

**VOLUME 15: “DEFINITIONS”****SUMMARY OF MAJOR CHANGES**

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

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

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

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

The previous version dated **July 2015** is archived.

<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
All	Updated definitions for clarity and deleted definitions contained in the Department of Defense Financial Management Regulation Glossary.	Revision
All	Deleted definitions not commonly used in Security Cooperation policies.	Deletion
General & List of Definitions	Added “General” and “List of Definitions” titles.	Addition
Blanket Order Case	Added Blanket Order Case definition.	Addition
Building Partner Capacity	Updated reference to the Security Assistance Management Manual in accordance with the Defense Security Cooperation Memorandum, “Reissuance of the Security Assistance Management Manual (SAMM) as Defense Security Cooperation Agency (DSCA) Manual 5105.38-M, DSCA Policy 12-20,” dated April 30, 2012.	Revision
Defined Order Case	Added Defined Order Case definition.	Addition

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## \*DEFINITIONS

### \*A. General

Definitions contained in this section of Volume 15, identify terms [commonly used in Security Cooperation policies](#). Refer to the Department of Defense (DoD) Financial Management Regulation Glossary for terms that are common within other volumes.

### \*B. List of Definitions

#### Above Standard Level of Service

Above standard level of service activities are the incremental costs above those provided in the standard level of service. [The Letter of Offer and Acceptance \(LOA\) defines line items to support charges beyond the standard level of service, and may include items such as refurbishment charges specifically incurred to support the purchaser/case \(e.g., warehousing\) and execution support, such as additional acquisition support, dedicated requisition processing, and program acceleration costs.](#)

#### Accelerated Case Closure Procedures (ACCP)

ACCP allows interim case closure after supply or services completion, even if there are outstanding unliquidated obligations on the case or not all financial transactions are finalized.

#### Acceptance

Acceptance is the act of an authorized representative of the [Government](#) in 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 by the contractor. See also LOA.

#### Arms Export Control Act (AECA)

The [AECA](#) is the basic U.S. law that provides the authority and general rules for the conduct of [Foreign Military Sales \(FMS\)](#) and commercial sales of defense articles, services, and training. This act is codified at Title 22, U.S. Code, [Chapter 39](#).

#### Arrearage

An arrearage occurs when the FMS purchaser's total cash resources on deposit with the [United States Government \(USG\)](#) 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

Below-the-line costs are costs identified as [Packing, Crating, Handling, and Transportation](#) (PCH&T), administrative charges, and other costs that are displayed on lines 9 through 12 of the LOA.

\*Blanket Order Case

A blanket order is an agreement between a foreign customer and the United States Government for a specific category of items or services, including training, with no definitive listing of items or quantities. The case specifies a dollar ceiling against which orders may be placed.

\*Building Partner Capacity (BPC) Programs

BPC programs encompass Security Cooperation and Security Assistance (SA) activities funded with USG appropriations and administered as cases within the FMS infrastructure. These programs provide defense articles and/or services to other USG departments and agencies for building the capacity of partner nation security forces. The DoD Implementing Agency (IA) develops a pseudo [line of accounting](#) to enable BPC program execution through existing SA automated systems. The pseudo [line of accounting](#) serves to document the transfer of articles and services to the USG Requesting Authority. See the Defense Security Cooperation Agency (DSCA) Manual 5105.38-M, “[Security Assistance](#) Management Manual” (SAMM), [Chapter 15](#), for more information.

Case Line Level

The level of detail required for the control of FMS funding is at the case line level. The line is a further subdivision of an FMS case.

Concurrent Spare Part (CSP)

A CSP is a spare part programmed as an initial stockage related to the acquisition of a major item or system. A CSP normally [ships](#) in advance of the release of the major item or system.

Cooperative Logistics Supply Support Arrangement (CLSSA)

A CLSSA is a military logistics support arrangement designed to provide responsive and continuous supply support at the depot level for United States 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 that is in allied and friendly country inventories.

\*Defined Order Case

A defined order case is characterized by orders for specific defense articles and services that are separately identified line items on the LOA.

Department of Defense (DD) Form 645, FMS Billing Statement

The DD 645 represents the USG's official claim for payment to the FMS purchaser. See also Special Billing Arrangement (SBA).

Dependable Undertaking

Pursuant to 22 U.S.C. 2762(a), 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. See SAMM, Chapter 9, paragraph C9.8.3, for more information.

Direct Cite

For the purposes of Volume 15, direct cite is the citation of the FMS Trust Fund (11 X 8242) as the financing source on documents, or 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.

Expenditure Authority (EA)

EA is authority issued by Defense Finance and Accounting Service Security Cooperation Accounting (DFAS SCA) to a certifying officer or a disbursing activity authorizing the subsequent disbursement of an FMS country's funds. See Chapter 4 for more information on EA.

### Final Closed

Final closed is the final stage in the life-cycle of an FMS 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 (e.g., 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 because of the performing DoD Component's acceptance of a reimbursable order from DFAS SCA. This activity is reflected as "FMS reimbursable."

### FMS Administrative Surcharge

The FMS Administrative Surcharge is the cost for administering sales made under the AECA. This surcharge captures manpower (both USG and contractor-furnished) and other costs required to develop, manage, execute, and close FMS cases.

### FMS Case

An FMS case consists of a DoD LOA and the associated supporting and executing documents.

### FMS Contract Administration Services (CAS)

FMS CAS is composed of four basic elements: (1) quality assurance, (2) inspection, (3) CAS, and (4) contract audit defense services (reference [22 U.S.C. 2761\(h\)\(1\)](#); 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 elements (1), (2), and (3), and DCAA performs the majority of the tasks associated with element (4). Portions of FMS CAS may be waived in accordance with the U.S.C.

### FMS 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. This surcharge covers the cost of quality assurance, inspection, CAS, and contract audit defense services on procurement items.

### FMS CAS Surcharge Account

The FMS CAS Surcharge Account is a sub-account under the FMS Trust Fund to record all collections and payments/reimbursements relative to the CAS surcharge.

FMS Order (FMSO)

An FMSO is an LOA that implements the CLSSA. Two LOAs are written: FMSO I and FMSO II. The FMSO I, Part A represents the on-hand value of DoD Continental U.S. inventories required to support FMS 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. Report all FMSO deliveries against this consumption case.

Implementing Agency (IA)

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

Interim Closed

Cases are interim closed in the military department systems using ACCP, allowing for disbursement processing, liquidating obligations, unliquidated obligation adjustments, and processing of Supply Discrepancy Reports (SDRs). The IA must continue to work interim closed cases through final closure.

Letter of Offer and Acceptance (LOA)

An LOA is the authorized document the [United States Government](#) uses to offer to sell defense articles and services to a foreign country or international organization. Signature by the purchaser represents acceptance of the offer.

Letter of Request (LOR)

An LOR is the request from an eligible FMS participant country or international organization [for information on](#) defense articles and services. The request [may be for pricing and availability data, an LOA, or an amendment or modification to an existing LOA](#), and may be in message or letter format as described in the SAMM, Chapter 5, [section C5.1](#).

Logistics Support Charge (LSC)

An LSC is based on the AECA 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 SDRs, and logistics management. The LSC was applied by DFAS SCA to delivery costs for those lines in FMS cases that had been identified as support lines based on the generic code included in the LOA.



### Major Case

A major case is characterized by the type and dollar value of an FMS case. A Defined Order Case is considered major when the LOA value is \$25 million or more, and a Blanket Order Case or CLSSA is considered a major case when the LOA value is \$10 million or more. A case is also considered major if a case equals 15 percent or more of a country's total FMS program dollar value.

### Major Defense Equipment (MDE)

MDE are items of significant military equipment, as identified in Title 22 Code of Federal Regulations, [section 121.1](#), having a nonrecurring research and development cost of more than \$50 million or a total production cost of more than \$200 million ([22 U.S.C. 2794\(6\)](#)).

### Net Case Value

The net case value is the total amount of the defense articles and services cost reflected on line 8 of the LOA (previously referred to as "Above-the-Line" Costs).

### Packing, Crating, Handling, and Transportation (PCH&T)

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 FMS purchaser. The payment schedule is included in the 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 an FMS case may require changes in the accompanying payment schedule.

### Price and Availability (P&A) Data

P&A data are prepared by the Military Departments, DSCA, 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 an LOA. 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.

### Safety Level

The [safety level](#) is the strategic reserve of operating capital sufficient to manage the 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. DSCA is responsible for establishing the annual [safety level](#) amount to be maintained in the FMS Trust Fund Administrative Surcharge Account.

### Security Cooperation Enterprise Solution (SCES)

SCES is the DSCA's enterprise resource planning solution that will replace case execution functionality in the Military Department's legacy systems with an integrated enterprise solution that will provide improvements in transaction processing, levels of control, data aggregation, data standardization, and reporting capabilities. See SAMM, Chapter 13, [paragraph C13.6.1](#) for more information.

### Small Case Management Line (SCML)

Application of the SCML was a DSCA initiative to reduce the number of small dollar cases effective from August 1, 2006 through July 2, 2012. The SCML [was](#) a line item added to an FMS case when the computed FMS Administrative Surcharge [was](#) less than \$15,000. The combined FMS Administrative Surcharge and SCML total \$15,000. See SAMM, Chapter 9, [paragraph C9.4.7](#) for more information.

### Special Billing Arrangement (SBA)

An SBA is an alternative to the DD 645 that serves as an official USG claim for payment to the FMS purchaser. An SBA is usually computed at the country or in-country service level.

### Standard Level of Service

Standard level of service activities are case-related activities covered by the FMS Administrative Surcharge. These activities/functions listed in [the SAMM, Chapter 9, Table C9.T2](#), under the "Admin" column represent indirect charges funded by the FMS Administrative Surcharge and should not be included and/or priced as direct charges on the LOA.

### Standby Letter of Credit (SBLC)

An SBLC is used in place of termination liability [\(TL\)](#) prepayment requirements, as authorized by DSCA.

Supply/Service Complete

Supply/service complete is the stage in the life cycle of an FMS case when all defense articles have been delivered and all defense services have been performed.

Termination Liability (TL)

TL 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 TL will convert to cover actual expenditures if the contract is not terminated prior to performance completion. TL may not apply to articles/services provided under other authorities of the Foreign Assistance Act or AECA.

Uncommitted Acceptance

The uncommitted acceptance is the unexecuted portion of the dollar value for an FMS case that has not been released to an IA.