



DEFENSE SECURITY ASSISTANCE AGENCY

WASHINGTON, D. C. 20301

15 June 1977

In reply refer to:
Transmittal No. 14
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. 14 which updates the procedures to
15 June 1977.

Highlights of this transmittal include chapters on Military Education
and Training; General Procedures; Preparation and Processing of LOAs;
Major Defense Equipment and Financial Annexes to Letters of Offer.

Update the portions of your current 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:

DSAA Memorandum I-121/77 dated 12 January 77, subj: Revision to the
MASM, Part III, Chapter C (General Procedures) and Chapter H (FMS -
Commercial Availability)

DSAA Memorandum dated 9 February 77, subj: IMET Cost Estimates for
Transportation, Excess Baggage and Living Allowance

DSAA Memorandum I-2653/77 dated 9 March 77, subj: Major Defense
Equipment

DSAA Memorandum I-3174/77 dated 25 March 77, subj: Financial Annexes
to Letters of Offer and Acceptance (LOA's) DD Form 1513

DSAA Memorandum I-4595/77 dated 21 April 77, subj: Estimates Are Not
Commitments

DSAA Letter I-4579/77 dated 25 April 77, subj: Major Defense Equipment

Hon Fish

H. M. FISH
Lieutenant General, USAF
Director,
Defense Security Assistance Agency

Attachments

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



LIST OF CHANGES

Remove and insert the following portions of your current MASM:

<u>Remove</u>	<u>Insert</u>
List of Effective Pages	List of Effective Pages
<u>Table of Contents</u> -	<u>Table of Contents</u> -
pages xi - xviii	pages xi - xviii
<u>PART I</u> -	<u>PART I</u> -
Glossary of Terms and Abbreviations Chapter F	Glossary of Terms and Abbreviations Chapter F
<u>PART II</u> -	<u>PART II</u> -
E-23 - E-30	E-23 - E-30
<u>PART III</u> -	<u>PART III</u> -
C-5 - C-6	C-5 - C-6a
C-11 - C-14	C-11 - C-14
D-5 - D-6	D-5 - D-6
Appendix C	Appendix C
-----	Appendix D

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

PART II -

(1) Chapter C - Page C-4b - para 4.f.(5) - 2nd line - insert "articles" after "defense". Page C-9 - para 5.d.(7)(a)2.d.i. - 11th and 14th lines - change "NAVSHIPS" and "(NAVSHIPSYSCOMHQ)" to "NAVSEA" and "(NAVSEASYS COMHQ)", respectively.

PART III -

(1) Chapter A - Pages A-2 - A-6 - Table A-2 - insert "10" next to the title "Major or capital end items".

(2) Chapter C - Page C-16 - para 16.e. - 4th line - insert "Turkey" after "Pakistan".

(3) Chapter H - Page H-2 - para 4.b.(4) - eliminate in its entirety. Para 4.b.(5) - change to read para 4.b.(4).

MILITARY ASSISTANCE AND SALES MANUAL

LIST OF EFFECTIVE PAGES

<u>Chapters</u>	<u>Page Numbers</u>	<u>Date of Latest Revision</u>
Table of Contents	xi through xviii	15 June 1977
PART I—GENERAL INFORMATION		
Glossary of Terms and Abbreviations	1 through 13	15 June 1977
DoD Directives and Instructions	1 through 8	1 May 1976
A	A-1 and A-2	15 January 1977
B	B-1 and B-2	1 May 1976
C	C-1 through C-3	15 August 1976
D	D-1 through D-11	15 January 1977
E	E-1 and E-2	1 July 1974
F	F-1 through F-3	15 June 1977
G	G-1 through G-5	15 January 1977
PART II—GRANT AID		
A	A-1 through A-4	1 December 1975
B	B-1 through B-3	Deleted
C	C-1 through C-21	15 June 1977
D	D-1 through D-15	1 July 1974
E	E-1 through E-48	15 June 1977
F	F-1 through F-31	1 March 1976
G	G-1 through G-24	24 August 1973
H	H-1 through H-4	1 April 1976
J	J-1 through J-23	1 December 1975
K	K-1 through K-5	1 October 1976
L	L-1 through L-27	1 August 1975
Appendix A	App A-1 through App A-24	1 October 1976
PART III—FOREIGN MILITARY SALES		
A	A-1 through A-8	15 June 1977
B	B-1 through B-5	15 January 1977
C	C-1 through C-17	15 June 1977
D	D-1 through D-20	15 January 1977
E	E-1 through E-10	1 July 1974
F	F-1 through F-10	15 January 1977
G	G-1 through G-13	15 August 1976
H	H-1 through H-4	15 June 1977
J	J-1 through J-3	Deleted
K	K-1 through K-17	15 August 1976
L	L-1 through L-23	15 January 1977
Appendix A	App A-1 through App A-19	15 January 1977
Appendix B	App B-1 through App B-5	15 January 1977
Appendix C	App C-1 through App C-3	15 June 1977
Appendix D	App D-1 through App D-12	15 June 1977

CONTENTS

<i>Chapter</i>	<i>Page Number</i>
LETTER OF TRANSMITTAL	iii
FOREWARD	v
TABLE OF CONTENTS	xi

PART I—GENERAL INFORMATION

GLOSSARY OF TERMS AND ABBREVIATIONS

DOD DIRECTIVES AND INSTRUCTIONS

A. PURPOSE, AUTHORITY AND SCOPE	A-1
1. Purpose of Security Assistance	A-1
2. Nature of Security Assistance	A-1
3. Legislative Authorities and Constraints	A-1
4. Leases	A-1
5. Distribution of the MASM	A-2
6. Reports Control Symbol	A-2
B. RESPONSIBILITIES AND RELATIONSHIPS	B-1
1. Executive Branch	B-1
2. Department of Defense	B-1
3. Relationships	B-2
C. POLICY	C-1
1. Purpose and Scope	C-1
2. Administration	C-1
3. Planning	C-1
4. Economic Considerations	C-1
5. Emphasis on Sales	C-2
6. Personnel	C-2
7. Excess Defense Articles	C-2
8. Commitments	C-3
9. Riot Control Agents	C-3

MILITARY ASSISTANCE AND SALES MANUAL

<i>Chapter</i>	<i>Page Number</i>
D. PLANNING	D-1
1. Military Security Assistance Projection (MSAP)	D-1
2. Foreign Country Participation	D-1
3. Coordination at Country Level	D-2
4. Continuous Appraisal	D-2
5. Coordination	D-2
6. Projection Period	D-2
7. Planning Cycle	D-2
8. Preparation of the MSAP	D-5
E. SHIP TRANSFERS	E-1
1. Purpose	E-1
2. General Policy	E-1
3. Sale	E-1
4. Loan	E-1
5. Lease	E-1
6. Transfer Plan Development	E-2
7. Approval Procedures	E-2
F. AUDITS AND INSPECTIONS	F-1
1. Purpose	F-1
2. Types of Audits/Inspections	F-1
3. Notification of Audits and Inspections	F-1
4. Policy Concerning Releasability to GAO of DOD Records Relating to MAP, MASF and FMS	F-1
5. Relationship with Audit/Inspection Agency	F-2
6. Exit Conference	F-2
7. Action on GAO Audit Draft Reports	F-2
8. Action on GAO Final Reports	F-2
9. Action on DAS Reports	F-3
10. Action on IGA Reports	F-3
11. Corrective Action Follow-on	F-3
G. SECURITY CLASSIFICATION AND RELEASE OF INFORMATION	G-1
1. Purpose and Scope	G-1
2. Security Classification Guidelines	G-1
3. RCS: DSAA(AR) 1100 FMS Report Submissions	G-3
4. Release of Information to Foreign Governments, Inter- national Organizations, and the Public	G-4

PART II—GRANT AID

<i>Chapter</i>	<i>Page Number</i>
A. ELIGIBILITY	A-1
1. General Authority	A-1
2. Conditions of Eligibility	A-1
3. General Limitations	A-2
4. Prohibitions Against Furnishing Assistance	A-2
C. ARTICLES AND SERVICES	C-1
1. Purpose	C-1
2. Master Program File	C-1
3. MAP Element Description Data	C-1
4. General Programming Guidelines	C-3
5. Programming Guidance and Procedures	C-5
6. Execution Procedures	C-11
7. Implementing Procedures	C-12
8. NATO Standardization Agreement on Supply Forms	C-20
D. CONSTRUCTION	D-1
1. General	D-1
2. Responsibilities	D-2
3. Planning and Programming	D-5
4. Approval and Funding	D-8
5. Changes to Funded Construction Programs	D-9
6. Reporting	D-12
E. MILITARY EDUCATION AND TRAINING	E-1
1. Purpose	E-1
2. Objectives	E-1
3. Areas of Emphasis	E-1
4. Resources Management	E-1
5. English Language Training	E-2
6. Selection and Utilization of Trainees	E-3
7. Constraints	E-3
8. Program Development and Execution	E-4
9. Student Training	E-5
10. Mobile Training Teams (MTT)	E-12
11. Field Training Services	E-13
12. Extraordinary Expenses	E-14
13. Other Training Support	E-14
14. Training Aids	E-14
15. Programming	E-15
16. Annual Training Report	E-22

MILITARY ASSISTANCE AND SALES MANUAL

<i>Chapter</i>	<i>Page Number</i>
F. PROGRAM SUBMISSION AND MANAGEMENT	F-1
1. Purpose	F-1
2. Submission of Data	F-1
3. Changes of Funded Programs	F-8
4. Programming of MAP Owned Materiel (MAPOM)	F-19
5. Programming of Transferrable Assets	F-20
6. Excess Defense Articles (EDA) General Programming Instructions	F-27
7. MAP Orders	F-27
G. MAP ADMINISTRATION AND SUPPORT COSTS	G-1
1. General	G-1
2. Responsibilities	G-1
3. Military Assistance Program Semi-Annual Review Cycle	G-1
4. Development and Submission of Budget Estimates	G-1
5. General Instructions for Completion of Formats	G-2
6. Instructions Applicable to Individual Formats for September Financial Plan/Budget Review	G-2
7. Instructions Applicable to Formats for March Financial Plan/Budget Review	G-9
H. FUNDING OF PROGRAMS	H-1
1. Financial Resources	H-1
2. Annual Appropriations	H-1
3. Reappropriations	H-1
4. Reimbursements	H-1
5. Recoupments	H-2
6. Transfers	H-2
7. Administrative Authority	H-2
8. Method of Fund Reservation	H-2
9. MAP Order Funding	H-3
10. Allocation of Funds	H-3
11. Special Authorization	H-3
12. Continuing Resolution Authority	H-4
J. MAP REPORTS	J-1
1. Purpose	J-1
2. Structure of the MAP Data Base	J-1
3. Categories of MAP Reports	J-1
4. Requests for MAP Reports	J-1
5. MAP Reports	J-2
6. Abbreviated Titles	J-5

<i>Chapter</i>	<i>Page Number</i>
K. UTILIZATION, REDISTRIBUTION, AND DISPOSAL OF MAP MATERIEL . .	K-1
1. Utilization of MAP Materiel	K-1
2. Supervision of End-Item Use	K-1
3. Disposition of Materiel Declared Excess	K-2
4. Recording Redistributable and Disposable MAP Property Transactions	K-4
5. Applicability	K-5
6. Cannibalization and Retention	K-5
L. MILITARY ARTICLES AND SERVICES LIST (MASL) GUIDANCE	L-1
1. General	L-1
2. MASL Content	L-1
3. Definitization Policy	L-2
4. DSAA MASL Files	L-2
5. Assignment of Footnote Codes	L-3
6. MASL Relationship to DSAA Program Data Files	L-3
7. Maintenance of the MASL	L-4
8. Submission of MASL Data	L-4
APPENDIX A -- MACHINE READABLE CODES	App A-1

PART III—FOREIGN MILITARY SALES

A. ELIGIBILITY FOR FOREIGN MILITARY SALES	A-1
1. General Authority	A-1
2. Conditions of Eligibility	A-1
3. Eligible Countries and International Organizations	A-1
4. Special Approval Requirements	A-1
B. FOREIGN MILITARY SALES POLICIES, GUIDELINES AND RESTRICTIONS	B-1
1. Purpose	B-1
2. Basic Sales Policy and Guidelines	B-1
3. Major Restraints and Significant Recurring Reports to the Congress	B-2

MILITARY ASSISTANCE AND SALES MANUAL

<i>Chapter</i>	<i>Page Number</i>
C. GENERAL PROCEDURES	C-1
1. Introduction	C-1
2. Buyer-Seller Relationships	C-1
3. Purpose for Sale of U.S. Military Equipment Abroad	C-1
4. General Criteria Regarding Sale of Military Equipment	C-2
5. Channels Used in the Sale of Military Equipment	C-2
6. Basic FMS Sales Procedures	C-3
7. Furnishing Information on Price, Availability and Con- dition of Military Equipment to Foreign Governments	C-4a
8. Pricing of FMS Transactions	C-6a
9. Authorized Surcharges	C-7
10. Diversion of DOD Materiel	C-8
11. Insurance	C-9
12. U.S. Response to Requests for "Offset" Procurement	C-9
13. Release of U.S. Technical Data	C-12
14. Principles Regarding Coproduction Projects	C-13
15. Processing Letters of Offer for \$25 Million or More or For Major Defense Equipment of \$7 Million or More	C-14
16. Sales Commissions and Fees	C-15
17. Engineering Review of U.S. Provided Foreign Communi- cations Systems	C-16
18. Patent Rights	C-17
19. DOD P&A Versus a Commercial Proposal	C-17
20. Translation Services	C-17
D. PREPARATION AND PROCESSING OF LETTERS OF OFFER (DD FORM 1513, OFFER AND ACCEPTANCE)	D-1
1. Introduction	D-1
2. Processing Requests for Letters of Offer	D-1
3. Duration of Letters of Offer	D-1
4. Information Conveyed by Letters of Offer	D-1
5. Supplemental Information for Letters of Offer	D-2
6. Absence of Specific Information	D-5
7. Pricing Data to be Included with Selected Letters of Offer	D-5
8. Letters of Intent	D-6
9. Financial Annexes	D-6
E. CREDIT MANAGEMENT	E-1
1. Purpose	E-1
2. Policy Guidance	E-1
3. Types of Credit	E-1
4. Financial Standards and Criteria	E-2
5. Treasury Guidelines	E-3
6. Eximbank Credit Procedures	E-4

MILITARY ASSISTANCE AND SALES MANUAL

Chapter

Page Number

7.	FMS Credit Procedures	E-5
8.	DOD - Guaranteed Credit Procedures	E-6
9.	Treasury Advertised Procedures	E-7
10.	Credit Approval Procedures	E-8
11.	Industry/Banking Coordination	E-9
12.	Preparation of Credit and Guaranty Agreements	E-10
F. IMPLEMENTATION OF FMS		F-1
1.	Purpose	F-1
2.	Policies	F-1
3.	Types of Foreign Military Sales	F-1
4.	Requisition Procedures	F-4
5.	Management Review	F-5
6.	Delivery Performance	F-5
7.	Supply Management	F-5
8.	Packaging, Handling and Shipping	F-6
9.	Customer Service	F-8
10.	Suspensions/Cancellations	F-9
11.	Management Reports	F-10
12.	Amendment or Modification of Offer and Acceptance	F-10
G. FINANCIAL PROCEDURES		G-1
1.	Purpose	G-1
2.	Basic Principles	G-1
3.	Financing and Billing for Cash Sales	G-2
4.	Financing and Billing for Foreign Military Sales Under Credit Agreements Executed Subsequent to March 1972	G-3
5.	Financing and Billing for Military Sales Guaranties	G-5
6.	Commercial Contracts Financed from DOD Direct Credit Funds	G-6
7.	Commercial Contracts Financed by Guaranty of Private Credit	G-7
8.	Processing Foreign Military Sales under Credit Agree- ments Executed Prior to April 1972	G-7
9.	Closing Foreign Military Sales Cases Financed Under Credit Agreement Executed Prior to April 1972	G-9
10.	Multiple Sources of Financing	G-10
11.	Overdue Billings and Delinquent Accounts	G-11
12.	Billing for Payments of Principal and Interest for the DOD Direct Credit Program	G-12
13.	Reporting Collections of DOD Direct Credit Funds From DSAA and From Private Guaranty Credit Funds	G-12

MILITARY ASSISTANCE AND SALES MANUAL

<i>Chapter</i>	<i>Page Number</i>
14. Sale of MAP Owned Property Under FMS	G-13
15. Addresses of Military Departments Central Collection and Billing Offices	G-13
16. Addresses of Military Departments Central Activities Responsible for Preparation and Issuance of Letters of Offer	G-13
H. FOREIGN MILITARY SALES - COMMERCIAL AVAILABILITY	H-1
1. Purpose	H-1
2. Legislative Provisions	H-1
3. Department of Defense Policy	H-1
4. Guidelines for Determining Commercial Availability	H-1
5. Guidelines for Sale Through FMS Procedures	H-2
6. Special Exception - Federal Republic of Germany	H-3
7. Procedures for Processing Requests for Sale or for Pricing and Availability Data	H-3
8. Documents Rescinded	H-4
K. FOREIGN MILITARY SALES REPORTING SYSTEM	K-1
1. Purpose	K-1
2. Concept	K-1
3. Reporting Frequency	K-1
4. Master File Update	K-2
5. Major Features	K-2
6. Military Articles and Services List (MASL)	K-2
7. Preparation of FMS Data Cards	K-2a
8. Control Fields	K-12
9. Changing Field to Blank	K-12
10. Increase or Decrease of Numbers	K-13
11. Inter-Relationship of Card Fields	K-13
12. Card Processing	K-14
13. FMS Administrative Surcharges	K-14
14. Special Characters	K-14a
L. FMS REPORTS	L-1
1. Purpose	L-1
2. Source of FMS Data	L-1
3. Categories of FMS Reports	L-1
4. Requests for FMS Reports	L-2
5. FMS Reports	L-2
6. Abbreviated Titles	L-6
APPENDIX A - MACHINE READABLE CODES	App A-1
APPENDIX B - PROCEDURES FOR PROCESSING FMS LETTERS OF OFFER WHICH MUST BE REPORTED TO CONGRESS	App B-1
APPENDIX C - MAJOR DEFENSE EQUIPMENT LIST	App C-1
APPENDIX D - FINANCIAL ANNEXES TO LETTERS OF OFFER	App D-1

GLOSSARY OF TERMS AND ABBREVIATIONS

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.*

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 Arms Export Control 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.

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.

Accepted Case

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

Accessorial Charges

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

* Foreign Assistance Act of 1961, as amended, as FAA. Arms Export Control Act, as amended, as AECA. Mutual Security Act of 1954, as amended, as MSA 1954.

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.

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.

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.

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.

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 Arms Export Control 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").

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.

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.

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.

Budget Year

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

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

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).

Case Description

A short title specifically prepared for each FMS case.

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.

Case Suffix Code

Machine readable code—See Appendix A, Part III.

Cash in Advance

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

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, AECA).

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.

Closed Case

An FMS case on which all materiel has been delivered and/or all services have been performed, all financial transactions, including all collections, have been completed, and the customer has received a final statement of account.

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.

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.

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 Arms Export Control Act.

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.

Commodity Group

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

Completed Case

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

Concurrent Spare Parts (CSP)

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

Congressional Presentation Document

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

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.

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.

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.

Consumption Requirements

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

Continuing Resolution Authority (CRA)

Authority to obligate funds against the MAP or IMETP 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.

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.

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.

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)

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, AECA).

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, AECA).

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, AECA)

Current Fiscal Year

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

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 or making military sales; 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), FAA and Sec. 47(3), AECA)

Defense Information

Any document, writing, sketch, photograph, plan, model, specification, design prototype, or other recorded or oral information relating to any defense article, defense service, or major combatant vessel (e.g., DE, SS and above), but shall not include Restricted Data as defined by the Atomic Energy Act of 1954, as amended, and data removed from the Restricted Data category under section 142d of that Act. (Sec. 644(e) FAA 61)

Defense Service

Includes any service, test, inspection, repair training, publication, or technical or other assistance, or defense information used for the purpose of furnishing military assistance but does not include military education and training activities. (Sec. 644(f), FAA)

Delivered Case (Same as Completed Case)

An FMS case on which all materiel has been delivered and all services have been performed. The case is not closed until final bill-

ing action and funds are received.

Delivery

(a) Constructive or actual delivery (as defined above); (b) the performance of services for the customer or requisitioner; (c) accessorial services, when they are normally recorded in the billing and collection cycle immediately following performance.

Delivery Commitment Date

The date negotiated in the DD Form 1513 for complete delivery of the total quantity of the line item.

Delivery Forecast

Estimated date of delivery of the total quantity of a line item.

Dependable Undertaking

A firm commitment by the foreign government or international organization to pay the full amount of a contract for new production or for the performance of defense services which will assure the U.S. against any loss on such contract and to make funds available in such amounts and at such times as may be required by the contract, or for any damages and costs that may accrue from the cancellation of such contract, provided that in the judgment of DOD there is sufficient likelihood that the foreign government or international organization will have the economic resources to fulfill the commitment. (Sec. 22, AECA).

Designated Country Representative

A person or persons duly authorized by a foreign government to act on behalf of that government to negotiate, commit, sign contractual agreements, and/or accept delivery of materiel.

Developed Country

A country so designated by the U.S. Treasury Department in applying the Interest Equalization Tax, and listed in Section 1 of Executive Order 11285, dated June 10, 1966. All countries not listed are less developed.

Disposable MAP Property

MAP property determined to be no longer needed for the purpose initially furnished and for which no further MAP requirement exists (see Redistributable Property); and, MAP property which does not meet the criteria for utilization screening and is classified as disposable property by the MAAG when initially reported by the country.

Diversion

Any deliberate action that causes materiel ordered to meet a foreign commitment to be delivered to other than the original intended recipient.

DOD Direct Credit

Long-term credit which is directly financed from the appropriation or account available for that purpose. Authority is Section 23 of the Arms Export Control Act, as amended, or pertinent earlier legislation.

Dollar Value Line

A program line representing a requirement for certain services, commodities, or a grouping of items of material (normally of high density and low unit cost) for which the requirement is measured only in dollars. These lines are identified in the MASL by unit of issues XX (dollars).

Down Payment

Money transferred to the credit of the Treasurer of the United States or other authorized officer at the time of acceptance of

DD Form 1513 as partial payment for defense articles or services contracted for by an eligible foreign country.

DSAA

Defense Security Assistance Agency—See DOD Directive 5105.38.

Economic Supporting Assistance

See Security Supporting Assistance.

Eligible Recipient (FMS)

Any friendly foreign country or international organization determined by the President to be eligible to purchase defense articles and defense services, unless otherwise ineligible due to statutory restrictions. (Sec. 3, AECA)

Eligibility Recipient (MAP)

Any foreign country or international organization determined by the President to be eligible to receive military assistance, unless otherwise ineligible due to statutory restrictions. (Sec. 503, FAA)

End Item

Assembled whole system or equipment, ready for its intended use, (1) for which only ammunition, fuel or other energy sources are required to place them in an operating state, and (2) consisting of components and parts with or without accessories or attachments, e.g., rifles, tanks, aircraft, ships, etc.

Eximbank Financed Sale

Sale of defense items or services financed by credit supplied by the Export-Import Bank. The sale may be made by DOD or by U.S. industry directly to the foreign buyer. U.S. industry sales are subject to DOD approval.

Excess Personal Property

Personal property which has been determined to be unnecessary for the discharge of DOD responsibilities after completion of utilization screening among DOD activities in accordance with policies prescribed by DOD Directive 4160.21, "DOD Personal Property Disposal Program", and Defense Disposal Manual (DOD 4160.21-M).

Exclusive (Non-Exclusive) License

A license covering a patent(s), technical or proprietary data, technical assistance, know-how, or any combination of these, granted by a U.S. firm to a foreign firm or government to produce, co-produce or sell a defense article or service within a given sales territory without competition from any other licenses or from the licensor. A non-exclusive license is a license as described above, except that competition may be permitted with other licensees and/or the licensor.

Expendable Supplies and Material

Supplies which are consumed in use, such as ammunition, paint, fuel, cleaning and preserving materials, surgical dressing, drugs, medicines, etc., or which lose their identity, such as spare parts, etc. Sometimes referred to as "consumable supplies and material."

Expenditures

Cash disbursements.

Excess Defense Articles

Defense articles owned by the United States Government and not procured in anticipation of military assistance or sales requirements, or pursuant to a military assistance or sales order, which are in excess of the Approved Force Acquisition Objective and Approved Force Retention Stock of all Department of Defense Components at the time such articles are dropped from inventory by the supplying

agency for delivery to countries or international organizations. (Sec. 644(g), FAA)

Extended Offer

A new FMS offer for which a reply from the buyer has not been received within the time limit specified on the letter of offer which is still in effect pending clarification of its status.

Financing, Type of

The method by which the U.S. Government is authorized to sell defense articles and services under the Arms Export Control Act (e.g., cash in advance, dependable undertaking, credit).

Five Year Defense Program (FYDP)

The official program summarizing the Secretary of Defense's approved plans and programs for the Department of Defense.

Foreign Military Sales (FMS)

Include cash sales from stocks of the DOD; procurement for cash sales by the DOD; DOD credit sales, and DOD guaranties covering the private financing of credit sales of defense articles and defense services. (Sec. 21, 22, 23, and 24, respectively, AECA)

Foreign Military Sales Order No. 1 (FMSO No. 1)

Provides for pipeline capitalization of a cooperative logistics support arrangement, which consists of stocks "on hand" and replenishment of stocks "on order" in which the participating country buys equity in the U.S. supply system for support of a specific weapons system. Even though stocks are not moved to a foreign country, deliver (equity) does in effect take place when the country pays for the case.

**Foreign Military Sales Order
No. 2 (FMSO No. 2)**

Provides for replenishment of withdrawals of consumption-type items (repair parts, primarily) from the DOD Supply System to include charges for accessorial costs and a systems service charge.

General Program Costs

Those Military Assistance Program costs which are not specifically identified to recipient country or regional programs such as administrative expenses and supply operations; formerly termed "Non-Regional Costs."

Generic Code (GC)

Machine Readable Code—See Appendix A, Part II and Part III.

Grant Aid

Military Assistance rendered under the authority of the FAA for which the United States receives no dollar reimbursement.

Implementing Agency

The Military Department responsible for the execution of Grant Aid and FMS Programs. See Appendix A, Parts II & III.

Implementation Date

The date when supply action on an FMS case is initiated or directed by the implementing agency—See Appendix A, Part III.

Investment Cost

Cost of equipment, supplies and services that improve the capability of a force, including initial unit equipment, war reserves of equipment and ammunition, concurrent spare parts, and initial spare parts stockage

levels. Also includes replacement costs for obsolescent and attrited equipment, rebuild and modernization costs for newly provided equipment, costs for construction facilities equipment, projects programmed as dollar value lines to facilitate administration, and training costs associated with the introduction of new equipment or an improved capability.

Joint Forces Memorandum (JFM)

An annual document prepared by the JCS and submitted to the Secretary of Defense recommending a Joint Force Program which takes into account U.S. forces and security assistance to other nations.

**Joint Strategic Objectives Plan
(JSOP)**

An annual document prepared by the JCS which provides advice to the President and the Secretary of Defense on the military strategy and force objectives deemed necessary to attain U.S. national security objectives.

Lead Time (MAP)

The estimated time which will elapse between the first of the fiscal year in which a requirement is programmed and the date on which the item will be received by the requiring activity (usually a MAP recipient country); or in the case of services, the date on which military assistance funds will be expended for the services rendered. MAP lead time for materiel end items includes the following increments:

(a) A six-month estimated lag time between 1 July and the date the current year MAP is funded.

(b) The time required to procure, or to repair and/or rehabilitate the item, including the time required to prepare and process procurement instructions, contracts, work orders, requisitions and similar documents.

(c) The time required to prepare and

package for shipment.

(d) An estimated time of two months required to ship and receive.

Lease

An agreement for temporary transfer of the right of possession and use of a non-excess defense article or articles to a foreign government or international organization, with the transferee agreeing to pay rent to the U.S. Government and/or maintain, protect, repair, or restore the article(s), subject to and under authority of Title 10 USC, Section 2667.

Less Developed Country (LDC)

Excluded from the list of developed countries designated by Executive Order 11285 of June 10, 1966, for purposes of the Interest Equalization Tax, or which are considered LDC by the Eximbank for purposes of the Exim Act of 1945, as amended.

Loan

An agreement for temporary transfer of the right of possession and use of a defense article or articles not acquired with Military Assistance funds to a foreign government or international organization, at no rental charge to the transferee, with the transferor U.S. Military Department being reimbursed from MAP funds, subject to and under authority of the Foreign Assistance Act, Section 503.

Local Currency

The official currency of the foreign country.

Major Defense Equipment

Any item of significant combat equipment on the United States Munitions List having a non-recurring research and development

cost of more than \$50 million or a total production cost of more than \$200 million. Part III, Appendix C of this Manual lists items which constitute Major Defense Equipment.

MAAG (Military Assistance Advisory Group)

As used herein, the term MAAG encompasses Joint U.S. Military Advisory Groups, Military Missions, Military Advisory Groups, U.S. Military Groups, and U.S. Military Representatives exercising responsibility within a U.S. Diplomatic Mission for security assistance and other related DOD matters. Defense Attaches are included only when specifically designated.

Maintenance Float

End items or components of equipment authorized for stockage at installations or activities for replacement of unserviceable items when immediate repair of the unserviceable equipment cannot be accomplished by the field maintenance activity.

Major Item (Line)

A program line for which the requirement is expressed quantitatively as well as in dollars. These lines are identified in the MASL by a unit of issue other than dollars (XX).

Military Assistance Program (MAP)

An annual program for which the United States Government receives no dollar reimbursement, showing a detailed funding program for a given fiscal year related to specific military assistance requirements by area and country, and taking into account the lead times necessary to effect the deliveries or perform the services in that program.

MAP Assets

Materiel for which title has been transferred to MAP ownership, but not to a recip-

MILITARY ASSISTANCE AND SALES MANUAL—PART I

ient country or organization.

MAP Element

An integrated activity, a combination of men, equipment, supplies, facilities, and other resources, which together constitute an identifiable military force, unit, activity or specific function within a Country Military Assistance Program.

MASF (Military Assistance Service Funded)

All defense articles and defense services transferred to foreign countries under the authority contained in the Department of Defense Appropriation Act.

Military Articles and Services List (MASL)

Catalogue of materiel, services, and training used in the planning and programming of Grant Aid and FMS. For Grant Aid this catalogue is used to disseminate price, supply source, lead time, duration of training, and availability of materiel and services to all concerned. A separate MASL for FMS training is provided. Otherwise, the MASL should not be used to quote price and/or availability to prospective buyers under FMS.

Military Export Sales

All sales of defense articles and defense services made from U.S. sources to foreign governments, foreign private firms and international organizations, whether made by DOD or by U.S. industry directly to a foreign buyer. Such sales fall into two major categories, Foreign Military Sales and Commercial Sales.

MILSTAMP

Military Standard Transportation and Issue Procedure.

MILSTRIP

Military Standard Requisitioning and Issue Procedure.

Obligations

Amounts of orders placed, contracts awarded, services received, and similar transactions during a given period requiring future payment of money. Such amounts include adjustments for differences between obligations previously recorded and accrued expenditures or actual payments.

Offer Date

The date which appears on the offer portion of DD Form 1513 and which indicates the date on which an FMS offer is made to a foreign buyer.

Open Sales Case

An FMS case is designated open as long as any portion of the transaction is incomplete, i.e., delivery of materiel, performance of services, financial transactions, or rendering of the final statement of accounts.

Open Sales Offer

An FMS offer made to a foreign buyer which is pending acceptance.

Operation & Maintenance Costs (O&M Costs)

Costs associated with equipment, supplies, and services required to train, operate, and maintain forces in a recipient country, including cost of spare parts other than concurrent spares and initial stockages, ammunition and missiles used in training or replacements for such items expended in training or operations, rebuild and overhaul costs (excluding modernization) of equipment subsequent to initial issue, training and other

services that do not constitute investment costs, and administrative costs associated with overall program management and administration.

Orientation Tours

Tours arranged for key foreign personnel for the purpose of orientation and indoctrination.

Paramilitary Forces

Forces or groups which are distinct from the regular armed forces of any country, but resembling them in organization, equipment, training, or mission.

Personal Property

Property of any kind or any interest therein, except real property, records of the U.S. Federal Government, and Naval vessels of the following categories: battleships, cruisers, aircraft carriers, destroyers and submarines.

Pipeline

That portion of (a) approved and funded MAP articles and services, and (b) accepted FMS orders for defense articles and services, for which delivery, either constructive or actual, has not occurred, or services have not been rendered.

Planning, Programming, Budget System (PPBS)

An integrated system for the establishment, maintenance, and revision of the Five Year Defense Plan (FYDP) and the DOD budget.

Program Decision Memorandum (PDM)

A document which provides Secretary of Defense decisions on the Program Objectives Memorandum (POM) and the Joint Forces

Memorandum (JFM).

Program Line

A single line of data representing a requirement for articles or services in a military assistance program.

Program Objectives Memorandum (POM)

Memorandum prepared annually by the DASD(ISA)SA which recommends total resource requirements within the fiscal guidance established by the Secretary of Defense.

Progress Payments

Those payments made to contractors or DOD industrial fund activities as work progresses under a contract, on the basis of cost incurred or percentage of completion, or of a particular stage of completion, accomplished prior to actual delivery and acceptance of contract items.

Public Law 480 (PL 480) Funds (Sec. 104(c))

Foreign currencies derived from sale of surplus agricultural commodities under Title I, P.L. 480, Agricultural Trade and Development Act of 1954, as amended. Sec. 104(c) authorizes these foreign currencies to be used for procuring equipment, materials, facilities, and services for the common defense including internal security.

Purchase Approval

Approval issued by DSAA for DOD which permits the country to utilize the credits extended under the Credit Agreement to finance the purchase of agreed to defense articles and defense services.

MILITARY ASSISTANCE AND SALES MANUAL PART I

Reappropriation

MAP or IMETP funds which at the end of the fiscal year are not reserved or obligated and are customarily made available by the Congress for use in the subsequent fiscal year.

Recoupments

Adjustments or cancellations of outstanding MAP orders in prior year program accounts which generate additional funds for the current year operations.

Redistributable MAP Property

All MAP personal property which has been declared, by the recipient government to the United States, as no longer needed for the purposes for which furnished and which meets the criteria for utilization screening as prescribed in Chapter K Part II.

Rehabilitation Cost

See Value.

Reimbursements

Funds realized from the sale of MAP owned property, such funds being deposited to MAP accounts and available for programming.

Routing Identifier (RI)

Machine Readable Code—See MILSTRIP Routing Identifier Code, Appendix A Part II.

Secondary Item Line

A dollar value line encompassing items of equipment (e.g., "Other Support Equipment"), as distinct from a dollar value line encompassing commodities or components, parts and accessories.

Security Assistance

For the purpose of this manual, the term Security Assistance includes all DOD activities carried out under the authority of the AECA, or FAA, or related appropriation acts and other related statutory authorities.

Security Supporting Assistance

Funds used to finance imports of commodities, capital, or technical assistance, provided either as a grant or loan in accordance with terms of a bilateral agreement; counterpart funds thereby generated may be used as budgetary support. Most such funds are used to enable a recipient to devote more of its own resources to defense and security purposes than it otherwise could do without serious economic or political consequences. Replaces term "Economic Supporting Assistance."

Services

Services include any service, repair, training of personnel, or technical or other assistance or information used for the purpose of furnishing non-military assistance. (Sec. 644(k), FAA)

Supply Operation Costs

Refers to the categorization of those costs which are related to the procurement and issue of materiel and excess articles delivered to MAP and FMS recipients but not included in the standard prices of the materiel. These costs include packing, crating, handling and transportation expenses incurred in the issue and transfer of materiel; and logistics management expenses (exclusive of military pay and allowances) incurred by activities in the areas of procurement operations, supply management, requisition control and processing, and related services.

Third Country Training

Training provided under U.S. supervision outside the CONUS in a country other than the country of program. Training may in-

clude U.S. assistance for costs of normal student travel and living allowances.

TLA

Travel and Living Allowance.

Total Obligation Authority (TOA)

The total financial requirements of the Five Year Defense Program, or any component thereof, required to support the approved program of a given fiscal year.

Training (FMS)

Formal or informal instruction of foreign students in the United States or overseas by officers or employees of the United States, contract technicians, contractors (including instruction at civilian institutions), or by correspondence courses, technical, educational, or information publications and media of all kinds, training aid, orientation, training exercise, and military advice to foreign military units and forces. (Sec. 47(5), AECA)

Training (Grant Aid)

International Military Education and Training (IMET) includes formal or informal instruction of foreign students in the United States or overseas by officers or employees of the United States, contract technicians, contractors (including instruction at civilian institutions), or by correspondence

courses, technical, educational, or information publications and media of all kinds, training aids, orientation, and military advice to foreign military units and forces. (Sec. 644(n), FAA)

Value

A. Excess Defense Articles

(1) With respect to an excess defense article, the actual value of the article plus the gross cost incurred by the United States Government in repairing, rehabilitating, or modifying the article, except that for purposes of Section 632(d) such actual value shall not be taken into account:

(a) For major items the pricing guidance contained in DOD Instruction 2140.1 may be used to determine the value of EDA.

(b) For secondary items the inventory standard stock price is to be used.

(2) With respect to a non-excess defense article delivered from inventory to foreign countries or international organizations under this Act, the acquisition cost to the United States Government, adjusted as appropriate for condition and market value;

(3) With respect to a non-excess defense article delivered from new procurement to foreign countries or international organizations under this Act, the contract or production costs of such article, and;

(4) With respect to a defense service, the cost to the United States Government of such service.

CHAPTER F

AUDITS AND INSPECTIONS

1. Purpose

This chapter prescribes the action to be taken by MAAG's, MILGP's, Unified Commands and other activities having responsibilities for the Military Assistance Program (MAP), Foreign Military SALES (FMS) and Military Assistance Service Funded (MASF) program on audits, inspections and reports by the General Accounting Office (GAO); the Office of the Deputy Assistant Secretary of Defense (Audit), OASD(C); Military Department Audit Agencies; and the Inspector General of Foreign Assistance (IGA), Department of State.

2. Types of Audits/Inspections**a. GAO Audits**

GAO audits are designed to provide a comprehensive review of U.S. Government agencies and their activities. In order to evaluate management controls, GAO examines the history, purpose, authority, organization, activities, policies and procedures of the agency, then reviews its operating results. In evaluating an agency's management control, GAO representatives perform various audit functions such as review, analysis and test of accounting and operating data, property records, supporting data for budgetary statements, and other evidence of the agencies activities. The results of comprehensive audits are set forth in reports made available to the head of the agency concerned, the Office of Management and Budget and the Congress.

b. DOD Internal Audits

The Military Department Audit Agencies are responsible for continuing audit coverage of activities in the United States per-

forming functions under MAP, FMS, and MASF programs. The DASD (Audit), OASD(C) is responsible for continuing audit coverage of activities overseas performing such functions. Reports of audits are addressed through channels (beginning with the audited activity) to the Secretary of Defense.

c. IGA Inspections

The IGA is responsible as a matter of law for conducting reviews, inspections and audits to assure that Security Assistance Programs are in consonance with the foreign policy of the United States. IGA reports are made to the Secretary of State and to the Congress. Reports dealing with Military Assistance are directed to the Secretary of Defense.

3. Notification of Audits and Inspections

Normally, the GAO, IGA and the DASD (Audit) notify agencies to be audited of proposed audits/inspections, their scope, and the time of audit. Upon receipt of notification of audits/inspections relating to MAP, FMS or MASF activities, DSAA will advise the Unified Command and MAAG.

4. Policy Concerning Releasability to GAO of DOD Records Relating to MAP, MASF and FMS

a. DOD records relating to MAP, MASF and FMS are available to the GAO, subject to the following specific limitations:

(1) Documents related to Tactical Operational Planning, Conduct of Military Operations, War Plans, Force Deployments, Force Goals, Intelligence Collection and Analysis are not releasable.

MILITARY ASSISTANCE AND SALES MANUAL—PART I

(2) Documents originated by non-DOD Agencies are released only with consent of the originating agency.

(3) Reports of Military Inspectors General and Criminal Investigations Organizations are released only on approval of appropriate departmental secretary.

(4) Budget program data for fiscal years not yet presented to the Congress (including planning documents) are not releasable.

(5) Specific authority of ASD (ISA) is required for access to:

(a) Confidential correspondence exchanged between heads of State.

(b) Presidential Memoranda

(c) Performance evaluation reports

(d) Internal Executive Branch working papers and memoranda

(e) Documents revealing sensitive information about the conduct of U.S. negotiations with foreign countries.

(f) Other DOD material which the Ambassador or major military component commanders consider may be sensitive and could, if revealed, have a serious adverse effect on the conduct of USG foreign relations or otherwise prejudice the national interests of the U.S.

b. Whenever access to certain documents is denied, efforts will be made to modify, extract or summarize the information in order to facilitate the GAO review, if this can be done with propriety and the GAO is informed that the document has been so modified, extracted or summarized.

5. Relationship with Audit/Inspection Agency

Audits of MAP, FMS and MASF will be conducted in accordance with instructions of the Military Departments and Unified Commands relating to audits and inspections generally.

6. Exit Conference

a. A letter report on the exit conference or its equivalent conducted by the GAO or the Defense Audit Service (DA) will be for-

warded within 30 days to the Assistant for Audits and Inspections, Operations Directorate, DSAA. A message report is required for exit conferences with the IGA and is to be dispatched within 15 days.

b. When appropriate, DSAA will be represented during GAO, IGA, and DAS exit conferences.

7. Action on GAO Draft Reports

a. The GAO transmits draft reports of review of Unified Command, MAAG, ODC (Office of Defense Cooperation), and MILGP security assistance activities to the Assistant Secretary of Defense (Comptroller), concurrently GAO is to forward information copies to the concerned field organizations.

b. Upon receipt of the draft report, the MAAG, ODC, or MILGP will:

(1) Verify the accuracy and validity of each pertinent finding, conclusion, and recommendation.

(2) Take suitable corrective action.

(3) Submit to the Unified Command within 15 days a statement with respect to each finding, conclusion, and recommendation, giving:

(a) additional facts

(b) acceptance or refutation

(c) corrective action taken and anticipated completion date.

c. The Unified Command will forward a message report with the above information along with its comments to DSAA (Attn: Assistant for Audits and Inspection) within 25 days from the date of the GAO draft report.

8. Action on GAO Final Reports

a. The GAO transmits final reports to the Congress and the Office of Management and Budget with information copies to the Secretary of Defense, the Unified Command, and the MAAG, ODC, or MILGP.

b. Action required on final reports is the same as that for draft reports. Comments should not be repetitive but merely update the statement on the draft report.

9. Action on DAS Reports

a. The DAS normally provides a copy of the draft report along with a request for appropriate comments to the field organizations reviewed. The Unified Command will simultaneously forward to the Assistant for Audits and Inspections, Operations Directorate, DSAA, a copy of the reply being furnished DAS.

b. Upon receipt of the final report, the MAAG, ODC, or MILPG will:

- (1) Verify the accuracy and validity of each finding, conclusion, and recommendation.
- (2) Take suitable corrective action.
- (3) Submit to the Unified Command a statement with respect to each finding, conclusion, and recommendation, giving:

- (a) additional facts
- (b) acceptance or refutation
- (c) corrective action taken and anticipated completion date.

c. The Unified Command will forward a reply incorporating the above information and its comments to the Assistant for Audits and Inspections, Operations Directorate, DSAA, within 60 days from the date of the report.

10. Action on IGA Reports

a. The IGA transmits draft reports on its inspections of Security Assistance activities to the Director, DSAA, for review and comments. The importance of the exit conference message report required in paragraph 6 cannot be overemphasized since DSAA is only provided 7 days in which to reply to the draft report.

b. The IGA transmits final Security Assistance inspection reports to the Secretary

of Defense and simultaneously distributes copies to the JCS, DSAA, Unified Command, and concerned activity.

c. Upon receipt of the Final Report, the concerned activity will:

- (1) Verify the accuracy and validity of each finding, conclusion, and recommendation.
- (2) Take suitable corrective action.
- (3) Submit to the Unified Command a statement with respect to each finding, conclusion, and recommendation, giving:
 - (a) additional facts
 - (b) acceptance or refutation
 - (c) corrective action taken and anticipated completion date.

d. The Unified Command will forward a reply incorporating the above information and its comments to the Assistant for Audits and Inspections, Operations Directorate, DSAA, within 60 days from the date of the report.

11. Corrective Action Follow-Up

a. MAAG's, ODCs, MILGPs, and Unified Commands should provide for positive follow-up corrective action responses to GAO, IGA, and DAS findings and recommendations. In some instances, special reports on status of corrective action may be required by DSAA. In all cases, the adequacy of corrective action on audits and inspections may be raised during DSAA staff visits.

b. Annually, Unified Commands will submit a report to the Assistant for Audits and Inspections, Operations Directorate, DSAA which reflects, as of 31 December, the status of incomplete corrective actions for each applicable GAO, IGA, and DAS report. The report is due 1 February and negative reports are required.

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

	DAILY RATES			
	U.S. (10)		Overseas (1)	
	Off (11)	EM	Off (11)	EM
In travel status, including unscheduled delays: (2)	Various	Various	Various	Various
In training status:				
Neither qtrs nor mess available (3)	\$25.00	\$25.00	Various	Various
Qtrs available, mess not (4)	15.00	13.00	\$13.00	\$11.00
Mess available, qtrs not (5)	19.00	17.00	19.00	17.00
Both qtrs, mess available (6)	11.00	5.00	8.00	3.00
Both qtrs, mess available free of charge, (aboard ship)	5.00	5.00	5.00	5.00
Both qtrs, mess available, officers charged for mess (aboard ship)	8.00	N/A	8.00	N/A
Dependents authorized (7)	25.00	N/A	25.00	N/A
On leave (8)	N/A	N/A	N/A	N/A
In military hospital (9)	5.00	5.00	5.00	5.00
Orientation tour participants	18.00	N/A	18.00	N/A
BOQ/BEQ charge (13)	6.00	3.00	6.00	3.00

(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 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 IMETP 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 \$11.00 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 (including authorized leave periods).

(8) Leave with living allowances may be granted within CONUS as specified in Para 9Q(4) at the rate that is appropriate to training status. Living allowance for leave period following determination 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.

(13) Use one-half this rate where facilities do not meet established standards.

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 Transpor- tation	Excess Baggage and Living Allowance	Total
EAST ASIA								
CHINA (TAIPEI) (1)								
Taipei	—	1200	Seattle	—	—	—	130	1330
INDONESIA (1)								
Djakarta	—	1580	San Francisco	—	—	—	130	1710
KOREA (1)								
Seoul	—	—	McChord	430	—	—	130	560
MALAYSIA (1)								
Kuala Lumpur	—	1140	San Francisco	—	—	—	130	1270
PHILIPPINES (1)								
Manila	—	—	Travis	650	—	—	130	780
THAILAND (1)								
Bangkok	—	1480	San Francisco	—	—	—	130	1610
NEAR EAST AND SOUTH ASIA								
AFGHANISTAN								
Kabul	—	1650	Kennedy	—	—	—	180	1830
GREECE								
Athens	—	980	Kennedy	—	—	—	130	1110
INDIA								
New Delhi	—	2150	Kennedy	—	—	—	180	2330

Change 14, 15 June 1977

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	—	1190	Kennedy	—	—	—	180	1370
LEBANON Beirut	—	1190	Kennedy	—	—	—	180	1370
NEPAL Katmandu	—	2330	Kennedy	—	—	—	180	2510
PAKISTAN Karachi	—	2250	Kennedy	—	—	—	180	2430
SRI LANKA Colombo	—	2110	Kennedy	—	—	—	180	2290
TURKEY Istanbul	—	1010	Kennedy	—	—	—	180	1190
EUROPE								
AUSTRIA Vienna	Frankfurt	170	McGuire	350	—	520	60	580
PORTUGAL Lisbon	—	170	Charleston	350	—	520	60	580
SPAIN Madrid	Torrejon	630	Kennedy	—	—	—	60	690
		—	McGuire	310	—	310	60	370
AFRICA								
CAMEROON Douala	—	1310	Kennedy	—	—	—	200	1510
ZAIRE Kenshasa	—	1380	Kennedy	—	—	—	200	1580
DAHOMY Cotonou	—	1210	Kennedy	—	—	—	200	1410
ETHIOPIA Addis Ababa	—	1480	Kennedy	—	—	—	180	1660
GHANA Accra	—	1210	Kennedy	—	—	—	200	1410
IVORY COAST Abidjan	—	1190	Kennedy	—	—	—	200	1390
LIBERIA Monrovia	—	1380	Kennedy	—	—	—	200	1530

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
MALI								
Bamako	—	1240	Kennedy	—	—	—	200	1440
MOROCCO								
Rabat	—	790	Kennedy	—	—	—	180	970
SENEGAL								
Dakar	—	1020	Kennedy	—	—	—	200	1220
TUNISIA								
Tunis	—	830	Kennedy	—	—	—	180	1010
UPPER VOLTA								
Ouagadougou	—	1320	Kennedy	—	—	—	200	1520
AMERICAN REPUBLICS								
ARGENTINA								
Buenos Aires	—	1020	Kennedy	—	—	—	200	1220
		910	Miami	—	—	—	200	1110
BOLIVIA		1050	Houston	—	—	—	200	1250
La Paz	—	720	Miami	—	—	—	200	920
BRAZIL								
Rio de Janeiro	—	980	Kennedy	—	—	—	200	1180
		870	Miami	—	—	—	200	1070
CHILE		1030	Houston	—	—	—	200	1230
Santiago	—	820	Miami	—	—	—	200	1020
COLOMBIA								
Bogota	—	360	Miami	—	—	—	200	560
DOMINICAN REPUBLIC								
Santo Domingo	—	210	Miami	—	—	—	60	270
ECUADOR		300	Kennedy	—	—	—	60	360
Quito	—	410	Miami	—	—	—	200	610
Guayaquil	—	440	Miami	—	—	—	200	640
EL SALVADOR								
San Salvador	—	290	Miami	—	—	—	60	350
GUATEMALA		370	Houston	—	—	—	60	430
Guatemala City	—	290	Miami	—	—	—	60	350
		480	Kennedy	—	—	—	60	540
		360	Houston	—	—	—	60	420

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	—	—	—	60	280
MEXICO Mexico City	—	130	Houston	—	—	—	60	190
NICARAGUA Managua	—	290	Miami	—	—	—	60	350
		400	Houston	—	—	—	60	460
PANAMA Panama City	—	—	Charleston	160	—	—	60	220
PARAGUAY Asuncion	—	1000	Kennedy	—	—	—	200	1200
		890	Miami	—	—	—	200	1090
		1030	Houston	—	—	—	200	1230
PERU Lima	—	580	Miami	—	—	—	200	780
URUGUAY Montevideo	Buenos Aires	1020	Kennedy	—	—	—	200	1220
		910	Miami	—	—	—	200	1110
		1050	Houston	—	—	—	200	1250
VENEZUELA Caracas	—	420	Miami	—	—	—	200	620
		510	Kennedy	—	—	—	200	710

(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.

Change 14, 15 June 1977

E-27

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	390	290	400	400	420	—
Alamogordo, New Mexico	400	240	390	380	380	260
Amarillo, Texas	330	130	280	270	260	210
Anniston, Alabama	140	210	220	210	200	410
Astoria, Oregon	450	360	450	450	490	170
Athens, Georgia	130	200	210	200	190	400
Augusta, Georgia	140	210	220	210	200	410
Bainbridge, Maryland	120	230	70	50	190	380
Baltimore, Maryland	120	230	70	50	190	380
Berkeley, California	390	290	400	400	420	—
Bethesda, Maryland	120	230	70	50	190	380
Big Springs, Texas	280	160	330	320	290	340
Biloxi, Mississippi	210	100	210	190	150	320
Boston, Massachusetts	170	280	70	90	230	420
Bremerton, Washington	430	350	430	430	470	170
Bridgeport, California	450	260	390	380	420	50
Bridgeport, Connecticut	220	330	120	140	280	470
Brunswick, Georgia	70	170	170	160	100	390
Bryan, Texas	190	—	260	240	190	260
Cambridge, Massachusetts	340	280	70	90	230	420
Camp Lejeune, North Carolina	70	170	170	160	100	390
Camp Pendleton, California	360	240	400	400	380	60
Champaign, Illinois	240	260	240	210	300	380
Charleston, South Carolina	—	190	150	130	120	470
Charlottesville, Virginia	180	290	130	120	240	440
Chicago, Illinois	160	190	160	160	220	380
Columbia, South Carolina	50	180	140	130	140	380
Columbus, Georgia	90	150	170	160	140	300
Corpus Christi, Texas	300	70	280	270	220	290
Dam Neck, Virginia	120	230	70	50	190	380

Change 14, 15 June 1977

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	130	190	130	120	200	340
Denver, Colorado	270	180	290	280	300	190
Dothan, Alabama	170	240	250	240	230	440
Dover, Delaware	130	240	50	—	200	400
Eglin AFB, Florida	190	140	200	170	130	350
El Paso, Texas	340	150	320	310	290	190
Enid, Oklahoma	400	170	310	290	290	310
Fayetteville, North Carolina	190	290	140	110	170	370
Fort Worth, Texas	240	80	250	240	210	260
Fullerton, California	390	280	430	420	200	80
Glynco, Georgia	80	150	160	150	140	350
Great Lakes, Illinois	160	190	160	150	220	380
Harlingen, Texas	250	100	310	300	250	290
Harrisburg, Pennsylvania	130	240	70	50	200	380
Huntsville, Alabama	160	200	170	160	160	340
Indianapolis, Indiana	140	180	150	140	200	330
Indianhead, Maryland	120	230	70	50	190	380
Jacksonville, Florida	70	170	170	160	100	390
Kansas City, Kansas	190	150	210	200	230	270
Key West, Florida	180	250	260	260	60	470
Lakehurst, New Jersey	130	240	50	—	200	400
Lancaster, California	380	290	400	400	420	50
Laredo, Texas	300	150	360	350	300	340
Las Vegas, Nevada	340	230	370	360	360	110
Lawton, Oklahoma	260	110	250	240	280	250
Little Creek, Virginia	120	230	60	60	190	384
Los Angeles, California	360	250	400	400	380	50
Louisville, Kentucky	120	170	150	140	184	330
Macon, Georgia	130	200	210	200	190	400
Mare Island, California	390	290	400	400	420	—
Mechanicsburg, Pennsylvania	130	210	100	80	200	360
Melbourne, Florida	190	170	190	180	60	390
Memphis, Tennessee	140	120	100	180	180	320
Minneapolis, Minnesota	210	200	200	190	270	270
Mission, Texas	320	100	340	290	270	310
Mobile, Alabama	140	110	210	100	140	300
Monterey, California	390	290	400	400	420	50
Montgomery, Alabama	100	140	180	180	140	350
Newark, New Jersey	150	260	—	50	210	400
New Bern, North Carolina	150	200	120	100	160	370
New London, Connecticut	150	260	40	90	230	420
Newport, Rhode Island	170	290	80	100	240	440
Newport News, Virginia	100	230	90	72	170	390
New York, New York	150	260	—	50	210	400
Norfolk, Virginia	100	230	90	70	170	390

MILITARY ASSISTANCE AND SALES MANUAL—PART II

Change 14, 15 June 1977

E-29

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	290	400	400	420	100
Oakland, California	390	290	400	400	420	100
Oklahoma City, Oklahoma	240	110	250	230	230	250
Oxnard, California	390	290	400	400	420	100
Panama City, Florida	110	140	200	190	120	360
Parris Island, South Carolina	50	180	160	150	120	380
Patuxent River, Maryland	120	230	70	60	190	380
Pensacola, Florida	130	120	200	190	130	340
Philadelphia, Pennsylvania	130	240	50	—	200	400
Phoenix, Arizona	320	200	360	350	330	150
Port Hueneme, California	360	250	400	400	380	50
Portland, Maine	240	290	90	100	250	390
Portsmouth, Virginia	100	230	60	70	170	380
Providence, Rhode Island	150	280	60	90	230	420
Quantico, Virginia	120	230	60	60	190	380
Quonset Point, Rhode Island	150	280	60	90	230	420
Reno, Nevada	410	260	390	380	420	70
Richmond, Virginia	120	230	70	60	190	380
Rome, New York	210	330	40	110	280	390
St. Albans, New York	150	260	180	50	210	400
St. Louis, Missouri	160	220	400	170	210	300
Sacramento, California	470	300	400	400	420	50
Salt Lake City, Utah	400	230	330	330	370	130
San Antonio, Texas	220	70	280	270	220	260
San Diego, California	360	240	400	400	380	50
San Francisco, California	360	240	400	400	380	—
Santa Maria, California	360	240	400	400	380	80
Seattle, Washington	400	320	400	400	440	140
Selma, Alabama	140	130	180	170	140	350
Sherman, Texas	200	80	250	240	200	230
Springfield, Massachusetts	230	280	70	90	230	420
Suitland, Maryland	120	230	60	60	190	390
Treasure Island, California	470	300	400	400	420	—
Troy, New York	150	260	40	50	210	400
Tucson, Arizona	370	190	350	340	320	160
Valdosta, Georgia	170	240	250	230	220	440
Waco, Texas	260	150	320	310	280	330
Washington, D.C.	120	230	70	60	190	380
Whedbey Island, Washington	400	320	400	400	440	140
Wichita Falls, Texas	260	140	310	300	270	320
Yorktown, Virginia	100	230	90	70	170	390

the country team or other US officials in discussions with foreign government officials of price, availability and equipment condition. Discussions of specifics related to FMS cash or credit sales should be based on current program data. Only specific data provided by the Military Departments, DSA or the Defense Security Assistance Agency (DSAA) should be used. In all discussions, it should be clearly noted that price quotations are estimates only and are subject to change. Final prices charged to purchasers under Foreign Military Sales contracts are governed by United States legal requirements. Purchasers must recognize that prices contained in Letters of Offer are in reality estimates, and by law the United States must finally be reimbursed for the actual costs to the U.S. government of the equipment and services provided.

c. Importance of Accurate Statements of Condition of Equipment.

The condition of used equipment suggested for consideration should be ascertained, and any commitments made must be explicit in order to preclude misunderstandings. If data on equipment condition is not available in adequate detail, the DOD components concerned should obtain and provide specifics before commitments are made.

d. Two Basic Categories of Estimates: "P&B" and "P&A"

Estimates of price and availability information can be grouped into two basic categories. (1) "P&B" estimates which are for planning and/or budgeting purposes only (that is, not at that time meant to trigger the preparation of a DD Form 1513); and (2) "P&A" estimates which are intended for use in the processing of a DD Form 1513 (Letter of Offer and Acceptance). In order to minimize uncertainty, reduce overall average response time and lighten workload, requests for price and availability estimates shall be treated according to the type they represent.

e. Processing Requests for P&B Estimates

(1) Requests for "Planning and/or Budgetary" purposes shall be known as

"P&B" requests; responses to such requests shall be known as "P&B" estimates. These estimates should be sufficiently accurate to serve the planning purposes of the particular case, but normally will not be developed as fully or coordinated as widely as "P&A" estimates (see below). Accordingly the workload and response time associated with responding to P&B requests may be less than that associated with P&A requests.

(2) Generally, P&B estimates are developed on the basis of available information, using standard Military Department configurations and program data, unless more specific country data are provided. Standard Military Department factors may be applied to basic system estimates to derive support data. Normally contractor participation in developing "P&B" data is not desired. P&B estimates are specifically not considered to be valid for purposes of DD Form 1513 preparation.

(3) Requests for P&B normally should be sent directly to the cognizant DOD component with an information copy to DSAA, and will be processed by the element of the cognizant Military Department which has designated responsibility for offering FMS DD Form 1513s to a foreign customer. Requests for P&B which are received from countries listed in Category B (see Chapter A) for the item in question shall be coordinated with DSAA prior to processing. Those requests which are referred to OSD shall be expeditiously transmitted to the responsible DOD component. The DOD component concerned will take action to provide the P&B data to the requestor. An information copy of P&B estimates for both Category A and B countries will be provided DSAA.

(4) Responses to P&B requests will state that the data is for planning/budgetary purposes only and is not valid for Letter of Offer (DD Form 1513) purposes. Any potential additional costs which have not been included in the estimates, such as accessorial and transportation changes, spare parts and support equipment and training will be clearly identified. Emphasis shall be placed on timeliness and such estimates should be

MILITARY ASSISTANCE AND SALES MANUAL—PART III

transmitted to the requestor not later than 30 days after receipt by the Military Department. If this date cannot be met, an interim reply will be sent.

f. Processing Requests for P&A Estimates

Requests which are intended to lead directly to the processing of a DD Form 1513 shall be known as P&A requests; estimates prepared in response to such requests shall be known as P&A estimates. These estimates will be as accurate as possible, and will represent the best estimate of the DOD Component concerned, within the limits of timeliness and practicality. If the last contract price of an item is not known to be valid, it will be revalidated before providing a "P&A" estimate. Such estimates shall be provided within 60 days after receipt of the request by the DOD component concerned. If these dates cannot be met, the DOD component will send an interim reply to the requestor. In the event the estimate is being provided separately from a LOA, it will require DSAA coordination under the same guidelines as apply for the submission of actual Category A and B countries, will be provided DSAA.

Should the Military Department receive a request for P&A estimates from a Category B country, that request should be promptly referred to DSAA. Requests from Category A countries for P&A estimates should be sent directly to the cognizant Military Department with an information copy to DSAA.

g. Estimates Are Not Commitments

All responses to P&A or P&B requests will include the following note: "The foregoing P&B (or P&A) estimates do not constitute an agreement between the U.S. Government and the Government of (insert the appropriate foreign country), nor a U.S. Government commitment to provide items or services for which these estimates are provided.

h. Need for Clarity and Completeness in Requesting Estimates

In all cases requests for P&B or P&A estimates should be as clear and complete as possible,

so that they are understood and can be properly estimated by the DOD components concerned. USG officials who initially accept such requests for transmittal to the DOD components concerned should review them to ensure that (1) they are sufficiently specific to be understood and provide a firm basis for preparing estimates, and (2) requests state specifically whether they are for P&A or P&B data. When requests for estimates are received that do not specify whether they are for P&A or P&B data, the recipient initially receiving the request shall notify the requestor of this requirement and hold action on the request until the information is received. Training requirements included in the requests will be definitized and those requests which do not include training requirements will contain a statement to this effect. Other factors which should be included (as appropriate) are type or model designation, any special extra capabilities or features, concurrent and follow-on spares and components, ancillary support equipment, ancillary construction, number of locations, types of maintenance, special maintenance and technical services anticipated, any training facilities and training aids, and the approximate time-frame for proposed delivery. If a request is incomplete, it may be returned to the requestor for the additional information required. Also the requestor should be advised at the time estimates are provided of additional costs which are included in an LOA but may not be included in a P&B estimate, such as PCH&T costs, quality assurance and government provided engineering services, insurance if requested by the customer, medical and billeting costs for students, credit charges, contingencies, and the administrative surcharge.

When appropriate to ensure that complete information is provided, as in the case of a major weapons system, the responsible DOD Component will provide the requestor with a checklist of planning information. In sum, care should be taken to ensure that requests for estimates are clear and complete, and that there is a mutual understanding concerning the elements which make up or are associated

with the item requests. In turn, the estimates provided should also be clear and complete, and the components thereof fully described so that there is no misunderstanding between the parties.

8. Pricing of FMS Transactions

Defense policy outlined in DOD Instruction 2140.1, 17 June 1975, calls for uniform DOD application of pricing and cost criteria

that are selected, DOD will assure the foreign source competitors that a waiver of the Buy American Act and the gold-flow differentials will be granted to the foreign source competitor if the procurement conditions noted above have been properly met. Offset proposals and serious queries relating thereto should be referred to the DSAA Directorate of Operations.

b. Interdependent Research and Development

Another area to be considered in possible offset arrangements is in conjunction with Interdependent R&D projects. The Defense Department has been pursuing with its major allies a policy of interdependent R&D aimed at improving mutual planning and acquisition of our respective national R&D programs, in order to decrease possible duplication and to increase effectiveness of the programs. A number of major factors and considerations encourage interdependent R&D programs.

(1) The position of the U.S. Government that our allies must share a large portion of the free world defense burden.

(2) The declining R&D budgets of the U.S., which puts a premium on achieving a greater R&D return per R&D dollar spent. By reducing duplication in R&D programs among our allies, greater use of the technical resources of the free world can be realized. U.S. R&D dollars thereby saved are available for other critical R&D areas.

(3) Significant advances in the technical capability of our allies. Transfer of some of this advanced technology and operational capability to the U.S. can be accomplished on a faster schedule and with less expense than through our own duplicated development.

The Defense Department intends to utilize allied developments only in those instances where it is clearly advantageous for the U.S. to do so. Production of these items, however, will be accomplished in the U.S. except where special circumstances justify overseas production. For example, when immediate hardware availability is required for operational reasons, when the production buy is too small

to be economical for new production line start-up, or if reciprocal procurement obligations (offset arrangements) make it attractive to delay transition from off-the-shelf procurement to domestic production. Even in these circumstances, offshore procurement should be terminated as soon as such reasons are no longer controlling.

c. DOD Procedures in Offset Agreements

In addition to the overall rules and guidelines set forth in a and b above, the following specific rules will apply:

(1) Offset agreements include any agreement by DOD to purchase items from a foreign country in order to offset some specific amount or percentage of the foreign country's expenditures in the U.S. for U.S. defense items. This includes any arrangement whereby the U.S. Government, to include the DOD, agrees to assist a U.S. defense contractor in some offset associated with a direct commercial sale. Such offset agreements are entered into only after approval by the Secretary or a Deputy Secretary of Defense and after approval of the Department of State in accordance with its defined procedures.

(2) Offset agreements, which may or may not contain specific coproduction arrangements, should be negotiated and the basic understanding reached prior to the final acceptance of the DOD Letter of Offer in order to include in this Letter of Offer the impact, if any, that such agreements may have on DOD Price and Availability. This procedure will also allow DOD and its contractors an opportunity to assess, in advance, our ability to fulfill such offset arrangements.

(3) Offset agreements will include guidelines concerning any restrictions of acceptability of competition under the offset from foreign government owned or subsidized companies.

(4) On the sale of a particular item or items where an offset agreement has been reached prior to the signing of the contract(s) the offset will not officially begin until after the contract(s) have been signed.

(5) In the case of offset agreements related to specific weapon system purchases, the U.S. contractors and associated subcontractors which benefit from the sale will assume the primary responsibility for fulfilling the offset.

(6) The foreign firms have the basic responsibility for marketing their products to DOD and to U.S. industry.

(7) In the event that an offset agreement provides for or involves the export from the U.S. of technology or technical data, the licensing provisions of the International Traffic in Arms Regulations (ITAR) will apply.

(8) In the negotiation of offset agreements, ISA/DSAA will be the focal point to coordinate the negotiations with the foreign country. ODDR&E, Office of General Counsel and OASD(I&L) must participate in these negotiations and concur with the final agreement. After negotiation and execution of the offset agreement, OASD(I&L) shall take the lead and responsibility for the implementation of the agreement and fulfillment of the commitment with coordination of OASD (ISA) and DSAA as required.

(9) The basic policy for procurement activities is set forth in the DepSecDef memorandum of 15 November 1976, subject: General Policy on Purchases by DOD from Foreign Sources in Furtherance of Government-to-Government Offset Agreements.

13. Release of Technical Data

a. Approval to Release Technical Data

(1) All requests for Technical Data Packages (TDPs) must be approved by the Director, DSAA. Accordingly, all requests received by the Military Departments will be referred to DSAA for review. TDPs will normally not be released unless it has been determined to be in the U.S. interest to do so and alternative means of meeting the requirement are considered to be less desirable.

(2) Requests for TDPs normally fall in one of two categories: a request for data for use in maintaining or operating any items of

U.S. equipment, or a request for data for use in producing an item of U.S. equipment either for the purchaser's own use or for sale to third countries. Referrals of requests to DSAA should include the appropriate information relevant to the intended end use of the TDP as outlined in paragraphs 13b and 13c below. A formal statement in writing from the purchaser as to the intended end-use of the TDP must be obtained in every case.

(3) TDPs furnished to foreign governments under the FMS program will be provided on a reimbursable basis only, by means of a formal LOA (DD Form 1513) which will cover, as a minimum, the full costs for preparation, reproduction and handling of the TDP in accordance with the pricing policies set forth in paragraph XIV A of DOD Directive 2140.1. In addition, if the TDP is intended to be used for production purposes, a charge for royalty fees in accordance with DOD Directive 2140.1, Section XVI will be included as a separate line item on the LOA unless waived by the Director, DSAA under provisions of paragraph 13c below.

b. Sale of TDPs for Maintenance and Operational Purposes

(1) In the event that a TDP is requested for purposes of maintenance or operation of an item of U.S. equipment, the Military Department having cognizance over the item in question will provide to the Director, DSAA, the following:

(a) a copy of all pertinent correspondence with the purchasing government;

(b) a statement as to whether the requirement would be met by means of pertinent DOD instructions, maintenance or technical manuals, or other similar publications;

(c) in-country inventory of major end-items requiring maintenance support from the requested TDP;

(d) information as to classification of the TDP and as to proprietary rights involved, if any; and,

(e) the Military Department's recommendation concerning the request.

(2) In the event that release of the TDP is approved, care will be exercised to insure that:

(a) The TDP bears clear identifying markings stating any restriction, such as classification or proprietary rights, which apply.

(b) The LOA and any other transmittal correspondence clearly states that the TDP is released for the purpose stated by the requesting government, and may not be used for production purposes without the prior consent of the U.S. Government.

c. Sale of TDPs for Production Purposes

(1) In the event that a TDP is requested for purposes of producing an item of U.S. defense equipment, either for use of the purchasing government's own forces, or for sale to third countries, the Military Department having cognizance over the item in question will provide to the Director, DSAA, in addition to the information outlined in paragraphs 13b(1), (4) and (5) above, the following data:

(a) quantity to be produced;

(b) intended end disposition of item to be produced, to include names of third country purchasers if item is for third country sale;

(c) current status of U.S. production and stock on hand of item(s) involved;

(d) U.S. and foreign production history of item for last 5 years;

(e) future U.S. production plans;

(f) current U.S. source(s) of supply for item;

(g) current cost to U.S. Government of the item, and whether it is produced in-house or under government contract;

(h) security classification of item to be produced;

(i) other countries authorized to produce the item;

(j) impact that sale may have on U.S. Foreign Military Sales, and on other programs or projects; and,

(k) whether intended recipients of production have previously obtained the item to be produced, and quantities obtained, actual or estimated.

(2) Normally, in all cases where the purchasing country intends to use the TDP for production purposes, a royalty fee will be assessed. This assessment will be done in accordance with the following rules unless the Director, DSAA, determines that special circumstances require a departure therefrom in a specific case:

(a) Where the foreign applicant intends to produce the article for "in-country" consumption only, a royalty fee of 5 percent of the latest or current U.S. unit sale price for each unit produced will be charged.

(b) Where the DOD has specifically approved "in-country" production for third country sale, a royalty fee of 8 percent of the latest or current U.S. unit sale price for each unit produced for third country sale will be charged.

(c) The charge for "in-country" consumption only may be waived when the foreign applicant is a current recipient of grants under the MAP materiel program.

(d) Where the item to be produced is obsolete and no longer being manufactured for United States Military Departments and/

or is not available in the Military Department inventories, the 5 percent royalty fee for "in-country" consumption or the royalty fee of 8 percent where the DOD has specifically approved "in-country" production for third country sale may be reduced. The authorized sale price will be determined by DSAA in collaboration with ODDR&E based on cost of the most similar U.S. items in production.

(e) Where the pricing of the TDP is subject to an international agreement to which the DOD is a party or is otherwise bound, the sale will be determined consistent with the terms of that agreement.

(f) Where the item(s) to be produced is in long supply in a U.S. military department inventory, or if the item is being produced in the United States, requests for foreign production of the item(s) will normally be denied.

(g) In the case of TDPs related solely to processes, machinery or other items to be used in production, rather than to an end-item itself, and sold separately from a TDP for an end-item, the royalty fee will be based on the production of the end-item using the related TDP. In such cases, the authorized production under the TDP and other terms and conditions will be specified as in the case of TDPs for manufacture of end-items. However, if TDPs for processes, machinery or other items related to production are sold in conjunction with or subsequent to the sale of a TDP for manufacture of a related end-item, only one royalty will be charged based on production of the end-item.

(h) The Military Department shall include on the face of the Letter of Offer and Acceptance (DD Form 1513) which sets out the royalty fee the following notes:

1. "The above stated royalty fee deduction in excess of the above quantity will be subject to a recalculation of royalty fee and the issuance of a new or amended Letter of Offer and Acceptance."

2. Where the TDP is to be used to manufacture items for in-country use only add: "The items to be manufactured for in-country use only will not be sold or transferred to a third country without the written

consent of the U.S. Government and the execution of a new or amended Letter of Offer for an additional royalty fee."

3. Where the TDP is to be used to manufacture items for third country sale add: "The items to be manufactured for third-country sale will not be sold or transferred to third countries other than . . . (here insert country name/names) . . . without the written consent of the U.S. Government."

(i) In all cases, care will be taken to insure that the TDP bears clear identifying markings stating any restrictions, such as classifications, which may apply.

(j) For reporting purposes, the royalty fee line on the LOA will be reported as code R9D in the 1100 system.

14. Principles Regarding Coproduction Projects

Defense policy, expressed in DOD Directive 2000.9, dated 23 January 1974, states that initiation of coproduction project agreements will be encouraged and supported by all elements of DOD under the following circumstances:

a. When they advance the ability of participating countries to improve their military readiness through expansion of their technical and military support capability, while promoting U.S.-allied standardization of military materiel and equipment thus generating uniform logistics support and multi-national operational capabilities.

b. When they directly benefit the U.S. through increased capability to support the deployment of U.S. forces, strengthen international military operations in times of emergency or hostilities, encourage the unitization of common military materiel, and improve mutual support capability of friendly allied nations.

c. When they supplement and reinforce the U.S. FMS program.

d. When they are in the best interest of the U.S.

A coproduction project may be limited to the assembly of a few end-items with a small

input of local country parts, or it may extend to a major manufacturing effort requiring the build-up of capital industries. Coproduction is a program under the aegis of the U.S. Government, by diplomatic or DOD agreement, either directly through the FMS program or indirectly through specific licensing arrangements by designated commercial firms, which enables an eligible foreign government, international organization, or designated foreign commercial producer to acquire the "know-how" to manufacture or assemble, repair, maintain and operate, in whole or in part, a specific weapon, communication or support system, or an individual military item.

The "know-how" furnished through coproduction programs may include research, development production data and/or manufacturing machinery or tools, raw or finished materiel, components or major sub-assemblies, managerial skills, procurement assistance or quality-control procedures. Third country sales limitations and licensing agreements are also included, as required. Thus coproduction programs may be limited or extensive depending upon the major objectives to be attained.

Coproduction projects may be initiated by DSAA or, subject to prior approval of DSAA, by the Military Departments, the Military Assistance Advisory Groups, and by authorized representatives of foreign governments and international organizations. The cognizant DOD component will ensure appropriate coordination will DSAA and furnish technical and negotiating assistance as required. After such agreements are signed, the appropriate DOD component will perform the necessary managerial and reporting functions.

In all cases, as prerequisite, the restrictions imposed by Section 42(b) of the FMS Act will be complied with, namely: "No credit sale shall be extended and no guarantee shall be issued in any case involving coproduction or licensed, production outside the United States origin unless the Secretary of State shall, in advance of any such transaction, advise the appropriate committees of the Congress and furnish the Speaker of the

House of Representatives and the President of the Senate with full information regarding the proposed transaction, including, but not limited to, a description of the particular defense article or articles which would be produced under license or coproduction, and the probable impact of the proposed transaction on employment and production within the United States."

15. Processing Letters of Offer for \$25 Million or More or for Major Defense Equipment of \$7 Million or More

In compliance with Section 36 of the Arms Export Control Act, Congress must be provided with notification of all Letters of Offer to sell any defense articles or services for \$25 million or more, or any major defense equipment of \$7 million or more, before such Letter of Offer is issued. OSD General Counsel has determined that the term "Letter of Offer" used in the AEC Act pertains to any proposed sale of defense articles or services to any foreign government, whether or not the initial document (or set of documents) to be used to consummate the sale is a DD Form 1513 or a document bearing another name. If a document other than a DD Form 1513 is used for this purpose, a DD Form 1513 shall be subsequently executed to conclude the final details of the agreement unless an exception is authorized by the Director, DSAA. The statutory requirement for reporting, as well as the requirement for advance notification to Congress, extends to any undertaking by the Department of Defense to establish an FMS transaction. This includes but is not limited to FMS transactions embodied in the following:

- (1) Memorandum of Understanding for Coproduction of military items,
- (2) Cooperative Research and Development Agreements, and
- (3) Providing specific items or services under any existing general agreements, such as the Engineering Assistance Agreement entered between the Army Corps of Engineers and the Saudi Arabian Government in 1965.

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:

MILITARY ASSISTANCE AND SALES MANUAL—PART III

- (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 Defense 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.

9. Financial Annexes

Financial annexes as supplemental financial terms and conditions to DD Form 1513 will be prepared as outlined in Appendix D, Figures App D-1 through App. D-6.

APPENDIX C

MAJOR DEFENSE EQUIPMENT LIST

CATEGORY I—FIREARMS

Rifle, 5.56MM, M-16

CATEGORY II—ARTILLERY AND PROJECTORS

Gun, 20MM

CATEGORY III—AMMUNITION

Cartridge, 20MM
 Cartridge, 60MM
 Cartridge, 81MM
 Cartridge, 105MM
 Cartridge, 4.2 inch
 Projectile, 5"/38 Cal
 Projectile, 5"/54 Cal
 Projectile, 155MM (HE)
 Projectile, 175MM
 Projectile, 8 inch

CATEGORY IV—LAUNCH VEHICLES, GUIDED MISSILES, BALLISTIC MISSILES, ROCKETS, TORPEDOES, BOMBS AND MINES

ASROC (Anti-Submarine Rocket)
 Rocket, 2.75 inch
 Light Anti-Tank Weapon 66MM (LAW)
 Bomb, MK-82, 500#, General Purpose
 Bomb, MK-83, 1,000#, General Purpose
 Bomb, MK-84, 2,000#, General Purpose
 Bomb, M-117, 750#, General Purpose
 Torpedo, MK-46
 Torpedo, MK-48
 Mine, Naval Warfare
 (QUICKSTRIKE—MK 62 Mod O,
 MK 63 Mods O and 1, MK 64 Mods O
 and 1, MK 65 Mods O and 1)
 Mine, Naval Warfare, MK-68, Mod O
 Missile, AIM-4, Falcon
 Missile, AIM-7, Sparrow
 Missile, AIM-9, Sidewinder
 Missile, AGM-12, Bullpup

Missile, AGM-45, Shrike
 Missile, AGM-65A, E/O, Maverick
 Missile, Chaparral
 Missile, Cruise
 Missile, Dragon
 Missile, Harm
 Missile, Harpoon
 Missile, Hawk
 Missile, Improved Hawk
 Missile, Lance
 Missile, Pershing
 Missile, Phoenix
 Missile, Redeye
 Missile, Walleye
 Missile, Nike Hercules
 Missile, Roland
 Missile, Standard Arm
 Missile, Standard ER RIM-67A
 Missile, Standard MR RIM-65A
 Missile, Tartar
 Missile, Terrier
 Missile, Tomahawk
 Missile, TOW
 XM-65 Airborne
 Launcher, TOW

CATEGORY V—PROPELLANTS, EXPLOSIVES AND INCENDIARY AGENTS

Items in this category which meet the dollar criteria for major defense equipment are not significant combat equipment as defined in the U.S. Munitions List.

CATEGORY VI—VESSELS OF WAR AND SPECIAL NAVAL EQUIPMENT

CC—Guided Missile Cruiser
 DD-963—Destroyer (SPRUANCE Class)
 DD—Destroyer
 DDG—Guided Missile Destroyer

MILITARY ASSISTANCE AND SALES MANUAL—PART III

PHM—Patrol Combatant Missile
(Hydrofoil)
PHM—Patrol Hydrofoil (Missile
Equipped)
FFG—Guided Missile Frigate
LCM/LCU/LCVP—Amphibious
Landing Craft
LPD—Amphibious Transport Dock
LSD—Dock Landing Ship
LST—Tank Landing Ship
LKA—Amphibious Cargo Ship
LPA—General Purpose Amphibious
Assault Ship
MSO—Minesweeper, Ocean (Non-
Magnetic)
SS—Submarine (Conventionally
Powered)

CATEGORY VII—TANKS AND MILITARY VEHICLES

Tank, M-48 Series
Tank, M-60 Series
Carrier, Armored Personnel, M-113
Carrier, Command Post, M-577
Carrier, Cargo, M-548
Howitzer, Self-Propelled, 155MM, M-
109
Gun, Self-Propelled, 175MM, M-107
Howitzer, Self-Propelled, 8-inch, M-110
Combat Engineering Vehicle, M-728
Vehicle, Recovery, M-88A1
Vehicle, Amphibious, LVTP
Tank, XM-1
Mechanized Infantry Combat Vehicle,
XM- 723
Armored Reconnaissance Airborne
Assault Vehicle, M-551
Vulcan Air Defense System

**CATEGORY VIII—AIRCRAFT, SPACECRAFT, AND
ASSOCIATED EQUIPMENT**

A-4
A-6
A-7
A-10
A-37
F-4
F-5
F-8

F-14
F-15
F-16
F-18
F-100
F-102
F-104
F-111
E-2C
E-3A
EA-6
S-2
S-3
P-3
OV-1
OV-10
C-130
AMST
T-2
T-33
T-37
S-65
H-3
H-46
CH-47
H-53
YUH-60/61 (UTTAS)
H-65
UH-1
UH-1N
AH-1
AH-1H
Lamps Mark III
TF-30
TF-34
TF-39
TF-41
T-53
T-55
T-56
T-58
T-700
T-64
J-47
J-52
J-57
J-85
J-79
F-100

F-401
F-404
P-100

CATEGORY IX—MILITARY TRAINING EQUIPMENT

No items in this category are defined in the U.S. Munitions List as significant combat equipment.

CATEGORY X—PROTECTIVE PERSONNEL EQUIPMENT

No items in this category are defined in the U.S. Munitions List as significant combat equipment.

CATEGORY XI—MILITARY AND SPACE ELECTRONICS

(Items in this category which meet the dollar criteria for major defense equipment are not significant combat equipment as defined in the U.S. Munitions List. However, a charge to the list is in process which, when approved, will include equipment in this category as significant combat equipment. Upon approval, the following items of equipment in this category will qualify as major defense equipment.)

Radio, AN/ARA-54
Radio, AN/VRC-12
Radar, AM-389-FPS
Radar, AN/MPS-11
Radar, AN/TPS-43
ECM, ALQ-94
ECM, ALQ-119

TACAN, AN/TRN-26
BEACON, AN/TRN-26
Tactical Air Control System, 417L
Air Weapons Control System, 412L
Backup Interceptor Control, 416M
DOD AIMS, 499L
Combat Operations Center, 425L
Combat Operations Center, 427L
AN/TTC-39
SINGARS

CATEGORY XII—FIRE CONTROL, RANGE FINDER, OPTICAL AND GUIDANCE AND CONTROL EQUIPMENT

Director, Fire Control, MK 51-2
Computer, Fire Control MK1A
Gunsight, MK-14
Gunsight, MK-15
System, Fire Control, MK-105
System, Fire Control, MK-68
System, Fire Control, MK-86
System, Missile Fire Control, MK-76
Radar, Fire Control, MK-25
Goggles, Night Vision, AN/PVS-5
System, Fire Direction, AN/GSS-10(V)
System, Gun Fire Control, MK-56 & 63
Tactical Operations System (TOS)
Radar, AN/TPQ-37
Radar, AN/TPQ-36
TSEC/KY57

CATEGORY XIII—AUXILIARY MILITARY EQUIPMENT

No items in this category are defined in the U.S. Munitions List as significant combat equipment.

APPENDIX D

FINANCIAL ANNEXES TO LETTERS OF OFFER

1. Introduction

This chapter prescribes the requirement for a Financial Annex in each Letter of Offer. The purpose of the Financial Annex is to supplement and amplify terms included in Paragraph B "The Purchaser" of the obverse side of the Letter of Offer and Acceptance (DD Form 1513), and to provide clear understanding between the USG and the purchaser as to the rate and timing of the payments to be made by the purchaser. This appendix also prescribes the criteria to be used when forecasting payment schedules to be included in the Financial Annex.

2. Purpose of Financial Annexes

The Financial Annexes specify for the purchaser's projected payment dates and amounts and describe the interface of the payment schedule with the FMS billing system. Thus, misunderstandings as to when payments must be made to the USG should be eliminated. The Annexes also provide data for budgetary planning for the purchaser. It is necessary to accept a degree of uncertainty in financial forecasting to achieve these goals. However, relations with purchasers can be enhanced by management attention designed to keep such uncertainty to the minimum.

3. Policies

a. All Letters of Offer will include a Financial Annex.

b. Depending on the Terms of Sale and Method of Funding of the Letter of Offer, Financial Annexes in the form of Figures App D-1 through App D-6 will be used.

c. Each Financial Annex for Letters of Offer financed under Terms of Sale of de-

pendable undertaking or FMS credit will include a payment schedule. This payment schedule will:

(1) Include specific calendar dates when each payment is anticipated.

(2) Include specific amounts due on each calendar date. These amounts will be equal in total to the amount reflected in line 20 of the DD Form 1513 for the case involved.

d. The Security Assistance Accounting Center will issue billings in amounts and at times as needed to assure sufficient trust fund monies are on hand to meet military department and contractor claims for payment.

e. Modifications (DD Form 1513-2) to the Financial Annex will be issued to reflect substantive revision of rates of payment from that existing on the existing Financial Annex for the case. Modifications to the Financial Annex may be issued without formal amendment to the DD Form 1513 for the case. Modification to the payments schedule of the Financial Annex is mandatory when:

(1) The payments schedule differs substantially from actual cash requirements during any payment date shown on the payment schedule.

(2) A formal amendment to the case is made which adjusts the total estimated costs of the case.

4. Preparation of Payment Schedules

a. The preparation of payment schedules normally involves estimation techniques under conditions of uncertainty pertaining to inflation rates in industrial sectors of the economy and to the specific dates when:

(1) Purchasers will accept and return the Letter of Offer for implementation;

MILITARY ASSISTANCE AND SALES MANUAL—PART III

(2) Requisitions for items will be initiated;

(3) Contracts will be let;

(4) Progress payments must be made to contractors;

(5) Deliveries of items, particularly spare parts and support equipment, will occur; and

(6) Personnel costs will be incurred.

b. Actual outlays therefore can be expected to vary from initial payment schedules. This does not negate, however, the requirement to develop a payments schedule for each case. In general, payment schedules will include estimates of outlays for sales from DOD stocks, sales from procurement, DOD services and training, administrative charges, accessorial and transportation charges. The paragraphs that follow provide criteria for developing payments schedules in anticipation of these costs.

(1) All payment dates on Financial Annexes other than initial deposits should be 30 days after the end of each calendar quarter. Payment amounts should equal the anticipated outlays for the next 90 days after payment date. The timing and amounts of claims for payment will coincide with existing FMS billing procedures as described in DODI 2140.3. The payments schedule should specify the initial deposit required at the time of case acceptance. The amount of initial deposit must be sufficient to cover outlays/deliveries anticipated until the first payments schedule date resulting from an FMS billing.

(2) When the exact date a purchaser will accept a Letter of Offer is uncertain, and a payment is needed a specific number of days after that acceptance, assume that the purchaser will accept the Letter of Offer 60 days after it is offered, and specify the first payment date accordingly.

(3) The schedule for payments related to materiel to be sold from stock will be based on estimated deliveries during each 90 day period cited in paragraph 4.b.1 above.

The basis of forecasting anticipated delivery will be the use of historical delivery information of specific generic codes or other materiel categories and should be supported by an analysis showing the means of forecasting.

(4) Payments schedules for materiel obtained through procurement requiring progress payments to the contractors will be estimated based on historical cost curves. These curves should be systematically developed for all major DOD weapon systems and should be reviewed periodically for validity. Payments schedules should include both the estimated disbursements to contractors as well as appropriate contract holdback percentage.

(5) For case lines involving concurrent spare parts, estimate dollar deliveries consistent with the delivery of the end items being supported.

(6) For cases involving country-initiated requisitions (i.e., open-end cases expressed in dollars) over a 1-year period, phase payments quarterly for one-fourth of the estimated case value. The first payment should be scheduled 90 days after the estimated date of case acceptance and initial deposit. This criteria applies to open-ended spare parts requisition cases or publications cases.

(7) For cases involving provision of personal services, develop a monthly phasing based upon the scheduled dates and elements of cost of the services being provided.

(8) For training cases involving foreign student entry into courses, schedule the payment in consonance with known or estimated entry into the training courses involved.

(9) For cases involving royalties or pro-rata R&D or asset use charges, schedule the payment in consonance with production schedules of the end item for which the payment is being collected.

(10) Schedule administrative and accessorial costs in consonance with payment schedules for the primary items or services being provided under the case.

**SUPPLEMENTARY FINANCIAL TERMS AND CONDITIONS-
CASH WITH ORDER AND ACCEPTANCE**

Financing terms of this transaction require 100% of the case value to be deposited with acceptance of the Letter of Offer and Acceptance (DD Form 1513) (LOA). This document supplements the obligation of the Government of _____ under Paragraph B.3.a. of the obverse side of the LOA.

Quarterly statements for deliveries under this LOA will be forwarded by the Security Assistance Accounting Center (SAAC). The Statement of Foreign Military Sales Transactions, DD Form 645, will be issued monthly and will serve as a statement of account. The Statement will be provided as of the close of business each calendar month. Two attachments to the statement will be provided each month. Attachment 1 will be an "FMS Delivery Listing". Attachment 2 will be an "FMS Expenditure Listing". All requests for billing or supply adjustments should be submitted to the SAAC.

It is emphasized that the _____ deposit of \$_____ must accompany the purchaser's acceptance of this LOA. In the event the funds required exceed those available, additional billings will be presented based on actual cash requirements. In such case, the United States will use its best efforts to provide a revised LOA at least 45 days prior to the next payment due date.

It is understood also that the values reflected on the LOA are estimates, and that the final amount to be charged for items or services, furnished will be equal to the final total cost to the United States. When final deliveries are made, and all costs are known, the SAAC will provide a "Final Statement of Account" which will indicate final costs of the case. Should this amount be more than funds collected, a final billing (immediately due and payable) will be concurrently provided. Should the amount be less than funds collected, such funds will be refunded upon subsequent request, or otherwise disposed of at the option of the purchaser, unless payments are overdue against other Foreign Military Sales cases.

Figure App D-1

Change 14, 15 June 1977

App D-3

**SUPPLEMENTARY FINANCIAL TERMS AND CONDITIONS-
CASH PRIOR TO DELIVERY**

Financial terms for this case require payment in advance of materiel delivery pursuant to Section 21 of the Arms Export Control Act. This document supplements the obligation of the Government of _____ under paragraph B.3.b of the obverse side of the Letter of Offer and Acceptance (DD Form 1513).

The Government of _____ agrees to make payments in such amounts and at such times as may be specified by the U.S. Government (including any initial deposit) in order to meet payment requirements arising from this case.

Quarterly billings for amounts due under this case will be forwarded by the Security Assistance Accounting Center (SAAC), and payments (in U.S. dollars) will be forwarded to that organization in time to meet prescribed due dates. The Statement of Foreign Military Sales Transactions, DD Form 645, will be issued monthly and will serve as a statement of account and as a billing statement. The statement will be provided as of the close of business each calendar month. Two attachments to the statement will be provided each month. Attachment 1 will be an "FMS Delivery Listing". Attachment 2 will be an "FMS Expenditure Listing". Billings will be forwarded by the SAAC not later than 30 days before such payments are due. All requests for billing or supply adjustments should be submitted to the SAAC.

To assist the Government of _____ in developing fiscal plans and annual budgets, the U.S. Government provides its best estimate to anticipated costs of this case in the following estimated payments schedule:

ESTIMATED PAYMENTS SCHEDULE

<i>Payment Date</i>	<i>Amount</i>
Initial Deposit	

It is emphasized that the initial deposit of \$_____ must accompany the purchaser's acceptance of this LOA. The above estimated payment schedule is provided for the convenience of the purchaser—it is neither binding on the U.S. Government nor will it be used as a basis for requesting payment from the purchaser. The purchaser will be required to make payments in accordance with quarterly billings (DD Form 645) issued by the SAAC. In the event the actual cash requirements differ materially from the estimated payment schedule, the United States will use its best efforts to provide a revised payments schedule at least 45 days prior to the next payment due date.

It is understood that the values reflected on the Letter of Offer and Acceptance are estimates, and that the final amount to be charged for items or services furnished will be equal

Figure App D-2

MILITARY ASSISTANCE AND SALES MANUAL—PART III

to the final total cost to the United States. When final deliveries are made, and all costs are known, the SAAC will provide a "Final Statement of Account" which will indicate final costs of the contract. Should this amount be more than funds collected, a final billing (immediately due and payable) will be concurrently provided. Should the amount be less than funds collected, such funds will be refunded upon subsequent request, or otherwise disposed of at the option of the purchaser, unless payments are overdue against other Foreign Military Sales cases.

Figure App D-2
(Continued)

**SUPPLEMENTARY FINANCIAL TERMS AND CONDITIONS-
FMS CREDIT**

This transaction is financed under FMS credit terms of sale. This document supplements the obligation of the Government of _____ under paragraph B.1.c. of the obverse side of the Letter of Offer and Acceptance (DD Form 1513).

As prescribed in the LOA terms, this case will be billed on a dependable undertaking basis. The Government of _____ agrees to pay to the USG such amounts at such times as may be requested by the USG (including any initial deposit set forth under "Terms") in order to meet payments required by contracts under which items are being procured.

Quarterly billings for amounts due under this case will be forwarded by the Security Assistance Accounting Center (SAAC), and payments (in U.S. dollars) will be forwarded to that organization in time to meet prescribed due dates. The Statement of Foreign Military Sales Transactions, DD Form 645, will be issued monthly and will serve as a statement of account and as a billing statement. The statement will be provided as of the close of business each calendar month. Two attachments to the statement will be provided each month. Attachment 1 will be an "FMS Delivery Listing". Attachment 2 will be an "FMS Expenditure Listing". Billings will be forwarded by the SAAC not later than 30 days before such payments are due. All requests for billing or supply adjustments should be submitted to the SAAC.

To authorize payments of the billing, from credit funds available under the appropriate Credit Agreement, the Government of _____ is requested to forward a copy of the billing without attachments directly to the Defense Security Assistance Agency, Financial Reports and Credit Programs Division, 1400 Wilson Boulevard, Suite 535, Architect Building, Arlington, Va. 22209. The request for payment by the Government of _____ from credit funds should identify the Credit Agreement from which the payment is to be made and the appropriate disbursement date. Specific instructions as to how to process payment requests are included applicable provisions of the Credit Agreement.

In the event full payment is not made by the prescribed due date, interest shall be charged as outlined in General Conditions, paragraph B.3.g. of the obverse side of the Letter of Offer (DD Form 1513). The principle of the arrearage shall be computed as the excess of total financial requirements shown in column 12 over cumulative collections (cash or credit) shown in column 13 of the Statement of Foreign Military Sales Transactions after the payment due date. Interest that is assessed on FMS payment arrearages is in addition to any interest that may accrue pursuant to FMS Credit Agreements.

To assist the Government of _____ in developing fiscal plans and annual budgets for use of credit resources, the U.S. Government provides its best estimate of anticipated costs of this case in the following estimated payments schedule:

Figure App D-3

ESTIMATED PAYMENTS SCHEDULE

<i>Payment Date</i>	<i>Amount</i>
Initial Deposit	

It is emphasized that the initial deposit of \$_____ must accompany the purchaser's Letter of Acceptance. The above estimated payment schedule is provided for the convenience of the purchaser—it is neither binding on the U.S. Government nor will it be used as a basis for requesting payment from the purchaser. The purchaser will be required to make payments in accordance with quarterly billings (DD Form 645) issued by the SAAC. In the event the actual cash requirements differ materially from the estimated payment schedule, the United States will use its best efforts to provide a revised payments schedule at least 45 days prior to the next payment due date.

It is understood that the values reflected on the Letter of Offer and Acceptance are estimates and the final amount to be charged for items or services furnished will be equal to the final total cost to the United States. When final deliveries are made, and all costs are known, the SAAC will provide a "Final Statement of Account" which will indicate final costs of the case. Should this amount be more than funds collected, a final billing (immediately due and payable) will be concurrently provided. Should the amount be less than funds collected, such funds will be available for payment of other unpaid billings for other cases or will be otherwise disposed of at the mutual agreement of the Government of _____ and the Comptroller, DSAA.

Figure App D-3
(Continued)

**SUPPLEMENTARY FINANCIAL TERMS AND CONDITIONS-
PAYMENT UPON DELIVERY**

This case is financed under Terms of Sale of payments upon delivery of each item or service involved. This document supplements the obligation of the Government of _____ under paragraph B.3.d of the obverse side of the Letter of Offer and Acceptance (DD Form 1513).

Billings for amounts due under this case will be forwarded by the Security Assistance Accounting Center (SAAC), and payments (in U.S. dollars) will be forwarded to that organization in time to meet prescribed due dates. Either the billing itself, or the letter which transmits the billing will prescribe the date upon which the payment is due.

The billing will include a priced listing of items and services which have been delivered and for which payment is required. The Government of _____ will make full payment for such billing by the prescribed due date, whether or not the listed items actually have been received at the final in-country destination before the payment is due.

Claims resulting from discrepant shipments will be settled separately in accordance with Paragraph A3 and B6 of the obverse side of the Letter of Offer and Acceptance (DD Form 1513). Payments for billings otherwise due will not be withheld pending settlement for such claims.

In the event full payment is not made by the prescribed due date, interest shall be charged as outlined in General Conditions, paragraph B.3.g. of the obverse side of the Letter of Offer (DD Form 1513).

It is understood that the values reflected on the Letter of Offer and Acceptance are estimates, and that the final amount to be charged will be equal to the cost to the United States in fulfilling this case. When final deliveries are made, and all costs are known, the SAAC will provide a "Final Statement of Account" which will indicate final costs of the case. Should this amount be more than funds collected, a final billing (due upon receipt) will be provided concurrently. Should the amount be less than funds collected, such funds will be refunded upon subsequent request, or otherwise disposed of at the option of the purchaser, unless payments are overdue against other Foreign Military Sales cases.

Figure App D-4

**SUPPLEMENTARY FINANCIAL TERMS AND CONDITIONS-
FMS TRAINING**

Financing terms for this case require payment prior to student entry into training program. This document supplements the obligation of the Government of _____ under paragraph B.3.b. of the obverse side of the Letter of Offer and Acceptance (DD Form 1513).

The Government of _____ agrees to make payments in such amounts and at such times as may be specified by the U.S. Government (including any initial deposit) in order to meet financial payment requirements arising from this training case.

Quarterly billings for amounts due under this case will be forwarded by the Security Assistance Accounting Center (SAAC), and payments (in U.S. dollars) will be forwarded to that organization in time to meet prescribed due dates. The Statement of Foreign Military Sales Transactions, DD Form 645, will be issued monthly and will serve as a statement of account and as a billing statement. The statement will be provided as of the close of business each calendar month. Two attachments to the statement will be provided each month. Attachment 1 will be an "FMS Delivery Listing", showing training performance based upon student entry into training courses. Attachment 2 will be an "FMS Expenditure Listing". Billings will be forwarded by the SAAC not later than 30 days before such payments are due. All requests for billing adjustments should be submitted to the SAAC.

To assist the Government of _____ in developing fiscal plans and annual budgets, the U.S. Government provides its best estimate of anticipated costs of this case in the following estimated payments schedule:

ESTIMATED PAYMENTS SCHEDULE

<i>Payment Date</i>	<i>Amount</i>
Initial Deposit	

It is emphasized that the initial deposit of \$_____ must accompany the purchaser's acceptance of this LOA. The above estimated payments schedule is provided for the convenience of the purchaser—it is neither binding on the U.S. Government nor will it be used as the basis for requesting payment from the purchaser. The purchaser will be required to make payments in accordance with quarterly billings, DD Form 645, issued by the SAAC. In the events the actual cash requirements differ materially from the Estimated Payments Schedule the United States will use its best efforts to provide a revised payment schedule at least 45 days prior to the next payment due date.

The values reflected on the Letter of Offer and Acceptance are estimates, and that the final amount to be charged for training services furnished will be equal to the final total

Figure App D-5

MILITARY ASSISTANCE AND SALES MANUAL—PART III

cost to the United States. When all training has been performed, and all costs are known, the SAAC will provide a "Final Statement of Account" which will indicate final costs of the agreement. Should this amount be more than funds collected, a final billing (immediately due and payable) will be concurrently provided. Should the amount be less than funds collected, such funds will be refunded upon subsequent request, or otherwise disposed of at the option of the purchaser, unless payments are overdue against other Foreign Military Sales cases.

Figure App D-5
(Continued)

**SUPPLEMENTARY FINANCIAL TERMS AND CONDITIONS-
PROCUREMENT FOR CASH SALES (DEPENDABLE UNDERTAKING)**

This transaction is financed under dependable undertaking terms of sale pursuant to Section 22 of the Arms Export Control Act of 1976 and predecessor legislation. This document supplements the obligation of the Government of _____ under paragraph B.3.c. of the obverse side of the Letter of Offer and Acceptance (DD Form 1513).

The Government of _____ agrees to pay to the USG such amounts at such times as may be required by the U.S. Government (including any initial deposit set forth under "Terms") in order to meet payments required by contracts under which items are being processed.

Quarterly billings for amounts due under this agreement will be forwarded by the Security Assistance Accounting Center (SAAC), and payments (in U.S. dollars) will be forwarded to that organization in time to meet prescribed due dates. The Statement of Foreign Military Sales Transaction, DD Form 645, will be issued monthly and will serve as a statement of account and as a billing statement. The statement will be provided as of the close of business each month. Attachment 1 will be an "FMS Delivery Listing". Attachment 2 will be an "FMS Expenditure Listing". Billings will be forwarded by the SAAC not later than 30 days before such payments are due. All requests for billing or supple adjustments should be submitted to the SAAC.

In the event full payment is not made by the prescribed due date, interest shall be charged as outlined in General Conditions, paragraph B.3.g. of the obverse side of the Letter of Offer (DD Form 1513). The principal of the arrearage shall be computed as the excess of total financial requirements shown in column 12 over cumulative collections shown in column 13 of the Statement of Foreign Military Sales Transactions after the payment due date.

To assist the Government of _____ in developing fiscal plans and annual budgets, the U.S. Government provides its best estimate of anticipated costs of this case in the following payments schedule:

ESTIMATED PAYMENTS SCHEDULE

<i>Payment Date</i>	<i>Amount</i>
Initial Deposit	

It is emphasized that the initial deposit of \$_____ must accompany the purchaser's Letter of Acceptance. The above estimated payments schedule is provided for the convenience of the purchaser—it is neither binding on the U.S. Government nor will it be used as the basis for requesting payment from the purchaser. The purchaser will be re-

Figure App D-6

MILITARY ASSISTANCE AND SALES MANUAL—PART III

quired to make payments in accordance with quarterly billings, DD Form 645, issued by the SAAC. In the event the actual cash requirements differ materially from the Estimated Payments Schedule, the United States will use its best efforts to provide a revised payments schedule at least 45 days prior to the next payment due date.

It is understood that the values reflected on the Letter of Offer and Acceptance are estimates, and the final amount to be charged for items or services furnished will be equal to the final total cost to the United States. When final deliveries are made, and all costs are known, the SAAC will provide a "Final Statement of Account" which will indicate final costs of the case. Should this amount be more than funds collected, a final billing (immediately due and payable) will be concurrently provided. Should the amount be less than funds collected, such funds will be refunded upon subsequent request, or otherwise disposed of at the option of the purchaser, unless payments are overdue against other Foreign Military Sales cases.

Figure App D-6
(Continued)