



DEFENSE SECURITY COOPERATION AGENCY

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16 FEB 2021

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 FOR SECURITY ASSISTANCE, DEFENSE FINANCE
AND ACCOUNTING SERVICES – INDIANAPOLIS
OPERATIONS
DEPUTY DIRECTOR FOR INFORMATION ASSURANCE,
NATIONAL SECURITY AGENCY

SUBJECT: Guidance on the Reimbursement Process for the Special Defense Acquisition Fund,
DSCA Policy 21-15 (SAMM E-Change 492)

REFERENCES:

- a) DSCA Comptroller Process Document, “Special Defense Acquisition Fund Reimbursement Process for Fiscal Year 2020”
- b) Arms Export Control Act, [22 U.S.C. 2795](#)
- c) DSCA Security Assistance Management Manual, [Chapter 7, Section 3 – Title Transfer](#)
- d) DSCA Security Assistance Management Manual, [Chapter 11, Section 9 – Special Defense Acquisition Fund](#)

The purpose of this memorandum is to provide financial guidance on the process and timeliness of reimbursements to the Special Defense Acquisition Fund (SDAF) account. This applies to all reimbursements of SDAF funds for defense articles and services sold on Foreign Military Sales (FMS) cases and is in accordance with the above references. This guidance is to be disseminated to all program and financial managers responsible for development and tracking of Foreign Military Sales (FMS) cases.

The SDAF is a revolving fund used to finance the procurement of defense articles and services in anticipation of their future transfer to foreign governments and international organizations. According to 22 U.S.C. 2795, the reference identifies and establishes the SDAF as a revolving fund. The SDAF account must be reimbursed in order to remain solvent. This policy provides the details from a financial perspective to ensure reimbursements are accurate and timely.

This policy is effective immediately. If you have questions or require additional information regarding this policy, please contact Ms. Jessica Doan, DBO/CMP, jessica.c.doan.civ@mail.mil, (703) 697-8883.

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Jacqueline Leonard
Acting Chief Financial Officer

Attachments:

- a) Guidance on the Reimbursements Process for the Special Defense Acquisition Fund
- b) Security Assistance Management Manual (SAMM) E-Change 492

Attachment A

Guidance on the Reimbursements Process for the Special Defense Acquisition Fund

Overview:

Pursuant to [22 U.S.C. 2795](#), the Special Defense Acquisition Fund (SDAF) is a revolving fund separate from other Treasury accounts. When defense articles and services procured through the SDAF are sold to foreign countries and international organizations, the proceeds from the sale are returned to the SDAF and used to finance subsequent procurements. This return of funds is known as an SDAF reimbursement. This memo identifies when SDAF reimbursements must be processed and the documentation that is required to execute a reimbursement package.

Implementing an FMS Case with SDAF Articles and Services:

As provided in reference (d), Implementing Agencies (IAs) and Military Departments (MILDEPs) must include defense articles and services, funded by SDAF, as separate case lines on a Foreign Military Sales (FMS) Letter of Offer and Acceptance (LOA). The SDAF line(s) must identified as stating the source of supply of "F."

SDAF in the Initial Deposit:

The entire payment for defense articles and services sourced from the SDAF must be included in the initial deposit. DSCA can waive this policy if there is justification. For any foreign partner acquiring the SDAF defense articles and services, payment for the defense articles and services must be paid in full prior to articles being provided to the foreign partner and services being rendered.

Pricing an SDAF Line:

The SDAF price is all-inclusive, and is also known as the SDAF selling price of SDAF articles or services. Once the base price of an SDAF article or services is established, additional charges will be assessed to compute the SDAF selling price.

The SDAF sales price must include additional charges, such as the Contract Administrative Surcharge (CAS), charges for storage of the item; manpower funded by the SDAF to procure the item; costs for transporting the material; and packaging, crating, and handling costs. The FMS administrative surcharge is in addition to, and not a component of, the unit price and therefore should not be included in the SDAF sales price. IAs/MILDEPs and the Case Writing Division should not include CAS as a separate pricing element when developing SDAF case lines in the Defense Security Assistance Management System (DSAMS).

The SDAF sales price is the amount that must be reimbursed. The DSCA Directorate for Business Operations, Comptroller-Security Assistance (CMP-SA), in coordination with the

IA/MILDEP, assures reimbursement of the appropriate amounts to the SDAF. Exceptions to full reimbursement should be directed to CMP-SA.

When to Process a Reimbursement:

Title to FMS materiel is transferred to a purchaser or foreign partner upon release from a Department of Defense (DoD) supply activity unless otherwise specified in the LOA. For procurement items, procured directly from a vendor, title passes at the vendor's loading facility. If items are supplied as a stock item or from a DoD depot, title passes at the depot's loading facility. If title will transfer at various times due to multiple shipments, then the IA/MILDEP can wait until all title transfers have occurred or all services rendered. For Building Partner Capacity (BPC) cases where an SDAF articles or service is implemented on a line, title will be retained by the SCO until such time that the benefiting country is ready to receive the equipment or services.

The IAs/MILDEPs must submit an SDAF reimbursement package to CMP-SA once the U.S. government, or vendor transfers title for articles financed with SDAF or once services are fully rendered. For all instances in which services are fully rendered before the LOA is implemented, the obligation of the SDAF line should occur as soon as possible after case implementation. This action will serve to expedite the SDAF reimbursement and to facilitate billing on the SDAF line. For BPC cases, the IA/MILDEP must submit an SDAF reimbursement package to CMP-SA after the shipment date of the last item on the line due to the SCO retaining title.

All SDAF reimbursement packages must be submitted to DSCA CMP-SA at a case line level within 90 days once all title(s) have been transferred to the foreign partner and/or once services have been fully rendered. For instances in which services are fully rendered prior to LOA implementation, all SDAF reimbursement packages must be submitted at a case line level within 90 days of case implementation. DSCA's CMP-SA team will review and approve all SDAF reimbursement packages for accuracy and completeness prior to a complete package being provided to the Defense Finance and Accounting Service in Indianapolis (DFAS-IN), Security Cooperation Branch. The IAs/MILDEPs must notify their appropriate headquarters office(s) upon submission of a reimbursement package to DSCA. These offices include: The Office of the Deputy Assistant Secretary of the Army for Defense Export and Cooperation, The Office of the Deputy Under Secretary of the Air Force, International Affairs, and the Office of the Deputy Assistant Secretary of the Navy for International Programs.

SDAF Reimbursement Packages:

IAs/MILDEPs must provide the below documents as one reimbursement package to DSCA in order for approval and submission to DFAS for processing.

1. A complete, electronically signed and certified SF-1080,
2. A copy of the obligating document(s) at a case/line level, to include the full line of accounting (this must include the limit and fiscal station number),
3. A current implemented copy of the FMS case, and

4. Confirmation that title has transferred to the purchaser.

Reimbursement packages can include additional documentation as needed to support the submission. Submit all complete SDAF reimbursement packages to:

dscn.ncr.bpc.mbx.sdaf-financials@mail.mil

Signing the Reimbursement Package:

The IA/MILDEP must prepare a [Standard Form 1080 \(SF-1080\)](#). SF-1080 is a Voucher for Transfers between Appropriations and/or Funds and will be used as the voucher to reimburse the SDAF account. The appropriate case or financial manager must prepare the SF-1080 and obtain a certifying official's signature. The certifier must certify to the contents of the reimbursement package. Once certified, the submitter should provide a complete reimbursement package to DSCA for review and approval. DSCA's CMP-SA team will electronically sign and submit completed packages to DFAS-IN once approved.

Once packages are received, DFAS-IN will create their version of the reimbursement voucher and certify their voucher for payment. Once the voucher has been certified for payment, DFAS will provide DSCA's CMP-SA team with a copy of the DFAS-IN's certified voucher. DSCA's CMP-SA team will save the certified voucher and provide a copy of it to the IA/MILDEP.

Examples of Supporting Documentation:

Examples that will serve to document that the obligation exists within an IA/MILDEP's accounting system include, but are not limited to a copy of [DD Form 448, A Military Interdepartmental Purchase Request \(MIPR\)](#), an [AF Form 406](#), a certified copy of the DD Form 2406 or a miscellaneous obligation document identifying the original obligation.

Examples that will serve to document that title has transferred include, but are not limited to:

1. [DD Form 1149 Requisition and Invoice/Shipping Document](#),
2. [DD Form 1348-2 Material Release Document](#),
3. [DD 1348-5 Notice of Shipment](#), or
4. A screen shot from the IA/MILDEP's logistics system identifying the FMS case ID, line number and the date the articles/services shipped from a supply activity. The screen shot must also identify that the full quantity procured on the case line shipped and/or services fully rendered to document full title transfer.

For supporting documentation of the title transfer, the IA/MILDEP must provide an explanation or cross walk showing the shipment and/or transfer of title at the line level for the appropriate FMS case.

DSCA CMP-SA will provide receipt of email submission for all SDAF reimbursement packages to the shared mailbox within 2-3 business days and begin work to review package contents. If a package is not complete, DSCA CMP-SA will notify submitter timely. On average, it will take 5 days for DSCA to complete their review of a complete package.

Reconciling SDAF Vouchers:

SDAF reimbursement vouchers processed by DFAS must be fully reconciled by the IA/MILDEP throughout and prior to case closure to determine if overpayment resulted from funds reimbursed to the SDAF account. If the IA/MILDEP determines, prior to case closure, that the SDAF was overpaid from the foreign partner, then the IA/MILDEP should consider all cost (price of article, shipping, storage, etc.) when determining the amount overpaid. For any overpayment, SDAF will then owe the foreign partner the difference to allow the FMS case to go to closure.

IA/MILDEP must create a new SDAF reimbursement package to correct any overpayment from the SDAF account to the foreign partner. The package must include a new SF-1080 voucher to correct the over payment, identify the amount of over payment, and the appropriate financial documents outlining how the overpayment was derived. The IA/MILDEP must submit one complete package to DSCA CMP-SA for review and approval. DSCA's CMP-SA team will submit packages to DFAS-IN once approved.

Corrections to Previous Vouchers:

All SF-1081 vouchers, a Voucher and Schedule of Withdrawals and Credits, previously processed by DSCA and certified by DFAS-IN to reimburse the SDAF account prior to the implementation date of this policy will remain as processed, certified, and complete.

IAs/MILDEPs must contact DSCA's CMP-SA team for guidance if there are questions on a previously processed SF-1081.

Reporting of SDAF Reimbursements:

In order to track timely submission of the SDAF reimbursement packages to DSCA for processing, the IA/MILDEPs are required to provide monthly input to DSCA's CMP-SA reimbursement report. The DSAMS report will be published to the community monthly showing SDAF lines for reimbursement. The reimbursement report will not identify FMS case lines where the SDAF reimbursement has been processed.

IAs/MILDEPs will be required to provide a status update on all implemented FMS case lines where a case line is eligible to reimburse the SDAF account, but the SDAF package has not been submitted to CMP-SA. The IA/MILDEP will be required to identify when DSCA can expect to receive the complete SDAF reimbursement package for review. Responses to the report are due by the third Wednesday of the month. The IA/MILDEP will be required to inform DSCA of any open and implemented FMS cases that are not captured in the monthly report.

Attachment B

Security Assistance Management Manual (SAMM) E-Change 492

Guidance on the Reimbursement Process for the Special Defense Acquisition Fund

NOTICE:

This memo was updated by DSCA 21-57 - Security Assistance Management Manual (SAMM), Administrative Changes (signed Aug 18, 2021). Revised section "C11.9.6.5.1.3. Non-Recurring Costs." to correctly state "Major Defense Equipment (MDE)" vice "Significant Military Equipment".

1) Revise C11.9. (and sub sections) to read as follows:

C11.9.6.5. Pricing Rules. SDAF items are priced in accordance with the pricing guidance contained in [DoD 7000.14.-R, DoD Financial Management Regulation.](#)

C11.9.6.5.1. Sales Pricing. The price for SDAF assets and contract equities sold through the FMS process will be computed by establishing a base acquisition price. The base price is the higher of the SDAF procurement price or the current contract price. Once the base price has been established, additional charges, such as such as the Contract Administrative Surcharge (CAS), charges for storage of the item; manpower funded by the SDAF to procure the item; costs for transporting the material; and packaging, crating, and handling costs must be added to the base price to compute the SDAF selling price.

C11.9.6.5.1.1. Application of Select Pricing Elements. The SDAF price is all inclusive, and is also known as the SDAF selling price of SDAF articles or services. Once the base price of an SDAF article or services has been established, additional charges will be added to compute the SDAF selling price. The FMS administrative surcharge is in addition to (and not a component of) the unit price and therefore should not be included in the SDAF sales price.

C11.9.6.5.1.2. Added Costs. The SDAF sales price must include charges for CAS, charges for storage of the item; manpower funded by the SDAF to procure the item; costs for transporting the material; and packaging, crating, and handling costs and other charges as necessary. This information is reviewed by DSCA when the Implementing Agency price the SDAF line(s) on the LOA during case review process.

C11.9.6.5.1.3. Non-Recurring Costs. Applicable non-recurring costs (NC) paid by SDAF will be added to the base price to compute the SDAF selling price. If the item being sold is classified as ~~Significant Military Equipment~~ Major Defense Equipment (MDE) and the USG has developed

an NC for the item (paid for by other than SDAF funds), that NC may be waived under normal procedures. If the NC is not waived, a new MASL must be created for the SDAF sale so that the item will be reported as coming from the SDAF inventory and the NC is included in the pricing.

C11.9.6.5.1.4. Contract Administration Services (CAS) Surcharge. CAS is included in the unit price for SDAF items and services. Implementing Agencies (and the Case Writing Division) should not include CAS as a separate pricing element when developing SDAF case lines in DSAMS.

C11.9.6.5.2. Price Reduction. In accordance with [DoD 7000.14-R](#), if DSCA determines an SDAF-procured item is of reduced utility, an appropriate reduction to the price may be made. Such a reduction could conceivably lower the selling price to below the SDAF cost. This pricing information is reviewed by DSCA when the Implementing Agency price the SDAF line(s) on the LOA during case review process.

C11.9.6.6. Payment Schedules. The full payment for defense articles and services sourced from the SDAF must be included in the initial deposit. This policy can be waived by DSCA if there is a strong justification to do so.

C11.9.6.7. Supply Discrepancy Reports (SDRs). It is Department of Defense policy that the appropriation credited with the proceeds of a sale pay SDR costs or replace the material when the U.S. Government is deemed to be at fault (see [DoD 7000.14-R](#)). Hence, SDAF will finance SDRs on SDAF cases, if applicable. When the SDAF is considered the appropriate source of funding for a SDR, the SDR must be submitted to DSCA in accordance with SAMM Section C6.4.10.

C11.9.6.8. Reimbursement to the SDAF. SDAF reimbursement responsibilities for the sale of SDAF assets transferred to a foreign purchaser resides with the Implementing Agency responsible for the LOA. The SDAF sales price is the amount that must be reimbursed to the SDAF. The DSCA Directorate for Business Operations, Comptroller-Security Assistance (CMP-SA), in coordination with the Implementing Agency, assures reimbursement of the appropriate amount to the SDAF. Exceptions to full reimbursement can be directed to CMP-SA.

C11.9.6.8.1. Obligating Documents. After a case is implemented, the Implementing Agency must establish an obligation for the SDAF asset(s) in their official financial system at the case/line level. The Implementing Agency can use a Miscellaneous Obligating Requirements Document, if available.

C11.9.6.8.2. Title Transfer. Once the title for goods or services on a case have been provided to the foreign partner, the Military Department will provide DSCA will the SDAF reimbursement package within 90 days for review and processing. For Building Partner Capacity (BPC) cases, the IA must submit an SDAF reimbursement package to DSCA after the shipment date of the last item on the line due to the SCO retaining title. For instances in which services are fully rendered prior to LOA implementation, all SDAF reimbursement packages must be submitted at a case line level within 90 days of case implementation.

C11.9.6.8.2.1. DFAS-IN will facilitate a reimbursement through an expenditure transfer, an SF-1080 voucher, from the customer trust fund account to the SDAF account. Should the procurement or the delivery of the assets to the customer be cancelled, DFAS-IN will transfer the funds from the SDAF account back to the customer with assistance from the Military Department and DSCA's Comptroller Security Assistance team.

C11.9.6.8.3. Complete Reimbursement. As with any other FMS procurement contract, the LOA obligates the purchaser to pay the total cost to the U.S. Government, even if the actual costs exceed the estimates provided in the LOA. The SDAF sales price is the amount that must be reimbursed to the SDAF to ensure full reimbursement. DSCA in coordination with the Implementing Agency or Military Department, assures reimbursement of the appropriate amount to the SDAF. Exceptions to full reimbursement can be directed to DSCA's Comptroller division.

C11.9.6.8.4. Reimbursement Packages. Once the title has transferred on an SDAF line, the Military Department will provide DSCA with the SDAF reimbursement package within 90 days for review and processing. The reimbursement package must contain: a complete, electronically signed and certified SF-1080 for DSCA's review and approval, a copy of the original obligation, a current copy of the implemented FMS Case, and supporting documentation to confirm that title has transferred. See [Policy DSCA 21-15](#) for examples of the obligation and title transfer documents which will be accepted by DSCA's Comptroller Security Assistance team.

C11.9.6.8.5. Reimbursement Reporting. The Implementing Agencies will be required to provide monthly input to DSCA's Comptroller Security Assistant reimbursement report. IAs will be required to provide a status update to DSCA on all implemented FMS case lines where a case line is eligible to reimburse the SDAF account, but the SDAF package has not been submitted to DSCA. The IAs will be required to identify when DSCA can expect to receive the complete SDAF reimbursement package for review. Responses to the report are due by the third Wednesday of the month.