



DEPARTMENT OF THE AIR FORCE
WASHINGTON, DC

IAX
99023

OFFICE OF THE ASSISTANT SECRETARY

13 OCT 1999

MEMORANDUM FOR SEE DISTRIBUTION

FROM: SAF/IAX
1080 Air Force Pentagon
Washington, D.C. 20330-1080

SUBJECT: Administrative Charge for Foreign Military Sales (FMS) Orders for Nonstandard Articles and Services (IAX 99023)

- References: (a) SAF/IAX Policy Memo 93015, Subject: Administrative Charge for Foreign Military Sales (FMS) Orders for Nonstandard Articles and Services, 7 May 93
- (b) DoD Financial Management Regulation (FMR) 7000.14-R, volume 15, paragraph 070602.B
- (c) DSCA Memo, Subject: Revised Implementation Instructions For New Foreign Military Sales (FMS) 2.5 Percent Administration Charge, 1 July 99
- (d) SAF/IAX Policy Memo 99015, Subject: Reduction of the Standard (FMS) Administrative Charge from 3 percent to 2.5 Percent, 30 Jun 99

The Air Force policy is being updated to reflect the current application of administrative surcharges for non-standard items. Please allow for the widest dissemination.

Administrative surcharges are added to all FMS cases (unless the recoument of administrative expenses has been waived pursuant to legal authority) to recover DoD expenses related to the function of sales negotiations, case implementation, procurement, program control, computer programming, accounting and budgeting.

Any case which has a program management line and a line for nonstandard articles or services should charge 2.5 percent administrative surcharge on the nonstandard articles and services line.

On cases which do not have a program management line, but include a line for nonstandard articles or services, the administrative surcharges should be applied as follows:

(1) If the nonstandard line is being managed through the PROS program, (source of supply code "P"), the 2.5 percent charge is applicable.

(2) If the nonstandard line is being managed through normal procurement procedures, (source of supply code "P"), the 5 percent charge is applicable.

For LOA's in which program management lines are justified by the non-standard nature of the program, the non-standard administrative fee should not be charged in accordance with FMR 7000.14-R, Volume 15.

PROS and USAF stock support can be combined on the same line. Use a source of supply code "X". Ensure that the case or account manager identifies on the LOA or Amendment request form if these non-standard items/services are to be provided through PROS.

Any cases containing non-standard administrative charges that have not been applied as stated above, should be modified to reflect these procedures.

POC in IAX is Mr. John Lucacos, 703-588-8365, DSN 425-8365, FAX 703-588-8898, e-mail john.lucacos@pentagon.af.mil.



TERRY BATES
Acting Chief, Policy Division
Deputy Under Secretary, Int'l Affairs

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Lucacos, John, Civ, SAF/IAXM

From: Baker, Beth, , DSCA/PSDPMD
Sent: Tuesday, August 31, 1999 1:32 PM
To: Witt, Lewis, Civ, SAF/IAXM; Lucacos, John, Civ, SAF/IAXM
Subject: Administrative Rates

John,

I'm sorry---I just found a fax you had sent me last week that must have gotten buried in my stack. You were asking about an old policy memo I had written for SAF/IA back in 1993 dealing with administrative charges on nonstandard articles and services. This policy is still effective with a couple of updates required....everywhere it says "3%" you should substitute "2.5%." Everywhere it says "NIPARS" you should substitute "PROS." Other than that, it is still correct. If PROS is being used to provide nonstandard items, the line should be charged 2.5% administrative fee. If there is a program management line on a case, none of the other lines on that case will be assessed 5% admin for nonstandard---the 2.5% admin fee would apply to these lines under the assumption that the nonstandard work was being funded from the program management efforts. If there are no program management lines on a case and a nonstandard item is being supplied, the administrative fee for the nonstandard item should be 5%.

Hope this helps.

B2

Beth M. Baker

DSCA/PSD-PMD

TEL: (703) 604-6612 or DSN 664-6612

FAX: (703) 604-6541 or DSN 664-6541

beth.baker@osd.pentagon.mil

Tubb, David, Maj, SAF/IAP

From: Baldwin Nancy A Civ AFSAC/CMP [Nancy.Baldwin@wpafb.af.mil]
Sent: Tuesday, September 14, 1999 11:48 AM
To: 'Dave Bailey'; 'Maj David Tubb'
Cc: 'Larry ross'
Subject: FW: Standard and Non-standard Admin Charge

This pertains to the Giraffe LOA. According to the policy listed below those non-std lines should only be charged 2.5% admin.

Nancy

-----Original Message-----

From: Parli Karen A Civ AFSAC/CMP
Sent: Tuesday, September 14, 1999 9:04 AM
To: AFSAC/CMP All
Subject: FW: Standard and Non-standard Admin Charge

FYI

KAREN PARLI
TAIWAN COMMAND COUNTRY MANAGER
AFSAC/CMP
DSN 787-8188 x4330, COML (937) 257-8188 x4330
FAX DSN 986-1548, COML (937) 656-1548
EMAIL: karen.parli@wpafb.af.mil <mailto:karen.parli@wpafb.af.mil>

-----Original Message-----

From: Pendergast Kevin P Civ AFSAC/OMFP
Sent: Tuesday, September 14, 1999 8:12 AM
To: AFSAC/OMSS; AFSAC/CM Management
Subject: FW: Standard and Non-standard Admin Charge

FYI -

-----Original Message-----

From: Drew Glenna L Civ AFSAC/OMFP
Sent: Wednesday, September 01, 1999 10:19 AM
To: Betty Shearill; Bradford Carter; Connie Whittington; Deanna Shoemaker; Glenna Drew; Jacqueline Rockas; Margaret McKinney; Nancy Donnelly; Nancy Jahns
Cc: Yankel Carolyn J Civ AFMC LO/JANT; Pendergast Kevin P Civ AFSAC/OMFP; 'Lewis Witt'
Subject: Standard and Non-standard Admin Charge

1. SAF/IAXM, with concurrence from DSCA, verified the validity of a SAF/IA letter (IAX 93015), 7 May 1993 (with changes to the admin rate and from NIPARS to PROS) regarding application of 5% for nonstandard items and services. The policy is as follows:

"a. Any case which has a program management line and a line for nonstandard articles or services should charge a 2.5 percent administrative surcharge on the nonstandard articles and services line.

b. On cases which do not have a program management line, but include a line for nonstandard articles or services, the administrative surcharges should be applied as follows:

(1) If the nonstandard line is being managed through the PROS program (source of supply code "P"), the 2.5 percent charge is applicable.

(2) If the nonstandard line is being managed through normal procurement procedures (source of supply code "P"), the 5 percent charge is applicable."

2. We can combine NIPARS and USAF stock support on the same line and use a source of supply code "X". Ensure the case or account manager identifies on

PAIRICK -
PLS ✓ *TO MAKE*
Subi *MSS* *PROS*
SEM *MSS* *PROS*
SEM *MSS* *PROS*

Amman**C. PROCEDURES.**

1. In order to differentiate between the cost of items sold to which the FMS administrative surcharge legally must be applied and program management services, which are a condition of sale, the following are required for all LOAs, Amendments, or Modifications which include program management lines:

- a. "Subtotal Cost of Ordered Articles and Services" and corresponding value will be entered at the end of items being offered.
- b. The program management line(s) and value(s) are to be entered following the above subtotal cost.
- c. Block (8) will be the total of the entries required in a and b above.

2. The FMS administrative surcharge shall be applied by DFAS-DE to the Subtotal entry of ordered items without exception. If the surcharge has been waived and not included in the LOA, the drafting IA is responsible for funding and paying the surcharge. (See DoD 7000.14-R, Volume 15)

3. Program management lines will be identified as such and include Generic Code R6B. Existing case management lines which use Generic Code L8A may continue in use until case closure.

4. FMS workload prior to LOA implementation is to be charged to the administrative budget. Communications, utilities, ADP, office supplies and equipment, and rental may be charged to a program management line to the extent they directly result from program management efforts.

5. An auditable methodology must be maintained to document work each individual performs on a program management line. Personnel charges must be identifiable by position number, employee identification number, or other traceable means.

6. For LOAs in which program management lines are justified by the non-standard nature of the program, the non-standard administrative fee should not be charged in accordance with the FMR.

70202 CONTINGENCY REQUIREMENTS. FMF LOAs may not include contingency (R9A Non-Specific Requirements) lines. Contingency lines will not be used as a substitute for BO LOAs. Inclusion of contingency lines in other LOAs is discouraged. The FMS administrative surcharge will be applied to the contingency line value.

A. When requested and justified in writing by the Purchaser, the Director of SA of the IA, or designee, may approve a contingency line limited to:

1. Services or non-SME articles on a major program LOA.
2. A value of ten percent or less of the LOA value.

B. Obligation authority will not be granted for contingency lines, nor will orders be placed for deliveries reported against them.

[Previous Section](#)

0706. Administrative Charges

070601. General

An administrative surcharge shall be added to all FMS cases (unless the recoupment of administrative expenses has been waived pursuant to legal authority, see Paragraph 070104) to recover DoD expenses related to the functions of sales negotiations, case implementation, procurement, program control, computer programming, accounting and budgeting, Reports of Discrepancy (RODs) administration, and administration of FMS training cases at command headquarters and higher levels. Applicable DoD Component costs are recouped in accordance with paragraph 070603. The Letter of Offer and Acceptance payment schedule shall include, as a part of the required initial deposit, an amount equal to 50 percent of the administrative charge applied to the basic sale price as specified in paragraph 070602. The remaining 50 percent of the administrative charge shall be included as equal percentage instalments within each of the estimated payments.

070602. Prescribed Standard Administration Charges

- A. Supply Support Arrangements. An administrative charge of 5 percent shall be added to the basic sales price on the initial on-hand portion of Cooperative Logistics Supply Support Arrangements (CLSSA)(See paragraph 070708 for detailed instructions.
- B. FMS Orders for Nonstandard Articles and Services. An administrative charge of 5 percent shall be added to the basic sale price of FMS orders for nonstandard articles and services. However, the 3 percent administrative charges shall be applied under the following two conditions:
 1. A contractor is designated as the source of supply in lieu of a DoD Component performing additional work for the nonstandard articles and services. (See paragraph 070408.)
 2. A case management line is included in the Letter of Offer and Acceptance that specifically recovers costs associated with the tasks performed in support of the sale of nonstandard articles or services.
- C. All other FMS Order. Administrative charges for FMS cases not included in Section A above, are dependent upon the date the applicable LOA or amendment is signed out by the cognizant Military Department or Defense Agency. For cost increases within the scope of the LOA, modifications retain the administrative rates current at the time the applicable LOA or amendment was signed out. While the following administrative rates are applicable for the periods shown below, if an amendment adds a new line to an FMS case implemented prior to October 1, 1977, the 3 percent administrative rate is applicable to the new line:
 1. January 29, 1970 -- March 9, 1977. A 2 percent administrative rate, unless the

supplying Military Department had determined that the rate was either insufficient or in excess of actual administrative expense for any single FMS case. The use of actual FMS case administrative expense was authorized.

2. March 10, 1977 -- September 30, 1977. A uniform 2 percent administrative rate for offers signed out during this period.
3. October 1, 1977 -- Present. A uniform 3 percent administrative rate for offers signed out after October 1, 1977.

070603. Actual Administrative Expenses

Those DoD organizations which provide general administrative support of the FMS program shall recoup the full cost (excluding a pro rata share of fixed base operations costs) of providing such support. Costs charged in connection with administrative support shall not include costs which are prescribed in this Volume as above-the-line costs. Above-the-line costs include (1) contract administration services, see Section 704; (2) case management, see Section 718); (3) recurring contract support costs, see paragraph 070408, and (4) administration of FMS training cases at the installation level which are to be included in the tuition rates. Administrative support cost also does not include the cost of calculating nonrecurring recoupment charges and royalty fees which is a DoD mission cost.

- A. The personnel portion of actual administrative expenses shall include a pro rata share of those personnel who spend 10 percent or more of their time performing FMS duties. If an organization's manpower staffing is based upon routinely maintained workload statistics (such as the number of travel orders processed), the FMS administrative personnel expense shall be determined from equivalent FMS workload statistics. In other words, if FMS workload is 25 percent of total workload, then 25 percent of the organization's payroll cost shall be funded through FMS administrative surcharges. Identification of chargeable personnel in base support activities (such as security and civilian personnel specialists) is determined by the incurrence of additional cost to support non-Base Operations Support (BOS) FMS administrative activities, and not by the criteria used in performing an operational audit (e.g., activity frequency, frequency conversion factor, frequency per month, allowed manhours per accomplishment, allowed manhours per month, etc.). These elements which are used in measuring manpower requirements do not in and of themselves prove that incremental costs have been incurred. Thus, there is a different standard for charging BOS personnel, i.e., conclusive demonstration that actual additional costs are being incurred to support non-BOS FMS administrative activities versus charging non-BOS personnel a pro rata share of those personnel who spend 10 percent or more of their time performing (hands-on) duties. The cost of identified personnel shall be computed in accordance with paragraph 070201.
- B. Other actual or estimated actual administrative costs include:
 1. Travel costs, including per diem and transportation, incurred in the administration of

the FMS program which cannot be directly related to mission requirements of a single case or program. (Special care is required in this area. See Section 718.)

2. Automatic data processing costs, excluding equipment cost or depreciation charges, to support FMS workload based on proration of machine time required to produce general FMS reports or transactions.
 3. Printing and reproduction costs incurred primarily for the benefit of the FMS program.
 4. Communications, utilities, and office supply costs incurred primarily for the general administration of the FMS program.
 5. Equipment costs, both purchased and rental, when such costs are specifically incurred to support the administration of the FMS program.
 6. Rental charges at fully dedicated FMS activities for floor space rental.
 7. Administrative costs of Reports of Discrepancy (RODs). This cost includes the "net cost" to the Department of Defense for processing RODs for overage, shortage, damage, item deficiency, and duplicate billing. Such costs exclude discrepancies that are attributable to damage or loss, occurring after passage of title. Normally, FMS shipments move from the depot or vendor's plant on collect commercial bills of lading with title passed at point of origin. However, occasionally shipments move under Government Bills of Lading. Under either of these conditions, title passes at the point of origin and if damage or loss occurs subsequent to title passage, payment is not to be made from the administrative fund (this is, claims should be submitted against the common carrier). See Chapter 8, Section 802 of DoD 5105.38-M [reference (e)], for more detailed information.
- C. DSAA shall ensure that an appropriate share of the cost of Military Assistance Advisory Groups and military missions shall be charged to administrative expense.

070604. Administrative Charges on Cancelled Cases

- A. Earned reimbursements for administrative surcharges are normally not refundable, i.e., the 50 percent that is earned when the case is accepted.
- B. The administrative surcharges may be charged in accordance with the following guidance:
 1. For cases under \$25 million that are cancelled, SAAC shall retain a portion of the administrative surcharge that equals one-half of the applicable administrative percentage of the estimated articles/services ordered value, or the administrative rate times the actual articles/services delivered at closure, whichever is higher.
 2. For cases over \$25 million that are cancelled, DSAA Comptroller shall determine the

appropriate administrative charge; however, the charge shall normally be at least \$250,000.

- C. DSAA may approve waivers or reductions outside of the above parameters if circumstances dictate. Such waivers or reductions shall be fully documented and demonstrate that estimated administrative costs incurred on the case have been recouped.
- D. Cases cancelled for the convenience of the U.S. Government will not incur an administrative cancellation fee. DSAA shall make this decision.

070605. Waived Administrative Charges

- A. General. Cost of administrative effort applicable to FMS cases on which the normal administrative surcharge has been waived or reduced, pursuant to statute, must be reimbursed to the FMS administrative surcharge account. Therefore, the IA which is the proponent of the case on which the charge has been waived shall obligate its current operation and maintenance appropriations for the full amount being waived annually. The amount of the earned administrative charges, which is the value of the administrative charge (currently 3 percent) is to be charged to Program 10. The SAAC shall then apply the established FMS administrative surcharge to accrued expenditures recorded against the case on which the normal administrative surcharge was waived and submit quarterly SF 1080 "Voucher for Transfer Between Appropriations and/or Funds" billings to the appropriate IA for the amount that would normally be payable by the FMS customer.
- B. Fund Control. A recommendation to approve a waiver of the normal administrative surcharge shall be accompanied by a miscellaneous obligation document which identifies the financing appropriation and the dollar value of the waiver. The IA shall certify that funds are available. The approving officials shall sign the obligating document. The provisions of DoD Directive 7200.1 [reference (f)], "Administrative Control of Appropriations," are applicable.

0707. Cooperative Logistics Supply Support Arrangements

070701. General

DoD Directive 2000.8 [reference (t)] prescribes the policies and criteria for establishing cooperative logistics supply support arrangements. These cooperative logistics supply support arrangements provide for the execution of Foreign Military Sales Orders (FMSOs) covering stockage, consumption, and storage (Note. There is no annual inventory maintenance and storage charge for stock fund/Defense Business Operations Fund items for CLSSAs as the stock fund/Defense Business Operations Fund standard price recoups all costs). Two FMS cases are required for supply support arrangements. the FMSO I and the FMSO II. Both cases shall be executed in order for FMS requirements to be anticipated and to be satisfied on an equal footing with U.S. requirements.

- A. The FMSO I case is subdivided into two parts. Part A represents the on-hand portion of the

inventory (normally 5 months) and Part B represents an on-order dependable undertaking (normally a 12 month period). Both parts of the FMSO I provide obligational authority equal to its value in the DoD Component activity providing the supply support to the customer. Cash paid on acceptance of the FMSO I is to equal the Part A on-hand portion of the inventory and administrative surcharge. The cash required to liquidate obligations incurred with suppliers for the on-order portion is the cash paid by the customer in connection with the FMSO II case, and in turn creates a new order received and recreates obligational authority back to the FMSO I.

- B. The FMSO II case represents the foreign customer's anticipated yearly consumption under the cooperative logistics supply support arrangement. Cash to cover requisitions is paid in advance of each quarter covered by the case.

The cycle of obligation, acquisition, requisition, issuance, and payment can be summarized as follows:

1. FMSO I, Parts A and B, give the DoD Components obligational authority up to the case amount.
 2. The cash provided under FMSO I, Part A, finances the on-hand inventory.
 3. Requisitions made by the customer are filled from the on-hand inventory.
 4. Replenishment of on-hand inventory is made from contracts awarded under obligational authority granted by FMSO I, Part B.
 5. Payments to contractors are made from funds provided in accordance with FMSO II terms.
 6. Liquidation of obligations by payment to contractors in effect recreates obligational authority granted by FMSO I, Part B, and the cycle commences again.
- C. In accordance with the concept, the entire amount of the FMSO I case represents obligational authority. Normally, no cash billings are required against the FMSO I, Part B, unless the cooperative logistics supply support arrangement is either partly or wholly terminated. The FMSO II case provides obligational authority only to the extent that cash is received. Thus, proper working of the FMSO I and II should result in a constant 12 months of obligational authority in the applicable appropriation or fund account, never more or less, after the on-hand inventory of FMSO I, Part A, has been acquired.
- D. The cash and obligational authority derived from the FMSO I and FMSO II are to be transferred to the Commodity Command or Supply Agency that is expected to provide supply support to the foreign country. This Command or Stock Agency shall use such cash and obligational authority to increase stock and on-order quantities in anticipation of requisitions from the country which entered into the supply support arrangement.

- E. In unusual circumstances, it may be determined that the 5-month on-hand and 12-month on-order levels are inappropriate for the particular equipment being supported. In these circumstances, the on-hand and on-order requirements may be adjusted to more realistically reflect the DoD on-hand and on-order levels for the items being supported. Documentation in support of such determinations shall be retained by the office that developed the supply support arrangement.

070702. Customer Equity

Supply support arrangements are written in terms of an absolute dollar amount of support to be provided under the arrangement. A listing of the specific items required to support the weapon system is not developed. Under this "dollar value" concept, the FMS customer's equity shall remain valued at the cash deposited for the FMSO I. Upon termination, a review shall be made of the foreign country's demand data for specific items. When these demand data result in the procurement of stock above the DoD-approved retention levels, the foreign country shall be informed that applicable stocks owned by that country must be drawn down or that a settlement agreeable to both parties must be reached.

070703. Pricing

Paragraph 070302.B sets forth the pricing requirements.

070704. Storage Costs

Storage fees shall be charged based on the on-hand portion of the FMSO I. Normally, the on-hand portion represents 5/17 of the total case value. The annual storage fee is 1.5 percent. For cases not remaining open a full year, a fee of .125 percent a month shall be charged

NOTE There is no annual inventory maintenance and storage charge for stock fund/Defense Business Operations Fund items for CLSSAs as the stock fund/Defense Business Operations Fund standard price recoups all costs.

070705. Obsolete Materiel

If an item becomes obsolete or excess to the United States but not to the foreign government, the United States may request the foreign government to withdraw its undelivered quantity of the item. Additional quantities may be offered to the foreign government at fair value prices (Paragraph 070304.A., above). If items become obsolete or excess to the requirements of the foreign government but not to the United States, the foreign government may request the United States to consider cancellation of its order and to apply its equity in the undelivered quantity to subsequent orders for other items. If cancellation is not agreed to, arrangements shall be made for the United States to dispose of the materiel and credit the net proceeds to the foreign government. If the United States has a need for the materiel, appropriate credit to the stock level case for return of the materiel to stocks of the United States shall be made in accordance with the departmental procedures for credit allowance for return of materiel [see DoD 7420.13-R, reference (u)]. If items become obsolete or excess to the requirements of both the United States and the foreign government, arrangements shall be made for the United States to dispose of the

materiel and the proportional share of the net proceeds of sale shall be credited to the foreign government.

070706. Unusual Inventory Loss

Stock losses due to enemy action, major disaster, or other casualty from a natural phenomenon shall be assessed against the foreign government in an amount proportionate to the ratio that the value of its stock case bears to the total value of stocks in storage.

070707. Normal Operating Inventory Loss

The standard prices paid by the foreign government for stock level of stock fund/Defense Business Operations Fund items already include in a surcharge for estimated normal operating losses in storage.

070708. Administrative Surcharge

- A. A one-time nonrefundable, administrative surcharge of 5 percent shall be charged on the on-hand portion (Part A) of the FMSO I case. For amendments that decrease the value of the on-hand portion (Part A), there shall be no adjustment made to the administrative surcharge. However, for amendments that increase the value of the on-hand portion (Part A), the 5 percent nonrefundable administrative surcharge shall be charged on the total value of the amendments. Table 707-1 illustrates the 5 percent administrative fee computation.
- B. No administrative surcharge shall be charged on the on-order portion (Part B) of the FMSO I case. A 3 percent administrative surcharge shall be charged on requisitions processed under FMSO II cases. If an FMSO I agreement is terminated, an administrative surcharge of 5 percent shall be charged for the inventory over and above the on-hand portion of the case. There shall be no additional surcharge on the on-hand portion of the case, since the customer has made advance payment of the administrative charges applicable to this portion of the case.

Table 707-1. -- Five Percent Administrative Fee FMSO I 0 On-Hand Materiel (Part I)

Amendment	Increase or		Admin Fee Charge on Increase	5% Admin Fee Accrued Exp.
	Revised On-Hand Materiel Value	Decrease to Previous On-Hand Materiel Value		
Basic LOA	\$3,000,000	\$3,000,000	\$150,000	\$150,000
Amend 1	4,000,000	1,000,000	50,000	200,000
Amend 2	2,000,000	(2,000,000)	0	200,000
Amend 3	3,000,000	1,000,000	50,000	250,000
Amend 4	5,000,000	2,000,000	100,000	350,000
Amend 5	4,000,000	(1,000,000)	0	350,000

Next Section



DEPARTMENT OF THE AIR FORCE
WASHINGTON DC 20330-1000

OFFICE OF THE UNDER SECRETARY

0 7 MAY 1993

FROM: SAF/IA
1080 Air Force Pentagon
Washington DC 20330-1080

SUBJ: Administrative Charge for Foreign Military Sales (FMS)
Orders for Nonstandard Articles and Services (DSAA
Memorandum I-01678/93, 8 Apr 93) (IAY 93015)

TO: SEE DISTRIBUTION LIST

1. The referenced DSAA memorandum (attached) instructs the military departments to revise FMS cases to reduce the 5 percent administrative charge for nonstandard lines to 3 percent when a program management line is included on the case. The following clarification is provided for your use in implementing this policy:

a. Any case which has a program management line and a line for nonstandard articles or services should charge a 3 percent administrative surcharge on the nonstandard articles and services line. Procedures contained in the Security Assistance Management Manual (SAMM) (DOD 5105.38-M), paragraph 70201.C.6 and the FMS Financial Management Manual (DOD 7290.3-M), paragraph 70502.B.2 will be modified to clarify this issue. This 3 percent rate is applicable regardless of the justification for the program management line.

b. DOD 7290.3-M states that a 3 percent administrative charge should be applied whenever the source of supply for the nonstandard item is procurement ("P"). If applied strictly, this would effectively eliminate the 5 percent nonstandard administrative charge as all nonstandard items, by definition, come from procurement. Discussions with DSAA indicate the intent of the policy is to apply a reduced rate of 3 percent only if a contractor was hired specifically to manage the line--as in the Air Force Nonstandard Item Parts and Repair Support (NIPARS) program. If the source of supply is "P," but the U.S. government procures the item without benefit of NIPARS, the 5 percent administrative charge should be applied. DSAA will request DOD 7290.3-M paragraph 70502.B.1 be modified to clarify this issue.

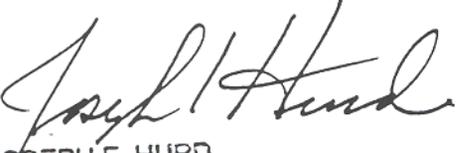
c. On cases which do not have a program management line, but include a line for nonstandard articles or services, the administrative surcharges should be applied as follows:

(1) If the nonstandard line is being managed through the NIPARS program (source of supply code "P"), the 3 percent charge is applicable.

(2) If the nonstandard line is being managed through normal procurement procedures (source of supply code "P"), the 5 percent charge is applicable.

2. We will disseminate any interim changes to the SMM and DOD 7290.3-M as soon as they are issued. However, this policy is already effective. Any cases containing nonstandard administrative charges that have not been applied as stated above, should be modified to reflect these procedures.

3. This is a coordinated SAF/IAY, SAF/FMBIS, and DSAA-COMPT letter. If you have any questions or require additional information, please contact Beth Baker, SAF/IAYM, DSN 227-5058.


JOSEPH E. HURD
Brigadier General, USAF
Asst Dep Under Secretary of the Air Force
International Affairs

1 Atch
DSAA Memorandum I-01678/93,
8 Apr 93



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In reply refer to:
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MEMORANDUM FOR DIRECTOR FOR SECURITY ASSISTANCE
OFFICE OF DEPUTY CHIEF OF STAFF FOR LOGISTICS
DEPARTMENT OF THE ARMY

DIRECTOR, NAVY INTERNATIONAL PROGRAMS
DEPARTMENT OF THE NAVY

ASSISTANT DEPUTY UNDER SECRETARY
(INTERNATIONAL AFFAIRS)
DEPARTMENT OF THE AIR FORCE

DIRECTOR, DEPUTATE FOR SECURITY ASSISTANCE
DEFENSE FINANCE AND ACCOUNTING SERVICE (DFAS)
- DENVER CENTER

SUBJECT: Administrative Charge for Foreign Military Sales
(FMS) Orders for Nonstandard Articles and Services

REFERENCE: Volume 15, Chapter 7, DoD 7000.14-R,
DoD Financial Management Regulation (formerly
DoD 7290.3-M)

In a recent review of sample FMS cases, we found that cases/lines for nonstandard items which also included program management lines contained an administrative charge of 5 percent. The policy in the referenced document requires that the 3 percent versus 5 percent administrative charge is applicable when a program management line is included in the case. (A copy is attached.)

Request this policy be brought to the attention of your activities so that the 3 percent administrative charge is included in future cases for nonstandard items/services that also contain a program management line. In addition, request action be taken to correct current open FMS cases in line with this policy.

GLENN A. RUDD
ACTING DIRECTOR

Attachment