

C2. CHAPTER 2

EXECUTION PHASE RECONCILIATION

C2.1. CHAPTER OVERVIEW

Active case review and reconciliation, extending from LOA implementation until the case is SSC, are critical components of effective FMS case management. It is mandatory that each CM perform an annual case and payment schedule review and/or reconciliation on each case. This includes comparing data between systems, comparing LOA data to performance, comparing LOAs to underlying contracts and comparing systemic data to hardcopy or electronic supporting documentation. Section C1.3. lists the benefits of reconciliation. It is important to recall that the benefits are realized by both the purchaser and the USG. It is only through active case reconciliation that closure becomes more of an event and less of a process. This chapter is dedicated to addressing, in detail, those issues and transactions that collectively represent active case reconciliation, which includes, but is not limited to, relationships, case reviews and reconciliation requirements, funding documents, FMS reviews, LOA revisions, and surcharges. This chapter is organized to follow the logical steps associated with the various processes that occur in active case reconciliation; however, some processes may overlap.

C2.2. ORGANIZATIONAL ROLES AND RESPONSIBILITIES

The following generally categorizes active case reconciliation functions by organization.

C2.2.1. The IA shall:

C2.2.1.1. Perform all case management functions cited in Volume 15 of reference (b), and in reference (c).

C2.2.1.2. Review and reconcile cases throughout the execution phase.

C2.2.1.3. Perform annual case and payment schedule reviews and reconciliations in accordance with (IAW) Figures C2.F4., C2.F5., and C2.F6.

C2.2.1.4. Ensure timely and accurate delivery reporting.

C2.2.1.5. Resolve Supply Discrepancy Reports (SDRs).

C2.2.1.6. Ensure timely notification of case logistical and financial status to purchasers by updating systems, processing LOA Amendments and Modifications, and realigning funding.

C2.2.1.7. Process and/or accept all funding documents and associated documentation and adhere to audit trail requirements.

C2.2.1.8. Coordinate internal reconciliation actions with officials responsible for reconciliation and closure policy, the purchaser, and CMs.

C2.2.1.9. Consult with DFAS, as appropriate, to ensure integrity between logistical, financial, and official accounting records.

C2.2.1.10. Resolve PDs in coordination with DFAS.

C2.2.1.11. Conduct FMS reviews (internal and external with customers).

C2.2.1.12. Decide when cases and/or lines are SSC.

C2.2.1.13. Establish internal reconciliation procedures and guidelines that complement those in this Manual.

C2.2.2. The DSCA shall:

C2.2.2.1. Publish and update reconciliation policies.

C2.2.2.2. Serve as final arbiter for case reconciliation issues raised by IAs and DFAS.

C2.2.2.3. Review SDRs valued over \$50,000 for final resolution.

C2.2.2.4. Chair EXCOM.

C2.2.2.5. Meet with customers to resolve issues.

C2.2.3. DFAS Denver shall:

C2.2.3.1. Work with MILDEPs and/or IAs on reconciling cases.

C2.2.3.2. Provide Expenditure Authority (EA).

C2.2.3.3. Perform all accounting functions as prescribed in Volume 15 of reference (b) and in reference (c).

C2.2.3.4. Resolve PDs in coordination with IAs.

C2.2.3.5. Meet with customers to resolve issues.

C2.2.3.6. Provide systemic feedback reporting to IAs.

C2.2.4. Purchasers shall:

C2.2.4.1. Assist in deciding the case and/or line logistical status.

C2.2.4.2. Confirm the case and/or line is SSC.

C2.2.4.3. Submit SDRs, as appropriate.

C2.2.4.4. Notify the USG community of desired changes in scope during execution.

C2.2.4.5. Participate in FMS reviews.

C2.3. FINANCIAL FLOW

The overall financial flow for an implemented FMS case is OA, commitments, obligations, EA and expenditures. After implementing the case in the Defense Security Assistance Management System (DSAMS), the CM determines how the funds shall be distributed to the various activities responsible for providing material and/or services. OA is issued and recorded in DSAMS, and then recorded in the official MILDEP accounting system. Commitments and obligations are incurred in the MILDEP accounting system then reported with expenditures to DSAMS at the case summary level. The IAs also report OA and/or obligation values to DIFS through the 'R' series transactions. DIFS approves EA and interfaces with the disbursing office before generating the expenditure. Once the MILDEP accounting system receives and processes expenditures, disbursements are forwarded through 'S' series transactions. Performance is forwarded through 'NA/ND' transactions from the MILDEP accounting system to DIFS. Accurate DIFS reporting is essential for DFAS Denver to correctly charge the purchaser through the DD Form 645A. Refer to Figures C2.F1. through C2.F3.

Figure C2.F1. Obligation Authority (OA) and Obligations

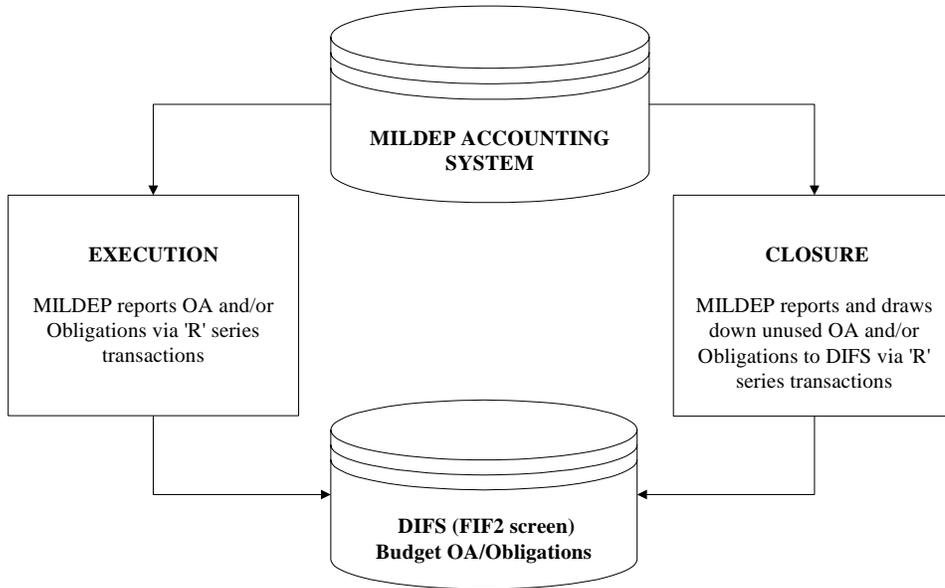


Figure C2.F2. Flow of Funds

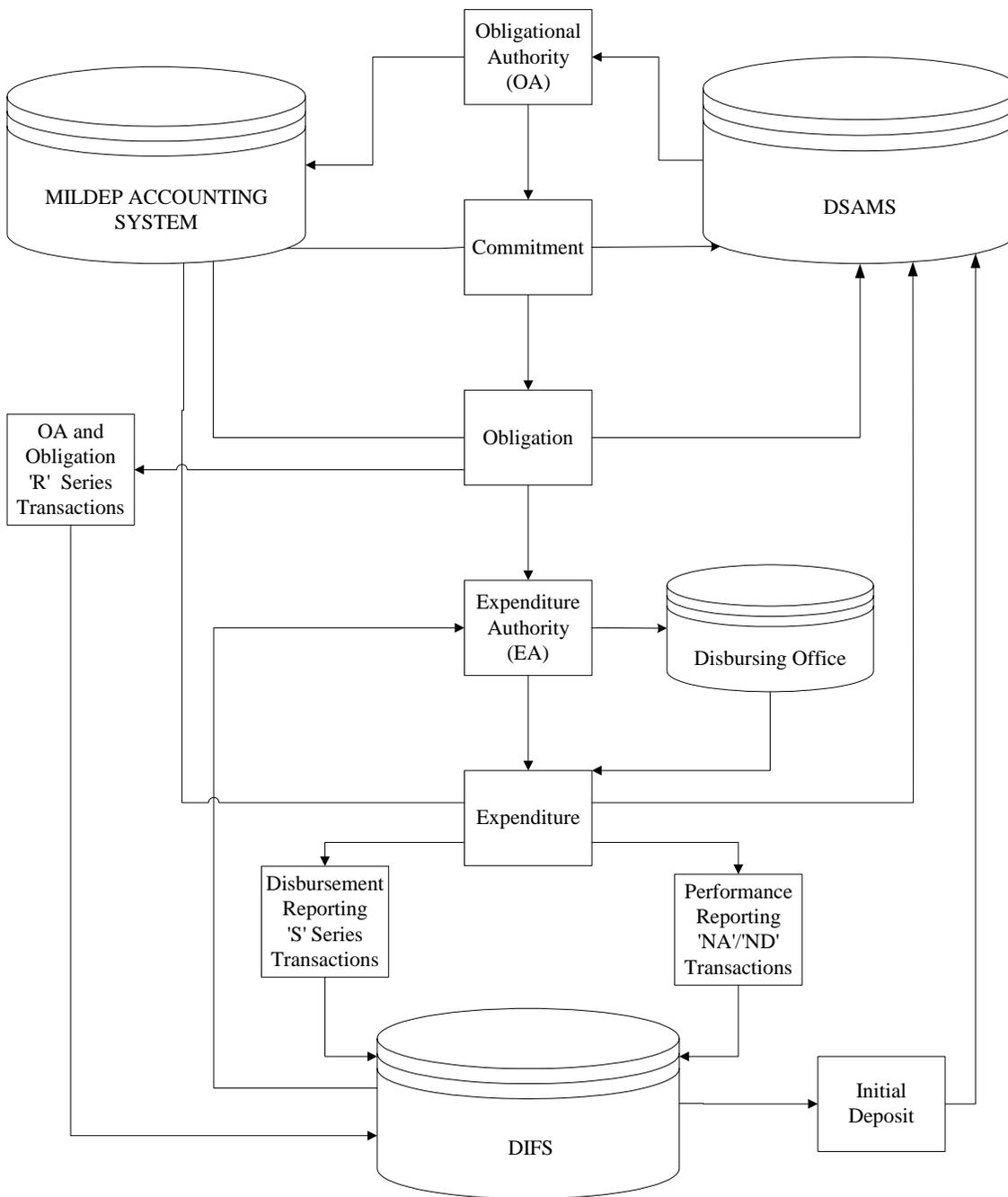


Figure C2.F3. DIFS Budget OA and/or Obligations Query.

FIF2		BUDGET OA/OBLIGATIONS AS OF ACCT MONTH 0401	
COUNTRY	IA	CASE	
REIMBURSABLE OA/OBLIGATIONS	PRIOR FY		\$4,620.00
REIMBURSABLE OA/OBLIGATIONS	CURRENT FY		\$.00
REIMBURSABLE OA/OBLIGATIONS	CUM-FROM-INCEPT		\$4,620.00
DIRECT CITE OBLIGATIONS	PRIOR FY		\$991,883.00
DIRECT CITE OBLIGATIONS	CURRENT FY		\$.00
DIRECT CITE OBLIGATIONS	CUM-FROM-INCEPT		\$991,883.00
DIRECT CITE OA	CURRENT FY		\$323,117.28
TOTAL OBLIGATIONS	PRIOR FY		\$996,503.00
TOTAL OBLIGATIONS	CURRENT FY		\$.00
TOTAL OBLIGATIONS	CUM-FROM-INCEPT		\$996,503.00

C2.4. INTEGRITY OF THE LOA DOCUMENT: COMPATIBILITY WITH ACTUAL PERFORMANCE

Many critical relationships exist between LOA pricing and/or development and LOA execution. It is vital to ensure that the LOA continually represents an accurate picture of how the case is being executed. Some of the specific items to be reviewed for comparing the LOA document with actual performance are captured in Figures C2.F4., C2.F5., and C2.F6. Primary comparisons include:

C2.4.1. Billings with how the items were priced, i.e., how the case was developed in DSAMS. The pricing methodology used to develop the case in DSAMS may differ from actual case execution.

C2.4.2. Payment schedule with expenditure rates (see chapter 5).

C2.4.3. Lead times and/or periods of performance and/or delivery commitment dates versus actual deliveries.

C2.4.4. Timelines for costs, e.g., when various rates were in effect, versus cost assessments.

C2.4.5. Delivery reporting versus deliveries and billing of material and services.

C2.4.6. Source of Supply (SOS) codes versus execution, e.g., was SOS=S (stock), yet all disbursements to contractors.

C2.4.7. Generic code and/or Military Articles and Services List (MASL) used in case development (i.e., DSAMS) versus actual deliveries. This has Logistics Support Charge (LSC) implications.

C2.4.8. Scope with actual requirements submitted.

C2.4.9. Codes: Delivery Term Code (DTC), Delivery Source Code (DSC), Transportation Bill Code (TBC), and Type of Assistance Code (TA), versus execution.

C2.4.10. Assessment of surcharges versus estimated values.

Figure C2.F4. FMS Case Review and Reconciliation Matrix

ITEM NUMBER	WHAT TO REVIEW	LOA	DIFS	IA SYSTEM 1/	CASE DIRECTIVE	CASE FILE	CASE MANAGER RECORDS	FUNDING DOCUMENTS	SHIPMENT DOCUMENTS	VOUCHERS/ EXPENSES	END OF REVIEW TIMEFRAME	WHAT TO DO (RECONCILIATION) 2/
SECTION 1: GENERAL CASE DATA												
1	Compare LOA values in DSAMS, DIFS and MILDEP systems	X	X	X							C3 (final closure) status	When DIFS does not equal LOA values, contact Country Accountant at DFAS Denver for assistance.
2	Compare LOA line values and associated Contract Administration Services (CAS), and LSC in DSAMS, DIFS, and MILDEP systems	X	X	X							C3 (final closure) status	When MILDEP system values do not equal LOA values, contact legacy system POC for resolution. As appropriate, begin LOA Modification in DSAMS.
3	Ensure commitments are posted * not valid for the Army			X		X *	X *				When C1 transaction and closure certificate is sent to DFAS Denver	Ensure commitments are posted, check program office (local records) against official accounting and IA records, check with financial POC and/or comptroller to ensure records are accurately posted
4	Review commitments, obligations, and expenditures with adjusted net case value (NCV)	X	X	X	X	X	X	X		X	C3 (final closure) status	Review case accounting records to ensure that the case is not over-committed, obligated, or expended. Take appropriate action to clear erroneous commitments, obligations, and expenditures. Examples include, but are not limited to, increasing the case value or resolving PDs (which require intensive work and are discussed in item 20, below).
5	Ensure OA issued does not exceed adjusted NCV	X	X	X	X		X	X			C3 (final closure) status	When OA received exceeds adjusted NCV, check case direction. Ensure OA value is net of CAS and LSC. Check with legacy system POC.
6	Ensure obligations (OBS) do not exceed OA issued	X		X	X	X	X	X			C3 (final closure) status	If obligations exceed OA received, check funding documents and check system to ensure duplications are not posted. If duplications are posted, contact financial POC and/or comptroller to deobligate. If obligations are valid, decide if all OA has been drawn down. If not, draw down additional OA. If all case OA has been received and obligations exceed OA, a case Modification or Amendment is required to increase case value. Check financial system to ensure that correct use of appropriation indicators, pricing elements, and direct or indirect pricing codes were used.
7	Ensure total Cumulative From Inception (CFI) obligations on DIFS FIF2 Budget OA and/or obligations agrees with CFI obligations recorded in the IA System		X	X							Before C1 transaction and closure certificate is sent to DFAS Denver	Compare IA obligations against DIFS total CFI obligations. This amount is updated monthly. Work with DFAS Denver to correct; also work with legacy system administrator.

1/ Refers to the IA management information, accounting, finance, and/or other systems used to reconcile FMS cases.

2/ Use of automated tools within the IA systems to perform the functions on this matrix is highly encouraged.

Figure C2.F4. FMS Case Review and Reconciliation Matrix

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SECTION 2: DELIVERY-RELATED DATA												
8	Correct any rounding variances between IA System and DIFS		X	X							Before C1 transaction and closure certificate is sent to DFAS Denver	Any rounding variances shall be brought to the attention of DFAS Denver for correction. May impact CAS and LSC.
9	Compare delivery quantities (LOA, ordered, delivered)	X	X	X	X	X	X	X	X	X	Before C1 transaction and closure certificate is sent to DFAS Denver	Check case direction in program directives against LOA and ensure that quantities ordered and delivered do not exceed quantity ceilings specified in LOA. Also, compare ordered vs. delivered quantities in legacy systems (including DIFS and DSCA 1200 system). If reported quantities are found to be invalid, begin corrective action with legacy system POC or other POC. If reported quantities are valid, modify or amend the LOA as appropriate.
10	Ensure accurate and timely delivery reporting of ALL deliverables.	X	X	X	X	X	X	X	X	X	Before C1 transaction and closure certificate is sent to DFAS Denver	Track deliveries of major items and ensure all deliveries (physical and financial) already completed are recorded. Also ensure that Nonrecurring Recoupment Charge (NRC) costs are appropriately billed as deliveries are posted. Ensure any NRC waivers that apply are not inadvertently billed. Track and ensure all other deliveries (physical and financial) already completed are recorded and ensure that future deliveries are recorded. If deliveries are delayed, notify customer and prepare case Modification or Amendment when required. When an LOA line and/or case becomes SSC, ensure that the MILDEP system is annotated with an SSC date. Issue Notice of Supply Service Completion (NSSC) or its equivalent IAW local IA and/or Command procedures. Estimated Performance Billings (E-Bills) enable all material shipped to be reported to DIFS as shipped delivery reported. The E-Bill shall be used if an actual bill was not received within 30 days of material shipment or service performance. Ensure E-Bills are converted to actual billings throughout the case and specifically at closure.

Figure C2.F4. FMS Case Review and Reconciliation Matrix

ITEM NUMBER	WHAT TO REVIEW	LOA	DIFS	IA SYSTEM 1/	CASE DIRECTIVE	CASE FILE	CASE MANAGER RECORDS	FUNDING DOCUMENTS	SHIPMENT DOCUMENTS	VOUCHERS/ EXPENSES	END OF REVIEW TIMEFRAME	WHAT TO DO (RECONCILIATION) 2/
11	Ensure delivery reporting to correct LOA Line; also review DSCs, Appropriation Indicators, Pricing Elements, Price Codes, and other variables as appropriate	X	X	X	X	X	X	X	X		Before C1 transaction and closure certificate is sent to DFAS Denver	Review funding documents to check appropriation indicators, pricing elements, and DSCs to ensure that deliveries are posted correctly within the MILDEP system and in DIFS (to the correct LOA line). If any part of the property accounting activity (PAA) field in the line of accounting is erroneous, work with the financial POC and/or comptroller to correct it. (Keep in mind that the Army does not use PAA codes.) Make changes as necessary to DSAMS to keep the case reconciled. This may require case Modification to realign.
12	Compare DIFS deliveries to IA deliveries.		X	X							Before C1 transaction and closure certificate is sent to DFAS Denver	Compare IA deliveries against DIFS. DLVR ART SVC COST minus DLVR CAS (NON LIQ and LIQ) minus LSC stock fund should equal IA deliveries. Depending on the age of the case, and if stock fund was used, the stock fund must be added to the IA deliveries to balance the two systems. Ensure all positive transaction control (PTC) rejects are cleared. Work with DFAS Denver to correct. Also verify constructive delivery ('C1') quantities reported.
13	Resolve SDRs		X	X		X	X	X	X	X	Before C1 transaction and closure certificate is sent to DFAS Denver	Resolve SDRs within published timeframes. Work with DFAS Denver as necessary to resolve financial SDRs.

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SECTION 3: EXPENDITURES/DISBURSEMENTS												
14	Ensure ADMIN, CAS, and Royalty Fee disbursements do not exceed estimated ADMIN, CAS, and Royalty Fees		X	X		X	X	X		X	C3 (final ACCP closure) or C1 (non-ACCP closure) status	If ADMIN, CAS, or Royalty Fees disbursements exceed LOA estimates, check funding documents, along with obligations and expenditures, against MILDEP system. If duplications are posted, contact financial POC and/or comptroller for correction. If valid, prepare case Modification or Amendment to realign funds or, if required, to increase case. Work with DFAS Denver to make summary changes to DIFS SEC 21 and SEC 22 entries and associated CAS costs. Also check DSCs to ensure correct posting to SEC 21 and SEC 22.
15	Ensure LSC disbursements do not exceed estimated LSC		X	X		X	X	X		X	Before C1 transaction and closure certificate is sent to DFAS Denver	If LSC disbursements exceed estimates, verify accuracy of Generic Codes used. Also, check funding documents, along with obligations and expenditures, against MILDEP system. If duplications are posted, contact financial POC and/or comptroller for correction. If valid, prepare case Modification or Amendment to realign funds or, if required, to increase case. LSC corrections must be done at the individual requisition level and/or line of accounting. Remember that DIFS is the originating source of the LSC disbursement data.
16	Ensure Accessorial costs in DIFS do not exceed Ordered Accessorial and LOA value	X	X	X		X	X	X	X	X	Before C1 transaction and closure certificate is sent to DFAS Denver	Ensure accessorial costs do not exceed LOA estimates. If the accessorials do exceed LOA estimates, review LOA, case direction, shipping documents, and actual bills to find how items were packaged, crated, handled, or transported. What changes were made? Were these reflected in the TBC in the requisition? If erroneous, correct. May require a DIFS history search. Work with DFAS Denver.
17	Compare DIFS Disbursements to IA disbursements.		X	X							C3 (final ACCP closure) or C1 (non-ACCP closure) status	DIFS ART SVC DISB value on FIS2 should equal IA disbursements. When IA disbursements are not equal to DIFS disbursements, compute missing dollar amounts. When DIFS disbursements exceed IA disbursements, get necessary detailed reports to find which transactions were reported to DIFS. Work with DFAS Denver for correction.

Figure C2.F4. FMS Case Review and Reconciliation Matrix

ITEM NUMBER	WHAT TO REVIEW	LOA	DIFS	IA SYSTEM 1/	CASE DIRECTIVE	CASE FILE	CASE MANAGER RECORDS	FUNDING DOCUMENTS	SHIPMENT DOCUMENTS	VOUCHER/EXPENSES	END OF REVIEW TIMEFRAME	WHAT TO DO (RECONCILIATION) 2/
18	Reconcile DIFS to DIFS: DIFS FIC1 transaction to DIFS FIS2 -- DIFS performance is equal to DIFS disbursements. Also review CAS, LSC, and ADMIN		X								Before C1 transaction and closure certificate is sent to DFAS Denver	Complete an internal comparison of DIFS by reviewing the DIFS FIC1 transaction against DIFS FIS2 to ensure performance and disbursements as well as CAS, LSC, and ADMIN are in balance. Work with DFAS Denver to correct any discrepancies.
19	Review and resolve Adverse Financial Condition (AFC) and Financially Troubled Condition (FTC) cases (including ensuring that expenditures do not exceed obligations)		X	X		X	X	X		X	C3 (final ACCP closure) or C1 (non-ACCP closure) status	If an AFC and/or FTC condition exists, check funding documents; validate commitments, obligations, and/or expenditures; and check system to ensure duplications are not posted. If duplications are posted, contact the financial POC and/or comptroller for correction. If expenditures are valid, compute if all OA has been drawn down. If not, draw down additional OA to cover the increased obligations. If all case OA has been received and obligations exceed OA, a case Modification or Amendment is required to increase the case value.
20	Resolve PDs		X	X		X	X	X		X	Before transitioning to C3 status	If case has PDs, review funding documents and validate commitments, obligations, and expenditures against MILDEP system. If valid, and no additional OA is available, prepare case Modification or Amendment to increase case, or realign funds via case Modification or Amendment. If invalid, prepare correction package IAW local IA and/or Command procedures and forward this to the financial POC and/or comptroller for processing. Refer to DSCA policy memo 02-28; Volume 3, Chapter 11, of reference (b); and the DFAS Denver memo dated June 17, 2002 for additional information and guidance on resolving PDs.
21	Get billings and current information on reimbursable documents.			X		X	X	X		X	C3 (final ACCP closure) or C1 (non-ACCP closure) status	Get finals on reimbursable documents within 90 days after funding document expires. Field activities should submit quarterly billing information. To avoid multiple requests, send a consolidated list of missing finals to the field activity doing the work. Keep on top of reimbursable documents.
22	Ensure all travel orders and/or vouchers are liquidated		X	X		X	X	X		X	C3 (final ACCP closure) or C1 (non-ACCP closure) status	Travel vouchers are a reconciliation problem. Ensure that vouchers are submitted within 5 days of travel completion. Get a copy of a travel voucher when paid by DFAS. For invitational travel orders (ITOs) or when travel funds are sent to other activities, do not issue additional travel funds until all paid vouchers have been received. On receipt of a paid travel voucher, ensure all funds are liquidated and deobligate any excess funds.

Figure C2.F4. FMS Case Review and Reconciliation Matrix

ITEM NUMBER	WHAT TO REVIEW	LOA	DIFS	IA SYSTEM 1/	CASE DIRECTIVE	CASE FILE	CASE MANAGER RECORDS	FUNDING DOCUMENTS	SHIPMENT DOCUMENTS	VOUCHER/EXPENSES	END OF REVIEW TIMEFRAME	WHAT TO DO (RECONCILIATION) 2/
23	Get current information on contracts, including information on future deliveries (when contract shall be physically complete) and financial billing information (when contractor anticipates submitting final voucher once contract is physically complete)			X		X	X	X	X	X	C3 (final ACCP closure) or C1 (non-ACCP closure) status	For acquisition items delivered under a Firm Fixed Price (FFP) contract (without award or incentive fees) billing should not be an issue. If the contract is other than a FFP contract (e.g., cost plus, incentive, or award fees), check Mechanization of Contract Administrative Services (MOCAS) to find when the last physical delivery occurred (as of that date) and keep a copy of the query in file. Check MOCAS and work with the Program Manager (PM), ACO, and the Procuring Contracting Officer (PCO) to get current contract information. When the contract becomes physically complete, the contractor has submitted the final voucher, and a final audit has been completed, get a copy of the final contract modification and PK9/DD Form 1594, "Contract Completion Statement." Use these documents to clear outstanding net commitments and obligations in the IA financial and/or accounting systems. Follow IA and/or Command procedures for audit trail when documentation is not available. For Non-ACCP customers, remember to keep track of current modifications let against long running multi-appropriation funded contracts to advise when last deliveries shall occur.
24	Ensure liquidated progress payments do not exceed DIFS PRG PMT RPT value (This does not apply to E-Bills)		X								Before C1 transaction and closure certificate is sent to DFAS Denver	Compare DIFS PRG PMT RPT value against SEC 21 and SEC 22 liquidating values. The sum of SEC 21 and SEC 22 LIQ values minus liquidated LSC should equal DIFS PRG PMT RPT value. If the variance is greater than the LSC, work with DFAS Denver for correction. If Un-liquidated Obligation (ULO) deliveries were submitted before creation of the closure certificate, they may account for the difference.
25	Ensure no credit values exist in DIFS		X								Before C1 transaction and closure certificate is sent to DFAS Denver	Review DIFS to ensure that a credit balance (too many credits processed) does not exist. Run DIFS history search and compare against IA records, identify individual transactions, and process corrections.

Figure C2.F4. FMS Case Review and Reconciliation Matrix

ITEM NUMBER	WHAT TO REVIEW	LOA	DIFS	IA SYSTEM 1/	CASE DIRECTIVE	CASE FILE	CASE MANAGER RECORDS	FUNDING DOCUMENTS	SHIPMENT DOCUMENTS	VOUCHER/ EXPENSES	END OF REVIEW TIMEFRAME	WHAT TO DO (RECONCILIATION) 2/
SECTION 4: SUMMARY FINANCIAL REVIEW												
26	Review payment schedule	X	X	X	X	X	X	X	X	X	When case is certified as SSC	Review payment schedule based on case 'anniversary' implementation date, in preparation for an external FMS review or when the case value changes by 10 percent or more. Pull various IA and DIFS queries or download system data to analyze and validate the accuracy of the existing payment schedule, or to find if the payment schedule should be changed.
27	Prepare for various financial review meetings	X	X	X		X	X	X	X		When case is certified for interim or final closure (whichever occurs first)	Prepare for various Case Reconciliation and Program reviews and FMRs as tasked. Pull various IA and DIFS queries to get data or download system as applicable to complete IA and/or Command reporting format. Be prepared to advise customer, at a minimum, on the logistics and financial information that pertains to each case. Share the estimated or actual delivery date at the LOA line level and the estimate or actual date when the entire case becomes SSC with the purchaser. If excess funds are available, identify possible case reduction value and completion date. Indicate whether any open SDRs exist and progress to resolve them. Identify when the case shall be submitted by the IA to DFAS for closure and provide an estimated case closure certificate value and any monies that may be returned at closure. Note any imbalances or discrepancies and advise the purchaser on what actions have been or shall be undertaken to resolve them. Where contracts are involved, work with the PM, ACO, PCO, and reviewing MOCAS (or other system) to establish current information on the contract such as when the entire contract shall be physically complete and when the contractor anticipates submitting the final voucher. Get the status of reimbursable documents.

Item Nr	Checklist Item	Item Verified (Yes/No/N/A) (Circle One)	Expected Response	Guidelines
4	Commitments, obligations, and expenditures are reviewed.	YES NO N/A	YES	All entries must be reviewed for accuracy, even if the amounts equal zero.
5	OA received does not exceed adjusted NCV.	YES NO N/A	YES	If OA has been received, this is a business rule that may not be violated. N/A is acceptable if no OA has been received so far.
6	Obligations do not exceed OA received.	YES NO N/A	YES	If obligations exist, this is a business rule that may not be violated. N/A is acceptable if no OA has been issued so far.
7	CFI obligations in DIFS FIF2 equal CFI obligations recorded in MILDEP system.	YES NO N/A	YES	Obligations should match except for active cases. N/A is acceptable if no obligations have been posted so far.
8	DSAMS, DIFS, and/or MILDEP system rounding variances are corrected.	YES NO N/A	YES	Systemic rounding differences between DSAMS and DIFS are being worked.
SECTION 2: DELIVERY-RELATED DATA				
9	Delivery quantities are compared.	YES NO N/A	YES	Delivered quantity shall not exceed ordered quantity. Quantities must be compared, even if the values equal zero.
10	All deliveries are reported in an accurate and timely manner.	YES NO N/A	YES	N/A is acceptable if no physical deliveries or service performance has occurred.
11	Deliveries are reported to correct line; DSCs, appropriation indicators, pricing elements, price codes, and other variables are verified.	YES NO N/A	YES	N/A is acceptable if no physical deliveries or service performance has occurred.
12	DIFS deliveries	YES	YES	Deliveries should match; the only exception is

Item Nr	Checklist Item	Item Verified (Yes/No/N/A) (Circle One)	Expected Response	Guidelines
	are compared with IA deliveries.	NO N/A		to accommodate lag time for reporting of deliveries to DIFS.
13	SDRs are resolved.	YES NO N/A	YES or NO	N/A if there are no outstanding SDRs; NO is also acceptable if open SDRs exist. YES is acceptable if all previously open SDRs were completed.
SECTION 3: EXPENDITURES/DISBURSEMENTS				
14	Admin, CAS, and royalty fee disbursements do not exceed estimated Admin, CAS, and royalty fees.	YES NO N/A	YES	N/A would not typically apply since the front-load admin is usually disbursed on basic case implementation.
15	LSC disbursements do not exceed estimated LSC.	YES NO N/A	YES	N/A is acceptable if LSC does not apply to any deliveries reported so far.
16	Accessorial costs in DIFS do not exceed estimated accessorials.	YES NO N/A	YES	N/A is acceptable if accessorials have not been incurred so far.
17	DIFS disbursements are compared with IA disbursements.	YES NO N/A	YES	Systems must be compared.
18	-DIFS FIC1 is reconciled with DIFS FIS2.	YES NO N/A	YES	Records should be in agreement. N/A is acceptable if no disbursements and progress payments have been reported so far.
19	AFC and/or FTC issues are resolved.	YES NO N/A	YES	This is a business rule that shall not be violated. N/A is acceptable if no AFC and/or FTC issues exist.
20	PDs are resolved.	YES NO N/A	YES	PD resolution timeline not to exceed 120 days applies. N/A is acceptable if no PDs exist.
21	Billings and current	YES NO	YES	N/A is acceptable if no reimbursable documents have been processed.

Item Nr	Checklist Item	Item Verified (Yes/No/N/A) (Circle One)	Expected Response	Guidelines
	information is obtained for all reimbursable documents.	N/A		
22	All travel orders and/or vouchers are liquidated.	YES NO N/A	YES	N/A is acceptable if no travel orders and/or vouchers have been processed.
23	Current information on contracts is obtained.	YES NO N/A	YES	N/A is acceptable if the case is not supported by contracts (i.e., SOS for all lines equals 'S' and no progress payments were reported in DIFS).
24	Liquidated progress payments do not exceed progress payments reported (N/A for E-bills).	YES NO N/A	YES	N/A is acceptable if no progress payments have been reported so far.
25	No credit values exist in DIFS.	YES NO N/A	YES	This is a business rule that may not be violated. N/A is acceptable if no credit values exist.
SECTION 4: SUMMARY FINANCIAL REVIEW				
26	Payment schedule is reviewed.	YES NO N/A	YES	This is a business rule that may not be violated.
27	FMS review data prepared	YES NO N/A	YES	YES must apply if the basis for this case review is in preparation for an FMS review. NO or N/A is acceptable if other events are checked as the basis for this case review.

LOA Document Revision

Because of this review, the following LOA document revision information applies:

A new Modification was prepared YES NO If YES, cite Modification # _____
 Expected response depends on the reconciliation actions required because of the review.

A new Amendment was prepared YES NO If YES, cite Amendment # _____
 Typically, the expected response would be NO, since reconciliation actions do not normally result in a change to the LOA scope.

Verification

I certify that the above information is true and correct, to the best of my knowledge.

Reviewer Signature (Signature of person accountable for review)

Date Review Completed

Attachments

List each separately, as applicable

Distribution

FMS case file (mandatory repository)

Other (list separately, as applicable)

Figure C2.F6. FMS Case Review and Reconciliation Checklist

FMS Case Designator: XX-X-XXX

Reviewer Name: _____

Reviewer Title or Position: _____

Data ‘As of’ Date: MM/YYYY

Review Event (check one) ___ Anniversary of basic case implementation
 ___ Preparation for FMS review with purchaser
 ___ Case value adjustment

Item Number	Checklist Item	Item Verified (Yes/No/ N/A) (Circle One)	Remarks
SECTION 1: GENERAL CASE DATA			
1	LOA values in DSAMS, DIFS, and MILDEP systems are equal.	YES NO N/A	
2	LOA line values and associated CAS and LSC in DSAMS, DIFS, and MILDEP systems are equal.	YES NO N/A	
3	Commitments are posted.	YES NO N/A	
4	Commitments, obligations, and expenditures are reviewed.	YES NO N/A	
5	OA received does not exceed adjusted NCV.	YES NO N/A	
6	Obligations do not exceed OA received.	YES NO N/A	
7	CFI obligations in DIFS FIF2 equal CFI obligations recorded in MILDEP system.	YES NO N/A	
8	DSAMS, DIFS, and/or MILDEP system rounding variances are corrected.	YES NO N/A	
SECTION 2: DELIVERY-RELATED DATA			
9	Delivery quantities are compared.	YES NO N/A	
10	All deliveries are reported in an accurate and timely manner.	YES NO N/A	
11	Deliveries are reported to the correct line; DSCs, appropriation indicators, pricing elements, price codes, and other variables are verified.	YES NO N/A	

12	DIFS deliveries are compared with IA deliveries.	YES NO N/A	
13	SDRs are resolved.	YES NO N/A	
SECTION 3: EXPENDITURES/DISBURSEMENTS			
14	Admin, CAS, and royalty fee disbursements do not exceed estimated Admin, CAS, and royalty fees.	YES NO N/A	
15	LSC disbursements do not exceed estimated LSC.	YES NO N/A	
16	Accessorial costs in DIFS do not exceed estimated accessorials.	YES NO N/A	
17	DIFS disbursements are compared with IA disbursements.	YES NO N/A	
18	DIFS FIC1 is reconciled with DIFS FIS2.	YES NO N/A	
19	AFC and/or FTC issues are resolved.	YES NO N/A	
20	PDs are resolved.	YES NO N/A	
21	Billings and current information is obtained for all reimbursable documents.	YES NO N/A	
22	All travel orders and/or vouchers are liquidated.	YES NO N/A	
23	Current information on contracts is obtained.	YES NO N/A	
24	Liquidated progress payments do not exceed progress payments reported (N/A for E-Bills).	YES NO N/A	
25	No credit values exist in DIFS.	YES NO N/A	
SECTION 4: SUMMARY FINANCIAL REVIEW			
26	Payment schedule is reviewed.	YES NO N/A	
27	FMS review data prepared.	YES NO N/A	

LOA Document Revision

As a result of this review, the following LOA document revision information applies:

A new Modification was prepared YES NO If YES, cite Modification #_____

A new Amendment was prepared YES NO If YES, cite Amendment #_____

Verification

I certify that the above information is true and correct, to the best of my knowledge.

Reviewer Signature

Date Review Completed

Attachments

List each separately, as applicable

Distribution

FMS case file (mandatory repository)

Other (list separately, as applicable)

C2.5. CRITICAL ACTIVE CASE RECONCILIATION RELATIONSHIPS

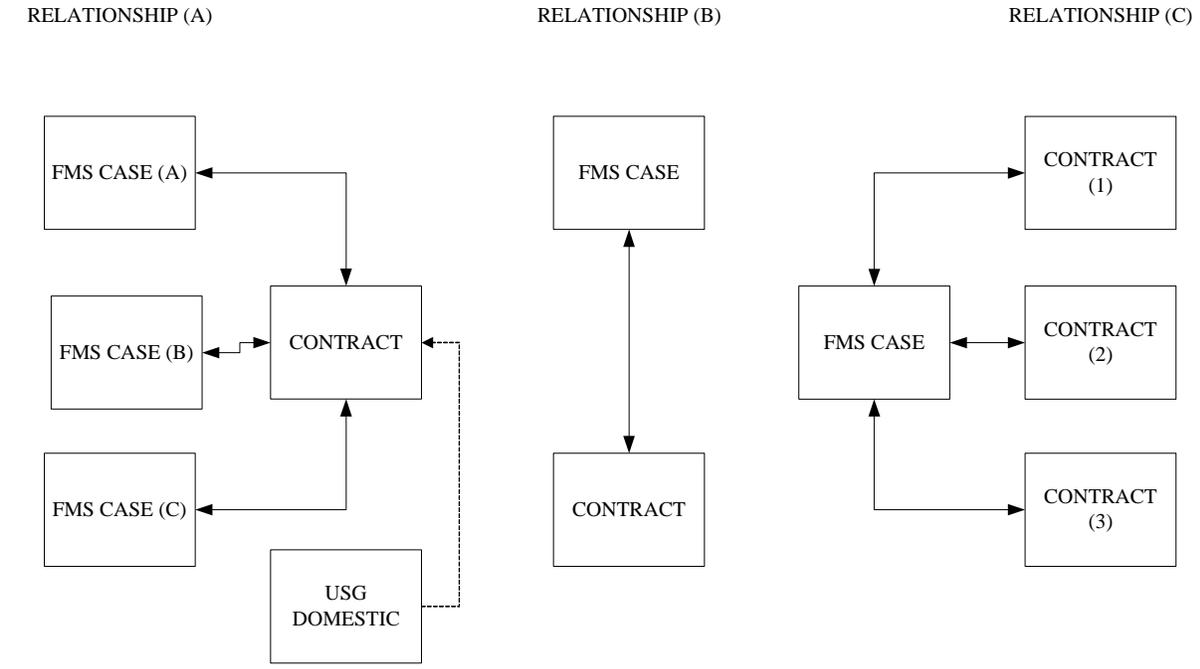
C2.5.1. LOA: Contract and/or Funding Document. The lack of timely reconciliation of contracts and other funding documents supporting FMS cases is one of the most significant obstacles preventing efficient case execution and closure. The following should be considered:

C2.5.1.1. One LOA may involve one or more contracts and/or funding documents.

C2.5.1.2. One contract may support one or multiple LOAs. Contracts often merge both domestic (USG) and foreign (FMS) requirements. (See Figure C2.F7.)

Figure C2.F7. FMS Case : Contract Relationships

Where contracts supporting FMS cases are involved, different structural relationships may evolve:



FROM FMS CASE TO CONTRACT:

1. Data on country, case and line
2. Data on executable line value available for contractual obligation
3. Terms and conditions that influence contract type and/or contract clauses (e.g., contract financing)
4. FMS purchaser desires that must be reflected in the contract clauses (e.g., budget constraints, additional warranties)
5. Estimated delivery and/or performance schedules
6. Other key case execution milestones



FROM CONTRACT TO FMS CASE:

1. Data on contract award, value, type
2. Data on costs, performance and schedules
3. Contract financing information, to include performance based payment milestones, if applicable
4. Transportation information
5. Data on contract modifications
6. Data on contract segregation and/or accounting

C2.5.1.3. For contracts, the SOS code for the associated LOA lines must be ‘P’ (from new procurement) or ‘X’ (mixed source, such as stock and procurement, or undetermined). For other funding documents, the SOS code may be ‘P’, ‘X’, or ‘S’ (shipment from DoD stock, or performed by DoD personnel). Table C2.T1. gives an inventory of the various documents that impact funding for FMS cases. For IA-specific forms, see Appendices 2 through 6 (forthcoming). A specific common document is the Military Interdepartmental Purchase Request (MIPR). (See section C2.20. for detailed information on the MIPR process.)

Table C2.T1. Documents Impacting Funding

<u>FORM</u>	<u>TYPE</u>	<u>PURPOSE</u>	<u>FINALIZATION DOCUMENT</u>
SF26	Award and/or Contract	Used to award a contract, usually because of a Request for Quotation. Requires references to the basic solicitation and/or other documents.	
SF30	Amendment of Solicitation and/or Modification of Contract	Used to amend a solicitation before it closes or to modify a contract that has been awarded. Usually filled out by the USG and then sent to the bidder or contractor for signature.	
SF33	Solicitation, Offer, and Award	Used not only to solicit orders but also to award a contract, since it is a bilateral document. Bidder signs the document and sends it to the USG. On acceptance of the bid, the USG signs it and a binding contract is established. Used for either sealed bids or negotiated contracts valued at \$100,000 or more.	
DD Form 282	DoD Printing Requisition and/or Order	Used to fund printing, duplication, binding, and reproduction of publications.	Copy of DD Form 282, marked “final”
DD Form 250	Material Inspection and Receiving Report	Used to document contract compliance and by the contractor to submit an invoice. The contractor is responsible for preparing this form, except for entries that an authorized USG representative must complete.	
DD Form 250C	Material Inspection and Receiving Report (continuation sheet)	Continuation sheet for the DD Form 250, when needed.	
DD Form 448	MIPR	Issued to other DoD Agencies to order materials, supplies, equipment, work, and services.	Copy of DD Form 448-2 marked “final”
DD Form 448-2	MIPR Acceptance	Used by the performing activity to verify acceptance of the MIPR received from the requesting activity.	

<u>FORM</u>	<u>TYPE</u>	<u>PURPOSE</u>	<u>FINALIZATION DOCUMENT</u>
DD Form 482	Interdepartmental Purchase Request	Issued to non-DoD USG activities for reimbursable or direct citation. Commonly used to fund General Services Administration (GSA) Schedule Contractor Support Services.	Copy of Final DD Form 482-2 marked "final"
SF1034	Public Voucher for Purchases and Services other than Personal	Medical Services, Student Liaison Office, Diversions including contract Modification (an FMS specific contract buy with diversion to another FMS customer), Repair, and Return (contract).	
SF1080	Voucher for Transfer Between Appropriations and/or Funds	Used to fund salaries, transportation of materials, transfer of excess materials, Replacement in Kind, NRC recoupment, CAS on direct commercial sales contracts, etc.	SF1080
SF1081	Voucher and Schedule of Withdrawals and Credits	Used to move disbursement transactions from one case and/or line item to another, as well as to correct erroneous disbursement information.	
DD Form 1149	Requisition and Invoice and/or Shipping Document	Used for transfer and donation of contractor inventory. Also used to consolidate contractor inventory redistribution system-directed shipments going to the same destination. (See subpart 245.7101-2 of reference (e).)	
DD Form 1149C	Requisition and Invoice and/or Shipping Document (continuation sheet)	Continuation sheet for the DD Form 1149, when needed.	
DD Form 1155	Order for Supplies or Services	Used to order supplies or services under the Simplified Acquisition Procedures (SAPs).	
DD Form 1348	DoD Single Line Item Requisition System Document (manual)	Used to requisition materiel, but only when facilities are not available to the requisitioning activity to enable electronic transmittal of documents.	
DD1348-1A	Issue Release and/or Receipt Document	Used as a directive for release and shipment of materiel from stock. Used instead of the Materiel Release Order.	
DD Form 1348-2	Issue Release and/or Receipt Document with Address Label	Same as DD Form 1348-1A, except that the DD Form 1348-2 includes a shipping label.	

<u>FORM</u>	<u>TYPE</u>	<u>PURPOSE</u>	<u>FINALIZATION DOCUMENT</u>
DD Form 1348-5	Notice of Availability and/or Shipment	Used as a cover document for individual copies of the DD Form 1348-1A applicable to each line item in a shipment unit. Together, these documents comprise the original Notice of Availability (document by which the U.S. shipping installation notifies the designated FMS freight forwarder that the materiel is ready for shipment and, where appropriate, that the shipment requires an export release).	
DD Form 1348-6	DoD Single Line Item Requisition System Document (manual, long form)	Same as DD Form 1348, but a long form (essentially a continuation sheet), when needed.	
DD Form 1348-7	DoD Military Standard Petroleum System (MILSPETS) Single Line Item Requisition, Release, and/or Receipt Document	Used to document DoD issues, returns and sales (i.e., shipments between the IAs, and Defense Fuel Support Point (DFSP) to DFSP shipments), and issues to non-DoD units under bilateral agreements.	
DD Form 1348-8	DoD MILSPETS DFSP Inventory Accounting Document	Used to account for MILSPETS DFSP inventory.	
SF1449	Solicitation, Contract, and/or Order for Commercial Items	Used in solicitations and contracts for commercial items. (See subpart 53.212 of reference (d).)	
DD Form 1556	Request, Authorization, Agreement, Certification of Training, and Reimbursement	Used to request, authorize, certify, and fund training.	
DD Form 1610	Travel Order	Used to fund travel, including transportation, per diem, and miscellaneous expenses.	Paid travel voucher (DD Form 1351-2)
DD Form 2285	ITO for International Military Student	Used to fund travel by foreign Purchaser representatives. Funds transportation, per diem, and miscellaneous expenses.	SF1080 DD Form 1351-2 (Liquidated travel claim)

C2.5.1.4. The contract type may influence the complexity and timeline associated with completing financial transactions related to that contract. For example, Section 4.804-1(a) of reference (d) provides the time standards for contract closeout. FFP contracts, other than those using SAP, shall be closed within 6 months after the Contracting Officer receives evidence of physical completion. For cost-type contracts, the time standard is 36 months. When applicable, quick closeout procedures in Section 42.708 of reference (d) may be used. The quick closeout procedures do not apply in all circumstances; see Appendix 6 (forthcoming) for additional details.

C2.5.1.5. Incentive and award fees, which also typically tie to the contract type, may impact the costs that are passed to the purchaser through the LOA.

C2.5.1.6. Contract terms and clauses, such as how the contract is to be financed (progress payments or Performance Based Payments (PBPs)) impact the timing of disbursements from the purchaser's Trust Fund supporting that contract.

C2.5.1.7. Contractor milestones have a direct relationship with LOA schedules. For example, does the contractor delivery plan coincide or conflict with the LOA delivery schedule? If PBP is used, do the contractor payment milestones complement or conflict with the LOA payment schedule? If they conflict, revise the LOA payment schedule.

C2.5.1.8. Warranties implied or stated in the contract, or additional coverage purchased by the purchaser, represent a service on the FMS case. The warranty line, into which the warranty is imbedded, is not considered SSC until the warranty period expires.

C2.5.1.9. Contracts not yet closed out may require a ULO value when the governing FMS case is ready for closure. The ULO represents the difference between obligations and articles and/or services disbursements. Many cases supported by contracts may have no ULO at the time of closure. The impact of a ULO on the closure type is discussed in chapter 3.

C2.5.1.10. Overhead rates apply to cost-type contracts. They are indirect costs incurred by a contractor while providing contract services. Contractors establish estimated overhead rates at the beginning of an FY that are approved by DCAA. At the end of the FY, the contractor finds actual overhead rates. These must be audited by DCAA and the contractor must make billing adjustments, as appropriate, based on DCAA's audit findings.

C2.5.2. CM: Contracting Relationship. The issues noted in paragraph C2.5.1., above, may be effectively addressed only when a relationship between the FMS CM and the contracting community exists. "Contracting community" includes the PM, PCO, ACO, Contracting Officer's Representative (COR), contractor, disbursing office, accounting office, foreign purchaser, DCMA, and DCAA. A relationship may be built in several ways, including involving the FMS CM with the PCO's team pre-award planning; building the statement of work and/or performance work statement; and ensuring the CM understands post-award issues such as the contract, contract Modifications, and links with financial systems. Specific facets of these relationships are as follows:

C2.5.2.1. CM: PM and/or PCO Relationship. The CM represents the end user (purchaser). The PM works in the USG program management office. The PCO usually works in the USG contracting and/or procurement office. This relationship provides a forum for:

- C2.5.2.1.1. Resolution of LOA and/or contract discrepancies.
- C2.5.2.1.2. Comparison of documents.
- C2.5.2.1.3. Revision of purchaser requirements.
- C2.5.2.1.4. Notification of incentives, awards, and accelerated delivery.
- C2.5.2.1.5. Ensuring that LOA events coincide with contract events.
- C2.5.2.1.6. Conducting program management reviews (PMRs).
- C2.5.2.1.7. Revising the LOA as needed, based on discussions with the purchaser beforehand.
- C2.5.2.1.8. Termination for default.

C2.5.2.2. CM: ACO and/or COR Relationship. The ACO and COR may be designated by the PCO; however, DCMA is often assigned the role of ACO. This relationship provides the avenue for addressing:

- C2.5.2.2.1. Contractor performance and/or quality assurance.
- C2.5.2.2.2. Purchaser satisfaction.
- C2.5.2.2.3. Payment milestones.
- C2.5.2.2.4. Payment certification.
- C2.5.2.2.5. Resolution of erroneous payments.
- C2.5.2.2.6. Litigation disputes.
- C2.5.2.2.7. Termination for convenience.
- C2.5.2.2.8. Accuracy of lines of accounting.
- C2.5.2.2.9. Recording and reporting.
- C2.5.2.2.10. Timeliness of receipt of final vouchers and contractor completion statements.

C2.5.2.2.11. Timeliness and accuracy of contract Modifications.

C2.5.2.2.12. Audit requests.

C2.5.2.2.13. Contract closeout.

C2.5.2.3. CM: Contractor. Focuses on contractor payment reconciliation (over and under payments) and contractor payment certification.

C2.5.2.4. CM: Purchaser. Focuses on ensuring agreement on the LOA requirements, which in turn may translate into requirements on supporting funding documents (including contracts). This includes not only the LOA scope, but schedules, milestones, and other case management components as well.

C2.6. FMS REVIEWS

Reviews, including those with the purchaser, are an excellent opportunity for ensuring prompt issue resolution, data integrity and accurate accountability for cases still active. The relevance of FMS reviews to execution phase reconciliation is shown below. This section expands on the information in section C6.5. of reference (c).

C2.6.1. Optimal Frequency of and Timing for Conducting Reviews. The usual frequency of and timing for reviews depend on the review type (see Table C2.T2., below). For all reviews considered necessary by the USG and the purchaser (i.e., external reviews), the frequency and timing must be agreed on by mutual consent with the purchaser. Purchaser and USG holidays, purchaser weekends (which are often different from the USG), and changes within SAO personnel or purchaser leadership shall be considered when scheduling reviews.

Table C2.T2. FMS Reviews – Type and Frequency

Review Type	Frequency	Timing
Policy-level	Ad hoc (although some reviews are held on a regular basis, usually annually).	Ad hoc, usually based on a decision by policy-level officials.
Country-level	Annual.	May be driven by purchaser funding and budgeting timelines. Care should be taken to schedule these reviews to optimize their value to purchaser's internal budgeting and planning cycles.
Service-level	Annual.	Same as country-level.
Program-level	Based on the milestone plan established during case development as referenced in the LOA (and refined over time).	Should be event-driven based on established milestones, not necessarily calendar-driven.
Internal (USG only)	Ad hoc, although some internal reconciliation reviews may be held annually to comply with FMS case review requirements.	Ad hoc.

C2.6.2. Scope of Review. Each review type has a corresponding scope of what is usually covered (see Table C2.T3., below). This ensures that an appropriate level of detail is addressed, that the best suited USG personnel attend, and that expectations are clear to all attendees. Table C2.T3. summarizes the scope for each review type.

Table C2.T3. Scope of FMS Reviews

Review Type	Scope
Country-Level (e.g., FMR, Tri-Service Security Assistance Management Review (SAMR))	<ul style="list-style-type: none"> • DSCA-chaired • Programmatic, financial, and/or logistical orientation • Higher-level representation • Purchaser: Flag officer or civilian equivalent co-chair • Summary case-level visibility <ul style="list-style-type: none"> ○ Case closure ○ Standardized format ○ Delivery status ○ Excess funds ○ Discrepancy resolution • Forum to address FMS policies and/or procedures and SA and/or Security Cooperation issues
Service-Level (e.g., Security Assistance Review, Case Reconciliation Review, SAMR)	<ul style="list-style-type: none"> • IA lead component chairs • May be oriented by purchaser In-Country Service (ICS) or IA • General status briefings: major weapon systems, etc. • Driven by magnitude of purchaser and/or IA issues • Forum to address FMS policies and procedures • Purchaser and IA representation driven by agenda topics • May involve contractor personnel • Line and/or contract-level detailed review
Program-Level (e.g., PMR)	<ul style="list-style-type: none"> • IA and/or Program Management Office (PMO)-chaired • Covers all aspects of a specific weapon system, program, case, and/or cadre of cases • Line and/or contract-level detailed review addressing: <ul style="list-style-type: none"> ○ Obligations and/or contract awards ○ Expenditures ○ Deliveries ○ Unused funds ○ Programming of current and future requirements ○ Discrepancy resolution • Purchaser represented by head of its PMO • Driven by key milestones in program life cycle • Often involves contractor personnel

C2.6.3. FMRs. DSCA chairs FMRs with approximately 30 countries per year. While other types of reviews also address financial aspects of a purchaser's program, FMRs discuss the entire scope of financial issues. Case financial status reports are used to provide a summary-level analysis of the country's open FMS cases. Since their preparation constitutes one possible event for the annual case review requirement, accuracy, completeness, and data integrity of those reports are vital. (See chapter 5 for the standardized FMR case reporting format and explanations of the sources of the individual data elements.)

C2.7. CASE REVIEWS, RECONCILIATIONS, AND MAJOR CASE REQUIREMENTS

This section describes the need for case reviews and reconciliations, and defines what constitutes each. Special requirements for major cases are also provided.

C2.7.1. Case Reviews and/or Reconciliations.

C2.7.1.1. All FMS cases must be reviewed once per calendar year either:

C2.7.1.1.1. On the anniversary of basic case implementation,

C2.7.1.1.2. In preparation for a formal review with the purchaser,

or

C2.7.1.1.3. When the case value adjusts by 10 percent or more.

C2.7.1.2. Figure C2.F4. provides the minimum review items that, taken together, constitute the required review of an FMS case. That matrix also identifies how long in the case life cycle each item must be reviewed. Figures C2.F5. and C2.F6. are the guidelines and checklist derived from the matrix that documents that the review was performed; its retention is governed by the FMS case file policies contained in Chapter 6 of reference (b). Each checklist shall be signed and dated by the CM conducting the review, and shall become an official document within the applicable case file. Electronic filing is allowed and preferred, when practical.

C2.7.2. Major Case Requirements.

C2.7.2.1. A major case is defined as a case where:

C2.7.2.1.1. Total LOA value for defined order (DO) cases exceeds \$25 million;

C2.7.2.1.2. Total LOA value for all other case types exceeds \$10 million; and/or

C2.7.2.1.3. A single LOA represents, in terms of total LOA value, 15 percent or more of a purchaser’s entire FMS portfolio.

C2.7.2.2. In addition to the review and/or reconciliation guidance above, a quarterly PSVR identifies major cases for which discrepancies between the payment schedule and financial requirements (FRs) appear to exist. (See chapter 5 for a sample PSVR, along with a lexicon defining each data element.)

C2.7.3. Payment Schedule Updates. Updates to payment schedules are an integral part of keeping the purchaser informed of changes during the execution phase of an LOA. These changes may be necessary to show adjusted scopes or revisions to delivery schedules (for example). For major cases, payment schedule updates include a PSVR. For all cases not yet SSC, the payment schedule review occurs at least annually, and is found on the case review checklist. (See Table C2.T4., below.)

Table C2.T4. Payment Schedule Updates

Relevant Issues	Inherent USG Actions
<ul style="list-style-type: none"> ▪ Balance the need to be accurate with the need for payment schedule stability ▪ Revise case execution plan 	<ul style="list-style-type: none"> ▪ Act on PSVR to identify execution vs. payment schedule discrepancies (see chapter 5 for more detail) ▪ Verify pricing accuracy; alter LOA values and schedules as appropriate ▪ Review whether curve used remains adequate ▪ Adhere to financial policies for reviewing and changing payment schedules ▪ Ensure adequate organizational support and resources

C2.8. LOA CHANGES

One outcome of the review and reconciliation process for a given case may be to change LOA documents either by Amendment or Modification. For example, it may be necessary to realign funds either between lines on that case or among cases. This section describes situations where Modifications or Amendments are required for funds realignment. See Chapters 5 and 6 of reference (c) for guidance on LOA document preparation guidelines and/or policies, and for guidance on deciding when an Amendment or Modification should be used (in addition to the guidance provided below for changes driven by reconciliation actions).

C2.8.1. LOA Amendments. Changes in scope, such as those that affect the type or number of items to be provided, require an LOA Amendment. Amendments require acceptance by the USG and the purchaser in the same manner as the original LOA.

C2.8.2. LOA Modifications. Changes that do not constitute a change in scope, such as increases or decreases in estimated costs or delivery schedule changes, require an LOA Modification. Modifications require signature only to acknowledge purchaser receipt.

C2.8.3. Situations Requiring LOA Modifications or Amendments. See Chapter 5 of reference (c) for LOA document processing guidelines. During reconciliation, LOA Modifications and Amendments may need to be processed based on events described below.

C2.8.3.1. LOA Modifications.

C2.8.3.1.1. Transferring funds among LOA lines to cover expenditure shortfalls not resulting from scope changes.

C2.8.3.1.2. Providing additional funding to cover expenditures exceeding the case value. When expenditures exceed the case value, Modifications are required.

C2.8.3.1.3. Adjusting funding levels on line and/or case values to show actual expenditures. When modifying the LOA value to realign funds, be careful to ensure the requisite adjusted values for administrative surcharge, accessorial, CAS, and LSC are considered.

C2.8.3.1.4. Adjusting payment schedules.

C2.8.3.1.5. Adjusting prices.

C2.8.3.2. LOA Amendments. Reconciliation actions prompting an LOA Amendment entail scope changes (e.g., extensions to performance periods). Scope changes also include adding or deleting requirements. The Amendment may also capture revisions shown in subparagraph C2.8.3.1., above, to reduce the need to also process a separate LOA Modification.

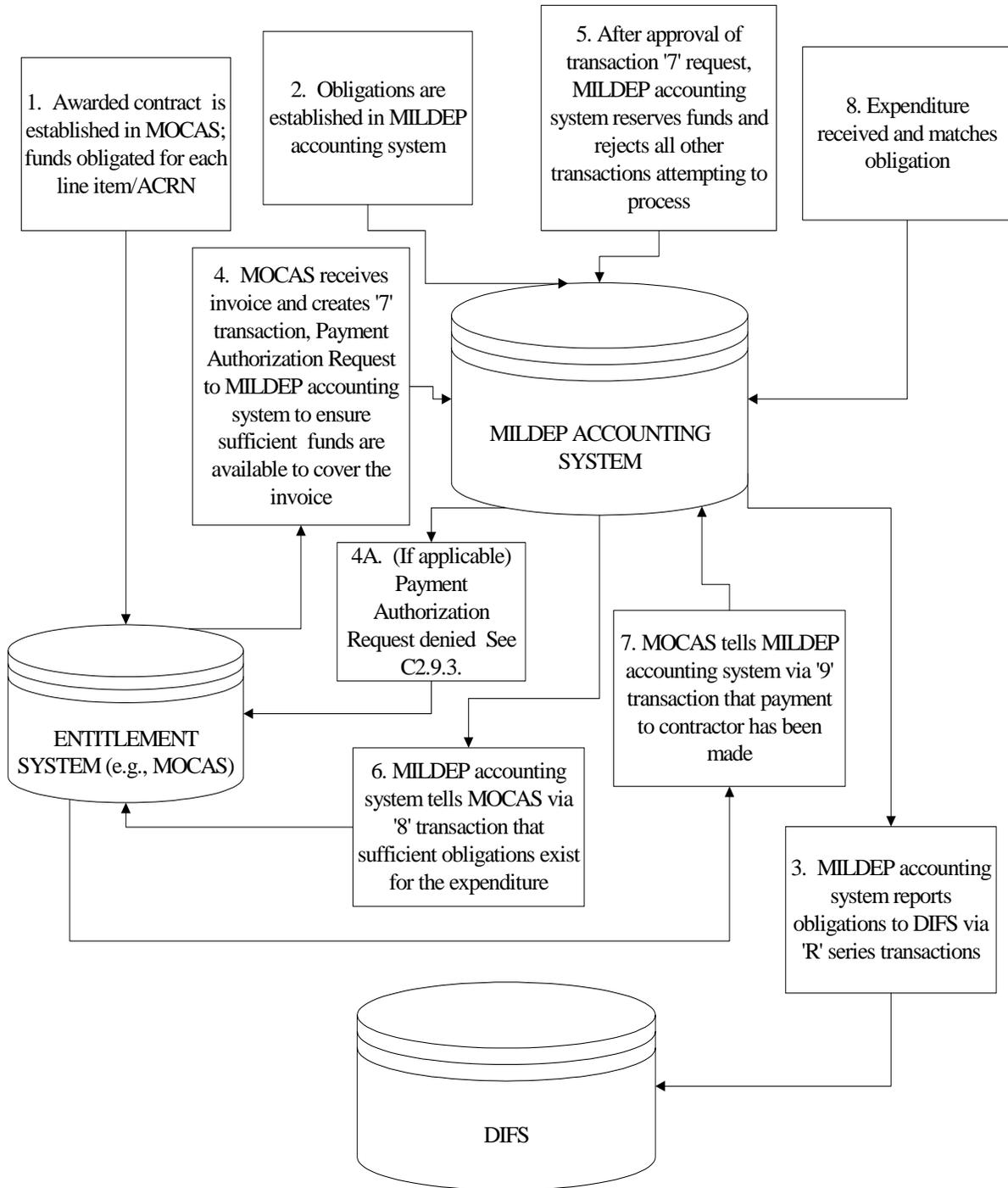
C2.9. PREVALIDATION

C2.9.1. The process applies to all contractor payments (direct cite (DC)) and reimbursable transactions. The primary intent of the process is for DFAS to ensure that sufficient obligations were previously recorded by the IA in the Authorized Accounting system before a payment is made by the DFAS disbursing office to liquidate the obligation. Liquidating progress payment transactions are also prevalidated to ensure that the outstanding progress payment balance in the MILDEP accounting system is not over-liquidated. The ultimate goal of the process is to reduce PDs, such as Unmatched Disbursements (UMDs) and Negative Unliquidated Obligations (NULOs).

C2.9.2. The process is based on three transactions sent between the DFAS entitlement system and the MILDEP accounting system. The Transaction '7' represents the Payment Authorization Request from the disbursing office, which includes the Contract and/or Reimbursable Document Number and request amount. The Transaction '8' is the Payment Authorization Response from the accounting system, with an approval or denial code. The Transaction '9' is the Contract Payment Notification transaction, which is sent by the disbursing office at the time the payment is actually made. (See Figure C2.F8.)

C2.9.3. Payment Authorization Requests that are denied by the MILDEP accounting system, must be researched by DFAS in consultation with the IA to decide the appropriate corrective action. Canceling the Payment Request or posting the correct obligation value to the MILDEP accounting system so that the request may be approved are possible resolutions.

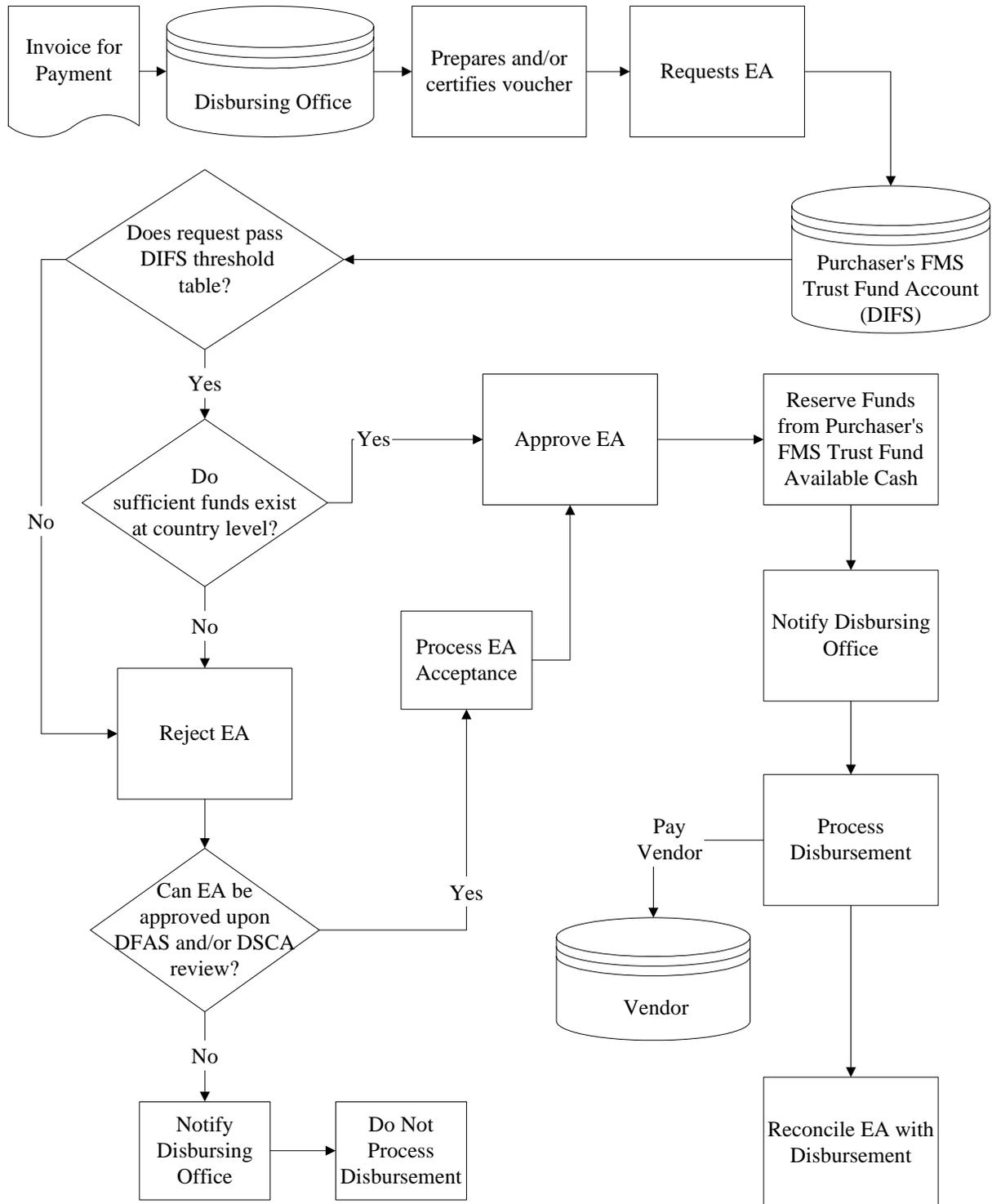
Figure C2.F8. Prevalidation Chronology of Funds Flow



C2.10. EA

EA is required before any disbursements (including reconciliation adjustments) are made against any case (see Figure C2.F9). For vendor payments, EA is requested as the payment voucher is processed, usually the day before the disbursement is made. An EA request checks “available cash” at country level (not case level) within the FMS Trust Fund for sufficient funds to pay the invoice. The system moves the requested funds from “available cash” to “reserved cash” to cover pending disbursements. Disbursements are paid from the “reserved cash” account. When sufficient funds are not available, EA is not approved and manual intervention occurs. If the purchaser has an account with a Federal Reserve Bank (FRB), then DFAS Denver may make an “emergency” draw from that account. If not, DFAS Denver may request additional payment from the purchaser or take other appropriate action. DFAS Denver reconciles EA with disbursements at month-end. (See Appendix 5 (forthcoming) for more details.)

Figure C2.F9. Cash Management Disbursing Office EA Process



C2.11. FINANCIAL DATA PROBLEMS

C2.11.1. FTC. This condition results when commitments, obligations, and/or expenditures exceed OA issued.

C2.11.1.1. Overcommitted. Commitments posted exceed OA. To solve:

C2.11.1.1.1. Validate OA value.

C2.11.1.1.2. Validate commitments with actual funding documents.

C2.11.1.1.3. Validate that all requirements are established.

C2.11.1.1.4. Ensure duplicate requirements are not established.

C2.11.1.1.5. Ensure requirements are not established as both DC and reimbursable.

C2.11.1.1.6. If commitment is valid, request additional OA or process OA revision. A case and/or line increase may be required, as well.

C2.11.1.2. Over-Obligated. Obligations posted exceed OA. To solve:

C2.11.1.2.1. Validate OA value.

C2.11.1.2.2. Validate obligations with actual funding documents.

C2.11.1.2.3. Validate that all requirements are established.

C2.11.1.2.4. Ensure duplicate requirements are not established.

C2.11.1.2.5. If obligation is valid, process case and/or line increase.

C2.11.1.3. Over-Expended. Total expenditures posted exceed OA. To solve:

C2.11.1.3.1. Validate OA value.

C2.11.1.3.2. Validate expenditures with actual funding documents.

C2.11.1.3.3. Validate that all requirements are established and properly billed.

C2.11.1.3.4. If expenditure is valid, request available OA or process OA revision. A case and/or line increase may be required, as well.

C2.11.1.3.5. Billing and/or payment histories and vouchers may be obtained from the applicable payment office (listed on front page of the funding document) to help validate expenditures. Querying MOCAS may also help validate obligations and/or expenditures for contracts paid by DFAS Columbus.

C2.11.2. AFC. This condition is addressed in Volume 15, Chapter 2, Section 0212 of reference (b). An AFC is usually resolved by ensuring all obligations for the case are posted properly and that all posted expenditures belong to that particular case.

C2.11.3. Anti-Deficiency Act (ADA). See Volume 14 and Volume 15, Chapter 2, Section 0212 of reference (b) for the conditions, remedies, and penalties on ADA.

C2.12. PDs

C2.12.1. Definition. A transaction reported to the Treasury Department's Financial Management Service when receipt at the official accounting station cannot be successfully matched to the original obligation or accounts receivable amount for liquidation purposes. PDs include UMDs, NULOs, and in-transit disbursements made by disbursing officers. For purposes of this Manual, PDs are classified into two categories: UMDs (to include in-transits) and NULOs.

C2.12.2. Resolution Timeline. In total, DFAS and the activity issuing the contract and/or funding document have 120 days to research and correct UMDs or NULOs. When the issuing activity and their accounting office are co-located, the research period is limited to 90 days. (See Table C2.T5. and Figure C2.F10., below.) During the first 60 days, IA and/or DFAS shall research and record obligations if documentation is held. DoD policy states that, beginning April 1, 2002, if the issuing activity has not recorded the obligations within 120 days after the UMD or NULO has occurred, if DFAS holds a copy of the obligating document they must record the obligations.

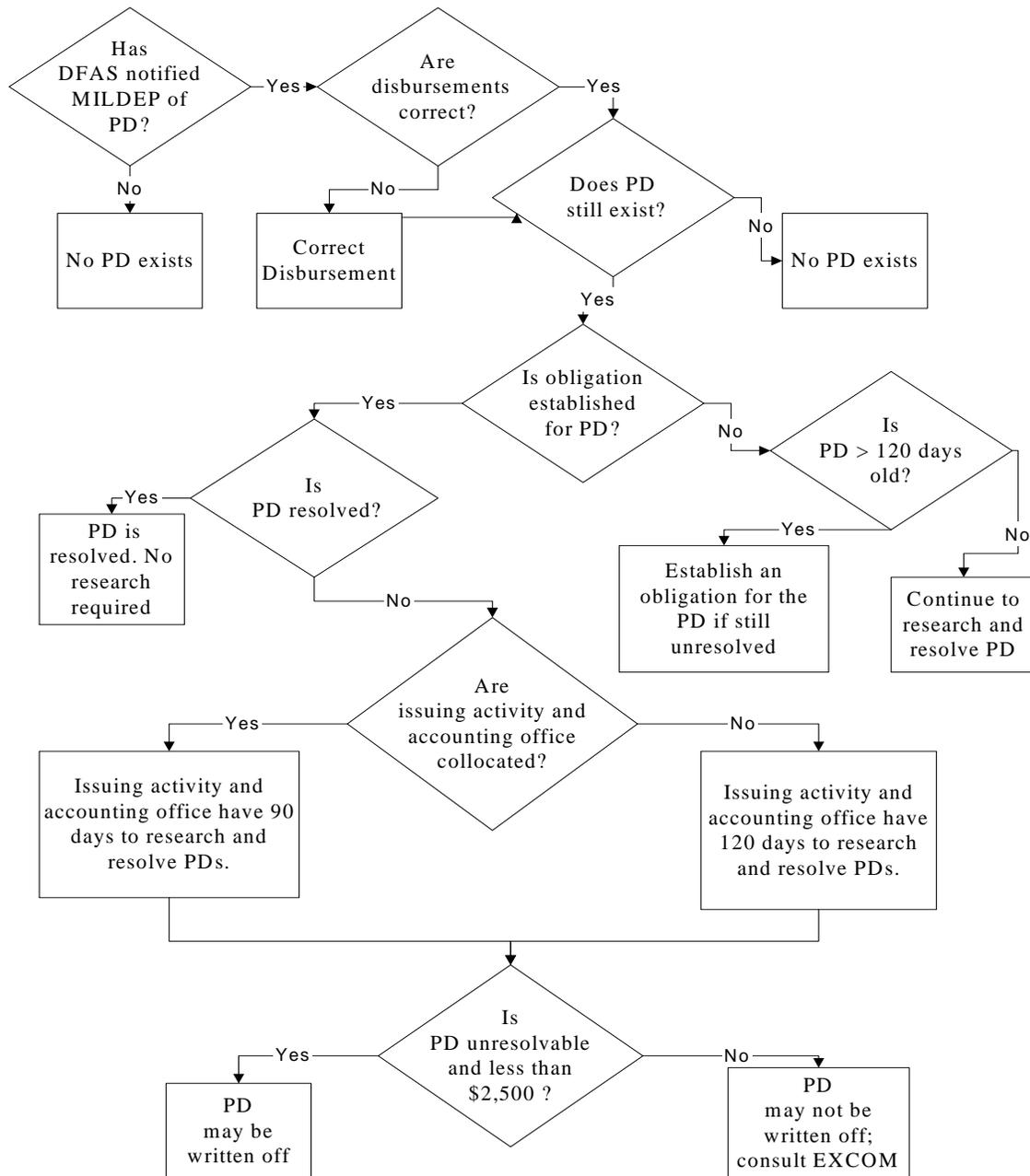
C2.12.3. Write-off Authority. IAs and/or DFAS Denver have the authority to write off unresolvable PDs of up to \$2,500 per transaction. EXCOM shall resolve PDs greater than \$2,500 per transaction, as delegated by the Director, DSCA Business Operations/Comptroller. (See chapter 6.)

C2.12.4. Impact on Closure. All PDs must be cleared before closure, regardless of closure type.

Table C2.T5. Timeline for PD Review and Resolution

<u>DAYS</u>	<u>RESPONSIBILITY</u>	<u>ACTION</u>
0 – 60	IA and/or DFAS Denver	Research PD. Clear UMD or NULO or record valid obligations if documentation held.
61-120 (61-90 if co-located)	Issuing Activity	Research PD. Clear UMD or NULO or record valid obligations if documentation held.
121 (91 if co-located)	DFAS Denver	Record obligations or use write-off authority to liquidate PDs.

Figure C2.F10. PD Resolution Process



C2.12.5. UMDs.

C2.12.5.1. Disbursements are submitted to the IA for material, training, or services and become a problem when there is missing or inaccurate information on record fields, such as an Accounting Activity, Appropriation Symbol, and/or Appropriation Subhead that does not match to the correct detail obligation recorded in the MILDEP accounting system. This includes transactions that were rejected back to the paying office or central disbursement clearing organization by an accounting office. The PD may not properly match to a valid obligation at the country level; country and/or case level; or at the contract, requisition, and/or Accounting Classification Reference Number (ACRN) level. PDs may be related to contracts, reimbursable documents, travel records, or Interfund transactions from the DoD defense supply activities, such as the Defense Logistics Agency (DLA) or the GSA. UMDs prevent case closure.

C2.12.5.2. Researching UMDs. Information found on LOAs, Defense Cash Accountability System (DCAS), vouchers, contracts, payment histories, MOCAS, DIFS, MILDEP, or other systems should be verified. Research may uncover missing information about the PD or confirm how the disbursement may be modified and then accurately applied to a valid existing obligation to speed disbursement processing.

C2.12.6. NULO. Results when a disbursement transaction has been matched to the cited detail obligation, but the total disbursement(s) exceed(s) the amount of that obligation. A NULO may or may not cause an AFC and/or FTC condition, depending on whether the NULO causes total expenditures to exceed obligations and/or OA at the case level. A NULO may or may not also cause an ADA violation. If the NULO is caused by an overpayment to a contractor, refer to the procedures in Volumes 4, 5, 10, and 15 of reference (b). NULOs prevent case closure.

C2.12.7. SF1081 (“Voucher and Schedule of Withdrawals and Credits”). This form is used to move disbursement transactions from one case and/or line item to another as well as to correct erroneous disbursement information.

C2.12.8. Contract Overpayments.

C2.12.8.1. The timeline for resolution of NULOs does not apply if the NULO was caused by a contract overpayment. Policies and procedures for collecting commercial or contractor debt are in the Volume 10, Chapter 18 of reference (b). Subpart 32.6 of reference (d) also prescribes policies and procedures for ascertaining and collecting contract debts.

C2.12.8.2. When a NULO is found to be an overpayment, the applicable Accounting and/or Finance Branch forwards a Debt Package to the original disbursing office (e.g., DFAS Columbus) and records the NULO as a contract overpayment. The Disbursing Officer issues a demand letter when finding a debt existing from a contractor. The demand letter shall direct the contractor to pay the disbursing office for the debt.

C2.12.8.3. Based on the statute of limitation, agencies shall not file a formal complaint to pursue a collection action 6 years from the debt repayment due date or 1 year after a final decision has been made in an administrative proceeding, whichever is later. Administrative offsets of payments may continue for up to 10 years. Accordingly, the collection of contractor debts shall be pursued IAW the time limitations specified in Section 2415 of Title 28, United States Code (U.S.C.) (reference (f)) and Section 3716 of Title 31, U.S.C. (reference (g)).

C2.13. UNDERCOLLECTED CASES

DFAS Denver oversees the reconciliation of FRs to total collections throughout the life of the case. To rectify underpayment issues for cases, DFAS Denver shall take initial written follow-up action as described below:

C2.13.1. For cases with payments of \$1 million or more due from the purchaser, written follow-up action is taken 30 days after the payment due date. If no response is received, additional follow-up shall be made 60 and 90 days after the payment due date. DFAS Denver refers case-level late payments more than 120 days after the payment due date to DSCA/CFM for further action.

C2.13.2. For cases where the payment due is less than \$1 million and the lack of payment would have no significant impact on the purchaser's Trust Fund balance, written follow-up action is taken 60 days after payment due date.

C2.13.3. If the payments on FMF loan-financed cases have not been received 3 weeks after the payment due date, DFAS Denver shall consult with the purchaser to decide the status of any loan drawdown letters that may be required. For any amounts still unpaid, DFAS Denver shall send written follow-up action to the purchaser, citing the unpaid amount by case, and requesting the purchaser prepare a loan drawdown letter or make cash payments to cover the amount due. These letters shall be coordinated with DSCA/CFM before dispatch. If payments due stay unpaid 60 days after the bill payment due date, the matter shall be referred to the DSCA Business Operations/Comptroller directorate for further action.

C2.13.4. All FMS payments that have not been collected within 120 days of the due date shall be immediately reported to DSCA/CFM for further collection action. DFAS Denver shall notify DSCA/CFM immediately of any payments received after referral.

C2.14. PERFORMANCE REPORTING FOR ACTIVE CASES

C2.14.1. Monthly Reporting. The MILDEP systems report performance to DIFS for FMS cases representing the cost of the FMS materials and services and Work in Process (WIP). DIFS executes two performance cycles each month, except for one cycle in months when the DD Form 645A is produced. Performance is updated in DIFS and processed to the purchaser's quarterly DD Form 645A bill. The performance feedback is

sent from DIFS to the MILDEP accounting systems via PTC. Table C2.T6. shows the types of performance transactions that are sent from the IAs to DIFS.

Table C2.T6. Performance Reporting

Section 21 of the Arms Export Control Act (AECA) (reference (h)) refers to sales from stock (non-contract). Section 22 of the AECA (reference (h)) refers to sales from procurement (contract).

<u>PERFORMANCE TRANSACTION</u>	<u>DESCRIPTION OF PERFORMANCE TRANSACTION</u>	<u>DIFS UPDATES</u>
'NA'	Delivery reporting based on final expenditure processing -OR- Estimated delivery reporting because of shipping status posted for 30 days for which final expenditures have not yet processed (E-Bill) -OR- ULO delivery transaction at time of interim closure submission.	Delivered Articles and Services including: -Section 21 Liquidated and Non-Liquidated -Section 22 Liquidated and Non-Liquidated -CAS Liquidated and Non-Liquidated -LSC and/or Stock Fund Add On
'ND'	Progress payment or partial, incremental billing -OR- ULO processing during interim closure.	Progress Payment Reported, including CAS, if charge is Section 22
'NX'	Delivery reporting for percentage – based accessorial charges such as transportation and Packing, Crating, and Handling (PC&H) -OR- Delivery reporting for actual accessorial charges.	Accessorial Costs
'NZ'	Delivery transaction codes with an Adjustment Reply Code for SDR financial adjustment.	Delivered Articles and Services including: -Section 21 Liquidated and Non-Liquidated -Section 22 Liquidated and Non-Liquidated -CAS Liquidated and Non-Liquidated -LSC and/or Stock Fund Add On

C2.14.1.1. DSC. The DSC represents the type of reporting based on material and/or services supplied. (See Chapter 8 of reference (b) for a complete list of DSCs.) The DSC shows if the delivery should be posted in DIFS data fields Section 21 or Section 22 and gives an audit trail between the performance and pricing of the LOA. The DSC is used by DIFS to assess add-on costs for surcharges.

C2.14.1.2. Reimbursement Code. The codes in Table C2.T7. are used by DFAS Denver to decide the reimbursable status of the transaction. Reimbursement codes show if the delivery is posted in DIFS data fields Section 21 or Section 22, liquidating or non-liquidating.

Table C2.T7. Reimbursement Codes

<u>CODE</u>	<u>DEFINITION</u>
D	Non-liquidating for contracts
I	Interfund reimbursement to DoD supply activities
M	Miscellaneous receipts
N	Liquidating, also updates progress payments
R	Reimbursable
S	Reimbursement to DoD supply activities (may or may not be Interfund)

C2.14.1.3. Price Codes. The price codes in Table C2.T8. identify the delivery report as a charge to WIP or a physical delivery or performance of requested DoD services.

Table C2.T8. Price Codes

<u>CODE</u>	<u>DEFINITION</u>
Blank	No CAS is applicable; progress payment
A	Delivery is at actual costs
E	Delivery is at an estimated price; actual cost to be reported at a later date
N	Progress payments or CAS needs to be charged

C2.14.2. E-Bills. Chapter 8, Section 080102.B of reference (b) requires the heads of DoD Components to report physical deliveries of items or performance of services to DFAS Denver within 30 days of shipment or service completion. These E-Bills are applied to all open cases that are not pending interim or final closure. E-Bills are reported for the entire obligation value, regardless of whether previous incremental or accrued bills have processed. An E-Bill is reversed and restated when there is a change in obligation value, if shipment status is removed, or when actual final billing has occurred. The impact of E-Billing to the international purchaser includes faster delivery reporting on the quarterly FMS Delivery Listing; more timely assessment of LSC, administrative and accessorial surcharges; and more timely submission of SDRs for non-

receipt of material. All E-Bills must be converted to Actual Delivery Performance Reporting (A-Bills) before closure.

C2.14.3. Constructive Delivery Reporting. The reporting of quantities of items on LOA lines having a unit of issue of each EA for the generic codes listed below. The DoD Components must report constructive deliveries to DFAS Denver in the 'C1' transaction format within 30 days of title transfer to the purchasing country. These transactions are not part of the formal FMS billing system.

C2.14.3.1. These generic codes apply:

C2.14.3.1.1. Generic codes A1 through A5 and A9B (Aircraft).

C2.14.3.1.2. Generic codes B1 through B4 (complete missile lines only).

C2.14.3.1.3. Generic code C (Ships).

C2.14.3.1.4. Generic code D (Combat Vehicles).

C2.14.3.1.5. Generic code E3 (Tactical and Support Vehicles).

C2.14.3.1.6. Generic codes F2 through F4 (Weapons).

C2.14.3.1.7. Generic codes G2, G4, G5 (less M and Y), and G6A (Ammunition).

C2.14.3.1.8. Generic code H4 (Communications Equipment).

C2.14.3.2. The 'C1' transaction format is shown in Table C2.T9., below:

Table C2.T9. 'C1' Transaction Format

<u>COLUMN(S)</u>	<u>DATA ELEMENT</u>
1-2	'C1'
3-4	Country Code (CC)
5	IA
6-8	Case Designator
9-11	LOA Line Number (Record Serial Number)
12-15	Blank
16-21	Cumulative Quantity Delivered to Date
22-72	Blank
73-78	Reporting Date (YYMMDD format)
79	Blank
80	Originator (always an 'A')

C2.15. SURCHARGES

FMS surcharges consist of Administrative, CAS, LSC, and Accessorials, such as PC&H and transportation. The Surcharge Matrix in Chapter 8 of reference (b) has a list of DSCs and shows if surcharges apply.

C2.15.1. Administrative Surcharge.

C2.15.1.1. Definition. The administrative surcharge is applied by the USG to recover costs for administering the FMS program. (See Sections 21(e)(1)(A) and 43(b) of the AECA (reference (h)), as well as Volume 15, Chapter 7 of reference (b).)

C2.15.1.2. Business Rules. The administrative surcharge is included as a below-the-line charge on the LOA. Administrative surcharge rates vary depending on the implementation date of the individual LOA line and whether the line is for standard items, non-standard items, program management, or certain types of training. (See Chapter 9, Table C9.T2. of reference (c) for more information.)

C2.15.2. CAS.

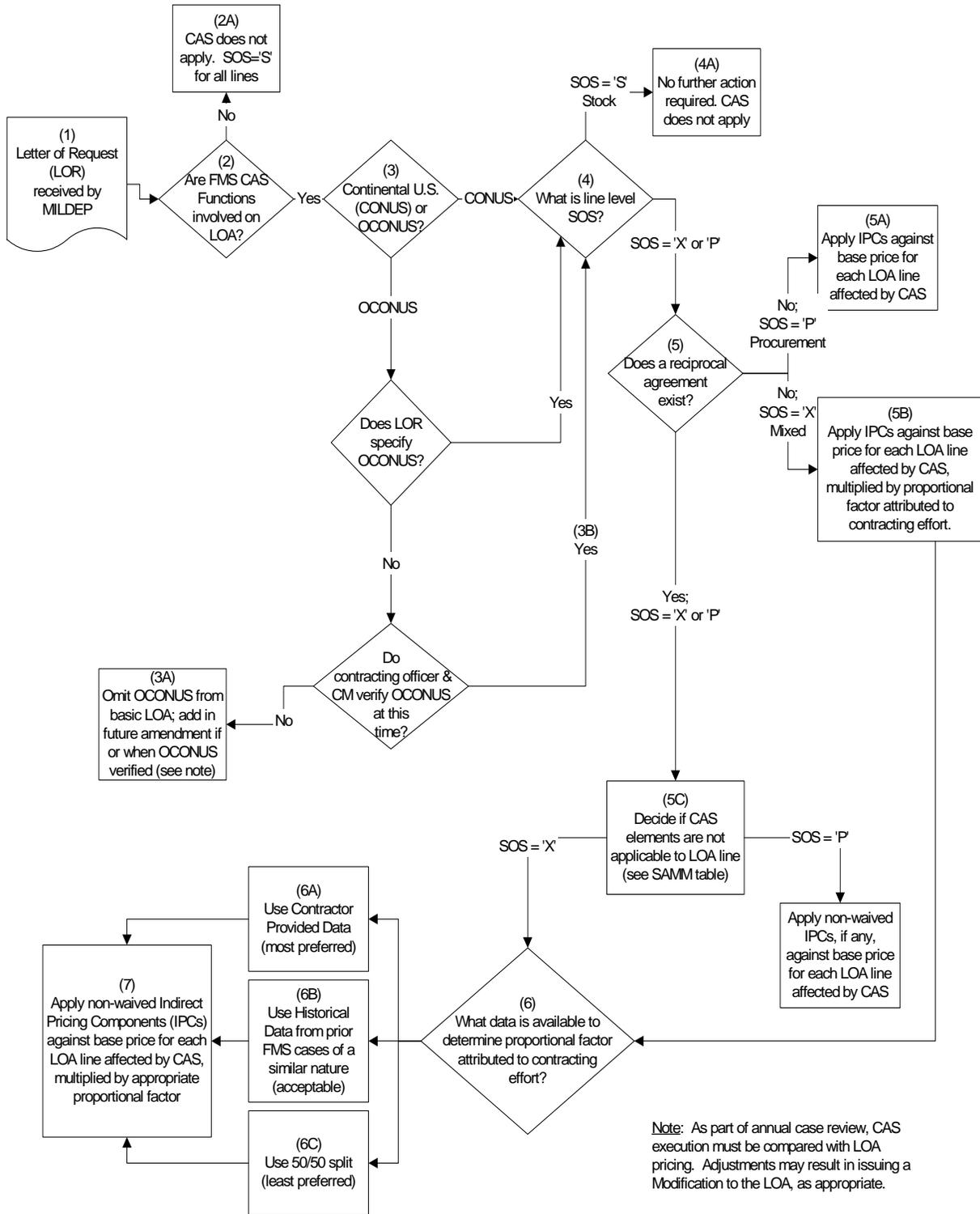
C2.15.2.1. Definition. CAS is a surcharge applied by the USG for quality assurance and inspection, contract audit, and contract administration. Some countries have a CAS waiver (see Tables C9.T3. through C9.T5. of reference (c)). Waivers are based on reference (h) and international agreements. CAS is initially priced on the LOA during its development. Ensuring accurate accounting for CAS is a key component in case reconciliation. References (b) and (c) and the FMS Customer Financial Management Handbook (Billing) (reference (i)) should be consulted for additional information.

C2.15.2.2. Business Rules. FMS CAS rates vary depending on the implementation date of the basic (new) LOA. Table C2.T10. describes all CAS rates. In conjunction with this policy, DSAMS was set up to include additional "Standard" Notes to cover this new requirement. They are titled as follows: CAS, CASWAIVER2, CAS Outside the Continental United States (OCONUS), and CASOCONUSWAIVER2. These notes are required on ALL basic cases, Amendments, or Modifications that have either an 'X' or a 'P' in SOS (column (5)) of the LOA. CAS is applied in DSAMS to contract primary cost components that relate to primary element code of 'CC'. (See Figure C2.F11.) The total CAS percentage applied is shown on the DIFS (FIC1) Case Control Summary Data Screen. (See Figure C2.F12.)

Table C2.T10. CAS Percentage Rates

<u>CAS COMPONENT</u>	<u>BASIC LOAS IMPLEMENTED BEFORE OCTOBER 1, 2002 AND RELATED AMENDMENTS AND MODIFICATIONS (REGARDLESS OF IMPLEMENTATION DATE)</u>	<u>BASIC LOAS IMPLEMENTED ON OR AFTER OCTOBER 1, 2002</u>
Contract Administration and Management	.50 percent	.65 percent
Quality Assurance and Inspection	.50 percent	.65 percent
Contract Audit	.50 percent	.20 percent
OCONUS, if applicable		.20 percent

Figure C2.F11. CAS LOA Development Cycle



C2.15.2.3. The annual case review matrix and checklists (Figures C2.F4. through C2.F6.) include a requirement to validate CAS pricing accuracy. This entails ensuring a linkage exists between actual CAS-related execution performance and the current CAS pricing profile as listed in DSAMS. The annual review may require adjustments to the DSAMS CAS pricing structure and issuance of a corresponding LOA Modification.

C2.15.2.4. CAS Performance Transactions.

C2.15.2.4.1. CAS shows in DIFS FIC1 in the PRG-PMT-CAS data field. DIFS shows Progress Payment CAS amount resulting from ‘ND’ transactions and Delivered CAS Liquidating and Non-Liquidating resulting from ‘NA’ transactions. During active case execution, CAS applies to both ‘ND’ and ‘NA’ performance transactions. CAS costs are also included in the Delivered Articles and Services value in DIFS. CAS also posts to DIFS data fields DLVR-CAS-LIQ and DLVR-CAS-NON-LIQ amount (see Figure C2.F12.). Figure C2.F13. shows a sample DIFS Cash Accounting Summary Data Screen (FIS2).

Figure C2.F12. CAS Amounts on DIFS Case Control Summary Data Screen (FIC1)

ORDERED COST		DELIVERED COSTS	
TOTAL - 1513 - CST	14,489,560.00	DLVR - SEC21 - NON - LIQ	10,200,680.79
ORD - ART - SVC - CST	13,478,482.00	DLVR - SEC21 - LIQ	127,228.19
ORD - ADMIN - COST	404,354.00	DLVR - SEC22 - NON - LIQ	1,638,960.05
ORD - ACSRL - COST	606,724.00	DLVR - SEC22 - LIQ	625,667.64
TOTAL - ORD - COST	14,489,560.00	DLVR - ART - SVC - COST	12,592,536.67
ULO SUMMARY COST		DLVR - ADMIN - COST	377,767.24
ULO - REQD	.00	DLVR - ACSRL - COST	505,962.36
ULO - EQUITY	.00	TOTAL - DLVR - COST	13,476,266.27
ULO - EA - ISS	.00	DLVR - CAS - NON - LIQ	24,246.60
ULO - DISB	.00	DLVR - CAS - LIQ	9,012.08
PROGRESS PAYMENTS		LSC - STOCK - FUND	132,529.65
PRG - PMT - RPT	733,856.92	RPT - EXPN	12,592,536.67
PP - DISB - UNDLV	.00	ADMIN - EARNED	391,060.62
PRG - PMT - HLDBK	.00	COLLECTIONS	
PP - ADMIN - COST	13,293.38	TRUST - FUND - CLCT	13,592,069.69
TOT - UNLIQ - PP	.00	INT - BR - ACCT - BAL	268,165.00
PRG - PMT - CAS	9,012.08	TOTAL - CLCT	13,860,234.69

{F1} HLP {F3} EXT {F7} PGUP {F9} PREV 05/24/04
 {F2} CLR {F8} PGDN {F12} PRT SCR 15:09:07

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DIFS Case Control Summary shows PRG-PMT-CAS equals DLVR-CAS-LIQ. The sum of DLVR-CAS-NON-LIQ and DLVR-CAS-LIQ equals \$33,258.68, which at closure shall equal CAS-TFRS on Cash Accounting Summary Data Screen, shown in Figure C2.F13., below.

Figure C2.F13. DIFS Surcharges Shown on Cash Accounting Summary Data Screen (FIS2)

FIS2		CASH ACCOUNTING SUMMARY DATA		DATE 05/24/04	
				2440	44
TOTAL CLCT	13,592,069.69	DISB TOTAL		13,622,468.28	
INT BEAR ACCT BAL	268,165.00	ART SVC DISB		12,562,561.56	
EA ISSUED	4,662.79	LSC TFRS		129,625.06	
		CAS TFRS		33,258.68	
		ULO TFRS		0.00	
		ADMIN TFRS		391,060.62	
		ACCSL DISB		505,962.36	

CHANGE COUNTRY, IA OR CASE AND HIT ENTER

RETURN MAINMENU (PF1) RETURN SUBMENU (PF3) RETURN CICS (CLEAR)
 PRINT SCREEN (PF12)

DIFS shows surcharge amounts disbursed on Cash Accounting Summary Data screen. At closure, Cash Accounting surcharges must equal surcharges posted to Case Control Summary screen (see Figure C2.F12., above).

C2.15.2.4.2. Reconciliation of CAS. If, during the annual case review, actual CAS exceeds estimated CAS by the greater of 10 percent or \$200, CAS must be reconciled. A validation of appropriation codes, DSCs, price codes, and reimbursement codes identifies applicable CAS. A case Modification may be required to adjust estimated CAS.

C2.15.3. LSC.

C2.15.3.1. Definition. LSC is defined as the assessment of a 3.1 percent surcharge of the material value intended to recover the cost of logistics support involved in providing the spares and other items required to maintain a weapon system. These costs represent production control, requisition processing, inventory management, and logistics management.

C2.15.3.2. Business Rules.

C2.15.3.2.1. DFAS Denver applies LSC to delivery costs for those lines in FMS cases that have been identified as support lines, based on the MASLs included in the LOA.

C2.15.3.2.2. Generic codes for which LSC applies are found in Volume 15, Chapter 7, paragraphs 0722 through 072205 of reference (b).

C2.15.3.2.3. LSC applies to items cited in subparagraph C2.15.3.2.1. that were shipped on or after April 1, 1987, except for generic codes B1 through B3.

C2.15.3.2.4. LSC applies to generic codes B1 through B3 for items shipped after February 1, 1992. LSC does NOT apply to Defense Working Capital Funded (DWCF) material with a pricing code of 'SR' or 'SF', shipped after October 1, 1990 since it is included in the price of the material. DSCs for DWCF that are exempt from LSC are: AA, AB, AC, AD, AH, AJ, AK, CA, and SA. These relate to pricing elements SR and SF with financing appropriation 97X4930 (DWCF).

C2.15.3.2.5. LSC only applies to 'NA' delivery transactions. It never applies to 'ND' transactions.

C2.15.3.2.6. LSC is shown in DIFS Delivered Articles and Services.

C2.15.3.3. Reviewing LSC. As cited above in subparagraphs C2.15.2.2.3. and C2.15.2.2.4., the date of shipment influences the computation of LSC. The DIFS FIC1 query identifies LSC in the field "LSC-STOCK-FUND". This field shows costs for both LSC and Stock Fund Add-On (1980-1982). The field may also be found using the DIFS FIS2 Cash query (LSC Transfers (TFRS)). To verify LSC, using the DIFS FIC1 "DLVR-ART-SVC-COST" field, subtract "LSC STOCK FUND" and CAS to equal IA expenditures. IA expenditures are verified by subtracting CAS, LSC, and Stock Fund Add-On costs from DLVR-ART-SVC-COST. In addition to LSC, cases implemented before April 1987 may include a Stock Issue Asset Use (SIAU) charge. This charge is included on the DIFS FIC1 query "LSC-STOCK-FUND". (See Figure C2.F14.) Unlike LSC, which is subtracted from the "DLVR-ART-SVC-COST" to find IA expenditures, SIAU is added to the IA expenditures to equal "DLVR-ART-SVC-COST".

Figure C2.F14. DIFS Case Control Summary Data Screen (FIC1)

ORDERED COST		DELIVERED COSTS	
TOTAL - 1513 - CST	35,698,370.95	DLVR - SEC21 - NON - LIQ	2,070,339.20
ORD - ART - SVC - CST	34,658,612.63	DLVR - SEC21 - LIQ	.00
ORD - ADMIN - COST	1,039,758.32	DLVR - SEC22 - NON - LIQ	11,602.12
ORD - ACSRL - COST	.00	DLVR - SEC22 - LIQ	32,576,671.31
TOTAL - ORD - COST	35,698,370.95	DLVR - ART - SVC - COST	34,658,612.63
ULO SUMMARY COST		DLVR - ADMIN - COST	1,039,758.32
ULO - REQD	140,629.11	DLVR - ACSRL - COST	.00
ULO - EQUITY	.00	TOTAL - DLVR - COST	35,698,370.95
ULO - EA - ISS	75,970.27	DLVR - CAS - NON - LIQ	.00
ULO - DISB	75,970.27	DLVR - CAS - LIQ	478,230.66
PROGRESS PAYMENTS		LGC - STOCK - FUND	12,288.78
PRG - PMT - RPT	32,436,200.06	RPT - EXPN	34,658,612.63
PP - DISB - UNDLV	.00	ADMIN - EARNED	1,039,758.32
PRG - PMT - HLDBK	.00	COLLECTIONS	
PP - ADMIN - COST	.00	TRUST - FUND - CLCT	35,698,370.95
TOT - UNLIQ - PP	.00	INT - BR - ACCT - BAL	.00
PRG - PMT - CAS	479,355.68	TOTAL - CLCT	35,698,370.95

{F1} HLP {F3} EXT {F7} PGUP {F9} PREV 03/08/04
 {F2} CLR {F8} PGDN {F12} PRT SCR 08:58:51

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C2.15.4. Accessorials. These include PC&H and “below-the-line” transportation. The appendices in reference (i) have a wealth of information regarding the accessorial charges to help during case development and reconciliation.

C2.15.4.1. PC&H.

C2.15.4.1.1. Definition. The labor, materiel, and service costs related to preparing items for shipment to purchasers.

C2.15.4.1.2. PC&H Policy. Volume 15 of reference (b) and Chapter 9 of reference (c) cite the guidelines for assessing PC&H charges.

C2.15.4.1.3. Business Rules.

C2.15.4.1.3.1. PC&H is usually, but not always, a “below-the-line” accessorial cost and not part of the material value of the FMS case. PC&H charges are included in the accessorials on the DIFS FIC1 query.

C2.15.4.1.3.2. The DSC for non-GSA PC&H is ‘AE’.

C2.15.4.1.3.3. The DSC for GSA PC&H is 'EF'. GSA prescribes its own rates for PC&H applicable to items shipped by GSA.

C2.15.4.1.3.4. For contract material, PC&H is included in the price of the material.

C2.15.4.1.3.5. For DWCF material shipped after September 30, 1990, PC&H is included in the price of the material.

C2.15.4.1.4. Computing PC&H.

C2.15.4.1.4.1. When it is an accessorial, PC&H equals 3.5 percent of the first \$50,000 of the material value, plus 1 percent of value above \$50,000.

C2.15.4.1.4.2. When it is a separate line on the LOA (i.e., above-the-line cost), the Line Manager decides the PC&H value to be charged. In this instance, PC&H is NOT considered an accessorial.

C2.15.4.2. "Below-the-Line" Transportation.

C2.15.4.2.1. Definition. The cost to ship material to purchasers.

C2.15.4.2.2. Transportation Policy. See Volume 15 of reference (b), reference (c), and the DoD 4500.9-R (reference (j)), Part II, Cargo Movement, for transportation policy and guidelines.

C2.15.4.2.3. Business Rules.

C2.15.4.2.3.1. Transportation costs are estimated during case development and are considered below-the-line accessorial costs, or below line '8' on the LOA.

C2.15.4.2.3.2. The DTC is the initial indicator of transportation costs. It specifies the planned transportation arrangements for delivering material to the purchaser. (See the DTC tables and rates in Volume 15 of reference (b).)

C2.15.4.2.3.3. TBC is used to override the DTC or when no DTC was given on the requisition. It is not part of the requisition document number. The override is used to charge an amount different from that computed by the DTC and documents the actual transportation method used for that requisition. (See the TBC definitions and rate table in Volume 15, Chapter 8, Section 080402.R of reference (b).)

C2.15.4.2.3.4. For DWCF material shipped on or after October 1, 1990, inland transportation costs (generic code L1A) are included in the price of the material.

C2.15.4.3. Transportation Cost Look-Up Table (TCLT). The TCLT gives applicable DoD Components estimated actual transportation costs for items normally shipped in the

Defense Transportation System, e.g., sensitive and/or hazardous end items, or when costs using standard transportation percentages are significantly different from actual charges. Procedures and guidelines for use of the TCLT are in Appendix AP2 of reference (c).

C2.15.5. “Above-the-Line” Transportation. For shipments related to USG or contractor material supplied to another USG agency or contractor, special Transportation Account Codes (TACs) are used. (See Part II, Appendix V, and Appendix V7 of reference (j) for Security Assistance Program Shipment TACs.)

C2.16. SSC CRITERIA

Eventually, an active case or line transitions into SSC status. A thorough process exists for deciding that an FMS case or line is SSC. (See Figure C2.F15.) The following events pertain:

C2.16.1. All items are delivered; title has transferred.

C2.16.2. Notification has occurred within the legacy system.

C2.16.3. CM has verified with the Line Manager.

C2.16.4. Line manager has verified with the PM, if applicable.

C2.16.5. Verification has been undertaken with the supply depots and/or vendors.

C2.16.5.1. Related documentation is in the case file, e.g., DD Form 250. Automated equivalents are encouraged.

C2.16.5.2. FMS reviews are completed to confirm completion of logistical actions with the purchaser.

C2.16.6. All services have been performed.

C2.16.6.1. Training. All courses are completed, all Temporary Duties (TDYs) are finished, and all case-funded salary positions have expired.

C2.16.6.2. Other services. Period of performance has elapsed.

C2.16.6.3. Program Management Line (PML). The end point may vary, but may be no later than 12 months after final delivery and/or performance of last non-PML service for the related case(s). Like any other service, the duration of PML must be linked to the period of performance.

C2.16.7. All notes on the LOA are satisfied.

C2.16.7.1. Conditions and/or requirements have been met.

C2.16.7.2. There are no outstanding issues and/or actions.

C2.16.7.3. Confirmation with case and/or Line Manager has occurred.

C2.16.7.4. All warranty periods have elapsed.

C2.16.8. No items are in storage.

C2.16.9. If the country is under suspensions and/or sanctions, there are no deliveries pending, and no future deliveries shall occur once sanctions are lifted.

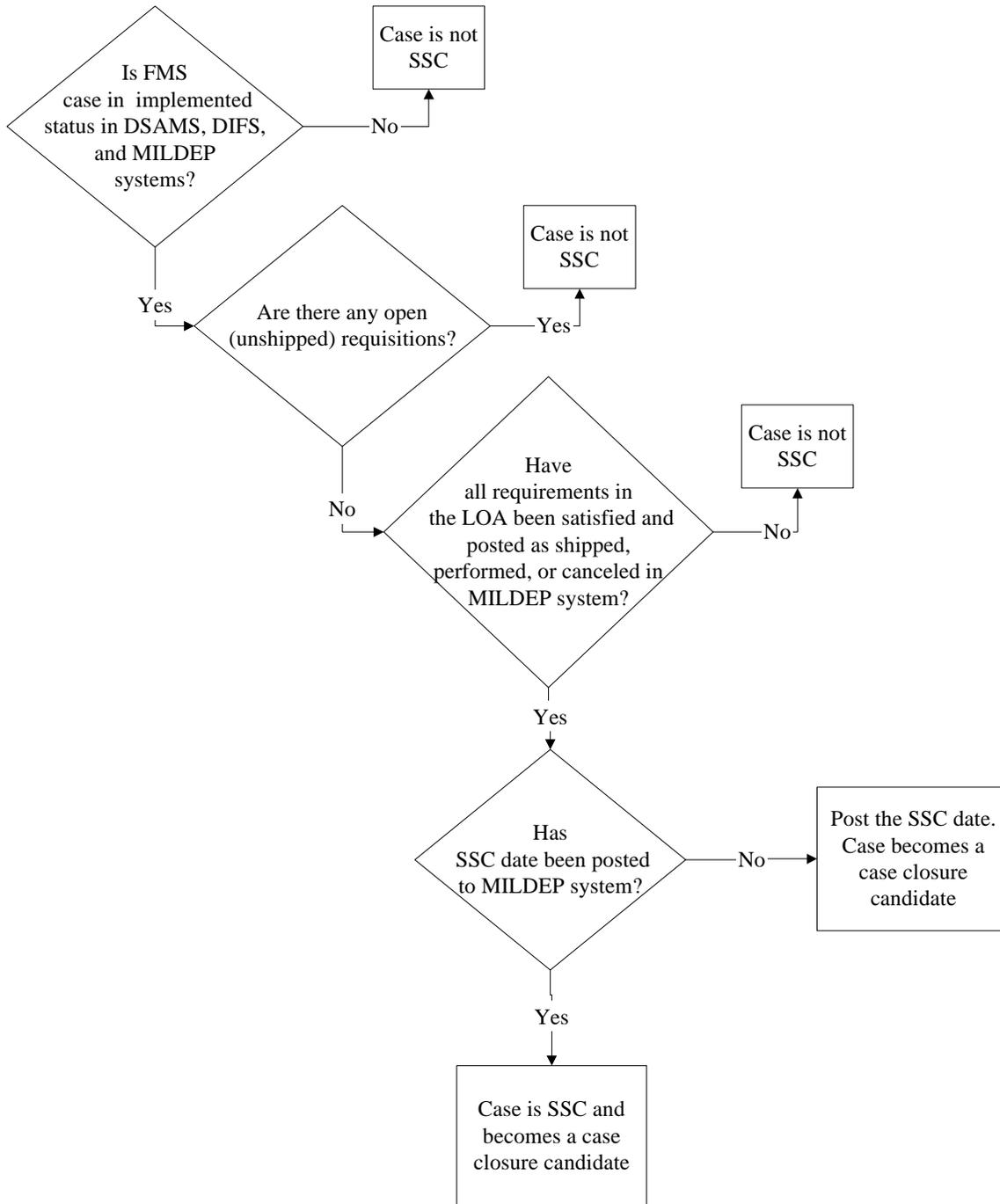
C2.16.10. IAs manually enter status (including SSC date), or the MILDEP system automatically decides a case meets the SSC criteria.

C2.16.11. The purchaser has been notified.

C2.16.11.1. NSSC or equivalent document has been issued, as established by each IA.

C2.16.11.2. During FMS reviews, cases are confirmed to be SSC and candidates for closure; cases to remain open have been identified with rationale and approval authority.

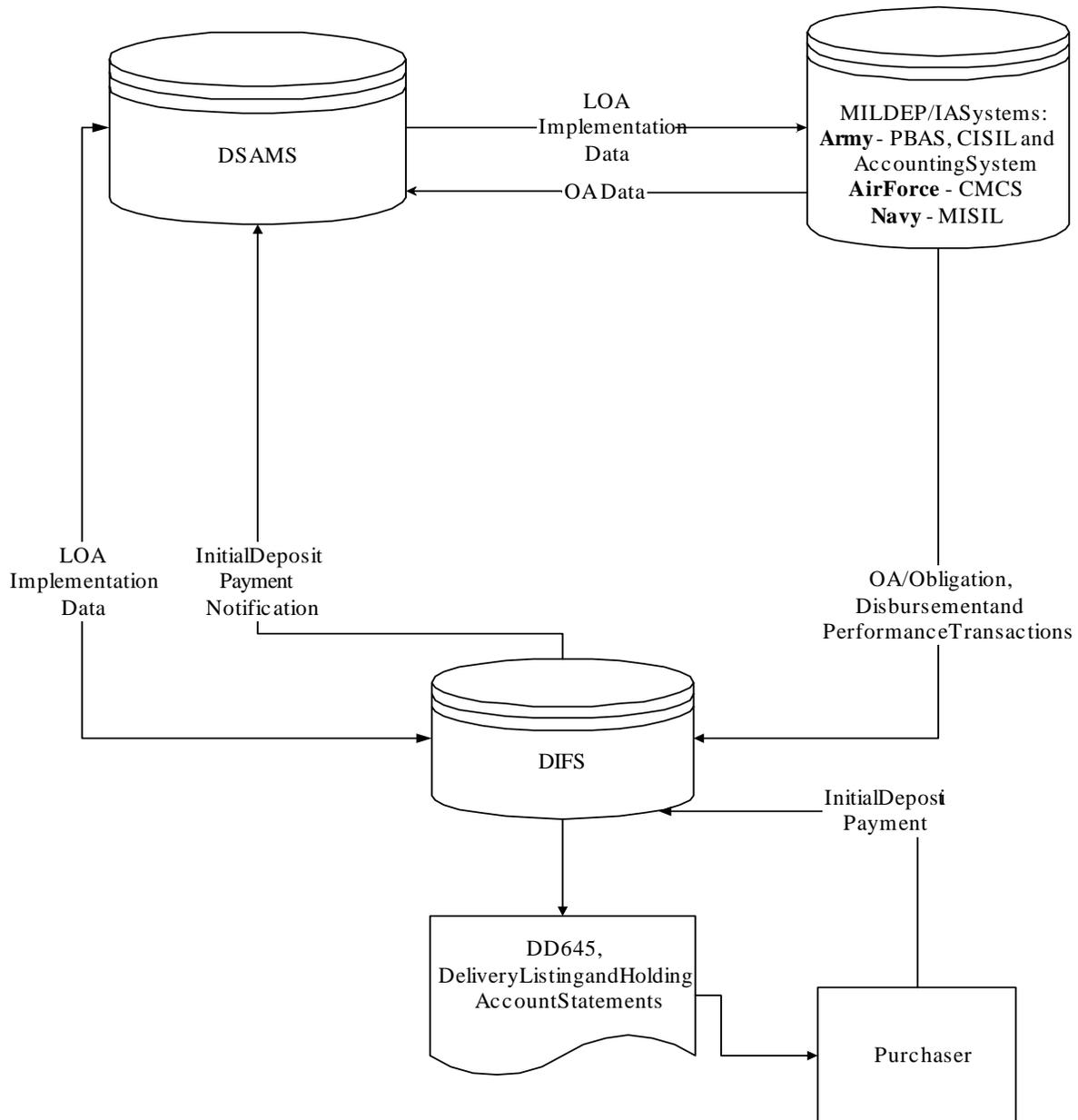
Figure C2.F15. SSC Process



C2.17. SYSTEMS INTERFACES

C2.17.1. Figure C2.F16. shows the primary systems interfaces. (See Table C2.T11. and Appendices 2 through 6 (forthcoming) for further information.)

Figure C2.F16. Systems Interfaces



C2.17.2. Table C2.T11. shows system interfaces that occur during active case reconciliation:

Table C2.T11. Systems Interfaces for Execution Phase Reconciliation

<u>INTERFACE</u>	<u>TRANSACTION</u>	<u>SYSTEM</u>	
		<u>FROM</u>	<u>TO</u>
Requisition case forecast data	'BK'	MILDEP	DIFS
Commitment, obligation, and expenditure data at case, line, and appropriation level		MILDEP	DSAMS
LOA documents and values (case, line, and appropriation level)		DSAMS	MILDEP
Notice of Funds Received	'CGI'	DIFS	DSAMS
LOA values (case, line item, and payment schedule)	'CC' 'CF' 'CG' 'CP' 'CQ' 'C3'	DSAMS	DIFS
Case Status updates to Accepted and Implemented	'CF'	DSAMS	DIFS
OA	'R' series	MILDEP	DIFS
Obligations (DC and reimbursable)	'R' series	MILDEP	DIFS
EA request	'SZI'	MILDEP Accounting System	DIFS
EA issuance	'SZF'	DIFS	MILDEP Accounting System
PTC		DIFS	MILDEP
		And	
		MILDEP	DIFS

<u>INTERFACE</u>	<u>TRANSACTION</u>	<u>SYSTEM</u>	
		<u>FROM</u>	<u>TO</u>
Performance Reporting of WIP	‘ND’	MILDEP	DIFS
Performance Reporting of Final Delivery	‘NA’	MILDEP	DIFS
Performance Delivery reporting below-the-line	‘NX’	MILDEP	DIFS
Major End Item physical delivery reporting	‘C1’	MILDEP	DIFS
Total Disbursement value reported to Treasury (8242)	‘SD’	MILDEP	DIFS
Intraservice Disbursement	‘SF’	MILDEP	DIFS
Buyer Interfund Disbursement Detail	‘SI’	MILDEP	DIFS
Seller Interfund Disbursement Summary	‘SJ’	MILDEP	DIFS
Notification of Seller Interfund Disbursement; country level receipt of billing	‘SJN’	DIFS	MILDEP
Transaction for Others (TFO); Cross-Disbursement	‘SX’	MILDEP	DIFS
Notification of TFO	‘SXM’	DIFS	MILDEP
Transaction by Others (TBO); Interservice Cross-Disbursement	‘SY’	MILDEP	DIFS
FMS case collections	Case Control Summary File Interface	DIFS	MILDEP DSAMS
Assessment of surcharges (CAS, LSC, Administrative, and Accessorials)	Case Control Summary and Line Item File	DIFS	MILDEP

<u>INTERFACE</u>	<u>TRANSACTION</u>	<u>SYSTEM</u>	
		<u>FROM</u>	<u>TO</u>
Delivery adjustments for completed SDRs	'NZ'	MILDEP	DIFS
Disbursement prevalidation requests	'7'	MOCAS or other Entitlement System	MILDEP
Disbursement prevalidation responses	'8'	MILDEP	MOCAS or other Entitlement System
Contract payments	'9'	MOCAS or other Entitlement System	MILDEP
Military Standard Requisitioning and Issue Procedures (MILSTRIP)		Defense Automated Addressing System (DAAS)	MILDEP
		and	
		MILDEP	DAAS

C2.18. ACTIVE CASE EXECUTION PHASE RECONCILIATION MANPOWER FUNDING

The manpower funding guidelines in Table C2.T12. pertain to active case reconciliation efforts:

Table C2.T12. Active Case Execution Phase Reconciliation Manpower Funding

<u>RECONCILIATION FUNCTION</u>	<u>FUNDING SOURCE</u>
Financial and logistical reconciliation until the case becomes SSC	FMS Administrative surcharge; however, a PML may be the funding source if one exists; a PML may not exist solely to reconcile a case.
Expedited reconciliation efforts requested by the purchaser beyond normal financial management standards.	A line on a new or existing case is preferred, although a line on the case being reconciled may be used as well.

C2.19. GENERAL POC MATRIX

Table C2.T13. shows the primary POCs for active case reconciliation.

Table C2.T13. General POC Matrix for Execution Phase Reconciliation

<u>ORGANIZATION</u>	<u>OFFICE SYMBOL</u>
DSCA (Policy)	DSCA/Financial Policy and Support (FPS)
DSCA (Execution)	DSCA/Operations and Administration (OPS-ADMIN)
Army	AMSAC-OL-PA-CS
Navy	NAVY IPO (International Programs Office), Financial and Closure POC (02CF)
Air Force	FMS Financial Management (SAF/FMBIS)
DFAS Denver	DFAS-ADYK/DE
DCMA	DCMA-Federal Business (FB)

C2.20. MIPR, DD FORM 448

C2.20.1. Purpose.

C2.20.1.1. The MIPR is a request for goods or services from another military organization or from within the same MILDEP. (See Figure C2.F17.) The MIPR does not redistribute funds from one organization to another, but cites a fund to allow goods or services to be provided or procured.

C2.20.1.2. The DD Form 448 is completed in two parts, the request and the acceptance. It must have a brief description of why the funds are being provided and when the performance is expected (purpose and period of performance).

C2.20.1.3. MIPRs may be used for reimbursement authority, DC authority, or a mixture of both. The funds certifier shall process the commitment into the financial system.

C2.20.2. Process.

C2.20.2.1. The requesting activity or holder of the funds shall prepare the DD Form 448. The approving authority shall sign his or her name, assign an MIPR number, and ensure that funds are committed. The form is then forwarded to the performing activity.

C2.20.2.2. The performing activity shall complete the form (including technical and financial POC, phone number, and email) and sign the MIPR Acceptance (DD Form 448-2). (See Figure C2.F18.)

C2.20.2.2.1. By accepting the MIPR as a reimbursable document, the performing activity shall supply the goods or services with its own appropriation and bill the requester for reimbursement. The MIPR itself is then obligated in the accounting system.

C2.20.2.2.2. By accepting a MIPR as a DC document, the performing activity shall purchase the goods or services using the fund cited on the MIPR. The fund cited on the MIPR and funding document must match. The performing activity must provide copies of the associated funding document to the requesting activity, to record the obligation in the accounting system. A UMD may result if this is not done.

C2.20.2.2.3. If the DD Form 448 is returned to the requesting activity without acceptance, the performing activity shall not provide the goods or services. In this instance, the corresponding commitment established before in the accounting system must be removed.

C2.20.2.3. The accepted DD Form 448-2 is then sent back to the requesting activity.

C2.20.2.4. For reimbursables, the requesting activity, resource manager, or DFAS, as appropriate, changes the commitment to an obligation on receipt of MIPR acceptance. For DC, the obligation occurs when the associated funding document is received by the requesting activity.

C2.20.2.5. Once the goods or services are provided, the performing activity prepares a bill and/or invoice and sends it to the disbursing office for processing. Not doing so may result in an FTC and/or a PD (particularly UMD) status.

C2.20.2.6. Before incurring the related expenditure, the performing activity shall request additional funding, if needed. Likewise, the performing activity shall advise the requesting activity if the funding amount exceeds the cumulative costs for projected or actual requirements.

C2.20.2.7. 90 days after the work completion date, the requesting activity shall look for shipping and/or service confirmation (e.g., DD Form 250, DD Form 1348-1A, or SF1080), other written confirmation, and billing data (e.g. SF1080, performance transactions, or copies of final invoices) if not received.

C2.20.2.8. DFAS shall process the billings against the obligation set up in the accounting system.

C2.20.2.9. Other Comments on MIPR Procedures.

C2.20.2.9.1. Often the requesting activity prepares the acceptance form DD Form 448-2 along with the MIPR to help the performing activity accept the MIPR faster. The DD Form 448-2 shall be sent from the performing activity to the requesting activity within 60 days of receiving the associated DD Form 448.

C2.20.2.9.2. While a ULO may exist on an MIPR for an ACCP case that is being interim closed, liquidation of the MIPR before closure is preferred. The MIPR must be liquidated before closing a non-ACCP case.

C2.20.2.9.3. When the final billing is received and the total amount of the invoice is less than the ULO prescribed in the accounting system, the requesting activity, the resource manager, or DFAS, as appropriate, shall de-obligate any excess funds after a complete validation of the obligation.

C2.20.3. Related References. Additional directives and resources on the MIPR process include:

C2.20.3.1. Volume 3, Chapter 8 and Volume 11A, Chapters 1 and 3 of reference (b).

C2.20.3.2. Subparts 208.70 and 253.208 of reference (e).

C2.20.3.3. Project Order issuance IAW Section 23 of Title 41 U.S.C. (reference (k)). (See Volume 3, Chapter 8 of reference (b) for the accounting rules.)

C2.20.3.4. Economy Act Order issuance IAW Section 1535 of reference (g). (See Volume 3, Chapter 8 of reference (b) for the accounting rules.)

Figure C2.F17. DD Form 448: MIPR

MILITARY INTERDEPARTMENTAL PURCHASE REQUEST					1. PAGE 1 OF 1 PAGES				
2. FSC		3. CONTROL SYMBOL NO.		4. DATE PREPARED		5. MIPR NUMBER		6. AMEND NO.	
7. TO:					8. FROM: <i>(Agency, name, telephone number of originator)</i>				
9. ITEMS <input type="checkbox"/> ARE <input type="checkbox"/> ARE NOT INCLUDED IN THE INTERSERVICE SUPPLY SUPPORT PROGRAM AND REQUIRED INTERSERVICE SCREENING <input type="checkbox"/> HAS <input type="checkbox"/> HAS NOT BEEN ACCOMPLISHED.									
ITEM NO.	DESCRIPTION <i>(Federal stock number, nomenclature, specification and/or drawing No., etc.)</i>	QUANTITY	UNIT	ESTIMATED UNIT PRICE	ESTIMATED TOTAL PRICE				
<i>a</i>	<i>b</i>	<i>c</i>	<i>d</i>	<i>e</i>	<i>f</i>	S A M P L E			
10. SEE ATTACHED PAGES FOR DELIVERY SCHEDULES, PRESERVATION AND PACKAGING INSTRUCTIONS, SHIPPING INSTRUCTIONS AND INSTRUCTIONS FOR DISTRIBUTION OF CONTRACTS AND RELATED DOCUMENTS.								11. GRAND TOTAL	
12. TRANSPORTATION ALLOTMENT <i>(Used if FOB Contractor's plant)</i>					13. MAIL INVOICES TO <i>(Payment will be made by)</i>				
PAY OFFICE DODAAD									
14. FUNDS FOR PROCUREMENT ARE PROPERLY CHARGEABLE TO THE ALLOTMENTS SET FORTH BELOW, THE AVAILABLE BALANCES OF WHICH ARE SUFFICIENT TO COVER THE ESTIMATED TOTAL PRICE.									
ACRN	APPROPRIATION	LIMIT/ SUBHEAD	SUPPLEMENTAL ACCOUNTING CLASSIFICATION			ACCTG STA DODAAD	AMOUNT		
15. AUTHORIZING OFFICER <i>(Type name and title)</i>					16. SIGNATURE			17. DATE	

DD FORM 448, JUN 72 (EF)

PREVIOUS EDITION IS OBSOLETE.

Figure C2.F18. DD Form 448-2: Acceptance of MIPR

ACCEPTANCE OF MIPR					
1. TO (Requiring Activity Address)(Include ZIP Code)			2. MIPR NUMBER		3. AMENDMENT NO.
			4. DATE (MIPR Signature Date)		5. AMOUNT (As Listed on the MIPR)
6. The MIPR identified above is accepted and the items requested will be provided as follows: (Check as Applicable)					
a. <input type="checkbox"/> ALL ITEMS WILL BE PROVIDED THROUGH REIMBURSEMENT (Category I) b. <input type="checkbox"/> ALL ITEMS WILL BE PROCURED BY THE DIRECT CITATION OF FUNDS (Category II) c. <input type="checkbox"/> ITEMS WILL BE PROVIDED BY BOTH CATEGORY I AND CATEGORY II AS INDICATED BELOW d. <input type="checkbox"/> THIS ACCEPTANCE, FOR CATEGORY I ITEMS, IS QUALIFIED BECAUSE OF ANTICIPATED CONTINGENCIES AS TO FINAL PRICE. CHANGES IN THIS ACCEPTANCE FIGURE WILL BE FURNISHED PERIODICALLY UPON DETERMINATION OF DEFINITIZED PRICES, BUT PRIOR TO SUBMISSION OF BILLINGS.					
7. <input type="checkbox"/> MIPR ITEM NUMBER(S) IDENTIFIED IN BLOCK 13, "REMARKS" IS NOT ACCEPTED (IS REJECTED) FOR THE REASONS INDICATED.					
B. TO BE PROVIDED THROUGH REIMBURSEMENT CATEGORY I			B. TO BE PROCURED BY DIRECT CITATION OF FUNDS CATEGORY II		
ITEM NO. a.	QUANTITY b.	ESTIMATED PRICE c.	ITEM NO. a.	QUANTITY b.	ESTIMATED PRICE c.
SAMPLE					
d. TOTAL ESTIMATED PRICE			e. TOTAL ESTIMATED PRICE		
10. ANTICIPATED DATE OF OBLIGATION FOR CATEGORY II ITEMS			11. GRAND TOTAL ESTIMATED PRICE OF ALL ITEMS		
12. FUNDS DATA (Check if Applicable)					
a. <input type="checkbox"/> ADDITIONAL FUNDS IN THE AMOUNT OF \$ _____ ARE REQUIRED (See justification in Block 13) b. <input type="checkbox"/> FUNDS IN THE AMOUNT OF \$ _____ ARE NOT REQUIRED AND MAY BE WITHDRAWN					
13. REMARKS					
14. ACCEPTING ACTIVITY (Complete Address)			15. TYPED NAME AND TITLE OF AUTHORIZED OFFICIAL		
			16. SIGNATURE		17. DATE

DD FORM 448-2, JUL 71 (EG)

PREVIOUS EDITION WILL BE USED UNTIL EXHAUSTED.