

★ DEFINITIONS

NOTE: Volume 1, Definitions, defines terms prevalent to the entire DoD community. Definitions contained in this section of Volume 15 identify terms unique to Security Assistance policies and procedures, or embellish Volume 1 terms as appropriate for the Volume 15 scope.

★Accessorial Charges. The costs of packing, crating and handling (PC&H) and transportation associated with the movement of defense articles provided under the FMS program.

★Accrued Expenditures. The term used for the credits entered into the budgetary accounts to recognize liabilities incurred for (1) services performed by employees, contractors, other government accounting entities, vendors, carriers, grantees, lessors, and other sources; (2) goods and other tangible property received; (3) applicable surcharges; and (4) items such as annuities or insurance claims for which no current service is required. Accrued expenditures are categorized either as paid or unpaid.

Accrued Expenditure-Paid. The budgetary account that matches the proprietary account “funds disbursed.” It represents the dollar value of goods and services received for which payment has been made.

Accrued Expenditure-Unpaid. The budgetary account that matches the proprietary account “accounts payable.” It represents the dollar value of goods and services received for which payment has not been made.

★Administrative Surcharge. The cost for administering sales made under the Arms Export Control Act (AECA). Captures manpower (both U.S. Government (USG) and contractor-furnished) and other costs required to develop, execute and close FMS cases. These functions may be indirect (i.e., support across multiples customers/cases) or direct (i.e., support to a specific case or program).

Allotment. Authority issued to a DoD Component to incur commitments and obligations within a specified amount. In the FMS program, there are two types of allotments.

Allotment for Actual Administrative Expenses. All of the actual cost incurred by DoD Components in administering the FMS program are funded by this allotment. The allotment is issued on a quarterly basis and may not be exceeded.

Allotment for Program Implementation. An allotment of FMS case contract authority for use on a direct cite basis, citing the allotment holder’s accounting station. This type of allotment is made when the Defense Finance and Accounting Service, Deputate for Security Assistance, Denver (DFAS-AY/DE) determines it does not have the accounting capability to support detailed accounting requirements below the FMS case level, i.e., commitments, obligations and disbursements resulting from contract award to implement individual FMS case line items. The amount released on each FMS case is a specific limitation and the monthly status-of-allotment report must show the status of each case.

★**Anticipated Reimbursements.** This term refers to the dollar value of reimbursable orders that has been included in the DoD Component's budget. Applicable amounts are not available for obligation until an actual customer order has been received and accepted. There are two general type of anticipated FMS reimbursements.

★**Apportioned Anticipated Reimbursements.** Initial and interim reports of budget execution reflect apportioned anticipated reimbursements but commitments and obligations cannot exceed the value of approved amounts reflected in column 10 of the DD Form 2060 (FMS Obligational Authority) or automated equivalent. Budget execution reports as of September 30 will reflect a reduction in the amount of anticipated reimbursement to align with DD Form 2060 actual orders. In the event the that reimbursable program is subject to apportionment action, DD Form 2060 orders received in excess of the apportionment are not available for obligation until the apportionment for reimbursable orders is increased through the DoD budget process.

★**Automatically Apportioned Anticipated Reimbursements.** When anticipated reimbursements are subject to automatic apportionment, the value of any DD Form 2060 or automated equivalent reimbursable order is available for obligation.

★**Arrearage.** An arrearage occurs when the FMS purchaser's total cash resources on deposit with the USG are insufficient to cover the unpaid accrued expenditures, considered collectively, made on behalf of that purchaser.

★**Attrition.** The destruction of a DoD capital asset when a foreign student was in physical control of the asset or was a direct result of negligence, simple or gross.

★**Below-the-line-Costs.** On a Letter of Offer and Acceptance (LOA) costs identified as packing, crating, and handling (PC&H), administrative charge, transportation, and other costs that are displayed on lines 9-12 of the LOA.

★**Budget Authority.** Authority provided by law to incur financial obligations (in support of FMS cases) that will result in outlays. Specific forms of budget authority applicable to the FMS program are contract authority (direct cite) and spending authority from offsetting collections (reimbursable). A description of each form follows:

★**Contract Authority (Direct Cite).** A type of budget authority that permits obligations in advance of cash being available to liquidate the obligations. Section 22 of the Arms Export Control Act (AECA) provides permanent indefinite contract authority for new procurement for FMS customers. When the foreign country or international organization provides a dependable undertaking, the United States Government (USG) is authorized to enter into contracts in advance of receiving cash.

★**Spending Authority from Offsetting Collections (Reimbursable).** A type of budget authority that permits the sales of defense articles and defense services under section 21 of the AECA and the administrative functions financed with the FMS administrative surcharge and logistics support charge.

★**Defense Working Capital Fund (DWCF).** A revolving fund using a business-like buyer-and-seller approach with a goal of breaking even over the long term. Stabilized rates or prices are generally established each fiscal year. DWCF stabilized rates or prices are adjusted for sales to FMS customers to include an amount for unfunded civilian retirement and post-retirement health benefits costs. The DWCF was established on December 11, 1996, upon the reorganization of the former Defense Business Operations Fund (DBOF).

Defense Stock. The term “stock” includes defense articles on hand that are available for prompt delivery. It also includes defense articles (contract) on order that are available for delivery within a reasonable time from the date of order by an eligible foreign government or international organization without increasing outstanding contracts or entering into new contracts. Any orders received from and eligible foreign government or international organization which cannot be filled in this manner fall within the provisions of section 22 of the AECA.

★**Dependable Undertaking.** Pursuant to section 22(a) of the AECA, a firm commitment by the purchaser to (1) pay the full amount of a contract which assures the USG against any loss on the contract, and (2) 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. Refer to the Security Assistance Management Manual (SAMM) to validate which countries qualify for dependable undertaking.

★**Direct Cite.** For the purposes of this volume, citation of the Trust Fund (97-11X8242), as the financing source on documents leaving the DoD system, contracts with such organizations as commercial firms, the General Services Administration, or the Department of Transportation. The term “direct cite” does not apply if any DoD organization establishes a reimbursable order to a DoD appropriation account or the Defense Working Capital Fund.

Distributed Costs. Refers to a cost that has been identified or allocated to an FMS case.

Estimated Actual Charges. A systematic and documented estimate of actual cost. The procedure is used in the absence of an established cost accounting system and the procedure is sometimes referred to as a cost finding technique.

★**Expenditure Authority.** Authority issued by DFAS-AY/DE to a certifying officer/disbursing activity authorizing the subsequent disbursement of an FMS country’s funds. See Chapter 4 of this volume.

★**FMS Billing Statement (DD Form 645).** In the absence of a special billing arrangement, represents the USG’s official claim for payment to the FMS purchaser.

Full Value for DoD Stocks and Services. A selling price computed in accordance with Chapter 7 of this volume.

Financing Appropriation. The appropriation account originally increased as a result of the performing DoD Component's acceptance of a reimbursable order from the DFAS-AY/DE. This activity is reflected as "FMS reimbursable."

FMS Case. A United States Department of Defense Letter of Offer and Acceptance (LOA) and associated supporting and executing documents.

★FMS Contract Administration Services (CAS). FMS CAS is composed of three basic elements consisting of: (1) quality assurance and inspection, (2) contract audit, and (3) contract management (reference the Federal Acquisition Regulation (FAR), Defense Federal Acquisition Regulation Supplement (DFARS), supplements thereto, and the Defense Contract Audit Agency (DCAA) Control Audit Manual). The majority of the tasks associated with items (1) and (3) are performed by the Defense Contract Management Agency (DCMA) (formerly performed by the Defense Logistics Agency) and the majority of the tasks associate with item number (2) are performed by the DCAA. Portions of CAS may be waived in accordance with the AECA.

★FMS Contract Administrative Services (CAS) Surcharge. The FMS CAS surcharge is collected and applied on the value of payments made to contractors for items purchased through an FMS case.

★FMS CAS Surcharge Account. A subaccount under the FMS Trust Fund to record all collections and payments/reimbursements relative to the CAS surcharge.

Foreign Military Sales Order (FMSO). These are letters of offer and acceptance (LOAs) that implement Cooperative Logistics Supply Support Arrangements. Two LOAs are written: an FMSO I and an FMSO II. The FMSO I, Part A, represents the on-hand value of DoD Continental United States (CONUS) inventories required to support FMS customer requisitions. The FMSO I, Part B, provides the obligational authority to fund the remaining portion of the order. The FMSO II is the consumption case, and all FMSO deliveries are reported against this case.

Implementing Agency. The DoD Component assigned responsibility by the DSCA to prepare an LOA and implement the case. The implementing agency is responsible for overall management of the actions which will result in delivery of the materials or services set forth in an implemented LOA.

★Indebtedness. Financial obligations of FMS customers to make payment(s) to the USG in accordance with the official billing statement.

★Letter of Offer and Acceptance (LOA). The authorized document for use by the USG to offer to sell defense articles and defense services to a foreign country or international organization. Closely related to the "FMS case." Signature by the purchaser represents acceptance of the offer.

★**Letter of Intent (LOI).** Used on an exceptional basis for the acquisition of long lead-time item requirements of a proposed system sale prior to the LOA being implemented. Should be used only when clearly required to allow a program to proceed on schedule and within the projected cost.

★**Major Case.** Determined based on type of FMS case (LOA) as follows: Defined order \$25 million or greater, blanket order, or a CLSSA, \$10 million or greater, or 15 percent or more of a country's total FMS program in terms of dollar value.

Major Defense Equipment (MDE). Those items of significant military equipment, as identified in the International Traffic in Arms Regulation U.S. Munitions List, that have incurred a non-recurring cost for RDT&E of \$50 million or a total production cost of \$200 million or more.

★**Net Case Value.** Total amount of cost reflected above-the-line on line 8 of the LOA.

Non-standard Article. For FMS purposes, a non-standard article is one that the Department does not manage, either because applicable end items have been retired or because they were never purchased for DoD Components.

Non-standard Service. For FMS purposes a non-standard service is a service that the Department does not routinely purchase or perform.

★**Obligational Authority (OA).** The authorized amount (funding) received by the implementing agency (IA) on a DD Form 2060 (FMS Obligational Authority) (or automated equivalent) in advance of commitments and obligations to be incurred against a given FMS case in an amount not to exceed the value specified (line 20 of the DD Form 2060). The IA records reimbursable orders against an appropriation or directly cites the FMS Trust Fund while executing the FMS case. Line 10 of the DD Form 2060 displays the amount programmed as reimbursable authority and line 11 displays the direct cite authority.

Omnibus Billing. Statement of Account. A statement of additional charges or credits to cases that have been recategorized from active to inactive status.

★**Problem Disbursement.** Includes items identified individually as unmatched disbursements, negative unliquidated obligations, in-transit disbursements and disbursements in suspense accounts representing disbursements and collections made by disbursing officers, reported to the Treasury Department's Financial Management Service, but upon receipt at the official accounting station cannot be successfully matched to the original obligation or accounts receivable amount for liquidation purposes.

★**Negative Unliquidated Obligation (NULO).** A disbursement transaction that has been matched to the cited detail obligation, but the total disbursement(s) exceeds the amount of that obligation.

★**Unmatched Disbursement (UMD).** A disbursement transaction that has been received and accepted by an accounting office, but has not been matched to the correct detail obligation. This includes transactions that have been rejected back to the paying office or central disbursement clearing organization by an accounting office.

★**In-Transit Disbursement.** A disbursement transaction that has been transmitted by a disbursing office to an accounting office, but has not yet been received by the accounting office.

★**Reimbursable Order.** An order for services, supplies, material, or equipment placed by a requiring DoD Component and furnished by another DoD Component or federal agency without separate identification of the items, or separate citation of the funds of the requiring DoD Component; and with subsequent delivery to and reimbursement by the requiring DoD Component. The reimbursable order is recorded as an obligation by the requiring DoD Component when the procuring DoD Component accepts the reimbursable order in writing. For FMS, the authority to enter into reimbursable work is established on line 10 of the DD Form 2060 (or automated equivalent).

★**Residual Value.** The estimated value remaining at the end of a capital asset's useful life to the Department, or the amount that can be expected to be recovered from the asset's disposal when it is removed from service.

Secondary Appropriation. An appropriation account increased as a result of reimbursable orders from an implementing agency which cite one of the implementing agency's appropriation accounts. Activity in a secondary appropriation is not categorized as an "FMS reimbursable."

★**Special Billing Arrangement.** An alternative to the DD Form 645 that serves as an official USG claim for payment to the FMS customer. Usually computed at the country or in-country service level.

Staging Cost. The cost incurred by the Department in consolidation of materiel before shipment to an FMS customer. Includes costs incident to storage and control of inventory, consolidation of incoming articles into a single shipment, and a break in CONUS transportation.

Standby Letter of Credit. Used in lieu of termination liability prepayment requirements, as authorized by DSCA.

★**Termination Liability.** The amount of prepayments that cover payments required by the contract, and any damages and costs that may accrue from the cancellation of such contract. Funds prepaid for Termination Liability will convert to cover actual expenditures in the event that the contract not be terminated prior to performance completion. Termination Liability may not apply to articles/services provided under other authorities of the Foreign Assistance Act or AECA.

Trust Fund. In this volume, the FMS Trust Fund, "Advances, Foreign Military Sales, Executive" (97-11X8242).

★Uncommitted Acceptance. The unexecuted portion of the dollar value for an FMS case that has not been released to an implementing agency.

Undistributed Cost. A cost or disbursement to a budget authority which has not been allocated to a specific case.