



DEFENSE SECURITY COOPERATION AGENCY

WASHINGTON, DC 20301-2800

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In Reply Refer to:
I-07/014995-DBO

MEMORANDUM FOR SEE DISTRIBUTION LIST

SUBJECT: Updates for Financially-Related Letter of Offer and Acceptance (LOA) Notes (DSCA 07- 45, SAMM E-Change 97)

Recent reviews and discussions relating to the use of LOA notes have highlighted the need for clarification and addition of some note wording. To ensure more consistent application and understanding of these notes, the attached changes to the Security Assistance Management Manual (SAMM), Table C5.T5., "Letter of Offer and Acceptance (LOA) Notes," are effective immediately. The following existing guidance is also provided for your use and continued compliance:

a. The "Note Usage" portion of Table C5.T5. identifies when notes should be included on LOA documents. Policy changes that revise note wording also state whether the new wording should be applied to existing cases or only to prospective cases. It is important that this guidance be followed carefully to ensure requirements are correctly reflected on these cases. Any questions regarding note usage should be directed to DBO/FPA (financially-related notes) or STR/POL (all other notes).

b. Unless they are specifically deleted, notes remain effective on a case regardless of whether they are repeated or included on subsequent Amendments and/or Modifications to that case. Certain notes (e.g., the "Administrative Surcharge," "Administrative Surcharge Waiver," and "Accessorial Charges" notes) must be included on every LOA, Amendment, and Modification even if the verbiage of the note does not change. Restatement of these notes is necessary to ensure all readers of the document (regardless of which version) understand what charges are included in the overall price. Restatement of existing notes is the exception, however, and not the rule and must be specifically called-out in the "Note Usage" section of Table C5.T5.

If you have any questions or need additional information regarding these notes, please contact Beth Baker, DSCA/DBO/FPA, (703) 601-3839 or beth.baker@dscamil.

A handwritten signature in cursive script that reads "Ann Cataldo".

Ann Cataldo
Principal Director
Business Operations

Attachment
SAMM Change

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**SAMM Table C5.T5. Letter of Offer and Acceptance (LOA) Notes
Changes to Financially-Related Notes**

1. Accessorial Charges. Change the Note Text to read as follows:

“A [insert type of charge] charge has been applied to the applicable portions of line item number(s) [insert applicable line item numbers].”

Note: Repeat this sentence as needed for each separate charge. All of the accessorial charges may be included in a single note with each charge listed separately within the note.

For example:

- a. A transportation charge has been applied to the applicable portions of line item numbers 003 and 005.
- b. A PC&H charge has been applied to the applicable portions of line item numbers 001 and 052.

If the Transportation Cost Look-Up Table (Appendix 2) is used to determine transportation costs, the following sentence should be included within this note: “The Transportation Cost Look-Up Table (Appendix 2 of the SAMM) was used to calculate transportation charges on line item number(s) [insert applicable line item number].”

2. Administrative Surcharge Waiver – NATO AWACS. Add a new note to read as follows:

“Note Usage: Mandatory for LOAs in support of the NATO AWACS Acquisition program under the AWACS MOU as defined in 10 U.S.C. § 2350e to be the Multilateral Memorandum of Understanding (MOU) Between the NATO Ministries of Defense on the NATO E-3A Cooperative Programme signed December 6, 1978 and the Addendum to the 1978 MOU signed December 7, 1990. Also see the MOU for Operations and Support of the NATO Airborne Warning and Control Force, signed September 26, 1984 and any other follow-on support agreement for the NATO E-3A Cooperative Programme. Mandatory for Amendments and Modifications even if the administrative surcharges are not affected by the changes being made. Specifically for country code “W1” LOAs.

Note Text: This LOA is in support of the NATO AWACS Acquisition program under 10 U.S.C. § 2350e. Any surcharge for administrative services, to include Small Case Management Line (SCML), otherwise chargeable totaling [insert dollar value] are waived on this LOA and are not reimbursed as authorized by 10

U.S.C. § 2350e and the waivers in the SECDEF Memoranda, dated 18 April 1997 and 13 December 1979.”

3. Administrative Surcharge Waiver – Reciprocal Training Agreements. Add a new note to read as follows:

“Note Usage: Mandatory for LOAs that have waived administrative surcharges, indirect costs and costs of billeting of trainees on non-dedicated training based on reciprocal training agreements. Reimbursement of waived costs may be required to be made from appropriations available to the DoD. Mandatory for Amendments and Modifications even if the administrative surcharges are not affected by the changes being made. See SAMM Table C10.T4. for applicable agreements.

Note Text: This LOA provides non-dedicated training on line item(s) [insert line item numbers] under reciprocal training agreement [insert title of the agreement] effective [enter effective date of the agreement] authorized under the provisions of Section 21(g) of the AECA (22 U.S.C. § 2761(g)). Administrative surcharges, [insert “to include the Small Case Management Line (SCML) value” if administrative surcharges have been waived on the entire case] totaling [insert dollar value] are applicable to the non-dedicated training on this LOA. The waived administrative surcharges will be reimbursed by [insert organization name] and have been reserved on [insert miscellaneous obligation document number].”

4. Administrative Surcharge Waiver – EURO/NATO Joint Jet Pilot Training (ENJJPT). Add a new note to read as follows:

“Note Usage: Mandatory for LOAs in support of the ENJJPT program under the EURO-NATO Joint Jet Pilot Training (ENJJPT) Program, dated 9 December 1980, as amended. Mandatory for Amendments and Modifications even if the administrative surcharges are not affected by the changes being made.

Note Text: This LOA is in support of EURO/NATO Joint Jet Pilot Training (ENJJPT) under EURO-NATO Joint Jet Pilot Training (ENJJPT) Program, dated 9 December 1980, as amended, as authorized under the provisions of section 21(g) of the AECA (22 U.S.C. § 2761(g)). Administrative surcharges, to include any Small Case Management line (SCML) value, totaling [insert dollar value] are waived on this LOA and are not reimbursed as set out in the DEPSECDEF Memorandum dated 11 October 1979.”

5. Contract Administration Services (CAS) Surcharge. Change the Note Text to read as follows:

“For FMS cases not involving Overseas CAS:

“For any lines on this LOA document with a Source of Supply of ‘X’ or ‘P,’ the Contract Administration Services (CAS) surcharge rates apply: for Contract Administration; ___%; for Quality Assurance and Inspection, ___%; and for Contract Audit, ___%. CAS has only been applied to the portion of “X”-coded line items expected to come from procurement.”

For FMS cases involving Overseas CAS:

“For any lines on this LOA document with a Source of Supply of ‘X’ or ‘P,’ the Contract Administration Services (CAS) surcharge rates apply: for Contract Administration; ___%; for Quality Assurance and Inspection, ___%; for Contract Audit, ___%; and for Overseas CAS, ___%. CAS has only been applied to the portion of “X”-coded line items expected to come from procurement.”

If a CAS waiver does apply, either note should be expanded to include the following statement: ‘A waiver is authorized for the following CAS components: [fill in those that apply] based on [add reference and date].’”

6. Nonrecurring Costs – USG Grant. Add a new note to read as follows:

“Note Usage: Mandatory for LOAs when an NC charge applies but the Term of Sale is “USG Grant.” Use of this note for other than Coalition Solidarity Fund (CSF) grants requires coordination with DSCA DBO/FPA. Mandatory for Amendments and Modifications when the Term of Sale remains “USG Grant” and:

- (1) Line items are added and the NC charge applies to the new lines; or
- (2) Quantities are increased on line items where an NC charge applies.

Note Text: Nonrecurring Costs (NC) apply to line item(s) [insert applicable line item number]. These charges are not included on this case because the Term of Sale is “USG Grant.” If the Terms of Sale on this case are changed to include other terms, NC charges will be added to this case unless a waiver is requested and approved.”

7. Small Case Management Line.

a. Change Note Usage to read as follows:

“Mandatory for LOAs that include an SCML.

Mandatory for Amendments and Modifications that add an SCML to the case.

This note must be used as the Line Item Description note for the SCML. See Chapter 9, subparagraph C9.4.7.”

b. Change Note Text to read as follows:

“Small Case Management Line (SCML). Any case “accepted” on or after 1 August 2006 that will not collect at least \$15,000 in administrative surcharge using the established percentage must include an SCML to charge the difference in value between the calculated administrative surcharge amount and \$15,000. An SCML has been added to this case for that purpose. If this case is ever modified or amended and the calculated administrative surcharge amount changes, the value of the SCML will be adjusted to ensure the minimum \$15,000 combined administrative surcharge/SCML value is reached. If this case is ever modified or amended to increase the case value such that the administrative surcharge collection will exceed \$15,000, the SCML will be reduced to \$0. The FMS administrative surcharge does not apply to the SCML.”