



DEFENSE SECURITY ASSISTANCE AGENCY

WASHINGTON, DC 20301-2800

12 AUG 1998

In reply refer to:
I-71225/98

MEMORANDUM FOR OFFICE OF THE DEPUTY UNDER SECRETARY OF THE
ARMY (INTERNATIONAL AFFAIRS)

ATTN: SAUS-IA-DSZ
DEPARTMENT OF THE ARMY

DIRECTOR, NAVY INTERNATIONAL PROGRAMS
OFFICE
DEPARTMENT OF THE NAVY

DEPUTY UNDER SECRETARY OF THE AIR FORCE
(INTERNATIONAL AFFAIRS)
DEPARTMENT OF THE AIR FORCE

DIRECTOR, DEFENSE LOGISTICS AGENCY

DEPUTY DIRECTOR FOR SECURITY ASSISTANCE
DEFENSE FINANCE AND ACCOUNTING SERVICE -
DENVER CENTER

SUBJECT: Letter of Offer and Acceptance (LOA) Transportation Coding for
Defense Working Capital Fund (DWCF) Items

With the implementation of the Defense Business Operating Fund (DBOF) in October 1990, transportation charges were included within the price of DBOF (now DWCF) items. Unfortunately, duplicate transportation charges sometimes resulted when customers also paid for Collect Commercial Bills of Lading (CCBLs) covering these same items. While the military departments, in conjunction with the Defense Logistics Agency (DLA), have worked to settle discrepancies that occurred during the FY91-FY95 timeframe, we need to ensure that these duplicate charges do not occur in the future.

The Delivery Term Code (DTC) used in requisitioning DWCF items is key in determining what charges may be applied. When inputting requisitions, customers and military department personnel generally use the code found in block (7) of the LOA. Unfortunately, at the time the LOA is written it is usually not known whether items will be provided from DWCF or from other sources. For this reason, DTC "4" is often recorded in block (7). DTC "4" indicates that the purchaser has full responsibility at the point of origin and usually results in a CCBL to ship materiel to a freight forwarder. This may result in a duplicate transportation charge.

To avoid this problem, effective immediately LOAs and resultant requisitions for DWCF items should reflect DTC "5." DTC "5" carries a 3.75 percent charge which should be computed only on the portion of the line/case that will not come from DWCF sources (DWCF items already include transportation within their price). As stated above, the mix of supply sources is often not known when the LOA is prepared. When the supply source is not known, the following applies:

a. We have researched DFAS-DE records for the types of cases/lines involved (i.e., spare parts, CLSSA) and have found that approximately 85 percent of the delivered dollar value on these lines reflect deliveries from DWCF sources. The remaining 15 percent dollar value represents deliveries from other sources.

b. Based on this data, we have determined that a .5625 percent (15 percent of 3.75) transportation charge should be included on LOAs for these types of lines when the source of supply is unknown.

Any new LOAs should be written to reflect DTC "5" for these types of items. Existing cases should include a DTC change, if required, on the first modification/amendment processed after this memorandum. If a modification/amendment for other changes is not anticipated within the next 6 months, a modification should be processed specifically to implement these changes no later than 1 Mar 99. Customers should be instructed immediately to start using DTC "5" when requisitioning these items.

Please note that these procedures do not preclude the use of DTC "4" when appropriate (i.e., Defense Reutilization Marketing Service items, repair, etc.). Changes to LOA and requisitioning DTC usage only apply to blanket order articles, CLSSA, concurrent spare parts and other like items. If you have questions or need additional information regarding this policy, please contact Beth Baker, DSAA/COMPT-FM, DSN 329-3737, e-mail: bakerb@osd.pentagon.mil.



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Acting Director