

**VOLUME 15: “DEFINITIONS”****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 April 2012 is archived.

<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
Chapter Title	Changed name of chapter from “Glossary” to “Definitions” to comply with Office of the Under Secretary of Defense (Comptroller) guidance that the DoD FMR has only one Glossary. All volume editions will be referred to as “Definitions.”	Update
Building Partner Capacity programs	Added definition of the new term Building Partner Capacity programs. Formerly referred to as FMS-like cases or pseudo cases.	Add
FMS-like Cases	Deleted the definition of Foreign Military Sales (FMS)-like Cases. These are now called Building Partner Capacity programs.	Delete
Safety Level	Added the safety level of the FMS Administrative Surcharge Account.	Add
Small Case Management Line (SCML)	The SCML will no longer be assessed on Letters of Offer and Acceptance accepted/implemented on or after 3 July 2012. Added the rescission date of the SCML to the definition.	Update

## DEFINITIONS

Definitions contained in this section of Volume 15 identify terms unique to Security Cooperation policies and procedures. Refer to the Department of Defense (DoD) Financial Management Regulation (FMR) Glossary for terms that are common with other FMR volumes.

### Acceptance

Acceptance is the act of an authorized representative of the government by which the government assumes for itself, or as agent of another, ownership of existing and identified supplies tendered, or approves specific services rendered, as partial or complete performance of the contract on the part of the contractor. See also Letter of Offer and Acceptance (LOA).

### Accessorial Charges

Accessorial Charges represent certain expenses incident to issues, sales, and transfers of materiel that may or may not be included in the standard price or contract cost of materiel. [These charges include](#) the costs of packing, crating, handling, and transportation and port loading and unloading costs associated with the movement of Defense articles provided under the Foreign Military Sales (FMS) program.

### Accrued Costs

Accrued Costs are the financial value of delivered articles and services and incurred costs reported to Defense Finance and Accounting Service Security Cooperation Accounting via delivery transactions. Incurred costs represent disbursements for which no physical deliveries have yet occurred.

### Allotment

An Allotment is the authority issued to a DoD Component to incur commitments and obligations within a specified amount. In the [Foreign Military Sales \(FMS\)](#) program, there are two types of allotments:

a. Allotment for Actual Administrative Expenses. All of the actual costs incurred by the 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.

b. Allotment for Program Implementation. An allotment for Program Implementation is FMS case contract authority used to fund obligations citing the allotment holder's accounting station. This type of allotment is made when [the Defense Finance and Accounting Service Security Cooperation Accounting](#) determines it does not have the accounting capability to support detailed accounting requirements below the FMS case-line level, i.e., commitments, obligations, and disbursements to implement individual FMS case line items. The amount released on each FMS case-line is a specific limitation, and the monthly status-of-allotment report must show the status of each case-line.

### Anticipated Reimbursements

Anticipated Reimbursements are the dollar value of reimbursable orders that **have** been included in the DoD Component's budget. Applicable amounts are not available for obligation until an actual purchase order has been received and accepted. There are two general types of anticipated **Foreign Military Sales (FMS)** reimbursements:

a. 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 Department of Defense **(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 that the reimbursable program is subject to apportionment action, DD Form 2060 actual 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.

b. 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.

### Arms Export Control Act

The **Arms Export Control Act (AECA)** is the basic **United States** law which provides the authority and general rules for the conduct of **Foreign Military Sales** and commercial sales of Defense articles, Defense services, and training. This act is codified at Title 22, United States Code, **sections 2751 et seq.**

### Arrearage

An arrearage occurs when the **Foreign Military Sales** purchaser's total cash resources on deposit with the **United States Government** are insufficient to cover the unpaid accrued expenditures made on behalf of the purchaser.

### Attrition (International Military Training)

Attrition is the destruction of a DoD capital asset when a foreign student was in physical control of the asset or as a direct result of simple or gross negligence.

### Below-the-Line Costs

(Obsolete terminology) On a Letter of Offer and Acceptance (LOA), Below-the-Line Costs are costs identified as **packing, crating, handling, and transportation**, administrative charges, and other costs, that are displayed on lines 9 through 12 of the LOA.

### Budget Authority

Budget Authority is provided by law and allows an activity to incur financial obligations (in support of [Foreign Military Sales \(FMS\)](#) cases) that will result in outlays. The specific form of budget authority applicable to the FMS program is contract authority.

### \*Building Partner Capacity Programs

Building Partner Capacity (BPC) programs encompass Security Cooperation and Security Assistance activities funded with United States Government (USG) appropriations and administered as cases within the Foreign Military Sales infrastructure. These programs provide defense articles and/or defense services to other USG departments and agencies for the purpose of building the capacity of partner nation security forces. The DoD Implementing Agency develops a pseudo Letter of Offer and Acceptance (LOA) to enable BPC program execution through existing Security Assistance automated systems. The pseudo LOA serves to document the transfer of articles and services to the USG Requesting Authority. Refer to the Defense Security Cooperation Agency Manual 5105.38-M, Security Assistance Management Manual (SAMM), [Chapter 15](#) for more information on BPC programs.

### Case-Line-Level

The level of detail required for the control of [Foreign Military Sales \(FMS\)](#) funding is at the Case-Line-Level. The line is a further subdivision of an FMS case.

### Concurrent Spare Parts

Concurrent Spare Parts (CSP) are spare parts programmed as an initial stockage related to the acquisition of a major item or system. CSPs are normally shipped in advance of the release of the major item or system.

### Contract Authority

Contract Authority is the form of budget authority used by the [Foreign Military Sales \(FMS\)](#) program that permits incurrence of obligations prior to the collection of offsetting receipts from the purchaser. The offsetting receipts are used to make the outlays to liquidate the obligations incurred. Contract authority permits obligations of funds in advance of cash received. Section 22 of the [Arms Export Control Act](#) provides permanent indefinite contract authority for new procurement for FMS purchasers. When the foreign country or international organization provides a dependable undertaking, the [United States Government](#) is authorized to enter into contracts in advance of receiving cash.

### Contractor Holdback

Contractor Holdback is the amount earned by contractors or suppliers during the production period but not paid to the contractor/supplier to ensure future performance.

### Cooperative Logistics Supply Support Arrangements

[Cooperative Logistics Supply Support Arrangements \(CLSSA\)](#) are military logistics support arrangements that are designed to provide responsive and continuous supply support at the depot level for [United States \(U.S.\)](#)-made military materiel possessed by foreign countries and international organizations. The CLSSA is normally the most effective means for providing common repair parts and secondary item support for equipment of U.S. origin which is in allied and friendly country inventories.

### 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 an eligible foreign government or international organization which cannot be filled in this manner fall within the provisions of section 22 of the [Arms Export Control Act](#).

### Dependable Undertaking

Pursuant to section 22(a) of the [Arms Export Control Act](#), dependable undertaking is a firm commitment by the purchaser to (1) pay the full amount of a contract which assures the [United States Government](#) 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, before such payments, damages, or costs are due. Refer to the [Defense Security Cooperation Agency Manual 5105.38-M](#), [Security Assistance Management Manual \(SAMM\)](#), [Chapter 9](#) for more information on dependable undertaking.

### Direct Cite

For the purposes of this volume, direct cite is the citation of the [Foreign Military Sales Trust Fund \(11 X 8242\)](#) as the financing source on documents, 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.

### Estimated Actual Charges

An estimated actual charge is a systematic and documented estimate of actual cost that is used in the absence of an established cost accounting system and is sometimes referred to as a cost-finding technique.

### Expenditure Authority

Expenditure Authority is authority issued by the [Defense Finance and Accounting Service Security Cooperation Accounting](#) to a certifying officer or a disbursing activity authorizing the subsequent disbursement of a [Foreign Military Sales](#) country's funds. See Chapter 4 of this volume.

### Final Closed

Final Closed is the final stage in the life-cycle of a [Foreign Military Sales](#) case in which it is Supply/Service Complete, all expenditures are processed, all commitments and obligations are liquidated, expenditures equal obligations, and all case records (i.e. obligation, supply and disbursement) are reconciled and equal in all systems. No further transactions will be accepted.

### Financing Appropriation

The Financing Appropriation is the appropriation account originally increased as a result of the performing DoD Component's acceptance of a reimbursable order from the [Defense Finance and Accounting Service Security Cooperation Accounting](#). This activity is reflected as "Foreign Military Sales reimbursable."

### Foreign Military Sales Administrative Surcharge

The [Foreign Military Sales \(FMS\)](#) Administrative Surcharge is the cost for administering sales made under the Arms Export Control Act. This surcharge captures manpower (both United States Government and contractor-furnished) and other costs required to develop, [manage](#), execute, and close FMS cases. These functions may be indirect (i.e., support across multiple purchasers/cases) or direct (i.e., support to a specific case or program).

### Foreign Military Sales Billing Statement (DD Form 645)

In the absence of a special billing arrangement, the [Foreign Military Sales \(FMS\)](#) Billing Statement represents the [United States Government's](#) official claim for payment to the FMS purchaser.

### Foreign Military Sales Case

A [Foreign Military Sales](#) case consists of a DoD [Letter of Offer and Acceptance](#) and associated supporting and executing documents.

### Foreign Military Sales Contract Administration Services

[Foreign Military Sales Contract Administration Services \(CAS\)](#) is composed of three basic elements: (1) quality assurance and inspection; (2) contract audit; and (3) contract management (reference the [Federal Acquisition Regulation](#), the [Defense Federal Acquisition Regulation Supplement](#), supplements thereto, and the Defense Contract Audit Agency (DCAA)

[Contract Audit Manual](#). The Defense Contract Management Agency performs the majority of the tasks associated with items (1) and (3) and the DCAA performs the majority of the tasks associated with item number (2). Portions of CAS may be waived in accordance with the [Arms Export Control Act](#).

#### Foreign Military Sales Contract Administration Services Surcharge

The Foreign Military Sales (FMS) Contract Administration Services surcharge is collected and applied on the value of payments made to contractors for items purchased through an FMS case. On procurement items, this surcharge covers the cost of quality assurance and inspection, contract management, and contract audit.

#### Foreign Military Sales Contract Administration Services (CAS) Surcharge Account

The Foreign Military Sales (FMS) Contract Administration Services (CAS) Surcharge Account is a sub-account under the FMS Trust Fund to record all collections and payments/reimbursements relative to the CAS surcharge.

#### Foreign Military Sales Order

Foreign Military Sales Orders (FMSO) 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 inventories required to support Foreign Military Sales purchaser 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. All FMSO deliveries are reported against this consumption case.

#### Implementing Agency

An Implementing Agency (IA) is the DoD Component assigned responsibility by the Defense Security Cooperation Agency to prepare a Letter of Offer and Acceptance (LOA) and implement the case. The IA 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

Indebtedness consists of financial obligations of Foreign Military Sales purchasers to make payment(s) to the United States Government in accordance with the official billing statement.

#### Interim Closed

Interim Closed cases are Foreign Military Sales cases that use Accelerated Case Closure (ACC) Procedures. ACC allows a case to be closed after supply or services completion, even if there are outstanding unliquidated obligations on the case or not all financial transactions are

finalized. These cases are re-categorized as interim closed in the military department (MILDEP) system, which allows for disbursement processing, liquidating obligations, unliquidated obligation adjustments, and processing of Supply Discrepancy Reports. The Implementing Agency must continue to work interim closed cases through final closure.

#### Letter of Offer and Acceptance

A Letter of Offer and Acceptance (LOA) is the authorized document the United States Government uses to offer to sell Defense articles and Defense services to a foreign country or international organization. Signature by the purchaser represents acceptance of the offer.

#### Letter of Request

A Letter of Request (LOR) is the request from an eligible Foreign Military Sales participant country for the purchase of United States Defense articles and services. The request may be in message or letter format.

#### Logistics Support Charge

A Logistics Support Charge (LSC) is based on the Arms Export Control Act requirement for full cost recovery. This charge, which only applies to deliveries prior to October 1, 2007, was intended to recover the cost of logistics support involved in providing the spares and other items required to maintain a weapon system. These support costs were associated with production control, requisition processing, inventory maintenance, administration of Supply Discrepancy Reports, and logistics management. The LSC was applied by the Defense Finance and Accounting Service Security Cooperation Accounting to delivery costs for those lines in Foreign Military Sales cases which had been identified as support lines based on the generic code included in the Letter of Offer and Acceptance.

#### Major Case

A major case is determined by the type and/or amount of a Foreign Military Sales (FMS) case (Letter of Offer and Acceptance) as follows: defined order \$25 million or greater; blanket order; or a Cooperative Logistics Supply Support Arrangement, \$10 million or greater, or 15 percent or more of a country's total FMS program in terms of dollar value.

#### Major Defense Equipment

Major Defense Equipment (MDE) are those items of significant military equipment, as identified in the International Traffic in Arms Regulation United States Munitions List, that have incurred a nonrecurring cost for Research, Development, Test, and Evaluation of \$50 million or a total production cost of \$200 million or more.

### Net Case Value

The Net Case Value is the total amount of the Defense articles and services cost reflected on line 8 of the [Letter of Offer and Acceptance](#) (previously referred to as “Above-the-Line” Costs).

### Non-Standard Article

For [Foreign Military Sales](#) purposes, a non-standard article is one that DoD does not manage, because applicable end items have been retired or because they were never purchased for the DoD Components.

### Non-Standard Service

For [Foreign Military Sales](#) purposes, a non-standard service is a service that DoD does not routinely purchase or perform.

### Obligational Authority

Obligational Authority (OA) is 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 [Foreign Military Sales](#) (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

An Omnibus Billing is a statement of additional charges or credits to cases that have been re-categorized from active to inactive status.

### Packing, Crating, Handling, and Transportation

Packing, Crating, Handling, and Transportation ([PCH&T](#)) consists of the resources, processes, procedures, design considerations, and methods used to ensure that all system, equipment, and support items are preserved, packaged, handled, and transported properly.

### Payment Schedule

A payment schedule is the list of dollar amounts and payment due dates from the [Foreign Military Sales](#) (FMS) purchaser. The payment schedule supplements the [Letter of Offer and Acceptance](#) (LOA) presented to the customer. After acceptance of the LOA, the payment schedule generally serves as the basis for billing to the purchaser. Changes in the estimated costs of a FMS case may require changes in the accompanying payment schedule.

### Price and Availability Data

Price and Availability (P&A) Data are prepared by the Military Departments, the Defense Security Cooperation Agency, and other DoD components in response to a foreign government's request for preliminary data for the possible purchase of a Defense article or service. P&A data are not considered valid for the preparation of a Letter of Offer and Acceptance. Furnishing of this data does not constitute a commitment for the United States Government to offer for sale the articles and services for which the data are provided.

### Reimbursable Order

A Reimbursable Order is 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 Foreign Military Sales, the authority to enter into reimbursable work is established on line 10 of the DD Form 2060 (FMS Obligational Authority) (or automated equivalent).

### \*Safety Level

The Safety Level is the strategic reserve of operating capital sufficient to manage the Foreign Military Sales (FMS) business through changing business conditions to ensure the solvency of the FMS Administrative Surcharge Account. The Safety Level represents 18 months of operating capital that grants sufficient time to recognize changes in business (sales, expenses, and regulatory impacts) and then develop and implement approved adjustment measures. The Defense Security Cooperation Agency is responsible for establishing the annual Safety Level amount to be maintained in the FMS Trust Fund Administrative Surcharge Account.

### Special Billing Arrangement

A Special Billing Arrangement (SBA) is an alternative to the Foreign Military Sales (FMS) Billing Statement (DD Form 645) that serves as an official United States Government claim for payment to the FMS purchaser. An SBA is usually computed at the country or in-country service level.

### \*Small Case Management Line

Application of the Small Case Management Line (SCML) was a Defense Security Cooperation Agency initiative to reduce the number of small dollar cases; effective from 1 August 2006 through 2 July 2012. The SCML is a line item added to a Foreign Military Sales (FMS) case when the computed FMS Administrative Surcharge is less than \$15,000. The combined FMS Administrative Surcharge and SCML total \$15,000. Refer to the Defense Security Cooperation Agency Manual 5105.38-M, Security Assistance Management Manual (SAMM), Chapter 9, C.9.4.7, for more information on the SCML.

Standby Letter of Credit

A Standby Letter of Credit is used in place of termination liability prepayment requirements, as authorized by [the Defense Security Cooperation Agency](#).

Supply/Service Complete

Supply/Service Complete is the stage in the life-cycle of a [Foreign Military Sales](#) case when all Defense articles have been delivered and all Defense services have been performed.

Termination Liability

Termination Liability is 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 if the contract is not terminated prior to performance completion. Termination Liability may not apply to articles/services provided under other authorities of the Foreign Assistance Act or [Arms Export Control Act](#).

Trust Fund

In this volume, Trust Fund refers to the [Foreign Military Sales](#) Trust Fund, “Advances, Foreign Military Sales, Executive” (11 X 8242).

Uncommitted Acceptance

The uncommitted acceptance is the unexecuted portion of the dollar value for a [Foreign Military Sales](#) case that has not been released to an implementing agency.