



DEFENSE SECURITY COOPERATION AGENCY

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WASHINGTON, D.C. 20301-2800

13 February 2023

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: Defense Security Cooperation Agency (DSCA) Policy Memorandum 22-98, Guidance Concerning Reductions to Foreign Military Sales (FMS) Cases in Supply/Services Complete (SSC) Status [SAMM E-Change 618]

Reference: DSCA Policy Memorandum 13-31, Guidance Concerning Reductions to Foreign Military Sales (FMS) Cases in Supply/Services Complete (SSC) Status, July 30, 2013

The attached memorandum updates the policy guidance for reducing the value of an FMS case once it has reached SSC status. It clarifies the circumstances in which instructions to the FMS purchaser is needed to transfer residual funds from an FMS case to the FMS purchaser's holding account. This memorandum supersedes the memo referenced above and is effective immediately. The policy in the attachment is incorporated into the DSCA Security Assistance Management Manual (SAMM) at <https://samm.dsca.mil>.

If you have questions concerning this guidance contact Samuel Malcolm, (202) 603-9088, samuel.j.malcolm.civ@mail.mil.

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Date: 2023.02.13 16:06:07 -05'00'

J. Aaron Harding
Chief Operating Officer and Chief Financial Officer

Attachments:
As stated.

Security Assistance Management Manual E-Change 618
Guidance Concerning Reductions to FMS Cases in SSC Status

1. Update SAMM Section C16.2.13.1:

From:

C16.2.13.1. Thresholds and Purchaser Engagement. The ASSV is used to determine the residual value on the case by subtracting the ASSV from the existing case value. If the residual case value is within the thresholds in Table C16.T1., then the IA is required to engage the purchaser for either a determination to reduce the case or place it on the "To Be Kept Open" list. Disposition instructions must be provided in writing from the LOA signatory organization. The IA is required to follow-up with the purchaser every 60 days until disposition instructions for the residual value are provided. If after 180 days, instructions are not provided, a modification will be prepared to return the residual value. FMS cases that do not meet the thresholds in Table C16.T1. are eligible for closure without conferring with the purchaser.

To:

C16.2.13.1. Thresholds and Purchaser Engagement. The ASSV is used to determine the residual value on the case by subtracting the ASSV from the existing case value. If the residual case value is within the thresholds in Table C16.T1., then the IA is required to engage the purchaser for either a determination to reduce the case or place it on the "To Be Kept Open" list. Disposition instructions must be provided in writing from the LOA signatory organization. The IA is required to follow-up with the purchaser every 60 days until written disposition instructions for the residual value are provided (see Section C16.2.13.1.1.). If after 180 days, instructions are not provided, the case should be moved to interim or final closure as applicable. At that stage of the process, the residual value will be returned to the FMS purchaser's holding account as part of the closure transaction. If the FMS case has residual value less than the amounts in Table C16.T1., or if the case is expected to close within six months after SSC, then the purchaser does not need to be contacted, as excess value will be drawn down at case closure.

2. Update SAMM Section: C16.2.13.2

From:

C16.2.13.2. To Be Kept Open List. If the purchaser indicates the intent is to execute the residual value of the FMS case, the IA will include it on the "To Be Kept Open" list upon written notification from the LOA signatory organization until requirements are identified to use the residual case value. At that time, the IA will remove the SSC status on the FMS case and remove it from the "To Be Kept Open" list. Until the case is removed from the "To Be Kept Open" list, the IA should follow-up every 60 days with the purchaser and provide DSCA the current status through the quarterly case closure reporting process. If disposition of the residual case value has not occurred after 180 days, the case should be removed from the "To Be Kept Open" list and a modification to the LOA prepared to return the residual case value. This policy is intended to allow the residual value to be used and is not a blanket

endorsement for the addition of funds to the case that will extend the execution phase, which could prolong the reconciliation and closure of the case beyond set standards. FMS Cases may be added to the list for other conditions such as DSCA-approved, purchaser-unique Unliquidated Obligation (ULO) closure thresholds. FMS cases added to the list for other conditions should be reviewed every 90 days to determine if they should remain on the list.

To:

C16.2.13.2. To Be Kept Open List. If the purchaser indicates the intent is to execute the residual value of the FMS case, the IA will include it on the "To Be Kept Open" list upon written notification from the LOA signatory organization until requirements are identified to use the residual case value. At that time, the IA will remove the SSC status on the FMS case and remove it from the "To Be Kept Open" list. Until the case is removed from the "To Be Kept Open" list, the IA should follow-up every 60 days with the purchaser and provide DSCA the current status through the quarterly case closure reporting process. If disposition of the residual case value has not occurred after 180 days, the case should be removed from the "To Be Kept Open" list, and subsequently moved to interim or final closure as applicable. At that stage of the process, residual value will be returned to the FMS purchaser's holding account as part of the closure transaction. This policy is intended to allow the residual value to be used and is not a blanket endorsement for the addition of funds to the case that will extend the execution phase, which could prolong the reconciliation and closure of the case beyond set standards. FMS cases may be added to the list for other conditions such as DSCA-approved, purchaser-unique Unliquidated Obligation (ULO) closure thresholds. FMS cases added to the list for other conditions should be reviewed every 90 days to determine if they should remain on the list.

3. Add SAMM Section C16.2.13.1.1:

C16.2.13.1.1. Written Instructions. Written instructions may be provided through formal correspondence, discussions (i.e. documented meeting minutes), electronic mail (e-mail), letters, or messages. Although no specific format is required, it must be in writing and submitted by a partner national representative with the authority to submit requests on behalf of the requesting country or international organization.

4. Update SAMM Section:

From:

A7.C2.13.3. SSC Case Reductions. Upon SSC, the IA is responsible for reviewing the case to determine if a modification to reduce the case value is required (refer to SAMM Section C16.2.13. for related policy and exceptions). The reduction requirement determination will be based the minimum amount the IA considers is required to cover current, actual cost and any projected, reasonable amount necessary to cover potential adjustments that may be found during SSC reconciliation in preparation for case closure, to include below-the-line costs. This amount is the Adjusted SSC Value (ASSV). The ASSV is used to determine the residual value on the case by subtracting the ASSV from the existing case value. If the FMS case has residual value less than the amounts in Table A7.C2.T7. or if case is expected to

close within six months after SSC, then the purchaser does not need to be contacted as excess value will be drawn down at case closure. However, if the FMS case has residual value that equals or exceeds the amounts in Table A7.C2.T7., then the purchaser should be contacted regarding their options, which include closing the FMS case, preparing a Modification to reduce the FMS case value, or adding the FMS case to the "Keep Open" list for new requirements that will be forthcoming. Follow-up should occur every 60 days until resolution is reached. Completing SSC reconciliation is not expected or necessary to determine the ASSV or to prepare a case reduction. Case reductions must either cover the highest financial requirement (HFR) at the line level as indicated in the appropriate security cooperation management and accounting systems or an amount below the line level HFR must be explained sufficiently in the IA comments section of the LOA Checklist. Examples of such comments include those such as "pending accounting system update anticipated in the next 30 days" or "pending the next performance interface to DIFS".

To:

A7.C2.13.3. SSC Case Reductions. Upon SSC, the IA is responsible for reviewing the case to determine if a modification to reduce the case value is required (refer to SAMM Section C16.2.13. for related policy and exceptions). The reduction requirement determination will be based on the minimum amount the IA considers is required to cover current, actual cost and any projected, reasonable amount necessary to cover potential adjustments that may be found during SSC reconciliation in preparation for case closure, to include below-the-line costs. This amount is the Adjusted SSC Value (ASSV). The ASSV is used to determine the residual value on the case by subtracting the ASSV from the existing case value. If the FMS case has residual value less than the amounts in Table A7.C2.T7., or if the case is expected to close within six months after SSC, then the purchaser does not need to be contacted, as excess value will be drawn down at case closure. However, if the FMS case has residual value that equals or exceeds the amounts in Table A7.C2.T7., then the purchaser should be contacted regarding their options, which includes closing the FMS case, modifying the FMS case to reduce its value to the highest financial requirement (HFR), or adding the FMS case to the "To Be Kept Open" list to allow the purchaser to identify new requirements to be funded with identified residual amounts. Follow-up should occur every 60 days until resolution is reached. In the case of an LOA modification to move residual funds, it is necessary to have written disposition instructions (see Section C16.2.13.1.1.) from the FMS purchaser unless the transaction is part of the interim or final closure process. Completing SSC reconciliation is not expected or necessary to determine the ASSV or to prepare a case reduction. Case reductions must either cover the HFR at the line level as indicated in the appropriate security cooperation management and accounting systems, or an amount below the line level HFR that must be explained sufficiently in the IA comments section of the LOA Checklist. Examples of such comments include those such as "pending accounting system update anticipated in the next 30 days" or "pending the next performance interface to DIFS".

5. Update SAMM Section:

From:

A7.C2.13.4. "To Be Kept Open" List. If the purchaser indicates the intent is to execute the residual value of the FMS case, the IA will include it on the "To Be Kept Open" list upon written notification from the LOA signatory organization until requirements are identified to use the residual FMS case value. At that time, the IA will remove the SSC status on the FMS case and remove it from the "To Be Kept Open" list. Until the case is removed from the "To Be Kept Open" list, the IA should follow-up every 60 days with the purchaser and provide DSCA the current status through the quarterly case closure status reporting process. If disposition of the residual case value has not occurred after 180 days, the case should be removed from the "To Be Kept Open" list and a modification to the LOA prepared to return the residual case value. FMS Cases can be added to the list for other conditions such as DSCA-approved, purchaser-unique ULO closure thresholds. FMS cases added to the list for other conditions should be reviewed every 90 days to determine if they should remain on the list.

To:

A7.C2.13.4. "To Be Kept Open" List. If the purchaser indicates the intent is to execute the residual value of the FMS case, the IA will include it on the "To Be Kept Open" list upon written notification from the LOA signatory organization until requirements are identified to use the residual FMS case value. At that time, the IA will remove the SSC status on the FMS case and remove it from the "To Be Kept Open" list. Until the case is removed from the "To Be Kept Open" list, the IA should follow-up every 60 days with the purchaser and provide DSCA the current status through the quarterly case closure status reporting process. If disposition of the residual case value has not occurred after 180 days, the case should be removed from the "To Be Kept Open" list, and subsequently moved to interim or final closure as applicable. At that stage of the process, the residual value will be returned to the FMS purchaser's holding account as part of the closure transaction. FMS cases can be added to the list for other conditions such as DSCA-approved, purchaser-unique ULO closure thresholds. FMS cases added to the list for other conditions should be reviewed every 90 days to determine if they should remain on the list.