



DEFENSE SECURITY COOPERATION AGENCY
2800 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-2800

01 APR 2009

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: FMS Contract Administrative Services (CAS) Surcharge Policy Clarification
(DSCA 09-06)

Contract Administrative Services (CAS) Surcharge is authorized in accordance with Section 21(h) of the Arms Export Control Act (AECA), as amended. CAS is comprised of three basic elements: (1) quality assurance and inspection; (2) contract management; and (3) contract audit as outlined in the Security Assistance Management Manual (SAMM), Table C9.T2. Recent questions require us to clarify the policy to ensure that CAS surcharges are being applied to Letter of Offer and Acceptance (LOA) documents consistently across Implementing Agencies (IAs). The following existing policy is provided as clarification.

(a) CAS should not be applied to LOA lines/sublines with a Source of Supply (SoS) code of "S" (stock).

(b) CAS must be applied to the base price of each LOA line/subline with a SoS code of "P" (procurement) (See para. (d) below for exceptions for countries with waivers).

(c) CAS must be applied to the base price of each LOA line/subline with a SoS code of "X" (mixed stock/procurement) for the portion expected to come from procurement. CAS does not apply to the portion expected to come from stock. The following methods may be used to determine the best estimate of the portion attributed to procurement:

- Contractor provided data (preferred)
- Historical data from prior FMS cases of a similar nature
- 50/50 split if no other information is available

Example: If 10% of the line is estimated to come from procurement then CAS should be applied to 10% of the base price of that line/subline for each CAS element that applies. The SoS code "X" should not be used as a default for items coming from stock that may not be immediately available. If the SoS code "X" is used, the Indirect Pricing Code (IPC) elements of the LOA line/subline must contain the proper IPC percentage and must be an amount greater than zero for each CAS element.

CAS Waivers. Certain foreign Governments are granted waivers of specific CAS elements based on formal reciprocal agreements in accordance with the AECA, section 21(h). The countries that have a CAS waiver are listed in the SAMM Tables C9.T3., C9.T4., and C9.T5. CAS waivers apply only to those cost elements approved and apply to the entire LOA, not only to a specific line/subline. CAS waivers are case-based and apply to new cases implemented on or after the waiver date. These are not retroactive nor applied to amendments on cases implemented prior to the waiver.

DSCA Memorandum “FMS Contract Administrative Services (CAS) Surcharge Policy Improvements (DSCA 02-14),” includes a process map showing how CAS requirements can be determined during LOA development. That chart is attached to this memo as it is still valid and may be helpful to personnel working this issue.

The point of contact for Contract Administrative Services (CAS) Surcharge policy is Ms. Candace Sampere, DSCA/DBO/FPIO, (703) 601-3750, e-mail: Candace.Sampere@dsc.mil.

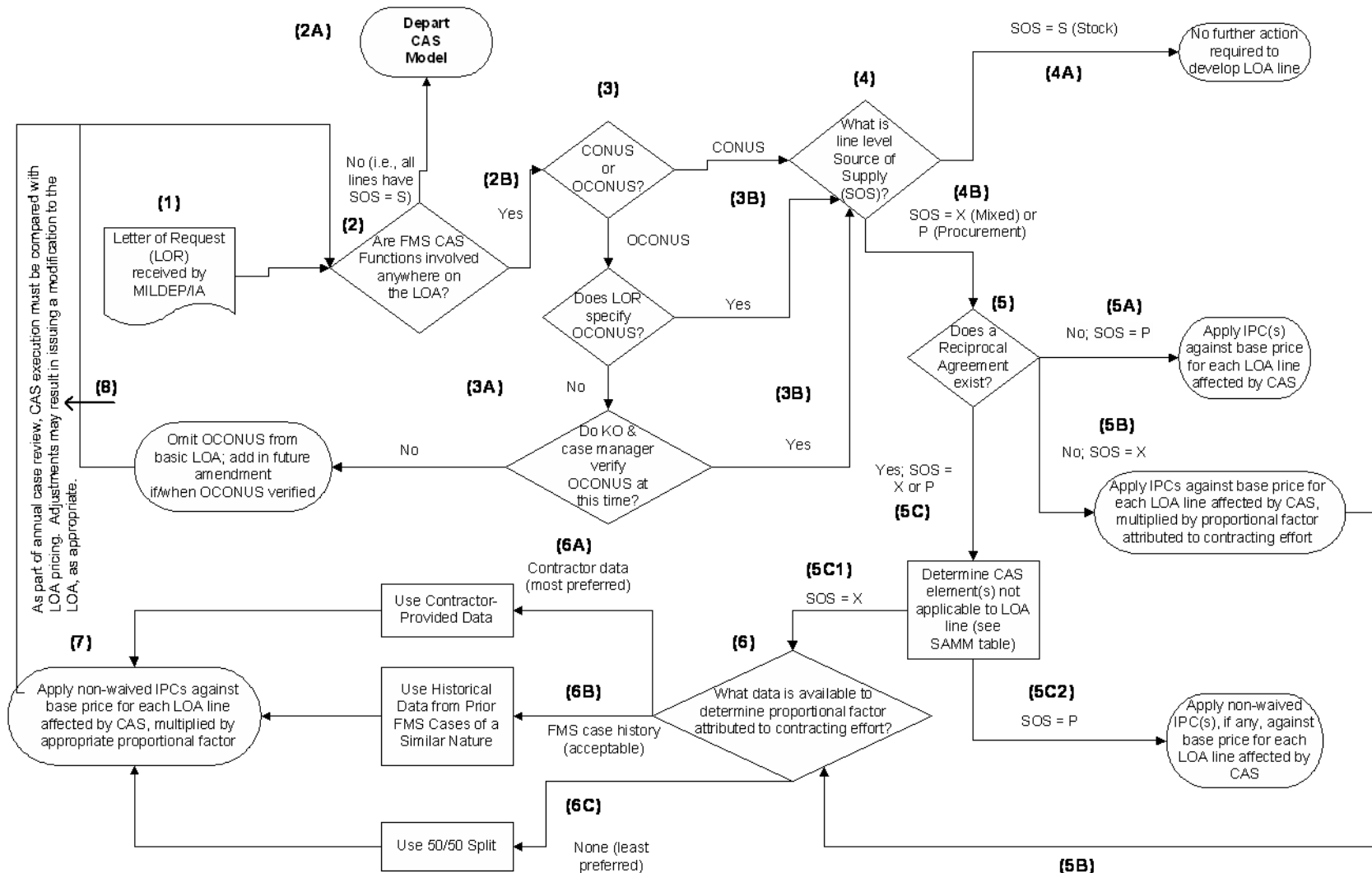
A handwritten signature in black ink, appearing to read "Ann Cataldo". The signature is fluid and cursive, with the first name "Ann" written in a larger, more prominent script than the last name "Cataldo".

Ann Cataldo
Principal Director
Business Operations

Attachments:
As Stated

CONTRACT ADMINISTRATIVE SERVICES (CAS) LOA DEVELOPMENT CYCLE

REVISED PROCESS APRIL 2002



Note: References to "line" include both the LOA line and/or subline, as applicable.

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