



DEFENSE SECURITY COOPERATION AGENCY

WASHINGTON, DC 20301-2800

12 Aug 2004
In reply refer to:
I-04/011765-FPS

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE (DENVER CENTER) ATTN: DFAS-ADY
DEPUTY DIRECTOR FOR COUNTRY FINANCIAL
MANAGEMENT (DSCA/BUSOPS- COMPT/CFM)
DEPUTY DIRECTOR FOR FINANCIAL POLICY & SUPPORT
(DSCA/BUSOPS-COMPT/FPS)

SUBJECT: Termination Liability Reserve Policy & Procedures (DSCA 04-38)

REFERENCE: (a) DSCA MEMO 02-03 (Subject: Termination Liability (T/L)
Reserves, dated 25 January 2002.
(b) DSCA Memo (Subject: Termination Liability (T/L) Computation
Methodology Revisions), Dated 15 February 2002.

This memorandum provides additional financial policy and guidance with regard to DFAS and DSCA organizational roles and responsibilities in support of the calculation, administration, and management of termination liability (T/L) reserves for the FMS program. This memorandum also clarifies the requirement to ensure that TL reserve funds are retained in the Federal Reserve Bank (FRB) whenever an FMS customer has an FRB account.

Memoranda referenced above emphasized that TL amounts are to be reserved in a consistent manner and in a centralized location. Reserved TL amounts are to be used exclusively to support a termination liability contingency and for no other purpose. In other words, TL reserves are not a part of a customer's available cash and therefore cannot be used to issue Expenditure Authority (EA) nor support disbursement actions unless specifically approved by the DSCA Director for Business Operations/Comptroller.

FMS customers can earn interest on their TL reserves. For FMS customers with an FRB account, TL reserves will be maintained in their FRB account provided sufficient funds are on deposit in the FRB to cover the TL reserved amount. Any exception to this policy must be approved by either the DSCA Deputy Director for Country Financial Management or the DSCA Director for Business Operations/Comptroller.

Specific DFAS and DSCA organizational roles and responsibilities for the calculation, administration, and management of TL reserves follow:

DSCA Deputy Director for Financial Policy & Support (DSCA FPS).

1. DSCA FPS is responsible for calculating, staffing and coordinating TL reserve amounts; advising DFAS of TL amounts to be reserved and any adjustments thereto; as well as reporting and policy support for TL requirements. DSCA FPS serves as the single, central point of contact for the calculation, administrative control, tracking, and reporting of TL reserves.
2. DSCA FPS computes TL reserve requirements for all FMS customer programs on a quarterly basis in accordance with DoD FMR, Volume 15, 7000.14-R. Reserve requirements for TL are computed using the two methodologies identified in Reference (b) above. Upon calculation of the quarterly TL reserve amounts, DSCA FPS forwards the computed amounts to DSCA CFM for review and approval. Any deviations from the computed TL amounts must be approved by the Director for Business Operations/Comptroller.
3. Once the TL reserve amounts are confirmed, DSCA FPS notifies DFAS ADY in writing of the TL amounts to be reserved in each FMS customer's TL account with an information copy to DSCA CFM. The DSCA FPS notification also requests DFAS notify DSCA FPS and CFM if sufficient customer funds are not available to reserve the amount of TL identified. DSCA CFM recommends appropriate follow-on actions to the DSCA Director for Business Operations/Comptroller. Once approved, DSCA FPS advises DFAS ADY accordingly with an information copy to DSCA CFM.
4. All requests to transfer TL reserves between an FMS customer's FRB TL account and the customer's FMS Trust Fund TL account 1003 are staffed through DSCA CFM with notification to DSCA FPS. Likewise, all requests to transfer an FMS customer's reserved TL to the customer's FMS Trust Fund Cash available account 1001 are staffed through DSCA CFM with notification to DSCA FPS. DSCA CFM reviews and provides recommendations to the DSCA Director for Business Operations/Comptroller. Once approved, DSCA FPS is notified and advises DFAS ADY in writing to transfer the TL funds accordingly with an information copy to DSCA CFM.
5. As stated above, DSCA FPS calculates and updates TL reserve requirements on a quarterly basis. These TL reserve requirements are reflected on the monthly Health of Customer Program Report (HCPR). DSCA FPS continues to provide the HCPR report to DSCA CFM on a

monthly basis. Modifications to the TL reserve requirements are not changed during the quarter unless specifically approved on an exception basis by the DSCA Director for Business Operations/Comptroller. Once approved, DSCA FPS notifies DFAS ADY in writing of the adjustments to be made to the TL reserve amounts with an information copy to DSCA CFM.

DSCA Deputy Director for Country Financial Management (DSCA CFM).


1. DSCA CFM is responsible for the overall financial management of TL reserve requirements. DSCA CFM receives, reviews, and approves DSCA FPS quarterly TL reserve computations. The lower of the two DSCA FPS TL computed amounts are used except when a legitimate basis may exist for deviating from the computed TL amounts. In such instances, the proposed deviation from the computed amounts must be approved by the DSCA Director for Business Operations/Comptroller.
2. DSCA CFM staffs all requests to transfer TL reserves between an FMS customer's FRB TL account and the customer's FMS Trust Fund TL account 1003. Likewise, all requests to transfer an FMS customer's reserved TL to the customer's FMS Trust Fund Cash Available account 1001 are staffed through DSCA CFM. DSCA CFM reviews and provides recommendations to the DSCA Director for Business Operations/Comptroller. Once approved, DSCA CFM ensures DSCA FPS is notified of the approved requests to transfer TL amounts.

DFAS – Denver Director for Security Assistance Accounting (DFAS ADY).

1. DFAS ADY is responsible for maintaining official TL accounting records. DFAS ADY receives the TL reserve amounts from DSCA FPS and records the amounts in the TL accounts, in accordance with DSCA FPS direction. DFAS ADY notifies DSCA FPS and CFM in writing once the TL records have been updated as requested. However, if sufficient customer funds are not available to reserve the TL amounts as requested by DSCA FPS, DFAS ADY immediately notifies DSCA FPS and CFM and awaits further guidance from DSCA FPS.
2. Likewise, DFAS ADY receives from DSCA FPS TL amounts to be transferred either between an FMS customer's FRB and Trust Fund TL accounts or to a customer's FMS Trust Fund Cash Available account 1001. Upon receipt, DFAS ADY records the amounts in the FMS customer's accounts in accordance with DSCA FPS direction. DFAS ADY advises DSCA FPS and CFM in writing when the transfers have been completed.

3. DFAS ADY ensures TL reserved balances are maintained in accordance with DSCA FPS direction and are not available for expenditure authorization (EA) nor disbursement.

The DSCA points of contact for this TL policy and guidance are Mr. Charlie Kullhem (303-676-6190) and Mr. Bill Kramer (303-676-6178).



Keith B. Webster
Director,
Business Operations/Comptroller