

**VOLUME 15, CHAPTER 4: “CASH MANAGEMENT”****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 2011 is archived.

<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
All	Reworded and reformatted chapter for clarity and updated references.	Update
All	Replaced Defense Finance and Accounting Service Security Assistance Accounting (SAA) with Security Cooperation Accounting (SCA).	Update
040205.C.2.b	Clarified that for cases that include a small case management line (SCML), the entire administrative surcharge and SCML are collected as part of the initial deposit. (Defense Security Cooperation Agency (DSCA) Policy Memorandum 12-37).	Update
040205.C.2.d & 040205.C.2.e	Reformatted the calculations for the quarterly amounts due on the payment schedule for cash advance requirements and Termination Liability (TL)/contractor holdback reserves.	Update
0403	Added section on the quarterly TL reserve requirement and calculation. Renumbered remaining sections. (DSCA Policy Memorandum 11-43).	Add
040502	Changed use of Standard Form 215 “Deposit Ticket” for receipt of checks with Over the Counter Application. (Department of Treasury, Financial Management Services (FMS) memorandum, dated March 23, 2012, Subject: Upcoming FMS Systems Changes and Timelines).	Update
Table 4-1	Deleted table “Payment Dates” and added hyperlink to table in Security Assistance Management Manual. Renumbered remaining tables.	Delete
Table 4-7	Added example on how to calculate the quarterly TL reserve requirement. Renumbered remaining tables. (DSCA Policy Memorandum 11-43).	Add
Figure 4-1	Deleted Deposit Ticket SF 215 example. No longer used after December 2012. (Treasury, FMS memorandum, dated March 23, 2012).	Delete

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## CHAPTER 4

CASH MANAGEMENT

## 0401 INTRODUCTION

## 040101. Objective

The objective of this chapter is to **provide** procedures 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 cash requirements (outlay authority) of each FMS Trust Fund purchaser **must** be met by that purchaser, by United States (U.S.) Government (USG) appropriations made available to finance the FMS Trust Fund purchases, or by a third-party payer.

## 040102. Cash Management Characteristics

A. The FMS purchaser **must make** cash deposits into the FMS Trust Fund (or Defense Security Cooperation Agency (DSCA)-approved Federal Reserve Bank (FRB) or Commercial Banking Account (CBA) accounts) for Defense articles and services sold under Sections 21, 22, and 29 of the [Arms Export Control Act \(AECA\)](#), (Public Law 90-629, as amended), codified at [Title 22, United States Code, sections 2751 et seq.](#) in advance of delivery, performance, or payments to contractors, except as provided in paragraphs 040102.A.1 and 040102.A.3 of this chapter. 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.

1. Payment may be made without interest within 60 days after delivery of Defense articles from stock or rendering of in-house Defense services, as authorized by AECA, section 21(d). This requires a specific determination by the President that delayed payment is in the national interest. [The President](#) delegated **this authority** to the Director, DSCA, in [Department of Defense \(DoD\) Directive 5105.65](#), “Defense Security Cooperation Agency.” The President may extend the 60-day period to 120 days if the President determines an emergency exists.

2. As authorized by AECA, section 22(a), the President may, without requirement for charge to any appropriation or contract authorization otherwise provided, enter into contracts for the procurement of Defense articles or Defense 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:

a. To pay the full amount of such contract which will assure the USG against any loss on the contract; and

b. 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.

3. Payment within 120 days after delivery of procured Defense articles or rendering of procured Defense services, as authorized by AECA, section 22 (b), requires the following Presidential determinations:

a. It is in the national interest to issue the Letters of Offer under this authority; and

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

Both determinations, 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.

4. An initial deposit **must** accompany the accepted Letter of Offer and Acceptance (LOA) to provide the cash advance required to cover the outlays and/or deliveries anticipated until the first quarterly payment is received, **unless an initial deposit waiver has been granted by DSCA**. Several factors impact the initial deposit (Refer to DSCA Manual 5105.38-M, “Security Assistance Management Manual” (SAMM), **Chapter 9** for initial deposit requirements). FMS bills are normally prepared 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. Chapter 8 of this volume contains a full discussion of the FMS billing process.

B. The FMS Trust Fund corpus is managed as a single cash entity, regardless of the source of the deposits, as outlined in paragraph 040102.A **of this chapter**. All FMS Trust Fund deposits are accounted for at purchaser and FMS case level by source of financing. Examples of Security Assistance (SA) funds include Military Assistance Program (MAP) Merger and FMF (FMS Credit and FMS Credit (non-repayable)). Examples of **other types of funds** are purchaser’s national funds, which include third-party funds **and DoD appropriated funds**.

C. The USG may provide SA 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.

1. 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 accounted for as expended prior to [FMF funds followed by the expenditure of the purchaser's](#) national funds. The DSCA Comptroller, either unilaterally or based on purchaser request, can alter the prioritization of expenditure drawdown for a specific FMS case.

2. SA funds (MAP Merger, FMF (FMS Credit, FMS Credit (non-repayable)), or loans) 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.

D. DSCA is authorized to approve a Standby Letter of Credit (SBLC) arrangement instead of [the FMS Termination Liability \(TL\) prepayment requirements described in paragraph 040205.C of this chapter](#). 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 (or authorized usage of previously undisbursed MAP Merger/FMF funds) only the amount of funds needed to cover anticipated expenditures and disbursements during the billing cycle. [Refer to SAMM, Chapter 9](#) and/or contact DSCA (Country Financial Management Division) for details on SBLC.

E. DSCA is authorized to enter into a national funds investment account agreement with an FMS purchaser and the Federal Reserve Bank of New York (FRBNY) for any country that finances all or a significant part of its FMS programs with national funds. The FRBNY accounts normally will not be considered for a country which finances FMS programs primarily with [SA](#) funds. After the establishment of the investment account, the purchaser remits all national funds payments to the FRBNY, usually identified to specific FMS cases. Moreover, 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. Payments made from MAP Merger/FMF (FMS Credit (non-repayable) [only](#)) funds usually will not be remitted to an FRBNY account, but will be made directly to the FMS Trust Fund unless otherwise specified in U.S. law. TL amounts may reside in the FRBNY accounts. The Defense Finance and Accounting Service (DFAS), Security [Cooperation Accounting \(SCA\)](#) 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.

F. 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 ([Refer to DSCA policy memorandum 04-02](#) for specific details). This agreement allows the FMS purchaser to deposit FMS payments into a commercial banking account and earn interest. CBAs are generally managed and operate like the FRBNY accounts. However, funds originating from USG appropriations (e.g., MAP Merger/FMF (FMS Credit (non-repayable))) [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. Funds

so deposited are not public funds within the meaning of Title 31, Code of Federal Regulations, [Part 202](#), “[Depositaries and Financial Agents of the Federal Government](#).”

G. 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 (a credit balance). Chapter 3, paragraph [0311](#) of this volume explains reporting adverse financial conditions.

040103. Responsibilities

A. The Defense Security Cooperation Agency (DSCA). DoD has financial responsibility for the FMS Trust Fund, and that function is performed by DSCA.

1. DSCA is responsible for:

a. **Ensuring** adequate cash availability exists in the FMS Trust Fund to meet **DoD’s** financial requirements;

b. **Identifying** the specific issue and remedy should cash flow problems arise. Examples of remedies include:

(1) **Adjustments** to ordered values,

(2) **Adjustments** to delivery timeframes,

(3) **Adjustments** to ordered quantity, or

(4) **Collection** of additional funds or other alternative financial arrangements;

c. **Approving** SBLCs, FRBNY accounts, and CBAs as they may pertain to FMS financial requirements;

d. **Calculating** and **approving** TL reserve amounts on a quarterly basis;

e. **Performing** follow-up actions on Security Assistance 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.

2. Additional information on FMS financial policies and procedures issued by DSCA can be found in SAMM, [Chapter 9](#).

B. The Defense Finance and Accounting Service (DFAS)

1. DFAS [SCA](#) is responsible for:

a. Timely posting of purchaser cash deposits within 48 hours of notification and disbursements by the 20th day of the following month to FMS case accounting records;

b. Reconciling summary Trust Fund-level account balances in the Defense Integrated Financial System (DIFS) with the Department of the Treasury balance in the Account Summary from the Government-wide Reporting System; and

c. Assuring that approved cash expenditure authorities do not exceed FMS purchaser's cash available balance in the FMS Trust Fund.

2. DFAS [SCA](#) is responsible for working with the contract payment office/certifying officer to:

a. [Approve](#) requested expenditure authority (EA) and ensure sufficient cash is available prior to disbursing FMS funds;

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

c. Resolve situations where disbursements were made without EA and where EA was requested or returned without a disbursement.

3. DFAS [SCA](#) will work with the accounting activities and the contract payment office to:

a. Ensure sufficient cash is available prior to processing disbursements from the FMS Trust Fund;

b. Ensure EA is obtained prior to processing a transfer between appropriations or funds and the FMS Trust Fund, or corrections of charges against and 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



c. Resolve situations where SF 1080 or SF 1081 transactions were processed without EA or where SF 1080 or SF 1081 forms were not processed when EA was requested and granted.

C. Implementing Agencies (IAs). Each Implementing Agency (IA) is responsible for:

1. Providing information needed to DSCA (Operations Directorate, Case Writing Division) for payment schedule preparation at the line level in [the Defense Security Assistance Management System \(DSAMS\)](#). The IA will approve the schedule as part of the LOA document coordination/[signature](#) process. Additional information on payment schedule development can be found in SAMM, [Chapter 9](#).

2. Developing historical cost curves systematically for DoD major weapon systems obtained through procurement for use in preparing case payment schedules; and reviewing the curves when the acquisition strategy changes, for example [from a Cost Plus Fixed Fee to a Cost Plus Incentive Fee](#).

3. Reviewing all cases at least annually on the anniversary of basic case implementation; in preparation for a formal review with the FMS purchaser; or when case value adjustments are required. Case reviews include reviewing and reconciling general case and delivery related data, expenditures/disbursements, and USG financial requirements.

a. [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.

b. [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.

4. Requesting and receiving approved EA from DFAS [SCA](#) prior to processing a disbursement citing the FMS Trust Fund.

5. Resolving problem disbursements using the authorities found in Volume 3, Chapter 11 of this Regulation.

6. Validating obligations in accordance with the requirements found in Volume 3, Chapter 8, Section 0804 of this Regulation.

## 0402 PAYMENT SCHEDULES

### 040201. Policy

It is DoD policy that FMS purchasers [must](#) pay amounts reflected in LOA payment schedules, [unless](#) financial requirements or anticipated disbursements exceed the current

payment schedule or where special billing arrangements have been negotiated. The IA must continually monitor USG financial requirements and confirm that payment schedules are accurate to ensure cash is available in an FMS purchaser's Trust Fund account when disbursements are needed. DSCA is responsible for issuing detailed guidance.

040202. General

Payment schedules are a consolidated formal presentation to the FMS purchaser of the estimates of cash advances needed to meet USG financial requirements. If deposits are required when a sales agreement is accepted, then those deposits should equal the FMS administrative surcharge required to be collected, plus all anticipated costs and contingencies (e.g., contract holdback, potential termination costs) until the first billing statement can be rendered and monies collected. 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 10<sup>th</sup> day of the last month of the quarter, then the DoD Component should require an initial deposit for the first two quarters of the agreement.

040203. LOA Payments

Payment schedule requirements will be included in each LOA in the format required in SAMM, [Chapter 9](#). The payment schedule portion of the LOA should be reissued via a modification or amendment (if a change in scope is included) in accordance with Section 040103.C.3.a of this chapter.

040204. Preparation

Any revision to the LOA payment schedule **must** be prepared in the manner prescribed in this volume.

A. It is essential that payment schedule revisions be prepared so they are consistent with the parameters of the FMS billing cycle and their contents are clearly understood by the IA, DSCA, DFAS SCA, and the FMS purchaser. 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). IA case managers are required to issue revised payment schedules when the LOA acceptance date is extended beyond the end of the billing quarter. This will 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 can be found in SAMM, Chapter 9.9, Table C9.T12, "Payment Schedule Dates."](#)

C. Payment schedules are intended to reflect "financial requirements" (which in turn relate to Column 12, Total Financial Requirements, of [Department of Defense \(DD\) Form 645 "FMS Billing Statement"](#)). In preparing the revised payment schedule, the

following guidelines regarding specific entries are applicable (refer to the illustrations in Table 4-1):

1. The “Previous Payment Scheduled (with date specified)” entry is mandatory and must correspond to the last implemented version of the payment schedule; otherwise, the field is blank. This entry ensures that all concerned (e.g., IA, DSCA, DFAS [SCA](#), and the FMS purchaser) have a clear understanding of the relationship between the original and revised payment schedules. The “Previous Payment Scheduled” entry must be the last quarterly payment due date before the LOA amendment or modification is anticipated to be countersigned. It cannot be a date in the future.

2. If an amount “Due With Amendment Acceptance” is appropriate, then this entry should also be shown. Such deposits do not apply to LOA modifications. For modifications, the FMS purchaser will [provide any amount due](#) on the next quarterly [billing cycle](#), as shown in the revised payment schedule.

3. The remaining payment date entries and associated quarterly and cumulative amounts are shown as necessary. The IA should ensure that these final entries correspond to the revised total case value (e.g., Block 13 of the LOA document).

**\*040205. Method for Calculating Requirements**

A. 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 that case costs be subdivided into two broad cost categories. The first category is the portion of case value to be provided under authority of [AECA](#), section 21: sales from DoD inventories and the services of DoD personnel. The second category is the portion of case value to be provided under authority of [AECA](#), section 22: procurement of hardware or contractor services for the FMS purchaser. The cash advance needed to meet USG financial requirements for the portion of the case classified as a Section 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](#). The cash advance needed to meet USG financial requirements for the portion of the case classified as a Section 22 sale **must** include estimated disbursements to contractors for contractor invoices and potential disbursements to contractors if additional cash deposits are not made by the purchaser in a timely manner or the case is unilaterally canceled by the purchaser. Potential disbursements to contractors include payment of contract holdbacks and termination costs which would result if 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 time period extending through the 3-month period after the payment due date of the FMS billing statement.

B. Initial Estimates of Cash Needed to Meet USG Financial Requirements in Support of Section 21 Effort. ([Refer to SAMM, Chapter 9](#) for more information).

1. Sales From Inventory. The drop from inventory creates the earned reimbursement, to include applicable administrative and accessorial surcharges. 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. Estimates of earned reimbursement for DoD services provided directly to the FMS purchaser and for DoD services provided in support of a Section 22 contract **must** be based on the estimated portion of the services which will be provided in the applicable billing period. Services also include applicable administrative and accessorial surcharges.

C. Initial Estimates of Cash Needed to Meet USG Financial Requirements in Support of Sections 22 and 29 Effort When Dependable Undertaking is Authorized (Refer to [SAMM, Chapter 9](#) for more information).

1. Cash advances needed to meet USG financial requirements in support of procurements for FMS purchasers **must** be based 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 4-2 shows, in terms of percentage of contract costs, the total cash advance needed to meet USG financial requirements for contracts. The percentages are a function of procurement lead times. Table 4-2 also shows the amount of contract value which, in the absence of an SBLC, is required as a reserve for potential termination costs and contract holdback.

a. Potential termination costs represent the liability USG has to contractors in the event termination occurs. Generally, 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 a procurement history for a particular system, a similar system, or cost curves obtained from a prime contractor, Table 4-2 may be used. The IAs should first exhaust all other avenues for obtaining forecasting or historical data from contractors and internal sources prior to using Table 4-2 as the basis for calculating expenditure and TL prepayment requirements. The percentages in Table 4-2 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 4-2 include all applicable costs, e.g., progress payment amounts, contractor holdback, and potential termination liability. The amount of the cumulative monthly payment applicable to the TL and contractor holdback reserve is shown in the second column (% TL) for each procurement lead time.

2. 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 accessorials) for the time period between LOA acceptance and the first payment due date. The FMS administrative surcharge amount to be included is determined as follows:

a. 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.

b. 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](#) for more information on the SCML).

c. Since the LOA illustrated in Table 4-3 was signed after the billing cutoff date, the time period between acceptance and payment due date will be approximately six months (e.g., for a December 20th acceptance, DFAS SCA would not bill until April for a due date of June 15th). Because of the 3-month administrative lead time, no contract cost will be incurred until April. Therefore, the amount of contract cost included in the initial deposit includes April, May, and June costs. The cumulative percentage of contract cost for this 3-month period is 1.1 percent (as noted in Table 4-2; 36 month payment schedule; 3-month procurement lead time). Applying this percentage to the contract cost of \$800,000 yields an initial deposit of \$8,800 ( $\$800,000 \times 1.1\%$ ), which is due upon acceptance. This amount does not include the FMS administrative surcharge and accessorials that would also be included in the initial deposit.

d. The calculation for the quarterly amount due each quarter is as follows:

**April billing:**

Cumulative Amount of Contract Cost through September 2011	\$30,400
Minus the deposit previously paid	<u>(\$8,800)</u>
Equals the amount due on June 15 to cover the months of July, August, and September	\$21,600

**July billing (June cutoff):**

Cumulative Amount of Contract Cost through December 2011	\$64,800
Minus the previous amounts paid in the deposit and June 15 payment (\$8,800 + \$21,600)	<u>(\$30,400)</u>
Equals the amount due on September 15 to cover the months of October, November, and December	\$34,400

This calculation is used throughout the remainder of the contract. The payment schedule would show these payment due dates.

e. TL and contractor holdback amounts are cumulative throughout the life of the case. The TL and contractor holdback amount is a percentage of the Cumulative Amount of Contract Cost (refer to 040205.C.1 of this chapter). In our example in Table 4-3, the amounts to be reserved for TL and contractor holdback are calculated as follows:

Deposit:	
Cumulative Amount of <b>Contract Cost (Initial deposit)</b>	\$8,800
<b>Multiplied</b> by the TL% (as noted in Table 4-2; 36 month payment schedule; 3-month procurement lead time)	<u>x 4%</u>
<b>Equals</b> the amount of <b>TL/contractor holdback reserve from the deposit</b>	\$352
<b>April billing:</b>	
TL Dollars due for September 2011	\$9,120
Minus the <b>amount</b> previously reserved from the deposit	<u>\$352</u>
<b>Equals</b> the amount of <b>TL/contractor holdback reserve from the first bill of \$21,600 (due June 15)</b>	\$8,768
<b>July billing:</b>	
TL Dollars due for December 2011	\$22,680
Minus the <b>amounts</b> previously reserved (\$352+\$8,768)	<u>\$9,120</u>
<b>Equals</b> the amount of <b>TL/contractor holdback reserve from the second bill of \$34,400 (due Sep 15)</b>	\$13,560

Toward the end of the life of the case, TL and contractor holdback requirements decline. Therefore, **these** amounts will decline according to the percentages applied in the payment schedule, as illustrated in Table 4-2.

f. Table 4-4 is an example of a standard TL worksheet that can be used to calculate the payment schedule example in Table 4-3. Table 4-5 illustrates a TL worksheet calculation for a payment schedule that includes sales from stock under Section 21 sales in addition to the procurement items.

3. Table 4-3 provides an illustration of the development of procurement costs to be included in the payment schedule based on Table 4-2 percentages.

a. The figures in Table 4-3 are based on an assumed procurement lead time of 36 months. Although assumed for the purposes of illustration, in actual practice, this lead time must be supplied by the procuring activity.

b. For purposes of illustration, the table assumes a billing cutoff date of December 10, 2010. The table further assumes an administrative lead time of three months to go on contract award, although it is recognized that a given contract might not be awarded until much later (in which instance the administrative lead time must be extended accordingly). IAs **must** ensure that realistic contract administrative lead times are used in preparing payment schedules.

D. Estimate of Cash Needed to Collect Nonrecurring Recoupment Charges. Nonrecurring Recoupment Charges are earned when title is passed to the FMS purchaser and should be collected within 30 days of being earned. Title is normally transferred at the point of origin, at the time DoD releases the item from DoD's inventory, or shipped by a vendor. Refer to SAMM, Section C7.5, "FMS Freight Forwarders."

## 040206. Forecasting Procedures

Alternative forecasting procedures may be used for requisition cases (i.e., Cooperative Logistics Supply Support Arrangement, Foreign Military Sales Order II, and other repair parts cases). Most payment schedules for these cases tend to be overstated because of variations in both requisitioning and supply actions. Therefore, to prevent substantial over-billing, each IA must review and update payment schedules in accordance with subparagraph 040103.C.1 of this chapter. The IA **must** also provide DFAS SCA with a “Quarterly Forecast of Financial Requirements for Requisition Cases” report and automated format (a “BK” transaction in the FMS Integrated Control System (FICS)). These inputs are submitted to DFAS SCA by the 15th day of the last month of each calendar quarter (i.e., March 15, June 15, September 15, and December 15) and show the most recent status of logistical commitments and unshipped obligations (on-hand unfilled requisitions). IAs should **submit a** report for all requisition cases. If there are no unfilled orders on the requisition case, then IA should report “zero unfilled requisition value.” Refer to Table 4-6 for instructions on preparing the FICS “BK” transaction used for the report.

A. Unfilled Requisition Values. DFAS SCA compares the unfilled order values for requisition cases to the case payment schedule quarterly amounts. The committed value is used for the forecasted requirement in Column 11 of DD Form 645 instead of the payment schedule amount.

B. Accurate Payment Schedules. This procedure does not preclude the requirement for an accurate payment schedule to be included in the LOA for a requisition type case. If an out-of-balance condition continues to exist between quarterly payment schedule amounts and the unfilled requisition value provided each quarter, then the IA should issue a new payment schedule.

**\*0403 QUARTERLY TERMINATION LIABILITY RESERVE REQUIREMENT**

## 040301. General

Termination Liability (TL) Reserve is the amount of prepayments collected in advance and placed in the TL Reserve Account on a quarterly basis. It 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 a contract. Generally, these funds cannot be used for normal disbursement activities (e.g., to pay for articles/services or administrative/accessorial costs).

## 040302. Quarterly Termination Liability Calculation

A. The computation for the quarterly TL calculation is based on the case-line level source of supply (SOS) from DSAMS and the case-level execution data from DIFS at DFAS SCA.

B. Refer to Table 4-7 for the calculation steps and an example of the Quarterly TL Reserve calculation.

#### 0404 CONTRACTOR REQUEST FOR PROGRESS PAYMENTS AND REIMBURSEMENT OF COSTS UNDER CONTRACTS INCLUDING FMS REQUIREMENTS

##### 040401. General

Current contracting procedures permit the procurement of both DoD and FMS purchaser(s) requirements in a single contract. To implement FMS cash flow requirements, it is necessary that the amount billed be allocated to DoD and to each FMS purchaser. The part of the bill which is 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.

##### 040402. Contractor Allocations

Per *Defense Federal Acquisition Regulation Supplement (DFARS), 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 the FMS case identifier and line requirements, **and**
  2. Total price per contract line item applicable to each 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 to the FMS case identifier and line in a manner acceptable to the Administrative Contracting Officer.

##### 040403. Allocation of Payments on Contracts

Allocation of progress payments **must** be accomplished using the guidance in Volume 10, Chapter 10 of this Regulation. In addition, DoD contracts that include FMS requirements **must** identify amounts by accounting classification reference numbers (ACRNs) and contract line items (CLINs), and sub-line items (SLINs), if applicable. This will enable the paying office to match payments to the applicable obligations.



**040404.** Contract Payment Offices

The contract payment offices should require that all bills submitted by Contractors for payment include the proper ACRN/CLIN/SLIN. Contracting payment offices **must** ensure they have all the documentation required to support payments made (**Refer to** Volume 10, Chapter 8, section 0804 of this Regulation) and that payments are applied to the proper ACRN/CLIN/SLIN.

**0405** DEPOSIT OF PURCHASER CASH INTO TREASURY ACCOUNTS**040501.** General

DD Form 645, Special Billing Arrangements (SBAs), and LOA financial instructions direct that foreign purchasers' payments (initial deposits on basic LOAs, amounts due with LOA amendments, or official billing statement payments) be forwarded by wire transfer (preferred method) to ABA #021030004, U.S. Treasury NYC, Agency Location Code 00003801, Beneficiary DFAS-JAX/IN Agency, or by a check made payable to the U.S. Treasury, mailed to the Disbursing Operation Directorate, 3801 Center Collections, DFAS-JAX/IN, P.O. Box 269490, Indianapolis, IN 46226-9490, showing payment from (insert Purchaser) for (insert case identifier.) These payments, however, are sometimes misrouted to incorrect offices. **Refer to** paragraph **040502** for procedures on processing misrouted payments.

**\*040502.** Receipt of Checks

Any recipient of a check from an FMS purchaser is responsible for depositing the check into a Treasury account within 1 working day after receipt. When a recipient other than DFAS **SCA** is making the 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 Application (OTCnet)**. For information on OTCnet see Volume 5, Chapter 24.

B. Process the deposit through an **FRB** or supporting member bank.

C. Send a copy of the deposit ticket notification to DFAS-IN/JAX, ATTN: Customer Accounting, 8899 East 56<sup>th</sup> Street, Indianapolis, IN 46249-6300. Attach the supporting documentation received with the misrouted payment.

D. DFAS **SCA** **must** voucher the collection into the FMS Trust Fund on receipt of the **supporting documentation**.

**040503.** Wire Transfers

If inquiries are received about wire transfer of funds to DFAS **SCA** or misrouted funds to be wire transferred, then the following information applies:

A. Wire transfers should be sent to the Department of the Treasury Account at FRBNY, using the standard Federal Reserve Funds Transfer (FRFT) 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.

B. The member bank **must** prepare the FRFT form as outlined in Table 4-8. This information **must** be provided to ensure prompt and correct application of the remittance.

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

#### 0406 EXPENDITURE AUTHORITY

##### 040601. General

Any disbursement of Trust Fund cash by an organization other than DFAS **SCA** **must** be made **under** expenditure authority (**EA**) previously issued by DFAS **SCA**. **EA** **must** only be approved and issued when sufficient cash is available in an FMS purchaser's Trust Fund Account. When DFAS **SCA** issues **EA**, the cash necessary to liquidate the **EA** is formally segregated in DFAS **SCA** accounting records, and the cash is available for no other purpose. Normally, procurements accomplished on a reimbursable basis **must** be supported by a self-reimbursement **EA**. However, a cash advance to an appropriation account must be obtained when a cash disbursement for an FMS contract would, if made, result in the applicable appropriation account being placed in a negative cash position.

##### 040602. Cash Advances

When cash advances are required, they **must** be processed on an "as required" basis. 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.

##### 040603. Cash Flow Problems

DFAS **SCA** notifies DSCA **w**hen 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. DSCA then takes appropriate action as outlined in 040103 **of this chapter**.

##### 040604. Automated Formats

Table 4-9 is an example of the **FICS** automated format used to request/authorize **EA**. The "SZF" (feedback) **transaction** provides positive transaction control. Other "S" formats in the series are used to process and control disbursement data. Table 4-9 **includes** the edits performed

on the data. [In FICS](#), specific details and instructions on how this format is used are available when preparing the FICS [transaction](#).

Table 4-1. Illustrations of Payment Schedule Revisions

<u>Original Estimated Payment Schedule</u>		
<u>Payment Date</u>	<u>Quarterly</u>	<u>Cumulative</u>
Initial Deposit	\$100,000	\$100,000
Mar 15, 20XX	90,000	190,000
Jun 15, 20XX	80,000	270,000
Sep 15, 20XX	35,000	305,000
Dec 15, 20XX	35,000	340,000
Mar 15, 20YY	10,000	350,000
Jun 15, 20YY	10,000	360,000
Sep 15, 20YY	5,000	365,000
Dec 15, 20YY	2,000	367,000
Given Data for Revisions 1 through 5:		
Last Payment Due Date: Dec 15, 20XX (most recent quarterly payment before month of LOA amendment preparation)		
LOA Amendment Prepared: February 20YY		
Offer Expiration Date: May 25, 20YY		
Next Payment Due Date: Sep 15, 20YY (next quarterly payment due date after Offer Expiration Date)		
1. <u>Revision Example No. 1 - Upward Adjustment via Amendment; Collections Equal Previous Payments Scheduled</u>		
<u>Payment Date</u> (refer to paragraph 040204.C)	<u>Quarterly</u>	<u>Cumulative</u>
Previous Payments Scheduled (Dec 15, 20XX)	N/A	\$340,000
<u>Current USG Financial Requirements</u>		<u>425,000</u>
Amount Received From Purchaser		340,000
Due With Amendment Acceptance	85,000	425,000
Sep 15, 20YY	35,000	460,000
Dec 15, 20YY	25,000	485,000
In Revision No. 1 (due at DFAS SCA not later than Dec 10, 20XX,) the Previous Payments Scheduled amount of \$340,000 corresponds to the Dec 15, 20XX cumulative amount on the original payment schedule. An amount due with amendment acceptance is requested on the LOA amendment and is therefore shown.		

Table 4-1. Illustrations of Payment Schedule Revisions (Continued)

The “Due With Amendment Acceptance” figures include amounts for payments due Mar 15, 20YY, Jun 15, 20YY, and other requirements for the period through the payment due Sep 15, 20YY. Any payments made by the purchaser that exceed the “Amount Received From Purchaser” are to be deducted from the “Due With Amendment Acceptance” amount. In this example, the current USG requirement of \$425,000 minus the \$340,000 already received from purchaser equals \$85,000 due at the time of amendment acceptance.

2. Revision Example No. 2 – Upward Adjustment Via Amendment; Collections Exceed Previous Payments Scheduled

<u>Payment Date</u>	<u>Quarterly</u>	<u>Cumulative</u>
Previous Payments Scheduled (Dec 15, 20XX)	N/A	\$340,000
<u>Current USG Financial Requirements</u>		<u>425,000</u>
Amount Received From Purchaser		455,000
Due With Amendment Acceptance	0	455,000
Sep 15, 20YY	5,000	460,000
Dec 15, 20YY	25,000	485,000

Revision No. 2 uses the same expenditure forecast as Revision No. 1, and identifies how the over-collection status on a case influences the future payment requirements on the schedule.

Any payments made by the purchaser which cumulatively exceed the “Amount Received From Purchaser” amount are to be deducted from the “Due With Amendment Acceptance” amount. The purchaser does not need to resume payments until such time as the USG’s financial requirements warrant.

3. Revision Example No. 3 – Upward Adjustment via Amendment; Collections Less Than Previous Payments Scheduled

<u>Payment Date</u>	<u>Quarterly</u>	<u>Cumulative</u>
Previous Payments Scheduled (Dec 15, 20XX)	N/A	\$340,000
<u>Current USG Financial Requirements</u>		<u>425,000</u>
Amount Received From Purchaser		275,000
Due With Amendment Acceptance	150,000	425,000
Sep 15, 20YY	35,000	460,000
Dec 15, 20YY	25,000	485,000

Revision No. 3 uses the same expenditure forecast as Revision No. 1, and identifies how the under-collection status on a case influences the future payment requirements on the schedule. In this instance, the purchaser must “catch up” on its payments with the amount due with amendment acceptance (or, in the event of an LOA modification, with the next quarterly payment due).

Table 4-1. Illustrations of Payment Schedule Revisions (Continued)

The “Due With Amendment Acceptance” figures include amounts for payments earlier shown as due Mar 15, 20YY, Jun 15, 20YY, and other requirements for the period through the payment due Sep 15, 20YY. Any payments made by the purchaser that exceed the “Amount Received From Purchaser” are to be deducted from the “Due With Amendment Acceptance” amount. In this example, the current USG requirement of \$425,000 minus the \$275,000 already received from purchaser equals \$150,000 due at the time of amendment acceptance.

4. Revision Example No. 4 - Downward Adjustment via Modification; Collections Equal Revised Payments Scheduled

<u>Payment Date</u>	<u>Quarterly</u>	<u>Cumulative</u>
Previous Payments Scheduled (Dec 15, 20XX)	N/A	\$460,000
<u>Current USG Financial Requirements</u>		<u>375,000</u>
Amount Received From Purchaser		375,000
Revised Payments Scheduled (Sep 15, 20YY)	N/A	375,000
Sep 15, 20YY	15,000	390,000
Dec 15, 20YY	10,000	400,000

In this example, the implementing agency desires to reduce the total amount of the LOA by \$60,000 to \$400,000. The \$25,000 still due from the purchaser is distributed over the remaining quarters of the revised schedule.

5. Revision Example No. 5 – Downward Adjustment Via Modification; Collections Exceed Revised Case Value

<u>Payment Date</u>	<u>Quarterly</u>	<u>Cumulative</u>
Previous Payments Scheduled (Sep 15, 20YY)	N/A	\$460,000
<u>Current USG Financial Requirements</u>		<u>400,000</u>
Amount Received From Purchaser		425,000
Revised Payments Scheduled (Sep 15, 20YY)	N/A	400,000

In Revision No. 5 (due at DFAS SCA by Sep 10, 20YY,) the Previous Payments Scheduled amount of \$460,000 corresponds to the Sep 15, 20YY (previous) entry in Revision No. 1. Since the implementing agency desires to reduce the total amount by \$60,000, a Revised Payments Scheduled entry of \$400,000 is shown. Based on the revised case value equaling \$400,000, the case is now in an overpayment status by \$25,000. The purchaser may elect to request that DFAS SCA transfer these funds to another case or holding account.

Table 4-1. Illustrations of Payment Schedule Revisions (Continued)

<u>6. Revision Example No. 6 – Upward Adjustment Via Modification; Collections Less Than Revised Case Value</u>		
<u>Payment Date</u>	<u>Quarterly</u>	<u>Cumulative</u>
Previous Payments Scheduled (Sep 15, 20YY)	N/A	\$460,000
<u>Current USG Financial Requirements</u>		<u>460,000</u>
Amount Received From Purchaser	460,000	460,000
Revised Payments Scheduled (Sep 15, 20YY)	N/A	460,000
Dec 15, 20YY	40,000	500,000

In Revision No. 6, the case value is being increased from \$460,000 to \$500,000 via a modification. Given the collections to date match the previous case value, the case requires additional funds. The purchaser must remit those additional funds with the next appropriate quarterly payment due date. The “Revised Payments Scheduled” amount equals the “Previous Payments Scheduled” because there is no payment due upon processing of a modification.

Table 4-2. Cumulative Monthly Payment Schedule and Termination Liability (TL) Percentages  
(As a percentage of contract cost)

Procurement Lead Time	6 Months		9 Months		12 Months		15 Months		18 Months		21 Months	
	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	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 4-2. Cumulative Monthly Payment Schedule and Termination Liability (TL) Percentages  
(Continued)  
(As a percentage of contract cost)

Procurement Lead Time	24 Months		27 Months		30 Months		33 Months		36 Months		39 Months	
Month	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	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 4-2. Cumulative Monthly Payment Schedule and Termination Liability (TL) Percentages  
Continued)  
(As a percentage of contract cost)

Procrmt Lead Time	42 Months		45 Months		48 Months		51 Months		54 Months		57 Months		60 Months	
Month	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	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 4-2. Cumulative Monthly Payment Schedule and Termination Liability (TL) Percentages  
(Continued)  
(As a percentage of contract cost)

Procrmt Lead Time	42 Months		45 Months		48 Months		51 Months		54 Months		57 Months		60 Months	
Month	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	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

Table 4-3. Illustration on Use of Percentages to Estimate Cash Advance Requirements  
(Assume Contract Cost of \$800,000 LOA Accepted 12/20/10<sup>1</sup>)

Month	Gross %	Cumulative Amount of Contract Cost	TL %	TL Dollars	Payment Schedule	
					Quarterly <sup>2</sup>	Cumulative
Dec 2010 (Initial Deposit) <sup>1</sup>	0.0	-	0	0	8,800	8,800
Jan 2011 <sup>3</sup>	0.0	-	0	0	0	0
Feb 2011 <sup>3</sup>	0.0	-	0	0	0	0
Mar 2011 <sup>3</sup>	0.0	-	0	0	0	0
Apr 2011 <sup>4</sup>	0.2	1,600	0	0	0	0
May 2011	0.5	4,000	0	0	0	0
Jun 2011	1.1	8,800	4	352	21,600	30,400
Jul 2011	1.8	14,400	14	2,016	0	0
Aug 2011	2.7	21,600	24	5,184	0	0
Sep 2011	3.8	30,400	30	9,120	34,400	64,800
Oct 2011	5.0	40,000	39	15,600	0	0
Nov 2011	6.5	52,000	37	19,240	0	0
Dec 2011	8.1	64,800	35	22,680	52,800	117,600
Jan 2012	10.0	80,000	34	27,200	0	0
Feb 2012	12.2	97,600	34	33,184	0	0
Mar 2012	14.7	117,600	35	41,160	75,200	192,800
Apr 2012	17.5	140,000	35	49,000	0	0
May 2012	20.6	164,800	35	57,680	0	0
Jun 2012	24.1	192,800	35	67,480	100,000	292,800
Jul 2012	27.9	223,200	34	75,888	0	0
Aug 2012	32.1	256,800	33	84,744	0	0
Sep 2012	36.6	292,800	32	93,696	119,200	412,000
Oct 2012	41.3	330,400	30	99,120	0	0
Nov 2012	46.3	370,400	29	107,416	0	0
Dec 2012	51.5	412,000	27	111,240	125,600	537,600
Jan 2013	56.7	453,600	25	113,400	0	0
Feb 2013	62.0	496,000	22	109,120	0	0
Mar 2013	67.2	537,600	18	96,768	112,800	650,400
Apr 2013	72.2	577,600	14	80,864	0	0
May 2013	76.9	615,200	11	67,672	0	0
Jun 2013	81.3	650,400	7	45,528	81,600	732,000

Table 4-3. Illustration on Use of Percentages to Estimate Cash Advance Requirements  
(Continued)  
(Assume Contract Cost of \$800,000 LOA Accepted 12/20/10<sup>1</sup>)

Month	Gross %	Cumulative Amount of Contract Cost	TL %	TL Dollars	Payment Schedule	
					Quarterly <sup>2</sup>	Cumulative
Jul 2013	85.2	681,600	5	34,080	0	0
Aug 2013	88.6	708,800	3	21,264	0	0
Sep 2013	91.5	732,000	2	14,640	47,200	779,200
Oct 2013	93.9	751,200	1	7,512	0	0
Nov 2013	95.9	767,200	1	7,672	0	0
Dec 2013	97.4	779,200	0	0	20,800	800,000
Jan 2014	98.5	788,000	0	0	0	0
Feb 2014	99.4	795,200	0	0	0	0
Mar 2014	100.0	800,000	0	0	0	800,000

## NOTES:

1. The FMS administrative surcharge required and accessorials would be added to the cash advance requirements illustrated here.
2. Date payment due at DFAS SCA.
3. Administrative lead time (i.e. January through March 2011).
4. Start of 36 months of procurement lead-time.

Table 4-4. Illustration of Table 4-3 Payment Schedule in Termination Liability/Contractor Holdback Worksheet Format (No AECA Section 21 Sales)  
(Assume Contract Cost of \$800,000 LOA Accepted 12/20/10)  
(No AECA Sec 21 Sales in LOA)

Date	Total Payment		Estimated Disbursements		Termination Liability/ Contractor Holdback <sup>1</sup>	
	Qtr (a) <sup>2,3</sup>	Cum (b) <sup>2,4,5</sup>	Qtr (c) <sup>3</sup>	Cum (d) <sup>4,5</sup>	Qtr (e) <sup>3</sup>	Cum (f) <sup>4,5</sup>
Initial						
Deposit <sup>6</sup>	8,800	8,800	8,448	8,448	352	352
15 Jun 11	21,600	30,400	12,832	21,280	8,768	9,120
15 Sep 11	34,400	64,800	20,840	42,120	13,560	22,680
15 Dec 11	52,800	117,600	34,320	76,440	18,480	41,160
15 Mar 12	75,200	192,800	48,880	125,320	26,320	67,480
15 Jun 12	100,000	292,800	73,784	199,104	26,216	93,696
15 Sep 12	119,200	412,000	101,656	300,760	17,544	111,240
15 Dec 12	125,600	537,600	140,072	440,832	(14,472)	96,768
15 Mar 13	112,800	650,400	164,040	604,872	(51,240)	45,528
15 Jun 13	81,600	732,000	112,488	717,360	(30,888)	14,640
15 Sep 13	47,200	779,200	61,840	779,200	(14,640)	0
15 Dec 13	20,800	800,000	20,800	800,000	0	0

## NOTES:

1. This analysis of TL/contractor holdback must be completed for all contracts regardless of value and **must** be a part of the case file.
2. Columns a and b should be identical to payment schedule in the LOA.
3. Column a = c + e.
4. Column b = d + f.
5. At end of schedule, column b = column d; column f must be zero. Column f may also be zero prior to the end of the schedule, as illustrated.
6. This example only requires an initial deposit for one quarter (reference paragraph 040202 of this chapter).

Table 4-5. Illustration of Table 4-3 Payment Schedule in Termination Liability/Contractor Holdback Worksheet Format (Includes AECA Section 21 Sales)  
(Assume Contract Cost of \$800,000 Plus AECA Sec 21 Sales of \$240,000, LOA accepted 12/20/10)

Date	Total Payment		Estimated Disbursements		Termination Liability/ Contractor Holdback <sup>1</sup>	
	Qtr (a) <sup>2,3</sup>	Cum (b) <sup>2,4,5</sup>	Qtr (c) <sup>3</sup>	Cum (d) <sup>4,5</sup>	Qtr (e) <sup>3</sup>	Cum (f) <sup>4,5</sup>
Initial						
Deposit <sup>6</sup>	28,800	28,800	28,448	28,448	352	352
15 Jun 11	41,600	70,400	32,832	61,280	8,768	9,120
15 Sep 11	54,400	124,800	40,840	102,120	13,560	22,680
15 Dec 11	72,800	197,600	54,320	156,440	18,480	41,160
15 Mar 12	95,200	292,800	68,880	225,320	26,320	67,480
15 Jun 12	120,000	412,800	93,784	319,104	26,216	93,696
15 Sep 12	139,200	552,000	121,656	440,760	17,544	111,240
15 Dec 12	145,600	697,600	160,072	600,832	(14,472)	96,768
15 Mar 13	132,800	830,400	184,040	784,872	(51,240)	45,528
15 Jun 13	91,600	922,000	122,488	907,360	(30,888)	14,640
15 Sep 13	77,200	999,200	91,840	999,200	(14,640)	0
15 Dec 13	40,800	1,040,000	40,800	1,040,000	0	0

## NOTES:

1. Termination Liability/contractor holdback are the same as Table 4-4 schedule; however, total payment and estimated disbursements are greater due to AECA Sec 21 articles/services in case.
2. Columns a and b should be identical to payment schedule in the LOA.
3. Column a = c + e.
4. Column b = d + f.
5. At end of schedule, column b = column d; by end of schedule, column f must be zero. Column f may also be zero prior to the end of the schedule, as illustrated.
6. This example only requires an initial deposit for one quarter (reference paragraph 040202 of this chapter).

Table 4-6. Instructions for Preparing “BK” Transactions, Quarterly Forecast of Financial Requirement for Requisition Cases

Data Element Description and Element Abbreviation	Format/ No. of Position	FICS TRC	Edit/Validation of: BKI Input—MILDEP to DFAS <a href="#">SCA</a> BKF Feedback—DFAS <a href="#">SCA</a> to MILDEP
Document Identifier Code (DIC)	X(3)	002	Must be “BKI”; if not, reject.
Direct Status (Input)	1-3		“BKF” A machine generated mirror image of the BKI transaction appended by the Positive Transaction Codes (PTC) to become the BKF transaction.
Direct Status (Feedback)	1-3		
Transaction Control No. (TCN) (FORMAT: YYMMDDNNNNNV)	X(13) 4-16	152	Must be numeric (0-9).
			YYMMDD must be equal to or less than current date
		249	Version number (V) must be “0” if action code is “A” (add).
		248	V must be 1-9 if action code is “C” (change) and must be 1 greater than suspense version number.
		251	If action code is “C” or “D” (delete), then TCN (excluding V) must equal suspense file. (YYMMDDNNNNNN).
Action Code	X(1) 17	003	Must be “A” or “C” or “D”, otherwise invalid. A=Add; C=Change; D=Delete
Country Code (CC)	X(2) 18-19	037	Must be “00” or on Country Code Table Number 2. If “00”, site code must be “5” (DFAS <a href="#">SCA</a> input).
Implementing Agency Code (IA)	X(1) 20	038	If site code equals “5” or “6”, then IA code must be on DIFS IA Table.
Case Designator	X(3) 21-23	039	Must be a valid case; if not reject. Case must be on the active case control file (I) or closed (C) when case is a valid case.
Date Forecasted (YYMM)	X(4) 24-27		
Amount Open Requisition	S9(12) V99- 28-39		Unfilled requisition values



Table 4-6. Instructions for Preparing “BK” Transactions, Quarterly Forecast of Financial Requirement for Requisition Cases (Continued)

The Positive Transaction Control feedback contains the original BKI transaction plus the following data elements for the BKF transaction.		
Transaction Reply Code (TRC)	X(15) 40-54	FEEDBACK TRANSACTIONS ONLY. This 15-character element is appended to the feedback format of all interface transactions by the recipient system. This area will contain 1 to 5, 3-digit transaction reply codes to communicate back to the originator system the result of processing the transaction (left justified/space filled).

\*Table 4-7. Quarterly Termination Liability Reserve Calculation and Example

The quarterly TL reserve requirement is calculated as follows:		
1. Using data from DSAMS, determine the Source of Supply (SOS) for each line.		
Line	Value	Source of Supply
Line 001	\$50,000	P
Line 002	\$50,000	X
Total Ordered Value of Articles/Services	\$100,000	
2. Using the estimated procurement on each case (100% of the "P" (procurement) SOS value and 50% of the "X" (mixed) SOS value), determine the estimated procurement percentage.		
<ul style="list-style-type: none"> <li>- Net Case Value Subject to TL: (Line 001(\$50,000 x 100%) + Line 002 (\$50,000 x 50%)) = (\$50,000+\$25,000) = \$75,000</li> <li>- Percentage of Case Subject to TL = Net Case Value Subject to TL/Total Ordered Value = \$75,000/\$100,000 = 75%</li> </ul>		
3. Calculate the TL on each case using Obligations/Order Value and Disbursements/Ordered Value data from DFAS SCA and the 60-month TL percentages in Table 4-2.		
Obligations: \$73,000 Obligations/Ordered: ( $\$73,000/\$100,000$ ) = .73 60 Month TL%: 13 (42 month Procurement lead time from Table 4-2)  (Obligations x TL%): $\$73,000 \times 13\% = \$9,490$		Disbursements: \$60,000 Disbursements/Ordered: ( $\$60,000/\$100,000$ ) = .60 60 Month TL%: 24 (37 month Procurement lead time from Table 4-2)  (Disbursements x TL%): $\$60,000 \times 24\% = \$14,400$
4. Apply the estimated procurement percentage calculated in Step 2 to each of the TL calculations.		
Obligations: Calculation 1 = \$9,490 Percentage of Case Subject to TL = 75%  $\$9,490 \times 75\% = \$7,117.50$		Disbursements: Calculation 1 = \$14,400 Percentage of Case Subject to TL = 75%  $\$14,400 \times .75 = \$10,800$
5. Hold the lower of these two calculations for each case in reserve for that quarter.		
Quarterly TL Reserve Requirement = \$7,117.50		

Table 4-8. Federal Reserve Fund Transfer Format

The Fedwire Securities Service only accepts messages in the proprietary message format. The key data elements of the message format include the following:

Required Information for Funds Transfer to Treasury		
Tag Name	Code Tag	Required Information
Message Type/ Subtype Code	(1510)	Type and Subtype Codes entered by the sender. EXAMPLE: 10/00
Amount	(2000)	The dollar amount of transfer. The amount will include the dollar sign and the appropriate punctuation including cents digits. EXAMPLE: \$9,999,999.99
Sender FI	(3100)	Identifies the sending financial institution's 9-digit American Bankers Association (ABA) routing number and short name. The sending bank will provide this number. EXAMPLE: 999999999 BANK XYZ
Sender Reference	(3320)	The sender institutions reference information may be inserted by the sending bank to identify the transaction. EXAMPLE: 201201010000000001
Receiver FI	(3400)	Identifies the receiving institution. The 9-digit identifier 021030004 is the routing number of the Treasury. The short name for Treasury's routing number is TREAS NYC. This item is a constant and is required for all funds transfer messages sent to Treasury. EXAMPLE: 021030004 TREAS NYC
Beneficiary	(4200)	Provided by Agency. The 3-, 4-, or 8-digit numeric symbol (Agency Location Code) used to identify Government departments and agencies. Agencies that use three- or four-digit ALCs should include preceding zeros to create a complete eight-digit ALC number. The Agency Location Code is mandatory and must be specified in the funds transfer Beneficiary Identifier field for the funds to be correctly classified to the respective agency. The agency name should be entered in the Beneficiary Name field. EXAMPLE: 12345678 Government Agency XYZ
Originator to Beneficiary Info	(6000)	Used to identify information conveyed from originator to the beneficiary; e.g., details of the payment, including invoice numbers and amounts.

Table 4-8. Federal Reserve Fund Transfer Format Example

Example of a FMS Funds Transfer to DFAS SCA		
Type/Subtype Code	(1510)	1000
Amount	(2000)	\$9,999,999.99
Sender FI	(3100)	999999999 BANK XYZ
Sender Reference	(3320)	974101509303
Receiver FI	(3400)	021030004 TREAS NYC/FUNDS TR
Beneficiary (DFAS SCA)	(4200)	00003801 DFAS-JAX/IN Defense Finance & Accounting Service
Originator to Beneficiary Info	(6000)	Payment from Bandaria for FMS case BN-D-XYZ.

Table 4-9. DIFS Format on Notification of Expenditure Authority Request/Feedback

Data Element Description and Element Abbreviation	Format/ No. of Position	FICS TRC	Edit/Validation of:
Document Identifier Code (DIC)	X(3)	002	Must be “SZI”; if not, reject.
Direct Status (Input)	1-3		Input - “SZI”
Direct Status (Feedback)	1-3		Feedback - “SZF” A machine-generated mirror image of the SZI transaction created during the Positive Transaction Control (PTC) process, appended with up to 5 Transaction Reply Codes (TRC).
Transaction Control No. (TCN) (FORMAT: YYMMDDNNNNNV)	X(13) 4-16	152	Must be numeric (0-9).
			YYMMDD must be equal to or less than current date
		249	Version number (V) must be “0” if action code is “A” (add).
		248	V must be 1-9 if action code is “C” (change) and must be 1 greater than suspense version number.
		251	If action code is “C” or “D” (delete), then TCN (excluding V) must equal suspense file. (YYMMDDNNNNN).
Action Code	X(1) 17	003	Must be “A” or “C” or “D”, otherwise invalid. A=Add; C=Change; D=Delete
Country Code (CC)	X(2) 18-19	037	Must be “00”, “JF”, “EP”, “FG” “79”, “82” or on Country Code Table Number 2.
Implementing Agency Code (IA)	X(1) 20	038	Must be on DIFS IA Code Table Number 3, cannot be “9” or “S”.
Case Designator	X(3) 21-23	039	Must be a valid case, “91X”, “93X”, or “94X”; if not, reject. Case must be on the active case control file (I) or closed (C) when case is a valid case.
Date Accounting Month (DT-ACCT-MO) (YYMM)	X(4) 24-27	281	YYMM must equal to current date or 1 or 2 prior months. If last 5 days of current month, then YYMM may be next month.
Disbursing Station Symbol Number (DSSN)	X(4) 28-31		No edit.

Table 4-9. DIFS Format on Notification of Expenditure Authority Request/Feedback  
(Continued)

Data Element Description and Element Abbreviation	Format/ No. of Position	FICS TRC	Edit/Validation of: SZI Input—MILDEP to DFAS <a href="#">SCA</a> SZF Feedback—DFAS <a href="#">SCA</a> to MILDEP
Accounting Station Symbol Number (ASSN)	X(6) 32-37		No edit
Amount of Expenditure Authority Requested	S9(12) V99 38-51	156	Must be numeric.
		161	Negative amounts must be processed first. There must be sufficient cash in the Financial Management Ledger Country Balances Account 1001 "Available Cash."
Date of Disbursement Accounting Month	X(4) 52-55		YYMM must be equal to or less than current date. Cannot exceed DT-ACCT-MO. MM must be 01 thru 12. If last 5 days of current month, then YYMM may be next month.
Disburser's Implementing Agency	X(1) 56		Must be on DIFS IA Code Table. Cannot be "9" or "S."
Reserve Indicator Year	X(1) 57		No edit.
The Positive Transaction Control feedback contains the original SZI transaction plus the following data elements for the SZF transaction.			
Transaction Reply Code (TRC)	X(15) 58-73		FEEDBACK TRANSACTIONS ONLY. This 15-character element is appended to the feedback format of all interface transactions by the recipient system. This area will contain 1 to 5, 3-digit transaction reply codes to communicate back to the originator system the result of processing the transaction (left justified/space filled).