



DEFENSE SECURITY COOPERATION AGENCY

WASHINGTON, DC 20301-2800

28 JUN 1999

In reply refer to:
1-08440/99

MEMORANDUM FOR DEPUTY UNDER SECRETARY OF THE ARMY -
INTERNATIONAL AFFAIRS

DEPUTY UNDER SECRETARY FOR INTERNATIONAL
AFFAIRS - DEPARTMENT OF THE AIR FORCE

DIRECTOR, NAVY INTERNATIONAL PROGRAMS OFFICE

DIRECTOR, DEFENSE LOGISTICS AGENCY

DIRECTOR, DEFENSE NUCLEAR AGENCY

DIRECTOR, DEFENSE INFORMATION SYSTEMS AGENCY

DIRECTOR, NATIONAL IMAGING AND MAPPING AGENCY

DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE

SUBJECT: Implementation Instructions for New Foreign Military Sales (FMS) 2.5 Percent
Administrative Charge

DEPSECDEF memo dated 28 June 1999 (Atch A) officially changed the standard FMS
administrative rate from 3.0 percent to 2.5 percent. Implementing instructions are hereby
provided (Atch B). Direct any questions to my points of contact, Ms. Sally Liberty, (703) 604-
6567, e-mail: sally.liberty@osd.pentagon.mil or Ms. Beth Baker, (703) 604-6612, e-mail:
beth.baker@osd.pentagon.mil.

Attachments:
as stated

cc: DISAM
DFAS-DE
DSAMS-PMO

A handwritten signature in black ink, appearing to read "M. S. Davison, Jr.", written in a cursive style.

MICHAEL S. DAVISON, JR.
LIEUTENANT GENERAL, USA
DIRECTOR



DEPUTY SECRETARY OF DEFENSE

1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010



JUN 28 1999

**MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF THE DEFENSE AGENCIES**

**SUBJECT: Reduction of the Standard Foreign Military Sales (FMS) Administrative Charge
from 3 Percent to 2.5 Percent**

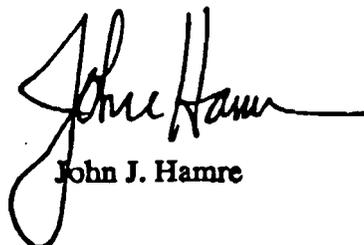
**References: (a) DoD Financial Management Regulation (FMR) 7000.14-R, Volume 15,
Security Assistance Policy and Procedures, March 1993, paragraph 070602C**

**(b) Defense Security Cooperation Agency (DSCA) memorandum I-99/05958 of
7 May 1998, Subject: Annual Review of Foreign Military Sales (FMS)
Administrative Charge and Logistics Support Charge (LSC) Accounts**

**The FMS Administrative charge is hereby reduced to 2.5 percent for all new FMS
cases and new lines implemented by the USG on or after 1 June 1999.**

**This reduction is possible because of past actions of the Security Assistance
community to reduce FMS management operating costs and properly assess costs to
appropriate charges. The DSCA's financial analyses show a need to further reduce FMS
operating costs to achieve a long term parity between income and budgets, based on current
sales estimates. Our challenge is to make other significant adjustments to ensure the long-
term solvency of the FMS Administrative account.**

**The DSCA will continue its study and reinvention efforts, pursuing Defense Reform
Initiative (DRI) and Acquisition Reform principles to achieve efficiencies in business
practices and reduce redundancies in FMS-involved organizations. DSCA will annually
review the Administrative and LSC rates, as required by the DoD Financial Management
Regulation, Volume 15. I direct DoD organizations to continue their full support for DSCA's
reform initiatives.**


John J. Hamre

U10354 /99

Implementation Instructions
for New FMS Administrative Rate of 2.5 percent
Effective 1 June 1999

1. **Background:** DSCA has the responsibility to analyze rates for the FMS administrative surcharge on an annual basis. When DSCA completed its analysis for FY 1998, the balance of the surcharge account and projections of future income and expenses indicated a lowering of the standard administrative surcharge rate was justified. Based on this, the DEPSECDEF signed a memorandum dated 28 June 1999 officially changing the standard administrative surcharge rate from 3% to 2.5%. The purpose of these instructions is to advise how the new 2.5% administrative rate will be implemented. The DSCA goal is to ensure that the rate change will be implemented consistently throughout DoD.

2. **Scope:** The rate change applies to all new cases and to new lines established on existing cases implemented on or after 1 June 1999. This date was selected to preclude customers delaying acceptance of pending documents to gain the lower rate. No exceptions to this date will be considered.

3. **Instructions:** Procedures for applying administrative surcharge rates to documents in different stages of preparation follow:

(Note: A 5% administrative surcharge will continue to be assessed for all nonstandard lines. Program management lines will continue to be exempt from any administrative surcharge. Since the percentages applicable to nonstandard and program management lines are not changing, procedures for pricing these lines remain unchanged and are not addressed below.)

a. LOAs Implemented Prior to 1 Jun 99. All case lines implemented prior to 1 Jun 99 will retain the administrative surcharge in effect at the time the document was implemented (usually 3%). Existing (implemented) case lines will not be adjusted to reflect the reduced rate. If line adjustments are made on future modifications/amendments (i.e., to reflect pricing or quantity changes), the line will still be priced using its original administrative percentage rate. The treatment of NEW lines added to existing cases after 1 Jun 99 is discussed below.

b. LOAs In "Development." All LOAs which have not yet been countersigned (or offered if countersignature is not required) should be priced using a 2.5% administrative surcharge on all standard lines. All documents currently in the coordination process (either within the military department or DSCA) will need to be re-priced using the new rate, when applicable. This may require documents to be returned to the pricing activity without further coordination or countersignature.

c. LOAs "Offered" to the Customer. All LOAs which have been offered to the customer (countersigned (if required) but not yet accepted) are eligible for the new rate. It is recommended that these LOAs be accepted by the customer as written. Within 30 days of implementation, modifications to these LOAs shall be processed by the military departments adjusting the standard administrative rate to 2.5% on all applicable lines. If the customer prefers that the rate be changed prior to acceptance, the LOA may be restated with the new rate and re-offered to the customer or a pen and ink change may be processed to document the changes. All case documents, restatements, and pen and ink changes adjusting the administrative surcharge rate must be countersigned (coordinated in the case of pen and ink changes) by DSCA.

d. LOAs in "Accepted" Status. All LOAs which have been accepted (signed by the customer but not yet implemented in the Defense Integrated Financial System (DIFS)) are eligible for the new rate. Upon receipt of any outstanding initial deposit requirements, DFAS-DE will implement these cases as written. A modification shall be processed by the military department adjusting the standard administrative rate to 2.5% on all applicable lines. The modification should be completed within 30 days of implementation and must be countersigned by DSCA.

e. LOAs "Implemented" On or After 1 Jun 99. There may be some LOAs which were implemented on or after 1 Jun 99 with the 3% surcharge rate applied to standard lines. The military departments shall process modifications on these cases to adjust the administrative surcharge rate to 2.5% for applicable lines. The modification should be processed no later than 30 Jul 99 and must be countersigned by DSCA.

f. Amendments/Modifications Adding New Lines to Existing (Already "Implemented") Cases. It is possible for amendments (and

modifications in rare circumstances) to be processed to add NEW lines to existing cases. If an amendment or modification includes a new line(s):

(1) Any amendment currently in "development" (not yet countersigned or offered if countersignature is not required) should be re-worked to use a 2.5% administrative surcharge for any NEW standard lines. Any documents currently in coordination or submitted to DSCA for countersignature will be returned to the pricing activity for these changes.

(2) Any modification currently in "development" (not yet signed by the military department or countersigned (if required)) should be re-worked to use a 2.5% administrative surcharge for any NEW standard lines. Any documents currently in coordination or submitted to DSCA for countersignature will be returned to the pricing activity for these changes.

(3) Any modification which has already been signed by the military department and countersigned (if required) but has not yet been implemented by DFAS-DE in DIFS, is also eligible for the 2.5% administrative surcharge assessment on any NEW standard lines. Within 30 days after DFAS-DE implements this modification, the military departments shall process another modification to adjust the administrative rate on any applicable lines. The modification must be countersigned by DSCA.

(4) Any amendments which have been "offered" to the customer (countersigned (if required) but not yet accepted) are eligible for the new rate on any NEW standard lines. It is recommended that these amendments be accepted by the customer as written. Within 30 days of implementation, modifications to these cases shall be processed by the military departments adjusting the standard administrative rate to 2.5% on all applicable lines. If the customer prefers that the rate be changed prior to acceptance, the amendment may be restated with the new rate and re-offered to the customer or a pen and ink change may be processed to document the changes. All case documents, restatements, and pen and ink changes adjusting the administrative surcharge rate must be countersigned (coordinated in the case of pen and ink changes) by DSCA.

(5) There may be amendments and modifications which were "implemented" on or after 1 Jun 99 that included NEW standard lines priced using the 3% administrative rate. The military departments shall process modifications on these cases to adjust the administrative surcharge rate to

2.5% for applicable lines. The modification should be processed no later than 30 Jul 99 and must be countersigned by DSCA.

4. Additional Information:

a. We recognize that there may be a temptation for lines to be deleted and re-added to take advantage of the reduced rate. Documents requesting elimination of a line followed by an amendment to add the same type article or service will not be allowed.

b. All documents written to adjust the administrative surcharge rate will include the following statement in the document description paragraph: "The purpose of this document is to adjust the administrative surcharge rate in accordance with DEPSECDEF Memorandum dated 28 June 1999."

c. It is recommended that documents processed to adjust the administrative surcharge rate be written as stand-alone documents. This will make tracking easier. If, however, other changes are in-work, they may be included on the same document. Even if documents include multiple changes, the statement required in paragraph 4.b. above must still be included in the description paragraph.

d. Effective immediately, a note will be included on all LOAs, amendments, and modifications which identifies the administrative surcharge rate being applied to each line. A sample note should read as follows:

"An administrative surcharge of 3% has been applied to lines 001-010. An administrative surcharge of 5% has been applied to line 011. An administrative surcharge of 2.5% has been applied to line 013."

In the above example, line 012 is a program management line which is exempt from the administrative surcharge and therefore not included in the note. Line 013 was included on this case and implemented after 1 Jun 99.



REISSUED IMPLEMENTATION INSTRUCTIONS FOR NEW FMS ADMINISTRATIVE RATE

RTTUZYUW RUEKJCS5970 1831626-UUUU--RUEKCHR.
ZNR UUUUU
R 010900Z JUL 99
FM SECDEF WASHINGTON DC//USDP:DSCA//
TO AIG 8797
RUEKJCS/SECDEF WASHINGTON DC//CHAIRS//
BT

UNCLAS SECTION 01 OF 02

SUBJECT: REISSUED IMPLEMENTATION INSTRUCTIONS FOR NEW FMS
ADMINISTRATIVE RATE

1. DSCA MSG DTG 280900Z JUN 99 PROVIDED IMPLEMENTATION INSTRUCTIONS FOR THE STANDARD ADMINISTRATIVE RATE REDUCTION FROM 3% TO 2.5%. THE MESSAGE INCORRECTLY STATED THAT THE DEPSECDEF MEMORANDUM APPROVING THE RATE REDUCTION WAS DATED 25 JUNE 99. THE CORRECT DATE OF THE DEPSECDEF MEMORANDUM IS 28 JUNE 99. THIS MESSAGE IS RETRANSMITTED IN ITS ENTIRETY BELOW AND REFLECTS THE CORRECTED DATES.
2. THE RATE CHANGE APPLIES TO ALL NEW CASES AND TO NEW LINES ESTABLISHED ON EXISTING CASES IMPLEMENTED ON OR AFTER 1 JUNE 1999. THIS DATE WAS SELECTED TO PRECLUDE A DELAY IN SUBMISSION OF LETTERS OF REQUEST. NO EXCEPTIONS TO THIS DATE WILL BE CONSIDERED.
3. PLEASE NOTE THIS ADMINISTRATIVE RATE DECREASE DOES NOT IMPACT

PAGE 02 RUEKJCS5970 UNCLAS

THE 5% ADMINISTRATIVE SURCHARGE APPLIED TO NONSTANDARD LINES. ALSO, PROGRAM MANAGEMENT LINES ARE STILL EXEMPT FROM ADMINISTRATIVE SURCHARGES.

4. THE FOLLOWING PROCEDURES APPLY:

- A. LOANS IMPLEMENTED PRIOR TO 1 JUN 99. ALL CASE LINES IMPLEMENTED PRIOR TO 1 JUN 99 WILL RETAIN THE ADMINISTRATIVE SURCHARGE IN EFFECT AT THE TIME THE DOCUMENT WAS IMPLEMENTED (USUALLY 3%). EXISTING (IMPLEMENTED) CASE LINES WILL NOT BE ADJUSTED TO REFLECT THE REDUCED RATE. IF LINE ADJUSTMENTS ARE MADE ON FUTURE MODIFICATIONS/AMENDMENTS (I.E. TO REFLECT PRICING OR QUANTITY CHANGES), THE LINE WILL BE PRICED USING ITS ORIGINAL ADMINISTRATIVE RATE.
- B. LOANS OFFERED TO THE CUSTOMER. ALL LOANS WHICH HAVE BEEN OFFERED TO THE CUSTOMER (COUNTERSIGNED (IF REQUIRED) BUT NOT YET ACCEPTED) ARE ELIGIBLE FOR THE NEW RATE. IT IS RECOMMENDED THAT THESE LOANS BE ACCEPTED BY THE CUSTOMER AS WRITTEN. WITHIN 30 DAYS OF IMPLEMENTATION, MODIFICATIONS TO THESE LOANS SHALL BE PROCESSED BY THE MILITARY DEPARTMENTS ADJUSTING THE STANDARD ADMINISTRATIVE RATE TO 2.5% ON ALL APPLICABLE LINES. IF THE CUSTOMER PREFERS THAT THE RATE BE CHANGED PRIOR TO ACCEPTANCE, THE LOA MAY BE RESTATED WITH

PAGE 03 RUEKJCS5970 UNCLAS

THE NEW RATE AND RE-OFFERED TO THE CUSTOMER OR A PEN AND INK CHANGE MAY BE PROCESSED TO DOCUMENT THE CHANGES. ALL CASE DOCUMENTS, RESTATEMENT, AND PEN AND INK CHANGES ADJUSTING THE ADMINISTRATIVE RATE MUST BE COUNTERSIGNED (COORDINATED IN THE CASE OF PEN AND INK CHANGES) BY DSCA.

- C. LOANS IN ACCEPTED STATUS. ALL LOANS WHICH HAVE BEEN ACCEPTED (SIGNED BY THE CUSTOMER BUY NOT YET IMPLEMENTED IN THE DEFENSE INTEGRATED FINANCIAL SYSTEM (DIFS)) ARE ELIGIBLE FOR THE NEW RATE. UPON RECEIPT OF INITIAL DEPOSIT REQUIREMENTS, DFAS-DE WILL IMPLEMENT THESE CASES AS WRITTEN. A MODIFICATION SHALL BE PROCESSED BY THE MILITARY DEPARTMENT ADJUSTING THE STANDARD ADMINISTRATIVE RATE TO 2.5% ON ALL APPLICABLE LINES. THE MODIFICATION SHOULD BE COMPLETED WITHIN 30 DAYS OF IMPLEMENTATION AND MUST BE COUNTERSIGNED BY DSCA.
- D. LOANS IMPLEMENTED ON OR AFTER 1 JUN 99. MILITARY DEPARTMENTS WILL PROCESS MODIFICATIONS FOR LOANS WHICH WERE IMPLEMENTED ON OR AFTER 1 JUN 99 WITH THE 3% SURCHARGE RATE. THESE MODIFICATIONS WILL REDUCE THE ADMINISTRATIVE SURCHARGE RATE TO 2.5%. THEY SHOULD BE PROCESSED NO LATER THAN 30 JUL 99 AND MUST BE COUNTERSIGNED BY DSCA.
- E. AMENDMENTS/MODIFICATIONS ADDING NEW LINES TO EXISTING

PAGE 04 RUEKJCS5970 UNCLAS

(ALREADY IMPLEMENTED) CASES. IT IS POSSIBLE FOR AMENDMENTS (AND MODIFICATIONS IN RARE CIRCUMSTANCES) TO BE PROCESSED TO ADD NEW LINES TO EXISTING CASES. IF AN AMENDMENT OR MODIFICATION INCLUDES A NEW LINE(S):

(1). MODIFICATIONS WHICH HAVE ALREADY BEEN SIGNED BY THE MILITARY DEPARTMENT AND COUNTERSIGNED (IF REQUIRED) BUT HAVE NOT YET BEEN IMPLEMENTED BY DFAS-DE IN DIFS, ARE ALSO ELIGIBLE FOR THE 2.5% ADMINISTRATIVE SURCHARGE ASSESSMENT ON ANY NEW STANDARD LINES. WITHIN 30 DAYS AFTER DFAS-DE IMPLEMENTS THESE MODIFICATIONS, THE MILITARY DEPARTMENTS WILL PROCESS ANOTHER MODIFICATION TO ADJUST THE ADMINISTRATIVE RATE ON ANY APPLICABLE LINES. THE MODIFICATIONS MUST BE COUNTERSIGNED BY DSCA.

(2). AMENDMENTS WHICH HAVE BEEN OFFERED TO THE CUSTOMER (COUNTERSIGNED (IF REQUIRED) BUT NOT YET ACCEPTED) ARE ELIGIBLE FOR THE NEW RATE ON ANY NEW STANDARD LINES. IT IS RECOMMENDED THAT THESE AMENDMENTS BE ACCEPTED BY THE CUSTOMER AS WRITTEN. WITHIN 30 DAYS OF IMPLEMENTATION, MODIFICATIONS TO THESE CASES SHALL BE PROCESSED BY THE MILITARY DEPARTMENTS ADJUSTING THE STANDARD ADMINISTRATIVE RATE TO 2.5% ON ALL APPLICABLE LINES. IF THE CUSTOMER PREFERS THAT THE RATE BE CHANGED PRIOR TO ACCEPTANCE, THE

PAGE 05 RUEKJCS5970 UNCLAS

AMENDMENT MAY BE RESTATED WITH THE NEW RATE AND RE-OFFERED TO THE CUSTOMER OR A PEN AND INK CHANGE MAY BE PROCESSED TO DOCUMENT THE CHANGES. ALL CASE DOCUMENTS, RESTATEMENTS, AND PEN AND INK CHANGES ADJUSTING THE ADMINISTRATIVE SURCHARGE RATE MUST BE COUNTERSIGNED (COORDINATED IN THE CASE OF PEN AND INK CHANGES) BY DSCA.

(3). ANY AMENDMENTS AND MODIFICATIONS WHICH WERE IMPLEMENTED ON OR AFTER 1 JUN 99 THAT INCLUDED NEW STANDARD LINES PRICED USING THE 3% ADMINISTRATIVE RATE MUST BE CORRECTED. THE MILITARY DEPARTMENTS SHALL PROCESS MODIFICATIONS ON THESE CASES TO ADJUST THE ADMINISTRATIVE SURCHARGE RATE TO 2.5% FOR APPLICABLE LINES. THE CORRECTING DOCUMENT SHOULD BE PROCESSED NO LATER THAN 30 JUL 99 AND MUST BE COUNTERSIGNED BY DSCA.

5. ADDITIONAL INFORMATION:

- A. DOCUMENTS REQUESTING ELIMINATION OF A LINE FOLLOWED BY AN AMENDMENT TO ADD THE SAME TYPE ARTICLE OF SERVICE (TO TAKE ADVANTAGE OF THE REDUCED RATE) WILL NOT BE ALLOWED.
- B. ALL DOCUMENTS WRITTEN TO ADJUST THE ADMINISTRATIVE SURCHARGE RATE WILL INCLUDE THE FOLLOWING STATEMENT IN THE DOCUMENT DESCRIPTION PARAGRAPH: THE PURPOSE OF THIS DOCUMENT IS

PAGE 06 RUEKJCS5970 UNCLAS

TO ADJUST THE ADMINISTRATIVE SURCHARGE RATE IN ACCORDANCE WITH DEPSECDEF MEMORANDUM DATED 28 JUNE 1999.

C. IT IS RECOMMENDED THAT DOCUMENTS PROCESSED TO ADJUST THE ADMINISTRATIVE SURCHARGE RATE BE WRITTEN AS STAND-ALONE DOCUMENTS. THIS WILL MAKE TRACKING EASIER. IF, HOWEVER, OTHER CHANGES ARE IN PROCESS, THEY MAY BE INCLUDED ON THE SAME DOCUMENT. EVEN IF DOCUMENTS INCLUDE MULTIPLE CHANGES, THE STATEMENT REQUIRED IN PARAGRAPH 4.B. ABOVE MUST STILL BE INCLUDED IN THE DESCRIPTION PARAGRAPH.

D. EFFECTIVE IMMEDIATELY, A NOTE WILL BE INCLUDED ON ALL LOAS, AMENDMENTS, AND MODIFICATIONS WHICH IDENTIFIES THE ADMINISTRATIVE SURCHARGE RATE BEING APPLIED TO EACH LINE. A SAMPLE NOTE SHOULD READ AS FOLLOWS:

'AN ADMINISTRATIVE SURCHARGE OF 3% HAS BEEN APPLIED TO LINES 001-010. AN ADMINISTRATIVE SURCHARGE OF 5% HAS BEEN APPLIED TO LINE 011. AN ADMINISTRATIVE SURCHARGE OF 2.5% HAS BEEN APPLIED TO LINE 13.'

IN THE ABOVE EXAMPLE, LINE 012 IS A PROGRAM MANAGEMENT LINE WHICH IS EXEMPT FROM THE ADMINISTRATIVE SURCHARGE AND THEREFORE NOT INCLUDED IN THE NOTE. LINE 013 WAS INCLUDED ON THIS CASE AND
BT

#5970

NNNN

**IMPLEMENTATION INSTRUCTIONS FOR NEW FMS ADMINISTRATIVE RATE**

RTTUZYUW RUEKJCS6260 1792103-UUUU--RUEKCHR.

ZNR UUUUU

R 280900Z JUN 99

FM SECDEF WASHINGTON DC//USDP:DSCA//

TO AIG 8797

RUEKJCS/SECDEF WASHINGTON DC//CHAIRS//

BT

UNCLAS SECTION 01 OF 02

SUBJECT: IMPLEMENTATION INSTRUCTIONS FOR NEW FMS ADMINISTRATIVE RATE

1. ON 25 JUNE 1999, DEPSECDEF APPROVED REDUCING THE STANDARD ADMINISTRATIVE RATE FROM 3% TO 2.5%. THIS MESSAGE PROVIDES IMPLEMENTATION INSTRUCTIONS TO THE SECURITY COOPERATION COMMUNITY. ADDITIONAL IMPLEMENTATION INSTRUCTIONS WERE PROVIDED TO THE MILITARY DEPARTMENTS UNDER SEPARATE COVER. PLEASE PROVIDE THE WIDEST DISEMINATION OF THIS MESSAGE. RECOMMEND THE INFORMATION BE PASSED TO YOUR FOREIGN COUNTERPARTS SOONEST.
2. THE RATE CHANGE APPLIES TO ALL NEW CASES AND TO NEW LINES ESTABLISHED ON EXISTING CASES IMPLEMENTED ON OR AFTER 1 JUNE 1999. THIS DATE WAS SELECTED TO PRECLUDE A DELAY IN SUBMISSION OF LETTERS OF REQUEST. NO EXCEPTIONS TO THIS DATE WILL BE CONSIDERED.

PAGE 02 RUEKJCS6260 UNCLAS

3. PLEASE NOTE THIS ADMINISTRATIVE RATE DECREASE DOES NOT IMPACT THE 5% ADMINISTRATIVE SURCHARGE APPLIED TO NONSTANDARD LINES. ALSO, PROGRAM MANAGEMENT LINES ARE STILL EXEMPT FROM ADMINISTRATIVE SURCHARGES.
4. THE FOLLOWING PROCEDURES APPLY:
 - A. LOAS IMPLEMENTED PRIOR TO 1 JUN 99. ALL CASE LINES IMPLEMENTED PRIOR TO 1 JUN 99 WILL RETAIN THE ADMINISTRATIVE SURCHARGE IN EFFECT AT THE TIME THE DOCUMENT WAS IMPLEMENTED (USUALLY 3%). EXISTING (IMPLEMENTED) CASE LINES WILL NOT BE ADJUSTED TO REFLECT THE REDUCED RATE. IF LINE ADJUSTMENTS ARE MADE ON FUTURE MODIFICATIONS/AMENDMENTS (I.E. TO REFLECT PRICING OR QUANTITY CHANGES), THE LINE WILL BE PRICED USING ITS ORIGINAL ADMINISTRATIVE RATE.
 - B. LOAS OFFERED TO THE CUSTOMER. ALL LOAS WHICH HAVE BEEN OFFERED TO THE CUSTOMER (COUNTERSIGNED (IF REQUIRED) BUT NOT YET ACCEPTED) ARE ELIGIBLE FOR THE NEW RATE. IT IS RECOMMENDED THAT THESE LOAS BE ACCEPTED BY THE CUSTOMER AS WRITTEN. WITHIN 30 DAYS OF IMPLEMENTATION, MODIFICATIONS TO THESE LOAS SHALL BE PROCESSED BY THE MILITARY DEPARTMENTS ADJUSTING THE STANDARD ADMINISTRATIVE RATE TO 2.5% ON ALL APPLICABLE LINES. IF THE CUSTOMER PREFERS THAT

PAGE 03 RUEKJCS6260 UNCLAS

- THE RATE BE CHANGED PRIOR TO ACCEPTANCE, THE LOA MAY BE RESTATED WITH THE NEW RATE AND RE-OFFERED TO THE CUSTOMER OR A PEN AND INK CHANGE MAY BE PROCESSED TO DOCUMENT THE CHANGES. ALL CASE DOCUMENTS, RESTATEMENT, AND PEN AND INK CHANGES ADJUSTING THE ADMINISTRATIVE RATE MUST BE COUNTERSIGNED (COORDINATED IN THE CASE OF PEN AND INK CHANGES) BY DSCA.
- C. LOAS IN ACCEPTED STATUS. ALL LOAS WHICH HAVE BEEN ACCEPTED (SIGNED BY THE CUSTOMER BUT NOT YET IMPLEMENTED IN THE DEFENSE INTEGRATED FINANCIAL SYSTEM (DIFS)) ARE ELIGIBLE FOR THE NEW RATE. UPON RECEIPT OF INITIAL DEPOSIT REQUIREMENTS, DFAS-DE WILL IMPLEMENT THESE CASES AS WRITTEN. A MODIFICATION SHALL BE PROCESSED BY THE MILITARY DEPARTMENT ADJUSTING THE STANDARD ADMINISTRATIVE RATE TO 2.5% ON ALL APPLICABLE LINES. THE MODIFICATION SHOULD BE COMPLETED WITHIN 30 DAYS OF IMPLEMENTATION AND MUST BE COUNTERSIGNED BY DSCA.
 - D. LOAS IMPLEMENTED ON OR AFTER 1 JUN 99. MILITARY DEPARTMENTS WILL PROCESS MODIFICATIONS FOR LOAS WHICH WERE IMPLEMENTED ON OR AFTER 1 JUN 99 WITH THE 3% SURCHARGE RATE. THESE MODIFICATIONS WILL REDUCE THE ADMINISTRATIVE SURCHARGE RATE TO 2.5%. THEY SHOULD BE PROCESSED NO LATER THAN 30 JUL 99 AND MUST BE COUNTERSIGNED BY DSCA.

PAGE 04 RUEKJCS6260 UNCLAS

E. AMENDMENTS/MODIFICATIONS ADDING NEW LINES TO EXISTING (ALREADY IMPLEMENTED) CASES. IT IS POSSIBLE FOR AMENDMENTS (AND MODIFICATIONS IN RARE CIRCUMSTANCES) TO BE PROCESSED TO ADD NEW LINES TO EXISTING CASES. IF AN AMENDMENT OR MODIFICATION INCLUDES A NEW LINE(S):

(1). MODIFICATIONS WHICH HAVE ALREADY BEEN SIGNED BY THE MILITARY DEPARTMENT AND COUNTERSIGNED (IF REQUIRED) BUT HAVE NOT YET BEEN IMPLEMENTED BY DFAS-DE IN DIFS, ARE ALSO ELIGIBLE FOR THE 2.5% ADMINISTRATIVE SURCHARGE ASSESSMENT ON ANY NEW STANDARD LINES. WITHIN 30 DAYS AFTER DFAS-DE IMPLEMENTS THESE MODIFICATIONS, THE MILITARY DEPARTMENTS WILL PROCESS ANOTHER MODIFICATION TO ADJUST THE ADMINISTRATIVE RATE ON ANY APPLICABLE LINES. THE MODIFICATIONS MUST BE COUNTERSIGNED BY DSCA.

(2). AMENDMENTS WHICH HAVE BEEN OFFERED TO THE CUSTOMER (COUNTERSIGNED (IF REQUIRED) BUT NOT YET ACCEPTED) ARE ELIGIBLE FOR THE NEW RATE ON ANY NEW STANDARD LINES. IT IS RECOMMENDED THAT THESE AMENDMENTS BE ACCEPTED BY THE CUSTOMER AS WRITTEN. WITHIN 30 DAYS OF IMPLEMENTATION, MODIFICATIONS TO THESE CASES SHALL BE PROCESSED BY THE MILITARY DEPARTMENTS ADJUSTING THE STANDARD ADMINISTRATIVE RATE TO 2.5% ON ALL APPLICABLE LINES. IF THE

PAGE 05 RUEKJCS6260 UNCLAS

CUSTOMER PREFERS THAT THE RATE BE CHANGED PRIOR TO ACCEPTANCE, THE AMENDMENT MAY BE RESTATED WITH THE NEW RATE AND RE-OFFERED TO THE CUSTOMER OR A PEN AND INK CHANGE MAY BE PROCESSED TO DOCUMENT THE CHANGES. ALL CASE DOCUMENTS, RESTATEMENTS, AND PEN AND INK CHANGES ADJUSTING THE ADMINISTRATIVE SURCHARGE RATE MUST BE COUNTERSIGNED (COORDINATED IN THE CASE OF PEN AND INK CHANGES) BY DSCA.

(3). ANY AMENDMENTS AND MODIFICATIONS WHICH WERE IMPLEMENTED ON OR AFTER 1 JUN 99 THAT INCLUDED NEW STANDARD LINES PRICED USING THE 3% ADMINISTRATIVE RATE MUST BE CORRECTED. THE MILITARY DEPARTMENTS SHALL PROCESS MODIFICATIONS ON THESE CASES TO ADJUST THE ADMINISTRATIVE SURCHARGE RATE TO 2.5% FOR APPLICABLE LINES. THE CORRECTING DOCUMENT SHOULD BE PROCESSED NO LATER THAN 30 JUL 99 AND MUST BE COUNTERSIGNED BY DSCA.

5. ADDITIONAL INFORMATION:

A. DOCUMENTS REQUESTING ELIMINATION OF A LINE FOLLOWED BY AN AMENDMENT TO ADD THE SAME TYPE ARTICLE OF SERVICE (TO TAKE ADVANTAGE OF THE REDUCED RATE) WILL NOT BE ALLOWED.

B. ALL DOCUMENTS WRITTEN TO ADJUST THE ADMINISTRATIVE SURCHARGE RATE WILL INCLUDE THE FOLLOWING STATEMENT IN THE

PAGE 06 RUEKJCS6260 UNCLAS

DOCUMENT DESCRIPTION PARAGRAPH: THE PURPOSE OF THIS DOCUMENT IS TO ADJUST THE ADMINISTRATIVE SURCHARGE RATE IN ACCORDANCE WITH DEPSECDEF MEMORANDUM DATED 25 JUNE 1999.

C. IT IS RECOMMENDED THAT DOCUMENTS PROCESSED TO ADJUST THE ADMINISTRATIVE SURCHARGE RATE BE WRITTEN AS STAND-ALONE DOCUMENTS. THIS WILL MAKE TRACKING EASIER. IF, HOWEVER, OTHER CHANGES ARE IN PROCESS, THEY MAY BE INCLUDED ON THE SAME DOCUMENT. EVEN IF DOCUMENTS INCLUDE MULTIPLE CHANGES, THE STATEMENT REQUIRED IN PARAGRAPH 4.B. ABOVE MUST STILL BE INCLUDED IN THE DESCRIPTION PARAGRAPH.

D. EFFECTIVE IMMEDIATELY, A NOTE WILL BE INCLUDED ON ALL LOAS, AMENDMENTS, AND MODIFICATIONS WHICH IDENTIFIES THE ADMINISTRATIVE SURCHARGE RATE BEING APPLIED TO EACH LINE. A SAMPLE NOTE SHOULD READ AS FOLLOWS:

'AN ADMINISTRATIVE SURCHARGE OF 3% HAS BEEN APPLIED TO LINES 001-010. AN ADMINISTRATIVE SURCHARGE OF 5% HAS BEEN APPLIED TO LINE 011. AN ADMINISTRATIVE SURCHARGE OF 2.5% HAS BEEN APPLIED TO LINE 13.'

IN THE ABOVE EXAMPLE, LINE 012 IS A PROGRAM MANAGEMENT LINE WHICH IS EXEMPT FROM THE ADMINISTRATIVE SURCHARGE AND THEREFORE NOT

BT

#6260

NNNN