



DEFENSE SECURITY COOPERATION AGENCY

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WASHINGTON, D.C. 20301-2800

14 FEB 2012

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

SUBJECT: Clarification of Policy Regarding Determinations of Nonrecurring Costs (NCs)
Recoupment Charge for Major Defense Equipment (MDE) Absent Available DoD
Investment and Production Cost Documentation, DSCA Policy 12-09

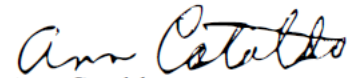
- References: (a) 32 CFR 165, *et seq.*, Recoupment of Nonrecurring Costs of Sales of U.S. Items,
July 1, 2010
- (b) DoD Financial Management Regulation 7000.14, Volume 15, Chapter 7, August
2011
- (c) DSCA, Clarification of Policy Regarding Determinations of Nonrecurring Costs
(NCs) Recoupment Charge for Major Defense Equipment (MDE) Absent
Available DoD Investment and Production Cost Documentation (DSCA 10-37),
July 20, 2010 (hereby rescinded)

Reference (a) states that Major Defense Equipment (MDE) is any item of Significant Military Equipment (SME) on the United States Munitions List having a nonrecurring DoD RDT&E investment more than \$50 million or a total DoD production cost of more than \$200 million. Reference (b) requires each DoD Component to calculate an NC recoupment charge when a defense article is identified as MDE. Unfortunately, there may be instances when supporting historical information is not available to document DoD production and investment costs. In these cases, cost estimates are authorized to be used. The following guidance is provided for use in those situations.

The appropriate Military Department (MILDEP) must make reasonable efforts to determine whether adequate documentation is available to support designating an SME item as MDE. In cases when the nonrecurring RDT&E and production cost pool documentation cannot be found, the MILDEP will calculate the pro rata NC at 5 percent of the last known DoD acquisition cost. The 5 percent figure is based on an analysis by DSCA staff showing that historically MDE recoupment charges approximate 5 percent of the FMS unit costs. The MILDEP is required to submit the proposed NC calculation and the basis for concluding that the SME item would have met the MDE threshold to DSCA. If approved by the Director, DSCA, following coordination with OUSD(C) and OUSD(AT&L), the SME item will be designated as MDE with an approved NC charge published in the SAMM.

This policy memorandum rescinds guidance provided in DSCA Policy Memo 10-37 (reference c) and supersedes all prior DSCA guidance regarding the NC Recoupment Charge

calculations in cases where documentation is insufficient to support NC determinations.. If you have questions concerning NC policy, please contact Mr. Brion Midland DSCA/STR/POL, brion.midland@dca.mil (703) 601-3672. For questions concerning NC pricing please contact Patricia Higgins DSCA/DBO/FPIO, patricia.higgins@dca.mil (703)604-6570.



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