

**VOLUME 15, CHAPTER 1: “GENERAL INFORMATION”****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 [August 2015](#) is archived.

<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
010101.C.1	Updated building partner capacity guidance to reflect additional information from Title 10, United States Code, Section 333, “Foreign security forces: authority to build capacity.”	Addition
010102 & 010103	Added “Purpose” paragraph and renumbered paragraphs.	Addition
010201	Added authoritative source Executive Order No. 13637, “Administration of Reformed Export Controls,” dated March 2013. The Executive Order transfers responsibility for the execution of the Foreign Military Sales Trust Fund from the Office of the President to the Department of Defense.	Addition
010201.D.2 & Table 1-2	Added guidance from the Memorandum, “Revised Guidance for the Transfer of Authorized Collections to the Special Defense Acquisition Fund Account,” dated November 2, 2016, issued by the Defense Security Cooperation Agency Comptroller that states, “Effective immediately, SDAF 51(b) collections that used to be posted to the Miscellaneous Receipts account are to be posted to the SDAF account.”	Addition
010202.A.5	Updated guidance to reflect the additional execution years for 1082 Grant funds in accordance with Public Law 114-113, December 18, 2015 and Section 7011 of the Consolidated Appropriations Act, dated 2017.	Revision
010203.I	Added Treasury account “21 2097” for the “Iraq Training and Equip Fund, Army,” in accordance with the “Federal Account Symbols and Titles (FAST) Book I,” dated March 2017.	Addition

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## CHAPTER 1

GENERAL INFORMATION

## 0101 GENERAL

## \*010101. Overview

A. Security Cooperation (SC). SC, which includes Department of Defense (DoD)-administered Security Assistance (SA) programs and international armaments cooperation, will be undertaken to achieve specific ends in support of defense and national security strategy, rather than serving as an end unto itself. SC will be used to develop allied and partner defense and security capabilities and capacity for self-defense and multinational operations, provide the U.S. forces with peacetime and contingency access to host nations, build defense relationships that promote specific U.S. security interest, and take other actions in support of U.S. objectives. See DoD Directive 5132.03, "DoD Policy and Responsibilities Relating to Security Cooperation," for more detailed information.

B. SA. SA refers to a group of programs authorized by Title 22, U.S. Code (U.S.C.), "Foreign Relations and Intercourse," or other legal authorities under which the United States 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 Security Cooperation Agency (DSCA), 5105.38-M, "Security Assistance 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 authority for the purpose of:

1. Building the capacity of partner nation security forces and enhancing their capability to conduct counterterrorism operations, counter-weapons of mass destruction operations, counter-illicit drug trafficking operations, counter-transnational organized crime operations, maritime and border security operations, military intelligence operations, and operations or activities that contribute to an international coalition operation that is determined by the Secretary to be in the national interest of the United States per 10 U.S.C. Ch. 16 § 333, “Foreign security forces: authority to build capacity;” 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. Purpose

The purpose of this chapter is to provide DoD accounting policy for SC transactions to ensure compliance with all requirements for the administrative control of SC programs. SC transactions should follow DoD accounting policy in Volume 15, unless specifically exempt. Proposed changes should be submitted to the Defense Finance and Accounting Service (DFAS) Accounting Policy office as soon as practical for consideration. However, DoD Components must submit proposed changes through the DSCA Directorate of Business Operations. All proposed chapter updates will be submitted to the appropriate approving authority, and if approved, will be incorporated into the DoD Financial Management Regulation as soon as possible.

\*010103. Authoritative Guidance

SA authorities include the Foreign Assistance Act (FAA), Public Law 87-195, codified as 22 U.S.C. Ch. 32; the Arms Export Control Act (AECA), Public Law 90-629, codified as 22 U.S.C. Ch. 39; and 10 U.S.C. Ch. 16.

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 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;” TI 17, “Navy;” TI 21, “Army;” and TI 57, “Air Force.”

\*010201. Treasury Accounts Applicable to FMS Trust Fund Operations

Treasury account 11 X 8242 “Advances, FMS, Funds Appropriated to the President,” is the account for the FMS Trust Fund and is used for centrally recording contract authority and collections. Under Executive Order No. 13637, Section 3, “Administration of Reformed Export Controls,” dated March 2013, responsibility for the execution (e.g. obligations and disbursements) of the FMS Trust Fund passed from the Executive Branch, Office of the President, identified by TI 11 to the DoD, identified by TI 97. The complete fund cite 97 11X8242 is required for execution

of consolidated financial statements and reports [within DoD, but only 11X8242 is reported](#) 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 account [97 11 8242.001, "Deposits, Advances, FMS, Executive."](#) The [DFAS Security Cooperation Accounting \(SCA\) Office](#) processes cash collections into this account, including cash transfers from appropriations provided by the USG to finance credit sales under AECA [§ 23](#) and the proceeds from guaranteed commercial loans under AECA [§ 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 account [97 11X8242](#). 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 11X8242](#) to contractors when direct cite procedures are used; [they are made](#) 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."](#)

1. Include proceeds from the sale of materiel not to be replaced, collection of nonrecurring cost [recoupment charges](#), collection of unfunded civilian pay retirement and benefits, military pay Medicare-Eligible Retiree Health Care accruals, and lease rental payments. See Chapter 2, Table 2-3, "Pricing Elements, and Their Financing Appropriations," for additional information.

2. Special Defense Acquisition Fund (SDAF) collections of asset use charges; items not requiring replacement; and charges for the proportionate recoupment of nonrecurring research, development, and production costs, authorized under Section 51(b) of the AECA as amended, codified as [22 U.S.C. Ch. 39, Subchapter V § 2795\(b\)](#), that used to be collected into the Miscellaneous Receipts account, are to be posted to the SDAF account [97 11X4116](#). For more information on SDAF, see Table 1-2, "Miscellaneous Receipts to SDAF Account Crosswalk;" Chapter 3, Table 3-1, "Cost Elements;" and the [SAMM, Chapter 11.9, "SDAF."](#)

\*010202. Treasury Accounts Applicable to Credit Sales, Guaranties, and IMET

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 11X4121, “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 § 23 and credit sales guaranties for pre-FY 1992 loan obligations under AECA § 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 11X4122, “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 11X4174, “Military Debt Reduction Financing Account,” is used to record the rescheduling of loans and to collect loan payments on those loans rescheduled from 11X4121. 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. Based on annual appropriations bill language, the funds are considered obligated upon apportionment, [are available for expenditure for 5 years, and must remain available for an additional 4 years from the date on which the availability of such funds would otherwise have expired](#). These funds, transferred to the FMS Trust Fund, are expenditure transfers. 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 [United States](#) 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 11X4121, “[FMLLA](#), 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 payments made by DSCA to the Federal Financing Bank or commercial banks holding pre-FY 1992 loans guaranteed by DSCA.

2. Account 11X4122, “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 11X4174, “Military Debt Reduction Financing Account,” is used to reschedule loans from 11X4121. 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, [Mine Action Programs](#), and the SDAF. For more information on these programs, see [the SAMM Chapter 11, “Special Programs and Services;”](#) [SAMM, Chapter 12, “Humanitarian Assistance and Mine Action Programs;”](#) and SAMM, Chapter 15, “BPC Programs.” 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. [21 \(FY\) 2097 “Iraq Training and Equip Fund, Army;”](#)
  - J. 97 (FY) 0100 “Operation and Maintenance (O&M), Defense-Wide, Defense;”
  - K. 97X0100 “O&M, Defense-Wide, Defense;”
  - L. 97 (FY) 0819 “Overseas Humanitarian, Disaster, and Civic Aid Defense;”
  - M. 97X0819 “Overseas Humanitarian, Disaster, and Civic Aid, Defense.”
- and

## 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 [policy](#) for each type [is](#) discussed throughout the remainder of Volume 15.

## 010301. Reimbursable Financing

Sales under AECA § 21 and 22, [for which](#) the President has determined [it is](#) in the National interest to [defer](#) payment (bill for defense articles and services on or after delivery), must be accomplished using reimbursable financing. When deferred payment is authorized, an appropriation is required to finance any outlays until the purchaser makes payment. [The appropriation cited must have reimbursable authority.](#)

## 010302. Direct Cite Financing

New procurements initiated because of FMS orders under AECA § 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 11X8242) on applicable contractual documents.

## 010303. Accounting Classification Codes of the FMS Trust Fund

The agency code signifies the agency name executing FMS Trust Funds within the FMS accounting system. The [Accounting classification codes of the FMS Trust Fund for cases executed within the FMS infrastructure are depicted](#) in Table 1-1.

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

Appropriation/Limit	Agency Code	Agency
97 11X8242.XXX1	B	Army
97 11X8242.XXXC	C	Defense Information Systems Agency
97 11X8242.XXX2	D	Air Force
97 11X8242.XXXE	E	U.S. Army Corps of Engineers
97 11X8242.XXXF	F	Defense Contract Management Agency
97 11X8242.XXXG	G	DFAS
97 11X8242.XXXH	H	Washington Headquarters Service
97 11X8242.XXXJ	J	Business Transformation Agency
97 11X8242.XXXM	M	National Security Agency
97 11X8242.XXXN	I	Missile Defense Agency
97 11X8242.28XX	P	Navy and Marine Corps
97 11X8242.XXXX	P	Navy (Standard Accounting and Reporting System)
97 11X8242.XXX9	Q	DSCA
97 11X8242.XXXR	R	Defense Logistics Agency
97 11X8242.XXXT	T	State Department
97 11X8242.XXXU	U	National Geospatial-Intelligence Agency
97 11X8242.XXXV	V	Defense Contract Audit Agency
97 11X8242.XXXW	W	Defense Advanced Research Projects Agency
97 11X8242.XXXZ	Z	Defense Threat Reduction Agency

**Note:** “X” in the limit or subhead is variable data dependent on the agency.

\*Table 1-2. Miscellaneous Receipts to SDAF Account Crosswalk

Organization	Section Criteria	51(b) Miscellaneous Receipts Account	SDAF Account
Navy	Asset Use Charges	17X3041.1201	97 11X4116.6809
	Items not Requiring Replacement	17X3041.1202	97 11X4116.6808
	Non Recurring Costs	17X3041.1205	97 11X4116.6807
Army	Non Recurring Costs	21X3041.0001	97 11X4116.6807
	Non Recurring Costs	21X3041.0002	97 11X4116.6807
	Items not Requiring Replacement	21X3041.0003	97 11X4116.6808
	Asset Use Charges	21X3041.0006	97 11X4116.6809
	Non Recurring Costs	21X3041.0010	97 11X4116.6807
Air Force	Items not Requiring Replacement	57X3041.0010	97 11X4116.6808
	Non Recurring Costs	57X3041.0012	97 11X4116.6807
	Items not Requiring Replacement	57X3041.0020	97 11X4116.6808
	Non Recurring Costs	57X3041.0027	97 11X4116.6807
	Non Recurring Costs	57X3041.0029	97 11X4116.6807
	Asset Use Charges	57X3041.0040	97 11X4116.6809