DEFENSE SECURITY COOPERATION AGENCY

WASHINGTON, DC 20301-2800

AUG 1 1 2004

In reply refer to:
I-04/010507-OPS

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: FMS Transformation Deliverable: Issuance of DoD 5105.65-M, "Foreign Military Sales (FMS) Case Reconciliation and Closure Manual" (DSCA 04-33)

REFERENCES:
(a) DoD Directive 5105.65, "Defense Security Cooperation Agency," October 31, 2000
(b) DoD Financial Management Regulation (DoDFMR), DoD 7000.14-R
(c) Security Assistance Management Manual (SAMM), DoD 5105.38-M

Under the authority of reference (a), I am pleased to announce the issuance of DoD 5105.65-M, "Foreign Military Sales (FMS) Case Reconciliation and Closure Manual". "RCM" is the abbreviation for this Manual.

The RCM guides and is the authoritative policy source for the review, reconciliation and closure of FMS cases. It complements and expands on references (b) and (c). It applies to the entire Security Cooperation community. The Manual is designed to be particularly relevant for country managers; FMS case and line managers; financial managers; budgeting, accounting and closure specialists; policy staffs; and those responsible for ensuring FMS systems thoroughly complement the policies and procedures described therein. It is also intended to help our FMS purchasers. Please note the RCM contains both a compilation of prior reconciliation and closure policies, as well as new policies. A summary of the RCM's major new policies and features is found at Attachment 1.

The RCM is effective immediately. Users may access this publication via the DSCA web site at http://www.dsca.mil/rcm. As an electronic document, it is available for download to a computer or printing, as required. The RCM is subject to change, as required. In addition, several appendices to the RCM are forthcoming. Separate announcements will be made as those appendices are issued.

This Manual, as posted on the DSCA web site shown above, shall be maintained as the current guidance. The official version resides on that web site. The RCM maintenance POC is Ms. Jan Rakickas, DSCA/FPS, DSN 926-6172, commercial 303-676-6172, jan.rakickas@dfas.mil. The DSCA author is Mr. David Rude, Deputy Director for DSCA/OPS-ADMIN, DSN 664-6569, commercial 703-604-6569, david.rude@dsca.mil.

This marks the completion of an enormous undertaking. Many individuals were involved in the development of this new and comprehensive DoD Manual. Letters for my appreciation for their hard work and dedication will follow.

I hope you find this a useful and valuable reference.

JEFFREY B. KOHLER
LIEUTENANT GENERAL, USAF
DIRECTOR

Attachment:
RCM Summary of Major New Policies and Features

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ATTACHMENT 1

DOD 5105.65-M (RCM)
SUMMARY OF MAJOR NEW POLICIES AND FEATURES

Features

- Consolidates FMS case reconciliation and closure into a single primary reference. Incorporates existing policies and establishes new policies, as appropriate.
- Clarifies, expands on and illustrates the myriad facets of reconciliation and closure processes.
- Includes Table of Contents and Index to facilitate searches.
- Includes Figures and Tables to illustrate policies and concepts.
- Delineates organizational roles and responsibilities for each chapter (2 through 6). Where appropriate, identifies activities within organizations responsible for performing specific functions.
- Promotes critical relationships between the FMS case and supporting contract(s) and other funding document(s).
- Provides guidance on reconciling surcharges, a frequent inhibitor to timely closure.
- Includes a master compendium of relevant definitions.

New Policies

- Reiterates annual FMS case review requirement, and provides the reference matrix, case review checklist and checklist preparation guidelines. Encourages maximum automation of these processes to the fullest extent possible. (Chapter 2).
- Specifies that any additional funding required to cover expenditures exceeding the case value shall be accomplished only via an LOA Modification or Amendment. Modifications are the preferred document, whenever possible. The 110% rule was abolished, in the interest of proper funds control. (Chapters 2 and 3)
- Clarifies constructive delivery reporting requirements, when applicable. (Chapters 2 and 3)
- Announces criteria for determining when a case or line is Supply/Services Complete (SSC). (Chapter 2)
- Provides the master consolidated listing of Accelerated Case Closure Participants (ACCP), to include country-specific notes as applicable. This complements the SAMM, Table C4.T2. (Chapter 3)
- Provides formal checklists to be used in preparing cases for closure, depending on the closure type. (Chapters 3 and 4)
- Prescribes standardized closure inhibitors. (Chapters 3 and 4)
- Establishes policies on Unliquidated Obligation (ULO). Adds a new requirement for documenting the ULO applicable to cases being interim closed and those pending transition to final closure. (Chapters 3 and 4)
- Revises the case closure certificate. (Chapter 4)

- Creates detailed procedures for transiting cases from interim to final closure status. (Chapter 4)
- Provides guidance on closing contracts and other funding documents relating to FMS cases. (Chapters 4 and 6)
- Provides detailed procedures for work related to the Payment Schedule Variance Report (PSVR). (Chapter 5)
- Provides details on the Case Closure Suspense Account (CCSA). (Chapter 5)
- Provides information on using various systems to aid in the reconciliation and closure process. (Chapter 6)