



DEFENSE SECURITY COOPERATION AGENCY

2800 DEFENSE PENTAGON

WASHINGTON, D.C. 20301-2800

29 JAN 2021

MEMORANDUM FOR COMMANDERS OF THE COMBATANT COMMANDS
DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR
DEFENSE EXPORTS AND COOPERATION
DEPUTY ASSISTANT SECRETARY OF THE NAVY FOR
INTERNATIONAL PROGRAMS
DEPUTY UNDER SECRETARY OF THE AIR FORCE FOR
INTERNATIONAL AFFAIRS
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DIRECTOR, SECURITY ASSISTANCE, DEFENSE FINANCE AND
ACCOUNTING SERVICE
DIRECTOR, DEFENSE INFORMATION SYSTEMS AGENCY
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DIRECTOR, NATIONAL GEOSPATIAL-INTELLIGENCE
AGENCY
DIRECTOR, DEFENSE LOGISTICS INFORMATION SERVICE
DIRECTOR, DEFENSE LOGISTICS AGENCY DISPOSITION
DEPUTY DIRECTOR FOR INFORMATION ASSURANCE,
NATIONAL SECURITY AGENCY

SUBJECT: Clarification to Department of Defense Appropriated Building Partner Capacity
(BPC) Accounting Interim Solution, Defense Security Cooperation Agency (DSCA)
Policy 20-86, SAMM E-Change 514

REFERENCES:

- a) Defense Security Cooperation Agency (DSCA) [Policy Memo 19-09](#), "Pilot Use of Foreign Military Sales (FMS) Administrative Surcharge Funds to Support Specific Requirements Generating Activities for Department of Defense (DoD)-funded Cases", dated March 19, 2019
- b) [DSCA Policy Memo 20-47](#), "Department of Defense Appropriated Building Partner Capacity (BPC) Accounting Interim Solution", dated September 30, 2020

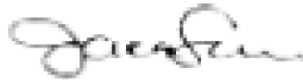
This memorandum provides clarifying guidance for the specific requirements-generating (pre-Memorandum of Request (MOR)) activities in support of Title 10 (T10) BPC cases, and clarifies scenarios related to amendments and modifications of T10 BPC cases financially implemented prior to August 14, 2020.

In accordance with the BPC Accounting Interim Solution (reference (b)), pre-MOR activities are no longer authorized to use FMS Administrative Surcharge Funds. These activities will now

be direct-funded by the T10 program appropriation, and will be distributed via Funding Authorization Document (FAD), Military Interdepartmental Purchase Requests (MIPRs), or other funding mechanisms. The process for requesting DSCA Operation and Maintenance funding to support pre-MOR activities will be provided under separate guidance from DSCA Comptroller (CMP). DSCA Policy Memo 19-09 (reference (a)) is rescinded effective September 29, 2020 (the issue date of DSCA Policy Memo 20-47).MEMO BODY

Additionally, clarification is provided to the Letter of Offer and Acceptance (LOA) Implementation Guidance to illustrate the impact of changes to FY20/21 T10 BPC cases implemented prior to August 14, 2020, which includes new case notes. Specifically, the Implementing Agencies (IAs) and DSCA Case Writing Division (CWD) must use the instructions provided in Attachments 1 and 2. IAs and CWD will utilize the guidance in Attachment 2 when developing amendments or modifications to cases implemented prior to August 14, 2020.

Should you have any questions concerning this policy, please contact my action officers in DBO/FPA: Ms. Jeneen Caldwell, jeneen.k.caldwell.civ@mail.mil, (703) 697-8923; Ms. Wendy Pouliot, wendy.pouliot.civ@mail.mil, (703) 692-1316; and Mr. Daniel Rea, daniel.rea2.civ@mail.mil, (703) 614-9955.



Jacqueline Leonard
Acting Chief Financial Officer

Attachments:

1. ESAMM, Appendix 6 Notes
2. LOA Implementation Guidance

cc:

SOCOM
TRANSCOM
USASAC
SATFA TRADOC
NAVICP
NETSAFA
AFSAC
AFSAT
MDA
DSCU

Attachment 1

SAMM E-Change 514 Clarification to Department Of Defense Appropriated Building Partner Capacity (BPC) Accounting Interim Solution

1. Add the following Appendix 6 case note:

Indirect Charges - Title 10 BPC - LOAs Implemented Prior to 14 Aug 2020

Note Usage
FMS: No BPC : Yes Mandatory for all Amendments and Modifications to FY20/21 Title 10-funded BPC defense articles and services cases implemented prior to August 14, 2020.
References
Use with data from Table C15.T2 , as applicable.
Note Input Responsibility
CWD
Note Text
<p>“Administrative surcharges are excluded from new line(s) [insert applicable line numbers], and will be funded through the program's current year, program-wide support case (or through other funds distribution processes (e.g., FADs, MIPRs), if applicable).”</p> <p>[delete first paragraph if no new Lines were added after 14 Aug 2020]</p> <p>“Administrative surcharge adjustments made due to increases or decreases to existing lines (implemented prior to 14 August 2020) are addressed in the applicable Administrative Surcharge case note in this LOA.</p> <p>All other indirect charges (Contract Administration Services (CAS), Transportation and Packing, Crating & Handling (PC&H)), as allowed under policy related to the Interim BPC Accounting Solution, will continue under the provisions provided in the previous version of this LOA (see relative case notes within this LOA).”</p>

2. Change the following Appendix 6 case note:

Administrative Surcharge

Note Text
"An administrative surcharge of 3.2% has been applied to lines [insert applicable line numbers]." And/or "An administrative surcharge of 3.5% has been applied to lines [insert applicable line numbers]." And/or "An administrative surcharge of 3.8% has been applied to lines [insert applicable line numbers]."

And/or

"An administrative surcharge of 2.5% has been applied to lines [insert applicable line numbers]."

And/or

"An administrative surcharge of 3% has been applied to lines [insert applicable line numbers]."

And/or

"An administrative surcharge of 5% has been applied to [insert applicable line numbers]."

And/or

"An administrative surcharge has not been applied to lines [include applicable line numbers]."

And, if needed, one of the following BPC-specific notes:

"The administrative surcharge has been manually calculated in accordance with the BPC Interim Accounting Solution, and adjusted to match actual execution at Case Level, based on DSCA direction, for the following line(s): [include applicable line numbers]."

[[FY20/21 T10 BPC cases implemented prior to August 14, 2020 only; this applies to direction received from DSCA to reduce admin on a case, but does not require reduction to zero for the specified case lines; retain all prior percentage notes, to include references to these Case Lines - future adjustments will require re-computation based on the original rates]]

Or

"The administrative surcharge has been manually reduced to zero in accordance with the BPC Interim Accounting Solution, based on DSCA direction, for the following line(s): [include applicable line numbers]."

[[FY20/21 T10 BPC cases implemented prior to August 14, 2020 only; this applies to direction received from DSCA to reduce admin to zero for the specified case lines; retain all prior percentage notes, to include references to these Case Lines - future adjustments will require re-computation based on the original rates]]

Or

"The administrative surcharge does not apply to lines added after implementation of the BPC Interim Accounting Solution. Affected lines are: [include applicable line numbers]."

[[FY20/21 T10 BPC cases implemented prior to August 14, 2020 only; retain all prior percentage notes, to include references to these Case Lines - future adjustments will require re-computation based on the original rates]]

Or

"Unit cost or price increases to a line, after implementation of the BPC Accounting Solution, does not increase the administrative surcharge; the administrative surcharge is manually set to the calculated rate of the line's pre-adjustment amounts. These manually-set amounts may decrease if the unit cost or price is later revised below the pre-adjusted amounts. Affected line(s) are: [include applicable line numbers]."

[[FY20/21 T10 BPC cases implemented prior to August 14, 2020 only; retain all prior percentage notes, to include references to these Case Lines - future adjustments will require re-computation based on the original rates]]

Only include the percentages that are included on the case.

3. Change the following Chapter 15 verbiage: (change highlighted in RED)

Existing Language	<u>C15.3.1.2.6.1. Transportation and PC&H.</u> Starting ... on cases implemented after August 14, 2020 with DTC 2, 7, or 9.
Revised Language	<u>C15.3.1.2.6.1. Transportation and PC&H.</u> Starting ... on cases implemented on or after August 14, 2020 with DTC 2, 7, or 9.

Attachment 2

Implementing Agency, Case Writing Division (CWD), and Defense Finance Accounting Service - Security Cooperation Accounting (DFAS-SCA) Revisions to LOA Implementation Guidance Title 10 BPC Accounting Interim Solution

1. Change the following CWD LOA implementation guidance scope:

Existing Language	Scope. All T10 BPC cases implemented after August 14, 2020 must not include any indirect (i.e. below-the-line) charges.
Revised Language	Scope. All T10 BPC cases implemented on or after August 14, 2020 must not include any indirect (i.e. below-the-line) charges.

2. Change the following CED LOC implementation guidance language:

Existing Language	<p>In consultation with OUSD-C and DoD OGC Fiscal, DSCA determined that all existing T10 BPC cases that were financially implemented prior to August 14, 2020 may continue to include appropriate below-the-line indirect charges. Future amendments and modifications to these cases, may also include any associated CAS and below-the-line indirect charges, but must exclude the FMS administrative surcharge. All future bills for transportation and CAS on these existing cases will be paid from the funds already deposited in the FMS program-specific transportation and CAS accounts until depleted or the last appropriation cancels.</p> <p>Amendments funded with FY 2020/2021 appropriations, require a new, separate line for quantity increases. These new lines will have a percent of zero for the FMS administrative surcharge rate. Amendments/modifications funded with FY 2020/2021 appropriations that are for a valid increase to unit cost can be assessed a rate for transportation and CAS. The cost for the administrative rate for these lines must not increase.</p>
Revised Language	<p>In consultation with OUSD-C and DoD OGC Fiscal, DSCA determined that all existing T10 BPC cases, funded with FY20/21 appropriations and financially implemented prior to August 14, 2020, may continue to include appropriate below-the-line indirect charges. However, future amendments and modifications to these cases will need to follow the below rules:</p> <p>For Lines requiring a quantity change:</p> <ul style="list-style-type: none">• Increased Quantity:<ul style="list-style-type: none">○ Requires a new, separate line for quantity increases○ FMS Administrative surcharge rate on these new lines will use an override percent (OP) Indirect Pricing Component (IPC) code set to zero (0%)

- Ensure the Administrative Surcharge case note reflects no surcharge for the new Lines. Case Note will retain existing percentage verbiage(s), and add the following verbiage:
 - “The administrative surcharges does not apply to lines added after implementation of the BPC Interim Accounting Solution. Affected lines are: [include applicable line numbers].”
- CAS and Transportation surcharge rates may be included using SAMM guidance to determine the rate
 - Include the “Indirect Charges - Title 10 BPC - LOAs Implemented Prior to 14 Aug 2020” case note
- Decrease Quantity:
 - Retain original Line percentages, as applicable, for FMS Administrative, CAS, and Transportation Surcharge fees, and allow these fees to decrease accordingly
 - Manually-entered Transportation surcharge rates may be adjusted, if needed, to meet current requirements

For Lines requiring a valid unit cost or price change:

- Increased Unit Cost or Price:
 - FMS Administrative surcharge fee will not increase; instead, use an override cost (OC) Indirect Pricing Component (IPC) code to manually set the value to the pre-adjustment amount
 - Ensure the Administrative Surcharge case note reflects no surcharge change for the affected Lines. Case Note will retain existing percentage verbiage(s), and add the following verbiage:
 - “Unit cost or price increases to a line, after implementation of the BPC Accounting Solution, does not increase the administrative surcharge; the administrative surcharge is manually set to the calculated rate of the line's pre-adjustment amounts. These manually-set amounts may decrease if the unit cost or price is later revised below the pre-adjusted amounts. Affected lines are: [include applicable line numbers].”
 - CAS and Transportation surcharge fees will increase accordingly based on the rates in place when the case was implemented or when the Line was created or last amended/modified, as applicable
 - Include the “Indirect Charges - Title 10 BPC - LOAs Implemented Prior to 14 Aug 2020” case note
- Decreased Unit Cost or Price:
 - CAS and Transportation Surcharge percentage rates:
 - Retain original Line Surcharge percentages, as applicable, and allow these fees to decrease accordingly
 - FMS Administrative Surcharge rates:

- No prior adjustments: Retain original Line Surcharge percentages, and allow these fees to decrease accordingly
- Prior adjustments made from Increase Unit Cost section above: recalculate the FMS Administrative cost based on the pre-adjustment percentage rate to compare to the existing manually-computed amount.
 - If less, change the IPC back to the original percentage code.
 - If more, make no changes to the manual amount.
- Admin-only Lines changes – amount remains the same:
 - All percentage-based Surcharge rates remain unchanged
- In all above scenarios:
 - Manually-entered Transportation Surcharges may be adjusted, if needed, to meet current requirements; otherwise no change required

Adding New Lines (not as a result of a quantity change referenced above):

- CAS and Transportation Surcharges existed on the LOA prior to August 14, 2020:
 - Continue to use the applicable rates in place for the existing case on new Lines.
 - FMS Administrative surcharge rate on these new lines will use an override percent (OP) Indirect Pricing Component (IPC) code set to zero (0%).
 - Ensure the Administrative Surcharge case note reflects no surcharge for the new Lines. Case Note will retain existing percentage verbiage(s), and add the following verbiage:
 - “The administrative surcharge does not apply to lines added after implementation of the BPC Interim Accounting Solution. Affected lines are: [include applicable line numbers].”
- No CAS and Transportation Surcharges existed on the LOA prior to August 14, 2020:
 - Do not include CAS and Transportation Surcharge rates for these Lines.
 - Include the “Indirect Charges - Title 10 BPC - LOAs Implemented Prior to 14 Aug 2020” case note if CAS and/or Transportation is still required for existing Lines
 - FMS Administrative surcharge rate on these new lines will use an override percent (OP) Indirect Pricing Component (IPC) code set to zero (0%)
 - Ensure the Administrative Surcharge case note reflects no surcharge for the new Lines. Case Note will retain existing percentage verbiage(s), and add the following verbiage:

	<ul style="list-style-type: none"> • “The administrative surcharge does not apply to lines added after implementation of the BPC Interim Accounting Solution. Affected lines are: [include applicable line numbers].” <p>For Lines requiring the total removal of FMS Admin based on DSCA direction:</p> <ol style="list-style-type: none"> 1. Use the override cost (OC) Indirect Pricing Component (IPC) code to manually set the value to zero. 1. Ensure the Administrative Surcharge case note reflects no surcharge change for the affected Line(s). Case Note will retain existing percentage verbiage(s), and add the following verbiage: <ol style="list-style-type: none"> 1. “The administrative surcharge has been manually reduced to zero in accordance with the BPC Interim Accounting Solution, based on DSCA direction, for the following line(s): [include applicable line numbers].” <p>For Lines requiring the partial removal of FMS Admin based on DSCA direction:</p> <ol style="list-style-type: none"> 2. Use the override cost (OC) Indirect Pricing Component (IPC) code to manually set the value to the amount provided by DSCA. 1. Ensure the Administrative Surcharge case note reflects no surcharge change for the affected Line(s). Case Note will retain existing percentage verbiage(s), and add the following verbiage: <ol style="list-style-type: none"> 1. “The administrative surcharge has been manually calculated in accordance with the BPC Interim Accounting Solution, and adjusted to match actual execution at Case Level, based on DSCA direction, for the following line(s): [include applicable line numbers].”
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3. Change the following CWD LOA implementation guidance language:

Existing Language	<p>Implementing Agencies (IAs)</p> <ol style="list-style-type: none"> 1. LOAs in "Implemented" Status prior to August 14, 2020. All existing T10 BPC cases, financially implemented prior to August 14, 2020 are allowed to follow the current process, which includes all future amendments and modifications and any associated CAS and below-the-line indirect charges to these existing cases. All future bills for transportation and CAS on these existing cases will be paid from the funds already deposited in the FMS program specific transportation and CAS accounts until depleted or last appropriation cancels. Amendments funded with FY 2020/2021 appropriations, require a new, separate line for all quantity funding increases. These new lines will have a percent of zero for the FMS administrative surcharge rate. Amendments/modifications funded with FY 2020/2021 appropriations that are for a valid increase to unit cost can be
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	<p>assessed a rate for transportation and CAS. The cost for the administrative rate for these lines must not increase (IAs will use "OC" to override the administrative costs).</p>
Revised Language	<p>Implementing Agencies (IAs)</p> <ol style="list-style-type: none"> 1) LOAs in "Implemented" Status prior to August 14, 2020. All existing T10 BPC cases, funded with FY20/21 appropriations and financially implemented prior to August 14, 2020, may continue to include appropriate below-the-line indirect charges. However, future amendments and modifications to these cases will need to follow the below rules: <ol style="list-style-type: none"> a) For Lines requiring a quantity change: <ol style="list-style-type: none"> i) Increased Quantity: <ol style="list-style-type: none"> (1) Requires a new, separate line for quantity increases (2) FMS Administrative surcharge rate on these new lines will use an override percent (OP) Indirect Pricing Component (IPC) code set to zero (0%) <ol style="list-style-type: none"> (a) Ensure the Administrative Surcharge case note reflects no surcharge for the new Lines. Case Note will retain existing percentage verbiage(s), and add the following verbiage: <ol style="list-style-type: none"> (i) "The administrative surcharges does not apply to lines added after implementation of the BPC Interim Accounting Solution. Affected lines are: [include applicable line numbers]." (3) CAS and Transportation surcharge rates may be included using SAMM guidance to determine the rate <ol style="list-style-type: none"> (a) Include the "Indirect Charges - Title 10 BPC - LOAs Implemented Prior to 14 Aug 2020" case note ii) Decrease Quantity: <ol style="list-style-type: none"> (1) Retain original Line percentages, as applicable, for FMS Administrative, CAS, and Transportation Surcharge fees, and allow these fees to decrease accordingly (2) Manually-entered Transportation surcharge rates may be adjusted if needed to meet current requirements b) For Lines requiring a valid unit cost or price change: <ol style="list-style-type: none"> i) Increased Unit Cost or Price: <ol style="list-style-type: none"> (1) FMS Administrative surcharge fee will not increase; instead, use an override cost (OC) Indirect Pricing Component (IPC) code to manually set the value to the pre-adjustment amount <ol style="list-style-type: none"> (a) Ensure the Administrative Surcharge case note reflects no surcharge change for the affected Lines. Case Note will retain existing percentage verbiage(s), and add the following verbiage: <ol style="list-style-type: none"> (i) "Unit cost or price increases to a line, after implementation of the BPC Accounting Solution, does not increase the administrative surcharge; the

administrative surcharge is manually set to the calculated rate of the line's pre-adjustment amounts. These manually-set amounts may decrease if the unit cost or price is later revised below the pre-adjusted amounts. Affected lines are: [include applicable line numbers].”

- (2) CAS and Transportation surcharge fees will increase accordingly based on the rates in place when the case was implemented or when the Line was created or last amended/modified, as applicable

- (a) Include the “Indirect Charges - Title 10 BPC - LOAs Implemented Prior to 14 Aug 2020” case note

ii) Decreased Unit Cost or Price:

- (1) CAS and Transportation Surcharge percentage rates:

- (a) Retain original Line Surcharge percentages, as applicable, and allow these fees to decrease accordingly

- (2) FMS Administrative Surcharge rates:

- (a) No prior adjustments: Retain original Line Surcharge percentages, and allow these fees to decrease accordingly

- (b) Prior adjustments made from section b.i.1. above: recalculate the FMS Administrative cost based on the pre-adjustment percentage rate to compare to the existing manually-computed amount.

- (i) If less, change the IPC back to the original percentage code.

- (ii) If more, make no changes to the manual amount.

iii) Admin-only Lines changes – amount remains the same:

- (1) All percentage-based Surcharge rates remain unchanged

iv) In all above scenarios:

- (1) Manually-entered Transportation Surcharges may be adjusted if needed to meet current requirements; otherwise no change required

c) Adding New Lines (not as a result of a quantity change referenced above):

- i) CAS and Transportation Surcharges existed on the LOA prior to August 14, 2020:

- (1) Continue to use the applicable rates in place for the existing case on new Lines.

- (2) FMS Administrative surcharge rate on these new lines will use an override percent (OP) Indirect Pricing Component (IPC) code set to zero (0%)

- (a) Ensure the Administrative Surcharge case note reflects no surcharge for the new Lines. Case Note will retain existing percentage verbiage(s), and add the following verbiage:

- (i) “The administrative surcharges does not apply to lines added after implementation of the BPC Interim Accounting Solution. Affected lines are: [include applicable line numbers].”
- ii) No CAS and Transportation Surcharges existed on the LOA prior to August 14, 2020:
 - (1) Do not include CAS and Transportation Surcharge rates for these Lines.
 - (a) Include the “Indirect Charges - Title 10 BPC - LOAs Implemented Prior to 14 Aug 2020” case note if CAS and/or Transportation is still required for these Lines
 - (2) FMS Administrative surcharge rate on these new lines will use an override percent (OP) Indirect Pricing Component (IPC) code set to zero (0%)
 - (a) Ensure the Administrative Surcharge case note reflects no surcharge for the new Lines. Case Note will retain existing percentage verbiage(s), and add the following verbiage:
 - (i) “The administrative surcharges does not apply to lines added after implementation of the BPC Interim Accounting Solution. Affected lines are: [include applicable line numbers].”
- d) For Lines requiring the total removal of FMS Admin based on DSCA direction:
 - i) Use the override cost (OC) Indirect Pricing Component (IPC) code to manually set the value to zero.
 - (1) Ensure the Administrative Surcharge case note reflects no surcharge change for the affected Line(s). Case Note will retain existing percentage verbiage(s), and add the following verbiage:
 - (a) “The administrative surcharge has been manually reduced to zero in accordance with the BPC Interim Accounting Solution, based on DSCA direction, for the following line(s): [include applicable line numbers].”
- e) For Lines requiring the partial removal of FMS Admin based on DSCA direction:
 - i) Use the override cost (OC) Indirect Pricing Component (IPC) code to manually set the value to the amount provided by DSCA.
 - (1) Ensure the Administrative Surcharge case note reflects no surcharge change for the affected Line(s). Case Note will retain existing percentage verbiage(s), and add the following verbiage:
 - (2) “The administrative surcharge has been manually calculated in accordance with the BPC Interim Accounting Solution, and adjusted to match actual execution at Case Level, based on DSCA direction, for the following line(s): [include applicable line numbers].”