DEFENSE SECURITY COOPERATION AGENCY
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OCT 31 2018

MEMORANDUM FOR DEPUTY UNDER SECRETARY OF THE AIR FORCE FOR INTERNATIONAL AFFAIRS
DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR DEFENSE EXPORTS AND COOPERATION
DEPUTY ASSISTANT SECRETARY OF THE NAVY FOR INTERNATIONAL PROGRAMS
DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE, SECURITY COOPERATION ACCOUNTING
DIRECTOR, DEFENSE LOGISTICS AGENCY
DIRECTOR, DEFENSE LOGISTICS INFORMATION SERVICE
DIRECTOR, DEFENSE THREAT REDUCTION AGENCY
DIRECTOR, MISSILE DEFENSE AGENCY
DIRECTOR, NATIONAL GEOSPATIAL-INTELLIGENCE AGENCY
DEPUTY DIRECTOR FOR INFORMATION ASSURANCE, NATIONAL SECURITY AGENCY
JOINT STRIKE FIGHTER PROGRAM

SUBJECT: Special Billing Arrangements, Defense Security Cooperation Agency Policy Memo 18-53, E-SAMM 401

Reference: (a) DoDD 5105.65, "Defense Security Cooperation Agency (DSCA)," October 26, 2012
(b) Security Assistance Management Manual, C9.10.2, Special Billing Arrangements.

The purpose of this memorandum is to clarify and standardize how Special Billing Arrangements (SBAs) are established, managed, and terminated. An SBA represents an official claim for payment by the U.S. Government and can be used in lieu of the DFAS-issued DD Form 645, "Foreign Military Sales Billing Statement." An SBA authorizes a foreign partner to pay an amount other than what is reflected in the DD Form 645, when such amounts and terms are agreed to in advance with DSCA. It is critical that SBA policy and guidance effectively addresses process, stakeholder roles and responsibilities, and terms and conditions to ensure successful management and implementation of SBAs.

In an effort to improve the SBA process, effective immediately, I hereby delegate to the DSCA Principal Director of Business Operations the authority to establish Special Billing Arrangements as provided to me in reference (a). Additionally, SAMM Chapter 9 (reference (b)) is updated per attachment A to provide more comprehensive policy guidance on the establishment, management, and termination of SBAs. New sections added to the SAMM include:

- Stakeholders and their responsibilities

- Key terminology definitions
- Sample Special Bill Arrangement
- Sample Bill Calculations

If you have questions or would like additional information, please contact Ms. Danielle Ayers, DBO/FPA, mary.d.ayers2.civ@mail.mil, (703) 697-9407.

for Charles W. Hooper
Lieutenant General, USA
Director

Attachment: As stated

Security Assistance Management Manual (SAMM), E-Change 401

Revision to C9.10.2. Special Billing Arrangements (SBAs)

1) Revise SAMM Section C9.10.2. to read as follows:

C9.10.2. Special Billing Arrangements (SBAs)**.** There are two official forms of FMS billing, the quarterly DD Form 645, Foreign Military Sales, Billing Statement issued by DFAS and the DSCA issued Special Billing Arrangement (SBA) statements, referred to as Special Bill Letters (SBL). A Special Bill Letter supersedes the DD 645 Billing Statement and serves as the official claim for payment issued to the FMS purchaser (DoD FMR, Volume 15, Chapter 8, Section 080301.A). The purpose of the SBA is to improve cash management for eligible FMS partners. This is done by more accurately projecting cash requirements, including reserves for termination liability, as agreed in the LOA. The SBA does not supersede the need for accurate LOA payment schedules; however, LOA payment schedules will not be adjusted to reflect revised payments requested in the Special Bill. The payment schedule on the basic LOA is imperative for partner nation budgeting and must be as accurate as possible. When it is known that the current payment schedule does not accurately reflect the financial requirements for the case, the Implementing Agency should prepare a Modification to update the payment schedule. See SAMM Figure C9.F5. for a sample SBA agreement, and Table C9.T17. for Standard Elements of the SBA.

Table C9.T17. Standard Elements of the SBA

Key Term	Description
Working Capital (Available Funds)	The current country cash balance of both their FMS Trust Fund account and, if applicable, an Interest Bearing Account that has not been associated with a projected expenditure. Includes Termination Liability Reserve.
Special Reserve	A special reserve may be added for special requirements such as high value programs.
Baseline Reserve	The amount required for projected disbursements until the special bill payment arrives.
Working Fund	The amount required to cover future disbursements subsequent to payment of the special bill.

C9.10.2.1. SBA Eligibility**.** FMS partners eligible for Dependable Undertaking and with a strong history of consistent and timely payments will be considered for SBAs.

C9.10.2.2. SBA Authority**.** Pursuant to DoDD 5105.65, the Director, DSCA has the authority to establish SBAs for eligible FMS partners. The Director has further delegated this authority to the Principal Director, Directorate of Business Operations (DBO).

C9.10.2.3.Establishment of SBAs**.** FMS partners eligible for Dependable Undertaking may submit a request for an SBA to the DSCA Principal Director for Business Operations for consideration. DSCA (Directorate of Business Operations (DBO) Country Financial Management Division (CFM)) will negotiate the SBA with the FMS partner as appropriate and will coordinate all prospective agreements with DSCA (Office of the General Counsel (OGC)), the applicable Integrated Regional Team, and DSCA (Directorate of Business Operations (DBO) Financial Policy & Analysis Division (FPA)) prior to presenting the SBA to the Principal Director for approval.

C9.10.2.3.1. Billing Frequency**.** SBAs must specify the frequency at which billing will occur. This can be on a monthly, quarterly, or semi-annual basis depending on the USG and FMS partner requirements defined and agreed to in the SBA.

C9.10.2.4. Special Bill Letter (SBL)**.** After an SBA is established, DSCA will, on the date and at the frequency specified in the SBA, provide the FMS partner an SBL requesting payment. The SBL is the official billing document that supersedes the quarterly DD 645 billing statement when an SBA is established. The amount due and payable in the SBL supersedes Column 14 (Amount Due and Payable) of the DD 645 Billing Statement. See SAMM Table C9.T18 for sample calculation.

Table C9.T18. Special Bill Letter (SBL) Sample Calculation for One Billing Period

Elements of the SBA	Amount
Working Capital (Total Funds Available)	$100M
Less Special Reserve for Termination Liability	($15M)
Less Special Reserve for Major Case BN-D-SAM	($25M)
Equals Net Available	$60M
Less Working Fund	($50M)
Less Baseline Reserve (Forecasted Financial Requirements)	($25M)
Equals Total Amount Due for Billing Period	**$15M**

C9.10.2.5. Special Bill Letter Responsibilities. DSCA (Directorate of Business Operations (DBO)) is the primary office of responsibility for establishment of SBAs with FMS partners. DSCA (Directorate of Business Operations (DBO) Country Financial Management Division (CFM)) is responsible for the ongoing management of special bills at the country level (DoD FMR, Volume 15, Chapter 4, Section 030201.B). DFAS-SCA will provide supporting documentation to DSCA (Directorate of Business Operations (DBO) Country Financial Management Division (CFM)), as needed, on a recurring basis.

C9.10.2.5.1. Country Financial Management (CFM). Country Financial Management Division (CFM) manages and calculates all SBLs in accordance with the SBA, and answers any queries regarding the SBA or the SBL process.

C9.10.2.5.2. DFAS-SCA. Provides supporting documentation for SBL calculations as agreed upon with CFM.

C9.10.2.5.3. Implementing Agency (IA)**.** Irrespective of the FMS partner's billing method, IAs are responsible to ensure LOA payment schedules are accurate by performing annual reviews as required by the SAMM Table C9.T2., and by reviewing and updating the payment schedules each time the case is Modified or Amended.

C9.10.2.6. SBA Termination**.** SBAs can be terminated by the USG or FMS partner with at least 30 days of notice.

C9.10.2.6.1. SBA Termination by FMS Partner**.** The FMS partner shall notify DSCA at least 30 days in advance of intent to terminate an SBA. Within 10 business days of receiving an SBA termination notice, DSCA (Directorate of Business Operations (DBO) Country Financial Management Division (CFM)) will provide the FMS partner with a final SBL for the amount due pursuant to the SBA until the next DD 645 billing statement is available. The final SBL will also inform the FMS partner of when to recommence use of the DD 645 billing statement. The amount due reflected in the final SBL will be based on calculated cash requirements until the next DD 645 payment due date. The FMS partner must pay the full amount due by the due date in the final SBL and before the next DD 645 is generated. See SAMM Table C9.T19. for sample calculation.

Table C9.T19. Special Bill Termination, Sample Calculation

DATE	Fiscal Year Quarter	Supporting Document	Amount
Dec 31, 2018	3	**Quarter 3** - DD 645 Billing Statement, Amount Due 15 March for April - July expenditures	$45M
Mar 5, 2019	3	Quarterly Special Bill Letter for April 2019 - Amount Due $12M	-
Mar 30, 2019	3	Official Termination Notice (30 Days)	-
Mar 30, 2019	4	**Quarter 4** - DD 645 Billing Statement, Amount Due 15 June for July – September expenditures	$65M
Apr 10, 2019	3	FMS Partner payment of April 2019 Special Bill Letter	($12M)
Apr 13, 2019	3	Final Bill Letter Due on 25 April **(Quarter 3 FY2018 DD 645 Amount Due of $45M less April Special Bill Payment of $12M)**	$33M
Apr 25, 2019	3	Payment of Final Bill Letter	($33M)
April 25, 2019	3	Remaining Balance Due from FMS Partner for Quarter 3	$0

DATE	Fiscal Year Quarter	Supporting Document	Amount
April 25, 2019	4	Remaining Balance Due from FMS Partner for Quarter 4 **(Quarter 4 FY2018 DD 645 Amount Due of $65M less Quarter 3 Special Bill Payment of $12M less Final Bill Payment of $33M)**	$20M
June 15, 2019	4	DFAS Receives Payment from FMS Partner	($20M)
June 15, 2019	4	Remaining Balance Due from FMS Partner for Quarter 4	$0

C9.10.2.6.2. SBA Termination by USG**.** DSCA shall notify the FMS partner at least 30 days in advance of intent to terminate an SBA. Within 10 business days of sending the SBA termination notice, DSCA (Directorate of Business Operations (DBO) Country Financial Management Division (CFM)) will provide the FMS partner with a final SBL for the amount due pursuant to the SBA until the next DD 645 billing statement is available. The final SBL will also inform the FMS partner of when to recommence use of the DD 645 billing statement. The amount due reflected in the SBL will be based on calculated cash requirements until the next DD645 payment due date. The FMS partner must pay the full amount due by the due date in the final SBL and before the next DD 645 is generated. See SAMM Table C9.T19. for sample calculation.

C9.10.2.6.2.1. SBA Termination for Cause**.** If the FMS partner regularly does not make its payments as billed or becomes ineligible for Dependable Undertaking, the USG will unilaterally terminate the SBA agreement with 30 days of notice to the FMS partner from the Principal Director, DBO. The DSCA (Directorate of Business Operations (DBO) Country Financial Management Division (CFM)) staff will then transition the FMS partner to the official DD 645 quarterly billing statement following the processes outlined in sections C9.10.2.6.2. and C9.10.2.6.3. Until the FMS partner is considered paid in full, there may be restrictions on the partner's FMS program as outlined in the paragraphs below.

C9.10.2.6.1.2.2. Existing Letters of Offer and Acceptance (LOAs)**.** When an SBA is terminated for cause, no new case scope will be authorized on cases currently being executed until the amount due on the final letter is paid in full (i.e. no arrears).

C9.10.2.6.1.2.3. New LOAs**.** New LOAs using the Cash with Acceptance term of sale may be made available to the FMS partner, if appropriate.

C9.10.2.6.3. FMS Partner Inability to Pay Final SBL**.** If the FMS partner is unable to pay the full amount due, DSCA (Directorate of Business Operations (DBO) Country Financial Management Division (CFM)) will work with the FMS partner to structure a reasonable repayment plan which ensures timely collection of the amount due over the coming quarters. The timeframe for repayment may not exceed the 4 subsequent quarters. It is essential that the full Termination Liability Reserve be included in the up-front payment amounts because Termination Liability reserves cannot be used to pay FMS bills (DoD FMR, Vol 15, Ch 4, Section 040601).

C9.10.2.6.3.1. Quarterly Collection Process**.** The FMS partner should pay the amount due in the Final SBL, which is calculated based on Column 14 (Amount Due and Payable) of the current DD Form 645, as soon as possible. If not possible, then DSCA (Directorate of Business Operations (DBO) Country Financial Management Division (CFM)) will work with the FMS partner to structure repayment over no more than the four subsequent quarters.

C9.10.2.6.3.2. SBA Termination and Non-Payment**.** Per the DoD FMR, Volume 16, Chapter 6, if the FMS Partner fails to follow the structured repayment process, any country-level arrears will be treated the same as any other arrears in FMS and will be subject to interest charges.

Figure C9. F5. SBA Sample Agreement

SPECIAL BILLING ARRANGEMENT (SBA)

BETWEEN

THE BANDARIA MINISTRY OF DEFENCE (MoD)

AND

DEFENSE SECURITY COOPERATION AGENCY (DSCA)

1. **Parties**. The parties to this agreement are:
   a. The Ministry of Defence of the Government of Bandaria;
   b. The Defense Security Cooperation Agency (DSCA), an agency of the United States Department of Defense (DoD)
2. **Definitions**. For the purpose of this arrangement, the following definitions are applicable:

Key Term	Description
Working Capital (Available Funds)	The current country cash balance of both their FMS Trust Fund account and, if applicable, an Interest Bearing Account, that has not been associated with a projected expenditure. Includes Termination Liability Reserve.
Special Reserve	A special reserve may be added for special requirements such as high value programs.
Baseline Reserve	The amount required for projected disbursements until the special bill payment arrives.
Working Fund	The amount required to cover future disbursements subsequent to payment of the special bill.

3. **Scope**. The scope of this arrangement:

   This SBA is to more accurately project cash requirements for your FMS program, including reserves for termination liability, expenditure fluctuations and progress payments to contractors are covered as agreed in the Letters of Offer and Acceptance (LOAs). Additionally, it will identify any amounts needed to close cases and Initial Deposit and Amount Due with Acceptance shortages for basic cases and Amendments implemented without payment of the total amount identified, respectively.

   This SBA will include all implemented FMS cases. Special cash requirements for Bandaria unique FMS programs such as F-35 and V-22 and their related support cases will be separately identified.

This SBA may result in billings that supersede the Amount Due and Payable as stated DD 645 Quarterly Billing Statement.

LOA payment schedules will not be adjusted to reflect the revised payment requested in the Special Bill Letter (SBL), but should be reviewed by the Implementing Agency on a regular basis and updated as needed (by Modification or Amendment) to more accurately reflect financial requirements.

The DoD reserves the right to bill out-of-cycle for additional amounts if the amount previously billed proves to be inadequate to support actual expenditures for the billed period. The MoD may pay additional funds against FMS cases at any time.

4. **Implementation of this SBA**: This SBA is implemented as described in the annex attached.
5. **Effective Date**: This arrangement shall enter into force at [Date TBD], but not before all required signatures are subscribed hereon.
6. **Termination**: Notification of SBA termination must come in the form of an official letter which will provide 30 days' notice. Upon termination, billing reverts to the standard DD 645 billing statement. In order to facilitate this transition, DSCA will calculate a final bill letter with an amount due based on the latest DD 645 billing statement amount and your current cash position. When the next quarterly DD 645 billing statement is available, the FMS partner will recommence payment in accordance with that official billing statement. If the FMS partner is unable to pay the final amount due, then the FMS partner must notify the DSCA Country Finance Director as soon as possible in order to work on restructuring payments in accordance with the Security Assistance Management Manual (SAMM), Chapter 9. Delayed repayment may result in FMS program restrictions.

For the Defense Security Cooperation Agency, U.S. Department of Defense	For the Government of Bandaria, Ministry of Defence
By _____ Signature	By _____ Signature
Name: _____ Title: Principal Director Business Operations Defense Security Cooperation Agency	Name: _____ Title: _____

Annex to Bandaria SBA

Implementation: This SBA is implemented as described below:

a. MoD will be billed [TBD] by a Special Bill Letter (SBL) identifying the payment requirements for the next billing period.

b. The basis for the special bill calculation is monthly average disbursements including under collected accrued costs. DSCA will always bill the MoD for under collected accrued costs.

c. DSCA will issue one SBL for the country.

d. Each SBL will have a unique Bill number and which identifies the country code, month and year (e.g., BN0119).

e. DSCA will issue the SBLs on or before the 5th business day of the month. The special bill will identify the due date of the payment.

f. The SBL shall be addressed to: [MoD point of contact, address and email]

g. The USG POC for the SBL is: [DSCA (Directorate of Business Operations (DBO) Country Financial Management Division (CFM)) POC, address and email]

h. Payment Instructions: [Wire Transfer Instructions]

i. MoD will notify DSCA in case of payments in addition to the SBL.

2. Renumber Remaining tables and figures in Chapter 9 accordingly.