



**DEFENSE SECURITY COOPERATION AGENCY
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12 OCT 2012

MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY OF THE ARMY
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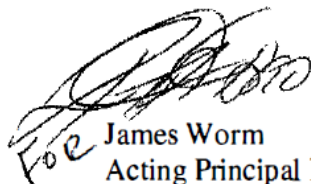
SUBJECT: Clarification of the Policy Rescinding the Foreign Military Sales (FMS) Small Case Management Line (SCML), DSCA Policy Memo 12-53, E-Change 212

Reference: Rescission of the Foreign Military Sales (FMS) Small Case Management Line (SCML), DSCA Policy Memo 12-37, dated July 3, 2012

DSCA recently issued policy on the rescission and applicability of SCMLs as outlined in the cited reference. After several months of managing cases under the new policy, there are some clarifications that need to be made to ensure the policy is applied as intended. Most notably, since the intent was to rescind the use of the SCML, the value of the SCML on an existing case will never be increased as the case value decreases. The SCML will either remain constant if the case value does not change or decrease as the case value increases.

Attached are the SAMM changes to impacted section in Chapters 6 and 9 and Annex 6 that are being issued to clarify the SCML rescission policy. If you have any questions regarding

this change, please contact Brad Bittinger, DSCA DBO/FPA, (703) 602-1360, e-mail: brad.bittinger@dca.mil.


James Worm
Acting Principal Director
Business Operations

Attachment:
As stated

cc:
STATE/PM-RSAT
DISAM
USASAC
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TRADOC
USACE
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SAMM Changes to Chapter 6 to Clarify SCML Policy

- 1) **C6.8.4.2. Case Closures at Reduced or \$0 Value.** When a case is closed, the USG will retain funds to pay for estimated administrative costs associated with the case, even if no articles or services have been delivered (\$0 delivered value). The minimum non-refundable amount will be the greater of: the value of the combined existing, non-zero value Small Case Management Line (SCML) amount and the estimated FMS administrative surcharge not to exceed \$15,000, one-half of the FMS administrative surcharge estimated on the case, or the standard FMS administrative surcharge percentage of the expended value. The DSCA (Business Operations Directorate) may approve a reduction of the minimum non-refundable amount when the actual administrative cost on the case is shown to be less than one of the three values above, or if the case is cancelled for the convenience of the USG. Case Managers who want to certify a case for closure at a value that results in a reduction (to include \$0) in the minimum, non-refundable required amount of FMS administrative surcharge funding must contact the DSCA (Business Operations Directorate, Financial Policy and Analysis Division) for approval. Requests should include the following information: case identifier, date of case acceptance, value of the case, delivered amount, minimum amount of surcharge required per policy, recommended surcharge to be collected, a detailed justification for the amount, and any other information the IA deems applicable. The DSCA (Business Operations Directorate, Financial Policy and Analysis Division) reply is sent via email to the requestor and DFAS Indianapolis. Additionally, a case remark is added to DSAMS if the request is approved.
- 2) **C6.9.1. Purchaser-Requested Case Cancellations.** Purchasers may request that their FMS cases be cancelled. After a case has been implemented, cancellations are processed as a closure of the case. The purchaser is responsible for any termination costs as well as any estimated administrative costs associated with the case. The minimum, non-refundable amount of administrative costs will be: the value when combining the existing Small Case Management Line (SCML) value and the estimated FMS administrative surcharge value not to exceed \$15,000; or one-half of the FMS administrative surcharge estimated on the case; or the standard FMS administrative surcharge percentage of the expended value whichever is greater. An IA's recommendation to charge other than these amounts must be submitted to the Defense Security Cooperation Agency (DSCA) (Business Operations Directorate, Financial Policy and Analysis Division) for approval. See Section C6.8.4.2. for information on closing cases with \$0 delivered value. For cases closing with a case value greater than or equal to \$25,000,000, the IA will submit a recommended non-refundable FMS administrative surcharge amount to DSCA (Business Operations Directorate, Financial Policy and Analysis Division) for approval. DSCA countersignature of an LOA Modification does not constitute DSCA approval of the recommended non-refundable FMS administrative surcharge amount. Requests submitted to DSCA must include the Small Case Management Line (SCML) LOA note found in Appendix 6.

3) Small Case Management Line (SCML)

Note Usage
Applicable to cases accepted between August 1, 2006 and July 2, 2012. Mandatory for FMS and BPC LOAs that include an SCML. Mandatory for Amendments and Modifications that add an SCML to the case or if the existing SCML note text on the case varies from the below text. This note must be used as the Line Item Description note for the SCML.
References
See Section C9.4.7.
Note Input Responsibility
IA
Note Text
"Small Case Management Line (SCML). Any case that is Accepted between August 1, 2006 and July 2, 2012 and does not charge at least \$15,000 in FMS administrative surcharge using the established percentage must include an SCML to charge the difference in value between the calculated administrative surcharge amount and \$15,000. An SCML has been added to this case for that purpose. If this case is ever modified or amended and the calculated FMS administrative surcharge amount changes, the value of the SCML will be adjusted accordingly, but only downward. If this case is ever modified or amended to increase the case value such that the administrative surcharge collection will exceed \$15,000, the SCML will be reduced to \$0. The FMS administrative surcharge does not apply to the SCML."

- 4) **C9.4.7. Small Case Management Line (SCML).** From August 1, 2006 through July 2, 2012, DSCA implemented an effectiveness measure to reduce the volume of small dollar cases. It was recognized that a certain level of FMS administrative support was required in the implementation and execution of these cases. Based on analysis of data, the amount determined appropriate to charge was \$15,000. Subsequent review of the initiative indicates that the SCML has served its intended purpose - a reduction in the number of small dollar cases. DSCA rescinded the application of the SCML effective with cases accepted on/after July 3, 2012. DSCA reserves the right to reinstitute the application of the SCML.
- 5) **C9.4.7.1.1. Cases "Accepted" between August 1, 2006 and July 2, 2012.** All cases "Accepted" between August 1, 2006 and July 2, 2012 that contain an SCML will retain the SCML in effect at the time those cases were accepted unless the current or future case value changes to preclude its application.
- 6) **C9.4.7.1.1.2.** Cases with an existing SCML where the case value increases such that the SCML value is reduced to \$0 will not have an SCML value reapplied when the case is subsequently decreased in value below \$400,000.

- 7) **C9.4.7.1.1.3.** Cases with an existing SCML where the case value decreases will not have the SCML value increased.
- 8) **C9.4.7.1.2** [Delete Section]
- 9) **C9.4.7.1.3** [Delete Section]
- 10) **C9.4.7.2. SCML General Information.** All cases "Accepted" between August 1, 2006 and July 2, 2012 must collect a minimum amount of FMS Administrative Surcharge unless otherwise exempt. For cases "Accepted" between August 1, 2006 and July 2, 2012, if the case value is so small that the FMS Administrative Surcharge amount calculated is less than \$15,000, a separate line item (an SCML) will be added to the case so that the FMS Administrative Surcharge and the SCML, combined, total \$15,000. [Example: For a case where the calculated FMS Administrative Surcharge is \$500, the SCML value would be \$14,500.]
- 11) **C9.4.7.2.1.** The value of the SCML line item will be adjusted accordingly as a result of changes in case value when the case is amended or modified.
- 12) **C9.4.7.2.5** [Delete Section]
- 13) **C9.4.7.3.1.** The SCML requirement applies to all cases (both FMS and BPC) "Accepted" between August 1, 2006 and July 2, 2012 where the case is being financed with any type of funding (e.g., national funds) other than Foreign Military Financing (FMF); or the case is being financed using multiple sources of funding (one of which may be FMF); or the case is being financed wholly using FMF monies and the purchaser received more than \$400,000 in FMF funds in the previous Fiscal Year.
- 14) **C9.4.7.3.2.** The SCML requirement does not apply to cases where the purchaser is using FMF monies to wholly fund the case and received between \$1 and \$400,000 in FMF funds in the previous year. Any exceptions to this policy require the approval of the Director, DSCA.
- 15) **C9.4.7.3.3.** The SCML requirement does not apply to Excess Defense Articles (EDA) cases that are written solely for the purpose of transferring the grant item. These cases will have \$0 case value. If the EDA case includes support (e.g. transportation or refurbishment services), the SCML will apply.
- 16) **C9.4.7.3.4.** The SCML requirement does not apply to any case established for Presidential Drawdowns using the "S9" country code.
- 17) **C9.4.7.5.1. Increases in Case Value.** Cases with deliveries that exceed the current case value require an Amendment or Modification to increase the case value before the case can be closed. See Section C6.7.2.1.2. These Amendments and Modifications must include an appropriate reduction to an existing SCML. If the net case value is increased above the amount needed to achieve \$15,000 in calculated FMS Administrative Surcharge value, the SCML value will be reduced to \$0. The SCML will not be deleted as it must remain on the case and in the DIFS system to provide an audit trail to the supporting data for previously billed amounts.
- 18) **C9.4.7.5.2. Reductions in Case Value - SCML Already On the Case.** Any case which is proposed to close at a value less than its current value will not have an increase made to an existing SCML. The case will be certified for closure using the current value of the SCML.

19) **C9.4.7.5.3. Reductions in Case Value - SCML Not On the Case.** Any case “Accepted” between August 1, 2006 and July 2, 2012 which is proposed to close at a value less than its current value, where the corresponding FMS Administrative Surcharge would now be below \$15,000, does not require the addition of an SCML. The case will be certified for closure at the current FMS Administrative Surcharge value.