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MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY OF THE ARMY DEFENSE
EXPORTS AND COOPERATION
DEPUTY ASSISTANT SECRETARY OF THE NAVY
INTERNATIONAL PROGRAMS
DEPUTY UNDER SECRETARY OF THE AIR FORCE
INTERNATIONAL AFFAIRS
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DIRECTOR FOR SECURITY ASSISTANCE, DEFENSE FINANCE
AND ACCOUNTING SERVICE – INDIANAPOLIS OPERATIONS
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SERVICE
DIRECTOR, DEFENSE THREAT REDUCTION AGENCY
DIRECTOR, NATIONAL GEOSPATIAL INTELLIGENCE AGENCY
DEPUTY DIRECTOR FOR INFORMATION ASSURANCE,
NATIONAL SECURITY AGENCY
DIRECTOR, MISSILE DEFENSE AGENCY

SUBJECT: Rescission of the Foreign Military Sales (FMS) Small Case Management Line (SCML), DSCA Policy Memo 12-37

References: (a) Defense Security Cooperation Agency (DSCA), “Changes to Foreign Military Sales (FMS) Administrative Surcharge Structure, Date (DSCA 06-14), March 15, 2006
(b) Department of Defense (DoD) Financial Management Regulation (FMR) 7000.14-R, Volume 15, “Security Assistance Policy and Procedures,” Chapter 7, Paragraph 070602.A.5, August 2011

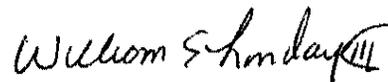
In March 2006, DSCA issued reference (a) announcing the implementation of several financial reforms related to the FMS Administrative Surcharge. One of the reforms was the Small Case Management Line (SCML) initiative that required all cases “accepted” on or after August 1, 2006, to collect a minimum of \$15,000 in FMS administrative charges. The purpose of the policy was to encourage customers to consolidate requirements in order to reduce the volume of cases under \$600,000 in value. Prior to 2006, 56.6% of cases implemented were under \$600,000. The initiative has been very effective and the number of cases implemented under \$600,000 is now around 28.1%. This significant reduction of small value cases indicates that the purpose of the policy has been met; therefore, we are rescinding this requirement effective July 2, 2012. Reference (b) will be updated to address rescission of the SCML charge.



This effectiveness measure has been coordinated with the Office of the Under Secretary of Defense Comptroller.

Existing cases with a SCML will continue to execute as prescribed in the Security Assistance Management Manual (SAMM), Chapter 9, section C9.4.6. For new cases accepted on or after July 3, 2012, the FMS Administrative Surcharge amount will be calculated without regard to the minimum SCML. The attached detailed instruction describes how FMS cases currently in various stages of preparation and acceptance should be written or modified to comply with elimination of the SCML requirement. Any Letter of Offer and Acceptance received by DSCA for coordination or countersignature on or after July 3, 2012, will be reviewed for compliance with this change. DSCA reserves the right to reinstate the SCML requirement if it finds that cases implemented under \$600,000 are increasing in numbers similar to their previous level.

Also attached, are the SAMM changes to Chapters 6 and 9, and Annex 6 that will be issued by June 30, 2012, to formally document the policy and procedures to be used on prospective cases. All Defense Security Assistance Management System program changes needed to implement this policy will be in place by June 1, 2012. If you have any questions regarding this change, please contact Rita Chico, DSCA DBO/FPA, by phone at (703) 602-3632, or by e-mail: rita.chico@dscamail.



William E. Landay III
Vice Admiral, USN
Director

Attachments:
As stated

cc:

STATE/PM-RSAT

DISAM

USASAC

SATFA

TRADOC

USACE

NAVICP

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Implementation Instructions

Rescission of Small Case Management Line (SCML)

Scope. The SCML will no longer be assessed on Letters of Offer and Acceptance (LOAs) accepted/implemented on or after 3 July 2012.

1. **Cases “Accepted” or “Implemented” prior to 3 July 2012.** All cases “accepted” or “implemented” prior to 3 July 2012 that contain a SCML will retain the SCML in effect at the time they were accepted/implemented unless the current or future case value changes to preclude its application.
 - a. Cases that decrease in dollar value below \$400,000 will not be required to add the SCML.
 - b. Cases with an existing SCML where the value increases such that the SCML requirement is rescinded, but later on decrease in value below \$400,000, will not require a SCML.
2. **Cases currently in “Development”, “Writing”, or “Review” Status.** All cases which are still being developed should not include a SCML if the Offer Expiration Date (OED) falls on or after 3 July 2012.
3. **Cases Currently in “Offer” Status.** All LOAs and Amendments currently in offered status where a SCML is required should be reviewed by the Implementing Agency to determine whether the SCML requirement is a new addition to the case. If it is a new addition, the SCML should be eliminated. If the case had the SCML prior to the implementation of this policy, the SCML should execute in accordance with original policy.

Once an SCML has been added to a case, it cannot be deleted. It can be reduced to \$0, but the SCML line item will remain on the case.

Recommended DoD FMR Change

Volume 15 – Glossary

Page G-7

Change recommended

Small Case Management Line (SCML). Application of the SCML was a DSCA initiative to reduce the number of small dollar cases; effective from 1 August 2006 through 2 July 2012. The SCML is a line item added to an FMS case when the computed FMS administrative surcharge is less than \$15,000. The combined FMS Administrative Surcharge and SCML total \$15,000. Refer to Chapter 9 of the [SAMM](#) for more information on the SCML.

Volume 15 – Chapter 3

Pages 3-13 – 3-14, paragraph 030308.A.

No change recommended

1. Accrual of Earned Surcharge. As accrued expenditures are recorded pursuant to FMS orders, the amount of administrative and logistics support surcharges applicable will be determined and credited to the administrative surcharge account. If the computed surcharge is greater than \$30,000, then fifty percent of the administrative surcharge is collected upon case implementation. The remaining accruals are applied over the life of the case and finalized at case closure. If the computed surcharge is \$30,000 or less the entire surcharge plus the value of any small case management line is collected upon case implementation (see SAMM, Paragraph C9.4.7 for more about small case management lines).

Volume 15 – Chapter 4

Page 4-13, paragraph 2.b.

No change recommended

b. For cases where the calculated administrative surcharge is \$30,000 or less, the entire administrative surcharge value, as well as any Small Case Management Line value, is recouped as part of the initial deposit.

Volume 15 – Chapter 7

Page 7-41, paragraph 70601

Change recommended

070601. General. An administrative surcharge must be added to all FMS cases (unless waived pursuant to legal authority, see paragraph 070104 of this chapter) to recover DoD expenses described in paragraph 070603 of this chapter. It is applied to the FMS selling price with the exception of program management lines and small case management lines (SCML). See paragraph 070602 of this chapter. Applicable DoD Component costs are recouped in accordance with paragraph 070603 of this chapter. SAMM, Chapter 9, gives further guidance on the current administrative surcharges and how they are applied.

Proposed SAMM Change to Chapter 6

C6.8.4.2. Case Closures at Reduced or \$0 Value. When a case is closed, the USG will retain funds to pay for estimated administrative costs associated with the case, even if no articles or services have been delivered (\$0 delivered value). The minimum non-refundable amount will be the greater of: the value of the combined Small Case Management Line (SCML) and the FMS administrative surcharge, one-half of the FMS administrative surcharge estimated on the case, or the standard FMS administrative surcharge percentage of the expended value. The DSCA (Business Operations Directorate) may approve a reduction of the minimum non-refundable amount when the actual administrative cost on the case is shown to be less than one of the three values above, or if the case is cancelled for the convenience of the USG. If an SCML was not included on the basic case and the case was accepted after 31 July 2006 and before 3 July 2012, an SCML must be added when a case is canceled if the value of the case is reduced to the point that an SCML would have been required. This ensures that at least \$15,000 in FMS administrative surcharge fees are collected. Case Managers who want to request that a case be closed at \$0 value must contact the DSCA (Business Operations Directorate) for approval. Requests should include the following information: case identifier, date of case acceptance, value of the case, delivered amount, minimum amount of surcharge required per policy, recommended surcharge to be collected, a detailed justification for the amount, and any other information the IA deems applicable. The DSCA (Business Operations Directorate) reply is sent to the requestor and DFAS Indianapolis.

C6.9.1. Purchaser-Requested Case Cancellations. Purchasers may request that their FMS cases be cancelled. After a case has been implemented, cancellations are processed as a closure of the case. The purchaser is responsible for any termination costs as well as any estimated administrative costs associated with the case. The minimum, non-refundable amount of administrative costs will be: the value when combining the Small Case Management Line (SCML) and the administrative surcharge value; or ½ of the administrative surcharge estimated on the case; or the standard administrative surcharge percentage of the expended value whichever is greater. An IA's recommendation to charge other than these amounts must be submitted to the Defense Security Cooperation Agency (DSCA) (Business Operations Directorate) for approval, see Section C6.8.4.2. for information on closing cases with \$0 delivered value. For cases closing with a case value greater than or equal to \$25,000,000, the IA will submit a recommended non-refundable FMS administrative charge amount to DSCA (Business Operations Directorate) for approval. DSCA countersignature of an LOA Modification does not constitute DSCA approval of the recommended non-refundable administrative charge amount. Requests submitted to DSCA must include the following documentation:

Proposed SAMM Change to Chapter 9

C9.4.7. Small Case Management Line (SCML). From 1 August 2006 through 2 July 2012, DSCA implemented an effectiveness measure to reduce the volume of small dollar cases. It was recognized that a certain level of FMS Administrative support was required in the implementation/execution of these cases. Based on analysis of data, the amount determined appropriate to charge was \$15,000. The Small Case Management Line (SCML). Subsequent review of the initiative indicates that the SCML has served its intended purpose – a reduction in the number of small dollar cases. DSCA rescinded the application of the SCML effective with cases implemented/ accepted on/after 3 July 2012. Should this trend not continue and the number of small dollar cases return to their previous level, DSCA reserves the right to reinstitute the application of the SCML. Implementation instructions applicable to the rescission are in paragraph C9.4.7.1. Instructions for the SCML are in paragraphs C9.4.7.2. through C9.4.7.5.

C9.4.7.1. SCML Rescission Information.

C9.4.7.1.1. Cases “Accepted” or “Implemented” prior to 3 July 2012. All cases “accepted” or “implemented” prior to 3 July 2012 that contain a SCML will retain the SCML in effect at the time they were accepted/implemented unless the current or future case value changes to preclude its application.

C9.4.7.1.1.1. Cases that decrease in dollar value below \$400,000 will not be required to add the SCML.

C9.4.7.1.1.2. Cases with an existing SCML where the value increases such that the SCML requirement is rescinded, but later on decrease in value below \$400,000, will not require a SCML.

C9.4.7.1.2. Cases currently in “Development”, “Writing” or “Review” Status. All cases which are still being developed by the Implementing Agency (not yet submitted to DSCA for countersignature or not yet “offered” if countersignature is not required) should not include a SCML if the Offer Expiration Date (OED) falls on or after 3 July 2012.

C9.4.7.1.3. Cases Currently in “Offer” Status. All cases currently in offered status where a SCML is required should be reviewed by the Implementing Agency to determine whether the SCML requirement is a new addition to the case. If it is a new addition, the SCML should be eliminated. If the case had the SCML prior to the implementation of this policy, the SCML should execute in accordance with original policy.

C9.4.7.2. SCML General Information. All cases “accepted” on or after August 1, 2006 must collect a minimum of \$15,000 in FMS Administrative Surcharges. For cases “accepted” on or after August 1, 2006, if the case value is so small that the FMS Administrative Surcharge amount calculated is less than \$15,000, a separate line item (an SCML) will be added to the case so that the FMS Administrative Surcharge and the SCML, combined, total \$15,000. [Example: For a case where the calculated FMS Administrative Surcharge is \$500, the SCML value would be \$14,500.]

C9.4.7.2.1. The value of the SCML line item will be adjusted as necessary to allow for changes in case value when the case is amended or modified. If a case “accepted” on or after August 1, 2006 does not have an SCML initially but is modified or amended later to decrease the case value such that the FMS Administrative Surcharge collection is anticipated to be reduced below \$15,000, an SCML will be added to the case to make up the difference in value to reach \$15,000 – even if all other lines are being reduced to \$0.

C9.4.7.2.2. Once an SCML has been added to a case, it cannot be deleted. It can be reduced to \$0 if the calculated FMS Administrative Surcharge reaches \$15,000, but the SCML line item will remain on the case.

C9.4.7.2.3. When the FMS Administrative Surcharge is waived for a case, the SCML will be considered part of that waiver and will not be charged.

C9.4.7.2.4. The FMS Administrative Surcharge is not assessed against the SCML.

C9.4.7.2.5. A minimum of \$15,000 in administrative charges (combination of the FMS Administrative Surcharge and the SCML) will be retained by the USG when the case is closed unless an exception is granted by the DSCA (Business Operations Directorate, Financial Policy and Internal Operations Division). See Section C6.8.4.2. for additional information.

C9.4.7.3. SCML Scope.

C9.4.7.3.1. The SCML requirement applies to all cases (both FMS and BPC) “accepted” on or after August 1, 2006 where the case is being financed with any type of funding (e.g., national funds) other than Foreign Military Financing (FMF); or the case is being financed using multiple sources of funding (one of which may be FMF); or the case is being financed wholly using FMF monies and the purchaser received more than \$400,000 in FMF funds in the previous Fiscal Year.

C9.4.7.3.2. The SCML requirement does not apply to cases where the purchaser is using FMF monies to wholly fund the case and received between \$1 and \$400,000 in FMF funds in the previous year. Any exceptions to this policy require the approval of the Director, DSCA.

C9.4.7.3.3. The SCML requirement does not apply to Excess Defense Articles (EDA) cases that are written solely for the purpose of transferring the grant item. These cases will have \$0 case value. If the EDA case includes support (e.g., transportation or refurbishment services), the SCML will apply.

C9.4.7.3.4. The SCML requirement does not apply to any case established for Presidential Drawdowns using the “S9” country code.

C9.4.7.4. SCML Case-Writing Requirements.

C9.4.7.4.1. The Military Articles and Services List (MASL) line and generic code used for the SCML is: (R6C) SMALLCASESUPT SMALL CASE SUPPORT EXPENSES

C9.4.7.4.2. A one (1) month availability for the SCML will be used on the LOA (block (5) SC/MOS/TA). This will ensure that the entire value of the SCML is included in the initial deposit. Source of supply code “S” must be used for this line. The Delivery Term Code (DTC) and Offer Release Code (ORC) for this line should both be left blank (which will print as a dash on the LOA document).

C9.4.7.4.3. Primary Category Code (PCC) CE1 must be used when pricing this line in DSAMS. No Indirect Pricing Components (IPCs) should be used against this line. DSAMS line type must be entered as CE (case expense).

C9.4.7.4.4. The SCML note must be included on all cases that include an SCML. See Appendix 6 for specific note wording.

C9.4.7.5. Case Closure Requirements for SCMLs.

C9.4.7.5.1. Increases in Case Value. Cases with expenditures that exceed the current case value require an Amendment or Modification to increase the case value before the case can be closed. See Section C6.7.2.1.2. These Amendments and Modifications must include an appropriate reduction to an existing SCML. If the net case value is increased above the amount needed to achieve \$15,000 in calculated FMS Administrative Surcharge value, the SCML value will be reduced to \$0. The SCML will not be deleted as it must remain on the case and in the DIFS system to provide an audit trail to the supporting data for previously billed amounts

C9.4.7.5.2. Reductions in Case Value – SCML Already On the Case. Any case which is proposed to close at a value less than its current value will require an increase to an existing SCML. Increasing an SCML at closure DOES NOT require a case Modification or Amendment. Instead, the case manager must notify the DFAS accountant via e-mail of the required change in the SCML value. The “C1P” closure certificate update cannot be sent to DIFS until the SCML delivery and admin transfer for the increase are recorded in DIFS.

C9.4.7.5.3. Reductions in Case Value – SCML Not On the Case. There may be instances when a case that does not include an SCML (e.g., the calculated FMS Administrative Surcharge value was \$15,000 or greater) is being reduced such that the new, lower case value now mandates that an SCML be included (e.g., the new calculated FMS Administrative Surcharge is less than \$15,000). For cases that were accepted on or after August 1, 2006, an SCML must be added to cover the difference between the calculated FMS Administrative Surcharge and \$15,000 before the case can be closed. A case Modification is required to add an SCML to the case. For cases that were accepted before August 1, 2006, the SCML will not apply regardless of the reduction in case value.

C9.4.7.5.4. SCML Delivered Amount Adjustments. When the delivered FMS Administrative Surcharges on non-SCML lines result in the need to adjust the SCML delivered amount upward and that adjustment would result in the delivered value exceeding the ordered value on the SCML line by less than \$1.00 (usually as a result of rounding), DFAS-IN is authorized to process an FMS Administrative Surcharge flat charge to the first, viable non-SCML line item on

the case for any amount under \$1.00. In this circumstance, a modification to the case is not required.

Proposed SAMM Change to Annex 6

Small Case Management Line (SCML)

(Applicable to cases accepted on/after 1 August 2006 through 2 July 2012)

Note Usage

Applicable to cases accepted on/after 1 August 2006 through 2 July 2012

Mandatory for FMS and BPC 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.

References

See Section C9.4.7.

Note Input Responsibility

IA

Note Text

"Small Case Management Line (SCML). Any case that is Accepted on or after 1 August 2006 and 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."