

CHAPTER 2: TYPES OF FUNDS

2.1 PURPOSE

There are several types of funds available to the SCO. This chapter defines these different types of funding and the general controls associated with the use of these funds. This is not intended to be a complete list of funds, just a sample of the most common funds utilized within a SCO. Funds are generally provided through specific legislative authority in support of a specific SA program or a DoD theater security cooperation program, and each comes with a set of fiscal control procedures. One of the most significant fiscal management challenges for the SCO is segregating the various types of funding provided and understanding the intended use as well as any specific legislative restrictions or controls that pertain to each funding stream. In other words, know the source of funding and the controlling legislative authority. Figure 2-1, SCO Funding Flow, is a graphic description of several sources of funding and how the funds are allocated to the SCO.

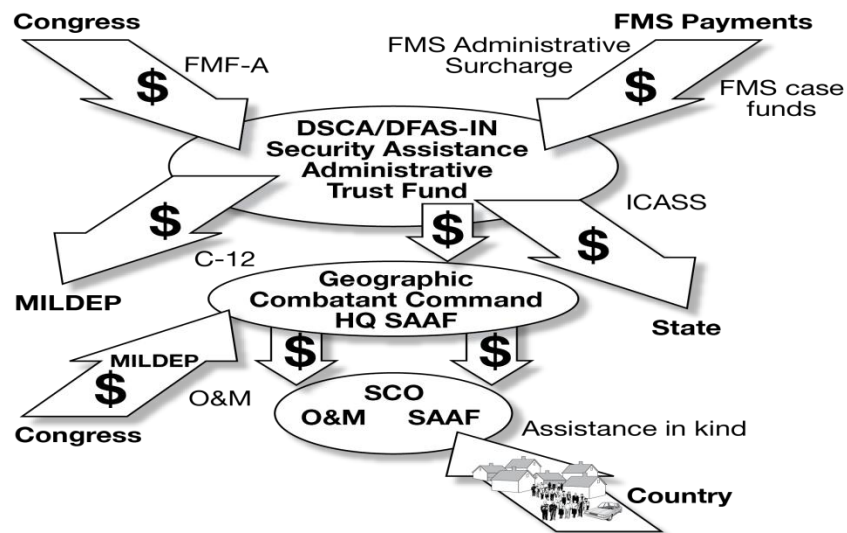


Figure 2-1, SCO Funding Flow

2.2 SECURITY ASSISTANCE ADMINISTRATIVE FUNDS (SAAF)

DSCA allocates SAAF to cover the operating costs of the GCCMD and SCOs based on the information provided in the GCCMD annual budget submission.

2.2.1 FMS TRUST FUND ADMINISTRATIVE SURCHARGE ACCOUNT FUNDS

Funds from the FMS Trust Fund Administrative Surcharge Account may be expended for FMS-related administrative costs. These funds are derived from the FMS administrative surcharge charged on each FMS case. DSCA requests and Congress establishes in the annual

Foreign Operations, Export Financing, and Related Programs Appropriations Act an obligation authority ceiling for each fiscal year.

2.2.2 FOREIGN MILITARY FINANCING (FMF) ADMINISTRATIVE FUNDS

FMF administrative funds are appropriated as part of the overall FMF program in the annual Foreign Operations, Export Financing, and Related Programs Appropriations Act. These funds are made available by Congress to support specified SA program management functions, as defined in Foreign Assistance Sections 515 and 516 (e.g., IMET, Enhanced End Use Monitoring (EEUM), grant Excess Defense Articles (EDA)).

2.2.3 SCO OPERATIONAL FUNDS

The combination of FMS Trust Fund Administrative Surcharge Account funds and FMF Administrative funds, allocated by DSCA for the administrative costs of SCOs are generically designated as security assistance administrative funds (SAAF). For GCCMD and SCO purposes, the funds allotted make no distinction as to the amount of FMS Trust Fund Administrative Surcharge Account and FMF administrative funds provided. The Defense Finance and Accounting Service (DFAS) and DSCA provide the required departmental reporting for these funds.

2.2.4 REPRESENTATIONAL AUTHORITY (REP)

2.2.4.1 REP authority will be used to maintain the standing and prestige of the United States by extending official courtesies to certain dignitaries and officials of the United States and foreign countries. The SDO/DATT or designee may obligate REP only for official entertainment or other official purposes authorized in [Department of Defense \(DoD\) Instruction 7250.13, Use of Appropriated Funds for Official Representation Purposes](#). The GCCMD and DSCA must approve exceptions in advance, and in writing. All official entertainment must be appropriate to the occasion and, in all instances, must be conducted on a modest basis.

2.2.4.2 REP authority may be expended for the official entertainment and/or purchase of presentation gifts for authorized guests, to include civilian or military dignitaries and officials of foreign governments, senior U.S. Government officials, dignitaries and senior officials of state and local governments, and other distinguished and prominent citizens who have made substantial contribution to the U.S. or the DoD in a security assistance capacity.

2.2.4.3 DSCA will allocate annual REP authority to each GCCMD in the Funds Authorization Document (FAD). The GCCMD will, in turn, issue authority to the SCO. The authority cannot be exceeded without advance, written approval of the GCCMD. If the GCCMD requires additional authority, they can make a request to DSCA/CMP in advance, and in writing. The limitation provided is only authority, not additional funding and is provided for representational purposes only.

2.2.4.4 The GCCMD total annual REP authority is issued by DSCA/CMP in the approved SCO Annual Funding Plan. SCO REP authority issued by the GCCMD is part of the

worldwide limitation established by law. The GCCMD authority may not be exceeded without the written approval of DSCA. Anticipated REP expenses will be included as part of the operating budget request for each SCO.

2.2.5 GCCMD HQ SAAF

DSCA/CMP allocates SAAF to the GCCMD HQ to support SA program management oversight activities. These SAAF supports both FMS and non-FMS activities (e.g., FMF, EUM, and IMET). The GCCMD may transfer funds between SCO and HQ accounts after receiving written DSCA/CMP approval.

2.2.6 FMS CASE FUNDS

2.2.6.1 Special programs within a country may be supported directly through the use of FMS case funds when the Host Nation establishes a case to fund the costs of a specific requirement. Examples of case-funded activities involve Technical Assistance Field Teams (TAFTs), Mobile Training Teams (MTTs), or Mobile Education Teams (METs).

2.2.6.2 The costs of the personnel assigned to these teams including any overhead expenses (e.g., International Cooperative Administrative Support Services (ICASS) – discussed in Chapter 6) must be charged directly to the FMS case. The MILDEP case manager is responsible for the management of these funds. Each FMS Case must have a separate ICASS agreement established and in place prior to the deployment of a mobile training team or other case funded, in-country personnel.

2.2.6.3 Case funds may be provided to the SCO to support in-country expenses directly related to a case. The MILDEP case manager is required to provide instructions for the use of such funds in the case implementing directive and ensure the funds are cited on all travel orders of deployed team members. Case funds are not typically monitored by DSCA unless there are unique circumstances; applicable expenses under the local cognizance of the TAFT or MTT lead may be tracked in **Security Assistance Automated Resource Management Suite (SAARMS)** to perform memorandum reporting to the case manager. The case manager is responsible for the overall case financial management and reconciliation.

2.2.6.4 A frequent use of case funds is TDY associated to a specific program. SCO personnel traveling at the request and in support of a specific FMS program, (e.g., attendance at an F-16 Program Management Review), must use case funds. The SCO should request funds from the case manager; the use of SAAF for specific case tasks is not an appropriate use of SAAF.

2.2.6.5 SCOs must insure that costs supporting FMS cases and case funded personnel are charged to the case and not to the SCO SAAF. This requires a separate ICASS support agreement as well; therefore, close coordination with U.S. Embassy financial staff is essential.

2.2.7 O&M APPROPRIATED FUNDS

2.2.7.1 Funds appropriated by Congress to the MILDEPs support the day-to-day operations of U.S. Forces may also be made available to the SCO for non-SA requirements. The funds are managed in accordance with the governing regulation(s). The SAARMS Budget Execution Application can provide memorandum accounting for these funds.

2.2.7.2 DoD O&M funds are usually restricted to a specific use for a specific period of time and require separate management from other SCO funds. Some examples are:

- O&M funds for specific non-SA functions or billets, e.g., Humanitarian Assistance projects, Defense Cooperation in Armaments Programs, Traditional Combatant Commander Activities, peace time theater security cooperation activities (e.g., exercises and ship/aircraft visits), and MILDEP exchange personnel.
- MILDEP appropriations for specific administrative and logistics functions as specified in [AR 1-75/SECNAVINST 4900.49](#). Examples include travel by SCO personnel to a MILDEP required medical examination or a retirement seminar.
- MILDEP appropriations may also be used for specific costs, such as the administrative and logistical support for non-SA billets assigned to a SCO.
- Non-appropriated funds (NAF) for morale, welfare, and recreation (MWR) support for SCO assigned personnel.

2.2.7.3 The GCCMD must require the SCO to prepare budgets for each type of funds, to include the SCO SA budget. The SAARMS Budget Preparation Application can accommodate the submission of budgets for various types of funding, not just SAAF requirements.

2.2.8 ASSISTANCE IN KIND (AIK)

AIK is generally non-monetary support that a Host Nation provides the SCO under a bilateral agreement(s). Typical non-monetary support may be office space, transportation, utilities, and personnel. While not a funded program, AIK must be annotated in the SCO budget submission. In the event that AIK support is reduced or terminated, the level of required support would then be included in the appropriate funding source(s) budget submission documents.

2.2.9 SPECIAL DEFENSE ACQUISITION FUND (SDAF)

2.2.9.1 The SDAF is used as a revolving fund separate from other accounts, to finance the acquisition of defense articles and services in anticipation of their transfer to eligible foreign countries and international organizations.

2.2.9.2 This provides the DoD with the flexibility required in planning for anticipated foreign procurements of U.S. defense materiel. Through its ability to buy military equipment to meet future requirements, the SDAF permits the U.S. to act in anticipation of an emerging defense export environment.

2.2.9.3 The objective of SDAF is to procure high demand, long-lead time defense equipment in anticipation of future sales to be conducted on a government to government basis through the FMS Program. These acquisitions result in accelerated deliveries once FMS agreements are signed. The availability of SDAF assets reduces pressure on the DoD to meet urgent requirements through withdrawals from U.S. inventories or through diversions from production.

2.2.10 CAPITAL SECURITY COST SHARING (CSCS)

CSCS is DoS legislative authority to fund the construction of new U.S. Embassies and Consulates worldwide. It authorizes the Secretary of State to determine the cost share for each tenant agency under the control of the COM and is designed to generate \$17.5 billion over a 14 year period or \$1.4 billion annually. It is authorized by [Section 604 of the Secure Embassy Construction and Counterterrorism Act of 1999, as amended by the FY 2005 Consolidated Appropriations Act \(P.L. 108-447\)](#). CSCS is also designed as an incentive for all tenant agencies to right size their overseas staff to reflect the number of essential personnel for mission accomplishment. Annually, DoS assesses its embassy tenants a per capita cost per assigned individual by location in the Embassy. Positions located in a controlled access area (CAA) are charged more than double the cost of being located outside a CAA. SCOs that are not co-located in the Embassy, but are located in a Host Nation facility, such as its Ministry of Defense, should not incur any CSCS charges. Each GCCMD and SDO/DATT should strive for efficiencies in staffing levels and in reducing their CAA footprint.

2.3 SUMMARY

It is important to identify and understand the various sources of SCO funding and to ensure the proper application of each source, keeping in mind that each funding category comes with rules, regulations, and potential restrictions. It is also paramount for each SCO to ensure the proper oversight, management, usage, and tracking of funds.