

Security Assistance Account (SAA)
Foreign Military Sales (FMS)
Posting Logic Manual
(Direct Authority)
(Effective Fiscal 2025)

Version Number	Date	Description of Change	Effective USSGL TFM
1.0	January 2024	Original version of the document	Bulletin No. 2024-01
2.0	September 2024	Updates throughout document to include the order of the entries, amounts within the examples, and transaction codes used	Bulletin No. 2024-06

Background

Security Cooperation (SC) comprises all activities undertaken by the Department of Defense (DoD) to encourage and enable international partners to work with the United States to achieve strategic objectives. It includes all DoD interactions with foreign defense and security establishments, including all DoD-administered Security Assistance (SA) programs. All SA programs are subject to the continuous supervision and general direction of the Secretary of State to best serve U.S. foreign policy interests; however, programs are variously administered by DoD or Department of State (DoS). Those SA programs that are administered by DoD are a subset of SC.

The FMS Trust Fund is one of the accounts in the SA program. The FMS Trust Fund is used for payments received from purchasers and disbursements made against implemented FMS cases. This fund is cited directly on contracts for the procurement of defense articles and/or services for the purchaser. Alternatively, the fund is used to reimburse DoD component appropriations for deliveries from DoD stocks or services performed by DoD employees. DSCA manages the FMS Trust Fund and is responsible for the solvency of each purchaser's FMS Trust Fund account. The FMS Trust Fund also includes three accessorial accounts to support the execution of the FMS program. They are FMS Administrative Surcharge Account, Contract Administration Services (CAS) Cost Clearing Account and Transportation Surcharge Account. For more information, refer to chapter 4 of the DSCA Security Assistance Management Manual (SAMM) at <https://samm.dsca.mil/chapter/chapter-4>

Key Notes

1. The FMS Trust Fund (TF) receives available resources to execute FMS cases, which are agreements made between the U.S. Government and Foreign partners for defense articles and services, through various avenues which are detailed below:
 - a) **Funding from Foreign Partner Receipts:** This avenue is when the FMS TF collects receipts from foreign partners in the available FMS TF receipt account which is automatically apportioned and ready for use in the FMS TF expenditure account.
 - b) **Funding from Foreign Partner Receipts Initially Deposited in a Federal Reserve Bank (FRB) account or Commercial Bank (CB) account:** This avenue is when specific foreign partners are allowed to keep funds that they would like to use on FMS cases in a designated FRB or CB of their choosing. After the applicable party (parties in the FMS case and the bank) agreements have been signed and once the funds are ready to be placed on a specific case, the funds will be moved from the bank into the FMS TF receipt account within the Fund Balance with Treasury.
 - c) **Funding from FMF Grants/loans:** For foreign partners that do not have the financial means to purchase defense articles and services, the United States Government (USG) may issue grant/loan funding to be used on their FMS cases. When grant funds are ready to be placed on a case, FMF grants funds are transferred to the FMS trust fund receipt account. That is, Foreign Military Financing (FMF) Grant Account, 11*1082 to the FMS TF account, 11*8242.

2. Once available resources are ready to be obligated, there are multiple procurement scenarios that are used within the FMS TF.
 - a) **Procurement of Inventory through Vendor**: The FMS TF will contract a vendor to procure inventory that will then be placed on a case and sold to a foreign partner. In some instances, the inventory is purchased for resale, in other instances, the inventory is a work-in-progress. Revenue is earned and Cost of Goods Sold is expensed at either shipping point or destination depending on the terms of the Letter of Offer and Acceptance established between the USG and the foreign partner.
 - b) **Procurement of Inventory from T10 DoD/SDAF**: If foreign partners need specific items with quick turnaround, the FMS TF will purchase inventory from either the Title 10 (T10) DoD Funds inventory or from the Special Defense and Acquisition Fund (SDAF) inventory. Revenue is earned and cost of goods sold is expensed at either shipping point or destination depending on the terms of the Letter of Offer and Acceptance established between the USG and the foreign partner.
 - c) **Procurement of Services**: the FMS TF will contract vendors to provide services such as trainings to foreign partners. Revenue is recognized when the training has been provided to the foreign partner.

SEE THE BELOW ILLUSTRATIVE ENTRIES FOR AN FMS TRANSACTION

Illustrative Transactions:

The following illustrations are to show the posting logic flow of the FMS process using the USSGL accounts.

Note the below points for the following FMS posting logic flow:

1. There is already a signed FMS agreement between the U.S Govt (DoD/DSCA) and a foreign government (FMS purchaser) where the U.S Govt (DoD/DSCA) has agreed to provide defense article(s)/service(s). The net case execution value of the transaction is \$20,000,000. The foreign partner is expected to make the payment of \$2,000,000 available to the US government using a DSCA-approved Federal Reserve Bank (FRB) Account or a DSCA-approved Commercial Bank (CB) Account.
2. There is already a signed bank account agreement either with a Federal Reserve Bank (FRB) or a Commercial Bank (CB). The bank account agreement, which is used to set up the bank account, is signed by representatives of the bank, DSCA and the FMS purchaser. Within the signed agreement, DFAS is the only authorized party allowed to make principal withdrawals (drawdowns) from the FMS bank account.
3. Transaction Code (TC) columns with “NEW” would be requests to the US Treasury (GL Branch) for inclusion in the USSGL Account Transactions Supplement.

Chapter 1: Budget Authority and Receipt of Funding

1. At the start of a fiscal year, contract authority is established. Recorded at DSCA/DFAS			
11X8242	DR	CR	TC
<u>Budgetary Entry</u> 413100 Current-Year Indefinite Contract Authority 445000 Unapportioned - Unexpired Authority <u>Proprietary Entry</u> N/A	25,000,000	25,000,000	A166
2. To record apportionment of budgetary authority per the OMB approved SF-132. Recorded at DSCA/DFAS			
11X8242	DR	CR	TC
<u>Budgetary Entry</u> 445000 Unapportioned - Unexpired Authority 451000 Apportionments <u>Proprietary Entry</u> N/A	25,000,000	25,000,000	A116
3. To record allotment of authority based on the net case execution value. Recorded at DSCA/DFAS			
11X8242	DR	CR	TC
<u>Budgetary Entry</u> 451000 Apportionments 461000 Allotments – Realized Resources <u>Proprietary Entry</u> N/A	20,000,000	20,000,000	A120

Cases Using FRB or CB (if directly depositing to the FMS Trust Fund, skip to Entry #7)

4. To record the receipt of foreign partner funds in the FRB or CB accounts. Recorded at DSCA/DFAS			
11X8242	DR	CR	TC
<u>Budgetary Entry</u> N/A <u>Proprietary Entry</u> 113000 Funds Held Outside of Treasury - Budgetary 232000 Other Deferred Revenue	15,000,000	15,000,000	DoD FMS Trust Fund Only

5. To record investment purchases by the FRB or CB using foreign partner funds. Recorded at DSCA/DFAS			
11X8242	DR	CR	TC
<u>Budgetary Entry</u> N/A <u>Proprietary Entry</u> 161000 Investments in U.S. Treasury Securities Issued by the Bureau of the Fiscal Service (for FRB) OR 162000 Investments in Securities Other Than the Bureau of the Fiscal Service Securities (for CB) 113000 Funds Held Outside of Treasury - Budgetary <u>Memorandum Entry</u> 880400 Purchases of Assets - Other 880100 Offset for Purchases of Assets	15,000,000 15,000,000	15,000,000 15,000,000	DoD FMS Trust Fund Only G124

6. To record DFAS principal drawdowns (withdrawals) from the FRB or CB accounts into the FMS trust Fund.			
Recorded at DSCA/DFAS			
11X8242	DR	CR	TC
<u>Budgetary Entry</u> 413810 Appropriation to Liquidate Contract Authority - FMSTF 413500 Contract Authority Liquidated	15,000,000	15,000,000	A168
<u>Proprietary Entry</u> 101000 Funds Balance with Treasury 161000 Investments in U.S. Treasury Securities Issued by the Bureau of the Fiscal Service (for FRB) OR 162000 Investments in Securities Other Than the Bureau of the Fiscal Service Securities (for CB)	15,000,000	15,000,000	
<u>Memorandum Entry</u> 880100 Offset for Purchases of Assets 8804000 Purchases of Assets - Other	15,000,000	15,000,000	G124R

7. To record receipt of foreign partner funds at Treasury.			
Note: This transaction entry would apply to both FMS funds received directly from the foreign partner and funds received from FMF grants.			
Recorded at DSCA/DFAS			
11X8242	DR	CR	TC
<u>Budgetary Entry</u> 413810 Appropriation to Liquidate Contract Authority - FMSTF 413500 Contract Authority Liquidated	15,000,000	15,000,000	A168
<u>Proprietary Entry</u> 101000 Funds Balance with Treasury 232000 Other Deferred Revenue	15,000,000	15,000,000	

8. Sub-allotment of budget authority where authority is moved from DSCA to IAs. Recorded at DSCA/DFAS			
Note: This transaction is for DoD only and will be zeroed out when consolidated into the GTAS Trial Balance.			
11X8242	DR	CR	TC
<u>Budgetary Entry</u> 461000 Allotments – Realized Resources 417000 Transfers - Current-Year Authority <u>Proprietary Entry</u> N/A	20,000,000	20,000,000	DoD FMS Trust Fund Only

9. Sub-allotment of budget authority from the DSCA to IAs per the net case execution value from the LOA.			
Recorded at IA GL			
Note: This transaction is for DoD only and will be zero' d out when consolidated into the GTAS Trial Balance.			
11X8242	DR	CR	TC
<u>Budgetary Entry</u> 417000 Transfers - Current-Year Authority 461000 Allotments – Realized Resources <u>Proprietary Entry</u> N/A	20,000,000	20,000,000	DoD FMS Trust Fund Only

Chapter 2a: Procurement from Contractor/Vendor (Inventory)

10. To record IAs obligating resources to a vendor/contractor to fulfill an FMS case.			
Recorded at IA GL			
11X8242	DR	CR	TC
<u>Budgetary Entry</u> 461000 Allotments – Realized Resources 480100 Undelivered Orders – Obligations, Unpaid <u>Proprietary Entry</u> N/A	15,000,000	15,000,000	B306

11. To record receipt of an invoice from Contractor/Vendor and realize accounts payable for inventory (defense articles) that is delivered/ready for delivery for an FMS case. (The Inventory account used depends on what stage the inventory would be and the signed agreement between USG and foreign partner).

Recorded at IA GL

11X8242	DR	CR	TC
<u>Budgetary Entry</u>			
480100 Undelivered Orders – Obligations, Unpaid	2,000,000		
490100 Delivered Orders - Obligations, Unpaid		2,000,000	B402
<u>Proprietary Entry</u>			
152100 Inventory Purchased for Resale	2,000,000		
211000 Accounts Payable		2,000,000	
<u>Memorandum Entry</u>			
880300 Purchases of Inventory and Related Property	2,000,000		G122
880100 Offset for Purchases of Assets		2,000,000	

12. Distribute Fund Balance with Treasury from the DSCA to IAs.

Recorded at DSCA/DFAS

Note: This transaction is for DoD only and will be zero' d out when consolidated into the GTAS Trial Balance.

11X8242	DR	CR	TC
<u>Budgetary Entry</u>			
N/A			DoD FMS Trust Fund Only
<u>Proprietary Entry</u>			
232000 Other Deferred Revenue	2,000,000		
101000 Fund Balance with Treasury		2,000,000	

13. Receipt of distributed Fund Balance with Treasury from DSCA to IAs. This allows for IAs to make disbursements on an FMS case.			
Recorded at IA GL			
Note: This transaction is for DoD only and will be zero' d out when consolidated into the GTAS Trial Balance.			
11X8242	DR	CR	TC
<u>Budgetary Entry</u> N/A			DoD FMS Trust Fund Only
<u>Proprietary Entry</u> 101000 Fund Balance with Treasury 232000 Other Deferred Revenue	2,000,000	2,000,000	

14. To record payment after FMS vendor(s) has provided satisfactory defense article(s) based on the contract agreement.			
Recorded at IA GL			
11X8242	DR	CR	TC
<u>Budgetary Entry</u> 490100 Delivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid	2,000,000	2,000,000	
<u>Proprietary Entry</u> 211000 Accounts Payable 101000 Fund Balance with Treasury	2,000,000	2,000,000	B110

15. To recognize the cost of defense article(s) provided by the FMS vendor(s) that would be delivered to the Foreign Partner/Purchaser.			
Recorded at IA GL			
11X8242	DR	CR	TC
<u>Budgetary Entry</u> N/A			
<u>Proprietary Entry</u> 650000 Cost of Goods Sold 152100 Inventory Purchased for Resale	2,000,000	2,000,000	E408

16. Recognize Earned Revenue. Most FMS cases recognize revenue at shipping point however, depending on stipulations in the LOA, earned revenue may be recognized when the foreign partner receives the inventory.			
Recorded at IA GL			
11X8242	DR	CR	TC
<u>Budgetary Entry</u> N/A			
<u>Proprietary Entry</u> 232000 Other Deferred Revenue 510000 Revenue from Goods Sold	2,000,000	2,000,000	C426

Chapter 2b: Procurement of services (Note that the Chapter 2b entries are not included in Pre-closing Trial Balance)

17. Invoice received from vendor who will provide services to the foreign partner.			
Recorded at IA GL			
11X8242	DR	CR	TC
<u>Budgetary Entry</u> 480100 Undelivered Orders – Obligations, Unpaid 490100 Delivered Orders - Obligations, Unpaid	2,000,000	2,000,000	
<u>Proprietary Entry</u> 610000 Operating Expenses/Program Costs 211000 Accounts Payable	2,000,000	2,000,000	B402

18. Payment to Vendor			
Recorded at IA GL			
11X8242	DR	CR	TC
<u>Budgetary Entry</u> 490100 Delivered Orders - Obligations, Unpaid 490200 Delivered Orders - Obligations, Paid	2,000,000	2,000,000	
<u>Proprietary Entry</u> 211000 Accounts Payable 101000 Fund Balance with Treasury	2,000,000	2,000,000	B110

19. To recognize earned revenue when services are provided to foreign partner. Recorded at IA GL			
11X8242	DR	CR	TC
Budgetary Entry N/A			
Proprietary Entry 232000 Other Deferred Revenue 520000 Revenue from Services Provided	2,000,000	2,000,000	C426

Chapter 2c: Pre-closing Entries

20. IAs to review their unobligated obligation authority and return unused funds. Recorded at IA GL			
11X8242	DR	CR	TC
Budgetary Entry 461000 Allotments – Realized Resources 417000 Transfers - Current-Year Authority	5,000,000	5,000,000	DoD FMS Trust Fund Only
Proprietary Entry N/A			

21. IAs to review their unobligated obligation authority and return unused funds. Recorded at DSCA/DFAS			
11X8242	DR	CR	TC
Budgetary Entry 417000 Transfers- Current-Year Authority 4610000 Allotments – Realized Resources	5,000,000	5,000,000	DoD FMS Trust Fund Only
Proprietary Entry N/A			

Pre-Closing Trial Balance

Below is a table showing the Trial Balance based on the above entries prior to the posting of closing entries.

Row Labels	DSCA/DFAS	IA GL	Grand Total
101000	13,000,000.00	-	13,000,000.00
113000	-	-	-
152100	-	-	-
161000	-	-	-
211000	-	-	-
232000	(13,000,000.00)	-	(13,000,000.00)
413100	25,000,000.00	-	25,000,000.00
413500	(15,000,000.00)	-	(15,000,000.00)
413810	15,000,000.00	-	15,000,000.00
417000	(15,000,000.00)	15,000,000.00	-
445000	-	-	-
451000	(5,000,000.00)	-	(5,000,000.00)
461000	(5,000,000.00)	-	(5,000,000.00)
480100	-	(13,000,000.00)	(13,000,000.00)
490100	-	-	-
490200	-	(2,000,000.00)	(2,000,000.00)
510000	-	(2,000,000.00)	(2,000,000.00)
650000	-	2,000,000.00	2,000,000.00
880100	-	(2,000,000.00)	(2,000,000.00)
880300	-	2,000,000.00	2,000,000.00
880400	-	-	-
Grand Total	-	-	-

Closing Entries

<p>22. To record the closing of financing sources transferred out without reimbursement to cumulative results of operations. Recorded at IA GL</p>			
11X8242	DR	CR	TC
<p><u>Budgetary Entry</u> N/A</p>			
<p><u>Proprietary Entry</u> 331000 Cumulative Results of Operations 650000 Cost of Goods Sold</p>	2,000,000	2,000,000	F336
<p>23. To record the closing of paid delivered orders to total actual resources. Recorded at IA GL</p>			
11X8242	DR	CR	TC
<p><u>Budgetary Entry</u> 490200 Delivered Orders – Obligations, Paid 420100 Total Actual Resources – Collected</p>	2,000,000	2,000,000	F314
<p><u>Proprietary Entry</u> N/A</p>			
<p>24. To record the consolidation of actual net reductions in transfers-In – Current-year authority for withdrawn funds. Recorded at IA GL</p>			
11X8242	DR	CR	TC
<p><u>Budgetary Entry</u> 420100 Total Actual Resources – Collected 417000 Transfers – Current-Year Authority</p>	15,000,000	15,000,000	F302
<p><u>Proprietary Entry</u> N/A</p>			

25. To record the closing of revenue, expense, and other financing source accounts to cumulative results of operations. Note that GL 520000 (Revenue from Services Provided) would also close into GL 331000.
Recorded at IA GL

11X8242	DR	CR	TC
<u>Budgetary Entry</u> N/A <u>Proprietary Entry</u> 510000 Revenue from Goods Sold 331000 Cumulative Results of Operations	2,000,000	2,000,000	F336

26. To record the closing of memorandum accounts for purchases.
Recorded at IA GL

11X8242	DR	CR	TC
<u>Budgetary Entry</u> N/A <u>Proprietary Entry</u> N/A <u>Memorandum Entry</u> 880100 Offset for Purchases of Assets 880300 Purchases of Inventory and Related Property	2,000,000	2,000,000	F370

27. To record the consolidation of actual net reductions appropriated trust or special fund receipts for withdrawn funds.
Recorded at DSCA/DFAS

11X8242	DR	CR	TC
<u>Budgetary Entry</u> 420100 Total Actual Resources – Collected 413810 Appropriation to Liquidate Contract Authority – FMS TF <u>Proprietary Entry</u> N/A	15,000,000	15,000,000	F302

28. To record the consolidation of actual net reductions in transfers-out of current-year authority for withdrawn funds. Recorded at DSCA/DFAS			
11X8242	DR	CR	TC
Budgetary Entry 417000 Transfers – Current-Year Authority 420100 Total Actual Resources – Collected Proprietary Entry N/A	15,000,000	15,000,000	F302

29. To record the closing of fiscal-year contract authority. Recorded at DSCA/DFAS			
11X8242	DR	CR	TC
Budgetary Entry 413500 Contract Authority Liquidated 413900 Contract Authority Carried Forward Proprietary Entry N/A	15,000,000	15,000,000	F304

30. To record the closing of fiscal-year contract authority. Recorded at DSCA/DFAS			
11X8242	DR	CR	TC
Budgetary Entry 413900 Contract Authority Carried Forward 413100 Current-Year Indefinite Contract Authority Proprietary Entry N/A	15,000,000	15,000,000	F304

31. To record the closing of unobligated balances in programs subject to apportionment to unapportioned authority for unexpired multi-year and no-year funds, for apportionments. Recorded at DSCA/DFAS			
11X8242	DR	CR	TC
<u>Budgetary Entry</u> 451000 Apportionments 445000 Unapportioned – Unexpired Authority <u>Proprietary Entry</u> N/A	5,000,000	5,000,000	F308

32. To record the closing of unobligated balances for indefinite contract authority at year-end. Recorded at DSCA/DFAS			
11X8242	DR	CR	TC
<u>Budgetary Entry</u> 445000 Unapportioned - Unexpired Authority 413300 Decreases to Indefinite Contract Authority <u>Proprietary Entry</u> N/A	5,000,000	5,000,000	F113

33. To record the closing of unobligated balances for indefinite contract authority at year-end. Recorded at DSCA/DFAS			
11X8242	DR	CR	TC
<u>Budgetary Entry</u> 461000 Allotments – Realized Resources 413300 Decreases to Indefinite Contract Authority <u>Proprietary Entry</u> N/A	5,000,000	5,000,000	F113

34. To record the closing of fiscal year contract authority. Recorded at DSCA/DFAS			
11X8242	DR	CR	TC
<u>Budgetary Entry</u> 413300 Decreases to Indefinite Contract Authority 413100 Current-Year Indefinite Contract Authority <u>Proprietary Entry</u> N/A	10,000,000	10,000,000	F304

Post-Closing Trial Balance

Below is a table showing the Trial Balance after the posting of the above closing entries:

Row Labels	DSCA/DFAS	IA GL	Grand Total
101000	13,000,000.00	-	13,000,000.00
113000	-	-	-
152100	-	-	-
161000	-	-	-
211000	-	-	-
232000	(13,000,000.00)	-	(13,000,000.00)
331000	-	-	-
413100	-	-	-
413300	-	-	-
413500	-	-	-
413810	-	-	-
413900	-	-	-
417000	-	-	-
420100	-	13,000,000.00	13,000,000.00
445000	-	-	-
451000	-	-	-
461000	-	-	-
480100	-	(13,000,000.00)	(13,000,000.00)
490100	-	-	-
490200	-	-	-
510000	-	-	-
650000	-	-	-
880100	-	-	-
880300	-	-	-
880400	-	-	-
Grand Total	-	-	-