



DEFENSE SECURITY COOPERATION AGENCY

2800 DEFENSE PENTAGON

WASHINGTON, D.C. 20301-2800

04 DEC 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
DEPUTY DIRECTOR FOR INFORMATION ASSURANCE,
NATIONAL SECURITY AGENCY
DIRECTOR, DEFENSE THREAT REDUCTION AGENCY
DIRECTOR, DEFENSE INFORMATION SYSTEMS AGENCY
DIRECTOR, DEFENSE INTELLIGENCE AGENCY DIRECTOR,
DEFENSE LOGISTICS AGENCY
DIRECTOR, DEFENSE REUTILIZATION AND MARKETING
SERVICE
DIRECTOR, NATIONAL GEOSPATIAL INTELLIGENCE
AGENCY
DIRECTOR, MISSILE DEFENSE AGENCY
DIRECTOR FOR SECURITY ASSISTANCE, DEFENSE FINANCE
AND ACCOUNTING SERVICE INDIANAPOLIS OPERATIONS
DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY
DIRECTOR, DEFENSE TECHNOLOGY SECURITY
ADMINISTRATION

SUBJECT: Deputy Secretary of Defense-Directed Comprehensive Analysis of DoD Component
Cost Recovery of Security Assistance Functions, DSCA Policy 20-78

References:

- a) [DODIG-2020-114, "Audit of the Department of Defense Use of Security Assistance Funds and Asset Accountability"](#), August 17, 2020
- b) International Security Assistance and Arms Export Control Act of 1976, [Sections 2761\(e\)\(1\)\(a\) and \(h\) codified in title 22 of the United States Code](#)
- c) Department of Defense Financial Management Regulation (FMR), [DoD 7000.14-R, Volume 15](#), "Security Cooperation Policy", June 2020
- d) [Security Assistance Management Manual \(SAMM\) 5105.38-M](#)
- e) Deputy Secretary of Defense Memorandum, "Audit of the Department of Defense Use of Security Assistance Funds and Asset Accountability", June 24, 2020

In response to a DoDIG recommendation (reference (a)), the Deputy Secretary of Defense (DSD) directed the Under Secretary of Defense for Policy (USDP) to perform a comprehensive analysis of Security Assistance functions performed by the DoD Components and determine if

the Foreign Military Sales (FMS) administrative surcharge rate is adequate to allow DoD to recover all costs (reference (e)). DSD also tasked USDP to provide guidance on which costs should be recovered and the process for doing so. As the Policy lead for executing these tasks, the Director, Defense Security Cooperation Agency (DSCA) requires the support and collaboration of all DoD Components performing Security Assistance activities to provide the data necessary to fully meet DSD objectives.

To that end, DSCA requests each DoD Component perform an internal comprehensive analysis of all FMS security assistance costs from FY2014 to FY2019. **By March 5, 2021, DoD Components should provide a summary report of any non-recovered costs identified during the analysis, and using the attached template, identify policy gaps related to the recoupment of costs.** DSCA will use this information to determine if adjustments are required to the FMS Administrative Surcharge, and if additional policy guidance is warranted.

DoD Component analysis will ideally examine all areas of security assistance support for which costs should be recovered, but at a minimum, analysis will include the following:

- Actual salary expenses incurred by DoD personnel supporting security-assistance related activities not captured on the FMS case.
- SA Storage fee costs-equal to 1.5 percent of the annual value of the stored security assistance assets, unless a separate charge is negotiated with the storage facility.
- Cost of maintaining facilities shared between the DoD Components and the security assistance programs.

To assist in completing the analysis, Components should reference the Security Assistance Management Manual (SAMM) and the DoD Financial Management Regulations (FMR) for guidance on which costs must be recovered, and the processes and procedures for cost recovery. As a reminder, it is the responsibility of the DoD Component to review, understand, and follow all current policy as it relates to recovering costs for all authorized SA activities. Therefore, recognizing that each Component is responsible for establishing and implementing its own internal financial management standard operating procedures, DSCA encourages Components to review the SAMM Section [9.3.1.](#) and [9.4.2.](#), Tables [C9.T2.](#) and [C9.T4.](#), and [DoD FMR 7000.14-R, Volume 15, Chapter 7](#), to ensure internal processes and procedures are compliant.

Components should reach out to the DSCA/DBO/FPA representative listed below for clarification or additional guidance on costs included in the FMS administrative rate and associated SA cost recovery procedures. DSCA will schedule a meeting to take place in the coming weeks to further discuss the analysis tasked in this memorandum and address Component questions. Details of this meeting will be forwarded in a separate correspondence.

The DSCA/DBO/FPA points of contact for this memorandum are Ms. Wendy Pouliot, (703) 692-1316 or wendy.pouliot.civ@mail.mil.



Heidi H. Grant
Director

Attachments:

- Example Component Policy Update Resolution Matrix

cc:

STATE/PM-RSAT

USASAC

SATFA

TRADOC

USACE

NAVICP

NETSAFA

AFSAC

AFSAT

AFCEE

JFCOM

SOCOM

EUCOM

CENTCOM

NORTHCOM

INDOPACOM

AFRICOM

SOUTHCOM

TRANSCOM

DSCA 20-78 - Attachement 1 - Component Policy Update Resolution Matrix

EXAMPLE:

Title of Policy	Relevant Policy Location (DoD FMR, SAMM, DSCA Policy, Other or Recommendation for New Policy Request)	Current Policy Citation (Location in DoD FMR, SAMM, DSCA Policy Memo, Other or Recommended Location for New Policy)	Current Policy Language or Proposed New Policy Language	Updated Policy Language (Bold language update)	Rationale for Recommendation	DOD Component	Component POC and Contact Information
Recovery of Cost and Manpower Support	DSCA SAMM, Section 9.3.1., "Recovery of Cost"	SAMM c9.3.1. DSCA Policy Memo 16-11	Recovery of Cost. The FMS program must be managed at no cost to the USG (with certain exceptions specifically identified in the AECA). The LOA mandates that the purchaser pay the full program cost regardless of terms of sale specified for the individual case or the estimated values provided. Modifications and Amendments are used to update case values as necessary when changes to the program occur. See Section C6.7. for more information on when these documents should be used.	Recovery of Cost. The FMS program must be managed at no cost to the USG (with certain exceptions specifically identified in the AECA). The LOA mandates that the purchaser pay the full and All program cost for SA service regardless of terms of sale specified for the individual case or the estimated values provided. Modifications and Amendments are used to update case values as necessary when changes to the program occur. See Section C6.7. for more information on when these documents should be used.	To provide clarification that all security assistance activites should be charged to the LOA/FMS customer.	Army	Jane Doe, jane.doe.civ@mail.mil, 703-555-4444