

FUND FLOW TO REMOTE FOREIGN MILITARY SALES (FMS)
ACTIVITY - THE ARMY PERSPECTIVE

By

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The U.S. Army, as well as the rest of the DOD Security Assistance Community, is constantly challenged to upgrade financing accounting systems in order to harness the expanding Finance and Accounting (F&A) Network associated with the Security Assistance Program. There is no more significant nor important challenge within the financial community than the responsibility to fully support the U.S. Military and Civilian populations resident in all parts of the world for the express mission of implementing and augmenting Security Assistance Programs. The Army financial management community has recently completed an in-depth study of financing techniques available to remote FMS activities located in the United States European Command (USEUCOM) Theater. The Army solution is applicable to Security Assistance Organizations (SAOs) throughout the world.

The study centered on the FMS element of the Army Security Assistance Program. The Army has experienced difficulty reconciling FMS Trust Fund (97-11X8242) disbursements effected by disbursing stations both within and outside the Continental United States (OCONUS) and FMS Trust Fund allotments of Direct Cite Expenditure Authority received from the Security Assistance Accounting Center (SAAC). The reconciliation problem has resulted in unidentifiable "floats" of Expenditure Authority (EA) throughout the Army F&A network; i.e., amounts of monthly EA requested from the SAAC, but for which no monthly FMS Trust Fund disbursement has been reported to the U.S. Treasury. The Army has begun to resolve its FMS Trust Fund reconciliation process by revising FMS fund flow within the Army -- revisions involving both policies and systems.

The Army drastically enhanced fund control of the Army Security Assistance Program in February 1978, with the implementation of the Army Customer Order Control System (ACOCS). By combining total Army recording of FMS Customer Order Funding in a single system, the Army not only satisfied an OASD requirement (Wacker Memorandum, 17 Jun 77, subject: Financial Management of the Foreign Military Sales Program), but also enhanced overall DA FMS Case Management at the country-case-line level. The Air Force and Navy subsequently adapted the ACOCS prototype to their specific FMS case/customer order programs. For the Army, customer order funds control; i.e., Obligation Authority (OA) was only the initial application of the ACOCS. There still remained that financing mechanism titled FMS EA.

The Army's attempt to accomplish the aforementioned reconciliations with the U.S. Treasury, has resulted in the implementation of an ACOCS enhancement; i.e., the Security Assistance Allocation Control

(SAC) module (DISAM Newsletter, Fall 1980). In brief, the ACOCS SAC module allows Army users to request and receive FMS EA on a real-time basis for each FMS trust fund disbursement effected by an Army Disbursing Station Symbol Number (DSSN) during a given accounting period. Given the fact that Army DSSNs report FMS Trust Fund disbursements monthly on a transaction by transaction basis and that there now exists a "transaction-by-transaction" system by which to obtain FMS Trust Fund EA, one would now surmise that the Army's reconciliation problems should disappear. However, such is not the case. The following paragraphs contain the explanation.

The transaction update of a mechanized system is dependent upon the ready access to the terminal through which the update must be made. OCONUS Army DSSNs do not currently have ready terminal access. Therefore, CONUS Army case managers record OA/EA in the ACOCS for the OCONUS organization administering the FMS mission. The CONUS manager provides "bulk" OA/EA to the OCONUS organization. The Assistant Comptroller of the Army for Finance and Accounting [ACOA(F&A)] has exempted OCONUS DSSNs from obtaining FMS EA on a transaction basis, in effect authorizing EA "float." The Army Financial Management community has studied this problem, and has proposed the following solution for "float" reduction.

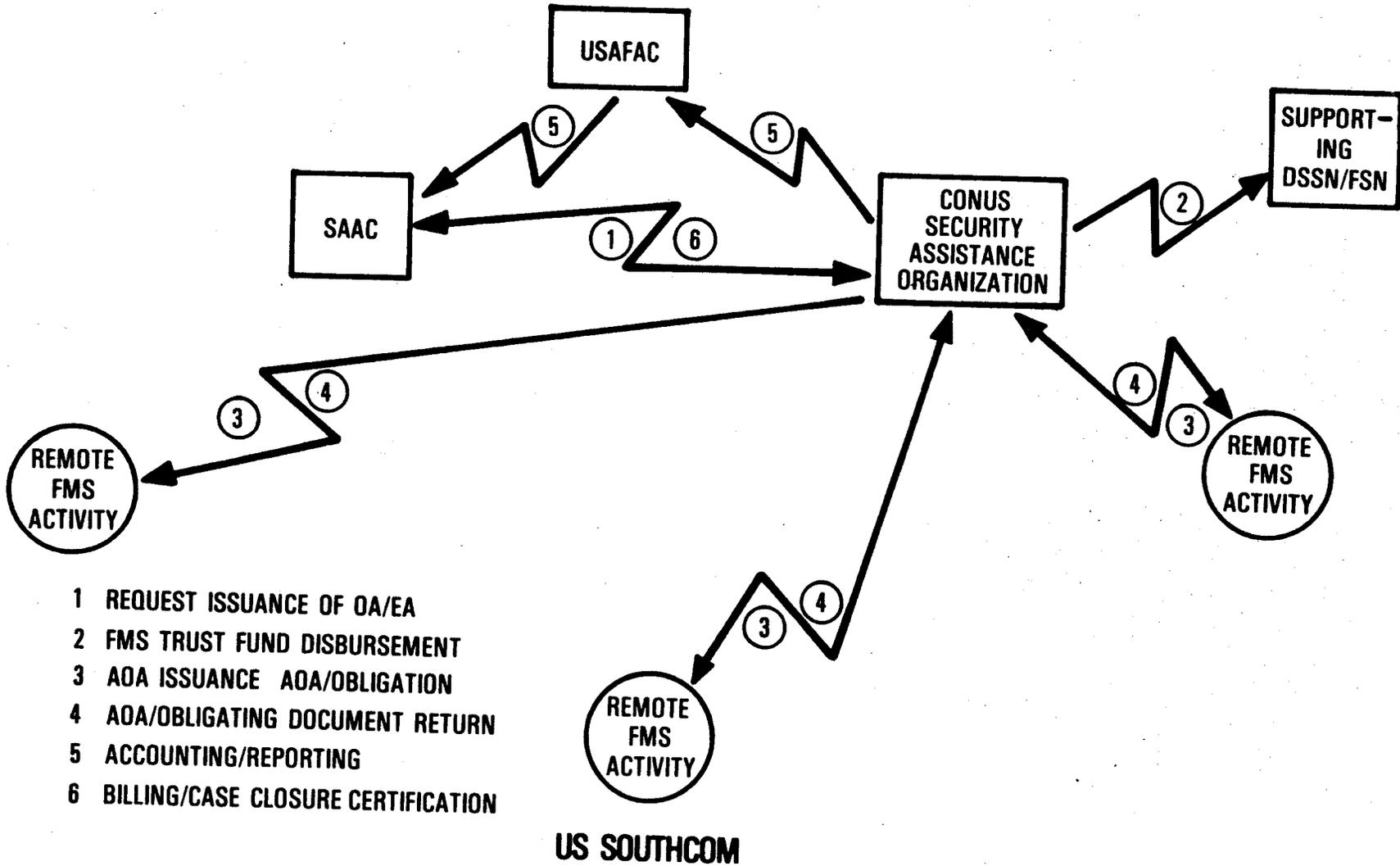
The solution combines an existent financing technique prescribed in Army Regulation 37-2, Distribution of Funds and Fund Documentation, and the previously described EA distribution process programmed in the ACOCS (SAC module). The technique is designed to compensate for the lack of accounting support available to Army personnel deployed to certain areas in the European Theater. Resource management personnel from the ACOA(F&A), U.S. Army Training and Doctrine Command (TRADOC) and U.S. Army Security Assistance Center (USASAC) staffs are responsible for providing the OCONUS SAOs an F&A Network that properly supports the financing of remote FMS activity. The result may be considered a prototype of financial management to be applicable throughout the DOD Security Assistance Community.

Technical Assistance Field Teams (TAFT) deployed to OCONUS organizations and overseas SAOs funded by FMS cases managed within CONUS can operate more effectively if F&A requirements are centralized (CONUS) with limited decentralized (OCONUS) fund flow. Figure 1 depicts the CONUS/OCONUS interrelationship. The CONUS organization is responsible for obtaining the necessary funding authorities (OA/EA) from the ACOCS to support the DA Form 3971, Advice of Obligation Authority (AOA) issued to the OCONUS SAO. By employing the mechanized technique available through the ACOCS, the CONUS manager retains FMS Trust Fund (97-11X8242) management responsibility by citing its operating (mission) funds on the AOA, billing and collecting from the FMS Trust Fund (via ACOCS) as needed to provide the revenue required to fund performance by the remote FMS activity. The accounting cycle becomes complete when the Transactions by Others (TBO) documentation is processed from the OCONUS SAO through the U.S. Army Finance and Accounting Center (USAFAC) to the CONUS organization for clearance of

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the Installation Accounting Record. The CONUS manager thus assumes the accounting/reporting role while the OCONUS SAO performs a recording/ monitoring responsibility. This financing technique affords the remote FMS activity the opportunity to attend to its appointed mission without spending inordinate time administering that mission.

In practice the CONUS FMS case manager will coordinate with the remote FMS activity to orchestrate the deploying FMS mission. The OCONUS organization need only provide the CONUS organization the monthly funding requirement and documentation in support thereof. The OCONUS SAO, as the performing activity, will record (incur) obligations for the issuing activity (CONUS organization) during a predefined 30 day period and will return AOA/obligating documents at the end of that period. The CONUS activity will be responsible for all accounting/reporting for the remote FMS activity. Several advantages become evident in a centralized accounting/decentralized performance environment.

Contingency planning is aided by the fact that the CONUS organization maintains the official accounting record, leaving the remote FMS activity with no more than 30 days worth of obligating documents to be recorded on the CONUS activity's "books" at any given time. OCONUS SAOs can emphasize mission logistics requirements, the main reason for deployment, since formal accounting responsibility will no longer be a requirement. The CONUS organization, responsible for FMS case management, including ultimate FMS case closure, can more comprehensively fulfill that case management role by combining funding and document control to produce a composite financial management function.

CONCLUSION

The advent of the Security Assistance Program has signalled the dawn of a unique financial management dilemma -- the financing of remote FMS activity. The ACOA(F&A) staff has studied the dilemma and designed a financing technique to minimize the administrative requirements of OCONUS activities, thus allowing existent resource utilization for the mission at hand. DOD organizations that support or interact with remote FMS organizations should consider conversion to this ACOS(F&A) developed financing technique to enhance overall mission effectiveness. The Army will formally incorporate the technique in the revision of AR 37-80, Finance and Accounting for the Army Security Assistance Program.

ABOUT THE AUTHOR

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