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# ***EDUCATION AND TRAINING***

## **Revision to the Financial Management Regulation on the Horizon**

**By**

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Despite numerous efforts over the past several years, there have been few significant updates to the *DoD Financial Management Regulation DoD 7000.14 R, Volume 15, Security Assistance Policy and Procedures* since the original publication date of March 1993. This trend took a dramatic change beginning in December 2000. Under the chairmanship of Tom Hafer, Office of the Under Secretary of Defense (OUSD) Comptroller, Business Policy, and David Rude, Defense Security Cooperation Agency (DSCA) Comptroller, Financial Policy, a team with members from all three military departments, DFAS deputate for security assistance, DSCA, Defense Institute of Security Assistance Management (DISAM) and the OUSD comptroller have been meeting monthly to revise the entire Volume 15 of the *Financial Management Regulation*, chapter by chapter, paragraph by paragraph. Some joint membership on the financial integrated process review team has also had a synergistic effect and several new topic areas are being incorporated in the *Financial Management Regulation*. A summary of major proposed changes is included below. These changes have not been formally coordinated and thus are not final, and therefore significant detail is not provided in this article. It is anticipated that those less complex chapters will be formally coordinated through the DoD comptroller and military departments in a thirty day period beginning in mid July. Each chapter will be posted after a complete review. You should expect to see this occur in late August. More complex chapters, i.e., chapters 7 and 8 will likely take longer in coordination with anticipated release in the early fall September through October timeframe. The *Financial Management Regulation* is available, on-line, in several locations including Deskbook, DoD comptroller, DSCA, and DISAM web pages [disam.osd.mil](http://disam.osd.mil).

The following is a summary of proposed major changes to the *Financial Management Regulation Volume 15*.

- **Global Changes**
  - Identified placeholders for future financial policy emphases.
  - Removed fiscal year 2001 start date previously proposed for change in policy regarding CAS, LSC, PC&H and Transportation. (Instead, a surcharge assessment team is being formed.)
  - Reflected new DFAS symbol (DFAS-AY/DE vice DFAS-DE/I).
  - Updated DoD component responsibilities.
  - Inserted hyperlinks to non-financial management regulation sites relevant to FMS.

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•• Added requirements announced in Department of the Secretary of Defense 13 Dec 99 memo.

- **Foreword through Chapter 1**

- Updated abbreviations and acronyms.
- Updated existing definitions and defined newly established terms.
- Updated references and inserted web site linkages.
- Clarified OUSD(C)/DSCA relationship.
- Emphasized DoD FMR is now maintained electronically.

•• Refined the process by which suggested changes to *Financial Management Regulation* are staffed.

- **Chapter 2**

- Added new section 020107 (FMS Admin “safety” level).
- Updated admin/LSC/CAS budget processes.
- Revised 2060/2061 process.
- Updated pricing element codes (PECs).
- Overhauled case closure policy section.
- Rewrote the section on *Anti-Deficiency Act* and adverse financial condition.

- **Chapter 3**

•• Reinstated special billing arrangements as a second form of U.S. government official payment claim.

- Clarified accounting for attrition charges.
- Updated object class codes and list of activities.
- Overhauled Administration/LSC/CAS section.
- Updated chart of accounts and related definitions and illustrations.
- Revised management control section.

- **Chapter 4**

- Clarified cash management characteristics.
- Reiterated proper usage of Table 4-1.

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- Revised extensively the payment schedule section.
  - Updated wire transfer and check instructions and LOA signed copy distribution.
  - Reiterated requirement for EA to precede disbursement.
  - **Chapter 5**
    - Revised payment schedule review requirements.
    - Clarified legal and policy definitions of debt, late payments, averages and applicability of interest.
    - Added interest illustrations.
  - **Chapter 6**
    - Updated case file documentation requirements.
    - Clarified file retention guidelines.
    - Changed case planning milestones and case closure checklist.
  - **Chapter 7**
    - Rewrote reduced pricing section (e.g., EDA).
    - Revised pricing methodology for calculating accessorial.
    - Updated policy on what price and cost information that can be shared with FMS customers.
    - Ensured consistency with DWCF and revolving fund policies.
    - Updated cost elements.
    - Revised tables throughout.
    - Reiterated CLSSA progress payment reporting policy.
    - Updated training pricing matrix and related policies.
    - Added policy on distance learning pricing.
    - Updated publications pricing policy.
    - Included software pricing policy.
    - Reduced SDAF section considerably.
    - Moved case funding matrix and LSC table to SAMM.
    - Overhauled draw down policy section.

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- Inserted sections 607 and 632 policy.
  - In general, updated numerous pricing policies.
  - **Chapter 8**
    - Corrected information regarding DD645 columns.
    - Updated all codes (IA, Monitor, DSC, TBC, TA) as appropriate.
    - Reinstated Surcharge Matrix (Table 8-13) and updated all tables.
    - Moved transportation cost look-up table to SAMM.
    - Emphasized FMS delivery reporting and requirements.
    - Overhauled CAS billing process.
    - Overhauled transportation billing process.
    - Updated DFAS-AY/DE management control program.

To better appreciate the scope of this effort and where we are today, consider a few metrics. One hundred and forty-eight (148) action items were individually assigned for analysis in the period between working group meetings. Of those 148, 117 have been resolved and closed (79 percent), five are pending closure (3 percent), and 26 (18 percent) are yet to be completed. During this effort, it was noted that, while the majority are in Volume 15, there are also foreign military sales and security assistance cooperation guidelines and policies contained in other volumes of the *Financial Management Regulation*. A table with general topics linked to *Financial Management Regulation* volume and chapter is provided below for your use. This table, along with a data and a reference search capability in Deskbook, should prove helpful in working foreign military sales or security assistance cooperation issues outside one's normal area of expertise.

Once the new *Financial Management Regulation* is published in its entirety, the process by which it will be maintained as a "living document" begins. The military departments will be working with DSCA and OUSD comptroller to include annexes to provide a non-redundant consolidation of unique military departments financial policies and procedures. The normal updates resulting from legislative changes, data systems, policy changes, etc. will be processed and posted as they occur; however, the working group has also formulated a strategy to incorporate additional enhancements to the *Financial Management Regulation*.

These enhancements (nicknamed place holders as they were identified) will require further definition and refinement before incorporation in *Financial Management Regulation*. The group felt delaying the release of the revised *Financial Management Regulation* to complete the analysis was not warranted. Some of those enhancements include:

- Better focus on direct commercial sales cost recoupment policy
- General cooperative logistics supply support arrangements policy, viability, and reimbursement

- Improve clarity of diversion, buyback, and return procedures
- More precise guidelines on the use of estimated versus actual delivery prices

This effort ushers in a new era of cooperation between the Department of Defense agencies and the military departments that develop and execute the security cooperation programs and the policy makers who establish requirements and direction as dictated by law and sound fiscal and financial principles. The intended outcome, legislative requirements, and value added were watchwords of the team as each chapter, paragraph, and illustration were reviewed. The goal was to provide clear and concise guidance to the entire security cooperation community, not just the financial segments. I look forward to providing our community another update when the finalized changes have been formally adopted. Depending upon actual publication date, look for this summary in the fall or winter editions of the *DISAM Journal*.

The following is a list of other financial management regulation volumes with foreign military sales guidance.

Volume	Chapter	Title Definitions
1	9	Financial records retention
2a	1	General information
2b	4	Procurement appropriations
2b	9	Defense working capital funds activity group analysis
2b	19	Other special analysis
3	8	Standards for recording and reviewing commitments and obligations
3	11	Unmatched disbursements, negative un-liquidated obligations, and in-transit disbursements and suspense account
3	15	Receipt and use of budgetary resources - execution level
3		Table of contents
4	3	Receivables
4	18	Revenues, other financing sources, and gains
5	20	Assembly and transmittal of financial reports
5	21	Disbursing office records
6a	5	General purpose reporting
6a	9	Accounting and reporting for operation and maintenance of the family housing program
6a	12	Collecting and reporting of foreign indebtedness within the DoD
6a	13	International balance of payments reporting and estimating
6a	Appendix C	DFAS-DE Air Force IBOP reports
6b	2	General instructions for the financial statements
6b	9	Statement of custodial activity
6b	10	Notes to the financial statements
10	10	Payment vouchers - special applications
10	11	Payment as reimbursement - for personal expenditures
11a	5	Disposition of proceeds from Department of Defense sales of surplus personal property
11a	Appendix D	Contract administration services
11a	Appendix E	DoD owned fixed wing aircraft
11a	Appendix G	DoD owned helicopters
11b	55	Inventory and supply management operations
11b	63	Cost accounting requirements for depot maintenance
12	7	Financial liability for government property lost, damaged or destroyed
12	8	Foreign national employees separation pay account, defense

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12	9	International agreements
12	10	Funding civilian separation incentives and civilian personnel transition initiatives
14	Appendix A	Procedures for the administrative control of appropriations

### **About the Author**

Gregory W. Sutton is an instructor of security assistance management at the Defense Institute of Security Assistance Management. Gregory has been involved in security assistance since 1988, serving a tour of duty in Saudi Arabia with the logistics support group, as a division chief at the Air Force Security Assistance Center (AFSAC), and as an foreign military sales analyst and advisor to the F-15 program office, Peace Sun IX SAPM. Gregory has been an instructor at DISAM since 1994 and for the last six years has served as the financial management functional coordinator.