



DEFENSE SECURITY COOPERATION AGENCY

WASHINGTON, DC 20301-2800

JAN 25 2002

In reply refer to:
I-02/000792-FM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE (DENVER CENTER) ATTN: DFAS-AY/DE

DIRECTOR, DSCA LIAISON OFFICE

SUBJECT: Termination Liability (T/L) Reserves (DSCA 02-03)

REFERENCE: (a) DSCA/DLO memorandum dated 30 June 2000
(b) DSCA/DLO memorandum dated 25 August 2000
(c) DFAS-AYCC/DE memorandum dated 21 December 2000
(d) Meeting between DSCA and DFAS officials, 9 August 2000

References (a) and (b) requested DFAS develop the capability to reflect T/L reserves in a consistent manner and in a centralized location. Reference (c) indicated that DFAS was prepared to implement a proposal agreed to during reference (d). We regret the delay in responding, as we believed the proposal was effected pursuant to reference (c). This memorandum prescribes the following actions necessary to achieve our objectives:

ACTIONS FOR DSCA/DLO:

1. Notify DFAS-AY/DE not later than 31 January 2002 of the T/L amounts applicable to each FMS customer with an active program. Initially, use the "T/L Lowest" figure contained in the monthly "Health of Customer Programs" report sent to DSCA/COMPT-FM, or the T/L reserve cited in the most recent Special Billing Arrangement (SBA) letter, if applicable.
2. Work with DFAS to modify the "Health of Customer Programs" report as follows:
 - a. Reflect the following columns under a header labeled "T/L":
 - (1) "Applicable T/L" (which, until further advised, will equal the lowest T/L compute)
 - (2) "TF T/L FML" (Note: This column will be renamed "FML 10XX" once that FML is established (see below)).
 - (3) "FRB 05XX"
 - (4) "T/L Drawdown Ltr"
 - b. Delete the column "Comment"
 - c. Delete "ULO balance" (Note: Retain "ULO BALANCE" column if entire report can fit on one page)
 - d. Ensure all columns appear on one page
3. Issue the monthly "Health of Customer Programs" report to DSCA/COMPT-FM once the report transition from DFAS-AY/DE to DLO is finalized.

ACTIONS FOR DFAS-AY/DE:

1. Establish the following Financial Management Ledger (FML) accounts (note: it is understood the 'XX' in the FML account numbers below will be replaced with an actual number assigned by DFAS; the only requirement is that those two digits be the same for FRB and corresponding FMS Trust Fund FMLs):

a. FML 05XX. This memo account will contain the amount of T/L that a country has in the FRB. The amount in FML 05XX cannot be used without DSCA/COMPT-FM approval through the DLO. Along this line, once FML 05XX is established, FML 0501 (see b. below) will only contain the amount that can be transferred to the country's FMS Trust Fund.

b. FML 0501. This memo account will contain the available cash resources in the FRB account. It is derived by subtracting FML 05XX from FML 0500.

c. FML 10XX. This account will contain the T/L for those countries that do not have a T/L Drawdown Letter or a FRB account. The funds in this account cannot be used without the approval of DSCA/COMPT-FM through the DLO.

d. Notify the DLO as to the actual account numbers assigned that replace FMLs 05XX and 10XX as described above.

2. Upon receipt of the DLO report on T/L amounts for each country, determine whether the T/L amounts for each country reside in the FMS Trust Fund and/or the FRB account. If the country does not have an FRB account, the T/L will be retained in the Trust Fund. If the country has an FRB account, the T/L will be retained in the customer's FRB account.

a. For countries with T/L reserve in the FMS Trust Fund, transfer the amount of that reserve to FML 10XX. Until FML 10XX is established the T/L, for those customers without T/L drawdown letters and without FRB accounts, should be transferred to FML 1009. The T/L funds will not be used without the approval of DSCA/COMPT-FM.

b. For countries with T/L reserve in the FRB account, record as a memo entry the reserve into FML 05XX. Until FML 05XX is established, inform all DFAS country managers that the portion of the FRB account designated for T/L should not be transferred to the Trust Fund account without the approval of the DSCA Country Finance Director (CFD).

3. For countries whose T/L reserve resides in both the FMS Trust Fund and the FRB account, transfer the T/L portion residing in the FMS Trust Fund to the FRB account and then reserve the entire amount as a memo entry against FML 05XX.

NOTE: The T/L reserves are not part of a country's available cash computation. The available cash resources are the sum of FRB (FML 0501) and Trust Fund FML 1001 (and, as agreed for individual countries, in FML 1009). The memo FML 05XX and Trust Fund

FML 10XX are separate from that calculation and should not be disbursed without written approval from the DSCA CFD, through the DLO.

4. Ensure all personnel are aware of the new T/L reserve arrangement, as they may be otherwise unaware as to noticeable decreases in the available cash computation. and that funds reserved for T/L may not be used without the approval of DSCA.

5. Send written confirmation to DSCA/COMPT-FM, through the DSCA/DLO, that the transfers occurred, and advise same if transfers could not be accomplished due to insufficient available cash resources. The initial transfers and requisite confirmation should occur by 28 February 2002.

6. Ensure that T/L covered by T/L drawdown letters is not disbursed from the customer's FMF funds without the approval of DSCA/COMPT-FM.

DSCA/COMPT-FM will advise DLO when adjustments to the T/L reserve are warranted. In turn, DLO will notify DFAS as to the corresponding accounting adjustments to be made.

We believe these steps will further improve and clarify our accountability of the FMS program's T/L reserves, and we appreciate your assistance in that regard. Should you have any questions, the DSCA COMPT point of contact is Mr. David Rude, COMPT-FM financial policy team chief, telephone DSN 664-6569, e-mail: david.rude@osd.pentagon.mil.


James A. McQuality
Comptroller