



DEFENSE SECURITY ASSISTANCE AGENCY

WASHINGTON, DC 20301-2800

8 APR 1998

In reply refer to:
I-64488/98

MEMORANDUM FOR OFFICE OF THE DEPUTY UNDER SECRETARY OF THE
ARMY (INTERNATIONAL AFFAIRS)
ATTN: SAUS-IA-DSZ
DEPARTMENT OF THE ARMY

DIRECTOR, NAVY INTERNATIONAL PROGRAMS
OFFICE
DEPARTMENT OF THE NAVY

DEPUTY UNDER SECRETARY OF THE AIR FORCE
(INTERNATIONAL AFFAIRS)
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-52351/97, 24 Sep 97, same subject

The referenced memorandum provided new policy on recovering costs to repair or replace damaged or lost leased items. These costs are now recouped through the lease itself rather than through a separate Foreign Military Sales (FMS) case. The guidance allowed for the military departs to obtain reimbursements either through the use of SF 1080 billings or delivery reporting against the actual lease designator to DFAS-DE. The following additional guidance is provided.

a. When costs will be delivery reported to DFAS-DE against the lease designator, a pseudo-line must be established. Line 001 of the lease will be the actual rental costs or original value of the lease. DFAS-DE will be responsible for all delivery reporting against this line. Line 002, the pseudo-line, will be established to recover the repair or replacement costs. The military department will be responsible for delivery reporting against this line. Using two separate and distinct lines will allow the lease and the repair costs to be clearly distinguishable. DFAS-DE will use both lines in determining total ordered costs and delivered costs when the lease is closed.

(2) If the item is not a DWCF item, and DTC 4 is used properly on the requisition, the customer will be responsible for all transportation costs. If a Collect Commercial Bill of Lading (CCBL) is used, the customer will be charged appropriately.

(3) It may be difficult when the LOA is written to know which items will be coming from which source. That was the reason our memorandum advised the military departments to only charge the 3.75 percentage rate to 15 percent of the line value. It was our intent that below-the-line transportation funds would be computed and reserved on the LOA only for those items anticipated to come from non-DWCF sources. You may want to consider putting cost estimates for non-DWCF items on separate line items if that will help you ensure requisitions are processed with the appropriate coding.

b. Special freight forwarder rates negotiated by FMS countries for their non-DWCF items should not be affected by this change in policy. As indicated in the subject of our memorandum, our policy was intended to cover the use of LOA transportation coding for DWCF items.

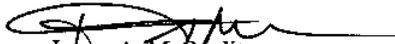
c. Your memorandum states that "Actual transportation costs when using DTC "4" are generally less than the standard 3.75 percent surcharge." DTC 4 indicates that the customer is responsible for all transportation and related costs. As such, we cannot verify whether or not the costs are less than 3.75--the customer is paying for the transportation outside the LOA.

The 3 Nov 98 AFSAC memorandum attached to your memorandum stated "We take exception to the statement made in the reference memorandum [our memorandum] that DLA will no longer accept Supply Discrepancy Reports (SDRs) after 1 Mar 99." We can find no such statement in our memorandum. We did emphasize that existing cases should be changed by that time to ensure the policy was implemented in a timely manner. We understand that DLA has issued guidance that after 30 Apr 99, use of DTC 4 for DWCF items will be interpreted as a request for premium transportation and will not be considered a duplicate charge. DLA has assured us that they will work with customers to resolve SDRs for duplicate transportation of DWCF items from earlier shipments and will evaluate claims for duplicate transportation charges where use of DTC 5 was determined to be inappropriate. Again, we find no statement in our memorandum (or in our research of DLA documentation) that indicates DLA will no longer accept SDRs after 1 Mar 99.

The AFSAC memorandum asserts that countries will be opposed to the shift to DTC 5. Our discussions with customers on this issue indicate they are opposed to paying twice for transportation. If use of DTC 5 precludes duplicate charges, we do not believe customers will object. We have not received any negative feedback from the Army or the Navy on this issue. Indeed, informal discussions have indicated this policy was welcome and viewed by some as long overdue.

We hope this addresses your concerns and request that you ensure these policies are implemented in accordance with our 12 Aug 98 memorandum. If you have questions or need

additional information, please contact Beth Baker, DSCA-COMPT/FM, DSN 329-3737 or
(703) 601-3737, e-mail: beth.baker@osd.pentagon.mil.



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Comptroller

cc:
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