

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 February 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Multiple	Changed occurrences of Department of Defense (DoD) Component to Implementing Agency (IA) because this Regulation’s definition of DoD Component was too broad in those contexts.	Revision
Multiple	Updated references to the Foreign Military Sales (FMS) Case and Reconciliation Manual to the Case Reconciliation and Closure Guide (RCG) pursuant to Defense Security Cooperation Agency (DSCA) Policy Memo 13-37.	Revision
030102.A	Added reference to DSCA 5105.38-M, Security Assistance Management Manual (SAMM), Security Cooperation Customer and Regional Codes and FMS Eligibility Table C4.T2A. Updated the SAMM from DoD 5105.38-M to DSCA 5105.38-M pursuant to DSCA Policy Memo 12-20.	Revision
Previous 030104	Removed paragraph “Source Documents and Transactions”; the information is available in Volume 15, Chapters 2, 4, and 8.	Deletion
030305	Restructured for readability.	Revision
030308.A.3	Restructured to note the elimination of the Logistic Support Charge (LSC) as of October 1, 2007 per DSCA Policy Memo 07-37.	Revision
Previous 030308.B.3	Removed information regarding the transfer of excess funds from the Transportation surcharge account to another clearing account at year-end. Redistribution of surcharge account balances are addressed in 030308.G.	Deletion
030308.F	Updated to reflect that Financial Management Services Form 2108, Year-End Closing Statement, is submitted to the United States Treasury.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
030401.A, Previous Table 3-1	Removed the automated format instructions for Status of Direct Allotment transaction (RE); they are included in the Defense Integrated Financial System (DIFS) manual and memorandum of understanding.	Deletion
Previous 030401.B.1-13, 030501.C	Deleted detailed instructions for completing the manual Status-of-Allotment Report.	Deletion
0305	Deleted references to LSC per DSCA Policy Memo 07-37.	Deletion
030501.A	Deleted statement that appropriated funds must not be used to subsidize FMS administrative operations, per the Arms Export Control Act Section 43.	Deletion
030701, 030702	Replaced references to Governmentwide Financial Reporting System (GFRS) and Federal Agencies Centralized Trial-Balance System (FACTS) with Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS).	Revision
030802	Added earned reimbursement information from Volume 15, Chapter 7, 070105.	Addition
0309	Updated information on reconciliation and closure pursuant to DSCA Policy Memo 13-37 and the RCG.	Revision
030902.B.5.(8)	Updated requirement for Defense Finance and Accounting Service, Security Cooperation Accounting to submit the Case Closure Suspense Account and subsidiary accounts quarterly status report to the DSCA Directorate of Business Operations (Financial Policy and Analysis).	Revision
030903, Previous Table 3-3	Removed the automated format instructions for the Case Closure Certificate Inventory Transaction (C1I/C1F); they are included in the DIFS manual and memorandum of understanding.	Deletion
030904 and 031002	Updated the account for transaction adjustments under \$200 to the FMS Administrative Surcharge account.	Revision
031001	Added requirement for all IAs to submit any vouchers citing the FMS Administrative Surcharge account to Defense Finance and Accounting Service Security Cooperation Accounting.	Addition
031102	Updated requirements for reporting adverse financial conditions.	Revision
Previous Figure 3-2 and Table 3-2	Deleted Figure 3-2, Case Closure Certificate, and Table 3-2, Sample Case Closure Checklist, due to added references to the SAMM. Renumbered remaining table.	Deletion
Table 3-1	Added Cost Element Table that corresponds with the new information in 030802.	Addition

Table of Contents

VOLUME 15, CHAPTER 3: “ACCOUNTING”	1
0301 GENERAL	5
*030101. Purpose	5
*030102. Authoritative Guidance	5
*0302 GENERAL ACCOUNTING GUIDANCE	6
*030201. Accounting Characteristics	6
*030202. Responsibilities	6
0303 MANAGEMENT CONTROLS	8
0304 FMS TRUST FUND ACCOUNTING REQUIREMENTS	8
030401. FMS Trust Fund	8
030402. FMS Standard General Ledger	8
030403. Accounting for Receivables	8
030404. Accounting for Inventory	9
*030405. Accounting for the FMS Program	9
030406. General Procedures for Processing Accounting Transactions	11
030407. DFAS SCA Analysis of FMS Case Accounting Data	12
*030408. DFAS SCA Postings to Subsidiary Ledgers	12
0305 IMPLEMENTING AGENCY ACCOUNTING REQUIREMENTS	14
030501. Allotments for Direct Citation	14
030502. Allotments for Reimbursable Orders	15
030503. Fiscal Year-End Reporting Requirements	15
0306 ACTUAL ADMINISTRATIVE EXPENSE ACCOUNTING REQUIREMENTS	16
030601. Reimbursement for FMS Administrative Expenses	16
030602. Control of FMS Administrative and Security Cooperation Organizations (SCO) Budget Allotment Authority	16
030603. Control of FMS Administrative and SCO Prior Fiscal Year Obligational Authority	17
030604. Control of Unliquidated Balances	17
030605. Administration and Implementation of the Monthly and End-of-Year Closeout Guidance	18
030606. DFAS Responsibilities for Expired and Canceled Accounts	19
0307 BUDGET EXECUTION	19
030701. Objectives	19

Table of Contents (Continued)

030702.	Responsibilities	20
0308	FMS TRUST FUND BUDGET EXECUTION REPORTS AND FINANCIAL STATEMENTS	20
*030801.	Budget Execution Reports.....	20
*030802.	Financial Statements	21
0309	CASE EXECUTION.....	21
030901.	Fiscal Year-End.....	21
*030902.	Reimbursement of Appropriations and Accounts	22
030903.	DD Form 2061, Foreign Military Sales Planning Directive, or the automated equivalent (Planning Directive)	22
*0310	FMS CASE CLOSURE PROCEDURES	23
031001.	General	23
*031002.	Initiating FMS Case Closure	23
031003.	Closure Certification	26
*031004.	Billings After Case Closure	26
031005.	Reopening FMS Cases	27
0311	WRITE-OFF AUTHORITY	27
*031101.	Problem Disbursements.....	27
*031102.	Other FMS Financial Transactions	27
0312	ANTIDEFICIENCY ACT VIOLATIONS AND ADVERSE FINANCIAL CONDITION REPORTS	28
031201.	Antideficiency Act Violations.....	28
*031202.	Adverse Financial Conditions	28
Figure 3-1.	Format for the Department of Defense Status-of-Allotment Report	30
*Table 3-1.	Cost Elements.....	31

CHAPTER 3

ACCOUNTING

0301 GENERAL

030101. Purpose

This chapter [establishes](#) 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. Integrate 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 \(AECA\)](#), Public Law 90-629, codified at Title 22, United States Code (U.S.C.), [chapter 39](#).

030102. Authoritative Guidance

The Federal Accounting Standards Advisory Board recommends accounting standards on accounting for Receivables through the issuance of Statement of Federal Financial Accounting Standards ([SFFAS](#)) 1, "Accounting for Selected Assets and Liabilities." The Bureau of the Fiscal Service prescribes procedures for submitting year-end closing data to the Financial Management Service (FMS) in Treasury Financial Manual, Volume 1, [Part 2, Chapter 4200](#). The Security Assistance Management Manual ([SAMM](#)) provides the Customer and Regional Codes by which to account for each FMS case.

0302 GENERAL ACCOUNTING GUIDANCE

*030201. Accounting Characteristics

* A. Each FMS case is an accounting unit similar to a commercial job order. A case identifier is composed of the Security Cooperation (SC) Customer code, implementing agency (IA) code, and a three-position case designator assigned by the IA. See DSCA 5105.38-M Security Assistance Management Manual (SAMM), SC Customer and Regional Codes and FMS Eligibility [Table C4.T2A](#). Budget authority (BA) necessary to implement a case is released by case identifier and the line item number. All requisitions for materiel or services have a case identifier and line item number. Report accrued costs and cash disbursements at this level of detail. Accumulate and report this accounting information 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 for more information on arrearages. A cumulative summary cash account, including all sub-accounts of the FMS Trust Fund 11 X 8242, is needed to allow reconciliation with the Department of Treasury (Treasury) cash records. Cumulative summary accounts showing BA, commitments, obligations, accounts payable, accounts receivable, accrued expenditures, and expenses are required to complete required budget execution reports on the FMS Trust Fund Account.

C. DoD case management entails obtaining the 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 the use of the same source document for reporting to both the financial and logistical systems (including delivery reporting).

030202. Responsibilities

A. DSCA. DSCA is responsible for monitoring usage of the FMS Trust Fund 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 (DFAS SCA) is specifically responsible for:

1. Maintaining the centralized FMS case line level accounts prescribed in this chapter and the United States Standard General Ledger (USSGL). The general ledger (GL) accounts are in Volume 1, Chapter 7; the Treasury Financial Manual (TFM); and the Standard Financial Information Structure (SFIS) Transaction Library. Use information accumulated in the accounts when preparing billing 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 [as required in Chapter 5](#);
 4. Summarizing all case line level accounts at the FMS Trust Fund level, reconciling the summary cash accounts to Treasury's records [per Treasury guidance](#), and using the summary accounts as the basis for required reports on FMS Trust Fund operations;
 5. Maintaining audit trails between source documents and entries to the accounting system; and
 6. Preparing monthly, quarterly, and annual statements as required in Volumes 6A and 6B.
- C. IAs. IAs are responsible for:
1. Fulfilling FMS Trust Fund orders using these financing techniques:
 - a. [Issuing](#) and [accepting](#) reimbursable orders into a financing appropriation or Defense Working Capital Fund (DWCF) account,
 - b. [Issuing](#) allotments of the FMS Trust Fund to the performing DoD Components, or
 - c. [Authorizing](#) direct [citation of](#) 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](#).
- 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 Volume [15](#), and
 3. Returning unobligated obligational authority (OA) to DSCA at the end of each fiscal year ([FY](#)).

0303 MANAGEMENT CONTROLS

For management control, Security Assistance activities will follow the guidance in [DoD Instruction 5010.40, Managers' Internal Control Program Procedures](#).

0304 FMS TRUST FUND ACCOUNTING REQUIREMENTS

030401. FMS Trust Fund

The FMS Trust Fund is a single account that is authorized to be credited with receipts [that](#) 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 [FMS Administrative Surcharge](#) budget, the FMS Trust Fund is exempt from apportionment. DFAS SCA [is responsible](#) for accounting for the FMS Trust Fund.

030402. FMS Standard General Ledger

All financial accounting data applicable to the FMS program must be recorded in accounts consistent with Volume 1, Chapter 7 and the USSGL accounts. The USSGL specifies the accounting entries for these accounts. Subsidiary ledgers are used where necessary to provide accounting control and management reports. The Deputy CFO, Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), [must](#) approve the use of any other GL Trust Fund accounts in [writing](#). Objective evidence, e.g., invoices, vouchers, receipts, or statements, must support all entries in the accounting records and data reported on financial statements. Such evidence may be either hard copy documents or computer data, but in either case must be verifiable.

030403. Accounting for Receivables

A. General

1. Cash in advance of performance is required for FMS purchasers unless a written determination is made pursuant to legal authority; see Chapter 4 [for more information](#). [For FMS purchasers who are legally exempt from making cash advances, record](#) accounts receivable for each FMS country program accounted for in the FMS Trust Fund in USSGL 1310. The Statement of Federal Financial Accounting Standards ([SFFAS](#)) 1, "Accounting for Selected Assets and Liabilities", paragraph 41 provides "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."

2. 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 payment is not met. Follow-up on delinquent accounts receivable is pursued in accordance with Chapter 5. Aging of accounts receivable will be in accordance with Chapter 5. [Accounts receivable](#) are [aged according to the following](#) categories: 1-30 days delinquent, 31-60 days delinquent, 61-90 days delinquent, 91-180 days delinquent, 181-360 days delinquent, and over 360 days delinquent.

B. [Application of Interest](#). [Assess](#) interest on FMS country level arrearages in accordance with the provisions of the affected country's active cases and Chapter 5.

C. [Reporting](#). DFAS SCA submits the Quarterly Treasury Report on Receivables (TROR). Instructions for the TROR are in Volume 4, Chapter 3.

030404. Accounting for Inventory

The Military Departments or Defense Agencies control and report assets (equipment and related software, amounts invested in inventories, and work-in-process at contractor's plants) on the financial statements.

*030405. Accounting for the FMS Program

The AECA and provisions of the [Letter of Offer and Acceptance \(LOA\)](#) require that the FMS program operate at no cost to the [United States Government \(USG\)](#). Therefore, recognize equity only for the balance retained in the attrition account; see [subparagraph 030305.B](#).

A. [Accounting for FMS Surcharges](#)

1. Record the collection of surcharges established in accordance with AECA Sections 21 and 43, as unearned revenue to ensure full recovery of costs incurred in operating the FMS program.

2. Record and recognize revenue and expenses at the time disbursements are made from the applicable FMS surcharge account.

3. Revenues to fund these expenses are from the application of [money received from](#) accrued costs, estimated actual costs, or rates charged. [Maintain](#) ledgers for each of the categories of FMS surcharges as subsidiary to the unearned revenue control account USSGL 2310, Liability for Advances and Prepayments.

4. Apply the [Contract Administration Services \(CAS\) surcharges](#) to new procurements; [however, it](#) may not be applicable under certain conditions detailed in AECA Section 21. The performing activities incur costs and [obtain](#) reimbursement from FMS [CAS](#) surcharge accounts in response to billing by [Standard Form \(SF\) 1080, Voucher for Transfers between Appropriations and/or Funds](#).

B. Accounting for Attrition Surcharges. When FMS training LOAs include the use of training or operational equipment, assess an attrition surcharge rate. The attrition surcharge account replaces equipment damaged or destroyed **because** of student training. Refer to Chapter 7, subparagraph 071001.C and 071002.D.3.a for the application of the attrition surcharge. Record attrition surcharges in the attrition account; they are assets to the USG. Record the year-end balance in the attrition account 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, Section 1210. 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. 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 of DFAS SCA and approved by the DSCA Principal Director, Directorate of Business Operations (DSCA DBO).

2. DSCA will direct applicable case managers to request **cancellation** of all outstanding commitments, and **adjustment** of all outstanding obligations to include an amount for termination cost. The residual amount of debts shown will be transferred to the GL for the affected country to coincide with the 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 as required by the SFFAS 1, Paragraph 44.

3. Aging of amounts recorded will continue. **Accrue** the accumulation of interest, in accordance with the AECA and other applicable authorities, 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 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.

030406. General Procedures for Processing Accounting Transactions

DFAS SCA uses DIFS as the departmental level central accounting system to account for the FMS Trust Fund. Base accounting transactions entered into DIFS are a combination of transactions received from FMS Inventory Control System (FICS) at installation level and vouchers recorded at DFAS SCA as a result of billing/collection and disbursement activity. Record accounting transactions in applicable budgetary, 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 Treasury. Register source transactions in automated journals and then post to appropriate subsidiary ledgers within the central accounting system. Posting of source transactions update 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 the primary audit trail for all posting to the central system.

B. Subsidiary Ledgers

1. Due to the size of the FMS program, there are a substantial number of individual accounts with common characteristics. As a result, established subsidiary ledgers provide control. Subsidiary ledgers are an integral part of the DIFS database and part of the GL structure wherever accounting information is accumulated by country or program. Subsidiary ledgers provide a continuous record of transactions by accounting month for the FMS Trust Fund GL.

2. DFAS maintains subsidiary ledgers for FMS administrative surcharge accounts. Post and reconcile the GL subsidiary records on a daily basis. Total the subsidiary ledgers and post monthly to GL accounts from which a monthly trial balance will be prepared. After all balancing and reconciling for the month is completed, the FMS Trust Fund monthly trial balance will verify the equality of the subsidiary ledgers and GL accounts. Maintain the subsidiary ledgers in DIFS for reconciliation and auditability. Make extracts of these ledgers available as needed for management purposes.

C. GL. Update the GL from the subsidiary ledgers and maintain by accounting month at the appropriation level. DFAS SCA prepares a trial balance from the GL on a monthly basis and uses the trial balance to prepare reports to Treasury and DSCA. The trial balance is used to prepare other required reports related to the GL.

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

2. DFAS SCA [prepares](#) the financial reports based on the cumulative values recorded in the GL or the subsidiary ledgers.

030407. DFAS SCA Analysis of FMS Case Accounting Data

DFAS SCA [must](#) 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 [the](#) net unreserved cash balance to [the](#) accounts payable case level accounts. If [the](#) accounts payable balance is greater, request [an](#) IA review of [the](#) 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 [not on time](#), 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.

*030408. DFAS SCA Postings to Subsidiary Ledgers

A. FMS Administrative Surcharge and Logistics Support Charge (LSC)
Account

1. Accrual of Earned Surcharge. As accrued expenditures are recorded pursuant to FMS orders, the amount of [FMS Administrative Surcharges](#) applicable will be determined and credited to the [FMS Administrative Surcharge](#) account.

a. \$30,000 or less. If the computed [FMS Administrative Surcharge](#) is \$30,000 or less, [the entire surcharge is collected upon case implementation](#). This [includes](#) the value of any small case management line [for cases implemented between August 1, 2006 through July 2, 2012](#) (see [SMM, Paragraph C9.4.7](#)).

b. Over \$30,000. If the computed FMS Administrative Surcharge is greater than \$30,000, fifty percent of the surcharge is collected upon case implementation. Apply the remaining accruals over the life of the case and finalize at case closure.

2. Actual FMS Administrative Surcharge. 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.

* 3. LSC. LSC is applicable to articles delivered or services performed on or after April 1, 1987 and prior to October 1, 2007. These charges are accounted for in the FMS Administrative Surcharge account as described in subparagraph 030308.A.1 and 2.

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.

C. CAS Cost Clearing Account

1. Accrual of Earned Surcharge. When payments are made to contractors (either progress payments or bills for incurred costs), the applicable CAS surcharges are earned and credited to the CAS Cost Clearing Account.

2. Actual CAS Expenses. Post accounting entries showing actual CAS costs as CAS Expenses, based on receipt of SF 1080 billings from the performing DoD Components. See Chapter 7, paragraph 070405.

D. Attrition Surcharge Account. Assess a one-percent attrition surcharge for applicable training cases. The IAs will identify the amounts earned as they distribute collections for tuition. Credit the attrition portion and report it to DFAS SCA by country, case, and line. Expenditures from this account represent orders to the DoD Components to fund the cost of replacing damaged or destroyed equipment associated with student training. DFAS SCA will maintain cumulative records of these deposits by country, case, and line item. Fund withdrawal from the attrition account requires prior written approval from the DSCA Comptroller. Reimburse the cost of replacing damaged or destroyed equipment 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 the required end of period financial reports. End of period procedures will be in accordance with DSCA reporting requirements described in [subparagraph 030308.E.1](#), except as provided in [subparagraph 030308.E.2](#):

1. [Close](#) open periods in sequence when transactions are concurrently processed for multiple periods. [Close](#) and [carry](#) forward the current period GL account balances to the next period.

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

* F. Year-End Certification. After the close of each [FY](#), DFAS SCA will provide a Financial Management Services Form 2108, Year-End Closing Statement, to the DSCA Comptroller and [submit it to Treasury](#). See Volume 6A, Chapter 4 and [TFM Volume 1, Part 2, Chapter 4200](#) for more information.

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

0305 IMPLEMENTING AGENCY ACCOUNTING REQUIREMENTS

030501. Allotments for Direct Citation

Amounts in the “Direct Cite Authority Requested This FY” (Column 11) of the [DoD](#) (DD) Form 2060, FMS Obligational Authority, or automated equivalent (OA Request), which are coded “(A)” represent allotments of case contract authority. Allotment holders must request [expenditure authority](#) (EA) from DFAS SCA prior to processing the disbursements against the contract authority. DFAS SCA [provides incremental](#) EA from the FMS Trust Fund, based on the allottee’s need to disburse funds. Additional instructions for the Status-of-Allotment report are in Section 0305. Specific requirements [include](#):

A. The DoD Component [that](#) 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. [That DoD Component](#) must provide DFAS SCA a monthly Status-of-Allotment input reflecting the case and line level data. Delivery transactions in an amount equal to the current month's net change in accrued expenditures or cash advances to contractors must support the status of expenditures. A manual Status-of-Allotment format is in Figure 3-1.

B. [Submit](#) Monthly Status-of-Allotment information and associated reports of reconciliation to DFAS SCA by the 20th calendar day following the close of each accounting month. [Use](#) this information, with detailed supporting documentation, as the basis for the DFAS SCA entries to case level accounting records and overall FMS Trust Fund reconciliation with Treasury.

030502. Allotments for Reimbursable Orders

See Chapter 2, [paragraph 020204](#) for information on reimbursable orders.

030503. Fiscal Year-End Reporting Requirements

A. The DoD Components are required to submit a printed and certified final [FY](#) consolidated OA Request and DoD Status-of-Allotment information for direct cite funds to DFAS SCA. [Establish](#) submission dates in accordance with special instructions issued by DFAS. The forms submitted may be manual forms or automated equivalents.

B. The final OA Request 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, [subparagraph 020204.A.](#)"

C. [The](#) 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."

0306 ACTUAL ADMINISTRATIVE EXPENSE ACCOUNTING REQUIREMENTS

030601. Reimbursement for FMS Administrative Expenses

A. **Price** FMS administrative expenses in accordance with Chapter 7, Section 0706 and charge 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 in Figure 3-1. 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. **FMS** 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.

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. **Base** the information on the organization designated 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. **Support** Status-of-Allotment reports for **FMS** Administrative Expenses with subsidiary allotment status reports of the executing organizations. **Annotate** subsidiary reports as "Subsidiary report-(Name of the organization)."

030602. Control of FMS Administrative and Security Cooperation Organizations (SCO) Budget Allotment Authority

A. **Report** the FY identity of budget allotment authority, obligations, and disbursements for the current **FY** (CFY) and five **preceding** FYs on the monthly Status-of-Allotment reports for Administrative Expenses. Accounts will remain open for **the** liquidation and **adjustment of** valid obligations until the end of the canceled FY (five expired FYs and one canceling FY). See the FY **example** in **subparagraph** 030502.C.

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

C. An example of FY identity: If the CFY=2015:

FY 2010 = expired FY	At the end of FY 2015, and after completing the end-of-year reporting and closeout cycle, cancel all unliquidated obligations (ULOs) . All amounts are withdrawn effective 30 September 2015. Following this action, FY 2010 cancels on 1 October 2015.
FY 2011 = expired FY	
FY 2012 = expired FY	
FY 2013 = expired FY	
FY 2014 = expired FY	
FY 2015 = CFY	Out of scope increase to prior FY obligations (FY 2014 and prior) will be charged against the CFY (FY 2015). The CFY becomes an expired FY on 1 October 2015.
FY 2016 = Next FY	October 1, 2015, FY 16 begins .

030603. Control of FMS Administrative and SCO Prior **Fiscal Year** Obligational Authority

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

B. All fund holders will establish procedures to review and validate all ULOs for the CFY and the **preceding** five FYs 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. Valid disbursements may be made from these expired accounts, up to the amount of the **ULO** 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 **preceding** FYs is not authorized.

030604. Control of Unliquidated Balances

A. FMS Administrative and SCO accounts remain available for liquidating valid obligations until the end of their fifth expired year; see the example in **subparagraph 030502.C**. 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 for the procedure used when canceling funds at the end of their fifth year following their expiration and the process used when deobligations occur in the five preceding FYs.

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

030605. 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. Use these reports to compare with the installation accounting records. If there are disbursement differences between the departmental and installation accounting records, use the departmental accounting records reconciled with Treasury cash to establish the withdrawal amount.

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

C. All fund holders will notify DSCA in writing when BA can be decreased on the CFY and the five preceding 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.

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

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

030606. DFAS Responsibilities for Expired and Canceled Accounts

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

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

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

D. DFAS SCA will maintain memorandum records of the canceled obligations. Once closed, an account is no longer available for obligation. 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 CFY FMS or SCO account. Post these obligations against the CFY account at the "at point of disbursement". Use memorandum records or some equivalent records to record the canceled "valid" obligations off-line so that they may be later recognized as valid at the "point of disbursement" and recorded against the applicable FMS or SCO administrative CFY account. See Volume 3, Chapter 10.

0307 BUDGET EXECUTION

030701. 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 that accurately reflect data recorded in accounting records are submitted to Treasury in a timely manner;

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

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

030702. 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;

4. Reconcile IA FMS case records to DFAS SCA case line level accounting records on a periodic basis; and

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 [the Case Reconciliation and Closure Guide \(RCG\) in Appendix 7 of the SAMM](#) for Case Closure Certificate format and paragraph 030902 for case closure information.

0308 FMS TRUST FUND BUDGET EXECUTION REPORTS AND FINANCIAL STATEMENTS

*030801. Budget Execution Reports

DFAS SCA submits these budget execution reports on FMS Trust Fund operations:

A. Monthly SF 133, Report on Budget Execution and Budgetary Resources, for 11 X 8242, Advances, Foreign Military Sales, Funds Appropriated to the President. [For more information see Volume 6A, Chapter 4;](#)

B. Annual Financial Management Service Form 2108. [For more information see Volume 6A, Chapter 4;](#)

C. Appropriate sections of the annual Chief Financial Officer Financial Statements. [For more information see paragraph 030702;](#) and

D. Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) reporting. For more information, see Volume 6A, Chapter 6.

*030802. Financial Statements

For financial statement guidance concerning the reporting of FMS amounts, see Volume 6B, Chapter 2 and Volume 6B, Chapter 10. The Security Assistance reporting entity also provides GTAS submissions as an **Other Entity (formerly Nonverifying Agency)** per Volume 6A, Chapter 6.

0309 CASE EXECUTION

030901. 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 on the **OA Request**. The review serves as the basis to withdraw any unnecessary unobligated balances. Make the withdrawal by submitting a year-end OA Request. See Chapter 2, Section 0203 for instructions on the preparation of OA Requests.

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. The 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 30th 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 30th 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.

*030902. Reimbursement of Appropriations and Accounts

A. Reimburse DoD appropriations and fund accounts, or Miscellaneous Receipts Account 3041, "Recoveries Under the Foreign Military Sales Program, Army, Navy, Air Force, Defense" upon delivery of items from inventory or performance of DoD services within 30 days of the occurrence (i.e., date of shipment or performance) for:

1. Items sold under AECA Section 21, or
2. Procurement actions made under AECA Section 22 if direct cite procedures for financing applicable contracts are not used.

B. The general rule applicable to the sale of DoD services is that the financing account current at the time of performance is credited with applicable BA and subsequent cash collections. The various cost elements that may be involved in the performance of an FMS order and the appropriations that are to be reimbursed are in Table 3-1.

1. When items are sold from inventory, the financing account current at the time items are dropped from inventory is credited with applicable BA and subsequent cash collections.

2. When items not to be replaced (free assets) are sold from inventory, those receipts are credited to Miscellaneous Receipts or the Special Defense Acquisition Fund (SDAF). For more information on SDAF see [SAMM Chapter 11.9](#).

3. When appropriation or fund accounts are used to finance FMS procurements, the account current at the time the order is accepted is credited with BA and subsequent cash collections.

030903. DD Form 2061, Foreign Military Sales Planning Directive, or the automated equivalent ([Planning Directive](#))

Update the case [Planning Directive](#), as required, as prescribed in Chapter 2, Section 0203. Update cost elements and financing accounts to ensure full recoupment of the costs prescribed in Chapter 7 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.

0310 FMS CASE CLOSURE PROCEDURES*031001. General**

All proper charges and credits **must** 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 active status to inactive status to ensure accessibility for recording subsequent activity. In other words, a case never closes from a DoD accounting perspective. For **further** guidance on the reconciliation and closure of FMS cases, **to include** closure checklists, see [SAMM Chapter 16](#) and the RCG in Appendix 7 of the SAMM.

***031002. 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 **IA** 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](#). 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 **an** SDR and allow the IA to reconcile the case. The applicable DoD Component must request DSCA approval to delay closure beyond 24 months.

2. [Non-ACCP](#). 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 the actions [outlined in subparagraphs 030902.B.1-6](#) are taken.

1. The IA delivered value must agree with the delivered value recorded in DIFS. If necessary to reconcile IA records, [obtain any necessary historical transaction records from the DIFS database or equivalent on-line repositories](#).

a. ACCP. If the case is being closed under ACCP, 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, the IA must submit applicable input to bring the records into balance before issuing a Case Closure Certificate.

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

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

3. Ensure the validity of all obligations in accordance with Volume 3, Chapter 8. Many of those provisions address FMS-specific actions in this regard.

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

a. ACCP. If the case belongs to an ACCP country, the applicable DoD Component must submit a final Case Closure Certificate (see the RCG), to DFAS SCA within 24 months after an FMS case is supply/service complete. If the IA 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. Non-ACCP. A supply/service complete case for a country not participating in ACCP will not be submitted for closure until ULO on accounting classification reference numbers (ACRN) citing the case are resolved. No case under non-ACCP closure procedures can be interim closed, but must be marked final.

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

a. ACCP

(1). The applicable IA must submit to DFAS SCA a Case Closure Certificate 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 paragraph 030903 and the RCG.

(2). The applicable [IA](#) 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 [IA](#) 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). DFAS SCA must bill the applicable country using the DoD Component's remaining ULO [via](#) 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 case, in subsidiary accounts, which total to the case closure suspense account.

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

(7). Upon receipt and payment of final bills and the case has been reconciled, the [IA](#) must submit a final Case Closure Certificate.

* (8). On a quarterly basis, DFAS SCA must submit a status report on the CCSA and subsidiary accounts to the DSCA [DBO \(Financial Policy and Analysis\)](#) and [ACCP](#) participating FMS purchaser countries.

(9). When a country's CCSA has a negative balance of \$100,000 or more for a period of six 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. [Non-ACCP](#). For [non-ACCP](#) countries, the DoD Component must submit Case Closure Certificates to DFAS SCA only after all applicable [known](#) costs have been [recorded and no ULOs exist on ACRNs citing the case](#).

6. At case closure, DFAS SCA must use the submitted closure certificate/transaction in place of an LOA amendment or modification unless the case meets the criteria for an LOA amendment or modification in the [SAMM Chapter 6](#).

031003. Closure Certification

The Case Closure Certificate and C1I/C1F transaction 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 IA of actions required to enable closure processing to continue. When the IA 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.

*031004. 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 ACCP cases:

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 records the disbursement against the country, case, and line.

2. When post-closure disbursements exceed \$100,000 (in either direction) because of a verified pricing adjustment, the applicable IA 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 IA and DFAS records must be reclassified to 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 (see the RCG) and by reporting a C1I/C1F transaction in DIFS.

C. Use these procedures for all Building Partner Capacity (BPC) cases and cases closed under non-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 Surcharge account. Otherwise, reestablish accounting records at the amounts recorded at the time closure certification occurred. Reclassification to implemented status must occur in both the IA and DFAS SCA records.

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

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

4. When cases are reactivated, the IA 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.

5. Once the disbursement/credit and billing process are complete, DFAS SCA must bill the FMS Trust Fund purchaser. The IA must [recertify the case for closure](#) as specified in paragraph 030903.

031005. Reopening FMS Cases

Normally, closed cases will not be reopened. If the FMS purchaser requests to reactivate a closed case first determine if there is a case already implemented and [available](#), or if a new case should be [developed](#). Opening a case already closed (interim or final) is a last resort and requires DSCA approval. [See SAMM Chapter 16 for additional information on reopening cases.](#)

0311 WRITE-OFF AUTHORITY

An IA that determines unresolved reconciliation issues exist for a case may write-off those imbalances using these guidelines [in paragraphs 031001 and 031002](#). The IA is responsible for providing all vouchers it prepares citing the FMS Administrative Surcharge account to DFAS SCA.

*031101. Problem Disbursements

For problem disbursements up to \$2,500 per transaction, refer to Volume 3, Chapter 11 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.

*031102. Other FMS Financial Transactions

For all other types of FMS financial transactions, up to \$200, charge the FMS Administrative [Surcharge account](#) for the amount required to effect prompt financial reconciliation as prescribed in the DSCA annual case review requirement [in SAMM, Chapter 16](#). For write-off adjustments performed while readying a case for closure, DFAS SCA will provide DSCA DBO ([Financial Policy and Analysis](#)) 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 when these write-offs are used.

0312 ANTIDEFICIENCY ACT VIOLATIONS AND ADVERSE FINANCIAL CONDITION REPORTS

031201. Antideficiency Act Violations

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

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. 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.

*031202. 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 discussed [in paragraph 031101](#). These conditions are adverse financial conditions and occur when financial reports show that: OA exceeds case or line item level values, commitments or obligations exceed OA at case or line item level, total disbursements exceed obligations at case or line item level, or EA is not requested prior to disbursement. Adverse financial conditions are reported using the same format used for Antideficiency Act violations.

A. Reporting Requirements for Adverse Financial Conditions

1. DFAS SCA has the responsibility for determining reportable conditions and notifying IAs of adverse conditions involving EA. DFAS SCA must provide a **monthly** analysis report to the DoD Components identifying **if disbursements are greater than EA at the Country Case Level, or if EA was requested, remained unused and was not returned at the end of the month**. The DoD Components must review the listings within 15 days of receipt and provide DFAS SCA an explanation of the discrepancy, the **required** corrective action, and when such action will be processed. This information will be shared with DSCA.

2. The DoD Component 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 occurs:

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 that resulted in the unfavorable financial condition; or

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 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 Department of Defense Status-of-Allotment Report

DOD STATUS-OF-ALLOTMENT									
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)	

*Table 3-1. Cost Elements

<u>Cost Element</u>	<u>Appropriation Reimbursed</u>
A. Services of Military Personnel	
1. Composite standard military pay rate	Military Personnel (MILPERS)
2. Leave and holiday factor when applicable (see paragraph 070203)	MILPERS
3. Personnel support costs	Operation and Maintenance (O&M), Defense Health Program (97*0130)
4. Retirement cost prior to October 1, 1984	Miscellaneous Receipts Account 3041
5. Retirement cost after September 30, 1984	MILPERS
6. Medicare-Eligible Retiree Health Care accrual	Miscellaneous Receipts Account 3041
B. Services of Civilian Personnel including Defense Working Capital Funded (DWCF) Personnel	
1. Salary cost and wages	O&M, Research, Development, Test, Evaluation (RDT&E), and DWCF as applicable
2. Leave and holiday factor when applicable	O&M, RDT&E, and DWCF as applicable (see paragraph 070202 of this chapter)
3. DoD-funded civilian retirement costs	O&M, RDT&E, and DWCF as applicable
4. Health and life insurance and other employee fringe benefits	O&M, RDT&E, and DWCF as applicable
5. Civilian unfunded retirement costs and post-retirement health benefits not funded by DoD appropriations	Miscellaneous Receipts Account 3041
C. Inventory Items	
1. Non-excess procurement funded items which require replacement	Financing procurement appropriations, as applicable, current at the time items are dropped from inventory
2. Non-excess procurement funded item that is not to be replaced within the obligation availability of current procurement appropriations	Miscellaneous Receipts Account 3041 or SDAF
3. DWCF items, including the cost recovery elements for operating costs	DWCF
4. Excess procurement funded principal items	Miscellaneous Receipts Account 3041 Funds items in accordance with Title 10 United States Code (U.S.C.) Section 114(c)(2)

Table 3-1. Cost Elements (continued)

<u>Cost Element</u>	<u>Appropriation Reimbursed</u>
D. Nonrecurring cost recoupment charges (Collected as a result of FMS)	Miscellaneous Receipts Account 3041
E. Transportation	Financing appropriation/fund current at the time transportation is supplied
F. Logistics Support Charge (LSC)	FMS Trust Fund Administrative Account
G. DoD Royalty fee charges	Miscellaneous Receipts Account 3041
H. Charges for the use of DoD assets (includes depreciation on purchased equipment)	Miscellaneous Receipts Account 3041 Depreciation which is included in DWCF shop rates must be retained by the DWCF
I. Asset Use	Miscellaneous Receipts Account 3041
J. FMS contract costs financed by DoD appropriation or fund accounts	Financing procurement appropriation or DWCF, as applicable
K. Temporary Duty (TDY) costs financed by appropriation or fund accounts	O&M and RDT&E appropriations current at the time travel is performed, or DWCF, as applicable
L. Accessorial charge	
1. Packing, crating, and handling (PC&H)	FMS Trust Fund PC&H Account
2. Transportation	FMS Trust Fund Transportation Accounts
M. FMS administrative surcharge	FMS Trust Fund Administrative Account
N. FMS Contract Administration Services (CAS) Surcharge	FMS Trust Fund CAS Account
O. Contract Administration Services (This is a combination of cost elements A, B, and K)	MILPERS, O&M, DWCF, or Miscellaneous Receipts Account 3041, as applicable
P. Interest charge resulting from late payment of billings (DD Form 645, "Foreign Military Sales Billing Statement") for accrued expenditures	Miscellaneous Receipts Account 3210, General Fund Proprietary Receipts, Defense Military not otherwise classified
Q. Mailing fee, storage, and publications	O&M or DWCF, as applicable
R. Inventory losses	Applicable procurement or DWCF, as applicable
S. Attrition	FMS Trust Fund Attrition Account

DoD Components must maintain internal records of the dollar amounts applicable to each category of collections deposited into Miscellaneous Receipts Account 3041. One decimal subaccount must be used for each type of collection. For example, 3041.3 might be used to designate dollar amounts applicable to NC recoupment.