



DEFENSE SECURITY COOPERATION AGENCY  
2800 DEFENSE PENTAGON  
WASHINGTON, DC 20301-2800

JUN 06 2008

In reply refer to:  
USP007407-08

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Contract Administrative Services (CAS) Waiver for Israel  
(DSCA 08-16) [SAMM E-Change 108]

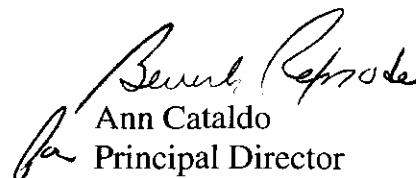
Annex IV, Regarding Quality Assurance Services to the Memorandum of Understanding (MOU) between the Government of the United States of America and the Government of Israel Concerning the Principles Governing Mutual Cooperation in Research and Development, Scientist and Engineer Exchange, Procurement and Logistic Support of Defense Equipment of December 14, 1987, entered into force on May 7, 2008. The Annex states that charges for Government Quality Assurance services provided on Foreign Military Sales cases will be waived. Therefore, the Quality Assurance (QA) surcharges for all Foreign Military Sales (FMS) cases implemented for the purchaser on or after May 7, 2008 are to be waived.

Request Defense Finance and Accounting Service to properly code all Israeli FMS cases implemented on or after May 7, 2008 to exclude the calculation of the QA surcharge. In addition, request Implementing Agencies take appropriate action to ensure all FMS cases implemented on or after May 7, 2008 are priced to reflect the waiver of the QA surcharge.

Effective immediately DoD 5105.38-M, the Security Assistance Management Manual (SAMM), Table C9.T3. is updated to include the following entry:

Country/ Security Assistance Country Code	Effective Date	Cost Waived
Israel (IS)	May 7, 2008	Quality Assurance and Inspection

If you have any questions concerning this change please contact Mary Padgett, DSCA/DBO/CFM, 703-601-3737, email mary.padgett@dscamil or Candace Sampere, DSCA/DBO/FPIO (703)601-3750, email candace.sampere@dscamil.

  
Ann Cataldo  
Principal Director  
Business Operations

Attachments as stated

## DISTRIBUTION LIST

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**ANNEX I**

**REGARDING QUALITY ASSURANCE SERVICES  
TO THE  
MEMORANDUM OF UNDERSTANDING  
BETWEEN THE  
GOVERNMENT OF THE UNITED STATES OF AMERICA  
AND THE  
GOVERNMENT OF ISRAEL  
CONCERNING THE  
PRINCIPLES GOVERNING MUTUAL COOPERATION  
IN RESEARCH AND DEVELOPMENT, SCIENTIST AND ENGINEER  
EXCHANGE,  
PROCUREMENT AND LOGISTIC SUPPORT OF DEFENSE EQUIPMENT  
OF DECEMBER 14, 1987**

(with Amendment 1 - Dated January 8, 1998)

## **I. PREAMBLE**

- A. The Department of Defense of the United States of America (U.S. DoD) and the Ministry of Defence (MOD) of the Government of Israel, on behalf of the Government of the United States (U.S. Government) and the Government of Israel, respectively, hereinafter collectively referred to as the "Governments," shall provide one another with reciprocal Government Quality Assurance (GQA) services in support of the procurement of defense products. In general, the responsibilities of the Governments under this Annex to the Memorandum of Understanding Between the Government of the United States of America and the Government of Israel Concerning the Principles Governing Mutual Cooperation in Research and Development, Scientist and Engineer Exchange, Procurement and Logistic Support of Defense Equipment of December 14, 1987 (MOU) shall be carried out by each Government's respective Quality Assurance National Authority listed in Article III.C. of this Annex (hereinafter referred to as the "Authority" or collectively as "Authorities"). The Authorities shall accomplish such GQA services in accordance with established and documented laws, directives, regulations, and procedures of their Governments.
- B. The objective of this Annex is to ensure each Authority is able to employ the most effective and efficient GQA services possible when acting under the provisions of this Annex.

## **II. SCOPE**

- A. Applicability. Except as otherwise provided in this Annex, this Annex supersedes Annex IV regarding Quality Assurance Services to the MOU, dated April 8, 1998 (1998 Annex IV). The provisions of this Annex apply to prime contracts or derived subcontracts entered into after the effective date of this Annex, in accordance with Article IX. A. of this Annex. However, a contract awarded by the U.S. Government after the effective date of this Annex, but which supports a foreign military sales (FMS) case that was entered into prior to the effective date of this Annex, is not covered by this Annex. Contracts awarded prior to the effective date of this Annex continue to be covered by the provisions of the 1998 Annex IV.
- B. The provisions of the Annex apply to the following purchasing methods:
1. Purchases by the Government of Israel from the United States under the U.S. FMS Program in accordance with the U.S. Arms Export Control Act and associated regulations, policies, and procedures.
  2. Purchases by the U.S. Government from Israel under comparable FMS arrangements, changed as necessary.
  3. Direct commercial procurement contracts made by the U.S. Government with suppliers located in Israel and outside of Government-to-Government channels.

- C. Notwithstanding any other provisions of this Annex, if special arrangements for GQA support are made under an international cooperative project in which the Governments participate, those special arrangements shall have precedence over this Annex.
- D. Requests for GQA shall normally be restricted to those cases in which the quality of deliverables cannot be verified satisfactorily after receipt of the deliverables on contract or where GQA support at the source of the deliverables is otherwise considered essential. GQA normally shall not be requested for contracts with noncomplex, non-critical, or low-risk products.

### **III. DEFINITIONS AND GENERAL INFORMATION**

A. The following definitions apply for this Annex:

1. Acquirer: Government organization or agency that enters into a contractual relationship with a Supplier and defines the product and quality requirements.
2. Classified Information: Official information that requires protection in the interests of national security and is so designated by the application of a security classification marking. This information may be in oral, visual, magnetic, or documentary form or in the form of equipment or technology.
3. Controlled Unclassified Information (CUI): Unclassified information to which access or distribution limitations have been applied in accordance with applicable national laws or regulations. It could include information that has been declassified but remains controlled.
4. Delegator: The representative authorized by an Authority or purchasing Government to request GQA support from the other Authority.
5. Delegatee: The representative authorized by an Authority to ensure GQA support is performed on behalf of the other Authority or purchasing Government.
6. Government Quality Assurance (GOA): The process by which the appropriate national Authorities establish confidence that the contractual requirements relating to quality are met by the Supplier.
7. Quality Assurance Representative (QAR): The representative authorized by an Authority to perform GQA at the Supplier's plant on behalf of the Delegator in accordance with an RGQA.
8. Request for Government Quality Assurance (RGQA): The formal written request of the Delegator to the Delegate to perform GQA on a defense contract.
9. Supplier: A company that is a legal party to a contract as the provider of products to the Acquirer.

B. Referenced documents (most recent edition):

1. Memorandum of Understanding Between the Government of the United States of America and the Government of Israel Concerning the Principles Governing Mutual Cooperation in Research and Development, Scientist and Engineer Exchange, Procurement and Logistic Support of Defense Equipment of December 14,1987 (with Amendment 1, dated January 8,1998).
  2. GQA Administrative Procedure - This procedure is developed and maintained by the Authorities to jointly define the administrative process used to exchange GQA services. The GQA Administrative Procedure does not extend or revise the GQA provisions of this Annex; the procedure provides administrative guidance only.
- C. The Authorities are defined as the Defense Contract Management Agency (DCMA) for the United States and the Foreign Defence Assistance & Defence Export Office (SIBAT) for Israel.
- D. Each Authority is responsible for arranging for the performance of the required GQA support by its appropriate national organization. Each Authority shall identify a Central Control Point (CCP) for receipt of a Request for Government Quality Assurance (RGQA). The CCP contact information, i.e., mailing address, email address, phone numbers, etc., shall be maintained and kept current in the GQA Administrative Procedure.
1. Requests by the United States for GQA services in Israel shall be sent via DCMA Southern Europe to SIBAT.
  2. Requests by Israel for GQA support in the United States shall be sent via SIBAT to the DCMA DoD Central Control Point.
- E. FMS purchases are U.S. Government contracts and do not require an RGQA to be initiated by Israel. FMS purchases shall be afforded the same GQA support as the U.S. DoD invokes for similar procurements that it makes for its own use. However, when special or specific GQA requirements are necessary on FMS purchases, the requirements should be communicated directly to the U.S Government Acquirer (purchase office), which shall forward the information to the Defense Contract Management Agency (DCMA).
- F. Where GQA support on major programs or projects is contemplated, the Authorities should consider conducting a joint GQA planning meeting to ensure contractual requirements are thoroughly understood and to plan the GQA surveillance jointly.
- G. The Authorities shall endeavor to keep each other well informed regarding their GQA practices and resources to help ensure that requests for GQA support are reasonable and prudent. Continuous process improvement efforts and opportunities shall be shared between the Authorities.

- H. Quality Assurance Representatives (QARs) performing GQA services under this Annex are expected to be knowledgeable of the industry practices, techniques, and processes associated with the contract, and they are expected to possess the necessary technical competence and GQA experience to conduct the GQA surveillance required by an RGQA.
- I. The Authorities may perform other necessary contract administration functions through its own representatives, including GQA functions not delegated in an RGQA. In such cases, the Delegator shall inform the other Authority that it will perform other necessary contract administration functions through its own representatives in order to avoid duplication of work.
- J. Visits by representatives of the Acquirer's Authority to its Supplier's plant shall be coordinated with the other Authority, which should be invited to attend meetings with the visiting representatives. The Acquirer's access to its suppliers, subcontractors, and their records, as may be authorized contractually, shall not be impaired or affected in any way by the provisions of this Annex.

#### **IV. GQA DELEGATION PROCESS**

- A. The GQA administrative procedure and process defined in this Annex shall be used when:
  - 1. Either Authority is requesting GQA services from the other Authority.
  - 2. Either Authority is performing GQA services on behalf of the other Authority.
- B. When GQA support is contemplated, the Delegator shall assure:
  - 1. Authorization (usually by contract or purchase order) is provided for QAR access to the supplier's or subcontractor's facilities and records, and for the use of supplier or subcontractor assets, as necessary, for the performance of GQA.
  - 2. Appropriate quality assurance standards are imposed by the contract or subcontract. These standards may include ISO 9001 QA standards, Military QA standards, National QA standards, etc.
- C. To the greatest extent possible, RGQAs shall be risk-based. Each Authority shall use its own national practices to identify the specific risks that the Delegator requires to be mitigated by the GQA surveillance or the specific tasks the Delegator requires to be performed. The risks and/or tasks shall be documented in the RGQA. A copy of the risk assessment is not required to accompany each RGQA.
- D. The Delegator may seek the advice of the Delegatee in identifying risks prior to submitting an RGQA or, if necessary, may simply request risk-based GQA. If the latter is requested, the Delegatee shall decide the minimum GQA surveillance requirements. RGQAs made in this manner shall be on an exception basis.

- E. The Delegator may request the Delegatee to participate in other contractual matters/activities specifically related to GQA. The Delegatee may decline such requests if the Delegatee considers the request outside the scope of normally acceptable GQA practices.
- F. Where the Acquirer has identified and/or imposed mandatory GQA inspections or tests, these requirements shall be identified in the RGQA as the Acquirer directs.
- G. Critical product characteristics or processes, including safety of flight, that may require a more intensive GQA approach (other than risk-based) shall be coordinated with the Delegatee in advance of issuing an RGQA. It is the Delegator's responsibility to identify in the RGQA the critical characteristics or processes requiring GQA surveillance. The Delegatee may propose an alternative GQA approach.
- H. All RGQAs should be sent electronically to the CCP email address provided in the GQA administrative procedure.
- I. The Delegatee shall acknowledge receipt of an RGQA within 5 days of receipt and shall either accept or reject the RGQA within 20 days of receipt. Immediately upon acceptance of a RGQA, the Delegatee shall plan and implement the necessary GQA surveillance to mitigate the identified risks and/or to accomplish the requested tasks, in accordance with established national practices.
- J. Rejection of an RGQA shall be on an exception basis only and shall be limited to unusual circumstances. Should it be necessary to reject an RGQA, the Delegator shall be notified and provided the rationale, in writing, as to why the RGQA was rejected. The Delegatee should propose an alternative GQA approach in lieu of rejecting the RGQA.
- K. The Delegator may modify an RGQA during contract performance after consultation with the Delegatee. Based on knowledge of the supplier's current or past performance, the Delegatee shall advise the Delegator when the risks or tasks identified on the RGQA are considered unwarranted, excessive, or insufficient. The Delegator is the final authority for defining the GQA requirements.
- L. If the requirements imposed by an RGQA include functions beyond the current technical capabilities or resource capacities of the Delegatee, the Delegatee shall immediately notify the Delegator. In such cases, the Delegatee shall not procure technical experts or additional resources needed to perform the functions without the written consent of the Delegator.
- M. GQA-related correspondence between the Delegator and the Supplier should be transmitted through the Delegatee. The Delegatee shall provide any necessary GQA reports or records associated with the Supplier's performance when requested by the Delegator. Requests for GQA reports or records associated with the Supplier's performance shall be kept to a minimum.



- N. Where the Delegatee believes GQA is necessary at the subcontract level, the following shall apply:
1. When a subcontractor is located within the host country, the Delegatee shall make the appropriate arrangements for GQA support in accordance with national practices.
  2. When a subcontractor is located in a third country or within the purchasing country, the Delegatee shall notify the Delegator who shall make the appropriate arrangements for GQA support, as considered necessary.
- O. The Acquirer shall retain final authority over contract interpretations and enforcement actions. As concerns deviation permits and concessions, the following applies:
1. Unless such authorization is specifically withheld by the Delegator, the QAR shall be authorized to approve or disapprove a Supplier's request for minor deviation permits and concessions that do not affect safety, reliability, maintainability, interchangeability, storage life, performance, cost, or appearance (where appearance is a factor). All major/critical deviation permits or concession requests submitted by the Supplier shall be forwarded to the Delegator for approval by the Acquirer.
  2. The Delegatee shall forward to the Delegator for record any approved deviation permit or concession requests when requested in an RGQA. All deviation permits and concession requests not actionable by the Delegatee shall be forwarded to the Delegator for coordination with the Acquirer.
- P. If contractual nonconformity is discovered, the QAR shall request the Supplier or subcontractor to initiate appropriate corrective action. The QAR shall verify that the corrective actions have been effectively implemented. When requested in the RGQA, a copy of corrective action requests issued by the QAR to a Supplier or subcontractor shall be provided to the Delegator. It shall be the Delegator's responsibility to notify the Acquirer or GQA personnel cognizant of the prime Supplier so that appropriate action may be taken.
- Q. If at any time during the course of the GQA performance, the Delegatee cannot proceed with the GQA surveillance, the Delegatee shall so advise the Delegator of the facts as expeditiously as possible. Situations warranting notification shall include, but are not limited to:
1. Deficiencies in the Supplier's quality management system, processes, or product.
  2. Deficiencies expected to be a cause of excessive contract delivery delay.
- R. The Delegatee shall maintain records of all GQA surveillance activity performed in support of an RGQA. Unless otherwise stated in the RGQA, record retention periods shall be in accordance with national practices. GQA surveillance records shall be made available to the Delegator upon request.

- S. The Delegatee shall inform the Delegator when the requested GQA is complete in the format described in the GQA administrative procedure, or if special arrangements are required, they will be clearly identified on the RGQA. The Delegatee shall provide an affirmation that the contractually required supplies or products have been subject to GQA. This process shall be defined in the GQA administrative procedure.

## **V. RESPONSIBILITY AND LIABILITY**

- A. Nothing in this Annex shall relieve the Supplier of any responsibilities under the contract. No liability shall attach to the Government (including its Authority), its officers, or its representatives acting under this Annex on behalf of the other Government.
- B. Should defective materials or services be detected subsequent to delivery, the Delegatee shall assist the Delegator in the investigation of such defects.

## **VI. SECURITY AND PROTECTION OF INFORMATION**

- A. Any classified information, data, or material exchanged under the terms of this Annex shall be protected in accordance with the Exchange of Notes between the Government of the United States of America and the Government of Israel regarding a General Security of Information Agreement, dated July 30, 1982 and December 10, 1982, and its implementing arrangement on Security Procedures for Industrial Operations between the Ministry of Defense of Israel and the Department of Defense of the United States (Security Protocol), which entered into force March 3, 1983.
- B. The highest level of classified information that will be disclosed under this MOU will be consistent with (1) the terms of the RGQA and the contract under which QA services will be performed, and (2) the security agreement between the U.S. and Israel for the protection of classified information that is in effect at the time.
- C. Each Government shall take all lawful steps available to it to keep information exchanged in confidence under this Annex free from disclosure under any legislative provision, unless the other Government consents to such disclosure.
- D. To assist in providing the desired protection, each Government shall mark such information furnished to the other with a legend indicating the country of origin, the security classification, the condition of release and, if unclassified, the fact that the information relates to this Annex and that it is furnished in confidence.
- E. Unclassified information provided by either Government to the other in confidence, and information produced by either Government pursuant to this Annex or the MOU requiring confidentiality shall be safeguarded in a manner that ensures its proper protection from unauthorized disclosure.
- F.

1. If the Delegatee requires access to Controlled Unclassified Information (CUI) (e.g., export controlled drawings and specifications) in order to perform the required GQA surveillance at the Supplier's plant, the CUI will be provided, controlled, and protected in accordance with the Parties' national laws and regulations, including export control laws and regulations.
  2. Both Governments recognize that it is the Supplier's responsibility to comply with export control laws and regulations. Host nation GQA personnel are not responsible for performing oversight or surveillance of a Supplier's compliance with export controls or export licenses.
- G. In the event of termination or expiration of this Annex, the provisions of this Article shall continue to apply.

## **VII. CHARGES**

- A. Israel shall waive charges for services it provides under this Annex.
- B. Charges for services provided by the United States on FMS cases shall be waived in accordance with the authority granted by the U.S. Arms Export Control Act.
  1. Reference Article II. A. for information concerning the scope of this Annex.
  2. If at some future date Israel requests that the United States provide no-charge services on Israel's direct commercial procurement contracts in the United States, the United States shall examine the feasibility of granting such a waiver, the implementation of which shall require an appropriate amendment of this Annex.
- C. If either Israel or the United States cannot waive charges in the future, it shall notify the other not less than six months prior to any termination of the waiver so that alternate arrangements may be made. Reference Article IX (Duration and Termination) of this Annex.
- D. The expenses for products expended during the performance of GQA, e.g., destructive testing, live firing tests, etc., shall be borne in accordance with arrangements made between the contracting parties.

## **VIII. REVIEW AND REVISION**

- A. This Annex shall be reviewed every three years to determine if revision is necessary. Minor changes, such as address changes to the Authorities, shall not, in themselves, necessitate revision to this Annex.
- B. When necessary, a joint review of the GQA services exchanged under this Annex may be initiated by either Authority to assure the provisions of this Annex continue to be effectively implemented and continue to meet the needs of the Authorities. Any such review shall include the quality of GQA services being provided. If, as a result of such a review, either Authority determines that changes are necessary, changes may be made after not less than six months advance notice.

**IX. DURATION AND TERMINATION**

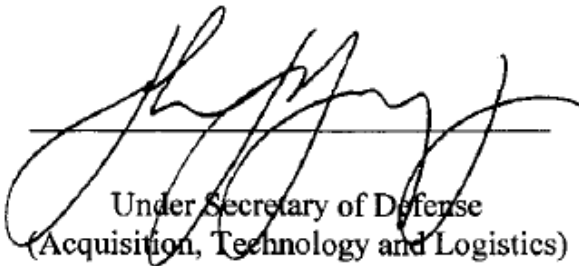
- A. This Annex shall enter into force on the date of the last signature and shall remain in force for five years. Unless otherwise stated in writing by either Authority, the duration of the Annex shall be extended automatically for successive five year periods. Reference Article II. A (Applicability) of this Annex for information concerning the applicability of this Annex IV and the 1998 Annex IV.
- B. Either Authority may terminate this Annex by providing written notification of its intention to the other Authority six months in advance of the effective date of the termination.
- C. Unless otherwise agreed, if either Authority terminates this Annex, GQA services shall continue to be provided until contract completion for those contracts for which GQA support is being provided under this Annex.
- D. Any misunderstanding regarding the interpretation or application of this Annex shall be resolved by consultation between the Authorities or Governments and shall not be referred to an international tribunal or third party for settlement.

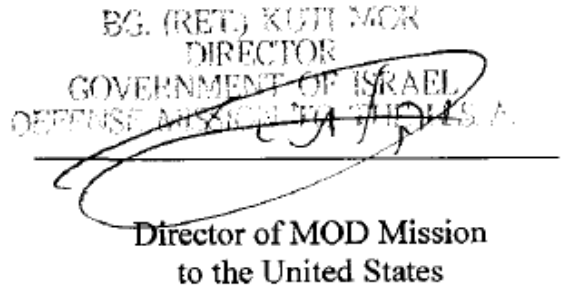
**IN WITNESS WHEREOF**, the undersigned, being duly authorized by their respective Governments, have signed this Annex.

**DONE** in duplicate, in the English language.

**FOR THE DEPARTMENT OF  
DEFENSE OF THE  
UNITED STATES OF AMERICA**

**FOR THE MINISTRY OF  
DEFENSE OF  
ISRAEL**

  
\_\_\_\_\_  
Under Secretary of Defense  
(Acquisition, Technology and Logistics)

BG. (RET.) KUTI MOR  
DIRECTOR  
GOVERNMENT OF ISRAEL  
DEFENSE MISSION TO THE U.S.A.  
  
\_\_\_\_\_  
Director of MOD Mission  
to the United States

Date: 7 MAY 2008  
Place: WASHINGTON, D.C.

Date: February 5, 2008  
Place: New York, N.Y.