



DEFENSE SECURITY COOPERATION AGENCY

WASHINGTON, DC 20301-2800

MAR 15 2006

In reply refer to:
I/06-000935-DBO

MEMORANDUM FOR SEE DISTRIBUTION LIST

SUBJECT: Implementation Instructions for Changes to Foreign Military Sales (FMS)
Administrative Surcharge Structure and Rate (3.8%) (DSCA 06-19)

REFERENCE: DSCA Memorandum I-06/000933-DBO, "Changes to Foreign Military Sales (FMS) Administrative Structure and Rate (DSCA 06-14)," 15 Mar 06

The referenced DSCA memorandum officially changed several new policies relating to the FMS Administrative Surcharge rate and structure. Specifically:

- a. The FMS Administrative Surcharge rate was changed from 2.5% (standard)/5% (non-standard) to 3.8% for all cases and/or line items (both standard and non-standard) "accepted" on or after 1 Aug 06.
- b. Program Management Lines (PMLs) will not be included on new cases "accepted" on or after 1 Aug 06 - instead U.S. Government services will be provided on well-defined line items.
- c. All cases "accepted" on or after 1 Aug 06 must collect a minimum charge to ensure we collect sufficient funds to prepare and implement each case.
- d. The Logistics Support Charge (LSC) will be eliminated effective no later than 1 Oct 07. Any articles/services delivery reported after that date will not be assessed LSC.

The detailed instructions attached are provided for your use to ensure these new policies are consistently implemented throughout the security assistance community. These instructions describe how FMS cases, currently in various stages of preparation and acceptance, should be written and/or modified to comply with the new rate, elimination of PMLs, addition of Small Case Management Line (SCML) requirements, and FY08 elimination of LSC. Any LOA documents received at DSCA for coordination and/or countersignature after 20 Mar 06 will be reviewed for compliance with these procedures.

A change to the Security Assistance Management Manual (SAMM) will be issued by 1 Aug 06 to formally document the policy and procedures to be used on prospective cases. All Defense Security Assistance Management System (DSAMS) programming changes needed to implement these policies will be in place by 31 Jul 06. If you have any questions regarding any

of these policy changes, please contact Beth Baker, DSCA/DBO, (703) 601-3839, e-mail: beth.baker@dsc.mil or Steve Harris, DSCA/STR/POL, (703) 604-6611, e-mail: steve.harris@dsc.mil.

A handwritten signature in black ink, reading "Richard J. Millies". The signature is written in a cursive, flowing style.

Attachment:
Implementing Instructions

Richard J. Millies
Acting Director

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Implementation Instructions

FMS Administrative Surcharge Rate of 3.8%
Elimination of Program Management Lines (PMLs)
“Small Case” Management Lines (SCML)
Elimination of Logistics Support Charge (LSC) in FY08

A. Administrative Surcharge and Program Management Line (PML) Instructions

1. Scope.

a. The 3.8% Administrative Surcharge rate applies to:

(1) All case line items included on Letters of Offer and Acceptance (LOAs) “accepted” on or after 1 Aug 06. The new rate applies regardless of the type of funding (national funds, grant funds, etc.) being used to finance the case. The new rate applies to both standard and non-standard articles and services as well as any U.S. Government management services included in line items on the case.

(2) All new line items on cases that were “accepted” prior to 1 Aug 06 if those line items are added via LOA Amendments that are “accepted” or LOA Modifications that are “implemented” on or after 1 Aug 06.

(3) All FMS-like cases and case line items (e.g., pseudo-cases, other security cooperation programs) being processed through the FMS system that meet the effective date requirements in (1) and (2) above.

b. The 3.8% Administrative Surcharge rate does not apply to:

(1) Cases and/or case line items that were already “accepted” or “implemented” prior to 1 Aug 06. These existing cases and line items will continue to be assessed the rate that was in effect at the time they were implemented (likely 2.5% or 3% if they were for standard items and 5% if they were for non-standard items).

(2) Foreign Military Sales Order (FMSO) I cases. The Supply Support Arrangement surcharge for these cases continues to be 5% in accordance with the Financial Management Regulation (FMR).

(3) Cases established for Presidential Drawdowns using the “S9” country code.

(4) “Small Case” Management Lines (SCMLs) [See paragraph B. of these instructions for more guidance on SCMLs.]

NOTE: “Accepted” LOAs and Amendments are those that are officially signed by the purchaser. No exceptions to the 1 Aug 06 effective date will be considered.

2. FMS Cases in “Accepted” or “Implemented” Status Prior to 1 Aug 06.

a. Cases and case line items that are in “accepted” or “implemented” status prior to 1 Aug 06 will not be adjusted to reflect the new rate. These cases and case line items will instead retain the Administrative Surcharge rate in effect at the time they were implemented.

b. If adjustments are made to these cases via future LOA Modifications or LOA Amendments (e.g., to reflect pricing changes), any existing line item will continue to be priced using its original Administrative Surcharge rate as long as the changes being made do not reflect an increase in scope for that particular line item. If the case is being adjusted to reflect an increase in scope (e.g., to add quantities to a defined order line item; or to increase the value of a blanket order line item), these additional requirements must be included on new case line items which will be assessed the 3.8% Administrative Surcharge rate.

c. Program Management Lines (PMLs) that already exist on cases “accepted” prior to 1 Aug 06 will continue to be executed. The Administrative Surcharge does not apply to these lines. No new PMLs will be added to these cases. Adjustments may be made to existing PMLs via LOA Modifications or LOA Amendments as appropriate as long as these adjustments are within the current scope of the line item – no adjustments will be made to increase the scope of these line items.

3. LOAs in “Development” Status with Proposed Offer Expiration Dates (OEDs) Prior to 1 Aug 06. All LOAs which are being developed by the Implementing Agency (not yet submitted to DSCA for countersignature or not yet “offered” if countersignature is not required) must be priced using the 2.5% (standard) or 5% (non-standard) Administrative Surcharge rates if the OED falls before 1 Aug 06. These LOAs may include PMLs that meet the current criteria in the Security Assistance Management Manual (SAMM), Tables C5.T6. and C5.T7. See paragraph A.8 below for guidance on extending the OEDs beyond 31 Jul 06 for these LOAs once they have been “offered.”

4. Amendments in “Development” Status with Proposed OEDs Prior to 1 Aug 06. All Amendments which are being developed by the Implementing Agency (not yet submitted to DSCA for countersignature or not yet “offered” if countersignature is not required) must use the 2.5% (standard) or 5% (non-standard) Administrative Surcharge rate against any new line items being added via that document if the OED falls before 1 Aug 06. New PMLs may be added to the case via these Amendments so long as they meet the criteria in SAMM Tables C5.T6. and C5.T7. See paragraph A.8 for guidance on extending the OEDs beyond 31 Jul 06 for these Amendments once they have been “offered.”

5. LOAs in “Development” Status with Proposed OEDs On or After 1 Aug 06.

a. All LOAs which are being developed by the Implementing Agency (not yet submitted to DSCA for countersignature or not yet “offered” if countersignature is not required) must be priced using the 3.8% Administrative Surcharge rate if the OED falls on or after 1 Aug 06. A note must be included on these cases as follows:

“Administrative Surcharge Rate Change: Effective 1 Aug 06, the Administrative Surcharge rate assessed against Foreign Military Sales (FMS) cases will be 3.8%. Since the Offer Expiration Date (OED) of this LOA falls on or after 1 Aug 06, it is priced using the 3.8% rate. If this LOA is “accepted” (signed by the purchaser) prior to 1 Aug 06, it is eligible for the 2.5% (standard) or 5% (non-standard) rate. If this LOA is “accepted” prior to 1 Aug 06, it will be implemented as-written and a Modification will be processed to change the Administrative Surcharge to reflect the correct rate.”

Any Modifications to change the Administrative Surcharge rate to 2.5% (standard) or 5% (non-standard) based on early purchaser acceptance should be processed no later than 30 days after LOA implementation. All case documents, restatements, and pen and ink changes adjusting the FMS Administrative Surcharge rate must be countersigned (or coordinated in the case of pen and ink changes) by DSCA.

b. PMLs will not be included on LOAs that have an OED on or after 1 Aug 06. Any U.S. Government services must be included as separate line items on the LOA. A detailed note will be included on the LOA to explain exactly what services are being provided – emphasizing how these services are different from those covered by the Administrative Surcharge. The Material Articles and Services List (MASL) line that best describes the service to be performed must be used.

6. Amendments in “Development” Status with Proposed OEDs On or After 1 Aug 06.

a. All Amendments which are being developed by the Implementing Agency (not yet submitted to DSCA for countersignature or not yet “offered” if countersignature is not required) must use the 3.8% Administrative Surcharge rate against any new line items being added via that document if the OED falls on or after 1 Aug 06. A note must be included in these Amendments as follows:

“Administrative Surcharge Rate Change: Effective 1 Aug 06, the Administrative Surcharge rate assessed against Foreign Military Sales (FMS) cases will be 3.8%. Line item [Insert line item number] is being added to this case and is priced using the 3.8% rate since the Offer Expiration Date (OED) of this Amendment falls on or after 1 Aug 06. If this Amendment is “accepted” (signed by the purchaser) prior to 1 Aug 06, line item [Insert line item number] is eligible for the 2.5% (standard) or 5% (non-standard) rate. If this Amendment is “accepted” prior to 1 Aug 06, it will be implemented as-written and a Modification will be processed to change the Administrative Surcharge to reflect the correct rate for this line item.”

Any Modifications to change the Administrative Surcharge rate to 2.5% (standard) or 5% (non-standard) on specific line items based on early purchaser acceptance should be processed no later than 30 days after implementation of the Amendment. All case documents, restatements, and pen and ink changes adjusting the Administrative Surcharge rate must be countersigned (or coordinated in the case of pen and ink changes) by DSCA.

b. New PMLs will not be added to the case via Amendments with OEDs on or after 1 Aug 06. Any new U.S. Government services must be included as separate line items on the Amendment. A detailed note will be included on the Amendment to explain exactly what services are being provided – emphasizing how these services are different from those covered by the FMS Administrative Surcharge. The MASL line that best describes the service to be performed must be used.

7. LOAs in “Offered” Status with OEDs Prior to 1 Aug 06.

a. Any LOA in “offered” status with an OED prior to 1 Aug 06 was priced using the 2.5% and/or 5% rates – therefore it does not need to be modified via a pen and ink change. PMLs may have been included on these LOAs in accordance with the SAMM, Tables C5.T6. and C5.T7. These Administrative Surcharge rates and the PMLs will be valid if the case is “accepted” prior to 1 Aug 06.

b. If the OED is extended to reflect a date of 1 Aug 06 or later, the pen and ink change authorizing the new OED will also add a paragraph to the existing Administrative Surcharge note advising that the 3.8% Administrative Surcharge rate will apply to this LOA if it is “accepted” on or after 1 Aug 06. The pen and ink change must also advise that any PMLs will not be valid if the LOA is “accepted” on or after 1 Aug 06 and these services will instead be moved to other line items. The pen and ink change will require that a paragraph to this effect be included in the LOA. This paragraph should be added to the existing Administrative Surcharge note – see paragraph A.8 below for specific wording. If the request for OED extension is made on or after 1 Aug 06, a pen and ink change will be denied – instead, the case must be restated or a new case should be offered to reflect the higher rate and eliminate any PMLs. See paragraph A.8. for specific note wording.

8. LOAs in “Offered” Status with an OED On or After 1 Aug 06.

a. Any LOA that has already been offered to the purchaser must charge the 3.8% rate if it is “accepted” on or after 1 Aug 06, regardless of what rate was used on the “offer.” A pen and ink change must be processed on any LOA in “offered” status with an OED that falls on or after 1 Aug 06. The pen and ink change will add a paragraph to the existing Administrative Surcharge note as follows:

“Administrative Surcharge Rate Change. Effective 1 Aug 06, the Administrative Surcharge rate assessed against Foreign Military Sales (FMS) cases will be 3.8%. This LOA is priced using the previous rates of 2.5% (standard) and/or 5% (non-standard). If this LOA is “accepted” (signed by the purchaser) prior to 1 Aug 06, the

2.5% and/or 5% rates will remain valid. If this LOA is “accepted” on or after 1 Aug 06, however, it will be implemented as-written and a Modification will be processed to change the Administrative Surcharge to reflect the 3.8% rate.”

b. If the LOA includes any PMLs, the following paragraph will also be included in the pen and ink change as an addition to the existing Administrative Surcharge note:

“Program Management Line(s) (PMLs). PMLs will not be included on any new Foreign Military Sales (FMS) cases that are “accepted” on or after 1 Aug 06. This LOA includes PMLs (Line items [Insert line item numbers]). If this LOA is “accepted” (signed by the purchaser) prior to 1 Aug 06, these line items will remain valid. If this LOA is “accepted” on or after 1 Aug 06, however, it will be implemented as-written and a Modification will be processed to delete these PMLs and add these services as separate line items with detailed notes.”

Any Modifications to change the Administrative Surcharge rate to 3.8% or to delete any PMLs based on purchaser acceptance on or after 1 Aug 06 should be processed no later than 30 days after case implementation. All case documents, restatements, and pen and ink changes adjusting the Administrative Surcharge rate must be countersigned (or coordinated in the case of pen and ink changes) by DSCA.

9. **Amendments in “Offered” Status with an OED On or After 1 Aug 06.**

a. Any new case line items on Amendments that have already been offered to the purchaser must charge the 3.8% rate if they are “accepted” on or after 1 Aug 06, regardless of what rate was used on the “offer.” A pen and ink change must be processed on any Amendment in “offered” status with an OED that falls on or after 1 Aug 06 if it includes new case line items. The pen and ink change will add a paragraph to the existing Administrative Surcharge note as follows:

“Administrative Surcharge Rate Change. Effective 1 Aug 06, the Administrative Surcharge rate assessed against Foreign Military Sales (FMS) cases will be 3.8%. This Amendment includes new case line item[s] [Insert line item number(s)] which [is/are] priced using the previous rates of 2.5% (standard) and/or 5% (non-standard). If this Amendment is “accepted” (signed by the purchaser) prior to 1 Aug 06, the 2.5% and/or 5% rates will remain valid for [this/these] line items. If this Amendment is “accepted” on or after 1 Aug 06, however, it will be implemented as-written and a Modification will be processed to change the Administrative Surcharge for these new line items to reflect the 3.8% rate.”

b. If the Amendment includes any PMLs, the following paragraph will also be included in the pen and ink change as an addition to the existing Administrative Surcharge note:

“Program Management Line(s) (PMLs). PMLs will not be included on any new Foreign Military Sales (FMS) cases or Amendments that are “accepted” on or after 1 Aug 06. This Amendment includes new PMLs (Line items [Insert line item numbers]). If this Amendment is “accepted” (signed by the purchaser) prior to 1 Aug 06, these line items will remain valid. If this Amendment is “accepted” on or after 1 Aug 06, however, it will be implemented as-written and a Modification will be processed to delete these new PMLs and add these services as separate line items with detailed notes.”

Any Modifications to change the Administrative Surcharge rate to 3.8% on specific line items or to delete PMLs based on purchaser acceptance on or after 1 Aug 06 should be processed no later than 30 days after implementation of the Amendment. All case documents, restatements, and pen and ink changes adjusting the Administrative Surcharge rate must be countersigned (or coordinated in the case of pen and ink changes) by DSCA.

B. “Small Case” Management Line (SCML) Instructions

1. General Information.

a. The “Small Case” Management Line (SCML) policy requires that all cases “accepted” on or after 1 Aug 06 must collect a minimum of \$15,000 in administrative charges. This is necessary to ensure we recover U.S. Government costs to prepare and implement the case. For cases “accepted” on or after 1 Aug 06, if the case value is so small that the Administrative Surcharge amount calculated is less than \$15,000, a separate line item will be added to the case so that the Administrative Surcharge and this new line item combined total \$15,000. [Example: For a case where the calculated Administrative Surcharge value is \$500, the SCML value would be \$14,500.]

b. 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 1 Aug 06 does not have a SCML initially but is modified or amended later to decrease the case value such that the Administrative Surcharge collection is anticipated to be reduced below \$15,000, the SCML will be added to the case to make up the difference in value to reach \$15,000 – even if all other lines are reduced to \$0.

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

d. When Administrative Surcharges are waived for a case, the waived amount will be considered as part of the calculated Administrative Surcharge value when determining whether the \$15,000 threshold has been reached and what the SCML value should be. [Example: For a case where the calculated Administrative Surcharge value is \$500 and this value has been waived, the SCML value would be \$14,500.]

e. The FMS Administrative Surcharge is not assessed against the SCML.

f. A minimum of \$15,000 in administrative charges (combination of the Administrative Surcharge and the SCML) will be retained by the U.S. Government when the case is closed. The DSCA Principal Director of Business Operations retains the right to approve reductions to this policy when (1) it can be clearly shown that the actual values of Administrative costs on the case are less than these values; or (2) the case is cancelled for the convenience of the U.S. Government.

g. When the Administrative Surcharges calculated on a case total \$30,000 or less, the entire Administrative Surcharge value will be collected as part of the initial deposit. To ensure the correct amount of Administrative Surcharge is calculated on the case and included in the initial deposit, the following procedures will be used to calculate the payment schedule in DSAMS until 1 Aug 06. After that date DSAMS will make the calculations automatically:

	Cases with a SCML	Cases without a SCML
Step 1	On the “Line Price Estimation Window,” ensure that you have used an Override Percent (OP) of 3.8% for Indirect Pricing Component B0210 (Administrative Charge) for all applicable line items.	On the “Line Price Estimation Window,” ensure that you have used an Override Percent (OP) of 3.8% for Indirect Pricing Component B0210 (Administrative Charge) for all applicable line items.
Step 2	Calculate the Payment Schedule. The “Due with LOA Acceptance (Initial Deposit)” amount will include the value of the SCML, 50% of the Administrative Charge and whatever amount is required based on the other lines on the case.	Use View/Case Summary to identify the total Administrative Charge on the case.
Step 3	Document the amount displayed in the “Cumulative Estimated Disbursements” (CED) field and then delete this value from the field.	<p>a. If the Administrative Charge is \$30,001 or greater, proceed with developing the Payment Schedule using normal DSAMS default procedures. The remaining Steps on this table do not apply.</p> <p>b. If the Administrative Charge is \$30,000 or less, calculate the Payment Schedule. The “Due with LOA Acceptance (Initial Deposit)” amount will include 50% of the Administrative Charge</p>

	Cases with a SCML	Cases without a SCML
		and whatever amount is required based on the other lines on the case.
Step 4	Use “View/Case Summary” to identify the total Administrative Charge on the case. Manually calculate 50% of that amount and add it to the CED amount obtained/documentated in Step 3 above. Enter this new value into the CED field.	Document the amount displayed in the “Cumulative Estimated Disbursements” (CED) field and then delete this value from the field.
Step 5	Use “Tools/Calculate” and DSAMS will recalculate the Payment Schedule. The “Amount Due with LOA Acceptance” will now include the value of the SCML, 100% of the Administrative Surcharge and the amount required based on the other lines/deliveries estimated on the case.	Use “View/Case Summary” to identify the total Administrative Charge on the case. Manually calculate 50% of that amount and add it to the CED amount obtained/documentated in Step 4 above.
Step 6		Use “Tools/Calculate” and DSAMS will recalculate the Payment Schedule. The “Amount Due with LOA Acceptance” will now include 100% of the Administrative Surcharge and the amount required based on the other lines/deliveries estimated on the case.

h. The Material Articles and Services List (MASL) line and generic code used for the SCML will be:

(R6C) SMALLCASESUPT
SMALL CASE SUPPORT EXPENSES

This MASL line and generic code have been loaded into the DSCA 1200 System and the Defense Security Assistance Management System (DSAMS) and are available for immediate use.

i. A “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 of “S” and Type of Assistance Code of “3” 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 “-” on the LOA document).

j. 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).

2. Scope.

a. This new SCML requirement applies to all cases (both FMS and FMS-like) “accepted” on or after 1 Aug 06 where:

(1) The case is being financed with any type of funding (e.g., national funds) other than Foreign Military Financing (FMF); **OR**

(2) The case is being financed using multiple sources of funding (one of which may be FMF); **OR**

(3) 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.

b. This new SCML requirement does not apply to:

(1) Cases where the purchaser is using FMF monies to wholly fund the case **AND** received *\$400,000 or less* in FMF funds in the previous Fiscal Year. The minimum charge that would have been included in the SCML will be covered by FMF Administrative monies instead and will not be included on the FMS case. Any exceptions to this policy require the approval of the Director, DSCA.

(2) 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, etc.), the SCML does apply.

(3) All cases established for Presidential Drawdowns using the “S9” country code.

3. **FMS Cases in “Accepted” or “Implemented” Status Prior to 1 Aug 06.** Cases that were in “accepted” or “implemented” status prior to 1 Aug 06 are not subject to the SCML requirement, regardless of their current or future case values.

4. **LOAs in “Development” Status with Proposed OEDs Prior to 1 Aug 06.** All LOAs 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 OED falls before 1 Aug 06. See paragraph B.9. below for guidance on extending the OEDs for these LOAs once they have been “offered.”

5. **Amendments in “Development” Status with Proposed OEDs Prior to 1 Aug 06.** SCMLs do not apply to cases that are already in “accepted” or “implemented” status – so this new policy will not impact any Amendments currently in preparation, regardless of the case value or the OED.

6. **LOAs in “Development” Status with Proposed (OEDs) On or After 1 Aug 06.** All LOAs 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) must include a

SCML if the Administrative Surcharge computed on the case is less than \$15,000 (roughly \$400,000 in case value) and the other conditions in paragraph B.2. are met.

a. When a SCML line item is included on a case, the following note will be also be included:

“ ‘Small Case’ Management Line. Any case “accepted” on or after 1 Aug 06 that will not collect at least \$15,000 in Administrative Surcharge using the established percentage must include a “Small Case” Management Line (SCML) to charge the difference in value between the Administrative Surcharge amount and \$15,000. Line item [insert line item number] has been added to this case for that purpose. If this case is ever modified or amended and the Administrative Surcharge amount changes, the value of the SCML will also 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, line item [insert line item number] will be reduced to \$0. The FMS Administrative Surcharge does not apply to the SCML.”

b. Until 1 Aug 06, the following additional note wording must also be included – to ensure customers understand that in the event they sign the case early (prior to 1 Aug 06), the SCML will not apply even though it was included in the original offer:

“ ‘Small Case’ Management Line (SCML) – Added Information. If this case is “accepted” (signed by the purchaser) prior to 1 Aug 06, the SCML will not apply; the case will be implemented as-written and a Modification will be processed to reduce the SCML value to \$0.”

These Modifications should be processed no later than 30 days after case implementation. All case documents, restatements, and pen and ink changes regarding the SCML must be countersigned (or coordinated in the case of pen and ink changes) by DSCA.

7. Amendments in “Development” Status with Proposed OEDs On or After 1 Aug 06. SCMLs do not apply to cases that are already in “accepted” or “implemented” status – so this new policy will not impact any Amendments currently in preparation, regardless of the case value or the OED.

8. LOAs in “Offered” Status with OEDs Prior to 1 Aug 06.

a. Any LOA document in “offered” status with an OED prior to 1 Aug 06 was written without the SCML – therefore it does not need to be modified via a pen and ink change.

b. If the OED is extended to reflect a date of 1 Aug 06 or later, and the case meets the SCML requirements in accordance with paragraph B.2., the pen and ink change authorizing the

new OED will also add a paragraph to the existing Administrative Surcharge note advising that the SCML will apply to this LOA if it is “accepted” on or after 1 Aug 06. If the request for OED extension is made on or after 1 Aug 06, a pen and ink change will be denied – instead, the case must be restated or a new case should be offered to include the SCML. See paragraph B.9. for specific note wording.

9. **LOAs in “Offered” Status with OEDs On or After 1 Aug 06.** Any LOA that has already been offered to the purchaser will require a SCML if it is “accepted” on or after 1 Aug 06, and meets the criteria found in paragraph B.2. regardless of whether or not a SCML was included on the original “offer.” A pen and ink change must be processed on any LOA document in “offered” status if it did not include a SCML and meets the SCML requirements in accordance with paragraph B.2.

a. The pen and ink change will add a paragraph to the existing Administrative Surcharge note as follows:

“Small Case’ Management Line. Any case “accepted” on or after 1 Aug 06 that will not collect at least \$15,000 in Administrative Surcharge using the established percentage must include a “Small Case” Management Line (SCML) to charge the difference in value between the Administrative Surcharge amount and \$15,000. This LOA was written without including that line item. If this case is “accepted” (signed by the purchaser) prior to 1 Aug 06, the SCML will not apply. However, if this LOA is “accepted” on or after 1 Aug 06, the SCML will apply. If the case is “accepted” on or after 1 Aug 06, it will be implemented as-written and a Modification will be processed to add the SCML. The FMS Administrative Surcharge will not apply to the SCML.”

If the request for OED extension is made on or after 1 Aug 06, a pen and ink change will be denied – instead, the case must be restated to include the SCML or a new case should be offered. Modifications to adjust cases to add the SCML because of purchaser acceptance on or after 1 Aug 06 should be processed no later than 30 days after case implementation. All case documents, restatements, and pen and ink changes regarding the SCML must be countersigned (or coordinated in the case of pen and ink changes) by DSCA.

b. To update the Administrative Surcharge note on “offered” documents, the following DSAMS procedures apply:

	If note is Case Customizable Note (CT) or Case Unique Note (CU)	If note is Case Standard Note (ST)
Step 1	Open the note and go to the “Text” tab.	Open the note and go to the “Fill-Ins” tab.
Step 2	Use “Tools/Update Offer/Pen & Ink.” The text field will open for editing.	Use “Tools/Update Offer/Pen & Ink.” Highlight the Fill-In you want to change.

	If note is Case Customizable Note (CT) or Case Unique Note (CU)	If note is Case Standard Note (ST)
Step 3	Type or paste your text in the field.	Type or paste your text in the “Fill-In Value” field after the existing fill-in value.
Step 4	De-select “Edit Mode.” The Milestone Comment Box will open.	De-select “Edit Mode.” The Milestone Comment Box will open.
Step 5	Enter “Administrative Surcharge note updated in accordance with DSCA Memo (06-19). Click “ok.”	Enter “Administrative Surcharge note updated in accordance with DSCA Memo (06-19). Click “ok.”

10. **Amendments in “Offered” Status with an OED On or After 1 Aug 06.** SCMLs do not apply to cases that are already in “accepted” or “implemented” status – so this new policy will not impact any Amendments currently “offered,” regardless of the case value or the OED.

C. Elimination of the Logistics Support Charge (LSC) Instructions

1. **Scope.** The LSC will no longer be assessed on articles and services delivery reported on or after 1 Oct 07 (FY 08). Any applicable articles and services that were delivery reported prior to that time will maintain their LSC assessment – even if later pricing adjustments are made to those items.

2. **FMS Cases in “Accepted” or “Implemented” Status.** Cases and case line items that are already in “accepted” or “implemented” status may be adjusted to reflect the elimination of the LSC effective with any deliveries on or after 1 Oct 07. Any time these cases are modified or amended for any reason in the future, the LSC should be re-evaluated to see if the price can be reduced based on deliveries scheduled to take place on or after 1 Oct 07. If the purchaser desires, stand-alone Modifications or Amendments can be processed to reflect this pricing change.

3. **LOAs, Amendments, and Modifications currently in “Development” Status.** All LOA documents 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) must be priced to take into account the elimination of LSC for any deliveries anticipated to be reported on or after 1 Oct 07. When pricing the case (or preparing a Modification or Amendment for an existing case), the Implementing Agency must determine which LSC-eligible articles and/or services will be delivered prior to 1 Oct 07 and include the LSC accordingly.

4. **LOAs and Amendments Currently in “Offered” Status.** All LOAs and Amendments currently in offered status were priced assuming that LSC would still be in effect for the life of the case. The Implementing Agency should review these cases to determine whether there is a substantial pricing impact with LSC elimination in FY08. If so, the case should be re-stated to update the pricing to reflect LSC only for those articles and/or services anticipated for delivery prior to 1 Oct 07. If not, the case may stand as written and adjustments made on future Modifications or Amendments.