



## DEFENSE SECURITY COOPERATION AGENCY

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29 AUG 2011

MEMORANDUM FOR THE 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  
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DIRECTOR, DEFENSE THREAT REDUCTION AGENCY  
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DEPUTY DIRECTOR FOR INFORMATION ASSURANCE,  
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DIRECTOR, MISSILE DEFENSE AGENCY

SUBJECT: Guidance Concerning Contract Closeout of Security Cooperation Cases (Defense Security Cooperation Agency (DSCA) Policy 11-47)

This memorandum provides guidance for closeout of contracts/contract lines associated with Security Cooperation case (a.k.a. pseudo Letters of Offer and Acceptance (LOAs)) closure. Existing guidance for cases that do not follow accelerated case closure procedures, which includes cases implemented via pseudo LOAs, states, "all underlying contracts must be physically completed, final billed, audited, and closed out for the case to close" (DoD 5105.65-M, "FMS Case Reconciliation and Closure Manual," (RCM) Sections 1.7.1 and 1.7.2.). Additional requirements tied to case closure are discussed in Chapters 3 and 4 of the RCM.

Due to the compressed timeframe (i.e., appropriation life) associated with many Security Cooperation cases/pseudo LOAs, some flexibility from existing procedures is warranted. Security Cooperation case/pseudo LOAs, as referred to in this memorandum, include the Afghanistan Security Forces Fund, Iraq Security Forces Fund, Pakistan Counterinsurgency/Capability Fund, and the 1206 Program. Please refer to DSCA Policy Memo 11-06, "Execution and Closure Guidance for Pseudo Letters of Offer and Acceptance (Pseudo Cases) Financed with

U.S. Appropriated Funds that have a Limited Period of Availability,” for further information concerning the life of appropriated funds and applicable procedures for the use of those funds. Refer also to the Department of Defense Financial Management Regulation (DoD 7000.14-R), Volume 3, Chapters 8 and 10, for specific procedures associated with appropriated funds and the expiring/canceling nature of those funds.

When executing pseudo LOAs, case managers should be aware of the type of contract(s) they are employing to meet LOA requirements and ensure that contract lines can be closed prior to the cancellation of funds. The case manager should be aware of any inhibitors to closing applicable contracts/contract lines and must consult with the contracting officer concerning the precise status of the contract or lines in the contract.

Attached to this memorandum is a checklist for closure. The information contained on the checklist may also be found in the RCM and on DD Form 1597, Contract Closeout Checklist. A Security Cooperation case, or a line on a Security Cooperation case, can be closed if all contract line(s) associated with that case are “supply services complete,” as defined in the RCM, and if certain conditions or actions have occurred, even though the contract itself has not closed. These conditions are as follows:

- All items associated with the case or line have been delivered and title has transferred;
- Notification of completion has occurred in the appropriate information system(s);
- The case manager has verified with the line manager that all actions are supply services complete; the line manager has verified completion with the program manager, if applicable;
- Verification of completion has been conducted with the supply depots and or vendors;
- All appropriate reviews with the purchaser have been accomplished to confirm completion of logistical actions tied to the contract/contract line;
- All obligations and disbursements have been verified to ensure they have been accurately recorded in the entitlement system and the Military Department (MILDEP) accounting system;
- There are no Unliquidated Obligations (ULOs) tied to the case/line;
- Disbursements in the entitlement system have been verified to match the contractor claimed paid amount;
- Any discrepancies between the entitlement system and the MILDEP accounting system have been reconciled by the MILDEP and/or the Defense Finance and Accounting Service (DFAS);
- An estimated completion date has been determined for contract closure.

As previously mentioned, these procedures are being implemented due to the compressed timeframe (i.e., appropriation life) tied to many pseudo LOAs. As a result, it may be necessary to reopen a Security Cooperation case, once closed, if there are associated actions tied to the open contract that impact the closed case. Should this occur, requests to reopen the case, providing sufficient detail and justification for the action, should be sent to DSCA DBO/FPIO

for review and approval. If any contract claims are received after funds cancel, DSCA will be required to seek legally available funding.

Should you have any questions, please contact Brad Bittinger, DSCA DBO/FPIO, brad.bittinger@dsc.mil, 703-602-1360, or Michele Kennedy, DSCA DBO/FPIO, michele.kennedy@dsc.mil, 703-604-6578.



**William E. Landay III**  
Vice Admiral, USN  
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cc:

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TRADOC  
USACE  
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NETSAFA  
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SOCOM  
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CENTCOM  
NORTHCOM  
PACOM  
AFRICOM  
SOUTHCOM  
TRANSCOM

## Case Closure Worksheet for Cases with Open Contracts

Steps to be Taken	√
<b>ENSURE:</b>	
➤ The case is Supply Services Complete	
➤ There are no closure inhibitors	
➤ The Implementing Agency is the same in all systems	
➤ The case status is the same in all systems	
➤ The Letter of Offer and Acceptance (LOA) document designator is the same in all systems	
➤ The total case and/or line values are the same in all systems	
➤ The Net Case Value is the same in all systems	
➤ The total above- and below-the-line charges do not exceed the total case value certified for closure	
➤ The total delivered accessorials are validated	
➤ The delivered articles and services costs are less than or equal to the obligation authority	
➤ The delivered quantities for all LOA lines are reconciled among DIFS, DSCA 1200, and the Implementing Agency systems. "E-Bills" are converted to "A-Bills"	
➤ Total performance equals total disbursements	
➤ Progress payments are in balance in all systems and equal liquidating deliveries	
➤ The obligation authority is the same in all systems	
➤ The obligation authority is reconciled to obligations	
➤ Contract lines and other funding documents are verified as completed and/or closed out	
➤ All accepted supply discrepancy reports (SDRs) are closed	
➤ No litigation actions are pending	
➤ All expenditures have been processed, all commitments and obligations have been liquidated, and expenditures equal obligations	
➤ The delivered articles and services value, less CAS and LSC (if applicable), equals the obligations certified in the Implementing Agency accounting systems	
<b>ADDITIONAL ACTIONS:</b>	
➤ If the case includes major defense equipment (MDE), ensure the LOA ordered quantities equal actual delivered quantities	

## Case Closure Worksheet for Cases with Open Contracts

Steps to be Taken	√
➤ Validate the actual Contract Administrative Services (CAS) and Logistics Support Charge (LSC - if applicable) as follows: Progress Payment CAS equals Delivered CAS which equals Disbursed CAS; Delivered LSC equals Disbursed LSC	
➤ Confirm that no problem disbursements exist and that no associated corrective obligations exist	
➤ Reconcile Implementing Agency accounting and paying systems (or variances are appropriately documented), and non-FMS financial appropriations are reimbursed, as appropriate	
➤ Estimated completion date of contract closeout  _____ (MM/DD/YYYY)	
➤ What actions are inhibiting contract closure?	
➤ Remarks and/or Comments:	
➤ Data from above three steps has been entered into the Security Cooperation Management System (SCMS)	