

CHAPTER 03

ACCOUNTING**0301** INTRODUCTION

030101. Objectives. The objectives of this chapter are to prescribe accounting requirements which:

A. Assure proper implementation of the DoD fiduciary responsibilities resulting from acceptance of an FMS case.

B. Provide accounting information which can be used for preparation of financial statements to FMS customers and financial status reports to DoD case managers.

C. Are fully integrated with physical delivery (logistics) reporting systems.

D. Serve as a basis for timely identification and reporting of financial management problems.

E. Establish internal controls to assure compliance with the payment requirements of the AECA [reference (a)].

030102. Accounting Characteristics

A. Each FMS case is an accounting unit similar to a commercial job order. Budget authority necessary to implement a case is released by case designator; cash collections and disbursements are recorded by case designator, all requisitions for materiel or services contain a case designator; accrued costs are reported by case designator, etc. This case level accounting information is then accumulated and reported to FMS customers and DoD case managers to allow proper monitoring of case execution.

B. For DoD purposes, there is a requirement for summary level information. Country level cash summary accounts must be maintained to facilitate the calculation of Section 21(d) interest charges. A cumulative (all country) summary cash account is necessary to allow

reconciliation with Department of the Treasury cash records. Cumulative summary accounts reflecting budget authority, commitments, obligations, accounts payable, accounts receivable, and accrued expenditures, etc., are required in order to complete required budget execution reports on the FMS trust fund account.

C. DoD case management entails obtaining necessary budget authority, releasing requisitions or procurement work orders, and physical delivery of required items. The first two actions require efforts directed through the accounting system. Good management and control require that the same source document be used for reporting to both the financial system and the logistical systems (including delivery reporting).

030103. Responsibilities

A. Security Assistance Accounting Center (SAAC). It is the responsibility of SAAC to:

1. Maintain the centralized FMS case level accounts prescribed in this chapter and use information accumulated in the accounts when preparing statements to FMS customers and financial management reports to DoD case managers.

2. Summarize case level cash accounts at the country level to determine the necessity for charging Section 21(d) interest.

3. Summarize all case level accounts at the Trust Fund level, reconcile the summary cash accounts to Treasury records on a monthly basis and use the summary accounts as the basis for required reports on trust fund operations.

4. Maintain audit trails between source documents and entries to the mechanized accounting system.

B. Implementing Agencies. Performance of FMS orders is accomplished through one of three possible financing techniques: (1) issuance and acceptance of reimbursable orders into a financing appropriation/Defense Business Operations Fund account, (2) issuance of allotments of the FMS trust fund to performing DoD Components, or (3) issuance of authorization to directly use the FMS trust fund (11X8242). Each of these three financing variations results in unique accounting responsibilities as described below.

1. Performance under Reimbursable Orders. The accepting DoD Component is required to use the DD Form 2060 as the basis for recording an FMS order in the financing appropriation/fund account and to use status-of-allotment reports to notify SAAC of accrued expenditures. Except for these requirements, the normal accounting system of the financing appropriation/fund account will accomplish the detailed accounting requirements associated with performance of the DD Form 2060 order.

2. Performance under Allotments for Direct Cite Execution. A DoD Component which receives a DD Form 2060 allotment of FMS case funds is responsible for establishing and maintaining the unique FMS accounts necessary to support preparation of the FMS case level status-of-allotment report. Their accounts will be subsidiary to the case level accounts maintained at SAAC, and the current accounting period status-of-allotment report will be put into the SAAC accounts.

3. Performance under Authority to Directly Obligate the FMS Trust Fund. The DoD Component which receives this authority is responsible for promptly providing SAAC with basic source documents. The SAAC is responsible for detailed accounting requirements.

C. Holders of Allotment for Actual FMS Administrative Expenses. A DoD Component which receives DSAA allotments for FMS administrative expenses is responsible for maintaining obligations and expenditures within the limitations of the allotment and assuring that the source documents supporting obligations and accrued expenditures against the allotment meet

the requirements of this Volume. At the end of each fiscal year unobligated OA will be returned to DSAA.

030104. Source Documents. The basic source documents to be used for accounting entries to the FMS case level accounts follow:

A. "United States of America Letter of Offer and Acceptance". This document, or its equivalent when a deviation has been authorized by DSAA, is the basic source document for entries to accounts which record the dollar value of the customer order (see paragraph 020103.A.).

B. Amendments and Modifications. The amendment is designed to obtain FMS customer acceptance of a scope increase. The modification is a notification document to alert FMS customers of within-scope cost increases. These documents are used to modify the original LOA and serve as additional sources of entries to accounts which record the dollar value of the customer's order (see paragraph 020103.B.).

C. DD Form 2061, "FMS Planning Directive". This form is the basic source document used in preparation of the DD Form 2060, which requests case obligational authority (see paragraph 020103.C.).

D. DD Form 2060, "FMS Obligational Authority". This multipurpose form is the basic source document for entries to accounts which recognize the budget and program authority necessary for FMS case performance. The form also serves as the basis for recording Trust Fund obligations and withdrawals of Trust Fund budget authority (see paragraph 020103.D.).

E. DD Form 645, "Foreign Military Sales Billing Statement". This form, when properly signed, represents the U.S. Government's official claim for payments to FMS purchasers. As such, the DD Form 645 serves as the source for entries into the accounts receivable general ledger account of the SAAC. In addition, it serves to provide an accounting to the FMS purchasers of costs incurred and costs accrued on behalf of those purchasers.

F. LOA Payment Schedule. The payment schedule attached to the DD Form 1513 is normally used as the basis for DD Form 645, Column 11, billings for additional cash advances from the customer (for exception, see subparagraph G. below). When the case value is \$25 million or over, a subsidiary schedule (which is not provided to FMS customers) is attached to identify the amount of each scheduled payment which is applicable to potential termination costs. When case value is under \$25 million, potential termination cost is included in the scheduled payment and a subsidiary schedule is not required.

G. "Quarterly Forecast of Financial Requirements for In-Process Cases". This computer input is submitted on an as-required basis and when LOA payment schedules will not provide adequate advance cash collections. The input is a basis for DD Form 645, Column 11, billings for additional cash advances and identifies the cash required for (1) disbursing demands on earned reimbursement, (2) contractor holdbacks, and (3) potential termination costs. This report is exempt from licensing per paragraph E.4.f. of DoD 7750.5-M [reference (h)].

H. Incoming FMS Customer Checks or Treasury Notification of Receipt of Funds Via Electronic Transfer. These data are the basis for entries to cash collected accounts.

I. SF Form 1080, "Voucher for Transfers between Appropriations and/or Funds". This form is prepared in two variations: (a) check required, and (b) no check required. When a check is required, the form serves as the basis for entries to accrued expenditures and accounts payable or cash disbursements as applicable. The "no-check-required" variation is used as the basis for liquidation of advances or to record accrued expenditures and accounts payable or disbursements as applicable.

J. Contracts. When direct cite procedures are used, copies of signed contractual documents serve as the basis for entries to Account 4811, "Undelivered Orders - Without Advance - Direct Program" (See Section 302).

K. "DoD Status-of-Allotment Reports". When allotment procedures are used, status-of-allotment reports serve as the basis for monthly entries relative to order performance in the FMS Trust Fund case level accounts. This report is exempt from licensing per paragraph E.4.f. of DoD 7750.5-M [reference (h)].

L. "Delivery Transactions." These serve as the basis for accrued expenditures and physical deliveries entries to the FMS case level accounting system. The report is used in lieu of an SF Form 1080 for most FMS transactions. This report is exempt from licensing per paragraph E.4.f. of DoD 7750.5-M [reference (h)].

M. Mechanical FK Computations. The SAAC mechanically computes the following accrued expenditures (See Chapter 8):

1. FMS Administrative Surcharge
2. Contract Administrative Surcharge
3. Packing, Crating, and Handling Charge (except for deliveries of stock fund/Defense Business Operations Fund items reported after October 1, 1990.
4. Transportation Charges (unless case header information requires actual)

N. Expenditure Authorization. Country level expenditure authorizations are issued by SAAC. Issuance is either via the FMS accounting system network or via a message. If the message is through electronic means there must be internal controls installed to ensure the message was authenticated and was in fact released. The message is the basic source document for entries to the cash accounts to formally reserve applicable customer cash (See Chapter 4).

0302 FMS TRUST FUND ACCOUNTING REQUIREMENTS

030201. FMS Trust Fund. The FMS Trust Fund is a single account that is authorized to be credited with receipts and to incur obligations

and expenditures in accordance with the provisions of the Arms Export Control Act (AECA)[reference (a)], and 82 Stat 1323 (22 U.S.C. 2762)[reference (i)]. FMS Trust Fund receipts are available for obligation and expenditure without further action by Congress. The Trust Fund is exempted from apportionment on DD Form 1105 in accordance with paragraph 412.2B.5. of DoD 7110.1-M [reference (d)]. Accounting for the FMS Trust Fund is accomplished at the Defense Finance and Accounting Service - Denver Center referred to as the central site.

030202. FMS Chart of Accounts. All financial accounting data applicable to the FMS Program shall be recorded in the Uniform Chart of FMS Trust Fund level General Ledger Accounts (GLAs) maintained by the central site as set forth in this Chapter. These requirements are consistent with the DoD Uniform Chart of General Ledger Accounts described in other volumes of this Regulation. Subsidiary ledgers are used where necessary to provide accounting control and management reports. Dollar amounts reflected in the accounts shall be used in statements and bills to FMS customers, monitoring compliance to the cash requirements of the AECA, financial management reports to implementing agencies, identification of adverse financial conditions, and required budget execution reports. No other General Ledger Trust Fund accounts will be used without the written approval of DFAS-HQ. A description of each account is at Appendix A. The accounts are in Table 302-1. Table 302-2 is a concept of pro forma entries illustrating typical accounting entries that occur during execution of an FMS case.

030203. Contract Authority. Contract authority is statutory authority to incur obligations prior to an appropriation (or realization of revenues) for the future payment of obligations. Procurement for FMS under 82 Stat 1323 (22 U.S.C 2762)[reference (i)] is one of the major permanent indefinite authorities at departmental level within the DoD. FMS orders create contract authority. New contract authority reported in the ACCT-RPT(M) 1176 is the value of FMS orders accepted for performance during the current fiscal year for which budget authority

has been approved in the current year in accordance with the requirements of paragraph 020104.A. Funds appropriated by the Congress for defense purposes cannot be used to liquidate obligations resulting from the use of FMS contract authority. FMS customer cash deposits liquidate these obligations and unfunded contract authority. Below departmental-level, contract authority loses its unfunded identity and is treated in the same way as other budgetary resources available for obligation. Allocations from the Departmental-level accounting system are issued as Direct Program. Procurements for FMS customers are accomplished citing the FMS Trust Fund in applicable documents. According to a Comptroller General Decision amounts in the FMS Trust Fund are, in a technical sense, appropriated funds, even though they are not annually appropriated by Congress and are not subject to direct Congressional control. Accordingly, accounting for commitments, obligations, and accrued expenditures in the FMS Trust Fund is accomplished as direct program.

030204. Accounting for Obligations. Budget Authority required to execute an FMS case is requested by Military Departments by entering a computerized three position alpha format, RBI transaction into the computerized FMS accounting network. SAAC's approval of the request for authority is based on having, in hand, the requirements to establish contract authority as described in the previous paragraph. The RBI is used for each new case and at the beginning of each new fiscal year to request approval of budgeted requirements for the fiscal year. The "R" in the transaction designates the series of FMS Integrated Control System (FICS) formats. The "B" stands for budget authority and the "I" indicates the transaction is an input. Receipt of an RBI for a FMS case for which SAAC has also received a signed letter of offer and, if applicable, an initial deposit, is recorded in GLA 4131. Approval of a request for an annual requirement of budget authority in a computerized format is recorded by SAAC entering a RBF into the FMS accounting network and recording a debit in GLA 4516 and credit in 4541. The "F" in the RBF transactions indicates the transaction is a feed back and signifies certified approval of the request. Sound financial management of the FMS program requires that the amount of au-

thority requested be limited to the amount expected to be obligated in the current fiscal year. Under no circumstances is SAAC authorized to issue budget authority in excess of total case value without the appropriate amendments or modifications which formally increase the value of the case. The status of commitments, obligations and accrued expenditures is reported to SAAC via the REI format. The "E" stands for execution. SAAC acknowledges receipt with a REF and makes the appropriate entries in GLAs 4710, 4811, and 4931 as applicable. At the end of each fiscal year SAAC reduces budget authority to the cumulative from exception value of commitments, obligations, and accrued expenditures reported by REI transactions. Following the year end closing entries reversal entries restore budget authority values for the new year.

030205. Accounting for Receivables

A. General. Accounts receivable ledgers for each FMS country program accounted for in the FMS Trust Fund are subsidiary to General Ledger Account 1313, "Accounts Receivable-Public-Current." The amounts recorded in the FMS Trust Fund accounts are based on the FMS billing statements and DSAA supplementary billing statements and are in accordance with paragraph 050301. Cash in advance of performance is required for FMS customers unless a written determination is made pursuant to legal authority (see paragraph 070104.D., "Payment Terms"). Therefore, in the FMS program, a delinquent accounts receivable is an exceptional event. If a delinquency occurs, follow-up is pursued in accordance with Volume 6, Chapter 12 of this Regulation and paragraph 050201 of this Volume. Aging of accounts receivable will be in accordance with paragraph 50302.B. and Table 502-1 and commences with the beginning of the month following the date the payment was due and continues until paid according to the following schedule:

1-30	days delinquent
31-60	days delinquent
61-90	days delinquent
91-180	days delinquent
181-360	days delinquent
over 360	days delinquent

B. Application of Interest Charges. Interest charges on FMS country-level arrearages shall be assessed in accordance with the provisions of the affected country's active Letters of Offer and Acceptance and Chapter 5 of this Regulation. The interest rate to be charged by the Department of Defense on delinquent payments due on Foreign Military Sales under the provisions of Section 21 and 22 of the AECA (22 U.S.C. 2761 and 2762) will be prescribed by the Department of the Treasury.

030206. Accounting for Inventory. Assets--equipment and related software, amounts invested in inventories and work-in-process at contractor's plants--are controlled by, and should be reported on, the financial statements of the Military Departments or Defense Agencies.

030207. Accounting for Trust Fund Equity. The Arms Export Control Act requires that the FMS program be operated at no cost to the U.S. Government. The provisions of the Letter of Offer provide that the USG will execute the Offer and Acceptance on a non-profit basis. Therefore, recognition of an equity balance in the FMS Trust Fund is prohibited. The Foreign Military Sales Trust Fund Financial Statements will not include equity, revenue or expense accounts.

A. Accounting for FMS Surcharges. Surcharges established in accordance with the requirements of the AECA to insure full recovery of costs incurred in operating the FMS program are accounted for as operating expenses. The principle surcharge, the Administrative Surcharge, was established in accordance with Sections 21 and 43 of the AECA [reference (a)]. The Contract Administration Services (CAS) surcharge applied to new procurement may be waived under certain conditions detailed in Section 21 of the AECA [reference (a)]. The transportation surcharge is intended to recover costs involved in transferring FMS material to FMS customers where that cost is not included in the cost of the material. These expenses are recorded as implementing activities are reimbursed from surcharge accounts in response to SF 1080 bills. Revenues to fund these expenses result from the application of surcharge rates to delivered values reported by the implementing

activities. Ledgers for each of the categories of surcharges are maintained as subsidiary to the control account "Unearned Revenue - Advances from Public," GLA 2312.

B. Accounting for Bad Debts. Policy and procedures concerning compromise, termination, or suspension of collection actions of a country-level bad debt are in paragraph 120207 of Volume 6 of this Regulation. Resolution of all foreign indebtedness resulting from FMS transactions will be staffed with the Department of State by DSAA via the Assistant Secretary of Defense, International Security Affairs (ASD)(ISA). Within 30 days of a determination that a debt is uncollectible, DSAA will provide direction to the DFAS - Denver Center to record the amount owed including accrued interest in General Ledger Account 1313.3, Accounts Receivable-Public-Current-Uncollectible. The following procedures will be followed when a country is in arrears and the debt is confirmed to be uncollectible; (1) All available funds for the effected country will be utilized to satisfy outstanding liabilities according to a priority recommended by the Denver Center Deputy Director for Security Assistance Accounting and approved by the DSAA Comptroller, (2) The Denver Center, in accord with DSAA, will contact all applicable case managers to request all outstanding commitments be canceled and all outstanding obligations be adjusted to include an amount for termination cost. The residual amount of the debt reflected will be transferred to GLA 1313.3, Accounts Receivable-Public-Current-Uncollectible for the affected country to coincide with termination of the customer order based on the determination that the country account is uncollectible. Aging of amounts recorded will continue. The accumulation of interest, in accordance with the Arms Export Control Act and other applicable authorities, should be accrued monthly on the balance in this subaccount. The amount recorded in the account will include the amount of the arrearage, termination liability costs, and accrued interest.

030208. General Procedures for Processing Accounting Transactions. The Defense Integrated Financial System (DIFS) is the departmental level central accounting system used at SAAC to account for the FMS Trust Fund. Information

entered into the central accounting system in the form of accounting transactions is based on a combination of transactions received from installation level FMS Integrated Control Systems (FICS) and vouchers recorded at SAAC as a result of billing/collection and disbursement activity. Accounting transactions are recorded in applicable proprietary, departmental level and installation level general ledger accounts. This enables SAAC to prepare required accountability, and fund status reports for the FMS Trust Fund.

A. Source Transactions. Source transactions contain all the information required to update general ledger accounts and enable the SAAC to prepare the reports required for accounting control and financial management. Source transactions are the lowest level information in the system. Every transaction has a date identifying the appropriate accounting month for reporting to the U.S. Treasury. Source transactions are registered in automated journals and then posted to appropriate subsidiary ledgers within the central accounting system. Equality of the general ledger accounts is ensured through the use of the program developed for that purpose for the general ledger. Posting of source transactions updates applicable subsidiary ledgers as well as FMS Trust Fund general ledger accounts. Posting occurs daily. Source transactions are maintained in the system data base for future balancing and reconciling in addition to being the primary audit trail for all posting to the central system.

B. Subsidiary Ledgers. Due to the magnitude of the FMS program there is a substantial number of individual accounts with common characteristics. As a result, subsidiary ledgers have been established to provide control. Updated subsidiary ledgers are an integral part of the DIFS data base and part of the general ledger structure wherever accounting information must be accumulated by country or program within a general ledger account (GLA). Subsidiary ledgers are maintained for FMS surcharge accounts. Subsidiary ledgers provide a continuous record of transactions by accounting month for the FMS Trust Fund general ledger. A monthly trial balance of the FMS Trust Fund, accomplished after all balancing and reconciling for the month is completed, verifies the equality

of the subsidiary ledgers and general ledger accounts. The subsidiary ledgers are maintained in the system for reconciliation in addition to providing an audit trail of all postings in the system. Extracts of these ledgers are made available to the Security Assistance Program Manager as necessary for management purposes.

C. General Ledger. The general ledger is updated from the subsidiary ledgers. The general ledger is maintained by accounting month at appropriation level. A trial balance is prepared from the general ledger on a monthly basis. The trial balance is used for the preparation of reports to the U.S. Treasury, DSAA, or other required reports related to the general ledger.

1. The general ledger subsidiary ledgers are to be posted and reconciled to the posting medium (financial transactions) on a daily basis. These subsidiary ledgers will be totaled and posted monthly to general ledger accounts with a trial balance prepared monthly. The general ledger must be reconciled to the financial transactions, resource balances, and subsidiary ledgers and records to ensure general ledger control. This general ledger will be reconciled with the subsidiary ledgers on a monthly basis. The primary selection criteria will be the accounting month that is maintained on both the subsidiary ledgers and the general ledger. The internal DIFS data directory will provide the translation between the chart of accounts prescribed by this Volume, with pertinent subsidiary ledgers necessary to meet specific FMS financial management requirements. The subsidiary ledgers, reconciled to the general ledger on a monthly basis are Case Control, Cash Master, Accounts Receivable, Accounts Payable, and Status of Funds.

2. The general ledger developed for the DIFS is based on the DoD chart of accounts found in Chapter 7 of Volume 1 of this Regulation which complies with the U.S. Government Standard General Ledger (SGL) chart of accounts. The audit trails are accomplished using the internal DIFS data directory (which) will provide the translation between the chart of accounts found in this Volume, with pertinent subsidiary ledgers necessary to meet specific

FMS financial management requirements. A program in DIFS generates the general ledger balances directly from the subsidiary ledgers for the FMS Trust Fund (appropriation 8242).

3. The financial reports are prepared based on the cumulative values recorded in the general ledger or the subsidiary ledgers that are controlled by the general ledger, reconcilable to the account balances in the general ledger.

030209. SAAC Analysis of FMS Case Accounting Data. It is important that the SAAC continuously analyze case level accounting data to identify developing financial problems and alert implementing agency case managers and other concerned DoD officials of the necessity for corrective action. The types of analysis to be performed follow:

A. Adequacy of Cash Deposits. Compare net unreserved cash balance to accounts payable case level accounts. If accounts payable balance is greater, request implementing agency review of the priority of case payment schedules.

B. Timely Payments to DoD Components and Contractors. Balances in accounts payable, shall be aged to assure timely payments are being made. If payments are untimely, SAAC should review internal payment procedures and implement necessary corrective action.

C. Timely Case Closure Actions. When the expenditures equal budget authority, SAAC should request implementing agency review to determine if the case should be closed.

030210. SAAC Postings to Surcharge Subsidiary Ledgers

A. Administrative Fee and Logistics Support Surcharge Account.

1. Accrual of Earned Surcharge. As accrued expenditures are recorded pursuant to FMS orders, the amount of administrative surcharge applicable thereto will be determined and credited to the administrative fee account.

2. Actual FMS Administrative/Logistics Expense. Accounting entries reflecting actual expenses will be posted based upon accrued expenditures reported in the DoD status-of-allotment reports for FMS (see paragraph 030401 of this Volume).

B. Transportation Surcharge Account.

1. Accrual of Earned Surcharge. When items are reported as physically delivered, applicable transportation surcharges are earned and credited to the "Transportation Account."

2. Actual Transportation Expense. Accounting entries reflecting actual transportation cost will be posted as debits to the "Transportation Account," based upon receipt of carrier bills.

3. Year-End Balance. Amounts in the transportation account in excess of \$15 million at the end of a fiscal year will be transferred to other clearing accounts with deficit balances. Such transfers must be approved by the Office of the DoD Comptroller in coordination with the DSAA Comptroller as manager of the FMS Trust Fund.

C. Contract Administration Surcharge Account.

1. Accrual of Earned Surcharge. When payments are made to contractors--either progress payments or bills for incurred costs--applicable contract administration surcharges are earned and credited to "Contract Administration Expenses."

2. Actual Contract Administration Expenses. Accounting entries reflecting actual contract administration costs will be posted as "Contract Administration Expenses," based upon receipt of SF 1080 billings from performing DoD Components (see paragraph 070405).

D. Attrition Expense Surcharge Account. For applicable training cases, 4% for flying training and 1% for non-flying training, the earned amounts will be identified by the IAs as they distribute collections for tuition charges.

That portion identified as attrition will be credited to the SAAC. Expenditures from this account represent orders to DoD Components to fund the cost of replacing equipment which has been destroyed as a result of student training.

E. Month-End and Year-End Surcharge Account Closing. The data contained within the accounting system will support end of period closing, updating of the general ledger and the production of required end of period financial reports. End of period procedures will be in accordance with DSAA reporting requirements. Open periods will be closed in sequence when transactions are concurrently processed for multiple periods. During the closing process, the current period (the first one among all open periods), General Ledger account balances will be closed and carried forward to the next period. The beginning surcharge account balances for the next period should be computed from the carried forward amounts previously passed and month-to-month activity.

F. Year-End Certification. After the close of each fiscal year, the SAAC will provide a certified financial statement to the Office of the Comptroller, DoD. This is the Statement Of Financial Position for the year just ended versus the prior year (see Table 302-3).

G. Year-End/Periodic Analysis of Surcharge Accounts. Activity in the surcharge accounts will be analyzed by SAAC and serve as a basis for recommendations to the DSAA Comptroller for coordination with the DoD Comptroller on rate changes and redistribution of surcharge account balances.

**TABLE 302-1 UNIFORM CHART OF FMS GENERAL LEDGER ACCOUNTS FOR THE
FOREIGN MILITARY SALES TRUST FUND**

<u>Acct. No.</u>		<u>Normal Balance</u>
<u>1000</u>	<u>ASSETS</u>	
<u>1010</u>	<u>Fund Balance with Treasury</u>	
1011	Funds Collected	DR
1012	Funds Disbursed	CR
<u>1100</u>	<u>Cash</u>	
1110	Undeposited Collections (FRB)	DR
<u>1310</u>	<u>Accounts Receivable</u>	DR
1311	Accounts Receivable-Government-Current	DR
1313	Accounts Receivable-Public-Current	DR
1313.1	Accounts Receivable-Public-Current	DR
1313.2	Accounts Receivable-Public-Current- -Arrearages	DR
1313.3	Accounts Receivable-Public-Current- -Uncollectible	DR
<u>2000</u>	<u>LIABILITIES</u>	
<u>2100</u>	<u>Accrued Liabilities</u>	CR
<u>2110</u>	<u>Accounts Payable</u>	
2111	Accounts Payable-Government -Current	CR
2112	Accounts Payable-Government- Noncurrent	CR
2113	Accounts Payable-Public-Current	CR
<u>2190</u>	<u>Other Accrued Liabilities</u>	CR
<u>2310</u>	<u>Advances From Others</u>	
<u>2312</u>	Unearned Revenue-Advances from Public	CR
<u>2400</u>	<u>Liability for Deposit Funds/Suspense Accounts</u>	CR

TABLE 302-1 UNIFORM CHART OF FMS GENERAL LEDGER ACCOUNTS FOR THE FOREIGN MILITARY SALES TRUST FUND (CONTINUED)

<u>Acct. No.</u>		<u>Normal Balance</u>
<u>3000</u>	<u>TRUST FUND EQUITY</u>	CR
<u>4000</u>	<u>BUDGETARY</u>	
<u>4130</u>	<u>Contract Authority</u>	DR
4131	Contract Authority-Without Liquidating Appropriation	DR
4132	Contract Authority-With Liquidating Appropriation	DR
<u>4150</u>	<u>Other New Budget Authority</u>	DR
<u>4450</u>	<u>Authority Available (for Apportionment)</u>	CR
<u>4516</u>	<u>Unallocated Unfunded Contract Authority</u>	CR
<u>4541</u>	<u>Allocations Issued-Direct Program- Current Year</u>	CR
<u>4580</u>	<u>Allotments Received (Recorded by IA)</u>	CR
<u>4611</u>	<u>Uncommitted/Unobligated Allotments -Direct Program-Current Period</u>	CR
<u>4710</u>	<u>Outstanding Commitments-Direct Program</u>	CR
<u>4811</u>	<u>Undelivered Orders-Without Advance Direct Program</u>	CR
<u>4900</u>	<u>Expended Appropriations</u>	
4910	Accrued Expenditures-Unpaid- Direct Program	CR
4931	Accrued Expenditures-Paid-Direct Program	CR

TABLE 302-2 ILLUSTRATION OF PRO FORMA ENTRIES FOR THE FMS TRUST FUND

The pro forma entries in this table illustrate the accounting entries recorded within the FMS Trust Fund General Ledger during execution of a hypothetical FMS case. The variety, number and timing of the entries may differ according to type of case and circumstances being recorded. FMS Trust fund accounting by the central site, in accordance with the provisions of this chapter is at Trust Fund level. Entries 8 and 9 illustrate entries required to record reimbursement of Administrative Surcharge expenses to a Military Department.

Given:

Contract Value (2 units)	\$100,000
Total Nonrecurring Cost	\$20,000
Estimated Cost (line 21)	<u>\$120,000</u>
Administrative Fee (line 23)	\$3,600
Total Case Value (line 26)	<u>\$123,600</u>
Initial Deposit	\$35,000
Administrative expense disbursed at Trust Fund level to a Military Department with revenues from several cases.	\$4,000

- FMS Customer Country provides SAAC with a signed Letter Of Acceptance (DD Form 1513) and the initial deposit. SAAC records receipt and changes the status of the case from Offered to Implemented.**

1011	Funds Collected	\$35,000	
2312	Unearned Revenues-Advances From Public		\$35,000
4150	Other New Budget Authority (Uncommitted Acceptances)	\$123,600	
4450	Authority Available		\$123,600
4132	Contract Authority With Liquidating Appropriation	\$35,000	
4131	Contract Authority Without Liquidating Appropriation		\$35,000

- The Implementing Agency submits a DD Form 2060 or automated equivalent (RBI) requesting obligation authority.**

4131	Contract Authority Without Liquidating Appropriation	\$100,000	
4150	Other New Budget Authority		\$100,000
4450	Authority Available	\$100,000	
4516	Unallocated Unfunded Contract Authority		\$100,000

**TABLE 302-2 ILLUSTRATION OF PRO FORMA ENTRIES FOR THE FMS TRUST FUND
(CONTINUED)**

3. SAAC approves the request for obligation authority from the Implementing Agency. (Part A of DD Form 2060 or automated equivalent (RBF)).		
4516	Unallocated Unfunded Contract Authority	\$100,000
4541	Allocations Issued-Direct Program-Current Period	\$100,000
4580	Allotments Received (Recorded by the IA)	\$100,000
4611	Uncommitted/Unobligated Allot.-Direct Program	\$100,000
4. The Implementing Agency reports commitments equal to estimated contract value using the REI transaction.		
4611	Uncommitted/Unobligated Allot.- Direct Program.	\$100,000
4710	Outstanding Commitments Direct Program	\$100,000
5. The Implementing Agency reports Obligations equal to contract value via a REI transaction.		
4710	Outstanding Commitments Direct Program	\$100,000
4811	Undelivered Orders - Direct Program	\$100,000
6. SAAC generates the quarterly FMS Billing Statement, DD Form 645.		
1313.1	Accounts Receivable-Public Current	\$88,600
2411	Deposit Fund Liabilities	\$88,600
7. SAAC receives payment of amount due on the quarterly FMS Billing Statement, DD Form 645.		
1011	Funds Collected	\$88,600
2312	Unearned Revenues-Advances from Public	\$88,600
2411	Deposit Fund Liabilities	\$88,600
1313.1	Accounts Receivable-Public Current	\$88,600
4132	Contract Authority With Liquidating Appropriation	\$88,600
4131	Contract Authority Without Liquidating Appropriation	\$88,600

**TABLE 302-2 ILLUSTRATION OF PRO FORMA ENTRIES FOR THE FMS TRUST FUND
(CONTINUED)**

8. The entries to record the issuance of an allotment for the administrative surcharge budget:		
4131	Contract Authority without Liquidating Appropriation	\$4,000
4150	Other New Budget Authority	\$4,000
4450	Authority Available	\$4,000
4516	Unallocated Unfunded Contract Authority	\$4,000
4516	Unallocated Unfunded Contract Authority	\$4,000
4541	Allocations Issued-Direct Program	\$4,000
4580	Allotments Received	\$4,000
4611	Uncommitted/Unobligated Allot-Direct Program	\$4,000
9. SAAC records the obligation and reimbursement for administrative surcharge expenses:		
4611	Uncommitted/Unobligated Allot.- Direct Program	\$4,000
4931	Accrued Expenditures-Paid Direct Program	\$4,000
2312	Unearned Revenue - Advances from Public	\$4,000
2111	Accounts Payable-Government Current	\$4,000
2111	Accounts Payable-Government Current	\$4,000
1012	Funds Disbursed	\$4,000
10. The Implementing Agency reports accrued expenditures unpaid via a Status of Direct Cite Allotment (REI) transaction.		
2312	Unearned Revenue - Advances from Public	\$100,000
2113	Accounts Payable-Public	\$100,000
4811	Undelivered Orders-Direct Program	\$100,000
4910	Accrued Expenditures-Unpaid Direct Program	\$100,000
11. The Implementing Agency reports payment to the Defense Contractor via a SDI transaction.		
2113	Accounts Payable-Public	\$100,000
1012	Funds Disbursed	\$100,000
4910	Accrued Expenditures-Unpaid Direct Program	\$100,000
4931	Accrued Expenditures-Paid Direct Program	\$100,000

TABLE 302-2 ILLUSTRATION OF PRO FORMA ENTRIES FOR THE FMS TRUST FUND (CONTINUED)

12. The Implementing activity reports the obligation for nonrecurring costs via a DD Form 2060 or REI transaction.

4131	Contract Authority without Liquidating Appropriation	\$20,000	
4150	Other New Budget Authority		\$20,000
4450	Authority Available	\$20,000	
4516	Unallocated Unfunded Contract Authority		\$20,000
4516	Unallocated Unfunded Contract Authority	\$20,000	
4541	Allocations Issued-Direct Program	\$20,000	
4580	Allotments Received	\$20,000	
4611	Uncommitted/Unobligated Allot.- Direct Program		\$20,000
4611	Uncommitted/Unobligated Allot.- Direct Program	\$20,000	
4811	Undelivered Orders-Direct Program		\$20,000

13. The Implementing Agency reports self-reimbursement for nonrecurring costs using a SDI transaction.

2312	Unearned Revenue - Advances from Public	\$20,000	
1012	Funds Disbursed Allot.- Direct Program		\$20,000
4811	Undelivered Orders-Direct Program	\$20,000	
4931	Accrued Expenditures-Paid Direct Program		\$20,000

14. The Implementing Agency reports completion of work on the FMS customer order and delivery of the systems ordered to the customer. SAAC records the administrative surcharge revenue applicable to the delivered value. Offsetting entries are recorded in subsidiary accounts within GLA 2312, "Unearned Revenue - Advances from Public."

TABLE 302-2 ILLUSTRATION OF PRO FORMA ENTRIES FOR THE FMS TRUST FUND
(CONTINUED)

15. The entries required to record case closure based upon the Military Activity sending SAAC a case closure certificate and SAAC sending the FMS customer a Final Statement of Account. (These entries are not recorded until the end of the fiscal year for cases closed during the year to provide visibility of activity in these accounts during the year):

1012	Funds Disbursed	\$123,600	
1011	Funds Collected		\$123,600
4541	Allocations Issued-Direct Program	\$123,600	
4132	Contract Authority-With Liquidating Appropriation		\$123,600
4931	Accrued Expenditures Paid Direct Program	\$123,600	
4580	Allotments Received		\$123,600

TABLE 302-3 REPORT ON FINANCIAL POSITION

Assets	Source General Ledger Account	Total current period
1. Fund balance with Treasury and cash (SF 220-1)		
a. Fund Balance(s) _____	1010	6,776,664,186
b. Cash * _____	1100	5,186,975,337
c. Foreign currency, net _____		
d. Subtotal _____		11,963,639,523
2. Accounts receivable (SF 220-9)		
a. Federal agencies _____		
1. Current _____		
2. Noncurrent _____		
b. Public _____		
1. Current _____	1313, 1316, 1320	8,013,267,823
2. Noncurrent _____		
c. Less: Allowances _____		
d. Subtotal _____		8,013,267,823
3. Advances and prepayments		
a. Operating consumables _____		
b. Product or service components _____		
c. Stockpiled materials _____		
4. Inventories (SF 220-1)		
a. Operating consumables _____		
b. Product or service components _____		
c. Stockpiled materials _____		
d. Other 1. _____		
2. _____		
3. _____		
4. _____		
e. Subtotal _____		
5. Investments, net (SF 220-1)		
a. Federal securities _____		
b. Non-Federal securities _____		
c. Other 1. _____		
2. _____		
3. _____		
4. _____		
d. Subtotal _____		
6. Loans receivable (SF 220-8, SF 220-9)		
a. Federal agencies _____		
1. Current _____		
2. Noncurrent _____		
b. Public _____		
1. Current _____		
2. Noncurrent _____		
c. Less: Allowances _____		
d. Subtotal _____		

* This amount represents cash advances held in commercial interest bearing bank accounts at the request of the foreign customer. These funds are not required for immediate Trust Fund use.

TABLE 302-3 REPORT ON FINANCIAL POSITION (CONTINUED)

BUREAU/ORGANIZATIONAL UNIT:		
Assets-Continued	Source General Ledger Account	Total current period
7. Property, plant, and equipment, net (SF 220-1)		
a. Structures, facilities and leasehold improvements		
b. Military equipment _____		
c. ADP software _____		
d. Equipment _____		
e. Assets under capital lease _____		
f. Other 1. _____		
2. _____		
3. _____		
4. _____		
g. Construction-in-progress _____		
h. Land _____		
i. Allowances _____		
j. Subtotal _____		
8. Other assets		
a. _____		
b. _____		
c. _____		
d. _____		
e. _____		
9. Total assets		
		19,976,907,346
Liabilities		
10. Accounts payable		
a. Federal agencies _____	2111, 2112	47,291,931
b. Public _____	2113	134,391,259
c. Subtotal _____		181,683,190
11. Interest payable		
a. Federal agencies _____		
b. Public _____		
c. Subtotal _____		
12. Accrued payroll and benefits _____		
13. Accrued unfunded annual leave _____		
14. Unearned revenue (advances)		
a. Federal agencies _____	2311	
b. Public _____	2312, 2320	11,781,956,333
c. Subtotal _____		11,781,956,333
15. Deposit funds _____		
	2410, 2411	8,013,267,823
16. Debt Issued under borrowing authority (SF 220-1)		
a. Gross Federal debt _____		
b. Intragovernmental debt _____		
c. Other debt _____		
d. Subtotal _____		
17. Actuarial liabilities (SF 220-1)		
a. Pension plans _____		
b. Insurance and annuity programs _____		
c. Subtotal _____		

TABLE 302-3 REPORT ON FINANCIAL POSITION (CONTINUED)

Standard Form 220 November 1988	REPORT OF FINANCIAL POSITION as of 30 September 1991 (in dollars)	Page 3 of 3
BUREAU/ORGANIZATIONAL UNIT:		
Liabilities-Continued	Source General Ledger Account	Total current period
18. Other liabilities		
a. _____		
b. _____		
c. _____		
d. _____		
e. Subtotal _____		
19. Total liabilities _____		19,976,907,346
Equity		
<u>Appropriated fund equity</u>		
20. Unexpended financed budget authority		
a. Unexpended appropriations _____		
b. Less: Unfilled customer orders (Federal) _____		
c. Subtotal _____		
21. Invested capital _____		
<u>Revolving fund equity</u>		
22. Revolving fund balance(s)		
a. Appropriated capital _____		
b. Cumulative results _____		
c. Donations _____		
d. Subtotal _____		
<u>Trust fund equity</u>		
23. Trust fund balance(s) _____		
24. Total equity _____		
25. Total liabilities and equity _____		19,976,907,346
AGENCY CONTACTS		
1. Preparer's Name	2. Telephone No.	
John Doe	370-4174	
3. Address		
DFAS - Denver Center, Attn: IR		
4. Supervisor's Name	5. Telephone No.	
Joni Smith	370-7791	

0303 IMPLEMENTING AGENCY ACCOUNTING REQUIREMENTS

030301. Reimbursable Orders. Amounts in Column 10 of the DD Form 2060 (or automated equivalent), "FMS Obligational Authority," represent the portion of the FMS order that will be accomplished on a reimbursable basis. The applicable DoD appropriation or fund accounting system must maintain an audit trail between the applicable DD Form 2060 and appropriation or fund accounting records. DD Form 2060, Part B or automated equivalent, must arrive at the SAAC by the 20th calendar day following the close of each accounting month. The report format is in Table 202-5. Preparation and processing instructions are outlined in Section 202. Performance within the financing appropriation or fund account will be controlled in accordance with the accounting system established for the particular appropriation or fund account. Pro forma entries to a procurement appropriation account using the DoD Uniform Chart of Accounts (UCA) are illustrated in Tables 303-3, 303-4, and 303-5. Table 303-3 illustrates accounting entries for replacement transactions. Table 303-4 illustrates accounting entries when procurement action is taken on behalf of the customer. Table 303-5 illustrates accounting entries when amounts are collected for deposit to Miscellaneous Receipts Account 3041. Appropriation or fund bills for earned reimbursements shall be processed in accordance with Chapter 8 of this Volume. Thus, the FMS accounting system tracks orders into and out of the normal appropriation or fund accounting systems. The FMS accounting system is not intended to track the financial status, obligation, etc., while reimbursable performance is in process. The status of specific customer requisitions can be obtained through logistical system inquiries. Applicable logistics status reports are provided to case managers and to FMS customers and are not to be confused with financial status reports.

030302. Allotments for Direct Citation. Amounts in Column 11 of the DD Form 2060 which are coded "(A)" represent allotments of case contract authority. Allotment holders must request expenditure authority (EA) from the SAAC prior to processing the disbursements against the contract authority. Expenditure

authority is provided by SAAC from the FMS Trust Fund incrementally based upon the allottee's need to disburse funds. The allotment holder is responsible for detailed case level accounting records and for providing a monthly status-of-allotment report on each applicable FMS case that is entered into the FMS Trust Fund accounting records. Specific requirements:

A. The DoD Component which holds an allotment of the FMS Trust Fund for direct citation on contracts shall maintain detailed commitment, obligation, and expenditure records on an FMS case-by-case basis and shall provide to the SAAC a monthly status-of-allotment input reflecting these case level data. The status of expenditures shall be supported by delivery transactions in an amount equal to the current month's net change in accrued expenditures or cash advances to contractors. A manual status-of-allotment format is illustrated in Table 303-1. Automated equivalents (RE Transactions) are described in Table 303-2.

B. Monthly status-of-allotment information and associated reports of reconciliation must be submitted to arrive at the SAAC by the 20th calendar day following the close of each accounting month. This information, with detailed supporting documentation, shall be used as the basis for SAAC entries to case level accounting records and overall Trust Fund reconciliation with the U.S. Treasury. The manual format is in Table 303-1. Instructions for completion of the report follow:

1. From. Enter the name and address of the agency preparing the report.

2. To. Enter DFAS-DE/I (SAAC), 6760 East Irvington Place, Denver, Colorado 80279-2000.

3. For Authorization Issued to. Enter the name of the implementing agency and office designation.

4. Reporting Fiscal Officer. Enter the signature and rank of the reporting fiscal officer. Signature represents certification that the report is accurate and complete to the best knowledge of the fiscal officer.

5. For Period Ended. Enter the last day of the reporting month.

6. Report Project No.: For direct cite list each active FMS case for which direct cite obligational authority has been obtained (see Chapter 2). Cases shall be grouped by country and in sequence of date accepted. Provide country and agency totals. For the administrative fund allotment report break out the data by object class.

7. Annual Approved Authority. The direct cite obligational authority for each FMS case shall be obtained from Column 11 of the current year DD Form 2060.

8. Current Month Commitments. Dollar amounts shall be reported on a case basis from an FMS Trust Fund accounting subsystem. The reporting DoD Component shall retain basic source documents supporting reported amounts.

9. Cumulative Commitments to Date. This dollar amount shall be reported on a case basis and represents the total dollar value of outstanding commitments against Column 7 authority received for each case. At year end commitments shall be zero because applicable obligational authority is returned to the FMS Trust Fund.

10. Current Month Obligations. This amount shall be reported on a case basis and obtained from an FMS Trust Fund accounting subsystem. The reporting DoD Component shall retain basic source documents supporting reported amounts.

11. Cumulative Obligations to Date. This dollar amount shall be reported on a case basis and represents the total dollar value of obligations incurred in the current fiscal year.

12. Accrued Expenditures Unpaid. Dollar amounts shall be reported on a case basis and obtained from an FMS Trust Fund accounting system.

13. Cash Disbursements. Report amounts of disbursements in the current month. Disbursements shall be reported on a case basis

and obtained from an FMS Trust Fund accounting subsystem. The reporting DoD Component shall retain basic source documents supporting reported amounts. When a portion or all of the amounts previously reported are earned, show a minus figure with a corresponding entry in the disbursement column. Progress payments or advances to contractors should be broken out where available from the accounting system.

030303. Supporting DoD Components. Those DoD Components which are not implementing agencies but support the FMS program in response to implementing agency work requests must carefully review applicable work requests to determine the financing source. If the financing source is one of the implementing agency appropriation accounts, the request shall be recorded and processed as an internal DoD order. If the recipient is a suballocation holder, the required allotment status report shall be provided to the allotment holder and consolidated into the allotment status report to SAAC.

030304. Fiscal Year-End Reporting Requirements. DoD Components are required to submit certified final fiscal year consolidated hard copy DD Form 2060, Part B, and DoD Status-of-Allotment information for direct cite funds, to the SAAC. Submission dates will be established in accordance with special instructions issued by DFAS. The forms submitted may be manual forms or automated equivalents.

A. Final DD Form 2060, Part B, will contain the following certification:

"I hereby certify that this report reflects FMS Obligational Authority as required by DoD 7000.14-R, Volume 15, paragraph 020105.A."

B. Final status-of-allotment report must contain the following signed certification:

"I hereby certify that the amounts shown in this report are correct. All known transactions meeting the criteria of 31 U.S.C.1501(a) have been obligated and are so reported."

TABLE 303-1 FORMAT FOR THE DOD STATUS-OF-ALLOTMENT REPORT

DOD STATUS-OF-ALLOTMENT																									
TYPE <input type="checkbox"/> ALLOTMENT <input type="checkbox"/> SUBALLOTMENT		APPROPRIATION AND SUBHEAD AUTHORIZATION NO. FOR PERIOD ENDED																							
FROM:		TO:		FOR AUTHORIZATION ISSUED TO:								REPORTING FISCAL OFFICER (Signature and rank)													
BUDGET PROJECT NO. (1)		AUTHORIZATIONS CHANGES THIS PERIOD RECEIVED (2)		AUTHORIZATIONS ADJUSTMENTS MADE LOCALLY (3)		GROSS COMMITMENTS CURRENT TOTAL (4)		GROSS OBLIGATIONS CHANGES THIS PERIOD (5)		GROSS OBLIGATIONS CURRENT TOTAL (6)		GROSS OBLIGATIONS CHANGES THIS PERIOD (7)		GROSS OBLIGATIONS CURRENT TOTAL (8)		ACCRUED EXPENDITURES UNPAID NON-GOVT (9)		ACCRUED EXPENDITURES UNPAID GOVT (10)		DISBURSEMENTS CHANGES THIS PERIOD (9)		DISBURSEMENTS CURRENT TOTAL (10)		UNCOMMITTED BALANCE (11)	

TABLE 303-2 STATUS OF DIRECT ALLOTMENT "RE" TRANSACTION

Data Element Description and Element Abbreviation	Format/ No. of Position	FICS TRC	Edit/Validations of: REI Input--MILDEP to SAAC REF Feedback--SAAC to MILDEP
Document Identifier Code (DIC)	X(3)		
Direct Status (INPUT)	'1-3	'002	Must be "REI", if not reject.
Direct Status (FEEDBACK)	'1-3		"REF" is a machine generated duplicate of the REI transactions and appended by the Positive Transaction Control (PTC) to become the REF transactions
Transaction Control No. (YYMMDDNNNNNV)	X(13) '4-16	'152	Must be numeric (0-9)
		'152	YYMMDD must be equal to or less than current date
		'249	Version Number (V) must be "0" if Action Code is "A" (add)
		'248	Version Number (V) must be 1 thru 9 if Action Code is "C" (change) and must be one greater than suspense version No.
		'251	If Action Code is "C" (change) or "D" (delete), Transaction Control number (TCN)(excluding V) must equal suspense file. (YYMMDDNNNNNV)
Action Code	X(1) 17	'003	Must be "A", "C", or "D", otherwise invalid. A=Add; C=Change; D=Delete
Country Code (CC)	X(2) 18-19	'037	Country code MUST match SAAC Country code Table
Implementing Agency Code (IA)	X(1) 20	'038	If Site Code equals "5" or "6", IA code must be on IA Table.

TABLE 303-2 STATUS OF DIRECT ALLOTMENT "RE" TRANSACTION (CONTINUED)

Data Element Description and Element Abbreviation	Format/ No. of Position	FICS TRC	Edit/Validations of: Transactions REI Input--MILDEP to SAAC REF Feedback--SAAC to MILDEP
Case Designator	X(3) 21-23	'041	MUST match the Active Case control file or match on Case Control History.
		'031	Case status must equal "I" (Implemented) or "C" (Closed).
Amount Commitments Cumulative from Inception (CFI)	S(12)V99 24-37	156	MUST be numeric (0-9).
		310	MUST be positive amount except country Iran can be negative.
Amount Obligations (OA) Cumulative from Inception (CFI)	S(12)V99 V99 38-51	156	MUST be numeric (0-9).
		311	Must be positive amount, except country Iran can be negative.
Unpaid Government End of Period	S9(12) V99 52-65	156	MUST be numeric (0-9); may be negative.
Unpaid non-government End of Period	S9(12) V99 66-79	156	MUST be numeric (0-9); may be negative.
Date Accounting Month (YYMM)	X(4) 80-83	'016	YYMM must equal current month or one month prior.
THE POSITIVE TRANSACTION CONTROL FEEDBACK CONTAINS THE ORIGINAL REI TRANSACTION PLUS THE FOLLOWING DATA ELEMENTS FOR THE REF TRANSACTION			
Transaction Reply Code (TRC)	X(15) 84-98	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 303-3 REPLACEMENT TRANSACTIONS

Items Sold from Inventory Entries in Procurement Appropriation Accounts
in Terms of DoD UCA (Replacement - Tank Valued at \$500,000)

1. Allotted Reimbursable Program - Current Period	\$500,000	
Customer Orders Accepted - Specific Apportionment		\$500,000
Unfilled Customer Orders - Specific Apportionment	\$500,000	
Uncommitted or Unobligated Allotments - Reimbursable Program - Current Year		\$500,000
To record receipt of DD Form 2060		
2. Cost of Sales	\$500,000	
Equipment Not in Use		\$500,000
Reimbursements Earned - Uncollected - Specific Apportionment	\$500,000	
Unfilled Customer Orders - Specific Apportionment		\$500,000
Accounts Receivable - Government (SAAC)	\$500,000	
Revenue - Reimbursable Sale of Property		\$500,000
To record shipment of tank from inventory		
3. Reimbursements Earned - Collected	\$500,000	
Reimbursements Earned - Uncollected		\$500,000
Funds Collected (Cash)	\$500,000	
Accounts Receivable - Government (SAAC)		\$500,000
To record collection from FMS Trust Fund		
4. Uncommitted or Unobligated Allotments - Reimbursable Program - Current Period	\$500,000	
Undelivered Orders - Reimbursable Program		\$500,000
To record award of contract to replace tank		
5. Equipment Not in Use	\$500,000	
Accounts Payable - Public		\$500,000
Undelivered Orders - Reimbursable Program	\$500,000	
Accrued Expenditures - Unpaid - Reimbursable Program		\$500,000
6. Accounts Payable - Public	\$500,000	
Funds Disbursed		\$500,000
Accrued Expenditures - Unpaid - Reimbursable Program	\$500,000	
Accrued Expenditures - Paid - Reimbursable Program		\$500,000
To record payment to contractor		

TABLE 303-4 NEW PROCUREMENT TRANSACTIONS

Items Procured on Reimbursable Basis Entries in Procurement Appropriation Accounts
in Terms of DoD UCA (New Procurement - Tank Contract Cost \$500,000)

1. Allotted Reimbursable Program - Current Period	\$500,000	
Customer Orders Accepted - Specific Apportionment		\$500,000
Unfilled Customer Orders - Specific Apportionment	\$500,000	
Uncommitted or Unobligated Allotment - Reimbursable Program - Current Period		\$500,000
To record receipt of DD Form 2060		
2. Uncommitted or Unobligated Allotment - Reimbursable Program - Current Period	\$500,000	
Undelivered Orders - Reimbursable Program		\$500,000
To record award of contract to procure tank		
3. Equipment Not in Use	\$500,000	
Accounts Payable - Public		\$500,000
Undelivered Orders - Reimbursable Program	\$500,000	
Accrued Expenditures - Unpaid - Reimbursable Program		\$500,000
To record delivery of tank to Army by contractor		
4. Accounts Payable - Public	\$500,000	
Funds Disbursed		\$500,000
Accrued Expenditures - Unpaid - Reimbursable Program	\$500,000	
Accrued Expenditures - Paid - Reimbursable Program		\$500,000
To record payment to contractor		
5. Cost of Sales	\$500,000	
Equipment Not in Use		\$500,000
Reimbursements Earned - Uncollected - Specific Apportionment	\$500,000	
Unfilled Customer Orders - Specific Apportionment		\$500,000
Accounts Receivable - Government (SAAC)	\$500,000	
Reimbursable Sales of Property		\$500,000
To record shipment of tank from Army to Customer		

TABLE 303-4 NEW PROCUREMENT TRANSACTIONS (CONTINUED)

6. Reimbursements Earned - Collected	\$500,000	
Reimbursements Earned - Uncollected		\$500,000
Funds Collected (Cash)	\$500,000	
Accounts Receivable - Government (SAAC)		\$500,000
To record collection from FMS Trust Fund		

NOTE: Reimbursable procurements for FMS are an exception to DoD Policy. See paragraph 070101.F.

TABLE 303-5 ITEM NOT TO BE REPLACED TRANSACTIONS

Items Sold from Inventory
 Entries in Procurement Appropriation Accounts
 in Terms of DoD UCA
 (Item Not To Be Replaced - Tank Valued at \$500,000)

1. Cost of Sales	\$500,000	
Equipment Not in Use		\$500,000
Accounts Receivable - Government (for Treasury Account 3041)	\$500,000	
General Fund Sales of Property		\$500,000
To record shipment of tank from inventory		
2. Funds Returned to the Treasury	\$500,000	
Accounts Receivable - Government (for Treasury Accounts 3041 or 4116)		\$500,000
To record the transfer of free assets to Miscellaneous Receipts Account 3041.		

NOTE: In the event entries were made to budgetary accounts to record the order against the Allotted reimbursable Program, Current Period or Unfilled Customer Orders or Specific Apportionment, the reversing of entries shall be required. There shall be no obligation recorded in the procurement accounts when proceeds from free assets are transferred to Miscellaneous Receipts Account 3041.

0304 ACTUAL ADMINISTRATIVE EXPENSE ACCOUNTING REQUIREMENTS**030401.** Reimbursement for FMS Administrative Expenses

A. Administrative expenses shall be priced in accordance with Section 706 of this Volume and charged directly to the allotment received from the SAAC for actual FMS administrative expenses. Status-of-allotment information shall be submitted in the DoD standard format prescribed in Table 303-1 and completed according to instructions in paragraph 030302.B. and 030401.C. below. In the event the allotment is used as the basis for issuing reimbursable orders to appropriation accounts, a schedule reflecting the dollar value of orders released to each appropriation shall be attached to the status-of-allotment format. Administrative expenses may not be incurred in excess of the allotment nor are DoD Components authorized to incur obligations against appropriated fund operation accounts to finance FMS administrative budgets. To summarize, appropriated funds shall not be utilized to subsidize FMS administrative operations.

B. Upon review of the budget requests submitted in response to its administrative budget call, DSAA will approve a single budget amount and SAAC will issue an allotment providing funding in the amount of the approved budget. The recipient will prepare an allotment report showing actual uses for either administrative expense. The information shall be based upon the organization designation in the DSAA budget call. Allotments for administrative expenses shall be fully funded for obligations. Receiving DoD Components shall use "no-check SF 1080" self-reimbursement procedures to reimburse appropriation accounts. Reimbursable procedures apply when the Trust Fund is not directly cited as the financing source of payrolls, contracts, or travel orders.

C. Additional instructions for completing the status-of-administrative-expense-allotment format follow:

1. Budget Project No. The status-of-allotment for administrative expenses is provided by object class:

- 11.1 Permanent civilian positions
- 11.3 Civilian positions other than permanent
- 11.5 Other civilian compensation
- 11.8 Special personnel services payment
- 12.1 Personnel benefits - civilian
- 12.2 Personnel benefits - military personnel
- 21.0 Travel and transportation of persons
- 22.0 Transportation of things
- 23.1 Rent, communications and utilities (excluding ADP)
- 23.2 ADP rent, communications and utilities
- 24.0 Printing and reproduction
- 25.1 Other services excluding ADP and BOS
- 25.2 Other services, ADP
- 25.3 Base Operations Support
- 26.0 Supplies and materials
- 31.0 Equipment-Non ADP
- 31.1 Equipment-ADP
- 42.1 Reports of Discrepancy without Transportation
- 42.2 Unfunded civilian retirement

2. Authorizations, Allotments Received to Start of Period. This column includes all current fiscal year DSAA allotments for actual FMS administrative expenses which were received to the start of the current reporting period.

3. Authorizations, Changes this Month. This column includes DSAA allotments for actual FMS administrative expenses which were granted during the reporting month.

4. Commitments, Obligations, and Disbursements. The dollar value of commitments, obligations, and disbursements shall be obtained from allotment ledgers. See paragraph 030104 for guidance on source documents required to support entries to allotment ledgers.

D. Status of Administrative Expense Allotment reports shall be supported by subsidiary allotment status reports for organizations set forth in this paragraph. Subsidiary reports shall follow this format with one exception; Block 1

shall be annotated "Subsidiary report-(Name of organization)."

1. U.S. Army Activities

- a. Army Materiel Command (AMC).
- b. Chief of Staff - Army (CSA).
- c. Surgeon General (SUR GEN).
- d. Army Adjutant General (TAG).
- e. Health Services Command (HSC).
- f. Army Training and Doctrine Command (TRADOC).
- g. U.S. Army Forces Command (FORSCOM).
- h. Information Systems Command (ISC).
- i. U.S. Army Europe (USEUR).
- j. U.S. Army Western Command (WESTCOM).
- k. Army Corps of Engineers (COE).
- l. Army-All Other.

2. U.S. Navy Activities

- a. Assistant Under Secretary of Navy (AAUSN).
- b. Navy International Program Office (Navy IPO).
- c. U.S. Marine Corps (USMC).
- d. Bureau of Naval Personnel (BUPERS).
- e. Chief, Naval Education Training Security Assistance Field Activity (NETSAFA).
- f. Naval Security Group (NSG).
- g. Commander-in-Chief Atlantic Fleet (CINCLANTFLT).
- h. Commander-in-Chief Pacific Fleet (CINCPACFLT).
- i. United States Coast Guard (USCG).
- j. Navy Supply Systems Command (NAVSUP).
- k. Naval Air Systems Command (NAVAIR).
- l. Naval Seas Systems Command (NAVSEA).
- m. Space and Naval Warfare Systems Command (SPAWAR).
- n. Navy-All other.

3. U.S. Air Force Activities

- a. Air Force Materiel Command (AFMC) (AFLC combined with AFSC).
- b. Air Force Communications Command (AFCC).
- c. Air Training Command (ATC).

- d. Pacific Air Force (PACAF).
- e. Air Mobility Command (AMC) (TAC combined with SAC and MAC).
- f. U.S. Air Force Europe (USAFE).
- g. Electronic Systems Command (HQ ESC).
- h. HQ U.S. Air Force (HQ USAF).
- i. Air Force-All other.

4. Defense Finance and Accounting Service

- a. Cleveland Center.
- b. Columbus Center.
- c. Denver Center.
- d. Indianapolis Center.
- e. Kansas City Center.

0305 INTERNAL CONTROL

030501. Objectives. This section contains, in part, the Comptroller General's internal control standards to be followed by executive agencies (to include FMS implementing agencies and SAAC) in establishing and maintaining systems of internal control as required by the Federal Manager's Financial Integrity Act of 1982 [31 U.S.C. 3512(b)] [reference (j)]. Internal control systems are to reasonably ensure that the following objectives are achieved:

A. Financial management of the FMS program complies with this Volume.

B. All assets are safeguarded against waste, loss, unauthorized use, and misappropriation.

1. FMS Trust Fund monies are subject to the same basic controls as appropriated funds.

2. DoD activities must insure that FMS-related management efforts (e.g., manpower, equipment support costs, etc.) are charged to the proper reimbursable order or allotment as applicable. There must also be controls to ensure these reimbursable orders or allotments are not exceeded. If they are exceeded, a report must be submitted under the provisions of paragraphs 021201 and 021203 and internal control procedures must be reviewed to prevent recurrence.

C. Revenues and expenditures applicable to the FMS program are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability of the assets may be maintained.

030502. Internal Control Standards. The following internal control standards define the minimum level of quality acceptable for internal control systems in operation and constitute the criteria for financial management of the FMS program to be evaluated.

A. General Standards.

1. Reasonable Assurance. Internal control systems are to provide reasonable assurance that the objectives of this Volume will be accomplished.

2. Supportive Attitude. Managers and employees are to maintain and demonstrate a positive and supportive attitude toward internal control at all times.

3. Competent Personnel. Managers and employees are to have personal and professional integrity and are to maintain a level of competence that allows them to accomplish their assigned duties, as well as understand the importance of developing and implementing good internal controls.

4. Control Techniques. Internal control techniques are to be effective and efficient, and in accordance with the overall requirements of this Volume.

B. Specific Standards.

1. Documentation. Internal control systems and all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination.

2. Recording of Transactions and Events. Transactions and other significant events are to be promptly recorded and properly classified.

3. Execution of Transactions and Events. Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority.

4. Separation of Duties. Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals.

5. Supervision. Qualified and continuous supervision is to be provided to ensure that the pricing and reporting requirements established in this Volume are achieved.

6. Access to and Accountability for Resources. Access to resources and records is to be limited to authorized individuals, and accountability for the custody and use of resources is to be assigned and maintained. Periodic comparison shall be made of the resources with the recorded accountability to determine whether the two agree. The frequency of the comparison shall be a function of the vulnerability of the asset.

C. Audit Resolution Standard. Managers are to (1) promptly evaluate findings and recommendations reported by auditors, (2) determine proper actions in response to audit findings and recommendations, and (3) complete, within established time-frames, all actions that correct or otherwise resolve the matters brought to management's attention. For additional guidance, see the SAMM, Chapter 13 [reference (e)].

030503. Annual Statement of Assurance

A. SAAC will be responsible for the conduct of annual review of the DoD Security Assistance accounting system. As part of the review, system managers within DoD Components which feed the SAAC central Security Assistance accounting system are required to submit to SAAC annual certifications. The feeder system certifications must contain a statement on the adequacy of feeder systems internal controls and compliancy with Comptroller General accounting principles and standards. See Table 305-1.

B. The results of the review will provide SAAC the basis for preparing the annual Statements of Assurance required under Sections II and IV of the Federal Manager's Financial Integrity Act (FMFIA) of 1982 [reference (j)].

030504. Memorandums of Agreement. Memo

randums of agreement will be negotiated between the Military Departments and DFAS for integrated security assistance systems. These MOAs will assure that DFAS identify and define accounting segments that will be under the control of DFAS and ensure compliance with accounting standards and principles.

**TABLE 305-1 ANNUAL STATEMENT OF ASSURANCE FORMAT FOR
CERTIFICATION OF FEEDER SYSTEMS**

MEMORANDUM FOR DFAS-DE/IQ

SUBJECT: Federal Managers' Financial Integrity Act (FMFIA) FY 9X Annual Certification of Feeder Systems

The (Name of System), taken as a whole, does/does not conform to the accounting principles and standards prescribed by the Comptroller General in the General Accounting Office (GAO) Policy and Procedures Manual for Guidance of Federal Agencies, Title 2 - Accounting. All systems reviewed were/were not deemed to be in substantial compliance with the Comptroller General accounting principles and standards. Instances of nonconformance were/were not detected. (If major nonconformances exist, attach a statement explaining the nature and planned corrective action for each instance.)

Point of contact is (name) DSN (number) or commercial (number).

John Doe
Certifying Official