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MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY OF THE ARMY DEFENSE EXPORTS AND COOPERATION
DEPUTY ASSISTANT SECRETARY OF THE NAVY INTERNATIONAL PROGRAMS
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DIRECTOR, NATIONAL GEOSPATIAL INTELLIGENCE AGENCY
DEPUTY DIRECTOR FOR INFORMATION ASSURANCE, NATIONAL SECURITY AGENCY
DIRECTOR, MISSILE DEFENSE AGENCY

SUBJECT: Guidance Concerning Reductions to Foreign Military Sales (FMS) Cases in Supply/Services Complete (SSC) Status (Defense Security Cooperation Agency (DSCA) Policy 13-31)

This memorandum provides guidance for reducing the value of an FMS case once it has reached (SSC) status. This guidance is being issued based on recurring requests from customers at DSCA-conducted financial management reviews for residual FMS case value to be released as soon as items are delivered and services are performed so any resulting residual funds can be made available.

There is a cost associated with the preparation and implementation of modifications to Letters of Offer and Acceptance (LOA) as well as extending the execution period of FMS cases to use residual value. We must manage resources effectively while balancing the financial needs of the customer. For most customers, it is their reasonable expectation that when an FMS case reaches SSC status, it will be reduced to the minimum amount the Implementing Agency (IA) considers is required to cover current, actual cost and any projected, reasonable amount necessary to cover potential adjustments that may be found during SSC reconciliation in preparation for case closure. This amount will hereafter be referred to as the FMS case adjusted SSC (ASSC) value. For a smaller number of customers, it is their desire to use the entire value of the FMS case. In order to accommodate all customers while taking into account administrative costs, the IA must engage the customer regarding the disposition of residual case value (Residual Case Value = Existing Case Value – ASSC Value) based upon the following existing case value ranges and residual case value thresholds; otherwise, the case is eligible for closure without conferring with the customer:

Existing Case Value	Residual Case Value
$1- $499,999	$10,000 or greater
$500,000 – $999,999	$25,000 or greater
$1,000,000 - $4,999,999	$50,000 or greater
$5,000,000 - $9,999,999	$75,000 or greater
> $10,000,000	$100,000 or greater

The thresholds in the above table are not applicable for concurrent modifications or where there is a requirement to cover official accounting system overages at the line or case level. The IA should work with the customer (LOA signatory organization) to address residual case value issues as quickly as possible and follow-up every 60 days until resolution is reached. If disposition instructions are not provided by the customer within 180 days, a modification should be prepared to return the residual case value. Case reconciliation efforts should continue regardless of the residual case value disposition status.

If a customer indicates the intent is to execute the residual value of the FMS case, the IA will include it on the “To Be Kept Open” list upon written notification from the LOA signatory organization until requirements are identified to use the residual case value. At that time, the IA will remove the SSC status on the FMS case and remove it from the “To Be Kept Open” list. Until the case is removed from the “To Be Kept Open” list, the IA should follow-up every 60 days with the customer and provide DSCA the current status through the quarterly case closure reporting process. If disposition of the residual case value has not occurred after 180 days, the case should be removed from the “To Be Kept Open” list and a modification to the LOA prepared to return the residual case value. This policy is intended to allow the residual value to be used and is not a blanket endorsement for the addition of funds to the case that will extend the execution phase, which could prolong the reconciliation and closure of the case beyond set standards.

If a customer indicates the desire for residual case value to be released once SSC status is reached, the IA will prepare a modification to the LOA to reduce the FMS case based upon the FMS case ASSC value. If other case adjustments are necessary that require the use of an Amendment, at the time the case reduction will be processed, the required case reduction can be incorporated into an Amendment. Further, IAs should consider preparing subsequent modifications to SSC FMS cases, as SSC reconciliation progresses, that result in substantial reductions to the FMS case ASSC value. Completing SSC reconciliation is not expected or required to reduce the case value to meet the provisions of this guidance.

If case closure certification is anticipated within six months of the planned preparation of a modification to reduce the case value once the FMS case SSC status is reached, the modification should not be prepared. The issuance of the certificate of closure will result in the required FMS case reduction. IAs should evaluate the need for a modification if the anticipated closure certification date slips.

Requests by the IA for exceptions to the threshold amount or disposition actions after the 180 day timeframes have been reached, which should be customer driven, can be requested on a case-by-case basis. Such requests should be kept to a minimum and directed to the appropriate DSCA Country Finance Director (CFD).

This policy issuance will be incorporated into the new Case Reconciliation and Closure chapter of the SAMM and the Reconciliation and Closure Guide (RCG) prior to their official release. Implementing instructions for the IAs will be provided in separate correspondence. If you have any questions regarding this guidance, please contact Brad Bittinger, DSCA DBO/FPA, brad.bittinger@dsca.mil, 703-602-1360.

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Director

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