



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

07 JAN 2020

MEMORANDUM FOR THE 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 REUTILIZATION AND  
MARKETING SERVICE  
DIRECTOR, DEFENSE THREAT REDUCTION AGENCY  
DIRECTOR, NATIONAL GEOSPATIAL INTELLIGENCE  
AGENCY  
DEPUTY DIRECTOR FOR INFORMATION ASSURANCE,  
NATIONAL SECURITY AGENCY  
DIRECTOR, MISSILE DEFENSE AGENCY

**SUBJECT:** Reduction to the Foreign Military Sales (FMS) Contract Administrative Services  
Surcharge Rate and Rate Structure, Defense Security Cooperation Agency (DSCA)  
Policy Memo 19-43, E-SAMM Change #446

**References:** (a) DSCA Policy Memo 14-27, "Reduction to the Foreign Military Sales Contract  
Administrative Services Surcharge Rate and Rate Structure"  
(b) Department of Defense (DoD) Financial Management Regulation (FMR)  
7000.14R, Volume 15, Chapter 7  
(c) DSCA Manual 5105.38-M, Security Assistance Management Manual (SAMM),  
Chapter 9, Table C9.T.4.  
(d) DSCA Policy Memo 19-06, "Letter of Offer and Acceptance (LOA) Revised  
Pricing Guidance"

In accordance with the SAMM, Chapter 9, paragraph C9.16.3.3, DSCA conducted a comprehensive review of the Contract Administration Services Cost Clearing Account, including a review of the CAS surcharge rate. This review concluded that higher than expected annual

sales has led to a healthy account balance sufficient enough to meet anticipated expenditures until the next review cycle in five years and supported a reduction to the CAS surcharge rate.

As a result, I am pleased to announce the Office of the Under Secretary for Defense – Comptroller has approved a **0.20% reduction – from 1.20% to 1.00% -- in the CONUS FMS CAS surcharge rate, effective February 1, 2020**. This new rate will impact three primary CONUS CAS components as shown in the table below.

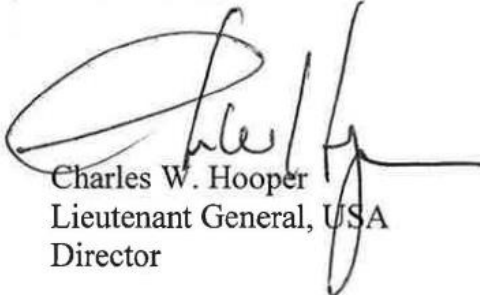
**Table: New CAS Rate Structure**

<b>FMS CAS Component</b>	<b>For LOAs Implemented On or After February 1, 2020</b>
Quality Assurance and Inspection	.45%
Contract Administration Management	.45%
Contract Audit	.10%
<b><i>Subtotal</i>, Continental United States (CONUS) FMS CAS</b>	<b>1.00%</b>
Outside the CONUS (OCONUS)	.20%
<b><i>Total</i>, CONUS + OCONUS FMS CAS</b>	<b>1.20%</b>

The new rate and rate structure applies only to basic LOAs implemented on or after February 1, 2020, and will not apply to amendments or modifications associated with basic cases implemented prior to this date. Existing implemented cases will continue to execute as prescribed in the SAMM, Chapter 9, Table C9.T4. The implementation guidance for applying the newly revised CAS rate and structure to FMS cases in various stages of preparation, is included with this memo.

Attached are the SAMM Chapter 9, Table C9.T4 and DoD FMR Volume 15, Chapter 7 changes required to formally document this rate and rate structure revision. To support the revision and implementation guidance, DSCA will complete all required Defense Security Management Assistance System (DSAMS) system changes NLT January 15, 2020. Finally, Defense Finance and Accounting Service (DFAS) will complete the Defense Integrated Financial Systems (DIFS) system changes by February 1, 2020.

Should you have any questions, please contact my action officer in DBO/FPA: Jeneen Caldwell, jeneen.k.caldwell.civ@mail.mil, 703-697-8923.



Charles W. Hooper  
Lieutenant General, USA  
Director

Attachments:

As stated

cc:

STATE/PM-RSAT

DISAM

USASAC

SATFA

TRADOC

USACE

NAVICP

NETSAFA

AFSAC

AFSAT

AFCEE

JFCOM

SOCOM

EUCOM

CENTCOM

NORTHCOM

PACOM

AFRICOM

SOUTHCOM

TRANSCOM

**Implementation Guidance  
Reduction to the Contract Administrative Surcharge (CAS) Rate and Rate  
Structure**

**Scope.** The rate assessed to procurement lines and the procurement on mixed source lines for articles and services on Letters of Offer and Acceptance (LOAs) implemented on or after February 1, 2020.

**CAS Rate Structure**

FMS CAS Component	For LOAs Implemented On or After February 1, 2020
Quality Assurance and Inspection (A0510)	.45%
Contract Administration Management (A0520)	.45%
Contract Audit (A0530)	.10%
<i>Subtotal</i> , Continental United States (CONUS) FMS CAS	<b>1.00%</b>
Outside the CONUS (OCONUS) (A0540)	.20%
<i>Total</i> , CONUS + OCONUS FMS CAS	<b>1.20%</b>

- 1. LOAs in “Implemented” Status prior to February 1, 2020.** CAS is applied based on the implementation date of the basic LOA. Therefore, all LOAs implemented prior to February 1, 2020 will continue to be assessed the rate applied to the original (basic) LOA for the life of the case. LOAs implemented on or after February 1, 2020, are subject to the revised rates indicated within this policy.
- 2. LOAs in “Development” Status, prior to February 1, 2020.** All new basic LOAs currently in development should use the rate and rate structure effective at the time of development until the new rate and structure becomes effective on February 1, 2020. If an LOA is expected to be implemented on or after February 1, 2020 (i.e. the Offer Expiration Date is on or after February 1, 2020), Implementing Agencies (IAs) may elect to reflect the new CAS rate using the override percent (“OP”) feature in DSAMS. The IA will be required to correct the CAS pricing on the next modification or amendment in an instance where an LOA using the “OP” is implemented prior to the effective date of the new rate. Likewise, an LOA correctly priced but using the OP feature will also need to be updated to reflect the applied percent (“AP”) on the next Modification or Amendment.
- 3. LOAs in “Development” Status on or after February 1, 2020.** IAs must recalculate the applicable lines in DSAMS to reflect the new CAS rate on all LOAs prior to advancing a new LOA to “Write” Status.

**4. LOAs in “Write”, “Review”, or “Proposed” Status on or before February 1, 2020.**

Documents under the control of the Case Writing Division (CWD), in "W", "R", or "P" status on or before the policy implementation date, will continue to be processed as-is. CWD will annotate that a future correction may be required in DSAMS. CWD will enter the Future Correction Required Milestone and corresponding case remark in DSAMS.

Additionally, on February 1, 2020, DSCA/IM&T-Mechanicsburg will identify all unimplemented LOAs requiring the CAS rate revision, by posting a DSAMS Case Remark and Future Correction Required Milestone via batch process as indicated below.

CWD DSAMS Case Remark “CAS Rate Adjustment”. "In accordance with DSCA Policy 19-43, this case has a status of W, R, O, P, or A as of 1 Feb 20, the effective date for the revised CAS rate, and will require the reduced CAS rate, or correctly reflect the CAS rate as applied (AP) vice overridden (OP). This must be accomplished for all applicable lines on the next document processed." The organizational activity of the case remark will be identified as "DSCAOPSCWD" with the CWD Deputy Director as the author.

DSAMS Milestone “FUTCORREQW” or “FUTCORREQR”. "In accordance with DSCA Policy 19-43, this case has a status of W, R, O, P, or A as of 1 Feb 20, the effective date for the revised CAS rate, and will require the reduced CAS rate, or correctly reflect the CAS rate as applied (AP) vice overridden (OP). This must be accomplished for all applicable lines on the next document processed." The organizational activity of the milestone will be identified as "DSCAOPSCWD" with the CWD Deputy Director listed as the author. The Future Correction Required Reason Code will reflect “W51F” or “R51F” to categorize the CAS update.

**5. Defense Finance and Accounting Service (DFAS) CAS rate update in Defense Integrated Financial System (DIFS).** The DFAS will load the new rate into the DIFS for each new (basic) case received on or after February 1, 2020. For cases with CAS "waivers" DFAS will load the applicable CAS rate using the new rate structure for those remaining CAS elements not included in the "waiver".

**E-SAMM Change 446  
SAMM Chapter 9 Update**

**Table C9.T4. Table of Charges**

Charge	Description	How Priced	Applied by - for billing	References
Contract Administration Services (CAS) Surcharge	<p>CAS is comprised of three basic elements:</p> <ol style="list-style-type: none"> <li>1. quality assurance and inspection;</li> <li>2. contract management; and</li> <li>3. contract audit.</li> </ol> <p>For cases implemented on or after October 1, 2002 that have contracts administered overseas, an additional element (OCONUS CAS) applies.</p> <p>For United States Army Corps of Engineers (USACE) contracts, quality assurance and inspections and other contract administrative services costs are included in its supervision and administration costs charged to the case line, so CAS(1) and CAS(2) do not apply to USACE.</p>	<p>Included in value of procurement line items (Source of Supply (SOS) of "P" or "X") on the LOA. A surcharge applies to each element.</p> <p>May be waived if reciprocal agreements exist.</p> <p>For cases implemented before October 1, 2002, a surcharge of .50% applies to each element for a maximum of 1.50% if all elements apply to a given FMS case.</p> <p>For cases implemented on or after October 1, 2002, a surcharge of .65% applies to contract administration/management, .65% to quality assurance and inspection, .20% to contract audits, for a total of 1.50%.</p> <p>For contracts administered overseas an additional .20% (OCONUS CAS) applies to the entire case.</p> <p>For USACE cases implemented before October 1, 2002, a surcharge of .50% for contract audit is applied.</p> <p>For USACE cases implemented on or after October 1, 2002, a surcharge of .20% for contract audit is applied.</p> <p>The .20% OCONUS CAS does not apply to USACE contracts administered overseas.</p> <p>For cases implemented on or after December 1, 2014, a surcharge of .50% applies to contract administration/</p>	DFAS Indianapolis	<p><a href="#">AECA, section 21(h) (22 U.S.C. 2761(h))</a></p> <p><a href="#">DoD FMR, Volume 15, Chapter 7, paragraph 070405</a></p> <p>BPC: Applicable CAS charges are no different than FMS cases.</p>

		<p>management, .50% to quality assurance and inspection, .20% to contract audits, for a total of 1.20%.</p> <p>For contracts administered overseas an additional .20% (OCONUS CAS) applies to the entire case.</p> <p>For cases implemented on or after February 1, 2020, a surcharge of .45% applies to contract administration/management, .45% to quality assurance and inspection, .10% to contract audit, for a total of 1.00%.</p> <p>For contracts administered overseas, an additional .20% (OCONUS CAS) applies to the entire case.</p>		
--	--	--	--	--