

VOLUME 15, “GLOSSARY”

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 2010 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Multiple	Changed Defense Finance and Accounting Service (DFAS) Security Assistance Accounting (SAA) to Security Cooperation Accounting (SCA) to show current organizational name.	Update
Multiple	Reworded and reformatted chapter for clarity.	Update
Accessorial Charges	Clarified the definition for Accessorial Charges.	Update
Small Case Management Line (SCML)	Clarified the definition for SCML and updated the hyperlink to the Security Assistance Management Manual.	Update

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GLOSSARY

A. Scope

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

B. List of Definitions

Above-the-Line Cost

(Obsolete terminology) See Net Case Value.

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, such as the costs of packing, crating, handling, and transportation (PCH&T) 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 (DFAS) Security Cooperation Accounting (SCA) via delivery transactions. Incurred costs represent disbursements for which no physical deliveries have yet occurred.

Administrative Surcharge

Administrative Surcharge is the cost for administering sales made under the Arms Export Control Act (AECA). This surcharge captures manpower (both United States (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 multiple purchasers/cases) or direct (i.e., support to a specific case or program).

Allotment

An **Allotment** is the 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:

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 DFAS SCA 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 resulting from contract award 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 has 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 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 (AECA)

The AECA is the basic U.S. law which provides the authority and general rules for the conduct of FMS and commercial sales of Defense articles, Defense services, and training. This act is codified at 22 United States Code (U.S.C.) 2751 et seq.

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 made on behalf of the purchaser.

Attrition

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 PCH&T, administrative charge, and other costs, that are displayed on lines 9 through 12 of the LOA.

Budget Authority

Budget Authority is provided by law to incur financial obligations (in support of FMS cases) that will result in outlays. The specific form of budget authority applicable to the FMS program is contract authority.

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 Parts (CSP)

Concurrent Spare Parts 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 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 AECA provides permanent indefinite contract authority for new procurement for FMS purchasers. When the foreign country or international organization provides a dependable undertaking, the USG 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 (CLSSA)

CLSSAs are military logistics support arrangements that are designed to provide responsive and continuous supply support at the depot level for 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 AECA.

Dependable Undertaking

Pursuant to section 22(a) of the AECA, **dependable undertaking** is 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, before such payments, damages, or costs are due. Refer to DoD 5105.38-M, [Security Assistance Management Manual \(SAMM\)](#), to validate which countries qualify for dependable undertaking.

Direct Cite

For the purposes of this volume, [direct cite](#) is the citation of the 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 DFAS [SCA](#) to a certifying officer/disbursing activity authorizing the subsequent disbursement of a FMS country’s funds. See Chapter 4.

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 (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 DFAS [SCA](#). This activity is reflected as “FMS reimbursable.”

FMS Billing Statement (DD Form 645)

In the absence of a special billing arrangement, [the FMS Billing Statement](#) represents the USG’s official claim for payment to the FMS purchaser.

FMS Case

[An FMS case](#) consists of a DoD LOA and associated supporting and executing documents.

FMS Contract Administration Services (CAS)

FMS CAS is composed of three basic elements: (1) quality assurance and inspection; (2) contract audit; and (3) contract management (reference the [Federal Acquisition Regulation \(FAR\)](#), the [Defense Federal Acquisition Regulation Supplement \(DFARS\)](#), 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 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. On procurement items, this surcharge covers the cost of quality assurance and inspection, contract management, and contract audit.

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-Like Cases

The term “[FMS-Like Cases](#)” is used by the USG to track the sale of Defense articles and services (to include training, and design and construction services) and is generally funded by a USG entity. The FMS-like LOA itemizes the Defense articles and services included in the Letter of Request. The FMS-like LOA is not signed by the country and/or organization receiving the articles or services, except for Foreign Assistance Act, Section 607 transfers. The FMS-like LOA is authorized by the AECA (FMS-like cases are commonly referred to as “pseudo cases”).

Foreign Military Sales Order (FMSO)

[FMSOs](#) are LOAs that implement Cooperative Logistics Supply Support Arrangements (CLSSA). 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 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 case.

Implementing Agency (IA)

An [Implementing Agency](#) is the DoD Component assigned responsibility by the Defense Security Cooperation Agency (DSCA) to prepare a 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 FMS purchasers to make payment(s) to the USG in accordance with the official billing statement.

Interim Closed

[Interim Closed cases](#) are Accelerated Case Closure Procedures (ACCP) FMS cases which are Supply/Service Complete (SSC), but not all financial transactions are finalized. These cases remain open in the military department (MILDEP) system. No transactions are accepted during this status except disbursements, Supply Discrepancy Reports and unliquidated obligation adjustments. The IA must continue to work interim closed cases.

Letter of Offer and Acceptance (LOA)

A [Letter of Offer and Acceptance](#) is the authorized document the USG 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 (LOR)

A [Letter of Request](#) is the request from an eligible FMS participant country for the purchase of U.S. Defense articles and services. The request may be in message or letter format.

Logistics Support Charge (LSC)

A [Logistics Support Charge](#) 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 Supply Discrepancy Reports, and logistics management. The LSC was applied by DFAS [SCA](#) to delivery costs for those lines in FMS cases which had been identified as support lines based on the generic code included in the LOA.

Major Case

A [major case](#) is determined by the type and/or amount of an 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)

[Major Defense Equipment](#) are those items of significant military equipment, as identified in the International Traffic in Arms Regulation U.S. 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 LOA (previously referred to as "Above-the-Line" Costs).

Non-Standard Article

For FMS 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 FMS purposes, a non-standard service is a service that DoD does not routinely purchase or perform.

Obligational Authority (OA)

[Obligational Authority](#) is the authorized amount (funding) received by the IA on a DD Form 2060 (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

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 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 purchaser. The payment schedule supplements 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

Price and Availability (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 USG 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 FMS, the authority to enter into reimbursable work is established on line 10 of the DD Form 2060 (or automated equivalent).

Special Billing Arrangement

A **Special Billing Arrangement (SBA)** is an alternative to the DD Form 645 that serves as an official USG claim for payment to the FMS purchaser. A **SBA** is usually computed at the country or in-country service level.

***Small Case Management Line (SCML)**

The **Small Case Management Line** is a line item added to an FMS case when the computed administrative surcharge is less than \$15,000. The combined **Administrative Surcharge** and **SCML** total \$15,000. Refer to Chapter 9 of the **SAMM** 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 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

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 AECA.

Trust Fund

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

Uncommitted Acceptance

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