DEFENSE SECURITY ASSISTANCE AGENCY

WASHINGTON, DC 20301-2800

24 SEP 1997

In response refer to:
I-52351/97

MEMORANDUM FOR DEPUTY UNDER SECRETARY OF THE ARMY
(INTERNATIONAL AFFAIRS (SAUS-IA-ZA))

DIRECTOR, NAVY INTERNATIONAL PROGRAMS
DEPARTMENT OF THE NAVY

DEPUTY UNDER SECRETARY FOR INTERNATIONAL
AFFAIRS (SAF/IA)
DEPARTMENT OF THE AIR FORCE

DIRECTOR, DEFENSE LOGISTICS AGENCY

DEPUTY DIRECTOR FOR SECURITY ASSISTANCE,
DEFENSE FINANCE AND ACCOUNTING SERVICE -
DENVER CENTER

SUBJECT: Recovery of Costs to Repair or Replace Damaged or Lost Leased Items

REFERENCE: DSAA Memorandum I-02252/95, 14 May 95, "Operating Procedures for Billing the United Nations (UN) for Repair or Replacement of Leased Items"

All lease agreements include a general provision whereby the lessee government agrees to pay all costs incurred (see SAMM, Table 1200-3, paragraph 17). In the past, any costs required for restoration or replacement due to damage or loss were documented using a Letter of Offer and Acceptance (LOA). It has been determined that by signing the lease, the purchaser agrees to pay these costs; therefore a separate LOA is not required. Effective immediately, costs to repair or replace damaged or lost leased items will be recouped through the lease itself. The following procedures will apply:

a. Implementing agencies will enter the lease designator into applicable data systems and delivery report against this designator to DFAS-DE.

b. Only repair or replacement costs incurred as a result of damage or loss of items covered under the lease may be delivery reported by the implementing agency against the lease. Delivery reporting for the routine rental payments will still be accomplished by DFAS-DE. Any additional items or services will require a separate LOA with purchaser signature.

Sally - Baker

c. If Service data systems are unable to process delivery reporting against the lease designator, an SF 1080 billing may be processed in order to obtain reimbursement. Administrative charges should be incorporated into the materiel/services cost and then subtracted from the reimbursement amount. This process requires manual inputs and should only be used if the existing Service systems do not allow delivery reporting against the lease.

d. The referenced memorandum established procedures for billing the UN for the repair or replacement of leased items. These procedures required a Pseudo Letter of Offer and Acceptance (PLOA) to recover costs incurred. PLOAs will no longer be written to recover these costs—the procedures provided above apply to leases for all purchasers, including the UN.

e. Prior to delivery reporting against leases, the military departments must contact DFAS-DE/IFB (Judy Hrdlicka, DSN 926-7996) to ensure correct data elements and coding are used.

These procedures apply to all existing and future leases and will be reflected in change 8 to the Security Assistance Management Manual (SAMM). If you have questions regarding this policy, please contact Beth Baker, DSAA/COMPT-FM, DSN 664-6562.

H. Diehl McKalip
Acting Director