

**VOLUME 15, CHAPTER 3: “ACCOUNTING”****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 2010 is archived.

<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
Multiple	Reworded and reformatted chapter for clarity, updated references, and added/updated electronic links.	Update
Multiple	Changed Defense Finance and Accounting Service (DFAS) Security Assistance Accounting (SAA) to Security Cooperation Accounting (SCA) to show current organizational name.	Update
Multiple	Changed Defense Security Cooperation Agency (DSCA) Security Assistance Organizations (SAO) to Security Cooperation Organizations (SCO) to show current organizational name.	Update
030203 & 030204 (2010 version)	“Contract Authority” and “Accounting for Obligations” information merged into the Finance chapter (Chap. 2) of this volume. Renumbered the remaining paragraphs in section 0302.	Delete
030301 & 030303 (2010 version)	“Reimbursable Orders” and “Supporting DoD Components” information merged into the Finance chapter (Chap. 2) of this volume. Renumbered the remaining paragraphs in section 0303.	Delete
030402	Added reference to Chapter 2 for “Reimbursable Orders”.	Add
0306	Added former section 0206 “Budget Execution” from Chapter 2 of this volume.	Add
0307	Added former section 0207 “FMS Trust Fund Budget Execution Reports and Financial Statements” from Chapter 2 of this volume.	Add
0308	Added former section 0208 “Case Execution” from Chapter 2 of this volume.	Add
0309	Added former section 0209 “FMS Case Closure Procedures” and related figures/tables from Chapter 2 of this volume.	Add

PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
0310	Added former section 0210 "Write-Off Authority" from Chapter 2 of this volume.	Add
0311	Added former section 0211 "Antideficiency Act Violations and Adverse Financial Condition Reports" from Chapter 2 of this volume.	Add
Tables 3-1 and 3-2 (previous)	Changed Table 3-1 to Figure 3-1 and renumbered Table 3-2 to Table 3-1.	Update
Figure 3-2, Tables 3-2 and 3-3	Added related figure and tables about "FMS Case Closure Procedures" from Chapter 2 of this volume. Updated field position numbers on Table 3-3 to reflect current file layout.	Add

## Table of Contents

VOLUME 15, CHAPTER 3: “ACCOUNTING” .....	1
0301 INTRODUCTION.....	5
030101. Objectives.....	5
030102. Accounting Characteristics .....	5
030103. Responsibilities .....	6
030104. Source Documents and Transactions .....	7
0302 MANAGEMENT CONTROLS.....	9
0303 FMS TRUST FUND ACCOUNTING REQUIREMENTS .....	9
030301. FMS Trust Fund .....	9
030302. FMS Standard General Ledger.....	10
030303. Accounting for Receivables .....	10
030304. Accounting for Inventory.....	10
030305. Accounting for the FMS Program.....	10
030306. General Procedures for Processing Accounting Transactions .....	12
030307. DFAS SCA Analysis of FMS Case Accounting Data .....	13
030308. DFAS SCA Postings to Subsidiary Ledgers .....	14
0304 IMPLEMENTING AGENCY (IA) ACCOUNTING REQUIREMENTS .....	16
030401. Allotments for Direct Citation.....	16
*030402. Allotments for Reimbursable Orders .....	17
030403. Fiscal Year-End Reporting Requirements.....	17
0305 ACTUAL ADMINISTRATIVE EXPENSE ACCOUNTING REQUIREMENTS ....	18
030501. Reimbursement for FMS Administrative Expenses.....	18
030502. Control of FMS Administrative, Logistics Support Charge (LSC), and Security Cooperation Organizations (SCO) Budget Allotment Authority.....	19
030503. Control of FMS Administrative, Logistics Support Charge (LSC), and Security Cooperation Organizations (SCO) Prior FY Obligational Authority (OA) .....	20
030504. Control of Unliquidated Balances .....	20
030505. Administration and Implementation of the Monthly and End-of-Year Closeout Guidance	21
030506. DFAS Responsibilities for Expired and Cancelled Accounts.....	21
*0306 BUDGET EXECUTION .....	22
030601. Objectives.....	22

## Table of Contents (Continued)

030602.	Responsibilities .....	22
*0307	FMS TRUST FUND BUDGET EXECUTION REPORTS AND FINANCIAL STATEMENTS .....	23
030701.	Budget Execution Reports.....	23
030702.	Financial Statements .....	23
*0308	CASE EXECUTION .....	24
030801.	Fiscal Year-End.....	24
030802.	Reimbursement of Appropriations and Accounts .....	24
030803.	FMS Planning Directive (DD Form 2061 or automated equivalent).....	24
*0309	FMS CASE CLOSURE PROCEDURES .....	25
030901.	General .....	25
030902.	Initiating FMS Case Closure .....	25
030903.	Closure Certification .....	28
030904.	Billings After Case Closure .....	28
030905.	Reopening FMS Cases .....	29
*0310	WRITE-OFF AUTHORITY .....	29
031001.	Problem Disbursements.....	29
031002.	Other FMS Financial Transactions .....	30
*0311	ANTIDEFICIENCY ACT VIOLATIONS AND ADVERSE FINANCIAL CONDITION REPORTS .....	30
031101.	Antideficiency Act Violations.....	30
031102.	Adverse Financial Conditions .....	30
*Figure 3-1.	Format for the DoD Status-of-Allotment Report.....	32
*Figure 3-2.	FMS Case Closure Certificate .....	33
Table 3-1.	Status of Direct Allotment “RE” Transaction.....	35
*Table 3-2.	Sample Case Closure Checklist .....	37
*Table 3-3.	Format for the Case Closure Certificate Inventory Transaction (C1I/C1F) .....	38

## CHAPTER 3

ACCOUNTING

## 0301 INTRODUCTION

## 030101. Objectives

The objectives of this chapter are to prescribe 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 to Defense Security Cooperation Agency (DSCA) staff;
- C. Are fully integrated 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 \(AECA\)](#), codified at 22 United States Code, [sections 2751 et seq.](#)

## 030102. Accounting Characteristics

- A. Each FMS case is an accounting unit similar to a commercial job order. Budget authority (BA) necessary to implement a case is released by case identifier (composed of the country code, implementing agency (IA) code, and a three-position case designator assigned by the IA) and the line item number. All requisitions for materiel or services have a case identifier and line item number. Accrued costs, cash collections, and cash disbursements are reported at this level of detail. This accounting information is then accumulated and reported 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 of this volume for more information on arrearages). A cumulative (all sub-accounts of the FMS Trust Fund 11 X 8242) summary cash account is necessary to allow reconciliation with the Treasury Department's cash records. Cumulative summary accounts showing BA, commitments, obligations, accounts payable, accounts receivable, and accrued expenditures are required to complete required budget execution reports on the FMS Trust Fund Account.

C. DoD case management entails obtaining 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 that the same source document be used for reporting to both the financial system and the logistical systems (including delivery reporting).

030103. Responsibilities

A. Defense Security Cooperation Agency (DSCA). DSCA is responsible for monitoring usage of FMS Trust Funds 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 (**SCA**) is specifically responsible for:

1. Maintaining the centralized FMS case line level accounts prescribed in this chapter and the U.S. Standard General Ledger (**USSGL**). The general ledger (GL) accounts are identified in Volume 1, Chapter 7 of this Regulation and the Treasury Financial Manual (**TFM**). Use information accumulated in the accounts when preparing 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 (see Chapter 5 of this volume);

4. Summarizing all case line level accounts at the FMS Trust Fund level, reconciling the summary cash accounts to the Treasury Department's records on a monthly basis, and using the summary accounts as the basis for required reports on FMS Trust Fund operations. Various reporting requirements and the responsible organizations are identified in this chapter, as well as other chapters and volumes of this Regulation;

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

6. Preparing monthly, quarterly, and annual statements as required in Volume 6A and Volume 6B of this Regulation.

C. Implementing Agencies (IAs). IAs are responsible for:

1. 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 **the**

performing DoD Components, or (3) authorization to directly use 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 of this Regulation.

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 of this volume, and

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

#### 030104. Source Documents and Transactions

The basic source documents and transactions to be used for accounting entries to the FMS case level accounts are:

A. United States of America Letter of Offer and Acceptance (LOA). This document, or its equivalent when a deviation has been authorized by DSCA, is the basic source document for entries to accounts that record the dollar value of the purchaser's order (see Chapter 2, paragraph 020103.A of this volume).

B. Amendments and Modifications. A signed amendment is an FMS purchaser's acceptance of changes in scope. A modification is a notification document to alert FMS purchasers of within-scope changes (e.g., cost increases). These documents are used to modify the original LOA and serve as additional sources of entries to accounts that record the dollar value of the purchaser's order (see Chapter 2, paragraph 020103.B of this volume).

C. FMS Obligational Authority (OA) Requests (Department of Defense (DD) Form 2060 or Automated Equivalent). This multipurpose form is the basic source document for entries to accounts which recognize the budget and program authority for FMS case performance. The OA Request also serves as the basis for recording FMS Trust Fund obligations and withdrawals of FMS Trust Fund BA (see Chapter 2, paragraph 020103.D of this volume).

D. FMS Planning Directive (DD Form 2061 or Automated Equivalent). The Planning Directive identifies the cost elements included in the price of the items or services

identified in the LOA and [provides](#) a time-phased plan for its execution. This form is the basic source document used to [prepare OA Requests \(DD Form 2060 or automated equivalent\)](#) (see Chapter 2, paragraph 020103.C of this volume).

E. [DD Form 645, "Foreign Military Sales Billing Statement"](#). The [DD Form 645 \(or automated equivalent\)](#) represents an official claim by the U.S. Government (USG) for payments from FMS purchasers. If DSCA authorizes a special billing arrangement (SBA), the special bill [supersedes](#) the amount due on the DD Form 645. The DD Form 645 or applicable special bill [is](#) the source for entries into the accounts receivable GL account of DFAS [SCA](#). The DD Form 645 [also provides](#) an accounting to the FMS purchaser of costs incurred [under each FMS Trust Fund case](#).

F. [LOA Payment Schedule](#). The payment schedule, approved by the respective IA and included in the LOA, is normally used as the basis for DD Form 645, Column 11, billings for additional cash advances from the purchaser (for exception, see paragraph 030104.G of this chapter).

G. [Quarterly Forecast of Financial Requirements for In-Process Cases](#). This report is submitted as required when LOA schedules either will not provide adequate advance cash collection or will create over-collections. The DoD Component [submits](#) computer input (referred to as 'K' cards or 'BK' [transactions](#) in the [FMS Integrated Control System \(FICS\)](#)). This [input](#) is a basis for DD Form 645, Column 11, billings for additional cash advances and identifies the cash required for disbursing demands on earned reimbursement. This report is exempt from reporting requirements per [DoD 8910.1-M](#), "Department of Defense Procedures for Management of Information Requirements", paragraph C.4.4.

H. [Incoming FMS Purchaser Checks or Treasury Notification of Receipt of Funds Via Electronic Transfer](#). These [documents](#) are the basis for entries to cash collected accounts.

I. [Standard Form \(SF\) 1080, "Voucher for Transfers between Appropriations and/or Funds"](#). The [SF 1080](#) is prepared by a DoD Component in two variations: (a) check required, and (b) no check required. When a check is required, the form serves as the basis for entries to record accrued expenditures and accounts payable or cash disbursements, as applicable. The "no-check-required" variation is used as the basis for liquidation of advances or to record accrued expenditures, accounts payable, or disbursements, as applicable.

J. [Contracts](#). When direct cite procedures are used, copies of signed contractual documents serve as the basis for entries to Account 4801, "Undelivered Orders - Obligations, Unpaid" (See [Chapter 2, paragraph 020205 of this volume](#)).

K. [DoD Status-of-Allotment Reports](#). When allotment procedures are used, status-of-allotment reports serve as the basis for monthly entries relative to order performance in the FMS Trust Fund case level accounts. This report is exempt from reporting requirements per [DoD 8910.1-M](#), paragraph C.4.4.

L. Delivery Transactions. Delivery transactions serve as the basis for accrued expenditure and physical delivery entries in the FMS case level accounting system. This delivery report is used instead of an SF 1080 for most FMS transactions; this report is exempt from reporting requirements per DoD 8910.1-M, paragraph C.4.4. Shipping documentation signed as the official receipt by the purchaser (or purchaser's representative, e.g., a freight forwarder) must be retained by the DoD activity responsible for the shipment or its authorized representatives (see Chapter 6, paragraph 060101 of this volume). Contracting of this responsibility must ensure: (1) easy access by USG personnel for inquiry and copying, (2) retention for 10 years following case closure, and (3) provision for transfer of records on dissolution of corporate responsibility.

M. FMS Surcharge Computations. DFAS SCA computes accrued expenditures for the following surcharges (see Chapter 8 of this volume):

1. FMS Administrative Surcharge,
2. Logistics Support Charge (LSC) on deliveries prior to October 1, 2007,
3. Contract Administrative Services (CAS) Surcharge, and
4. Packing, Crating, Handling, and Transportation (PCH&T) Charge.

N. Expenditure Authority (EA). DFAS SCA issues country-level EA (authority to disburse) on a transaction by transaction or daily basis. Issuance is via the FMS accounting system interactive environment network or the FICS transactions processed nightly in a batch environment. If the transaction is carried out through electronic means, there must be internal controls installed by DFAS to ensure the transaction was authenticated and released. The transaction represents the basic source document for entries to the cash accounts to formally reserve applicable purchaser cash (see Chapter 4 of this volume). To ensure country-level available cash remains sufficient to cover all disbursements, EA must be issued prior to disbursement from the FMS Trust fund.

## 0302 MANAGEMENT CONTROLS

For management control, security assistance activities will follow the guidance in DoD Instruction 5010.40, Managers Internal Control Program Procedures.

## 0303 FMS TRUST FUND ACCOUNTING REQUIREMENTS

### 030301. FMS Trust Fund

The FMS Trust Fund is a single account that is authorized to be credited with receipts which may be obligated and expended in accordance with the AECA. FMS Trust Fund receipts are available for obligation and expenditure without further action by Congress. Except for the administrative budget, the FMS Trust Fund is exempt from apportionment. Accounting for the

FMS Trust Fund is accomplished at [DFAS SCA](#).

030302. FMS Standard General Ledger

All financial accounting data applicable to the FMS Program must be recorded in accounts consistent with Volume 1, Chapter 7 of this Regulation and the [USSGL](#) Accounts in the TFM. The accounting entries for these accounts are specified in the [USSGL](#) TFM. Subsidiary ledgers are used where necessary to provide accounting control and management reports. No other GL Trust Fund accounts will be used without the written approval of the Deputy CFO, Office of the Under Secretary of Defense (Comptroller) (OUSD(C)). All entries in the accounting records and data reported on financial statements must be supported by objective evidence, e.g., invoices, vouchers, receipts, or statements. Such evidence may be either hard copy documents or computer data, but in either case must be verifiable.

030303. Accounting for Receivables

A. General. Accounts receivable for each FMS country program accounted for in the FMS Trust Fund are recorded in USSGL 1310. Cash in advance of performance is required for FMS purchasers unless a written determination is made pursuant to legal authority (see Chapter 4 of this volume). The Statement of Federal Financial Statements, ([SFFAS](#)), Number 1 “[Accounting for Selected Assets and Liabilities](#)”, paragraph 41, provides that “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.” 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 the payment is not met. Follow-up on delinquent accounts receivable is pursued in accordance with Chapter 5 of this volume. Aging of accounts receivable will be in accordance with Chapter 5 of this volume and commences with the beginning of the month following the date the payment was due. They are scheduled into [these](#) categories: (a) 1-30 days delinquent, (b) 31-60 days delinquent, (c) 61-90 days delinquent, (d) 91-180 days delinquent, (e) 181-360 days delinquent, and (f) over 360 days delinquent.

B. Application of Interest. Interest on FMS country-level arrearages **must** be assessed in accordance with the provisions of the affected country’s active cases and Chapter 5 of this volume. The interest rate to be charged by DoD on delinquent payments due on FMS accounts under the [AECA](#), sections 21 and 22, will be prescribed by the Treasury Department.

030304. Accounting for Inventory

Assets (equipment and related software, amounts invested in inventories, and work-in-process at contractor’s plants) are controlled by, and should be reported on the financial statements of, the Military Departments or Defense Agencies.

030305. Accounting for the FMS Program

The AECA and the provisions of the LOA require that the FMS program be operated at

no cost to the USG. Therefore, recognition of equity is only permitted for the balance retained in the attrition account (reference paragraph [030305.B of this chapter](#)).

A. Accounting for FMS Surcharges. Collections of surcharges established in accordance with AECA requirements to ensure full recovery of costs incurred in operating the FMS program **must** be recorded as unearned revenue. Revenue and expenses **must** be recorded and recognized at the time disbursements are made from the applicable FMS surcharge account.

1. The FMS administrative surcharge was established in accordance with [AECA](#), sections 21 and 43.

2. The CAS surcharge is applied to new procurements and may not be applicable under certain conditions detailed in [AECA](#), section 21. These costs are incurred by the performing activities and are reimbursed from FMS surcharge accounts in response to SF 1080 bills.

3. Revenues to fund these expenses **are** from the application of accrual costs, estimated actual costs or rates charged. Ledgers for each of the categories of FMS surcharges are maintained as subsidiary to the unearned revenue control account "Liability for Advances and Prepayments," USSGL 2310.

B. Accounting for Attrition Surcharges. When FMS training LOAs include the use of training or operational equipment, an attrition surcharge rate is assessed. The attrition surcharge account is used to replace equipment which has been damaged or destroyed as a result of student training. When a reciprocal training agreement as authorized by [AECA](#), section 21(g) exists, the attrition surcharge is considered an indirect cost and therefore excluded. Refer to the Department of Defense 5105.38-M, Security Assistance Management Manual ([SAMM](#)), Table C10.T4 for Reciprocal Agreement Participants. Attrition surcharges are recorded in the attrition account and **are assets** to the USG. The year-end balance in the attrition account is recorded as equity in the FMS Trust Fund.

C. Accounting for Bad Debts. Policy and procedures concerning compromise, termination, or suspension of collection actions of a country-level bad debt are in Volume 6A, Chapter 12, paragraph 1205 of this Regulation. 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. **These** procedures will be followed 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 for DFAS [SCA](#) and approved by DSCA Principal Director of Business Operations (DSCA/DBO).

2. DSCA will direct applicable case managers to request all outstanding commitments be canceled and all outstanding obligations be adjusted to include an

amount for termination cost. The residual amount of the debt shown will be transferred to the GL for the affected country to coincide with 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 required by the [SFFAS Number 1](#), Paragraph 44.

3. Aging of amounts recorded will continue. The accumulation of interest, in accordance with the AECA and other applicable authorities, should be accrued 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) [General Ledger Account Codes \(GLACs\)](#). The control points at DFAS [SCA](#) and at 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.

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

#### [030306.](#) General Procedures for Processing Accounting Transactions

DIFS is the departmental level central accounting system used at DFAS [SCA](#) to account for the FMS Trust Fund. Accounting transactions entered into DIFS are based on a combination of transactions received from FICS at installation level and vouchers recorded at DFAS [SCA](#) as a result of billing/collection and disbursement activity. Accounting transactions are recorded in applicable 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 information in the system. Every transaction has a date identifying the appropriate accounting month for reporting to the Treasury Department. Source transactions are registered in automated journals and then posted to appropriate subsidiary ledgers within the central accounting system. Posting of source transactions updates 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 also the primary audit trail for all posting to the central system.

B. Subsidiary Ledgers. Due to the size of the FMS program there are a substantial number of individual accounts with common characteristics. As a result, subsidiary ledgers have been established to provide control. Updated subsidiary ledgers are an integral part of the DIFS database and part of the GL structure wherever accounting information must be accumulated by country or program within a GL account. Subsidiary ledgers provide a continuous record of transactions by accounting month for the FMS Trust Fund GL. Subsidiary ledgers are maintained by DFAS for FMS administrative surcharge accounts. The GL subsidiary records are to be posted and reconciled on a daily basis. These subsidiary ledgers will be totaled and posted monthly to GL accounts from which a monthly trial balance will be prepared. The FMS Trust Fund monthly trial balance, accomplished after all balancing and reconciling for the month is completed, verifies the equality of the subsidiary ledgers and GL accounts. The subsidiary ledgers are maintained in DIFS for reconciliation and auditability. Extracts of these ledgers are made available as necessary for management purposes.

C. General Ledger. The GL is updated from the subsidiary ledgers. The GL is maintained by accounting month at appropriation level. DFAS SCA prepares a trial balance from the GL on a monthly basis. DFAS SCA uses the trial balance to prepare reports to the Treasury Department, DSCA, or other required reports related to the GL.

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

2. The financial reports are prepared by DFAS SCA based on the cumulative values recorded in the GL or the subsidiary ledgers.

#### 030307. DFAS SCA Analysis of FMS Case Accounting Data

It is important that DFAS SCA 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 net unreserved cash balance to accounts payable case level accounts. If accounts payable balance is greater, request IA review of 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

untimely, 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 IA review of the case's financial and logistical status to determine if the case should be closed.

**030308.** DFAS [SCA](#) Postings to Subsidiary Ledgers

A. Administrative Surcharge and Logistics Support Surcharge Account

1. Accrual of Earned Surcharge. As accrued expenditures are recorded pursuant to FMS orders, the amount of administrative and logistics support surcharges applicable will be determined and credited to the administrative surcharge account. If the computed surcharge is greater than \$30,000, then fifty percent of the administrative surcharge is collected upon case implementation. The remaining accruals are applied over the life of the case and finalized at case closure. If the computed surcharge is \$30,000 or less the entire surcharge plus the value of any small case management line is collected upon case implementation (see [SAMM](#), Paragraph C9.4.7 for more about small case management lines).

2. Actual FMS Administrative or Logistics Support Charge. Accounting entries [showing](#) actual expenses will be posted based on accrued expenditures reported in the DoD Status-of-Allotment reports for FMS (see paragraph 030501 of this chapter).

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."

3. Year-End Balance. Amounts in the transportation surcharge account in excess of \$15 million at the end of a fiscal year will be transferred to other clearing accounts with deficit balances. DSCA/DBO will coordinate such transfers 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.

C. Contract Administration Surcharge (CAS) Account

1. Accrual of Earned Surcharge. When payments are made to contractors, either progress payments or bills for incurred costs, applicable contract administration surcharges are earned and credited to "Contract Administration Expenses."

2. Actual Contract Administration Expenses. Accounting entries [showing](#) actual contract administration costs will be posted as “Contract Administration Expenses”, based [on](#) receipt of SF 1080 billings from [the](#) performing DoD Components (see Chapter 7, paragraph 070405 of this volume).

D. Attrition Surcharge Account. A one percent attrition surcharge will be assessed for applicable training cases. The earned amounts will be identified by the IAs as they distribute collections for tuition. The attrition portion will be credited and reported to DFAS [SCA](#) by country, case, and line. Expenditures from this account represent orders to [the](#) DoD Components to fund the cost of replacing equipment that has been damaged or destroyed as a result of student training. DFAS [SCA](#) will maintain cumulative records of these deposits by country, case and line item. Fund withdrawal from the attrition account will not be authorized without prior written approval from the DSCA Comptroller. The cost of replacing equipment which is damaged or destroyed [must](#) be reimbursed 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 required end of period financial reports. End of period procedures will be in accordance with DSCA reporting requirements described in [paragraph 030308.E.1 of this chapter](#), except as provided in [paragraph 030308.E.2 of this chapter](#):

1. Open periods will be closed in sequence when transactions are concurrently processed for multiple periods. During the closing process, the current period GL account balances will be closed and carried forward to the next period.

2. The cost clearing adjustment sub-account (67) and the audit adjustments sub-account (85) are closed into the administrative account at the end of each fiscal year. Thus, for year-end reports, the balance of the cost clearing adjustments sub-account (67) and the audit adjustment sub-account (85) [must](#) be zero. The offsetting debit or credit required to adjust these sub-accounts to zero [must](#) be posted to the administrative account.

F. Year-End Certification. After the close of each fiscal year, DFAS [SCA](#) will provide a Year-End Closing Statement (Financial Management Services (FMS) 2108) ([see TFM Volume 1](#), Part 2, Chapter 4200) to the DSCA Comptroller who certifies it and presents it to OUSD(C), Director for Accounting and Finance Policy (see Volume 6A, Chapter 4 of this Regulation)

G. Periodic/Year-End Analysis of Surcharge Accounts. Activity in the surcharge accounts will be analyzed by DSCA and DFAS [SCA](#). This analysis will serve as a basis for decisions by the DSCA/DBO to redistribute surcharge account balances between the accounts or to recommend rate changes. When a decision is made to redistribute balances between these accounts, DSCA/DBO will coordinate 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](#) of this volume for revising rates.)

## 0304 IMPLEMENTING AGENCY (IA) ACCOUNTING REQUIREMENTS

## 030401. Allotments for Direct Citation

Amounts in the “Direct Cite Authority Requested This FY” column of the OA Request (Column 11 of the DD Form 2060) which are coded “(A)” represent allotments of case contract authority. Allotment holders must request EA from DFAS SCA prior to processing the disbursements against the contract authority. EA is incrementally provided by DFAS SCA from the FMS Trust Fund, based on the allottee’s need to disburse funds. The allotment holder is responsible for detailed case level accounting records and for providing a monthly status-of-allotment report on each applicable FMS case that is entered into the FMS Trust Fund accounting records. Additional instructions for the status-of-allotment report are in section 0305 of this chapter. Specific requirements:

A. The DoD Component which 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 and must provide to DFAS SCA a monthly status-of-allotment input reflecting these case and line level data. The status of expenditures must be supported by delivery transactions in an amount equal to the current month’s net change in accrued expenditures or cash advances to contractors. A manual status-of-allotment format is shown in Figure 3-1 of this chapter. Automated equivalents (execution transactions) are described in Table 3-1 of this chapter.

B. Monthly status-of-allotment information and associated reports of reconciliation must be submitted to arrive at DFAS SCA by the 20th calendar day following the close of each accounting month. This information, with detailed supporting documentation, must be used as the basis for the DFAS SCA entries to case level accounting records and overall FMS Trust Fund reconciliation with the Treasury Department. The manual format is in Figure 3-1 of this chapter and the automated format is in Table 3-1 of this chapter. Instructions for completion of the report follow:

1. From. Enter the name and address of the agency preparing the report.
2. To. Enter DFAS-IN/JAX, ATTN: Purchaser Accounting, 8899 E. 56th Street, Indianapolis, Indiana 46249-6300.
3. For Authorization Issued to. Enter the name of the IA and office designation.
4. Reporting Fiscal Officer. Enter the signature and rank of the reporting fiscal officer. Signature represents certification that the report is accurate and complete to the best knowledge of the fiscal officer.
5. For Period Ended. Enter the last day of the reporting month.

6. Report Project Number. For direct cite list each active FMS case for which direct cite OA has been obtained (see Chapter 2 of this volume). Cases must be grouped by country and in sequence of date accepted. Provide country and agency totals. For the administrative fund allotment report, break out the data by object class.

7. Annual Approved Authority. The direct cite OA for each FMS case **must** be obtained from the “[Direct Cite Authority Requested This FY](#)” column of the current year [OA Request](#) (Column 11 of the DD Form 2060).

8. Current Month Commitments. Dollar amounts **must** be reported on a case basis from an FMS Trust Fund accounting subsystem. The reporting DoD Component **must** retain basic source documents supporting reported amounts.

9. Cumulative Commitments to Date. This dollar amount **must** be reported on a case basis and represents the total dollar value of outstanding commitments against [the authority received for each case \(Column 7 of the DD Form 2060\)](#). At year end, commitments **must** be zero because applicable OA is returned to the FMS Trust Fund.

10. Current Month Obligations. This amount **must** be reported on a case basis and obtained from an FMS Trust Fund accounting subsystem. The reporting DoD Component **must** retain basic source documents supporting reported amounts.

11. Cumulative Obligations to Date. This dollar amount **must** be reported on a case basis and represents the total dollar value of obligations incurred in the current fiscal year.

12. Accrued Expenditures Unpaid. Dollar amounts **must** be reported on a case basis and obtained from an FMS Trust Fund accounting system.

13. Cash Disbursements. Report amounts of disbursements in the current month. Disbursements **must** be reported on a case and line basis and obtained from an FMS Trust Fund accounting subsystem (e.g. the Air Force’s Case Management Control System). The reporting DoD Component **must** retain basic source documents supporting reported amounts. When a portion or all of the amounts previously reported are earned, show a minus figure with a corresponding entry in the disbursement column. Progress payments or advances to contractors should be broken out, where available, from the accounting system.

[\\*030402.](#)      [Allotments for Reimbursable Orders](#)

[See Chapter 2 of this volume for information on reimbursable orders.](#)

[030403.](#)      [Fiscal Year-End Reporting Requirements](#)

A. [The DoD Components are required to submit a printed and certified final fiscal year consolidated \[OA Request\]\(#\) \(DD Form 2060, Part B, \[or automated equivalent\]\(#\)\) and DoD Status-of-Allotment information for direct cite funds, to DFAS \[SCA\]\(#\).](#) Submission dates will be

established in accordance with special instructions issued by DFAS. The forms submitted may be manual forms or automated equivalents.

- B. The final OA Request (DD Form 2060, Part B or automated equivalent) 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, paragraph 020204.A.”

- C. Final 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.”

### 0305 ACTUAL ADMINISTRATIVE EXPENSE ACCOUNTING REQUIREMENTS

#### 030501. Reimbursement for FMS Administrative Expenses

A. FMS administrative expenses must be priced in accordance with Chapter 7, section 0706 of this volume and charged 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 prescribed in Figure 3-1 of this chapter and completed according to instructions in paragraphs 030501.B and 030501.C of this section. 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. 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. To summarize, appropriated funds must not be used to subsidize FMS administrative operations.

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 an allotment report showing actual uses for administrative expense. The information must be based on the organization designation in the DSCA budget call. Allotments for administrative expenses must be fully funded for 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. Additional instructions for completing the Status-of-Allotment Report for Administrative Expenses follow:

1. Budget Project No. The status-of-allotment for administrative expenses is provided by object class as listed in OMB Circular A-11, Section 83.

2. Authorizations, Allotments Received to Start of Period. This column includes all current fiscal year DSCA allotments for actual FMS administrative expenses that were received to the start of the current reporting period.

3. Authorizations, Changes this Month. This column includes DSCA allotments for actual FMS administrative expenses which were granted during the reporting month.

4. Commitments, Obligations, and Disbursements. The dollar value of commitments, obligations, and disbursements **must** be obtained from allotment ledgers. See paragraph 030104 of this chapter for guidance on source documents required to support entries to allotment ledgers.

D. Status of Allotment reports for Administrative Expenses **must** be supported by subsidiary allotment status reports of the executing organizations. Subsidiary reports **must** follow this format with one exception; Block 1 **must** be annotated "Subsidiary report-(Name of organization)."

030502. Control of FMS Administrative, Logistics Support Charge (LSC), and Security Cooperation Organizations (SCO) Budget Allotment Authority

A. The fiscal year (FY) identity of budget allotment authority, obligations, and disbursements for the current fiscal year (CFY) and five prior (expired) FYs will be reported on the monthly Status of Allotment reports for Administrative Expenses. Accounts will remain open for liquidating and adjusting valid obligations until the end of the cancelled FY (five expired FYs and one canceling FY). See the FY illustration in paragraph 030502.D of this chapter.

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

C. All fund holders will establish procedures to review and validate all unliquidated obligations (ULOs) for the CFY and the five expiring FYs.

D. An illustration of this model is shown with FY 2012 as the CFY:

FY 2013 = Next FY commencing 1 October 2012.

FY 2012 = Out of scope increase to prior FY obligations (FY 2011 and prior) will be charged against the CFY (FY 2012). The CFY becomes an expired FY on 1 October 2012.

FY 2011 = expired FY

FY 2010 = expired FY

FY 2009 = expired FY

FY 2008 = expired FY

FY 2007 = expired FY - At the end of FY 2012, and after completing the end-of-year reporting and closeout cycle, all ULOs are canceled. All amounts are withdrawn effective 30 September 2012. Following this action, FY 2007 would be canceled on 1 October 2012.

030503. Control of FMS Administrative, Logistics Support Charge (LSC), and Security Cooperation Organizations (SCO) Prior FY Obligational Authority (OA)

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

B. All fund holders will establish procedures to review and validate all ULOs for the CFY and the prior five FYs (expired) 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 030505 of this chapter). Valid disbursements may be made from these expired accounts, up to the amount of the unliquidated obligated 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 expired FYs is not authorized.

030504. Control of Unliquidated Balances

A. FMS Administrative, LSC, and SCO accounts remain available for liquidating valid obligations until the end of their fifth expired year (see illustration provided in paragraph 030502.D of this chapter). No new obligations can be started for the CFY after 30 September of that FY.

B. The monthly 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 030505 of this chapter for the procedure to be used when canceling the fifth expired FY and the process to be used when deobligations occur in the five expiring FYs.

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

030505. Administration and Implementation of the Monthly and End-of-Year Closeout Guidance

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

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

C. All fund holders will notify DSCA in writing when BA can be decreased on the CFY and the five expiring 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 30 September to the amount that equals the departmental accounting disbursement amount that has been reconciled with Treasury (cash).

E. The fund holder will ensure that all obligations and disbursements are equal prior to fiscal year end closeout for the fifth expired (canceling) year account, and that no further disbursements are processed. The fund holders need to work closely with the departmental accounting offices at DFAS SCA in finalizing the amounts to be withdrawn for the fifth expired (canceling) year.

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

030506. DFAS Responsibilities for Expired and Cancelled Accounts

DFAS SCA will:

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

B. Update the subsidiary record by loading the DIFS case level disbursement records with the expired year balances as identified by the allotment holders (IAs) of the year-end Status-of-Allotment Reports for administrative expenses.

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

D. Maintain memorandum records of these canceled obligations. Once closed, an account is no longer available for obligation. Once this process is complete, no further obligations or disbursements are authorized for cancelled accounts. 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 current fiscal year FMS or SCO account. These obligations will be posted against the current FY account "at point of disbursement". Memorandum records or some equivalent records must be used to record the canceled "valid" obligations off-line so that they may be later recognized as valid at "point of disbursement" and recorded against the applicable FMS or SCO administrative current FY account.

#### \*0306 BUDGET EXECUTION

##### 030601. 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 are submitted to the Department of the Treasury in a timely manner and that the reports accurately reflect data recorded in accounting records.

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

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

##### 030602. 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 of this chapter.
4. Reconcile IA FMS case records to DFAS SCA case line level accounting records on a periodic basis.
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 paragraph 030902 of this chapter.

\*0307 FMS TRUST FUND BUDGET EXECUTION REPORTS AND FINANCIAL STATEMENTS

030701. Budget Execution Reports

DFAS SCA submits these budget execution reports on FMS Trust Fund operations: (1) Monthly SF 133 (“Report on Budget Execution and Budgetary Resources) for 11 X 8242, (Advances, Foreign Military Sales, Funds Appropriated to the President”); (2) Annual Treasury Financial Management Service (TFS) Form 2108 (“Year-End Closing Statement”); (3) Appropriate sections of the annual Chief Financial Officer Financial Statements (see paragraph 030702 of this chapter); and (4) Annual Federal Agencies Centralized Trial-Balance System (FACTS) report. Instructions for these reports are in Volume 6A, Chapter 4 of this Regulation. DFAS SCA also submits the Quarterly Treasury Report on Receivables (TROR). Instructions for the TROR are in Volume 4, Chapter 3, Section 030314 of this Regulation and Chapter 5 of this volume.

030702. Financial Statements

For financial statement guidance concerning the reporting of FMS amounts, see Volume 6B, Chapter 2 and Volume 6B, Chapter 10 of this Regulation. The Security Assistance reporting entity also provides both Governmentwide Financial Reporting System (GFRS) and FACTS I submissions as a nonverifying agency per Volume 6A, Chapter 6 of this Regulation.

**\*0308 CASE EXECUTION****030801. Fiscal Year-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 shown in Column 10 of the DD Form 2060. The review serves as the basis to withdraw any unnecessary unobligated balances. Make the withdrawal by submitting a year-end OA Request (DD Form 2060 or automated equivalent). See Chapter 2, section 0203 of this volume for instructions on the preparation of OA Requests (DD Form 2060).

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) 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.

**030802. Reimbursement of Appropriations and Accounts**

Reimburse appropriations and accounts, including miscellaneous receipts accounts, upon delivery of items from inventory or performance of DoD services within 30 days of occurrence (i.e., date of shipment or performance).

**030803. FMS Planning Directive (DD Form 2061 or automated equivalent)**

Update the case Planning Directive (DD Form 2061 or automated equivalent), as required, as prescribed in Chapter 2, section 0203 of this volume. Update cost elements and financing accounts to ensure full recoupment of the costs prescribed in Chapter 7 of this volume 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.

## \*0309 FMS CASE CLOSURE PROCEDURES

## 030901. General

DoD policy requires that all proper charges and credits 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 an active status to an inactive status to ensure accessibility for recording subsequent activity. In other words, a case never closes from a DoD accounting perspective. A case closure checklist may be used to track case closure actions. A sample checklist is at Table 3-2; this checklist can be customized for each activity. Refer to the [FMS Case Reconciliation and Closure Manual](#) for additional guidance on the reconciliation and closure of FMS cases.

## 030902. 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 DoD Components 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 must be used only for those countries that explicitly elect such procedures. However, all countries that have cases financed with Military Assistance Program (MAP) Merger/Foreign Military Financing (FMF) (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 a SDR and allow the IA to reconcile the case. The applicable DoD Component must request DSCA approval to delay closure beyond 24 months.

2. 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 these actions are taken:

1. If necessary to reconcile IA records, then request an FMS case Financial Management Worksheet (or on-line equivalent) or access the DIFS database to obtain a listing of historical billing transactions (FK History Listing) from DFAS SCA. The IA delivered value must agree with the delivered value recorded in DIFS.

a. If the case is being closed under ACCP, then 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, then the IA must submit applicable input to bring the records into balance before issuing a Closure Certificate (or electronic equivalent).

b. If the case is being closed under Non-ACCP, then progress payments must equal liquidating deliveries in DIFS. The IA records must be in balance with each of these values; if not, then the IA must submit applicable input to bring the records into balance before issuing a Closure Certificate (or electronic equivalent).

2. Rectify all problem disbursements in accordance with Volume 3, Chapter 11 of this Regulation. A prerequisite for satisfactorily resolving problem disbursements is to validate the accuracy of the disbursed values. Using the authorities in Volume 3, Chapter 11, of this Regulation is strongly encouraged to facilitate efficient reconciliation and closure actions. Additionally, section 0310 of this chapter addresses the applicable write-off authority for FMS problem disbursements.

3. Obligation validity requirements are found in Volume 3, Chapter 8 of this Regulation. Many of those provisions address FMS-specific actions in this regard.

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

a. If the case belongs to a country under ACCP, the applicable DoD Component must submit a final FMS Case Closure Certificate (Figure 3-2) to DFAS SCA within 24 months after an FMS case is supply/service complete. In the meantime, a case reduction to return unused OA should be considered as an interim measure. If the DoD Component 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. A supply/service complete case for a country not participating in ACCP will not be submitted for closure until all contracts associated with the case are physically complete, final bills submitted, the contracts audited, and a final contract completion statement issued. In the meantime, a case reduction to return unused OA should be considered as an interim measure. No case under non-ACCP closure procedures can be interim closed, but must be marked final (as shown on Figure 3-2).

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

a. For countries participating in ACCP:

(1). The applicable DoD Component must submit to DFAS SCA a Case Closure Certificate (or electronic equivalent) 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 Figure 3-2 and paragraph 030903 of this chapter.

(2) The applicable DoD Component 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 DoD Component 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). Using the DoD Component's remaining ULO; DFAS SCA must bill the applicable country using 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 by case, in subsidiary accounts which total to the case closure suspense account.

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

(7). Upon receipt and payment of final bills and the case has been reconciled, the DoD Component must submit a final Case Closure Certificate (or electronic equivalent).

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

(9). When a country's CCSA has a negative balance of \$100,000 or more for a period of 6 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. For countries not participating in ACCP, the DoD Component must submit to DFAS SCA Case Closure Certificates only after all applicable costs

have been finalized and supporting contracts are completed in all logistical and financial aspects. No case for a country under non-ACCP closure procedures can close with a ULO value.

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

030903. Closure Certification

The FMS Case Closure Certificate (Figure 3-2) (or electronic equivalent) and the CII/CIF transaction interface (Table 3-3) 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 DoD Component of actions required to enable closure processing to continue. When the DoD Component and DFAS SCA FMS case records are reconciled, then 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. The IA then closes applicable case records.

030904. 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 FMS-like cases and those cases for which ACCP applies:

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 the disbursement is recorded against the country case line.

2. When post-closure disbursements exceed \$100,000 (in either direction) because of a verified pricing adjustment, the applicable DoD Component 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 DoD Component and DFAS records must be reclassified to active/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 at Figure 3-2 (or electronic equivalent) and by reporting a CII/CIF transaction in DIFS.

C. Use these procedures for all cases except FMS-like cases and cases closed under 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 Charge Budget, object classification 42.3, "Supply Discrepancy Reports – Charges for Closed FMS Cases." Otherwise, reestablish accounting records at the amounts recorded at the time closure certification occurred. Reclassification to active status must occur in both the DoD Component and DFAS SCA records.

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

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

c. When cases are reactivated, the DoD Component 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.

d. Once the disbursement/credit and billing process is complete, DFAS SCA must bill the FMS Trust Fund purchaser. The DoD Component must effect re-closure as specified in paragraph 030903 of this chapter.

#### 030905. Reopening FMS Cases

Normally, cases closed under either ACCP or non-ACCP closure procedures will not be reopened. If the FMS purchaser requests to reactivate a closed case then first determine if there is a case already implemented and still open, or if a new case should be started. Opening a case already closed (interim or final) is a last resort, and requires DSCA approval. In the request to DSCA include a justification that explains why reopening the case is the best option and a recommendation from the IA for reopening the case. To the maximum extent possible, cases will not be reopened.

#### \*0310 WRITE-OFF AUTHORITY

A DoD Component which determines that unresolved reconciliation issues exist for a case may write-off those imbalances using these guidelines:

#### 031001. Problem Disbursements

For problem disbursements up to \$2,500 per transaction, refer to Volume 3, Chapter 11 of this Regulation for an explanation of the problem disbursements policies and procedures. 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.

#### 031002. Other FMS Financial Transactions

For all other types of FMS financial transactions, up to \$200, charge the FMS Administrative Charge Budget, object classification 42.3, "Supply Discrepancy Reports Charges for FMS Cases" for the amount required to effect prompt financial reconciliation as prescribed in the DSCA annual case review requirement. For write-off adjustments performed while readying a case for closure, DFAS SCA will provide DSCA/DBO 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 (Figure 3-2) when these write-offs are used.

### \*0311 ANTIDEFICIENCY ACT VIOLATIONS AND ADVERSE FINANCIAL CONDITION REPORTS

#### 031101. Antideficiency Act Violations

For purposes of the Antideficiency Act, appropriated funds are not limited to those funds specifically appropriated by the Congress to federal agencies from the general fund of the U.S. Treasury. Funds available to agencies are considered appropriated, regardless of their source, if made available for collection and expenditure pursuant to specific statutory authority. In applying the Antideficiency Act, the FMS Trust Fund is considered to be, and is to 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 of this Regulation.

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 of this Regulation. 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.

#### 031102. 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 previously discussed. These conditions are adverse financial conditions and occur when financial reports show that: (A) OA exceeds case or line item level values, (B) commitments or obligations exceed OA at case or line

item level, (C) total disbursements exceed obligations at case or line item level, or (D) EA is not requested prior to disbursing. Adverse financial conditions are reported using the same format used for Antideficiency Act violations, but are sent to DFAS SCA for review unless exempt from reporting due to these exceptions:

A. Reporting Requirements for Adverse Financial Conditions. DFAS SCA must prepare a report of potential adverse financial conditions as outlined in Volume 14, Chapter 3 and submit the report to the appropriate DoD Component focal point or DFAS accounting activity for review and evaluation within 30 days after the end of each quarter or within 10 working days of being notified that the potential adverse condition has occurred. DFAS SCA has the responsibility for determining reportable conditions and notifying IAs of adverse conditions involving EA and obligations or expenditures of funds in excess of approved authority at the FMS case level. DFAS SCA must provide the quarterly analysis report to the DoD Components identifying these potential adverse conditions:

Commitments or Obligations > OA	Country-Case Level
Disbursements > EA	Country-Case Level
Disbursements > Obligations	Country-Case Level
OA > 110% of Total LOA Value	Country-Case Level

The DoD Components must review the listings within 15 days of receipt and provide DFAS SCA an explanation of the discrepancy, the corrective action to be taken, and when such action will be processed. This information will be shared with the DSCA. The DoD Component also 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 occur:

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 which resulted in the unfavorable financial condition.

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 from 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

<b>DOD STATUS-OF-ALLOTMENT</b>									
FROM:		TO:		ACCOUNTABLE AGENCY:		REPORTING FISCAL OFFICER (Signature and rank)			
BUDGET PROJECT NO. (1)		AUTHORIZATIONS RECEIVED (2)		GROSS COMMITMENTS CHANGES THIS PERIOD (5)		GROSS OBLIGATIONS CHANGES THIS PERIOD (7)		DISBURSEMENTS CHANGES THIS PERIOD (9)	
UNCOMMITTED BALANCE (11)		ACCRUED EXPENDITURES UNPAID (8)		CURRENT TOTAL (4)		CURRENT TOTAL (6)		CURRENT TOTAL (10)	
ADJUSTMENTS MADE LOCALLY (3)		NON-GOVT GOVT		CURRENT TOTAL (8)		UNPAID (8)		GOVT (10)	

\*Figure 3-2. FMS Case Closure Certificate

1. Date: _____	FINAL	<input type="checkbox"/>	INTERIM	<input type="checkbox"/>
2. Implementing Agency/Country/Case: _____				
3. Net Case Value: _____				
4. Case Closed at Zero Value per FMS Purchaser's Request: YES _____ NO _____				
If YES, also reference the FMS purchaser's request document and attach the DSCA approval. If NO, proceed immediately to item 5.				
5. Final Delivered Articles/Services value, including CAS and LSC : _____				
A. _____ The net case value shown on line 3 agrees with implementing agency records and obligational authority released to this agency via FMS Obligational Authority Requests (DD Form 2060 or automated equivalent).				
<b>And</b>				
B. <b>[Check one that applies]</b>				
_____ The contracts awarded in connection with the FMS case are logistically and financially complete and included in line 5 (case closed). <b>Or</b>				
_____ The contracts awarded in connection with the FMS case are not financially complete; however, responsible officials have advised that no additional costs beyond the recorded unliquidated obligations in line 7 can be identified.				
<b>And</b>				
C. _____ All requisitions, reimbursable work orders, MIPRs and invitational travel orders that were processed pursuant to this FMS case are accounted for and the costs thereof are included in line 5. Reimbursements from DFAS SCA have been credited to the financing appropriation or Miscellaneous Receipt Account 3041, as applicable.				
<b>And</b>				
D. _____ All estimated deliveries were converted to actual deliveries.				
<b>And</b>				
E. <b>[Check one that applies]</b>				
_____ Constructive delivery transactions "C1" have been reported for all major end items with a unit of issue "each" for lines containing generic codes shown in the <u>SAMM</u> , Chapter 9 Table C9.T15.				
_____ Constructive delivery reporting does not apply to this case.				
<b>And</b>				

\*Figure 3-2. FMS Case Closure Certificate (Continued)

<p>F. All outstanding discrepancy reports against the case were processed.</p> <p style="text-align: center;"><b>And</b></p> <p>G. _____ Performance Reporting and Cash Disbursements were reconciled with Implementing Agency accounting records and are equal in value.</p> <p style="text-align: center;"><b>And</b></p> <p>H. _____ All accessorial charges were validated.</p> <p>6. Above-the-line disbursements excluding CAS and LSC: _____</p> <p>7. Unliquidated obligation balance: _____ Of which CAS _____</p> <p>8. Closure certificate point of contact: [Provide name, office symbol, phone number (commercial and DSN), and e-mail address]</p> <p>9. Unliquidated obligation documentation attached: Yes _____ No _____ Documentation is required for all interim closures.</p> <p>Remarks/Comments as appropriate:</p>
---

Table 3-1. Status of Direct Allotment “RE” Transaction

<b>Data Description and Element Abbreviation</b>	<b>Element and Position</b>	<b>Format/ No. of Position</b>	<b>FICS TRC</b>	<b>Edit/Validation of: Input—Military Department (MILDEP) to DFAS SCA Feedback—DFAS SCA to MILDEP</b>
Document Identifier Code (DIC)	Identifier	X(3)	002	Must Be “REI,” if not reject.
Direct Status (Input)	Status	1-3		“REF” A machine generated mirror image of the REI transaction appended by the Positive Transaction Codes (PTC) to become the REF transaction.
Direct (Feedback)	Status	1-3		
Transaction Control Number (TCN) (FORMAT: YYMMDDNNNNNV)	Control	X(13) 4-16	152	Must be numeric (0-9).
			152	YYMMDD must be equal to or earlier than current date.
			249	Version Number (V) must be “0” if action code is “A” (add).
			248	V must be 1-9 if action code is “C” (change) and must be 1 greater than suspense version number.
			251	If action code is “C” or “D” (delete), then TCN (excluding V) must equal suspense file. (YYMMDDNNNNNN).
Action Code		X(1) 17	003	Must be “A” or “C” or “D,” otherwise invalid. A=Add; C=Change; D=Delete.
Country Code (CC)		X(2) 18-19	037	Must be “00” or on Country Code Table Number 2. If “00,” site code must be “5” (DFAS SCA input).
IA Code		X(1) 20	038	If site code equals “5” or “6,” then IA code must be on DIFS IA Table Number 3.
Case Designator		X(3) 21-23	041	Must match the active case control file or match on Case Control History.
			031	Case status must equal “I” (Implemented) or “C” (Closed).

Table 3-1. Status of Direct Allotment “RE” Transaction (Continued)

<b>Data Description and Element Abbreviation</b>	<b>Element and Position</b>	<b>Format/No. of Position</b>	<b>FICS TRC</b>	<b>Edit/Validation of: Input—MILDEP to DFAS SCA Feedback—DFAS SCA to MILDEP</b>
Amount Commitments Cumulative from Inception (CFI)		S(12) V99 24-37	156	Must be numeric (0-9).
			310	Must be positive unless country is “IR” (Iran).
Amount Obligations (OA) Cumulative from Inception (CFI)		S(12) V99 38-51	156	Must be numeric (0-9).
			311	Must be positive, unless country is “IR” (Iran).
Unpaid Government End of Period		S9 (12) V99 52-65	156	Must be numeric (0-9), may be negative.
Unpaid Non-Government End of Period		S9 (12) V99 66-79	156	Must be numeric (0-9), may be negative.
Date Accounting Month (YYMM)		S9 (12) V99 80-83	016	YYMM must be equal to current month or one prior month.
Line Number		X(3) 84-86	055	If country code does not equal “00” or “80,” must equal line number on case control.
The Positive Transaction Control Feedback has the original REI transactions plus the following data elements for the REF transactions.				
Transaction Reply Code (TRC)		X(15) 87-101		FEEDBACK TRANSACTIONS ONLY. This 15 character element is appended to the feedback format of all interact transactions by the recipient system. This area has 1 to 5, 3-digit transaction reply codes to communicate back to the originator system the result of processing the transaction. (Left justified/spaces filled).

\*Table 3-2. Sample Case Closure Checklist

Action	Date Completed
Verify there are no valid unfilled requisitions	
Verify all items have been delivered/shipped, all services performed, and reported to DFAS SCA including: <ul style="list-style-type: none"> <li>a. Government Furnished Material (basic items, Defense Transportation Systems and PC&amp;H)</li> <li>b. Actual accessorial (PCH&amp;T) charges (where applicable)</li> </ul>	
Verify outstanding Supply Discrepancy Reports (SDRs) processed	
Verify financing appropriations reimbursed	
Verify Case Closure Certificate electronically submitted to DFAS SCA	
Verify records retired: Identify location of all supporting documentation (documentation may be hardcopy or electronic media)	
Verify all accounting records are final (applies to cases for purchasers not participating in accelerated closure process).	
Verify all accounting records are final or unliquidated obligations are established to capture unfinalized billings (applies to accelerated case closure participants).	

\*Table 3-3. Format for the Case Closure Certificate Inventory Transaction (C1I/C1F)

<b>Data Description Element Abbreviation</b>	<b>Element and Position</b>	<b>Format/ No. of Position</b>	<b>Edit/Validation of: Input—MILDEP to DFAS SCA Feedback—DFAS SCA to MILDEP</b>
Document Identifier		1-3	Must Be "CIF".
Transaction Number (TCN) (FORMAT: YYMMDDNNNNNV)	Control	4-16	Must be numeric (0-9).
Action Code		17	Must be "A", "C", or "D". A=Add; C=Change; D=Delete.
Country Code		18-19	Must be on DIFS Country Code Table Number 2.
Implementing Agency (IA)		20	Must be on DIFS IA Table Number 3.
Case		21-23	Must be a valid case on the DIFS Case Control (either implemented or closed).
Certification Amount		24-37	Must be numeric (0-9).
Closure Balance Waiver Code		38	
Case Transmittal Code		39	
Closure Date		40-46	Must be numeric (0-9).
Certificate Disbursed Amount		47-60	Must be numeric (0-9).
Closure Type		61	Must be numeric. 1=Non-ACCP, 2=Interim ACCP, 3=Final ACCP.
Transaction Reply Code		62-106	FEEDBACK TRANSACTIONS ONLY. This 15 character element is appended to the feedback format of all interact transactions by the recipient system. This area has 1 to 5, 3-digit transaction reply codes to communicate back to the originator system the result of processing the transaction. (Left justified/spaces filled).