

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 July 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
010101	Replaced volume overview with general security assistance information.	Delete/Add
010202.A.1	Removed reference to specific year-end procedures to align with the other account descriptions.	Delete
Table 1-1	Changed the Missile Defense Agency implementing agency Code to “T” per the Defense Security Cooperation Agency Policy Memo 11-14.	Update

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CHAPTER 1

GENERAL INFORMATION

*0101 GENERAL

010101. Security Assistance (SA)

SA refers to a group of programs that allows the transfer of military articles and services to friendly foreign Governments, as authorized by Public Law 87-195, the [Foreign Assistance Act \(FAA\)](#), codified as [22 United States Code \(U.S.C.\) 2151](#) et seq., Public Law 90-629, the [Arms Export Control Act \(AECA\)](#), codified as [22 U.S.C. 2751](#) et seq., and other legal authorities. The [Security Assistance Management Manual](#), Department of Defense (DoD) 5105.38-M, outlines the twelve major programs. The DoD administers seven of the major programs:

- A. Foreign Military Sales (FMS)
- B. Foreign Military Construction Services
- C. Foreign Military Sales Credit
- D. Leases
- E. Military Assistance Program
- F. International Military Education and Training (IMET)
- G. Drawdown

010102. Applicability

SA transactions should follow DoD accounting guidance in this Regulation unless specifically exempt. All changes for this volume proposed by the DoD Components **must** be coordinated with the Defense Security Cooperation Agency **Directorate** of Business Operations (DSCA DBO). **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 the volume as soon as possible after issuance.

0102 TREASURY ACCOUNTS

SA funds and accounts are authorized by the Foreign Affairs/Foreign Relations committees of the Congress (rather than the Armed Services Committees). SA Funds are

appropriated to the Executive Branch, Office of the President, and are identified by Treasury Index (TI) “11.” 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 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, to DoD. Treasury account 97-11 X 8242 is a transfer account and reflects that DoD (TI 97) is accounting for funds transferred to DoD from the Executive Branch, Office of the President (TI 11). The complete fund cite 97-11 X 8242 is required for consolidated financial statements and reports to the Department of the Treasury and the Office of Management and Budget. The Department of the Treasury has established trust fund receipt and expenditure accounts to account for cash collections, budget authority, 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, Foreign Military Sales, Executive.” The Defense Finance and Accounting Service, Security Cooperation Accounting processes cash collections into this account, including cash transfers from appropriations provided by the United States Government (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 Department of the Treasury and be listed under “Proprietary Receipts From the Public” in the Department of the Treasury’s Financial Management Service system.

B. Budget Authority. The budget authority resulting from FMS or FMS-like orders is recognized in Treasury account 97-11 X 8242, “Advances, Foreign Military Sales, Funds Appropriated to the President.” Budget authority is recognized only to the extent it is estimated that orders will be executed within a fiscal year (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, Foreign Military Sales, 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 to Account 3041, “Recoveries under the Foreign Military Sales Program, Army, Navy, Air Force, Defense.” This includes proceeds from sale of materiel not to be replaced, collection of nonrecurring cost and unfunded civilian pay retirement and benefits, military pay Medicare-Eligible Retiree Health Care accruals, and lease rental payments. See Chapter 2, Table 2-2 of this volume, for additional information.

010202. Treasury Accounts Applicable to Credit Sales and Guaranties under AECA Sections 23 and 24, and International Military Education and Training under FAA Section 541

A. Receipt and Utilization of Appropriations. The following accounts 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, “Foreign Military Financing (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, “Foreign Military Financing, Direct Loan Financing Account, Funds Appropriated to the President,” is used to receive the subsidy cost payments 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, “Foreign Military Financing Program, Funds Appropriated to the President,” is used to record the receipt and use of appropriated grant funds to finance United States (U.S.) defense sales to selected foreign friends and allies, primarily through the FMS program. Based upon annual appropriation bill language, the funds are considered obligated upon apportionment and are available for expenditure for nine years after the appropriation has expired. These funds, transferred to the FMS Trust Fund, are expenditure transfers and, once transferred, remain available indefinitely for disbursement consistent with the purpose for which they were appropriated, obligated, and expended. Budget authority is transferred from this account to DoD Components to fund administrative expenses of FAA programs (e.g., IMET, End Use Monitoring).

6. Account 11 (FY) 1081, “International Military Education and Training, 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 following accounts are used to capture collections made from foreign countries as a result 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, “Foreign Military Financing, Direct Loan Financing Account, Funds Appropriated to the President,” is used for collections of foreign country repayments for post-FY 1991 direct loan obligations. This appropriation is used for loans with original disbursement dates on or after October 1, 1991.

3. Account 11 X 4174, “Military Debt Reduction Financing Account,” 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.

0103 TYPES OF FINANCING

010301. General

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

010302. Reimbursable Financing

Sales under AECA Section 21 and under AECA Section 22 which 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.

010303. Direct Cite Financing

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

010304. Accounting Classification Codes of the FMS Trust Fund

See Table 1-1 of this chapter. The agency code signifies the 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	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: “XXX” in the limit or subhead is variable data dependent on the agency.