



DEFENSE SECURITY COOPERATION AGENCY

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SEP 21 2018

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

SUBJECT: Use of Department of Defense Component Operating Funds in Support of Foreign Security Forces, Defense Security Cooperation Agency (DSCA) Policy Memo 18-50, E-Change 402

References: (a) Secretary of Defense memorandum, June 7, 2017, "Management of Counter-ISIS Train and Equip Fund"
(b) Office of the Under Secretary of Defense (Comptroller) memorandum, July 13, 2018, "Budget Policy on the use of DoD Component Operating Funds in Support of Foreign Security Forces"
(c) Department of Defense Office of General Counsel memorandum, July 26, 2017, "Legal Availability of Department of Defense Component Operating Accounts to Fund Counter-Islamic State of Iraq and Syria Train and Equip Activities"

This memorandum provides clarifying guidance on the allowable and unallowable uses of Afghanistan Security Forces Fund (ASFF), Iraq Train and Equip Fund (ITEF), and Counter-ISIS Train and Equip Fund (CTEF), herein referred to as Department of Defense (DoD) Assistance Appropriations. Consistent with the policies and legal opinion outlined in references (a), (b), and (c), the use of DoD Assistance Appropriations is limited to assistance and services directly benefitting eligible foreign security forces, groups, or individuals. The purpose of this policy is to ensure DoD Assistance Appropriations fund partner nation requirements to the maximum extent possible. This memorandum does not apply to Building Partner Capacity cases authorized by 10 U.S. Code § 333.

Allowable Uses of DoD Assistance Appropriations

DoD Assistance Appropriations are legally limited to provide assistance solely to a specified foreign security force in the form of the provision of equipment and supplies, facility and infrastructure repairs, and renovation and construction. In addition, DoD Assistance Appropriations are available to pay for contracted labor costs (e.g., contractor logistics support) when it is for services to such foreign security forces. These services include training; performing vehicle, aircraft, or weapons systems maintenance; identifying requirements for spare and repair parts, facilities, materiel, equipment; engineering support such as design, integration, testing and evaluation; and fielding of equipment (i.e., initial assembly, installation, and testing). DoD Assistance Appropriations are available to fund these services if they are provided by

another United States Department or Agency. The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) will make the final determination on allowable costs for DoD Assistance Appropriations.

Unallowable Uses of DoD Assistance Appropriations

Where a Military Department (MILDEP) has received a DoD Assistance Appropriation, DoD Assistance Appropriations are not legally available for internal personnel costs such as DoD military and civilian personnel expenses, as well as temporary duty or special pay. Furthermore, DoD Assistance Appropriations may not fund a MILDEP's organizational enabler and support costs such as transportation (personnel at the consolidation point), pre-deployment training and training in theater, forward base operating costs, life support, communications, equipment and equipment maintenance, program management, liaison officers, providing engineering support; and contracts for linguists, logistics, security, and infrastructure needed to support DoD personnel in-country or elsewhere. MILDEPs or Components will fund from their respective operating accounts activities listed above as an "Unallowable Use."

Exceptions to the Allowable and Unallowable Uses of DoD Assistance Appropriations

MILDEPs may request additional exceptions to those already provided in the OUSD(C) guidance by submitting a formal memorandum of request to OUSD(C) from the MILDEP's Assistant Secretary (financial management and comptroller).

Corrections of Account in Cases of Unallowable Expenses Funded with DoD Assistance Appropriations

No later than September 30, 2018, MILDEPs must reimburse DoD Assistance Appropriations with funds from their respective operating accounts for all unallowable activities funded with DoD Assistance Appropriations in FY 2018. In the interim, unallowable activities currently funded by DoD Assistance Appropriations may remain funded by the LOA until Component funds become available. DoD Assistance Appropriations obligated, but not expended should be de-obligated and replaced with funds from the Components' operating accounts. Components should initiate cost transfers from their respective operating accounts to reimburse DoD Assistance Appropriations for funds already expended. Letters of Offer and Acceptance (LOAs) with obligations incurred during FY 2017 and subsequently disbursed during FY 2018 are excluded from this policy. This policy will apply to all future LOAs funded with ASFF, CTEF, and ITEF. The MILDEPs may request an extension from OUSD(C) for those transactions that cannot be completed by September 30, 2018.

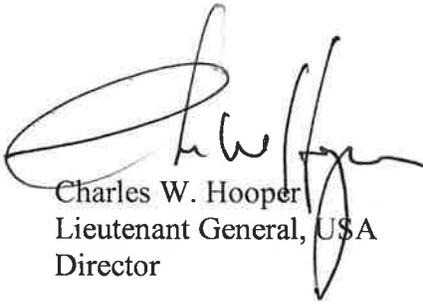
Furthermore, in instances where dedicated management support, as defined by the Security Assistance Management Manual Table C9.T2, is currently on a LOA funded by DoD Assistance Appropriations, FMS Administrative (FMS Admin) Surcharge funds will not be made available to MILDEPs or Components to cover the associated manpower and other expenses as FMS Admin Surcharge funds are not authorized to fund such transactions.

Memorandum of Request (MOR)

MORs will include a breakout of allowable and unallowable requirements; however, LOAs will only include allowable requirements stated on the MOR. MILDEP operating funds will not be placed on LOAs to fund unallowable costs, as it does not meet the requirements of

the Economy Act. Therefore, Implementing Agencies cannot add lines for unallowable costs to the LOA, but may add a note to identify unallowable requirements.

If you have questions or would like additional information on the de-obligation or cost transfer of DoD Assistance Appropriations, please contact Ms. Valerie Pulphus, DBO/CMP, Valerie.pulphus.civ@mail.mil, (703) 697-8926. For all other questions, please contact Ms. Jeneen Caldwell, DBO/FPA, Jeneen.k.caldwell.civ@mail.mil, (703) 697-8923, or Mr. Stephen Suh, DBO/FPA, Stephen.w.suh.civ@mail.mil, (703) 697-8899.



Charles W. Hooper
Lieutenant General, USA
Director

cc: Director, U.S. Central Command J-8