United States General Accounting Office

GAO

Report to the Honorable
Charles E. Grassley,
U.S. Senate

August 1999

FOREIGN MILITARY SALES

Navy's Accounting for Sales to Foreign Customers Needs Improvement

GAO
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GAO/AIMD-99-213

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United States General Accounting Office
Washington, D.C. 20548

Accounting and Information
Management Division

B-281171

August 24, 1999

The Honorable Charles E. Grassley
United States Senate

Dear Senator Grassley:

This report responds to your request that we review the Department of Defense's (DOD) accounting for and reporting on the costs of the foreign military sales (FMS) program.[1] The report focuses specifically on whether the Navy has properly charged its FMS customers for goods and services already provided. As of September 30, 1998, Navy's open FMS sales cases totaled a reported $60.1 billion. Of this amount, the Navy reported that it had $25 billion of undelivered orders representing goods and services that had not yet been delivered to FMS customers. As agreed with your office, we will subsequently review and report on whether the Army and Air Force are properly charging FMS customers for goods and services already provided.

Results in Brief

The Navy did not always (1) charge FMS customer trust fund accounts when goods and services were delivered under the FMS program or (2) maintain accurate and reliable information on trust fund charges. As of October 1998, Navy's FMS accounting records indicated that it had not charged FMS customer trust fund accounts for $582 million of delivered goods and services. According to our review of $75 million of this amount, FMS customer accounts had not been charged for $11.3 million for goods and services provided between April 1987 and December 1997.[2]

For example, in 1996, the Navy provided support services valued at $1.1 million for Canada's Navy Patrol Frigate Harpoon Shipboard Command and Launch System. Instead of charging Canada's trust fund

[1]In response to this request, we have also issued two reports that identified a total of over $335 million of nonrecurring research, development, and production costs for major defense equipment that had not been charged to FMS customer trust fund accounts. See Foreign Military Sales: Millions of Dollars of Nonrecurring Research and Development Costs Have Not Been Recovered (GAO/AIMD-99-11, October 20, 1998) and Foreign Military Sales: Recovery of Nonrecurring Research, Development, and Production Costs (GAO/AIMD-99-148R, May 19, 1999).

[2]The Navy's accounting system inaccurately reported this amount as $12.9 million.

account for the $1.1 million, the Navy incorrectly charged (1) $636,123 to its appropriations and (2) $450,882 to the trust fund accounts of Greece and Japan. Further, although the remaining $18,507 was charged to Canada's account, it was recorded incorrectly in the Navy's system. Navy officials agreed with our findings and told us that they plan to correct the erroneous charges to the Greece and Japan accounts and will also charge Canada's account in order to reimburse the Navy appropriation for the $636,123.

For the remaining $62 million of balances in our sample, we found that the Navy's accounting records included inaccurate data on the status of charges to FMS customer trust fund accounts, making it difficult for Navy managers to accurately account for and report on the FMS program. For example, Navy's accounting records showed that Kuwait's trust fund account had not been charged $54 million for three F-18 aircraft it received in 1993. However, we found that Kuwait's trust fund account had, in fact, been charged for the full amount and that the Navy's accounting system did not reflect the charges because erroneous data had been entered in the system.

We are recommending that the Navy (1) recover the amounts we identified as owed by FMS customers and (2) correct errors in its accounting system. We are also recommending that the Navy work with the DOD Comptroller to develop and implement a plan to review the remaining $507 million of transactions recorded in the Navy's system that were reportedly not charged to foreign customer trust fund accounts and (1) charge FMS customer accounts for goods and services already provided, (2) correct erroneous transactions, and (3) address the problems causing these errors to occur.

In commenting on a draft of our report, the Defense Deputy Chief Financial Officer generally concurred with our findings and recommendations. He stated that the Navy and the Defense Finance and Accounting Service (DFAS) have taken significant steps in correcting the situation we identified. For example, he pointed out that they have taken steps to properly charge the FMS trust fund accounts for $8.8 million of the $11.3 million identified in this report as not properly charged to FMS customer accounts. He said that the processing of the remaining $2.5 million will be completed by October 1999. He also described several other current or planned initiatives that will result in the implementation of our recommendations.

Background

The Arms Export Control Act gives the President authority to sell defense articles and services to eligible foreign countries, generally at no cost to the U.S. government. While the Defense Security Cooperation Agency (DSCA) has overall responsibility for administering the FMS program, the Army, Navy, and Air Force generally execute the sales agreements, which are commonly referred to as sales cases.

Foreign military sales are made on an individual case basis. A foreign country representative initiates a case by sending a letter of request to DOD asking for information such as the price and availability of goods and services, training, technical assistance, and follow-on support. Once the customer decides to proceed with the purchase, DOD prepares a Letter of Offer and Acceptance (LOA) stating the terms of the sale for the items and services being provided. After the LOA is accepted, the FMS customer is generally required to pay, in advance, amounts necessary to cover costs associated with the services or items purchased from DOD. The Department of the Treasury holds these advance payments in an FMS trust fund. DOD then uses these funds to pay private contractors--commonly referred to as direct cite payment transactions--and/or reimburse DOD activities for the costs of goods and services provided and other costs related to executing and administering the FMS sales agreement, commonly referred to as reimbursable payment transactions. If for some reason DOD fails to process the appropriate charges against the FMS trust fund accounts, amounts FMS customers paid in advance to cover the costs of goods and services could eventually be returned to them.

Objective, Scope, and Methodology

The objective of this review was to determine whether the Navy was charging FMS customer trust fund accounts for goods and services already provided. To determine the requirements and procedures for charging the FMS trust fund for goods and services, we obtained and reviewed applicable laws, regulations, policies, and procedures. During our visits to DOD locations, we gathered and analyzed financial information from pertinent accounting records and reports to identify data on deliveries of goods and services and related charges to the FMS trust fund accounts.

To select transactions for detailed review, we obtained a database from the Navy's Management Information System International Logistics (MISIL) which included 25,993 delivery transactions totaling $582 million for which there were no corresponding charges to the FMS customer trust fund accounts to show that the customers had been charged for the goods and services provided. Our analysis showed that there were 14,173 reimbursable and 11,820 direct cite transactions totaling $71,092,232 and $510,837,316, respectively.[3] We judgmentally selected 20 of the 25,993 transactions for detailed review based primarily on (1) large dollar amounts and (2) the type of financing involved to ensure that both reimbursable and direct cite transactions were included. We did not independently verify the integrity of the MISIL database. The 20 transactions are listed in appendix I.

To determine whether an FMS customer had received the goods and services and its trust fund account had been charged, we contacted the staff responsible for managing the FMS case and/or other officials knowledgeable about the case to identify the (1) number, type, and value of goods and services the FMS customer received, (2) date the FMS customer received the goods or services, and (3) amount that the FMS customer's trust fund account had been charged for the goods and services. We also asked the officials to independently calculate how much the FMS customer should have been charged, compared it with our calculated amounts, and resolved any differences. In those instances where it was determined that the FMS customer's trust fund account had not been charged, we asked responsible FMS program officials to provide an explanation.

We performed our work at and obtained documents from headquarters of the Defense Security Cooperation Agency, Office of the Under Secretary of Defense (Comptroller), and the Naval Sea Systems Command, Arlington, Virginia; Naval Air Systems Command, Patuxent River, Maryland; Naval Inventory Control Point, Philadelphia, Pennsylvania; Naval Ordnance Command, Indian Head, Maryland; and Defense Finance and Accounting Service locations in Denver, Colorado; Columbus and Cleveland, Ohio; and Charleston, South Carolina. We performed our work between September 1998 and June 1999 in accordance with generally accepted government auditing standards.

We requested written comments on a draft of this report from the Secretary of Defense or his designee. The Deputy Chief Financial Officer provided

[3]Under the reimbursable method, the Navy uses its own appropriation to initially purchase the goods or services being provided. Upon sale to an FMS customer, the FMS customer's trust fund account is charged for the value of the goods and services and the Navy appropriation is reimbursed. Conversely, under the direct cite method, reimbursement is not required because the FMS customer's trust fund account is used as the source of funding to pay the vendor who provided the goods and services.

written comments, which are discussed in the "Agency Comments and Our Evaluation" section and are reprinted in appendix II.

The Navy Has Experienced Problems in Accounting for and Charging FMS Customers for Goods and Services

The Navy did not always promptly charge foreign customer trust fund accounts when goods and services were delivered under the FMS program. In addition, the Navy's accounting system contained inaccurate data on the status of charges to the FMS customer trust fund accounts, making it difficult for Navy managers to monitor the status of the FMS program. As of October 1998, the Navy's MISIL accounting records indicated that FMS customer trust fund accounts had not been charged for goods and services amounting to $582 million—79 percent of which had been reported as delivered over 3 years ago. Table 1 provides additional details.

Table 1: Aging Schedule for Delivered Goods and Services Reportedly Not Charged to FMS Customer Trust Fund Accounts

Time period	Delivered dollar amount	Number of transactions
Up to 1 year	$56,761,184	12,832
1 to 2 years	31,812,557	1,865
2 to 3 years	32,360,014	2,787
More than 3 years	460,995,793	8,509
Total	**$581,929,548**	**25,993**

Source: Navy's MISIL accounting records data as of October 1998.

FMS Customer Accounts Are to Be Charged Upon Receipt of Goods or Services

Volume 15 of DOD's Financial Management Regulation 7000.14-R, entitled Security Assistance Policy and Procedures, states that implementing agencies shall report accrued expenditures and physical deliveries to the DFAS Denver Center within 30 days of date of shipment or performance. The regulation also requires the Center to charge the FMS customer's trust fund account within 20 days after receiving notification that the goods or services have been delivered. The following describes what generally should be a typical transaction flow to report the delivery of items and services and to charge FMS customer trust fund accounts.

Navy program and logistical offices responsible for managing and reporting on the delivery of items and services generally receive shipping documents from those activities providing the items and services to FMS customers.[4] As expenditures against the trust fund accounts are accrued and the goods and services are delivered, this information is to be recorded in MISIL. MISIL then transmits the expenditure and delivery information to the DFAS Denver Center, which maintains the records on each country's trust fund balance and issues quarterly statements to FMS customers summarizing amounts charged to their cases. If the goods and services were paid for using the reimbursable method, the Center will process vouchers charging the FMS customer's trust fund account and reimbursing the Navy's appropriation account. If the goods and services were paid for using the direct cite method, which does not require a reimbursement, the Center only has to record the charges against the appropriate FMS customer's trust fund account.

Charges Are Not Processed Promptly

Navy did not always promptly charge FMS customers for goods and services already provided. We found that FMS customer trust fund accounts had not been charged $11.3 million for the goods and services provided under all 14 of the reimbursable-type transactions in our sample and for 1 of the 6 direct cite transactions. The following are examples of transactions where FMS customer trust fund accounts had not been charged for the goods and services already provided.

Navy reported that one of its inventory stock points shipped a total of 280,000 rounds of 20 millimeter ammunition to Canada in 1997. Since this was a reimbursable transaction, Canada's trust fund account should have been charged $3,393,600 for the costs of the ammunition and the Navy's appropriation account should have been reimbursed for the same amount. However, our review disclosed that Canada's trust fund account had not been charged for these items as of February 1999. While Navy program officials agreed with our finding, they could not explain why Canada's trust fund account had not been charged. They added that they were not aware of the problem until we brought it to their attention and now plan to take the necessary actions to charge Canada's trust fund account for the amount owed.

Navy's MISIL system indicated that seven helicopters from Navy's inventory of excess defense articles had been shipped to New Zealand

[4] Activities providing items and services can consist of Army, Navy, and Air Force locations, or other DOD locations, as well as private sector contractors doing business in the FMS program.

between January 1997 and December 1997. Our review of these seven reimbursable transactions disclosed that the Navy should have charged New Zealand's trust fund account a total of $4,184,733, or $597,819 for each helicopter. We found, however, that New Zealand's trust fund had not been charged. The FMS case manager acknowledged that New Zealand's account had not been charged for the seven helicopters but could not tell us why. After we brought the situation to the Navy's attention, Navy officials told us they plan to charge New Zealand's trust fund account for the amount owed.

In 1996, the Navy provided support services valued at $1.1 million for Canada's Navy Patrol Frigate Harpoon Shipboard Command and Launch System. Our review of this direct cite transaction found a combination of errors resulting in undercharges and incorrect postings to the MISIL accounting records. For example, instead of charging Canada's trust fund account for the $1.1 million of services, the Navy incorrectly charged $636,123 to its appropriations and $450,882 to the trust fund accounts of Greece and Japan. Further, although the remaining $18,507 was charged to Canada's trust fund, it was recorded incorrectly in MISIL. According to the Navy program manager, errors in entering two contract modifications affected the obligation and expenditure balances in MISIL. As a result of these errors, actual charges to Canada's trust fund account were reduced and the Navy, Greece, and Japan accounts were charged by mistake. Navy officials agreed with our finding and told us that they plan to correct the erroneous charges to the Greece and Japan accounts. They also agreed to correct the erroneous charge to the Navy appropriation account by correctly charging Canada and reimbursing the Navy appropriation for $636,123.

The results of the 15 transactions where FMS customers' accounts were not properly charged are summarized in table 2.

Table 2: Amounts Not Properly Charged to FMS Customer Trust Fund Accounts

Country and case code	Goods and services delivered to customers	Amount not charged to FMS trust funds
Canada-ANB	Ammunition	$3,393,600
Pakistan-ABU	Rocket motors	1,628,305
Greece-GCV	Packing, crating, handling	414,781
Greece-GCV	Transportation	444,408
Egypt-ABN	Ammunition	3,026
New Zealand-SAA	Helicopter	597,819
New Zealand-SAA	Helicopter	597,819
New Zealand-SAA	Helicopter	597,819
New Zealand-SAA	Helicopter	597,819
New Zealand-SAA	Helicopter	597,819
New Zealand-SAA	Helicopter	597,819
New Zealand-SAA	Helicopter	597,819
Philippines-LBX	Ground handling equipment	336,000
Turkey-AGJ	Projectiles 5 inch	243,936
Canada-GKJ	Harpoon system services	636,123
Total		**$11,284,912**[a]

[a]Navy's MISIL incorrectly reported that the 15 transactions totaled $12.9 million.

Some MISIL Information Was Incorrect

Our analysis and discussions with program officials for the remaining five direct cite transactions in our sample totaling $62 million found that FMS customer trust fund accounts had, in fact, been charged. However, because of various accounting errors, the Navy's MISIL system did not accurately reflect the charges. As a result, MISIL was not providing accurate and reliable information for managers to use when monitoring delivery and billing transactions. The following example involves three direct cite transactions where the MISIL system did not accurately reflect a charge to the customer's account.

MISIL showed that in 1993 Kuwait received three separate deliveries of F-18 aircraft, each valued at $18,127,142, for a total of over $54 million. While we found that the Navy had in fact charged Kuwait's account for this amount, the MISIL system did not reflect the charges as of October 1998. After we brought this to the attention of Navy officials, they told us that their research showed that the failure to record the charges to the trust fund account occurred because the contractor submitted incorrect delivery reports to the Navy that contained accounting errors and were rejected by the accounting system. However, they could not tell us why the 5-year-old rejected transactions had not been corrected. They told us that they now plan to correct the information in MISIL.

Conclusion

The Navy is not always charging FMS customers in a timely manner to recover its costs for delivered goods and services. Without ensuring that accounts are promptly charged and that the MISIL system accurately reflects charges, the Navy will not be able to effectively ensure that FMS customers are paying the full cost for goods and services, as required by the Arms Export Control Act. Furthermore, because our review focused on only 13 percent of the $582 million reported as not charged to FMS customer trust fund accounts, it is important that the remaining balances be reviewed and that amounts still owed be promptly collected.

Recommendations

We recommend that the Secretary of Defense direct the Secretary of the Navy to (1) collect from the FMS trust fund accounts the $11.3 million identified in this report that has not been charged to FMS customer trust fund accounts for goods and services already provided and (2) place increased management emphasis on monitoring and follow-up efforts to ensure that foreign customer trust fund accounts are promptly charged for all goods and services and errors recorded in MISIL are promptly identified and corrected.

We also recommend that the Secretary of Defense direct the Secretary of the Navy and the Under Secretary of Defense (Comptroller) to develop and implement a plan to review the remaining $507 million of transactions recorded in the Navy's MISIL system to (1) identify and collect amounts FMS customers owe for goods and services already provided, (2) correct erroneous transactions in MISIL, and (3) determine the causes for these type of errors and take action to eliminate similar errors in the future.

With respect to the remaining $507 million of MISIL transactions, the review could initially focus on the reimbursable transactions since we found that 100 percent of the reimbursable transactions in our limited sample represented amounts where FMS customer accounts had not been charged for the goods and services already provided.

Agency Comments and Our Evaluation

In commenting on a draft of this report, the Defense Deputy Chief Financial Officer (CFO) generally concurred with our findings and recommendations. He stated that the Navy and DFAS have initiated actions to address our findings and recommendations. For example, the Deputy CFO commented that Navy and DFAS have already taken steps to charge the FMS trust fund accounts for $8.8 million of the $11.3 million this review found had not been properly charged. He stated that the processing of the remaining $2.5 million to properly charge the FMS trust fund accounts is expected to be completed by October 1999. He also stated that the Navy and DFAS have made significant progress in developing and implementing a plan to review the remaining $507 million of MISIL transactions. Finally, he stated that the Navy and DFAS have already implemented several measures designed to ensure that foreign customer trust fund accounts are promptly charged for goods and services when received.

We are sending copies of this report to Senator Robert C. Byrd, Senator Carl Levin, Senator Joseph I. Lieberman, Senator Ted Stevens, Senator Fred Thompson, Senator John W. Warner, Representative Dan Burton, Representative Benjamin A. Gilman, Representative Stephen Horn, Representative David R. Obey, Representative Ike Skelton, Representative Floyd D. Spence, Representative Jim Turner, Representative Henry A. Waxman, and Representative C. W. Bill Young in their capacities as Chair or Ranking Minority Member of Senate and House Committees and Subcommittees. We are also sending copies of this report to the Honorable William S. Cohen, Secretary of Defense; the Honorable Richard Danzig, Secretary of the Navy; and the Honorable Jacob J. Lew, Director, Office of Management and Budget. We will make copies available to others upon request.

If you have any questions regarding this report, please contact me at (202) 512-6240 or Larry W. Logsdon at (703) 695-7510. Other key contributors to this report were Harold P. Santarelli and John A. Spence.

Sincerely yours,

Jack L. Brock, Jr.
Director, Governmentwide and Defense
Information Systems Issues

Contents

Abbreviations

CFO	chief financial officer
DFAS	Defense Finance and Accounting Service
DOD	Department of Defense
DSCA	Defense Security Cooperation Agency
FMS	foreign military sales
LOA	Letter of Offer and Acceptance
MISIL	Management Information System International Logistics

List of Selected Transactions

Country and case code	Type of transaction	Estimated item value recorded in MISIL
Canada-ANB	Reimbursable	$3,337,600
Pakistan-ABU	Reimbursable	1,628,305
Greece-GCV	Reimbursable	693,311
Greece-GCV	Reimbursable	742,829
Egypt-ABN	Reimbursable	605,200
New Zealand-SAA	Reimbursable	597,820
New Zealand-SAA	Reimbursable	597,820
New Zealand-SAA	Reimbursable	597,820
New Zealand-SAA	Reimbursable	597,820
New Zealand-SAA	Reimbursable	597,820
New Zealand-SAA	Reimbursable	597,820
New Zealand-SAA	Reimbursable	597,820
Philippines-LBX	Reimbursable	336,000
Turkey-AGJ	Reimbursable	268,330
Finland-SAA	Direct cite	1,000,000
Canada-GKJ	Direct cite	1,105,512
Kuwait-SAO	Direct cite	6,630,000
Kuwait-SAO	Direct cite	18,127,142
Kuwait-SAO	Direct cite	18,127,142
Kuwait-SAO	Direct cite	18,127,142
Total		**$74,913,253**

Comments From the Department of Defense

Note: GAO comment supplementing those in the report text appears at the end of this appendix.

OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

COMPTROLLER

JUL 29 1999

Mr. Jeffrey C. Steinhoff
Acting Assistant Comptroller General
Accounting and Information Management Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Steinhoff:

This is the Department of Defense response to the General Accounting Office (GAO) draft report, "FOREIGN MILITARY SALES: Navy's Accounting for Sales to Foreign Customers Needs Improvement," dated June 22, 1999 (GAO Code 511649/OSD Case 1849).

The Department reviewed the draft report and generally concurs with the findings and the recommendations. Detailed comments on the specific findings and recommendations contained in the report are provided in the enclosure.

The Department appreciates the opportunity to comment on the draft report. My point of contact on this matter is Ms. Kay O'Brien. She may be contacted by email: obrienm@osd.pentagon.mil or by telephone at (703) 697-0586.

Sincerely,

Nelson Toye

Nelson Toye
Deputy Chief Financial Officer

Enclosure

GAO DRAFT REPORT DATED JUNE 22, 1999
(GAO CODE 511649) OSD CASE 1849

"FOREIGN MILITARY SALES: Navy's Accounting for
Sales to Foreign Customers Needs Improvement"

DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO RECOMMENDATIONS

RECOMMENDATION 1: The GAO recommended that the Secretary of Defense direct the Secretary of the Navy to collect from the FMS trust fund accounts the approximately $11.3 million identified in the report that had not been charged to FMS customers' accounts for goods and services already received.

See comment 1.

DoD RESPONSE: To fully appreciate the billing concept, clarification on FMS payments is necessary. Payments from the FMS customers had been collected by the Defense Finance and Accounting Service (DFAS) based on initial deposits and the estimated payment schedules that are integral parts of the FMS contracts between the United States and the foreign customers. These payments were deposited into the respective FMS customers' trust fund account. Subsequently, funds, which are derived from the FMS customer payments, should be transferred by the DFAS to the DoD Components as the Components report performance in support of specific FMS contracts. Since FMS customers have been billed and have paid funds into the FMS trust fund accounts, the FMS customers have been charged for the goods and services delivered. The problem identified by the GAO is that the Navy had not promptly asked that the funds collected from the FMS customers and held in the respective FMS trust fund accounts be transferred to applicable Navy accounts. The Navy now has taken steps, in cooperation with the DFAS, to transfer $8.8 million of the $11.3 million identified by the GAO. The remaining $2.5 million will be transferred from the FMS trust fund accounts prior to October 1999.

RECOMMENDATION 2: The GAO recommended that the Secretary of Defense direct the Secretary of the Navy to place increased management emphasis on monitoring and follow-up efforts to ensure that foreign customers' trust fund accounts are promptly charged for all goods and services, and that errors recorded in the Management Information System International Logistics (MISIL) are promptly identified and corrected.

DoD RESPONSE: The Navy, in cooperation with the DFAS, has taken significant steps in correcting the situation identified by the GAO and has placed increased management emphasis on the matter. Specifically, the following improvements have been put in effect:

(a) Partnering among Navy and DFAS activities has been accelerated. There are regularly scheduled monthly meetings that focus on specific problem areas and systemic improvements related to applicable transactions, as well as other financial management issues.

(b) Review of applicable transactions now is being performed early on in the life cycle of FMS contracts as opposed to the past practice of reviewing during the case closure process.

(c) Dialogue and interface among performing activities have improved through organizational changes and formalizing individual points of contact.

As a result of these improvements, problem transactions already have been reduced to half the size identified in the GAO draft report dated June 22, 1999.

RECOMMENDATION 3: The GAO recommended that the Secretary of Defense direct the Secretary of the Navy, in concert with the Office of the Under Secretary of Defense (Comptroller) to develop and implement a plan to review the remaining $507 million of transactions recorded in the Navy's MISIL system to identify and collect amounts FMS customers owe for goods and services already received, correct erroneous transactions in MISIL, and determine the causes for these type of errors and take action to correct them.

DoD RESPONSE: Through the efforts of the Navy and the DFAS, significant progress has been made in processing these transactions. The number of aged transactions in October 1998 was 25,993 records, totaling $582 million. As of June 21, 1999, a significant number of those transactions--15,241, valued at $365 million--have been processed. Thus, only 10,752 aged transactions valued at $217 million remain and will be processed. The Navy has committed to: (1) develop a plan to review the remaining aged transactions by October 15, 1999, and (2) complete the review and take applicable required actions, if any, by November 1, 2000.

The following is GAO's comment on the Department of Defense's letter dated July 29, 1999.

GAO Comment

1. In many of the transactions we reviewed, we found that the Navy was not aware that funds had not been transferred from the FMS customer trust fund accounts to the Navy accounts to pay for the goods and services they had received. This oversight represents poor financial management practices that resulted in long periods of time when the Navy used its own funds to finance sales to foreign customers. It also significantly increased the risk that amounts will never be charged to the FMS trust fund accounts and that the earlier collections, deposited in advance into the FMS trust fund for the purpose of paying for goods and services, will be erroneously returned to foreign customers.

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