



**DEFENSE SECURITY COOPERATION AGENCY
2800 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-2800**

18 OCT 2019

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
DIRECTOR FOR SECURITY ASSISTANCE, DEFENSE FINANCE
AND ACCOUNTING SERVICE – INDIANAPOLIS OPERATIONS
DIRECTOR, DEFENSE INFORMATION SYSTEMS AGENCY
DIRECTOR, DEFENSE LOGISTICS AGENCY
DIRECTOR, DEFENSE LOGISTICS INFORMATION SERVICE
DIRECTOR, DEFENSE LOGISTICS AGENCY DISPOSITION
SERVICES
DIRECTOR, DEFENSE THREAT REDUCTION AGENCY
DIRECTOR, NATIONAL GEOSPATIAL – INTELLIGENCE
AGENCY
DEPUTY DIRECTOR FOR INFORMATION ASSURANCE,
NATIONAL SECURITY AGENCY
DIRECTOR, DEFENSE TECHNOLOGY SECURITY
ADMINISTRATION

SUBJECT: Payment Schedule Calculations and Updates, DSCA Policy 19-29, [SAMM E-Change 434]

DSCA recently conducted a Payment Schedule Working Group to review the payment schedule development process, which revealed that standard payment schedules front load excessive collections early on causing purchaser funds to be deposited far in advance of actual billings. As a result, DSCA is updating SAMM Chapters 5, 6, 9, and Appendix 7 pertaining to payment schedules, per attached SAMM E-Change 434, to reflect new Implementing Agency (IA) payment schedule update requirements in an effort to prevent unnecessary early collection of funds.

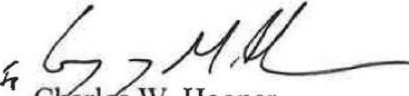
Current policy requires the IAs to review and update payment schedules for all LOAs on an annual basis as part of the annual case review process. Effective October 30, 2019, IAs are required to prioritize LOAs that contribute most to early collections using the guidelines in SAMM Chapter 9, IA's will update payment schedules for LOAs requiring Congressional Notification after the primary contract(s) have been awarded. Further, manual USG-developed payment schedules are no longer required during development of the basic LOA for Pre-Counter Signature Review. All payment schedules will be calculated by DSAMS using a payment curve

for the basic LOA, unless the IA deems it necessary to develop a manual payment schedule to meet USG requirements. Policy regarding customer requested payment schedules remains unchanged.

In addition to updating payment schedules for new LOAs in order to reduce early collections going forward, the IAs will be required to continue to review current LOAs for updates as well. To assist in this effort, DSCA Country Financial Management (CFM) will provide the IAs, for comment and review, a list of the cases for which DSCA recommends updating the payment schedule to reduce early collections. CFM will identify these cases based on a review of cases that reflect early collections and a determination if any factors exist which would prevent the payment schedule from being updated (to include partner requests). After reviewing and providing feedback on CFM's list of cases, the IAs will be responsible to update the payment schedules through modification or amendment, as appropriate, and in a manner consistent with partner requirements, for those cases that are on DSCA's finalized list.

To update the payment schedule in the Defense Security Assistance Management System (DSAMS), the IA must update all Months fields (including the Delivery Schedules) and all pricing for each line on the LOA after the primary contract has been awarded. Once the Months fields and dollar amounts have been updated for each line, the DSAMS payment curve will be used to recalculate the payment schedule when transmitted to the DSCA Case Writing Division (CWD) in accordance with established criteria, unless otherwise directed by the IA. This will improve accuracy of payment estimates reflected in the LOA. Payment schedule review remains a part of the annual case review process to ensure that updates are made when warranted.

This policy is effective October 30, 2019. My point of contact is Danielle Ayers, DSCA DBO/FPA, (703) 697-9407; email: mary.d.ayers2.civ@mail.mil. Please address all questions concerning this policy to Ms. Ayers.


Charles W. Hooper
Lieutenant General, USA
Director

Attachments:
SAMM Policy Updates

cc:
AFRICOM
CENTCOM
EUCOM
NORTHCOM
SOUTHCOM
PACOM
TRANSCOM

SOCOM
STATE/PM-RSAT
USASAC
SATFA
USACE
NAVSUP
WSS
NETSAFA
TRADOC
AFSAC
AFSAT
DISCS
MARCOR IP
SCETC
USCG International Affairs (G-CI)

SECURITY ASSISTANCE MANAGEMENT MANUAL (SAMM), E-CHANGE 434

1. Revise C9.9.1.3. as follows:

C9.9.1.3. Information Needed to Prepare the Payment Schedule. The DSCA (Directorate of Security Assistance (DSA) Case Writing Division (CWD)) will use DSAMS to generate the payment schedule on the LOA. Payment schedules are prepared using pricing estimates and estimated dates for when purchasers will accept the LOA, the LOA will be implemented, requisitions will be initiated, contracts will be awarded, payments will be made to contractors, deliveries will occur, and personnel costs will be incurred. The IA will provide this information in DSAMS at the line level. The CWD will use DSAMS to prepare the payment schedule on the LOA based on line level data or unique payment schedule requirements. DSCA (Directorate of Business Operations (DBO) Country Financial Management (CFM) Division) must approve unique payment schedules, and may request an IA level evaluation of unique payment schedule feasibility when necessary. See section C9.9.3. of the Security Assistance Management Manual for further guidance on purchaser requested payment schedules.

2. Revise C9.9.3. as follows:

C9.9.3. Payment Schedule Revisions. Payment schedule updates are necessary to reflect revisions to delivery schedules, scope changes, pricing updates, actual contract award dates, contractor payment milestone revisions, etc. IAs will review payment schedules during the annual case review process to determine if any updates are required. Additionally, IAs will update the payment schedules on LOAs that require Congressional Notification when the primary contract for procurement lines has been awarded. On a quarterly basis, CFM will provide the IAs with a list of the cases for which DSCA recommends updating the payment schedule to reduce early collections. The IA will update all “months” fields (including the Delivery Schedule, when applicable) for each line of the LOA, as well as the pricing for the lines. The CWD will then use the DSAMS payment schedule curves to recalculate the payment schedule. IAs will update payment schedules via case modification or amendment, as appropriate, and in consideration of specific partner requirements. IAs must communicate with the Partner prior to modification and provide the partner a copy of all modifications to inform them of the revised payment schedule and updated delivery schedules. IAs may also update payment schedules as a result of a review (Financial Management Review (FMR), Security Assistance Management Review (SAMR), case review, Program Management Review (PMR), etc.) or if deemed necessary during the modification or amendment process. IAs must clearly communicate unique payment schedule requests in the LOA Checklist, DSAMS Case Remarks, and/or via the Letter of Request for country unique payment schedules. Absent unique payment schedule guidance, CWD will continue to prepare the payment schedule in accordance with defined business processes.

C9.9.3.1. Criteria to Prioritize LOAs with early Collections.

- LOAs that are less than 75% collected or delivered;
- LOAs solely funded with partner funds;
- LOAs with Dependable Undertaking term of sale;

- LOAs not covered under a Special Billing Arrangement;
- LOAs that do not include a customer requested payment schedule;
- Total collections exceed disbursements by at least \$1M;
- LOAs that have been implemented for at least one year; and LOAs that are at least 15% financially executed

3. Revise C9.T2. Row 94 as follows:

#	Activity
94	Case level review - provide financial, acquisition and logistical status for each line on the case in an electronic or paper report. A review of the payment schedule is required during the annual case review, updates are made when necessary. There is no in-person meeting associated with this review.

4. Revise C5.4.12. and subsequent section as follows:

C5.4.12. Pre-Countersignature Meetings for New LOAs for Major Sales. The DSCA Integrated Regional Team (IRT) Country Finance Director (CFD) or the IRT Country Portfolio Director (CPD) will convene a Pre-Countersignature meeting on selected "major sales" when warranted. For the purpose of this paragraph "major sales" include: sales that trigger [AECA section 36\(b\) \(22 U.S.C. 2776\) \("36\(b\)"\)](#) thresholds and proposed sales that represent an increase of more than fifteen percent to the FMS purchaser's current active program. The IA notifies the DSCA IRT CFD at least 15 days prior to submitting LOAs for countersignature that trigger 36(b) thresholds. The DSCA IRT CFD will then determine whether a proposed sale represents an increase of more than fifteen percent to the FMS purchaser's current active program. The DSCA IRT CPD and CFD will decide jointly whether a "major sale" requires a Pre-Countersignature meeting. If one is required, the DSCA IRT CFD will schedule the meeting. Attendees will include DSCA, the IA, and prime contractor representatives, as appropriate. The purpose of the meeting is to review the purchaser requirements and confirm that: proposed unique payment schedule correlates to Terms of Sale and program/delivery plan, if applicable; LOA notes and transportation methods are appropriate; MASLs are correct and that the disclosure and releasability review process was conducted as required, and identify discrepancies in the LOA before it reaches the DSCA Case Writing Division (CWD).

C5.4.12.1. Documents Required for Pre-Countersignature Meetings (PCM). The IA will provide a complete LOA package to the DSCA PCM secretary five work days prior to a Pre-Countersignature meeting. The LOA package will include the following documents, as applicable: LOR, LOA document, LOA checklist, MTCR approval by Department of State, 36(b) Congressional Notification(s), EDA approval message, MTDS, related waivers (e.g., NC, Yockey Waiver), National Security Agency approval letter, Consortium approval memo, GPS approval memo, unique notes and any other applicable offline information related to the LOA.

5. Revise C6.T6. as follows:

Review Type	Scope
Country-Level (e.g., FMR, Tri-Service SAMR)	<ol style="list-style-type: none"> 1. DSCA-chaired 2. Programmatic/financial and/or logistical orientation 3. Higher-level representation 4. Purchaser: Flag officer or civilian equivalent co-chair 5. Summary case-level visibility <ol style="list-style-type: none"> 1. Case closure 2. Standardized format 3. Delivery status 4. Excess funds 5. Discrepancy resolution 6. Forum to address FMS policies/procedures and SA/SC issues
Service-Level (e.g., SAR, CRR)	<ol style="list-style-type: none"> 1. IA lead component chairs 2. Can be oriented by purchaser ICS or IA 3. General status briefings: major weapon systems, etc. 4. Driven by magnitude of purchaser and/or IA issues 5. Forum to address FMS policies and procedures 6. Purchaser and IA representation driven by agenda topics 7. May involve contractor personnel 8. Line/contract-level detailed review
Program-Level (e.g., PMR)	<ol style="list-style-type: none"> 1. IA/PMO-chaired 2. Covers all aspects of a specific weapon system/program/case/cadre of cases 3. Line/contract-level detailed review addressing: <ol style="list-style-type: none"> 1. Obligations/contract awards 2. Expenditures 3. Deliveries 4. Unused funds 5. Programming of current and future requirements 6. Discrepancy resolution 4. Purchaser represented by head of its PMO 5. Driven by key milestones in program life cycle 6. Often involves contractor personnel
Case-Level	<ol style="list-style-type: none"> 1. IA prepares this annually

	<ol style="list-style-type: none"> 2. Provide financial, acquisition, and logistical status for each line on the case 3. Review the payment schedule for changes as necessary 4. Provide in an electronic or paper format 5. There is no in-person meeting associated with this review
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6. Revise A7.C2.F5 Item Number 26 as follows:

#	What to Do (Reconciliation)
26	<p>Conduct payment schedule review based on case 'anniversary' implementation date in preparation for an external FMS review, when the case value changes by 10% or more, or as part of the annual case review. Pull various IA and DIFS queries or download system data in order to analyze and validate accuracy of existing payment schedule, or to determine that the payment schedule should be changed. DSCA may request copies of annual case reviews for oversight purposes.</p>