



DEFENSE SECURITY COOPERATION AGENCY

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June 17, 2022

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, DEFENSE INFORMATION SYSTEMS AGENCY
DIRECTOR, DEFENSE LOGISTICS AGENCY
DIRECTOR, DEFENSE THREAT REDUCTION AGENCY
DIRECTOR, MISSILE DEFENSE AGENCY
DIRECTOR, NATIONAL GEOSPATIAL-INTELLIGENCE
AGENCY
DIRECTOR FOR SECURITY ASSISTANCE, DEFENSE FINANCE
AND ACCOUNTING SERVICE – INDIANAPOLIS
OPERATIONS
DIRECTOR OF CYBERSECURITY DIRECTORATE AND DEPUTY
NATIONAL MANAGER FOR NATIONAL SECURITY
SYSTEMS, NATIONAL SECURITY AGENCY

SUBJECT: Security Assistance Management Manual Policy Memorandum 22-33, Building
Partner Capacity Funds Return Guidance [SAMM E-Change 525]

References: (a) Department of Defense 7000.14-R, Financial Management Regulation, Vol 3
(b) Department of Defense 7000.14-R, Financial Management Regulation, Vol 15
(c) DSCA Manual 5105.38, Security Assistance Management Manual, Chapter 4
(Table C4.T2b.) and Chapter 15 (Table C15.T2.)
(d) DSCA Manual 5105.38, Security Assistance Management Manual, Chapter 16
and Appendix 7
(e) Prior Year Adjustment Requests for Building Partner Capacity (BPC) Cases, DSCA Policy 19-03
(f) Clarification of DSCA Policy on Prior Year Adjustment (PYA) Requests, DSCA Policy 20-12
(g) Closure of Building Partner Capability (BPC) Transportation Accounts, DSCA Policy 20-66

Effective immediately, DSCA Policy 18-33, “Force Closure of BPC Funded Cases”, is hereby rescinded. This memorandum provides guidance to the Implementing Agencies (IAs)

and the Defense Finance and Accounting Service (DFAS) on the requirement to return funds on Building Partner Capacity (BPC) cases and from BPC Transportation Accounts during the funds' appropriation lifecycle. As outlined in DSCA Policy 20-47, BPC Accounting Interim Solution, DSCA is in the process of decoupling BPC case execution from the FMS Trust Fund. This policy memorandum is intended to ensure that the IAs are acting in accordance with fiscal law requirements during this interim period where BPC funds are continuing to be deposited into the FMS Trust Fund in order to execute BPC cases. Unliquidated funds on BPC cases should be returned to DSCA expeditiously to ensure the most efficient use of funds during their period of availability.

The IAs must follow the policy and guidance provided in the DoD Financial Management Regulation (FMR) and SAMM to ensure that all funds are managed appropriately, and to facilitate the timely return of funds as required during the funds lifecycle.

The requirements established in this memorandum were coordinated and agreed upon by DSCA, the Office of the Under Secretary of Defense – Comptroller (OUSD(C)), and the DoD Office of General Counsel. If you have questions regarding this memorandum, contact Mr. Lucas J. Rose, Financial Policy & Regional Execution Directorate, Financial Policy Division, (202) 853-5693, lucas.j.rose1.civ@mail.mil. For questions related to BPC case funds returns, contact Ms. Emily Issler, Financial Policy & Regional Execution Directorate (703) 697-9362, emily.e.issler.civ@mail.mil. For OUSD(C) questions related to this policy, contact Mr. Marlon Moreira, Financial Management Policy and Reporting, (703) 571-1656, marlon.a.moreira.civ@mail.mil. For OUSD(C) questions related to budget, contact Mr. Rafael Hernandez, Program/Budget – Operations Directorate, Contingency and International Programs, (703) 614-7248, rafael.hernandez.civ@mail.mil.

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J. Aaron Harding
Chief Operating Officer and Chief Financial Officer
Defense Security Cooperation Agency

Attachments:

1. Building Partner Capacity Funds Return Guidance
2. Security Assistance Management Manual (SAMM), E-Change 525
3. Building Partner Capacity Funds Return Timeline

Attachment 1: Building Partner Capacity Funds Return Guidance

BPC cases are funded with U.S. appropriations that are only available for obligation and expenditure for specific periods of time. Reference (c) provides a comprehensive listing of program codes and associated expiration and cancellation dates for BPC programs and authorities. These tables may be used to identify the funding lifecycle for specific programs or set of case identifiers. Under the Economy Act (31 U.S.C. 1535), Title 10 funds that DSCA transfers to the IAs that are placed on BPC cases retain the original period of availability identified on the originating appropriation listed in SAMM C15.T2. Transfer of BPC funds into the 9711X8242 no-year account occurs as a result of DSCA transferring the U.S. appropriated funds into the Foreign Military Sales (FMS) Trust Fund as part of the FMS process. The transfer of appropriated funds to the FMS Trust Fund does not exempt the IA from following the fiscal parameters of the originating appropriation. Consistent with the appropriation life cycle, expired funds are no longer available for incurring new obligations, other than upward obligation adjustments as authorized by law, but remain available for liquidating valid obligations. Cancelled funds are not available for any purpose and must be returned to the U.S. Treasury.

Current/Expiring Funds

To ensure funds can be obligated prior to expiration, IAs should review BPC cases for possible residual funding throughout the period of availability. IAs must reconcile BPC cases in accordance with DoD regulations and DSCA policy to ensure that unobligated, residual funds are returned to support any new requirements or emergent priorities prior to funds expiration. IAs must work with the DSCA International Operations Regional Portfolio Director/Program Managers and/or the Country Portfolio Directors, as well as the Financial Policy and Regional Execution Country Financial Directors (CFDs) to ensure that all residual funds are returned promptly to allow for sufficient processing time and reutilization.

Expired Funds

Once funds expire, they are no longer available for new obligations, except upward obligation adjustments as authorized by law. However, the funds remain available for five years to process disbursements, collections, and upward obligation adjustments (refer to the Prior Year Adjustments section). IAs must work with the CFDs to reduce BPC case values to the highest financial requirement in order for the funds to be available for any upward adjustments.

Cancelling Funds

During the final fiscal year of the BPC case funds lifecycle, IAs should review and reduce the value of the BPC case to the highest financial requirement by March 31. To enable the return of funds before cancellation, IAs should, to the greatest extent possible, submit case closure certificates to DFAS by June 30, and no later than July 31 of each year. In the event IAs are unable to close cases prior to July 31 of the cancellation year, IAs should use the Alternate Funds Return process as described in this guidance. Alternate Funds Return packages must be submitted to DFAS no later than July 31 of the cancelling year. This should be done in coordination with DFAS and DSCA to reduce unliquidated obligations prior to funds cancellation. IAs can provide closure certificates to DFAS once the IA's systems and Defense Integrated Financial System (DIFS) are in balance. Failure to reduce unliquidated obligations may result in the carryover of cancelled funds into the next fiscal year, which will negatively affect financial reporting for the Security Assistance Account.

DSCA will authorize DFAS to transfer the available balances back to DSCA's financial system prior to funds cancellation. If a valid invoice is received after funds are drawn down in the General Ledger (GL) system(s), but prior to funds cancellation, the IA will notify the DSCA CFDs and DFAS for guidance. Guidance may vary depending on the timing of the request and the status of the case (open/closed).

Cancelled Funds

Cancelled funds cannot be used for any purpose and must be returned to the U.S. Treasury. Failure to return cancelled funds is contrary to DoD regulations and DSCA policy, and increases the likelihood of Anti-Deficiency Act (ADA) violations. For implemented BPC cases with cancelled funds, IAs must submit case closure certificates to DFAS by June 30 of the fiscal year of funds' cancellation to enable the return of cancelled funds. If case closure criteria cannot be met, the IA should utilize the Alternate Funds Return process and submit the Alternate Funds Return package to DFAS no later than July 31. DSCA CFDs will work with DFAS to return cancelled funds to the U.S. Treasury by August 31 of that year. If a valid invoice is received after funds are drawn down in the General Ledger (GL) system(s) after funds cancellation, the IA will notify the DSCA CFDs and DFAS for guidance on how to obtain currently available funding to pay the bill.

Additional Guidance and Information

Alternate Funds Return Process

For any cases that cannot be closed by the BPC appropriation's cancellation date, the IAs should follow the BPC Alternate Funds Return process. These alternate procedures consist of drawing down Obligation Authority (OA) for undelivered orders, unpaid obligations, and/or uncollected reimbursements in the IA's GL system(s) and submitting a DIFS Funds Return Memorandum to DFAS.

DSCA will coordinate with DFAS to return the unliquidated funds to Treasury once IA actions are complete. These deadlines allow time for DFAS and DSCA to take the necessary actions in several non-integrated financial systems to return funds upon cancellation. If funds are required after unliquidated balances have been returned, IAs should seek current year funding from DSCA using Prior Year Adjustment procedures. BPC cases that leverage the Alternate Funds Return Process will remain open until properly reconciled and closed by the IA.

Prior Year Adjustments

As outlined in References (e) and (f), Prior Year Adjustments may be required to resolve funding increases on BPC cases if the appropriation has expired.

Current Year Adjustments

For cancelled funds when a disbursement against a valid obligation is required, the IAs must submit a request for current year funds. If current year appropriations are not available, the IAs should contact the DSCA CFD for further guidance on submitting a request for funds.

Problem Disbursements

Problem Disbursements (PDs) include Unmatched Disbursements, Unmatched Collections, Negative Unliquidated Obligations, and in-transit disbursements. PDs result from

errors that occur when the Receiving Activity accounting transactions are sent to the Issuing Activity's accounting system. In accordance with References (a), (b) and (d), the IA and/or DFAS have a total of 120 days to research and correct PDs. When the Issuing Activity and its accounting office are co-located, the research period is limited to 90 days. The DoD categorizes PDs older than 90 days as "over-aged". PDs must be resolved to reconcile and close BPC cases in a timely manner. PDs cannot be matched against cancelled BPC funds. In this case, a current and available appropriation must be used. Refer to the Prior Year Adjustments section for information on resolving these situations.

Unliquidated Obligations

Unliquidated Obligations (ULOs) are undelivered orders, unpaid obligations, and/or uncollected reimbursements. IAs should drawdown OA for ULOs in their GL accounting system(s) when an appropriation cancels, in accordance with reference (a). Most GL systems are programmed to cancel funds automatically at the end of a fiscal year. However, BPC funds that have been transferred into the FMS Trust Fund appear to be "X year" or "no year" funds, precluding most systems from automating the BPC funds drawdown/cancellation process. As a result, IAs should take all appropriate measures to prevent PDs and invoices, received after funds cancellation, from posting against cancelled appropriations. The IAs have the option to de-obligate ULOs in accordance with the attached BPC funds return timeline. Refer to the Problem Disbursement and Prior Year Adjustments sections for more information.

Credits Received After Funds Cancellation

If a credit is received after funds cancellation, the IA will contact DSCA to request the case be re-opened. Once the credit transaction processes, the IA will reconcile and re-close the case. Funds returned after cancellation due to a credit will be returned by DSCA to the U.S. Treasury. Only credit transactions are allowed to process. Net transactions with both debits and credits cannot be posted. IAs must follow the Prior Year Adjustments process for any debit transactions. IAs have the option of contacting DFAS Security Cooperation Accounting (SCA) to process credit transactions and return cancelled funds to the U.S. Treasury without reopening the case.

Transportation Accounts

Residual funds in the unique DSCA FMS Transportation Cost Clearing Accounts will be returned to the U.S. Treasury upon cancellation of the funds, based on the last fiscal year of the appropriation (i.e., ISFF, 1206, etc.), reference (g). Refer to the Prior Year Adjustments section for information on resolving issues where invoices are received after a BPC program's appropriation expires.

Attachment 2: Security Assistance Management Manual (SAMM), E-Change 525

BPC Funds Return Guidance

1) Update C15.6.5.2. Reopening a Closed Case to read as follows:

CURRENT:

C15.6.5.2. Reopening a Closed Case. It will be necessary for an IA to reopen a BPC case once closed if there is financial activity that impacts the closed case. Should this occur, the IA will send a request to reopen the case, with sufficient justification, to DSCA DBO FPA for review and approval.

REVISED:

C15.6.5.2. Reopening a Closed Case. It will be necessary for an Implementing Agency (IA) to reopen a Building Partner Capacity (BPC) case once closed if there is financial activity that impacts the closed case. Should this occur, the IA will send a request to reopen the case, with sufficient justification, to DSCA (Office of Business Operations, Financial Policy & Regional Execution Directorate, Financial Policy Division (OBO/FPRE/FP)) for review and approval to either apply a credit or use current year funds to liquidate an outstanding obligation. IAs have the option of contacting Defense Finance and Accounting Service, Security Cooperation Accounting (DFAS (SCA)) to process credit transactions to return those funds to the U.S. Treasury without reopening the case.

2) Update C16.4.8. Case Closure Certificate to read as follows:

CURRENT:

C16.4.8. Case Closure Certificate. The IA ensures the case closure certificate and any other necessary supporting documentation (e.g. ULO closure information for ACCP interim closures) are completed in accordance with established procedures. See RCG Figure A7.C4.F5. All case closure certificates are sent via e-mail to DFAS Indianapolis (dfas-in-sca-ccci@dfas.mil).

REVISED:

C16.4.8. Case Closure Certificate. The IA ensures the case closure certificate and any other necessary supporting documentation (e.g. Unliquidated Obligation (ULO) closure information for Accelerated Case Closure Procedure (ACCP) interim closures) are completed in accordance with established procedures. See [RCG Figure A7.C4.F5](#). All case closure certificates are sent via e-mail to DFAS Indianapolis (dfas.indianapolis-in.jax.mbx.dfas-in-sca-ccci@mail.mil).

Attachment 3: Building Partner Capacity Funds Return Timeline

Responsible Entity	Target Population	Due Date	Requirement
IA	Canceled Funds	6/30	<u>Case Closure:</u> Submit case closure certificates to DFAS for cases that meet BPC case closure criteria.
IA	Canceled Funds	5/31	<u>Alternate Funds Return Process:</u> Complete the general ledger (GL) system drawdowns of all obligations (undelivered orders and unpaid obligations) and uncollected reimbursements and submit a request to DFAS to drawdown FMS cash to the liquidated value of the case.* This process enables funds to be returned timely while allowing the case to remain open for subsequent case recon / closure actions. IAs that fail to establish an alternate funds return process will be at risk for non-compliance with fiscal law and DoD FMR policy. <i>*Note: Some IAs may also need to perform a drawdown in their case management system(s), which does not impact Treasury or financial reporting but may be necessary to meet IA level system / case reconciliation requirements.</i>
DFAS	Canceled Funds	6/15	<u>Move Unliquidated Funds to the Holding Accounts:</u> Move unliquidated cash to the holding account(s) based on the documentation provided by the IA (e.g., Case Closure Certificate or Alternate Funds Return Memo).
DSCA	Canceled Funds	6/30	<u>Submit funds return request(s) to DFAS:</u> Provide funds return documentation to DFAS to return canceled funds to Treasury
DFAS	Canceled Funds	8/31	<u>Return funds to Treasury:</u> Process vouchers to return canceled FMS Trust Fund cash to Treasury.
IA	Canceling Year Funds	3/31	<u>Modify LOA to Highest Financial Requirement (HFR):</u> Reduce LOA authority to the obligated value to enable DSCA to return some funds to the original appropriation in advance of appropriation cancellation.
IA	Canceling Year Funds	6/30	<u>Case Closure:</u> Submit case closure certificates to DFAS for cases that meet BPC case closure criteria.
IA	Canceling Year Funds	6/30	<u>Alternate Funds Return Process:</u> Complete the general ledger (GL) system drawdowns of all obligations (undelivered orders and unpaid obligations) and uncollected reimbursements and submit a request to DFAS to drawdown FMS cash to the liquidated value of the case.* This process enables funds to be returned timely while allowing the case to remain open for subsequent case recon / closure actions. IAs that fail to establish an alternate funds return process will be at risk for non-compliance with fiscal law and DoD FMR policy. <i>*Note: Some IAs may also need to perform a drawdown in their case management system(s), which does not impact Treasury or financial reporting but may be necessary to meet IA level system / case reconciliation requirements.</i>
		7/31	<u>Case Closure:</u> Last date to submit case closure certificates to DFAS for cancelling year cases that meet BPC case closure criteria.

Responsible Entity	Target Population	Due Date	Requirement
DFAS	Canceling Year Funds	8/15	<p><u>Set EA Thresholds to \$0 for all Canceling Year Country Codes:</u></p> <p>Reduce EA to ensure no new disbursements are authorized after Case Closure Certificates and Funds Return Memos are submitted. Any actions to post new expenditures or clear problem disbursements will fail prevalidation and EA, requiring additional reviews / actions by the IAs, DFAS, and DSCA to make payments before the funds cancel on September 30th.</p> <p>If a valid transaction comes through after 7/31/21 that requires obligation and / or expenditure authority to be reinstated, the IA should contact DFAS immediately for guidance on next steps. The goal is to post the transaction before the funds cancel, but if system processing times do not allow for this, the IA will need to submit a Prior Year Adjustment (PYA) request to DSCA.</p>
DFAS	Canceling Year Funds	8/15	<p><u>Move Unliquidated Funds to the Holding Accounts:</u></p> <p>Move unliquidated cash to the holding account(s) based on the documentation provided by the IA (e.g., Case Closure Certificate or Alternate Funds Return Memo).</p>
DSCA	Canceling Year Funds	8/31	<p><u>Submit funds return request(s) to DFAS:</u></p> <p>Provide funds return documentation to DFAS to return canceled funds to Treasury.</p>
DFAS	Canceling Year Funds	8/31	<p><u>Return funds to the original appropriation:</u></p> <p>Perform the multi-step process to return authority to the original appropriation in DAI.</p>

	Target Population	Responsible Organization	October	November	December	January	February	March	April		May		June		July	August		September	
			10/31	11/30	12/31	1/31	2/28	3/31	4/15	4/30	5/15	5/31	6/15	6/30	7/31	8/15	8/31	9/30	
Consolidated View	Canceled Cases / Funds	Implementing Agencies	Submit Case Closure Certificates													12			
			Submit Alternate Funds Return Memos																
		DFAS	Move Unliquidated Funds to the Holding Accounts																
		DSCA	Submit Funds Return Requests to DFAS																
		DFAS	Return Funds to Treasury																
	Canceling Year Cases / Funds	Implementing Agencies	Modify LOA to the HFR																
			Submit Case Closure Certificates																
			Submit Alternate Funds Return Memos																
		DFAS															Set EA thresholds to \$0		
		Move Unliquidated Funds to the Holding Accounts																	
DSCA		Submit Funds Return Requests to DFAS																	
DFAS	Return Funds to the Original Appropriation in DAI																		

	Target Population	Responsible Organization	October	November	December	January	February	March	April		May		June		July	August		September
			10/31	11/30	12/31	1/31	2/28	3/31	4/15	4/30	5/15	5/31	6/15	6/30	7/31	8/15	8/31	9/30
IA View	Canceled Cases / Funds	Implementing Agencies	Submit Case Closure Certificates															
			Submit Alternate Funds Return Memos															
	Canceling Year Cases / Funds	Implementing Agencies	Modify LOA to the HFR															
Submit Case Closure Certificates																		
Submit Alternate Funds Return Memos																		

	Target Population	Responsible Organization	October	November	December	January	February	March	April		May		June		July	August		September
			10/31	11/30	12/31	1/31	2/28	3/31	4/15	4/30	5/15	5/31	6/15	6/30	7/31	8/15	8/31	9/30
DSCA View	Canceled Cases / Funds	DSCA	Submit Funds Return Requests to DFAS															
	Canceling Year Cases / Funds	DSCA	Submit Funds Return Requests to DFAS															

	Target Population	Responsible Organization	October	November	December	January	February	March	April		May		June		July	August		September
			10/31	11/30	12/31	1/31	2/28	3/31	4/15	4/30	5/15	5/31	6/15	6/30	7/31	8/15	8/31	9/30
Consolidated View	Canceled Cases / Funds	DFAS	Move Unliquidated Funds to the Holding Accounts															
			Return Funds to Treasury															
	Canceling Year Cases / Funds	DFAS															Set EA thresholds to \$0	
Move Unliquidated Funds to the Holding Accounts																		
Return Funds to the Original Appropriation in DAI																		