



DEFENSE SECURITY COOPERATION AGENCY

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MEMORANDUM FOR DEPUTY UNDER SECRETARY OF THE AIR FORCE FOR
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DEPUTY ASSISTANT SECRETARY OF THE NAVY FOR
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DIRECTOR, DEFENSE LOGISTICS AGENCY
DIRECTOR, DEFENSE LOGISTICS INFORMATION
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DIRECTOR, NATIONAL GEOSPATIAL-INTELLIGENCE
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DEPUTY DIRECTOR FOR INFORMATION ASSURANCE,
NATIONAL SECURITY AGENCY
JOINT STRIKE FIGHTER PROGRAM OFFICE

SUBJECT: Updated and Clarifying Memorandum for the Transfer of Authorized
Offsetting Collections to the Special Defense Acquisition Fund, DSCA
Policy 20-20 [SAMM E-Change 476]

References: (a) DSCA Comptroller Memorandum, "Transfer of Authorized Collections
to the Special Defense Acquisition Fund (SDAF) Account, August 2, 2012
(superseded by the November 2, 2016 guidance)

(b) Revised Guidance for the Transfer of Authorized Collections to the
Special Defense Acquisition Fund Account, November 2, 2016 (superseded
by this updated and clarifying memorandum, DSCA Policy 20-20)

(c) Asset Use Charges for the Purpose of Special Defense Acquisition Fund
Capitalization, Defense Security Cooperation Agency (DSCA) Policy 19-39
(SAMM E-change 443, still active)

(d) Section 51 of the Arms Export Control Act, 22 U.S.C. 2795

The purpose of this memorandum is to provide clarifying and updated reporting and accounting guidance for the recoupment of authorized offsetting collections under Section 51(b) of the Arms Export Control Act of 1976, as amended (22 U.S.C. Chapter 39) (hereafter referred to as Section 51(b)), for the Special Defense Acquisition Fund (SDAF). This guidance is to be disseminated to all program and financial managers responsible for development of Foreign Military Sales (FMS) cases. Any posting of Section 51(b) offsetting collections to the Miscellaneous Receipt account (account 3041 within the U.S. Treasury) is prohibited. All offsetting collections must be posted to the SDAF receipt account, 97-11X 4116. Funds received into this account are for payments from FMS cases and should be posted directly into the SDAF account using accounting information identified in Attachment A, Table 1-3. DoD FMR 7000.14-R, Volume 15, Chapter 1, Table 1-1 provides a crosswalk from the Miscellaneous Receipt account to the SDAF account.

The SDAF is a revolving fund used to finance the procurement of defense articles and defense services in anticipation of their future transfer to foreign governments and international organizations. As authorized in Section 51(b) of the AECA, there are three methods to collect funds into the SDAF account: sales of items not requiring replacement, nonrecurring cost charges, and asset use charges. Attachment A provides definitions and examples of articles and services that fit these categories that should be considered to appropriately code and deposit offsetting collections into the SDAF account. It also identifies the newly defined reporting requirements for the Implementing Agencies (IAs) and updates the Miscellaneous Receipt crosswalk for the SDAF account.

Note: Offsetting collections authorized under Section 51(b) are from articles and services on FMS cases that are not currently SDAF-coded cases or procurements and must be appropriately coded in order to collect funds into the SDAF account.

This policy is effective immediately. Additionally, SAMM Chapter 11, Section 9 is updated per attachment B to clarify these changes. If you have questions or would like additional information regarding this policy, please contact Ms. Jessica Doan, DBO/CMP, jessica.c.doan.civ@mail.mil, (703) 697-8883.


J. Aaron Harding
Chief Financial Officer

Attachments:
As stated.

Attachment A

Updated and Clarifying Memorandum for the Transfer of Authorized Offsetting Collections to the Special Defense Acquisition Fund

Overview:

SDAF is a revolving fund used to finance the procurement of defense articles and defense services in anticipation of their future transfer to foreign governments and international organizations. As authorized in Section 51(b) of the AECA, there are three methods to collect funds into the SDAF account: items not requiring replacement, nonrecurring cost charges, and asset use charges. This attachment provides definitions and examples of articles and services that fit these categories that should be considered to appropriately code and deposit offsetting collections into the SDAF account.

Note: Offsetting collections authorized under Section 51(b) are from articles and services on FMS cases that are not currently SDAF-coded cases or procurements and must be appropriately coded in order to collect funds into the SDAF account.

Definition of the Section 51(b) Criteria:

Items Not Requiring Replacement – Articles on FMS cases that will be requisitioned and delivered to the foreign partner from DoD stock not intended to be replenished or replaced. This includes all Excess Defense Articles (EDA) sold directly by an Implementing Agency (IA) or via a Defense Reutilization and Marketing Service (DRMS) case under Letters of Offer and Acceptance (LOAs).

Nonrecurring Cost Charges – These charges are based on non-recurring (NC) research, development and production costs and should be included as a portion of the item's value to be paid by the foreign partner to the USG on an FMS case. Section 2761 of the AECA requires the recoupment of these NC costs from FMS customers. DSCA can waive these collections under the authorities provided in sections 21(e)(1)(B) and 21(e)(2) in the AECA, but all costs not-waived are to be collected into the SDAF account.

Asset Use Charges – These are charges for the use of U.S. Government-owned facilities and equipment and relate to the revenue derived from U.S. industry or private interests as a result of their use of government property in the performance of an FMS case. Asset use charges excludes charges for FMS leases authorized under Section 61 of the AECA, 22 U.S.C. 2796.

Examples of the Section 51(b) Criteria:

Items Not Requiring Replacement:

1. Excess Defense Articles (EDA) are items not requiring replacement. All proceeds from the sale of EDA items, based on their sales price in the LOA, must be deposited into SDAF. This includes all EDA sold directly by an IA under LOAs.

2. Excess article proceeds include proceeds resulting from sales by DLA/DRMS in the performance of any reuse, recycling and disposal services.
3. Proceeds from the sale of stock not to be replaced. The Mine Resistant Ambush Protected (MRAP) vehicle is currently in the Army's inventory and is no longer being procured. If Army decides to sell an MRAP to a foreign partner from its current stock, the proceeds from the sale must be identified and coded appropriately on the FMS case and collected by the Army and deposited into the SDAF account.
4. Cross leveling of Building Partnership Capacity (BPC) cases still requires that proceeds from the sale must be collected into the SDAF account. If the articles or services are coded as not to be replaced into the Military Department (MILDEP) stock, then all proceeds from the sale should be sent to SDAF account even if the original recipient or funding source changes.
5. When defense articles are sold with an intent to be replaced but the window to repurchase the articles has expired or the need/capability no longer exists, funds on the lines should be coded and collected by the MILDEP or IA and deposited into the SDAF account.

Exception: The only exception regarding collections into the SDAF account for items not to be replaced occurs when the MILDEP intends to procure an updated model or new variant to fulfill a needed capability. The IA should code the article as a defense article intended to be replaced and use the proceeds to procure a new model. An example is the sale of M16 rifles with the intent to procure the newer version of the rifle, the M4.

Nonrecurring Cost Charges:

1. All non-recurring costs applicable and charged on Major Defense Equipment (MDE) and sold via an FMS case. Examples of MDE would include advanced missile systems or fighter aircraft. If the waiver is not granted to the foreign partner for the missiles or aircraft, then the non-recurring costs associated with the sale of MDE items must be collected into the SDAF as proceeds from the FMS case.

Asset Use Charges:

Asset use charges are revenue generating activities payable to SDAF when directly linked and made under LOAs. Asset-use charges that may capitalize the SDAF include, but are not limited to, the below examples.

1. Leases of non-excess property of Military Departments and Defense Agencies
2. Easements for right-of-way
3. Use of test and evaluation installation by commercial entities.
4. Acceptance and use of landing fees charged for use of domestic military airfields by civil aircraft.

Coding of Section 51(b) Criteria:

In order to identify FMS cases and lines that should be deposited into the SDAF account, DSCA has identified codes to differentiate collection types to be deposited. Table 1-1 Section 51(b) Criteria Coding, identifies the known codes associated with ensuring recoupment of offsetting collections from the FMS case into the SDAF account. These codes can be found on the DSAMS RP030 report and are either Primary Category Codes (PCCs) or Indirect Pricing Components (IPCs). The table will be periodically reviewed and updated as necessary. It is the responsibility of the MILDEP and IAs to communicate updated coding information to DSCA’s Comptroller Division, Security Assistance Branch.

The FMS case lines will be tracked as available for expenditure and recoupment based upon delivery reporting or once NC charges are applied. DSCA will compare the list of FMS cases lines identified to the delivery of the articles/services. DSCA will make a determination if a line on a FMS case is considered to be a line where funds can be collected into the SDAF account.

Table 1-1: Section 51(b) Criteria Coding

Section 51(b) Criteria:	Coding	Army	Navy	Air Force
Items Not Requiring Replacement	PCC	741, 770	350	50, 74
Nonrecurring Costs	IPC	A0610	A0610	A0610

When to Process Offsetting Collections:

Before offsetting collections can be collected, MILDEPs and IAs must determine if charges have been billed to the customer for NC and/or if delivery of articles has occurred for items not requiring replacement. Delivery reporting of articles must remain in compliance with reporting timelines in accordance with the DoD FMR 7000.14-R Volume 15, Section 80203.B.

Once delivery reporting has occurred or charges applied, the appropriate MILDEP or IA must prepare a Standard Form (SF) 1080, a Voucher for Transfers between Appropriations and/or Funds. The SF1080 will be prepared by the appropriate case or financial manager, certified by their supervisor and sent to their respective DFAS center for processing. The voucher must be sent to DFAS within 30 calendar days of delivery reporting being complete or NC charges being billed to the foreign partner.

MILDEPs and IAs should determine an appropriate way to identify the funds collected as asset use charges. The voucher for asset use charges must be sent to DFAS within 30 calendar days of delivery reporting or services being complete. All asset use charges related to an FMS case will be transferred into the SDAF account.

Submitting Offsetting Collections Reports:

In order to facilitate DSCA’s monthly reconciliation of vouchers for FMS cases and lines submitted by a case/financial manager to DFAS for processing, all MILDEPs and IAs must send a monthly report to DSCA’s Comptroller, Security Assistance Branch. The report will document offsetting collections vouchers, all SF1080s, processed in a given month and certified by DFAS for funds to be transferred into the SDAF account. The report is due by the third Wednesday of the month covering the previous month’s submissions.

The report must include the below information:

Table 1-2: MILDEPs and IAs Offsetting Collection Report to DSCA

Item #	Reporting Fields:
1	FMS case ID (country code, IA and case identification) and FMS case line
2	Net line value
3	Obligated line value
4	Delivered value of articles/services
5	Amount of offsetting collections being transferred per the SF1080
6	If performance/charges on the line are fully billed
7	Submitter who prepared/submitted the voucher to DFAS
8	Offsetting Collection Limit
9	Date case was submitted to DFAS for processing
10	DFAS generated voucher date and number

In the event there is an FMS case line where a credit of funds needs to be returned as a correction to the offsetting collections, the MILDEP must first contact DSCA’s Comptroller, Security Assistance Branch for guidance. Once a correction voucher is processed, the above information must be provided on the month’s report in which the correction voucher was submitted. If no vouchers are processed by a MILDEP over the course of a month, a report must still be sent to DSCA’s Comptroller Division. Monthly reports must be sent to Jessica Doan (jessica.c.doan.civ@mail.mil) and Courtney Todd (courtney.e.todd2.ctr@mail.mil).

Actual copies of the voucher do not need to be provided. However, DSCA may request additional supporting documentation should questions arise from the offsetting collections monthly reconciliation. DSCA requires that the MILDEPs and IAs keep a copy of the certified offsetting collection vouchers and are able to provide a certified copy if requested.

Corrections to Previous Vouchers:

All SF1080 vouchers completed prior to the implementation date of this policy will remain as processed, certified, and complete with no corrections necessary or required. The MILDEPs and IAs WILL NOT take action to initiate or process a correction voucher for previously submitted vouchers. Previously submitted vouchers have already been

processed with funds received and posted to Treasury. If MILDEPs or IAs determine a correction is needed, DSCA’s Comptroller, Security Assistance Branch must first be contacted for guidance.

Reporting of Offsetting Collection:

Table 1-3 provides a crosswalk from the miscellaneous receipt accounts and limits which are used to post offsetting collections to the current account, 97-11X 4116. The table has been expanded but does not represent an inclusive list. As additional limits are identified, updates will be made to this table. The IAs are responsible for notifying DSCA of additional limits associated with the Section 51(b) criteria identified below.

Table 1-3: Miscellaneous Receipt to SDAF Account Crosswalk

Organization	Section 51(b) Criteria	Old Receipt Account for SDAF	New Receipt account for SDAF
Navy	Asset Use Charges	17X 3041.1201	97-11X4116.6809
	Items Not Requiring Replacement	17X 3041.1202	97-11X4116.6808
	Nonrecurring Costs	17X 3041.1205	97-11X4116.6807
Army	Nonrecurring Costs	21X 3041.0001	97-11X4116.6807
	Nonrecurring Costs	21X 3041.0002	97-11X4116.6807
	Items Not Requiring Replacement	21X 3041.0003	97-11X4116.6808
	Items Not Requiring Replacement	21X 3041.0004	97-11X4116.6808
	Asset Use Charges	21X 3041.0006	97-11X4116.6809
	Nonrecurring Costs	21X 3041.0010	97-11X4116.6807
Air Force	Items Not Requiring Replacement	57X 3041.0010	97-11X4116.6808
	Nonrecurring Costs	57X 3041.0012	97-11X4116.6807
	Items Not Requiring Replacement	57X 3041.0020	97-11X4116.6808
	Nonrecurring Costs	57X 3041.0027	97-11X4116.6807
	Nonrecurring Costs	57X 3041.0029	97-11X4116.6807
	Asset Use Charges	57X 3041.0040	97-11X4116.6809
	Asset Use Charges	57X 3041.0048	97-11X4116.6809
	Items Not Requiring Replacement	57X 3041.0080	97-11X4116.6808
DoD	Nonrecurring Costs	97X 3041.0001	97-11X4116.6807
	Items Not Requiring Replacement	97X 3041.0003	97-11X4116.6808
	Items Not Requiring Replacement	97X 3041.0004	97-11X4116.6808
	Asset Use Charges	97X 3041.0006	97-11X4116.6809
	Asset Use Charges	97X 3041.0009	97-11X4116.6809

Attachment B

Security Assistance Management Manual (SAMM), Chapter 11, E-Change 476

Updated and Clarifying Memorandum for the Transfer of Authorized Offsetting Collections to the Special Defense Acquisition Fund

Revise C11.9.3.5.2 to read as follows:

C11.9.3.5.2. The SDAF collection receipt account 97-11X 4116 has been established for all three sources of offsetting collections listed above and the IAs are to post SDAF collections into the appropriate account to make these collections available for SDAF use. An IA must prepare a Standard Form (SF) 1080, a Voucher for Transfers between Appropriations and/or Funds. The SF1080 will be prepared by the appropriate case or financial manager and must be sent to DFAS within 30 calendar days of delivery reporting being complete or NC charges being billed to the foreign partner. Each IA is required to submit an offsetting collections report by the third Wednesday of the month covering the previous month's submissions of offsetting collection vouchers to DFAS. Report will be sent to DSCA's Comptroller office.

C11.9.3.5.2.1. IAs are only permitted to post collections into the SDAF receipt account. All other transactions, such as processing approved credits from SDAF accounts, are to be conducted by the Defense Finance and Accounting Service (DFAS). DFAS is responsible for ensuring the collections are posted correctly as well as providing a monthly report to DSCA on all SDAF collections posted to the U.S. Treasury. Reference updated DSCA policy memo 20-20 for further details on this topic.