

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.