

C1. CHAPTER 1

GENERAL OVERVIEW

C1.1. PURPOSE AND SCOPE

This Manual is the authoritative FMS policy source concerning case review, reconciliation, and closure. It consolidates reconciliation and closure policies into a single policy reference. This Manual complements and expands on the DoD Financial Management Regulation (DoDFMR), DoD 7000.14-R, (reference (b)) and the Security Assistance Management Manual (SAMM), DoD 5105.38-M (reference (c)). It is intended to identify all policies and procedures, and ease actions by simplifying efforts to research the associated business rules. Every effort is made to ensure this document is user-friendly, comprehensive, relevant, and concise. The structure of this Manual is discussed in section C1.10. This is a “living” document; it is subject to change as policies and procedures are updated or created.

C1.2. ORGANIZATIONAL ROLES AND RESPONSIBILITIES

Reconciliation and closure involve a wide range of organizations. Ultimately, the FMS Case Manager (CM) is responsible for all aspects of the case(s) under his or her purview, including review, reconciliation, and closure. However, it is also recognized that various activities within the CM’s IA, DSCA, the Defense Finance and Accounting Service (DFAS), the Defense Contract Management Agency (DCMA), the Defense Contract Audit Agency (DCAA), and the purchaser all play integral roles in the oversight and performance of these critical functions. A brief description of the role of these organizations follows:

C1.2.1. The IA shall:

- C1.2.1.1. Complete all case management duties prescribed in reference (c).
- C1.2.1.2. Serve as overall manager and facilitator for reviewing and reconciling FMS cases.
- C1.2.1.3. Ensure data integrity.
- C1.2.1.4. Meet with stakeholders (including purchasers) to resolve issues.
- C1.2.1.5. Certify cases to DFAS Denver for closure.

C1.2.2. The DSCA shall:

- C1.2.2.1. Publish and update reconciliation and closure policy, including this Manual.
- C1.2.2.2. Serve as resource manager and Program Element Monitor (PEM).

C1.2.2.3. Publish quarterly Enhanced Accelerated Case Closure (EACC) lists and direct force closures.

C1.2.2.4. Chair FMS reconciliation and closure conferences, and Financial Management Reviews (FMRs).

C1.2.2.5. Serve as final arbiter for case reconciliation and closure issues raised by IAs and DFAS Denver and chairs Executive Committee for Case Reconciliation and Closure (EXCOM).

C1.2.2.6. Meet with stakeholders to resolve issues.

C1.2.3. DFAS Denver shall:

C1.2.3.1. Complete all accounting functions prescribed in references (b) and (c).

C1.2.3.2. Ensure data integrity.

C1.2.3.3. Meet with stakeholders to resolve issues.

C1.2.3.4. Close cases.

C1.2.4. The DCMA, when assigned as the Administrative Contracting Officer (ACO), shall complete contract administrative functions (including contract closeout) for FMS as prescribed in the Federal Acquisition Regulation (reference (d)) and the Defense Federal Acquisition Regulation Supplement (reference (e)).

C1.2.5. The DCAA shall complete contract audit functions for FMS as prescribed in references (d) and (e), including final overhead rate audits necessary to close out contracts that lead to the closure of FMS cases.

C1.2.6. Purchasers shall:

C1.2.6.1. Advise on which cases are desired for closure.

C1.2.6.2. Coordinate closure decisions between the Ministry of National Defense (MND) (or equivalent thereof) and the Service and/or program office level.

C1.2.6.3. Ensure prompt payment for cases in a collection deficit (i.e., underpaid) position.

C1.2.6.4. Participate in reconciliation and closure meetings, e.g., FMRs.

C1.2.6.5. Meet with the United States Government (USG) to resolve issues.

C1.3. RECONCILIATION AND CLOSURE

Two key aspects during the life of an FMS case are reconciliation and closure. Reconciliation refers to the financial and logistical actions that ensure proper accounting, accuracy, and thoroughness of data; currency of schedules; and timeliness and completeness of reporting. In turn, successful reconciliation leads to more efficient closure. Closure refers to a case where all materiel was delivered, services were performed, other requirements of the Letter of Offer and Acceptance (LOA) were satisfied, known financial transactions (including collections) were completed, and the purchaser received a final statement of account in the next DD Form 645A, "Foreign Military Sales Billing Statement." Volume 15, Chapter 6 of reference (b) states that a closed FMS case may remain open from a DoD accounting perspective. This is to acknowledge the likelihood, however remote, that a financial transaction occurs after case closure. But from a practical and operational standpoint, "final" FMS case closure marks the conclusion of the life of a given case.

C1.4. IMPORTANCE OF RECONCILIATION

Effective reconciliation serves two separate but related constituencies: the purchaser and the USG. An elaboration of the impact of reconciliation on each follows.

C1.4.1. The purchaser. It is important to the purchaser that reconciliation occurs as promptly as possible because reconciliation:

C1.4.1.1. Returns surplus funds to the purchaser for other projects and purchases.

C1.4.1.2. Assists in controlling expenditures. Funding is often provided for projects in specific purchaser fiscal years (FYs). If there is an unanticipated cost overrun, it may adversely affect the availability of funds for other projects.

C1.4.1.3. Enables projects to be completed in a timely manner.

C1.4.1.4. Reduces administrative overhead for checking and hastens the closure of Supply and/or Services Complete (SSC) cases.

C1.4.1.5. Increases the likelihood that personnel aware of the details are available to promptly resolve inconsistencies between what the purchaser requested and what was delivered and/or performed, and provide a better accounting for costs involved (particularly for technical assistance cases where billing detail is often extremely vague).

C1.4.1.6. Improves relations and provides a higher degree of confidence in FMS.

C1.4.2. The USG. Many of the above criteria identified for purchasers pertain to the USG FMS community as well. In addition, reconciliation:

C1.4.2.1. Emphasizes responsible stewardship of FMS cases.

C1.4.2.2. Maintains USG credibility that purchaser assets are properly safeguarded.

C1.4.2.3. Promotes the use of sound financial management principles.

C1.4.2.4. Maintains the FMS case performance schedule.

C1.4.2.5. Facilitates identification and resolution of issues and problems in a timely manner.

C1.4.2.6. Optimizes the use of limited resources.

C1.4.2.7. Ensures timely and accurate financial reporting.

C1.4.2.8. Synchronizes data between systems to the fullest extent possible.

C1.4.2.9. Ensures data integrity.

C1.4.2.10. Expedites release of purchaser funds through case reductions.

C1.4.2.11. Improves USG relations with, and reduces the concerns of, interested parties, e.g., General Accounting Office (GAO).

C1.4.2.12. Promotes purchaser satisfaction with FMS.

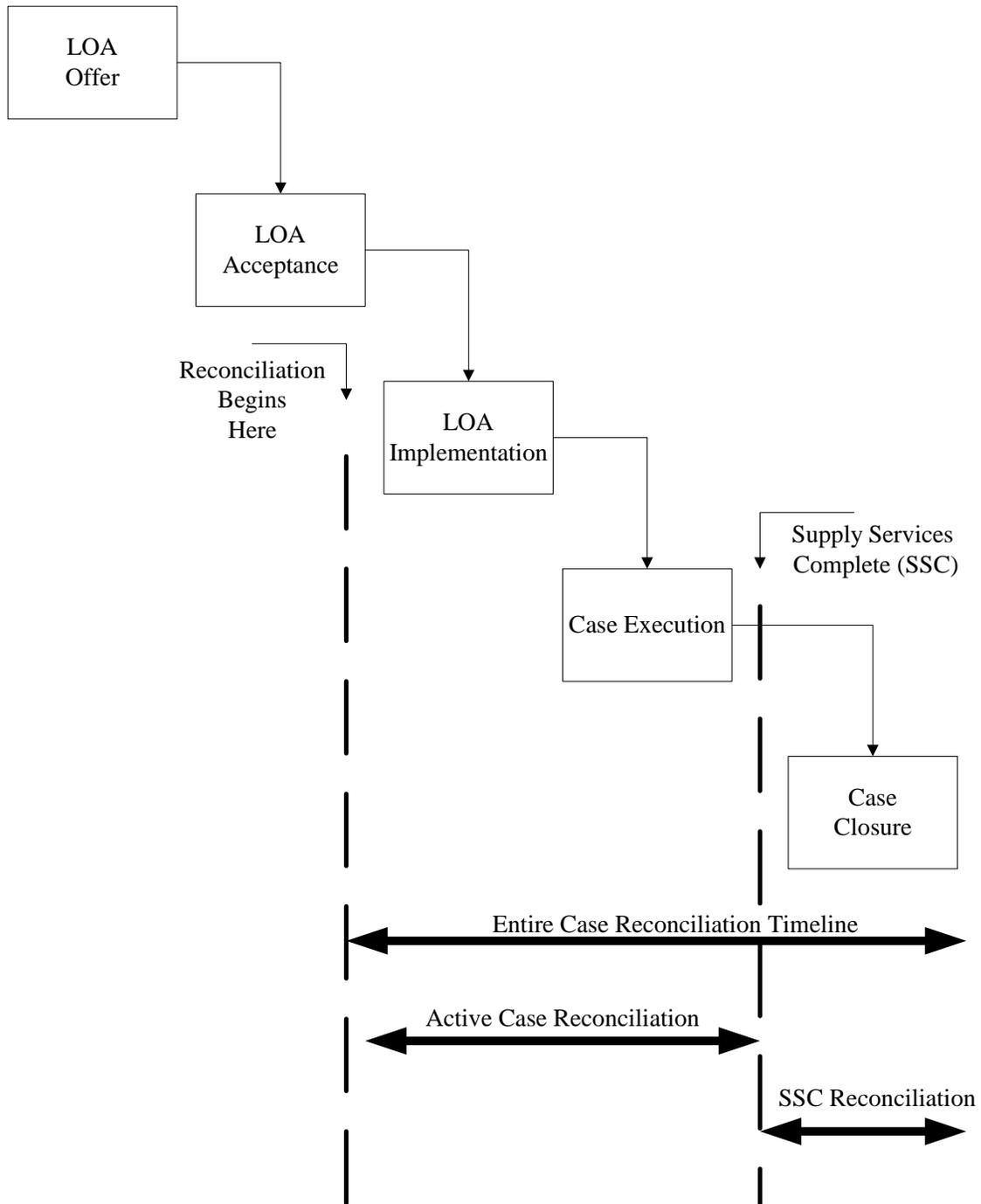
C1.5. RECONCILIATION TIMELINE AND GENERAL PROCEDURES

C1.5.1. Reconciliation begins when the FMS case is implemented. Per reference (c), “implementation” is defined as when the purchaser accepts and signs the LOA, the initial deposit is received in the purchaser’s Trust Fund or other designated account, and the accepted LOA is established in FMS management systems. Implementation is subject to receipt of Obligational Authority (OA). (On an exception basis, DSCA/Country Financial Management (CFM) may authorize emergency implementation of an LOA before initial deposit receipt.)

C1.5.2. All cases must be reviewed annually, either on the basic case implementation anniversary date, in preparation for a formal review with the purchaser, or when the case value adjusts by 10 percent or more.

C1.5.3. Reconciliation ends at various specific stages in the life of an FMS case (see Figures C2.F4., C2.F5., and C2.F6.). For certain transactions, reconciliation does not end until the FMS case is “final” closed. A general depiction of when reconciliation impacts the life cycle of an FMS case is shown in Figure C1.F1.

Figure C1.F1. Impact of Reconciliation During Life Cycle of an FMS Case



C1.6. IMPORTANCE OF CLOSURE

Prompt closure is very important. In addition to the many benefits of reconciliation noted above, prompt closure:

C1.6.1. Minimizes the inventory of open cases that are logistically, but not financially complete.

C1.6.2. Expedites release of excess purchaser funds.

C1.6.3. Allows for resources to focus on executing and reconciling active cases.

C1.6.4. Reduces the backlog of cases that are candidates for EACC.

C1.6.5. Addresses the primary concerns purchasers have with the USG's management of the FMS program - timely and efficient closure.

C1.7. CLOSURE CRITERIA

Cases are not considered candidates for closure until they are SSC, meaning all logistical actions are completed and all conditions of the LOA are satisfied. An elaboration of SSC criteria is found in section C2.16. Two broad categories of closure exist: Accelerated Case Closure Procedures (ACCP) and non-ACCP. ACCP applies to all countries with FMS programs that have cases financed with Foreign Military Financing (FMF) funds, or those countries that elect to take part in ACCP. For cases under ACCP, not all financial transactions are necessarily complete before closure. Closure inhibitors are discussed in chapter 3. The non-ACCP category exists to accommodate those countries whose FMS programs are completely financed with national funds (cash) and have not elected to convert to ACCP. A brief synopsis of ACCP and non-ACCP criteria follows:

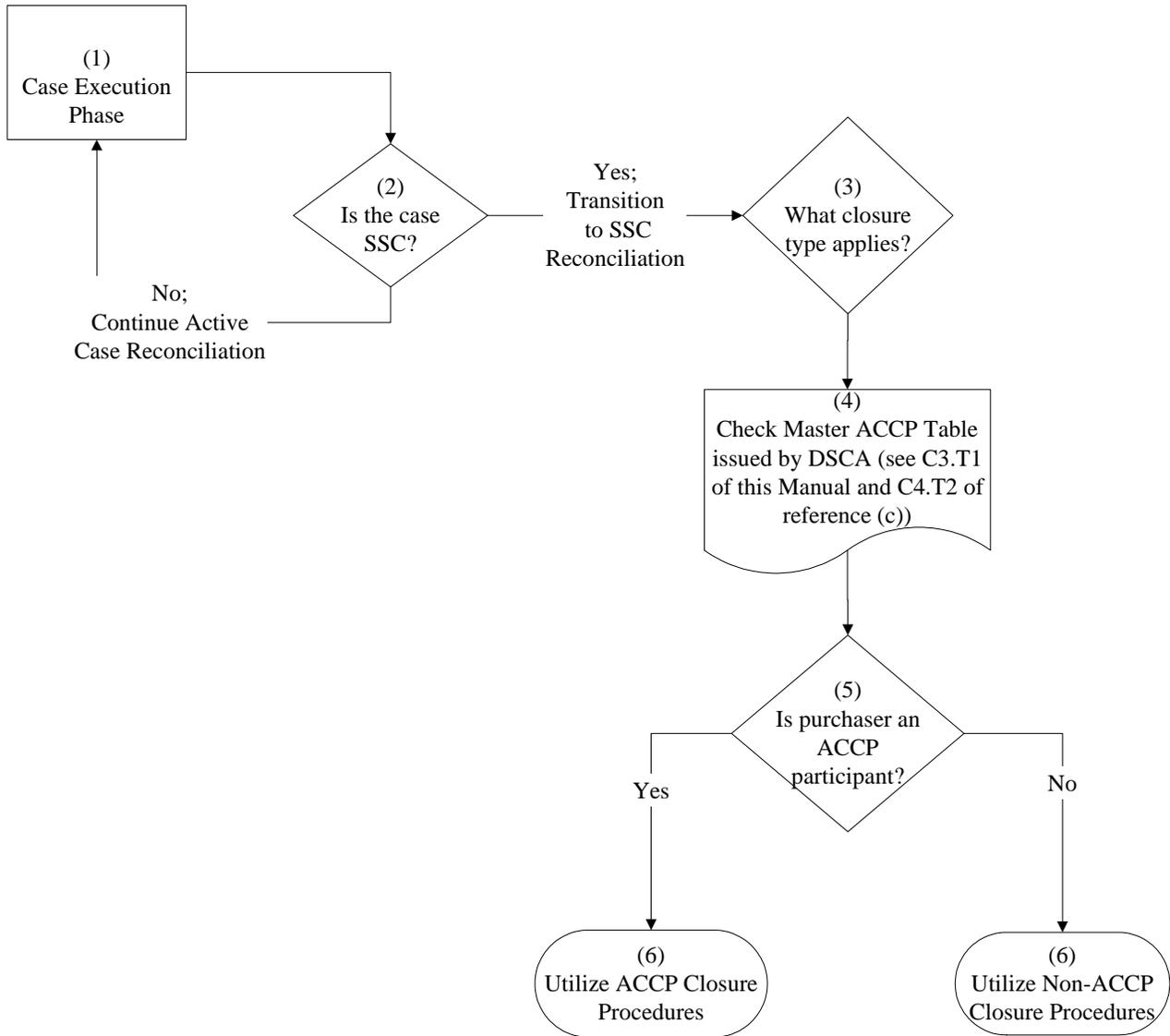
C1.7.1. ACCP. Generally, cases shall be closed under ACCP once they are at least 12 months but less than 24 months SSC. (Exceptions are addressed in chapter 3.) The underlying contracts supporting the FMS case need not be completed for the FMS case to close. Detailed ACCP expedited procedures, as well as closure certification requirements, are discussed in chapters 3 and 4. ACCP includes two enforcement mechanisms: EACC and force closure. EACC targets cases that are more than 24 months SSC and still open. Force closure refers to cases unilaterally closed in Defense Integrated Financial System (DIFS).

C1.7.2. Non-ACCP. Cases are eligible for non-ACCP closure only when they are SSC and financially complete. The latter means that all underlying contracts must be physically completed, final billed, audited, and closed out for the case to close. For major system sales in particular, this often delays closure by several years or more. Detailed procedural guidance is found in chapter 3.

C1.8. PROCESS MAPPING

Figure C1.F2. shows the case life cycle from case execution to closure.

Figure C1.F2. Transition from Case Execution to Closure



C1.9. GENERAL RECONCILIATION AND CLOSURE POLICIES

Table C1.T1., below, shows hyperlinks to specific sections of policy.

Table C1.T1. Policy Hyperlinks

Topic	Reference	Section	Hyperlink
General closure policies	SAMM	Chapter C6.8	http://www.dsca.mil/samm/
General closure policies	DoDFMR, Volume 15, Chapter 2	0210	http://www.dod.mil/comptroller/fmr/15/15_02.pdf

C1.10. PREVIEW OF LATER CHAPTERS

This publication contains six chapters, definitions, an abbreviations and acronyms list, and references. All chapters apply to the whole FMS community. Problem resolution, roles and responsibilities, and process flowcharts apply to each chapter. A brief description of each chapter follows:

C1.10.1. Chapter 2. Focuses on reconciliation requirements during the FMS case execution phase (i.e., after implementation and before SSC). Discusses critical linkages between LOA development and execution, and between the LOA and supporting funding documents (including contracts), funds realignment principles; FMS surcharges, problem disbursement (PD) resolution authority, detailed review and reconciliation requirements, system interfaces, and SSC criteria.

C1.10.2. Chapter 3. Focuses on reconciliation requirements once the case is SSC and when preparing the case for closure. Discusses closure types, closure inhibitors, and verifications required to prepare the case for closure.

C1.10.3. Chapter 4. Focuses on the closure process. Discusses the closure certificate transaction, closure inhibitors once the certificate reaches DFAS Denver, verifications required for post-closure transactions, contract closeout, the Case Closure Suspense Account (CCSA), reopening cases, zero value closures, and closure of leases.

C1.10.4. Chapter 5. Focuses on reporting of reconciliation and closure efforts. Discusses the need for reporting requirements, the payment schedule variance report (PSVR), the DSCA(Q)1238 “FMS Case Closure Status” report, the CCSA statement, and the annual CCSA refund procedures.

C1.10.5. Chapter 6. Focuses on tools and authorities for CMs and others to use in easing reconciliation and closure efforts. Discusses FMS reviews, EXCOM, write-off authority, and systemic tools.

C1.11. APPENDICES

Definitions are found in Appendix 1. In addition, individual appendices for the MILDEPs, DCMA, and DFAS are forthcoming. When published, these appendices shall be critical components of this Manual that give further information on systems interfaces, problem resolution points of contact (POCs), and history searches and/or systemic tools. The MILDEP appendices shall have MILDEP-level case review and/or reconciliation matrices; current legacy system closure inhibitors; FMS review data elements; and reopening, reinstating, and/or canceling activity guidelines. The DCMA appendix shall address contract administration and closeout requirements. The DFAS appendix shall focus on its specific processes and applications on reconciliation and closure.