



## DEFENSE SECURITY COOPERATION AGENCY

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27 January 2025

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 24-57, Incorporation of Financial Policies into the Security Assistance Management Manual [SAMM E-Change 704]

- References:
- (a) Defense Security Cooperation Agency Policy Memorandum 08-10, "Pricing Policy Clarification - Amendments and Modifications", 2 April 2008
  - (b) Defense Security Cooperation Agency Policy Memorandum 14-08, "Clarification of Pricing Element Review Related to Letters of Offer and Acceptance", 3 April 2014
  - (c) Defense Security Cooperation Agency Policy Memorandum 19-06, "Letter of Offer and Acceptance Revised Pricing Guidance", 22 February 2019
  - (d) Defense Security Cooperation Agency Policy Memorandum 04-07, "Termination Liability Reserves", 5 February 2004
  - (e) Defense Security Cooperation Agency Policy Memorandum 19-40, "Special Bill Arrangement Notification on the Letter of Offer and Acceptance", 1 November 2019
  - (f) Defense Security Cooperation Agency Policy Memorandum 19-03, "Prior Year Adjustment Requests for Building Partner Capacity Cases", 22 February 2019

This policy memorandum incorporates the reference financial policies into the Security Assistance Management Manual (SAMM) at <https://samm.dsca.mil>. The SAMM is the authoritative source for Security Cooperation policy and guidance. Incorporating these policies ensures the SAMM is updated with the current guidance and reduces duplication, errors, and confusion within the community. The reference policies will be updated to “incorporated” in the SAMM.

If you have questions concerning this memorandum, please contact DSCA (Office of Business Operations Financial Policy & Regional Execution Directorate, Financial Policy Division (OBO/FPRE/FP)) at [dsca.ncr.obo.list.fpre-fp@mail.mil](mailto:dsca.ncr.obo.list.fpre-fp@mail.mil). For general questions about the SAMM, please contact DSCA (Office of Strategy, Plans, and Policy, Execution Policy and Analysis Directorate (SPP/EPA)) at [dsca.ncr.spp.mbx.epa@mail.mil](mailto:dsca.ncr.spp.mbx.epa@mail.mil).

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Glenn Anderson  
Acting Chief Operating Officer and  
Chief Financial Officer  
Defense Security Cooperation Agency

Attachment:  
SAMM E-Change 704

## Security Assistance Management Manual E-Change 704

1. Add SAMM Section C9.4.9. to incorporate policies DSCA 08-10 - Pricing Policy Clarification - Amendments and Modifications, DSCA 14-08 - Clarification of Pricing Element Review Related to Letters of Offer and Acceptance, and DSCA 19-06 - Letter of Offer and Acceptance Revised Pricing Guidance:

### C9.4.9. Line Level Review Related to Letters of Offer and Acceptance (LOAs)

C9.4.9.1. Amendments and Modifications. Due diligence should be employed by the IAs in reviewing cases, lines, and finances on a continuous basis to ensure correctness and limit the return of cases. The following procedures outline the level of pricing detail that should be researched and/or the pricing updates that should be accomplished when LOA amendments and modifications are processed.

C9.4.9.1.1. For any implemented lines on a LOA affected by the amendment or modification, also called “Touched Lines”, the following applies:

C9.4.9.1.1.1. The pricing is to be updated for touched lines, to include the correct Primary Category Code (PCC) structure and correct/appropriate Individual Pricing Components (IPCs) (e.g., Nonrecurring Cost (NC) recoupment charges, Contract Administration Services (CAS), FMS Administrative Surcharge, and Transportation).

C9.4.9.1.1.1.1. For Logistics Support Charge (LSC), the line should be reviewed by the IA to determine what deliveries have already been made with shipment dates prior to 1 October 2007. The LSC should be recalculated against only those deliveries and the pricing adjusted accordingly.

C9.4.9.1.1.1.2. Although not mandatory, IAs should consider updating LSC values, as appropriate, when an LOA amendment or modification is being processed. However, if an FMS purchaser has requested the reallocation of funds within a case or if the FMS purchaser has requested that the LSC be reduced to reflect actual charges, the IA must adjust LSC pricing as appropriate. The IA should also consider adjusting LSC pricing if doing so could make funds available on a line to pay for new requirements being added to that case line via an LOA amendment (even if the FMS purchaser has not specifically asked). In this situation it is within the discretion of the IA to determine when LSC pricing adjustment is appropriate; the LOA amendment or modification will not be returned for the sole reason that LSC was not adjusted.

C9.4.9.1.1.2. The Defense Security Assistance Management System (DSAMS) pricing coding must be updated to ensure proper Apply (AP)/Waive (WC) codes are used for each IPC even if the price/value is otherwise correct. The key aspect of an IPC is to assign the correct estimate for that surcharge. Pricing codes of AP-0%, WC, or Not Applicable (NA) are all acceptable pricing coding for IPCs when the net result is \$0. When necessary to use

Override Cost (OC)/Override Percent (OP), a justification must be entered for each IPC in the Line Price Estimation Screen.

C9.4.9.1.2. For any implemented line that is not part of the LOA amendment or modification, also referred to as “Untouched Lines”, the following applies:

C9.4.9.1.2.1. Identify and fix pricing and price coding issues that do not conform to current policy/guidance in all amendments or modifications as they are being developed. If the price/value that is calculated and included in the value of the case is incorrect, the incorrectly priced line item must be added to the amendment or modification and the pricing fixed. For example, if NC or CAS costs should have been applied and were not, the line must be corrected now that it is known there is a pricing mistake.

C9.4.9.1.2.1.1. Once an IA has forwarded the documents to DSCA (Office of International Operations, Global Execution Directorate, Case Writing and Development Division (IOPS/GEX/CWD)) for processing, an LOA document should not be returned to the IA when it is determined there is an incorrect pricing/pricing component(s) on untouched case lines during the review process (unless preparing for closure, in which case the correction must be addressed on the document in process). Instead, the DSCA reviewers will enter case remark into DSAMS that identifies the line and the action that must be taken on the next iteration of the document (i.e., the next amendment or modification to the LOA) and “Approve with Comment” in the Case Tracking System (CTS). DSCA (IOPS/GEX/CWD) has established two milestones in DSAMS to monitor and track these types of future correction required events - FUTCORREQW and FUTCORREQR. [Note: A case level report, RP-434, allows users to view whether a document has any open corrections required.] DSCA (IOPS/GEX/CWD) posts the appropriate FUTCORREQ milestone and reason codes based on the reviewer’s comments.

C9.4.9.1.3. "Touched" and "Untouched Lines" on LOA Amendments and Modifications. Agreement among pricing components, Source of Supply (SoS), and Delivery Term Codes (DTCs). The following are examples of the application of pricing components with the proper SoS and DTC.

C9.4.9.1.3.1. Correct Price Element (PE) Coding. The PE code assigned to a PCC must be appropriate to the SoS of the line, or portion of the line. The most common issue is incorrect usage of the PE Code for Contract Cost (CC). As an example, a line is coded SoS “S” and the PE code reflects “CC”. This is incorrect since “CC” indicates the inclusion of Termination Liability (TL) in the payment schedule which is applicable only to lines coded with SoS “P” or “X”. SoS “S” lines cannot reflect a PE of “CC”. Similarly, the PCC for “P” coded lines (or “P” portions of an “X” line) must have a “CC” PE code.

C9.4.9.1.3.2. “X” Coded Line Structure. SoS “X” coded lines, (mixed stock and procurement), must reflect a minimum of two PCCs, one for stock and one for procurement, with the CAS appropriately applied to the procurement PCC. The PCCs also must have the correct PE coding.

C9.4.9.1.3.3. Lines with Embedded Manpower. As an example, Army ammo lines may be reflected on the LOA with SoS “P”; however, the RP069 - Document Pricing Calculations, must reflect the two separate PCCs - one for procurement action and one for manpower costs.

C9.4.9.1.4. Lines Implemented Prior to and Converted into DSAMS. For most cases that have lines which were implemented at the time of conversion into DSAMS, it may be difficult to determine the specific add-on percentages for the IPCs or an appropriate breakout of IPCs. In these instances, during development of the LOA amendment or modification, the IA will provide a comment in the case remarks to explain that detailed pricing breakouts are not available without excessive expenditure of resources. However, lines which were added to those pre-DSAMS cases on/after 1 October 2001, must be in compliance with applicable pricing rules. For new lines added after DSAMS conversion, as reflected on the RP079 - Document History Report, or RP087 - Case Line History, existing procedures apply. A case will not be returned simply based on the inability to provide the cost breakouts on pre-DSAMS lines. If there are no comments provided to indicate what the general pricing contained, then the case will be returned to the IA.

C9.4.9.1.5. Transportation. For materiel lines that have an associated line for a Special Assignment Airlift Mission (SAAM) flight, the IA should enter the appropriate DTC against the materiel line based on the mode of transportation provided (e.g., port-to-port, depot-to-in-country destination) and the rate area where articles are being delivered. For example, a materiel line may reflect a DTC 7 or DTC 9 with an OP at 0% and the remarks should state that it is a SAAM flight. The IA must also indicate in the line note if Continental United States transportation is included in the pricing of the materiel line or if the USG is responsible for such costs (non-Working Capital Fund line). If the latter is applicable, the LOA line must reflect DTC 2/”DTC X” (ex. DTC 2/7). DSAMS Delivery Term Code Distribution Screen should be set to 100% for DTC 2 and 0% for DTC 7 to ensure DTC 2 is assessed below the line.

C9.4.9.2. Continuous Review of Financial Obligations, Commitments, Delivery, and Billing. Similar to pricing, continuous review of the financial obligation, commitment, delivery, and billing status of an LOA should be an ongoing process to ensure the document is financially viable at all times. As with pricing, the goal/intent of this analysis is to review the overall financial status of a document when preparing new LOA amendments and modifications. The Case Validation is a useful tool to identify when a line is being/has been reduced below the level of obligations, commitments, deliveries, and billings being reported by the IA financial systems. However, if the timing/need for the document is critical, it may not be feasible to perform a detailed reconciliation of funding on the line to determine if a line amount adjustment is actually required and appropriate. In this case, the IA should document the financial out of balances in a case remark, recognizing it will correct those imbalances within a certain timeframe (stated in the case remark), and cover such costs if not corrected at that time of the next amendment or modification. If, during the review process, it is determined that not covering the financial imbalance will result in an unacceptable cash balance for the customer or some other egregious financial condition, the document will be returned to the IA unless the IA’s case remarks in DSAMS adequately address the imbalance. This financial reconciliation of obligations and disbursements is related to but separate from the pricing issues discussed above. Nothing in this paragraph should be interpreted to alter

the requirements to apply appropriate pricing as discussed otherwise in the SAMM or other pricing memos.

2. Renumber SAMM Section C9.3.9. to C9.3.10.
3. Renumber SAMM Section C9.3.10. to C9.3.11.
4. Add SAMM Section C9.3.9. to incorporate Section A - Pricing Estimates from Vendors from policy DSCA 19-06 - Letter of Offer and Acceptance Revised Pricing Guidance:

C9.3.9. Pricing Estimates from Vendors. For Letters of Offer and Acceptance (LOA) with Anticipated Offer Dates (AODs) relative to groups B, C, and D (see [Section C5.T6.](#)), a delay in receiving contractor estimates may adversely affect the MILDEPs ability to offer LOAs in a timely manner. When developing an LOA document that requires a vendor estimate, the standard timeframe to wait for the vendor estimate is 20 days from the date of the MILDEP request. Absent the vendor estimate, the MILDEP should develop the estimate of the item(s) cost using the mechanisms identified in the [DoD FMR Vol 15, Ch 7](#). This timeframe is not a “hard-stop” and the MILDEP may, at its discretion, allow for a longer time for a vendor response when warranted by the circumstances (e.g., first sale of an item, more unique/complicated version, non-standard or country-unique requirements, etc. where the MILDEP would be unable to develop a reasonably accurate estimate.)

5. Add SAMM Section C9.9.1.5.3.1. to incorporate policy DSCA 04-07 - Termination Liability (TL) Reserve:

C9.9.1.5.3.1. Termination Liability Reserve Recordkeeping. All TL reserves in the FMS Trust Fund will be recorded in Financial Management Ledger (FML) account 1003. Account 1003 should only be used for TL reserves.

6. Update C9.10.2.4. to incorporate policy DSCA 19-40 - Special Bill Arrangement Notification on the Letter of Offer and Acceptance:

From:

C9.10.2.4. Special Bill Letter. After an SBA is established, DSCA will, on the date and at the frequency specified in the SBA, provide the FMS partner an SBL requesting payment. The SBL is the official billing document that supersedes the quarterly DD 645 billing statement when an SBA is established. The amount due and payable in the SBL supersedes Column 14 (Amount Due and Payable) of the DD 645 Billing Statement. See [Table C9.T27.](#) for sample calculation.

To:

C9.10.2.4. Special Bill Letter. After an SBA is established, DSCA will, on the date and at the frequency specified in the SBA, provide the FMS partner an SBL requesting payment. The SBL is the official billing document that supersedes the quarterly DD 645 billing statement when an SBA is established. The amount due and payable in the SBL supersedes

Column 14 (Amount Due and Payable) of the DD 645 Billing Statement. See [Table C9.T27](#). for sample calculation.

C9.10.2.4.1. FMS partners with SBAs will have the following statement on LOAs that are billed in accordance with an SBA instead of the standard DD645 issued by DFAS:

"The above stated Estimated Payment Schedule represents the Department of Defense's (DoD's) best estimate of its cash requirements to provide the articles and/or services identified on this Letter of Offer and Acceptance (LOA) document. As such, these values are incorporated into the quarterly Foreign Military Sales Billing Statement, DD Form 645. However, to more accurately reflect the DoD's ongoing cash requirements for active LOAs, the Purchaser has entered into a Special Billing Arrangement that authorizes DSCA to issue a Special Bill Letter. This Special Bill Letter more accurately reflects the most current calculations of DoD's cash requirements for the Purchaser's FMS program. The amount due as stated on the periodic Special Bill Letter supersedes the Amount Due stated on the DD Form 645 and is the amount the Purchaser is obligated to pay. The amount due as stated on the Special Bill Letter is an official claim of the United States Government and is incorporated into this LOA for purposes of enforcement and claims."

C9.10.2.4.1.1. This statement will be added by DSCA/GEX/CWD. The purpose of this LOA statement is to ensure all parties are aware of the official billing method for each LOA. This statement ensures there is notification and transparency of the official billing method.

C9.10.2.4.2. The Defense Security Assistance Management System (DSAMS) Country Reference Report (WN039) has been updated as necessary to identify all FMS partners that use SBAs. Country Financial Directors (CFDs) will communicate DSAMS exceptions and changes to the DSCA (Office of Business Operations, Information Management & Technology (OBO/IM&T)) DSAMS team. These changes will be updated on the DSAMS Country Reference Report (WN039) and/or DSAMS Case Detail Window (WN005) as appropriate. DSCA (OBO/FPRE) Regional Division will be responsible for reviewing all LOAs to ensure the above Special Bill statement is inserted on LOA documents as necessary.

7. Add SAMM Sections C15.6.1.1.4.1.-C15.6.1.1.4.4./~~(C15-Legacy.6.2.1.4.1.-C15-Legacy.6.2.1.4.4.)~~ and C15.6.1.1.5./~~(C15-Legacy.6.2.1.5.)~~ to incorporate language from DSCA 19-03 Steps 4 and 5:

C15.6.1.1.4.1./~~(C15-Legacy.6.2.1.4.1.)~~. Within 30 days of receiving the complete PYA request from the IA, the CFD will inform the IA of DSCA's decision.

C15.6.1.1.4.2./~~(C15-Legacy.6.2.1.4.2.)~~ If approved, the CFD will provide the unique case note and approval memo to the IA and document the approval in a DSAMS case remark.

C15.6.1.1.4.3./~~(C15-Legacy.6.2.1.4.3.)~~ If disapproved, the CFD will inform the IA of DSCA's decision and provide guidance on the way forward.

C15.6.1.1.4.4./C15-Legacy.6.2.1.4.4.) If expired year funds are not available, then current year funds must be used to fund the requirement. The IA must amend the prior year case to add a unique case note stating funds are not available and reference the amount and current year case funding the expired year bill.

C15.6.1.1.5./C15-Legacy.6.2.1.5.) Prior Year Adjustment in DSAMS. When the IA receives the PYA approval memo, the IA will enter the memo's date as the LOR receipt date in DSAMS (LOR receipt date starts the processing clock for LOA document development), add the required notes and other information required to complete the document, and submit the document to DSCA (Office of International Operations, Global Execution Directorate, Case Writing and Development Division (IOPS/GEX/CWD) for further processing. The IA must include the DSCA approval memo when providing military approval (MILAP). The IA will retain all supporting documentation in accordance with document retention requirements.