



DEFENSE SECURITY COOPERATION AGENCY

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10 JUL 2013

MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR
DEFENSE EXPORTS AND COOPERATION
DEPUTY ASSISTANT SECRETARY OF THE NAVY FOR
INTERNATIONAL PROGRAMS
DEPUTY UNDER SECRETARY OF THE AIR FORCE FOR
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DIRECTOR, DEFENSE LOGISTICS INFORMATION SERVICE
DIRECTOR, DEFENSE LOGISTICS AGENCY DISPOSITION
DEPUTY DIRECTOR FOR INFORMATION ASSURANCE,
NATIONAL SECURITY AGENCY

SUBJECT: Clarification of Pricing Civilian Personnel Costs for Foreign Military Sales (FMS)
Cases and Building Partner Capacity (BPC) Cases in the Defense Security
Assistance Management System (DSAMS) – DSCA Policy 13-29 [SAMM E-
Change 228]

This memorandum clarifies the appropriate pricing of civilian personnel costs applicable to both FMS and BPC cases as priced in DSAMS. There are inconsistencies among the Implementing Agencies and within the Implementing Agencies as to how this is currently being accomplished. To ensure standardization, the procedures in this memorandum are provided for immediate use.

The pricing of personnel services is covered in the Department of Defense Financial Management Regulation (DoD FMR), Volume 11A, Chapter 1, Addendum 1, and Volume 15, Chapter 7, paragraph 0702. There are several components to civilian personnel pricing – base salary, leave and holidays acceleration, the civilian personnel fringe benefit rate, and the unfunded civilian retirement (UCR) factor. Two of these components, the leave and holidays acceleration and the UCR, may or may not apply when pricing civilian personnel in DSAMS. The pricing principles apply regardless if the civilian pay is a stand-alone line or whether it is embedded into a unit cost. The following chart identifies the proper allocation of the pricing components as they apply/do not apply to FMS and to BPC cases:

Pricing Component	FMS Cases	BPC Cases	
		DoD-Funded	632(b)
Base Salary <u>1/</u>	Enter amount	Enter amount	Enter amount
Leave and Holiday Acceleration <u>2/</u>	May apply	May apply	May apply
Fringe Benefit Rate <u>3/</u>	Apply	Apply	Apply
Unfunded Civilian Retirement <u>4/</u>	Apply	Does not apply	Does not apply

Notes:

1/ Source: Office of Personnel Management. <http://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/>

2/ Sources:

- a. DoD FMR, Volume 11A, Chapter 1, Paragraph 010203.A. Civilian labor performed for the benefit of other DoD Components, other Federal agencies, and the public shall be charged at actual hourly pay rates multiplied by the number of actual hours worked or assigned (detailed). Full-time assignments (details) shall be charged using annual rates. Otherwise, an hourly rate of 1/2087 of the annual rate shall be used and a leave and holiday factor of 18 percent of pay cost added.
- b. DoD FMR, Volume 15, Chapter 7, Paragraph 070202. Base salary rates must be accelerated as discussed in this paragraph. The leave and holidays acceleration factor of 18 percent is applied to the base salary only when the employee is not reimbursed on a full time basis.

3/ Sources:

- a. From the website of the Office of the Under Secretary of Defense (Comptroller) currently at <http://comptroller.defense.gov/index.html>, on the right-hand side, under Quick Links, select DoD Reimbursable Rates. Select the appropriate Fiscal Year and refer to Tab D – Civilian Personnel Fringe Benefit. Refer to the third page of the tab for the Funded Benefits Rate.
- b. DoD FMR, Volume 15, Chapter 7, Paragraph 070202. The Civilian Personnel Fringe Benefit Rate is applied to the base salary, with leave and holiday acceleration when applicable, to recover the USG's contribution of civilian employee benefits such as retirement, insurance and health plans, cash awards, and, when applicable, the USG's share of social security taxes and leave and holidays.

4/ Source: From the website of the Office of the Under Secretary of Defense (Comptroller) currently at <http://comptroller.defense.gov/index.html>, on the right-hand side, under Quick Links, select DoD Reimbursable Rates. Select the appropriate Fiscal Year and refer to Tab D – Civilian Personnel Fringe Benefit. Refer to the third page of the tab for the Unfunded Retirement Rate (note: DoD FMR Volume 11A, Chapter 1, Addendum 1 refers to this as the Unfunded Fringe Benefit Cost). This rate is applied to the base salary with leave and holiday acceleration. It does not apply to cases funded with U.S.G. appropriations (BPC cases).

Between the date of this memorandum and August 1, 2013, if an Implementing Agency elects not to apply the appropriate acceleration factors, it must document in a DSAMS Case Remark what factors, if any, have been applied to the base pay of the civilian personnel services and what those factors are.

Effective August 1, 2013, the Case Writing Division and the LOA reviewers in the DSCA Directorate of Business Operations will no longer accept any case that does not apply the proper pricing of civilian personnel services. If a case document does not reflect the appropriate acceleration factors, the case document will be returned. No longer will an Implementing Agency be able to use the rationale that it uses a fully-loaded (or all-inclusive) rate or that the pay is embedded in a unit cost. These procedures will ensure auditability and proper accountability of pay.

Attached to this memorandum is the updated Security Assistance Management Manual, Chapter 9, language clarifying the use of the factors. Should you have any questions, please contact Michele Kennedy, DSCA DBO/FPA, 703-604-6578, michele.kennedy@dsc.mil or Jean Wilson, DSCA DBO/FPA, 703-604-6570, genevieve.wilson@dsc.mil.



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As stated

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AFSAC
AFSAT
DISAM
MARCOR IP
SCETC
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Proposed SAMM Update

C9.4.3.2. Civilian Personnel Acceleration Factors.

C9.4.3.2.1. Leave and Holiday Factor. The leave and holidays acceleration factor of 18 percent is applied to the base salary only when the employee is not reimbursed on a full time basis.

C9.4.3.2.2. Fringe Benefits Factor. The civilian personnel fringe benefits factor is applied to the base salary, with leave and holiday acceleration when applicable, to recover the USG's contribution of civilian employee benefits such as retirement, insurance and health plans, cash awards, and, when applicable, the USG's share of social security taxes and leave and holidays. The Civilian Fringe Benefit Rates are published annually at the OUSD(C) reimbursable rates Web site.

C9.4.3.2.3. Unfunded Civilian Retirement (UCR). The unfunded civilian retirement factor is applied to the base salary, with leave and holiday acceleration when applicable, to recover retirement, post-retirement health benefits, and post-retirement life insurance costs incurred by USG. The UCR factor is published annually with the Civilian Fringe Benefit Rates. These factors may be found at <http://comptroller.defense.gov/rates/>; select Tab D of the applicable year. The UCR factor is applicable to full cost tuition rates and not applied to incremental tuition rates. It is also not applied to Building Partner Capacity cases nor when calculating personnel costs to be reimbursed by the FMS Administrative Surcharge Budget.