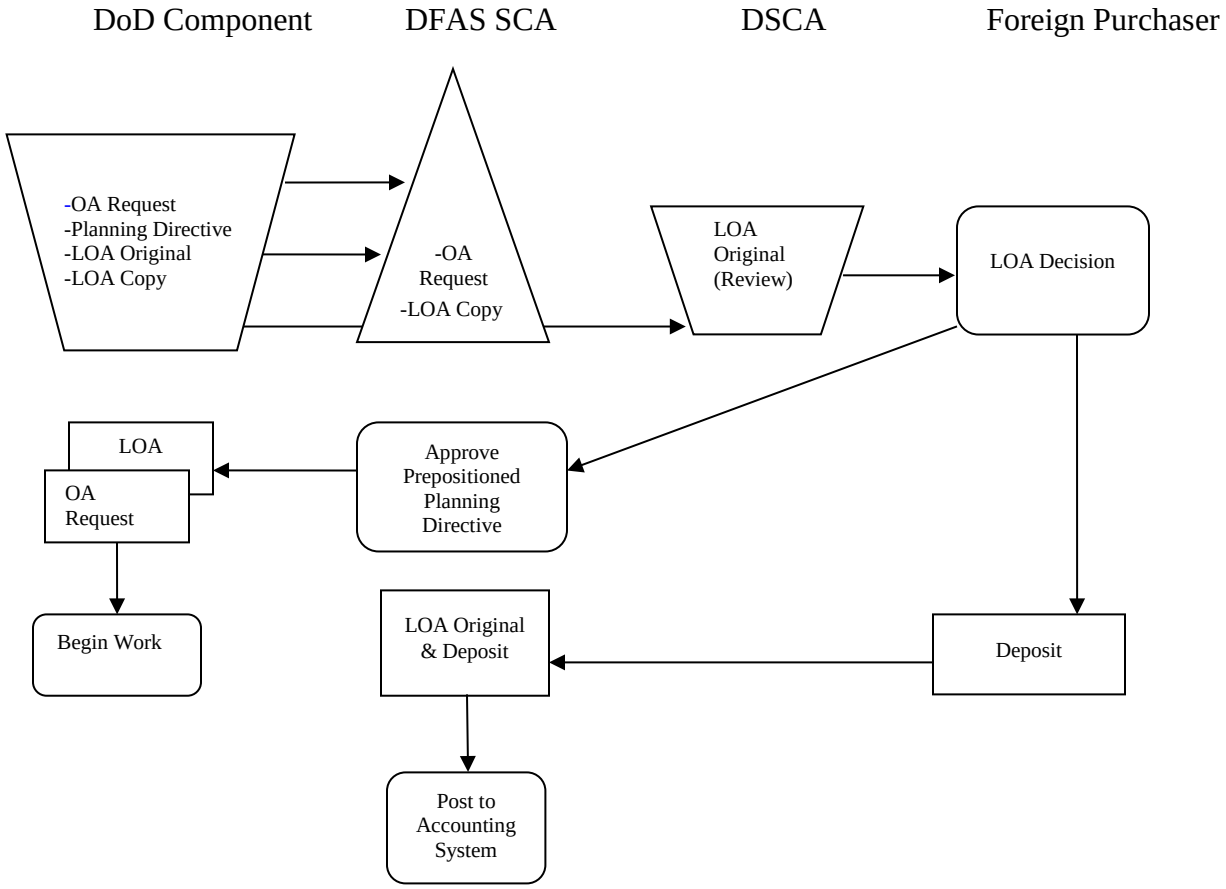

Figure 2-2. Letter of Offer and Acceptance

United States of America
Letter of Offer and Acceptance (LOA)
BN-P-BLX

Based on BANDEF ltr 2/265 of 10 April 2010

Pursuant to the Arms Export Control Act, the United States Government (USG) offers to sell to the Embassy of Bandaria Office of the Naval Attaché, 1234 Massachusetts Ave, NW, Washington, DC 29999, the defense articles or defense services (which may include defense design and construction services) collectively referred to as "items", set forth herein, subject to the provisions, terms, and conditions in this LOA.

This LOA provides for Technical Services for the Standard Missile Program.

Estimated Cost: $1,038,000 Initial Deposit: $273,750

Terms of Sale:
Cash Prior to Delivery

Dependable Undertaking

This offer expires on 22 July 2010. Unless a request for extension is made by the Purchaser and granted by the USG, the offer will terminate on the expiration date.

This LOA consists of page 1 through page 9.

The undersigned are authorized representatives of their Governments and hereby offer and accept, respectively, this LOA:

U.S. Signature	30 May 2010 Date	Purchaser Signature	18 July 2010 Date
A.R. Smith Director Typed Name and Title		Typed Name and Title	
Navy International Programs Office Implementing Agency		Agency	
DSCA Reviewed/Approved DSCA	30 May 2010 Date	**IMPLEMENTATION DATE:**	**18 July 2010**

Information to be provided by the Purchaser:
Mark For Code ____, Freight Forwarder Code ____, Purchaser Procuring Agency Code ____, Name and Address of the Purchaser's Paying Office: _____
_____

Figure 2-2. Letter of Offer and Acceptance (Continued)

Items to be Supplied (costs and months for delivery are estimates):

(1) Item Nbr	(2) Description/Condition	(3) Qty, Unit of Issue	(4) Costs (a) Unit	(b) Total	(5) SC/MOS/ TA	(6) Ofr Rel Cde	(7) Del Trm Cde
001 12	M1B 020200M1SSLTA (N)(N)(R) MISSILE TECHNICAL ASSISTANCE CONTRACTOR PERSONNEL ONLY (IV) (Note(s) 1)	XX		$1,000,000	P(24) TA 4	A	4

Estimated Cost Summary:

(8)	Net Estimated Cost	$1,000,000
(9)	Packing, Crating, and Handling	$0
(10)	Administrative Charge	$38,000
(11)	Transportation	$0
(12)	Other (Specify, e.g., Supply Support Agreement)	$0
(13)	Total Estimated Cost	$1,038,000

To assist in fiscal planning, the USG provides the following anticipated costs of this LOA:

Estimated Payment Schedule

Payment Date	Quarterly	Cumulative
Initial Deposit	$273,750	$273,750
15 Dec 2010	$127,375	$401,125
15 Mar 2011	$127,375	$528,500
15 Jun 2011	$127,375	$655,875
15 Sep 2011	$127,375	$783,250
15 Dec 2011	$127,375	$910,625
15 Mar 2012	$127,375	$1,038,000

Explanation for acronyms and codes, and financial information, may be found in the "Letter of Offer and Acceptance Information."

BN-P-BLX

Figure 2-3. Amendment to Letter of Offer and Acceptance

United States of America
Amendment 1 to Letter of Offer and Acceptance
BN-P-BLX

Based on BANDEF ltr 2/343 of 12 Aug 2010

Mail To: Embassy of Bandaria Office of the Naval Attaché, 1234 Massachusetts Ave, NW Washington, DC 29999.

Pursuant to the Arms Export Control Act, the United States Government (USG) offers to amend the Letter of Offer and Acceptance (LOA) identified above for the purchase of defense articles, defense services, or both. Other provisions, terms, and conditions of the original LOA remain unchanged.

This amendment provides for extending Basic LOA Item 001 period of availability. Purchaser request extends period of performance 12 months.

Basic LOA accepted: 18 July 2010.

Estimated Cost: $1,557,000 Due with Amendment Acceptance: $385,625

Terms of Sale:
Cash Prior to Delivery

Dependable Undertaking.

This offer expires on 5 December 2010. Unless a request for extension is made by the Purchaser and granted by the USG, this offer will terminate on the expiration date.

This amendment consists of page 1 through page 3.

The undersigned are duly authorized representatives of their Governments and hereby respectively offer and accept this amendment:

	5 Sep 2010		05 Sep 2010
U.S. Signature	Date	Purchaser Signature	Date
A.R. Smith Director			
Typed Name and Title		Typed Name and Title	
Navy International Programs Office			
Implementing Agency		Agency	
DSCA Reviewed/Approved	05 Sep 2010	**IMPLEMENTATION DATE:**	**05 Sep 2010**
DSCA	Date		

Figure 2-3. Amendment to Letter of Offer and Acceptance (Continued)

This amendment consists of changes as follows:

(1) Item Nbr	(2) Description/Condition	(3) Qty, Unit of Issue	(4) Costs (a) Unit	(b) Total	(5) SC/MOS/ TA	(6) Ofr Rel Cde	(7) Del Trm Cde
Previous							
001 12	M1B 020200M1SSLTA (N)(N)(R) MISSILE TECHNICAL (IV) ASSISTANCE CONTRACTOR PERSONNEL ONLY (Note(s) 1)	XX		$1,000,000	P(24) TA 4	A	4
Revised							
001 12	M1B 020200M1SSLTA (N)(N)(R) MISSILE TECHNICAL (IV) ASSISTANCE CONTRACTOR PERSONNEL ONLY (Note(s) 1)	XX		$1,500,000	P(36) TA 4	A	4

	Estimated Cost Summary:	**Previous (B)**	**Revised**
(8)	Net Estimated Cost	$1,000,000	$1,500,00
(9)	Packing, Crating, and Handling	$0	$0
(10)	Administrative Charge	$38,000	$57,000
(11)	Transportation	$0	$0
(12)	Other (Specify)	$0	$0
(13)	Total Estimated Cost	$1,038,000	$1,557,000

To assist in fiscal planning, the USG provides the following revised anticipated costs of this LOA:

Estimated Payment Schedule

Payment Date	Quarterly	Cumulative
Previous Payments Scheduled (22 July 2010)		$273,750
Current USG Financial Requirements		$659,375
Amount received from Purchaser $273,750		
Due with Amendment Acceptance	$385,625	$659,375
15 Mar 2011	$179,525	$838,900
15 Jun 2011	$179,525	$1,018,425
15 Sep 2011	$179,525	$1,197,950
15 Dec 2011	$179,525	$1,377,475
15 Mar 2012	$179,525	$1,557,000

BN-P-BLX (A1)

Figure 2-4. Modification to Letter of Offer and Acceptance

United States of America
Modification 1 to Letter of Offer and Acceptance
BN-P-BLX

Based on cost adjustments due to experience during program execution.

Mail To: Embassy of Bandaria Office of the Naval Attaché, 1234 Massachusetts Ave, NW Washington, DC 29999.

Pursuant to the Arms Export Control Act, the United States Government (USG) hereby notifies the Purchaser of Modification of the Letter of Offer and Acceptance (LOA) identified above. All other terms and conditions of the LOA remain unchanged.

This Modification provides for: Cost adjustments to Amendment Item Number 1 based on experience while executing the program.

Basic LOA accepted 18 July 2010.

Estimated Cost: $1,453,200

Terms of Sale:

Cash Prior to Delivery
Dependable Undertaking

This Modification consists of page 1 through page 3.

The undersigned are duly authorized representatives of their Governments and hereby respectively furnish and acknowledge receipt of this Modification:

	18 Jan 2011		
U.S. Signature	Date	Purchaser Signature	Date
A.R. Smith Director			
Typed Name and Title		Typed Name and Title	
Navy International Programs Office			
Implementing Agency		Agency	
DSCA Review/Approved	22 Jan 2011		
DSCA	Date		

IMPLEMENTATION DATE: **22 Jan 2011**

Figure 2-4. Modification to Letter of Offer and Acceptance (Continued)

This Modification provides notification of changes as follows:

(1) Item Nbr	(2) Description/Condition	(3) Qty, Unit of Issue	(4) Costs (a) Unit	(b) Total	(5) SC/MOS/ TA	(6) Ofr Rel Cde	(7) Del Trm Cde
Previous							
001	M1B 020200M1SSLTA (N)(N)(R)	XX		$1,500,000	P(36)	A	4
12	MISSILE TECHNICAL (IV) ASSISTANCE CONTRACTOR PERSONNEL ONLY				TA 4		
	(Note(s) 1)						
Revised							
001	M1B 020200M1SSLTA (N)(N)(R)	XX		$1,400,000	P(36)	A	4
	MISSILE TECHNICAL (IV) ASSISTANCE CONTRACTOR PERSONNEL ONLY				TA 4		
	(Note(s) 1)						

	Estimated Cost Summary:	**Previous (A1)**	**Revised**
(8)	Net Estimated Cost	$1,500,00	$1,400,00
(9)	Packing, Crating, and Handling	$0	$0
(10)	Administrative Charge	57,000	53,200
(11)	Transportation	$0	$0
(12)	Other (Specify)	$0	$0
(13)	Total Estimated Cost	1,557,000	1,453,200

To assist in fiscal planning, the USG provides the following revised anticipated costs of this LOA:

Estimated Payment Schedule

Payment Date	Quarterly	Cumulative
Previous Payments Scheduled (15 Dec 2010)		$659,375
Current USG Financial Requirements		$659,375
Amount received from Purchaser $659,375		
15 Mar 2011	$113,275	$772,650
15 Jun 2011	$113,425	$886,075
15 Sep 2011	$113,425	$999,500
15 Dec 2011	$113,425	$1,112,925
15 Mar 2012	$113,425	$1,226,350
15 Jun 2012	$113,425	$1,339,775
15 Sep 2012	$113,425	$1,453,200

BN-P-BLX (M1)

Figure 2-5. DD 2061, "FMS Planning Directive"

FMS PLANNING DIRECTIVE

(1) FMS Case No. _____
(2) FMS Case Submitted to the Foreign Government _____
(3) Date Offer Expires _____
(4) Date Case Accepted by Foreign Government_____
(5) Total Case Value _____
(6) Control Number _____
(7) Date Prepared _____
(8) DoD Component _____

(9). Case Item No	(10). Item Description	(11). Qty	(12). Pricing Elements	(13). Financing Approp.	(14). Estimated Cost	(15). Direct Cite/ Obligl Auth Rec'd to Date ( )	(16). Funding Required to Date ( )				(17). Current FY ( ) Funding Plan	(18). Remaining Program Value	(19). Budget Year ( ) Funding Plan
							Obligations Incurred	Unobligated Commitments	Items from Stock	Total			

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1 MAR 79

Figure 2-6. DD 2060, "FMS Obligational Authority"

FMS OBLIGATIONAL AUTHORITY

(1) Performing Component _____

(2) Period Covered _____

FMS Case Commitment/Obligation Authority

(3) FMS Planning Directive Control No.	(4) Total Case Value	(5) Amount To Be Held in Trust Fund	(6) Net Case Value	Prior Period Reimbursable Funding/Direct Cite Authority			Authority Required This FY		(12) Remaining Program Value
				(7) Received	(8) Required	(9) Withdrawn	(10) Reimbursable	(11) Direct Cite	
			0.00			0.00			0.00
			0.00			0.00			0.00
			0.00			0.00			0.00
(13) Balance br't fwd.									
(14) Case Tot.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(15) Admin. Expense									
(16) Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

PART B: Financing Accounts

(17) Appropriation Title	(18) Account Symbol							
					0.00			0.00
					0.00			0.00
					0.00			0.00
					0.00			0.00
(19) Balance Brought Forward								
(20) Obligational Authority			0.00	0.00	0.00	0.00	0.00	0.00	0.00

(21) We will accept (1) orders to be performed on a reimbursable basis in the amounts shown in column 10, (2) authority for a direct cite against 97-11x6242 for amounts designated (C) in column 11, and (3) allotments in amounts designated (A) in column 11.

Name of Accepting/Requesting Official

(22) In approving this form, we hereby issue (1) reimbursable orders on a case-by-case basis as shown in column 10, (2) authority for performance on a direct cite basis for the total of the amounts designated (C) in column 11 but not to exceed the amounts specified by case, and (3) an allotment for the total of the amounts designate (A) in column 11 but not to exceed the amounts specified by case.

Name of Offering/Approving Official

(23) Approval Control No. _____

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Reset

Table 2-1. DD 2061, "FMS Planning Directive" Completion Procedures

Line/ Col.	Description	Procedures
1	FMS Case Number BN-P-BLX	Continue from LOAs.
2	Date LOA Submitted to Foreign Government	Obtain from date of LOA.
3	Date Offer Expires	Obtain from Offer Expiration Date of LOA.
4	Date Case Accepted by Foreign Government.	Obtain from acceptance date of LOA.
5	Total Case Value	Must agree with total of Column 14 and "Estimated Total Costs" of LOA.
6	Control Number	Consists of country code, case designator, Julian date (YYDDD), and a two-digit sequential number. Initial DD 2061 will use sequential number 01, with each succeeding submission using 02, 03, 04... The Julian date must agree with the data entered on line 7. Use the format BN-BLX-11212 01.
7	Date Prepared	Date formally prepared. Must agree with Julian date used in control number. Use the format Jul 31, 2011.
8	DoD Component/Case Manager	Enter the DoD Component, followed by the case manager's name, organization, and DSN phone number, e.g., Navy, J. Smith, NAVAIR, 222-7890.
9	Case Item Number	This entry must match the entries on the LOA.
10	Item Description	This entry must match the item description on the LOA. Use abbreviated titles. When information is classified, enter "Classified – Refer to LOA."
11	Quantity	This entry must match the entries on the LOA. Columns 9, 10, and 11 should show no further breakdown than is or will be reflected on the LOA.
12	Pricing Elements	This column will be used to provide breakdown of the cost of the article or service by pricing element using codes provided by Table 2-3.

Table 2-1. DD 2061, "FMS Planning Directive" Completion Procedures" (Continued)

Line/ Col.	Description	Procedures
13	Financing Appropriation	For each Pricing Element, Column 12, enter the first impacted appropriation (the financing appropriation) for reimbursable actions; or enter "DC" for Direct Citation (for example, when the FMS Trust Fund will be directly cited on obligation documents). More than one appropriation may be entered for some pricing elements. Annual appropriations will reflect the applicable FY.
14	Estimated Cost	Enter the estimated cost (priced in accordance with Chapter 7) for each Column 13, Financing Appropriation. For each item number with multiple entries in Columns 13 and 14, enter "Item No. Costs" in Column 13 after the last entry and the sum (subtotal) of the estimated costs for that item in Column 14. This sum must equal the line item total cost to be reflected on proposed LOA, Amendment, or Modification. For less than 10% increases, this amount will reflect the adjusted cost of the article or service. For each item number citing a single financing appropriation, the entry in Column 14 should be the cost of the item.
15	Direct Cite/OA received to date most recent prior FY (e.g., FY10 during FY11)	Leave blank if case was not implemented in a prior FY. Enter, by Financing Appropriation in Column 13, the amount of OA issued through the end of the prior FY. Column 15 should be adjusted for withdrawals of unused authority at the end of the previous year.

Table 2-1. DD 2061, "FMS Planning Directive" Completion Procedures" (Continued)

Line/ Col.	Description	Procedures
16	Funding Required to Date (same FY entered in Column 15)	Leave blank if case was not implemented in a prior FY. Columns 16a, 16b, and 16c provide a horizontal breakdown of amounts entered in Column 16d, Total.
16a	Obligations Incurred	
16b	Unobligated Commitments	
16c	Items from Stock	
16d	Total	Enter, by Financing Appropriation in Column 13, the OA committed through the end of the prior FY.

On successive DD 2061s in the same FY, Columns 15 and 16 are constant and reflect the status by financing appropriation as of September 30 of the prior FY. These entries, in total, must agree with the entries in Columns 7 and 8, respectively, of the annual consolidated DD 2060.

17	Current FY ( ) Funding Plan	Enter the current FY in the parentheses, e.g., (2011). For a new case in which OA will not be required until a subsequent FY, Column 17 should reflect that subsequent year as the current FY. Enter, by financing appropriation, the current FY OA requirements. On successive DD 2061s, these figures are cumulative.
18	Remaining Program Value	Enter, by financing appropriation, the result of Column 14 minus the "total" of Column 16 minus column 17. This entry must not be a negative amount.
19	Budget Year ( ) Funding Plan	Enter the FY following the year shown in Column 17. Enter, by financing appropriation, the budget year OA requirements. Amounts shown in Column 19 must not exceed the amounts shown in Column 18.

Table 2-1. DD 2061, "FMS Planning Directive" Completion Procedures (Continued)

SUBTOTALS: If the DD 2061 is prepared in support of a request for an increase of less than 10%, then enter subtotal and less than 10% increase lines.

Line/ Col.	Description	Procedures
10 and 14-19	Subtotal	Enter "Subtotal" in Column 10 and the vertical sums of Columns 14 through 19. Check sums horizontally. Columns 14 = 16 + 17 + 18.
10, 14, and 18	Less than 10% increase	Enter "Less than 10% increase" in Column 10. In Columns 14 and 18, enter the amount of the cumulative net increase in the total materiel/services value.
10 and 14-19	Net Case Value	Enter "Net Case Value" in Column 10 and the vertical sums of columns 14 through 19. Column 14 should agree with the "Estimated Cost" of the LOA. Check sums horizontally. Columns 14 = 16 + 17 + 18.
10, 12-14, and 18	PC&H (if applicable)	Enter "PC&H (__ %)," Pricing Element "OS," and Financing Appropriation "TF." Columns 10, 14, and 18 should be completed with the proper rate and amount as computed in accordance with Chapter 7. PC& H charges were discontinued for DWCF items effective October 1, 1990.
10, 12-14, and 18	Admin (if applicable)	Enter "ADMIN (__ %)," Pricing Element "OS," and Financing Appropriation "TF." Columns 10, 14, and 18 should be completed with the proper rate and amount as computed in accordance with Chapter 7.
10, 12-14, and 18	Transportation (if applicable)	Enter "TRANS (__ %)," and/or Parc. Post (__ %)," as appropriate, Pricing Element "OS," and Financing Appropriation "TF." Columns 10, 14, and 18 should be completed with the proper rate(s) and amount(s) as computed in accordance with Chapter 7. Different rates may be used if partial delivery was made prior to April 13, 1978. The rate to be charged is the rate in effect at the time of delivery.

Table 2-1. DD 2061, "FMS Planning Directive" Completion Procedures (Continued)

Line/ Col.	Description	Procedures
10, 12-14, and 18	Stock issue asset use (SIAU) (if applicable) for cases implemented after Sep 30, 1979, and all DD 2060/2061 submissions subsequent to that date up to Nov 30, 1989.	Enter "SIAU (1%)," Pricing Element "AU," Financing Appropriation "TF." In Columns 14 and 18, enter the amount computed in accordance with Chapter 7. Discontinued November 30, 1989.
10 and 14-19	Total Case Value	Enter "Total Case Value" and the vertical sum of Columns 14 through 19 for "Net Case Value" and PCH&T, Admin, Storage, and SIAU. Check sums horizontally. Columns 14 = 16 + 17 + 18. Column 14 should match the "Total Estimated Cost" line of the LOA.
10	Summary	Enter "Summary:"
10, 14-19	Reimbursable Program	Enter, as applicable "Reimbursable Program" in Column 10. Sum Columns 14 through 19 for all entries with other than "DC" or "TF" in Column 13.
10, 14-19	Direct Cite Program	Enter, as applicable "Direct Cite Program" in Column 10. Sum Columns 14 through 19 for all entries with "DC" in Column 13.

If the DD 2061 is prepared in support of a less than 10% increase, then enter subtotal and less than 10% increase lines:

10, 14-19	Subtotal	Enter "Subtotal" in Column 10. Sum "Reimbursable Program" and "Direct Cite Program," Columns 14 through 19.
10, 14, and 18	Less than 10% increase	Enter "Less than 10% increase" in Column 10. In Columns 14 and 18, enter the negative amount of the cumulative net increase in the total materiel/services value.

Table 2-1. DD 2061, "FMS Planning Directive" Completion Procedures (Continued)

Line/ Col.	Description	Procedures
10, 14-19	Net Case Value	Enter "Net Case Value" in Column 10. Sum "Reimbursable Program" and "Direct Cite Program," or, if applicable, "Subtotal" and "Less than 10% increase," Columns 14 through 19.
10, 14, and 18	PC&H, PCH&T, Admin, Trans, or Storage	If applicable, enter "PC&H," "PCH&T," "Admin," "Trans," and "Storage" in Column 10. Sum Columns 14 and 18 for all entries with "TF" in Column 13.
10, 14-19	Total Case Value	Enter "Total Case Value" in Column 10. Sum "Net Case Value," "PC&H," "Trans," "PCH&T," "Admin," and "Storage" lines (as entered from previous procedure) for Columns 14 through 19. Check sums horizontally. Columns 14 = 16 + 17 + 18. Check to ensure that each column total matches the sum entered on the previous "Total Case Value" line.

Table 2-2. DD 2060, "Obligational Authority" Completion Procedures

Line/ Column #	Description	Procedures
	Type of Request	Enter the designation of the document that occasioned the submission of the DD 2061 and 2060, e.g., LOA, Modification, Amendment, less than 10% increase, or DD 2061 Revision.
1	Performing Component	Enter "Army," "Navy," or "Air Force."
2	Period Covered	Enter the FY for which OA is being requested, e.g., FY2010.
	Part A	
3	FMS Planning Directive Control No.	Obtain from line 6 of DD 2061.
4	Total Case Value	Obtain from "Total Case Value" line, Column 14, of "Summary" section of DD 2061. Also equals line 5 on DD 2061.
5	Amount to be Held in FMS Trust Fund	Obtain from "CAS for DCAA and DCMA PCH&T, Admin, and Storage" Column 14, in "Summary" section of DD2061. Note: PCH&T does not apply to DWCF delivery reported on or after October 1, 1990. Storage charges do not apply to the FMSO I Part A on-hand of DWCF items.
6	Net Case Value	Computation: Column 4 – Column 5= Column 6 (DD 2060) This amount represents the total that will be provided to the performing DoD Component for an FMS case.
7	Received	Obtain from "Net Case Value" line, Column 15, of the "Summary" section of DD 2061. The entry is constant for a FY and must agree with the entry on the annual consolidated DD 2060.
8	Required	Obtain from "Net Case Value" line, Column 16 "Total," of the "Summary" section of the DD 2061. The entry is constant for a FY and must agree with the entry on the annual consolidated DD 2060.
9	Withdrawn	Computation: Column 7 - Column 8 = Column 9 (DD 2060) Represents the amount of funds received in prior periods but not required for case performance. These amounts will be withdrawn from the performing DoD Components. The entry is constant for a FY and must agree with the entry on the annual consolidated DD 2060.

Table 2-2. DD 2060, "Obligational Authority" Completion Procedures (Continued)

Line/ Column #	Description	Procedures
10 & 11	Authority Required this FY	Enter the FY from line 2
10	Reimbursable	Obtain from "Reimbursable Program" line, Column 17, of the "Summary" section of the DD 2061. Represents the amount of reimbursable OA required for the current FY.
11	Direct Cite	Obtain from the "Direct Cite" line, Column 17, of the DD 2061. Amounts in this column followed by a "(C)" represent direct citation delegation authority required for the current FY. If blank, then the request is for an allotment of funds for direct cite, with the IA to be the accounting station.
12	Remaining Program Value	Computation: Column 6 - [Column 8 + Column 10 + Column 11] = Column 12 Should agree with "Net Case Value" line, Column 18, of the "Summary" section of the DD 2061. May be negative if type of request is for a less-than-10% increase.
13	Balance Brought Forward	N/A
14	Case Total	N/A
15	Admin Expense	N/A
16	Total	Sum of entries by column

Table 2-2. DD 2060, "Obligational Authority" Completion Procedures (Continued)

Line/ Column #	Description	Information Source	Remarks
		Part B	
17	Appropriation Title	Obtain from appropriate DoD Component directives. Enter abbreviated title. Where the case is impacted by an increase of less than 10%, insert an additional line "Less-than-10% increase."	
18	Account Symbol	Obtain from DD 2061, Column 13, "Financing Approp." Enter the first impacted financing) appropriation or fund for reimbursement action; or enter "DC" where the FMS Trust Fund is to be direct cited. Summarize into one line per account.	
6	Net Case Value	Obtain totals (by appropriation) from applicable column on DD 2061. Enter individual data under each column where the case is impacted by an increase of less than 10%, an appropriate negative entry will be shown in Columns 6 and 12 as determined from Columns 14 and 18 of the DD 2061. Note: Column 9 should be computed as Column 7 - Column 8	
7	Received		
8	Required		
9	Withdrawn		
10	Reimbursable		
11	Direct Cite		
12	Remaining Program		
19	Balance Brought Forward	N/A	
20	Obligational Authority	Enter totals (by column) for each applicable element. Totals should reflect same data as DD 2060 summary data reflected in Part A.	
21	Signature Block Accepting/Requesting Official	To be completed by the appropriate DoD Component	
22	Signature Block Offering/Approving Official	To be completed by DFAS SCA	
23	Approval Control Number	To be completed by DFAS SCA	

Table 2-3. Pricing Elements and Their Financing Appropriations

Pricing Element	Description	Appropriation or Fund	Description
AT	Attrition 97 8242.8209	FMS Trust Fund	Funds collected to cover equipment damaged beyond repair by foreign students.
AU	Asset Use Charges/ Contractor Rental Payments	Miscellaneous Receipt Account 3041 (See Treasury FAST Book.)	Applied as a percentage of the direct costs being billed and is in lieu of separate computations for charges required to be applied in order to recover payments applicable taxpayer investment (sunk cost) in inventory or facilities (see Chapter 7). Discontinued effective with all deliveries reported to DFAS SCA after December 1989.
CC	Contract Cost	Direct citation of FMS Trust Fund or applicable appropriation/fund symbol (see Chapter 1)	Cost of defense articles or services being supplied from procurement.
CD	UCR Factor Not Funded by DoD	Miscellaneous Receipt Account 3041	Cost of UCR not reimbursable to the performing account. Computed on basis of prescribed Acceleration Factors (see Chapters 7 and 8; and DoD reimbursable rates.

Table 2-3. Pricing Elements and Their Financing Appropriations (continued)

Pricing Element	Description	Appropriation or Fund	Description
CP	Services of Civilian Personnel	Applicable appropriation/fund (Operations and Maintenance (O&M), Research, Development, Test and Evaluation (RDT&E), or DWCF)	Cost of civilian personnel services (including cost of fringe benefits reimbursed to the performing account and accelerated for leave and holidays when applicable) (see Chapter 7).
CR	Civilian Retirement Funded by DoD	Applicable appropriation/fund (O&M, RDT&E, or DWCF)	This optional code identifies the cost of civilian retirement benefits reimbursable to the performing account. Computed on basis of prescribed acceleration factors (see Chapter 7). This cost element may be included as part of CP.
CS	Contract Audit Support (for FY 1980 and prior, applies to FMS and commercial contracts; after FY 1980, applies to commercial contracts only)	O&M Appropriation of Performing Activity	Audit costs incurred in the evaluation of a contractor bid proposal or the audit of claims for incurred costs.
CX	CAS (in FY 1981, used in lieu of CS & QS)	FMS Trust Fund (TF), centrally managed by the DFAS SCA	Cost of the contract administration tasks set forth in the FAR, subpart 42.3 and audit.

Table 2-3. Pricing Elements and Their Financing Appropriations (continued)

Pricing Element	Description	Appropriation or Fund	Description
EG	DoD Engineering Support	O&M Appropriation of Performing Activity	Government-provided engineering services that are required to solve problems encountered during the production run, or efforts to improve the item's capabilities to meet predetermined specifications.
FS	DoD Production, Testing, and Evaluation Support	O&M, RDT&E Appropriation, or DWCF	Government production testing and evaluation costs to be recovered on a pro rata basis over benefiting production run items.
LS	Logistics Support Charge (LSC)	FMS Trust Fund centrally managed by DFAS SCA	Cost of logistics support. Applicable to specific items delivery reported on or after April 1, 1987 and deliveries made prior to October 1, 2007 against lines that qualify. Discontinued for DWCF items, on or after October 1, 1990.
MP	Services of Military Personnel	Military Personnel Appropriations	Cost of military personnel services based on standard composite pay rates (as accelerated for leave and holidays when applicable) (see Chapter 7 and DoD reimbursable rates). Includes retirement for FY 1985 and subsequent.
MR	Medicare-Eligible Retiree Health Care (MERHC)	Miscellaneous Receipt Account 3041	Currently, cost to cover Medicare-eligible retiree health care accrual. See DoD reimbursable rates. Prior to FY 1985, was used for cost of imputed military retirement determined by applying appropriate acceleration factor to military personnel service costs.

Table 2-3. Pricing Elements and Their Financing Appropriations (continued)

Pricing Element	Description	Appropriation or Fund	Description
MX	Other Benefits (when applicable)	O&M Appropriation of Performing Activity. Effective FY 2006, Defense Health Program (97*0130)	Cost for portion of quarters, subsistence, Defense Health Program, and other personnel support costs not included in MP. Computed by applying appropriate acceleration factor to military personnel service costs (see Chapter 7 and DoD reimbursable rates). Effective FY 2006, limited to Defense Health Program.
OS	Other Support	Other appropriations, as applicable. Use pricing element "TF" for below-the-line PCH&T, Storage and Admin.	Other above-the-line costs not specifically defined. PCH&T does not apply to DWCF items delivery reported on or after October 1, 1990.
QS	DoD Quality Assurance Support (For FY 1980 and prior, applies to FMS cases and to commercial contracts; after FY 1980 applies to commercial contracts only)	O&M Appropriation of Performing Activity	Government-applied quality assurance costs to be recovered either based on individual items examined or on a pro rata basis over benefiting production run items.
RD	R&D and nonrecurring production	Miscellaneous Receipt Account 3041	Recovery of nonrecurring costs as specified by Chapter 7.
RF	Royalty Fees	Miscellaneous Receipt Account 3041	Collection of royalty fees.
RS	Special RDT&E	RDT&E Appropriation	Special RDT&E effort being accomplished specifically for the FMS purchaser.

Table 2-3. Pricing Elements and Their Financing Appropriations (Continued)

Pricing Element	Description	Appropriation or Fund	Description
SA	Articles obtained from inventory for Special Defense Acquisition Fund (SDAF)	SDAF 11 X 4116	Sale of SDAF items originally obtained from DoD inventories.
SD	Articles procured from contractors for SDAF	SDAF 11 X 4116	Sale of SDAF items obtained from procurement.
SF	Articles from stock not requiring replacement	Miscellaneous Receipt Account 3041	Sale of free assets not requiring inventory replacement.
SR	Articles from stock requiring replacement	Procurement Appropriation or DWCF	Sale of materiel requiring inventory replacement because of sale.
TF	Charges applied by DFAS SCA	FMS Trust Fund centrally managed by DFAS SCA	Below-the-line cost on the LOA (e.g. packing, crating & handling (PC&H), administrative fee, transportation). PC&H does not apply to DWCF items delivery reported on or after October 1, 1990.
TR	Training related expenses for formal training	Direct Cite or Appropriation account	The expenses related to the conduct of formal training.
TX	Transportation	Appropriation or FMS Trust Fund, as appropriate	Costs for transportation when Defense Transportation System is approved and used. DFAS SCA applied transportation charges do not apply to DWCF material effective October 1, 1990, for generic code L1A, and effective October 1, 1991, for generic code L1D and L1E.

Table 2-3. Pricing Elements and Their Financing Appropriations (continued)

Pricing Element	Description	Appropriation or Fund	Description
Special Pricing Element Codes for Air Force Training Cases			
AR	Air Force (AF) Reserve	AF Reserve Appropriation	That portion of training reimbursement passed to AF Reserve.
DI	Reimbursable Orders to Defense Institute for Security Assistance Management (DISAM)	Direct Cite or AF Appropriation Account which accepted order	That portion of the training case passed to DISAM for execution.
DM	Depot Maintenance	DWCF	That portion of training course costs identified for depot maintenance.
IP	Information Program Funds	Direct Cite or Appropriation Account which accepted order	That portion of the training case that funds the information program.
M2	Military Personnel permanent change of station (PCS)	Military Pay Appropriation	Military personnel PCS costs incurred to accomplish FMS training case.
ML	Minor Construction	O&M Appropriation	That portion of the training case applicable to minor construction.
NG	Air National Guard	National Guard Appropriation	That portion of training reimbursement passed to National Guard.
PL	Aviation petroleum, oil and lubricants (POL)	DWCF	That portion of training course costs identified as POL.
TC	Reimbursement to a Foreign Government	Country Trust Fund	Third Country training with reimbursement from the second country.

Table 2-3. Pricing Elements and Their Financing Appropriations (continued)

Pricing Element	Description	Appropriation or Fund	Description
XA	Reimbursable Orders to Army	Direct Cite or Army Appropriation Account which accepted order	That portion of the training case passed to Army for execution.
XN	Reimbursable Orders to Navy	Direct Cite or Navy Appropriation Account which accepted order	That portion of the training case passed to Navy for execution.
XX	Reimbursable Orders to Defense Agencies	Direct Cite or Defense Agency Appropriation Account which accepted order	That portion of the training case passed to Defense Agency for execution.

VOLUME 15, CHAPTER 3: "ACCOUNTING"

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 June 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
030401	Updated the language to reflect that Foreign Military Sales Trust Fund dollars are not exempt from apportionment.	Revision
030403.A.2	Updated delinquency debt aging categories according to the Bureau of Fiscal Service Treasury Report on Receivables and Debt Collection Technical Memo 15-02 dated April 29, 2015.	Revision
031003	Transferred information about case closure certificates and the reclassification of cases from active to inactive from Chapter 7, section 0719.	Addition

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CHAPTER 3

ACCOUNTING

0301 GENERAL

030101. Purpose

This chapter establishes accounting requirements which:

A. Assure proper Department of Defense (DoD) control and accountability of cases implemented in the Foreign Military Sales (FMS) Trust Fund;

B. Provide accounting information that can be used for preparation of Chief Financial Officer (CFO) financial statements, quarterly bills to FMS purchasers, and financial status reports to DoD case managers and Defense Security Cooperation Agency (DSCA) staff;

C. Integrate with physical delivery (logistics) reporting systems;

D. Serve as a basis for timely identification and reporting of financial management problems; and

E. Establish internal controls to assure compliance with the payment requirements of the ***Arms Export Control Act (AECA)***, Public Law 90-629, codified at Title 22, United States Code (U.S.C.), ***Chapter 39***.

030102. Authoritative Guidance

The Federal Accounting Standards Advisory Board establishes accounting standards for receivables through the issuance of Statement of Federal Financial Accounting Standards (***SFFAS***) 1, Accounting for Selected Assets and Liabilities. The Bureau of the Fiscal Service prescribes procedures for submitting year-end closing data to the Financial Management Service in the Treasury Financial Manual (TFM), Volume 1, ***Part 2, Chapter 4200***. The DSCA 5105.38-M Security Assistance Management Manual (***SAMM***) provides the Customer and Regional Codes used to account for each FMS case.

0302 GENERAL ACCOUNTING GUIDANCE

030201. Accounting Characteristics

A. Each FMS case is an accounting unit similar to a commercial job order. A case identifier is composed of the Security Cooperation (SC) Customer code, implementing agency (IA) code, and a three-position case designator assigned by the IA. See SAMM SC Customer and Regional Codes and FMS Eligibility ***Table C4.T2***. Budget authority (BA) necessary to implement a case is released by case identifier and line item number. All requisitions for materiel or services have a case identifier and line item number. Report accrued

costs and cash disbursements at this level of detail. Accumulate and report this accounting information to FMS purchasers and DoD case managers to allow proper monitoring of case execution.

B. DoD manages cash at country level to ensure sufficient funds are available to meet expenditure requirements and to determine arrearages of a country's dependable undertaking. See Chapter 5 for more information on arrearages. A cumulative summary cash account, including all sub-accounts of the FMS Trust Fund 11 X 8242, is needed to allow reconciliation with the Department of Treasury (Treasury) cash records. Cumulative summary accounts showing BA, commitments, obligations, accounts payable, accounts receivable, accrued expenditures, and expenses are required to complete budget execution reports on the FMS Trust Fund Account.

C. DoD case management entails obtaining the necessary BA, releasing requisitions or procurement work orders, and reporting physical delivery of required items. The first two actions require efforts directed through the accounting system. Proper management controls require the use of the same source document for reporting to both the financial and logistical systems (including delivery reporting).

030202. Responsibilities

A. DSCA. DSCA is responsible for monitoring usage of the FMS Trust Fund to include periodic reviews of funding levels and unused balances.

B. Defense Finance and Accounting Service (DFAS). DFAS performs the accounting, billing, disbursing, and collecting functions for the FMS Trust Fund and ensures entries in the accounting systems have audit trails to the source documents. DFAS Security Cooperation Accounting (DFAS SCA) is specifically responsible for:

1. Maintaining the centralized FMS case line level accounts prescribed in this chapter and the United States Standard General Ledger (***USSGL***). The general ledger (GL) accounts are in the ***Standard Financial Information Structure*** Transaction Library; Volume 1, Chapter 7; and the ***TFM***. Use information accumulated in the accounts when preparing billing statements to FMS purchasers and financial management reports to DoD case managers and DSCA staff;

2. Maintaining FMS Trust Fund budget execution records;

3. Identifying and notifying DSCA when an FMS Trust Fund arrearage occurs as required in Chapter 5;

4. Summarizing all case line level accounts at the FMS Trust Fund level, reconciling the summary cash accounts to Treasury's records per Treasury guidance, and using the summary accounts as the basis for required reports on FMS Trust Fund operations;

5. Maintaining audit trails between source documents and entries to the accounting system; and

6. Preparing monthly, quarterly, and annual statements as required in Volumes 6A and 6B.

C. IAs. IAs are responsible for:

1. Fulfilling FMS Trust Fund orders using these financing techniques:

a. Issuing and accepting reimbursable orders into a financing appropriation or Defense Working Capital Fund (DWCF) account,

b. Issuing allotments of the FMS Trust Fund to the performing DoD Components, or

c. Authorizing direct citation of the FMS Trust Fund (11 X 8242);

2. Ensuring appropriation/fund budget execution records accurately reflect the status of the reimbursable FMS Trust Fund program; and

3. Performing the Triannual Review of obligations as described in Volume 3, Chapter 8, Section 0804.

D. Allotment Holders for Actual FMS Administrative Expenses. A DoD Component that receives a DSCA allotment of FMS administrative BA is responsible for:

1. Maintaining obligations and expenditures within the limitations of the allotment,

2. Ensuring obligating documents and accrued expenditures meet the requirements contained in this Volume, and

3. Returning unobligated obligation authority (OA) to DSCA at the end of each fiscal year (FY).

0303 MANAGEMENT CONTROLS

For management controls, Security Assistance activities will follow the guidance in ***DoD Instruction 5010.40, Managers' Internal Control Program Procedures***.

0304 FMS TRUST FUND ACCOUNTING REQUIREMENTS

*030401. FMS Trust Fund

The FMS Trust Fund is a single account that is authorized to be credited with receipts that may be obligated and expended in accordance with the AECA. FMS Trust Fund receipts must be apportioned prior to obligation and expenditure; however, an official designated under ***31 U.S.C. § 1513*** (as per ***31 U.S.C. § 1516***) may exempt trust funds from apportionment. DFAS SCA is responsible for accounting for the FMS Trust Fund.

030402. FMS Standard GL

All financial accounting data applicable to the FMS program must be recorded in accounts consistent with Volume 1, Chapter 7 and the USSGL accounts. The USSGL specifies the accounting entries for these accounts. Subsidiary ledgers are used where necessary to provide accounting control and management reports. The Deputy CFO, Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), must approve the use of any other GL Trust Fund accounts in writing. Objective evidence, e.g., invoices, vouchers, receipts, or statements, must support all entries in the accounting records and data reported on financial statements. Such evidence may be either hard copy documents or computer data, but in either case must be verifiable.

*030403. Accounting for Receivables

A. General

1. Cash in advance of performance is required from FMS purchasers unless a written determination is made pursuant to legal authority; see Chapter 4 for more information. For FMS purchasers who are legally exempt from making cash advances, record accounts receivable for each FMS country program accounted for in the FMS Trust Fund in USSGL 1310. SFFAS 1, paragraph 41 provides "a receivable should be recognized when a federal entity establishes a claim to cash or other assets against other entities, either based on legal provisions, such as a payment due date…or goods or services provided."

* 2. The offered and accepted FMS case is a binding requirement and calls for an advance of funds from the FMS purchaser; thus, a nonentity accounts receivable is established when the due date for payment is not met. Follow-up and aging of delinquent accounts receivable will be in accordance with Chapter 5. Accounts receivable are aged according to the following delinquency categories: 1-30 days, 31-60 days, 61-90 days, 91-120 days, 121-150 days, 151-180 days, 181-365 days, 1-2 years, 2-6 years, 6-10 years, and over 10 years.

B. Application of Interest. Assess interest on FMS country level arrearages in accordance with the provisions of the affected country's active cases and Chapter 5.

C. Reporting. DFAS SCA submits the Quarterly Treasury Report on Receivables (TROR). Instructions for the TROR are in Volume 4, Chapter 3.

030404. Accounting for Inventory

The Military Departments or Defense Agencies control and report assets (equipment and related software, amounts invested in inventories, and work-in-process at contractor's plants) on the financial statements.

030405. Accounting for the FMS Program

The AECA and provisions of the Letter of Offer and Acceptance (LOA) require that the FMS program operate at no cost to the United States Government (USG). Therefore, recognize equity only for the balance retained in the attrition account; see subparagraph 030405.B.

A. Accounting for FMS Surcharges

1. Record the collection of surcharges established in accordance with AECA Sections 21 and 43, as unearned revenue to ensure full recovery of costs incurred in operating the FMS program.

2. Record and recognize revenue and expenses at the time disbursements are made from the applicable FMS surcharge account.

3. Revenues to fund these expenses are from the application of money received from accrued costs, estimated actual costs, or rates charged. Maintain ledgers for each of the categories of FMS surcharges as subsidiary to the unearned revenue control account USSGL 2310, Liability for Advances and Prepayments.

4. Apply the Contract Administration Services (CAS) surcharge to new procurements; however, it may not be applicable under certain conditions detailed in AECA Section 21. The performing activities incur costs and obtain reimbursement from FMS CAS surcharge accounts in response to billing on ***Standard Form (SF) 1080***, Voucher for Transfers between Appropriations and/or Funds.

B. Accounting for Attrition Surcharges. When FMS training LOAs include the use of training or operational equipment, assess an attrition surcharge rate. The attrition surcharge account replaces equipment damaged or destroyed because of student training. Refer to Chapter 7, subparagraphs 071001.C and 071002.D.3.a for the application of the attrition surcharge. Record attrition surcharges in the attrition account; they are assets to the USG. Record the year-end balance in the attrition account as equity in the FMS Trust Fund.

C. Accounting for Bad Debts. Policy concerning compromise, termination, or suspension of collection actions of a country level bad debt is in Volume 6A, Chapter 12, Section 1210. Resolution of all foreign indebtedness resulting from FMS transactions will be staffed with the Department of State by DSCA via the Under Secretary of Defense for Policy.

Within 30 days of a determination by the Department of State that a debt is uncollectible, DSCA will direct DFAS SCA to record the amount owed including accrued interest in the GL. When a country is in arrears and the debt is confirmed to be uncollectible:

1. All available funds for the affected country will be used to satisfy outstanding liabilities according to a priority recommended by the Director of DFAS SCA and approved by the DSCA Principal Director, Directorate of Business Operations (DSCA DBO).

2. DSCA will direct applicable case managers to request cancellation of all outstanding commitments, and adjustment of all outstanding obligations to include an amount for termination cost. The residual amount of debts shown will be transferred to the GL for the affected country to coincide with the termination of the FMS cases based on the determination that the country's account is uncollectible. These procedures highlight losses due to uncollectible amounts in the accounts as required by SFFAS 1, paragraph 44.

3. Aging of amounts recorded will continue. Accrue the accumulation of interest, in accordance with the AECA and other applicable authorities, monthly on the balance in the sub-account. The amount recorded in the account will include the amount of the arrearage, termination liability costs, and accrued interest.

D. Accounting for Transactions Occurring Prior to January 1, 1989. A reconciliation problem existed within the FMS Trust Fund for transactions that occurred prior to January 1, 1989, and some reconciliations occurred as a result of management decisions. Adjustments to transactions that occurred prior to January 1, 1989, will be reviewed by the FMS central accounting site control point staff and approved by the DSCA Comptroller prior to posting in the Defense Integrated Financial System (DIFS) GL Account Codes (GLACs). The control point staff at DFAS SCA and DSCA will maintain a complete audit trail of all adjustments received and processed. Documentation supporting these adjustments will be retained by the originating organization. Transactions will be approved by:

1. DFAS SCA and an appropriate representative of the applicable DoD Component involved;

2. The Director of the applicable DFAS Center submitting transactions to DFAS SCA, if the amount of the transaction is in excess of $500,000; or

3. The Director, DFAS and the Director, DSCA, if the amount of the transaction exceeds $1,000,000.

030406. General Procedures for Processing Accounting Transactions

DFAS SCA uses DIFS as the departmental level central accounting system to account for the FMS Trust Fund. Base accounting transactions entered into DIFS are a combination of transactions received from the FMS Inventory Control System at installation level and vouchers recorded at DFAS SCA as a result of billing/collection and disbursement activity. Record accounting transactions in applicable budgetary, proprietary, departmental level, and installation

level GL accounts. This enables DFAS SCA to prepare required accountability and fund status reports for the FMS Trust Fund.

A. Source Transactions. Source transactions must have all the information required to update GL accounts to enable DFAS SCA to prepare the reports required for accounting control and financial management. Source transactions are the lowest level of information in the system. Every transaction has a date identifying the appropriate accounting month for reporting to Treasury. Register source transactions in automated journals and then post to appropriate subsidiary ledgers within the central accounting system. Posting of source transactions update applicable subsidiary ledgers as well as FMS Trust Fund GL accounts. Posting occurs daily. Source transactions are maintained in the system database for future balancing and reconciling and are the primary audit trail for all posting to the central system.

B. Subsidiary Ledgers

1. Due to the size of the FMS program, there are a substantial number of individual accounts with common characteristics. As a result, established subsidiary ledgers provide control. Subsidiary ledgers are an integral part of the DIFS database and part of the GL structure wherever accounting information is accumulated by country or program. Subsidiary ledgers provide a continuous record of transactions by accounting month for the FMS Trust Fund GL.

2. DFAS SCA maintains subsidiary ledgers for FMS administrative surcharge accounts. Post and reconcile the GL subsidiary records on a daily basis. Total the subsidiary ledgers and post monthly to GL accounts from which a monthly trial balance will be prepared. After all balancing and reconciling for the month is completed, the FMS Trust Fund monthly trial balance will verify the equality of the subsidiary ledgers and GL accounts. Maintain the subsidiary ledgers in DIFS for reconciliation and auditability. Make extracts of these ledgers available as needed for management purposes.

C. GL. Update the GL from the subsidiary ledgers and maintain by accounting month at the appropriation level. DFAS SCA prepares a trial balance from the GL on a monthly basis and uses the trial balance to prepare reports to Treasury and DSCA. The trial balance is used to prepare other required reports related to the GL.

1. The GL must be reconciled to the financial transactions, resource balances, and subsidiary ledgers to ensure data integrity. The internal DIFS data directory will provide the translation between the chart of accounts prescribed by Treasury and the pertinent subsidiary ledgers necessary to meet specific FMS financial management requirements. DFAS SCA reconciles the subsidiary ledgers Case Control, Cash Master, Accounts Receivable, Accounts Payable, and Status of Funds balances to the GL on a monthly basis.

2. DFAS SCA prepares the financial reports based on the cumulative values recorded in the GL or the subsidiary ledgers.

030407. DFAS SCA Analysis of FMS Case Accounting Data

DFAS SCA must continuously analyze case level accounting data to identify developing financial problems and alert IA case managers, DSCA country finance directors, and other concerned DoD officials of the necessity for corrective action. The types of analysis to be performed are:

A. Adequacy of Cash Deposits. Compare the net unreserved cash balance to the accounts payable case level accounts. If the accounts payable balance is greater, request an IA review of the case payment schedules.

B. Timely Payments to the DoD Components and Contractors. Balances in accounts payable must be aged to assure timely payments are being made. If payments are not on time, DFAS SCA should review internal payment procedures and implement necessary corrective action.

C. Timely Case Closure Actions. When the expenditures equal BA, DFAS SCA should request an IA review of the case's financial and logistical status to determine if the case should be closed.

030408. DFAS SCA Postings to Subsidiary Ledgers

A. FMS Administrative Surcharge and Logistics Support Charge (LSC) Account

1. Accrual of Earned Surcharge. As accrued expenditures are recorded pursuant to FMS orders, the amount of FMS Administrative Surcharges applicable will be determined and credited to the FMS Administrative Surcharge account.

a. $30,000 or less. If the computed FMS Administrative Surcharge is $30,000 or less, the entire surcharge is collected upon case implementation. This includes the value of any small case management line for cases implemented August 1, 2006 through July 2, 2012 (see ***SAMM paragraph C9.4.7***).

b. Over $30,000. If the computed FMS Administrative Surcharge is greater than $30,000, fifty percent of the surcharge is collected upon case implementation. Apply the remaining accruals over the life of the case and finalize at case closure.

2. Actual FMS Administrative Surcharge. Accounting entries showing actual expenses will be posted based on accrued expenditures reported in the DoD Status-of-Allotment reports for FMS. See paragraph 030601.

3. LSC. LSC is applicable to articles delivered or services performed on or after April 1, 1987 and prior to October 1, 2007. These charges are accounted for in the FMS Administrative Surcharge account as described in subparagraph 030408.A.1 and 2.

B. Transportation Surcharge Account

1. Accrual of Earned Surcharge. When items are reported by the DoD Components as physically delivered, applicable transportation surcharges are earned and credited to the "Transportation Surcharge Account."

2. Actual Transportation Expense. Accounting entries showing actual transportation cost based on receipt of carrier bills will be posted as debits to the Transportation Surcharge Account.

C. CAS Cost Clearing Account

1. Accrual of Earned Surcharge. When payments are made to contractors (either progress payments or bills for incurred costs), the applicable CAS surcharges are earned and credited to the CAS Cost Clearing Account.

2. Actual CAS Expenses. Post accounting entries showing actual CAS costs as CAS Expenses, based on receipt of SF 1080 billings from the performing DoD Components. See Chapter 7, paragraph 070405.

D. Attrition Surcharge Account. Assess a one percent attrition surcharge for applicable training cases. The IAs will identify the amounts earned as they distribute collections for tuition. Credit the attrition portion and report it to DFAS SCA by country, case, and line. Expenditures from this account represent orders to the DoD Components to fund the cost of replacing damaged or destroyed equipment associated with student training. DFAS SCA will maintain cumulative records of these deposits by country, case, and line item. Fund withdrawal from the attrition account requires prior written approval from the DSCA Comptroller. Reimburse the cost of replacing damaged or destroyed equipment in full from the attrition account.

E. Month-End and Year-End Surcharge Account Closing. The data in DIFS will support end of period closing, updating of the GL, and the production of the required end of period financial reports. End of period procedures will be in accordance with DSCA reporting requirements described in subparagraph 030408.E.1, except as provided in subparagraph 030408.E.2.

1. Close open periods in sequence when transactions are concurrently processed for multiple periods. Close and carry forward the current period GL account balances to the next period.

2. Close the cost clearing adjustments sub-account (67) and the audit adjustments sub-account (85) into the administrative account at the end of each FY. Thus, for year-end reports, the balance of the cost clearing adjustments sub-account (67) and the audit adjustments sub-account (85) must be zero. Post the offsetting debit or credit required to adjust these sub-accounts to zero to the administrative account.

F. Year-End Certification. After the close of each FY, DFAS SCA will provide a Financial Management Services Form 2108, Year-End Closing Statement, to the DSCA Comptroller and submit it to Treasury. See Volume 6A, Chapter 4 and TFM Volume 1, Part 2, Chapter 4200 for more information.

G. Periodic/Year-End Analysis of Surcharge Accounts. DSCA and DFAS SCA analyze activity in the surcharge accounts. This analysis will serve as a basis for decisions by DSCA DBO to redistribute surcharge account balances between the accounts or to recommend rate changes. DSCA DBO will coordinate any decision made to redistribute balances between these accounts with DFAS SCA. DSCA DBO will then notify OUSD(C) of the intended redistribution action and will authorize DFAS SCA to redistribute the funds 10 days after the date of the notification if OUSD(C) raises no objections. When a decision is made to revise rates, these will be coordinated with the DoD Comptroller. See Chapter 7, paragraph 071802 for revising rates.

0305 IA ACCOUNTING REQUIREMENTS

030501. Allotments for Direct Citation

Amounts in the "Direct Cite Authority Requested This FY" (Column 11) of the DoD (DD) Form 2060, FMS Obligational Authority, or automated equivalent (OA Request), which are coded "(A)" represent allotments of case contract authority. Allotment holders must request expenditure authority (EA) from DFAS SCA prior to processing the disbursements against the contract authority. DFAS SCA provides incremental EA from the FMS Trust Fund, based on the allottee's need to disburse funds. Additional instructions for the DoD Status-of-Allotment report are in Section 0306. Specific requirements include:

A. The DoD Component that holds an allotment of the FMS Trust Fund for direct citation on contracts must maintain detailed commitment, obligation, and expenditure records on an FMS case and line basis. That DoD Component must provide DFAS SCA a monthly DoD Status-of-Allotment report reflecting the case and line level data. Delivery transactions in an amount equal to the current month's net change in accrued expenditures or cash advances to contractors must support the status of expenditures. A manual DoD Status-of-Allotment format is in Figure 3-1.

B. Submit Monthly DoD Status-of-Allotment information and associated reports of reconciliation to DFAS SCA by the 20th calendar day following the close of each accounting month. Use this information, with detailed supporting documentation, as the basis for the DFAS SCA entries to case level accounting records and overall FMS Trust Fund reconciliation with Treasury.

030502. Allotments for Reimbursable Orders

See Chapter 2, paragraph 020204 for information on reimbursable orders.

030503. FY-End Reporting Requirements

A. The DoD Components are required to submit a printed and certified final FY consolidated OA Request and DoD Status-of-Allotment information for direct cite funds to DFAS SCA. Establish submission dates in accordance with special instructions issued by DFAS. The forms submitted may be manual forms or automated equivalents.

B. The final OA Request will have this certification: "I hereby certify that this report reflects FMS Obligational Authority as required by DoD 7000.14-R, Volume 15, Chapter 2, subparagraph 020204.A."

C. The final DoD Status-of-Allotment report must have this signed certification: "I hereby certify that the amounts shown in this report are correct. All known transactions meeting the criteria of 31 U.S.C.1501(a) have been obligated and are so reported."

0306 ACTUAL ADMINISTRATIVE EXPENSE ACCOUNTING REQUIREMENTS

030601. Reimbursement for FMS Administrative Expenses

A. Price FMS administrative expenses in accordance with Chapter 7, Section 0706 and charge directly to the allotment received from DFAS SCA for actual FMS administrative expenses. DoD Status-of-Allotment reports must be submitted in the DoD standard format in Figure 3-1. If the allotment is used as the basis for issuing reimbursable orders to appropriation accounts, a schedule showing the dollar value of orders released to each appropriation must be attached to the DoD Status-of-Allotment report. FMS administrative expenses may not be incurred in excess of the allotment, nor are the DoD Components authorized to incur obligations against appropriated fund operation accounts to finance FMS administrative budgets.

B. Upon review of the budget requests submitted in response to its administrative budget call, DSCA will approve a single budget amount for each DoD Component and will issue an allotment providing funding for the approved budget. The recipient will prepare a DoD Status-of- Allotment report showing actual uses for administrative expense. Base the information on the organization designated in the DSCA budget call. Allotments for administrative expenses must be fully funded to cover obligations. Receiving DoD Components must use "no-check SF 1080" self-reimbursement procedures to reimburse appropriation accounts. Reimbursable procedures apply when the FMS Trust Fund is not directly cited as the financing source of payrolls, contracts, or travel orders.

C. Support DoD Status-of-Allotment reports for FMS Administrative Expenses with subsidiary allotment status reports of the executing organizations. Annotate subsidiary reports as "Subsidiary report-(Name of the organization)."

030602. Control of FMS Administrative and SC Organizations (SCO) Budget Allotment Authority

A. Report the FY identity of budget allotment authority, obligations, and disbursements for the current FY (CFY) and five preceding FYs on the monthly DoD Status-of-Allotment reports for Administrative Expenses. Accounts will remain open for the liquidation and adjustment of valid obligations until the end of the canceled FY (five expired FYs and one canceling FY). See the FY example in subparagraph 030602.C.

B. All fund holders are required to maintain FY identity of obligations, disbursements, and budget allotment authority for the CFY and the five preceding FYs.

C. An example of FY identity: If the CFY=2015:

FY 2010 = expired FY	At the end of FY 2015, and after completing the end-of-year reporting and closeout cycle, cancel all unliquidated obligations (ULOs). All amounts are withdrawn effective September 30, 2015. Following this action, FY 2010 cancels on October 1, 2015.
FY 2011 = expired FY	
FY 2012 = expired FY	
FY 2013 = expired FY	
FY 2014 = expired FY	
FY 2015 = CFY	Out of scope increase to prior FY obligations (FY 2014 and prior) will be charged against the CFY (FY 2015). The CFY becomes an expired FY on October 1, 2015.
FY 2016 = Next FY	October 1, 2015, FY 16 begins.

030603. Control of FMS Administrative and SCO Prior FY OA

A. DSCA will not authorize increases to a prior year OA to record upward adjustments for obligations that are the result of out-of-scope changes. Such changes constitute new obligations and are to be funded from the current year OA. Upward adjustments, which are the result of "within-scope" changes under the terms of the contract, are usually chargeable to the appropriate FY account against which the original obligation was charged. Charge all valid upward adjustments applicable to canceled years to the CFY.

B. All fund holders will establish procedures to review and validate all ULOs for the CFY and the preceding five FYs on a monthly basis. If obligations are no longer valid, fund holders will ensure these amounts are deobligated, and the appropriate funds are returned to DSCA for withdrawal; see paragraph 030605. Valid disbursements may be made from these expired accounts, up to the amount of the ULO balances for that year's obligation. Additional funding to cover these valid upward adjustments (within-scope price adjustments) may be requested from DSCA. This request should provide the following: original obligation amount, additional required funding authority needed, source or reason for additional obligation including any subsidiary calculations or source, applicable supporting documentation, and point of contact.

C. Deobligation of prior year funds and the subsequent reobligation of these same funds in the current or one of the five preceding FYs is not authorized.

030604. Control of Unliquidated Balances

A. FMS Administrative and SCO accounts remain available for liquidating valid obligations until the end of their fifth expired year; see the example in subparagraph 030602.C. No new obligations can be started for the CFY after September 30 of that FY.

B. The monthly DoD Status-of-Allotment reports for administrative expenses, showing the DFAS departmental accounting position, will present the current allocation and account balances (obligations and disbursements) for the end of that reporting month.

C. See paragraph 030605 for the procedure used when canceling funds at the end of their fifth year following their expiration and the process used when deobligations occur in the five preceding FYs.

D. All fund holders will establish procedures to review and validate all ULOs for the CFY and the five preceding FYs.

030605. Administration and Implementation of the Monthly and End-of-Year Closeout Guidance

A. All fund holders will review and use their respective monthly DoD Status-of-Allotment reports for administrative expenses, which present the DFAS departmental accounting position for that month. Use these reports to compare with the installation accounting records. If there are disbursement differences between the departmental and installation accounting records, use the departmental accounting records reconciled with Treasury cash to establish the withdrawal amount.

B. DSCA will issue the annual end-of-year closeout guidance to all holders of FMS Administrative and SCO funds.

C. All fund holders will notify DSCA in writing when BA can be decreased on the CFY and the five preceding FYs. All records will be maintained with the FY BA documents.

D. When the fifth expired year is canceled, the budget allotment authority amount will be decreased on September 30 to the amount that equals the departmental accounting disbursement amount that has been reconciled with Treasury.

E. The fund holder will ensure that all obligations and disbursements are equal prior to year-end closeout for the canceling year account (the fifth year following funds expiration) and that no further disbursements are processed. The fund holders need to work

closely with the DFAS departmental accounting offices at finalizing the amounts to be withdrawn for the canceling year (the fifth year following funds expiration).

F. Upon receipt of a written request from the fund holder, DSCA will issue an FMS Administrative and SCO Allocation document withdrawing the unobligated BA and citing the concurrence correspondence from the fund holder for the expired and canceling FYs.

030606. DFAS Responsibilities for Expired and Canceled Accounts

A. DFAS SCA will adjust OA/EA to agree with the DSCA allocation values for the expired and canceling FYs. All unobligated balances will be considered expired and not available for incurring new obligations. FMS Administrative and SCO accounts remain available for liquidating valid obligations until the end of their fifth expired year.

B. DFAS SCA will update the subsidiary record by loading the DIFS case level disbursement records with the expired year balances, as identified by the allotment holders (IAs) on the year-end DoD Status-of-Allotment reports for administrative expenses.

C. DFAS SCA will maintain off-line historical administrative accounting records to show cumulative balances for disbursements, obligations, and allotment BA for all closed (canceled) FYs. At the end of each FY, DFAS SCA will update the canceling FY's obligated and disbursed balances for FMS and SCO administrative funds accounting records.

D. DFAS SCA will maintain memorandum records of the canceled obligations. Once closed, an account is no longer available for obligation. If it becomes necessary to pay an obligation, which otherwise would have been properly charged to the appropriation before it was canceled, the obligation should be charged to and paid from the applicable CFY FMS or SCO account. Post these obligations against the CFY account when disbursed. Use memorandum records (or equivalent) to record the canceled "valid" obligations off-line so that they may later be recognized as valid when disbursed and recorded against the applicable FMS or SCO administrative CFY account. See Volume 3, Chapter 10.

0307 BUDGET EXECUTION

030701. Objectives

This section establishes the budget execution requirements that are applicable to the FMS program. Specific objectives are to ensure that:

A. Mandatory budget execution reports that accurately reflect data recorded in accounting records are submitted to Treasury in a timely manner;

B. Unnecessary FMS OA is withdrawn officially from all organizations participating in execution of FMS cases at the end of each FY; and

C. FMS case records maintained by IAs are in agreement with DFAS SCA at the case line level throughout the life of each FMS case.

030702. Responsibilities

A. DFAS SCA must provide accounting data on FMS Trust Fund operations to the DoD Components.

B. DSCA must monitor the FMS program and submission of required FMS Trust Fund budget execution reports.

C. IAs and the supporting DoD Components must:

1. Conduct year-end reviews of the unobligated FMS reimbursable program to ensure unnecessary BA is identified and returned to the FMS Trust Fund;

2. Ensure that the FMS reimbursable program is properly reported in appropriation or DWCF budget execution reports;

3. Submit financial budget execution reports accurately and timely in accordance with Section 0307;

4. Reconcile IA FMS case records to DFAS SCA case line level accounting records on a periodic basis; and

5. Prepare Case Closure Certificates, as soon as possible after the case is supply/service complete but no longer than 24 months after such occurrence for cases applicable to countries participating in Accelerated Case Closure Procedures (ACCP). See the SAMM Appendix 7 Case Reconciliation and Closure Guide (***RCG***) for the Case Closure Certificate format and paragraph 031002 for case closure information.

0308 FMS TRUST FUND BUDGET EXECUTION REPORTS AND FINANCIAL STATEMENTS

030801. Budget Execution Reports

DFAS SCA submits the following budget execution reports on FMS Trust Fund operations:

A. Monthly SF 133, Report on Budget Execution and Budgetary Resources, for 11 X 8242, Advances, Foreign Military Sales, Funds Appropriated to the President. For more information see Volume 6A, Chapter 4;

B. Annual Financial Management Service Form 2108. For more information see Volume 6A, Chapter 4;

C. Appropriate sections of the annual CFO Financial Statements. For more information see paragraph 030802; and

D. Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) reporting. For more information, see Volume 6A, Chapter 6.

030802. Financial Statements

For financial statement guidance concerning the reporting of FMS amounts, see Volume 6B, Chapter 2 and Volume 6B, Chapter 10. The Security Assistance reporting entity also provides GTAS submissions as an Other Entity (formerly Nonverifying Agency) per Volume 6A, Chapter 6.

0309 CASE EXECUTION

030901. FY-End

At the end of each FY, review the reimbursable OA received to implement each FMS case. The total amount of reimbursable BA received is on the OA Request. The review serves as the basis to withdraw any unnecessary unobligated balances. Make the withdrawal by submitting a year-end OA Request. See Chapter 2, Section 0203 for instructions on the preparation of OA Requests.

A. Non-Expiring Accounts. At the close of each FY, retain reimbursable FMS OA in a performing DoD account only to the extent that:

1. The amounts are required to cover certifiable obligations incurred by the performing account because of performance of the order;

2. The amounts have been committed within a formal commitment accounting system, for example, to cover normal administrative lead-time on the next contract escalation clauses; or

3. The items have been delivered from inventory, or applicable DoD services have been performed (cash earned reimbursement). Withdraw any reimbursable FMS OA not required for these purposes from the performing accounts by September 30 each year. It is recognized that year-end reviews must be made prior to the last day of the FY. Therefore, the amount of OA retained may be somewhat greater than the goal. It is expected, however, that estimating procedures must be improved continually until unnecessary unobligated balances are eliminated.

B. Expiring and Expired Accounts. By the close of each FY, show reimbursable FMS OA in an expiring account only to the extent that the amounts are earned reimbursements or are required to cover certifiable obligations incurred against the performing account. Withdraw any reimbursable FMS OA not required to cover obligations in the expiring account by September 30 each year. During the FY, transfer amounts required in expired

accounts from the Trust Fund, as necessary, to cover upward obligation adjustments needed for within-scope changes to contracts or similar transactions.

030902. Reimbursement of Appropriations and Accounts

A. Reimburse DoD appropriations and fund accounts, or Miscellaneous Receipts Account 3041, "Recoveries Under the Foreign Military Sales Program, Army, Navy, Air Force, Defense" upon delivery of items from inventory or performance of DoD services within 30 days of the occurrence (i.e., date of shipment or performance) for:

1. Items sold under AECA Section 21, or

2. Procurement actions made under AECA Section 22 if direct cite procedures for financing applicable contracts are not used.

B. The general rule applicable to the sale of DoD services is that the financing account current at the time of performance is credited with applicable BA and subsequent cash collections. The various cost elements that may be involved in the performance of an FMS order and the appropriations that are to be reimbursed are in Table 3-1.

1. When items are sold from inventory, the financing account current at the time items are dropped from inventory is credited with applicable BA and subsequent cash collections.

2. When items not to be replaced (free assets) are sold from inventory, those receipts are credited to Miscellaneous Receipts or the Special Defense Acquisition Fund (SDAF). For more information on SDAF see ***SAMM paragraph 11.9***.

3. When appropriation or fund accounts are used to finance FMS procurements, the account current at the time the order is accepted is credited with BA and subsequent cash collections.

030903. DD 2061, Foreign Military Sales Planning Directive, or the automated equivalent (Planning Directive)

Update the case Planning Directive, as required, as prescribed in Chapter 2, Section 0203. Update cost elements and financing accounts to ensure full recoupment of the costs prescribed in Chapter 7 and to ensure timely identification of cost increases. The Planning Directive serves as the basis for preparing all OA Requests during the life of the case.

0310 FMS CASE CLOSURE PROCEDURES

031001. General

All proper charges and credits must be recorded against the applicable FMS case. Case closure does not stop the billing/reporting process, but results in a re-categorization of the case

records from active status to inactive status to ensure accessibility for recording subsequent activity. In other words, a case never closes from a DoD accounting perspective. For further guidance on the reconciliation and closure of FMS cases, to include closure checklists, see ***SAMM Chapter 16*** and the RCG.

031002. Initiating FMS Case Closure

A. When all ordered items have been physically delivered and all ordered services performed (i.e., supply/services complete), or there is no activity on a blanket order case for 180 days (and the purchaser agrees no further activity will occur), and all other conditions of the LOA are fulfilled, an FMS case is a candidate for closure. At this time, the responsible IA must determine if there are any unresolved delivery issues, outstanding Supply Discrepancy Reports (SDRs) or litigation claims. Contracting officers must review any contracts that have not been financially closed to determine if significant financial adjustments of open contracts may occur. Cases can be closed under either ACCP or non-ACCP closure procedures.

1. ACCP. ACCP must be used only for those countries that explicitly elect such procedures. However, all countries that have cases financed with Military Assistance Program Merger/Foreign Military Financing (non-repayable) are mandatory participants in ACCP unless specifically excluded by DSCA. Once selected by a country, ACCP must apply to all cases of that country and must govern any case that was opened (or closed) prior to the date of ACCP implementation, unless a specific arrangement between DSCA and the FMS purchaser is made as part of the implementation criteria. Under ACCP, case closure should be initiated within 24 months after the case is supply/service complete to allow a country to initiate an SDR and allow the IA to reconcile the case. The applicable DoD Component must request DSCA approval to delay closure beyond 24 months.

2. Non-ACCP. Under Non-ACCP case closure, all logistical and financial transactions must be processed before case closure can be initiated.

B. The case manager must ensure the actions outlined in subparagraphs 031002.B.1-6 are taken.

1. The IA delivered value must agree with the delivered value recorded in DIFS. If necessary to reconcile IA records, obtain any necessary historical transaction records from the DIFS database or equivalent on-line repositories.

a. ACCP. If the case is being closed under ACCP, the difference between progress payments and liquidating deliveries, and the difference between total deliveries and total disbursements in DIFS, must equal the estimated ULO value established by the IA. The IA records must be in balance with each of these values; if not, the IA must submit applicable input to bring the records into balance before issuing a Case Closure Certificate.

b. Non-ACCP. If the case is being closed under Non-ACCP, progress payments must equal liquidating deliveries in DIFS. The IA records must be in balance

with each of these values; if not, the IA must submit applicable input to bring the records into balance before issuing a Case Closure Certificate.

2. Rectify all problem disbursements in accordance with Volume 3, Chapter 11. A prerequisite for satisfactorily resolving problem disbursements is to validate the accuracy of the disbursed values. Use the authorities in Volume 3, Chapter 11 to facilitate efficient reconciliation and closure actions. Additionally, section 0311 addresses the applicable write-off authority for FMS problem disbursements.

3. Ensure the validity of all obligations in accordance with Volume 3, Chapter 8. Many of those provisions address FMS-specific actions in this regard.

4. Use these procedures for all FMS cases without remaining ULOs:

a. ACCP. If the case belongs to an ACCP country, the applicable DoD Component must submit a final Case Closure Certificate (see the RCG), to DFAS SCA within 24 months after an FMS case is supply/service complete. If the IA determines that due to reconciliation issues, a case under ACCP cannot be closed within 24 months of supply completion, then submit the case, along with identification of the problem or cause believed to prevent case closure, to DSCA for resolution.

b. Non-ACCP. A supply/service complete case for a country not participating in ACCP will not be submitted for closure until ULOs on accounting classification reference numbers (ACRNs) citing the case are resolved. No case under non-ACCP closure procedures can be interim closed, but must be marked final.

5. Use these procedures for FMS cases with remaining ULOs:

a. ACCP

(1) The applicable IA must submit a Case Closure Certificate to DFAS SCA within 24 months after an FMS case is supply/service complete. Cases with a ULO of zero are final closed (there should be no more transactions of any kind on the case). Cases with a ULO greater than zero are interim closed (there could be additional disbursements on the case, but the purchaser has already paid the FMS trust fund enough to cover those disbursements). See paragraph 031003 and the RCG.

(2) The applicable IA must determine and report the value of any remaining ULO relevant to that case. These amounts should be equal to those recorded in the applicable DoD accounting system.

(3) The applicable IA must request DSCA approval to delay interim closure if the estimated ULO is of significant value and is likely to be deobligated rather than disbursed. DSCA will then determine whether to approve the delay.

(4) DFAS SCA must bill the applicable country using the DoD Component's remaining ULO via normal billing procedures. The ULO is part of the case closure value.

(5) DFAS SCA must record the estimated ULO value in a summary account entitled Case Closure Suspense Account (CCSA). At the same time, DFAS SCA must record applicable charges and credits, by country and case, in subsidiary accounts which total to the CCSA.

(6) When final costs are known and reported by the IA (i.e., liquidating the ULO), DFAS SCA must record such amounts against the CCSA and subsidiary account by country and case.

(7) Upon receipt and payment of final bills and the case has been reconciled, the IA must submit a final Case Closure Certificate.

(8) On a quarterly basis, DFAS SCA must submit a status report on the CCSA and subsidiary accounts to the DSCA DBO (Financial Policy and Analysis) and ACCP participating FMS purchaser countries.

(9) When a country's CCSA has a negative balance of $100,000 or more for a period of six consecutive months, DSCA may instruct DFAS SCA to bill the country for the entire balance owed. For example, if the country's suspense account has negative balances of $100,000 on December 31, $250,000 on March 31, and $175,000 on June 30, DFAS SCA will bill the country $175,000. Such billings should be made through the country's omnibus quarterly billing statement and will cite all the FMS case(s) involved. DSCA should review the country's CCSA periodically to determine if any refund is warranted.

b. Non-ACCP. For non-ACCP countries, the DoD Component must submit Case Closure Certificates to DFAS SCA only after all applicable known costs have been recorded and no ULOs exist on ACRNs citing the case.

6. At case closure, DFAS SCA must use the submitted closure certificate/transaction in place of an LOA amendment or modification unless the case meets the criteria for an LOA amendment or modification in the ***SAMM Chapter 6***.

*031003. Closure Certification

A. The Case Closure Certificate and C1I/C1F transaction alert DFAS SCA to initiate actions needed to close a case. The IA must send certificates electronically to DFAS SCA. If any reporting after the issuance of a Case Closure Certificate has caused variances between DIFS and the certified values, DFAS SCA must notify the IA of actions required to enable closure processing to continue. When the IA and DFAS SCA FMS case records are reconciled, DFAS SCA must reclassify the case to an inactive status and provide a final statement of account to the FMS purchaser for the final value of the case. Once a final

statement has been sent for an FMS case, the case must be reclassified by the IA from active to inactive status. The IA then closes applicable case records.

B. Since October 1, 1992, all closed cases with post-closure activity, not subject to ACCP, must be reopened as authorized by DSCA to report execution. The IA must cancel the original closure certificate and submit a new certificate prior to case closure. Cases for countries subject to ACCP may be reopened only as authorized by DSCA.

031004. Billings After Case Closure

A. Any cases required to be reverted to implemented status must be approved by DSCA.

B. Use these procedures for all ACCP cases:

1. The DoD Component submits a C5I interface transaction to move the case from final to interim closure status. Upon receipt of the EA request, DFAS SCA moves the cash from CCSA to the EA reserve account and records the disbursement against the country, case, and line.

2. When post-closure disbursements exceed $100,000 (in either direction) because of a verified pricing adjustment, the applicable IA must submit a request to DSCA, with an information copy to DFAS SCA that the case be reopened. Upon receipt of DSCA approval to reopen the case, both the IA and DFAS records must be reclassified to implemented status. If the case is not reopened, then the disbursement must be processed against the CCSA.

3. When all post-closure disbursements/credits have been reported and final costs determined, the DoD Component must certify the case for final status by using the Case Closure Certificate (see the RCG) and by reporting a C1I/C1F transaction in DIFS.

C. Use these procedures for all Building Partner Capacity cases and cases closed under non-ACCP:

1. All cases must be reclassified to implemented status except for those with a transaction adjustment of $200 or less. Such adjustments may be charged to the FMS Administrative Surcharge account. Otherwise, reestablish accounting records at the amounts recorded at the time closure certification occurred. Reclassification to implemented status must occur in both the IA and DFAS SCA records.

2. All post-closure disbursements or credits must be recorded in an undistributed account until case records are reactivated.

3. When post-closure activity results in exceeding the case value, a modification to the case is required.

4. When cases are reactivated, the IA must request additional OA, commence reporting status of funds data, request EA, process disbursement/credit transactions, and report adjusted delivery information via the delivery transaction.

5. Once the disbursement/credit and billing process are complete, DFAS SCA must bill the FMS Trust Fund purchaser. The IA must recertify the case for closure as specified in paragraph 031003.

031005. Reopening FMS Cases

Normally, closed cases will not be reopened. If the FMS purchaser requests to reactivate a closed case, first determine if there is a case already implemented and available, or if a new case should be developed. Opening a case already closed (interim or final) is a last resort and requires DSCA approval. See SAMM Chapter 16 for additional information on reopening cases.

0311 WRITE-OFF AUTHORITY

An IA that determines unresolved reconciliation issues exist for a case may write-off those imbalances using these guidelines in paragraphs 031101 and 031102. The IA is responsible for providing all vouchers it prepares citing the FMS Administrative Surcharge account to DFAS SCA.

031101. Problem Disbursements

For problem disbursements up to $2,500 per transaction, refer to Volume 3, Chapter 11 for an explanation of the problem disbursements policies. The DSCA DBO and DFAS SCA are responsible for ensuring detailed procedures are issued to the FMS community. Problem disbursements greater than $2,500 should be brought to the attention of DSCA via the FMS Case Closure Executive Committee for resolution, provided those problem disbursements have not exceeded the Volume 3, Chapter 11 processing timelines.

031102. Other FMS Financial Transactions

For all other types of FMS financial transactions, up to $200, charge the FMS Administrative Surcharge account for the amount required to effect prompt financial reconciliation as prescribed in the DSCA annual case review requirement in the SAMM, Chapter 16. For write-off adjustments performed while readying a case for closure, DFAS SCA will provide DSCA DBO (Financial Policy and Analysis) with a quarterly summary of closure certificates received in which amounts have been charged in accordance with this paragraph. A comment must be included in the remarks/comments section of the Case Closure Certificate when these write-offs are used.

0312 ANTIDEFICIENCY ACT VIOLATIONS AND ADVERSE FINANCIAL CONDITION REPORTS

031201. Antideficiency Act Violations

For purposes of the Antideficiency Act, appropriated funds are not limited to those funds specifically appropriated by Congress to federal agencies from the general funds of Treasury. Funds available to agencies are considered appropriated if made available for collection and expenditure pursuant to specific statutory authority, regardless of their source. In applying the Antideficiency Act, the FMS Trust Fund is considered to be and will be treated as appropriated funds. Therefore, the Antideficiency Act applies to transactions involving the FMS Trust Fund.

A. Potential Types of Violations. Potential violations may occur in FMS Trust Fund transactions when: (1) issuing OA or awarding an FMS contract without a signed LOA or (2) obligating or expending FMS case funds for an unauthorized purpose, including purposes not provided for by law. Other violations may occur related to apportionments or indemnity clauses. Additional information on potential violations of the Antideficiency Act is in Volume 14, Chapter 2.

B. Identifying and Reporting Violations on the Antideficiency Act. Detailed guidance for identifying, investigating, and reporting violations under the Antideficiency Act is in Volume 14. Due to the complexities of provisions in the AECA, it is important to consult with appropriate legal counsel and comptroller officials on potential violations of the Antideficiency Act for FMS.

031202. Adverse Financial Conditions

Other reportable events occur when FMS case records are out-of-balance, but these conditions do not necessarily meet the criteria of violations discussed in paragraph 031101. These conditions are adverse financial conditions and occur when financial reports show that: OA exceeds case or line item level values, commitments or obligations exceed OA at case or line item level, total disbursements exceed obligations at case or line item level, or EA is not requested prior to disbursement. Adverse financial conditions are reported using the same format used for Antideficiency Act violations.

A. Reporting Requirements for Adverse Financial Conditions

1. DFAS SCA has the responsibility for determining reportable conditions and notifying IAs of adverse conditions involving EA. DFAS SCA must provide a monthly analysis report to the DoD Components identifying if disbursements are greater than EA at the Country Case Level, or if EA was requested, remained unused and was not returned at the end of the month. The DoD Components must review the listings within 15 days of receipt and provide DFAS SCA an explanation of the discrepancy, the required corrective action, and when such action will be processed. This information will be shared with DSCA.

2. The DoD Component has the responsibility to resolve adverse conditions involving obligations or expenditures of funds in excess of approved authority at any level lower than case level.

B. Exceptions to Reporting Adverse Financial Conditions. Reports need not be submitted for within-scope cost increases if either of these circumstances occurs:

1. Obligation(s) in excess of the "Total Estimated Cost" shown on the LOA occurs and a modification is prepared by the DoD Component and submitted to the purchaser through appropriate channels within 60 days of the date of the transaction that resulted in the unfavorable financial condition; or

2. Obligation(s) or expenditure(s) in excess of approved authority when the excess amount results from the posting of duplicate or erroneous obligation/expenditure transactions or the posting of obligations from inventory systems and corrective action is taken within 60 days of the transaction date. These conditions, however, could indicate weaknesses in internal controls and administrative action may be required to improve systems design or to prevent recurrence.

Figure 3-1. Format for the DoD Status-of-Allotment Report

DOD STATUS-OF-ALLOTMENT

TYPE ☐ ALLOTMENT ☐ SUBALLOTMENT

APPROPRIATION AND SUBHEAD | AUTHORIZATION NO. | FOR PERIOD ENDED

FROM: | TO: | FOR AUTHORIZATION ISSUED TO | ACCOUNTABLE AGENCY:

I certify that the amounts herein reported are in accordance with U.S.C. 200 and prescribed accounting directives.

REPORTING FISCAL OFFICER *(Signature and rank)*

BUDGET PROJECT NO.	AUTHORIZATIONS			GROSS COMMITMENTS		GROSS OBLIGATIONS		ACCRUED EXPENDITURES UNPAID		DISBURSEMENTS		UNCOMMITTED BALANCE
	CHANGES THIS PERIOD		CURRENT TOTAL	CHANGES THIS PERIOD	CURRENT TOTAL	CHANGES THIS PERIOD	CURRENT TOTAL	NON-GOVT	GOVT	CHANGES THIS PERIOD	CURRENT TOTAL	
	AUTHORIZATIONS RECEIVED	ADJUSTMENTS MADE LOCALLY										
(1).	(2).	(3).	(4).	(5).	(6).	(7).	(8).			(9).	(10).	(11).

Table 3-1. Cost Elements

Cost Element	Appropriation Reimbursed
A. Services of Military Personnel	
1. Composite standard military pay rate	Military Personnel (MILPERS)
2. Leave and holiday factor when applicable (see paragraph 070203)	MILPERS
3. Personnel support costs	Operation and Maintenance (O&M), Defense Health Program (97*0130)
4. Retirement cost prior to October 1, 1984	Miscellaneous Receipts Account 3041
5. Retirement cost after September 30, 1984	MILPERS
6. Medicare-Eligible Retiree Health Care accrual	Miscellaneous Receipts Account 3041
B. Services of Civilian Personnel including DWCF Personnel	
1. Salary cost and wages	O&M, Research, Development, Test, Evaluation (RDT&E), and DWCF as applicable
2. Leave and holiday factor when applicable	O&M, RDT&E, and DWCF as applicable (see Chapter 7, paragraph 070202)
3. DoD-funded civilian retirement costs	O&M, RDT&E, and DWCF as applicable
4. Health and life insurance and other employee fringe benefits	O&M, RDT&E, and DWCF as applicable
5. Civilian unfunded retirement costs and post-retirement health benefits not funded by DoD appropriations	Miscellaneous Receipts Account 3041
C. Inventory Items	
1. Non-excess procurement funded items which require replacement	Financing procurement appropriations, as applicable, current at the time items are dropped from inventory
2. Non-excess procurement funded item that is not to be replaced within the obligation availability of current procurement appropriations	Miscellaneous Receipts Account 3041 or SDAF
3. DWCF items, including the cost recovery elements for operating costs	DWCF
4. Excess procurement funded principal items	Miscellaneous Receipts Account 3041 Funds items in accordance with Title 10 U.S.C. Section 114(c)(2)

Table 3-1. Cost Elements (continued)

Cost Element	Appropriation Reimbursed
D. Nonrecurring cost recoupment charges (Collected as a result of FMS)	Miscellaneous Receipts Account 3041
E. Transportation	Financing appropriation/fund current at the time transportation is supplied
F. LSC	FMS Trust Fund Administrative Account
G. DoD Royalty fee charges	Miscellaneous Receipts Account 3041
H. Charges for the use of DoD assets (includes depreciation on purchased equipment)	Miscellaneous Receipts Account 3041 Depreciation which is included in DWCF shop rates must be retained by the DWCF
I. Asset Use	Miscellaneous Receipts Account 3041
J. FMS contract costs financed by DoD appropriation or fund accounts	Financing procurement appropriation or DWCF, as applicable
K. Temporary Duty costs financed by appropriation or fund accounts	O&M and RDT&E appropriations current at the time travel is performed, or DWCF, as applicable
L. Accessorial charge	
1. Packing, crating, and handling (PC&H)	FMS Trust Fund PC&H Account
2. Transportation	FMS Trust Fund Transportation Accounts
M. FMS administrative surcharge	FMS Trust Fund Administrative Account
N. FMS CAS Surcharge	FMS Trust Fund CAS Account
O. CAS (This is a combination of cost elements A, B, and K)	MILPERS, O&M, DWCF, or Miscellaneous Receipts Account 3041, as applicable
P. Interest charge resulting from late payment of billings (DD 645, Foreign Military Sales Billing Statement) for accrued expenditures	Miscellaneous Receipts Account 3210, General Fund Proprietary Receipts, Defense Military not otherwise classified
Q. Mailing fee, storage, and publications	O&M or DWCF, as applicable
R. Inventory losses	Applicable procurement or DWCF, as applicable
S. Attrition	FMS Trust Fund Attrition Account

DoD Components must maintain internal records of the dollar amounts applicable to each category of collections deposited into Miscellaneous Receipts Account 3041. One decimal sub-account must be used for each type of collection. For example, 3041.3 might be used to designate dollar amounts applicable to non-recurring cost recoupment.

VOLUME 15, CHAPTER 4: "CASH MANAGEMENT"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * 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 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Rearranged chapter for flow and clarity.	Revision
040202.A.1	Clarified that the timeframe for posting cash deposits is within two business days of notification when the Defense Integrated Financial System (DIFS) is available pursuant to Defense Finance and Accounting Service (DFAS) Instruction Number 0894, Subject: Federal Reserve Bank (FRB) Daily and Weekly Processing, revised April 2014.	Revision
040202.A.2	Updated reference of Governmentwide Reporting System to Governmentwide Treasury Account Symbol System Adjusted Trial Balance (GTAS).	Revision
040202.B.3, 040202.B.5	Removed responsibility for DFAS, Security Cooperation Accounting to resolve issues of disbursements processed without expenditure authority (EA). All trust fund disbursements, except transactions for administrative funds require EA, pursuant to Office of the Undersecretary of Defense Comptroller (OUSD(C)) Memo "Foreign Military Sales Trust Fund (FMSTF) Expenditure Authority (EA) Requirements" dated June 1, 2006.	Deletion
040305.B	Added Defense Security Cooperation Agency (DSCA) Policy as a source of authority for the deposit of Foreign Military Financing Funds into FRB accounts (DSCA Manual 5105.38-M, Security Assistance Management Manual).	Addition
040504.A, Previous Table 4-6	Removed automated format instructions for "BK" transactions; they are included in the DIFS manual and memorandum of understanding.	Deletion
0409	Restructured the EA section and updated requirements pursuant to OUSD(C) Memo "FMSTF EA Requirements" dated June 1, 2006.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Previous 040604, & Table 4-9	Removed automated format instructions for SZF transactions, as they are included in the DIFS manual and memorandum of understanding.	Deletion
Figures 4-1, 4-5	Reclassified previous Table 4-1 and 4-7 as Figure 4-1 and 4-5, respectively.	Revision
Figures 4-2, 4-3, 4-4	Reclassified previous Table 4-3, 4-4, and 4-5 as Figures 4-2, 4-3, and 4-4 respectively, due to the movement of text from previous 040205.C.2.c-e to the figures.	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, United States (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. Additional specific authorities are in the applicable sections.

0402 RESPONSIBILITIES

040201. Defense Security Cooperation Agency (DSCA)

The Department of Defense (DoD) has financial responsibility for the FMS Trust Fund, and DSCA performs that function. See DSCA Manual 5105.38-M, Security Assistance Management Manual (SAMM), ***Chapter 9, Financial Policies and Procedures*** for additional information on DSCA issued guidance. 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 (FRB) of New York (FRBNY) accounts, and Commercial Bank Accounts (CBAs) as they may pertain to FMS financial requirements;

D. Calculating and approving Termination Liability (TL) reserve amounts on a quarterly basis;

E. Performing follow-up actions on Security Assistance (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 and posting disbursements by the 20th day of the following month to FMS case accounting records;

* 2. 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 (GTAS) System; and

3. 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 office, and certifying officer 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)

Each IA is responsible for:

A. Providing information needed to 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 development is in SAMM, Chapter 9;

B. Developing historical cost curves systematically for DoD major weapon systems obtained through procurement for use in preparing case payment schedules, and reviewing the curves when the acquisition strategy changes;

C. 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 case value adjustments are required. 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.

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

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

F. Validating obligations in accordance with the requirements found in Volume 3, Chapter 8, Section 0804.

0403 CASH MANAGEMENT CHARACTERISTICS

040301. Cash in Advance

The FMS purchaser must make cash deposits into the FMS Trust Fund, DSCA-approved FRB, or DSCA-approved CBA accounts 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) Dependable Undertaking. As authorized by AECA Section 22(a), without charge to any appropriation or contract authorization otherwise provided, the President may enter into contracts for the procurement of Defense articles or Defense 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 Section 21(d). The President may extend the 60-day period to 120 days if the President determines an emergency exists. The President delegated this authority to the Director, DSCA, in ***DoD Directive 5105.65***, Defense Security Cooperation Agency (DSCA).

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

1. It is in the national interest to issue the Letters of Offer under this authority; and

2. 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.

Both determinations, 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. 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, unless an initial deposit waiver has been granted by DSCA. Several factors affect the initial deposit; refer to SAMM, Chapter 9 for the 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. Volume 15, Chapter 8 contains 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. The DSCA Comptroller, either unilaterally or based on purchaser request, can alter the prioritization of expenditure drawdown for a specific FMS case.

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 FMS TL prepayment requirements described in paragraph 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 and/or contact DSCA (Country Financial Management Division) for details on an SBLC.

*040305. Federal Reserve Bank (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)

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; refer to ***DSCA policy memorandum 04-02*** for specific details. 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, FMS Credit (non-repayable), 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. Funds so deposited are not public funds within the meaning of Title 31, Code of Federal Regulations, ***Part 202***, Depositaries and Financial Agents of the Federal Government.

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.

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. FMS purchasers must pay amounts reflected in LOA payment schedules unless financial requirements or anticipated disbursements exceed the current payment schedule or SBAs have been negotiated. 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.

040401. Requirements

Payment schedule requirements will be included in each LOA in the format required in the SAMM, Chapter 9. The payment schedule portion of the LOA should be reissued via a modification or amendment (if a change in scope is included) in accordance with subparagraph 040203.C.1-2.

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 should equal the FMS administrative surcharge required, plus all anticipated costs and contingencies (e.g., contract holdback, 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 Volume 15, 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 schedules 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 9.9, ***Table C9.T12, Payment Schedule Dates***.

C. Payment schedules are intended to reflect financial requirements (that relate to the Total Financial Requirements on the Department of Defense (DD) Form 645, FMS Billing Statement). In preparing the revised payment schedule (examples in Figure 4-1), the following guidelines regarding specific entries are applicable:

1. The "Previous Payment 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 Payment Scheduled" 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 should 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 as shown in the revised payment schedule.

3. The remaining payment date entries and associated quarterly and cumulative amounts are shown as necessary. The IA should 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 two broad cost categories. The first category is the portion of case value under the authority of AECA Section 21, sales from DoD inventories and the services of DoD personnel. The second category is the portion of case value under the authority of AECA Section 22, procurement of hardware or contractor services for the FMS purchaser.

A. Initial Estimates of Cash Needed to Meet USG Financial Requirements in Support of Section 21 Effort. The cash advance needed to meet USG financial requirements for the portion of the case classified as a Section 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 and accessorial surcharges. 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 a Section 22 contract on the estimated portion of the services that will occur in the applicable billing period. Services also include applicable administrative and accessorial surcharges.

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

1. The cash advance needed to meet USG financial requirements for the portion of the case classified as a Section 22 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 amount 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 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 should 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 Section 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 accessorials) 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 for more information on the 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 Recoupment Charges

Nonrecurring 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 shipping by a vendor. Refer to SAMM, ***Section C7.5, FMS Freight Forwarders***.

040504. Forecasting Procedures

Alternative forecasting procedures may be used for requisition cases (i.e., Cooperative Logistics Supply Support Arrangement, Foreign Military Sales Order II, 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 should submit a report for all requisition cases. If there are no unfilled orders on the requisition case, then IA should 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 forecasted 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 should issue a new payment schedule.

0406 QUARTERLY TERMINATION LIABILITY 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 or administrative/accessorial costs).

040602. Quarterly Termination Liability 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 at DFAS SCA.

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 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 to the Administrative Contracting Officer;

B. Submit to the Administrative Contracting Officer a supporting schedule showing:

1. The amount of each request distributed to the FMS case identifier and line requirements, and

2. The total price per contract line item applicable to each 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 to the FMS case identifier and line 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, 100404. In addition, DoD contracts that include FMS requirements must identify amounts by accounting classification reference numbers (ACRNs), contract line items (CLINs), and sub-line items (SLINs), if applicable. This will enable the paying office to match payments to the applicable obligations.

040703. Contract Payment Offices

The contract payment offices should require that all bills submitted by contractors for payment include the proper ACRN/CLIN/SLIN. Contracting payment offices must ensure they have all the documentation required to support payment (refer to Volume 10, Chapter 8, Section 0804) 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:

A. Wire transfers to American Bankers Association (ABA) #021030004, U.S. Treasury NYC, Agency Location Code 00003801, Beneficiary DFAS- IN/JAX Agency. This is the preferred method for the foreign purchaser to forward payments; or

B. Checks made payable to the U.S. Treasury mailed to the Disbursing Operation Directorate, 3801 Center Collections, DFAS-JAX/IN, P.O. Box 269490, Indianapolis, IN 46226-9490, 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 Application (***OTCnet***). For information on OTCnet see Volume 5, Chapter 11.

B. Process the deposit through an FRB or supporting member bank.

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.

040803. Wire Transfers

A. 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.

B. 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.

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

*0409 EXPENDITURE AUTHORITY

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 Accounting records, making the cash no longer available for any other purpose.

040901. Expenditure Authority 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 as 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 040201.B.

*Figure 4-1. Payment Schedule Revision Examples

Given Data for Revisions 1-5:

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

B. LOA Amendment Prepared: Feb 20YY

C. Offer Expiration Date: May 25, 20YY

D. Next Payment Due Date: Sep 15, 20YY (next quarterly payment due date after Offer Expiration Date)

Original Estimated Payment Schedule		
Payment Date	Quarterly	Cumulative
Initial Deposit	$100,000	$100,000
Mar 15, 20XX	90,000	190,000
Jun 15, 20XX	80,000	270,000
Sep 15, 20XX	35,000	305,000
Dec 15, 20XX	35,000	340,000
Mar 15, 20YY	10,000	350,000
Jun 15, 20YY	10,000	360,000
Sep 15, 20YY	5,000	365,000
Dec 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 Dec 10, 20XX) the Previous Payments Scheduled amount of $340,000 corresponds to the Dec 15, 20XX cumulative amount on the original payment schedule. An amount due with amendment acceptance is requested on the LOA amendment and is therefore shown.

The "Due with Amendment Acceptance" figures include amounts for payments due Mar 15, 20YY, Jun 15, 20YY, and other requirements for the period through the payment due Sep 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.

Revision 1 Payment Schedule		
Payment Date	Quarterly	Cumulative
Previous Payments Scheduled (Dec 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
Sep 15, 20YY	35,000	460,000
Dec 15, 20YY	25,000	485,000

*Figure 4-1. Payment Schedule Revision Examples (continued)

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 (Dec 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
Sep 15, 20YY	5,000	460,000
Dec 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).

The "Due with Amendment Acceptance" figures include amounts for payments earlier shown as due Mar 15, 20YY, Jun 15, 20YY, and other requirements for the period through the payment due Sep 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 (Dec 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
Sep 15, 20YY	35,000	460,000
Dec 15, 20YY	25,000	485,000

*Figure 4-1. Payment Schedule Revision Examples (continued)

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 (Dec 15, 20XX)	N/A	$460,000
Current USG Financial Requirements		375,000
Amount Received From Purchaser		375,000
Due With Amendment Acceptance	N/A	375,000
Sep 15, 20YY	15,000	390,000
Dec 15, 20YY	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 Sep 10, 20YY) corresponds to the Sep 15, 20YY (previous) entry in Revision 1. Since the implementing agency 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.

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

*Figure 4-1. Payment Schedule Revision Examples (continued)

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 (Sep 15, 20YY)	N/A	$460,000
Current USG Financial Requirements		460,000
Amount Received From Purchaser	460,000	460,000
Revised Payments Scheduled (Sep 15, 20YY)	N/A	460,000
Dec 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 Deposit[2] (due on acceptance)

Total Contract cost	$800,000
Cumulative percentage of contract cost[3]	x1.1%
Total[2]	$8,800.00

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	-$8,800
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)	-$30,400
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
Dec 2010 (Initial Deposit)[2]	0.0	-	8,800	8,800
Jan 2011[5]	0.0	-	0	0
Feb 2011[5]	0.0	-	0	0
Mar 2011[5]	0.0	-	0	0
Apr 2011[6]	0.2	1,600	0	0
May 2011	0.5	4,000	0	0
Jun 2011	1.1	8,800	21,600	30,400
Jul 2011	1.8	14,400	0	0
Aug 2011	2.7	21,600	0	0
Sep 2011	3.8	30,400	34,400	64,800
Oct 2011	5.0	40,000	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
Nov 2011	6.5	52,000	0	0
Dec 2011	8.1	64,800	52,800	117,600
Jan 2012	10.0	80,000	0	0
Feb 2012	12.2	97,600	0	0
Mar 2012	14.7	117,600	75,200	192,800
Apr 2012	17.5	140,000	0	0
May 2012	20.6	164,800	0	0
Jun 2012	24.1	192,800	100,000	292,800
Jul 2012	27.9	223,200	0	0
Aug 2012	32.1	256,800	0	0
Sep 2012	36.6	292,800	119,200	412,000
Oct 2012	41.3	330,400	0	0
Nov 2012	46.3	370,400	0	0
Dec 2012	51.5	412,000	125,600	537,600
Jan 2013	56.7	453,600	0	0
Feb 2013	62.0	496,000	0	0
Mar 2013	67.2	537,600	112,800	650,400
Apr 2013	72.2	577,600	0	0
May 2013	76.9	615,200	0	0
Jun 2013	81.3	650,400	81,600	732,000
Jul 2013	85.2	681,600	0	0
Aug 2013	88.6	708,800	0	0
Sep 2013	91.5	732,000	47,200	779,200
Oct 2013	93.9	751,200	0	0
Nov 2013	95.9	767,200	0	0
Dec 2013	97.4	779,200	20,800	800,000
Jan 2014	98.5	788,000	0	0
Feb 2014	99.4	795,200	0	0
Mar 2014	100.0	800,000	0	800,000

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 accessorials 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.

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

[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 Termination Liability/Contractor Holdback Worksheet Format (No Arms Export Control Act Section 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 Deposit[3]:	
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	-$352
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)	-$9,120
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 Termination Liability/Contractor Holdback Worksheet Format (No Arms Export Control Act Section 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 Deposit[3]	8,800	8,800	8,448	8,448	352	352
15 Jun 2011	21,600	30,400	12,832	21,280	8,768	9,120
15 Sep 2011	34,400	64,800	20,840	42,120	13,560	22,680
15 Dec 2011	52,800	117,600	34,320	76,440	18,480	41,160
15 Mar 2012	75,200	192,800	48,880	125,320	26,320	67,480
15 Jun 2012	100,000	292,800	73,784	199,104	26,216	93,696
15 Sep 2012	119,200	412,000	101,656	300,760	17,544	111,240
15 Dec 2012	125,600	537,600	140,072	440,832	(14,472)	96,768
15 Mar 2013	112,800	650,400	164,040	604,872	(51,240)	45,528
15 Jun 2013	81,600	732,000	112,488	717,360	(30,888)	14,640
15 Sep 2013	47,200	779,200	61,840	779,200	(14,640)	0
15 Dec 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 040404).
[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 Termination Liability/Contractor Holdback Worksheet Format (Includes Arms Export Control Act Section 21 Sales) [1]

Assumptions:

A. An $800,000 LOA plus AECA Section 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	(c)[5] Qtr	(d)[6,7] Cum	(e)[5] Qtr	(f)[6,7] Cum
Initial Deposit[8]	28,800	28,800	28,448	28,448	352	352
15 Jun 2011	41,600	70,400	32,832	61,280	8,768	9,120
15 Sep 2011	54,400	124,800	40,840	102,120	13,560	22,680
15 Dec 2011	72,800	197,600	54,320	156,440	18,480	41,160
15 Mar 2012	95,200	292,800	68,880	225,320	26,320	67,480
15 Jun 2012	120,000	412,800	93,784	319,104	26,216	93,696
15 Sep 2012	139,200	552,000	121,656	440,760	17,544	111,240
15 Dec 2012	145,600	697,600	160,072	600,832	(14,472)	96,768
15 Mar 2013	132,800	830,400	184,040	784,872	(51,240)	45,528
15 Jun 2013	91,600	922,000	122,488	907,360	(30,888)	14,640
15 Sep 2013	77,200	999,200	91,840	999,200	(14,640)	0
15 Dec 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 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 AECA Sec 21 articles/services in case.
[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 Termination Liability 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	Source of Supply
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.		
- 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 TL%: 13 (42 month procurement lead time from Table 4-1) (Obligations x TL%): $73,000 x 13% = $9,490	Disbursements: $60,000 Disbursements/Ordered: ($60,000/$100,000) = .60 60 Month TL%: 24 (37 month procurement lead time from 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 Termination Liability Percentages (As a percentage of contract cost)

Procurement Lead Time	6 Months		9 Months		12 Months		15 Months		18 Months		21 Months	
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 Termination Liability Percentages (As a percentage of contract cost) (Continued)

Procurement Lead Time	24 Months		27 Months		30 Months		33 Months		36 Months		39 Months	
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 Termination Liability Percentages (As a percentage of contract cost) (Continued)

Procrmt Lead Time	42 Months		45 Months		48 Months		51 Months		54 Months		57 Months		60 Months	
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 Termination Liability Percentages (As a percentage of contract cost) (Continued)

Procrmt Lead Time	42 Months		45 Months		48 Months		51 Months		54 Months		57 Months		60 Months	
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 Fund Transfer Format

The 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 digits.	$9,999,999.99
Sender Fl	(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 Fl	(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 should include preceding zeroes to create a complete eight-digit ALC number. 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 should be entered in the Beneficiary Name field. EXAMPLE: 12345678	00003801 DFAS-JAX/IN 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.

VOLUME 15, CHAPTER 5: "FOREIGN MILITARY SALES ARREARAGES AND INDEBTEDNESS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter was incorporated into Volume 16, Chapter 6 "Debt Owed to the Department of Defense by Foreign Entities".	Cancellation

VOLUME 15, CHAPTER 6: "CASE FILES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Table 6-17	Updated the reference for the case closure checklist to Defense Security Cooperation Agency Manual 5105.38-M, Security Assistance Management Manual Appendix 7 Chapter 4, A7.C4.3.	Revision

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CHAPTER 6

CASE FILES

0601 GENERAL

060101. Purpose

This chapter establishes guidance on maintaining documents for Security Cooperation cases (hereafter "case files"). The guidance is designed to facilitate uniformity of case file maintenance and ensure that all necessary documentation is readily available and retrievable by the appropriate activities.

060102. Overview

A. Case files may be maintained in a decentralized manner by the various activities having responsibility for actions associated with the case. Each activity must maintain a comprehensive record of relevant correspondence, worksheets, and officially prepared forms that constitute a complete audit trail from the time of case initiation through case closeout or retirement.

B. Reference to the Defense Security Assistance Management System (DSAMS) and other electronic files (including e-mail correspondence and Compact Disk-Read Only Memory) is encouraged, provided such files are complete, secure, and readily retrievable. Electronic imaging is strongly encouraged when necessary to preserve nonstandard vendor documents, historical documents, and signature pages when retention of the paper originals or a copy of such documents is materially expensive but necessary to protect United States Government (USG) interests.

C. The case manager must maintain a directory of supporting documentation locations. All supporting documentation must be reviewed carefully prior to disposal or retirement. A closed case from a Foreign Military Sales (FMS) purchaser perspective may remain open from a Department of Defense (DoD) accounting perspective.

D. The record retention period for FMS documents is 10 years from the date of final case closure. See the Defense Finance and Accounting Service (DFAS) Disposition Schedules 5015.2-M, ***Volume 2, "Schedule 7360, FMS Records"*** for more detailed guidance. The Defense Security Cooperation Agency (DSCA) may issue exceptions to this retention period, e.g., for records associated with ongoing litigation proceedings and country suspensions.

060103. Concepts and Requirements

A. Maintain case files in official folders, uniformly titled, and filed by section as discussed in Section 0602. When more than one file folder is required, the folders must be appropriately numbered (e.g., 1 of 2 or 2 of 2). The documents placed in each folder must be maintained in chronological sequence by section.

B. When a case is implemented, each implementing DoD Component must identify and direct which supporting activities are to maintain the required documentation on file. For example, a copy of the letter of offer and acceptance (LOA) may be on file with several activities, while the quarterly requisition report (QRR) applicable to that case would have a more limited distribution.

C. Certain records associated with a case may be voluminous listings that are too large to be printed and placed in official folders. Instead of filing the listing in the folder (as required in Section 0602), annotate on the case cover sheet or within the file itself where such information is located. The purpose of filing such documents or cross-referencing notes to such documents is to maintain the integrity of the case audit trail and to consider all applicable information during case execution and at case closure.

D. The uniform case folder, as outlined in Section 0602, lists those documents considered to be of primary relevance on a DoD-wide basis. DoD Components may also wish to include additional documents as part of the case file. The inclusion of such documents is encouraged, and it is recommended that they be filed in the form of numbered appendices following in sequence after the required sections.

E. The value of the uniform case folder is in maintaining a complete and accurate record for audit purposes and ensuring a standard and systematic approach to case file maintenance. With management support, it may also serve as a checklist of planned and completed actions, thereby facilitating the case and closure process. In addition, the existence of a comprehensive and well-maintained file facilitates supervisory reviews and brings greater efficiency to the transfer of ongoing case management responsibilities.

060104. Responsibilities

Each DoD Component and DFAS, Security Cooperation Accounting, (DFAS SCA), is responsible for maintaining its respective portion of the case file as required in Section 0602.

0602 UNIFORM CASE DOCUMENTATION

060201. Documentation Requirements

The minimum required documentation for complete and effective case management includes the following sections:

A. General Information Cover Sheet: see Table 6-1;

B. Letter of Request (LOR) Information: see Table 6-2;

C. Planning Information: see Table 6-3;

D. Security Assistance Survey Documentation: see Table 6-4;

E. FMS Contractual Instruments: see Table 6-5;

F. Financing Arrangements: see Table 6-6;

G. Financial Control Documents: see Table 6-7;

H. Implementation Directives: see Table 6-8;

I. DSAMS and DSCA 1200 System Update Documents: see Table 6-9;

J. Case Execution Required Documentation: see Table 6-10;

K. Special Logistics Documents: see Table 6-11;

L. Accessorial Charges: see Table 6-12;

M. Government Furnished Materiel (GFM): see Table 6-13;

N. FMS Billing Documentation: see Table 6-14;

O. Supply Discrepancy Reports (SDRs): see Table 6-15;

P. Reviews: see Table 6-16;

Q. Case Closure Documentation: see Table 6-17; and

R. Reopened Case Documentation: see Table 6-18.

060202. Documentation Maintenance and Disposition

The documentation must be accumulated throughout the life of the case from inception through final case closure. Implementing Agencies (IAs) may retire, but not destroy, closed case file records to document storage areas upon final case closure by DFAS SCA. DFAS SCA may retire, but not destroy, closed case file records, including delivery listings, no earlier than one year from the date of the latest case-related correspondence with the purchaser or final case closure, whichever is later. The IAs and DFAS SCA must maintain an accurate record of the location of all retired records to ensure they can be located as needed. Retain all case documentation in accordance with 060102.D.

Table 6-1. General Information Cover Sheet Required Documentation

General Information Cover Sheet	
1. Case Identifier	
2. Cognizant Personnel Information **a)** Name **b)** Phone number **c)** E-mail address **d)** Dates of tenure if responsibilities are transferred from one individual to another during the life of the case	**A.** Case Negotiation Officer
	B. Country/Case Manager at each level **1)** Major/systems command **2)** International Logistics Control Office **3)** DFAS SCA
	C. Others as Required **1)** Inventory/Item manager focal point **2)** Procurement office focal point
3. Key case planning milestones, see Figure 6-1 for an example	

Table 6-2. Letter of Request (LOR) Required Documentation

LOR Information
1. LOR for price and availability data or LOA data
2. Correspondence and other information relative to primary inquiry

Table 6-3. Planning Information Required Documentation

Planning Information	
1. Price and Availability/LOA data relative to the Case	
2. LOA Data used to prepare the LOA format	**A.** Tasking Direction
	B. Internal memoranda/worksheets
	C. Financial analysis and termination liability reserve data
	D. Methodology for computing the payment schedule reflected in the LOA
	E. Pricing data (e.g., DSAMS Document Pricing Calculations Report- RP069)
3. Response(s) to foreign purchaser if initially presented in a format other than an LOA	
4. Correspondence related to exceptions or waivers (e.g., nonrecurring cost recovery)	

Table 6-4. Security Assistance Survey Required Documentation

Security Assistance Survey Documentation
1. Defense requirements survey report (or cross-reference to where the report is located)
2. Site survey report (or cross-reference thereto)

Table 6-5. Foreign Military Sales (FMS) Contractual Instruments Required Documentation

FMS Contractual Instruments	
1. Congressional notification documentation	
2. LOA	
3. Amendment(s) to the LOA	
4. Modification(s) of the LOA	
5. Any memoranda of understanding or memoranda of agreement relating to the LOA, amendments or modifications	
6. Correspondence relative to internal review(s)/coordination	**A.** Letter forwarding an advanced copy of (unsigned) LOA to purchaser pending the results of congressional review, if applicable
	B. Letter of transmittal of countersigned LOA, if applicable
7. Correspondence/letters of transmittal to purchaser and acceptance of the LOA	

Table 6-6. Financing Arrangements Required Documentation

Financing Arrangements
1. Financing agreements
2. North Atlantic Treaty Organization country-to-country agreements
3. Requests and approvals for special waivers from routine loan conditions
4. Federal Acquisition Regulation/Defense Federal Acquisition Regulation Supplement exception requests and approvals
5. Contract administration support waiver requests and approvals

Table 6-7. Financial Control Required Documentation

Financial Control Documents
1. Request and Approval of Department of Defense (DD) Form 2060, "FMS Obligational Authority" (or automated system equivalent)
2. DD Form 2061, "FMS Planning Directive" (or automated system equivalent)
3. Expenditure authorizations
4. Documentation concerning DoD Component internal allotments or delegations of obligational and expenditure authorizations
5. Final Defense Integrated Financial System Financial Management Worksheet, as applicable

Table 6-8. Implementation Directives Required Documentation

Directives
1. FMS program/case directives
2. Program management plans
3. Implementing project directives
4. Implementation letters
5. Amendments or updates to #1-4

Table 6-9. Defense Security Assistance Management System (DSAMS) and Defense Security Cooperation Agency (DSCA) 1200 System Update Required Documentation

DSAMS and DSCA 1200 System Update
1. Copies of worksheets or other evidence that the DSAMS and DSCA 1200 Systems were updated at the appropriate times

Table 6-10. Case Execution Required Documentation

Case Execution Required Documentation
1. Documents substantiating annual financial and logistical reconciliation (see Chapter 7)
2. Documents substantiating payment schedule revisions (see Chapter 4) to include purchaser requested schedules (and approvals)
3. Purchase requests
4. USG contracts with commercial vendor
5. Work requests and project orders
6. Military Interdepartmental Purchase Requests
7. Internal billing documentation (e.g., Standard Form 1080, "Voucher for Transfers between Appropriations and/or Funds"; DD Form 250, "Materiel Inspection and Receiving Report"; Temporary Duty orders/vouchers)
8. Requisition document control listings (e.g., QRR and the annual consolidation of the QRR)
9. Receipt document from FMS purchaser or purchaser's representative, (a freight forwarder) with official purchaser signature
10. Invitational travel orders

Table 6-11. Special Logistics Required Documentation

Special Logistics Documents
1. Cooperative Logistics Supply Support Arrangements FMS Order I Equity Listing
2. Concurrent Spare Parts listing
3. Other (e.g., Air Force Security Assistance Management Integration System local management reports)

Table 6-12. Accessorial Charges Required Documentation

Accessorial Charges
1. Applicable documentation to substantiate the reporting of actual (instead of the estimated percentage) packing, crating, handling and transportation (PCH&T) costs

Table 6-13. Government Furnished Materiel (GFM) Required Documentation

GFM
Note: The inclusion of GFM as part of a case requires special attention from a financial standpoint since the GFM becomes a part of the major item being procured. Unless this information is included as part of another section, this section should have the documentation listed in #1-3
1. Listing by contract number of contracts under which GFM may be requisitioned by contractors
2. Listing of GFM by requisition or document numbers
3. Worksheets/backup data showing that PCH&T costs for other than Defense Working Capital Funds items has been added to the base price of GFM

Table 6-14. FMS Billing Required Documentation

FMS Billing Documentation
Note: The detailed nature and size of this documentation may render inclusion in the case folder impractical. In such instances, it is sufficient to maintain a local record or checklist, showing that the documentation and lists have been reviewed, as necessary, to monitor progress, detect errors, and perform satisfactory financial oversight
1. DD Form 645, "FMS Billing Statement", and FMS delivery listing and financial forecast attachments. Replies to purchaser requests for adjustments are filed in a subsequent section. Include any documents pertaining to Special Billing Arrangements directly associated with the case
2. DFAS SCA prepared Command Pay Listing (if filed in case file folder)
3. Documentation relating to delivery transactions
4. DFAS SCA worksheets and correspondence maintained in the case file folder appendices
5. Correspondence related to authorized exceptions to normal billing procedures

Table 6-15. Supply Discrepancy Report (SDR) Billing Required Documentation

SDR Billing Documentation
1. SDRs
2. Correspondence/documentation relative to such discrepancies
3. DFAS SCA reply to purchaser requests for listing of adjustments

Table 6-16. Reviews Required Documentation

Reviews	
1. The minutes and other correspondence resulting from:	**A.** FMS implementation review
	B. Country program/case review
	C. FMS financial management review

*Table 6-17. Case Closure Required Documentation

Case Closure Documentation
1. The DoD Component's case closure certification to DFAS SCA. The final DD 2060 and 2061s should be on file in the "Financial Control Documents" section
2. Any correspondence with DFAS SCA or other organizations relative to the case closure certification
3. The final DD 645 (DFAS SCA only)
4. The case closure checklist (see DSCA Manual 5105.38-M, Security Assistance Management Manual ***Appendix 7 Chapter 4, A7.C4.3***)
5. The case closure notification sent to DFAS SCA via e-mail or fax as well as the system generated CII case closure transaction
6. A directory identifying the location of stored case records

Table 6-18. Reopened Case Required Documentation

Reopened Case Documentation
Note: This section is only operative if the case, once closed, must be reopened
1. All correspondence and data about why the case had to be reopened, including the written authorization(s) approving the reopening
2. The re-finalized DD 2060 and 2061s (filed in “Financial Control Documents” section)
3. The closure certification
4. The final DD 645

Figure 6-1. Key Planning Milestones Template[1]

Event	Planned Date of Completion	Actual Date of Completion
LOR acknowledged		
Completed DD 2061 or automated equivalent (DSAMS RP069)		
LOA Data completed		
Congressional notifications completed, as necessary		
LOA prepared		
LOA countersigned/mailed to purchaser		
LOA implemented		
LOA lines delivery complete (delivery transactions with estimated prices submitted)		
001		
002		
Additional lines as needed		
LOA lines financially complete (delivery transactions with actual prices submitted)		
001		
002		
Additional lines as needed		
Final DD 2060 forwarded to DFAS SCA		
Case closure notification forwarded to DFAS SCA		

[1] Other milestone plans as developed by the IAs may be used.

VOLUME 15, CHAPTER 7: "PRICING"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Revised references and links to the Defense Security Cooperation Agency (DSCA) Security Assistance Management Manual (SAMM), DSCA 5105.38-M.	Update
Multiple	Added references to Building Partner Capacity (BPC) cases where applicable in accordance with SAMM, Chapter 15.	Add
070305.C	Revised guidance for estimation of Nonrecurring Costs when cost pool documentation is not adequate pursuant to DSCA Policy Memo 12-09.	Update
070602.A.1	Reduced the Foreign Military Sales (FMS) administrative surcharge from 3.8-percent to 3.5-percent effective November 1, 2012 pursuant to DSCA Policy Memo 12-47.	Update
070602.A.2;	Updated the suspension of the Small Case Management Lines (SCML) on cases not generating at least $15,000 in FMS administrative surcharge costs effective July 3, 2012, pursuant to DSCA Policy Memo 12-37.	Update
070604.C (former)	Deleted requirement for the addition of SCML for cases when reduced to a value which would require it pursuant to DSCA Policy Memo 12-37. Renumbered remaining sections.	Delete
0715	Noted the recapitalization of the Security Defense Acquisition Fund in 2012.	Update
Table 7-1	Updated reference to Transportation Accounts, pursuant to DSCA Policy Memo 12-10.	Update

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CHAPTER 7

PRICING

0701 INTRODUCTION

070101. Purpose

A. The purpose of this chapter is to establish policies and procedures to ensure the Department of Defense (DoD) Components uniformly and consistently apply pricing principles and methodologies that recoup current period costs and a reasonable contribution to sunk investment costs. Sunk investment costs represent historical decisions to expend research and development (R&D) funds to develop new equipment or to purchase assets or facilities. Foreign Military Sales (FMS) purchasers benefit from the investment decision, although it was based entirely on DoD requirements, when they purchase related equipment or when use of the assets and facilities is necessary in order to provide ordered services or to deliver ordered materiel.

B. This chapter applies to the sale of defense articles or services under the authority of the ***Arms Export Control Act (AECA)***, Public Law 90-629, as amended, codified as ***Title 22 United States Code, sections 2751 et seq***., and the ***Foreign Assistance Act (FAA)***, Public Law 87-195, as amended, codified as ***Title 22 U.S.C. 2151 et seq***.

C. For pricing guidance from authorities other than the AECA and FAA that sell or transfer defense articles or services (such as annual defense appropriation acts or supplemental appropriation acts), consult the authorizing legislation and relevant financial management policy.

070102. Responsibilities

The DoD Components that sell defense articles or services under authority of the AECA must:

A. Ensure defense articles and services provided to FMS purchasers are priced in accordance with the policies established in this chapter;

B. Establish a single selling price for defense articles and services. A single selling price includes the additional charges for nonrecurring research, development, test, and evaluation (RDT&E) and production costs, costs for recurring procurement support efforts, transportation costs when the use of DoD transportation is approved, and other applicable surcharges;

C. Ensure each price estimate provided to an FMS purchaser is a reasonable approximation of the final price. However, the fact that an estimate is not consistent with the final cost accumulation does not negate the requirement to establish a final price (actual cost) in accordance with this chapter;

D. Provide detailed price and cost information upon request by the FMS purchaser. Proprietary cost and pricing data must not be disclosed unless there is prior authorization of the contractor concerned;

E. Present prices of defense articles and services to FMS purchasers in the format of FMS Letters of Offer and Acceptance (LOAs). The administrative surcharge percentage prescribed in this chapter is subject to change without prior approval of the purchaser. The administrative surcharge applicable to each line on the LOA is to be specified in a note in each LOA document. The LOA should be used unless a waiver is obtained from the Director, Defense Security Cooperation Agency (DSCA), to use a suitable substitute instrument. Any substitute instrument should contain the same cost elements as those identified on the LOA;

F. Cite directly the FMS Trust Fund (11X8242) purchaser(s) subaccount(s) on contractual documents for new procurements initiated as a result of FMS orders;

G. Ensure that the transportation of materiel, other than Defense Working Capital Fund (DWCF) materiel, sold to FMS purchasers is accomplished through the use of collect commercial bills of lading to the maximum possible extent. When transportation is accomplished through the use of Government Bills of Lading (GBLs) including DWCF materiel, the GBL must be annotated to show that Interstate Commerce Act, Section 10721 (***Title 49 U.S.C. 10721***) is not applicable and that normal commercial rates must be billed to the United States Government (USG) for the shipment. Refer to the DSCA 5105.38-M, ***Security Assistance Management Manual (SAMM), Chapter 7*** for guidance on the use of the Defense Transportation System;

H. Assign a case manager to each active FMS case. The case manager is responsible for the total financial and logistical aspects of the case, including:

1. Ensuring that prescribed pricing policies are followed;

2. Ensuring delivery reports have been processed to the Defense Finance and Accounting Service, Security Cooperation Accounting (DFAS SCA); and

3. Ensuring the reconciliation of the FMS case financially and logistically throughout the life of the FMS case, and not less than annually:

a. On the anniversary of each major case, and/or

b. In preparation for a review with the FMS purchaser.

The case manager's authority to direct other supporting activities must be commensurate with these responsibilities. Refer to ***SAMM, Chapter 2*** for additional discussion on case management responsibilities; and

I. Ensure that the USG "buy back" of items from foreign governments initially sold under FMS programs is conducted in accordance with procurement rules involving the obligation of DoD appropriations. Monies due as a result of such procurement may be paid by the DoD paying office into the FMS Trust Fund in accordance with the foreign government's instructions (e.g., applied to a case or a cash refund). The FMS purchaser's "buy back" holding account is used as an audit trail for the transaction. A direct exchange is permitted for a reparable item of the same type under certain circumstances (see paragraphs 070302.B.2 and 070302.B.3 of this chapter).

070103. Estimating Prices and Billed Values for an LOA

The pricing policy in this chapter stipulates how costs are determined when the FMS purchaser is billed. This policy also establishes how to develop a price estimate for an LOA. An essential difference between the billed price and the estimated price on an offer is the degree of firmness associated with each pricing method. On the FMS Billing Statement (Department of Defense (DD) Form 645), the price, particularly at the point in time when actual costs are known and reported to DFAS SCA, should be firm and exact (the exception being "E" (Estimated) price code transactions). The billed cost (except when a rounded dollar indicator code is utilized) is detailed in dollars and cents. On the LOA, the estimated price is to be a reasonable approximation of the amount which will ultimately be billed, to include the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) inflation indices and other factors. Amounts to be placed on the LOA, except unit price, will be rounded to the next whole dollar. LOAs are written either as a defined order, blanket order, or as a cooperative logistics supply support agreement (CLSSA). Pricing for each type of LOA requires special treatment. Moreover, an LOA may involve lines that are defined order or blanket order, while CLSSA cases have no other lines. An LOA must include only prices for defense articles and services sold to FMS purchasers and must not be adjusted for any reason other than authorized by this chapter (such as for inflation or for contingencies).

A. Defined Order. Defined Order LOAs are for specified defense articles or services and are usually written for the acquisition of systems. Orders are normally placed by the Implementing Agency (IA) following LOA implementation. IAs involved in procuring such systems should have available estimates of the expected costs as the basis for developing the FMS price. These estimates, however, must be validated for the configuration to be delivered. Additional charges detailed in other sections of this chapter must also be applied. When a price estimate must be inflated for delivery of a weapon system several years in the future, OUSD(C) published inflation indices must be used. If other price inflation or alternate OUSD(C) published factors apply, those factors must be documented in case files and justified to OUSD(C) for approval before finalizing LOAs. When developing estimates for weapon systems in different configurations than those for which IA estimates are available, the IA should obtain contractor estimates for the different configurations.

B. Blanket Order. Blanket Order LOAs are for categories of defense articles or services with no definitive listing of items or quantities to be provided. For hardware support items, the price developed may be based on either a computer listing of specified parts, or a percentage of the cost of the major system to be supported. In other instances, the price on the

LOA may simply be a dollar value line to enable the purchaser to requisition those items up to the dollar ceiling in the Letter of Request. In this latter case, the amount written into the LOA can rely in part on the estimated activity in the country's program. In developing a price for LOA purposes where a blanket order is involved, the source of supply might not be known. In this case, certain assumptions must be made. For example, in writing a blanket order case for spare parts for an aircraft, an agency may have to make assumptions about the source and value of items in order to estimate various pricing elements. This allows the analyst to apply the appropriate costs and charges. At the time of the billing for delivery of an item charged to the case, the appropriate surcharges must be applied by DFAS SCA in accordance with Chapter 8 of this volume. Those agencies that have developed an ordering history for certain countries or weapon systems may be able to develop a ratio of items using procurement data and items from stock that enable a more precise application of surcharges for the estimate. When developing a price for items to be delivered beyond the period for which pricing data is available, it will be necessary to apply inflation factors as in defined order cases.

C. Cooperative Logistics Supply Support Arrangement (CLSSA). CLSSA LOAs are designed to provide responsive and continuous supply support at the depot level for United States (U.S.)-made military materiel possessed by foreign countries and international organizations. CLSSAs are normally the most effective means for providing common repair parts and secondary item support for equipment of U.S. origin that is in allied and friendly country's inventories. Pricing for CLSSA LOAs must be estimated per section 0707 of this chapter.

070104. Legal Background

A. General. ***AECA***, Section 1 states that sales are approved only when they are consistent with the foreign policy interest of the U.S., and the purpose and principles of the United Nations Charter.

B. Pricing Requirements

1. Defense Articles and Services from Stock. AECA, Section 21(a)(1) states that a foreign country or international organization pays in U.S. dollars:

a. In the case of a defense article not intended to be replaced at the time a sales agreement is entered into, not less than the actual value;

b. In the case of a defense article intended to be replaced at the time a sales agreement is entered into, the estimated cost of replacement of such article, including the contract or production costs less any depreciation in the value of such article; and

c. In the case of a sale of a defense service, the full cost to the USG of furnishing such service, unless the service is training provided under the terms in paragraph 070104.B.3 of this chapter. In this latter case, only the additional costs that are incurred in furnishing such assistance must be recovered.

2. Charges Applicable to the Sale of Defense Articles or Services. AECA, Section 21(e)(1) states that the selling price must include appropriate charges for:

a. Administrative services, calculated on an average percentage basis to recover the full estimated costs (excluding a pro rata share of fixed base operations costs) of administration of sales made under the AECA to all purchasers of such defense articles and services as specified in AECA, Section 43(b) and (c);

b. A proportionate amount of any nonrecurring costs (NC) for R&D and production of major defense equipment (MDE), except for equipment wholly paid for either from U.S. military assistance funds, ***FAA***, Section 503(a)(3), or from U.S. credit funds made available on a non-repayable basis under ***AECA***, Section 23; and

c. The recovery of ordinary inventory losses associated with the sale of defense articles that are being stored at the expense of the purchaser of such articles.

3. Training Price Exceptions to AECA, Section 21. Less than the full cost of training may be charged under the following specific conditions:

a. AECA, Section 21(a)(1)(C) allows for countries concurrently (same fiscal year (FY)) in receipt of International Military Education and Training (IMET) or designated as a high-income foreign country to be charged only those additional costs that are incurred by the USG in furnishing the training.

b. AECA, Section 21(g) authorizes the President to enter into North Atlantic Treaty Organization (NATO) Standardization Agreements. The President also is authorized to enter into similar agreements with countries that are major non-NATO allies for the cooperative furnishing of training on a bilateral or multilateral basis, if the financial principles of such agreements are based on reciprocity. Such agreements must include reimbursement for all direct costs but may exclude reimbursement for indirect costs, administrative surcharges, and costs of billeting of trainees (except to the extent that members of the U.S. Armed Forces, occupying comparable accommodations, are charged for such accommodations by the U.S.). Each such agreement must be transmitted promptly to the Speaker of the House of Representatives and the Committees on Appropriations, Armed Services, and Foreign Relations of the Senate. See SAMM, Chapter 10, ***Table C10.T13***, "NATO Reciprocal Agreement Participants", and ***C10.T14*** "Other Reciprocal Agreement Participants."

4. Price of New Procurement. AECA, Section 22(a) requires eligible countries or international organizations to pay the full amount of the contract and any damages and costs that may accrue due to the cancellation of such contracts (termination liability) when the USG enters into a contract for a new procurement on their behalf. Payment to the USG by the foreign country or international organization must be in U.S. dollars.

5. Price of Design and Construction Services. AECA, Section 29 requires that foreign countries or international organizations pay the full cost of design and construction services and any damages and costs that may accrue due to the cancellation of such

contracts when the USG enters into a contract for design and construction services on their behalf.

C. Cost Recoupment Waivers and Exclusions

1. Waiver of Nonrecurring Cost (NC) Recoupment Charges

a. ***AECA***, Section 21(e)(2)(A) authorizes the President to reduce or waive the NC recoupment charge or charges which would otherwise be considered appropriate under AECA, Section 21(e)(1)(B) for particular sales that would, if made, significantly advance USG interest in NATO standardization, and standardization with the Armed Forces of Japan, Australia, the Republic of Korea, or New Zealand, in furtherance of the mutual defense treaties between the U.S. and those countries, or foreign procurement in the U.S. under coproduction agreements.

b. AECA, Section 21(e)(2)(B) authorizes the President to waive NC recoupment charges for a particular sale if it is determined that: (1) imposition of the charge or charges would result in the loss of the sale, or (2) the waiver of the charge or charges for MDE would result in a savings to the U.S. that substantially offsets the revenue due to this waiver.

c. AECA, Section 21(e)(2)(C) gives the President the authority to waive, for particular sales of MDE, any increase in a charge or charges previously considered appropriate under AECA, Section 21(e)(1)(B). This authority is given if the increase results from a correction of an estimate (reasonable when made) of the production quantity base that was used for calculating the charge or charges for purposes of such paragraph.

d. The authorities in 070104.C.1.a-c have been delegated to the Director, DSCA. All waiver requests must be coordinated with the Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics) (OUSD(AT&L)) and the OUSD(C).

2. Special Waiver Authority for NATO Airborne Warning and Control System (AWACS). Notwithstanding paragraph 070605.A of this chapter, ***Title 10 U.S.C. 2350e*** authorizes the Secretary of Defense, in carrying out the NATO AWACS program, to:

a. Waive reimbursement for the costs of the following functions performed by personnel other than personnel employed in the U.S. Air Force AWACS program office:

(1) Auditing,

(2) Quality assurance,

(3) Codification,

(4) Inspection,

(5) Contract administration,

(6) Acceptance testing,

(7) Certification services, and

(8) Planning, programming, and management services;

b. Waive any surcharge for administrative services otherwise chargeable; and

c. Assume contingent liability for:

(1) Any program losses resulting from the gross negligence of any contracting offices of the U.S.;

(2) Identifiable taxes, customs duties, and other charges levied within the U.S. on the program; and

(3) The U.S. share of unfunded termination liability.

3. Waiver of Contract Administration Services (CAS) and Cataloging Services. ***AECA***, Section 21(h) authorizes the President to provide (without charge) quality assurance, inspection, CAS, contract audit defense services, cataloging data and cataloging services.

a. This provision applies to any contract or subcontract for defense articles, services, or design and construction services entered into after October 29, 1979, under FMS or direct commercial sales on behalf of a foreign government that is a member of NATO or the Governments of Australia, New Zealand, Japan, the Republic of Korea, or Israel. The authority applies only if the foreign government provides these services in accordance with an agreement on a reciprocal basis, without charge, to the USG.

b. This provision applies to any contract or subcontract for defense articles, services, or design and construction services pursuant to the NATO Security Investment Program. The authority applies only in accordance with a reciprocal agreement under which the foreign governments participating in the NATO Security Investment Program provide such services, without charge, in connection with similar contracts or subcontracts.

c. Cataloging data and cataloging services may be provided to NATO, to a member government of NATO, or to the Governments of Australia, New Zealand, Japan, the Republic of Korea, or Israel, if that member, organization, or country provides such data and services without charge to the U.S. in accordance with a reciprocal agreement.

d. The authority to negotiate and conclude these reciprocal agreements has been delegated to OUSD(AT&L). Upon approval of the agreement, OUSD(AT&L) will provide a copy of that agreement to DSCA.

e. When a waiver is approved, the cost of CAS in support of the applicable effort must be funded by a DoD appropriation. Billings for such actual costs must not be submitted against the FMS Trust Fund. The waiver under each agreement applies only to new FMS LOAs with implementation dates (as recorded in the Defense Security Assistance Management System) on or after the effective date of the reciprocal agreement.

f. Countries with CAS waivers are listed in SAMM, Chapter 9, Tables: ***C9.T5***, "Approved Reciprocal Country Agreement Listing"; ***C9.T6***, "Approved Agreements Relating to Participating Groups, Organizations, or Projects" and ***C9.T7*** , "NATO Reciprocal CAS Agreements. DSCA is responsible for updating and maintaining the CAS waiver table.

4. Special Waiver Authority for NATO Cooperative Projects

a. ***AECA***, Section 27(e)(1) stipulates that the President may reduce or waive the charge or charges in connection with cooperative projects or agreements entered into under the authority of that section. The charges that may be reduced or waived are those that are otherwise considered appropriate under AECA, Section 21(e) (see paragraph 070104.B.2 of this chapter) for sales of defense articles and services from stocks or new procurements when the other participants agree to waive or reduce such charges.

b. Waiver authority of the President under AECA, Section 27 has been delegated to the Director, DSCA.

c. Administrative surcharges must not be increased on other sales made under the AECA in order to compensate for any cost waivers that are granted pursuant to Section 27. Funds received pursuant to such other sales must not be available to reimburse the costs incurred by the USG for which waiver or reduction is approved by the President under AECA, Section 27.

5. Exclusion of the Cost of Military Pay and Entitlements for Defense Services Funded by the Military Assistance Program Merger (MAP Merger) or Non-Repayable Foreign Military Financing (FMF)

a. ***FAA***, Section 503(a)(3) permits the exclusion of salaries of members of the Armed Forces (other than Coast Guard) if the sales case for defense articles, services (including training), or for design and construction services is totally financed by MAP Merger or by non-repayable FMF.

b. The pricing of services provided under AECA, Sections 21, 22, 29, or 30 must be priced to exclude military pay and entitlements (including retired pay accrual) only for those cases citing MAP Merger funds and/or non-repayable FMF or Building

Partner Capacity (BPC) cases which are funded with DoD or Department of State (DOS) appropriated funds (e.g., Afghanistan Security Forces Fund (ASFF), Pakistan Counterinsurgency Fund (PCF), Pakistan Counterinsurgency Capability Fund (PCCF), Coalition Readiness Support Program (CRSP), or Global Train and Equip (Section 1206)) as the exclusive method of funding on the LOA. This pricing applies when services are performed regardless of the date of the LOA. For MAP Merger, this pricing applies to services provided after September 30, 1985; for non-repayable FMF, this pricing applies to services provided after September 30, 1989. Any subsequent amendment or modification that reduces MAP Merger or non-repayable FMF funding below 100 percent requires re-pricing to add military pay and entitlements to the entire case.

c. A separate price for DWCF goods and services must not be established to exclude military pay and entitlements when the case is fully funded by MAP Merger or non-repayable FMF or is a BPC case.

6. Exchange of Unit Training and Related Support. ***AECA***, Section 30A empowers the President to provide training and related support to military and civilian defense personnel of a friendly foreign country or an international organization. This authority applies only to established military units, not to ad hoc units or individual members of units. Such training and related support is specifically to be provided by a Secretary of a Military Department and only when the recipient foreign country or international organization agrees, pursuant to an agreement or other arrangement, to provide comparable training and related support on a reciprocal basis to personnel under the jurisdiction of the Secretary providing the training. The reciprocal training must be provided within a reasonable period of time that is not later than one year after the provision of training and related support. If such training is not provided, then the country or international organization receiving the training must be required to reimburse the U.S. See Volume 11A, Chapter 10 of this Regulation and ***SAMM, Chapter 10***, for the financial policies associated with this reciprocal program.

7. Special Authorities. In connection with the administration of the European Air Defense Agreements, the Secretary of Defense is authorized under the International Security and Development Cooperation Act of 1985, Section 132 (see AECA) to: (a) waive any surcharge for administrative services otherwise chargeable under AECA, Section 21(e)(1)(A), and (b) waive any charge not otherwise waived for services associated with contract administration for the sale (under the AECA) of Patriot air defense missile fire units to the Federal Republic of Germany contemplated in the agreements.

8. Fair Pricing. Under AECA, Sections 21 and 43, the recoupment of NC is not required for FMS cases wholly funded with MAP Merger or non-repayable FMF or BPC cases which are funded with DoD or DOS appropriated funds (e.g., ASFF, PCCF, PCF, CRSP, or 1206). Effective with delivery reports after December 1, 1989, asset use charges are no longer applicable to FMS transactions. When such asset use expenses are included in, or are a part of, the standard prices/stabilized rates charged for defense articles and services furnished by DWCF, a separate price must not be established for sales from, or services furnished by, DWCF in connection with FMS cases. In addition, military salaries and the unfunded costs of civilian retirement and other benefits are not included in the FMS administrative account.

070105. Crediting of Earned Reimbursements

A. General. DoD appropriation or fund accounts, or Miscellaneous Receipts Account 3041, "Recoveries Under the Foreign Military Sales Program, Army, Navy, Air Force, Defense" must be reimbursed when DoD services or inventory items are sold under AECA, Section 21. Reimbursement must also be made under AECA, Section 22 procurement actions if direct cite procedures for financing applicable contracts are not used. The general rule applicable to the sale of DoD services is that the financing account current at the time of performance is credited with applicable budget authority and subsequent cash collections. When items are sold from inventory, the financing account current at the time items are dropped from inventory is credited with applicable budget authority and subsequent cash collections. When items not to be replaced-in-kind (free assets) are sold from inventory, those receipts are credited to Miscellaneous Receipts. When appropriation or fund accounts are used to finance FMS procurements, the account current at the time the order is accepted is credited with budget authority and subsequent cash collections.

B. Elements. The various cost elements that may be involved in performance of an FMS order and the appropriations that are to be reimbursed are shown in Table 7-1.

0702 PRICING OF PERSONNEL SERVICES

070201. General

Charges to the FMS program for DoD personnel must be computed in accordance with this section.

A. The pricing of DoD personnel services in support of the FMS program, including personnel costs recouped indirectly through the FMS administrative surcharge, and those recouped as direct charges, such as special management services, Mobile Training Teams (MTTs), Mobile Education Teams, Technical Assistance Teams, or Technical Assistance Field Teams (TAFTs) must be calculated in accordance with this section. This section excludes personnel assigned to DoD training installations (see section 0710 of this chapter), and those costs that may be waived or excluded from charges in certain cases discussed throughout this chapter.

B. The calculation of personnel costs must include travel time, for both temporary duty travel (TDY) and permanent change of station (PCS), when the travel directly results from performance of an FMS case. When determining the pricing for personnel services, every attempt should be made to use actual costs. If actual cost data is not available, estimated pricing is acceptable. The costs must be substantiated by a reliable audit trail.

070202. Civilian Personnel

Services performed by DoD civilian personnel must be priced at rates in effect at the time the services are performed. Salary tables are available at the Office of Personnel

Management ***(OPM)*** Web site. Base salary rates must be accelerated as discussed in this paragraph. An illustration of civilian personnel pricing computation is shown in Figure 7-1.

A. The leave and holidays acceleration factor of 18 percent is applied to the base salary only when the employee is not reimbursed by FMS on a full time basis.

B. The Civilian Personnel Fringe Benefit Rate is applied to the base salary, with leave and holiday acceleration when applicable, to recover USG's contribution of civilian employee benefits such as retirement, insurance and health plans, cash awards, and, when applicable, USG's share of social security taxes and leave and holidays. The Civilian Fringe Benefit Rates are published annually at the ***OUSD(C) reimbursable rates*** Web site; to access select the applicable FY, Civilian Personnel Fringe Benefit (Tab D). Historical rates are available in the Appendix C Archive of this volume.

C. The Unfunded Civilian Retirement (UCR) factor is applied to the base salary, with leave and holiday acceleration when applicable, to recover retirement, post-retirement health benefits and post-retirement life insurance costs incurred by USG. The UCR factor is published annually with Civilian Fringe Benefit Rates. The UCR factor is not applied when calculating personnel costs to be reimbursed by the FMS Administrative Surcharge Budget (see paragraph 070104.C.8 of this chapter), or BPC Cases which are funded with DoD or DOS appropriated funds (e.g., ASFF, PCCF, PCF, CRSP, or 1206).

D. See paragraph 070104.C.8 of this chapter for the impact of "Fair Pricing" legislation on civilian personnel services in calculating charges for administrative services under ***AECA***, Section 21(e)(1)(A).

070203. Military Personnel

A. Military personnel services must be priced using the composite standard pay rates current at the time services are performed. Current reimbursable rate tables are available at the ***OUSD(C) reimbursable rates*** Web site; to access select the applicable FY, Military Personnel Composite Standard Pay and Reimbursement Rates (Tab K). Rates applicable to FMS are computed using the "Annual Rate Billable to Other Federal Agencies" plus the Medicare-Eligible Retiree Health Care accrual. Monthly, daily, or hourly rates can be determined from these tables by using factors listed in the notes at the bottom of each page. Historical rates are available in the Appendix C Archive of this volume. Prior to November 30, 1989, an Asset Use acceleration factor would have applied to the total costs of TDY and military composite pay costs if the service was performed at a military installation.

B. Since FY 1985, the annual composite standard military rates include the cost of retirement. These composite rates, however, must also recover the cost of other benefits. Leave and holiday costs are added when reimbursements are based on time actually worked, such as when the foreign country does not otherwise pay for the personnel costs incurred by DoD during leave and holiday periods. The additive amounts for retirement, leave and holidays, and other benefits are expressed as percentages of the composite standard pay rate. Pricing computations are illustrated in Figure 7-2.

C. PCS costs are included in the composite standard pay rates and are subject to the reimbursement factors. For cases prior to FY 2005, if military personnel were required to make a PCS move to support an FMS case, the PCS rate must be deleted from the composite rate and the actual PCS cost charged to the case is not subject to any additional reimbursement factor. Effective FY 2005, military personnel services for FMS must be priced using the composite rates that already include the PCS expense and must no longer use the actual PCS expense for PCS moves to support an FMS case.

070204. Foreign National Personnel

Foreign national personnel services must be priced at actual costs or at standard pay rates. Standard pay rates must not be used when known to be less than actual costs. Both the actual cost and the standard pay rate must include an estimated amount to cover such benefits as sick leave, maternity leave, death, accident, unemployment, and retirement (separation) when such benefits are paid to these employees or specifically required by the laws of the foreign government.

070205. Travel and Living Allowances

Travel, per diem, living allowance payments, and other entitlements to DoD personnel working on FMS cases must be identical to the payments and entitlements of DoD personnel working on direct DoD mission assignments at similar locations; refer to Volume 9 of this Regulation. Waivers from the normal travel procedures must be granted to Security Assistance (SA) travelers on the same basis and in the same manner as provided for DoD personnel traveling on regular defense business. The FMS case must be priced to include the amount paid to employees or centrally funded through authorized DoD entitlement programs.

070206. Special Instructions Applicable to Defense Working Capital Funds

Defense Working Capital Funds (DWCF) facilities must charge approved DoD stabilized rates and prices for services in support of FMS cases, except where special rates have been approved by OUSD(C) or where actual cost reimbursement is appropriate. The stabilized rate to be charged is the rate in effect when the order is received and accepted (as opposed to when performed by DWCF supply management). See Volume 2B, Chapter 9 and Volume 11B of this Regulation for additional information. The price or rate charged to FMS purchasers of DWCF activities for defense articles and services must be adjusted to include an amount for unfunded civilian retirement and post-retirement health benefits costs. Amounts collected for unfunded civilian retirement and post-retirement health benefits costs must not be retained by DWCF activities; rather, such amounts must be deposited into the Miscellaneous Receipts Account 3041. To determine the adjustment to the price or rate for unfunded civilian retirement and post-retirement health benefits costs, the civilian salary costs (not including benefits or overtime costs) that are included in the price or rate, must be multiplied by the unfunded civilian retirement and post-retirement health benefits costs rate. The DoD reimbursable rates can be found on the ***OUSD(C) reimbursable rates*** Web site; to access select the applicable FY, Military Personnel Composite Standard Pay and Reimbursement Rates (Tab K).

0703 CASH SALES OF DEFENSE ARTICLES ISSUED FROM STOCK

070301. General

AECA, Section 21 authorizes the sale of defense articles from stock to eligible foreign governments and international organizations. These sales include all sales of items from DoD inventories, whether delivered from storage or from procurements that were initiated to maintain adequate DoD inventory levels. Procurements specifically for FMS requirements (excluding CLSSAs) may not be considered a sale from stock. Procurements initiated to replace stocks sold from DoD inventories are not FMS new procurements.

070302. Sale of Defense Articles

A. Sale Price of Non-excess Defense Articles. Non-excess defense articles are assets within the approved force acquisition objective and approved force retention stock of all DoD Components. Also included in the non-excess category are articles procured in anticipation of military assistance or sales requirements as a result of CLSSAs, or pursuant to a military assistance or sales order. The selling price must be determined when: (1) the item is dropped from inventory, or (2) the LOA is prepared, if a firm price is determined in accordance with the provisions of paragraph 070303 of this chapter.

B. Sale of Defense Working Capital Fund Articles

1. The selling price of DWCF articles to FMS purchasers must be determined at the time the article is dropped from inventory. The standard price charged to FMS purchasers for DWCF articles must be adjusted to include an amount for unfunded civilian retirement and post-retirement health benefits costs (see paragraph 070206 of this chapter). See Volume 2B, Chapter 9; Volume 11A, Chapter 1; and Volume 11B, Chapter 11 of this Regulation for additional information.

2. If a purchaser returns a reparable DWCF item for repair or replacement, the overhaul service must be priced in accordance with paragraph 070802 of this chapter. The price of the replacement/exchange item would be the exchange price or net price (standard price less credit) basis adjusted for the unfunded retirement and benefits.

3. As an invested participant, a CLSSA purchaser may return a fully serviceable reparable item to the appropriate DWCF activity for credit, when the item is within the activity's approved acquisition objective. The credit will only be issued after the item is received and inspected at the activity. Funds credited may be paid by the DoD disbursing office into the FMS Trust Fund in accordance with the instruction of the foreign purchaser or DSCA.

4. Beginning October 1, 2001, the selling price of petroleum, oil, and lubricants (POL) will be the replacement cost of the POL during the period of the sale plus associated overhead. See Volume 11A, Chapter 1 and Volume 11B, Chapter 11 of this Regulation for additional information on overhead (prior to October 1, 2001, POL was priced at standard (stabilized) prices).

C. Sale of Non-DoD Working Capital Fund (non-DWCF) Articles. The pricing and treatment of reimbursements of non-DWCF articles sold are dependent upon whether the item(s) being sold requires replacement. An illustration of the price computation is at Figure 7-3.

1. Item Not to be Replaced. When an item is sold from the stocks of DoD and is not intended to be replaced, it is considered a free asset. The free asset price is not less than the actual value of the article. The amounts received as payment for free assets from the FMS purchaser must be deposited into the Miscellaneous Receipts of the U.S. Treasury. See Volume 3, Chapter 15 of this Regulation for additional information.

a. When a determination is made that the item will not be replaced, the price of the item must be the most recent actual procurement cost of the series and model being sold, plus the cost of any modifications or improvements incorporated after production and the applicable NC recoupment charge. Reductions to the sale price may be made when there is an actual difference in utility or desirability among units of issue of an item due to age or condition. The cost of the last major overhaul or outfitting accomplished before the sale date is added to the calculated price and is not reduced for age or condition. The overhaul costs will be prorated over the interval between the last actual overhaul and the next scheduled overhaul. If a future overhaul is not scheduled, the cost of the previous overhaul will be prorated over the normal average interval between overhauls. If an overhaul schedule is not available, the most appropriate time span for that series and model should be used. In the case where actual costs are not available for the last overhaul, a reasonable estimate from the facility normally performing overhauls for the type of item to be sold may be used. In the case where a maintenance schedule has not been established, a period of at least five years should be used. An illustration of price computation is at Figure 7-4. A request for waiver of the overhaul cost may be submitted to OUSD(C) in accordance with section 0717 of this chapter.

b. In the case of a naval vessel that is 20 or more years old, and 3,000 tons or less, ***AECA***, Section 21(a)(2) provides that the actual value is not less than the greater of the scrap value or the fair value (including conversion costs) as determined by the Secretary of Defense. An illustration of the price computation is at Figure 7-5.

2. Item to be Replaced. When an item is sold from the stocks of DoD and the item is intended to be replaced, the replacement may be either with an end item which is of identical type, model, and series designation (replacement-in-kind, e.g., sale of a C-130B and a purchase of a C-130B), a later series or modified version of the same basic model being sold (e.g., sale of C-130B and the purchase of a C-130E), or an acceptable substitute item that provides at least the same capability or readiness as the item being sold (e.g., sale of an M-48 tank and purchase of an M-60 tank). In addition, items sold from inventory with a unit cost of less than $5,000 will be treated as replacement-in-kind if an improved model of the same end item being procured performs the same war-fighting capability, and the inventory objective presented to the Congress is not exceeded. Both the sale and "buy back" of a replacement-in-kind item will be executed as part of the reimbursable program. Reimbursement from the sale of items when the replacement item is not identical to the item sold is included in the reimbursable financing, but the "buy back" of the replacement must be shown under the direct

budget program and reprogramming action taken prior to replacement. See Volume 2A, Chapter 1; Volume 3, Chapter 15; and Volume 11A, Chapter 1 of this Regulation for additional guidance on sales from inventory.

a. The price of the item to be replaced must be the best estimated cost of the replacement item available at the time the item is dropped from inventory, plus the nonrecurring recoupment charge of the item being sold, adjusted for the remaining service life of the item being sold. The final bill will utilize the best pricing information available if actual replacement procurement cost is not known. This must be the final cost to the purchaser regardless of the actual cost of final replacement procurement. Inventory managers must realize that this prescribed pricing methodology may not result in a one-for-one replacement. If exact quantities are needed in inventory in order to maintain readiness, the inventory manager must recommend FMS procurement and not approve a shipment out of stock.

b. When it is imperative that stock be replaced through accelerated procurements, and normal pricing policies will not adequately recoup replacement costs, an exception to DoD pricing policies must be requested from the OUSD(C). Section 0717 of this chapter specifies guidance on exception requests. Normally, the exception would be to add a replacement factor or delay final pricing until the contract for replacement items is financially complete.

D. Sale of Ammunition. The selling price of an ammunition item must be the current standard price plus any applicable NC recoupment charge.

070303. Quotation of Firm Prices

A. The DoD Components are authorized to quote firm prices for items to be sold from stock and for in-house services to be furnished, pursuant to ***AECA***, Section 21. Such prices are not subject to further adjustment, provided the purchaser accepts the LOA before the expiration date. A firm price may be quoted only for:

1. An actual or estimated replacement price for a procurement funded end item, including ammunition, or major items to be sold from inventory as authorized in paragraph 070302.C.2 of this chapter, when the price is based on budgetary data or contractor quotation;

2. A price for procurement funded or major item developed under provisions of paragraph 070302.C.1 and paragraph 070304 of this chapter; and

3. Training tuition rates (only for current year). Refer to section 0710 of this chapter for additional information.

B. The reason for quoting firm prices is to minimize difficulties that might arise should prices undergo several revisions due to budgetary decisions made subsequent to country acceptance of LOAs. Firm prices may be quoted only after careful and coordinated

development of such pricing data. LOAs (other than for training) that specify firm pricing must be coordinated, at a minimum, with the OUSD(C), the Offices of the Assistant Secretaries of the Military Departments (Financial Management and Comptroller) and DSCA.

C. All LOAs authorized to be on a firm price basis must include a note that specifies that pricing data presented is firm (except for changes authorized in paragraph 071001.D of this chapter) and will not be changed, provided the country accepts the LOA before its offer expiration date.

070304. Excess Defense Articles

A. Excess defense articles are assets in excess of the approved force acquisition objective and approved force retention stock of all the DoD Components (see paragraph 070302 of this chapter for additional discussion). Excess defense articles must be sold in an "as is" condition. The cost of repairing, rehabilitating, or modifying such articles must be computed in accordance with paragraph 070802 of this chapter. Excess articles may be sold at reduced prices to recognize depreciation for the age and condition of the article. Packing, Crating and Handling (PC&H) and Transportation (PCH&T) is computed on the original acquisition value and not on the reduced price. The level of effort for the PCH&T is not less for an article that is considered excess; therefore, the expenses for the PCH&T do not decrease and must be recovered in total from purchasers. This policy applies regardless if the article is financed from procurement appropriations or DWCF. An illustration of the price computation is at Figure 7-6. The selling price of excess articles, exclusive of repair or modification costs, must be the highest of:

1. Its market value for which the applicable NC recoupment charge must be assumed to be included (market value is the price at which bona fide sales have been consummated for products of like kind, quality, and quantity);

2. Its scrap value plus NC recoupment charge and the last major overhaul costs incurred (scrap value is the amount that would be expected to be obtained from selling the asset at the end of its useful life); or

3. Its fair value, plus NC recoupment charge and prorated major overhaul costs (fair value is the price for which an item can be bought or sold in an arm's length transaction between unrelated parties). The fair value is computed using the fair value rates associated with the Federal Condition Code of the asset multiplied by the established inventory price. See Table 7-2 and the Defense Logistics Agency ***Federal Condition Code reference*** for more information. If the IA proposes the price of materiel to be less than the 5 percent minimum threshold indicated in Table 7-2 of this chapter or to waive the overhaul costs, a detailed justification must be sent to the DSCA Directorate for Business Operations (DBO) in accordance with section 0717 of this chapter. If DSCA endorses the IA proposal, it will forward that package to OUSD(C) for final approval.

B. The overhaul costs will be prorated over the interval between the most recent prior overhaul and the next scheduled overhaul. If a future overhaul is not scheduled, the

cost of the last overhaul will be prorated over the normal average interval between overhauls. In the case where actual costs are not available for the last overhaul, a reasonable estimate from the facility normally performing overhauls for the type of item to be sold may be used. In the case where a maintenance schedule has not been established, a period of at least five years should be used. An example of computing these costs is illustrated at Figure 7-4 of this chapter.

C. When accountability for excess items has been transferred to "Property Disposal," the provisions of the Defense Materiel Disposition Manual, ***DoD 4160.21-M*****,** Chapter 3 must apply. This manual provides specific guidance for the disposition of amounts realized from the sale of such equipment. Defense Reutilization and Marketing Service will calculate PC&H based on the fair value of assets sold or transferred, notwithstanding paragraph 070501.D of this chapter.

D. A request for exception to established pricing policy of excess materiel for FMS will be submitted in accordance with section 0717 of this chapter and must address the following:

1. Whether the item has been screened for potential sale to purchasers and whether there is any existing purchaser interest at the price determined in accordance with the established pricing policy;

2. Whether the alternative proposed price is equal to or greater than the scrap value plus the established recoupment charge for DoD NC;

3. Whether demilitarization costs will be incurred by DoD if the item is sold and, if so, the estimated amount of such demilitarization costs;

4. What the price to repair the item would be and its percentage of the original acquisition cost of the item; and

5. Whether the proposed sale has any other economic or political benefit to DoD and/or USG.

*****070305. Charges for Nonrecurring Costs

A. Non-USG purchasers must pay a fair price, determined in accordance with ***Title 32, Code of Federal Regulation (CFR), Part 165***, "Recoupment of Nonrecurring Costs (NCs) on Sales of U.S. Items" for the value of DoD nonrecurring investment in the development and production of MDE, as required by law, unless an NC recoupment charge waiver has been approved by the Director, DSCA. For FMS, an NC recoupment charge is applicable to all MDE. MDE is any item of Significant Military Equipment (SME) listed on the U.S. Munitions List having a DoD nonrecurring RDT&E cost accumulation of $50 million or a total DoD production cost of more than $200 million. A listing of MDE with associated NC charges can be found in the ***SAMM, Appendix 1***. The NC recoupment charge is not applicable to BPC cases.

B. A cost pool methodology is used to determine the pro rata share of NC to be recouped. The NC recoupment charge computation (nonrecurring RDT&E and nonrecurring production cost pools divided by estimated benefiting units) is submitted to the Director, DSCA, for approval. The NC recoupment computation must be supported with an MDE calculation worksheet, illustrated in Figures 7-7, 7-8, and 7-9. The Director, DSCA, will review each DoD Component's calculations and publish the approved charge in the ***SAMM, Appendix 1***.

C. Each DoD Component must establish a system to accumulate cost pools, recognize when a cost pool meets recoupment thresholds, and calculate an NC recoupment charge for items releasable to foreign countries and international organizations when FMS sales are anticipated. The NC recoupment charge must be based upon information recorded in DoD accounting records or DoD budget justification documents. If adequate documentation is unavailable, the DoD Component will calculate the pro rata NC at five percent of the last known DoD acquisition cost.

D. The nonrecurring RDT&E cost pool includes costs funded by RDT&E appropriations to develop or improve the product or technology under consideration. The costs to be included in the nonrecurring RDT&E investment cost pool must be determined on the budget and accounting classifications established for RDT&E appropriations in Volume 2B of this Regulation. Volume 2B, Chapter 5, paragraph 050201 of this Regulation establishes the following R&D categories:

1. Budget Activity 1, Basic Research 6.1, includes all efforts of scientific study and experimentation directed toward increasing knowledge and understanding in those fields of the physical, engineering, environmental, and life sciences related to long term national security needs. It provides the basis for technological progress. Further, it may lead to (a) subsequent exploratory and advanced development in DoD-related technologies, and (b) new and improved military functional capabilities in areas such as communications, detection, tracking, surveillance, propulsion, mobility, guidance and control, navigation, energy conversion, materials and structures, and personnel support.

2. Budget Activity 2, Applied Research 6.2, includes all efforts directed toward the solution of specific military problems, short of major development projects. This type of effort may vary from fairly fundamental applied research to quite sophisticated breadboard hardware, study, programming, and planning efforts. It would thus include studies, investigations, and non-system specific technology efforts. The dominant characteristic of this category of effort is that it is pointed toward general military needs with a view toward developing and evaluating the feasibility and practicability of proposed solutions and determining their parameters. Program control of the Applied Research program element is exercised normally at a general level of effort.

3. Budget Activity 3, Advanced Technology Development (ATD) 6.3, includes all efforts for the development of subsystems and components, and efforts to integrate subsystems and components into system prototypes for field experiments and/or tests in a simulated environment. The prime result of this type of effort is proof of technological feasibility and assessment of a subsystem and component operability and producibility, rather

than the development of hardware for service use. Projects in this category have a direct relevance to identified military needs.

4. Budget Activity 4, Advanced Component Development and Prototypes 6.4, includes system specific efforts that help expedite technology transition from the laboratory to operational use. Emphasis is on proving component and subsystem maturity prior to integration in major and complex systems and may involve risk reduction initiatives. Program control is exercised at the program and project level.

5. Budget Activity 5, System Development, and Demonstration 6.5, are characterized by major line item projects and program control is exercised by review of individual programs and projects. Prototype performance is near or at planned operational system levels. Characteristics involve mature system development, integration, demonstration, conducting live fire test and evaluation, and initial operational test and evaluation of production representative articles.

6. Budget Activity 6, RDT&E Management Support 6.6, includes research and development, test and evaluation efforts and funds to sustain and/or modernize the installations or operations required for general R&D use. Included would be test ranges and maintenance of test aircraft and ships, and studies and analyses in support of the RDT&E program. Cost of laboratory personnel, either in-house or contract-operated, would be assigned to appropriate projects or as a line item in the Basic Research, Applied Research, or ATD program areas, as appropriate. Military construction costs directly related to a major development program are included.

7. Budget Activity 7, Operational System Development 6.7, includes development efforts to upgrade systems that have been fielded or have received approval for full rate production funding in the current or subsequent FY. All items in this area are major line item projects that appear as RDT&E Costs of Weapon System Elements in other programs. Program control must be exercised by reviewing projects individually.

8. The costs incurred for nonrecurring RDT&E in the first two budget activities (6.1 and 6.2) may not be included in the nonrecurring RDT&E cost pool. The advanced development (6.3) budget activity classification is sometimes further broken down into budget activities 6.3A and 6.3B. Although both types of effort are a "proof-of-design" concept rather than the development of hardware for service use, the budget activity 6.3A classification is tied strictly to research efforts that involve the production of breadboards or brass boards to model all or part of a design. The budget activity 6.3B classification may be applied to projects to produce a prototype, which although not suitable for fielding, is closer to representation of an end item for military application. Therefore, costs incurred for nonrecurring R&D in classification 6.3A may not be included in the nonrecurring RDT&E cost pool. However, costs in classification 6.3B and the remaining R&D classifications are subject to recoupment and must be included in the nonrecurring R&D cost pools upon which the pro rata charge is calculated.

E. All applicable NC efforts, including in-house or multiple contractors must be included in the nonrecurring RDT&E cost pool. In other words, the source of the NC effort

to develop a product is not relevant to the calculation of the NC recoupment charge. The costs of improvement programs that are designed to continuously improve the safety, reliability, availability, and maintainability of an end item or major component over the projected life of the item will be shared equitably by all users of the item. Normally, each user will pay a share of the total annual cost through a Component Improvement Program (CIP) or comparable program. All users are expected to participate in such a program. The cost sharing calculation will be established at the time the nonrecurring RDT&E cost pool is established and the NC recoupment charge is approved. First, the total life of the item will be projected, and then the point in time when half of all projected deliveries to non-DoD purchasers will occur will be estimated. Using actual cost data and data from historical files for similar CIP or comparable programs, the total U.S. investment costs over the life of the program will be estimated. The amount of U.S. investment projected to be incurred up to the previously determined point of half of the deliveries to non-DoD purchasers will be included in the weapon system nonrecurring RDT&E cost pool. The annual cost of operating the CIP or comparable program will be shared in proportion to the number of items in the possession of each user. This will ensure that the remaining costs of operating the CIP or comparable program will be shared equally by all users of the item.

F. The costs to be included in the nonrecurring production cost pool are those financed by, or to be financed in the future by, procurement or operations and maintenance appropriations that benefit current and future production runs. ***Title 32 CFR 165*** stipulates that the pool must capture such costs as preproduction, special tooling, special testing equipment, production engineering, product improvement, destructive testing and product model production, and testing and evaluation. Other costs may be included if they benefit both current and future production runs. Descriptions of the major categories of costs to be accumulated in this NC pool are as follows:

1. Preproduction cost refers to the cost of such activities as tooling manufacture and tryout (i.e., jigs, dies, and fixtures) and the implementation of layout plans. A lump sum payment for license cost is part of the preproduction cost. See paragraph 070305.F.8 of this chapter.

2. Special tooling cost refers to the costs of all jigs, dies, fixtures, molds, patterns, taps, gauges, other equipment and manufacturing aids, and replacement thereof, that are of such a specialized nature that substantial modifications or alteration of their use is limited to the development of production of particular supplies or parts, or the performance of particular services. The term includes all components of such items, but does not include: (a) material; (b) special testing equipment; or (c) building and non-serviceable structures (except foundations and similar improvements necessary for the installation of special tooling), general or special machine tools, or similar capital items.

3. Special test equipment cost refers to the cost funded by procurement appropriations for either single or multipurpose integrated test units engineered, designed, fabricated, or modified to accomplish special purpose testing in the performance of the contract. Such testing units comprise electrical, electronic, hydraulic, pneumatic, mechanical, or other items or assemblies of equipment that are mechanically, electrically, or

electronically interconnected so as to become a new functional entity, causing the individual item or items to become interdependent and essential in the performance of special test equipment procured with RDT&E appropriations.

4. Developmental production engineering cost includes the cost of product design improvement intended to enhance producibility of an item; and examination of available manufacturing processes to determine the need for new techniques (and their development, if necessary); the optimum marshalling of resources for efficient manufacturing (such as optimum lot size, scheduling, production control, production line design and balancing and plant layout); and tool design and detailed manufacturing planning. Although a continuing activity, most of this effort is rightfully considered a nonrecurring production cost.

5. Product improvement is subdivided into six distinct types of effort: (a) safety; (b) cost reduction; (c) reliability, availability, and maintainability; (d) deficiency corrections; (e) compatibility standardization, and simplification; and (f) new or improved operational capability. Categories (a) through (e) are to be included in the end item nonrecurring production cost pool, even though a participating product improvement program has been established that prorates the annual cost of the program based upon worldwide asset position (both U.S. and foreign-owned end items). The DoD cost of category (f) must be recovered as part of the selling price of a new model item, if the item is MDE. Product improvement programs may be accomplished by contractors as an engineering change proposal, modification work order, or an in-house project.

6. Destructive testing is a technique for performing tests on a component, assembly, or an end item. It involves the testing of an article beyond its design limits (and ultimately its destruction), or the actual consumption of the article to determine if it is performing to design specifications.

7. Pilot model testing includes the following efforts:

a. Qualification testing is very severe testing to determine if a product will do what it is designed to do. It usually involves the testing of a product to the limits of its performance. It is often destructive and the test articles are not intended to be used operationally in the future.

b. First article testing is performed to evaluate a new manufacturer's ability to produce a specified design (could be the new manufacturer's design or that of another manufacturer). It is normally more stringent and costly than routine acceptance testing, but less stringent and costly (and less destructive) than qualification testing.

8. License cost refers to the cost of the license DoD obtains to allow competitive awards for production of an item when its design is owned by a contractor. In effect, DoD buys the rights to allow other contractors to produce an item for DoD purposes through the payment of royalties or a lump sum fee. These royalties are customarily on a per item basis and should be charged as recurring production costs. The lump sum fee is a nonrecurring production cost.

G. In computing NC pools for items to be sold under FMS, NC of major components that are restricted to USG use must not be included. For example, the costs of nuclear devices and features, countermeasure devices and features, security devices (black boxes), carrier-peculiar adaptations, and special fuel tank devices must be excluded. Estimates may be used if accounting records do not identify associated costs.

H. Benefiting units is the number of items that must be included in all known or projected DoD production quantities and must be determined as follows:

1. The production quantities of end items required by DoD must be obtained from either Selected Acquisition Reports or the Future Years Defense Program Procurement Annex.

2. The production quantities of end items to be procured for foreign countries or international organizations under SA programs must be obtained from DoD Component SA plans.

3. If end item data is not available from any of these sources, then the developing command must estimate the total number of end items to be produced.

4. The production quantities of systems components that meet the investment threshold must be derived from the number of end items to be produced. For example, if 100 aircraft must be produced (assume one engine for each aircraft) and spare part support requires 150 engines, the production quantity of engines is 250.

I. In the event of a disagreement on the production quantity and sales projections, the Director, DSCA, must make the final determination in coordination with OUSD(C) and OUSD(AT&L), of the production estimates to be used for determining the NC recoupment charge.

J. The approved pro rata charge must be recouped unless a waiver is authorized. When NC recoupment is applicable, the price on an LOA must include the specific recoupment charge. In instances where the initial rate has not yet been approved, DoD Components must provide for an estimated rate based on the most accurate information available to the DoD Component. The LOA must be modified to specify the subsequently approved rate and only that approved rate is to be billed. When a recoupment charge is revised, the previous value is retained in the ***SAMM, Appendix 1***. Subsequent revisions to the pro rata charge must be applied to new LOAs and must not be retroactive. An exception to this rule of application is not authorized.

K. When the price is reduced because of age, condition, or supply status (excess), the same percentage reduction must be made to the pro rata share of NC.

L. ***Title 32 CFR 165*** requires a biennial review of approved MDE charges to determine if there has been a significant change in factors or assumptions used to compute the currently approved recoupment for a model. A significant change occurs when: (1) a new

calculation shows a change of 30 percent of the current system NC charge for an MDE item, (2) the NC unit charge increases or decreases by $50,000 or more, or (3) where the potential for a $5 million change in recoupment exists. A revision to the NC recoupment for MDE will not be applied retroactively to signed LOAs. Rather, the new charge applies to all sales following the date of approval. An exception to this rule of application is not authorized.

M. When a model change occurs, the NC recoupment charge must be recalculated. That portion of the NC that benefits only one model must be allocated only to that model. That portion of the NC that benefits old and new models must be prorated between cost pools related to the old and new model items. Commonality between old and new models may be determined either on the basis of the ratio of old model parts in the new item or on some other common acceptable basis for allocation of costs between the models (e.g., engineering analysis or technology analysis, as appropriate). Sample calculations are illustrated in Figures 7-8 and 7-9.

N. While a change may be submitted at any time by a DoD Component, it is mandatory that a modification to the NC recoupment charge be submitted when a significant change occurs.

O. NC Recoupment Collections must be reported.

1. Funds collected for NC recoupment charges must be disposed of in accordance with paragraph 070105.

2. DoD Components must provide a quarterly report on the status of NC collections. The report must be forwarded to the Director, DSCA DBO, within 45 days following the close of each fiscal quarter. The DoD components must maintain records of anticipated and actual NC collections.

P. As discussed in 070104.C.1 the ***AECA*** provides for waivers of NC costs.

1. The Director, DSCA, has been delegated the authority to waive NC costs on FMS sales (see paragraph 070104.C of this chapter). DSCA must issue, in writing, any approvals granted for waivers of the NC recoupment charge that otherwise would be collected under FMS. DSCA must forward a notification of each approved waiver to the applicable DoD Component.

2. The decision on any waiver requires the concurrence of OUSD(C) and OUSD(AT&L). If an issue concerning the waiver request cannot be resolved, the Director, DSCA, must submit an official waiver request to the Deputy Secretary of Defense for final determination. That request to the Deputy Secretary of Defense must be coordinated with OUSD(C) and OUSD(AT&L).

Q. Articles delivered after November 30, 1989, under FMS cases fully financed with MAP Merger funds and/or non-repayable FMF funds, must be priced to exclude the NC recoupment charge, in accordance with ***AECA***, Section 21(e)(1)(B).

R. The established NC recoupment charge must be included in the FMS unit price.

S. The Director, Defense Contract Audit Agency (DCAA), must ensure that any evaluation of a contractor accounting system includes an analysis of the internal controls established to ensure compliance with the requirement to pay NC recoupment charges for sales made prior to October 7, 1992. If DCAA audit work (e.g., on a bid proposal or claim for incurred costs) discloses contractor noncompliance with the requirement to pay an NC recoupment charge, an audit report must be issued promptly to the cognizant DoD contracting officer, with a copy of the report submitted to OUSD(C), DFAS SCA and DSCA DBO.

T. ***32 CFR 165.6(d)*** includes "Special" RDT&E and Nonrecurring Production Costs requirements.

1. 32 CFR 165.6(d) requires the purchaser to pay for "special" RDT&E and nonrecurring production costs that are incurred for the benefit of a particular FMS purchaser. Documentation must be maintained to show that the FMS purchaser requested the feature for its own benefit.

2. 32 CFR 165.6(d) also stipulates that the USG must not be charged a recoupment charge for "special" RDT&E and nonrecurring production costs even if the USG also adopts those features for its own use, or provides equipment with such features under a U.S. grant, aid, or similar program. This provision applies without regard to whether the adoption of such features by DoD occurs before, during or after full development of the feature. For purposes of this paragraph, a “special” feature or unique requirement includes, but is not limited to, features that DoD initially may not have adopted or purchased due to the non-availability of funds, lack of authorization from the Congress, or lack of an approved DoD requirement, but subsequently adopts or purchases when otherwise authorized.

3. 32 CFR 165.6(d) also permits the recoupment of "special" RDT&E and nonrecurring production costs incurred by FMS purchasers or participants of a coproduction, co-development, and cooperative development, or cooperative production programs, only if such "special" costs exceed $50 million for each FMS purchaser or cooperative participant. The "special" recoupment charge is determined by the DoD Component as a result of the distribution of the total costs divided by the total production, which is the same methodology used for determining the DoD NC recoupment charge. The reimbursements may be collected by the Department from other purchasers or participants on behalf of the purchaser or cooperative participant incurring the "special" costs. The reimbursements must not be collected after 10 years from the date the "special" recoupment charge is established.

070306. Returns

In accordance with ***AECA***, Section 21(m), returns may be accepted if the defense article (a) previously was supplied under the AECA, (b) is not SME, and (c) is in fully functioning condition without need of repair or rehabilitation. DoD must have a funded requirement,

including FMS requirements, for the defense article. The purchaser must not be reimbursed directly; rather the purchaser's FMS Trust Fund account must be credited to reflect the transaction, using DoD appropriations or other purchaser funds, dependent on the buyer.

0704 CASH SALES OF DEFENSE ARTICLES AND SERVICES FROM NEW PROCUREMENT FOR DIRECT DELIVERY AND PARTICIPATION IN NEW PRODUCTION

070401. General

Defense articles procured for cash sales to an eligible foreign government or international agency, pursuant to AECA, Section 22, for direct delivery must be priced to recover the full contract cost to DoD, including DoD recurring contract support costs and applicable DoD surcharges. Costs may be revised for increases in labor and materials, or for other changes in production and procurement costs. The purchaser is obligated to pay any damages or costs that may accrue from the purchaser's cancellation of the contract (termination liability). Applicable surcharges must be added to the contract cost and included in billings for incurred costs. An illustration of the price computation is at Figure 7-10.

070402. Items to be Replaced by Later Production (Diversions)

Sale of items from new production and procurement, when such items are diverted from Military Department delivery schedules to be replaced by later production, must be priced at the current production cost or the replacement production cost, whichever is higher.

070403. Cost Principles

A. In general, DoD articles must be priced based on the same cost principles used in pricing DoD contracts covering items for DoD use. Recognition must be given to other reasonable, allowable, and allocable contractor costs and risks as permitted in the Federal Acquisition Regulation ***(FAR)*** and ***Defense Federal Acquisition Regulation Supplement***, unless the purchase is wholly funded through non-repayable FMF credits.

B. When insufficient funds are available in the FMS Trust Fund account of a foreign government to meet current cash requirements, DSCA must initiate, through the responsible DoD Component contracting officer, appropriate contractual actions that will balance current cash requirements with available funds, unless the provisions of AECA, Section 22(b) are involved. Special attention is directed to Chapter 5, section 0502 of this volume. This condition should not occur without notification to the FMS purchaser.

070404. Recovery of Nonrecurring RDT&E and Nonrecurring Production Costs

The price must include recovery of nonrecurring RDT&E costs, and nonrecurring production costs as specified in ***32 CFR 165***. Paragraph 070305 of this chapter contains further discussion of these costs.

070405. Recovery of Contract Administration Services Costs Incurred in Support of New Procurements for FMS

A. General. DFAS SCA recovers the cost of Contract Administration Services (CAS) by applying a percentage surcharge to the delivery transactions reflecting disbursements to contractors for FMS procurements on which applicable CAS have not been waived. This surcharge is subject to waiver in whole or in part under ***AECA***, Section 21(h), see paragraph 070104.C of this chapter. A listing of waived programs is included in the ***SAMM, Chapter 9***. CAS waivers apply only to those cost elements approved for the entire LOA, not only to a specific line/sub-line. CAS waivers are case-based and apply to new cases implemented on or after the waiver date. They are not retroactive nor applied to amendments on cases implemented prior to the waiver. The surcharge amounts collected are deposited to an account maintained by DFAS SCA and used to reimburse the DoD Components for CAS performed. The waived CAS element must be charged to DoD appropriations. DFAS and DSCA must reject billings to the FMS Trust Fund CAS Surcharge Account for charges that were waived.

B. Prescribed CAS Surcharge. The following surcharges are prescribed for DFAS SCA application to disbursement with reimbursable codes, specific delivery source codes, and price code "N":

FMS CAS Component	For LOAs Implemented Before October 1, 2002	For LOAs Implemented After October 1, 2002
Contract Administration/Management	.50%	.65%
Quality Assurance and Inspection	.50%	.65%
Contract Audit	.50%	.20%
Subtotal, continental United States (CONUS) FMS CAS	**1.50%**	**1.50%**
Outside the CONUS (OCONUS)	Previously included above	.20%
Total, CONUS + OCONUS FMS CAS	**1.50%**	**1.70%**

070406. Recovery of CAS Costs Incurred in Support of Foreign Country Commercial Contracts

DoD support of commercial contracts awarded by foreign countries and international organizations represents an FMS sale of services. The Defense Contract Management Agency is responsible for performing this function. The hours expended in support of these commercial contracts must be accumulated and billed at an FMS contract administrative hourly labor rate published each FY by OUSD(C). These rates can be found at the ***OUSD(C) reimbursable rates*** Web site; to access select the applicable FY, Contract Administration (Tab E).

070407. Recovery of Costs for Government-Furnished Materiel

A. All Government-Furnished Materiel (GFM) supplied from inventory must be billed to the FMS case as "work in process" when the GFM is shipped from a depot to a

contractor (refer to Chapter 8 of this volume). The billing price must be the same as a direct sale to an FMS purchaser, plus applicable accessorial costs.

B. All GFM supplied from another contractor must be billed to the FMS case as "work in process" when payments are made to the contractor supplying the GFM. GFM should be shipped via a collect commercial bill of lading or prepaid by the supplying contractor. Contracts with contractors supplying GFM should directly cite the FMS Trust Fund as the financing source to the maximum extent possible.

C. When precious metals recovered under the precious metals recovery program are provided as GFM to a contractor, the materiel must be valued at the market price on the date it is supplied to the contractor. Market price must be determined from any authoritative publication, such as *The Wall Street Journal.*

070408. Recovery of Other DoD-Funded Services in Support of FMS Procurements

A. The cost of DoD-provided or DoD-funded engineering services that are required to solve problems encountered during a production run must be allocated to FMS purchasers based upon the number of their items that are in the production run.

B. If components are procured for an FMS purchaser and assembled by DoD personnel, assembly labor costs must be assessed in accordance with section 0702 of this chapter.

C. If a contractor is designated as the source of supply for nonstandard items to be procured for FMS purchasers, the contract price for the applicable items will normally include the additional cost(s) incurred to research and procure the nonstandard items. Any reasonable method of allocating these additional costs is acceptable. The test of the reasonableness of the contractor's costing allocation would be acceptance of the method by DCAA.

070409. Special Considerations

The cost of deviations from USG configuration and special technical data desired by a foreign government must be included as a charge to that foreign government.

070410. Production by a Foreign Government

When a portion of the production quantity is to be produced by the purchasing foreign government, costs must be computed separately in accordance with cost methods established by the foreign government and accepted by the USG.

070411. Recoupment of Interest Penalties Due to Prompt Payment.

The FMS Trust Fund must pay or reimburse any prompt payment interest penalty

payments that are incurred (***Title 5 CFR 1315***, "Prompt Payment.") Vouchers for interest penalties incurred on FMS procurements must cite the same line of accounting supplied by DFAS SCA prior to the beginning of each FY. If, at the time of occurrence, the appropriate fund cite is unknown, contact DFAS SCA. DFAS SCA has assigned a unique accountable station number for each Military Department for the purposes of accounting for prompt payment interest penalty reporting.

A. Within 30 days after the end of each quarter, each assigned DFAS SCA accountable station must submit the FMS Prompt Payment Act Report to DSCA. This report contains three sections reflecting the interest penalties paid by number of transactions, the dollar amount, and a reason code.

B. Each assigned DFAS SCA accountable station must submit an FY end-of-year report annually. Since the fourth quarter report is an aggregate of the entire FY, the quarterly report must also serve as the annual requirement. This report is due to DSCA 45 days after the end of the FY.

070412. Contract Review

The DoD Components will make every effort to obtain the final price for contract supplied items within 180 days of reported delivery. However, the use of estimated price codes is approved for reporting the deliveries of major end items if an actual price code is not available within 30 days after date of shipment. Moreover, the use of estimated price codes is mandatory for reporting the deliveries of major end items if an actual price code is not available within 90 days after date of shipment.

0705 ACCESSORIAL COSTS

070501. General

Accessorial costs represent certain expenses incident to issues, sales, and transfers of materiel that may or may not be included in the standard price or contract cost of materiel. A description of the various types of accessorial costs that may be applicable to FMS shipments follows:

A. Packing, Crating, and Handling (PC&H) Costs. PC&H costs incurred at DoD facilities for labor, materials, or services in removing requisitioned articles from storage locations, preparing them for shipment from the storage or distribution points, and processing necessary materiel release confirmation documents. The costs are incurred on all articles sold from stock to FMS purchasers. Effective October 1, 1990, PC&H costs are included in the prices of DWCF item deliveries.

B. Transportation Costs. Transportation costs include DoD-supplied or DoD-financed transportation (land, air, inland and coastwise waterways) within and outside the U.S., and overseas transportation by vessel or air. This includes parcel post via surface or air.

Effective October 1, 1990, inland CONUS transportation costs are included in the price of items funded by DWCF.

C. Port Loading and Unloading Costs. Port loading and unloading costs include DoD-supplied or DoD-financed labor, materials, or services for loading, unloading, and handling at ports of embarkation or debarkation.

D. Special Instructions for Accessorial Charges for Excess Priced Goods. PC&H and Transportation are computed on the original acquisition value, not the reduced price. Compute the accessorial charges on the original acquisition cost of the goods if the price of the goods has been reduced in accordance with paragraph 070304 of this chapter. Exceptions to this are in paragraph 070304.C of this chapter.

070502. Packing, Crating, and Handling

A. Packing, Crating, and Handling (PC&H) costs will be included in the selling price of materiel sold from DoD inventories to recover the cost described in paragraph 070501.A of this chapter, except for DWCF items delivered after October 1, 1990. Additionally, PC&H will not be assessed on articles shipped directly from the manufacturer since no in-house DoD labor, material, or services are involved. The use of actual costs, when known, is highly encouraged. If actual costs are not available or are not cost effective to obtain, a surcharge rate can be used. Prescribed PC&H rates are:

1. A PC&H rate of 3.5 percent will be added to the selling price of materiel with a unit price of $50,000 or less.

2. An additional charge will be added equal to 1 percent of that portion of the selling price of materiel over $50,000.

3. Examples of PC&H price computations follow:

a. Item with a unit price of $8,500:

$8,500 @ 3.5% = $297.50 PC&H charge

b. Item with a unit price of $62,000:

$50,000.00	@ 3.5% =	$1,750.00
$12,000.00	@ 1.0% =	$ 120.00
$62,000.00		$1,870.00

B. The PC&H charge for service/maintenance cases is applied to the acquisition cost of the item(s) sold or serviced, not the cost of the service. The rate(s) in paragraphs 070502.A.1 and 070502.A.2 of this chapter apply.

C. For excess items, PC&H is computed on the original acquisition value and not the excess reduced value, except as provided for in paragraph 070304.C of this chapter. The use of actual costs, when known, is highly encouraged.

D. For pricing blanket order lines on LOAs, use 3.5 percent on the line value since the unit price is unknown.

070503. Transportation

The transportation of FMS materiel must be on collect commercial bills of lading, except for DWCF materiel. When transportation is accomplished through a GBL, it must be annotated to show that normal commercial rates are billed to the USG for the shipment. Section 10721 of the Interstate Commerce Act of 1887 is not applicable to FMS shipments, including items shipped from the DWCF.

A. DWCF standard pricing includes transportation costs within CONUS. If the first destination transportation is accomplished through GBLs, it must contain the DWCF fund cite. Shipping activities must clearly identify materiel as DWCF or non-DWCF to ensure the appropriate fund cite is issued for inland CONUS transportation.

B. The DoD Components must apply rates contained in the SAMM, ***Appendix 2***. The transportation cost look-up table is used to estimate the actual transportation cost for an item normally shipped in the DoD Transportation System (e.g., sensitive/hazardous end items) when costs using standard transportation percentages are significantly different from actual charges. See the SAMM, Appendix 2, for procedures to develop the cost and current rates.

C. Price transportation on LOAs as follows:

1. Above-the-Line Transportation Services. When FMS customers use the Defense Transportation System, an estimated amount is placed above-the-line to pay for transportation services that are not appropriate to be funded with below-the-line estimates. Examples of these transportation services include premium transportation such as Special Assignment Airlift Mission flights, securing a vessel for a one time only shipment, staging cost for consolidating shipments, Radio-Frequency Identification tagging and tracking devices, special security (guards hired to escort the shipment), and other unique requirements.

2. Below-the-Line Transportation Services. When FMS customers use the Defense Transportation System, a Delivery Term Code (DTC) percentage is applied to the line to compute an estimated amount for these costs on the LOA. DTC percentages are based on the mode of transportation provided (e.g., port-to-port, depot-to-in-country destination) and the rate area where articles are being delivered.

D. For excess items, transportation is computed on the original acquisition value and not the excess reduced value, except as provided in paragraph 070304.C of this chapter. The use of actual costs, when known, is highly encouraged.

070504. Staging

Costs for the staging of materiel in CONUS DoD (non-DWCF owned/operated) facilities are additional to Defense Transportation System costs, and a 3 percent staging charge is applicable, if DSCA has authorized below-the-line recoupment of staging. DWCF activities must bill actual costs incurred as an above-the-line service. Normally, the actual costs of staging must be recovered as part of an above-the-line service charge. Such charges must not be duplicative of any other accessorial cost. When non-excess materiel is supplied for DoD storage points located OCONUS, the applicable rates must be charged as a prepositioning cost.

0706 FMS ADMINISTRATIVE SURCHARGE

070601. General

An administrative surcharge must be added to all FMS cases (unless waived pursuant to legal authority, see paragraph 070104 of this chapter) to recover DoD expenses described in paragraph 070603 of this chapter. It is applied to the FMS selling price with the exception of program management lines and small case management lines (SCML). See paragraph 070602 of this chapter. Applicable DoD Component costs are recouped in accordance with paragraph 070603 of this chapter. ***SAMM, Chapter 9***, gives further guidance on the current FMS administrative surcharges and how they are applied.

*070602. Prescribed Standard FMS Administrative Surcharge

A. FMS Administrative Surcharge. The applicable FMS administrative surcharge is dependent upon variables associated with the LOA. For cost increases within the scope of the LOA, modifications retain the FMS administrative surcharge rates associated with the lines modified. When an amendment adds a new line to an existing FMS case, the FMS administrative surcharge rate in effect at that time is applied. The following FMS administrative surcharge rates are applicable for LOA standard cases/lines and for the periods shown:

1. Effective November 1, 2012. A uniform 3.5 percent FMS administrative surcharge is effective for all new LOA lines accepted by the purchaser on or after November 1, 2012.

2. August 1, 2006 – October 31, 2012. A uniform 3.8 percent FMS administrative surcharge was used for all new LOA lines accepted by the purchaser during this period. Program Management Lines were no longer applicable to new cases accepted on or after this date. USG services, over or above those covered by the FMS administrative surcharge, were provided on well-defined line items. All cases accepted on or after August 1, 2006, collected a minimum charge to ensure sufficient funds to prepare and implement each case by including SCMLs. The FMS administrative surcharge rate is not applied against the SCML. This application was suspended for cases accepted, implemented, or decreased on or after July 3, 2012. Refer to the ***SAMM, Chapter 9*** for specific information concerning the application of the SCML.

3. June 1, 1999 - July 31, 2006. A uniform 2.5 percent FMS administrative surcharge rate for standard lines and 5 percent for nonstandard lines on LOAs was effective during this period.

4. October 1, 1977 - May 31, 1999. A uniform 3 percent FMS administrative surcharge rate for LOA standard articles/services lines was effective during this period.

5. March 10, 1977 - September 30, 1977. A uniform 2 percent FMS administrative surcharge was effective for LOAs signed by the IA during this period.

6. January 29, 1970 - March 9, 1977. A 2 percent FMS administrative surcharge was applied, unless the supplying Military Department determined that the rate was either insufficient or in excess of actual administrative expenses, for any single FMS case. The use of actual FMS case administrative expenses was authorized.

B. Supply Support Arrangements. An FMS administrative surcharge of 5 percent must be added to the basic sales price of the initial on-hand portion of CLSSA. See paragraph 070708 of this chapter.

C. FMS Orders for Nonstandard Articles and Services. For case lines accepted prior to August 1, 2006, an FMS administrative surcharge of 5 percent must be added to the basic sales price of FMS orders for nonstandard articles and services. However, the standard rate in effect must be applied under the following circumstances:

1. A contractor is designated as the source of supply in lieu of a DoD Component performing additional work for the nonstandard articles and services, or

2. A case/program management line is included in the LOA that specifically recovers costs associated with the tasks performed in support of the sale of nonstandard articles or services.

070603. DoD Component Administrative Expenses

Administrative expense calculations of component FMS program support costs shall include a pro rata share of manpower and contract costs. The personnel portion of actual administrative expenses shall include a pro rata share of those personnel who spend 10 percent or more of their time performing FMS duties. This same measure applies to contractor-provided support for FMS administrative functions. These functions may be indirect (e.g., support across multiple purchasers/cases) or direct (e.g., support to a specific case or program). DoD organizations that provide general administrative support to the FMS program must recoup the full cost (excluding a pro rata share of fixed base operations costs) to provide such support. The DoD Component administrative support costs must not include costs prescribed in this volume as above-the-line costs; nor should the costs include DoD mission costs. See ***SAMM, Chapter 9*** for case related manpower functions and appropriate funding sources.

070604. FMS Administrative Surcharge on Cases Closed at Reduced or No Value

A. For any case that is closed, the USG will retain funds to pay for estimated administrative costs associated with the case, even if no articles or services have been delivered ($0 delivered value). The minimum, nonrefundable amount will be the value when combining the SCML (if applicable) and the FMS administrative surcharge value; one-half of the FMS administrative surcharge estimated on the case; or the standard FMS administrative surcharge percentage of the expended value, whichever is greater. See ***SAMM, Chapter 6***.

B. DSCA DBO may approve reductions to this policy when it can be clearly shown that the actual values of administrative costs on the case are less than these values or if the case is cancelled for the convenience of the USG.

C. Case Managers wishing to request that a case be closed at $0 articles and/or services value, must contact DSCA DBO for approval. The DSCA DBO reply is sent to the Case Manager and DFAS SCA.

D. Cases canceled for the convenience of the USG may not incur an administration cancellation fee, but require the amount of FMS administrative surcharge assessed be approved by DSCA DBO.

E. For cases with an ordered value greater than or equal to $25,000,000, and closing at $0 delivered articles and/or service value, the IA will submit a recommended nonrefundable FMS administrative surcharge amount to DSCA DBO for approval.

070605. Waived FMS Administrative Surcharge

A. General. Normally, the amount of the FMS administrative surcharge that has been waived or reduced for a particular FMS case, pursuant to statute, must be reimbursed to the FMS administrative surcharge account. For such reimbursements, the IA (which is the proponent of the case on which the charge has been waived) must obligate its current available appropriations for the full amount being waived when the case is implemented. DFAS SCA calculates the amount of the earned FMS administrative surcharge on cases with waived administrative surcharge and submits quarterly billings to the appropriate IA.

B. Funds Control. The LOA package for cases with waived FMS administrative surcharge must cite the authority, dollar amount waived and obligating document number in a case note. The IA must include a copy of the certified document committing the funds as part of the LOA coordination package. See Volume 14 of this Regulation for guidance on the administrative control of appropriations.

0707 COOPERATIVE LOGISTICS SUPPLY SUPPORT ARRANGEMENTS

070701. General

DoD Instruction 2010.6, "Materiel Interoperability and Standardization with Allies and Coalition Partners" and the ***SAMM, Chapter 5***, prescribe the policies and criteria for establishing Cooperative Logistics Supply Support Arrangements (CLSSAs). CLSSAs provide for the execution of FMS Orders (FMSOs) covering stock, consumption, and storage. There is no annual inventory maintenance and storage charge for DWCF items for CLSSAs, as the DWCF standard (stabilized) price recoups all costs. Two FMS cases are required for supply support arrangements: a FMSO I case and a FMSO II case. Both cases must be executed in order for FMS requirements to be anticipated and to be satisfied on an equal footing with U.S. requirements.

A. The FMSO I case is subdivided into two parts: Part A represents the on-hand portion of the inventory (normally 5 months) and Part B represents an on-order dependable undertaking (normally a 12-month period). For new FMSO I cases accepted on or after September 20, 2005, the on-hand portion of the inventory list will be 30 percent of the total investment/equity list. For FMSO I cases accepted prior to September 20, 2005, the on-hand portion of the inventory list will remain at 5/17 of the total investment/equity list. Both parts of the FMSO I provide obligational authority equal to its value in the DoD Component activity giving the supply support to the purchaser. Cash paid on acceptance of the FMSO I should equal the Part A on-hand portion of the inventory and administrative surcharge. The cash required to liquidate obligations incurred with suppliers for the on-order portion is the cash paid by the purchaser in connection with the FMSO II case and, in turn, creates a new order received and recreates obligational authority back to the FMSO I. If the amount of progress payments required by the IA varies by more than 10 percent of the Part A value, the DoD Component must either: (1) amend the case to bring the Part A value in line with the DoD Component progress payment requirement, or (2) request additional progress payments to equal the Part A value.

B. The FMSO II case represents the foreign purchaser's anticipated yearly consumption under CLSSA. Cash to cover requisitions is paid in advance of each quarter covered by the case. The cycle of obligation, acquisition, requisition, issuance, and payment can be summarized as follows:

1. FMSO I, Parts A and B, grant the DoD Components obligational authority up to the case amount.

2. The cash provided under FMSO I, Part A, finances the on-hand inventory.

3. Requisitions made by the purchaser are filled from the on-hand inventory.

4. Replenishment of on-hand inventory is made from contracts awarded under obligational authority granted by FMSO I, Part B.

5. Payments to contractors are made from funds provided in accordance with FMSO II terms.

6. Liquidation of obligations by payment to contractors in effect recreates obligational authority granted by FMSO I, Part B, and the cycle commences again.

C. The entire amount of the FMSO I case represents obligational authority. Normally, no cash billings are required against the FMSO I, Part B, unless the CLSSA is either partly or wholly terminated. The FMSO II case provides obligational authority only to the extent purchaser orders are received. Thus, proper working of the FMSO I and II should result in a constant 12 months of obligational authority in the applicable appropriation or fund account, never more or less, after the on-hand inventory of FMSO I, Part A, has been acquired.

D. The cash and obligational authority derived from the FMSO I and FMSO II are to be transferred to the commodity command or supply agency that is expected to provide supply support to the foreign country. This command or supply agency must use such cash and obligational authority to increase stock and on-order quantities in anticipation of requisitions from the country which entered into the CLSSA.

E. In unusual circumstances, it may be determined that the 5-month on-hand and 12-month on-order levels are inappropriate for the particular equipment being supported. In these circumstances, the on-hand and on-order requirements may be adjusted to more realistically reflect DoD on-hand and on-order levels for the items being supported; a renegotiation of the CLSSA may be necessary. The office that developed the CLSSA must retain documentation in support of such determinations.

070702. Purchaser Equity

CLSSAs are written in terms of an absolute dollar amount of support to be provided under the arrangement. A listing of the specific items required to support the weapon system is not developed. Under this "dollar value" concept, the FMS purchaser's equity must remain valued at the cash deposited for the FMSO I. Upon termination, a review must be made of the foreign country’s demand data for specific items. When demand data results in the procurement of stock above the DoD-approved retention levels, the foreign country must be informed that applicable stocks owned by that country must be drawn down or that a settlement agreeable to both parties must be reached.

070703. Pricing

Paragraph 070302.B of this chapter sets forth the pricing requirements.

070704. Storage Costs

There is no annual inventory maintenance and storage charge for DWCF items for CLSSAs, as the DWCF standard (stabilized) price recoups all costs. For non-DWCF items, storage fees must be charged based on the on-hand portion of the FMSO I. The annual storage fee is 1.5 percent. For cases not remaining open a full year, a fee of .125 percent a month must be charged.

070705. Obsolete Materiel

If an item becomes obsolete or excess to the U.S. but not to the foreign government, the U.S. may request the foreign government to withdraw its undelivered quantity of the item. Additional quantities may be offered to the foreign government at fair value prices (see paragraph 070304.A of this chapter). If items become obsolete or excess to the requirements of the foreign government but not to the U.S., the foreign government may request the U.S. to consider cancellation of its order and to apply its equity in the undelivered quantity to subsequent orders for other items. If cancellation is not agreed to, arrangements must be made for the U.S. to dispose of the materiel and credit the net proceeds to the foreign government. If the U.S. has a need for the materiel, credit the stock level for the return of materiel to U.S. stocks in accordance with departmental procedures. If items become obsolete or excess to the requirements of both the U.S. and the foreign government, arrangements must be made for the U.S. to dispose of the materiel and the proportional share of the net proceeds of sale must be credited to the foreign government.

070706. Unusual Inventory Loss

Stock losses due to enemy action, major disaster, or other casualty from a natural phenomenon must be assessed against the foreign government in an amount proportionate to the ratio that the value of its stock case bears to the total value of stocks in storage.

070707. Normal Operating Inventory Loss

The standard prices paid by the foreign government for stock level of DWCF items already include a surcharge for estimated normal operating losses in storage.

070708. Administrative Surcharge

A. A one-time nonrefundable, administrative surcharge of 5 percent must be charged on the on-hand portion (Part A) of the FMSO I case. For amendments that decrease the value of the on-hand portion (Part A), there must be no adjustment made to the administrative surcharge. However, for amendments that increase the value of the on-hand portion (Part A), the

5 percent nonrefundable administrative surcharge must be charged on the total value of the increase. The following is an example of the administrative fee computation:

Document	Revised On-Hand Materiel Value	Increase or (Decrease) to Previous On-Hand Materiel Value	5% Admin Fee Charge on Increase	Admin Fee Accrued Expenditures
Basic LOA	$3,000,000	$3,000,000	$150,000	$150,000
Amend 1	4,000,000	1,000,000	50,000	200,000
Amend 2	2,000,000	(2,000,000)	N/A (Decrease)	200,000
Amend 3	3,000,000	1,000,000	50,000	250,000
Amend 4	5,000,000	2,000,000	100,000	350,000
Amend 5	4,000,000	(1,000,000)	N/A (Decrease)	350,000

B. No administrative surcharge must be charged on the on-order portion (Part B) of the FMSO I case. The current administrative surcharge (see paragraph 070602 of this chapter) must be charged on requisitions processed under FMSO II cases. If a FMSO I agreement is terminated, the current administrative surcharge must be charged for the inventory over and above the on-hand portion of the case. There must be no additional surcharge on the on-hand portion of the case, since the purchaser has made advance payment of the administrative charges applicable to this portion of the case.

0708 STORAGE, REPAIR, OR MODIFICATION OF PURCHASER-OWNED MATERIEL

070801. Storage

Costs applicable to storage of purchaser-owned articles include the functions of receiving, care and preservation, set assembly and related activities, and overhead operations (such as re-warehousing, maintenance of operating equipment, physical inventories, and cleaning areas.) Storage charges are applicable to the non-DWCF on-hand portion of FMSO I cases, to cases on which DoD is ready to deliver applicable items but has been requested by the purchaser to delay delivery, and to cases on which DoD cannot deliver due to legal or policy restrictions. Charges commence 15 days following the date of availability (there is no annual inventory maintenance and storage charge for DWCF items for CLSSAs, as the DWCF standard (stabilized) price recoups all costs). A uniform DoD annual rate of 1.5 percent or .125 percent monthly of the average monthly value of purchaser-owned materiel will be charged to applicable FMS cases to recover an activity's storage cost unless a separate charge is negotiated with the storage facility. A separate line on the LOA(s) should capture the storage-related costs. If this line did not previously exist, it can be added via an LOA modification. An illustration of a billing for storage, other than FMSO, is in Chapter 8 of this volume.

070802. Repair or Modification

When a foreign government requests the repair and/or modification of items from non-DWCF activities, the actual or estimated cost of the work will be priced on a job order basis. An illustration of price computation is at Figure 7-11 of this chapter.

A. Labor costs will be computed in accordance with section 0702 of this chapter.

B. Materials and supplies obtained from the military supply system stocks will be priced in accordance with section 0703 of this chapter.

C. Materials, supplies, or services obtained directly from contractors will be priced in accordance with section 0704 of this chapter.

D. Transportation and related costs incurred in movement of the materials and supplies used during repair and/or modification must be priced in accordance with section 0705 of this chapter. See paragraph 070501.B of this chapter for treatment of DWCF materiel.

E. Indirect labor, material, and contractual services will be priced in accordance with the guidance in this chapter and allocated to job orders.

F. Appropriate incoming and outgoing transportation costs related to FMS equipment or materiel processed by repair or overhaul facilities will be paid by the FMS purchaser. If the repair facility ships the repaired item to the purchaser, then the transportation costs must be included in the FMS selling price.

070803. FMS Administrative Surcharge

The FMS administrative surcharge must be applied to all direct and indirect costs billed in connection with storage, repair, and/or modification.

070804. Special Instructions Applicable to DWCF Activities

DWCF activities must charge approved DoD stabilized rates and prices for defense articles and services in support of FMS cases. Materiel funded by DWCF, including depot level reparables, must be priced at the standard (stabilized) price in effect at the time the item is dropped from inventory or at the net/exchange price, if applicable, for a direct exchange transaction. The standard (stabilized) price or rate charged to FMS purchasers of DWCF activities for defense articles and services must be adjusted to include an amount for unfunded civilian retirement and post-retirement health benefits costs in accordance with paragraph 070206.

0709 COSTS ALLOCABLE FOR JOINTLY USED FACILITIES

070901. General

When specific agreements or arrangements are made for the joint use of USG facilities (e.g., sharing of storage spaces, dedicated training facilities), a pro rata share of the operating cost financed by operating appropriations must be charged to the foreign purchaser.

A. When jointly used storage or office space is involved, the pro rata share of operating costs must be determined on the basis of space assigned to the foreign government versus total space available for assignment.

B. Operating costs must include, but are not necessarily limited to, the cost of maintenance and upkeep of the facilities including access roads, security, communications, utilities, and rent, if the USG must make rental payments under lease agreements.

070902. Joint Use of Satellites

When jointly used satellites are involved, the launch cost must be allocated to each participant based on pre-launch negotiations that consider the expected benefits accruing to each participant. Recurring operating costs must be prorated based on the time each participant actually uses the satellite.

0710 TRAINING OF INTERNATIONAL STUDENTS

071001. General

The legal authorities related to training are in paragraph 070104 of this chapter. Any special requirement for the exclusive use of an international student or international program must be reimbursed in full.

A. Tuition-Based Training. Tuition rates for training must be based on the costs of providing the training. There are several factors that impact the tuition rate for which an international student is eligible. The source of financing is one determinant (e.g., whether a country uses its national funds to purchase training or whether U.S. appropriated funds are used to purchase the training). Other factors include whether a country is a high-income country, whether it has signed a reciprocal training agreement with the U.S., and/or whether the country is concurrently in receipt of IMET. A general guide for pricing training is also addressed in Table 7-3 of this chapter. Detailed instructions to be followed in developing the tuition rates are included in paragraph 071002 of this chapter.

1. Standard Formal Training. Formal training provided to international students may consist of flying training courses, technical training courses, language training, and other training not specifically addressed in paragraph 071001.A.2 of this chapter. Course costs are generally shown as a cost per student or cost per student week.

2. Nonstandard Formal Training. Nonstandard formal training courses follow the same pricing concepts as formal training with the following noted exceptions:

a. Observer Training. International students who audit a course must be charged the same price as enrolled students.

b. Distance Learning or Other Technology Based Training

(1) Material Only. A training course that is provided solely by computer media (e.g., computer disc), satellite video teleconference (VTC) or closed circuit VTC, is non-resident and is being developed solely for the training of international students (one country or a group of cooperating countries), must be priced to fully recoup all costs to the USG including the costs (in-house and contractual) to develop and produce the training, and the costs of the materials (such as a computer disc). See paragraph 071402 of this chapter.

(2) Material and Proctor/On-Line Service. A non-resident training course developed solely for the training of international students (one or more countries) that is provided by computer media (e.g., computer disc), plus on-line services (proctor) to include testing must be priced to recoup all costs (in-house and contractual) to develop and produce the training; the costs of the materials (such as a computer disc); and the actual, or estimated costs of the services. See paragraph 071002 and 071402 of this chapter.

(3) Resident Courses. A resident training course developed solely for the training of international students that is on computer media (e.g., computer disc), plus on-line services (proctor) must be priced to recoup all costs (in-house and contractual) to develop and produce the training; the costs of materials (such as computer disc); the actual, or estimated costs of the services; and the costs for resident training. See paragraph 071002 and 071402 of this chapter.

c. Inter-American Air Forces Academy and Western Hemisphere Institute for Security Cooperation. Training costs associated with courses offered at these schools must exclude the fixed costs of operating and maintaining the schools (e.g., costs that do not vary with student load).

d. Dedicated Training Courses. For purposes of this section, a dedicated training course is a training course developed or provided solely for the training of international students (one or more countries). Note: The indirect and administrative surcharge exclusions for NATO do not apply for dedicated training courses.

3. Recoupment of Nonrecurring Development Costs. International student participation in any of the aforementioned types of courses that have been developed for use by U.S. DoD personnel must not include the recoupment of nonrecurring development costs. The costs of providing unique training material based on U.S. developed course/courseware (e.g., sanitizing, customizing, and country standardization) must be recouped, as well as the costs associated with the provision of any material (e.g., computer discs, tapes, and compact disks (CDs)), packing, transportation, and/or handling. However, since these courses/courseware are not items of SME or MDE, the nonrecurring development costs of the original U.S. courses/courseware must not be included in the price.

B. Non Tuition-Based Training

1. Dedicated Training Programs. Dedicated training programs (e.g., Euro-NATO Joint Jet Pilot Training Program, Euro-NATO Helicopter Pilot Training Program,

PEACE CARVIN, PEACE FENGHUANG) must be priced in accordance with the terms and conditions established via formal agreement between the IA and the recipient country/countries. While each program is different, generally accepted full cost pricing principles (refer to paragraph 071002.D. of this chapter) must be applied taking into consideration appropriate legislative authority and terms of the formal agreement.

2. Training by Security Cooperation Teams (SCTs)/Security Assistance Teams (SATs). When a special course is conducted by an SCT or SAT (e.g., Management Service Team, TAFT, or MTT) away from the normal training institution, the services of the team must be treated as a service and priced in accordance with paragraphs 070202 and 070203 of this chapter. All travel, per diem, and allowances paid to members of the team established to conduct in-country training must be considered incremental costs. Exclude military pay and allowances as well as civilian unfunded retirement from the costs established for teams conducting in-country training fully financed by MAP Merger or FMF, or financed under the IMET program or BPC cases funded with DoD appropriated funds.

3. Training at DWCF Activities. DWCF activities must charge on an actual cost basis. Training pricing at DWCF activities must be based on direct labor hours dedicated to the training, priced at the standard (stabilized) rate, any specific student consumable material costs, plus any applicable military manpower costs incurred. When DWCF civilian personnel conduct training at a location other than the work site, their effort should be priced similarly, less the overhead component.

C. Liability for Damages

1. Training cases that involve the use of U.S. equipment (e.g., aircraft, trucks), but do not include charges for attrition, must include a statement regarding liability for damages. Refer to Chapter 3 of this volume for a discussion on attrition charges. This statement must reflect that the foreign government is liable for any damage to such equipment due to negligence on the part of the student. The cost of replacing equipment that is destroyed as a result of student negligence must be reimbursed in full. See section 0703 of this chapter for instructions on pricing replacement equipment.

2. Claims arising out of combined exercise activities with USG under an LOA with NATO countries must be dealt with under the Agreement between the Parties to the ***North Atlantic Treaty regarding the Status of their Forces***, Article VIII. This also applies to the Parties to the ***Partnership for Peace regarding the Status of their Forces***.

D. Annual Publication of Rates. Tuition rates must be computed annually by the Military Departments and published in the Training Military Articles and Services List. Refer to the ***SAMM, Chapter 13***. Every effort should be made to publish these rates by October 1st of each year. Tuition rates must be those in effect for the year in which the student enters the course or phase of a course. Approved rates must remain constant for the year. Adjustments must be made only to correct significant errors in computation, change in syllabus, or major unanticipated increases or decreases in the cost of such items as POL and salaries. The foreign country must be billed for the actual time the student is in training when it varies from

the scheduled length of the course. Any adjustments must be made as soon as possible, but not later than 90 days after completion of the course.

E. DoD Course Cancellations

1. Dedicated/Contract Training. Once a contract is awarded or a quota is confirmed, a 100 percent charge (cancellation charge) will apply to any country that fails to send a student to the identified training, unless another international student is identified and the quota is filled. Dedicated/contract training will only apply to certain courses. This training will include courses that rely on contract support and courses that are designated for international students only. A list of these courses will be identified by the IAs.

2. All Other Confirmed Training. A 50 percent cancellation charge will apply for all confirmed training cancelled or rescheduled with less than 60 days notification unless training is reallocated and filled by another international student. The cancellation policy will be applied to all confirmed training within the 60-day window. Additionally, the cancellation charge will be applied to all training that falls within and outside the 60-day window if the training is part of a sequential pipeline that a student would attend as part of a complete curriculum.

3. Other Cancellation Charges. The IA will determine all other cancellation charges. Request for waivers to these cancellation charges should be addressed to the IA. The funding status of a training line has no bearing on whether the cancellation charge applies. The cancellation charge will not be applied when the cancellation is due to (1) decisions by the USG, such as deletion or rescheduling of classes; (2) unavoidable circumstances within a country, such as national disaster; or (3) the quota being used by another country.

F. Student Costs. Certain costs associated with support of international students and/or their dependents are considered to be a responsibility of the foreign government and are not included in the tuition rate for a training course(s). Compute and bill these costs as follows:

1. Meals. Students pay the discounted rate for meals in the base dining facility, as food preparation costs are included as part of the course tuition for all international students. The rates are set annually by OUSD(C) and published on the OUSD(C) ***reimbursable rates*** Web site; to access select the applicable FY, Food Service Charges at Appropriated Fund Dining Facilities (Tab G).

2. Medical. Medical care (including outpatient) for students and dependents must be charged in accordance with the procedures identified in SAMM, ***Chapter 10***. If included on the LOA, these costs must be shown as a separate line and billed to the foreign country.

3. Travel. Student travel and related costs must be paid to the commercial carrier, or other service provider, by the foreign country or student. For any U.S. services supplied (e.g., Air Mobility Command transportation), the non-government rate must be

applied and billed to the foreign country or student, as appropriate. The government rate applies for IMET or non-repayable FMF.

4. Lodging

a. Family Housing. International students may occupy DoD student family housing only after a determination has been made that U.S. student requirements are satisfied and must be satisfied for the projected duration of the international student's occupancy. Under these circumstances, the amount to be charged must be, at a minimum, the cost incurred by DoD for the operation and maintenance of family housing units. When international students occupy family housing that is not excess to U.S. military service needs, the amount to be charged must be equal to the cost of housing U.S. military service personnel on the economy.

b. Government Quarters. When international students occupy government quarters, they must be required to pay, at a minimum, the local custodial and nonappropriated fund fees.

071002. Pricing of Tuition Rates

A. General. The pricing of training tuition rates falls under one of two costing schemes – full cost or incremental cost. Within these schemes, costs are segregated into three categories – direct costs, indirect costs, and other billable costs.

1. Full Cost. Full cost is the sum of direct and indirect costs required in the training of students, including the costs of activities performed by other entities, regardless of funding sources.

2. Incremental Cost. Incremental cost is the additional cost incurred above and beyond the full cost of training due to the addition of international students.

3. Direct Cost. A direct cost is any cost that is identified specifically with the training of a student. Direct costs also include directly associated costs that would not have been incurred had the other direct costs not been incurred (e.g., costs that are allocated on a specific measurable basis - cost per student week, cost per flying hour/sortie, costs per steaming hour, costs per range hour).

4. Indirect Cost. Indirect costs are costs of resources that are jointly or commonly used by all activities at an installation, but are not specifically identifiable with any of the users. These costs are not directly related to training, but instead are associated with a variety of activities and services.

5. Other Billable Cost. Other billable costs are those required by legislation or policy that are additive to the cost of training an international student (e.g., FMS administrative surcharge, Field Studies Program (FSP), attrition, and retainable instructional material (RIM)).

B. Pricing of Personnel

1. Military Personnel. Price military pay using the FMS composite standard rates and acceleration factors published at ***OUSD(C) reimbursable rates*** Web site; to access select the applicable FY, Military Personnel Composite Standard Pay and Reimbursement Rates (Tab K). In addition, see paragraph 070203 and Figure 7-2 of this chapter.

2. Civilian Pay. Price civilian pay in one of two ways: (1) actual costs plus inflation and applicable acceleration factors (recommended for tuition pricing) or (2) in accordance with paragraph 070202 and Figure 7-1 of this chapter.

C. Inflation Factors. Tuition rate estimates for future years must be adjusted for inflation. OUSD(C) published rates will be used. See ***OUSD(C)*** Web site, Budget Materials, National Defense Budget Estimates (Green Book), Chapter 5.

D. Full Cost of Training. When developing the full cost of training, take into account the cost of training both U.S. and international students. Full cost includes all direct costs and a proportional share of indirect costs to the USG for providing the training. For international students, full cost will also include the other billable costs. Rates priced using full cost principles include Rates A and B in Table 7-3. Exceptions are found in paragraph 070104 of this chapter.

1. Direct Costs. Certain costs can be directly identified to training courses. Once identified, the direct cost is divided by the total number of students enrolled in a course to determine the cost per student. Add together all direct costs per student to be included in the tuition rate.

a. Instructors and School Support Staff

(1) Instructors. The cost of instructor salaries, allowances, and other entitlements is computed by dividing the annual instructor cost (see paragraph 071002.B of this chapter) by 52 weeks and multiplying the result by the number of weeks in the applicable course. Divide this cost by the average number of students in the class to develop the instructor cost per student. Alternatively, instructor costs may be allocated on an instructor contact-hours basis (e.g., total instructor costs divided by total platform work hours); this allows for a more equitable distribution.

(2) School Support Staff. Compute the cost of salaries, allowances, and other entitlements of administrative and other personnel supporting training (e.g., International Military Student Officer) by dividing the total annual cost by total course weeks of training and multiplying the result by the number of weeks in the applicable course. Divide this cost by the average number of students in the class to develop the school support staff cost per student.

b. Temporary Duty (TDY) and Per Diem. The cost of TDY must be allocated to courses based on a causal or beneficial relationship. Accordingly, TDY

must be segregated into two categories: (1) direct TDY that is caused by or benefits a specific course or courses and (2) indirect TDY that benefits the training operation as a whole. TDY that is directly related to (or benefits) one or more courses must be directly allocated to those courses. To preclude "double charging" TDY to a course, care must be taken to ensure that all directly allocable travel is eliminated from the TDY included in the indirect cost pool.

c. Equipment Overhaul and Maintenance

(1) Depot Level Maintenance. The depot level maintenance cost of aircraft, engines, motorized vehicles, and equipment must be charged to the applicable course at the budgeted average hourly item repair cost that includes civilian pay, contractual effort, and supplies. These costs must be adjusted to include military pay and centrally procured equipment and parts. Multiply this average hourly cost by the hours programmed for use in the specific course.

(2) Base Level Maintenance. Base level aircraft and equipment maintenance costs (including munitions maintenance) must be allocated to courses on the basis of total maintenance costs divided by the total training hours supported, if not identifiable and chargeable on a job order basis. Costs must include military and civilian pay, supplies and equipment (including replenishment spares), and contractual support. If there are a significant number of transit or non-training aircraft at the base, aircraft operating costs must be initially distributed between training and non-training on the basis of percentage of number of takeoffs, number of sorties per year, or maintenance direct labor hours, whichever results in the best allocation of costs in relation to the benefits received. For this purpose, aircraft used by personnel supporting training for proficiency flying must be classified as training aircraft.

(3) Range Maintenance. Range maintenance and operating costs must be computed and allocated to courses based on the percentage of sorties or rounds fired in the course compared to the total sorties or rounds fired or any other basis that results in an equitable allocation of these costs.

d. Simulators. Simulator costs must include pay of the operators, supplies, and equipment maintenance. Simulator costs must be allocated to the course in the same ratio as hours used to the total hours available.

e. Supplies, Materiel, Training Aids, and Ammunition

(1) The cost of POL for aircraft (rotary/fixed wing), motorized equipment, ships, landing craft, and other equipment must be computed by multiplying the equipment hourly cost of POL times the number of operating hours for the course.

(2) The costs for training materials, equipment, supplies, aids, munitions, flight clothing, and personal equipment must be charged to the applicable course. Training material and aids prepared above base level that are readily identifiable to a course, must be included as a direct cost of the course. If not readily identifiable

to a specific course, these costs must be distributed to courses in the same manner as indirect TDY costs. Care must be taken to ensure against "double charging" a course.

f. Directly Associated Costs

(1) Other directly associated costs allocable to training operations must be distributed to courses on the basis of total training hour support or any other logical method of measurement (e.g., square footage of buildings, flying hours/sorties, or any other usage factor). Costs in this category include costs generated as a result of the incurrence of another cost and would not have been incurred had the other cost not been incurred (e.g., flight line operations costs in direct support of flying training and port operations in direct support of shipboard training, without which there would be no flying training operations or shipboard training operations).

(2) The cost for training U.S. instructor pilots, including proficiency and continuation training, must be limited to special aircraft not in the active U.S. aircraft inventory. These costs must be divided by the normal tour of duty for an instructor pilot to arrive at an annual cost that must be distributed to courses in the same manner as instructor salaries and allowances.

2. Indirect Costs

a. Indirect Base Operating Support Costs. Indirect base operating costs must be initially allocated to major claimants (e.g., training activities and tenants). The amount allocated to training must then be distributed to areas of training that are significantly different (e.g., flying operations, classroom training, and equipment maintenance). All allocations must be made at the installation level using engineering estimates or some other basis to ensure that allocations are commensurate with the benefits received. No costs to support or operate quarters, a family housing complex, and food service activities that are applicable to instructors and training support personnel may be allocated to tuition rates if these costs are recouped in base personnel salaries. The amount allocated to each area of training must then be distributed to the tuition rate by dividing the amount allocated by the annual estimated student weeks of training. Reduce the amount allocated to foreign students by 5 percent to allow for costs considered inappropriate for allocation (e.g., the chapel, equal rights office, alcohol treatment, and special services).

b. Maintenance and Repair of Facilities. Maintenance and repair of facilities must be considered part of the normal base operating support costs, unless these costs can be directly identified to a specific user (e.g., dedicated facility, specific to a course or courses). When non-dedicated facilities are used for training, the costs are included as indirect costs in the tuition rates. These costs may be combined with other indirect costs and allocated at the installation level or allocated based on a separate cost pool. If allocated as a separate cost pool, do not reduce by 5 percent.

c. Indirect TDY. TDY that is caused by or benefits the training operation as a whole must be allocated to courses by dividing these total indirect TDY

costs by total number of students to determine the course cost per student. Do not reduce by 5 percent.

d. Training Material and Aids. Training material and aids not readily identifiable to a specific course must be distributed to courses in the same manner as indirect TDY costs.

e. Exclusions. Exclude the following from indirect allocations:

(1) Costs associated with combat development, training development (less course development), non-resident instruction, or other activity that offers no support to the training mission, and a pro rata share of school overhead costs to support these elements;

(2) Costs associated with units attached to the training installation with duty stations at another location that are not involved in the training of international students; and

(3) Costs related to underutilized capacity and mobilization requirements, when specifically identified and documented.

3. Other Billable Costs

a. Attrition Rate/Liability Statement. Tuition Rate A in Table 7-3 includes an attrition rate of 1 percent for courses whenever the training or education course includes the use of training equipment or operational equipment used as training aids. All other FMS tuition rates will include a liability statement on the LOA: "The Purchaser is liable for any damages to U.S. Government equipment caused by negligence on the part of the student." ***AECA***, Section (a)(1)(C) states the full cost of the service must be paid by the purchaser.

b. Field Studies Program (FSP). Tuition rates must include the costs of FSP, including transportation, meals, meal preparation, lodging, admission, programs, and incidental costs thereof. The student is responsible for the personal costs of laundry, cleaning, telephone service, and all other costs not directly associated with the programmed tour. ***SAMM, Chapter 10*** provides further detail on FSP.

c. Shipment of Retainable Instructional Materials (RIM). Much of the RIM issued to international military students (IMS) is provided via CD; however, if there is a need to ship RIM, include the cost of the shipment in the tuition rate. RIM must be packed and labeled at the training installation and shipped to the Security Assistance Office of the country for delivery to the IMS. A copy of the student's invitational travel order must be placed inside the package. The training installation must ensure that no personal baggage or other unauthorized matter is shipped with RIM.

d. FMS Administrative Surcharge. The current FMS administrative surcharge must be applied to the course cost, where applicable. Exceptions are

contained in the SAMM, ***Chapter 10 Table 10.T13,*** "Reciprocal Agreement Participants" and ***C10.T14***,"Other Reciprocal Agreement Participants.

E. Incremental Pricing of Training. AECA, Section 21(a)(1)(C) provides the authority to apply incremental pricing to training sold to an IMET-recipient purchaser or a purchaser designated as a high-income country. ***FAA***, Section 541(b) provides the authority for FMF recipients to be charged at a rate comparable to IMET. FAA, Section 503(a)(3) provides the authority to exclude military salaries from incremental pricing when the training is funded with U.S. appropriated funds.

1. Direct Costs

a. Instructors and School Support Staff

(1) Courses must be reviewed to determine if the incremental cost should be developed for a specific course (e.g., pilot training) or a group of courses. For classroom or technical courses that are similar or that utilize instructors who teach more than one course, such courses may be grouped for computation purposes. When there is a one-for-one or one-for-two relationship of instructor to student, the instructor in all cases must be considered incremental. If the entire class is composed of international students, the instructor and staff must always be considered incremental.

(2) It is anticipated that the incremental cost charged for instructors must be minimal for courses or groupings of courses when the ratio is high of either students to instructors or U.S. students to international students.

(3) For the types of courses (or groups of courses) identified in paragraph 071002.E.1.a.(1) of this chapter, a projection must be made as to the estimated number of U.S. students projected to be in the course and the number of instructors and staff required for that student load. A second projection must be made of the total number of students estimated, both U.S. and international, and the number of instructors and staff required. Both projections must be based on the maximum number of students who can be taught by instructors or staff rather than on optimum class size. The difference in instructor and staff between the two projections represents the incremental costs. This value, divided by the total number of international students, represents the incremental cost per student for the course(s). The price of courses for FMS students (Rates A and B in Table 7-3) must still be computed to include the full costs in accordance with other provisions of this chapter. In computing the full cost for those students, care must be taken to ensure that the incremental cost is not included in the full computation.

b. Travel and Per Diem. The costs for all student travel and per diem associated with the training must be considered incremental. Refer to paragraph 071002.D.1.b of this chapter.

c. Equipment Overhaul and Maintenance. The cost for overhaul and maintenance of major items of equipment, when computed on an hourly use basis,

must be incremental to a course based on estimated utilization hours. Refer to paragraph 071002.D.1.c of this chapter.

d. Simulators. The cost for simulator hours must be incremental. Refer to paragraph 071002.D.1.d of this chapter.

e. Supplies, Material, Training Aids, and Ammunition. The associated incremental cost must be the replacement price of items that are not returned or reusable (including POL) used in conducting the training.

f. Directly Associated Costs

(1) Instructor Training. The training of U.S. instructors or other personnel for special courses normally not conducted for U.S. personnel must be considered an incremental cost. When the required training is conducted at a U.S. training facility, the benefitting country must be charged the course cost established in accordance with instructions for computing training costs in paragraph 071002 of this chapter.

(2) Facilities and Equipment. The costs for any facilities or equipment acquired primarily for the support of international students, and the support costs thereof, must be considered incremental.

2. Indirect Costs. Standard weekly rates for base operating support must be charged to incremental training rates, as developed by the IAs, and adjusted annually. Include only those additional base operating support costs that are incurred as a result of international student attendance.

3. Other Billable Costs

a. Attrition Rate/Liability Statement. The attrition rate is not applicable to IMET Tuition Rate E in Table 7-3. For all other FMS training sold using incremental pricing (Tuition Rates C-D in Table 7-3), include the liability statement. Refer to paragraph 071001.C and 071002.D.3.a of this chapter.

b. Field Studies Program (FSP). The full cost to the USG of FSP must be considered incremental. Refer to paragraph 071002.D.3.b of this chapter as well as ***SAMM, Chapter 10***.

c. Shipment of Retainable Instructional Materials (RIM). If RIM is applicable for a course, then the costs must be considered an incremental cost. Refer to paragraph 071002.D.3.c of this chapter.

d. FMS Administrative Surcharge. The current FMS administrative surcharge must be charged on FMS training cases/lines receiving incremental pricing (Tuition Rates C-D in Table 7-3). Tuition Rate E (IMET) is exempt from paying the FMS administrative surcharge. Refer to paragraph 071002.D.3.d. of this chapter.

4. Exclusions. The unfunded civilian retirement charge that is deposited to the Miscellaneous Receipts Account of the U.S. Treasury must be considered a fixed cost and not included in incremental priced training rates (Tuition Rates C-E in Table 7-3).

0711 LEASING OF DEFENSE ARTICLES

071101. General

Defense articles are leased to a foreign country or international organization under authority of ***AECA***, Section 61. Inspection, restoration, maintenance, accessorial costs, or other support costs incurred in connection with the lease must be priced in accordance with this chapter and included on a separate LOA. Lease charges must apply except for cooperative R&D projects, military exercises, communications, and/or electronics interface projects. Reimbursement of the lease charge for any defense article that has passed 75 percent of its normal service life may be waived if it is determined that to do so is important to the national security interest of the U. S. This waiver authority has been delegated to the Director, DSCA or in the absence of the Director, the Deputy Director.

071102. Pricing of Leased Defense Articles

The amount to be charged for the lease of defense articles is the depreciation incurred during the period of the lease. The depreciation charge is dependent upon the following (See Figure 7-12):

A. Date the item is to be leased,

B. Date the item was first fielded or actual acquisition date,

C. The total estimated service life of the item,

D. Duration of the lease,

E. The original acquisition cost of the item,

F. A pro rata share of nonrecurring RDT&E and production costs, and

G. Capital improvements made to the item.

071103. Replacement Costs

Replacement costs must be estimated when the item is placed on lease and reflected in the lease agreement. In the event a leased defense article is damaged beyond repair, or is not returned, the replacement cost must be collected from the leasing foreign country or international organization. The replacement cost must be calculated in accordance with paragraph 070302.B and C of this chapter. Refer to ***SAMM, Chapter 11***, for procedures on leasing arrangements.

071104. FMS Administrative Surcharge

The FMS administrative surcharge does not apply to lease rental payments.

0712 USE OR EXPANSION OF DOD FACILITIES AND EQUIPMENT

071201. General

All costs of construction or expansion of facilities desired by and for the exclusive use of the foreign government must be financed and funded by the foreign government. Charges by the USG for labor, materiel, or services must be reimbursed in accordance with the provisions of sections 0702 and 0703 of this chapter. Any expansion of facilities or equipment required for DoD use, which may also be available for FMS, must be funded through the normal DoD budget process.

071202. Reimbursement of Proportionate Share

In addition to the costs identified in paragraph 071201 of this chapter, a proportionate share of operating costs must be reimbursed.

071203. Work at DoD Test Facilities and Laboratories

Case and line managers must inform performing activities when work requested at DoD test facilities and laboratories involves FMS. Work is priced to ensure full reimbursement of direct, indirect, and overhead costs to the test facility or laboratory for the FMS effort.

071204. Embedded Computer Software Facilities

A. Embedded Computer Software (ECS) support is normally supplied through a services case (or line) of a system sale. A requirement for a new facility or augmentation of an existing facility that is funded by the FMS purchaser is incidental to the service. Regardless of the costs charged to an FMS purchaser for use or augmentation of a facility, DoD owns and operates the facility.

B. Software support may be supplied by a separate facility dedicated to FMS or from a facility supporting both DoD and FMS programs. The FMS purchaser pays a prorated share of the total software costs.

0713 PRICING FOR USE OF TECHNOLOGY TRANSFER

071301. General

A Technical Data Package (TDP) encompasses production designs, drawings, specifications, models, manufacturing techniques and details, and similar information necessary to enable a foreign government to manufacture, or have manufactured, items of military equipment and repair parts, excluding information associated with the RDT&E stage. It also does not include technical assistance or know-how by USG personnel; however, such assistance

may be provided at additional cost. Refer to ***SAMM, Chapter 3***.

071302. Pricing of Technical Data Packages

DSCA may authorize release of a Technical Data Packages (TDP) to a foreign government for in-country manufacture of military equipment and repair parts. Costs incurred in the preparation, reproduction, and handling of the TDP must be priced in accordance with the pricing policies set forth in section 0714 of this chapter. When the pricing of the TDP is subject to an international agreement of which DoD is a party or is otherwise bound, the sale will be determined consistent with the terms of the agreement.

0714 PUBLICATION PRICING

071401. General

This section prescribes the method to use when determining the price of DoD publications sold to FMS purchasers. Generally, the cost for a DoD standard publication is the incremental cost to produce another copy. Effective October 1, 2004, acquisition and development costs are excluded in determining the costs of a DoD standard publication.

A. Definition of Publications. The term "publications" includes technical orders, technical manuals, supply catalogs, training publications, courseware, computer based tutorials, administrative publications, engineering drawings and associated documents, Integrated Logistics Support publications and associated documents, equipment component lists, special file extracts, decals, forms, and audio-visual products.

B. Medium of Publications. A publication may be in bound or loose-leaf format, imprinted form, Automated Data Processing (ADP) listing, operator's card, microfilm, slide, motion picture film, computer disc, or internet accessible.

C. FMS Purchaser-Unique Publication. Unique publications are DoD standard publications sanitized for the elimination of non-releasable information or publications developed for a country's unique specification. Engineering drawings and associated documents will be reviewed to determine if a technology charge is appropriate. Refer to paragraph 070302.B of this chapter when pricing DWCF publications.

071402. Publication/Software Pricing Factors

Publications or software developed solely for the use of an FMS purchaser(s), such as a country-unique technical order/software, instructions, or other publications and programs, must be priced to recover the total costs (including both in-house and contractual efforts) of development and delivery of the end product. These costs must include, but are not limited to, the amounts paid for technical or administrative writing, editing, illustrating, animation, copy preparation, documentation, royalty fees for intellectual property, and distribution services. The costs of additional copies or masters must be limited to the actual costs of reproduction to include media (e.g., disk, tape, CD, and hardcopy) and distribution/delivery. The following

costs must be included in the development of FMS prices for current, standard publications or software programs/products of the DoD:

A. Copy Production Cost (CPC). The costs incurred in the printing or reproduction of copies from the reproducible master.

B. Special Cost (SC). The cost incurred in the elimination of non-releasable information from a DoD publication/software program prior to release to a foreign government. The cost of classified handling, development, and maintenance of country-peculiar publications or programs, including costs associated with updating manuals/programs for nonstandard items (such as items out of inventory or out of production).

071403. Development of a Per Copy Selling Price

A. The total cost of a publication or software program is the sum of the incremental costs identified in paragraph 071402 of this chapter. The total cost must be reduced to a per copy expression by dividing the total incremental cost by the quantity produced (Q) as per the following formula:

$$\frac{(CPC + SC)}{Q} = \text{Price per copy}$$

B. Recorded actual costs will be used when available. When actual costs for individual publications or programs cannot be readily determined, a factored expression of historical costs will be developed from the most current cost records available. Uniform pricing tables can be developed from the cost per "unit" ("unit" being either a page, a roll of microfilm/microfiche page, or a running foot of tape or motion picture film). Paragraph 071402 of this chapter includes guidance for developing publication pricing tables.

071404. Other Applicable Costs

A. Recoupment of NC does not normally apply to the sale of publications or software. However, if the item is MDE, then NC recoupment charges would apply. Applicable NCs are a part of the cost included in the pricing formula set forth in paragraph 071403 of this chapter.

B. The standard administrative and accessorial charges prescribed in this chapter must be recouped as a percentage of publication/software prices. These charges are not included in the per copy selling price.

C. The FMS price for a joint Military Service publication or software program must be established by the Military Department responsible for its acquisition and management. That Military Department must notify the other participating DoD Components of the established FMS price.

*0715 SPECIAL DEFENSE ACQUISITION FUND

Special Defense Acquisition Fund (SDAF) was authorized in 1981 by an amendment to ***AECA***, Chapter 5 to fund the procurement of defense articles in anticipation of their sale or transfer to foreign governments. The basic objective of the fund was to facilitate delivery of materiel in advance of normal procurement lead-times. As of October 1, 2007, the SDAF account was closed by DFAS SCA, although the authority for it still existed. The SDAF account was subsequently recapitalized in 2012. The detail requirements of the fund are discussed in the ***SAMM, Chapter 11***.

0716 PROGRAM MANAGEMENT SERVICES

071601. General

DoD Components must ensure that each type of cost is allocated only once and only on one basis to an FMS case. Additional discussion on consistency in allocating costs incurred for the same purpose is contained in Volume 4 of this Regulation. Care must be taken to ensure against "double charging" for the same costs.

071602. FMS Case Related Manpower Functions and Funding Source

SAMM, Chapter 9, Table C9.T2, "Case-Related Manpower Functions and Funding Source Manpower Matrix," describes in detail the manpower functions that may be funded on FMS cases and the funding source for those related costs.

A. Standard Level of Service. There is a certain level of routine support provided to an FMS customer on each case. Costs associated with this workload are captured via the FMS Administrative Surcharge assessed against the case.

B. Above Standard Level of Service. An IA may determine there are additional services directly related to the defense articles or services being provided that are over or above the routine level of support generally provided to an FMS customer. These costs may be included on an FMS case as an above-the-line cost at the request of the FMS purchaser or by the USG based on the analysis of what will be required to successfully implement and execute the requested program/case. An auditable methodology must be used to document all costs included on these lines.

0717 EXCEPTION TO PRICING POLICIES AND COST RECOUPMENT WAIVERS

071701. General

An exception to prescribed pricing policies refers to approval of an alternative method of identifying applicable cost(s). A cost recoupment waiver refers to the exercise of legal authority to partially or totally waive recoupment of incurred costs.

071702. Request for Exception to Policies or Directives

Requests for exceptions to the policies prescribed herein or waivers of DoD costs for which DSCA is not delegated as the waiver authority, must be submitted to OUSD(C), through the DoD Component Senior Financial Manager, and DSCA DBO. DSCA DBO will conduct its assessment of the request and provide either endorsement or objections to OUSD(C). Sufficient data must accompany the request to enable OUSD(C) to evaluate the merits of the proposed deviation.

0718 PERIODIC REVIEW AND UPDATING OF RATES/SURCHARGES

071801. General

Rates that may be developed to recoup accessorial costs and surcharges (see sections 0704 through 0706 of this chapter) are subject to periodic review. OUSD(C) should notify the applicable DoD Components when such reviews are being conducted and request the DoD Components' participation.

071802. Revising Rates

No charges, or surcharges based on a percentage rate, must be made to recover any element of cost unless: (a) the charge or percentage charge is expressly prescribed in this volume, or (b) the charge based on the percentage rate is proposed in writing to and is approved by OUSD(C). Whenever a DoD Component believes a prescribed rate should be revised, it should submit its request with supporting data to OUSD(C), through the DoD Component Senior Financial Manager and DSCA DBO. DSCA DBO will conduct its assessment of the request and provide either its endorsement of or objection to OUSD(C). Sufficient data must accompany the request to enable evaluation of the merits of the proposed revision.

0719 FINAL ACCOUNTING

Once a final statement has been sent for an FMS case, the case must be reclassified by the IA from active to inactive status in accordance with Chapter 3, paragraph 030903 of this volume. Since October 1, 1992, all closed cases with post closure activity, not subject to accelerated closure procedures, must be reopened as authorized by DSCA, to report execution. The IA must cancel the original closure certificate and submit a new certificate prior to case closure. Cases for countries subject to accelerated closure procedures may be reopened only as authorized by DSCA and in accordance with Chapter 3**,** paragraph 030905 of this volume.

0720 LOGISTICS SUPPORT CHARGE

Logistics Support Charge (LSC) was applicable to materiel and services identified on the Military Articles and Services List, excluding DWCF materiel. LSC was assessed at 3.1 percent of the articles and services reported delivered on or after April 1, 1987 and prior to October 1, 2007. The SAMM, ***Chapter 9, Table C9.T4***, "Table of Charges," explains the elimination of the LSC and how to treat prior year LSC charges.

*Table 7-1. Cost Elements

Cost Element	Appropriation Reimbursed
A. Services of Military Personnel	
1. Composite standard military pay rate	Military Personnel (MILPERS)
2. Leave and holiday factor when applicable (see paragraph 070203)	MILPERS
3. Personnel support costs	Operation and Maintenance (O&M), Defense Health Program (97*0130)
4. Retirement cost prior to October 1, 1984	Miscellaneous Receipts Account 3041
5. Retirement cost after September 30, 1984	MILPERS
6. Medicare-Eligible Retiree Health Care accrual	Miscellaneous Receipts Account 3041
B. Services of Civilian Personnel including Defense Working Capital Funded (DWCF)Personnel	
1. Salary cost and wages	O&M, Research, Development, Test, Evaluation (RDT&E), and DWCF as applicable
2. Leave and holiday factor when applicable	O&M, RDT&E, and DWCF as applicable (see paragraph 070202 of this chapter)
3. DoD-funded civilian retirement costs	O&M, RDT&E, and DWCF as applicable
4. Health and life insurance and other employee fringe benefits	O&M, RDT&E, and DWCF as applicable
5. Civilian unfunded retirement costs and post-retirement health benefits not funded by DoD appropriations	Miscellaneous Receipts Account 3041
C. Inventory Items	
1. Non-excess procurement funded items which require replacement	Financing procurement appropriations, as applicable, current at the time items are dropped from inventory
2. Non-excess procurement funded item that is not to be replaced within the obligation availability of current procurement appropriations	Miscellaneous Receipts Account 3041
3. DWCF items, including the cost recovery elements for operating costs	DWCF
4. Excess procurement funded principal items	Miscellaneous Receipts Account 3041 Funds items in accordance with Title 10 United States Code (U.S.C.) Section 114(c)(2)

Table 7-1. Cost Elements (continued)

Cost Element	Appropriation Reimbursed
D. Nonrecurring cost recoupment charges (Collected as a result of FMS)	Miscellaneous Receipts Account 3041
E. Transportation	Financing appropriation/fund current at the time transportation is supplied
F. Logistics Support Charge (LSC)	FMS Trust Fund Administrative Account
G. DoD Royalty fee charges	Miscellaneous Receipts Account 3041
H. Charges for the use of DoD assets (includes depreciation on purchased equipment)	Miscellaneous Receipts Account 3041 Depreciation which is included in DWCF shop rates must be retained by the DWCF
I. Asset Use	Miscellaneous Receipts Account 3041
J. FMS contract costs financed by DoD appropriation or fund accounts	Financing procurement appropriation or DWCF, as applicable
K. Temporary Duty (TDY) costs financed by appropriation or fund accounts	O&M and RDT&E appropriations current at the time travel is performed, or DWCF, as applicable
L. Accessorial charge	
1. Packing, crating, and handling (PC&H)	FMS Trust Fund PC&H Account
2. Transportation	FMS Trust Fund Transportation Accounts
M. FMS administrative surcharge	FMS Trust Fund Administrative Account
N. FMS Contract Administration Services (CAS) Surcharge	FMS Trust Fund CAS Account
O. Contract Administration Services (This is a combination of cost elements A, B, and K)	MILPERS, O&M, DWCF, or Miscellaneous Receipts Account 3041, as applicable
P. Interest charge resulting from late payment of billings (DD Form 645, "Foreign Military Sales Billing Statement") for accrued expenditures	Miscellaneous Receipts Account 3210, General Fund Proprietary Receipts, Defense Military not otherwise classified
Q. Mailing fee, storage, and publications	O&M or DWCF, as applicable
R. Inventory losses	Applicable procurement or DWCF, as applicable
S. Attrition	FMS Trust Fund Attrition Account

DoD Components must maintain internal records of the dollar amounts applicable to each category of collections deposited into Miscellaneous Receipts Account 3041. One decimal subaccount must be used for each type of collection. For example, 3041.3 might be used to designate dollar amounts applicable to NC recoupment.

Table 7-2. Federal Condition Code

DISPOSAL CONDITION CODES			Supply Condition Code			
			A	B	C	D
			SERVICEABLE			
			Issuable without qualification	Issuable without qualification	Priority Issue	Test/ Modification
1	UNUSED	GOOD	50%	30%	30%	30%
2	UNUSED	FAIR	30%	20%	20%	20%
3	UNUSED	POOR	10%	10%	10%	10%
4	USED	GOOD	40%	30%	30%	30%
5	USED	FAIR	30%	20%	20%	20%
6	USED	POOR	10%	10%	10%	
7	REPAIRS REQUIRED	GOOD				20%
8	REPAIRS REQUIRED	FAIR				5%
9	REPAIRS REQUIRED	POOR				5%
X	SALVAGE					
S	SCRAP					

Table 7-2. Federal Condition Code (continued)

DISPOSAL CONDITION CODES			Supply Condition Code				
			E	F	G	H	S
			UNSERVICEABLE				
			Limited Restoration	Reparable	Incomplete	Condemned	Scrap
1	UNUSED	GOOD					
2	UNUSED	FAIR					
3	UNUSED	POOR					
4	USED	GOOD					
5	USED	FAIR					
6	USED	POOR					
7	REPAIRS REQUIRED	GOOD	20%	20%	20%	10%	
8	REPAIRS REQUIRED	FAIR		10%		5%	
9	REPAIRS REQUIRED	POOR		5%		5%	
X	SALVAGE			5%	5%	5%	
S	SCRAP						

Table 7-3. Tuition Rate Pricing Structure

Cost Elements	National Funds		
	FULL		INCREMENTAL
	RATE A Full FMS	RATE B NATO	RATE C FMS[1]
Direct Costs			
Military Pay	Full	Full	Incremental
Mil Fringe Benefits and Other Personnel Support Costs	Full	Full	N/A
Civilian Pay	Full	Full	Incremental
Civ Fringe Benefits	Full	Full	Full of Incremental[2]
Civ Unfunded Retirement	Full	Full	N/A
Non-Personnel/Material	Full	Full	Incremental
Indirect Costs			
Military Pay	Full	N/A[3]	Incremental
Mil Fringe Benefits and Other Personnel Support Costs	Full	N/A[3]	N/A
Civilian Pay	Full	N/A[3]	Incremental
Civ Fringe Benefits	Full	N/A[3]	Full of Incremental [2]
Civ Unfunded Retirement	Full	N/A[3]	N/A
Non-Personnel/Material	Full	N/A[3]	Incremental
Additive Costs			
Attrition Factor	Apply	Liability Statement	Liability Statement
FSP	Full	Full	Full
RIM	If applicable	If applicable	If applicable
FMS Admin	Apply	N/A[3]	Apply

[1] **RATE C** – FMS: Countries concurrently in receipt of IMET that elect to purchase training using national funds receive this rate. Countries designated as high-income countries also receive this rate.

[2] Full of Incremental: The entire factor will be charged against the incremental cost. There is no reduction to the factor because incremental pricing is being used.

[3] Refer to ***AECA*** Section 21(g). The President is authorized to enter into NATO Standardization Agreements if the principles of such agreements are based on reciprocity. Such agreements may exclude reimbursement of indirect costs and the FMS administrative surcharge.

Table 7-3. Tuition Rate Pricing Structure (continued)

Cost Elements	U.S. Appropriated Funds INCREMENTAL	
	FMS	IMET
	RATE D FMF[4]	RATE E IMET
Direct Costs		
Military Pay	N/A	N/A
Mil Fringe Benefits and Other Personnel Support Costs	N/A	N/A
Civilian Pay	Incremental	Incremental
Civ Fringe Benefits	Full of Incremental [2]	Full of Incremental [2]
Civ Unfunded Retirement	N/A	N/A
Non-Personnel/Material	Incremental	Incremental
Indirect Costs		
Military Pay	N/A	N/A
Mil Fringe Benefits and Other Personnel Support Costs	N/A	N/A
Civilian Pay	Incremental	Incremental
Civ Fringe Benefits	Full of Incremental [2]	Full of Incremental [2]
Civ Unfunded Retirement	N/A	N/A
Non-Personnel/Material	Incremental	Incremental
Additive Costs		
Attrition Factor	Liability Statement	N/A
FSP	Full	Full
RIM	If applicable	If applicable
FMS Admin	Apply	N/A

[2] Full of Incremental: The entire factor will be charged against the incremental cost. There is no reduction to the factor because incremental pricing is being used.

[4] **RATE D** – FMF: This rate applies to courses provided to countries that use U.S. appropriated dollars as their source of funding (except IMET). If the training is not wholly funded with U.S. appropriated funds (e.g., 100% MAP Merger, 100% non-repayable FMF), then the training must be re-priced to include military salaries and benefits.

Figure 7-1. Civilian Personnel Services Price Computation Example

Assumptions:

A. Navy GS-12 within Atlanta, GA locality pay area. When the GS step is not known, use step 5 pay rates. $38.23 per hour is used for this computation example.
B. 100 hours performed in August 2009 against an FMS Case
C. FY 2009 Unfunded Civilian Retirement (UCR) Factor = 10.0%
D. FY 2009 Navy Civilian Personnel Fringe Benefits Factor = 29.6%
E. Leave and Holiday (L&H) Acceleration Factor = 18%

	FMS Case		**FMS Admin**		
	Less than Full Time	Full Time	Less than Full Time	Full Time	
(1) Direct Labor Cost [A x B]	$ 3,823.00	$ 3,823.00	$ 3,823.00	$ 3,823.00	[1]
(2) Leave & Holiday Costs [(1) x E]	$ 688.14	$ ----	$ 688.14	$ ----	[2]
(3) Total Civilian Labor Costs [(1) + (2)]	$ 4,511.14	$ 3,823.00	$ 4,511.14	$ 3,823.00	
(4) Unfunded Retirement Cost [(3) x C]	$ 451.11	$ 382.30	$ ----	$ ----	[3]
(5) Fringe Benefits Cost [(3) x D]	$ 1,335.30	$ 1,131.61	$ 1,335.30	$ 1,131.61	[4]
(6) FMS Selling Price [(3) + (4) + (5)]	$ 6,297.55	$ 5,336.91	$ 5,846.44	$ 4,954.61	[5]

[1] Pay rates in effect at the time services are performed. Hourly and annual locality salary tables are available at ***OPM*** Web site. Tables through 2008 are available in the Appendix C Archive of this volume.

[2] The leave and holiday acceleration factor is applied as a percentage of direct labor cost when the individual is not reimbursed on a full time basis by FMS. Effective October 5 1980, the leave and holiday factor is 18%.

[3] The unfunded retirement acceleration factor is applied as a percentage of total civilian labor costs when the individual is not reimbursed from FMS Admin. Credit unfunded civilian retirement to the Miscellaneous Receipts Account 3041. Current rates are available at the ***OUSD(C) reimbursable rates*** Web site, select the applicable FY, Civilian Personnel Fringe Benefit (Tab D). Historical rates are available in the Appendix C Archive of this volume.

[4] The fringe benefits factor is applied as a percentage of the total civilian labor costs and includes the employer's share of retirement, health benefits, life insurance, and other benefits. Rates are available at the OUSD(C) reimbursable rates Web site, Civilian Personnel Fringe Benefit (Tab D), for FY 1997 and forward. Historical rates for FYs 1989- 2008 are available in the Appendix C Archive of this volume.

[5] The FMS Administrative Surcharge is additive to the FMS selling price.

Figure 7-2. Military Personnel Services Price Computation Example

Assumptions:

A. Scenario 1: Navy O-4 and E-7 Full time FMS effort in FY2010 at an overseas location
B. Scenario 2: Navy O-4 and E-7 Part-time FMS effort; each performing 100 hours service in FY 2010. TDY cost is $5,600.
C. Navy O-4 FMS Composite Rate ($169,096 + $9,586 = $178,682) [1]
D. Navy E-7 FMS Composite Rate ($105,214 + $9,586 = $114,800) [1]
E. Navy O-4 Hourly Composite Rate ($178,682 x .00055 = $98.28) [2]
F. Navy E-7 Hourly Composite Rate ($114,800 x .00055 = $63.14) [2]

FMS CASE – FULL TIME FMS EMPLOYEE

Computation Scenario 1:

	O-4	E-7	Total
FMS Composite Pay Cost [1]	$178,682	$114,800	
FMS Selling Price [3]			$293,482

FMS CASE – LESS THAN FULL TIME FMS EMPLOYEE

Computation Scenario 2:

FMS Composite Pay Hourly Rate x hours of service performed [2]	$ 9,828	$ 6,314	$ 16,142
TDY Cost			$ 5,600
FMS Selling Price [3]			$ 21,742

[1] Refer to ***OUSD(C) reimbursable rates*** Web site, and select the applicable FY, Military Personnel Composite Standard Pay and Reimbursement Rates (Tab K) to obtain the current FMS Composite Rate. The FMS Composite Rate is computed by taking the Annual DoD Composite Rate and adding the acceleration factor (for FY 2010 the amount is $9,586) to cover medical health care costs of active duty personnel and their dependents. These are the costs financed by the Defense Health Program.

[2] To compute the hourly rate, multiply the FMS Composite Rate by .00055. This computation includes a 14% leave and holiday factor.

[3] The FMS Administrative Surcharge is additive to the FMS selling price.

Figure 7-3. Price Computation Example: Non-Excess Procurement Funded Item from Stock

Assumptions:

Market Value	None Available
Most Recent Acquisition Price	$50,000.00
New Contract Price	$100,000.00
Modification Costs	$5,000.00
Nonrecurring Recoupment Charge, ***SAMM, Appendix 1***	$2,000.00
Prorated overhaul costs before sale date (see Figure 7-4)	$5,203.20
Service Life	10 Years
Age at transfer	6 Years
Remaining Service Life	4 Years

Calculation

Not to Be Replaced

Adjusted Price: ($50,000+$5,000) x (4/10) [1]	$22,000.00
Adjusted nonrecurring cost recoupment: $2,000 x (4/10) [2,3]	800.00
Prorated overhaul costs before sale date (see Figure 7-4) [4]	+ 5203.20
FMS Selling Price [5,6,7]	$28,003.20

To Be Replaced

Adjusted Price: $100,000 x (4/10) [8]	$40, 000.00
Adjusted nonrecurring cost recoupment: $2,000 x (4/10) [2,3]	+ 800.00
FMS Selling Price [5,6,7]	$40,800.00

[1] (Most Recent Acquisition Price + Modification Costs) x Remaining Service Life

[2] Nonrecurring Recoupment Charge x Remaining Service Life

[3] Credit to Miscellaneous Receipts Account 3041.

[4] Credit previously incurred overhaul costs to the financing account.

[5] Any administrative, PC&H, and transportation surcharges are additive to the selling price.

[6] FMS selling price cannot be less than the Market Value if one exists.

[7] If this is a sale of a ship, the FMS selling price cannot be lower than the scrap value or fair value plus the cost of the last major overhaul or outfitting accomplished before the sale.

[8] New Contract Price X Remaining Service Life

Figure 7-4. Price Computation Example: Overhaul Costs Previously Incurred for a Procurement Funded Item Sold to Foreign Military Sales Purchasers

Assume the following:

1. Item is to be sold in May 2009. The last overhaul for that aircraft was accomplished in June 2007 at a cost of $ 8,672.

2. The normal interval between overhauls for the item is 60 months.

The price is computed using the following steps:

A. Determine the actual interval since the last overhaul in terms of months.

June 2007 to May 2009 equals 24 months.

B. Determine the percentage of overhaul costs applicable to the DoD by comparing the actual interval since the last overhaul with the normal interval between overhauls.

$$\frac{\text{Actual Interval}}{\text{Normal Interval}} = \frac{24 \text{ months}}{60 \text{ months}} = 40\%$$

3. Determine the amount of the costs to be charged to the purchaser by subtracting the resulting percentages in step 2 from 100 percent and applying the result to the overhaul costs. If actual overhaul costs are not known, a reasonable estimate should be obtained from the facility normally performing overhauls for the type of item that is to be sold.

100% -40% = 60% x $8,672 = $5,203.20

Figure 7-5. Price Computation Example: Sale of Ship (Greater than 3,000 Tons or More Than 20 Years Old) Not to be Replaced

Assumptions:

Acquisition Value	$22,500,000.00
Condition Code (A-3, see Table 7-2)	10%
Nonrecurring Charge	$500,000.00
Prorated overhaul costs before sale date (see Figure 7-4 for how to compute)	$1,500,000.00
Scrap Value	$1,000,000.00
Fair Value (Acquisition Value x Federal Condition Code Rate) ($22,500,000 x 10%)	$2,250,000.00

Computation:

Greater of Scrap or Fair Value [1]	$2,250,000.00
Adjusted Nonrecurring Cost Recoupment (10% x $500,000) [1]	$50,000.00
Prorated overhaul costs [2]	+ $1,500,000.00
FMS Selling Price [3]	$3,800,000.00

[1] Credit to Miscellaneous Receipts Account 3041.

[2] Credit previously incurred overhaul costs to the financing account.

[3] The administrative surcharge is additive to the selling price.

Figure 7-6. Price Computation Example: Excess Procurement (Non-DWCF) Funded Item from Stock/Inventory

Assumptions:

Acquisition Value [1]	$50,000.00
Federal Condition Code (B-1, see Table 7-2)	30%
Nonrecurring Charge	$2,000.00
Prorated overhaul costs before sale date (see Figure 7-4)	$5203.20
Market Value	$10,000.00
Scrap Value	$5,000.00
Fair Value (Acquisition Value * Federal Condition Code Rate) ($50,000 x 30%)	$15,000.00

Computation:

Greater of Market, Scrap, or Fair Value	$15,000.00
Adjusted Nonrecurring Cost Recoupment (30% x $2,000) [2]	$600.00
Prorated overhaul costs before sale date (see Figure 7-4) [3]	+ $5,203.20
FMS Selling Price [4,5]	$20,803.20

[1] If the method used to determine an estimated actual PCH&T cost is based on the cost or price of the excess item, acquisition cost must be used.

[2] Credit to Miscellaneous Receipts Account 3041.

[3] Credit previously incurred overhaul costs to the financing account.

[4] The FMS selling price must be increased if the market value or the scrap value plus the nonrecurring cost recoupment charge and the prorated value of the last major overhaul costs incurred are higher than the fair value FMS selling price. The market value is the price at which bona fide sales have been consummated for products of like kind, quality, and quantity. The scrap value is the amount that would be expected to be obtained from selling the asset at the end of its useful life. The fair value price is determined by the Federal Condition Code.

[5] Any administrative, PC&H, and transportation surcharges are additive to the selling price.

Figure 7-7. Recoupment of Nonrecurring Cost of Major Defense Equipment Example: Base Level

RECOUPMENT OF NONRECURRING COST ON SALES OF MAJOR DEFENSE EQUIPMENT														DATE PREPARED:	DOD COMPONENT:
														As of Date:	Prepared By:
SECTION A															
(a)	(b)			(c)						(d)			(e)		
Weapon System or Component	Nonrecurring Cost in (Whole Dollars)			Production Quantity (Qty Each)						Recommended Pro Rata Unit Charge					
	RDT&E	Production	Total	Army	Marine/ Navy	Air Force	FMS	DCS	Total	RDT&E	Production	Total	Previous Unit Charge		
ABC Block 0	$51,000,000	$75,000	$51,075,000	25	200	0	92	0	317	$160,883	$237	$161,120	N/A		
SECTION B															
PRODUCTION QUANTITIES															
					Actual	Projected	Total								
				USG	25	200	225								
				MAP	0	0	0								
				Direct Sales	0	0	0								
				FMS	5	87	92								
				Total	30	287	317								

Figure 7-7. Recoupment of Nonrecurring Cost of Major Defense Equipment Example: Base Level (continued)

SECTION C		
QUANTITY PROJECTION BREAKOUT		
MAP		
Country / Int'l Organization	Projected Quantity	Explaination for Projections
Total MAP	0	
Direct Sales		
Country / Int'l Organization	Projected Quantity	Explanation for Projections
Total Direct Sales	0	
FMS		
Country / Int'l Organization	Projected Quantity	Explanation for Projections
Country A	15	
Country B	5	
Country C	6	
Country D	12	
Country E	25	
Country F	14	
Country G	10	
Total FMS	87	
TOTAL	87	

Figure 7-8. Recoupment of Nonrecurring Cost of Major Defense Equipment Example: Two-Level

RECOUPMENT OF NONRECURRING COST ON SALES OF MAJOR DEFENSE EQUIPMENT B/B Model MASL _____													DATE PREPARED:	DOD COMPONENT:
													As of Date:	Prepared By:
SECTION A														
(a)	(b)			(c)						(d)				(e)
Weapon System or Component	Nonrecurring Cost (in Whole Dollars)			Production Quantity (Qty Each)						Recommended Pro Rata Unit Charge				Previous Unit Charge
	RDT&E	Production	Total	Army	Marine/ Navy	Air Force	FMS	DCS	Total	RDT&E	Production	Total		
B/B Model														
Common Cost Pool (with A/B Model)	$2,956,674	$0	$2,956,674						67,158[1]	$44.03	$0.00	$44.03		
Unique	$76,294	$0	$76,294	0	0	600	250	0	850	$89.76	$0.00	$89.76		
												$133.79	NC New Item	
Backup Data														
A/B Model Commonality	$4,223,820	$0	$4,223,820 70%	0	64,627	0	1,681	0	66,308	$63.70	$0.00	$63.70		

SECTION B			
PRODUCTION QUANTITIES			
	Actual	Projected	Total
USG	400	200	600
MAP	0	0	0
Direct Sales	0	0	0
FMS	0	250	250
Total	400	450	850

NOTES:

[1] A/B Model Common (66,308) + B/B Model Unique (850) = 67,158

Figure 7-8. Recoupment of Nonrecurring Cost of Major Defense Equipment Example: Two-Level (continued)

SECTION C		
QUANTITY PROJECTION BREAKOUT B/B Model MASL _____		
MAP		
Country / Int'l Organization	Projected Quantity	Explaination for Projections
Total MAP	0	
Direct Sales		
Country / Int'l Organization	Projected Quantity	Explaination for Projections
Total Direct Sales	0	
FMS		
Country / Int'l Organization	Projected Quantity	Explaination for Projections
Country B	75	
Country E	20	
Country H	75	
Country J	80	
Total FMS	250	
TOTAL	250	

Figure 7-9. Recoupment of Nonrecurring Cost of Major Defense Equipment Example: Multi-Level

RECOUPMENT OF NONRECURRING COST ON SALES OF MAJOR DEFENSE EQUIPMENT ABC Blk II NC Charge - Summary Calculation MASL _____							DATE PREPARED:		DOD COMPONENT:	
							As of Date:		Prepared By:	
SECTION A										
(a)	**(b)**			**(c)**			**(d)**			**(e)**
Weapon System or Component	**Nonrecurring Cost (in Whole Dollars)**			**Benefitting Units (Qty Each)**			**Recommended Pro Rata Unit Charge**			**Previous Unit Charge**
	RDT&E	Production	Total	New	Remanufactured	Total	RDT&E	Production	Total	
ABC Block II										
Common Cost Pool (with ABC Blk I)	$324,126,237	$116,970,421	$441,096,658	821	463	1,284	$252,434.76	$91,098.46	$343,533.22	
Common Cost Pool (with ABC Block 0)	$235,896,300	$48,990,000	$284,886,300	463	927	1,390	$169,709.57	$35,244.60	$204,954.17	
Unique	$1,516,253,000	$287,960,000	$1,804,213,000	221	751	972	$1,559,931.07	$296,255.14	$1,856,186.21	
									$2,404,673.60	NC New Item
Backup Data										
ABC Block I	$589,320,430	$212,673,493	$801,993,923							
Commonality			55%							
Backup Data										
ABC Block 0	$786,321,000	$163,300,000	$949,621,000							
Commonality			30%							

SECTION B

PRODUCTION QUANTITIES

Remarks:

	Actual	Projected	Total
USG	200	752	952
MAP	0		0
Direct Sales	0		0
FMS	0	332	332
Total	200	1,084	1,284

Figure 7-9. Recoupment of Nonrecurring Cost of Major Defense Equipment Example: Multi-Level (continued)

SECTION C		
QUANTITY PROJECTION BREAKOUT ABC Blk II NC Charge - Summary Calculation MASL _____		
MAP		
Country / Int'l Organization	**Projected Quantity**	**Explaination for Projections**
Total MAP	0	
Direct Sales		
Country / Int'l Organization	**Projected Quantity**	**Explanation for Projections**
Total Direct Sales	0	
FMS		
Country / Int'l Organization	**Projected Quantity**	**Explanation for Projections**
Country A	25	
Country C	12	
Country F	100	
Country H	60	
Country I	25	
Country J	4	
Country K	72	
Country L	34	
Total FMS	332	
TOTAL	332	

Figure 7-10. Price Computation Example: New Procurement

Contract Price (20 items)	$1,000,000.00
Nonrecurring Cost ($2,500 each x 20 items)	50,000.00
Contract Administration Services (1,000,000 x .015)	15,000.00
Government-Furnished Materiel (GFM)	25,000.00
Packing, Crating, and Handling of GFM (3.5%) [1]	875.00
Transportation of GFM from Depot to Contractor Plant [1]	+ 938.00
FMS Selling Price (20 items) [2]	$1,091,813.00
FMS Unit Selling Price [2] (1,091,813/20)	$54,590.65

[1] PC&H and CONUS transportation are applicable, if the GFM is purchased from procurement citing the case funds. Actual costs should be used whenever known. However, in the absence of actual costs, a percentage-based computation must be used. For the purpose of this example, the GFM ($25,000) is considered to be all procurement-funded items with unit costs of less than $10,000. PC&H and Inland CONUS Transportation are not applicable, if the GFM is shipped from inventory by the DoD Working Capital Funds, as the cost is included in the standard (stabilized) price of the item.

[2] Transportation of end item, if applicable, and administrative surcharges are additive to the selling price

Figure 7-11. Price Computation Example: Overhaul of Purchaser-Owned Materiel [1]

Assumptions:

Civilian Direct Labor Hours	500
Direct labor hourly rate (employee salary and pro rata overhead)	$36.72
Unfunded Civilian Retirement Rate FY 2009	10%
Army Military Labor Hours (E-7)	100
Foreign Purchaser paid for inbound and outbound transportation	

Computation:

Direct materiel consumed or incorporated (does not include purchaser-owned materiel)		$ 1,000.00
Direct civilian labor cost recouped (including unpacking and packing, crating and handling) (500 x $36.72)		$18,360.00
Unfunded Civilian Rate costs ($18,360 x 10%)		$ 1,836.00
Military Composite Standard Pay Reimbursement (104,429 x .00055) x 100		$ 5,743.60
Transportation [1]	+	------
FMS Selling Price [2]		$26,939.60

[1] This table is general in nature and does not show all costs that may be included. For example, direct materiel consumed or incorporated should include transportation, replacement prices, and charges as appropriate. (See paragraph 070501.B for treatment of DWCF materiel). This example assumes that inbound and outbound transportation is paid by the FMS purchaser. See paragraph 070802.F. If the purchaser does not pay via the freight forwarder, the cost is included in the FMS selling price.

[2] The administrative surcharge is additive to the FMS selling price.

Figure 7-12. Calculation of Charges for Leased Defense Articles with Illustrative Entries

STEP 1: Determine Service Life.

a.	Date to be leased	June 2008
b.	Date item first fielded or actual acquisition date of specific item (if known)	June 1998
c.	The total estimated service life of the item	240 months
d.	Item age in months as of the lease date	120
e.	Number of months to be leased	12
f.	Estimated months of service life remaining at conclusion of lease	+ 108
g.	Total months of service life (d. + e. + f.) [1]	240

STEP 2: Determine cost of defense articles leased to be depreciated.

a.	Original acquisition cost	$1,000,000
b.	Pro rata share nonrecurring R&D and production costs [2]	20,000
c.	Capital improvements	
	(1) Major overhauls in past 24 months (see paragraph 70302.C.1)	500,000
	(2) Modifications net of retirements [3]	+ 300,000
	Total Cost	$1,820,000
	Less residual value Amount subject to depreciation (see Volume 4, Chapter 6, paragraph 060207)	

STEP 3: Calculate monthly charge.

Divide results of Step 2 by results of Step 1. $1,820,000/240 = $7,583.33

[1] In the event the service life is zero, the life would be extended to include the lease period.

[2] The pro rata share of nonrecurring R&D and production costs is additive when determining the full cost of the equipment to be depreciated. This cost is not authorized to be waived under section 070305.P. of this chapter.

[3] Retirements represent serviceable components and weapons that are replaced by a modified version and that are returned to inventory upon removal. Normally, retired items are valued at standard (stabilized) inventory price, if repair is not necessary. If repair is required before the item may be reissued, the retirement item is valued at standard inventory price less estimated repair cost.

VOLUME 15, CHAPTER 8: "BILLING AND REIMBURSEMENT"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * 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 May 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
080201	Clarified that the Department of Defense (DD) Form 645, Foreign Military Sales Billing Statement example is from the Defense Integrated Financial System. A different DD 645 format will be used when the Security Cooperation Enterprise Solution is implemented.	Revision
080204	Moved the DD 645 entry explanations to Table 8-1 and renumbered the subsequent paragraphs.	Revision
080205	Moved the Delivery Listing Code, Delivery Cost Total Code, and Generic Code lists to Tables 8-3 through 8-5.	Revision
080301	Updated the Supply Discrepancy Reporting reference to the Defense Logistics Management System Manual, Volume 2, Chapter 17.	Revision
080302, Table 8-10 thru 8-14	Moved the Adjustment Reply Code lists in 080302.A-E to Tables 8-10 through 8-14.	Revision
080402, Table 8-34 thru 8-48	Moved the Monitor Code (080402.C), Cost Code (080402.E), Unit of Issue (080402.G), Other than Repair and Return Code (080402.I.4.a), Repair and Return Code (080402.I.4.b), Mode of Shipment Code (080402.L), Delivery Source Code (080402.O), Reimbursement Code (080402.Q), and Transportation Bill Code (080402.R) lists to Tables 8-34 through 8-48.	Revision
Table 8-34	Added Missile Defense Agency to the Monitor Code list per Defense Security Cooperation Agency (DSCA) Policy Memo 11-14.	Revision
Tables 8-49 and 8-50	Updated the percentage rates L1B, Ocean Transportation, for Rate Area 2 (former tables 8-27 and 8-28) per DSCA Policy Memo 09-22.	Revision
Tables	Renumbered due to the addition of new tables.	Revision

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CHAPTER 8

BILLING AND REIMBURSEMENT

0801 GENERAL

080101. Overview

This chapter establishes the standard procedures for use when:

A. The Defense Finance and Accounting Service (DFAS), Security Cooperation Accounting (SCA) bills foreign governments and international organizations (hereafter referred to as Foreign Military Sales (FMS) purchasers) for costs related to defense articles and services sold pursuant to the Arms Export Control Act (***AECA***), Public Law 90-629, as amended, codified at ***Title 22 United States Code (U.S.C.) 2751, et seq***;

B. The Department of Defense (DoD) Components report FMS deliveries of materiel and services, contractor progress payments, and other related costs to DFAS SCA to obtain reimbursement or to report performance under an allotment of FMS Trust Fund budget authority; and

C. The DoD Components request reimbursement from the other DoD Components for costs associated with interservice support of FMS cases.

080102. Responsibilities

A. Defense Security Cooperation Agency (DSCA). DSCA approves the establishment and revision of the Implementing Agency (IA), Delivery Source Code (DSC), Monitor, and Type of Assistance (TA) codes. DSCA will forward the recommended new or revised codes to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) for approval and inclusion in Volume 15. DSCA and OUSD(C) must maximize the use of the Standard Financial Information Structure (SFIS) as prescribed in Volume 1, Chapter 4.

B. DFAS SCA. DFAS SCA must issue quarterly billing statements to FMS purchasers based on payment schedules attached to the Letter of Offer and Acceptance (LOA) by the applicable IA. Exceptions to this policy may be made when an IA submits a "Quarterly Forecast of Financial Requirements for Requisition Cases," or when the committed values for requisition cases (Volume 15, Chapter 4, paragraph 040206) indicate the performance on a particular requisition case is behind or ahead of schedule. In such cases, DFAS SCA must bill based on the quarterly forecast or the committed value of requisitions.

C. IAs. IAs must report accrued expenditures (work in process (WIP)) and physical deliveries in the applicable IA financial or logistical system within 30 days of the occurrence (date of shipment or performance); this information is provided to DFAS SCA through the billing and reporting procedures prescribed in this chapter.

D. Supporting DoD Components. The supporting DoD Components must request reimbursement from other DoD Components through the billing and reporting procedures prescribed in this chapter.

1. Requesting Activities. When placing an order to satisfy an FMS demand requesting activities are responsible for notifying the performing activities. The notification must include the country, case designator, and line item.

2. Performing Activities. Upon notification that a customer order is for an FMS purchaser, performing activities must notify the requesting activity whether the order has been accepted on a reimbursable or direct cite basis and identify the total cost to process the order. This total billing must include both funded and unfunded costs. The performing activity must deposit amounts collected to the appropriate accounts, including the Miscellaneous Receipt Account; see Volume 15, Chapter 2, Table 2-5, Pricing Elements and Their Financing Appropriations, for more information.

0802 FMS BILLING STATEMENT

*080201. General

A. Department of Defense (DD) Form 645, FMS Billing Statement (or automated equivalent), and special billing arrangement statements issued by DSCA represent an official claim for payment by the United States Government (USG). The DD 645 is prepared on a quarterly basis as of December, March, June, and September. As an example, the December bill reflects physical deliveries, performance of services and WIP from October 1 through December 31, and cash collections recorded for the FMS case through the preparation date of the billing statement. It also has a forecast of estimated advance cash requirements through the month of June. A December bill is mailed on or about January 15, with payment due March 15. The March, June, and September statements follow the same basic timeframes.

B. The FMS billing statement furnishes an accounting to the FMS purchaser for all costs incurred under each FMS Trust Fund case. Detail on the face of the billing statement must display the cost elements similar to the line item detail on the LOA. Physical performance of services and delivery of materiel are shown against the line item detail of the LOA. FMS administrative surcharge, accessorial costs, and WIP are separately listed. Table 8-1 includes examples of Defense Integrated Financial System (DIFS) DD 645s prepared by DFAS SCA along with explanations of the entries. The Security Cooperation Enterprise Solution (SCES) will be incrementally implemented and has a different DD 645 format.

080202. Billings for Cases with Payment upon Delivery

For cases authorized under the AECA, sections 21(d) or 22(b) (e.g., TA codes 6, 7, or 8 authorizing billing upon delivery), the IAs must ensure that each case has a delivery schedule. On the scheduled delivery dates, DFAS SCA must follow-up with the IA and verify the accuracy of the delivery schedule. On the delivery date, DFAS SCA must immediately bill the FMS

purchaser the appropriate charges. Interest must be charged in accordance with the policies found in Volume 15, Chapter 5, paragraph 050202.

080203. Final Statement

DFAS SCA must give the FMS purchaser a case final statement at the end of the calendar quarter in which the case is closed and re-categorized from an active status to inactive status. DFAS SCA must annotate the final statement to notify the FMS purchaser of this reclassification. Table 8-1 includes an example of a Final Statement of Account.

*080204. FMS Delivery Listing

A. An FMS delivery listing is prepared in support of entries to "Current Period Delivery Costs," on the DD 645. The delivery listing is an itemized listing of all items physically delivered and services performed during the reporting period. It is cross-referenced to specific document numbers and allows FMS purchasers to validate receipt of the materiel or services.

B. An FMS Delivery Listing is prepared based on IA FMS Integrated Control System (FICS) delivery transactions that have an "E" (estimated), "A" (actual), or "N" (incremental billing) price code. Section 0804 has detailed procedures for completion and submission of the delivery transactions. The delivery listing also includes DFAS SCA's computation of charges applied by that organization in accordance with Volume 15, Chapters 3 and 7. Table 8-2 is an example of an FMS Delivery Listing.

C. Codes assigned by DFAS SCA to the delivery listing transactions are in Table 8-3. The DFAS SCA "summary of delivery costs totals" codes are in Table 8-4.

D. FKE Accessorial Costs and FKF Accessorial Cost Adjustments

1. FKE transactions are applied against FKA transactions; FKF transactions are applied against FKB transactions.

2. Each "below-the-line" cost applied is identified by a Generic Code and a description of cost below the FKE/FKF headings. Generic Codes and descriptions are in Table 8-5.

3. All FKE transactions (debit) and FKF transactions (credit) equal the net total accessorial costs.

4. The sum of net totals for article/service costs, FMS administrative surcharge, and accessorial costs equals total delivered costs.

*080205. Computer Output

The FMS purchaser may request that DFAS SCA provide a Compact Disk Read Only Memory (CD-ROM) or hard copy report to support the FMS Delivery Listings. The billing and delivery listings may be electronically transmitted upon request, or the data may be placed on a file server where the FMS purchaser may access it. Security precautions will be taken to assure data confidentiality and appropriate access control. The specific transaction formats prepared by DFAS SCA based on delivery transactions are shown in Tables 8-6 through 8-9 as follows:

A. Table 8-6, Materiel/Service Transaction,

B. Table 8-7, Training Transaction,

C. Table 8-8, Administrative Transaction, and

D. Table 8-9 Accessorial/Additional Cost Transaction.

0803 FMS PURCHASER REQUESTS FOR BILLING AND SUPPLY ADJUSTMENTS

*080301. General

A. If, after review of the DD 645 and/or the supporting FMS Delivery Lists, the FMS purchaser identifies that an adjustment is needed, the FMS purchaser must submit a formal request for adjustment. Billing and supply adjustment requests for materiel or service performance and accessorial charges should be submitted to the IA. Adjustment requests dealing only with FMS administrative surcharges should be submitted to DFAS SCA.

B. FMS purchasers must submit all requests for billing and supply adjustments on a Standard Form (SF) 364, Supply Discrepancy Report (SDR), clearly indicating the specific adjustment or billing action requested. The form, instructions for completion, and definitions are prescribed in Defense Logistics Manual 4000.25, Defense Logistics Management System (DLMS) Manual, ***Volume 2, Chapter 17*.** The DoD Components must process eligible SDRs in accordance with DLMS Volume 2, Chapter 17. After SDRs applicable to materiel and services are resolved, the DoD Components must report the action being taken to DFAS SCA using appropriate adjustment reply codes in the delivery transaction (see section 0804).

*080302. Adjustment Reply Codes

Adjustment Reply codes cover most replies to FMS purchaser requests for billing or adjustments. When a situation arises not covered by these codes, a reply by letter is appropriate. Submit requests for codes to cover additional transactions to DFAS SCA at DFAS-JAX/IN, 8899 E. 56th St., Indianapolis, IN, 46249.

A. Codes to identify the reason for denial of a request are in Table 8-10.

B. Codes to identify a request was granted and instructions for disposition of

any materiel shipped in error are in Table 8-11.

C. Codes that are advisory and do not require billing or supply actions are in Table 8-12.

D. Codes for requesting additional data from a country are in Table 8-13.

E. Codes for USG reimbursements to foreign countries to recover transportation costs those countries incurred to return items to the USG are in Table 8-14.

080303. Reply Listing

DFAS SCA provides a consolidated listing of the actions taken in response to SDRs, entitled "Reply Listing to Purchaser Requests for Adjustments," shown at Table 8-15. This listing must be mailed with the DD 645 to the FMS purchaser involved. All FKG transactions (responses to SDRs) must be listed separately for each country and case. The FKG transaction has the same data elements as the FKA/FKB transaction shown on the FMS Delivery Listing. The Reply Listing is prepared in the same basic sequence as the billing statement and FMS delivery listing. If the FMS purchaser requests disks or File Transfer Protocol to support the FMS delivery listing, the format for FKG transactions must be the same as the Materiel/Service transaction in Table 8-6.

0804 IMPLEMENTING AGENCY PERFORMANCE REPORTS OR REQUESTS FOR REIMBURSEMENT

080401. Reporting Deliveries

A. IAs must report the cost of DoD services (inventory items, and new procurement to DFAS SCA using delivery reports, or automated equivalents) through the FICS delivery transaction unless the provisions of paragraph 080403 are applicable. It is the IA's responsibility to ensure that receipt documentation demonstrating proof of shipment, with the appropriate FMS purchaser (or the FMS purchaser's representative, e.g., a freight forwarder) signature, is retained permanently for the record.

B. DFAS SCA must pay earned reimbursements included in such reports within 20 working days from the date of receipt. If a cash flow problem precludes payment, DFAS SCA must issue immediate notification to the Director, DSCA, and to OUSD(C). The Director, DSCA, must notify IAs to suspend further deliveries of DoD stock or performance of DoD services unless a determination has been made that it is in the national interest for billings to be dated and issued upon delivery or performance, with payment due in 60 days.

*080402. Delivery Reporting Codes

Section 0808 describes the current performance reporting of final delivery and WIP delivery transactions. Tables 8-16 through 8-33 provide examples of delivery transactions for

specific circumstances. Instructions for completing the various fields follow:

A. Transaction Code. The Transaction Code field contains a two-position alpha or numeric code identifying the transaction type. If the position is "NA," it represents a report of articles or services. If the position is "ND," it represents a report of WIP. If the position is "NX," it reflects "below-the-line" actual or estimated accessorial costs. If the position is "NZ," it reflects an SDR reply.

B. Monitor Code. The Monitor Code field contains a one-position alpha or numeric data code identifying the activity to which the case is assigned for action and which is to be reimbursed, if appropriate, for the extended value. Use the Monitor code in conjunction with the IA code to identify specific activities. The IA code in Table 8-34 is prescribed in DSCA 5105.38-M, Security Assistance Management Manual (SAMM) Chapter 5, ***Table C5.T2***, IAs Authorized to Receive Letters of Request (LORs). The monitor codes assigned to the various activities are in Table 8-34.

C. Routing Identifier Codes (RIC). The RIC field contains a three-position alpha/numeric code for the shipping depot or activity performing services as established in DLM 4000.25-1, Military Standard Requisitioning and Issue Procedures ***(MILSTRIP)***.

D. Price Code. The Price Code field contains a one-position alpha code that identifies the report as a charge to WIP, a physical delivery, or the performance of requested DoD services. Three codes are authorized:

1. Use Code "N" to report incremental billings (such as WIP to contractors or provision of government furnished materiel (GFM) to a contractor). Consider Code "N" a Contract Administration Service (CAS) computing code under the following rules:

a. Contractor progress payments must be reported with DSC "DE" or "DK", only using price code "N" if CAS is applicable. This rule applies to all services.

b. All IAs and applicable DFAS activities will report physical deliveries with any "delivery" DSC, an "N" reimbursement code, and price code of "E" (estimated) or "A" (actual).

c. When contracts require no progress payment reports, such as might be the case on small contracts, use a DSC "DA" through "DD," "BB" or "ED," and if CAS is to be computed, use an "N" price code. The "N" price code will not be reflected in the delivery listing.

d. An "N" price code reported in any transaction with an "N" reimbursement code will reject.

2. Use Code "E" to report physical delivery of items at an estimated price. The use of an "E" price code in reporting the deliveries of major end items is allowed if an actual price code is not available within 30 days of the date of shipment. Furthermore, "E" price

code usage is required in reporting the deliveries of major end items if the actual price is not available within 90 days of the date of shipment. Use of the estimated price code is encouraged to expedite physical delivery reporting. When updating estimated information, use "E" with a credit value to reverse a previously submitted estimated "E" report and then enter a separate "E" report with the updated estimated information. Reverse the "E" prices and replace with "A" prices as soon as the actual prices are known.

3. Use Code "A" to report physical delivery of items or performance of DoD services at actual costs. If correcting a previously reported actual cost, use code "A" with a credit value to reverse the previously submitted actual cost report; then enter a separate actual cost report with the corrected actual information.

E. Stock or Part Number or SDR Response

1. The Stock or Part Number or SDR Response field contains 15 alpha or numeric characters that identify the article(s) or services being reported. It shows the stock or part number, training course number, film number, publication number, and phrases, such as "service" or "progress payment." The purpose of this field is to provide foreign purchasers and DoD managers with information. Include as much specific information as possible in this field for articles provided or services performed to satisfy FMS purchaser requirements for complete visibility. The use of the words "other" or "services" by themselves (or together) is not acceptable.

2. When reporting training, enter the worksheet control number (WCN) to include the suffix code as required (see SAMM Chapter 10, ***Table C10.T18***, Training Analysis Codes and WCNs) and Military Articles and Service List (MASL) Identification Number.

3. For SDR responses, insert code "R" or "W" in the first position, insert the SDR control number in the next five positions, and leave the last nine positions blank. If the SDR control number is less than five characters, right justify with leading zeros. Code "R" applies if the SDR reply is not processed as an administrative fee SDR adjustment; "W" applies if the SDR reply is processed as an administrative fee SDR adjustment.

4. In reporting the cost of DoD services, provide a clear narrative description in this field or use cost codes in Table 8-35 in the last two positions of the stock number field.

F. Unit of Issue. The Unit of Issue field contains a two-position alpha code. Applicable Unit of Issue (Unit of Measure) abbreviations are in Table 8-36.

G. Quantity Delivered. The Quantity Delivered field contains five numeric characters that identify the quantity of units delivered. Right justify and use leading zeros as appropriate. The quantity delivered must be a credit if the extended value dollar amount is a credit. Use an appropriate character in the last position for credits.

H. Document Number. The Document Number field contains 14 alpha or numeric characters identifying the transaction and contains:

1. The IA code, as prescribed in SAMM, Chapter 5, Table C5.T2;

2. The applicable Security Cooperation (SC) customer and regional code as prescribed in SAMM, Chapter 4, ***Table C4.T2***, SC Customer and Regional Codes and FMS Eligibility Table;

3. The "Mark for Code," which identifies the address of the in-country recipient of shipment and ties back to the Military Assistance Program Address Directory. Values assigned vary from one purchaser country to another;

4. The delivery term code (DTC), as prescribed in the SAMM, Chapter 5, ***Figure C5.F5***, LOA Information. Numeric codes are used when items are sold, and alpha codes are used when purchaser-owned equipment is returned for overhaul service. The DTC identifies the point at which custody transfers to the recipient (custody transfer point), and it is the primary component used to determine the "below-the-line" transportation charge applied by DFAS SCA (see paragraph 080404.C);

a. Codes used for other than "Repair and Return" transactions are in Table 8-37.

b. Normally, the return of repaired materiel will be reported using transportation bill code (TBC) "L." Codes used in connection with "Repair and Return" transactions are in Table 8-38.

5. The TA codes which are located in the SAMM, Chapter 5, Figure C5.F5;

6. The requisition date (YDDD); and

7. The serial number of the document or item.

I. Suffix Code. The Suffix Code field contains a one-position alpha or numeric code. The code shows partial action by supplier without losing the identity of the original requisition. Consider the codes in combination with dates and quantities shipped when accounting for split transactions. Block assignment of the suffix codes is:

Processing Source	Assigned Suffix Codes
Initial Source	A through E
First Secondary Source	F through H, J, and K
Second Secondary Source	L, M, Q, T, and U
Third Secondary Source	V through X
Fourth Secondary Source	Z through 9

J. Supplemental Address. The Supplemental Address field contains six alpha or numeric characters identifying where to ship an FMS case item and contains:

1. The FMS purchaser procuring agency code. The permissible purchaser procuring agency codes are specified in the SAMM, Chapter 5, Figure C5.F5. This position is blank when reporting actual accessorial costs;

2. The offer release/option and freight forwarder codes. The permissible offer release codes are specified in the SAMM, Chapter 5, Figure C5.F5. These two positions are blank when reporting actual accessorial costs; and

3. The FMS case designator.

K. Mode of Shipment. The Mode of Shipment field contains a one-position alpha or numeric code showing the mode of shipment provided in the LOA. This position is left blank when reporting actual accessorial costs. The codes are in Table 8-39.

L. Adjustment Reply Code. The Adjustment Reply Code field contains a two-position alpha code and is used only when an SDR is being reported. Authorized adjustment reply codes are in paragraph 080302. This field is left blank for normal delivery reporting of articles and services.

M. Program Year. The Program Year field contains one numeric character. The character is the last digit of the fiscal year (FY) in which an earned reimbursement must be realized.

N. DSC. The DSC field contains a two-position alpha code. Codes in the field provide an audit trail between performance and the pricing requirements in Volume 15, Chapter 7. DFAS SCA uses DSCs to recognize earnings for surcharges (see Table 8-40 for the surcharge matrix); therefore, use of the correct codes is imperative. An incorrect code could result in the FMS purchaser being over or under-charged.

1. DSCs for the sale of Articles under AECA Section 21 are in Table 8-41.

2. DSCs for the Performance of DoD Services under AECA Section 21 or 22 are in Table 8-42.

3. DSCs for Unique Foreign Military Sales Order (FMSO) Charges are in Table 8-43.

4. DSCs for the Procurement for FMS Purchasers under AECA Section 22 are in Table 8-44.

5. DSCs for miscellaneous charges are in Table 8-45.

6. DSCs for the Special Defense Acquisition Fund (SDAF) are in Table 8-46.

O. Port of Embarkation (POE). The POE field contains one alpha character. Use "A" when materiel is moved through an aerial port. Use a blank or "W" when materiel is moved through a water port, if applicable.

P. Reimbursement Code. The Reimbursement Code field contains a one-position alpha code and is used by DFAS SCA to determine the reimbursable status of the report. The codes are in Table 8-47.

Q. TBC. The TBC field contains one alpha character. TBCs are used to bill FMS purchasers for "below-the-line" transportation costs if the actual method of transportation is different from that identified by the DTC. Report the return of repaired materiel using TBC "L." TBCs are in Table 8-48.

R. Defense Working Capital Fund (DWCF) Code. The DWCF Code field is reserved for future use. This field was previously used for the stock fund/non-stock fund identification but is not currently required.

S. Date Shipped/Services Performed. The Date Shipped/Services Performed field contains six numeric characters and represents the date of performance in format YYMMDD. DFAS SCA uses the date to monitor compliance with the requirement to submit delivery transactions within 30 days of performance.

T. Amount Delivered/Extended Value. The Amount Delivered/Extended Value field contains nine numeric characters and represents the dollar value of the report. Right justify the values with leading zeros. Use an appropriate character in the last position to represent credit value.

U. Item Number. The Item Number field contains three alpha or numeric characters. It identifies the LOA line item to which the report is applicable.

V. Rounded Dollar Indicator. The Rounded Dollar Indicator field contains one alpha character. Use an "X" to indicate when the extended value is reported only in dollars. When reporting physical delivery and the extended value exceeds $9,999,999.99, only enter dollars (rounded) in the extended value field and an alphabetic "X" in this position. If physical delivery does not apply (such as WIP or services), submit two or more transactions to equal total value (and quantity, if applicable).

080403. Interfund Transactions

DWCF items are normally billed under interfund procedures and use the detailed billing cards prescribed in DLMS Volume 4, Military Standard Billing System - Finance (***MILSBILLS***). To minimize the impact on the normal MILSBILLS billing procedures (and still provide IAs or DFAS SCA with the data necessary to assure proper FMS billing), a modified

MILSBILLS detailed billing transaction may be used to report FMS shipments. This modified MILSBILLS detailed billing transaction is in place of the FICS delivery transaction. The required modification is to substitute information that normally appears in the unit price field of the MILSBILLS detailed billing transaction. The information required on the modified billings transactions applicable to the FMS program follows:

A. Item Number. The Item Number field is three numeric or alpha characters showing the FMS case line number (left justify). The information is obtained from positions 54-56 of the FMS requisitions submitted by the Army, positions 48-50 of FMS requisitions submitted by the Air Force, and positions 57-59 of FMS requisitions submitted by the Navy and Marine Corps.

B. TBC. The TBC field is one alpha character. The applicable TBCs prescribed in paragraph 080402.Q must be reflected in this field.

C. DSC. The DSC field is two alpha characters. The applicable DSC as prescribed in paragraph 080402.N must be reflected in this field.

D. DWCF Code. The DWCF Code field is one alpha/numeric character. This field was previously used for the stock fund/non-stock fund identification but is currently not required. If reactivated, the applicable coding structure will be prescribed in paragraph 080402.R.

080404. DFAS SCA Computations

Based on data in delivery transactions, DFAS SCA computes and bills FMS purchasers for the following:

A. CAS Charge. The CAS charge is based on DSCs (see paragraph 080402.N and Table 8-40). CAS percentages prescribed in Volume 15, Chapter 7, paragraph 070405 are applied as a percentage of reported payments to contractors, except for cases when CAS has been waived as authorized in Volume 15, Chapter 7, paragraph 070405 or determined to be not applicable and approved by DSCA. DFAS SCA performance and performance reporting feedback reports identify the amount of CAS computed based on delivery or WIP transactions (see section 0808).

B. Packing, Crating, and Handling (PC&H) Charge. The PC&H surcharge applies to shipments of DoD Non-Working Capital Fund Materiel. The IA is responsible for calculating the PC&H based on the acquisition price of the materiel and delivery reporting costs with DSC of "BH" unless actual costs are charged.

C. Transportation Charges. A “below-the-line” charge is applied based on the DTC within the delivery transaction. However, if the delivery transaction includes an optional TBC, the TBC will supersede the DTC in determining the transportation to be assessed (see paragraph 080402.Q). See SAMM Chapter 9, ***C9.T4a***, Table of Delivery Term Codes and Percentage, for the applicable rates. In addition, if the delivery transaction contains a DTC of

"8" or "9", use the transportation cost look-up table rate if the item is included within the table (see section 0805).

D. One Percent Asset Use Charge. This charge was canceled with the "Fair Pricing" Legislation in the DoD Appropriations Act, 1990, (***Public Law 101-165, Section 9104***) effective November 30, 1989.

E. FMS Administrative Surcharge. DFAS SCA applies the FMS Administrative Surcharge in effect at the time the LOA or amendment is accepted by the FMS purchaser, based on DSCs (see paragraph 080402.N and Volume 15, Chapter 7, paragraph 070602) and requirements noted in Volume 15, Chapter 4. The FMS administrative surcharge is assessed on performance reporting except for the amount collected upon case implementation as prescribed in Vol. 15, Chapter 3. The FMS administrative surcharge does not apply to WIP.

F. FMS Logistics Support Charge (LSC). The LSC was applied against items delivery reported after March 31, 1987 and prior to October 1, 2007 on case lines that included specific MASLs for spares, equipment modifications, maintenance, secondary support equipment, and supplies.

0805 TRANSPORTATION COST LOOK-UP TABLE

The purpose of the Transportation Cost Look-Up table is to provide applicable DoD Components with estimated transportation costs for items normally shipped in the Defense Transportation System (DTS) (e.g., sensitive/hazardous end items) when costs using standard transportation percentages are significantly different from actual charges. This table is located in the SAMM, ***Appendix 2***. Procedures for development of estimated actual transportation charges for use in the transportation cost look-up table are also in the SAMM.

0806 BILLING FOR SPECIFIC COSTS

Compute billings for specific costs associated with support to FMS as indicated in paragraphs 080601 through 080604.

080601. Actual Administrative Costs

Actual administrative costs are funded by an allotment that is provided based on an approved FMS administrative budget. Documentation that shows the propriety of the obligation must support the obligations and outlays against the allotment. The allotment holder must retain these basic source documents for audit and report the use of allotment through the required Status-of-Allotment reports.

080602. Actual FMS Contract Administration Services Costs

A. The DoD Components performing contract administration or audit services must submit a monthly certified SF 1080, Voucher for Transfers between Appropriations and/or Funds, billing to DFAS SCA for reimbursement of contract administration

(quality assurance and contract management) services and audit services being performed on FMS cases. Billings must reflect the actual or proportionate share of FMS CAS. DFAS SCA must make payment within 30 days following receipt of billings.

B. The organization performing these services must validate all bills before submitting the SF 1080 and attesting to the validity of the required computation process. The approved DoD Reimbursable Rate and approved OUSD(C) unfunded civilian retirement rate are available at the ***OUSD(C) reimbursable rate website***. If an adjustment or correction is needed, it must be corrected within 30 days from the date the adjustment was found.

C. The DoD Components authorized to bill for CAS are:

1. Department of the Army Ammunition Plants. Allocate contract management and quality assurance efforts based on the ratio of the FMS disbursements to total net disbursements. Compute the unfunded civilian retirement rate and show it on the monthly billings.

2. Department of the Navy. The Naval Sea Systems Command will submit monthly bills for the Navy Supervisors of Shipbuilding, Conversion, and Repair Activities, and allocate contract management and quality assurance efforts based on actual hours expended. Compute the unfunded civilian retirement rate and show on the monthly billings.

3. Defense Contract Management Agency (DCMA) Continental United States (CONUS) FMS CAS

a. DCMA establishes an annual command rate by August 1 of each year for the following FY. The rate must be determined based on the ratio of FMS net contract disbursements to total DoD net contract disbursements. The ratio will reflect actual net FMS (Trust Fund appropriation, 11 X 8242) disbursement data for the prior 12 months (using January of the prior FY to December of the current FY, e.g., January 2010 to December 2010). The annual command rate must apply to the next FY budgetary estimates and billing period. For example, the January 2010 to December 2010 data will be used for the budgetary estimate and billing period for FY 2012 and the rate due by August 1, 2011. The annual command rates methodology is further defined by the following factors:

(1). Numerator. Twelve months of monthly DIFS FMS (11 X 8242) net contract disbursement amounts reported for the Mechanization of Contract Administration Services (MOCAS) (and its successor systems) disbursing stations will be used as the numerator for calculating the annual command rate for DCMA. These amounts will exclude FMS (11 X 8242) disbursements and apply to contract administration reciprocal agreements, all other types of FMS CAS waivers reflected in the SAMM, ***Chapter 9.6.2***, and other FMS disbursements that are not FMS contract costs, e.g., in-house services performed by civil servants and financed by the FMS Administrative Surcharge account.

(2). Denominator. Twelve months of total DoD net contract disbursements as reported on the SF1219, Statement of Accountability, Part A, Line 4.1 will be used as the denominator for calculating the annual command rate for DCMA.

b. Quarterly, DCMA will update Functional Work Force (FWF) to include full-time equivalents that perform CONUS FMS CAS efforts (quality assurance or contract management) in the work sections. Use the updated FWF number derived in the third month of that quarter for the FWF number in the next quarter billings (SF 1080). In the computation process, round all hours and FWF amounts to whole numbers and all dollars and percentages to the second decimal place.

c. Monthly, DCMA will prepare the DCMA CONUS FMS CAS monthly earnings computation sheet and certification memorandum.

(1). CONUS FMS CAS earnings and unfunded civilian retirement for the month are computed using the DCMA annual command rate and the data sources listed in this chapter. The unfunded civilian retirement factor is listed with the Annual DoD Reimbursement Rates issued by OUSD(C). The approved FY reimbursable rates are available at the OUSD(C) reimbursable rate website.

(2). Overtime is listed as a separate charge on the DCMA CONUS FMS CAS monthly earnings computation sheet or, if the overtime factor was not included, in the Annual DoD Reimbursable Rate in accordance with Volume 11A, Chapter 6. The unfunded civilian retirement factor is not computed on overtime hours since unfunded civilian retirement applies to salaries (basic pay) only (see ***5 U.S.C. 8331 (3)*** for an explanation of what is not included in basic pay).

(3). The DCMA CONUS FMS CAS monthly earnings computation analysis, computed by unfunded civilian retirement and overtime earnings, is certified and forwarded to DFAS for billing preparation. Certification must be based on and consistent with the provisions of Volume 5, Chapter 5. The certification statement must be as follows:

"I certify that DCMA is entitled to $____ in FMS CAS reimbursements, excluding unfunded civilian retirement, for contract services performed during the period from _____ to _____, in accordance with applicable regulations, and that this entitlement is supported by the attached documentation. All disbursements applying to all FMS CAS waivers have been removed and are not included in this bill."

Signed: _____

4. DCMA International

a. DCMA International FMS CAS must be reimbursed on actual costs incurred based on net disbursements processed by DFAS. The unfunded civilian retirement rate will be computed on salaries (basic pay) only. Military pay will also be computed and reimbursed.

b. Since the FMS CAS Surcharge Account pays for all costs associated with FMS full-time employees (full-time is 90 percent or more of their time spent on FMS), including equipment, vehicles, and housing these reimbursements (monthly billings) must be based on total actual costs. Employees working part-time FMS CAS (part-time is 10 percent to less than 90 percent of their time spent on FMS) are reimbursed using the DoD FMS CAS hourly rate and the unfunded civilian retirement rate listed in the Annual DoD Reimbursable Rates Table issued by the OUSD(C). No additional support costs are reimbursed for part-time employees except for overseas TDY costs. See the OUSD(C) reimbursable rate website.

c. Billings must exclude all costs associated with countries that have FMS CAS waivers and/or reciprocal agreements.

5. Defense Contract Audit Agency (DCAA), All Offices Except DCAA Headquarters Offices. Allocate the FMS contract audit based on actual hours expended on FMS requirements. Compute the unfunded civilian retirement rate and show the results on the monthly billings.

6. Any other Activity Performing Contract Management Services as Approved by OUSD(C). When OUSD(C) grants this exception, the exception will identify the cost recoupment method.

D. The SF 1080 bills for actual costs must be supported with a columnar schedule containing the following data:

1. Organization;

2. Type of CAS effort incurred:

a. Contract audit,

b. Quality assurance and inspection, or

c. Other CAS efforts;

3. Cost recoupment basis;

4. Annual hourly rates prescribed by OUSD(C) for CAS, plus unfunded civilian retirement costs (including costs for post-retirement health benefits). See the OUSD(C) reimbursable rate website for approved unfunded civilian retirement rate and hourly rates; and

5. The authority or directive requesting work to be performed and justification for why the normal FMS CAS procedures and billing arrangements for the current authorized DoD Components performing CAS cannot be used.

E. Billings for non-FMS CAS must be charged in accordance with Volume 11A, Chapter 6, Appendix D, Contract Administration Services.

080603. Actual Transportation Cost

Bill actual transportation costs of delivering defense articles on SF 1080s or government bills of lading (GBLs); pay from the transportation surcharge account. Transportation costs to FMS purchaser freight forwarders from DWCF are included in the cost of the article reported to DFAS SCA. Bill inventory shipments from DWCF beyond the freight forwarders as a "below-the-line" charge in accordance with Table 8-49 and Volume 15, Chapter 7, Table 7-1, Cost Elements. Bill all other shipments according to Table 8-50 and Table 7-1. Reimburse costs for transportation billed as a "below-the-line" cost to transportation activities in response to SF 1080 bills. The bills must be supported by a valid case identifier comprised of country code, IA code, case designator, date of shipment, and certification that the billed amount was not included in the article's cost.

A. Carrier Costs

1. Commercial and Industrially Funded or DWCF Organizations. Support billings for other than inland CONUS DWCF materiel by electronic media, listing, or computer tapes detailing the transaction control numbers (TCNs) and case designators or articles transported for Security Assistance purchasers. "Carrier" means commercial carriers and/or the industrially funded or DWCF part of Air Mobility Command (AMC) and Military Sealift Command (MSC). The following exceptions apply:

a. Include the cost of transporting GFM to a contractor's plant in the price of the GFM, reported in the delivery transactions, and not in the SF 1080 billings.

b. Include the cost of transportation for repair and return cases in the cost of the repair service reported via the delivery transaction, and not in the SF 1080 billings.

c. Report "Above-the-line" discrete transportation costs, such as "high flight" or special airlift, as a case charge via the delivery transaction, and not in the SF 1080 billings.

d. Do not include in the SF 1080 billings the inland CONUS transportation cost for DWCF materiel from point of origin to point of FMS purchaser pickup (freight forwarder, FMS purchaser, or FMS purchaser designated CONUS delivery point); it is borne by the DWCF.

2. DWCF and GBLs. Do not cite the FMS Trust Fund on GBLs for transportation of DWCF materiel. The cost of such transportation is included in the standard price of DWCF materiel. GBL processing activities must not accept GBLs citing the FMS Trust Fund for transporting DWCF materiel.

3. The U.S. Postal Service. Directly reimburse all postal service costs collected by DFAS SCA as surcharge costs on FMS purchaser billings to the applicable IA's designated administrative headquarters organization.

4. The Defense Courier Service. Base the SF 1080 billings to recoup the cost of support provided by the Defense Courier Service on a prorated share of FMS shipments to total shipments. Apply the resulting percentage to payments to the Defense Courier Service to determine FMS billings.

5. Air/Army Postal Office (APO), Fleet Postal Office (FPO). Base the SF 1080 billings to recoup the cost of support provided by APOs and FPOs on a prorated share of FMS shipments to total shipments. Apply the resulting percentage to payments to the armed services operating these offices.

6. Commercial Package Carriers. All costs collected by the DFAS SCA as surcharges on FMS purchaser billings for commercial package carriers are directly reimbursed back to the reporting DoD Components and not reimbursed from the FMS Transportation Account as a direct cite disbursement.

B. Recoupment of the Cost of DoD Organizations Which Support Carrier Movement

1. AMC Headquarters. Allocate non-industrially funded/DWCF headquarters cost based on the ratio of FMS billings to the total dollar value of industrial fund/DWCF billings. The billing for headquarters cost must include a proportionate share of all costs funded by the Operations & Maintenance (O&M) appropriation, military pay appropriation, and those unfunded costs identified in paragraph 080602.D.

2. MSC Headquarters. Allocate non-industrially funded headquarters cost based on the ratio of FMS billings to the total dollar value of industrial fund/DWCF billings. The billing for headquarters cost must include a proportionate share of all costs funded by the O&M appropriation, military pay appropriation, and those unfunded costs identified in paragraph 080602.D.

3. Installation Support of AMC Airlift Operations. Apply a charge of 5 percent of AMC Industrial fund/DWCF billings to recover the cost of DoD airport operations, (e.g., tower operations and runway use). Reimburse the charge to the Air Force's O&M appropriation.

4. Organizations Responsible for Routing of Materiel, Preparation of GBLs and Carrier Selection. Organizations responsible for the routing of materiel, preparation of GBLs, and carrier Selection include the Surface Deployment and Distribution Command (SDDC) and subsidiary organizations, the Navy Materiel Transportation Office (NAVMTO), and installation transportation offices. Base billings on level of effort estimates of FMS tonnage as a percentage of total tonnage moved. For this calculation, costs of FMS tonnage must include movement of materiel processed through both DTS and commercial bills paid directly by foreign

countries. Apply the resulting percentage of tonnage moved to the total, actual obligations incurred by routing organizations to determine the base charge. The billing must include the base charge, military labor, and unfunded costs determined in accordance with paragraph 080602.D.

5. Organizations Responsible for Accounting, Audit, and Payment of Transportation Bills. Organizations responsible for accounting, audit, and payment of transportation bills are DFAS - Indianapolis Center, for Army, Air Force, and Defense agency shipments; NAVMTO, Norfolk, Virginia, for Navy shipments; and the Marine Corps Logistics Base, Albany, Georgia, for Marine Corps shipments. Base billings on the use of level of effort estimates of the number of FMS GBLs processed as a percentage of the total number of GBLs processed. Then apply the percentage to obligations incurred by cost centers responsible for processing GBLs, and those unfunded costs identified in paragraph 080602.D.

6. Organizations Providing Physical Security. Shipments which involve sensitive conventional arms, ammunition and explosives in transit are to be processed in accordance with ***DoD 5100.76-M***, Physical Security of Sensitive Conventional Arms, Ammunition, and Explosives. DoD civilian and military personnel involved in providing personnel services in connection with these types of shipments are to be priced in accordance with the provisions of Volume 15, Chapter 7, paragraphs 070202 and 070203.

C. Billings for Organic Transportation and Troop Labor. Billings for Organic Transportation and Troop Labor are typically provided when DTCs "2" through "9" (except "4") are used.

1. Troop Labor. Activities utilizing troop labor for the loading or unloading of vessels, trains, vans, or other conveyances are responsible for billing applicable costs. FMS cost may be based on a prorated share of the total cargo manifest, or a similar document.

2. Use of Organic Vehicles. Base billings for the use of organic vehicles on motor pool records that disclose DoD vehicles were used to move FMS materiel. Determine the number of miles and bill at the rate of $4.00 per mile. The billings include the labor cost of drivers assigned by the motor pool. Consolidate motor pool billings by major commands.

080604. Actual Packing, Crating, and Handling

SF 1080 billings for actual PC&H costs are normally not submitted. Instead, earned reimbursements are "pushed" to the shipping depot when DFAS SCA applies the applicable surcharge. DWCF items are not reimbursed for PC&H because that charge is included in the standard price.

0807 SUPPORTING DOD COMPONENT PERFORMANCE REPORTS/REQUESTS FOR REIMBURSEMENTS

080701. General

DoD Components must support FMS cases at the request of the applicable IA. Such requests must be in the form of requisitions or formal orders that place a dollar value on the support to be provided, the appropriation/fund that will pay resulting billings, the appropriation/fund that will bill and record earned reimbursements, and the address (symbol) of the IA or equivalent. Pursuant to a formal order, billings by the supporting DoD Component to the IA must be submitted on an SF 1080 supported by delivery transactions to the paying office identified in the order. The disbursing officer must include the delivery transactions in a consolidated submission to DFAS SCA and reimburse any amounts due for inventory items or services when reimbursement is received from DFAS SCA. Only make payments to contractors subject to expenditure authority (EA) issued by DFAS SCA. A non-reimbursable delivery transaction applicable to such costs should be included in the submission.

080702. Processing Requisitions

A. If requisitions are received from the IA with a fund and signal code signifying direct citation of the FMS Trust Fund (not an allotment of direct cite authority), the delivery transaction must be submitted to the requisitioning activity. Process requisitions containing such fund and signal codes on a prompt delivery basis (within 30 days). Obligations must be recorded after the funding authorization has been received and upon release of the requisition to the supply source. Record disbursements against the applicable case once the interfund bill transactions have been validated and accepted in the IA database. The IA reports the initial obligation transaction, obligation adjustment transaction and related disbursement transaction to DFAS SCA. DFAS SCA must approve EA for requisitions submitted to non-DoD supplying activities.

B. Within the DoD, the interfund billing activity must get necessary self-reimbursement authority for interfund requisitions. If stocked items are not available for prompt delivery and new procurement is necessary, follow Military Intergovernmental Purchase Request procedures, direct cite procurement, or commercial buying services procedures. If the requisition is submitted to a non-DoD organization, the summary billing transaction and the supporting unmodified MILSBILLS detailed billed transactions must be submitted to the IA. The IA must convert MILSBILLS detailed delivery transactions to an FMS detail delivery transaction and forward the billing information to DFAS SCA within five working days. DFAS SCA must use the FMS detail delivery transactions to prepare delivery reports to the FMS purchasers and provide a copy of the report or FK document identified equivalent to the implementing DoD Components for use in posting to supply performance files.

0808 PERFORMANCE AND DELIVERY REPORTING

080801. Reports

A. FMS Command Pay List. DFAS SCA provides reporting activities with a monthly FMS Command Pay List that identifies the total amount of WIP or deliveries charged to FMS cases in the current reporting period, excluding accounts payable (see paragraph 080801.D). The amount includes the delivery transactions submitted by the reporting activity, less accounts payable and rejected items (see paragraph 080801.C), and additional charges mechanically computed by DFAS SCA. The last line of the Command Pay List, "Total Reimbursable to This Payee," should equal the amount received by the payee. DFAS SCA computed charges may or may not be reimbursable to the reporting activity. The DFAS SCA computed charges include:

1. FMS Administrative Surcharge - Non-reimbursable,

2. PC&H - Reimbursable (not applicable to DWCF items),

3. "Below-the-line" Transportation Charges - Transportation generic codes (see paragraph 080204.D) L1D, L1E, and L4O are reimbursable. Other transportation generic codes are non-reimbursable (L1D and L1E are not applicable to DWCF items if the ship date is October 1, 1991 or later. The L1A (Inland CONUS) rate of 3.75 percent is not applicable to stock fund items effective October 1, 1990) , and

4. CAS – Non-reimbursable.

B. FMS Detail Delivery Feedback List. The FMS Detail Delivery Feedback List is attached to the Command Pay List and identifies the delivery transactions submitted by reporting activities and processed by DFAS SCA for reimbursement or reporting to the FMS purchaser. It also identifies add-on amounts mechanically computed by DFAS SCA for each processed delivery transaction. This listing does not provide summary totals of deliveries reported. It is used to compare deliveries reported with deliveries processed when reconciling amounts reimbursed to the reporting activity. When reconciling reimbursement received from DFAS SCA to reporting activity records, the following columns of the FMS Detailed Delivery Feedback list should be used:

1. The Voucher Amount Paid (VOU AMT PD) column, which identifies the amount of reimbursement to the reporting activity;

2. The Extended Value (EXT VAL) column, which identifies the total amount reported to DFAS SCA;

3. The Stock Fund Add-On (STK FUND ADD-ON) column, which identifies the amount of LSC or stock fund add-on charges computed by DFAS SCA. After accounting date 87-03, this field identifies the LSC;

4. The Contract Administration Surcharge Add-On (CAS ADD-ON) column, which identifies CAS computed by DFAS SCA. The CAS charge is applied to procurement DSCs (non-reimbursable to the reporting activity). Items procured and associated costs charged may include DWCF listed items, GFM, and nonrecurring charges;

5. The Date of Transaction (DT TRAN) column, which identifies the date of the transaction;

6. The Accessorial Administrative Costs (ACSRL ADM COST) column, which identifies administrative charges, applied against the FMS case. These charges are applied against total deliveries reported for each case during the month and not identified to the individual deliveries; and

7. The Extended Value (EXT VAL) column, to which all charges are applied.

C. FMS IA Performance Report Transaction Register (PRTR). The FMS IA PRTR has five parts. These parts include:

1. The IA Initiated Performance Reports Rejected Not Processed section, which includes all delivery transactions that could not be processed by DFAS SCA. The reasons for not processing are listed immediately under each transaction. A corrected transaction should be resubmitted to DFAS SCA. This part must be used in reconciling reported deliveries to deliveries processed by DFAS SCA. Rejected transactions should be corrected and resubmitted within 30 days;

2. The IA Initiated Performance Reports Processed with Management Alerts section includes all delivery transactions processed with the possible problem areas identified by DFAS SCA processing. Review these transactions to determine if each transaction was properly prepared. If the transaction was properly prepared, do not submit further transactions to DFAS SCA;

3. The DFAS SCA Initiated Performance Reports Processed section, which includes those transactions computed by and applied by DFAS SCA for the IA. DFAS SCA reports these transactions for posting to IA records.

4. The DFAS SCA Initiated Corrections to Initial IA Performance Reports section, which provides information on delivery transactions subsequently modified by DFAS SCA. Data appears with the IA delivery transaction first, followed by the corrective action taken by DFAS SCA; and

5. The DFAS SCA Deletions from IA Initiated Performance Reports section, which provides the delivery transactions that have been subsequently deleted by DFAS SCA.

D. FMS Accounts Payable List

1. The FMS Accounts Payable List indicates reimbursable delivery transactions for which payment is not being made. Reasons for non-payment include:

a. The country's funds are frozen (not available to disburse),

b. The country does not have enough cash available, or

c. The case provides for payment 60 days after delivery.

2. The list has a total of all transactions that are reimbursable and have not been paid to the reporting activity.

E. FMS Voucher Backup for Payment of Accounts Payable. The FMS Voucher Backup for Payment of Accounts Payable listing represents the amount paid to the reporting activity per the Command Pay List (see paragraph 080801.A) by country, IA, and reporting activity.

F. FMS Accounts Payable. Detailed payable records are only maintained in installation level systems and, therefore, can be aged only at the installation level. Monitoring payables and assuring specific vendors are paid promptly is a function of the installation level accounting activity. DFAS SCA, however, should validate general ledger account balances to payables reported to DIFS on behalf of the IA on a monthly basis.

080802. Reject Codes

The FMS IA PRTR contains reject codes for the delivery transactions that did not process to the FMS Command Pay List. Research reports with reject codes and process delivery transactions within 30 days. DFAS SCA will maintain a control file of outstanding rejected transactions and will update the file once corrected transactions are resubmitted and reprocessed. DFAS SCA will send copies of the control file to the respective IAs.

080803. Reconciling Reports

Take the following steps when reconciling reimbursable delivery transactions to the amounts reimbursed:

A. Verify that the voucher backup equals the amount on the check and the FMS Command Pay List. If amounts are not equal, contact DFAS SCA to reconcile differences.

B. Determine:

1. Total Reimbursable Deliveries
Reported (Transaction Input) $_____

2. Total Amount Reimbursed
(Command Pay List/Check) $_____
Less Add-Ons (Command Pay List)
Less DFAS SCA Inputs (IA Register)
Subtotal reported deliveries processed $_____
Plus Accounts Payable (A/P List)
Plus Rejected Items (IA Register) $_____
Reconciling Total $_____

080804. Reporting Examples

A. Table 8-33 shows the elements of the FICS transaction format for the reporting of the physical deliveries of articles and performance of services. FICS requires a TCN, action code, and interfund bill number in the delivery transaction to provide accountability control. The document identifier is modified to differentiate between input and feedback. This report of delivery submitted through FICS to DIFS will have a document identifier of NAI. Every NAI transaction received in DIFS is fed back thru FICS with a document identifier of NAF. All transactions include transaction reply codes (TRC). If the transaction is rejected, up to five reject codes that identify error conditions are provided. Rejects are suspended and controlled by TCN. This information is internal, and its only use is to assure accountability control of the transactions.

B. The DFAS SCA process compresses the NAI and other "N" delivery transactions down to an 80-character format so they can be processed in DIFS. The delivery transaction combines financial information with logistics information and is reflected in column 9 of the DD 645 FMS Billing Statement. The delivery transaction is also itemized as an FKA or FKB transaction on the FMS purchaser's Delivery Listing. The additional information in FICS is not included in the report to the FMS purchaser. Examples of the FMS Billing Statement and the FMS Delivery Listing are in Tables 8-1 and 8-2.

C. Other expanded formats, not shown here, correspond to other delivery transaction formats such as the SDR actions and the Report of Actual Costs. Detailed procedures and instructions concerning these various formats are available when preparing the FICS Interface Document.

*Table 8-1. DD 645, FMS Billing Statement Example

FOREIGN MILITARY SALES BILLING STATEMENT				UNITED STATES OF AMERICA DEPARTMENT OF DEFENSE/ARMY				
1. TO: BANDARIA ARMY		2. THIS IS A BILLING STATEMENT BASED ON CASH REQUIREMENTS. PAYMENT IS DUE BY 11 MAR 15		3. STATEMENT NUMBER: 10-12NA		4. FOR PERIOD ENDED: 10 DEC 31		5. DATE PREPARED: 11 JAN 05
CASE IDENTIFICATION AND DELIVERY STATUS				FINANCIAL STATUS				
6. CASE & ITM NBR	7. TOTAL VALUE ORDERED	8. CUMULATIVE DELIVERY COSTS END PRIOR PERIOD	9. CURRENT PERIOD DELIVERY COSTS (ATTACHMENT 1)	10. CUMULATIVE DELIVERY COSTS & WORK IN PROCESS	11. FORECASTED REQUIREMENTS (NOTE A)	12. TOTAL FINANCIAL REQUIREMENTS	13. CUMULATIVE PAYMENTS RECEIVED	14. AMOUNT DUE AND PAYABLE
CXY								
001	100,000.00	50,000.00	10,000.00	60,000.00				
	Automotv supp and eqp pts							
L6A	2,500.00	1,250.00	250.00	1,500.00				
	Administrative fee							
LOO	4,000.00	2,000.00	200.00	2,200.00				
	Accessorial Costs							
CASE TOTAL	106,500.00	53,250.00	10,450.00	63,700.00	31,000.00	94,700.00	70,000.00	24,700.00
*URA								
001	2,000.00	2,000.00		2,000.00				
	Instruments and Lab Eqp							
	75.00	75.00		75.00				
L6A	Administrative fee							
	100.00	100.00		100.00				
LOO	Accessorial Costs							
CASE TOTAL	2,175.00	2,175.00		2,175.00		2,175.00	2,175.00	
URK								
001	60,000.00	14,900.00	15,100.00	30,000.00				
	Armament Sys							
002	10,000.00	3,844.50	1,155.50	5,000.00				
	Supp Eqp							
L6A	1,750.00	468.61	406.39	875.00				
	Administrative fee							
LOO	625.00	270.47	150.70	421.17				
	Accessorial Costs							
WIP								
	Work in process			13,978.83				
CASE TOTAL	72,375.00	19,483.58	16,812.59	50,275.00	8,550.00	58,825.00	50,450.00	8,375.00

DD FORM 645 (NOV 87) PREVIOUS EDITIONS ARE OBSOLETE(Q)

FOREIGN MILITARY SALES BILLING STATEMENT				UNITED STATES OF AMERICA DEPARTMENT OF DEFENSE/ARMY				
1. TO BANDARIA ARMY		2. THIS IS A BILLING STATEMENT BASED ON CASH REQUIREMENTS. PAYMENT IS DUE BY 11 MAR 15		3. STATEMENT NUMBER: 10-12NA		4. FOR PERIOD ENDED: 10 DEC 31		5. DATE PREPARED: 11 JAN 05
CASE IDENTIFICATION AND DELIVERY STATUS				FINANCIAL STATUS				
6. CASE & ITM NBR	7. TOTAL VALUE ORDERED	8. CUMULATIVE DELIVERY COSTS END PRIOR PERIOD	9. CURRENT PERIOD DELIVERY COSTS (ATTACHMENT 1)	10. CUMULATIVE DELIVERY COSTS & WORK IN PROCESS	11. FORECASTED REQUIREMENTS (NOTE A)	12. TOTAL FINANCIAL REQUIREMENTS	13. CUMULATIVE PAYMENTS RECEIVED	14. AMOUNT DUE AND PAYABLE
BILL TOTAL	181,050.00	74,908.58	27,262.59	116,150.00	39,550.00	155,700.00	122,625.00	33,075.00

REVIEW PROCESS	EXPLANATORY NOTES
SIGNATURE ANALYST: BRANCH CHIEF: QUALITY ASSURANCE:	NOTE A: THE TERMS OF THE U.S. PUBLIC LAW, THE ARMS EXPORT CONTROL ACT, REQUIRE THE DEPARTMENT OF DEFENSE TO COLLECT PAYMENTS FROM FOREIGN PURCHASERS IN ADVANCE OF THE TIME THAT DOD INCURS COSTS ON THE PURCHASER'S BEHALF. THEREFORE, THIS BILLING STATEMENT REQUESTS PAYMENT OF MONIES THAT ARE ANTICIPATED TO BE EXPENDED BETWEEN THE TIME THIS BILLING STATEMENT IS PAID AND THE FOLLOWING BILLING STATEMENT IS PAID. * DENOTES CASES CLOSED DURING THE CURRENT PERIOD.
AUTHENTICATION	PAYMENT INSTRUCTIONS
SIGNATURE OFFICE OF THE DEPUTY DIRECTOR FOR SECURITY ASSISTANCE DEFENSE FINANCE AND ACCOUNTING SERVICE - INDIANAPOLIS	YOUR PAYMENTS MAY BE MADE BY USING EITHER CHECKS OR WIRE TRANSFER PROCEDURES, WIRE TRANSFERS ARE PREFERRED AND SHOULD BE SENT TO THE FEDERAL RESERVE BANK OF NEW YORK, WITH THE FOLLOWING INDENTIFICATION: TREAS NYC (00003801), DFAS-JAX/IN, ABA #021030004. CHECK MADE PAYABLE TO - U.S. TREASURY, SHOULD BE IN U.S. DOLLARS AND FORWARDED DIRECTLY TO: DFAS, 3801 CENTER COLLECTIONS, DFAS-JAX/IN P.O. BOX 269490, INDIANAPOLIS, IN 46226-9490 USA

DD FORM 645 (NOV 87) PREVIOUS EDITIONS ARE OBSOLETE(Q)

*Table 8-1. DD 645, FMS Billing Statement Example (Continued)

FOREIGN MILITARY SALES BILLING STATEMENT				UNITED STATES OF AMERICA DEPARTMENT OF DEFENSE/ARMY				
1. TO: BANDARIA ARMY		2. THIS IS A FINAL STATEMENT OF ACCOUNT. [1]		3. STATEMENT NUMBER: 10-12NA		4. FOR PERIOD ENDED: 10 DEC 31		5. DATE PREPARED: 11 JAN 05
CASE IDENTIFICATION AND DELIVERY STATUS				FINANCIAL STATUS				
6. CASE & ITM NBR	7. TOTAL VALUE ORDERED	8. CUMULATIVE DELIVERY COSTS END PRIOR PERIOD	9. CURRENT PERIOD DELIVERY COSTS (ATTACHMENT 1)	10. CUMULATIVE DELIVERY COSTS & WORK IN PROCESS	11. FORECASTED REQUIREMENTS (NOTE A)	12. TOTAL FINANCIAL REQUIREMENTS	13. CUMULATIVE PAYMENTS RECEIVED	14. AMOUNT DUE AND PAYABLE
*URA								
001	2,000.00	2,000.00		2,000.00				
	Instruments and Lab Eqp							
	75.00	75.00		75.00				
L6A	Administrative fee							
	100.00	100.00		100.00				
LOO	Accessorial Costs							
CASE TOTAL	2,175.00	2,175.00		2,175.00		2,175.00	2,175.00	

DD FORM 645 (NOV 87) PREVIOUS EDITIONS ARE OBSOLETE(Q)

[1] Notice in block 2 that this is a final bill after the case was closed in that quarter. This page shows the case information and case total. The next page shows the bill total and explanatory notes.

*Table 8-1. DD 645, FMS Billing Statement Example (Continued)

FOREIGN MILITARY SALES BILLING STATEMENT				UNITED STATES OF AMERICA DEPARTMENT OF DEFENSE/ARMY				
1. TO BANDARIA ARMY		2. THIS IS A FINAL STATEMENT OF ACCOUNT.		3. STATEMENT NUMBER: 10-12NA		4. FOR PERIOD ENDED: 10 DEC 31		5. DATE PREPARED: 11 JAN 05
CASE IDENTIFICATION AND DELIVERY STATUS				FINANCIAL STATUS				
6. CASE & ITM NBR	7. TOTAL VALUE ORDERED	8. CUMULATIVE DELIVERY COSTS END PRIOR PERIOD	9. CURRENT PERIOD DELIVERY COSTS (ATTACHMENT 1)	10. CUMULATIVE DELIVERY COSTS & WORK IN PROCESS	11. FORECASTED REQUIREMENTS (NOTE A)	12. TOTAL FINANCIAL REQUIREMENTS	13. CUMULATIVE PAYMENTS RECEIVED	14. AMOUNT DUE AND PAYABLE
BILL TOTAL	2,175.00	2,175.00		2,175.00		2,175.00	2,175.00	
REVIEW PROCESS				EXPLANATORY NOTES				
SIGNATURE ANALYST: BRANCH CHIEF: QUALITY ASSURANCE:				ONCE FINAL STATEMENTS/BILLINGS HAVE BEEN SENT FOR AN FMS CASE, NO SUBSEQUENT ADJUSTMENT OF SUCH BILLINGS, UPWARD OR DOWNWARD, IS AUTHORIZED, EXCEPT UNDER THE FOLLOWING INSTANCES: A. DISCOVERY OF PATENT ERRORS SUCH AS OBVIOUS ERRORS IN ADDITION OR MULTIPLICATION, UNAUTHORIZED DEVIATIONS FROM DOD FINANCIAL POLICY, OR COMPUTER ERRORS IN ESTABLISHING UNIT PRICES. B. TO PROVIDE CREDITS FOR DISCREPANCY REPORTS SUBMITTED BY THE PURCHASER IN ACCORDANCE WITH THE STANDARD TERMS AND CONDITIONS OF THE UNITED STATES OF AMERICA LETTER OF OFFER AND ACCEPTANCE. C. DISCOVERY BY THE UNITED STATES THAT IT HAS SHIPPED AN ITEM OR RENDERED A SERVICE FOR A CASE BUT HAS FAILED TO SUBMIT A BILL. D. DISCOVERY BY THE UNITED STATES THAT THE FINAL PRICE PAID TO A U.S. CONTRACTOR FOR AN ITEM PROVIDED IN ACCORDANCE WITH SECTION 22 OF THE ARMS EXPORT CONTROL ACT IS DIFFERENT FROM THE FINAL AMOUNT BILLED FOR THAT ITEM.				
AUTHENTICATION								
SIGNATURE OFFICE OF THE DEPUTY DIRECTOR FOR SECURITY ASSISTANCE DEFENSE FINANCE AND ACCOUNTING SERVICE - INDIANAPOLIS								

DD FORM 645 (NOV 87) PREVIOUS EDITIONS ARE OBSOLETE(Q)

FOREIGN MILITARY SALES BILLING STATEMENT				UNITED STATES OF AMERICA DEPARTMENT OF DEFENSE/ARMY				
1. TO BANDARIA ARMY		2. THIS IS A FINAL STATEMENT OF ACCOUNT.		3. STATEMENT NUMBER: 10-12NA		4. FOR PERIOD ENDED: 10 DEC 31		5. DATE PREPARED: 11 JAN 05
CASE IDENTIFICATION AND DELIVERY STATUS				FINANCIAL STATUS				
6. CASE & ITM NBR	7. TOTAL VALUE ORDERED	8. CUMULATIVE DELIVERY COSTS END PRIOR PERIOD	9. CURRENT PERIOD DELIVERY COSTS (ATTACHMENT 1)	10. CUMULATIVE DELIVERY COSTS & WORK IN PROCESS	11. FORECASTED REQUIREMENTS (NOTE A)	12. TOTAL FINANCIAL REQUIREMENTS	13. CUMULATIVE PAYMENTS RECEIVED	14. AMOUNT DUE AND PAYABLE
BILL TOTAL	2,175.00	2,175.00		2,175.00		2,175.00	2,175.00	
REVIEW PROCESS				EXPLANATORY NOTES				
SIGNATURE ANALYST: BRANCH CHIEF: QUALITY ASSURANCE:				ONCE FINAL STATEMENTS/BILLINGS HAVE BEEN SENT FOR AN FMS CASE, NO SUBSEQUENT ADJUSTMENT OF SUCH BILLINGS, UPWARD OR DOWNWARD, IS AUTHORIZED, EXCEPT UPON THE DISCOVERY BY THE UNITED STATES THAT THE FINAL PRICE PAID TO A U.S. CONTRACTOR FOR AN ITEM PROVIDED IN ACCORDANCE WITH SECTION 22 OF THE ARMS EXPORT CONTROL ACT IS SIGNIFICANTLY DIFFERENT FROM THE FINAL AMOUNT BILLED FOR THAT ITEM.				
AUTHENTICATION								
SIGNATURE OFFICE OF THE DEPUTY DIRECTOR FOR SECURITY ASSISTANCE DEFENSE FINANCE AND ACCOUNTING SERVICE - INDIANAPOLIS								

DD FORM 645 (NOV 87) PREVIOUS EDITIONS ARE OBSOLETE(Q)

*Table 8-1. DD 645, FMS Billing Statement Example (Continued)

	Description
Upper right-hand corner	DoD Component that is acting as the IA for the cases shown on the statement
1. To	Identifies the recipient of the statement, i.e., full country name/activity name followed by Service within country or special paying office designation
2. Due Date	Identifies the statement as a "billing statement based on cash requirements," a "final statement of account," or an "Omnibus Statement of Account." If the statement is a billing statement, this block also indicates the payment due date. Normally, the due date is 60 days after the preparation date in block 5
3. Statement Number	Reflects a system-assigned statement number composed of the numeric year and month for the period ended followed by an alphabetic bill code assigned by DFAS SCA. The bill code is used to sequence cases for distribution and to identify the paying office, unless the foreign purchaser has requested that cases be sequenced in some other manner
4. Period Ended	Contains the last calendar day of the period for which the statement is prepared. Normally, this is the last day of the month at the end of each calendar quarter
5. Date Prepared	Reflects the date the statement was prepared and is the official date of billing
6. Case and Item Number	(a) Identifies the FMS case identifier and line item identification from the LOA
	(b) Identifies FMS administrative surcharges, accessorial costs, and WIP related to the case. An asterisk (*) preceding the case designator indicates a closed/inactive case. A case that has been closed since the previous billing statement was issued will appear on the current billing statement with an asterisk. Concurrently, a final statement of account is prepared systemically for the case and presented following the billing statement
7. Total Value Ordered	Identifies the value of articles or services for each line item number, FMS administrative surcharges, or accessorial costs as shown on the LOA, or most recent amendment or modification. Immediately below the value is the short title identifying the articles or services as described in SAMM, ***Appendix 4***
8. Cumulative Delivery Costs End of Prior Period	Identifies the value of total delivery costs reported at the end of the prior statement period. No value is shown in this column for WIP applicable to undelivered items
9. Current Period Delivery Costs	Identifies the value of delivery costs reported since the end of the prior statement period. Values shown in this column are supported in detail by the FMS Delivery Listing (see paragraph 080204). No value is shown in this column for WIP applicable to undelivered items

*Table 8-1. DD 645, FMS Billing Statement DD 645 Example (Continued)

	Description
10. Cumulative Delivery Costs and Work in Process	Contains the totals of values shown in columns 8 and 9, plus WIP applicable to undelivered items. The WIP value in column 10 is the accrued costs incurred on behalf of the FMS purchaser that are not yet supported by physical or constructive deliveries. These costs include contractor holdbacks (normally 10 percent) on WIP payments made to contractors, potential termination liabilities, and any other applicable add-on costs
11. Forecasted Requirements	Contains the value of potential costs to be incurred during the calendar quarter following the current statement payment due date plus any prior period amounts. This value appears on the "Case Total" line only and may be derived from one of these two sources:
	(a) The quarterly deposit identified in the payment schedule for the case, which has a due date that coincides with the payment due date of the current statement, is used as the forecasted requirement. For all requisition type cases, e.g., FMSO) II or repair part cases, the source is the report titled "Quarterly Forecast of Financial Requirements for Requisition Cases", or the corresponding LOA payment schedule(s). Volume 15, Chapter 4, paragraph 040206, has instructions for preparing that report
	(b) When the committed value is less than the payment schedule quarterly deposit, the committed value is used as the forecasted requirement in column 11 for the case instead of the quarterly deposit in the payment schedule
12. Total Financial Requirements	A value appears in this column only on the "Case Total" line. It represents the total of the column 10 and column 11 values for the case
13. Cumulative Payments Received	A value appears in this column only on the "Case Total" line. It represents the total amount of payments received from the FMS purchaser through the official date of billing in block 5
14. Amount Due and Payable	A value appears in this column only on the "Case Total" line. It is column 12 minus column 13, and is the additional payment due from the FMS purchaser. If the calculation is less than $1 or is a negative amount due, no amount will be shown

Table 8-2. FMS Delivery Listing

FMS DELIVERY LISTING — FOR PERIOD ENDED [1]: 10 DEC 31 — PAGE 1
DATE PREPARED [1]: 11 JAN 05

COUNTRY [1]: BANDARIA — STATEMENT NUMBER [1]: 10-12NA — U.S. DEPT/AGENCY: ARMY
SERVICE [1]: ARMY — CASE [1]: URK ITEM NBR[1] 002

ARTICLE/SERVICES TRANSACTIONS

DOC ID [2]	RIC [3]	PRC CD [4]	STOCK NUMBER	UNIT ISSUE	QUAN SHIP	DOCUMENT NUMBER	DOC SFX	SUPL ADRS	M S	ARC	ACCT DATE	TBC	DSC	DATE SHIP	UNIT PRICE [5]	EXTENDED VALUE
FKA	B14	A	C0001BDURK	EA	SCR	BBDC4421009004		BZ2URK	G	CB	1010	A	AB	2140	70.00	350.00 CR
FKA	B14	E	493000926123400	EA	10	BBDC4421009001		BZ2URK	F		1010	G	AB	2250	120.55	1,205.50
FKA	S9C	A	473000016267800	EA	2	BBDC4221009009		BZ2URK	G		1011	A	AB	2280	50.00	100.00
													ITM NBR/DSC SUBTOTAL:			955.50
FKA	B14	A	CONTRACT ADM	XX	1	BBD00000005330		URK			1011	D	BD	2330	2.96	2.96
													ITM NBR/DSC SUBTOTAL:			2.96
FKA	B14	A	493000928111100	EA	1	BBDC442100910		BZ2URK			1011	D	DC	2281	197.04	197.04
													ITM NBR/DSC SUBTOTAL:			197.04

ADMINISTRATIVE/ACCESSORIAL TRANSACTIONS

DOC ID	GENERIC CODE	COST DESCRIPTION	DOCUMENT NUMBER	ARC	ACTG DATE	TYPE OF COST	PERCENT FACTOR	TOTAL VALUE APPLIED	ADMIN/ACSRL COST
FKC	L6A	ADMIN COSTS	BBD		1010	COMPUTED	2.50	1,205.50	30.13
FKC	L6A	ADMIN COSTS	BBD		1011	COMPUTED	2.50	300.00	7.50
FKD	L6A	ADMIN COSTS	BBD		1010	COMPUTED	2.50	350.00 CR	8.75 CR
FKE	L1C	AIR TRANS	BBD		1010	COMPUTED	6.00	1,205.50	72.33
FKE	L1F	OS INLAND	BBD		1010	COMPUTED	3.00	1,205.50	36.17
FKE	L2B	CONUS PORT	BBD		1010	COMPUTED	2.50	1,205.50	30.14
FKE	L2C	OS PORT	BBD		1010	COMPUTED	1.00	1,205.50	12.06

FMS DELIVERY LISTING — FOR PERIOD ENDED[1]: 10 DEC 31 — PAGE 2
DATE PREPARED[1]: 11 JAN 05

COUNTRY [1]: BANDARIA — STATEMENT NUMBER[1]: 10-12NA — U.S. DEPT/AGENCY: ARMY
SERVICE [1]: ARMY — CASE[1]: URK ITEM NBR[1] 002

SUMMARY OF DELIVERY COSTS

	TOTAL COSTS
FKA ARTICLES/SERVICE COSTS	1,505.50
FKB ARTICLES/SERVICE COSTS	350.00 CR
NET TOTAL OF ARTICLES/SERVICES COSTS	1,155.50

	ACTUAL COSTS	COMPUTED COSTS	
FKC ADMINISTRATIVE COSTS	0.00	37.63	37.63
FKD ADMINISTRATIVE COSTS	0.00	8.75 CR	8.75 CR
NET TOTAL OF ADMINISTRATIVE COSTS	0.00	28.88	28.88
FKE ACCESSORAL COSTS			
L1C AIR TRANPORTATION	0.00	72.33	72.33
L1F INLAND TRANSPORTATION	0.00	36.17	36.17
L2B CONUS PORT HANDLING	0.00	30.14	30.14
L2C OVERSEAS PORT HANDLING	0.00	12.06	12.06
NET TOTAL OF ACCESSORIAL COSTS			150.70
TOTAL DELIVERY COSTS			1,335.08

[1] Information is the same as shown in Blocks 1-5 and column 6 on the DD 645.

[2] DOC ID is the Document Identifier Code assigned by DFAS SCA to identify delivery listing transactions and whether the transaction is a debit or credit. Codes assigned by DFAS SCA to the delivery listing transactions are in Table 8-3.

Table 8-2. FMS Delivery Listing (Continued)

[3] RIC is the routing identifier code in the delivery transaction.

[4] PRC CD is the price code in the transaction report.

[5] UNIT PRICE is computed by DFAS SCA by dividing extended value by quantity shipped (transactions do not contain unit price information). If the computation does not result in an even number, the resulting unit price must be rounded up to the next even dollar value and must be printed followed by an asterisk (*) in the unit price column. Where the unit price exceeds $9,999,999, an asterisk (*) will be printed in the unit price column. Instructions for preparing the delivery transaction are described in section 0804.

*Table 8-3. Delivery Listing Codes

Code	Title	Debit or Credit
FKA	Articles/Service Transactions	Debit
FKB	Articles/Service Transactions Adjustment	Credit
FKC	Administrative Costs	Debit
FKD	Administrative Cost Adjustment	Credit
FKE	Accessorial Costs	Debit
FKF	Accessorial Cost Adjustments	Credit
FKG	Reply to Purchaser Request for Adjustments	Debit or Credit

*Table 8-4. Delivery Cost Total Codes

FKA - Articles/Services Cost	Total of detail FKA (Debit) transactions
FKB - Articles/Services Cost	Total of detail FKB (Credit) adjustment transactions
Net Total of Articles/Services Cost	All FKA and FKB transactions equal the net total of articles/services cost
FKC - Administrative Costs	Total of detail FKC Administrative Costs and total of detail FKD Administrative Cost Adjustments
	(a) If DFAS SCA computes the cost, the value against which the percentage factor is applied, the percentage factor used, and the applied charge (under ADMIN/ACSRL COST) are shown. The charge is shown as a debit (FKC) or credit (FKD) amount
	(b) If actual costs have been applied, the words “ACTUAL CHARGE” are shown as Type of Cost. FKC transactions are applied against FKA transactions. FKD (credit Administrative Cost Adjustments) transactions are applied against FKB transactions
Net Total of Administrative Costs	All FKC and FKD transactions equal the net administrative costs

*Table 8-5. Generic Codes

Generic Code	Long Title	Short Title
L1A	Inland Transport within CONUS	CONUS TRANS
L1B	Ocean Transportation	OCEAN TRAN
L1C	Air Transportation	IR TRANS
L1D	Parcel Post	PARCEL POST
L1E	Commercial Packing Carriers	COMM PKG
L1F	Inland Trans Overseas	OS INLAND
L1O	Transportation Costs	TRANS COST
L2A	Packing, Crating & Handling	PCH
L2B	CONUS Port Handling	CONUS PORT
L2C	Overseas Port Handling	OS PORT
L4A	Storage	STORAGE
L4O	Staging	STAGING
L6A	Administrative Costs	ADMIN COSTS
N7E	Medical	MEDICAL
N7F	Quarters	QUARTERS
U1O	Normal Inventory Loss	INV LOSS

Table 8-6. Materiel/Service Transaction[1]

Transaction Position	Field Contents
1-3	Document Identifier Code[2]
4-6	Routing Identifier Code
7	Price Code
8-22	Stock or Part Number/SRD Response/Narrative Description
23-24	Unit of Issue
25-29	Quantity Shipped[3]
30-43	Document Number
44	Suffix Code
45-50	Supplemental Address
51	Mode of Shipment
52-53	Adjustment Reply Code
54-57	Accounting Date (numeric year and month in which processed at DFAS SCA)
58	TBC (second position of original code)
59-60	DSC
61-64	Date Shipped
65-73	Extended Value[3]
74-80	Unite Price[4]
81-83	Line Item Number
84	Cost Identification Code
85	In-Country Service

[1] The majority of data in the Transaction is perpetuated from the delivery transaction (see section 0804).

[2] Document identifier code will be FKA for debits, FKB for credits, and FKG for reply to FMS purchaser requests for adjustments (see section 0803). FKG Transactions may have either debit or credit values.

[3] A credit value is indicated by an "X" in last position.

[4] Items for which the unit price exceeds $99,999.99 or does not calculate to an even number with no remainder, the unit price field will be blank, with a hyphen in positions 78 and 80. When the extended value is greater than $9,999,999.99, the unit price field will be blank with a hyphen in last position, and the extended value field will have only whole dollars.

Table 8-7. Training Transaction

Transaction Position	Field Contents
1-3	Document Identifier Code (FKA, FKB)
4-6	Routing Identifier Code
7	Price Code (normally "A")
8-22	Course Number or Brief Description[1]
23-24	Unit of Issue (normally "XX")
25-29	Quantity (normally absolute value of 1)
30-43	Document Number (normally has zeros in positions 33-35 and ITO date and/or number positions 36-43)
44	Suffix Code or Blank
45-50	Supplemental Address (normally has zeros in positions 46-47)
51-53	Blank or Zero
54-57	Accounting Date
58	Normally Blank
59-60	DSC
61-64	Course Commencement Date or Blank
65-73	Extended Value (cost involved with training)
74-80	Unit Price (normally same as extended value)
81-83	Line Item Number
84	Cost Identification Code
85	In-Country Service

[1] In "Course Number or Brief Description" enter the training course number; e.g., WCN0270AB123456. For associated costs (e.g. medical), enter the description of the service (abbreviated, as necessary) in last 7 positions (e.g., WCN0270AMEDICAL).

Table 8-8. Administrative Transaction

Transaction Position	Field Contents
1-3	Document Identifier Code (FKC for debits, FKD for credits)
4-6	Routing Identifier Code of activity which reported materiel/services to which administrative costs apply
7	Blank
8-19	Contains constant “ADM COST,” left justified
20-29	Value of which cost applies, if applicable
30	U.S. IA Code
31-32	FMS Country Code
33-44	Blank
45	FMS Country Service
46-47	Blank
48-50	FMS Case Designator
51	Blank
52-53	Adjustment Reply Code, if applicable
54-57	Accounting Date
58-60	Generic Code (L6A)
61-64	Blank
65-73	Value of Administrative Cost
74-80	Percentage rate used, if applicable
81-83	Line Item Number
84	Cost Identification Code
85	In-Country Service

Table 8-9. Accessorial/Additional Cost Transaction

Transaction Position	Field Contents
1-3	Document Identifier Code (FKE for debits, FKF for credits)
4-6	Routing Identifier Code of activity which reported materiel/services to which accessorial costs apply
7	Blank
8-19	Generic Short Title as outlined in Table 8-5, e.g., CONUS TRANS.
20-29	Value to which cost applies, if applicable
30	U.S IA Code
31-32	FMS Country Code
33-34	Blank
45	FMS Country Service
46-47	Blank
48-50	FMS Case Designator
51	Blank
52-53	Adjustment Reply Code, if applicable
54-57	Accounting Date
58-60	Generic Code for type of cost as prescribed by the SAMM
61-64	Blank
65-73	Value of Accessorial Cost
74-80	Percentage rate used, if applicable
81-83	Line Item Number
84	Cost Identification Code
85	In-Country Service

*Table 8-10. Adjustment Reply Codes: Denial

Code	Description
AA	Duplicate billing and/or shipment resulted from receipt of duplicate requisition and duplicate supply action
AB	Bill reflected correct unit or extended price of materiel shipped
AE	Supplier adjusted to unit pack since requisition did not prohibit this action; or shipment made in accordance with instructions in requisitions
AF	Authorized substitute in latest supply manual. Requisitions did not prohibit substitutions
AG	Claims less than $200, loss or gain are to be absorbed by FMS purchaser
AI	Local records indicate prior reversal of duplicate credit or charge in bill number cited
AJ	Credit was granted as a result of prior request and processing in billing
AK	Shipment made via commercial bill of lading; USG not responsible for damaged shipments
AL	Copies of shipping document evidencing proof of shipment/acceptance are attached
AM	Exhibit analysis completed - SDR denied
AN	Claim less than $25, loss or gain to be absorbed by FMS purchaser
AO	Request cannot be granted because discrepancy report was not received within allowable timeframe
AP	Request cannot be granted because item was procured specifically for FMS purchaser. Section 6 of the LOA, "Warranties" applies (see SAMM, ***Figure C5.F4***, LOA Information)

*Table 8-11. Adjustment Reply Codes: Reason Request Granted and Instructions for Disposition of Any Materiel Shipped in Error

Code	Description
BA	Materiel subject to local disposal
BB	Materiel to be returned to activity designated in the shipping depot field for subsequent credit
BC	Hold unacceptable shipment quantity pending disposition instructions to be submitted via separate communication
BD	Materiel to be returned to a Defense Reutilization and Marketing Office for disposal
BE	Materiel to be sent to nearest U.S. turn-in point for redistribution
BF	Materiel to be returned to contractor facility
BR	Materiel to be returned to USG facility for repair or replacement
BV	Materiel to be returned to contractor facility for repair or replacement
BX	Materiel to be returned for evaluation as an exhibit
BY	Exhibit analysis completed - asset repaired or replaced
BZ	Exhibit analysis completed – credit adjustment will be processed
CA	Requested debit adjustment will be made and bill issued
CB	Requested credit adjustment will be made and amended bill issued
CF	Request granted for financial adjustment not directly related to materiel shipments, e.g., repair costs
CW	Credit adjustment granted on accessorial charges – only FKF transactions
CX	Credit adjustment granted on administrative charges – only FKD transactions
CY	Debit adjustment granted on administrative charges – only FKC transactions
CZ	Debit adjustment granted on accessorial charges – only FKE transactions

*Table 8-12. Adjustment Reply Codes: Advisory Codes That Do Not Require Billing or Supply Action

Code	Description
DA	Request previously processed and credit granted
DB	Request previously processed and credit not granted
DD	Billing previously rendered
DG	Duplicate billing will be furnished
DI	Letter of explanation follows
DJ	No record of previous request. Resubmit
DK	Copies of shipping documents evidencing proof of shipment and acceptance are attached
DM	Reply delayed 30 days. Matter is being investigated
DX	Request for SDR cancellation approved

*Table 8-13. Adjustment Reply Codes: To Request Additional Data from Country

Code	Description
EB	Document number incomplete. Resubmit
EC	Bill number incomplete/missing. Resubmit
EF	Records do not indicate duplicate shipment and/or billing on bill number cited. If duplication occurred on another bill, resubmit citing both bill numbers
EI	Claim should be supported by appropriate documentation. Resubmit
EJ	Claim should be supported by confirmation of cancellation. Resubmit

*Table 8-14. Adjustment Reply Codes: USG reimbursement to Foreign Countries to Recover Transportation Costs those Countries Incurred to Return Items to USG

Code	Description
FA	Transportation reimbursement from freight forwarder to FMS purchaser final destination on shipment of discrepant materiel (5 percent of discrepant materiel billed value)
FB	Transportation reimbursement from CONUS POE via DTS to final destination on shipment of discrepant materiel (reversal of accessorial costs)
FC	Transportation reimbursement from FMS purchaser final destination to turn-in point for discrepant returns (3 percent of discrepant materiel billed value)
FD	Transportation reimbursement for local disposal of discrepant materiel (5 percent of discrepant materiel billed value for inland transportation and disposal costs)
FE	Transportation reimbursement for return of discrepant item or items to be repaired (5 percent of discrepant materiel billed value)
FF	PC&H reimbursement for discrepant materiel returns (3.75 percent of discrepant materiel billed value)
FG	Transportation reimbursement from freight forwarder to FMS purchaser final destination on shipment of discrepant materiel (5 percent of discrepant materiel billed value); and PC&H reimbursement for discrepant materiel returns (3.75 percent of discrepant materiel billed value)
FH	Transportation reimbursement from CONUS POE via DTS to final destination on shipment of discrepant materiel (reversal of accessorial costs); and PC&H reimbursement for discrepant materiel returns (3.75 percent of discrepant materiel billed value)
FI	Transportation reimbursement from freight forwarder to FMS purchaser final destination on shipment of discrepant materiel (5 percent of discrepant materiel billed value); transportation reimbursement from FMS purchaser final destination to turn-in point for discrepant returns (3 percent of discrepant materiel billed value); and PC&H reimbursement for discrepant materiel returns (3.75 percent of discrepant materiel billed value)
FJ	Transportation reimbursement from CONUS POE via DTS to final destination on shipment of discrepant materiel (reversal of accessorial costs); transportation reimbursement from FMS purchaser final destination to turn-in point for discrepant returns (3 percent of discrepant materiel billed value); and PC&H reimbursement for discrepant materiel returns (3.75 percent of discrepant materiel billed value)
FK	Transportation reimbursement for return of discrepant item or items to be repaired or replaced (5 percent of discrepant materiel billed value); and PC&H reimbursement for discrepant materiel returns (3.75 percent of discrepant materiel billed value)
FL	Actual Transportation reimbursement (actual charge)
FM	Reversal of transportation reimbursement transaction previously processed (percentage dependent on transaction being reversed)

Table 8-15. Reply Listing to Purchaser Request for Adjustments

FMS REPLY LISTING TO PURCHASER REQUESTS FOR ADJUSTMENTS

FOR PERIOD ENDED: 10 DEC 31
DATE PREPARED: 11 JAN 05

COUNTRY: BANDARIA
SERVICE: ARMY STATEMENT NUMBER: 10-12NA U.S. DEPT/AGENCY: ARMY

DOC ID	RIC	PRC CD	ROID SERIAL NUMBER	UNIT ISSUE	QUAN SHIP	DOCUMENT NUMBER	DOC SFX	SUPL ADRS	M S	ARC	ACCT DATE	TBC	DSC	UNIT PRICE	EXTENDED VALUE
CASE: XIL RSN:001															
FKG	BY7	A	WZ001500Y616586	EA	4CR	BBDK443361A426		BZ2XIL		CB	1012	D	AB	70.43	281.72CR
CASE: XIU RSN:002															
FKG	591	A	534001016767100	EA	800CR	BBDK443361B158		BZ2XIU		CB	1010	D	AB	1.50	1200.00CR

Table 8-16. Delivery Transaction Example of Civilian Personnel Services[1]

100 Hours of Civilian Effort (GS-12) At Navy Installation in January 2010

Transaction Code	NA
Document Number	PBDQ2010300018
Monitor	V
Price Code	A
Stock/Part Number	Service00000000
Unit Of Issue	XX
Quantity Delivered	00000
Suffix Code	Blank
Supplemental Address	PA2ARK
DSC	BD[2]
Reimbursement Code	S[3]
POE	Blank
TBC	Blank
DWCF code	Blank
Date Shipped	110131
Item Number	A01
Interfund Bill Number	Blank
Amount Delivered (Extended Value)	0002,875.80[4]
Mode Of Shipment	Blank
Adjustment Reply Code	Blank

[1] Example does not include all fields. See Table 8-33 for current "NAI" format.

[2] See Table 8-40 for the DSC to verify the surcharges that will be added by DFAS SCA are appropriate for this report.

[3] Reimbursement codes may be D, R, or S. See Volume 15, Chapter 7, Table 7-1 for distribution of funds.

[4] Comma and decimal point added for clarity are not included in delivery transactions.

Table 8-17. Delivery Transaction Example of Non-Excess DWCF/Repair Part from Stock to CLSSA Purchaser[1]

Transaction Code	NA
Document Number	PBDJ4V02880002
Monitor	V
Price Code	A
Stock/Part Number	492100042443500
Unit Of Issue	Ea
Quantity Delivered	00001
Suffix Code	Blank
Supplemental Address	PA2KBM
DSC	AA[2]
Reimbursement Code	S[3]
POE	Blank
TBC	B
DWCF code	2
Date Shipped	110110
Item Number	001
Interfund Bill Number	Blank
Amount Delivered (Extended Value)	0000500.00[4]
Mode Of Shipment	5
Adjustment Reply Code	Blank

[1] Example does not include all fields. See Table 8-33 for current "NAI" format.

[2] See Table 8-40 for the DSC to verify the surcharges that will be added by DFAS SCA are appropriate for this report.

[3] Reimbursement codes for sales from stock may be D, I, R, or S.

[4] Decimal point added for clarity is not included in delivery transactions.

Table 8-18. Delivery Transaction Example of Non-Excess Principal or Major Item from Stock Not To Be Replaced [1]

Transaction Code	NA
Document Number	DBD00211950057
Monitor	N
Price Code	A[2]
Stock/Part Number	F4E660312000000
Unit Of Issue	Ea
Quantity Delivered	00001
Suffix Code	Blank
Supplemental Address	DOOSKA
DSC	AG[3]
Reimbursement Code	S[4]
POE	Blank
TBC	L[5]
DWCF code	Blank
Date Shipped	110714
Item Number	SKB
Interfund Bill Number	Blank
Amount Delivered (Extended Value)	0029,000.00[6]
Mode Of Shipment	Blank
Adjustment Reply Code	Blank

[1] Example does not include all fields. See Table 8-33 for current "NAI" format.

[2] See paragraph 080402.D for price codes.

[3] See Table 8-40 for the DSC to verify the surcharges that will be added by DFAS SCA are appropriate for this report.

[4] Reimbursement code may be R or S.

[5] See Table 8-29 for an example of reporting actual transportation.

[6] Comma and decimal point added for clarity are not included in delivery transactions.

Table 8-19. Delivery Transaction Example of Non-Excess Procurement Funded Item from Inventory to Be Replaced[1]

Transaction Code	NA
Document Number	DBDB4Z03625001
Monitor	P
Price Code	A[2]
Stock/Part Number	173000114030400
Unit of Issue	Ea
Quantity Delivered	00001
Suffix Code	Blank
Supplemental Address	DA2SKA
DSC	AE[3]
Reimbursement Code	S[4]
POE	A
TBC	D
DWCF code	Blank
Date Shipped	101231
Item Number	SKD
Interfund Bill Number	Blank
Amount Delivered (Extended Value)	0051,000.00[5]
Mode of Shipment	Q
Adjustment Reply Code	Blank

[1] Example does not include all fields. See Table 8-33 for current "NAI" format.

[2] See paragraph 080402.D for price codes.

[3] See Table 8-40 for the DSC to verify the surcharges that will be added by DFAS SCA are appropriate for this report.

[4] Reimbursement code may be R or S.

[5] Comma and decimal point added for clarity are not included in delivery transactions.

Table 8-20. Delivery Transaction Example of Sale of an Excess Ship [1, 2]

Transaction Code	NA
Document Number	PBDP4Z00595001
Monitor	V
Price Code	A
Stock/Part Number	EXOUSSOMCKEANOO
Unit Of Issue	Ea
Quantity Delivered	00001
Suffix Code	Blank
Supplemental Address	PXWSCC
DSC	AK[3]
Reimbursement Code	S[4]
POE	Blank
TBC	D
DWCF code	Blank
Date Shipped	101009
Item Number	G01
Interfund Bill Number	Blank
Amount Delivered (Extended Value)	3,800,000.00[5]
Mode Of Shipment	9
Adjustment Reply Code	Blank

[1] Example does not include all fields. See Table 8-33 for current "NAI" format.

[2] This excess transaction is representative of other categories of items sold as excess.

[3] See Table 8-40 for the DSC to verify the surcharges that will be added by DFAS SCA are appropriate for this report.

[4] Reimbursement code may be R or S.

[5] Comma and decimal point added for clarity are not included in delivery transactions.

Table 8-21. Delivery Transaction Example of Delivery from New Procurement (Estimated Price – Debit) [1]

Transaction Code	NA
Document Number	DBDC4Z01705060
Monitor	L
Price Code	E
Stock/Part Number	702501068109600
Unit Of Issue	Ea
Quantity Delivered	00020
Suffix Code	Blank
Supplemental Address	DA2SKA
DSC	DD[2]
Reimbursement Code	N[3]
POE	Blank
TBC	D
DWCF code	Blank
Date Shipped	101205
Item Number	SKD
Interfund Bill Number	Blank
Amount Delivered (Extended Value)	1,091,813.00[4]
Mode Of Shipment	9
Adjustment Reply Code	Blank

[1] Example does not include all fields. See Table 8-33 for current "NAI" format.

[2] See Table 8-40 for the DSC to verify the surcharges that will be added by DFAS SCA are appropriate for this report.

[3] This is a non-cash transaction which liquidates previously reported progress payments. See Tables 8-24 through 8-27.

[4] Comma and decimal point added for clarity are not included in delivery transactions.

Table 8-22. Delivery Transaction Example of Delivery from New Procurement (Estimated Price – Credit) [1]

Transaction Code	NA
Document Number	DBDC4Z01705060
Monitor	L
Price Code	E
Stock/Part Number	702501068109600
Unit Of Issue	Ea
Quantity Delivered	00020[2]
Suffix Code	Blank
Supplemental Address	DA2SKA
DSC	DD [3]
Reimbursement Code	N [4]
POE	Blank
TBC	D
DWCF code	Blank
Date Shipped	101205
Item Number	SKD
Interfund Bill Number	Blank
Amount Delivered (Extended Value)	1,091,813.00 [2,5]
Mode Of Shipment	9
Adjustment Reply Code	Blank

[1] Example does not include all fields. See Table 8-33 for current "NAI" format.

[2] The last position is a credit character. This is the "credit" delivery report that reverses the previously reported delivery at an estimated price in Table 8-21. The actual price of the delivery transaction is shown in Table 8-23. Except for the "credit character in the last position", this is a "mirror image" of the debit transaction.

[3] See Table 8-40 for the DSC to verify the surcharges that will be added by DFAS SCA are appropriate for this report.

[4] This is a non-cash transaction which liquidates previously reported progress payments. See Tables 8-24 through 8-27.

[5] Comma and decimal point added for clarity are not included in delivery transactions.

Table 8-23. Delivery Transaction Example of Delivery from New Procurement (Actual Price) [1]

Transaction Code	NA
Document Number	DBDC4Z01705060
Monitor	L
Price Code	A
Stock/Part Number	702501068109600
Unit Of Issue	Ea
Quantity Delivered	00020
Suffix Code	Blank
Supplemental Address	DA2SKA
DSC	DD[2]
Reimbursement Code	N[3]
POE	Blank
TBC	D
DWCF code	Blank
Date Shipped	101205
Item Number	SKD
Interfund Bill Number	Blank
Amount Delivered (Extended Value)	1,091,813.00 [4]
Mode Of Shipment	9
Adjustment Reply Code	Blank

[1] Example does not include all fields. See Table 8-33 for current "NAI" format.

[2] See Table 8-40 for the DSC to verify the surcharges that will be added by DFAS SCA are appropriate for this report.

[3] This is a non-cash transaction that liquidates previously reported progress payments. See Tables 8-24 through 8-27.

[4] Comma and decimal point added for clarity are not included in delivery transactions.

Table 8-24. Delivery Transaction Example of Progress Payment to a Contractor [1]

Transaction Code	ND
Document Number	DBDC4Z01705050
Monitor	L
Price Code	N [2]
Stock/Part Number	ProgressPayment
Unit Of Issue	XX
Quantity Delivered	00000
Suffix Code	Blank
Supplemental Address	DA2SKA
DSC	DE [3]
Reimbursement Code	D
POE	Blank
TBC	Blank
DWCF code	Blank
Date Shipped	100719
Item Number	SKD
Interfund Bill Number	Blank
Amount Delivered (Extended Value)	0040,000.00 [4,5]
Mode Of Shipment	Blank
Adjustment Reply Code	Blank

[1] Example does not include all fields.

[2] This code identifies a payment to a contractor for purposes of computing CAS.

[3] See Table 8-40 for the DSC to verify the surcharges that will be added by DFAS SCA are appropriate for this report.

[4] Comma and decimal point shown for clarity are not included in delivery transactions.

[5] This example represents one of a series of payments that would be made to a defense contractor in support of the contract priced in accordance with Volume 15, Chapter 7. The Cumulative total of these payments should equal contract value.

Table 8-25. Delivery Transaction Example of Progress Payment Nonrecurring Costs [1]

Transaction Code	ND
Document Number	DBDC4Z01705070
Monitor	L
Price Code	A
Stock/Part Number	NonRecurring000
Unit Of Issue	XX
Quantity Delivered	00000
Suffix Code	Blank
Supplemental Address	DA2SKA
DSC	DG [2]
Reimbursement Code	R [3]
POE	Blank
TBC	Blank
DWCF code	Blank
Date Shipped	101205
Item Number	SKD
Interfund Bill Number	Blank
Amount Delivered (Extended Value)	0050,000.00 [4,5]
Mode Of Shipment	Blank
Adjustment Reply Code	Blank

[1] Example does not include all fields.

[2] See Table 8-40 for the DSC to verify the surcharges that will be added by DFAS SCA are appropriate for this report.

[3] Reimbursement codes may be R or S. Reimbursement is earned upon physical delivery of the items.

[4] Comma and decimal point shown for clarity are not included in the delivery transactions.

[5] Amount billed must be consistent with amount used in the LOA.

Table 8-26. Delivery Transaction Example of Progress Payment Government Furnished Materiel from Stock[1]

Transaction Code	ND
Document Number	DBDC4Z01705080
Monitor	L
Price Code	A
Stock/Part Number	GFM000000000000
Unit Of Issue	XX
Quantity Shipped	00000
Suffix Code	Blank
Supplemental Address	DA2SKA
DSC	DJ [2]
Reimbursement Code	S [3]
POE	Blank
TBC	Blank
DWCF code	8
Date Shipped	100530
Item Number	SKD
Interfund Bill Number	Blank
Amount Delivered (Extended Value)	0025,000.00 [4]
Mode Of Shipment	Blank
Adjustment Reply Code	Blank

[1] Example does not include all fields.

[2] See Table 8-40 for the DSC to verify the surcharges that will be added by DFAS SCA are appropriate for this report.

[3] Reimbursement codes may be D, I, R or S.

[4] Comma and decimal point shown for clarity are not included in the delivery transactions.

Table 8-27. Delivery Transaction Example of Progress Payment Packing, Crating, and Handling Applicable to Government Furnished Materiel [1]

Transaction Code	ND
Document Number	DBDC4Z01705090
Monitor	L
Price Code	A
Stock/Part Number	GFMPCHT00000000
Unit Of Issue	XX
Quantity Delivered	00000
Suffix Code	Blank
Supplemental Address	DA2SKA
DSC	DL [2]
Reimbursement Code	R[3]
POE	Blank
TBC	Blank
DWCF code	Blank
Date Shipped	101027
Item Number	SKD
Interfund Bill Number	Blank
Amount Delivered (Extended Value)	0001,813.00 [4]
Mode Of Shipment	Blank
Adjustment Reply Code	Blank

[1] Example does not include all fields.

[2] See Table 8-40 for the DSC to verify the surcharges that will be added by DFAS SCA are appropriate for this report.

[3] Reimbursement codes may be R or S.

[4] Comma and decimal point shown for clarity are not included in the delivery transactions.

Table 8-28. Delivery Transaction Example of Overhaul of Purchaser-Owned Materiel [1]

Transaction Code	NA
Document Number	PDBO4401485001
Monitor	V
Price Code	A
Stock/Part Number	ENGINELVT000000
Unit Of Issue	XX
Quantity Shipped	00001
Suffix Code	Blank
Supplemental Address	DA2MAO
DSC	BC [2]
Reimbursement Code	S [3]
POE	Blank
TBC	D
DWCF code	O
Date Shipped	110226
Item Number	CO1
Interfund Bill Number	Blank
Amount Delivered (Extended Value)	0012,979.88 [4]
Mode Of Shipment	A
Adjustment Reply Code	Blank

[1] Example does not include all fields. See Table 8-33 for current "NAI" format.

[2] See Table 8-40 for the DSC to verify the surcharges that will be added by DFAS SCA are appropriate for this report.

[3] Reimbursement codes may be R or S.

[4] Comma and decimal point shown for clarity are not included in the delivery transactions.

Table 8-29. Delivery Transaction Example of Actual Below-the-Line Transportation [1]

Transaction Code	N X [2]
Document Number	DBD00211950057 [3]
Suffix Code	Blank
Item Number	004
Monitor	N
Generic Code	L10 [4]
Price Code	A
Stock/Part Number	TRANSCOSTS00000
Amount Delivered (Extended Value)	0000325.31 [5]
Date Shipped	110714
Supplemental Address	SKA [6]
Unit Of Issue	Blank
Quantity Shipped	Blank
DSC	Blank
POE	Blank
Mode Of Shipment	Blank
Adjustment Reply Code	Blank

[1] Example does not include all fields.

[2] Use of the "NX" report must be approved. See paragraph 080404.C for information on "below-the-line" transportation charges

[3] See Table 8-19 for basic transaction which is the report of the item shipped.

[4] Use L10 only if unable to break out cost by each applicable generic code. When using more than one generic code, use one report for each applicable code used and show the amount of cost applicable to each. Generic codes L1D, L1E, and L4O will be reimbursed to the reporting activity through the command pay. All other generic codes for transportation will move the costs reported into the transportation account. Bills against that account will be submitted in accordance with paragraph 080603. The amount reported may not exceed $25.00 when United Parcel Service is used as the carrier.

[5] Decimal point is shown for clarity but is not included in the delivery transaction.

[6] The first three positions of this field are blank.

Table 8-30. Delivery Transaction Example of Storage Charge for a 2 Month Period (Other Than FMSO and DWCF[1]

Transaction Code	NX
Document Number	BBDB430223DO14 [2]
Monitor	Y
Price Code	A
Stock/Part Number	STORAGE00000000
Unit Of Issue	XX
Quantity Delivered	00000
Suffix Code	Blank
Supplemental Address	BZ4MXC
DSC	BE
Reimbursement Code	S
POE	Blank
TBC	Blank
DWCF code	Blank
Date Shipped	101216 [3]
Item Number	003
Interfund Bill Number	Blank
Amount Delivered (Extended Value)	0000008.25 [4,5]
Mode Of Shipment	Blank
Adjustment Reply Code	Blank

[1] Example does not include all fields.

[2] See Table 8-18 for basic transaction. This example shows the report required when an item is stored for two months.

[3] Date commences 15 days following date of availability.

[4] Computation based on Volume 15, Chapter 7, paragraph 070801 follows: ($3,300 x .00125 x 2 months = $8.25). Decimal point shown for clarity is not included in the delivery transaction.

[5] Reimbursement is to the O & M appropriation of the activity storing the item.

Table 8-31. Delivery Transaction Example of Recoupment of Interest Penalties [1, 2]

Transaction Code	NX
Document Number	DBDC4Z01705050
Monitor	l
Price Code	A
Stock/Part Number	INTERESTPENALTY
Unit Of Issue	XX
Quantity Shipped	00000
Suffix Code	Blank
Supplemental Address	DA2SKA
DSC	DE[3]
Reimbursement Code	S
POE	Blank
TBC	Blank
DWCF code	Blank
Date Shipped	100719
Item Number	SKD
Interfund Bill Number	Blank
Amount Delivered (Extended Value)	0000320.00 [4]
Mode Of Shipment	Blank
Adjustment Reply Code	Blank

[1] Example does not include all fields.

[2] This example shows the report required when a payment to a contractor incurred a penalty under the Prompt Payment Act of 1982. See Volume 15, Chapter 7, paragraph 070411.

[3] See Table 8-40 for the DSC to verify the surcharges that will be added by DFAS SCA are appropriate for this report.

[4] Comma and decimal point shown for clarity are not included in the delivery transaction. Reimbursement is to the appropriation of the activity making the penalty payment.

Table 8-32. Delivery Transaction Example of Interest on Arrearages [1, 2]

Transaction Code	NX
Document Number	XA1INT03653001
Monitor	X
Price Code	A
Stock/Part Number	076100EXOREXP00
Unit Of Issue	XX
Quantity Shipped	00000
Suffix Code	Blank
Supplemental Address	Blank
DSC	EM [3]
Reimbursement Code	D
POE	Blank
TBC	Blank
DWCF code	Blank
Date Shipped	101231
Item Number	001
Interfund Bill Number	Blank
Amount Delivered (Extended Value)	0000320.00 [4, 5]
Mode Of Shipment	Blank
Adjustment Reply Code	Blank

[1] Example does not include all fields.

[2] This billing example is used to report interest on arrearages computed quarterly according to Volume 15, Chapter 5. Interest is charged to case designator INT and line 001 for all countries.

[3] See Table 8-40 for the DSC to verify the surcharges that will be added by DFAS SCA are appropriate for this report.

[4] Comma and decimal point shown for clarity are not included in the delivery transaction.

[5] Reimbursement is to Miscellaneous Receipt Account 3210 after collection.

Table 8-33. Delivery Transaction Format of Physical Delivery of Materiel/Performance of Service

Data Element Description and Element Abbreviation	Format/ Position Number	FICS TRC	Edit/Validation
Document Identifier Code (DIC)	1-3	002	Must be NAI.
Transaction Control Number (TCN) Format (YYMMDDNNNNNNV)	4-16	152	Must be numeric.
		152	Date must be equal to or less than current date.
		249	Version Number (V) must be “0” if Action Code is “A” (add).
		248	Version Number (V) must be 1 through 9 if Action Code is “C” (change) and must be one greater than suspense version number.
		---	Version number is edited if the Action Code is “D” (delete) or invalid.
Action Code	17	003	Must be “A”, “C”, or “D” A=Add; C=Change; D=Delete.
		341	If Action Code = “A” then Site Code/DIC/TCN combination cited in the transaction cannot be duplicated in the same update.
		251	If Action Code = "C" or "D" the Site Code/DIC/TCN (excluding V) combination cited in transaction must match a record resident on Positive Transaction Control (PTC) suspense file.
Document Number	18-31		
Implementing Agency (IA)	18	038	IA code invalid (DIFS Table Number 03).
Country Code (CC)	19-20	037	Country Code invalid (DIFS Table Number 02).
	21-31	342	If any position is not Alpha (A-Z) or Numeric (0-9) DIFS will overlay position with numeric zero. (Spaces are not valid.) This TRC is a management alert; the transaction will still process.
Purchaser in Country (1)	21	---	No edit.
Delivery Term Code (DTC) (1)	22	---	Validated if TBC) is invalid. See TBC validation.
Type Assistance (1)	23	---	No edit.

Table 8-33. Delivery Transaction Format of Physical Delivery of Materiel/Performance of Service (Continued)

Data Element Description and Element Abbreviation	Format/ Position Number	FICS TRC	Edit/Validation
Document number last 8 (8)			
Date of Requisition (4)	24-27	---	No edit.
Document Serial Number (4)	28-31	---	No edit.
Monitor Code	32	006	Must match DIFS Monitor Code Table Number 12 using full table key of Monitor Code and IA.
		343	Army reporting codes (IAs = B, C, E, F, M, R, V, and Z), Monitor Code must = X when Reimbursement Code = D or S.
		344	Navy reporting codes, Monitor Code must = V, C, or S.
Routing Identifier Code (RIC)	33-35	304	Must be Alpha or Numeric.
		345	If Monitor = Y and RIC = RRR, IA must = B. If not, reject without another edit on RIC.
		345	For Army reporting codes, if Monitor code not equal to Y or X, Monitor/RIC combination must match DIFS Command Pay Address Table Number 14.
		345	For Army reporting codes, reject if Monitor Code = Y and RIC = ZZZ.
		346	For Army reporting codes, if Monitor Code = X, RIC is matched to DIFS Table Number 33 for RIC/ Monitor conversion. If not on table, reject.
		345	For Air Force reporting, if IA = D and Monitor Code is not B, G, H, F, L, N, or P, Monitor/RIC must match DIFS Command Pay Address Table Number 14.
		---	For Navy reporting, no edits are performed against the DIFS Command Pay Address Table Number 14.
		330	For General Services Administration (GSA) reporting (pertains to all valid IAs), if RIC begins with G, DSC must equal EF or EG.
			All other IAs reporting Information only: If IA not = R and RIC begins with S, do not match to DIFS Command Pay Address Table Number 14.

Table 8-33. Delivery Transaction Format of Physical Delivery of Materiel/Performance of Service (Continued)

Data Element Description and Element Abbreviation	Format/ Position Number	FICS TRC	Edit/Validation
Price Code	36	007	Must be A, E, or N.
		347	Price code and Reimbursement code cannot both = N.
		348	Price code may = N only for DSC with CAS = Y on Table 8-27.
National Stock Number (NSN)	37-51	342	Should be alpha or numeric (no spaces). DIFS will change special characters to zero. This TRC is a management alert; the transaction will still process.
Unit of Issue	52-53	008	Must match DIFS unit of issue Table Number 06.
Delivered Quantity	54-60	010	Must be numeric.
		349	If equal to “0”, unit of issue must be “XX”.
		018	If not equal to “0”, the sign of this field must agree with the sign of amount of delivered articles and services. If this field is equal to “0”, there is no edit between the signs of this field and amount of delivered articles and services.
		350	Cannot exceed (without sign) 99,999.
Suffix	61	---	No edit.
Purchaser Country Military Service Code	62	---	No edit.
Option/Freight Forwarded Code	63-64	---	No edit.
Case Designator	65-67	041	Must be a valid case.
		031	Case must be in I or C status.
Delivery Source Code (DSC)	68-69	337	If DSC = EF or EG, RIC must begin with G.
		334	If DSC = CA, Case type assistance must equal U (FMSO I).
		012	If the DSC is equal to CD or DE thru DX, reject without any other edit of DSC or Reimbursement Code.
Reimbursement Code	70	013	If Reimbursement code = A, W, X, Y, or Z, reject without any other edit of reimbursement code.
		013	If IA = P and Reimbursement code = R, Monitor Code must = C. If not reject and do no other edits on the reimbursement code.

Table 8-33. Delivery Transaction Format of Physical Delivery of Materiel/Performance of Service (Continued)

Data Element Description and Element Abbreviation	Format/ Position Number	FICS TRC	Edit/Validation
		012	Match DSC/Reimbursement Code to the DIFS Purchaser Asset Use Table Number 27. If combination is invalid, then match DSC to DSC Table Number 08. If DSC is invalid, reject for invalid DSC.
		013	If DSC is valid, match DIFS Reimbursement Code Table Number 22. If reimbursement code is not on the table, reject for invalid Reimbursement Code.
		011	If both DSC and Reimbursement Code are valid, but the combination is not, reject for invalid combination.
		139	If reimbursement code = I, Interfund bill number must be present.
Port of Embarkation (POE) Code	71	---	No edit. If present and equal to "A" compute air transportation, otherwise compute ocean transportation.
Transportation Bill Code (TBC)	72	---	If TBC equals D, K, or L, do not perform any other TBC edits.
		284	If TBC equals W and DTC does not equal 6, 8, or 9 reject.
		283	If TBC equals W and DTC equals 6, 8, or 9 and there is no matching NSN on Table 35 with an effective date less than or equal to the transaction date shipped, reject.
		285	If DTC equals 6, 8, or 9 and a NSN/date match is found, DIFS will move "W" to TBC. This TRC is a management alert; the transaction will still process.
		014	Must be on the DIFS TBC Table Number 28. If invalid, then check the DTC. This TRC is a management alert; the transaction will still process.
		286	If DTC not on DTC Table Number 10, reject.
DWCF Code	73	---	No edit.
Date Shipped (YYMMDD)	74-79	016	Must be valid date and less than or equal to current date.

Table 8-33. Delivery Transaction Format of Physical Delivery of Materiel/Performance of Service (Continued)

Data Element Description and Element Abbreviation	Format/ Position Number	FICS TRC	Edit/Validation
Item number	80-82	103	Must be a valid item.
Interfund Bill Number	83-87	032	This edit is invoked only if reimbursement code = I. Interfund Bill number must be Alpha or Numeric (no special characters or embedded spaces allowed).
Amount Delivered Articles/ Services	88-102	017	Must be numeric.
		351	Amount exceeds DIFS field limitations. Reject if amount (ignoring sign) is greater than 999,999,999.99.
		356	Amount exceeds DIFS numeric limits. This amount will be changed to whole dollars for processing. Does not apply to "NX" and "R" transactions. This TRC is a management alert; the transaction will still process.
Mode of Shipment Code	102	352	Must be Alpha, Numeric, Asterisk (*), or blank.

*Table 8-34. Monitor Codes

Monitor Title	IA Code	Monitor Code
SDAF	B	3
United States (U.S.) Army Corps of Engineers	B	A
U.S. Army Tank-Automotive Command (TACOM) Life Cycle Management Command (LCMC) – Soldiers Command	B	B
U.S. Army Network Enterprise Technology Command	B	C
Program Executive Office (PEO) for Army FMS Systems	B	D
Aviation Systems Command (Now part of Aviation and Missile Command (AMCOM))	B	E
U.S. Army Southern Command	B	F
U.S. Army Europe	B	G
U.S. Army Medical Command (MEDCOM)	B	H
U.S. Army Communication-Electronics Command (CECOM) Responsive Acquisition Processing for Improved Delivery	B	I
U.S. Army TACOM LCMC Simplified Nonstandard Acquisition Program	B	J
U.S. Army TACOM LCMC	B	K
U.S. Army Joint Munitions Command (JMC)	B	M
U.S. Army Security Assistance Command (USASAC) Special Programs Office	B	N
U.S. Army Publishing Agency	B	P
U.S. Army Missile Readiness Command (Now part of AMCOM)	B	R
U.S. Army PEO for Simulation, Training and Instrumentation (PEOSTRI)	B	S
U.S. Army Training and Doctrine Command (TRADOC)	B	T
U.S. Army CECOM LCMC	B	U
U.S. Army Forces Command (FORSCOM)	B	W
DFAS SCA	B	X
USASAC	B	Y
Defense Information Systems Agency (DISA)	C	C
DISA	C	X
Joint Strike Fighter	D	2
SDAF	D	3
DSCA	D	7
AMC	D	A
DFAS SCA	D	B
11th Wing	D	C
Headquarters Air Force Space Command	D	D
Air Force Communications Center	D	E
Sacramento Air Logistics Center	D	F
Ogden Air Logistics Center	D	G
Oklahoma City Air Logistics Center	D	H

*Table 8-34. Monitor Codes (Continued)

Monitor Title	IA Code	Monitor Code
Air Force Security Assistance Training Squadron	D	J
U.S. Central Command	D	K
Warner Robbins Air Logistics Center	D	L
Electronic Systems Center	D	M
Air Force Material Command	D	N
San Antonio Air Logistics Center	D	P
Air Force Accounting and Finance Center	D	R
Worldwide Warehouse	D	S
Air Combat Command	D	T
Space and Missile Center	D	U
Pacific Air Force	D	V
Air Armament Center	D	W
Aeronautical Systems Center	D	X
Air Force Accounting and Finance Center	D	Y
US Air Forces in Europe	D	Z
U.S. Army Corps of Engineers (USACE) (Cases opened prior to 1 Oct 1986)	E	A
U.S. Army Industrial Operations Command	E	M
DFAS SCA	E	X
USASAC	E	Y
DCMA	F	X
Missile Defense Agency	I	9
Defense Audio Visual Agency (Transactions prior to 1 Oct 1985)	L	L
SDAF	M	3
U.S. Army—Secure Electronics Procurement Office (SELPO)	M	D
National Security Agency—SELPO	M	M
DFAS SCA	M	X
USASAC	M	Y
SDAF	P	3
Naval Education Training Security Assistance Field Activity (No longer used on new transactions)	P	C
U.S. Navy Commands Using the Standard Accounting and Reporting System (No longer used on new transactions)	P	S
U.S. Navy Inventory Control Point (NAVICP)	P	V
SDAF	Q	2
SDAF – Defense Property Disposal Service	Q	3
SDAF – USACE	Q	A
SDAF – Natick Research and Development Command	Q	B
SDAF – Army Communication Command	Q	C
SDAF – DFAS SCA	Q	D
SDAF – AMCOM	Q	E

*Table 8-34. Monitor Codes (Continued)

Monitor Title	IA Code	Monitor Code
SDAF – McClellan	Q	F
SDAF – U.S. Army – Europe	Q	G
SDAF – MEDCOM	Q	H
SDAF – TACOM	Q	J
SDAF – TACOM	Q	K
SDAF	Q	L
SDAF – JMC	Q	M
SDAF – Navy Materiel, Norfolk	Q	N
SDAF – Kelly Air Force Base	Q	P
DSCA	Q	Q
SDAF – AMCOM	Q	R
SDAF – PEOSTRI	Q	S
SDAF – TRADOC	Q	T
SDAF – CECOM	Q	U
SDAF – NAVICP	Q	V
SDAF – FORSCOM	Q	W
SDAF – DFAS SCA	Q	X
SDAF – USASAC	Q	Y
SDAF – Defense Threat Reduction Agency (DTRA)	Q	Z
Defense Property Disposal Service	R	3
Defense Logistics Information Service	R	4
(Former) Defense Central Control Point	R	5
OUSD(C)	R	6
DFAS SCA	R	X
SDAF – DTRA	Q	Z
Defense Property Disposal Service	R	3
Defense Logistics Information Service	R	4
(Former) Defense Central Control Point	R	5
OUSD(C)	R	6
DFAS SCA	R	X
USASAC	R	Y
National Geospatial Intelligence Agency (NGA)	U	B
NGA Topographic Center	U	J
NGA Aerospace Center	U	S
DFAS SCA	U	X
Defense Contract Audit Agency (DCAA)	V	2
DCAA	V	V
DFAS SCA	V	X
USASAC	V	Y
Defense Advanced Research Projects Agency	W	W

*Table 8-34. Monitor Codes (Continued)

Monitor Title	IA Code	Monitor Code
DFAS SCA	W	X
DFAS SCA	X	X
DFAS SCA	Z	X
USASAC	Z	Y
DTRA	Z	Z

*Table 8-35. Cost Codes

Cost Code	Description
11	Civilian Personnel Services and Benefits
17	Military Personnel Services and Benefits
21	Travel and Transportation of Personnel
22	Transportation of Things
23	Rent, Communications, and Utilities
24	Printing and Reproduction
25	Other Services
26	Supplies and Materials
31	Equipment

*Table 8-36. Unit of Issue Codes

AM	Ampoule
AT	Assortment
AY	Assembly
BA	Ball
BD	Bundle
BE	Bale
BF	Board
BG	Bag
BK	Book
BL	Barrel
BO	Bolt
BR	Bar
BT	Bottle
BX	Box
CA	Cartridge
CB	Carboy
CD	Cubic Yard
CE	Cone
CF	Cubic Foot
CK	Cake
CL	Coil
CN	Can
CO	Container
CS	Case
CT	Carton
CU	Cube
CY	Cylinder
CZ	Cubic Meter
DR	Drum
DZ	Dozen
EA	Each
EN	Envelope
FT	Foot
FV	Five
FY	Fifty
GL	Gallon

GP	Group
GR	Gross
HD	Hundred (100)
HK	Hank
HR	Hourly Rate
IN	Linear Inch
JC	Job Cost
JR	Jar
KT	Kit
LB	Pound
LG	Links
LI	Liter
LT	Lot
MC	1000 Cubic Ft
ME	Meal
MR	Meter
MX	Thousand
OT	Outfit
OZ	Ounce
PD	Pad
PG	Package
PM	Plate
PR	Pair
PT	Pint
PZ	Packet
QT	Quart
RA	Ration
RL	Reel
RM	Ream
RO	Roll
SD	Skid
SE	Set
SF	Square Foot
SH	Sheet
SK	Skein
SL	Spool

SO	Shot
SP	Strip
SX	Stick
SY	Square Yard
TD	24
TE	10
TF	25
TN	Ton
TO	Troy Ounce
TS	36
TU	Tube
VI	Vial
YD	Yard
XX	Non-accountable Item (Items reported or billed as “dollars only”)

*Table 8-37. Delivery Term Code: Other than Return and Repair

DTC	Explanation
2	DoD/USG delivers to a CONUS inland point (or overseas inland point when a shipment's origin and destination are within the same geographic area). Recipient country is responsible for unloading at named point and subsequent arrangements and costs.
4	Delivery at origin. Material is made available to the FMS purchaser country at the point of origin (i.e., a depot's or vendor's loading dock). The FMS purchaser is responsible for taking title as well as custody at that point.
5	Delivery to a CONUS-located freight forwarder, FMS purchaser country facility, or commercial port. DoD is responsible for transportation to the POE. The FMS purchaser is responsible for unloading the material from the inland carrier's equipment at the port of debarkation (POD), delivery alongside the vessel/aircraft, and all subsequent onward movement.
7	DoD delivery through DTS to a delivery address designated by the FMS purchaser. Either the shipment can originate from a U.S. or overseas source and may be made by using DoD assets or DoD contracted commercial carriers. The shipment will be delivered to a specified location in the FMS purchaser country. Upon arrival at the specified location in country, the FMS purchaser may be responsible for the reception and staging of the shipment and is responsible for onward movement.
8	DoD delivery on board an FMS purchaser country controlled ship or aircraft at a DoD-controlled POE. DoD is responsible for transportation from the point of origin to an FMS purchaser country controlled ship or aircraft at a DoD-controlled POE, including unloading material from the inland carrier, port handling, and storage aboard FMS purchaser country controlled ship or aircraft. The FMS purchaser country is responsible for all subsequent movement.
9	DoD delivery to the overseas air or ocean POD closest to the FMS purchaser's country. This POD may or may not be in the FMS purchaser's country. Either the shipment can originate from a U.S. or overseas source and may be made by using DoD assets or DoD contracted commercial carriers. The FMS purchaser is responsible for all handling and onward movement of the material from the POD, either the dock alongside the ship or from the air terminal.
0	Zero (0) is not a DTC. It is assigned to all non-FMS Security Cooperation Program (SCP) procedure shipments to fill the DTC position. DoD responsibility for all non-FMS SCP type shipments is equivalent to DTC 9.

*Table 8-38. Delivery Term Codes: Codes used in Connection with Return and Repair Codes

DTC	Explanation
A	DoD is responsible for transportation from designated overseas POE to a CONUS destination and subsequent return to a designated overseas POD. The FMS purchaser is responsible for overseas inland transportation of materiel to or from the overseas POE or POD and overseas port handling.
B	DoD is responsible for transportation from a designated overseas POE to a CONUS destination, return to a CONUS POE and CONUS port handling. The FMS purchaser country is responsible for overseas inland transportation to the overseas POE, overseas port loading, and all return transportation from the CONUS POE to ultimate destination.
C	DoD is responsible for CONUS port unloading from the FMS purchaser arranged carrier, transportation to and from a designated CONUS destination, and CONUS port loading of FMS purchaser arranged carrier. The FMS purchaser is responsible for movement of materiel to and from the CONUS POD or POE.
E	The FMS purchaser is responsible for all transportation from overseas point of origin to CONUS destination and return to an overseas destination. Delivery is to a CONUS-located freight forwarder, FMS purchaser country facility, or commercial port.
F	DoD is responsible for transportation from an overseas inland location to an overseas POE, overseas port handling, transportation to a CONUS POD, CONUS port handling, inland transportation to a designated CONUS destination, and return to an overseas destination.
G	DoD is responsible for overseas port handling through an overseas POE, transportation to a CONUS POD, CONUS port handling, inland transportation to a CONUS destination, return to an overseas POD and overseas port handling. The FMS purchaser country is responsible for overseas inland transportation to and from the overseas POE or POD.
H	The FMS purchaser country is responsible for all transportation from overseas point of origin to the CONUS repair facility. DoD/USG is responsible for transportation from CONUS repair facility to CONUS POE. The FMS purchaser country is responsible for CONUS POE port handling and all further movement to overseas destination.
J	The FMS purchaser country is responsible for all transportation from overseas point of origin to CONUS repair facility. DoD/USG is responsible for all transportation from CONUS repair facility to the overseas inland destination.

*Table 8-39. Mode of Shipment Codes

Mode of Shipment	Initial Method of Movement by the Shipper
A	Motor, truckload
B	Motor, less truckload
C	Van (unpacked, or uncrated personal or government property)
D	Drive-away, truck-away, tow-away
E	Bus
F	AMC (Channel and special assignment airlift mission (SAAM))
G	Surface, parcel post
H	Air, parcel post
I	Government truck for shipment outside local delivery area
J	Air, small package carrier
K	Rail, carload includes trailer or container on flatcar (including Commercial/Government-Owned/Leased Shipping Container (SEAVAN))
L	Rail, less than carload includes trailer or container-on-flatcar (including SEAVAN)
M	Surface, freight forwarder
O	Organic military air (includes aircraft of foreign governments)
P	Through GBL
Q	Commercial air freight; includes regular and expedited service (provided by major airlines), also includes charters and air taxi
R	European Distribution System or Pacific Distribution System
S	Scheduled truck service (applies to contract carriage, guaranteed traffic routings, or schedule services)
T	Air freight forwarder
U	Quick Response Transportation System (QUICKTRANS)
V	SEA – VAN Service
W	Water, river, lake, or coastal (commercial)
X	Bearer walk through (FMS purchaser pickup of materials)
Y	Military intra-theater airlift services.
Z	Military Sealift Command (MSC) (controlled/contract/arranged space)
2	Government watercraft barge /lighter
3	Roll-on or roll-off service
4	Defense Courier Service (DCS)
5	Surface, small package carrier
6	Military ordinary mail (MOM)
7	Express mail
8	Pipeline
9	Local delivery, including deliveries between air or water terminals and adjacent activities

*Table 8-40. Surcharge Matrix

DSC	Contract Administration [1]	PC&H [2]	Admin [3]	Transportation [4,5] Parcel Post [6]
AA	N	N	Y	A
AB	N	N	Y	A
AC	N	N	Y	A
AD	N	N	Y	A
AE	N	Y	Y	B
AG	N	Y	Y	B
AH	N	N	Y	A
AJ	N	N	Y	A
AK	N	N	Y	B
AL	N	N	Y	B
BA	N	N	Y	N
BB	Y	N	Y	N
BC	N	N [7]	Y	N [7]
BD	N	N	Y	N
BE	N	N	Y	N
BF	N	N	N	N
BG	N	N	Y	N
BH	N	N	Y	N
BK	N	N	Y	N
BT	N	N	Y	N
CA	N	N	N	N
CB	N	N	Y	N
CC	N	N	Y	N
CD	N	N	N	N
DA	N	N	Y	N
DB	N	N	Y	A
DC	N	N	Y	B
DD	N	N	Y	N
DE	Y	N	Y	N
DF	N	N	Y	N
DG	N	N	Y	N
DJ	N	N	Y	N
DK	Y	N	Y	N
DL	N	N	Y	N
DX	N	N	Y	N
EE	N	N	Y	N
EF	N	Y [8]	Y	B [9]
EG	N	N	Y	B [9]
EH	N	N	Y	N
EJ	N	Y	Y	Y

Table 8-40. Surcharge Matrix (Continued)

DSC	Contract Administration [1]	PC&H [2]	Admin [3]	Transportation [4,5] Parcel Post [6]
EK	N	N	Y	N
EL	N	N	N	N
EM	N	N	N	N
EN	N	N	Y	N
SA	N	N	Y	A
SB	N	Y	Y	B
SD	N	Y	Y	B
SE	N	N	Y	B

[1] DFAS SCA will compute CAS if price code is "N" and reimbursement code is other than "N" unless statutory waiver of contract administration has been made. See paragraphs 080402.D and 080402.P.

[2] PC&H does not apply to DWCF items with ship dates after September 30, 1990.

[3] Administrative costs will be computed unless administrative costs have been waived pursuant to statute.

[4] The Inland CONUS transportation charge of 3.75 percent does not apply to DWCF shipments with shipping dates after September 30, 1990. Computation for generic codes L1D and L1E for DWCF items was discontinued on items with shipping dates after September 30, 1991.

[5] In this column, A refers to items furnished from DWCF. B refers to inventory items that are not shipped from DWCF. Transportation for inventory items furnished from DWCF to freight forwarders or Canada (except Newfoundland and Labrador) is included in the price. Shipments beyond that point are computed according to Table 8-49. Costs for items that are not furnished from DWCFs are also computed according to Volume 15, Chapter 7 and Table 8-50.

[6] Transportation costs are computed using the TBC of the transaction. However, if this position is blank, transportation costs are computed using the DTC. If a DTC is not on the DTC Table, reject the transaction.

[7] Included in actual or estimated actual repair cost.

[8] Computed standard PC&H except if RIC begins with "G." RIC that begins with "G" will not have PC&H computed.

[9] For DSC "EF" and "EG" when transportation is by GSA (RIC begins with "G") and the TBC is not blank or where the TBC is blank and the DTC is other than "4", the CONUS transportation add-on (generic codes L1A, L1D, and L1E) is not computed. GSA includes CONUS transportation in the price of the item.

*Table 8-41. Delivery Source Code: Sale of Articles Under AECA Section 21

DSC	Description
AA	DWCF, non-excess items, including technical data package (TDP) and publications, from inventory for a matured FMSO.
AB	DWCF, non-excess items, including TDP and publications, from inventory for other than a matured FMSO.
AC	DWCF non-excess items diverted from procurement initiated to maintain stock inventory for a matured FMSO.
AD	DWCF non-excess items diverted from procurement initiated to maintain stock inventory for other than a matured FMSO.
AE	Procurement funded item, including TDP and publications from inventory, which requires replacement.
AG	Procurement funded item, including TDPs and publications from inventory, which does not require replacement.
AH	Excess DWCF for a matured FMSO.
AJ	Excess DWCF for other than a matured FMSO.
AK	Excess Procurement Funded Item from Inventory (applicable PC&H computed on original acquisition cost of item and included in price of item).
AL	Use of this code eliminated beginning FY 2001. Items (other than DWCF item) sold from inventory that are not subject to normal PC&H charge. This code must only be used when the case has a transportation line, a PC&H line, or a pricing exception granted by OUSD(C).

*Table 8-42. Delivery Source Code: Performance of DoD Services Under AECA Section 21 or 22

DSC	Description
BA	DoD provided training course.
BB	Contractor provided training course.
BC	Repair or replace FMS purchaser equipment. IAs must include actual PC&H and transportation for materiel consumed in overhaul in reported cost.
BD	Other DoD services. Does not include "above-the-line" transportation or "above-the-line" packing, crating, handling and transportation (PCH&T) associated with repair or modification of consumer owned equipment that is included in repair cost report using code "BC."
BE	Storage charge (for other than FMSO cases).
BF	Depreciation associated with leases.
BG	LOA sales of articles and services in connection with lease, prior to, during, or after lease period (includes transportation PC&H refurbishment).
BH	Actual PC&H charge. This report must accompany delivery transactions for items sold from inventory with DSC "AK" and "AL."
BK	DWCF activity services.
BT	"Above-the-line" transportation to FMS purchasers that is included in the case. This code includes "high-flight" or special airlift. It does not include the "above-the-line" transportation cost that is included in the selling price of an item or service.

*Table 8-43. Delivery Service Codes: Unique FMSO Charges

DSC	Description
CA	FMSO I materiel used to support a system obsolete to DoD use (buy out of unique repair parts to support obsolete end items).
CB	Annual inventory maintenance and storage cost. Charge annually on current FMSO II cases. The FMSO I case manager must input the FMS detail delivery transaction. There is no annual charge for cooperative logistics supply support arrangements (CLSSAs) on DWCF items since the DWCF standard (stabilized) price recoups all costs.
CC	Normal inventory loss on procurement appropriation funded secondary items (physical inventory gain or loss, expiring shelf life, and damage of stored parts). Charge assessed annually on current FMSO II cases. The FMSO I case manager must input the delivery transactions. There is no annual charge for CLSSAs on DWCF items since the DWCF standard (stabilized) price recoups all costs.
CD	Cash advances for on-hand portion of FMSO I cases.

*Table 8-44. Delivery Source Codes: Procurement for FMS Purchasers Under AECA Section 22

DSC	Description
DA	Contractor services (other than training).
DB	DWCF item, TDP, or publications from contractor.
DC	Procurement appropriation funded secondary item from contractor.
DD	Procurement funded principal or major item from contractor.
DE[1]	Progress payment to contractor.
DF[1]	DoD services in support of procurement. This code was previously applied to actual CAS hours prior to establishment of the charge. It now applies to other than CAS services.
DG[1]	Nonrecurring Cost (NC) Recoupment Charges (Research and Development and Production). Identifies amount of NC financed by the FMS purchaser and may be used in calculating the Special NC.
DJ[1]	GFM shipped from inventory.
DK[1]	GFM shipped from another contractor.
DL[1]	PCH&T applicable to procurement appropriation funded GFM.
DX	Contractor efforts in overseas locations that are supported by FMS management lines rather than through normal CAS effort.

[1] DSCs DE through DL represent WIP transactions. The breakdown of these charges assures audit trail visibility for pricing purposes. DFAS SCA must treat them as progress payments and report them as such to the FMS purchaser. These charges must be liquidated by one of the contract delivery codes "DA" through "DD" in combination with reimbursement code "N."

*Table 8-45. Delivery Source Code: Miscellaneous Charges

DSC	Description
EE	Royalty charge - USG TDP.
EF	Other Federal agency shipment from stock.
EG	Other Federal agency shipment from contractor.
EH	North Atlantic Treaty Organization Petroleum, Oil, and Lubricants.
EJ	Redistributable Military Assistance Program property.
EK	Collection of special nonrecurring production charge or license fee for a third country.
EL	Prepositioning costs.
EM	Interest on arrearage computed in accordance with Volume 15, Chapter 5. This code is restricted to use by DFAS SCA.
EN	NC recoupment charge for sales from procurement or inventory.

*Table 8-46. Delivery Source Code: Special Defense Acquisition Fund

DSC	Description
SA	SDAF sales of items originally purchased from DWCF inventories.
SB	SDAF sales of items originally purchased from DoD inventories other than DWCF.
SD	SDAF sales of items procured from contractors for the fund.
SE	SDAF sales items procured from contractors and shipped directly from the contractor to the FMS purchaser, providing there is no requirement for any special PC&H.

*Table 8-47. Reimbursement Code

Code	Description
A	Reimbursable to SDAF (sale of SDAF inventory or equity in a contract)
I	Interfund
R	Reimbursable (DFAS SCA reimburses IA)
S	Self-reimbursed (IA has reimbursed itself)
D	Direct cite (non-reimbursable)
M	Miscellaneous Receipts (non-reimbursable)[1]
N	Delivery of articles and services for which a progress payment or WIP has been reported (non-reimbursable).[2]

[1] Code M must be used to report transactions applicable to the Miscellaneous Receipt Account when DFAS SCA has been chartered to transfer funds from 9711X8242 to the U.S. Treasury. This transaction must be non-reimbursable to the reporting activity.

[2] Code N must be used to report physical delivery of items when applicable costs have been previously reported to the FMS purchaser as a progress payment, WIP, or when an FMS purchaser's equity in inventory is physically delivered (DSC “CA”). This code must liquidate WIP transactions previously reported. When the code is reported to DFAS SCA, computer programs increase or decrease WIP disbursed undelivered amounts. The increase or decrease depends on the size of the extended value. If the extended value is a debit, the delivered articles and services amount must increase and progress payment disbursed unliquidated amount must decrease. If the extended value is a credit, the delivered articles and services amount must decrease and the progress payment disbursed undelivered amount must increase.

*Table 8-48. Transportation Bill Codes

TBC	Description
A	Materiel moved by parcel post to an inland CONUS/Canada (except Newfoundland and Labrador) destination or freight forwarder, or to an overseas destination through the APO or international mail. The FMS purchaser makes all subsequent arrangements.
B	Materiel moved by commercial package carrier to an inland CONUS/Canada (except Newfoundland and Labrador) destination or freight forwarder, when all subsequent arrangements are made by the FMS purchaser. However, see TBC "Z."
C	Materiel moved by GBL, AMC channel airlift, Air Force organizational airlift, MSC sealift, and combinations thereof, to an overseas POD in rate area one or two, including overseas carrier discharge. The FMS purchaser makes all subsequent arrangements.
D	Any form of materiel for which the FMS purchaser is totally responsible, such as materiel moved by a collect commercial bill of lading to an inland CONUS destination, free alongside ship (FAS), an overseas carrier at a CONUS POE, freight forwarder, a CONUS POE, or an inland overseas destination. Also used, if transportation costs are not applicable.
E	Materiel moved by GBL, AMC channel airlift, Air Force organizational airlift, MSC sealift, and combinations thereof, to an inland CONUS destination, FAS an overseas carrier at a CONUS POE, a freight forwarder, or a CONUS POE when all subsequent arrangements are made by the FMS purchaser.
F	Materiel moved by GBL, AMC channel airlift, Air Force organizational airlift, MSC sealift, and combinations thereof, to an overseas POD in rate area one or two, when overseas carrier discharge and all subsequent arrangements are made by the FMS purchaser.
G	Materiel moved by GBL, AMC channel airlift, Air Force organizational airlift, MSC sealift, DCS, MOM, Weapons System Pouch Service, and combinations thereof, to the ultimate FMS consignee at an overseas inland destination in rate area one or two.
H	Materiel moved by GBL, AMC channel airlift, USAF organizational airlift, MSC sealift, and combinations thereof, to a CONUS POE when all arrangements subsequent to loading the vessel are made by the FMS purchaser.
J	Materiel moved by AMC channel airlift to an overseas aerial port of debarkation (APOD) in rate area one or two when the use of inland CONUS transportation is not required in effecting delivery to the CONUS POE. The FMS purchaser makes all arrangements subsequent to carrier discharge.
K	Materiel moved by AMC SAAM within CONUS to an overseas APOD or inland FMS consignee base within an overseas area or between overseas areas. The FMS purchaser makes any arrangements subsequent to carrier discharge.
L	Substitute for any other standard codes whenever actual transportation costs will be reported in accordance with Volume 15, Chapter 7.
M	Materiel moved by FMS country-owned aircraft from a U.S. /DoD staging area.
N	Materiel moved by GBL or other CONUS inland mode to a CONUS staging or aggregation area, staging or aggregation of the materiel; and onward movement of the materiel to a freight forwarder by a collect commercial bill of lading or country-owned or provided aircraft, or by AMC or by commercial SAAM.

Table 8-48. Transportation Bill Codes (Continued)

TBC	Description
P	Materiel moved by GBL or other CONUS inland mode to a CONUS staging or aggregation area, staging or aggregation of the materiel; and onward movement of materiel by GBL or other prepaid (reimbursable) CONUS transportation to an aerial or water POE, FAS an overseas carrier at a CONUS POE, or arrangements are made by the FMS purchaser.
Q	Materiel moved by GBL or other CONUS inland mode to a CONUS staging or aggregation area, staging or aggregation of the materiel; out movement of the materiel from the staging area by GBL, or other prepaid (reimbursable) CONUS transportation to an aerial or water POE; port handling of the materiel, and onward movement by GBL, AMC channel airlift, Air Force organizational aircraft, MSC sealift, and combinations thereof, to an overseas POD in rate area one or two, when overseas carrier discharge and all subsequent arrangements are made by the FMS purchaser.
R	Materiel moved by GBL or other CONUS inland mode to a CONUS staging or aggregation area, staging or aggregation of the materiel; out movement of the materiel from the staging area by GBL or other prepaid (reimbursable) CONUS transportation to an aerial or water POE; port handling of the materiel, and onward movement by GBL, AMC channel airlift, Air Force organizational aircraft, MSC sealift, and combinations thereof, to an overseas POD in rate area one or two; overseas port handling of the materiel; and onward overseas inland movement to the ultimate FMS consignee at an overseas, inland destination rate area one or two.
S	Materiel moved by GBL or other CONUS inland mode to a CONUS staging or aggregation area, staging or aggregation of the materiel; out movement of the material from the staging area by GBL or other prepaid (reimbursable) CONUS transportation to an aerial or water POE; and loading of the materiel aboard a country-owned or provided aircraft or vessel, when all arrangements subsequent to loading the aircraft or vessel are made by the FMS purchaser.
U	Materiel moved by parcel post or commercial package carrier to CONUS POD when all arrangements subsequent to loading the vessel are made by the FMS purchaser. (Mode of shipment determines whether parcel post or commercial package carrier is used.)
V	Materiel moved by parcel post or commercial package carrier to an overseas POD in rate areas one or two, including overseas carrier discharge, when arrangements subsequent to loading the vessel are made by the FMS purchaser. (The mode of shipment determines whether parcel post or a commercial package carrier is used.)
W	Materiel movement charged according to rates listed in the transportation cost look-up table (see section 0805).
X	Materiel moved by parcel post or commercial package carrier to an overseas POD in rate areas one or two, when the FMS purchaser makes overseas carrier discharge and subsequent arrangements. (The mode of shipment determines whether parcel post or commercial package carrier is used.)
Y	Materiel moved by parcel post or commercial package carrier to the ultimate FMS consignee at an overseas inland destination in rate areas one or two. (The mode of shipment determines whether parcel post or commercial package carrier is used.)
Z	Materiel moved within the CONUS by commercial carrier with a published maximum rate of $25.00 (for example, as published by United Parcel Service).

*Table 8-49. Transportation Charges Based on Transportation Bill Codes for Inventory Items Shipped by DWCF

TBC	Generic Code	Percentage of Item Priced by Generic Code	Total Percentage
A	L1D	0.0 [1,2]	0.0
B	L1E	0.0 [1,2]	0.0
C	L1A	0.0 [2]	7.5, 15.5/7.5,9.5
	L2B	2.5	
	L1B /L1C [3]	4.0,12.0 [4]/ 4.0,6.0 [5]	
	L2C	1.0	
D	N/A	0.0	0.0
E	L1A	0.0 [2]	0.0
F	L1A	0.0 [2]	6.5, 14.5/6.5, 8.5
	L2B	2.5	
	L1B/L1C [3]	4.0,12.0 [4]/ 4.0,6.0 [5]	
G	L1A	0.0 [2]	10.5, 18.5/10.5, 12.5
	L2B	2.5	
	L1B/L1C [3]	4.0,12.0 [4]/ 4.0,6.0 [5]	
	L2C	1.0	
	L1F	3.0	
H	L1A	0.0 [2]	2.5
	L2B	2.5	
J	L2B	2.5	7.5/9.5
	L1C	4.0/6.0 [5]	
	L2C	1.0	
K	L1C	N/A	Actual amount billed by AMC
L	As applicable	N/A	Actual amount computed by shipper
M	L4O	3.0 [1]	3.0
N	L1A	0.0 [2]	3.0
	L4O	3.0 [1]	
P	L1A	0.0 [2]	6.75
	L4O	3.0 [1]	
	L1A	3.75 [2]	
Q	L1A	0.0 [2]	13.25, 21.25/13.25, 15.25
	L4O	3.0 [1]	
	L1A	3.75 [2]	
	L2B	2.5	
	L1B/L1C [3]	4.0,12.0 [4]/ 4.0,6.0 [5]	

*Table 8-49. Transportation Charges Based on Transportation Bill Codes for Inventory Items Shipped by DWCF (Continued)

TBC	Generic Code	Percentage of Item Priced by Generic Code	Total Percentage
R	L1A	0.0 [2]	17.25, 25.25/ 17.25,19.25
	L4O	3.0 [1]	
	L1A	3.75 [2]	
	L2B	2.5	
	L1B/L1C	4.0,12.0 [4]/ 4.0,6.0 [5]	
	L2C	1.0	
	L1F	3.0	
S	L1A	0.0 [2]	9.25
	L4O	3.0 [1]	
	L1A	3.75 [2]	
	L2B	2.5	
U	L1D	0.0 [1,2]	2.5
	L2B	2.5	
V	L1D	0.0 [1,2]	7.5, 15.5/7.5,9.5
	L2B	2.5	
	L1B/L1C [3]	4.0,12.0 [4]/ 4.0,6.0 [5]	
	L2C	1.0	
W	L1O	N/A	Transportation Cost Look-Up Table
X	L1D	0.0 [1,2]	6.5, 14.5/6.5, 8.5
	L2B	2.5	
	L1B/L1C [3]	4.0,12.0 [4]/ 4.0,6.0 [5]	
Y	L1D	0.0 [1,2]	10.5, 18.5/10.5, 12.5
	L2B	2.5	
	L1B/L1C [3]	4.0,12.0 [4]/ 4.0,6.0 [5]	
	L2C	1.0	
	L1F	3.0	

[1] The costs of L1D, L1E, and L4O are included in the DWCF item price.

[2] L1A does not apply to DWCF shipments with shipping dates after September 30, 1990. Computation for L1D and L1E for DWCF items was discontinued on items with shipping dates after September 30, 1991.

[3] Wherever "L1B/L1C" appears, if the POE code is "A" L1C is computed; otherwise L1B is computed.

[4] L1B is computed at 4.0 percent for rate area one or 12.0 percent for rate area two. See Volume 15, Chapter 7.

[5] L1C is computed at 4.0 percent for rate area one or 6.0 percent for rate area two. See Volume 15, Chapter 7.

*Table 8-50. Transportation Charges Based on Transportation Bill Codes for Inventory Items Not Shipped DWCF

TBC	Generic Code	Percentage of Item Priced by Generic Code	Total Percentage
A	L1D	3.75 [1]	3.75
B	L1E	3.75 [1]	3.75
C	L1A	3.75	11.25, 19.25/ 11.25,13.25
	L2B	2.5	
	L1B/L1C [2]	4.0,12.0 [3]/ 4.0,6.0 [4]	
	L2C	1.0	
D	N/A	0.0	0.0
E	L1A	3.75	3.75
F	L1A	3.75	10.25,18.25 /10.25,12.25
	L2B	2.5	
	L1B/L1C [2]	4.0,12.0 [3]/ 4.0,6.0 [4]	
G	L1A	3.75	14.25,22.25/ 14.25,16.25
	L2B	2.5	
	L1B/L1C [2]	4.0,12.0 [3]/ 4.0,6.0 [4]	
	L2C	1.0	
	L1F	3.0	
H	L1A	3.75	6.25
	L2B	2.5	
J	L2B	2.5	7.5/9.5
	L1C	4.0/6.0 [2]	
	L2C	1.0	
K	L1C	N/A	Actual amount billed by AMC
L	As applicable	N/A	Actual amount computed by shipper
M	L4O	3.0 [1]	3.0
N	L1A	3.75	6.75
	L4O	3.0 [1]	
P	L1A	3.75	10.50
	L4O	3.0 [1]	
	L1A	3.75	
Q	L1A	3.75	17.0, 25.0/17.0,19.0
	L4O	3.0 [1]	
	L1A	3.75	
	L2B	2.5	
	L1B/L1C [2]	4.0,12.0 [3]/ 4.0,6.0 [4]	

*Table 8-50. Transportation Charges Based on Transportation Bill Codes for Inventory Items Not Shipped by DWCF (Continued)

TBC	Generic Code	Percentage of Item Priced by Generic Code	Total Percentage
R	L1A	3.75	21.0,29.0/ 21.023.0
	L4O	3.0 [1]	
	L1A	3.75	
	L2B	2.5	
	L1B/L1C [2]	4.0,12.0 [3]/ 4.0,6.0 [4]	
	L2C	1.0	
	L1F	3.0	
S	L1A	3.75	13.0
	L4O	3.0 [1]	
	L1A	3.75	
	L2B	2.5	
U	L1D	3.75 [1]	6.25
	L2B	2.5	
V	L1D	3.75 [1]	11.25,19.25/ 11.25,13.25
	L2B	2.5	
	L1B/L1C [2]	4.0,12.0 [3]/ 4.0,6.0 [4]	
	L2C	1.0	
W	L1O	N/A	Transportation Cost Look-Up Table
X	L1D	3.75 [1]	10.25/12.25
	L2B	2.5	
	L1B/L1C [2]	4.0,12.0 [3]/ 4.0,6.0 [4]	
Y	L1D	3.75 [1]	14.25,22.25/ 14.25,16.25
	L2B	2.5	
	L1B/L1C [2]	4.0,12.0 [3]/ 4.0,6.0 [4]	
	L2C	1.0	
	L1F	3.0	
Z	L1A	3.75	(Charge may not exceed $25.00)

[1] Amounts collected for L1D, L1E, and L4O must be reimbursed to the shipping depot shown in the delivery transaction. SF 1080 billings for actual costs are not required.

[2] Wherever "L1B/L1C" appears, if the POE code is "A" L1C is computed; otherwise L1B is computed.

[3] L1B is computed at 4.0 percent for rate area one or 12.0 percent for rate area two. See Volume 15, Chapter 7.

[4] L1C is computed at 4.0 percent for rate area one or 6.0 percent for rate area two. See Volume 15, Chapter 7.

VOLUME 15: "ABBREVIATIONS AND ACRONYMS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * 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 May 2013 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Added abbreviations from Volume 15 that were not currently listed, and deleted those no longer included.	Revision

*ABBREVIATIONS AND ACRONYMS

A

ACCP	Accelerated Case Closure Procedures
ACRN	Accounting Classification Reference Number
Admin	Administrative
ADP	Automated Data Processing
AECA	Arms Export Control Act
AF	Air Force
AIK	Assistance in Kind
AMC	Air Mobility Command
AMCOM	Aviation and Missile Command
APO	Army/Air Force Post Office
APOD	Aerial Point of Debarkation
ASFF	Afghanistan Security Forces Fund
ASSN	Accounting Station Symbol Number
ATD	Advanced Technology Development
AWACS	Airborne Warning and Control System

B

BA	Budget Authority
BPC	Building Partner Capacity

C

CAS	Contract Administration Services
CBA	Commercial Banking Account
CC	Country Code
CCSA	Case Closure Suspense Accounts
CECOM	Communication-Electronic Command
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CFY	Current Fiscal Year
CIP	Component Improvement Program
CLIN	Contract Line Item Number
CLSSA	Cooperative Logistics Supply Support Arrangement
CONUS	Continental United States
CPC	Copy Production Cost
CRSP	Coalition Readiness Support Program

D

DBO	Directorate of Business Operations
DCAA	Defense Contract Audit Agency

DCMA	Defense Contract Management Agency
DCS	Defense Courier Service
DD	Department of Defense (used with forms)
DFARS	Defense Federal Acquisition Regulation Supplement
DFAS	Defense Finance and Accounting Service
DFAS SCA	Defense Finance and Accounting Service Security Cooperation Accounting
DIC	Document Identifier Code
DIFS	Defense Integrated Financial System
DISA	Defense Information Systems Agency
DISAM	Defense Institute of Security Assistance Management
DLMS	Defense Logistics Management System
DoD	Department of Defense
DoD FMR	Department of Defense Financial Management Regulation
DoS	Department of State
DSAMS	Defense Security Assistance Management System
DSC	Delivery Source Code
DSCA	Defense Security Cooperation Agency
DSSN	Disbursing Station Symbol Number
DTC	Delivery Term Code
DTRA	Defense Threat Reduction Agency
DTS	Defense Transportation System
DWCF	Defense Working Capital Fund

E

EA	Expenditure Authority
ECS	Embedded Computer Software
EML	Environment and Morale Leave

F

FAA	Foreign Assistance Act
FAR	Federal Acquisition Regulation
FAS	Free Along Side
FAST	Federal Account Symbols and Titles
FEML	Funded Environment and Morale Leave
FICS	FMS Integrated Control System
FMF	Foreign Military Financing
FMLLA	Foreign Military Loan Liquidating Account
FMS	Foreign Military Sales
FMSO	Foreign Military Sales Order
FORSCOM	Forces Command
FPO	Fleet Postal Office
FRB	Federal Reserve Bank
FRBNY	Federal Reserve Bank of New York
FRFT	Federal Reserve Funds Transfer

FRS	Federal Reserve System
FSP	Field Studies Program
FWF	Functional Work Force
FY	Fiscal Year

G

GBL	Government Bill of Lading
GFM	Government Furnished Materiel
GFRS	Governmentwide Financial Reporting System
GL	General Ledger
GLAC	General Ledger Account Codes
GSA	General Services Administration
GTAS	Governmentwide Treasury Account Symbol Adjusted Trial Balance System

I

IA	Implementing Agency
IMET	International Military Education and Training
IMS	International Military Students
ITO	Invitational Travel Order

J

JMC	Joint Munitions Command

L

LCMC	Life Cycle Management Command
LOA	Letter of Offer and Acceptance
LOR	Letter of Request
LSC	Logistics Support Charge

M

MAP	Military Assistance Program
MASL	Military Articles and Services List
MDE	Major Defense Equipment
MEDCOM	Medical Command
MERHC	Medicare Eligible Retiree Health Care
MILDEP	Military Department
MILPERS	Military Personnel Appropriation
MILSBILLS	Military Standard Billing System
MOCAS	Mechanization of Contract Administration Services
MOM	Military Ordinary Mail
MP	Military Personnel

MSC	Military Sealift Command
MTT	Mobile Training Team

N

NATO	North Atlantic Treaty Organization
NAVICP	Naval International Control Point
NAVMTO	Navy Material Transportation Office
NC	Non-recurring Cost
NGA	National Geospatial-Intelligence Agency
NSN	National Stock Number

O

O&M	Operation and Maintenance
OA	Obligational Authority
OCONUS	Outside the Continental United States
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OUSD(C)	Office of the Under Secretary of Defense (Comptroller)
OUSD(AT&L)	Office of the Under Secretary of Defense, Acquisition, Technology and Logistics

P

P&A	Price and Availability
PC&H	Packing, Crating, and Handling
PCCF	Pakistan Counterinsurgency Capability Fund
PCF	Pakistan Counterinsurgency Fund
PCH&T	Packing, Crating, Handling, and Transportation
PCS	Permanent Change of Station
PEO	Program Executive Office
POD	Port of Debarkation
POE	Port of Embarkation
POL	Petroleum, Oil, and Lubricants
PRTR	Performance Report Transaction Register
PTC	Positive Transaction Control

Q

Q or QTY	Quantity
QRR	Quarterly Requisition Report
QUICKTRANS	Quick Response Transportation System

R

R&D	Research and Development
RCG	Case Reconciliation and Closure Guide
RDT&E	Research, Development, Test, and Evaluation
RIC	Routing Identifier Code
RIM	Retainable Instructional Material

S

SA	Security Assistance
SAAM	Special Assignment Airlift Mission
SAMM	Security Assistance Management Manual
SBA	Special Billing Arrangements
SBLC	Standby Letter of Credit
SC	Security Cooperation
SC	Special Cost (used for Publication/Software pricing)
SCES	Security Cooperation Enterprise Solution
SCML	Small Case Management Line
SCO	Security Cooperation Organization
SCT	Security Cooperation Team
SDAF	Special Defense Acquisition Fund
SDDC	Surface Deployment and Distribution Command
SDR	Supply Discrepancy Report
SEAVAN	Commercial/Government-Owned/Leased Shipping Container
SELPO	Secure Electronics Procurement Office
SF	Standard Form
SFFAS	Statement of Federal Financial Accounting Standards
SFIS	Standard Financial Information Structure
SIAU	Stock Issue Asset Use
SLIN	Sub Line Item Number
SOS	Source of Supply

T

TA	Type of Assistance
TACOM	Tank-Automotive Command
TAFT	Technical Assistance Field Team
TBC	Transportation Bill Code
TCN	Transportation Control Number
TDP	Technical Data Package
TDY	Temporary Duty
TF	Trust Fund
TFM	Treasury Financial Manual
TI	Treasury Index
TL	Termination Liability

TRADOC	Training and Doctrine Command
TRANS	Transportation
TRC	Transaction Reply Code
TROR	Treasury Report on Receivables

U

UCR	Unfunded Civilian Retirement
ULO	Unliquidated Obligation
U.S.	United States
USACE	U.S. Army Corps of Engineers
USAF	U.S. Air Force
USASAC	U.S. Army Security Assistance Command
USC	U.S. Code
USG	U.S. Government
USMC	U.S. Marine Corps
USSGL	U.S. Standard General Ledger

V

VTC	Video Teleconference

W

WCN	Worksheet Control Number
WIP	Work-in-Process

VOLUME 15: "DEFINITIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * 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 May 2013 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated to comply with current administrative requirements.	Revision
Above Standard Level of Service	Added Above Standard Level of Service definition.	Addition
Accelerated Case Closure Procedures	Moved the definition for Accelerated Case Closure from within Interim Closed to a stand-alone definition.	Revision
Incurred Costs	Moved the definition for Incurred Costs from within Accrued Costs to a stand-alone definition.	Revision
Security Cooperation Enterprise Solution	Added Security Cooperation Enterprise Solution definition.	Addition
Standard Level of Service	Added Standard Level of Service definition.	Addition
Unfunded Civilian Retirement	Added Unfunded Civilian Retirement definition.	Addition

DEFINITIONS

Definitions contained in this section of Volume 15 identify terms unique to Security Cooperation policies and procedures. Refer to the Department of Defense (DoD) Financial Management Regulation Glossary for terms that are common within other volumes.

*Above Standard Level of Service

Above standard level of service activities are the incremental costs above those provided in the standard level of service.

*Accelerated Case Closure Procedures (ACCP)

ACCP allows interim case closure after supply or services completion, even if there are outstanding unliquidated obligations on the case or not all financial transactions are finalized.

Acceptance

Acceptance is the act of an authorized representative of the government in which the government assumes for itself, or as agent of another, ownership of existing and identified supplies tendered, or approves specific services rendered, as partial or complete performance of the contract by the contractor. See also Letter of Offer and Acceptance (LOA).

Accessorial Charges

Accessorial charges represent certain expenses incident to issues, sales, and transfers of materiel that may or may not be included in the standard price or contract cost of materiel. These charges include the costs of packing, crating, handling, and transportation (PCH&T); and port loading and unloading costs associated with the movement of defense articles provided under the Foreign Military Sales (FMS) program.

Accrued Costs

Accrued costs are the financial value of delivered articles and services and incurred costs reported to Defense Finance and Accounting Service Security Cooperation Accounting (DFAS SCA) via delivery transactions.

Allotment

An allotment is the 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 for program

implementation is the FMS case contract authority used to fund obligations citing the allotment holder's accounting station. This type of allotment is made when DFAS SCA determines it does not have the accounting capability to support detailed accounting requirements below the FMS case line level, i.e., commitments, obligations, and disbursements to implement individual FMS case line items. The amount released on each FMS case line is a specific limitation, and the monthly status-of-allotment report must show the status of each case-line.

Anticipated Reimbursements

Anticipated reimbursements are the dollar value of reimbursable orders that have been included in the DoD Component's budget. Applicable amounts are not available for obligation until receipt and acceptance of an actual purchase order. 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 Department of Defense (DD) Form 2060, FMS Obligational Authority (OA) (or automated equivalent). Budget execution reports as of September 30 will reflect a reduction in the amount of anticipated reimbursement to align with DD 2060 actual orders. In the event that the reimbursable program is subject to apportionment action, DD 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 2060 (or automated equivalent) reimbursable order is available for obligation.

Arms Export Control Act (AECA)

The ***AECA*** is the basic United States (U.S.) law that provides the authority and general rules for the conduct of FMS and commercial sales of defense articles, services, and training. This act is codified at Title 22, U.S. Code ***Chapter 39***.

Arrearage

An arrearage occurs when the FMS purchaser's total cash resources on deposit with the U.S. Government (USG) are insufficient to cover the unpaid accrued expenditures made on behalf of the purchaser.

Attrition (International Military Training)

Attrition is 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.

Below-the-Line Costs

Below-the-Line Costs are costs identified as PCH&T, administrative charges; and other costs that are displayed on lines 9 through 12 of the LOA.

Budget Authority (BA)

BA is provided by law and allows an activity to incur financial obligations (in support of FMS cases) that will result in outlays. The specific form of BA applicable to the FMS program is contract authority.

Building Partner Capacity (BPC) Programs

BPC programs encompass Security Cooperation and Security Assistance (SA) activities funded with USG appropriations and administered as cases within the FMS infrastructure. These programs provide defense articles and/or services to other USG departments and agencies for building the capacity of partner nation security forces. The DoD Implementing Agency (IA) develops a pseudo LOA to enable BPC program execution through existing SA automated systems. The pseudo LOA serves to document the transfer of articles and services to the USG Requesting Authority. See the Defense Security Cooperation Agency Manual 5105.38-M, SA Management Manual (SAMM), ***Chapter 15*** for more information on BPC programs.

Case Line Level

The level of detail required for the control of FMS funding is at the case line level. The line is a further subdivision of an FMS case.

Concurrent Spare Parts (CSP)

Concurrent spare parts are spare parts programmed as an initial stockage related to the acquisition of a major item or system. CSPs are normally shipped in advance of the release of the major item or system.

Contract Authority

Contract authority is the form of BA 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. Contract authority permits obligations of funds in advance of cash received. AECA Section 22 provides permanent indefinite contract authority for new procurement for FMS purchasers. When the foreign country or international organization provides a dependable undertaking, the USG is authorized to enter into contracts in advance of receiving cash.

Contractor Holdback

Contractor holdback is the amount earned by contractors or suppliers during the production period but not paid to the contractor/supplier to ensure future performance.

Cooperative Logistics Supply Support Arrangements (CLSSA)

CLSSAs are military logistics support arrangements designed to provide responsive and continuous supply support at the depot level for U.S. made military materiel possessed by foreign countries and international organizations. The CLSSA is normally the most effective means for providing common repair parts and secondary item support for equipment of U.S. origin that is in allied and friendly country inventories.

Defense Stock

Defense 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 that cannot be filled in this manner fall within the provisions of AECA section 22.

Dependable Undertaking

Pursuant to AECA section 22(a) dependable undertaking is 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, before such payments, damages, or costs are due. See SAMM ***Chapter 9, C9.8.3*** for more information on dependable undertaking.

Direct Cite

For the purposes of Volume 15, direct cite is the citation of the FMS Trust Fund (11 X 8242) as the financing source on documents, or 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.

Estimated Actual Charges

An estimated actual charge is a systematic and documented estimate of actual cost that is used in the absence of an established cost accounting system and is sometimes referred to as a cost-finding technique.

Expenditure Authority (EA)

EA is authority issued by DFAS SCA to a certifying officer or a disbursing activity authorizing the subsequent disbursement of a FMS country's funds. See Chapter 4 for more information on EA.

Final Closed

Final closed is the final stage in the life-cycle of an FMS case in which it is supply/service complete, all expenditures are processed, all commitments and obligations are liquidated, expenditures equal obligations, and all case records (e.g. obligation, supply and disbursement) are reconciled and equal in all systems. No further transactions will be accepted.

Financing Appropriation

The financing appropriation is the appropriation account originally increased because of the performing DoD Component's acceptance of a reimbursable order from DFAS SCA. This activity is reflected as "FMS reimbursable."

Foreign Military Sales (FMS) Administrative Surcharge

The FMS administrative surcharge is the cost for administering sales made under the AECA. This surcharge captures manpower (both USG and contractor-furnished) and other costs required to develop, manage, execute, and close FMS cases.

FMS Billing Statement, Department of Defense (DD) Form 645

The FMS Billing Statement represents the USG's official claim for payment to the FMS purchaser. See also special billing arrangement (SBA).

FMS Case

An FMS case consists of a DoD LOA and the associated supporting and executing documents.

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 AECA section 21(h); the ***Federal Acquisition Regulation***, the ***Defense Federal Acquisition Regulation Supplement***, supplements thereto; and the Defense Contract Audit Agency (DCAA) ***Contract Audit Manual***). The Defense Contract Management Agency performs the majority of the tasks associated with items (1) and (3) and DCAA performs the majority of the tasks associated with item number (2). Portions of CAS may be waived in accordance with the AECA.

FMS 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 (see AECA Section 21(e)(1)(A). This surcharge covers the cost of quality assurance and inspection, contract management, and contract audit on procurement items.

FMS CAS Surcharge Account

The FMS CAS Surcharge Account is a sub-account under the FMS Trust Fund to record all collections and payments/reimbursements relative to the CAS surcharge.

FMS Order (FMSO)

FMSOs are LOAs that implement CLSSAs. Two LOAs are written: a FMSO I and FMSO II. The FMSO I, Part A represents the on-hand value of DoD Continental U.S. inventories required to support FMS purchaser requisitions. The FMSO I, Part B provides the OA to fund the remaining portion of the order. The FMSO II is the consumption case. Report all FMSO deliveries against this consumption case.

Implementing Agency (IA)

An IA is the DoD Component assigned responsibility by DSCA to prepare an LOA and implement the case. The IA is responsible for overall management of the actions that will result in delivery of the materials or services set forth in an implemented LOA.

*Incurred Costs

Incurred costs represent disbursements for which no physical deliveries have yet occurred.

Indebtedness

Indebtedness consists of financial obligations of FMS purchasers to make payment(s) to the USG in accordance with the official billing statement.

Interim Closed

Cases are interim closed in the military department systems using ACCP, allowing for disbursement processing, liquidating obligations, unliquidated obligation adjustments, and processing of Supply Discrepancy Reports (SDRs). The IA must continue to work interim closed cases through final closure.

Letter of Offer and Acceptance (LOA)

An LOA is the authorized document the USG uses to offer to sell defense articles and services to a foreign country or international organization. Signature by the purchaser represents acceptance of the offer.

Letter of Request (LOR)

An LOR is the request from an eligible FMS participant country or international organization for the purchase of defense articles and services. The request may be in message or letter format as described in the SAMM, ***Chapter 5, C.5.1***.

Logistics Support Charge (LSC)

An LSC is based on the AECA requirement for full cost recovery. This charge, which only applies to deliveries prior to October 1, 2007, was intended to recover the cost of logistics support involved in providing the spares and other items required to maintain a weapon system. These support costs were associated with production control, requisition processing, inventory maintenance, administration of SDRs, and logistics management. The LSC was applied by DFAS SCA to delivery costs for those lines in FMS cases that had been identified as support lines based on the generic code included in the LOA.

Major Case

A major case is determined by the type and/or amount of an FMS case as follows: defined order $25 million or greater; blanket order or CLSSA $10 million or greater; and/or 15 percent or more of a country's total FMS program in terms of dollar value.

Major Defense Equipment (MDE)

MDE are 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 (AECA Section 47(6)).

Net Case Value

The net case value is the total amount of the defense articles and services cost reflected on line 8 of the LOA (previously referred to as "Above-the-Line" Costs).

Non-Standard Article

For FMS purposes, a non-standard article is one that DoD does not manage, because applicable end items have been retired or because they were never purchased for the DoD Components.

Non-Standard Service

For FMS purposes, a non-standard service is a service that DoD does not routinely purchase or perform.

Obligational Authority (OA)

OA is the authorized amount (funding) received by the IA on a DD 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 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 2060 displays the amount programmed as reimbursable authority, and line 11 displays the direct cite authority.

Omnibus Billing

An omnibus billing is a statement of additional charges or credits to cases re-categorized from active to inactive status.

Packing, Crating, Handling, and Transportation (PCH&T)

PCH&T consists of the resources, processes, procedures, design considerations, and methods used to ensure that all system, equipment, and support items are preserved, packaged, handled, and transported properly.

Payment Schedule

A payment schedule is the list of dollar amounts and payment due dates from the FMS purchaser. The payment schedule supplements the LOA presented to the customer. After acceptance of the LOA, the payment schedule generally serves as the basis for billing to the purchaser. Changes in the estimated costs of a FMS case may require changes in the accompanying payment schedule.

Price and Availability (P&A) Data

P&A Data are prepared by the Military Departments, DSCA, and other DoD components in response to a foreign government's request for preliminary data for the possible purchase of a defense article or service. P&A data are not considered valid for the preparation of an LOA. Furnishing of this data does not constitute a commitment for the USG to offer for sale the articles and services for which the data are provided.

Reimbursable Order

A reimbursable order is an order for services, supplies, material, or equipment placed by a requiring DoD Component and furnished by another DoD Component or Federal agency with 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 requesting DoD Component records a reimbursable order as an obligation 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 2060 (or automated equivalent).

Safety Level

The Safety Level is the strategic reserve of operating capital sufficient to manage the FMS business through changing business conditions to ensure the solvency of the FMS Administrative Surcharge Account. The Safety Level represents 18 months of operating capital that grants sufficient time to recognize changes in business (sales, expenses, and regulatory impacts) and then develop and implement approved adjustment measures. DSCA is responsible for establishing the annual Safety Level amount to be maintained in the FMS Trust Fund Administrative Surcharge Account.

*Security Cooperation Enterprise Solution (SCES)

SCES is the DSCA's enterprise resource planning solution that will replace case execution functionality in the Military Department's legacy systems with an integrated enterprise solution that will provide improvements in transaction processing, levels of control, data aggregation, data standardization and reporting capabilities. See SAMM ***Chapter 13, C13.6.1*** for more information on SCES.

Special Billing Arrangement (SBA)

An SBA is an alternative to the FMS Billing Statement (DD 645) that serves as an official USG claim for payment to the FMS purchaser. An SBA is usually computed at the country or in-country service level.

Small Case Management Line (SCML)

Application of the SCML was a DSCA initiative to reduce the number of small dollar cases effective from 1 August 2006 through 2 July 2012. The SCML is a line item added to an FMS case when the computed FMS Administrative Surcharge is less than $15,000. The combined FMS Administrative Surcharge and SCML total $15,000. See SAMM ***Chapter 9, C.9.4.7*** for more information on the SCML.

*Standard Level of Service

Standard level of service activities are case-related activities covered by the FMS Administrative Surcharge. These activities/functions listed in SAMM ***Table C9.T2*** under the "FMS Admin" column represent indirect charges funded by the FMS Administrative Surcharge and should not be included and/or priced as direct charges on the LOA.

Standby Letter of Credit (SBLC)

An SBLC is used in place of termination liability prepayment requirements, as authorized by DSCA.

Supply/Service Complete

Supply/service complete is the stage in the life-cycle of an FMS case when all defense articles have been delivered and all defense services have been performed.

Termination Liability (TL)

TL is 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. TL may not apply to articles/services provided under other authorities of the Foreign Assistance Act or AECA.

Trust Fund

In Volume 15, trust fund refers to the FMS Trust Fund, Treasury Account, 11 X 8242 "Advances, FMS, Funds Appropriated to the President".

Uncommitted Acceptance

The uncommitted acceptance is the unexecuted portion of the dollar value for an FMS case that has not been released to an IA.

*Unfunded Civilian Retirement (UCR)

UCR includes the costs for unfunded benefits such as civilian retirement, post-retirement health benefits, and post-retirement life insurance costs. An acceleration factor is updated annually at the ***OUSD(C) reimbursable rates Web site*** (to access select the applicable FY, Civilian Personnel Fringe Benefit (Tab D)) and included in billings for services provided to agencies outside of the Federal Government. The costs are credited to the miscellaneous receipts account. UCR is not included in the Administrative Surcharge account based on the AECA and Fair Pricing legislation. See Chapter 7.