



DEFENSE SECURITY COOPERATION AGENCY

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15 SEP 2011

MEMORANDUM FOR DEPUTY UNDER SECRETARY OF THE AIR FORCE FOR
INTERNATIONAL AFFAIRS
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DEFENSE EXPORTS AND COOPERATION
DEPUTY ASSISTANT SECRETARY OF THE NAVY FOR
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DIRECTOR, NATIONAL GEOSPATIAL INTELLIGENCE AGENCY
DEPUTY DIRECTOR FOR INFORMATION ASSURANCE,
NATIONAL SECURITY AGENCY
DIRECTOR, MISSILE DEFENSE AGENCY

SUBJECT: Revised Termination Liability Reserve Policy and Procedures (DSCA Policy 11-43)

Reference: (a) DSCA, Termination Liability (T/L) Reserves (DSCA 02-03), January 25, 2002

(b) DSCA, Termination Liability (T/L) Computation Methodology, February 15, 2002

(c) DSCA, Termination Liability Reserve Policy & Procedures (DSCA 04-38),
August 12, 2004

(d) DSCA, Termination Liability Reserve Policy & Procedures (DSCA 05-13), June 7,
2005

This memorandum supersedes the methodology for calculating the Termination Liability (TL) Reserve Requirements described in references (a) and (b). Reference (a) outlines the policy and procedures for using the two calculations described in the DoD Financial Management Regulation (FMR) Volume 15, Chapter 4: 1) Disbursements to Ordered Value and 2) Obligations to Ordered Value. Reference (b) outlines the responsibilities of the Defense Security Cooperation Agency (DSCA) and the Defense Finance and Accounting Service (DFAS) regarding the TL reserve requirement.

The TL calculation method described in references (a) and (b) was based on a single Source of Supply (SoS) entry loaded by DFAS at the case level. The DFAS country accountant selected the SoS associated with the largest line value and loaded this SoS for the entire case. Once the calculations were complete, the lower of the two methods, at the country level was held in reserve. This method was not ideal as it excluded cases that had sizeable amounts of

procurement (“P”) and mixed (“X”) lines if a case was coded as stock (“S”) and included sizeable amounts of stock (“S”) lines if a case was coded as procurement (“P”).

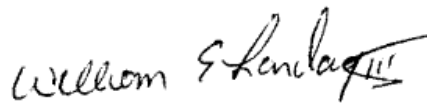
In an effort to more accurately reflect the reserves required for TL, DSCA is now using a computation based on the case-line level SoS from the Defense Security Assistance Management System (DSAMS) coupled with the case-level execution data from the Defense Integrated Financial System (DIFS). The following process will be used.

- Using data from DSAMS, the SoS is determined for each line;
- The total value of lines coded procurement (“P”) and 50% of the value of lines coded mixed (“X”) are used to estimate the percentage of the case coming from procurement;
- The TL is then calculated on each case using DIFS data based on the two methods in the FMR (Disbursements/Ordered Value and Obligations/Ordered Value;) and,
- The estimated procurement percentage is then applied to the TL calculated by each method. The lower of the two calculations at the case level is used to determine the TL to be held in reserve.

This memorandum reemphasizes references (c) and (d) which state TL amounts are to be reserved in a consistent manner and in a central location. Reserve TL amounts are to be used exclusively to support termination liability contingencies and for no other purpose. TL reserves are not a part of a customer’s available cash and therefore cannot be used to issue Expenditure Authority nor support disbursement actions without the specific approval of the DSCA Principal Director, Business Operations.

This revised method of computing the TL Reserve Requirement was successfully implemented incrementally for the April and July 2011 calculations. By using this new methodology, DSCA now holds a minimum amount for the protection of the United States and health of the FMS Trust Fund in each country’s TL Reserve Account.

Should you require further information, please contact my action officer, Mrs. Candace Sampere, DSCA DBO/FPIO, at (703) 601-3750, or candace.sampere@dsc.mil.



William E. Landay III
Vice Admiral, USN
Director

cc:

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