



DEFENSE SECURITY COOPERATION AGENCY

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13 AUG 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 Policy– DSCA Policy 13-25

This memorandum provides clarification of pricing principles to be used when preparing Letter of Offer and Acceptance (LOA) documents. Implementing Agencies are encouraged to use the flexibilities included in these principles to assist them in meeting the DSCA-directed Anticipated Offer Dates (AODs) as follows:

AOD Group	Description	AOD
Group A	Blanket Order, Cooperative Logistics Supply Support Agreements, and Training	30 days
Group B	Defined Order	30 days
Group C	Purchaser Unique	90 days
Group D	Building Partner Capacity	30 days

Current pricing guidance established in the Department of Defense Financial Management Regulation (DoD FMR), Volume 15 (V15), Chapter 7 (C7), and in the Security Assistance Management Manual (SAMM), Chapter 9, provides for either firm quotations or estimates for LOA pricing. Specific guidance must be followed when/if quoting firm prices; refer to DoD FMR, V15 C7, 070303. To ensure our customer needs are met in a timely manner, please use the following additional information when estimating prices for LOAs:

Note: per DoD FMR, V15 C7, 070403, “DoD articles must be priced based on the same cost principles used in pricing DoD contracts covering items for DoD use.”

- Group A – DoD FMR, V15 C7, 070103.B., provides such estimating techniques as using computer listings of specified parts, a percentage of the cost of a major system to be supported, or simply a dollar value against which the purchaser may request articles/services (i.e., training and requisitions). The use of historical data, inflated if necessary, is also acceptable.
- Group B – DoD FMR, V15 C7, 070103.A., states that Implementing Agencies (IAs) “should have available estimates of the expected costs as the basis for developing the FMS price.” These rates may need adjustment for inflation; use the OUSD(C) published inflation indices. A common estimating technique may simply involve the use of historical data unless the article/service being procured is being competed or represents the sale of an item not previously offered. Where historical data is unavailable or if the IA must develop an estimate for a different configuration, it may be necessary to obtain contractor estimates. The case documentation (case file) should include the pricing rationale used.
- Group C – Guidance above for Group B cases generally also applies to Group C cases. Cases involving purchaser unique requirements may/may not lend themselves to pricing estimates using historical information or may require a combination of historical data and contractor-provided data particularly in the case where the article/service being procured is being competed or represents the sale of an item not previously offered. The case documentation should include the pricing rationale used.
- Group D – Price estimating for BPC cases is the same as for Groups A-C, except remain mindful of the expiring nature of the funds applicable to the case and the nuances of various pricing factors that may/may not apply to BPC cases (i.e., Unfunded Civilian Retirement). Refer also to DoD FMR, V11A C1, and SAMM, Chapter 15.

If using historical data or other readily available data to estimate the LOA costs, it is recognized there may be some risk associated with this methodology; that given additional time the estimate might have more fidelity. To the extent practical, however, the IAs are encouraged to develop consistency in their estimating practices.

Should you have any questions or require further clarification, please contact Michele Kennedy, DSCA DBO/FPA, at michele.kennedy@dsc.mil or 703-604-6578.



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cc:

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