



DEFENSE SECURITY COOPERATION AGENCY

WASHINGTON, DC 20301-2800

08 DEC 1998

In reply refer to
I-78536/98

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Approved SAMM Change Relative to CLSSA Liability

The SAMM change attached is provided for implementation. DISAM will add the change to the automated SAMM file for internet and Defense Acquisition Deskbook (DAD) CD ROM access. The following background information applies to this change.

Each DoD and non-DoD customer to purchase an item from a Defense Working Capital Fund (DWCF) account pays a standard unit price for the item. This price consists of the direct cost of the material or service and a surcharge to fund operation of the DWCF accounts. Prior to 1991, funding was provided from non-stock fund U.S. sources for many services associated with supply of stock fund items. Foreign Military Sales (FMS) customers either paid these costs separately, including through a CLSSA program, or did not receive the services. As business operating and then working capital fund accounts moved to a long term break-even operating basis, the costs for the services were included within the working capital fund unit price. Security assistance and other logistic policies have not kept pace with these financial management policies and practices.

This change is to (1) recognize that all customers, during the life of a wholesale inventory item, pay for their share of item obsolescence and disposal costs; (2) help distribute costs more equitably; and (3) improve DoD-FMS logistic process standardization.

Questions may be directed to wayne.wells@osd.pentagon.mil, commercial telephone (703) 604-6612, or DSN 664-6612.

A handwritten signature in black ink, reading "MS Davison", is located above the typed name.

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

Attachment
As stated

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Proposed change to the SAMM, paragraph 70002.C.3.g.:

“g. When a requirement arises to reduce the level of the customer’s investment in the US supply system or to terminate part or all of a CLSSA, action shall be taken to ensure closeout in a manner which minimizes impact on the applicable DoD working capital fund and the customer. CLSSA and other FMS customers pay their share of depreciation and other WCF operating costs during the life of each LOA. When a customer builds an initial FMSO I, then terminates the CLSSA before substantial orders are placed, and no other customer exists, liability may apply for assets on hand and due-in. An IA check for this possibility is especially pertinent for high value and low demand items, and for any non-DWCF items. When liability is ascertained for specific items, countries will be required to pay for the items via the CLSSA. Countries will then be given the option of receiving the items, or having them sent to DRMS with the country liable for disposal costs. If proceeds exceed disposal costs, the net proceeds should be credited to the country trust fund account.”