DEFENSE SECURITY COOPERATION AGENCY
2800 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-2800

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MEMORANDUM FOR DIRECTOR, DEFENSE THREAT REDUCTION AGENCY
DIRECTOR, DEFENSE INFORMATION SYSTEMS AGENCY
DIRECTOR, DEFENSE LOGISTICS AGENCY
DIRECTOR, NATIONAL GEOSPATIAL INTELLIGENCE AGENCY
DIRECTOR, MISSILE DEFENSE AGENCY
DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY
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 LOGISTICS AGENCY LOGISTICS INFORMATION SERVICE
DIRECTOR, DEFENSE LOGISTICS AGENCY DISPOSITION SERVICES
DIRECTOR FOR SECURITY ASSISTANCE, DEFENSE FINANCE AND ACCOUNTING SERVICE - INDIANAPOLIS OPERATIONS
DEPUTY DIRECTOR FOR INFORMATION ASSURANCE, NATIONAL SECURITY AGENCY

SUBJECT: Refunds of Excess Collections on Interim Closed Foreign Military Sales (FMS) Cases, Defense Security Cooperation Agency (DSCA) Policy 13-57 [SAMM E-Change 237]

This memorandum implements policy for providing refunds of excess collections on Accelerated Case Closure Procedures (ACCP) interim closed FMS cases. Certain ACCP FMS cases may be billed for amounts to cover anticipated post-closure financial activity usually associated with long-running contracts and then placed in an interim closed status. These amounts are maintained in the purchaser's Case Closure Suspense Account (CCSA). Currently, excess funding in the CCSA is identified and refunded when an FMS case is transitioned to final closure. This policy is being issued based on recurring requests from purchasers to release unneeded funds, as conditions warrant, during interim closure rather than waiting several years or more until final closure status is achieved.
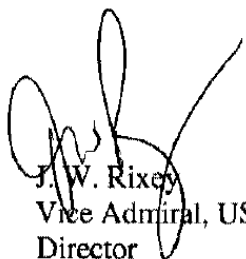
DSCA, teaming with the Military Departments (MILDEPs) and the Defense Finance and Accounting Services-Indianapolis (DFAS-IN), has established conditions and procedures where refunds of excess collections on interim closed cases will be issued beginning in February 2014. Refunds will be issued on a quarterly basis in February, May, August, and November each year.

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The amount of the refunds will be based on the values in the official accounting systems of the Implementing Agencies (IAs), where most, if not all, refunds will be as a result of deobligation actions and credit disbursements.

Other than the timing of the refunds, CCSA processing from a purchaser's perspective will be the same as for final closed FMS cases. For example, all post-closure activity impacting the CCSA will appear on the CCSA report that accompanies the purchaser's quarterly billing statement and refunds will be made to the appropriate holding account (7QQ for cash-financed cases, 5QQ for FMS Credit-financed cases, and 2QQ for MAP Merger-financed cases) and be visible on quarterly holding account statements.

IAs are required to review proposed refunds on interim closed FMS cases using the Interim Case Closure Refund tool in the Security Cooperation Management Suite (SCMS), accessible via the Security Cooperation Information Portal (SCIP), and provide recommendations to DSCA (Business Operations Directorate, Financial Policy and Analysis Division). Recommendations must be indicated in the tool by the tenth business day of the month in February, May, August, and November. Otherwise, DSCA will proceed using the proposed refund amounts. DSCA (Business Operations Directorate, Financial Policy and Analysis Division) will provide a list of refunds to DFAS-IN by the fifteenth business day of the month with input from DSCA (Business Operations Directorate, Country Financial Management Division) and DFAS-IN (Customer Accounting Branch). DFAS-IN will process the required actions to refund the amounts to the appropriate holding account by the last business day of the month in those months in which refunds on interim closed cases are scheduled.

The attachment updates the Security Assistance Management Manual (SAMM) Chapter 16 and the Reconciliation and Closure Guide (RCG) - Appendix 7 to reflect this policy change. If you have any questions regarding this guidance, please contact Brad Bittinger, DSCA DBO/FPA, brad.bittinger@dsca.mil, 703-602-1360.

J. W. Rixey
Vice Admiral, USN
Director

Attachment:
As stated

cc:
STATE/PM-RSAT
DISAM
USASAC
SATFA
TRADOC
USACE
NAVSUP WSS

NETSAFA
AFSAC
AFSAT
AFCEE
MARCOR IP
SCETC
USCG International Affairs (G-CI)
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Refunds of Excess Collections on Interim Closed Foreign Military Sales (FMS) Cases, Defense Security Cooperation Agency (DSCA) Policy 13-57 [SAMM E-Change 237]

SAMM, Chapter 16

1. Replace 16.4.12.2 in its entirety with the following:

   C16.4.12.2. ULO Adjustment Process. Incoming Expenditure Authority (EA) requests decrease (for debits) or increase (for credits) the CCSA balance. In addition, certain DFAS internal disbursements may affect the CCSA balance. Any unused ULO funds remain in the CCSA for subsequent use or refund. DFAS Indianapolis monitors the account to ensure there are sufficient funds to process additional disbursements. Once the ULO is fully liquidated/deobligated, the case can be submitted for final closure.

2. Replace 16.4.13 in its entirety with the following:

   C16.4.13. CCSA Statement. DFAS Indianapolis is responsible for maintaining the CCSA at country level. Transactions occurring subsequent to interim closure are processed against each country's respective accounts at the case level. The CCSA statement is provided to the purchasers with their quarterly billing statement.

3. Replace 16.4.13.1 in its entirety with the following:

   C16.4.13.1. CCSA Refunds. DSCA (Directorate of Business Operations, Financial Policy and Analysis and Country Financial Management Divisions) and DFAS Indianapolis review the CCSA balances on a quarterly basis to determine if the country is eligible for a refund. ULO amounts must be retained in the CCSA to cover anticipated post-closure billing/disbursement activity. Also, amounts must be retained in the CCSA to cover cases with negative ULO balances. The utility of purchaser funds is optimized by accounting for activity against individual cases but managing the CCSA account at the country level. If the amount identified for refund exceeds 75% of the total CCSA balance, a refund will not be processed. The funds are retained in the CCSA to mitigate the probability of future CCSA deficits at the total account balance level until the CCSA balance is sufficient to allow for the identified refunds.

4. Add section 16.4.13.1.1 as follows:

C16.4.13.1.1. Refunds on Interim Closed Cases. The review for potential refunds occurs on a quarterly basis and refunds are processed prior to the end of the month in February, May, August and November. IAs are required to review proposed refunds on interim closed FMS cases using the Interim Case Closure Refund tool in the Security Cooperation Management Suite (SCMS) and provide recommendations to DSCA (Business Operations Directorate, Financial Policy and Analysis Division). Recommendations must be indicated in the tool by the tenth business day of the month in which interim refunds are scheduled to occur. Otherwise, DSCA will proceed using the proposed refund amounts. DSCA (Business Operations Directorate, Financial Policy and Analysis Division) will provide a list of refunds to DFAS Indianapolis by the fifteenth business day of the month with collaborative input from DSCA (Business Operations Directorate, Country Financial Management Division) and DFAS Indianapolis (Customer Accounting Branch). DFAS Indianapolis will process the required actions to refund the amounts to the appropriate holding account by the last business day of the month. Any unneeded ULO value on the case is refunded by deposit into the appropriate holding account, which includes 7QQ for cash-financed cases, 5QQ for FMS Credit-financed cases, and 2QQ for MAP Merger-financed cases.

4. Add section 16.4.13.1.2 as follows:

C16.4.13.1.2. Refunds on Final Closed Cases. The process for reviewing for potential CCSA refunds occurs on a quarterly basis and refunds will be processed before the end of the month in March, June, September, and December. DSCA (Business Operations Directorate, Financial Policy and Analysis Division) will provide a list of refund candidates to the DSCA (Business Operations Directorate, Country Financial Management Division) and DFAS Indianapolis (Customer Accounting Branch) at the beginning of the month in which refunds are scheduled. Input is due by the twelfth business day of the month. Otherwise, DSCA (Business Operations Directorate, Financial Policy and Analysis Division) will proceed using the proposed refund amounts. DSCA (Business Operations Directorate, Financial Policy and Analysis Division) will provide a list of refunds to DFAS Indianapolis by the tenth business day of the month. DFAS Indianapolis will process the required actions to refund the amounts to the appropriate holding account by the last business day of the month. Due to limitations in DIFS, in order to process refunds, the final closure status of the case must be changed to interim status. To prevent the case from being returned to final closed status, DFAS Indianapolis will review the suspended transaction file and remove any transactions that will prevent the case from being returned to final closed status. DFAS Indianapolis is required to ensure the final closure status is reapplied to cases within 30 days after the refund has occurred. Any unused ULO value on the case is refunded by deposit into the appropriate holding

account, which includes 7QQ for cash-financed cases, 5QQ for FMS Credit-financed cases, and 2QQ for MAP Merger-financed cases.

SAMM, APPENDIX 7 (Reconciliation and Closure Guide)

1. Replace A7.C4.12.4 in its entirety with the following:

   A7.C4.12.4. CCSA Refunds – The greater the accuracy of the estimated ULO at the time a case is being prepared for interim closure under ACCP, the less likely CCSA excesses will occur. The purpose of CCSA refunds are to release excess funds based on account balances at the country level, as a result of post-closure financial activity against cases, to optimize the utility of purchaser funds. The successful execution of CCSA refunds is dependent on a closely coordinated effort between DSCA (Business Operations Directorate), DFAS Indianapolis and IAs, when appropriate. CCSA refunds are deposited into the appropriate holding account, which includes 7QQ for cash-financed cases, 5QQ for FMS Credit-financed cases, and 2QQ for MAP Merger-financed cases.

2. Replace A7.C4.12.4.1 in its entirety with the following:

   A7.C4.12.4.1. Refunds are made on both interim closed and final closed cases. The process differs for each refund type.

3. Replace A7.C4.12.4.1.1 in its entirety with the following:

   A7.C4.12.4.1.1. Interim Closed cases - The process of reviewing for potential CCSA refunds occurs on a quarterly basis and refunds are processed before the end of the month in February, May, August, and November. IAs review proposed refunds on interim closed FMS cases using the Interim Case Closure Refund tool in the Security Cooperation Management Suite (SCMS) and update recommendations for DSCA (Business Operations Directorate, Financial Policy and Analysis Division). DSCA (Business Operations Directorate, Financial Policy and Analysis Division) provides a list of refunds to DFAS Indianapolis with input from DSCA (Business Operations Directorate, Country Financial Management Division) and DFAS Indianapolis (Customer Accounting Branch). DFAS Indianapolis creates and processes the refund voucher and inputs the cash transfer transactions into DIFS to move excess funds to the appropriate holding accounts; posts the credit ULO EA adjustments to the corresponding cases; and processes corresponding progress payments at the line item level for each case that received a refund. The last action ensures that 'ND' performance reporting match disbursements to facilitate final closure.

4. Replace A7.C4.12.4.1.2. in its entirety with the following:

A7.C4.12.4.1.2. Final Closed cases - The process for reviewing for potential CCSA refunds occurs on a quarterly basis and refunds are processed before the end of the month in March, June, September, and December. DFAS Indianapolis provides various reports and data to DSCA (Business Operations Directorate, Financial Policy and Analysis Division) on ULO balances. DSCA (Business Operations Directorate, Financial Policy and Analysis Division) forwards to DSCA (Business Operations Directorate, Country Financial Management Division) and DFAS Indianapolis its comprehensive report, produced by the DSCA Final Closed Case Refund tool, identifying all countries for which excess CCSA funds appear to exist, along with its recommendation on the excess funds eligible for refund. The report details the specific cases comprising the country-level CCSA excess funds total. DSCA (Business Operations Directorate, Country Financial Management Division) and DFAS Indianapolis review and coordinate on the identified refunds. DSCA (Business Operations Directorate, Financial Policy and Analysis Division) provides direction to DFAS Indianapolis on the amount of CCSA refunds. Due to limitations within DIFS, DFAS Indianapolis temporarily moves the case to an interim closure status ('C2') which allows for transactional processing of refunds. However, before such action is taken, DFAS Indianapolis reviews the suspended transaction file and removes any transactions that would impact the movement of the case back to final closure status ('C3'). DFAS Indianapolis then creates and process the refund voucher and inputs the cash transfer transactions into DIFS to move excess funds to the appropriate holding accounts; processes corresponding progress payments at the line item level for each case that received a refund; and returns the case to a final closure status ('C3').

5. Replace A7.C4.12.4.2 in its entirety with the following:

A7.C4.12.4.2. Disposition of funds originating from cash-funded cases requires DFAS Indianapolis to transfer funds originating from cash-funded to the FMS Trust Fund holding account 7QQ. This holding account serves as a temporary repository of those funds and provides an appropriate audit trail for monitoring CCSA refunds. DSCA (Business Operations Directorate, Country Financial Management Division) requests that purchasers respond within a reasonable time frame with their authorizations to transfer these funds to more desired repositories. Options for disposing of these funds include: cross-leveling to active FMS cases for the purpose of liquidating arrearages or minimizing future outlay requirements; transferring to other holding account(s), perhaps for the purpose of further segregating excess funds by In Country Service (ICS) and/or refunding directly to the purchaser.

6. Add A7.C4.12.4.3. as follows:

A7.C4.12.4.3. Disposition of funds originating from FMS Credit and MAP Merger-Funded cases begins when DFAS Indianapolis transfers the refunds to the '5QQ' (Credit) or '2QQ' (MAP Merger) holding account, whichever is identified in the comprehensive refund report. DSCA (Directorate of Business Operations, Country Financial Management Division) records into the FMS Credit System database an offsetting commitment entry (i.e., a negative 'RA' transaction) using pseudo case identifier Q-ULO as the audit trail for monitoring these transactions. This action increases the purchaser's FMF uncommitted balance by a corresponding amount. Funds are de-committed from pseudo case Q-ULO to finance LOAs as they are presented for funding.

7. Add A7.C4.12.4.4. as follows:

A7.C4.12.4.4.   Refunds are reflected in the purchaser's applicable holding accounts statements and the CCSA statement provided with the quarterly DD Form 645, "Foreign Military Sales (FMS) Billing Statement".

8. Add A7.C4.14.3.1. as follows:

A7.C4.14.3.1. When refunds occur during interim closure, certain variances will result on the case. Specifically, interim refunds will cause progress payments to exceed liquidating deliveries by the amount of the interim refund.   In addition, interim refunds will result in a disbursement variance between DIFS and the IA by the amount of the refund. These conditions should be taken into consideration when certifying an interim closed case for final closure. However, these specific conditions should not prevent the final closure certification of the case.