



## DEFENSE SECURITY COOPERATION AGENCY

2800 DEFENSE PENTAGON  
WASHINGTON, D.C. 20301-2800

JUNE 16, 2023

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 23-38, Contract Administration Services Waiver for the Ministry of Defense of Japan [SAMM E-Change 638]

Reference: Section 21h of the Arms Export Control Act, 22 United States Code, Section 2761.

Pursuant to the reference, the President may waive charges for Government Quality Assurance (GQA) services under Foreign Military Sales (FMS) cases if the foreign partner provides GQA services to the United States without charge on a reciprocal basis in accordance with an agreement. The Department of Defense of the United States of America and the Ministry of Defense of Japan concluded such an agreement on April 17, 2023. Effective immediately, the Contract Administration Services Quality Assurance and Inspection (QA&I) surcharge for all new FMS cases implemented for the Ministry of Defense of Japan on or after April 17, 2023, are to be waived. The policy in the attachment is incorporated into the DSCA Security Assistance Management Manual (SAMM) at <https://samm.dsca.mil>.

Request the Defense Finance and Accounting Service properly code all Ministry of Defense of Japan FMS cases implemented on or after April 17, 2023, to exclude the calculation of the QA&I surcharge. In addition, request Implementing Agencies take appropriate action to

ensure all new FMS cases implemented on or after April 17, 2023, are priced to reflect the waiver of the QA&I surcharge.

If you have questions on this guidance, please contact Jennifer Robey, Financial Policy & Regional Execution Directorate, Financial Policy Division (FPRE/FP), (571) 236-0341, [jennifer.e.robey.civ@mail.mil](mailto:jennifer.e.robey.civ@mail.mil).

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

Attachments:

1. Attachment 1: Security Assistance Management Manual E-Change 638
2. Attachment 2: Implementation Guidance

**Attachment 1: Security Assistance Management Manual E-Change 638**

**CONTRACT ADMINISTRATION SERVICES WAIVER FOR THE MINISTRY OF  
DEFENSE OF JAPAN**

1. Update SAMM Table C9.T5., Approved Reciprocal Country Agreement Listing, to include:

<b>COUNTRY/SECURITY ASSISTANCE COUNTRY CODE</b>	<b>EFFECTIVE DATE</b>	<b>COST WAIVED</b>
Japan (JA)	April 17, 2023	Quality Assurance and Inspection

## Attachment 2: Implementation Guidance

Scope: The Quality Assurance and Inspection Contract Administration Services (CAS) surcharge for all new Foreign Military Sales (FMS) cases is waived for the Ministry of Defense of Japan, effective April 17, 2023.

1. **Letters of Offer and Acceptance (LOAs) in “Implemented” Status prior to April 17, 2023.** CAS is applied based on the implementation date of the basic LOA. Therefore, all LOAs implemented prior to April 17, 2023 will continue to be assessed the rates applied to the basic LOA for the life of the case.
2. **LOAs in "Development" Status on or after April 17, 2023.** The Implementing Agencies (IAs) will need to update the pricing effective date in DSAMS for each line coded with source codes either “X” or “P”, prior to advancing a basic LOA to "Write" Status. In the line price estimation window, update the effective date to a date on/after 17 April 2023 and recalculate the line. This will change the CAS Quality Assurance and Inspection indirect pricing component (IPC) to reflect AP at zero %.
3. **LOAs in "Write", "Review", or “Proposed” Status on or after April 17, 2023.** Documents under the control of the Case Writing and Development Division (CWD), placed in "W", "R", or “P” status on or after the CAS Quality Assurance and Inspection waiver implementation date, will be returned to the IA for repricing if the IA has not made the pricing change during development.
4. **LOAs in “Offered”, “Accepted”, or “Implemented” Status on or after April 17, 2023.** DSCA/IM&T-Mechanicsburg will identify all basic LOAs requiring the CAS Quality Assurance and Inspection component waiver by posting a DSAMS Case Remark and Future Correction Required Milestone via the batch process as indicated below.

DSCA/Financial Policy DSAMS Case Remark "CAS Rate Adjustment", "In accordance with [DSCA Policy 23-38](#), this case has a status of O or A as of April 17, 2023, or has an implementation date on or after April 17, 2023, which is the effective date for the CAS Quality Assurance and Inspection component waiver and requires the waived CAS rate. This must be accomplished for all applicable lines on the next document processed." The organizational activity of the case remark will be identified as "DSCADBOFPS " with the Financial Policy Division Chief as the author.

DSAMS Milestone "FUTCORREQR". "In accordance with DSCA Policy 23-38, this case has a status of O or A as of April 17, 2023, or has an implementation date on or after April 17, 2023, which is the effective date for the CAS Quality Assurance and Inspection component waiver and requires the waived CAS rate. This must be accomplished for all applicable lines on the next document processed." The organizational activity of the case remark will be identified as “DSCADBOFPS " with the Financial Policy Division Chief as the author. The Future Correction Required Reason Code will reflect "R51F" to categorize the CAS update.

5. **Defense Finance and Accounting Service (DFAS) CAS rate update in Defense Integrated Financial System (DIFS).** DFAS will load the CAS Quality Assurance and Inspection waiver into DIFS for each new (basic) case received on or after April 17, 2023.