



DEFENSE SECURITY COOPERATION AGENCY

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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, DEFENSE INFORMATION SYSTEMS AGENCY
DIRECTOR, DEFENSE LOGISTICS AGENCY
DIRECTOR, DEFENSE THREAT REDUCTION AGENCY
DIRECTOR, MISSILE DEFENSE AGENCY
DIRECTOR, NATIONAL GEOSPATIAL-INTELLIGENCE
AGENCY
DIRECTOR FOR SECURITY ASSISTANCE, DEFENSE FINANCE
AND ACCOUNTING SERVICE – INDIANAPOLIS
OPERATIONS
DIRECTOR OF CYBERSECURITY DIRECTORATE AND DEPUTY
NATIONAL MANAGER FOR NATIONAL SECURITY
SYSTEMS, NATIONAL SECURITY AGENCY

SUBJECT: Defense Security Cooperation Agency Policy Memorandum 22-77, DoD
Component Cost Recovery of Security Assistance Functions Administrative
Changes [SAMM E-Change 602]

- References:
- (a) DoDIG-2020-114, “Audit of the Department of Defense Use of Security Assistance Funds and Asset Accountability,” August 17, 2020
 - (b) Deputy Secretary of Defense Memorandum, “Audit of the Department of Defense Use of Security Assistance Funds and Asset Accountability,” June 24, 2020
 - (c) Defense Security Cooperation Agency Policy Memorandum 20-78, “Deputy Secretary of Defense-Directed Comprehensive Analysis of DoD Component Cost Recovery of Security Assistance Functions,” December 4, 2020

This memorandum is a direct response to a DoDIG-2020-114, “Audit of the Department of Defense Use of Security Assistance Funds and Asset Accountability” August 17, 2020. In this memo, 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. This review required us to determine if the Foreign Military Sales (FMS) administrative surcharge rate is adequate to allow DoD to recover all costs (reference

(b)). DSD also tasked USDP to provide guidance on the costs that should be recovered and the process for doing so. As the Policy lead for executing these tasks, DSCA requested the DoD Components provide a summary report of any non-recovered costs identified during the analysis, and identify policy gaps related to the recoupment of costs (reference (c)). This memorandum updates the SAMM with clerical and administrative changes in response to the policy gaps. This memorandum does not contain contextual policy changes. DSCA will issue contextual changes to the SAMM under a separate policy memo/SAMM E-change. These administrative changes will be included in the online version of the SAMM at <https://samm.dsca.mil>.

The SAMM changes identified in this memorandum are effective immediately. For questions, please contact Ms. Wendy Pouliot, Financial Policy & Regional Execution Directorate, Financial Policy Division (OBO/FPRE/FP), (571) 385-8131 or wendy.pouliot.civ@mail.mil.

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J. Aaron Harding
Chief Operating Officer and Chief Financial Officer
Defense Security Cooperation Agency

Attachment:
As stated

Security Assistance Management Manual E-Change 602
DoD Component Cost Recovery of Security Assistance Functions Administrative Changes
(Changes highlighted in RED text)

1. Update SAMM Section C9.1.1. to:

Current wording:

C9.1.1. There are many key financial functions performed during the life cycle of a Foreign Military Sales (FMS) case. Two critical financial functions are the development of pricing estimates for the Letter of Offer and Acceptance (LOA) documents and billing and reporting of Security Assistance (SA) costs incurred/collected. This chapter provides an overview of SA policies and procedures for financial management. See [DoD 7000.14-R, DoD Financial Management Regulation \(FMR\), Volume 15](#), for detailed SA financial policy and procedures.

Revised wording:

C9.1.1. There are many key financial functions performed during the life cycle of a Foreign Military Sales (FMS) case. Two critical financial functions are the development of pricing estimates for the Letter of Offer and Acceptance (LOA) documents and billing and reporting of Security Assistance (SA) costs incurred/collected. This chapter provides an overview of SA policies and procedures for financial management. See [DoD 7000.14-R, DoD Financial Management Regulation \(FMR\), Volume 15](#). ~~for detailed SA financial policy and procedures.~~

2. Update SAMM C.9.3.4. to:

Current wording:

C9.3.4. Pre-LOR and Case Development Activities. Pre-LOR activities are those necessary to assist the purchaser in defining requirements in sufficient detail to produce a complete LOR. A complete LOR is one that contains all of the information necessary for the Implementing Agency (IA) to develop an LOA response. Pre-LOR activities include research and analysis, meetings, briefings, responses to requests for proposals and participation in international competitions, equipment demonstrations, and travel directly related to those efforts. Case development activities are those required to prepare LOAD quality data after an LOR is complete. Case development activities are complete when the LOA has been signed by the purchaser.

Revised wording:

C9.3.4. Pre-Letter of Request and Case Development Activities. Pre-LOR activities are those necessary to assist the purchaser in defining requirements in sufficient detail to produce a complete LOR. A complete LOR is one that contains all of the information necessary for

the Implementing Agency (IA) to develop an LOA response. Pre-LOR activities include research and analysis, meetings, briefings, responses to requests for proposals and participation in international competitions, equipment demonstrations, and travel directly related to those efforts. Case development activities are those required to prepare LOAD quality data after an LOR is complete. Case development activities are complete when the purchaser has signed the LOA (See [SAMM Chapter 5](#)). See [Section C9.4.2](#), for information on pricing and tracking manpower requirements.

3. Update SAMM Section C9.3.5. to:

Current wording:

C9.3.5. LOA Pricing. When pricing FMS case items, the price depends on the source of supply (e.g., available from stock, ordered from procurement, Working Capital Fund (WCF)), and whether the item is to be replaced with a similar or improved item, or involves manpower or training. [DoD 7000.14-R, Volume 15, Chapter 7](#), provides detailed information on how prices are computed.

Revised wording:

C9.3.5. LOA Pricing. When pricing FMS case items, the price depends on the source of supply (e.g., available from stock, ordered from procurement, Working Capital Fund (WCF)), and whether the item is to be replaced with a similar or improved item, or involves manpower or training. [DoD 7000.14-R, Volume 15, Chapter 7](#), provides detailed information on pricing policies.

4. Update SAMM Section C9.4.3.2.1. to:

Current wording:

C9.4.3.2.1. Leave and Holiday Factor. The leave and holidays acceleration factor of 18 percent is applied to the base salary only when the employee is not reimbursed on a full time basis.

Revised wording:

C9.4.3.2.1. Leave and Holiday Factor. The leave and holidays acceleration factor of 18 percent is not applied to civilian personnel assigned full time to a given requirement.

5. Update SAMM Section C9.4.3.2.2. to:

Current wording:

C9.4.3.2.2. Fringe Benefits Factor. The civilian personnel fringe benefits factor is applied to the base salary, with leave and holiday acceleration when applicable, to recover the USG's contribution of civilian employee benefits such as retirement, insurance and health plans,

cash awards, and, when applicable, the USG's share of social security taxes and leave and holidays. The Civilian Fringe Benefit Rates are published annually at the OUSD(C) reimbursable rates Web site.

Revised wording and hyperlink:

C9.4.3.2.2. Fringe Benefits Factor. The civilian personnel fringe benefits factor is applied to the base salary, with leave and holiday acceleration when applicable, to recover the USG's contribution of civilian employee benefits such as retirement, insurance and health plans, and cash awards. ~~and, when applicable, the USG's share of social security taxes and leave and holidays.~~ The Civilian Fringe Benefit Rates are published annually at the OUSD(C) reimbursable rates [website](#).