

VOLUME 15, CHAPTER 4: “CASH MANAGEMENT”**SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by an **asterisk (*)** symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated **March 2018** is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
040404.D, 040504.A – C, 040602.A – B, 040801.A.2 Figures 4-1, 4-2, 4-3, 4-4, and 4-5, and Table 4-2, (Previous Version)	Removed procedural content and related references throughout.	Deletion
040102	Added reference and hyperlink to Security Assistance Management Manual (SAMM), Chapter 9.	Addition
040204	Added responsibilities of Disbursing Activities.	Addition
040301.A	Added reference to Arms Export Control Act Section 21, “Sales from Stock”.	Addition
040301.E	Added clarifying language for deferral of initial deposit in emergency situations.	Addition
040303.C	Identified Security Cooperation funds are U.S. Government appropriations made available in furtherance of the Building Partner Capacity efforts and must not be commingled with other funds.	Addition
040306	Revised language pertaining to commercial bank accounts (CBAs). U.S. Treasury Fiscal Service determined that Foreign Military Sales partner funds deposited in CBAs are considered public funds under Title 31, Code of Federal Regulations, part 202. Updated reference to the SAMM.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
0406	Clarified language of where Termination Liability funds are maintained.	Revision
040901.A	Clarified that most country trust fund disbursements require expenditure authority unless exempted by regulation.	Revision

Table of Contents

VOLUME 15, CHAPTER 4: “CASH MANAGEMENT”	1
0401 GENERAL	5
040101. Purpose	5
*040102. Authoritative Guidance	5
0402 RESPONSIBILITIES	5
040201. DSCA	5
040202. Defense Finance and Accounting Service, Security Cooperation Accounting (DFAS SCA)	6
040203. Implementing Agencies (IAs)	7
*040204. Disbursing Activities	8
0403 CASH MANAGEMENT CHARACTERISTICS	8
040301. Cash in Advance	8
040302. FMS Trust Fund	9
040303. SA and Security Cooperation (SC) Funds	9
040304. SBLC	10
040305. FRB Accounts	10
*040306. CBAs	11
040307. Disbursements	11
0404 PAYMENT SCHEDULES	11
040401. Requirements	11
040402. Timing	12
040403. Initial Deposit	12
040404. Payment Schedule Revision	12
0405 CASH REQUIREMENT CALCULATIONS	12
040501. Calculation of Initial Estimate of Cash Needed	12
040502. Administrative Surcharge Included in Initial Deposit	14
040503. Estimate of Cash Needed to Collect Nonrecurring Cost (NC) Recoupment Charges	14
040504. Forecasting Procedures	14
0406 QUARTERLY TL RESERVE REQUIREMENT	15
0407 CONTRACTOR REQUEST FOR PROGRESS PAYMENTS AND REIMBURSEMENT OF COSTS UNDER CONTRACTS INCLUDING FMS REQUIREMENTS	15

Table of Contents (Continued)

040701. Contractor Allocations 15

040702. Allocation of Payments on Contracts..... 16

040703. Contract Payment Offices 16

0408 DEPOSIT OF PURCHASER CASH INTO TREASURY ACCOUNTS..... 16

 040801. General 16

 040802. Misrouted Payments..... 16

0409 EA..... 17

 040901. EA Requirements 17

 040902. Cash Advances 17

 040903. Cash Flow Problems 18

Table 4-1. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost)..... 19

CHAPTER 4

CASH MANAGEMENT

0401 GENERAL

040101. Purpose

The purpose of this chapter is to provide policies to ensure cash is available to liquidate Foreign Military Sales (FMS) Trust Fund obligations as disbursements are due. Funds appropriated by the Congress for defense purposes cannot be used to liquidate obligations resulting from the use of FMS Trust Fund contract authority, except as authorized by law. The FMS purchaser, U.S. Government (USG) appropriation made available to finance FMS Trust Fund purchases, or a third-party payer, must meet the cash requirements (outlay authority) of each FMS Trust Fund purchaser.

*040102. Authoritative Guidance

The Arms Export Control Act (AECA), Public Law 90-629, as amended, codified as Title 22, United States Code, [Chapter 39](#) provides the authority and general rules for FMS and commercial sales of defense articles, services, and training. [Implementation information on cash management procedures can be found at the Security Assistance Management Manual \(SAMM\), Chapter 9, "Financial Policies and Procedures."](#)

0402 RESPONSIBILITIES

[Executive Order 13637](#), "Administration of Reformed Export Controls," delegates authority and responsibility for the [administration and functions for Security Assistance \(SA\)](#), from the President, to the Secretary of Defense and the Secretary of State. The authority of the Secretary of Defense is further delegated in the DoD Directive [\(DoDD\) 5105.65](#), "Defense Security Cooperation Agency (DSCA)" to the Deputy Secretary of Defense, to the Under Secretary of Defense for Policy, and finally, to the DSCA Director.

040201. DSCA

DSCA is responsible for:

- A. Ensuring adequate cash availability in the FMS Trust Fund to meet DoD's financial requirements;
- B. Identifying the specific issue and remedy should cash flow problems arise (e.g., collection of additional funds or other alternative financial arrangements, adjustments to ordered values, delivery timeframes, or ordered quantity);

C. Approving Standby Letters of Credit (SBLCs), Federal Reserve Bank of New York (FRBNY) accounts, and Commercial Bank Accounts (CBAs) as they may pertain to FMS financial requirements;

D. Calculating and approving, on a quarterly basis, the Termination Liability (TL) reserve amounts required to protect the USG against liability if a particular [FMS-funded contract \(or contract line item number \(CLIN\)\)](#) is terminated prior to completion;

E. Performing follow-up actions on SA Program arrearages;

F. Constructing standard payment schedules (to include any contract termination costs); and

G. Preparing special bills for those customers with approved special billing arrangements (SBAs).

040202. Defense Finance and Accounting Service, Security Cooperation Accounting (DFAS SCA)

DFAS SCA is responsible for:

A. Posting purchaser cash deposits within [2](#) business days of notification when the Defense Integrated Financial System (DIFS) is available. When DIFS is unavailable due to scheduled maintenance, update upon availability;

B. Posting disbursements by the 20th day of the following month to FMS case accounting records;

C. Reconciling summary trust fund-level account balances in DIFS with the [U.S. Department of the Treasury \(Treasury\)](#) balance in the Account Summary from the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS);

D. Assuring that approved cash expenditure authority (EA) requests do not exceed the FMS purchaser's cash available balance in the FMS Trust Fund; and

E. [Working](#) with the accounting activities, contract payment offices, and certifying officers as appropriate to:

1. Ensure sufficient cash is available and approve EA requests prior to disbursing FMS funds;

2. Resolve all rejects of EA to lessen Prompt Payment Act interest payments;

3. Resolve situations where EA was approved but returned without a disbursement;

4. Ensure EA is obtained prior to processing a transfer, correction of charges against, or credits to the FMS Trust Fund using [Standard Form \(SF\) 1080](#), “Voucher for Transfers Between Appropriations and/or Funds,” or [SF 1081](#), “Voucher and Schedule of Withdrawals and Credits;” and

5. Resolve situations where SF 1080 or SF 1081 transactions were not processed when EA was approved.

040203. Implementing Agencies (IAs)

IAs are responsible for:

A. Providing information needed to the DSCA (Operations Directorate, Case Writing Division) for payment schedule preparation at the line level, in the Defense Security Assistance Management System. The IA will approve the schedule as part of the Letter of Offer and Acceptance (LOA) document coordination/signature process. Additional information on payment schedule preparation is in the SAMM, Chapter 9, paragraph C9.9.1;

B. Developing progress payment schedules or historical cost curves systematically for DoD major weapon systems (used to determine payment schedule distributions for procured materiel requiring progress payments to contractors), and reviewing the schedules or curves when the acquisition strategy changes;

C. Reviewing all case [payment schedules](#), at least annually, in preparation for a formal review with the FMS purchaser, or when the case value adjusts by ten percent or more;

D. Requesting and receiving EA approval from DFAS SCA prior to processing a disbursement citing the FMS Trust Fund;

E. Resolving problem disbursements using the authorities found in Volume 3, Chapter 11;

F. Validating obligations in accordance with the requirements found in Volume 3, Chapter 8, section 0803; and

G. [Performing](#) case reviews including reviewing and reconciling general case and delivery-related data, expenditures/disbursements, and USG financial requirements.

1. If payment schedules are inadequate to meet USG financial requirements, the IA must promptly notify the responsible DSCA Country Financial Director, DFAS SCA, and the FMS purchaser of the additional requirements. The IA must also follow-up on this notification by issuing a revised payment schedule via an LOA modification.

2. During the annual review of the case, if payment schedules overstate USG financial requirements due to delays in contract award, delivery slippages, or other reasons,

the IA must issue a revised payment schedule via an LOA modification. The IA is responsible for ensuring that the USG does not prematurely collect customer funds.

***040204. Disbursing Activities**

Disbursing Activities are the paying stations/agencies responsible for disbursing funds, and are responsible for requesting and receiving EA approval from DFAS SCA prior to processing a disbursement citing the FMS Trust Fund.

0403 CASH MANAGEMENT CHARACTERISTICS

040301. Cash in Advance

The FMS purchaser must make cash deposits into the FMS Trust Fund, a DSCA-approved Federal Reserve Bank (FRB), or DSCA-approved CBA for defense articles and services sold under AECA, §§ 21, 22, and 29 in advance of delivery, performance, or payments to contractors, except as provided in subparagraphs 040301.C-D. Foreign Military Financing (FMF) and other USG appropriations used to finance a sale executed in the FMS Trust Fund must also make advance cash collections.

* **A. AECA § 21, “Sales from Stocks”.** Payment must be made in advance, unless the President determines it to be in the national interest for payment to be made upon delivery of the article or performance of the service.

B. AECA § 22(a) and § 29, “Dependable Undertaking”. Without charge to any appropriation or contract authorization otherwise provided, the President may enter into contracts for the procurement of defense articles, defense services, or design and construction services in U.S. dollars, to any foreign country or international organization, if such country or international organization provides the USG with a dependable undertaking:

1. To pay the full amount of such contract that will assure the USG against any loss on the contract, and

2. To make funds available in such amounts, and at such times, as may be required to meet the payments required by the contract and any damages and costs that may accrue from the cancellation of such contract, in advance of the time such payments, damages, or costs are due.

C. AECA § 21(d) Exception. The President may determine that delayed payment is in the national interest, and allow payment to be made without interest within 60 days after delivery of defense articles from stock or rendering of in-house defense. In addition, the President may extend the 60-day period to 120 days if the President determines an emergency exists.

D. AECA § 22(b) Exception

1. Payment within 120 days after delivery of procured defense articles or rendering of procured defense services, requires the following Presidential determinations:

a. It is in the national interest to issue letters of offer under this authority, and

b. The emergency requirements of the purchaser for the acquisition of such defense articles and services exceed the funds available to the purchaser to make payments on a dependable undertaking basis.

2. Both determinations in subparagraph 040301.D.1, together with a special emergency request for authorization and appropriation of additional funds to finance such purchases under the AECA, are submitted to Congress for approval.

* E. Initial Deposit. An initial deposit must accompany the accepted LOA to provide the cash advance required to cover the outlays and/or deliveries anticipated until receipt of the first quarterly payment. Several factors affect the initial deposit. [On an exception basis, DSCA may approve emergency implementation of an FMS case. The initial deposit may be deferred to a later date agreed to by both the FMS purchaser and DSCA.](#) Refer to the SAMM, Chapter 9, section C9.9 for initial deposit requirements.

F. Billing. DFAS SCA prepares FMS bills on a quarterly basis. The bills include information as of the end of December, March, June, and September. Payments are due on March 15, June 15, September 15, and December 15. DSCA must approve any deviations from this schedule. The bills must include the cash requirements for the calendar quarter following the payment due date. For example, a bill prepared with December data (due March 15) is to project cash requirements through June. Thus, the deposit for an LOA accepted in January would be the cash required through June, or 6 months of advance cash requirements. See Chapter 8 for a full discussion of the FMS billing process.

040302. FMS Trust Fund

The FMS Trust Fund is managed as a single cash entity, regardless of the source of the deposits. All FMS Trust Fund deposits are accounted for at purchaser and FMS case level by source of financing. Examples of funds include FMF (FMS Credit and FMS Credit (non-repayable)) and the Military Assistance Program (MAP) Merger. Examples of other types of funds are a purchaser's national funds, which include third-party funds, and other DoD appropriated funds.

040303. SA and [Security Cooperation \(SC\) Funds](#)

The USG may provide SA or SC funds annually to selected allied or friendly countries to finance the purchase of U.S. defense articles and services. It is, therefore, in the USG's interest to use and manage these limited funds as effectively as possible.

A. In determining the order of funds to be paid into the FMS Trust Fund, DSCA normally draws down MAP Merger funds up to the amount reserved for each case prior to using available FMF funds, followed by requesting the FMS purchaser to use other funds. Likewise, MAP Merger funds on deposit in the FMS Trust Fund will be expended prior to FMF funds, followed by the expenditure of the purchaser's national funds.

B. SA funds that become excess due to FMS case reduction or closure may be reapplied to other FMS cases with DSCA approval. However, FMS Credit Funds must not be refunded to the FMS purchaser unless those funds originated from loans, have been fully repaid by the FMS purchaser, and no delinquent accounts receivable exist.

* C. SC funds are USG appropriations made available in furtherance of the Building Partner Capacity (BPC) efforts. These funds are deposited into the FMS Trust Fund to enable the acquisition and delivery of articles and services for this purpose. Usually, BPC funds cannot be co-mingled with SA funds on any FMS case.

040304. SBLC

DSCA is authorized to approve an SBLC arrangement instead of the TL prepayment requirements described in subparagraph 040501.B. An FMS purchaser, with prior approval from DSCA, may provide DSCA with a properly executed, separate SBLC to cover uncollected TL amounts for a billing quarter. In such an event, it will be necessary to deposit into the FMS Trust Fund only the amount of funds needed to cover anticipated expenditures and disbursements during the billing cycle. Refer to SAMM, Chapter 9, paragraph C9.9.1 and/or contact DSCA (Country Financial Management Division) for details on an SBLC.

040305. FRB Accounts

A. DSCA is authorized to enter into a national funds investment account agreement with an FMS purchaser and the FRBNY for any country that finances all or a significant part of its FMS programs with national funds. The FRBNY accounts will normally not be considered for a country that finances FMS programs primarily with SA funds.

B. Upon account establishment, DSCA must compute the amount of funds to be transferred from the FMS Trust Fund to the purchaser's FRB investment account. After the establishment of the investment account, the purchaser remits all national funds payments to the FRBNY, usually identified to specific FMS cases. Payments made from FMF (FMS Credit (non-repayable) only) funds will be made directly to the FMS Trust Fund unless otherwise specified in U.S. law and/or DSCA policy.

C. DFAS SCA is authorized by the account agreement to make periodic drawdowns, as needed (usually monthly), from the FRBNY account into the FMS Trust Fund, to ensure sufficient funds are available to make payments during the succeeding 30 days.

*040306. CBAs

In accordance with DoDD 5105.65, DSCA is authorized to enter into a national funds investment account agreement with an FMS purchaser who has a duly authorized CBA agreement with a commercial bank. This agreement allows the FMS purchaser to deposit FMS payments into a CBA and earn interest. DSCA manages the CBAs, which operate like the FRBNY accounts. However, funds originating from USG appropriations (e.g., FMF funds (repayable and non-repayable credits) or BPC cases) must not be deposited in this account, and TL amounts must not reside in the CBA. Any deviations must have DoD Office of the Deputy Chief Financial Officer written approval. The USG is not liable for any financial losses resulting from the deposits of the FMS purchaser's funds in the account. However, funds so deposited are considered public funds within the meaning of Title 31, Code of Federal Regulations, [part 202](#), Depositories and Financial Agents of the Federal Government. For specific details regarding CBA agreements, refer to [SAMM, Chapter 9, Section C9.11.3](#).

040307. Disbursements

All cash disbursements for FMS Trust Fund purchases must be identified by FMS case identifier and line, and must not exceed the cash available in the purchaser's FMS Trust Fund account (to include MAP Merger and FMF funds). A specific case may be in a deficit cash position with the deficit being funded by the purchaser's cash advances on other cases. The cash deposited by country "X," however, must not be used to liquidate obligations incurred for country "Y" unless an FMS Trust Fund purchaser authorizes the use of its excess cash deposits to meet the cash requirements of another purchaser. A reportable adverse financial condition exists when a single purchaser's FMS Trust Fund cash summary account is in a deficit position (credit balance). See Chapter 3, section 0312 for more information on adverse financial conditions.

0404 PAYMENT SCHEDULES

Payment schedules are a consolidated formal presentation to the FMS purchaser of the estimates of cash advances needed to meet USG financial requirements. See section 0405 for cash requirement calculations. The Department of Defense (DD) Form 645, FMS Billing Statement, reflects the amounts shown on the current case payment schedule or the quarterly forecast of USG financial requirements, whichever is greater. If financial requirements or anticipated disbursements exceed the current payment schedule or SBAs have been negotiated, the billing statement, not the payment schedule, contains the required payment amount. The IA must continually monitor USG financial requirements and confirm, at least annually, that payment schedules are accurate to ensure cash is available in an FMS purchaser's trust fund account when disbursements are needed. The DSCA Financial Policy and Analysis Division is responsible for issuing detailed guidance for payment schedule preparation. See SAMM, Chapter 9 for more information on payment schedule preparation and billing requirements.

040401. Requirements

Payment schedule requirements will be included in each LOA in the format required in the SAMM, Chapter 9, section C9.9.

040402. Timing

As a standard, new sales agreements can enter the billing system at DFAS SCA through the 10th day of the last month of the quarter. Therefore, if a new agreement is anticipated to be accepted by the purchaser and received by DFAS SCA after the 10th day of the last month of the quarter, the DoD Component should require an initial deposit for the first two quarters of the agreement.

040403. Initial Deposit

If an LOA requires a deposit upon acceptance, the deposit must equal the FMS administrative surcharge required, plus all anticipated costs and contingencies (e.g., contract holdback and TL), until the first billing statement can be rendered and monies collected.

040404. Payment Schedule Revision

It is essential to prepare payment schedule revisions in the manner consistent with the parameters of the FMS billing cycle. Since the payment schedule is the basis for billing the FMS purchaser, there must be an audit trail between the original payment schedule and any revision(s).

A. IA case managers are required to initiate payment schedule revisions when the LOA acceptance date is extended beyond the end of the billing quarter, to ensure that the purchaser has an LOA document that matches the payment schedule created in the billing system.

B. The payment dates shown on the revised payment schedule must be compatible with the FMS billing cycle. The payment schedule dates are in the SAMM, Chapter 9, [Table C9.T13](#).

C. Payment schedule revisions due to an amendment (change in scope) or a modification must be in accordance with subparagraphs 040203.G.

0405 CASH REQUIREMENT CALCULATIONS

040501. Calculation of Initial Estimate of Cash Needed

Calculation of the cash advance needed to meet the USG financial requirements for a specific FMS case requires dividing the costs into broad cost categories. The first category is the portion of case value under the authority of AECA § 21, which includes sales from DoD inventories and the services of DoD personnel. The second category is the portion of case value under the authority of AECA § 22, which includes procurement of hardware or contractor services for the FMS purchaser. The third category is the portion of the case under the authority of AECA § 29, which involves rendering design and construction services from DoD resources.

A. Initial Estimates of Cash Needed to Meet USG Financial Requirements in Support of the AECA § 21 Effort, When Dependable Undertaking is Authorized. The cash advance needed to meet USG financial requirements for the portion of the case classified as an

AECA § 21 sale must include the estimated earned reimbursements to be realized by DoD appropriation/fund accounts through the 3-month period after the payment due date of the billing statement issued by DFAS SCA.

1. Sales From Inventory. The drop from inventory creates the earned reimbursement, to include applicable administrative surcharges and accessorial charges. Therefore, the applicable FMS case manager will develop the estimated portion of cash needed to meet USG financial requirements based on anticipated requisition release dates.

2. Sales of DoD Services. Base the estimates of earned reimbursement for DoD services provided directly to the FMS purchaser, and for DoD services provided in support of an AECA § 22 contract, on the estimated portion of the services that will occur in the applicable billing period. Services also include applicable administrative surcharges and accessorial charges.

B. Initial Estimates of Cash Needed to Meet USG Financial Requirements in Support of the AECA § 22 and § 29 Effort, When Dependable Undertaking is Authorized.

1. The cash advance needed to meet USG financial requirements for the portion of a case classified as an AECA § 22 or § 29 sale, must include estimated disbursements to contractors for contractor invoices and potential disbursements to contractors if the purchaser does not make additional cash deposits in a timely manner, or the purchaser unilaterally cancels the case. Potential disbursements to contractors include payment of contract holdbacks and termination costs that would result if the work were stopped when the cash available to pay contractor invoices is exhausted. The estimate of cash advance needed to meet USG financial requirements covers the period extending through the 3-month period after the payment due date of the FMS billing statement.

2. Base the cash advances needed to meet USG financial requirements in support of procurements for FMS purchasers on normal administrative and procurement lead-times for the type of commodity being procured. The use of progress payment schedules from contractors, when available, is preferred over relying on default cost curves when developing LOA payment schedules. Table 4-1 shows the total cash advance needed to meet USG financial requirements for contracts in terms of percentage of contract costs. The percentages are a function of procurement lead-times. Table 4-1 also shows the percentage of the contract value required as a reserve for potential termination costs and contract holdback in the absence of an SBLC.

a. Potential termination costs represent the liability the USG has to contractors in the event termination occurs. Such costs include all accrued direct and indirect costs, as well as profits and subcontracts not covered by progress payments to the contractor, plus any penalty contract termination charges that might be realized. Potential termination costs do not include price increases to other ongoing contracts resulting from reductions in procurement quantities.

b. In the absence of procurement history for a particular system, a similar system, or cost curves obtained from the prime contractor, Table 4-1 may be used. The IAs must first exhaust all other avenues for obtaining forecasting or historical data from

contractors and internal sources prior to using Table 4-1 as the basis for calculating expenditure and TL prepayment requirements.

c. The percentages in Table 4-1 are for procurement lead-times ranging from 6 months to 60 months. This table may be used for the development of payment schedules included in the LOA. The percentage figures shown in Table 4-1 include all applicable costs (e.g., progress payment amounts, contractor holdback, and potential TL). The amount of the cumulative monthly payment applicable to the TL/contractor holdback is shown in the second column (% TL) for each procurement lead-time.

d. The TL/contractor holdback amount is a percentage of the Cumulative Amount of Contract Cost. TL/contractor holdback amounts are cumulative throughout the life of the case, and the required percentages decline toward the end of the life of the case.

040502. Administrative Surcharge Included in Initial Deposit

The initial deposit to accompany the LOA must include the FMS administrative surcharge expense and the cash advance needed to meet USG financial requirements (to include other applicable surcharges and accessorial charges) for the time between LOA acceptance and the first payment due date. The FMS administrative surcharge amount included in the deposit is determined by the total amount of the surcharge.

A. For cases where the calculated administrative surcharge is \$30,000 or less, the entire administrative surcharge value is recouped as part of the initial deposit. For cases that have a Small Case Management Line (SCML), the entire value of the administrative surcharge and SCML is recouped as part of the initial deposit (refer to SAMM, Chapter 9, paragraph C9.4.7, for more information on SCML).

B. For cases where the calculated administrative surcharge is greater than \$30,000, one-half of the administrative surcharge is recouped as part of the initial deposit. The remaining half is recouped based on the dollar value of items or services delivered in each year.

040503. Estimate of Cash Needed to Collect Nonrecurring Cost (NC) Recoupment Charges

NC Recoupment Charges are earned when the title is passed to the FMS purchaser and should be collected within 30 days of being earned. The title is normally transferred at the point of origin, at the time DoD releases the item from DoD's inventory, or at the time the vendor ships the item. Refer to SAMM, Chapter 7, [section C7.3](#) for more information on title transfers.

040504. Forecasting Procedures

Alternative forecasting procedures may be used for requisition cases (i.e., Cooperative Logistics Supply Support Arrangement and other repair parts cases). Most payment schedules for these cases tend to be overstated because of variations in both requisitioning and supply actions.

To prevent substantial over-billing, each IA must review and update payment schedules in accordance with subparagraph 040203.G.2.

0406 QUARTERLY TL RESERVE REQUIREMENT

TL Reserve is the amount of prepayments placed in reserve on a quarterly basis. For FMS purchasers with an FRB account, the TL Reserve is maintained in their FRB account, provided sufficient funds are on deposit in the FRB to cover the TL reserved amount. Otherwise, the FMS purchaser's Trust Fund TL Reserve Account will be utilized. The TL Reserve is not an additional charge or cost. These funds are fenced for potential termination costs; however, they do not necessarily represent the entire cost to cancel the contract. These funds cannot be used for normal disbursement activities (e.g., to pay for articles/services, administrative surcharges, or accessorial charges).

0407 CONTRACTOR REQUEST FOR PROGRESS PAYMENTS AND REIMBURSEMENT OF COSTS UNDER CONTRACTS INCLUDING FMS REQUIREMENTS

Current contracting procedures permit the procurement of both DoD and FMS purchaser(s) requirements in a single contract. Allocate the amount to be billed to DoD and to each FMS purchaser to implement FMS cash flow requirements. The part of the bill applicable to an FMS purchaser can be paid only to the extent that the FMS purchaser has sufficient cash available in its FMS Trust Fund account.

040701. Contractor Allocations

Per the Defense Federal Acquisition Regulation Supplement, [part 252.232-7002](#), "Progress Payments for Foreign Military Sales Acquisitions," DoD contracts that include FMS requirements must require the contractor to:

- A. Submit a separate progress payment request for each progress payment rate;
- B. Submit a supporting schedule showing:
 1. The amount of each request distributed to each country's requirements, and
 2. The total price per contract line item applicable to each separate progress payment rate;
- C. Identify in each progress payment request the contract requirements to which it applies (i.e., FMS or USG);
- D. Calculate each request on the basis of the prices, costs (including costs to complete), subcontractor progress payments, and progress payment liquidations of the contract requirements to which it applies; and

E. Distribute costs among contract line items and countries in a manner acceptable to the Administrative Contracting Officer.

040702. Allocation of Payments on Contracts

Allocate progress payments in accordance with Volume 10, Chapter 10, paragraph 100402. In addition, DoD contracts that include FMS requirements must identify amounts by accounting classification reference numbers (ACRNs), CLINs, and sub-line item numbers (SLINs), if applicable. This will enable the paying office to match payments to the applicable obligations.

040703. Contract Payment Offices

The contract payment offices must require that all bills submitted by contractors for payment include the proper ACRN/CLIN/SLIN. Contract payment offices must ensure they have all the documentation required to support payment (refer to Volume 10, Chapter 8, section 0803), and that payments are applied to the proper ACRN/CLIN/SLIN.

0408 DEPOSIT OF PURCHASER CASH INTO TREASURY ACCOUNTS

040801. General

DD 645s, SBAs, and LOA financial instructions direct that foreign purchasers forward payments (initial deposits on basic LOAs, amounts due with LOA amendments, or official billing statement payments) by wire transfer or mailed check.

A. Wire transfers are the preferred method for the foreign purchaser to forward payments.

1. Send wire transfers to the Treasury Account at FRBNY, using the standard Federal Reserve Funds Transfer format. The Federal Reserve System (FRS) will accept wire transfers only from banks that are members of FRS. Foreign banks must go through a U.S. correspondent bank that is a member of FRS.

2. DFAS SCA retrieves wire transfers daily from the Treasury Financial Communications System and prepares collection vouchers from this data for crediting FMS purchasers.

B. Make checks payable to the U.S. Treasury and mail to Disbursing Operation (DFAS-IN/JFD), DSSN 3801 Center Collections - SCA, 8899 E. 56th Street, Indianapolis, IN 46249-6300, showing payment from (insert purchaser) for (insert case identifier). Any recipient of a check from an FMS purchaser is responsible for depositing the check into a Treasury account within 1 working day of receipt.

040802. Misrouted Payments

When a recipient other than DFAS SCA is making a check deposit, the deposit must be

processed as a courtesy deposit for DFAS SCA. The following procedures apply:

- A. Prepare a deposit ticket utilizing the Over the Counter Channel ([OTCnet](#)) application. For information on OTCnet see Volume 5, Chapter 11, [section 110801](#);
- B. Process the deposit through an FRB or supporting member bank; and
- C. Send a copy of the deposit ticket notification to DFAS-IN/JAX, ATTN: Customer Accounting, 8899 East 56th Street, Indianapolis, IN 46249-6300. Attach the supporting documentation received with the misrouted payment. DFAS SCA must voucher the collection into the FMS Trust Fund on receipt of the supporting documentation.

0409 EA

EA is an FMS country-level authority, which allows [payments to be made](#) against obligations previously recorded against a country's trust fund account. EA is formal segregation of trust fund cash in DFAS SCA records, making the cash no longer available for any other purpose.

040901. EA Requirements

- * A. [Most country](#) trust fund [disbursements](#) require EA (including expenditure adjustments) [except those exempt by regulation \(i.e. cost clearing accounts and certain interfund transactions\)](#). [All EA for administrative fund disbursements is accomplished by DFAS-IN/SCA.](#)
- B. Certifying officers engaged in FMS Trust Fund certification must verify EA was obtained. EA can be obtained by contacting DFAS SCA, or interactively from DIFS.
 - C. DFAS SCA can only approve and issue EA when sufficient cash is available in an FMS purchaser's trust fund account.
 - D. EA must be obtained during the same calendar month in which the ensuing [disbursement](#) will be made.
 - E. If the [disbursement](#) is not made in the same month as the EA request, the EA must be returned and reissued the subsequent month.
 - F. Failure to request EA prior to [disbursement](#) is subject to reporting and disciplinary requirements. Administrative control of funds and Antideficiency Act violations are outlined in Volume 14.

040902. Cash Advances

A cash advance to an appropriation account must be obtained when a cash disbursement for an FMS contract would result in the applicable appropriation account being placed in a negative cash position. The amount requested must be equal to anticipated disbursing demands for a 30-

day period. Liquidation of outstanding advances (earning the advance through payment to contractors) must be reported to DFAS SCA monthly. The objective is to limit the amount and length of time that outstanding advances remain against the trust fund.

040903. Cash Flow Problems

DFAS SCA notifies the DSCA Country Financial Director when sufficient, unencumbered cash is not available for DFAS SCA to provide cash advances or EA, and contractor billings cannot be paid by the due date. The DSCA Country Financial Director then takes appropriate action as outlined in subparagraph 040201.B.

Table 4-1. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost)

	Procurement Lead-Time											
	6 Months		9 Months		12 Months		15 Months		18 Months		21 Months	
Admin Lead-Time (Month)	Cum. Monthly Payments	% TL										
1	5.7	30	2.7	14	1.5	0	1.0	0	0.7	0	0.5	0
2	19.6	35	8.2	38	4.6	30	3.0	20	2.1	14	1.5	9
3	44.8	32	17.7	35	9.4	34	6.0	40	4.2	30	3.1	23
4	74.9	18	32.4	34	16.7	35	10.2	33	7.1	38	5.2	37
5	95.2	2	51.6	29	26.8	35	16.0	35	10.8	34	7.9	36
6	100.0	0	71.9	18	39.9	32	23.7	35	15.7	35	11.3	34
7			88.4	5	54.9	27	33.4	33	21.9	35	15.5	35
8			97.2	1	70.2	18	44.8	30	29.4	34	20.7	35
9			100.0	0	83.5	7	57.2	26	38.3	32	26.9	34
10					92.8	2	69.6	18	48.1	29	34.1	33
11					97.8	0	80.8	9	58.5	24	42.1	30
12					100.0	0	89.6	3	68.7	18	50.8	28
13							95.4	1	78.2	10	59.7	24
14							98.6	0	86.1	5	68.5	18
15							100.0	0	92.2	2	76.8	11
16									96.7	1	84.0	7
17									98.7	0	89.9	3
18									100.0	0	94.3	1
19											97.3	0
20											99.2	0
21											100.0	0

Table 4-1. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) (Continued)

	Procurement Lead-Time											
	24 Months		27 Months		30 Months		33 Months		36 Months		39 Months	
Admin Lead-Time (Month)	Cum. Monthly Payments	% TL										
1	0.4	0	0.3	0	0.3	0	0.2	0	0.2	0	0.2	0
2	1.2	5	0.9	2	0.8	0	0.6	0	0.5	0	0.5	0
3	2.4	18	1.8	14	1.5	10	1.2	8	1.1	4	1.0	2
4	4.0	30	3.1	24	2.6	20	2.0	17	1.8	14	1.6	10
5	6.0	39	4.7	35	3.9	30	3.1	27	2.7	24	2.4	18
6	8.5	35	6.6	38	5.4	40	4.4	38	3.8	30	3.3	26
7	11.5	34	8.9	34	7.2	37	5.9	37	5.0	39	4.4	34
8	15.2	35	11.7	34	9.4	33	7.6	35	6.5	37	5.6	39
9	19.6	35	15.0	35	11.9	34	9.6	33	8.1	35	7.0	37
10	24.8	35	18.9	35	14.9	35	11.9	34	10.0	34	8.6	35
11	30.7	33	23.4	35	18.3	35	14.6	35	12.2	34	10.4	34
12	37.4	32	28.5	34	22.2	35	17.7	35	14.7	35	12.4	34
13	44.7	29	34.2	32	26.7	34	21.2	35	17.5	35	14.7	35
14	52.4	27	40.4	31	31.6	33	25.1	34	20.6	35	17.3	35
15	60.2	22	47.0	29	36.9	31	29.4	33	24.1	35	20.1	35
16	67.9	18	53.9	27	42.7	30	34.1	32	27.9	34	23.2	35
17	75.3	12	60.9	22	48.8	28	39.2	31	32.1	33	26.6	34
18	81.8	7	67.8	18	55.0	26	44.6	29	36.6	32	30.3	33
19	87.4	4	74.4	13	61.3	22	50.2	28	41.3	30	34.3	32
20	91.9	2	80.4	8	67.5	18	55.9	25	46.3	29	38.6	32
21	95.2	1	85.7	5	73.5	13	61.6	22	51.5	27	43.1	29
22	97.5	0	90.1	2	79.0	9	67.2	18	56.7	25	47.8	28
23	99.1	0	93.6	1	83.9	6	72.6	14	62.0	22	52.6	27
24	100.0	0	96.2	1	88.2	3	77.7	10	67.2	18	57.5	24
25			98.1	0	91.7	2	82.3	7	72.2	14	62.4	21
26			99.4	0	94.5	1	86.4	4	76.9	11	67.2	18
27			100.0	0	96.6	1	89.9	2	81.3	7	71.8	14
28					98.1	0	92.8	1	85.2	5	76.2	11
29					99.3	0	95.1	1	88.6	3	80.3	9
30					100.0	0	96.9	0	91.5	2	84.0	6
31							98.2	0	93.9	1	87.3	3
32							99.2	0	95.9	1	90.2	2
33							100.0	0	97.4	0	92.7	2
34									98.5	0	94.7	1
35									99.4	0	96.3	1
36									100.0	0	97.6	0
37											98.6	0
38											99.4	0
39											100.0	0

Table 4-1. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) (Continued)

	Procurement Lead-Time													
	42 Months		45 Months		48 Months		51 Months		54 Months		57 Months		60 Months	
Admin Lead-Time (Month)	Cum. Monthly Payments	% TL												
1	0.1	0	0.1	0	0.1	0	0.1	0	0.1	0	0.1	0	0.1	0
2	0.4	0	0.3	0	0.3	0	0.3	0	0.2	0	0.2	0	0.2	0
3	0.8	2	0.6	0	0.6	0	0.6	0	0.5	0	0.4	0	0.4	0
4	1.3	8	1.1	6	1.0	5	0.9	4	0.8	2	0.7	1	0.6	0
5	2.0	16	1.7	12	1.5	10	1.3	9	1.2	8	1.1	6	1.0	3
6	2.8	23	2.4	20	2.1	18	1.8	15	1.7	14	1.5	12	1.4	10
7	3.8	30	3.2	26	2.8	24	2.4	22	2.3	18	2.0	17	1.8	15
8	4.8	38	4.1	32	3.7	30	3.1	27	2.9	24	2.6	22	2.3	20
9	6.0	38	5.1	40	4.6	36	3.9	32	3.6	30	3.2	27	2.9	25
10	7.3	36	6.3	38	5.6	39	4.8	39	4.4	35	3.9	33	3.6	30
11	8.8	34	7.6	36	6.7	37	5.8	38	5.3	40	4.7	38	4.3	35
12	10.5	34	9.0	33	8.0	35	6.9	36	6.3	38	5.6	39	5.1	40
13	12.4	34	10.6	34	9.4	33	8.1	35	7.3	36	6.6	37	5.9	38
14	14.5	35	12.4	34	10.9	34	9.4	33	8.5	34	7.6	35	6.9	36
15	16.9	35	14.2	35	12.6	34	10.8	34	8.7	33	8.7	33	7.9	35
16	19.5	35	16.6	35	14.4	35	12.3	34	11.2	34	9.9	33	9.0	33
17	22.3	35	19.0	35	16.5	35	14.0	35	12.7	34	10.2	34	10.1	33
18	25.5	34	21.6	35	18.7	35	15.8	35	14.3	35	12.6	34	11.4	34
19	28.8	34	24.4	34	21.1	35	17.8	35	16.1	35	14.2	35	12.8	35
20	32.5	33	27.5	34	23.7	35	19.9	35	18.1	35	15.9	35	14.3	35
21	36.3	32	30.8	33	26.5	34	22.2	35	20.2	35	17.7	35	15.9	35
22	40.4	30	34.3	32	29.6	33	24.7	34	22.4	35	19.7	35	17.6	35
23	44.6	29	38.0	31	32.8	33	27.3	33	24.8	35	21.8	35	19.4	35
24	49.0	28	41.9	30	36.1	32	30.1	33	27.4	34	24.0	34	21.4	35
25	53.5	26	45.9	28	39.7	31	33.1	32	30.1	33	26.4	34	23.5	35
26	58.0	23	50.0	27	43.4	30	36.2	31	33.0	32	28.9	33	25.7	34
27	62.5	22	54.2	26	47.2	28	39.5	30	36.0	32	31.6	33	28.1	33
28	66.9	18	58.4	24	51.0	27	42.9	29	39.1	31	34.4	32	30.6	33
29	71.2	14	62.6	22	55.0	26	46.4	28	42.4	30	37.3	32	33.2	32
30	75.4	11	66.7	18	58.9	23	50.6	27	45.7	29	40.3	31	35.9	31

Table 4-1. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) (Continued)

	Procurement Lead-Time													
	42 Months		45 Months		48 Months		51 Months		54 Months		57 Months		60 Months	
Admin Lead-Time (Month)	Cum. Monthly Payments	% TL												
31	79.2	9	70.7	15	62.9	20	53.6	26	49.1	28	43.4	29	38.7	31
32	82.8	6	74.6	12	66.7	18	57.2	23	52.6	27	46.6	28	41.6	30
33	86.1	4	78.3	9	70.5	15	60.9	20	56.1	26	49.9	27	44.6	29
34	88.9	3	81.7	6	74.2	13	64.5	18	59.6	22	53.2	26	47.6	28
35	91.4	2	84.8	4	77.7	9	68.1	15	63.1	20	56.5	24	50.7	27
36	93.5	1	87.6	3	80.9	7	71.6	13	66.6	18	59.8	22	53.9	26
37	95.3	1	90.1	2	84.0	6	75.0	10	70.0	15	63.1	20	57.0	24
38	96.7	1	92.2	2	86.7	4	78.2	8	73.3	13	66.4	18	60.2	22
39	97.8	0	94.0	1	89.2	3	81.2	6	76.4	10	69.6	16	63.4	20
40	98.8	0	95.5	1	91.3	2	84.0	4	79.4	8	72.7	13	66.5	18
41	99.5	0	96.8	1	93.2	2	86.6	3	82.2	6	75.7	10	69.5	16
42	100.0	0	97.8	0	94.8	1	88.9	2	84.8	5	78.6	9	72.5	13
43			98.6	0	96.2	1	91.0	2	87.2	3	81.3	7	75.4	11
44			99.3	0	97.3	1	92.8	1	89.4	2	83.8	6	78.1	9
45			100.0	0	98.2	0	94.4	1	91.3	2	86.1	4	80.7	7
46					98.9	0	95.8	1	93.0	1	88.2	3	83.2	6
47					99.6	0	97.0	0	94.4	1	90.1	2	85.5	4
48					100.0	0	98.0	0	95.7	1	91.8	2	87.6	3
49							98.8	0	96.8	1	93.3	1	89.5	2
50							99.5	0	97.7	0	94.6	1	91.2	2
51							100.0	0	98.4	0	95.7	1	92.8	1
52									99.1	0	96.7	0	94.1	1
53									99.6	0	97.5	0	95.3	1
54									100.0	0	98.2	0	96.3	1
55											98.8	0	97.2	0
56											99.3	0	98.0	0
57											100.0	0	98.6	0
58													99.2	0
59													99.6	0
60													100.0	0