



DEFENSE SECURITY COOPERATION AGENCY
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09 JUNE 2020

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 REUTILIZATION AND MARKETING
SERVICE
DIRECTOR, DEFENSE THREAT REDUCTION AGENCY
DIRECTOR, MISSILE DEFENSE AGENCY
DIRECTOR, NATIONAL GEOSPATIAL-INTELLIGENCE
AGENCY
DEPUTY DIRECTOR FOR INFORMATION ASSURANCE,
NATIONAL SECURITY AGENCY
JOINT STRIKE FIGHTER PROGRAM OFFICE

SUBJECT: Update to Financial Management of the Foreign Military Sales (FMS)
Administrative Surcharge Trust Fund Account and the FMS Contract
Administrative Services (CAS) Cost Clearing Account, DSCA Policy 20-18
[SAMM E-Change 429]

REFERENCE: (a) DSCA Manual 5105.38, Security Assistance Management Manual (SAMM)
Chapter 9
(b) DSCA Policy 19-31, Financial Management of the Foreign Military Sales
(FMS) Administrative Surcharge Trust Fund Account and the FMS Contract
Administrative Services (CAS) Cost Clearing Account, dated April 30, 2019

This memorandum updates SAMM Chapter 9, Sections C9.15 and C9.16, clarifying changes provided in reference (b), to further define the Defense Security Cooperation Agency's (DSCA) financial management of the FMS Administrative Surcharge Trust Fund Account and the FMS Contract Administrative Services (CAS) Cost Clearing Account. This update supports

DSCA's efforts to fulfill GAO recommendations to ensure that comprehensive reviews of the FMS Administrative fee rate and CAS fee rate are completed at least every 5 years.

This policy clarifies that the 5-year comprehensive reviews of both the FMS Administrative Surcharge Account and CAS Surcharge Account will occur after 60 months of rate data collection. The 5-year comprehensive review is in addition to the monthly and annual reviews, including any out-of-cycle comprehensive reviews.

This policy is effective immediately and supplements DSCA policy 19-31. Should you require further information, please contact Mr. Daniel Rea, DBO/FPA, daniel.rea2.civ@mail.mil, (703) 614-9955 or Ms. Jeneen Caldwell, DBO/FPA, jeneen.k.caldwell.civ@mail.mil, (703) 697-8923.



J. Aaron Harding
Chief Financial Officer

Attachments: As stated

Security Assistance Management Manual (SAMM), E-Change 429

1. Replace SAMM Section C9.15.3.3. with the following text.

C9.15.3.3. Comprehensive Review. Absent changes to the FMS Administrative Surcharge Rate and triggers to the Upper Control and Safety Levels, a comprehensive review of the FMS Trust Fund Administrative Surcharge Account will be performed every five years, following the completion date of the previous review. This comprehensive 5-year review will look at the previous 60 months of rate data, and will begin on the month following the End-of-Month reconciliation of the 60th month. However, based on the financial health of the FMS Trust Fund Administrative Surcharge Account, and at the discretion of the Director, DSCA, the comprehensive review may be accelerated or delayed to perform an out-of-cycle comprehensive review outside the five-year window. Delays must include justification signed by the Director.

C9.15.3.3.1. Exceptions. When an out-of-cycle FMS Administrative Surcharge Rate change has occurred, the comprehensive review will be performed five years after the implementation of the rate change to provide adequate time to analyze the performance of the new rate. When triggers to the Upper Controls or Safety Levels occur, an accelerated/out-of-cycle comprehensive review may be required.

C9.15.3.3.2. DSCA will perform the review and may request participation from outside entities (i.e. Naval Post-Graduate School, private industry, etc.) to provide an independent perspective.

C9.15.3.3.3. This comprehensive review will include detailed analysis of the FMS Administrative Surcharge Rate, to include an examination of the Upper Control Limits and Safety Levels and their underlying assumptions.

2. Replace SAMM Section C9.16.3.3. with the following text.

C9.16.3.3. Comprehensive Review. Absent changes to the CAS Surcharge Rate and triggers to the Upper Control and Safety Levels, a comprehensive review of the FMS Contract Administrative Services (CAS) Cost Clearing Account will be performed every five years, following the completion date of the previous review. This comprehensive 5-year review will look at the previous 60 months of rate data, and will begin on the month following the End Of Month reconciliation of the 60th month. However, based on the financial health of the FMS Contract Administrative Services (CAS) Cost Clearing Account, and at the discretion of the Director, DSCA, the comprehensive review may be accelerated or delayed to perform an out-of-cycle comprehensive review outside the five-year window. Delays must include justification signed by the Director.

C9.16.3.3.1. Exceptions. When an out-of-cycle FMS CAS Surcharge Rate change has occurred, the comprehensive review will be performed five years after the implementation of the rate change to provide adequate time to analyze the performance of the new rate. When triggers to the Upper Controls or Safety Levels occur, an accelerated/out-of-cycle comprehensive review may be required.

C9.16.3.3.2. DSCA will perform the review and may request participation from outside entities (i.e. Naval Post-Graduate School, private industry, etc.) to provide an independent perspective.

C9.16.3.3.3. This comprehensive review will include an examination of the CAS Surcharge Rate, Upper Control Limits and Safety Levels, and their underlying assumptions. DSCA will analyze the following:

- Expected budget requests versus actual execution from providers
- 5-year projected expenses and workload from providers
- Sales projections from DSCA
- DFAS monthly Cost Clearing Account Report
- DSAMS CAS Pricing