ACQUISITION AND TECHNOLOGY

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FAR 25
•L. Fountain
16 May 2000

March 13, 2000

DP/CPF

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES
DEPUTY FOR ACQUISITION AND BUSINESS MANAGEMENT, ASN(RD&A)/ABM
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE (CONTRACTING), SAF/AQC
DEPUTY ASSISTANT SECRETARY OF THE ARMY (PROCUREMENT), ASA(AL&T)
EXECUTIVE DIRECTOR OF PROCUREMENT MANAGEMENT, DLSC/DLA

SUBJECT: Contract Accounting for Foreign Military Sales (FMS) Requirements

The Deputy Secretary of Defense has approved the recommendations of a special review he chartered to examine FMS processes that impact financial management. Several recommendations address contractual matters.

The special review recommended that each Contract Line Item Number (CLIN) for FMS requirements have only one Accounting Classification Reference Number (ACRN). Defense Federal Acquisition Regulation Supplement (DFARS) 204.7103-1(a)(4) already requires that each CLIN reference a single accounting classification citation, subject to certain narrow exceptions. FMS requirements are subject to this policy.

The special review also recommended we emphasize that the clause at DFARS 252.232-7002, Progress Payments for Foreign Military Sales Acquisitions, must be included in all contracts that provide progress payments and include FMS requirements. This clause requires the contractor to identify separately progress payments amounts for each FMS customer.

Please ensure that contracts that include FMS requirements cite only one ACRN for each CLIN, and that the clause at DFARS 252.232-7002 is included when progress payments are provided.

R.D. Kerrins, Jr., COL, USA
Acting Director, Defense Procurement

2000-4-8