



DEFENSE SECURITY COOPERATION AGENCY
WASHINGTON, DC 20301-2800

DEC 22 2006

In reply refer to:
I-06/016242-DBO

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Availability Foreign Military Financing (FMF) and Peacekeeping Operations (PKO) Funds (DSCA 06-51) [SAMM E-Change 54]

This memorandum transmits the Assistant Secretary of State for Political-Military Affairs' letter of October 27, 2006 and updates the Security Assistance Management Manual (SAMM) concerning when transfers of Foreign Military Financing (FMF) and Peacekeeping Operations (PKO) funds to the FMS Trust Fund are treated as expended. As explained in the letter, once transferred to the 8242 trust fund account, FMF and PKO funds are expended and remain available indefinitely for disbursements consistent with the purposes for which there were appropriated, obligated, and expended.

Effective immediately, the SAMM, is updated as follows to provide guidance on the expenditure of FMF funds.

Insert: C9.7.2.10.4. Expenditure of FMF Funds. Transfers of FMF funds to the FMS Trust Fund account are expenditure transfers. Once transferred, FMF funds are expended and remain available indefinitely for disbursements consistent with the purposes for which they were appropriated, obligated, and expended.

My point of contact for this action is Ms. Patricia Higgins, DSCA/DBO/FPA, patricia.higgins@dscamail, (703)604-6570.


Keith B. Webster
Principal Director
Business Operations

Attachment:
As stated

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**United States Department of State***Assistant Secretary of State
for Political-Military Affairs**Washington, D.C. 20520*

Lieutenant General Jeffrey B. Kohler, USAF
Director
Defense Security Cooperation Agency
2800 Defense Pentagon
Washington, DC 20301-2800

OCT 27 2006

Dear General Kohler:

On September 28, State and DSCA legal and financial officials met to discuss the availability of Foreign Military Financing (FMF) and Peacekeeping Operations (PKO) funds. As a follow-up to my letter dated January 3, 2006 regarding fiscal practices concerning "expenditure" of the Foreign Military Financing (FMF) funds, I wanted to let you know that DSCA and State are in agreement that once transferred to the 8242 trust fund account held at DSCA, both FMF and PKO funds are expended and would be treated, as in the past, as remaining available indefinitely for disbursements consistent with the purposes for which they were appropriated, obligated and expended. This includes any residual funds that may remain after closing or otherwise modifying a case. In the future, State may wish to discuss the possibility of a mechanism whereby PKO could be obligated but remain unexpended for a longer period of time so as to maintain maximum flexibility to achieve policy priorities.

I appreciate your staff's effort to work cooperatively with State officials to resolve this long-standing issue. I look forward to working with you in the future.

Sincerely,

A handwritten signature in black ink, appearing to read "John Hillen".

John Hillen