



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

17 JUL 2013

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

SUBJECT: Clarification of Use of Prior Year Funds Procedures for DoD-funded Building  
Partner Capacity (BPC) Cases, DSCA Policy 13-30

References: (a) DoD Appropriated Funds Prior Year Activity, DSCA Policy 10-08  
(b) DSCA Manual 5105.38, Security Assistance Management Manual

This memorandum clarifies Reference (a) guidance concerning requests for the Use of Prior Year Funds applicable to DoD-funded BPC cases after funds have expired for new obligation and prior to those same funds canceling. Reference (b), Chapter 15, provides a listing of the applicable programs.

The Letter of Offer and Acceptance (LOA) "Funds, Purpose, Availability and Amount" note includes the requirement that "Failure to obligate the funds during the period of availability ending on 30 September 20xx will render them unavailable for new obligations after that date." This memorandum provides additional guidance on the availability of such prior year funds when needed for increases to existing valid obligations after that date.

During the five-year period between funds expiration and funds cancelation, activity may occur on the case that requires additional funding. Appropriation law allows upward obligation adjustments only in specific situations. Increases in scope, quantity increases, or extending the period of performance (not within scope) are generally not allowed. To ensure any prior year funds usage on BPC cases is in compliance with appropriation law, DSCA will review all Implementing Agency requests for price increases at the line or sub-line level and/or extensions to the period of performance.

Per Reference (a), if a situation occurs that requires additional prior year funds or extensions of the period of performance, the Implementing Agency will provide: (1) the amount of additional funding/additional time required, (2) the reason for the additional funds or time, (3) the Implementing Agency's position, and (4) supporting documentation, to the DSCA Directorate of Business Operations (DBO) Country Finance Director (CFD). When a procurement action is the reason for additional funding, a determination by the Contracting Officer and/or an opinion by the legal counsel must also be provided by the Implementing Agency.

In accordance with existing procedures, the DBO CFD will first determine if the situation supports consideration for the use of prior year funds or if current year funds must be used. If prior year funds are not available, current year funds must be used and the requirement captured on a current year case. Upon validation of the requirement(s), the DBO CFD will obtain the appropriate DSCA coordination (Office of General Counsel (OGC)), Financial Policy (DBO/FPA), Comptroller (DBO/CMP), and other DSCA offices (if necessary for program-specific actions). The DSCA Principal Director for Business Operations will review and approve or disapprove the recommendation for the use of prior year funds. If the request is approved, the DBO CFD will provide the approval to the Implementing Agency, along with a unique Use of Prior Year Funds note to include in the Amendment or Modification (see exception below related to cases ready for closure), and document the approval in a DSAMS Case Remark. (Note: Some program authorities, such as programs under section 1206 of the 2006 National Defense Authorization Act, may require additional SECDEF/SECSTATE approval and Congressional Notification.)

If the request is approved for a within scope period of performance increase, the DBO CFD will provide the approval to the Implementing Agency, along with a unique Period of Performance Extension note to include in the Amendment or Modification, and document the approval in a DSAMS Case Remark.

Based on past reviews of within scope requests for upward adjustments, the following changes are effective with the issuance of this memorandum:

- ***Working Capital Fund (WCF) Price Increases*** – If prior year funds are available to accommodate the required unit cost price increases of WCF items properly obligated prior to funds expiration, the DBO CFD will coordinate the requirement through DBO/CMP his/her Division Chief. OGC, DBO/FPA, and DBO/CMP coordination is no longer required. OGC, DBO/FPA, and DBO/CMP are available to advise or coordinate as necessary. Approval of these actions will be by the Principal Director, DBO. Upon approval, the DBO CFD will provide the approval to the Implementing Agency, along with a unique Use of Prior Year Funds note to include in the Amendment or Modification; s/he will also document the approval in a DSAMS Case Remark.

- **Adjustments less than \$250** – Funding adjustments under \$250 for articles/services properly obligated prior to funds expiration, no longer require internal coordination with OGC, DBO/FPA, and DBO/CMP if funds are available to accommodate the required increase. OGC, DBO/FPA, and DBO/CMP are available to advise or coordinate as necessary. Approval of these actions will be by the Principal Director, DBO. Upon approval, the DBO CFD will provide the approval to the Implementing Agency, along with a unique Use of Prior Year Funds note to include in the Amendment or Modification; s/he will also document the approval in a DSAMS Case Remark.
- **Adjustments within Case Value** – When there are sufficient funds within the case to support the request for Use of Prior Year Funds (i.e., no increase to total case value), the DBO CFD will staff the request with OGC, DBO/FPA, DBO/CMP, and other DSCA offices (as required). Approval of these actions will be by the Principal Director, DBO. Upon approval, the DBO CFD will provide the approval to the Implementing Agency, along with a unique Use of Prior Year Funds note to include in the Amendment or Modification; s/he will also document the approval in a DSAMS Case Remark.
- **Within Case Adjustments for Cases Ready for Closure** – For BPC cases that are ready for closure when there are sufficient funds within the case to support the request for Use of Prior Year Funds (i.e., no increase to total case value), the DBO CFD will staff the request with OGC, DBO/FPA, DBO/CMP, and other DSCA offices (as required). Approval of these actions will be by the Principal Director, DBO. Upon approval, the DBO CFD will notify the Implementing Agency of the approval and enter the approval together with the unique Use of Prior Year Funds note to DSAMS. No Amendment or Modification will be required in this instance and the case can then proceed to closure.

A summary of the above procedures follows:

<b>USE OF PRIOR YEAR FUNDS</b>					
<b>Action Required</b>	<b>Coordinate</b>				<b>Approve</b>
	<b>OGC</b>	<b>FPA</b>	<b>CMP</b>	<b>Other 2/</b>	<b>DBO</b>
<b>DSCA Policy Memo 10-08</b>					
Any Request for Use of Prior Year Funds	X	X	X	X	X
<b>Changes Effective DSCA Policy Memo 13-30</b>					
Working Capital Fund Price Increases	1/	1/	1/	X	X
Adjustments Less than \$250	1/	1/	1/	X	X
Adjustments within Case Value	X	X	X	X	X
Within Case Adjustments/Cases Ready for Closure	X	X	X	X	X

Notes:

1/ OGC, DBO/FPA, and DBO/CMP are available to advise or coordinate as necessary.

2/ Other could refer to PGM and/or OPS

<b>Period of Performance Extension</b>					
<b>Action Required</b>	<b>Coordinate</b>				<b>Approve</b>
	<b>OGC</b>	<b>FPA</b>	<b>CMP</b>	<b>Other</b>	<b>DBO</b>
<b>DSCA Policy Memo 10-08</b>					
Any Request for Period of Performance Extension	X	X	X	X	X
<b>Changes Effective DSCA Policy Memo 13-30</b>					
No changes	X	X	X	X	X

Upon receipt of approval from DBO/CFM, the Implementing Agency will include the Use of Prior Year Funds or Period of Performance Extension note, documenting the situation, in the follow-on Amendment or Modification with the exception of a case ready for closure certification. Amendments or Modifications submitted to the DSCA Case Writing Division without the Use of Prior Year Funds or Period of Performance Extension note will be returned to the Implementing Agency for correction. The Implementing Agency will retain all supporting documentation in accordance with document retention requirements.

If you have any questions concerning this guidance, please contact Michele Kennedy, DSCA DBO/FPA, michele.kennedy@dscamil, 703-604-6578, or Jean Wilson, DSCA DBO/FPA, genevieve.wilson@dscamil, 703-604-6570.



James Worm  
Principal Director  
Business Operations

cc : STATE/PM-RSAT  
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USASAC  
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