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28 OCT 2011

MEMORANDUM FOR DEPUTY UNDER SECRETARY OF THE AIR FORCE FOR
INTERNATIONAL AFFAIRS
DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR
DEFENSE EXPORTS AND COOPERATION
DEPUTY ASSISTANT SECRETARY OF THE NAVY FOR
INTERNATIONAL PROGRAMS
DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY
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DIRECTOR, DEFENSE REUTILIZATION AND MARKETING
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DIRECTOR, DEFENSE THREAT REDUCTION AGENCY
DIRECTOR, NATIONAL GEOSPATIAL-INTELLIGENCE
AGENCY
DEPUTY DIRECTOR FOR INFORMATION ASSURANCE,
NATIONAL SECURITY AGENCY
DIRECTOR FOR SECURITY ASSISTANCE, DEFENSE FINANCE
AND ACCOUNTING SERVICE - INDIANAPOLIS OPERATIONS

SUBJECT: Revision to Defense Security Cooperation Agency (DSCA) Security Assistance Management Manual (SAMM), Chapter 9 - DSCA Policy 11-53 [SAMM E-Change 191]

Reference: DSCA Memorandum, USP001349-09, February 6, 2009, Pricing of Education and Training for Saudi Arabia

Referenced memorandum provided guidance on the application of tuition pricing for Saudi Arabia in the situation where Saudi Arabia was not currently in receipt of International Military Education and Training (IMET) funding. Similar instances are occurring with other countries making it necessary to incorporate policy into the Security Assistance Management Manual (SAMM) prior to the next update to the manual.

Attached to this memorandum is the SAMM change which clarifies the existing policy as it relates to any country that may have been eligible for IMET funding in the past but is now not eligible for such funding. It also addresses how Letters of Offer and Acceptance (LOAs)/lines are to be priced if/when a country subsequently becomes IMET eligible.

If you have questions concerning the attached SAMM policy, please contact Ms. Kathy Ton, DSCA-STR/POL, at kathy.ton@dsc.mil or 703-604-6611, or Ms. Michele Kennedy, DSCA-DBO/FPIO, at michele.kennedy@dsc.mil or 703-604-6578.

Ann Cataldo
Principal Director
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Attachment
As stated

cc:

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ATTACHMENT

Security Assistance Management Manual (SAMM), E-Change 191

- 1) Change SAMM Chapter 9, C9.4.3., to read as follows:

C9.4.3. Training. DoD 7000.14-R, Volume 15, Chapter 7 provides detailed guidance for the pricing of training on FMS cases and of IMET. The following paragraphs provide additional policy applicable to the various tuition rates (Rates A – E). (For the International Military Education and Training (IMET) program, see Chapter 10 for information on Travel and Living Allowance (TLA) charges).

C9.4.3.1. Change in Status if IMET-Recipient Country.

C9.4.3.1.1. Under the Arms Export Control Act , section 21(a)(1)(C), countries purchasing education and training via an FMS case and using national funds are to be charged the incremental rate (Rate C) if they are currently in receipt of IMET funds. If a country is not currently in receipt of IMET, it is not eligible for incremental pricing of education and training paid on LOAs accepted/signed after the end of the fiscal year of its IMET funding allocation.

C9.4.3.1.2. The rate to be charged for education and training is established at the time of sale, not at the time that the education and training begins or periods to which it may extend. The rate, whether incremental or full, will continue to apply to all education and training provided under the LOA, or Amendments to it, until the total value of the training line has been obligated. [Note: Incremental pricing and full pricing rates may not be mixed on the same training line.]

C9.4.3.1.2.1. If a country is currently receiving IMET funding at the time an LOA is accepted/signed, then the LOA should be priced using the incremental rate (Rate C) for education and training, as referenced in DoD 7000.14.-R, Volume 15, Chapter 7, paragraph 0710.

C9.4.3.1.2.2. If a country is not in receipt of IMET funding at the time of LOA acceptance/signature, then the full rate for education and training is to be charged.

C9.4.3.1.2.3. If a country is no longer in receipt of IMET yet has an LOA/Amendment that has been accepted/signed using incremental pricing and there is a requirement to increase the dollar value of a training line for an adjustment, e.g., a student's training on that line exceeded the programmed training time by one week to which additional costs were incurred, the incremental pricing applicable to the line when the case was accepted/ signed is the appropriate pricing to charge to the line. If, on the other hand, there is a requirement to increase the dollar value of training on the original LOA/Amendment for other than an adjustment, e.g., adding another course or adding additional students (change in scope), a new line will need to be established that prices the new requirement at the full cost (Rate A).

C9.4.3.1.2.4. If an LOA/Amendment has been accepted/signed using full pricing (Rate A) and a country subsequently begins to receive IMET funding during any fiscal year in which training is still to be performed under such an LOA, then that LOA may be amended to delete

any unobligated funds from the full-priced education and training line and a new line added on the LOA which may then be priced at the incremental rate (Rate C) for future education and training requirements. There will be no retroactive/backward adjustments for training already started or scheduled (student in the “training track”). Students that began education and training with the full rate cannot retroactively receive the incremental rate when the case is amended. Only those students starting education and training on or after the Amendment is accepted/signed are eligible to receive the incremental rate.

C9.4.3.2. Civilian Unfunded Retirement. The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) publishes annually the acceleration factor(s) applicable to civilian unfunded retirement. These factors may be found at <http://comptroller.defense.gov/rates/>, Tab D. The acceleration percentage factor is applied to the combined base pay and leave and holiday pay to determine the cost. Civilian unfunded retirement is applicable to full cost tuition rates and not applied to incremental tuition rates.

C9.4.3.3. Military Fringe Benefits. Military personnel services are priced using the applicable DoD Military Personnel Composite Rate plus an acceleration factor that covers medical health care costs of active duty personnel and their dependents. In addition rates include a per capita normal cost for Medicare-Eligible Retiree Health Care (MERHC) accruals. These factors are published annually by OUSD(C) at <http://comptrolle.defense.gov/rates/>, Tab K. Military fringe benefits consist of quarters (family housing), subsistence, medical (hospital), and other personnel support (e.g., commissary and exchanges). The costs are applicable to both direct and indirect military salaries and are computed by applying the acceleration factors for officer and enlisted personnel. These costs are included for all military personnel allocated to the training course. Tuition rates D (formerly FMF) and E (formerly IMET) exclude both direct and indirect military salaries; therefore, military fringe benefits are excluded as well. Military fringe benefits costs, used as part of base operating support (BOS) costs and allocated to training courses, are used as indirect costs in the tuition rates. The costs must not be duplicated in the tuition rates by also being included as direct and indirect costs under Pay and Fringe Benefits.

C9.4.3.4. Maintenance and Repair of Facilities. These costs are part of the normal base operating costs. When training facilities are used for Security Assistance courses, the costs are included as indirect costs in the tuition rates.

C9.4.3.5. Attrition Charges for FMS Training. Attrition charges are included in tuition Rate A (formerly full FMS) for flying and/or non-flying training courses whenever the training or educational course includes the use of training equipment or operational equipment used as training aids. For all other FMS tuition rates (e.g., Rates B (formerly NATO), C (formerly FMS Incremental), and D (formerly FMF), the liability statement, as provided in DoD 7000.14-R, Volume 15, Chapter 7, is applied. Attrition charges are recorded directly into the attrition account. DSCA must approve use of these funds. When equipment is damaged beyond repair due to FMS student error, a report of the loss and request for funding to cover procurement of the replacement items is submitted for DSCA (Business Operations Directorate) approval. After DSCA approval is obtained, the MILDEP forwards a request (with a copy of the DSCA approval) to DFAS Indianapolis to process the payment from the attrition account to the appropriate recipient(s).