



**DEFENSE SECURITY COOPERATION AGENCY**  
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28 JAN 2010

MEMORANDUM FOR DEPUTY UNDER SECRETARY OF THE AIR FORCE  
FOR INTERNATIONAL AFFAIRS  
DEPUTY ASSISTANT SECRETARY OF THE ARMY  
FOR DEFENSE EXPORTS AND COOPERATION  
DEPUTY ASSISTANT SECRETARY OF THE NAVY  
FOR INTERNATIONAL PROGRAMS  
DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY  
DIRECTOR FOR SECURITY ASSISTANCE,  
DEFENSE FINANCE AND ACCOUNTING SERVICE -  
INDIANAPOLIS OPERATIONS  
DIRECTOR, DEFENSE INFORMATION SYSTEMS AGENCY  
DIRECTOR, DEFENSE LOGISTICS AGENCY  
DIRECTOR, DEFENSE LOGISTICS INFORMATION SERVICE  
DIRECTOR, DEFENSE REUTILIZATION AND MARKETING  
SERVICE  
DIRECTOR, DEFENSE THREAT REDUCTION AGENCY  
DIRECTOR, NATIONAL GEOSPATIAL-INTELLIGENCE  
AGENCY  
DEPUTY DIRECTOR FOR INFORMATION ASSURANCE,  
NATIONAL SECURITY AGENCY

SUBJECT: DoD Appropriated Funds Prior Year Activity, DSCA Policy 10-08

This memorandum provides guidance on DoD appropriated-funded pseudo Letter of Offer and Acceptance (LOA) documents that have changes that occur after the period of obligation availability.

DSCA is managing several DoD appropriated-funded programs that currently include, but are not limited to:

- Section 1206 Global Train and Equip
- Afghanistan Security Forces Funds (ASFF)
- Iraq Security Forces Funds (ISFF)
- Pakistan Counterinsurgency Funds (PCF)

DoD appropriated-funded programs are authorized in an applicable DoD appropriation act. These funds are authorized for a specific purpose and are available for specific time periods, such as one or two-years, to obligate the funds, generally followed by a five-year period to

execute the LOA document. At the end of that time, any remaining funds are returned to the u.s. Treasury and the appropriation is closed.

The DSCA Policy Memoranda providing the instructions for preparing pseudo LOA documents include a case note for "Funds, Purpose, Availability and Amount". Part of that note includes a requirement that "Failure to obligate the funds during the period of availability ending on 30 September 20xx will render them unavailable for new obligations after that date." This memorandum provides guidance on the availability of such prior year funds needed for increasing existing obligations after that date.

During the five-year execution period, activity may occur on the case, such as price increases. Appropriation law allows upward obligation adjustments only in select situations. Increases in scope, quantity increases on defined order lines, or extending the period of performance are usually not allowed. To ensure that any prior year funds usage on pseudo LOA documents is in compliance with appropriation law, DSCA will review any price or quantity increases at the line or sub-line level, or extensions of the period of performance.

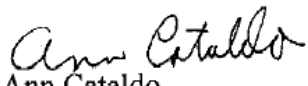
If a situation occurs that requires additional prior year funds or extensions of the period of performance, the Implementing Agency will provide the amount required, the reason for the additional funds or time, their Agency's position, and supporting documentation to the DSCA Directorate of Business Operations Country Finance Director (CFD). When a procurement action is the reason for additional funding, a determination by the Contracting Officer and/or an opinion by the legal counsel is required.

The DSCA CFD will first determine if the situation supports consideration for the use of prior year funds or if current year funds must be used, and obtain the coordination of the DSCA Office of General Counsel, Comptroller, Financial Policy, and the Directorate of Programs for 1206 programs. The DSCA Principal Director for Business Operations will review the recommendation and determine if the use of prior year funds is allowed. If the use of prior year funds is allowed, funds from the applicable prior year must be available. If prior year funds are not available, current year funds must be used and the requirement captured on a current year case. DSCA, working with OSD Comptroller, will determine the funding source. If prior year funds are available, certain dollar thresholds require the coordination of the funds holder, OSD Comptroller, or possibly the U.S. Congress. (Reference the DoD Financial Management Regulation Volume 3, Chapter 10, Subparagraph 100204, for details on the \$1M and \$4M thresholds.) For ISFF funded pseudo cases, U.S. Forces - Iraq (USF-I) is the approving authority. If DSCA concurs with the request, we will recommend use of prior year funds to USF-I. Additionally, for the 1206 program, SECDEF/SECSTATE approval and a Congressional notification is required. If those requirements are met, DSCA will provide the approval to the Implementing Agency, along with a unique Prior Year Funds Usage note to include in the Amendment or Modification. The DSCA CFD will also document the approval in a DSAMS Case Remark.

The Implementing Agency will include the Prior Year Funds Usage note, documenting the situation, in the follow-on Amendment or Modification. Amendments or Modifications submitted to the DSCA Case Writing Division without the Prior Year Funds Usage note will be

returned to the Implementing Agency for correction. The Implementing Agency will retain all supporting documentation in accordance with document retention requirements.

If you have any questions concerning this guidance, please contact Ms. Jean Wilson, DSCA/DBO/CFM, [Genevieve.Wilson@DSCA.mil](mailto:Genevieve.Wilson@DSCA.mil) (703)601-3736.

  
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cc:

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