



DEFENSE SECURITY COOPERATION AGENCY

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01 FEB 2013

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: Foreign Military Sales Administrative Rate Change Clarification, DSCA Policy13-60

Reference(s): Reduction to the Foreign Military Sales (FMS) Administrative Surcharge Rate,
Defense Security Cooperation Agency (DSCA) Policy Memo 12-47

DSCA policy memorandum 12-47 changed the FMS Admin Surcharge from 3.8% to 3.5% effective 1 November, 2012. Included in this policy were specific instructions on what cases/lines would be eligible for the new 3.5% surcharge rate. However, there have been several recent inquiries as to whether or not funds can be drawn down on a case line and a new line added for the same purpose at the new rate (no change in scope). This is not allowed as noted in the below excerpt from 12-47:

"If adjustments are made to these cases via future LOA Modifications or LOA Amendments (e.g., to reflect pricing changes), any existing line item will continue to be priced using its original FMS Administrative Surcharge rate as long as the changes being made do not reflect an increase in scope for that particular line item. If the case is being adjusted to reflect an increase in scope (e.g., to add quantities to a defined order line item; or to increase the value of a blanket order line item), these additional requirements must be included on new case line items which will be assessed the 3.5% FMS Administrative Surcharge rate."

Again, cases presented to DSCA will be returned if it is determined that a line is being reduced and a new line added in order to avoid paying the appropriate admin surcharge. Existing lines should not be increased for scope changes even when requested by the international partner. Instead, a new line should be added to the case for the additional scope at the new 3.5% FMS Administrative Surcharge rate.

If an international partner makes a request to reduce or close an implemented case at the currently executed value or to close a case at zero value (cases cannot be reduced to zero value through LOA document actions) and create a new case with the same lines, or add those same lines to another existing case in an attempt to gain the lower rate, the following procedures must be followed:

- Before initiating the case document in the Defense Security Assistance Management System (DSAMS), the IA must make an assessment of the estimated cost associated

- to process the action to include time spent by the IA, CWD, DSCA, and DFAS associated with developing, writing, implementing, executing and closing the case being reduced, where those actions are applicable to the specific customer request.
- The detailed cost estimate, accompanied by the customer's request, must be sent to DSCA/DBO/FPA for approval.
 - If DSCA approves the request, the IA must inform the customer of the additional cost that will be billed in addition to the USG retaining the minimum non-refundable amount of the FMS Administrative Surcharge on the losing case and seek disposition instructions. The minimum non-refundable amount will be the greater of: the value of the combined existing, non-zero value Small Case Management Line (SCML) amount and the estimated FMS administrative surcharge not to exceed \$15,000, one-half of the FMS administrative surcharge estimated on the case, or the standard FMS administrative surcharge percentage of the expended value. If the customer approves the additional cost and retention of the minimum non-refundable amount of the FMS Administrative Surcharge, the IA will inform DSCA and proceed with the appropriate actions.
 - DSCA will input a case remark in DSAMS indicating the additional FMS Administrative Surcharge required and direct DFAS-IN to bill that amount.

Thank you for your continued support and assistance in executing our Security Cooperation Programs. If you have any questions regarding the information in the attached report, please contact Mr. Glenn Anderson, DSCA/DBO-FPA, at (703) 602-2006 or e-mail: glenn.anderson@dscamail.



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