



DEFENSE SECURITY COOPERATION AGENCY

WASHINGTON, DC 20301-2800

OCT 26 2007

In reply refer to:
I-07/014249-DBO

MEMORANDUM FOR SEE DISTRIBUTION LIST

SUBJECT: Elimination of Logistics Support Charge (LSC) – Security Assistance Management Manual (SAMM) Change (DSCA 07-37) (SAMM E-Change 91)

- REFERENCES:**
- a. DSCA Memorandum I-07/000933-DBO, "Changes to Foreign Military Sales (FMS) Administrative Surcharge Structure and Rate (DSCA 06-14)," 15 Mar 06
 - b. DSCA Memorandum I-06/000935-DBO, "Implementation Instructions for Changes to Foreign Military Sales (FMS) Administrative Structure and Rate (DSCA 06-19)," 15 Mar 06

Reference a. announced the implementation of a package of reforms aimed at ensuring the continued solvency of the FMS Trust Fund Administrative Account. One of the initiatives included in that package was a commitment to eliminate the Logistics Support Charge (LSC) in Fiscal Year 2008. We are pleased to announce that articles delivered or services performed under FMS or FMS-like programs on or after 1 October 2007 will not be assessed the 3.1 percent LSC. The following information is provided to assist with our implementation of this new policy:

a. The Defense Integrated Financial System (DIFS) has been modified to ensure LSC transactions will only process on deliveries made on or after 1 April 1987 (when LSC was implemented) and prior to 1 October 2007.

b. Section C of reference b. provided detailed guidance on pricing the LSC on existing FMS cases. That guidance is still in effect – when pricing a Modification or Amendment for an existing case, the Implementing Agency must determine which LSC-eligible articles and/or services were delivered on or after 1 April 1987 and prior to 1 October 2007 and include the LSC value in the line item value accordingly.

c. The LSC Indirect Pricing Code (IPC A3010) in the Defense Security Assistance Management System (DSAMS) has been removed from all Primary Category Codes (PCCs). This will not impact any documents already in-progress or already implemented – but should ease preparation of future cases as A3010 will not appear in the default listing of IPCs. The LSC IPC will still be available and can be added to the PCC if required.

d. DoD 5105.38-M, Security Assistance Management Manual (SAMM), changes required to document this policy change are attached to this memorandum (Attachment 1).

e. DoD 5105.65-M, Foreign Military Sales (FMS) Case Reconciliation and Closure Manual (RCM), changes required to document this policy change are attached to this memorandum (Attachment 2).

f. DoD 7000.14-R, Volume 15, Financial Management Regulation, also needs to be updated to reflect these changes. We will work with OUSD(C) to ensure the necessary changes are included in a future update to its document.

Thank you for your continued cooperation in implementing these important reforms. If you have any questions regarding any of these changes, please contact Beth Baker, DSCA/DBO-FPA, (703) 601-3839, e-mail: beth.baker@dscamil.



Ann Cataldo
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Business Operations

Attachments

1. SAMM Changes
2. RCM Changes

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**DoD 5105.38-M, Security Assistance Management Manual (SAMM) Changes
Related to Elimination of the Logistics Support Charge (LSC)**

1. Chapter 9, Table C9.T.2. Change the LSC row on this table to read as follows:

Charge	Description	How Priced	Applied by – for billing	References
Logistics Support Charge (LSC)	Cost of logistics support.	Included in the value of logistics line items on the LOA (excludes Working Capital Fund items). 3.1% The specific Military Articles and Services List (MASLs)/ generic codes where LSC applies is maintained by DSCA (Business Operations Directorate) in the DSCA 1200 System. For any items delivery reported on or after 1 April 1987 and prior to 1 October 2007 that qualify. Any deliveries made on or after 1 October 2007 will not be assessed this charge.	DFAS	DoDFMR, Volume 15, Chapter 7, paragraph 0722

2. Chapter 14, Paragraph C14.3.1.1. Change this paragraph to read as follows:

“C14.3.1.1. FMS Administrative Funding. The FMS Administrative Fund is financed with collections from FMS purchasers derived from an assessed administrative surcharge. Collections also included a logistics support charge (LSC) assessed against specific logistics-related items delivered on or after 1 April 1987 and prior to 1 October 2007. The DSCA (Business Operations Directorate) is responsible for financial management of the FMS Administrative Surcharge and the LSC Trust Fund. The Defense Finance and Accounting Service (DFAS) collects the surcharges in accordance with DoD 7000.14-R (reference (9)), Volume 15, Chapter 7. The FMS appropriation is subject to the same controls and regulations as any DoD appropriations.”

**DoD 5105.65-M, Foreign Military Sales (FMS) Case Reconciliation and Closure
Manual (RCM) Changes
Related to Elimination of the Logistics Support Charge (LSC)**

1. Chapter 2, Paragraph C2.4.7. Change the last sentence to read: “This has Logistics Support Charge (LSC) implications for articles/services delivered on or after 1 April 1987 (when it was implemented) and prior to 1 October 2007 (when it was eliminated).”
2. Chapter 2, Paragraph C2.8.3.1.3. Add a sentence to the end of the existing paragraph which reads: “LSC values are assessed only on specific logistics-related articles/services delivered on or after 1 April 1987 and prior to 1 October 2007.”
3. Chapter 2, Paragraph C2.14.2. Change the next-to-last sentence to read: “The impact of E-Billing to the international purchaser includes faster delivery reporting on the quarterly FMS Delivery Listing; more timely assessment of LSC (only assessed on specific logistics-related articles/services delivered on or after 1 April 1987 and prior to 1 October 2007), administrative and accessorial surcharges; and more timely submission of SDRs for non-receipt of material.”
4. Chapter 2, Paragraph 2.15. Change the first sentence to read “FMS surcharges consist of Administrative, CAS, LSC (for specific logistics-related articles/services delivered on or after 1 April 1987 and prior to 1 October 2007), and Accessorials, such as PC&H and transportation.”
5. Chapter 2, Paragraph C2.15.3.1. Add a sentence to the end of the existing paragraph which reads: “LSC is only assessed against logistics-related articles/services delivered on or after 1 April 1987 and prior to 1 October 2007.”
6. Chapter 2, Paragraph C2.15.3.2.3. Change this paragraph to read: “LSC applies to items cited in subparagraph C2.15.3.2.1. that were shipped on or after 1 April 1987 and prior to 1 October 2007, except for generic codes B1 through B3.”
7. Chapter 2, Paragraph C2.15.3.2.4. Change the first sentence to read: “LSC applies to generic codes B1 through B3 for items shipped on or after 1 February 1992 and prior to 1 October 2007.”
8. Appendix 1, AP1.1.100. Add a sentence to the end of the existing paragraph which reads: “LSC only applies to deliveries made on or after 1 April 1987 (when it was implemented) and prior to 1 October 2007 (when it was eliminated).”