



DEFENSE SECURITY COOPERATION AGENCY

WASHINGTON, DC 20301-2800

MAR 17 2003

In reply refer to:
I-03/003117-P2

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Guidance for Nonrecurring Cost Notes in Letters of Offer and Acceptance (LOAs) (DSCA Policy 03-06)

REFERENCE: DSCA memorandum I-98/79527, 30 Dec 98, "Changes to the Security Assistance Management Manual (SAMM, DoD 5105.38-M)"

The referenced memorandum required specific notes be included in all LOAs regarding inclusion, exclusion, or waiver of Nonrecurring Cost (NC) charges. Recently, DSCA has noted confusion in the use of these notes. The purpose of this memorandum is to simplify the note wording and to clarify when these notes should be used. Our goal is to make the applicability or waiver of NC charges very clear to anyone reading the LOA.

The attached table provides specific text for several different NC notes and indicates when each note should be included on LOAs, Amendments, and Modifications. These new notes replace those in paragraph 70105.L of the SAMM (E-Change 44) and should be used on any future cases. This policy is not retroactive---there is no need to do Modifications or Amendments to add these notes to existing cases. If you have any questions regarding these notes, please contact Beth Baker, DSCA/P3-P2, (703) 604-6612 or Steve Harris, DSCA/P3-P2 (703) 604-6611.

A handwritten signature in black ink, reading "Richard J. Millies".

Richard J. Millies
Deputy Director

Attachment
As Stated

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Nonrecurring Cost Notes for Letters of Offer and Acceptance Documents

Note Name	Note Usage	Note Text
Nonrecurring Costs - Apply	<p>Mandatory for LOAs when an NC charge applies and has been included in the price.</p> <p>Mandatory for Amendments and Modifications when:</p> <p>(1) line items are added and the NC charge applies to the new lines and has been included in the price; or</p> <p>(2) quantities are increased on line items where an NC charge applies and has been included in the price.</p>	<p>“Nonrecurring Costs (NC) apply to line item(s) [insert numbers] of this FMS case and are included within the cost of the line item.”</p>
Nonrecurring Costs – Apply (Estimated)	<p>Mandatory for LOAs when an NC charge applies but final NC rates have not yet been established so an estimated amount has been included in the price.</p> <p>Mandatory for Amendments and Modifications when:</p> <p>(1) line items are added and the NC charge applies to the new lines but final NC rates have not yet been established so an estimated amount has been included in the price; or</p> <p>(2) quantities are increased on line items where an NC charge applies but final NC rates have not yet been established so an estimated amount has been included in the price.</p>	<p>“Nonrecurring Costs (NC) apply to line item(s) [insert numbers] of this FMS case. An estimated amount for NC is included in the price of the line. Once a final NC value is approved by the USG, a Modification will be issued to adjust the price.”</p>
Nonrecurring Costs – Do Not Apply	<p>Mandatory for LOAs when no NC charges apply to any line on the case.</p> <p>Mandatory for Amendments and Modifications when:</p> <p>(1) line items are added and no NC charge applies to the new lines; or</p> <p>(2) quantities are increased on line items where no NC charge applies.</p>	<p>“No Nonrecurring Costs (NC) apply to this FMS case.”</p>
Nonrecurring Costs – FMS Credit (Non-Repayable)	<p>Mandatory for LOAs when an NC charge applies but the Term of Sale is “FMS Credit (Non-Repayable).”</p> <p>Mandatory for Amendments and Modifications when the Term of Sale remains “FMS Credit (Non-Repayable) and:</p> <p>(1) line items are added and the NC charge applies to the new lines; or</p> <p>(2) quantities are increased on line items where an NC charge applies.</p>	<p>“Nonrecurring Costs (NC) apply to line item(s) [insert numbers] of this FMS case. These charges are not included on this case because the Term of Sale is “FMS Credit (Non-Repayable).” 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.”</p>

Note Name	Note Usage	Note Text
Nonrecurring Costs – Waiver Approved	<p>Mandatory for LOAs when an NC charge applies, but has been waived.</p> <p>Mandatory for Amendments and Modifications when: (1) line items are added and an NC charge applies to the new lines and has been waived; or (2) quantities are increased on line items where an NC charge applies and has been waived.</p> <p>The note should identify the DSCA I-number and date of all NC waivers that have been granted against the case.</p>	<p>“Nonrecurring Costs (NC) apply to line item(s) [insert numbers] of this LOA. The customer’s request to waive these charges has been approved by DSCA memorandum I-[insert number], dated [insert date]. Therefore, these costs have not been included in this case.”</p>
Nonrecurring Costs – Waiver Under Review	<p>Mandatory for LOAs when an NC charge applies and (1) the costs are included in the price; and (2) a waiver has been requested but has not yet been approved/disapproved.</p> <p>Mandatory for Amendments and Modifications when: (1) line items are added and an NC charge applies to the new lines and a waiver has been requested but not approved/disapproved; or (2) quantities are increased on line items where an NC charge applies and a waiver has been requested but not approved/disapproved.</p> <p>This note CANNOT be used if the justification for the waiver is “Loss of Sale” since “Loss of Sale” waivers must be approved prior to LOA (or Amendment when items are being added) signature/ acceptance.</p>	<p>“Nonrecurring Costs (NC) apply to line item(s) [insert numbers] of this FMS case and are included within the cost of the line item. The purchaser’s request for waiver of NC costs against line item [insert number] is under review and was forwarded to DSCA on [insert date]. If this waiver is approved, an LOA Amendment or Modification will be prepared to delete these costs from this case.”</p>
Nonrecurring Costs – Cooperative Agreements	<p>Mandatory for LOAs when an NC charge is collected as part of a cooperative project or consortium of which USG is a member.</p> <p>Mandatory for Amendments and Modifications when: (1) line items are added and the consortium NC charge applies to the new lines; or (2) quantities are increased on line items where a consortium NC charge applies.</p>	<p>Varies - wording must be determined on a case-by-case basis. Contact DSCA (Regional Directorate and Policy, Plans, and Programs Directorate) for assistance in drafting a unique note.</p>

Note Name	Note Usage	Note Text
Nonrecurring Costs – Non-USG Charges	Mandatory for LOAs when an NC charge (known as a “Special NC”) is being collected on behalf of another country. Mandatory for Amendments and Modifications when: (1) line items are added and the special NC charge applies to the new lines; or (2) quantities are increased on line items where a special NC charge applies.	“Special Nonrecurring Costs (NC) apply to line item(s) insert numbers] of this FMS case and are included within the cost of the line item. These costs are being collected on behalf of another country and cannot be waived by the USG.”

* The “Note Usage” column of this table is intended to show when notes should be included on an LOA, Amendment, and Modification. This table is NOT intended to show when an Amendment or a Modification should be used. The SAMM, Section 804 should be used to determine which document is appropriate.