



DEFENSE SECURITY ASSISTANCE AGENCY

WASHINGTON, D. C. 20301

15 August 1976

In reply refer to:  
Transmittal No. 11  
DOD 5105.38-M

MEMORANDUM FOR RECIPIENTS OF DOD 5105.38-M, MILITARY ASSISTANCE AND SALES  
MANUAL - PARTS I, II, AND III

SUBJECT: MASM I, II, and III Transmittal

Attached is MASM Transmittal No. 11 which updates the procedures to  
15 August 1976.

Highlights of this transmittal include chapters of Administrative Changes;  
Riot Control Agents and Napalm; MAP Training Cost Estimates for Transporta-  
tion, Excess Baggage and Living Allowances; Eligible Countries for FMS;  
Letters of Intent; Implementation of FMS; Financial Procedures; and FMS  
Reporting System.

Update the portions of your MASM in accordance with the List of Changes.  
Specific changes are indicated by a broken line in the margin of the  
chapter.

This transmittal supersedes the following correspondence/messages:

- DSAA Memorandum I-1350/76, 5 Feb 76. Subject: MAP Training Cost  
Estimates for Transportation, Excess Baggage and Living Allowances.
- DSAA Memorandum I-2415/76, 9 Mar 76. Subject: Changes to Chapter G,  
MASM, Part III, Financial Procedures.
- DSAA Memorandum I-4880/76, 10 May 76. Subject: Revision of Chapter A,  
Part III (MASM), Eligibility for FMS.
- DSAA Memorandum I-4979/76, 12 May 76. Subject: Revision of Chapter A,  
Part III (MASM), Eligibility for FMS.
- DSAA Memorandum I-5132/76, 17 May 76. Subject: Revision of Chapter F,  
Part III (MASM), Implementation of FMS.
- DSAA Memorandum I-6920/76, 6 Jul 76. Subject: FMS Administrative Sur-  
charges.
- SECDEF message 9195/DTG 292314Z JUN 76. Subject: Deletion of Napalm  
Related Items.

*H. M. Fish*

H. M. FISH

Lieutenant General, USAF  
Director,

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Attachments

- (1) List of Changes
- (2) MASM Update Materiel



**MILITARY ASSISTANCE AND SALES MANUAL**

**LIST OF EFFECTIVE PAGES**

<i>Chapters</i>	<i>Page Numbers</i>	<i>Date of Latest Revision</i>
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B . . . . .	B-1 through B-3 . . . . .	Deleted
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Appendix A . . . . .	App A-1 through App A-24 . . . . .	1 December 1975
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H . . . . .	H-1 through H-4 . . . . .	1 April 1976
J . . . . .	J-1 through H-3 . . . . .	Deleted
K . . . . .	K-1 through K-17 . . . . .	15 August 1976
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Appendix A . . . . .	App A-1 through App A-19 . . . . .	15 August 1976
Appendix B . . . . .	App B-1 through App B-3 . . . . .	1 March 1976

## LIST OF CHANGES

Remove and insert the following portions of your current MASM:

### Remove

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Table of Contents -

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and Abbreviations,  
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In addition to the above, post the following pen and ink changes:

Part I -

(1) Glossary of Terms and Abbreviations - Page 7 - #75. Foreign Military Sales Order No. 3 (FMSO No. 3) - eliminate in its entirety. Change remaining paragraph numbers appropriately.

Part II -

(1) Chapter E - Page E-19 - para 15.d.(a)(d)(2) - first line - change "\$25.00" to "\$30.00".

(2) Chapter K - Page K-3 - para 3.d.(2)(c) - eliminate in its entirety.

Part III -

(1) Chapter A - Page A-2 - add "Surinam" under Western Hemisphere, after Peru. Page A-5 - change under Authorized Direct Arrangements for Dependable Undertakings, "-" to "X" for Ethiopia, Gabon, Liberia, Nigeria, and Tunisia. Page A-6 - add "Surinam A B — — —" after Peru.

(2) Chapter D - Page D-1 - para 1. - last sentence, - change "Service implementation directives" to read "DOD Directive 2110.39, September 24, 1970".

(3) Chapter J - this chapter was inadvertently left in the reprint of the MASM; please make sure it is deleted from your book.

(4) Appendix A - Page App A-15 - para 26. - last line - change "normal" to "nominal".

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## GLOSSARY OF TERMS AND ABBREVIATIONS

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Definitions contained herein are designed to assist in reaching a common understanding of terms applicable to the Military Assistance Program and Foreign Military Sales activities. They are not intended to be used to establish policy, doctrine, or to reflect techniques or technical procedures. Finally, where the source of a definition is a legislative document, the specific Act and Section is also cited.\*

### 1. Acceptance, Letter of Offer

U.S. Department of Defense (DD) Form 1513 Offer and Acceptance by which the U.S. Government offers to sell to a foreign government or international organization defense articles and defense services pursuant to the Foreign Military Sales Act, as amended. The DD Form 1513 lists the items and/or services, estimated costs, the terms and conditions of sale, and provides for the foreign government's signature to indicate acceptance.

### 2. Acceptance Date

The date which appears on the acceptance portion of DD Form 1513 and indicates the calendar date on which a foreign buyer agrees to accept the items and conditions contained in the FMS offer portion.

### 3. Accepted Case

An FMS offer and acceptance for defined requirements signed by the designated representative of the eligible recipient.

### 4. Accessorial Charges

A separate charge for packing, crating, port handling and loading, and transportation (PCH&T) associated with preparation and delivery of materiel.

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\* Foreign Assistance Act of 1961, as Amended, as FAA. Foreign Military Sales Act, as Amended, as FMSA. Mutual Security Act of 1954, as amended, as MSA 1954.

### 5. Acquisition Value

The actual or estimated value of an item or service in terms of its original cost to the U.S., exclusive of any costs incurred subsequent to acquisition and without regard to the time at which actual acquisition occurred or the method by which it was financed.

### 6. Administrative Agency

The Military Department charged with the responsibility for the provision of logistical and administrative support to a DOD element in a foreign country or international organization.

### 7. Administrative Charges

Charges associated with the administration of the defense logistic system. For Foreign Military Sales administrative surcharges include the standard 2% administrative surcharge as well as the 5% administrative surcharge for supply support arrangements and (when authorized) the 5% administrative surcharge for non-standard items. They specifically exclude administrative expenses charged directly to the body of the FMS case.

### 8. Aggregation Levels

A series of successively more detailed groupings of related resources, forces or requirements used to summarize similar data at different levels of detail for management review.

## 9. Arms Transfers

Defense articles and defense services such as arms, ammunition, and implements of war, including components thereof and the training, manufacturing licenses, technical assistance and technical data related thereto, provided by the government under the Foreign Assistance Act of 1961, as amended; the Foreign Military Sales Act, as amended; other statutory authority; or directly by commercial firms to foreign countries; foreign private firms, or to international organizations (Sec 414, MSA 1954, and Executive Order No. 10973, as amended, "Administration of Foreign Assistance and Related Articles").

## 10. Asset Use Charge

A charge for use of government-owned plant or equipment by a contractor for a commercial contract, when rent-free use of government plant or equipment is not authorized.

## 11. Attrition

Loss, destruction, or wear-out or damage of non-expendable articles determined by the MAAG to be beyond the point of economical repair and rehabilitation.

## 12. Blanket Order Case

An open-end requisitioning case covering spare parts for a specific weapons system. The FMS case is of specific duration, normally 12 months.

## 13. Budget Year

The fiscal year following the current fiscal year; the subject of new budget estimates.

## 14. Cancelled Case

An FMS case which was not accepted or funded within prescribed time limitations, or was cancelled by the requesting country or the U.S. government. In the latter case, the U.S. government or purchaser electing to cancel all (or part) of case prior to delivery of defense articles or performance of serv-

ices shall be responsible for all (or associated) termination costs.

## 15. Case

A contractual sales agreement between the U.S. and an eligible foreign country or international organization documented by DD Form 1513. One FMS case designator is assigned for the purpose of identification, accounting, and data processing for each accepted offer (DD Form 1513).

## 16. Case Description

A short title specifically prepared for each FMS case.

## 17. Case Designator

A unique designator assigned by the implementing agency to each Foreign Military Sales case. The designator originates with the offer of a sale, identifies the case through all subsequent transactions, and is generally a three letter designation.

## 18. Case Suffix Code

Machine readable code—See Appendix A, Part III.

## 19. Cash in Advance

U.S. dollar currency, check, or other negotiable instrument submitted by the customer concurrent with acceptance of a sales offer.

## 20. Cash Sales (DOD)

Involves either "cash in advance", payment within a reasonable period not to exceed 120 days after delivery of the article of the rendering of the service, or payments as funds are required to meet progress payments to suppliers under a "Dependable Undertaking" (Secs. 21 and 22, FMSA).

## 21. Civic Action

The use of preponderantly indigenous military forces on projects useful to the local population at all levels in such fields as edu-

cation, training, public works, agriculture, transportation, communications, health, sanitation and others contributing to economic and social development which also serve to improve the standing of the military forces with the population.

**22. Closed Case**

An FMS case on which all materiel has been delivered and/or all services have been per-

formed, all financial transactions, including all collections, have been completed, and the customer has received a final statement of account.

**23. Collection**

Receipt in U.S. dollar currencies, checks, or other negotiable instruments from a customer country to pay for defense articles or services, based on accepted FMS cases.

**24. Commercial-Type Items**

Any items, including those expended or consumed in use which, in addition to military use, are used and traded in normal civilian enterprise and which are, or can be imported/exported through normal international trade channels.

**25. Commercial Sale**

Sale made by U.S. industry directly to a foreign buyer not administered by the DOD and not involving credit under the provisions of the Foreign Military Sales Act.

**26. Commitment**

Any communication between a responsible U.S. official and a representative foreign official (including officials of any international organization or supra-national authority) which reasonably could be interpreted as being a promise that the U.S. will provide a foreign government (including international organizations or supra-national authorities) with funds (including long term credit assignments), goods, services, or information.

**27. Commodity Group**

A grouping or range of items which possess similar characteristics, have similar applications, or are susceptible to similar supply management methods.

**28. Completed Case**

A delivered FMS case for which all collections have been completed, but for which accounting statement has not been furnished the purchaser.

**29. Concurrent Spare Parts (CSP)**

Spare parts programmed as an initial stock-age related to a major item and normally delivered concurrently with the delivery of the major item.

**30. Congressional Presentation Document**

The document presented annually to Congress, describing the proposed Military Assistance and Foreign Military Sales programs for Congressional authorization and appropriation.

**31. Constructive Delivery (FMS)**

Delivery of materiel to a carrier for transportation to the consignee, or delivery to a U.S. post office for shipment to the consignee. Delivery is evidenced by completed shipping documents or listings of delivery at the U.S. post office. The delivery of materiel to the customer or the customer's designated freight forwarder at point of production, testing or storage at dockside, at staging areas, or at airports constitutes actual delivery.

**32. Constructive Delivery (MAP)**

Delivery of materiel to a carrier - land, ocean or air—for transportation to a consignee, or when delivered "free on board" (FOB) or "free alongside ship" (FAS) at a port of embarkation for transshipment to a consignee. In the case of float-away vessels, fly-away aircraft, and certain offshore procured materiel, constructive delivery occurs when the item is accepted on behalf of the recipient country.

**33. Consumption**

The actual or estimated quantity of an item consumed or expended during a given time interval expressed in quantities by the most appropriate unit of measure per applicable stated basis.

**34. Consumption Requirements**

Items required to replace those expended or expected to be expended or consumed in use.

**35. Continuing Resolution Authority (CRA)**

Authority to obligate funds against the MAP appropriation for the new fiscal year under Continuing Resolution Authority granted by Congress in a Joint Resolution making temporary appropriation prior to passage of the regular appropriation act.

**36. Cooperative Logistics Sales**

Sales pursuant to arrangements wherein continuing support is provided a foreign government through its participation in the U.S. Department of Defense logistics system, with reimbursement to the U.S. for support performed.

**37. Cooperative Logistics Support Arrangement**

The arrangement, sometimes called a supply support arrangement, under which logistic support is provided to a foreign government through its participation in the U.S. Department of Defense logistic system, with reimbursement to the U.S. for support performed.

**38. Counterpart Currencies**

Counterpart currencies are local currencies deposited by an aid-receiving country in a special account in its own name, and although available for the benefit of the recipient country, can be used only for the purposes agreed to by the United States. These funds are generated whenever commodities are granted by AID under arrangements which result in the accrual of proceeds to the recipient country, and the deposits are in amounts equal to such proceeds. (Sec. 609, FAA)

**39. Credit**

Transactions approved on a case-by-case basis by the Departments of State, Treasury and Defense, which allow repayment of military export sales for periods beyond 120 days after delivery of materiel or performance of service (Sec. 23, FMSA).

**40. Credit Arrangement**

An agreement with a foreign government that the U.S. will advance a stipulated amount of credit for financing of a Foreign Military Sale to that government (Sec. 23, FMSA).

**41. Credit Guaranty**

A guaranty to any individual, corporation, partnership or other judicial entity doing business in the United States (excluding U.S. Government agencies) against political and credit risks of nonpayment arising out of their financing of credit sales of defense articles and defense services to eligible countries and international organizations. (Sec. 24, FMSA)

**42. Current Fiscal Year**

The fiscal year in progress but not yet completed; e.g., between and including 1 July past 30 June.

**43. Defense Articles**

Includes any weapon, weapons system, munition, aircraft, vessel, boat, or other implement of war; any property, installation, commodity, material, equipment, supply, or goods used for the purposes of furnishing military assistance; any machinery, facility, tool material, supply, or other item necessary for the manufacture, production, processing, repair, servicing, storage, construction, transportation, operation, or use of any other defense article or any component or part of any articles listed above, but shall not include merchant vessels, major combatant vessels (10 U.S.C. 7307), or as defined by the Atomic Energy Act of 1954, as amended (42 U.S.C. 2011), source material, by-product material, special nuclear material, production facilities, utilization facilities, or atomic weapons or articles involving Restricted Data. (Sec. 644 (d) (3), FAA)

**44. Defense Information**

Any document, writing, sketch, photograph, plan, model, specification, design prototype, or other recorded or oral information

current year unprogrammed requirements (i.e., fully eligible and validated grant aid requirements that are not programmed in the current year solely due to lack of resources).

#### **8. Commitments**

a. No discussions or written communications that make or imply future performance on the part of the U.S., or future allocations, obligations, or expenditures of U.S. funds will be made without specific prior approval of the Director, DSAA.

b. All agreements, offers, arrangements, or other communications committing the U.S.

to furnish any article or service will define precisely the terms and limits of such commitment as well as the foreign country's obligations upon which such U.S. commitment is predicated. The limits of responsibility for any additional or recurring costs for training, training material, ancillary equipment, modification, testing, improvement, repair, or follow-on materiel support also will be defined.

#### **9. Riot Control Agents and Napalm**

Riot Control Agents and Napalm, including Napalm thickener, dispensers, and fuses will not be provided through MAP or FMS and these items will not be offered to foreign countries by the military services.

TABLE E-1  
TABLE OF LIVING ALLOWANCES FOR  
GRANT-AID FOREIGN MILITARY TRAINEES

	DAILY RATES			
	U.S. (9) Off (10)	EM	Overseas (1) Off (10)	EM
In travel status, including unscheduled delays: (2)	Various	Various	Various	Various
In training status:				
Neither qtrs nor mess available (3)	\$20.00	\$20.00	Various	Various
Qtrs available, mess not (4)	10.00	9.00	\$ 9.00	\$ 9.00
Mess available, qtrs not (5)	14.00	12.00	14.00	10.00
Both qtrs, mess available (6)	8.00	4.00	5.00	2.00
Both qtrs, mess available free of charge, (aboard ship)	4.00	4.00	4.00	4.00
Both qtrs, mess available, officers charged for mess (aboard ship)	5.00	N/A	5.00	N/A
Dependents authorized (7)	20.00	N/A	20.00	N/A
On leave	N/A	N/A	N/A	N/A
In military hospital (8)	5.00	3.50	5.50	3.50
Orientation tour participants	18.00	N/A	18.00	N/A

- (1) Not applicable to enlisted students attending U.S. Canal Zone training at School of the Americas, Small Craft Inspection and Training Team (SCIATT) facility and Inter-American Air Forces Academy. The daily living allowance rate authorized for enlisted personnel is \$1.50 per day.
- (2) Travel allowance rate is authorized to include the day of arrival at, and day of departure from, training installation. Rates on Travel status, including unscheduled delays, are based on rates equal to those in the Joint Travel Regulations for U.S. personnel.
- (3) In overseas areas, where government quarters and mess are not available, the rates authorized are equal to those authorized for U.S. personnel in the JTR.
- (4) "Quarters available" means that government quarters were furnished or were made available to FMTs and shall be considered as furnished to officer personnel who defray personally the BOQ charge. Enlisted FMTs will not be subject to service charge of \$2.00 per day when occupying USAF Quarters for durations less than 20 consecutive weeks, and \$1.00 to \$2.00 per day for U.S. Army NCO occupancy of Senior Enlisted Bachelor Quarters (SEBQ). Programming of this additional charge is authorized when payment is required by military service concerned.
- (5) "Mess available" means three meals per day were available in a U.S. Government Mess,

- whether or not actually consumed (Government Mess, equivalent to Field Ration Mess, excludes Open Mess). Military Departments will be reimbursed from MAP funds for costs of meals furnished free of charge to eligible enlisted FMTs. All officer FMTs and enlisted FMTs not authorized a U.S. living allowance will pay for their meals from personal funds.
- (6) Rate of \$8.00 will apply for officers when government mess is furnished in connection with maneuvers, field exercises, and training in the field.
- (7) This rate authorized for students attending certain courses designated by the Military Departments (includes authorized leave periods).
- (8) Leave with living allowances may be granted within CONUS as specified in Para Q(4) at the rate that is appropriate to training status. Living allowance for leave period following termination of training is not authorized.
- (9) In those cases where the FMT is authorized increased living allowance for accompanied dependents and is subsequently hospitalized, the increased living allowance shall apply during the period of hospitalization rather than the reduced rate specified herein.
- (10) "U.S." includes Hawaii and Alaska.
- (11) Includes Civilians
- (12) MAP sponsored students attending Inter-American Geodetic School (Panama) authorized \$11.00 per day, when government mess not available.

TABLE E-2

## MAP TRAINING COST ESTIMATES FOR TRANSPORTATION, EXCESS BAGGAGE AND LIVING ALLOWANCES FROM COUNTRY TO U.S. GATEWAY TERMINI

(U.S. Dollars)

This table provides MAP Training Cost estimates for *round trip* air transportation, excess baggage and living allowance while in travel status for MAP trainees from Country to Gateway Termini in the United States. Where several Gateway Termini are listed, the terminus to be selected for programming will be the one that involves the least cost when the factor in the total column, Table E-2, is added to the appropriate cost estimate from Table E-3.

Estimates shown for Commercial Tourist are provided for use where Military Airlift Command (MAC) and/or Category Z services do not exist. Category Z refers to reduced fares offered to the Department of Defense by American Flag Carriers and is applicable to foreign students when under the sponsorship of MAP and when fare is paid from DOD appropriated funds in U.S. dollars.

Cost Estimates in this Table apply only when cost of travel is the responsibility of the United States.

Area/Country	Via	Com- mercial Tourist	Gateway Termini	MAC	Cat. Z	Sub Total Transportation	Excess Baggage and Living Allowance	Total
EAST ASIA								
CHINA (TAIPEI) (1) Taipei	—	—	McChord	590	—	590	130	720
INDONESIA (1) Djakarta	—	1540	San Francisco	—	—	1540	130	1670
KOREA (1) Seoul	—	—	McChord	430	—	430	130	560
MALAYSIA (1) Kuala Lumpur	—	1100	San Francisco	—	—	1100	130	1230
PHILIPPINES (1) Manila	—	—	Travis	650	—	650	130	780
THAILAND (1) Bangkok	—	—	Travis	790	—	790	130	920
NEAR EAST AND SOUTH ASIA								
AFGHANISTAN								
Kabul	Teheran	320	Kennedy	—	830	1150	180	1330
GREECE Athens	—	—	Kennedy	—	580	580	130	710
INDIA New Delhi	—	1750	Kennedy	—	—	1750	180	1930

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TABLE E-2 (Continued)

Area/Country	Via	Com- mercial Tourist	Gateway Termini	MAC	Cat. Z	Sub Total Transpor- tation	Excess Baggage and Living Allowance	Total
JORDAN Amman	Cairo	120	Kennedy	—	590	710	180	890
LEBANON Beirut	—	—	Kennedy	—	590	590	180	770
NEPAL Katmandu	New Delhi	1750	Kennedy	—	—	1750	180	1930
PAKISTAN Karachi	—	1750	Kennedy	—	—	1750	180	1930
SRI LANKA Colombo	—	1820	Kennedy	—	—	1820	180	2000
TURKEY Istanbul	—	—	Kennedy	—	530	530	180	710
EUROPE								
AUSTRIA Vienna	Frankfurt	160	McGuire	350	—	510	60	570
PORTUGAL Lisbon	—	160	Charleston	350	—	510	60	570
SPAIN Madrid	—	—	Kennedy	—	360	360	60	420
	Torrejon	—	McGuire	310	—	310	60	370
AFRICA								
CAMEROON Douala	—	1270	Kennedy	—	—	1270	200	1470
ZAIRE Kenshasa	—	1340	Kennedy	—	—	1340	200	1540
DAHOMY Cotonou	—	1150	Kennedy	—	—	1150	200	1350
ETHIOPIA Addis Ababa	Nairobi	260	Kennedy	—	1000	1260	180	1440
GHANA Accra	—	1150	Kennedy	—	—	1150	200	1350
IVORY COAST Abidjan	—	1140	Kennedy	—	—	1140	200	1340
LIBERIA Monrovia	—	1110	Kennedy	—	—	1110	200	1310

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MILITARY ASSISTANCE AND SALES MANUAL—PART II

TABLE E-2 (Continued)

Area/Country	Via	Com- mercial Tourist	Gateway Termini	MAC	Cat. Z	Sub Total Transporta- tion	Excess Baggage and Living Allowance	Total
MALI								
Bamako	Dakar	1150	Kennedy	—	—	1150	200	1350
MOROCCO								
Rabat	—	790	Kennedy	—	—	790	180	970
SENEGAL								
Dakar	—	970	Kennedy	—	—	970	200	1170
TUNISIA								
Tunis	—	830	Kennedy	—	—	830	180	1010
UPPER VOLTA								
Ouagadougou	Dakar	1250	Kennedy	—	—	1250	200	1450
AMERICAN REPUBLICS								
ARGENTINA								
Buenos Aires	—	940	Kennedy	—	—	940	200	1140
		840	Miami	—	—	840	200	1040
BOLIVIA		970	Houston	—	—	970	200	1170
La Paz								
BRAZIL		660	Miami	—	—	660	200	860
Rio de Janeiro	—							
		910	Kennedy	—	—	910	200	1110
		810	Miami	—	—	810	200	1010
		950	Houston	—	—	950	200	1150
CHILE								
Santiago	—	760	Miami	—	—	760	200	960
COLOMBIA								
Bogota	—	330	Miami	—	—	330	200	530
DOMINICAN REPUBLIC								
Santo Domingo	—	210	Miami	—	—	210	60	270
		290	Kennedy	—	—	290	60	350
ECUADOR								
Quito	—	380	Miami	—	—	380	200	580
Guayaquil	—	410	Miami	—	—	410	200	610
EL SALVADOR								
San Salvador	—	260	Miami	—	—	260	60	320
		330	Houston	—	—	330	60	390
GUATEMALA								
Guatemala City	—	260	Miami	—	—	260	60	320
		440	Kennedy	—	—	440	60	500
		330	Houston	—	—	330	60	390

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TABLE E-2 (Continued)

Area/Country	Via	Com- mercial Tourist	Gateway Termini	MAC	Cat. Z	Sub Total Transpor- tation	Excess Baggage and Living Allowance	Total
HONDURAS Tegucigalpa	—	220	Miami	—	—	220	60	280
MEXICO Mexico City	—	130	Houston	—	—	130	60	190
NICARAGUA Managua	—	260	Miami	—	—	260	60	320
PANAMA Panama City	—	360	Houston	—	—	360	60	420
PARAGUAY Asuncion	—	—	Charleston	160	—	160	60	220
PERU Lima	—	920	Kennedy	—	—	920	200	1120
URUGUAY Montevideo	—	820	Miami	—	—	820	200	1020
		960	Houston	—	—	960	1160	
		540	Miami	—	—	540	200	740
	Buenos Aires	940	Kennedy	—	—	940	200	1140
		840	Miami	—	—	840	200	1040
		970	Houston	—	—	970	200	1170
VENEZUELA Caracas	—	400	Miami	—	—	400	200	600
		500	Kennedy	—	—	500	200	700

(1) MAP training cost estimated for round trip air transportation (based on MAC scheduled flights—where available and/or commercial air), excess baggage (based on a maximum of 100 pounds—including excess) and living allowance while in travel status for MAP trainees from country of origin to Hawaii are as follows: China (Taipei)—\$460; Indonesia—\$990; Korea—\$550; Malaysia—\$750; Philippines—\$460; and Thailand—\$550.

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MILITARY ASSISTANCE AND SALES MANUAL—PART II

TABLE E-3

MAP TRAINING COST ESTIMATES FOR TRANSPORTATION, EXCESS BAGGAGE AND LIVING ALLOWANCE CONUS GATEWAY  
TERMINI-TRAINING LOCATION

(U.S. Dollars)

This table provides MAP training cost estimates for *round trip* commercial air transportation, excess baggage and living allowance while in travel status for MAP trainees from Gateway Termini to Training Locations.

TO City/State	Charleston AFB South Carolina	Houston Texas	Kennedy New York	FROM McGuire AFB New Jersey	Miami Florida	Travis AFB California
Alameda, California	410	320	430	420	460	—
Alamogordo, New Mexico	400	220	350	340	440	240
Amarillo, Texas	290	170	310	300	280	250
Anniston, Alabama	140	190	210	200	190	380
Astoria, Oregon	460	380	460	450	410	200
Athens, Georgia	150	210	210	220	210	400
Augusta, Georgia	100	210	190	180	210	400
Bainbridge, Maryland	160	260	110	100	220	420
Baltimore, Maryland	160	260	110	100	220	420
Berkeley, California	410	320	430	420	460	—
Bethesda, Maryland	160	260	110	100	220	410
Big Springs, Texas	230	180	360	350	330	280
Biloxi, Mississippi	190	140	260	240	230	420
Boston, Massachusetts	210	310	110	130	270	440
Bremerton, Washington	450	380	460	450	490	220
Bridgeport, California	410	320	430	420	440	110
Bridgeport, Connecticut	210	320	80	110	270	450
Brunswick, Georgia	120	210	210	200	140	340
Bryan, Texas	220	—	290	280	230	320
Cambridge, Massachusetts	210	310	110	130	270	440
Camp Lejeune, North Carolina	120	250	180	150	210	410
Camp Pendleton, California	390	270	430	420	400	100
Champaign, Illinois	240	210	220	210	260	330
Charleston, South Carolina	—	220	180	170	170	460
Charlottesville, Virginia	210	260	150	120	220	410
Chicago, Illinois	200	220	180	190	260	320
Columbia, South Carolina	110	220	180	170	180	410
Columbus, Georgia	130	180	210	220	180	380
Corpus Christi, Texas	260	120	310	330	320	320
Dam Neck, Virginia	140	260	110	110	210	390

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TABLE E-3 (Continued)

TO City/State	Charleston AFB South Carolina	Houston Texas	Kennedy New York	FROM McGuire AFB New Jersey	Miami Florida	Travis AFB California
Dayton, Ohio	170	230	170	160	230	370
Denver, Colorado	380	220	320	310	330	230
Dothan, Alabama	170	210	230	210	180	380
Dover, Delaware	170	280	100	—	230	420
Eglin AFB, Florida	170	180	230	210	160	380
El Paso, Texas	330	190	350	340	320	230
Enid, Oklahoma	290	180	310	300	270	280
Fayetteville, North Carolina	140	250	180	180	210	410
Fort Worth, Texas	230	120	280	270	250	290
Fullerton, California	410	310	450	440	430	120
Glynco, Georgia	130	190	190	190	180	380
Great Lakes, Illinois	190	220	200	190	260	320
Harlingen, Texas	320	130	340	330	280	340
Harrisburg, Pennsylvania	190	280	180	90	240	410
Huntsville, Alabama	160	190	210	200	200	490
Indianapolis, Indiana	180	210	190	180	240	350
Indianhead, Maryland	160	260	110	100	220	410
Jacksonville, Florida	110	210	210	200	140	410
Kansas City, Kansas	270	190	250	240	270	300
Key West, Florida	210	230	290	280	100	480
Lakehurst, New Jersey	170	280	100	—	230	420
Lancaster, California	400	300	440	430	420	140
Laredo, Texas	330	160	340	340	300	340
Las Vegas, Nevada	370	260	390	390	390	150
Lawton, Oklahoma	260	160	280	270	290	290
Little Creek, Virginia	160	260	110	100	220	410
Los Angeles, California	380	280	430	420	400	100
Louisville, Kentucky	160	210	190	180	220	380
Macon, Georgia	150	200	200	190	200	390
Mare Island, California	380	290	410	400	320	—
Mechanicsburg, Pennsylvania	190	230	180	90	240	410
Melbourne, Florida	210	210	230	220	110	410
Memphis, Tennessee	160	160	230	220	210	350
Minneapolis, Minnesota	250	240	240	230	280	300
Mission, Texas	380	130	340	330	280	340
Mobile, Alabama	180	150	240	230	180	360
Monterey, California	420	320	430	420	440	70
Montgomery, Alabama	150	170	220	180	180	380
Newark, New Jersey	180	290	—	100	240	430
New Bern, North Carolina	210	250	170	150	210	410
New London, Connecticut	200	310	90	130	260	440
Newport, Rhode Island	220	330	120	150	280	450
Newport News, Virginia	140	280	130	120	250	430
New York, New York	190	290	—	100	240	430
Norfolk, Virginia	140	260	130	120	210	430

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TABLE E-3 (Continued)

TO City/State	Charleston AFB South Carolina	Houston Texas	Kennedy New York	FROM McGuire AFB New Jersey	Miami Florida	Travis AFB California
North Island, California	390	350	430	420	320	110
Oakland, California	400	320	430	420	440	80
Oklahoma City, Oklahoma	260	150	280	270	280	280
Oxnard, California	320	320	460	450	440	120
Panama City, Florida	160	180	230	220	160	380
Parris Island, South Carolina	100	230	200	180	160	410
Patuxent River, Maryland	160	260	120	110	230	410
Pensacola, Florida	170	170	240	220	170	370
Philadelphia, Pennsylvania	170	280	100	—	230	420
Phoenix, Arizona	340	230	380	370	360	190
Port Hueneme, California	390	290	430	430	420	120
Portland, Maine	230	320	130	140	280	460
Portsmouth, Virginia	140	260	120	120	210	430
Providence, Rhode Island	210	310	110	130	260	440
Quantico, Virginia	160	260	120	110	230	410
Quonset Point, Rhode Island	210	310	110	130	260	430
Reno, Nevada	390	310	410	420	440	110
Richmond, Virginia	180	250	130	120	210	430
Rome, New York	200	290	120	120	260	410
St. Albans, New York	190	320	90	100	260	480
St. Louis, Missouri	170	190	220	210	240	330
Sacramento, California	410	320	430	420	440	100
Salt Lake City, Utah	380	260	360	350	500	180
San Antonio, Texas	260	110	310	300	250	300
San Diego, California	380	350	430	420	320	110
San Francisco, California	410	320	430	420	440	—
Santa Maria, California	410	320	430	420	440	90
Seattle, Washington	420	350	430	420	460	190
Selma, Alabama	150	170	220	180	180	380
Sherman, Texas	230	120	280	270	250	290
Springfield, Massachusetts	210	310	110	130	270	440
Suitland, Maryland	150	260	120	110	220	410
Treasure Island, California	410	320	430	420	440	—
Troy, New York	200	200	110	130	300	430
Tucson, Arizona	340	230	380	370	350	200
Valdosta, Georgia	170	210	210	200	230	390
Waco, Texas	260	120	260	280	250	300
Washington, D.C.	160	260	120	110	220	410
Whedbey Island, Washington	420	350	430	420	460	190
Wichita Falls, Texas	270	140	300	290	280	300
Yorktown, Virginia	140	260	130	120	210	430

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TABLE E-4

MAP TRAINING COST ESTIMATES FOR TRANSPORTATION, EXCESS BAGGAGE AND LIVING ALLOWANCE FROM COUNTRY TO OVERSEAS TRAINING AREA

(U.S. Dollars)

This table provides MAP training cost estimates for *round trip* air transportation, excess baggage and living allowance while in travel status for MAP trainees from country to overseas training areas. Cost factors are based on use of MAC scheduled flights (where available) and commercial air or combination of both; and baggage allowance not to exceed 100 pounds including excess.

FROM: Area/Country EAST ASIA	TO: Korea	China	Philippines	Japan	Thailand
China (Taipei)	310	—	210	310	460
Indonesia	920	760	550	890	460
Korea	—	310	460	220	740
Malaysia	800	600	350	770	220
Philippines	460	210	—	500	420
Thailand	740	460	420	710	—

  

FROM:	TO: Frankfurt, Germany	FROM: AMERICAN REPUBLICS	TO: Canal Zone
NESA	410	Argentina	720
Greece	590	Bolivia	470
Jordan	420	Brazil	710
Turkey		Chile	600
EUROPE		Colombia	130
Spain	260	Dominican Republic	350
Portugal	320	Ecuador	240
AFRICA		El Salvador	230
Congo	1060	Guatemala	260
Ethiopia	940	Honduras	210
Liberia	310	Mexico	360
Morocco	350	Nicaragua	170
Tunisia	280	Panama	—
		Paraguay	680
		Peru	350
		Uruguay	720
		Venezuela	260

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can be done by providing the following information for routine cases:

(a) Description of the nature of the service to be performed, together with its purpose.

(b) Statement of where and how the services will be performed.

(c) Statement of the anticipated result when the service is completed, together with any information of which the purchaser should be aware regarding USG reservations or qualifications as to success of the project.

#### **m. Description of Components of Pricing**

(1) It is *not* normal FMS practice to provide a detailed description of the components of cost included in estimated prices for line items on Letters of Offer. There may be instances where the provisions of such information is desirable to clarify the service to be provided. When project management offices are established in the CONUS, to insure proper management of major FMS projects, it sometimes is necessary to provide detailed cost data to provide the purchaser with information that demonstrates such costs are necessary.

(2) FMS cases established for the sole purpose of collecting either royalties or pro rata R&D charges must include the charge to be made per unit of production. However, pro rata R&D charges assessed for items sold under FMS will be included in the unit price of the end item being sold and will not be shown separately.

#### **n. Responsibility for Initiation of Requisitions**

(1) There must be clear understanding between the USG and the purchaser as to which party will initiate requisition actions required for spare parts and similar type support.

(2) The Letter of Offer will contain sufficient information, either by Note or by reference to DOD instructions available to the purchaser to enable the purchaser to initiate and route requisitions correctly.

(3) The Letter of Offer will also contain sufficient disposition instructions for

items (owned by the purchaser) being returned by the purchaser to the CONUS for maintenance and repair services.

#### **o. Indemnification and Assumption of Risk**

(1) The reverse of the DD Form 1513 contains provisions regarding indemnity which are deemed satisfactory and complete for most FMS programs. Advice should be obtained from the appropriate legal office of the Service concerned when it appears that special circumstances of individual purchases require an expansion of indemnity clauses.

(2) If additional indemnity clauses are required, Figures 5 through 8 provide guidelines which can be used.

### **6. Absence of Specific Information**

a. Letters of Offer are sometimes prepared, either at purchaser request or in USG interest, before the specific details to provide all information covered in the foregoing paragraphs are known. In such cases, Notes to Letters of Offer will include general coverage of this information and estimate of when specific information on these topics can be provided to the purchaser.

b. The Letter of Offer should include information sufficient to establish follow-on channels of communication between the purchaser and the USG component responsible for implementing the FMS case.

### **7. Pricing Data to be Included with Selected Letters of Offer**

a. All Letters of Offer for sale of end items or services of value of \$5 million or greater and proposed amendments must be accompanied by a financial analysis. The purpose of the analysis is to permit all approval echelons a review for completeness and accuracy of financial data. The analysis will accompany the Letter of Offer throughout the coordination cycle but will not be submitted to the prospective purchaser.

b. The following information will be included:



- (1) Source of estimates. Examples are:
- (a) Prime Contractor quote.
  - (b) Prime and GFE Contractor quotes.

(c) Standard Price.

(d) Military Department estimate without contractor participation, based on recent sale or similar experience, or in accordance with DOD Directive 2140.1.

(2) The basis for making or adjusting estimates from any of the above sources. Examples are:

(a) Agent's fees or commissions included in the FMS case and the amount thereof. The Service certification of reasonableness in accordance with ASPR 1-505 and DPC 74-1 must be attached. If the fee cannot be or has not been certified as reasonable, the Service notification or proposed notification to the foreign government should also be attached for information or coordination. DSAA message 5992, 6 August 1975, as amended by DSAA message 1756, 11 September 1975, applies.

(b) Inclusion of nonrecurring R&D and production cost recoupment in accordance with DOD Directive 2140.2.

(c) Inclusion of adjustments for estimated inflation or other risk factors.

(d) Replacement cost if sale involves diversions from Military Department delivery schedules. Note: Replacement items should be placed on contract as soon as possible but not later than twelve (12) months following acceptance of the FMS case.

(e) Asset use charges as described in DOD Directive 2140.1.

(f) First destination transportation costs.

(g) Recurring support costs.

(h) Unfunded costs.

(i) Application of factors for estimating "dollar line items" such as concurrent spare parts.

(j) Adjustments based on anticipation of the receipt of other orders or De-

fense Department procurement of the item involved which would likely result in shared overhead costs and a reduced price for the item.

(3) Sources of data used to make any of the above adjustments and their application to the case (i.e., inflation factor of 7% compounded over four (4) years. Source: ASD (Comptroller) Price Escalation Indices; July 31, 1975).

(4) A comparison of Letter of Offer prices with budgeted or on-going service procurement price, e.g., the Selection Acquisition Report (SAR).

(5) Source for Schedule of Payments.

(6) A comparison of Letter of Offer prices with all other Letter of Offer prices for the same item within the previous twelve (12) months. This comparison should not be limited to sales within the same region.

c. Figure 9 is a suggested format for use in presenting required financial analysis data. The format may be modified to meet the needs of the individual Military Departments. The financial analysis must, however, identify methods used in developing costs and provide the information outlined above for each line item in sufficient detail to enable the reviewer to judge the accuracy, completeness, and firmness of the estimated prices.

## 8. Letters of Intent

Letters of Intent (DD Form 2012) are for use in cases in which financing of procurement of long lead time items is required prior to issuance of Letters of Offer. DD Form 2012-1 should be used in cases in which financing or procurement of long lead time items is required between the time of issuance of a Letter of Offer and acceptance by the purchasing country. DD Form 2012-2 should be used for amendment to the Letters of Intent as provided for in paragraph 2(c) of DD Form 2012 and DD Form 2012-1.

structions and issue a billing adjustment. Returned overages will not be charged to the recipient. If an overage is requested to be returned, transportation costs will be at U.S. expense. Should disposition instructions require reshipment to another location, the appropriate RCO will furnish complete instructions. In certain instances military components may authorize local disposal action by an agency of the U.S. Government.

**d. Shortages**

When the purchaser determines that a shortage exists, he should first ascertain that the carrier has received the proper quantity. If the carrier received an incorrect quantity, the purchaser should claim appropriate credit from the U.S. If the carrier is determined responsible for the shortages, the customer should initiate a claim against the carrier. In instances where the U.S. Government is responsible for transportation, all pertinent details of the short shipment should be referred to the RCO.

**e. Erroneous Shipment**

Erroneous shipment is defined as property shipped to a destination other than the desired consignee of the purchasing country appearing on the shipping document, or shipment of an item other than listed on the shipping document. The recipient in this case has the responsibility for advising the U.S. of details of the shipment. If the recipient requests retention of the materiel, billing will be pursuant to established procedures. If recipient elects to return the materiel at U.S. expense, the RCO will furnish him shipping instructions and issue a billing adjustment.

**f. Damaged or Unserviceable Materiel**

In the case of damaged or unserviceable materiel, the purchaser must first ascertain the probable cause. If the damage was inflicted by the carrier, a claim should be made by the purchaser to that carrier. If the damage apparently occurred prior to shipment, or is otherwise indicated to be the fault of the shipping agency, the discrepancy report should be forwarded to the appropriate service RCO for processing.

**g. Complaints Regarding Services**

Inquiries and complaints of foreign governments concerning services, such as training or technical representative assistance, should be directed by letter or cable to the activity designated to receive purchase orders, or to the headquarters of the service involved. Concurrently, the country should also notify the U.S. MAAG in the country to assure full coordination in correcting the deficiency. Following the same procedure as that applicable to materiel complaints, the MAAG will advise the Unified Command that the complaint has been filed.

**10. Suspensions/Cancellations**

In the event the Department of State determines that it is necessary to suspend foreign military sales to any recipient country, DSAA will issue instructions to the military departments and the Defense Supply Agency based on the merits of each suspension or cancellation requirement. Any or all of the following specific requirements may be directed or requested:

a. Suspension or cancellation of the issuance of Letters of Offer and Acceptance (DD Form 1513) to the recipient government.

b. Suspension or cancellation of action on all accepted FMS cases for which supply action has not been initiated by the Military Departments.

c. Review of all FMS cases for which delivery has not yet been completed, in order to determine:

(1) Which items, if any, could be cancelled without cost to the U.S. Government.

(2) Which items, if cancelled, would result in cost to the U.S. Government.

d. Identification of the source of each item, and whether the transaction is cash, credit, or dependable undertaking, including the value of monies received with the order, or

paid in by the purchaser up to the time of suspension.

e. Diversion of the items under order to other purchasers or for other purposes in the event the suspension were to become a cancellation.

## **11. Management Reports**

Reports and EAM card submissions integrating supply and financial management of FMS are described in Chapters K and L.

## **12. Amendment or Modification of Offer and Acceptance**

Changing circumstances frequently require that changes be made to a completed Offer and Acceptance (DD Form 1513). If such changes affect the scope of the Offer and Acceptance, they will require a formal amendment to the DD Form 1513, including acceptance by the customer. Examples of changes in scope are: changes affecting the type or number of major items and/or services to be provided; and changes which significantly alter the configuration or functions of a sys-

tem to be provided. For such changes, DD Form 1513-1 (Amendment to Offer and Acceptance) should be used, and acceptance by the customer will be required. For changes not affecting scope, DD Form 1513-2 (Notice of Modification of Offer and Acceptance) should be used. Examples of changes not affecting the scope of an Offer and Acceptance are: all notifications of price increases and related changes in payment schedules. When DD Form 1513-2 is used, acceptance by the customer is not required, but merely acknowledgement of receipt, to ensure that the Notice of Modification has been received by an authorized official. (DOD Instruction 2110.29, Enclosures 4, 5, and 6, provides instructions for the preparation of DD Forms 1513, 1513-1, and 1513-2. If the Military Department has any doubt as to whether to use the DD Form 1513-1 or the DD Form 1513-2 in a particular case, that case should be promptly referred to DSAA for determination.) (NOTE: When a completed DD Form 1513-2 is signed for dispatch, appropriate change card(s) should be submitted to DSAA for inclusion in the 1100 System.)

## CHAPTER G

## FINANCIAL PROCEDURES

**1. Purpose**

This chapter provides a general description of the financial principles and procedures which apply for various FMS transactions. It is designed to provide an overview of FMS financing and the responsibilities of concerned activities. Detailed guidance on the financial functions of pricing, preparation of billings, and accounting is included in DOD Instructions 2140.1, 2140.3 and 2110.29.

**2. Basic Principles****a. Recovery of Costs**

The goal of FMS management is to conduct the FMS program at no cost to the US Government, while insuring prompt and complete service to the customer nation. Achievement of this goal requires a thorough understanding of procedures for pricing items or services furnished, administering FMS cases, and reporting of deliveries of materiel or services. The DD Form 1513 Offer and Acceptance contract makes it mandatory for the purchaser to pay for the full value of the transaction, regardless of terms of sale specified for the individual case.

**b. Administration of Cash Sales Program**

(1) Separate trust funds (account XX-11X8242.XX) have been established for each Military Department to account for payments received from customers and disbursements to suppliers for FMS cash sales. These funds can be either cited directly on contracts for FMS items for that customer, or can be used to reimburse Military De-

partment appropriations for deliveries (or progress payments made) of items initially procured by those appropriations.

(2) Each Military Department has established a central office to dispatch billings to, and receive payments from, FMS customers. This provides the customer with a single source to which payments can be made, and to which queries concerning these payments can be addressed.

(3) Cash payments deposited to the customer trust fund, other than for cash-in-advance sales, are based on requests for funds or billings submitted by the Military Department. Requests for funds under a dependable undertaking transaction will be submitted so as to insure receipt of customer payments in advance of delivery or contractor requirement for funds, regardless of whether Military Department appropriations or trust funds are cited on procurement contracts. Billings for Foreign Military Sales under 120 day payment transactions should be submitted at time of delivery. The accumulation of large unexpended balances in customer trust accounts, for substantial periods, should be avoided.

(4) Cash payments often will be received, for an individual FMS case, which are in excess of the final value of that particular case. With customer approval, these funds can be retained in the customer's trust fund and applied against other FMS cases. Upon customer demand, however, these overpayments will be refunded at the time the FMS case is closed, provided there are no collection delinquencies for other FMS cases for that customer.

**c. Administration of FMS Credit Program**

(1) The FMS credit appropriation provides initial funding of FMS or commercial sales under medium-term credit terms. Annual appropriation requirements are defended before Congress by OSD/DSAA. The appropriation is administered by DSAA.

(2) Customer payments of principal and interest, for items received under medium-term credit sales, are based upon the terms of individual credit agreements.

**d. Preparation and Implementation of DD Form 1513 Letters of Offer**

Military Departments are responsible for preparing DD 1513's and for establishing estimated prices and availabilities of defense articles and services offered for sale thereon, and for initiating and processing such amendments or modifications to the DD Form 1513's as may be appropriate. Military Departments are responsible for negotiating terms of sale for cash sales, in accordance with policy guidance provided by DSAA. They are responsible for establishing management systems necessary to insure prompt implementation of FMS cases, including those systems required to finance, account, and report accomplishment for each individual case. Copies of all DD 1513's and amendments thereto citing credit funding will be provided to the Comptroller, DSAA, at the time that they are submitted to the country.

**3. Financing and Billing for Cash Sales**

**a. Cash in Advance Terms of Sale  
(Type of Assistance Code 3)**

Under these terms, the customer payment is made at the time of acceptance of the DD 1513 Letter of Offer. The amount of payment is the entire estimated value of the FMS case, as shown on the DD 1513. The payment satisfies the customer liability for the transaction if the final value (i.e., final cost) of the case is the same as that estimated in the Letter of Offer. The customer is liable, and will be billed, to pay any costs which are in excess of those originally estimated on the DD 1513. Overpayments, which may be caused by a reduction in costs

from those estimated in the DD 1513, will be processed in accordance with para 2b(4) above. Sales of items from either defense stocks or new procurement can be transacted under these terms.

**b. 120-Day Payment Terms of Sale  
(Type Assistance Code 5)**

This type of assistance code can only be authorized by the Director, DSAA, when it is determined to be in the best interest of the United States, and can be applied to an entire case or only to specified items to be delivered under a case. 120-day payment terms may be offered for the sale of items which will be furnished from defense stocks or which require defense procurement. Billings will be sufficiently prompt to permit customer payments to be received within a reasonable period not to exceed 120 days after the end of the month in which delivery of materiel or performance of services occurred.

**c. Dependable Undertaking Terms of Sale  
(Type Assistance Code 4)**

(1) Dependable undertaking terms can be applied for sales from both defense stocks and new procurement. Applied to sales from defense stocks, these terms commit the customer to make payments 90 days prior to delivery, rather than to pay cash either with the order or within 120 days after delivery. Billings by the Military Departments will be sufficiently prompt to permit customer payments to be received 90 days prior to delivery. Applied to sales from defense procurement, defense components will assure that sufficient cash is available from the foreign government to meet disbursing demands and potential termination charges. Therefore, billings will be based on accrued expenditures through the billing cutoff plus estimates of the costs to be incurred on behalf of FMS customers during the calendar quarter following the quarter in which the bill will be mailed, i.e., a statement prepared in January (31 December cutoff) will project financial requirements for April, May and June.

(2) Dependable undertaking terms are applied to finance a wide range of FMS transactions, ranging from the sale of complicated major weapons systems to simple procurements of individual items. Criteria for requesting payments (including down payments) from customers can vary considerably, depending upon the nature and source of the article sold and the funds cited to procure the article (i.e., reimbursable Military Department appropriations or direct citation of the trust fund). Providing the principles of para 2b(3) are followed, requests for funds and/or billings can be developed upon any of the following bases, or a combination thereof:

(a) A fixed schedule of payments for a case can be negotiated, providing latitude is retained to increase periodic fund requirements as necessary to insure sufficient funds are in hand to meet contractor requirements.

(b) When contractors do not require progress or partial payments, funds may be requested based on delivery forecasts, so as to be received 90 days prior to constructive delivery date.

(c) Funds for progress or partial payments may be requested based upon contractor or military department forecasts of expenditure requirements. Timing and amount of request can be based on actual, individual forecasts or upon Military Department experience for payments requirements for similar items. An example of the latter method is the application of cost curves which reflect contractor costs at given stages of production (i.e., termination liability curves) for the item being procured.

(d) Proportionate amounts of funds for administrative charges will be requested in consonance with funds for the material/services portion of the FMS case.

(3) The customer commitment to dependable undertaking terms also can be satisfied by establishing an irrevocable letter of credit, with a commercial bank, upon which funds can be drawn as required. In this instance, the customer should be advised to instruct the bank involved to expect only

that billing documentation which is prescribed in DODI 2140.3

#### 4. Financing and Billing for Foreign Military Sales under Credit Agreements Executed Subsequent to March 1972

##### a. Applicability

The procedures in this part apply to those credit agreements signed subsequent to March 1972. Procedures for processing earlier credit agreements including allocation of funds, processing of promissory notes, and routing of billings, have been published in DODI 2110.29 and in individual letters which remain in effect. General procedures for processing these earlier credit agreements are explained in paragraph 8 below.

##### b. Execution of Credit Agreements

(1) DSAA is responsible for negotiating all credit agreements with foreign customers. This includes determining the defense articles and services to be furnished, credit limits, and terms of repayments and interest charges. It also is responsible for obtaining apportionments of foreign military sales appropriation (account 11\*1082), obligating these funds based upon signed credit agreements, and maintaining all accounting records for these funds.

(2) The customer has primary responsibility for insuring that the value of orders placed for credit financing do not exceed the amount of available credit. DSAA will monitor orders placed, via the DSAA (AR) 1100 system, and will advise Military Departments and the customers, as required, when the credit is fully utilized.

(3) Comptroller, DSAA responsibilities for maintaining all accounting records for the credit agreements include:

(a) Managing the appropriation account 11\*1082.

(b) Causing funds to be disbursed from this account to pay billings which are properly payable under a given credit agreement.

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(c) Submitting periodic billings to the customer for repayments of principal and interest, based upon the terms of the credit agreement and the completed promissory notes previously submitted by the customer.

### c. Processing DD 1513 Letters of Offer and Purchase Arrangements for Credit Sales

(1) The Military Department involved prepares DD 1513's for FMS cases contemplated for credit financing based upon authorization received from DSAA, or upon advice from the customer that a given case is contemplated for financing under a credit agreement. When it is known that financing of an FMS case is to be from credit funds under an existing credit agreement, DD 1513 Terms of Sale will cite the appropriate credit agreement and credit number (e.g., FY 1972 Credit Agreement Venezuela 721, dated June 15, 1972 (code Z)).

(2) When the customer requests financing of an FMS case to be from credit funds under an existing credit agreement, but available credit is insufficient to finance the entire value of the case, DD 1513 Terms of Sale will cite the appropriate credit agreement and the dollar value of credit approved for the case and cite dependable undertaking terms for the balance of the case. Type of finance codes for cases of this type will be assigned in accordance with paragraph 10b(1).

(3) A copy of each DD 1513, which reflects FY 1972 or subsequent credit terms,

will be forwarded to Comptroller, DSAA at the time that it is submitted to the country.

(4) Occasionally customers will request coverage, under a designated credit agreement, for FMS cases which previously have been implemented as normal dependable undertaking sales. Such request may be approved by the Military Department involved, unless existing policy requires DSAA approval of the item content of the credit program involved. The Military Department will give formal approval (rather than verbal) to the customer, and forward a copy of the letter approving the change in financing to Comptroller, DSAA. No revised terms of sale need be shown on the DD 1513; however, transaction coding in the DSAA(AR) 1100 reporting system must be revised to reflect appropriate type of assistance codes.

### d. Coding of Transaction in the DSAA (AR) 1100 Reporting System

(1) FMS cases financed wholly from credit funds must bear type of finance code Z in the DSAA(AR) 1100 reporting system and in subsidiary military department systems. The basis for applying finance code Z is the terms of sale of the DD 1513, or the formal approval of a customer request to convert a case from cash to credit financing.

(2) Finance code Z serves a dual purpose. First, it indicates in DOD reporting systems that the transaction is financed by

credit funds and second, it designates to the Military Department accounting office the nature of the billing system to be used.

**e. Processing and Routing Billings**

The customer will be billed in the same manner as for dependable undertaking terms of sale. Billings will be routed directly from the military department central billing office to the designated representative of the customer. Separate billings must be submitted for finance code Z cases, except that multiple cases covered by a single credit agreement may be reflected on a single billing document if desired.

**f. Processing Promissory Notes**

(1) The customer may satisfy the billing by sending a cash payment directly back to the military department billing office. However, if the customer desires to have the billing paid from DOD direct credit funds available under the credit agreement, he:

(a) Prepares and signs a promissory note for the amount of payment desired.

(b) Designates the date on which the disbursement of DOD direct credit funds is to be made.

(c) Sends the promissory note along with a copy of the billing to Comptroller, DSAA. This data is forwarded by a transmittal letter which specifies the credit agreement under which payment is requested. A copy of the transmittal letter is sent to the military department billing office.

**g. Processing of Payments of DOD Direct Credit Funds**

(1) Upon receipt of the promissory note and supporting documentation, Comptroller, DSAA verifies that:

(a) The purchase arrangement against which payment is requested has been authorized.

(b) The promissory note is correctly filled out.

(c) Unliquidated obligations under

the Credit Agreement are sufficient to permit expenditure.

(d) Billings from Military Departments identify FMS case designations and amounts owed for each credit agreement.

(2) Comptroller, DSAA then causes an expenditure of DOD direct credit funds (account 11\*1082), sending checks to the appropriate Military Department billing office, along with a notification identifying the FMS cases and respective dollar amounts for which the check is drawn. The expenditure of funds should be made on the disbursement date designated by the customer (see paragraph 4f (1) (b)).

(3) Military Department billing offices receive the payment from Comptroller DSAA and deposit it to the trust fund account of the customer involved. The trust fund (account XX-11X8242.XX) then is cited for direct payments to suppliers or for reimbursement to the appropriate Military Department appropriation.

**h. Processing Billings for Repayment of Principal and Interest**

(1) Comptroller, DSAA has responsibility for sending to the customer all billings for the repayment of principal and interest under terms of the credit agreement.

(2) All customer payments of principal and interest will be made to Comptroller, DSAA, who will deposit the payments to appropriate miscellaneous receipts accounts of the U.S. Treasury.

**5. Financing and Billing for Military Sales Guaranties**

**a. General Explanation**

(1) Credit agreements occasionally stipulate that all or part of the credit financing is to be provided to the customer from private commercial sources. Under Section 24 of the FMSA, the United States Government has authority to guaranty those commercial sources from losses due to default in customer repayment. In addition to the



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agreement between the U.S. and the customer, guaranty financing requires:

(a) An agreement between the U.S. and the commercial financing source, which outlines the conditions of the guaranty and stipulates the fee which the U.S. will charge for making the guaranty.

(b) An agreement between the commercial financing source and the customer, which outlines terms of repayment of the loan, interest rates, documentation required to draw down funds under the loan agreement, etc.

(2) DSAA obligates funds, in the amount of 25 percent to 30 June 1974, 10 percent thereafter, of the value of guaranty loans, in the parent account of the FMS credit appropriation. As loan repayments are made by the customer to the commercial source, funds in the guaranty reserve which are in excess of 10 percent of contractual requirements are deobligated and returned to the general fund of the Treasury.

### b. Procedures for Processing FMS Cases

(1) Procedures for preparing and routing DD 1513's, coding of documents, and routing of billings are identical to those explained in paragraph 4c through 4e above.

(2) Upon receipt of the billing, the customer is responsible for furnishing required documentation to the commercial financing source involved. Payments to satisfy the billing are made directly from the commercial financing source to the billing office of the Military Department. Payments are deposited to the trust fund account of the customer, which then is cited for direct expenditure to suppliers or for reimbursement to the appropriate Military Department appropriation.

## 6. Commercial Contracts Financed from DOD Direct Credit Funds

### a. Applicability

The procedures in this part apply to those credit agreements signed subsequent to March 1972. Procedures for processing prior

transactions of this type are published elsewhere and remain in effect.

### b. Approval Process

(1) Credit agreements normally include provisions to allow DOD direct credit funds to be used to finance approved, specified contracts which have been executed directly between the customer and a contractor. The provisions provide, in general terms, for the customer to receive contractor billings, certify their correctness, and pass them to DOD for payment to be made directly to the contractor.

(2) Based on formal country request, DSAA Sales Negotiation Directorate approves the commercial purchase from the designated U.S. supplier under a designated credit agreement.

(3) A copy of the Commercial Contract involved is furnished by the Customer to Comptroller, DSAA.

(4) Comptroller, DSAA responsibilities for these transactions are basically the same as those noted in paragraph 4b(4) above, plus those noted in paragraph 6e below.

### c. Processing Billings and Promissory Notes

(1) The customer receives invoices from the contractor along with standard form 1034's. The customer then takes the following actions:

(a) Certifies the invoice as proper for payment.

(b) Prepares and signs a promissory note for the amount of payment desired. This normally will be in the amount of the invoice, but will be less than that amount if the customer intends to make partial payments from cash or private credit sources.

(c) Designates the date on which the disbursement of DOD Direct funds is to be made.

(d) Transmits the promissory note, the certification, and copies of the standard form 1034 in quadruplicate, to Comptroller, DSAA. Specifies the credit agreement under which payment is requested.

**d. Processing Payments and Billings for Repayments of Principal and Interest**

(1) Upon receipt of the promissory note and supporting documentation, Comptroller, DSAA verifies that:

(a) The purchase agreement against which payment is requested has been authorized.

(b) The promissory note is correctly filled out.

(c) Unliquidated obligations under the credit agreement are sufficient to permit expenditure.

(d) The standard form 1034 has been properly filled out in quadruplicate and that proper certification is made.

(2) Comptroller, DSAA then causes an expenditure of DOD direct credit funds, issuing separate checks directly to the contractors concerned.

(3) Billings for repayment of principal and interest are processed in accordance with 4h above.

**e. Reporting of Transactions**

(1) DSAA Comptroller assigns FMS case designators to identify these commercial transactions in the DSAA(AR) 1100 reporting system. To the extent possible, a separate case designator will be assigned to each contract which is to be paid from DOD direct credit funds.

(2) DSAA is responsible for reflecting the FMS case in the reporting system. The value of the case will be the estimated final value of the contract or transaction involved.

(3) Deliveries against each case will be reflected in the amount of disbursements made from DOD direct credit funds.

(4) When no further disbursement action against the case is contemplated, DSAA will take the action required to reflect the case as final in DSAA(AR) 1100 report records.

(4) FINCISCOM will advise, as a part of its report, when disbursements against the case are complete and no further action

against the case is contemplated. DSAA will take the action required to reflect the case as final in DSAA(AR) 1100 report records.

**7. Commercial Contracts Financed by Guaranty of Private Credit**

This method of financing is authorized under Section 24 of the FMSA; this paragraph applies to contracts executed directly between the customer and the supplier. Responsibilities for executing agreements are the same as those included in paragraph 5a above. Procedures for routing and payment of contractor billings are determined by negotiation among the customer, the supplier, and the source of private credit. DOD financial responsibilities are those agreed in the guaranty agreement between the DOD and the lender, i.e., those required to guaranty the loan.

**8. Processing Foreign Military Sales under Credit Agreements Executed Prior to April 1972**

**a. General Explanation**

(1) This paragraph explains those procedures normally used to process credit sales authorized by credit agreements executed prior to April 1972. Legal authority for these sales is included in:

(a) Section 23 of the FMSA for credit agreements executed subsequent to 30 June 1968. These sales are financed by the foreign military sales appropriation, account 11\*1082.

(b) Section 524 of the Foreign Assistance Act of 1961, as amended, for credit agreements executed prior to 1 July 1968. These sales are financed by the former foreign military sales revolving fund, now termed liquidation of foreign military sales fund, account 11X4117.

(2) DODI 2110.29 establishes general policies for administering these credit agreements and provides detailed instructions for administering the accounts mentioned above.

(3) Variations to the procedures outlined below have been published by individual letters, as required to implement extraordinary transactions. These letters remain in effect.

**b. Execution of Credit Agreements**

(1) DSAA is responsible for negotiating all credit agreements with foreign customers. This includes determining the defense articles and defense services to be furnished, credit limits, and terms of repayments and interest charges. It is responsible for obtaining apportionments of the foreign military sales appropriation (account 11\*1082); apportionments are not required for the revolving fund (account 11X4117). DSAA obligates these funds based upon signed credit agreements and allocates obligational authority, as required, to the Military Department(s) responsible for supplying the items and services covered by the credit agreement.

(2) DSAA previously has assigned an executive agent for each credit agreement which involved more than one Military Department. However, the functions previously performed by the executive agent now have reverted to Comptroller, DSAA. These responsibilities are specified by individual letter and include:

(a) Preparing promissory notes, forwarding these to the customer, and receiving signed notes from the customer.

(b) Submitting periodic billings to the customer for repayments of principal and interest based upon the terms of the credit agreement and the signed promissory notes received from the customer.

**c. Processing DD 1513 Letters of Offer and Acceptance and Obtaining Financing**

The Military Department involved prepares DD 1513's for the items covered by the credit agreement. Terms of sale in the DD 1513 cite the applicable credit agreement. The Military Department then requests a transfer of obligational authority by the Comptroller, DSAA, from the ap-

propriate credit account, to the extent that sufficient obligational authority has not previously been allocated to the Military Department. The funds, when received, can be cited for direct expenditures to suppliers or can be reserved to reimburse the appropriate military department appropriation for progress payments/deliveries made.

**d. Coding of Transactions in the DSAA(AR) 1100 Reporting System**

FMS cases financed from credit agreements must bear type of finance code Z in the DSAA(AR)1100 reporting system and in subsidiary military department systems. The basis for recording finance codes is the terms of sale of the DD 1513, or an approved customer request to revise terms of sale for a given DD 1513 from cash to credit terms.

**e. Processing of Payments of DOD Direct Credit Funds**

The Military Department responsible for administering the FMS case disburses DOD direct credit funds (account XX-11\*1082 or account X-11X4117, as appropriate) as contractor costs are incurred or as deliveries of items are made. The military department accounting and billing office then:

(1) Forwards periodic statements of account to the customer which reflect costs incurred for the FMS case(s) under the given credit agreement.

(2) Advises the Comptroller, DSAA, through the 1002 report, of the amounts and dates of disbursements of DOD direct credit funds for each case.

**f. Processing of Promissory Notes and Billings for Repayment of Principal and Interest**

(1) Based on information provided under paragraph 8e(2) above, the Comptroller, DSAA prepares promissory notes and forwards them to the customer for signature and return.

(2) The Comptroller, DSAA is responsible for sending all billings to the customer for the repayment of principal and interest under the terms of the credit agreement.

(3) The customer is instructed to forward all payments of principal and interest to Comptroller, DSAA, which receives these payments and deposits them to appropriate accounts of the U.S. Treasury.

## 9. Closing Foreign Military Sales Cases Financed under Credit Agreement Executed Prior to April 1972

### a. Applicability

This applies to FMS cases financed from long-term funds under the terms of credit agreements executed prior to April 1972. These cases are reflected under type of finance code Z in the DSAA(AR)1100 reporting system and in subsidiary military department systems.

### b. Purpose

(1) Cash sales cases, and those cases financed from credit sources under the provisions of paragraph(s) 4 and 5, are considered closed, as far as the military departments are concerned, when delivery has been accomplished and collections of funds for each case equal the final value of materiel/services delivered to the customer for that case. DSAA is responsible for the management of the parent credit agreement and the recovery from the customer of the funds applicable to each credit agreement.

(2) The purpose of this procedure is to separate management of individual FMS cases from the parent credit agreement. Therefore, the military departments should close out all cases, promptly after all materiel/services for each case have been delivered, necessary adjustments have been made and final accounting statements have been issued to the customer.

### c. Procedures for Closing Cases

The Military Department responsible for implementing the FMS case will report collections against the case in the DSAA (AR) 1100 report, on receipt of SF 1151 from DSAA. When the FMS case is fully delivered

(i.e., supply complete), final pricing adjustments are made, and all disbursements from the appropriate credit transfer account have been made for the case, the Military Department responsible for implementing the case will:

(1) Insure that the total case value equals the final delivered value for the case. Any disagreements should be resolved prior to closing by adjusting the item detail value and total case value to the values delivered.

(2) Insure that any excess of total cost of deliveries over the case value as specified in the pertinent DD-1513 is paid by the country in cash or the country agrees to the use of credit funds are obligated by DSAA to cover the excess.

(3) In the reporting of collections, insure that total collections equal the final delivered value of the case reported in the DSAA (AR) 1100 report.

(4) Issue a final accounting statement for the case to the customer. Do not include any collection information on the statement. Include the following on the face of the statement:

"This case is financed under the terms of credit agreement (number), dated (date of credit agreement). (DSAA) will issue periodic billings for principal and interest, under the terms of the credit agreement, to cover costs of this and all other FMS cases financed under the credit agreement."

(5) Send a copy of the final accounting statement to DSAA and return all funds collected in excess of the delivered value of each case.

(6) To ensure that cases will be reflected as closed in the DSAA(AR) 1100 reporting system, the following checks should be made:

(a) Ensure that each detail record (RSN) reflects deliveries (quantity and value) equal to the purchase information contained in that record and that each record contains a completed line code (c).

(b) Ensure that the total value of all purchases in a case are within \$1 of the case value contained in the case record.

(c) Ensure that the collections are entered in fields to coincide with the fields used to enter case values (e.g., cash, DOD credit, etc.) and that in each instance collections are within \$1 of case values.

(d) Ensure that the record count submitted initially agrees with the number of detail records on file.

(e) If (1)-(4) above are completed, the case status should be C. The final action required at that time is to submit a card A to enter case status F.

**d. Processing Discrepancy Report Credits**

All outstanding discrepancy reports will be processed against a case prior to closing the case and, as long as the FMS case is open, the discrepancy report adjustment will be recorded against the affected case. When the affected case has been closed, the adjustment will be recorded against the trust fund account of the customer.

**10. Multiple Sources of Financing**

**a. Reasons for Using Multiple Sources of Financing**

(1) Customers occasionally finance major sales partially from cash and partially from credit sources. The two primary reasons for use of multiple financing are:

(a) The customer desires to pay cash for the transactions to the maximum extent possible, but must obtain partial credit financing because of inability to pay for the entire transaction on cash terms.

(b) The customer desires to utilize credit for the transaction to the maximum extent possible, but cannot obtain approval for DOD direct credit financing for the entire amount due to insufficient funds in the FMS credit appropriation or for policy reasons.

(2) In either event the customer is obligated to pay cash, under dependable undertaking terms of sale, for all costs of the sale which exceed the amount of credit authorized in the purchase agreement for the transaction.

**b. Type of Finance Coding Required for Cases Financed Under Credit Agreements Executed Subsequent to March 1972**

(1) FMS cases should be coded with type of finance code Z to the extent that credit financing has been authorized by a purchase arrangement. The difference between the value of the total case and the value of credit financing authorized should be coded type of finance code 4.

(2) FMS cases for which full credit financing has been authorized by a purchase arrangement should be coded type of finance code Z in their entirety, even though the credit may be extended partially under DOD direct credit and partially under private guaranty credit.

(3) The type of financing code reflected in the 1100 data base should be kept current so that it reflects the method of payment selected by the purchaser. In the event a shift is made from credit to cash, cash to credit or between credit arrangements the financing code(s) must be changed accordingly.

**c. Criteria for and Routing of Billings for Cases Financed under Credit Agreements Executed Subsequent to March 1972**

Billings for multiple financed FMS cases should be prepared and routed as if the cases were financed under normal dependable undertaking terms. The customer has the option to satisfy each billing by paying cash, by obtaining payment via guaranty credit, or by obtaining payment from DOD direct credit funds.

**d. Type of Finance Coding Required for Cases Financed under Credit Agreements Executed Prior to April 1972**

FMS cases should be coded with type of finance code Z to the extent that credit financing has been authorized in accordance with the terms of sale of the DD 1513. The difference between the value of the total case and the value of credit financing authorized should be coded type of finance 4.

**e. Criteria for and Routing of Billings for Cases Financed under Credit Agreements Executed Prior to April 1972**

(1) The customer is furnished only with statements of account for those costs which are covered by DOD direct credit funds, since no action is required by the customer prior to disbursement of these funds.

(2) The customer is provided billings for those costs which are covered either by dependable undertaking or guaranty financing. The billings are prepared and routed as if the cases were financed under normal dependable undertaking terms. The customer can satisfy each billing either by paying cash or by making payment from funds obtained via guaranty credit sources.

**11. Overdue Billings and Delinquent Accounts**

**a. FMS Cash Sales**

(1) The terms of sale of each DD 1513 dictate the timing, amounts, and due date for payment of the billings which Military Departments produce for each FMS case. The customer is obligated to make payments against these billings, on time and in full, by the terms of sale of the DD 1513. The Military Departments are obligated, in order to comply with the Foreign Military Sales Act to insure timely collection of funds which are due.

(2) Most problems of collection are due to late payment, rather than to any tendency of FMS customers to default on payments. Late payments frequently result from the customer's misunderstanding of terms of sale, the content of the billings, or the general problems of communication. Each Military Department should establish a procedure which fixes responsibilities for follow-up on overdue billings. Recognition should be given to the problem of improving communications with the customer on financial matters.

(3) Responsibility for collecting overdue debts for FMS cash sales is entirely that

of the cognizant Military Department until it has exhausted means of collection available to it. These means include:

(a) Both formal and informal contacts with representatives of customer nation, at appropriate levels.

(b) Requests for collection assistance from the MAAG, or comparable organization, located in the customer nation.

(c) Formal or informal requests for collection assistance from OASD/ISA, as well as informal contacts with State Dept as required in order to determine approaches to be taken.

(4) When all internal means of collection have been exhausted, delinquent accounts should be referred to Comptroller, DSAA for further examination. Comptroller, DSAA then either will recommend further action to be taken by OSD or will cause the debt to be referred officially to the State Department for diplomatic assistance. Data provided by the Military Departments to support the debt referral should include:

(a) Origin and history of the debt including prior effort at collection.

(b) Validity of the claim, i.e., a discussion to identify any elements of the agreement which may be in dispute between the customer nation and the United States.

(c) A statement that the Military Department has exhausted its normal military channel with responsible foreign officials on behalf of the collection.

(d) Assessment of any adverse impact on our foreign policy or military relationships with the foreign customer if the issue is raised at the diplomatic level.

(5) Delinquent accounts receivable will continue to be carried on the accounting records of the cognizant Military Department, even though primary collection responsibility may have been passed to the Department of State.

(a) Sales Financed from DOD Direct Credit Funds

1. Timing, amounts, and due dates for payments of principal and interest, for

FMS credit, are dictated by individual FMS Credit Agreements and by paragraph 12 below.

2. Comptroller, DSAA is responsible for initial follow-up of customer arrearages against FMS credit programs. Channels for follow-up are the same as those described in paragraph 11a. When internal means of collection are exhausted, Comptroller, DSAA will take action required to refer the indebtedness to the Department of State for diplomatic assistance.

## **12. Billing for Payments of Principal and Interest for the DOD Direct Credit Program.**

### **a. Basis for Calculating and Submitting Billings**

(1) Credit Agreements provide principal repayment schedules (normally semianual), and rates of interest, and interest repayment dates. Basically, Credit Agreements call for charging of interest on the amount by which disbursements of DOD Direct Credit funds exceed the amount of repayments of principal made.

(2) Unless otherwise specified in Credit Agreements, the date of the promissory note indicates the commencement of interest charges, at the rate indicated in the Agreement, against the principal amount reflected in the note. The criteria for dating promissory notes are included in paragraphs 4, 6, and 8.

(3) Billings for repayments of principal and interest will be issued sixty (60) days prior to the due date. The due date will be specified clearly on the billing. In no instance will the due date be less than sixty days subsequent to the date the bill is issued. Interest charges against promissory notes outstanding on the billing date will be projected through the day prior to the payment due date. Interest charges for promissory notes issued between the billing date and the due date will be included in the next subsequent billing.

(4) All payments received will be applied so as to liquidate first the interest in-

cluded in the billing involved, with the remaining amount of the payment being credited to principal. Any overpayments against a given billing will be credited to principal, and the schedule for repayment of principal will be reduced as provided for in the individual FMS Credit Agreement.

(5) When previously issued promissory notes are adjusted upward or downward:

(a) Any overcollections of interest will be applied to principal, and the schedule for repayment of principal will be reduced as provided for in the individual FMS credit agreement.

(b) Any increased interest costs will be included in the next subsequent billing in the full amount.

### **b. Overdue Payments**

(1) All repayments of principal and interest are due on the due date specified in the billing. Payments which are not received by the due date will continue to accrue interest, at the applicable daily rate.

(2) Any charges for interest which have accrued due to the late payment will be added to the next succeeding billing.

## **13. Reporting Collections of DOD Direct Credit Funds From DSAA and From Private Guaranty Credit Funds**

a. The Military Department concerned with the implementation of the FMS case, upon receipt from DSAA of the cash transfer to DOD Direct Credit Funds, will:

(1) Record the received funds against the respective FMS case, and

(2) Report the funds as a collection against the case in the DSAA (AR) 1100 reporting system. The reported information will include all data from the SF 1151 document issued by DSAA, which identifies the applicable country and credit arrangement, and from the DD Form 645 (submitted by the Military Departments to DSAA) which identifies the applicable FMS case.

b. In the case of private credits or Federal Financing Bank (FFB) credits guaranteed by the Department of Defense, the Military Department concerned, upon receipt of the

funds from the country, will:

- (1) Record the received funds against the appropriate FMS case, and
- (2) Report the funds as a collection against the case in the DSAA (AR) 1100 reporting system.

**14. Sale of MAP Owned Property under FMS**

Proceeds from the sale of MAP owned property are properly reimbursable to MAP appropriation 11\*1080. The Military Department which transacts the sale should specify to DSAA at the time the DD 1513 letter of offer is prepared, the items being sold and any special conditions of sale. Comptroller, DSAA will issue special instructions required to insure reimbursement to the MAP appropriation.

**15. Addresses of Military Department Central Collection and Billing Offices**

- a. Department of the Army  
U.S. Army International Logistics Command  
New Cumberland Army Depot  
New Cumberland, Pennsylvania 17070
- b. Department of the Navy  
Commanding Officer

Navy International Logistics Control Office  
Bayonne, New Jersey 07002

- c. Department of the Air Force  
Air Force Accounting and Finance Center  
ATTN: ACFR  
3800 York Street  
Denver, Colorado 80205

**16. Addresses of Military Department Central Activities Responsible for Preparation and Issuance of Letters of Offer**

- a. Department of the Army  
Deputy Chief of Staff for Logistics (DALO-ILS)  
Hqrs. Department of Army  
Washington, D.C. 20310
- b. Department of the Navy  
Chief of Naval Operations (063)  
Hqrs. Department of Navy  
Washington, D.C. 20350
- c. Department of the Air Force  
Director of Military Assistance and Sales (AF/LGF)  
Hqrs. U.S. Air Force  
Washington, D.C. 20330



the unit of issue for the line item is XX, the quantity field is automatically made blank. If the unit of issue is not XX, the quantity field may not be changed to blank.

e. Although asterisks are not permitted in the fields for dollar values in Card B, it is possible that an erroneous collection entry must be reduced to zero (or blank). Therefore, asterisks in the fields for cash or credit amounts in Card C are acceptable and will be processed to change previously reported data to blank.

**10. Increase or Decrease of Numbers**

The fields in the FMS report cards used for recording quantities or dollar values may occasionally require correction by upward or downward adjustment, or figures for deliveries and collections will frequently be increased as additional transactions are posted. These changes are *never* made by punching plus or minus amounts in the change card submission. The changes are always made by submission of data in the change cards which restate the new or corrected figures. The fields listed in the cards indicated below must always show the revised or corrected amounts to be posted to the FMS master file.

CARD	FIELD NAME
B	Cash Amount
	Credit Amount
	Credit Amount
	Credit Amount
	Credit Amount
C	Cash Amount
	Credit Amount
	Credit Amount
	Credit Amount
	Credit Amount
D	Quantity Purchased
	Total Sales Price
	Quantity Delivered
	Value Delivered

**11. Inter-Relationship of Card Fields**

Certain card fields in the FMS reporting system are interrelated and are treated together during card edit or updating of the master file. The most significant of these

inter-relationships are described below:

a. Dates in case records are directly related to the status of the case. The offer date must be included when the initial case record is established by Card 1. When the status becomes A, the acceptance date must be included in the same card which reports the status change. If the status becomes I, R, or C, the implementation date must be contained in the case record or included in the card changing the status code. Conversely, if a status code is corrected to an earlier status position, unneeded date information is automatically blanked in the master file record.

b. The method of funding code is used to control data entries in the fields for posting case financing and related credit arrangement numbers. For example, if method of funding code is 1, positive numbers will be accepted only in the field for cash amount. If method of funding code is 3, data must be included for the credit arrangement number in the first and second fields provided for credit information, and the dollar amount of credit must be punched in the first and second fields provided for credit dollar amounts. A similar relationship exists for all method of funding codes for multiple financing arrangements up to five different financing arrangements providing for up to five different financing arrangements for a single case. In view of the control function based on method of funding code, it is necessary that a change card containing a revised or corrected method of funding code also restate all credit arrangement numbers and dollar amounts of financing, and that they be consistent with the new method of funding code. Similarly, in any case with multiple financing, the change of only one dollar amount, or of a credit arrangement number alone, is prohibited. If a credit arrangement number must be changed or if one dollar amount must be changed, it is necessary that total case financing be restated in the change card (and method of funding code entered) as though a new case record was being established in the FMS master file. These control measures are necessary to insure

that case financing information is not inadvertently or unintentionally changed to an incorrect total value.

c. The generic code and NSN, in an item detail record, must match a valid MASL line. If the line item is for CSP or AGE, the match cannot take place unless the appropriate code is punched in the spare parts column. If the item identification is to be changed, it is necessary that both the generic code and NSN be punched in the D Card. If the line is being changed to a CSP or AGE line (or CSP or AGE for a different end item), the spare parts code and the generic code and NSN of the major item must be punched in the D Card.

d. There is also a relationship between progress payment code and unit of issue. When deliveries are posted for other than dollar lines and delivery cost is reported without a quantity, the value delivered will be rejected unless a progress payment code (P) is entered in the D Card.

## **12. Card Processing**

a. The following rules govern the acceptance and processing of cards, received during the same week, which contain identical data in control fields:

(1) Card 1 must be accompanied by Card 2, and vice versa. Single cards of the required pair will be rejected, or if one is rejected during edit, the second will be rejected also.

(2) Duplicate add cards (1, 2 and 4) will be rejected.

(3) Card A may be submitted at the same time as Card 1 providing a "C" is punched in card column 17 (status).

(4) Two A cards may be submitted at the same time providing a "C" has been punched in card column 17.

(5) Card B may not be submitted at the same time as Card 2.

(6) Card C may be submitted along with Card 1-2 pair.

(7) Card D may be submitted at the same time as card 4.

b. The following rules govern the acceptance and processing of cards whenever received:

(1) Add cards (1, 2 and 4) which match the control fields of records already posted to the FMS master file will be rejected.

(2) Change cards (A, B, C and D) which do not match the control fields of records already posted to the FMS master file will be rejected, except as noted in paragraph a, above.

(3) Duplicate D card submissions are allowed provided they have different (A3 and B0) reason for change codes.

## **13. FMS Administrative Surcharges**

a. The Military Departments shall use generic code L6A (Logistics Management Expenses) to submit FMS administrative surcharges to the 1100 System, and shall insure that only FMS administrative surcharges are included within generic L6A when submitting to the 1100 System.

b. Item detail cards to initially establish item detail records (or to correct or adjust item detail records) will show assessed FMS administrative surcharges as displayed in block 17 of DD Form 1513 Offer and Acceptance document. For amendments use block 19 of DD Form 1513-1 and for modifications use block 18 of DD Form 1513-2.

c. Deliveries of FMS administrative surcharges shall be considered equivalent to collections of FMS administrative surcharges, and will be input to the 1100 System in item detail record format NLT 20 calendar days after the end of each month.

## 14. Special Characters

In the FMS reporting system only ten special characters may be used. These characters must be punched as prescribed below:

CHAR- ACTERS	NAME	PUNCHING INSTRUCTIONS
-	Minus (Dash) -----	11
+	Plus -----	12
.	Period -----	12, 3, 8
,	Comma -----	0, 3, 8
/	Slash (Diagonal) -----	0, 1
\$	Dollar -----	11, 3, 8
*	Asterisk -----	11, 4, 8
(	Parenthesis (Left) -----	0, 4, 8
)	Parenthesis (Right) -----	12, 4, 8
=	Equal -----	3, 8