



DEFENSE SECURITY COOPERATION AGENCY
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WASHINGTON, D.C. 20301-2800

11 JUNE 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, SECURITY COOPERATION ACCOUNTING
DIRECTORATE, 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 25-23, Recoupment of
Nonrecurring Costs on Foreign Military Sales Cases [SAMM E- Change 725]

REFERENCES:

- a) Section 21 (e)(1)(B) of the Arms Export Control Act, as amended ([22 U.S.C. 2761\(e\)\(1\)\(B\)\)](#))
- b) Section 21(e)(2)(B) of the AECA ([22 U.S.C. 2761\(e\)\(2\)\(B\)\)](#))
- c) [DoD Directive 2140.2, "Recoupment of Nonrecurring Costs on Sales of U.S. Items,"](#)
dated May 22, 2018

This memorandum updates SAMM policy on collecting nonrecurring costs (NCs) on Foreign Military Sales (FMS) cases under references (a), (b), and (c). The Department will implement revised guidelines for the collection of five percent of NCs on FMS cases. The five percent collection will occur at case implementation and will be transferred to the Special Defense Acquisition Fund (SDAF). This policy applies to all NC waivers submitted on or after 1 July 2025.

If you have policy questions on 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. Please reference the DSCA Policy Number and Memo Subject. For waiver questions, please contact DSCA (Office of International Operations, Global Execution Directorate, Assistance & Monitoring Division (IOPS/GEX/AMD)) at dsca.ncr.pie.mbx.nc@mail.mil. If you have general questions on 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. Please reference the DSCA policy number and memo subject.

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Date: 2025.06.11 09:01:46 -04'00'

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

Attachment:

1. Security Assistance Management Manual E-Change 725
 2. Implementation Instructions
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Attachment 1
Security Assistance Management Manual E-Change 725

1. Update SAMM section SDAF.2.1.5.2.2.:

From:

SDAF.2.1.5.2.2. Nonrecurring Cost Recoupment Charges. These include all applicable and charged NC recoupment charges on Major Defense Equipment (MDE) sold via an FMS case. If the waiver is not granted to the foreign partner for the MDE items, then the NC recoupment charges associated with the sale of the MDE items must be collected into the SDAF as proceeds from the FMS case.

To:

SDAF.2.1.5.2.2. Nonrecurring Cost Recoupment Charges. These include all applicable and charged NC recoupment charges on Major Defense Equipment (MDE) sold via an FMS case. Unless a full waiver for NC recoupment is granted to the foreign partner, the associated charges (or a percentage, depending on the waiver terms) for MDE sales must be collected and transferred to the Special Defense Acquisition Fund (SDAF). DSCA will monitor the amount recouped by each MDE item. For reconciliation of NC recoupment charges where a credit to the SDAF account needs to be returned, see [Section SDAF.2.1.5.4.4](#). NC recoupment charges do not apply if the Term of Sale is FMF or Military Assistance Program (MAP) funds. [See Section C9.4.5](#).

2. Update SAMM section SDAF.2.1.5.4.1.:

From:

SDAF.2.1.5.4. Processing Offsetting Collections. Before processing offsetting collections, IAs must verify if charges have been billed to the customer for NC recoupment charges and/or if title has transferred for items not requiring replacement. Reporting the shipment of articles must remain in compliance with the [DoD FMR 7000.14-R Volume 15, Chapter 8, Section 2.3.2](#).

To:

SDAF.2.1.5.4. Processing Offsetting Collections. Before processing offsetting collections, IAs must verify if charges have been billed to the customer for NC recoupment charges ~~and~~/or if title has transferred for items not requiring replacement. Reporting the shipment of articles must remain in compliance with the [DoD FMR 7000.14-R Volume 15, Chapter 8, Section 2.3.2](#).

3. Update SAMM section SDAF.2.1.5.4.1.:

From:

SDAF.2.1.5.4.1. DSCA established the SDAF collection receipt account 97-11X 4116 for all three sources of offsetting collections listed in Section SDAF.2.1.5., and the IAs are to post SDAF collections into this account for capitalization purposes. To transfer funds to 97-11X 4116, an IA must prepare a Standard Form (SF) 1080, a voucher for transfers between appropriations and/or funds. The appropriate case or financial manager will send the SF 1080 to DSCA within 30 calendar days of title transfer or when NC recoupment charges are billed to the foreign partner. IAs should submit the vouchers to the DSCA (OBO/CMP/SA) SDAF shared mailbox:

dsca.ncr.bpc.mbx.sdaf-financials@mail.mil. DSCA (OBO/CMP/SA) will review the SF 1080 voucher for errors and record the Case Identifier (ID), MILDEP, Line of Accounting, PCC/IPC, Offsetting Collection Type and Date of Submission for tracking purposes. If the package contains no errors, DSCA (OBO/CMP/SA) will approve the package and forward it to the appropriate Defense Finance and Accounting Service (DFAS) office for processing.

To:

SDAF.2.1.5.4.1. DSCA established the SDAF collection receipt account 97-11X 4116 for all three sources of offsetting collections listed in Section SDAF.2.1.5., and the IAs are to post SDAF collections into this account for capitalization purposes. To transfer funds to 97-11X 4116, an IA must prepare a Standard Form (SF) 1080, a voucher for transfers between appropriations and/or funds. **Regardless of the Term of Sale, type of payment schedule or if there's a Special Billing Arrangement in place,** the appropriate IA case or financial manager will send the SF 1080 to DSCA within 30 calendar days of title transfer **for the sale of stock not requiring replacement or when from case implementation** for NC recoupment charges **are billed to the foreign partner**. IAs should submit the vouchers **and supporting documentation** to the DSCA (OBO/CMP/SA) SDAF shared mailbox: dsca.ncr.bpc.mbx.sdaf-financials@mail.mil. DSCA (OBO/CMP/SA) will review the SF 1080 voucher for errors and record the Case Identifier (ID), MILDEP, Line of Accounting, PCC/IPC, Offsetting Collection Type and Date of Submission for tracking purposes. If the package contains no errors, DSCA (OBO/CMP/SA) will approve the package and forward it to the appropriate Defense Finance and Accounting Service (DFAS) office for processing.

4. Update SAMM section SDAF.2.1.5.4.2.

From:

SDAF.2.1.5.4.2. FMS Offsetting Collection Packages. IAs must provide complete and accurate offsetting collections packages to DSCA. The guidance below is intended to standardize each offsetting collections package developed by the IAs to enable more efficient processing. Complete packages include the following items.

1. A complete and electronically certified [SF 1080](#), to include the obligating document number and full line of accounting, which must include the limit and fiscal station number
2. A copy of the obligating document at a case/line level, which must contain the obligating document number referenced on the [SF 1080](#)
3. Confirmation that title transfer has occurred for articles on the case or charges have been billed for NC recoupment charges and asset use charges
4. The most current implemented version of the FMS case (DSAMS implemented case report containing only the applicable pages relevant to the transfer)
5. Additional documentation to validate the PCC/IPC (e.g., RP069 report, etc.)

To:

SDAF.2.1.5.4.2. FMS Offsetting Collection Packages. IAs must provide complete and accurate offsetting collections packages to **DSCA regardless of whether the funds are being transferred to the Treasury's miscellaneous receipts account (3041) or to SDAF. SDAF offsetting collection packages will be reviewed and approved by DSCA CMP SA. Collections going to the Treasury will be reviewed to ensure the case line is coded properly, i.e., MILDEPs are transferring funds to 3041 that are unauthorized for SDAF (BPC, non-repayable FMF, etc.).** The guidance below is intended to standardize each offsetting collections package developed by the IAs to enable more

efficient processing. Complete packages include the following items.

1. A complete and electronically certified [SF 1080](#), to include the obligating document number and full line of accounting, which must include the limit and fiscal station number
2. A copy of the obligating document at a case/line level, which must contain the obligating document number referenced on the [SF 1080](#)
3. Confirmation that title transfer has occurred for articles ~~or charges have been billed for NC recoupment charges and asset use charges~~ sold without replacement on the case
4. ~~The most current implemented version of the FMS case (DSAMS RP005 current implemented case report containing only the applicable pages relevant to the transfer)~~
5. Additional documentation to validate the PCC/IPC (e.g., RP069 report, etc.)
6. **Applicable only for offsetting collection packages associated with non-recurring cost recoupment charges: DSAMS non-recurring cost recoupment charge “waived and applied” DSAMS report or other supporting documentation that can verify the amount being collected is an authorized non-recurring cost recoupment charge**

5. Add SDAF.2.1.5.4.5 per below:

SDAF.2.1.5.4.5. Case managers shall maintain the [SF 1080](#) and [SF 1081](#) in case files for reconciliation between the IA financial system and the Defense Integrated Financial System (DIFS).

6. Add C9.4.5.5. per below:

C9.4.5.5. Initial Deposit. NC charges will be collected in the initial deposit and transferred to the SDAF account via offsetting collections. See [Section SDAF.2.1.5.4.](#) for processing offsetting collections.

7. Update C9.9.1.5.1. per below:

From:

C9.9.1.5.1. Initial Deposit. Each LOA includes an Initial Deposit to cover the outlays and/or deliveries anticipated until the first quarterly payment is received. The Term of Sale, type of case, projected date of delivery or performance of services, anticipated date of LOA acceptance, and source of supply impact the Initial Deposit. The purchaser forwards the Initial Deposit to Defense Finance and Accounting Services Indianapolis (DFAS-IN) by wire transfer (the preferred method of payment) or by check. The purchaser may use excess FMS Trust Fund Holding Account funds to pay the Initial Deposit. Amendments use the term “Due with Amendment Acceptance” vice Initial Deposit. The amount of the Initial Deposit is determined as shown in [Table C9.T17.](#)

To:

C9.9.1.5.1. Initial Deposit. Each LOA includes an Initial Deposit to cover **the Nonrecurring Costs (NCs) payment** and outlays and/or deliveries anticipated until the first quarterly payment is received. The Term of Sale, type of case, projected date of delivery or performance of services, anticipated date of LOA acceptance, and source of supply impact the Initial Deposit. The purchaser forwards the Initial Deposit to Defense Finance and Accounting Services Indianapolis

(DFAS-IN) by wire transfer (the preferred method of payment) or by check. The purchaser may use excess FMS Trust Fund Holding Account funds to pay the Initial Deposit. Amendments use the term “Due with Amendment Acceptance” vice Initial Deposit. The amount of the Initial Deposit is determined as shown in [Table C9.T17](#).

8. Add the following row to Table C9.T17. per below:

Condition	Initial Deposit Amount
Nonrecurring Costs (NCs)	5 percent collected on new requirements on/after 1 July 2025

9. Update C9.6.3.2. per below:

From:

C9.6.3.2. Nonrecurring Cost Waiver Process. Waivers are granted on a case-by-case basis; blanket waivers are not considered. In most cases, the purchaser’s request must be submitted to the USG prior to acceptance of the LOA (or Amendment for increased quantities); however, some waiver requests for NATO interoperability may be approved after the LOA (or Amendment for increased quantities) is accepted.

To:

C9.6.3.2. Nonrecurring Cost Waiver Process. ~~Waivers are granted~~ NCs may be waived or partially waived on a case-by-case basis; blanket waivers are not considered. In most cases, the purchaser’s request must be submitted to the USG prior to acceptance of the LOA (or Amendment for increased quantities); however, some waiver requests for NATO interoperability may be approved after the LOA (or Amendment for increased quantities) is accepted.

10. Update C9.6.3.2.1. per below:

From:

C9.6.3.2.1. Purchasers submit NC waiver or reduction requests to the Military Department (MILDEP) (preferably with the LOR). If the MILDEP concurs, it endorses the request and submits it to DSCA (IOPS) for approval. The package must include: a copy of the purchaser’s written NC waiver request (including reason and/or justification), MILDEP concurrence (or non-concurrence), FMS case identifier, description and quantity of items, NC amounts to be waived (pro rata and total), and any information about cost deviation (i.e., if the proposed pro rata waiver cost does not match the approved pro rata NC charge). DSCA (IOPS) staffs the package within DSCA, USD (A&S), and USD (C); additionally, if the basis of the NC waiver is “loss of sale”, the package is staffed within the Office of the Under Secretary of Defense for Policy (OUSD (P)). After coordination, the Director, DSCA approves or disapproves the NC Waiver and the MILDEP is notified.

To:

C9.6.3.2.1. Purchasers submit NC waiver or reduction requests to the Military Department (MILDEP) (preferably with the LOR). If the MILDEP concurs, it endorses the request and submits it to DSCA (IOPS) for approval. The package must include: a copy of the purchaser’s

written NC waiver request (including reason and/or justification), MILDEP concurrence (or non-concurrence), FMS case identifier, description and quantity of items, NC amounts to be waived (pro rata and total), and any information about cost deviation (i.e., if the proposed pro rata waiver cost does not match the approved pro rata NC charge). DSCA (IOPS) staffs the package within DSCA, USD (A&S), and USD (C); additionally, if the basis of the NC waiver is “loss of sale”, the package is staffed within the Office of the Under Secretary of Defense for Policy (OUSD (P)). After coordination, the Director, DSCA approves, **partially approves**, or disapproves the NC Waiver and the MILDEP is notified.

11. Add C9.6.3.2.6. per below:

C9.6.3.2.6. A partially approved NC waiver for increased line-item quantities against an existing line granted a full waiver requires a new line added to the case. This process captures the increased quantities at the partially approved cost.

12. Revise Appendix 6 - LOA Note "Nonrecurring Costs - Waiver Approved" as follows:

Nonrecurring Costs - Waiver Approved

FMS: Yes
BPC: No
Note Input Responsibility: CWD
References
See Section C9.6.3.
Date Range of Use All
Note Usage
<p>Mandatory for Foreign Military Sales (FMS) Letters of Offer and Acceptance (LOAs) when a Nonrecurring Cost (NC) charge applies but has been waived in full or partially.</p> <p>Mandatory for Amendments and Modifications when lines are added and an NC charge applies to the new lines and has been waived; or quantities are increased on lines where an NC charge applies and has been waived.</p> <p>The note should identify the DSCA Correspondence and Task Management System (CATMS) Task Identification (ID), which currently begin with the Office of Undersecretary of Defense for Policy (OUSD/P) component name acronym USP, and date of all NC waivers that have been granted against the case.</p>
Note Text
"Nonrecurring Costs (NC) apply to line(s) [insert numbers] of this Letter of Offer and Acceptance (LOA). The purchaser's request to waive these charges has been approved or partially approved by Defense Security Cooperation Agency (DSCA) memorandum ["subject" and "tracking number"], dated [insert date]. Therefore, these costs have not been included in this case."

Attachment 2

Implementation Instructions for DSCA Policy Memorandum 25-23

This policy only applies to Nonrecurring Cost (NC) waivers submitted on or after 1 July 2025. NC waivers submitted before the implementation date will not be impacted by this policy change. Upon the 1 July 2025 implementation date, Implementing Agencies (IAs) submitting USG/Program Office/Contractor Provided Unique or Purchaser Requested Unique Payment Schedules will ensure that the NC applied amount is included in the initial deposit. CWD will manually include the applied NC to all DSAMS generated payment schedules.