

VOLUME 15, CHAPTER 1: “GENERAL INFORMATION”**SUMMARY OF MAJOR CHANGES**

Changes are identified in this table and also 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 [September 2019](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.2, 2.3, 2.4 (010202, 010203, and 010204)	Revised and renumbered paragraphs to move Special Defense Acquisition Fund (SDAF) content to its own paragraph.	Revision
2.3.3. (010203.C)	Added reference to the Security Assistance and International Programs Deposit Account, 11X6147, pursuant to Defense Security Cooperation Agency (DSCA) Memorandum “Security Assistance and International Programs Deposit Account (SAIP) Deposit Account added to the Security Assistance Accounts (SAA) Financial Statements, DSCA Policy Memo 20-57,” Dated October 28, 2020.	Addition
Table 1-1	Updated Miscellaneous Receipts to SDAF Account Crosswalk pursuant to DSCA Memorandum “Updated and Clarifying Memorandum for the Transfer of Authorized Offsetting Collections to the Special Defense Acquisition Fund, DSCA Policy 20-20 [SAMM E-Change 476],” Dated April 22, 2020.	Revision

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CHAPTER 1

GENERAL INFORMATION

1.0 GENERAL (0101)

1.1 Overview (010101)

1.1.1. Security Cooperation (SC). SC, which includes DoD-administered Security Assistance (SA) programs and international armaments cooperation, is 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 interests, and take other actions in support of U.S. objectives. Abbreviations and acronyms commonly used in SC policies can be found in the Defense Security Cooperation Agency (DSCA) 5105.38-M, “Security Assistance Management Manual” (SAMM), “ESAMM Acronyms,” and in Appendix 7, “Case Reconciliation and Closure Guide” (RCG). Commonly used definitions can be found in the SAMM, “ESAMM Glossary,” and in Appendix 7, RCG, “RCG Definitions.” See DoD Directive 5132.03, “DoD Policy and Responsibilities Relating to Security Cooperation,” for more detailed information.

1.1.2. 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 SAMM provides guidance on the major programs DoD administers:

1.1.2.1. Foreign Military Sales (FMS),

1.1.2.2. Foreign Military Construction Services,

1.1.2.3. Foreign Military Financing,

1.1.2.4. Leases,

1.1.2.5. Military Assistance,

1.1.2.6. International Military Education and Training (IMET),

1.1.2.7. Drawdowns and Special Presidential Waiver Authority, and

1.1.2.8. Special Defense Acquisition Fund (SDAF).

1.1.3. Building Partner Capacity (BPC) Programs. BPC programs refer to SC and SA activities funded with U.S. Government (USG) appropriations [that are currently administered as cases within the FMS infrastructure, and planning is underway to migrate BPC program administration outside of the FMS infrastructure.](#) When executing BPC programs, 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:

1.1.3.1. 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. § 333](#), Foreign security forces: authority to build capacity; or

1.1.3.2. Supporting U.S. Military and stability operations, multilateral peace operations, and other programs. See [SAMM, Chapter 15](#), “Building Partner Capacity Programs,” for a detailed discussion of BPC programs.

1.2 Purpose (010102)

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 must follow DoD accounting policy in Volume 15, unless specifically exempt. Proposed changes must 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.

1.3 Authoritative Guidance (010103)

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

2.0 ACCOUNTS OF THE U.S. DEPARTMENT OF TREASURY (TREASURY) (0102)

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.”

2.1 Treasury Accounts Applicable to FMS Trust Fund Operations (010201)

Treasury account 11X8242, “Advances, FMS, Funds Appropriated to the President,” is the FMS Trust Fund account used for centrally recording contract authority and collections. Under Section 3 of [Executive Order No. 13637](#), “Administration of Reformed Export Controls,” dated March 2013, responsibility for the execution and administration (e.g. obligations and disbursements) of the FMS Trust Fund was delegated from the Executive Branch, Office of the President, identified by TI 11, to the Secretary of Defense, identified by TI 97. The complete fund cite 97 11X8242, though not required for execution of consolidated financial statements and reports, identifies funds under the control of DoD. 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.

2.1.1. Cash Receipts. Cash collected from sales authorized under [22 U.S.C. § 2761](#), [22 U.S.C. §2762](#), [22 U.S.C. §2769](#), and [22 U.S.C. §2796](#) is deposited into Trust Fund Receipt Account 8242.001, “Deposits, Advances, Foreign Military Sales, Executive.” The DFAS Security Cooperation Accounting (SCA) Directorate processes cash collections into this account, including cash transfers from appropriations provided by the USG to finance credit sales under [22 U.S.C. § 2763](#) and the proceeds from guaranteed commercial loans under [22 U.S.C. § 2764](#). Collections must reflect account 8242.001 on DoD reports issued to the Fiscal Service and be listed under “Proprietary Receipts From the Public” in the Fiscal Service system.

2.1.2. BA. The BA resulting from FMS or BPC orders is also 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.

2.1.3. Cash Expenditures. Cash disbursements are made from account 97 11X8242 to contractors when direct cite procedures are used. Intragovernmental payments are made to DoD Components when reimbursable procedures are used for services, items from inventory, and to reimburse for procurements financed by DoD appropriations or other fund accounts.

2.1.4. Miscellaneous Receipts. Amounts recovered from the operation of the FMS programs are deposited into Account 3041, “Recoveries Under the Foreign Military Sales Program, Army, Navy, Air Force, Defense.” Includes proceeds from the collection of unfunded civilian pay retirement and benefits, military pay Medicare-Eligible Retiree Health Care accruals, and lease rental payments.

*2.2 SDAF (010202)

2.2.1. The SDAF, established under the authority of [10 U.S.C. § 114](#), is a DoD-controlled revolving fund used to acquire defense articles and services in anticipation of their sale to eligible foreign countries and international organizations. Pursuant to 10 U.S.C. § 114(c)(1), the SDAF may not exceed \$2.5 billion. In accordance with [22 U.S.C. § 2795\(c\)](#), the size of the fund includes funds acquired through reimbursements when existing SDAF inventory is sold, or through FMS sales, also known as offsetting collections.

2.2.2. Offsetting collections identified in 22 U.S.C. § 2795(b), that were previously collected into the Miscellaneous Receipt account, are now collected and deposited into the SDAF account, 97 11X4116, “Special Defense Acquisition Fund, Funds Appropriated to the President,” by DFAS. Offsetting collections consist of asset use charges; items not requiring replacement; and charges for the proportionate recoupment of nonrecurring research, development, and production costs, excluding charges for FMS leases authorized under 22 U.S.C. § 2796. Offsetting collections will reside in the parent 11X4116 account for future SDAF procurements; however, the offsetting collections will first be posted as outlined in subparagraphs [010202.B.1-3](#) (for additional information on the proper handling of SDAF offsetting collections, see Table 1-1):

2.2.2.1. DSCA, Non-Recurring Charges Recoupments, 97 11X4116.6807;

2.2.2.2. DSCA, Items Not To Be Replaced Recoupments, 97 11X4116.6808; or

2.2.2.3. DSCA, Asset Use Charge Recoupments, 97 11X4116.6809.

2.2.3. Cash receipts for the anticipated collections, reimbursements, and other income related to the SDAF are collected into the [Revolving Fund](#) account “Special Defense Acquisition Fund, Funds Appropriated to the President,” 11X4116. DFAS SCA processes cash collections into account 11X4116, including cash transfers of reimbursements made under the proceeds from the sale or transfer of SDAF procured articles and services.

2.2.4. BA from approved SDAF procurements is recognized in account 97 11 FY/FY 4116. BA exists only for orders that will be executed; i.e. funds obligated before September 30 of the FY when the funds period of availability expires. The portion of the approved SDAF procurements that cannot be obligated must be returned to the Treasury account 11X4116.

2.2.5. Cash disbursements are made from account 97 11 FY/FY 4116 to contractors when direct cite is used and for DSCA approved procurements financed by the SDAF. Expenditures must be consistent with the funding years in which the original funding on the Funding Authorizing Document was provided.

2.2.6. For more information on SDAF, see Chapter 3, Table 3-1, “Cost Elements;” and the [SAMM, Chapter 11.9](#), “Special Defense Acquisition Fund (SDAF).”

***2.3** Treasury Accounts Applicable to Credit Sales, Guaranties, and IMET (010203)

2.3.1. Receipt and Utilization of Appropriations. The accounts described in subparagraphs **010203.A.1-6** are used to capture the receipt of SA appropriations.

2.3.1.1. 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 22 U.S.C. § 2763 and credit sales guaranties for pre-FY 1992 loan obligations under 22 U.S.C. § 2764. FMLLA excess collections are returned to Miscellaneous Receipts account 11R2814, “Other Repayments of Investments and Recoveries.”

2.3.1.2. Account 11 (FY) 1085, “Foreign Military Financing, 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.

2.3.1.3. Account 11X4122, “Foreign Military Financing, 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.

2.3.1.4. 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.

2.3.1.5. Account 11 (FY) 1082, “Foreign Military Financing Program, Funds Appropriated to the President,” is used to record the receipt and use of appropriated 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).

2.3.1.6. Account 11 (FY) 1081, “International Military Education and Training, Funds Appropriated to the President,” is used to record the receipt and use of appropriated 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.

2.3.2. Cash Collections. The accounts described in subparagraphs **010203.B.1-3** are used to capture collections made from foreign countries because of loans and loan guaranties.

2.3.2.1. Account 11X4121 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.

2.3.2.2. Account 11X4122 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.

2.3.2.3. Account 11X4174 is used to reschedule loans from 11X4121, [and 11X4122 is used for countries seeking debt relief](#). This account is also used to collect the payments from outstanding loans that have been rescheduled.

* 2.3.3. [Security Assistance and International Programs \(SAIP\) Deposit Account](#). Account 11X6147 was originally established in 1978 to support the North Atlantic Treaty Organization E-3A Program deposit account. Subsequently, additional activities have used this account for purposes, such as to record collections received from foreign governments to reimburse DoD for goods and services not acquired through the FMS program, or FMS customers to use the Air Force Parts and Repair Ordering System to acquire nonstandard items, and to provide advance funding to support the acquisitions. Beginning in FY21, the SAIP Deposit Account is included in the SA Accounts financial statements.

*2.4 Other Treasury Accounts (010204)

Other Treasury accounts used in SC include those for BPC cases, Humanitarian Assistance, [and Mine Action Programs](#). For more information on these programs, see the SAMM, Chapter 11, “Special Programs and Services;” [SAMM, Chapter 12](#), “Overseas Humanitarian, Disaster, and Civic Aid (OUDACA);” SAMM, Chapter 15, “Building Partner Capacity Programs;” and [SAMM Table C15.T2](#), “BPC Programs and Authorities.” The Treasury accounts include, but are not limited to:

2.4.1. 11 (FY) 1032, “Peacekeeping Operations, Funds Appropriated to the President;”

2.4.2. 11X1032, “Peacekeeping Operations, Funds Appropriated to the President;”

2.4.3. 11X1041, “Global Security Contingency Fund, International Security Assistance, State;”

2.4.4. 21 (FY) 2091, “Afghanistan Security Forces Fund, Army;”

2.4.5. 21 (FY) 2097, “Iraq Train and Equip Fund, Army;”

2.4.6. 21X2097, “Iraq Train and Equip Fund, Army;”

2.4.7. 21 (FY) 2099, “Counter - ISIS Train and Equip Fund, Army;”

2.4.8. 21X2099, “Counter - ISIS Train and Equip Fund, Army;”

2.4.9. 97 (FY) 0100, “Operation and Maintenance, Defense-Wide, Defense;”

2.4.10. 97X0100, “Operation and Maintenance, Defense-Wide, Defense;”

2.4.11. 97 (FY) 0819, “Overseas Humanitarian, Disaster, and Civic Aid Defense;” and

2.4.12. 97X0819, “Overseas Humanitarian, Disaster, and Civic Aid, Defense.”

3.0 TYPES OF FINANCING (0103)

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.

3.1 Reimbursable Financing (010301)

Sales under 22 U.S.C. §§ 2761 and 2762, 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 under 22 U.S.C. § 2761 for 120 days, and for all authorized deferred payments for 22 U.S.C. § 2762 sales, an appropriation is required to finance any outlays until the purchaser makes payment. The appropriation cited must have reimbursable authority.

3.2 Direct Cite Financing (010302)

New procurements initiated because of FMS orders under 22 U.S.C. §§ 2762 and 2769 (except as exempted in paragraph [010301](#)) must be accomplished, to the maximum extent feasible and appropriate, through direct citation of the FMS Trust Fund (97 11X8242) on applicable contractual documents.

3.3 Accounting Classification Codes of the FMS Trust Fund (010303)

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 1-2.

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

Organization	Section 51(b) Criteria	Miscellaneous Receipts Account	SDAF Account
Navy	Asset Use Charges	17X3041.1201	97 11X4116.6809
Navy	Items not Requiring Replacement	17X3041.1202	97 11X4116.6808
Navy	Non Recurring Costs	17X3041.1205	97 11X4116.6807
Army	Non Recurring Costs	21X3041.0001	97 11X4116.6807
Army	Non Recurring Costs	21X3041.0002	97 11X4116.6807
Army	Items not Requiring Replacement	21X3041.0003	97 11X4116.6808
Army	Asset Use Charges	21X3041.0006	97 11X4116.6809
Army	Non Recurring Costs	21X3041.0010	97 11X4116.6807
Air Force	Items not Requiring Replacement	57X3041.0010	97 11X4116.6808
Air Force	Non Recurring Costs	57X3041.0012	97 11X4116.6807
Air Force	Items not Requiring Replacement	57X3041.0020	97 11X4116.6808
Air Force	Non Recurring Costs	57X3041.0027	97 11X4116.6807
Air Force	Non Recurring Costs	57X3041.0029	97 11X4116.6807
Air Force	Asset Use Charges	57X3041.0040	97 11X4116.6809
Air Force	Asset Use Charges	57X3041.0048	97 11X4116.6809
Air Force	Items Not Requiring Replacement	57X3041.0080	97-11X4116.6808
DoD	Non Recurring Costs	97X 3041.0001	97 11X4116.6807
DoD	Items not Requiring Replacement	97X 3041.0003	97 11X4116.6808
DoD	Items not Requiring Replacement	97X 3041.0004	97 11X4116.6808
DoD	Asset Use Charges	97X 3041.0006	97 11X4116.6809
DoD	Asset Use Charges	97X 3041.0009	97 11X4116.6809

Table 1-2. 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.XXXF	F	Defense Contract Management Agency
97 11X8242.XXXH	H	Washington Headquarters Service
97 11X8242.XXXM	M	National Security Agency
97 11X8242.XXXI	I	Missile Defense 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.