



DEFENSE SECURITY COOPERATION AGENCY
WASHINGTON, DC 20301-2800

SEP 21 2006

In reply refer to:
I-06/006307-POL

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Updated Guidance Pertaining to the Inclusion of Offset Costs and
Related Statements in Letters of Offer and Acceptance (LOA)
(DSCA Policy 06-31) [SAMM E-Change 55]

This memorandum updates the Security Assistance Management Manual (SAMM) to ensure the offset guidance is in alignment with the Defense Federal Acquisition Regulations Supplement (DFARS) 225.7303-2(a)(3).

Effective immediately, the SAMM, Chapters 5 and 6 are updated as attached. Chapter 5, Table C5.T5., is revised to clarify the usage and wording for the Offset Costs LOA note. Chapter 6 is updated to remove the distinction between competitive and non-competitive procurements.

This change will be included in the automated version of the SAMM found on the DSCA Web Page as SAMM E-Change 55. If you have any questions concerning this policy, please contact Ms. Anita Eggleston, DSCA/STR-POL, at 703-601-3843 or e-mail: anita.eggleston@dscamil.

A handwritten signature in black ink, appearing to read "J. B. Kohler", is positioned above the typed name.

JEFFREY B. KOHLER
LIEUTENANT GENERAL, USAF
DIRECTOR

Attachment:
As Stated

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Security Assistance Management Manual (SAMM), E-Change 55

- Chapter 5, Table C5.T5., the Offset Costs LOA note is deleted in its entirety and replaced as follows:

Table C5.T5. Letter of Offer and Acceptance (LOA) Notes

Note Name	Note Usage*	Note Text
Offset Costs	Mandatory for LOAs, Amendments and Modifications where articles/services will be sourced from procurement and financed wholly with Purchaser cash or repayable FMF funds. See Chapter 6, paragraph C6.3.9.	“The Department of Defense is not a party to any offset agreements/arrangements that may be required by the Purchaser in relation to the sales made in this LOA and assumes no obligation to administer or satisfy any offset requirements or bear any of the associated costs. To the extent that the Purchaser requires offsets in conjunction with this sale, offset costs may be included in the price of contracts negotiated under this LOA. If the Purchaser desires visibility into these costs, the Purchaser should raise this with the contractor during negotiation of offset arrangements.”

- Chapter 6, sections C6.3.9., C6.3.9.2., and C6.3.9.3. are deleted in their entirety and replaced as follows (section C6.3.9.1. remains unchanged):

C6.3.9. Offsets. DFARS 225.7303-2(a)(3) (reference (al)) allows U.S. contractors to recover, under FMS contracts based on LOAs financed wholly by purchaser cash or repayable FMF credits, costs of any offsets that are associated with those contracts. USG agencies MAY NOT enter into or commit U.S. firms to any offset agreement. Any purchaser requesting offset arrangements in conjunction with FMS should be informed that the responsibility for negotiating offset arrangements and satisfying all related commitments resides with the U.S. firm involved. It is the responsibility of the Implementing Agency to specify to DSCA, in the transmittal of any Congressional Notification, in the LOA and in any subsequent LOA Modification or Amendments, whether offset costs have been or will be included, and the amount, if known. Non-repayable FMF credits may not be used to pay any costs associated with offset agreements.

C6.3.9.2. Procurements. For procurements where adequate price competition exists or is anticipated, whether conducted by the purchaser or by the USG, the USG does not normally have visibility as to whether offset costs are included in the price or the amount of such costs, if included. It is the contractor's responsibility to inform the Implementing Agency when estimated offset costs are included in the FMS pricing information that the

contractor has provided. The contractor must disclose the amount of the estimated offset costs included the price to the USG contracting officer. The costs should be included before transmittal of the LOA for acceptance. Requests to include costs after LOA acceptance require an LOA Modification or Amendment. An offset note is included on the LOA (see Chapter 5, Table 5.T5. for exact wording).

C6.3.9.3. Disclosure of Offset Information. It is inappropriate for USG personnel to discuss with the purchaser the nature or details of an offset arrangement. However, if known, the fact that offset costs have been included in the P&A or LOA price estimate may be confirmed, should the purchaser inquire. The purchaser should be directed to the U.S. contractor for answers to all questions associated with offset agreements, including questions regarding their costs. Implementing Agency involvement in any discussion of offset costs (beyond confirmation of the inclusion of these costs in price estimates) must be avoided.

3. Chapter 6, section C6.3.9.4. is deleted in its entirety.