

Headquarters  
United States Forces Korea  
Unit #15237  
APO AP 96271-5237

United States Forces Korea  
Regulation 12-17

20 April 2020

Multinational Logistics Division  
LOGISTICS COST SHARING PROGRAM

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**\*This regulation supersedes USFK Regulation 12-17, dated 8 Nov 2010.**

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FOR THE COMMANDING GENERAL:

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**Summary.** This regulation provides policy and guidance and outlines responsibilities for United States Forces Korea (USFK) and other US military organizations under USFK jurisdiction in support of the Logistics Cost Sharing Program between the United States Forces and the Republic of Korea Ministry of National Defense (MND) in accordance with international agreements and instructions of higher headquarters. This regulation incorporates the previous stand-alone document of the Logistics Cost Sharing Program Guide and recommendations from the 2019 U.S. Army Audit Agency program audit.

**Applicability.** This regulation applies to USFK, USFK component commands, and other US military organizations under USFK's jurisdiction.

**Supplementation.** Issue of further supplements to this regulation by a subordinate command is prohibited unless prior approval is obtained from USFK J4 (FKJ4-MLD), Unit #15237, APO AP 96271-5327.

**Forms.** USFK forms are available at <https://8tharmy.korea.army.mil/g1/forms-archives.asp>.

**Records Management.** Records created as a result of processes prescribed by this regulation must be identified, maintained, and disposed of according to AR 25-400-2 and USFK Regulation 923.1. Record titles and descriptions are available on the Army Records Information System website at: <https://www.arims.army.mil> and under USFK Regulation 923.1, Appendix H~K.

**Suggested Improvements.** The proponent of this regulation is the Office of the Assistant Chief of Staff, J4. Users are invited to send comments and suggested improvements on Department of the Army (DA) Form 2028 (Recommended Changes to Publications and Blank Forms) to the USFK J4 (FKJ4-MLD), Unit #15237, APO AP 96271-5327.

**Distribution.** Electronic Media Only (EMO).

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## **Chapter 1**

### **Introduction**

#### **1-1. Purpose**

This regulation provides Logistics Cost Sharing (LCS) program management policies and procedures used in the acquisition of logistics equipment, supplies, and/or services by the United States (US) forces in the Republic of Korea (ROK).

#### **1-2. References**

Required and related publications are listed in appendix A.

#### **1-3. Explanation of Abbreviations and Terms**

Abbreviations and terms used in this regulation are explained in the glossary.

## **Chapter 2**

### **Policies and Procedures**

#### **2-1. Background**

a. The LCS program is a portion of the overall Special Measures Agreement (SMA) burden sharing program between the US and the ROK. This portion of the burden sharing program partially offsets the logistical costs of stationing US forces in the ROK. In general terms, logistical costs are considered to be those costs associated with the movement of personnel and assets on the peninsula, repair and maintenance services, purchase of non-tactical vehicles and purchase of other Korean manufactured items that are not fixed or real property.

b. A unique aspect of the LCS program is that funds available under the program are not transferred to the US, but are held and used by the ROK Ministry of National Defense (MND) to purchase goods and services for USFK (commonly referred to as an “in-kind” transaction). The US identifies the needed item or service, develops the contract or international agreement (which is approved by ROK MND) for provision of the item or service, takes delivery, and passes the invoice to ROK MND for payment. Funds obligated against active contracts in a particular calendar year will be carried over to the following calendar year if they remain obligated against the contract and remain uninvoiced by 31 December. As a general rule, any funds not obligated against a contract or spent by the end of the calendar year for which they are provided will not be carried over to the next calendar year. To avoid losing such funds, per the SMA Implementing Arrangement (IA), they will be directed to pay utilities and will not be available for obligation against other contracts. Therefore, one of the LCS program objectives is to fully and effectively expend the funds allocated for a specific year.

c. If a situation arises that is not covered within this regulation, contact the USFK LCS Program Manager located in the Multinational Logistics Division, USFK J49, for resolution.

#### **2-2. Policy**

a. Overall LCS program responsibility lies with the USFK, Assistant Chief of Staff (ACoS), J4, with program administration executed by the Chief, Multinational Logistics Division, J49 and a Joint Working Group comprised of the senior logistics officer from each USFK Service component to include Special Operations Command Korea (SOCKOR). Daily operations are conducted through the LCS Program Manager assigned to the Multinational Logistics Division, J49.

b. Section (§) 2350g of title 10 of the United States Code (10 USC §2350g) provides the authority and broad guidance for accepting non-cash forms of burden sharing contributions such as those provided under the LCS program. More specific rules for the LCS program are set forth in the current SMA covering the ROK's burden sharing contributions, the current SMA IA, the LCS IA, and this regulation. Most important, purchases made under this program must be accounted for, and controlled, as if US appropriated funds are being used.

### **2-3. Financial Guidance**

a. Differences exist between the US and ROK fiscal years and how they close-out. The ROK fiscal year aligns with the calendar year (i.e. 1 Jan to 31 Dec). Accordingly, contractual obligations or periods under the LCS program shall align with the ROK fiscal year. In the ROK system, work performed is paid within the same calendar year with no overlap. Thus, a major objective of the LCS Program is for work to be completed and paid within the same calendar year. ROK MND and USFK have established procedures to address work that spans across calendar years. This requires prior coordination to ensure funds obligated against the project remain available after the end of the calendar year.

(1) As stated above, the ROK fiscal year, which governs the LCS program, aligns with the calendar year (1 Jan to 31 Dec). This is in contrast to the US fiscal year, which runs 1 Oct to 30 Sep. The LCS funding year will be referred to as calendar year (CY), and not fiscal year (FY), to avoid confusion.

(a) Funding in lapse years (when a SMA has expired and another agreement is not in place) may not be released until the middle to end of the year depending on agreement ratification completion and release of funds. To fund requirements in the interim, new contracts will have to be created using other sources of funding, such as Operations and Maintenance funds.

(b) For projects that are funded with LCS funds, work will not begin without approval from the LCS Program Manager. Approval will be complete once the LCS Program Manager provides the contracting officer with a copy of the MND approval letter and an LCS cover sheet signed by the LCS Program Manager.

(c) In accordance with the LCS IA, the U.S will make "best efforts" to ensure work is initiated early in the calendar year and completed before 31 December. The objective is to bill and disperse LCS funds in the calendar year for which they are authorized.

#### **(2) Carryover.**

(a) Work completed after the end of the calendar year, and funds to pay for such work, are said to be "carried over." This is an exception to the ROK fiscal rules granted to USFK in the current SMA and SMA IA. Examples of projects requiring carried over funds include contracts suspended in November for weather and started the following March, or contracts with a period of performance extending into the next calendar year. Carried over funds must be utilized for mission requirements and should only be requested by exception, they are not available as a matter of convenience for program management.

(b) Beginning on 1 October of each year, estimates regarding work and funds to be carried over must be reported to the MND via letter signed by the USFK J4 MLD Chief. The deadline for MND receipt of such letters is 15 November. For this reason, it is important that changes to the allocations and estimated costs be locked in by this time. Changes made after this date should only be for unforeseen or uncontrollable circumstances.

b. SMA and LCS IA Cycle. SMA agreements expire on 31 December. History has shown that the distribution of LCS funds is delayed by several months in the year in which a new SMA takes effect. U.S. law (31 U.S.C. § 1341(a) (1) (A)) prohibits making or authorizing an expenditure or obligation without a source of available funding. Therefore, for the timeframe between the expiration of the current year SMA and the date funds become available on the following year SMA, the Service Component Manager must consider whether to suspend operations normally funded through LCS or fund them via an alternate funding stream (for example, Operation and Maintenance (O&M) funds).

c. Eligible Projects. Any question about the eligibility of an item or service for LCS funding must be submitted in writing to the USFK LCS Program Manager via the Service Component's LCS Manager. In consultation with the MND and other applicable agencies, USFK J4 will make the final eligibility determination. The categories and scope of LCS-eligible projects are contained in appendix C.

#### **2-4. Responsibilities**

a. Command Board, if applicable, will, in Armistice:

- (1) Exercise final approval authority for the distribution of LCS program funds.
- (2) Arbitrate any issues remaining from the Requirements Review Board.

b. Requirements Review Board, if applicable, will:

(1) In Armistice, review all prioritized projects from the Joint Working Group that have been approved by the Resourcing Board and determine the number of projects from each Service Component that will be funded using LCS funds.

(2) In contingency, identify projects recommended by the Joint Working Group that are to be funded after Armistice-only contracts have been cancelled, and exercise final approval authority for the distribution of LCS program funds.

c. USFK, Assistant Chief of Staff (ACofS), J4 will:

(1) Exercise responsibility for the implementation and administration of the U.S. - ROK LCS program according to established directives, agreements, and regulations.

(2) Exercise authority to negotiate changes to the LCS IA on the behalf of USFK as granted by the Chief of Staff, USFK.

(3) Exercise final approval authority for LCS program changes.

(4) Notify MND of the intended distribution of LCS funds among the approved categories of LCS projects via the form at Attachment 2 of the LCS IA.

(5) Participate in USFK SMA strategy meetings.

d. USFK, Deputy Assistant Chief of Staff, J4 will:

(1) Chair all Joint Working Group meetings as a non-voting member.

- (2) Mediate or elevate to the ACoS J4 any unresolved issues.
  - (3) Have authority to act on behalf of the ACoS J4 when he/she is absent.
- e. The Chief, Multinational Logistics Division, USFK J49 will:
- (1) Administer the LCS program as delegated by the ACoS, J4.
  - (2) Advocate the Joint Working Group's recommendation for distribution of LCS funds to the ACoS, J4.
  - (3) Recommend and provide intermediate approval of LCS program modifications.
  - (4) Approve requests to expedite contract processing from Requiring Activities (RA).
  - (5) Serve as a non-voting member on the Joint Working Group.
  - (6) Participate in USFK SMA strategy meetings.
  - (7) Submit the Joint prioritized list from the Joint Working Group to the Joint Resource Board and Command Board (or gain USFK CG approval if board process changes).
- f. Service Component Representatives (Senior Logistics Representative (the "4's") from each USFK Service Component to include Special Operations Command Korea (SOCKOR)) will:
- (1) Validate, prioritize, and advocate for LCS projects originating from within their respective Service/Component for a joint prioritized list in the year's first Joint Working Group meeting.
  - (2) Resolve problems affecting LCS projects from their Service Component that could not be resolved by the Service Component Manager or LCS Program Manager.
  - (3) Maintain visibility over Service Component Manager actions and LCS program status within their Component.
  - (4) Serve as a voting member of and the primary advocate and spokesperson for Service Component LCS projects at the Joint Working Group.
  - (5) Develop a recommended distribution of LCS funds through consultation with the other Service Component Representatives.
  - (6) Recommend LCS program modifications.
  - (7) Brief Service Component Commander on all Joint Critical and Component Critical projects and obtain signature on each project slide prior to the Resourcing Board.
- g. USFK LCS Program Manager will:
- (1) Serve as the primary LCS liaison between USFK and ROK MND.

(2) Provide one-on-one individualized LCS program training to new Service Component Representatives within 30 days of their appointment.

(3) Provide LCS program briefings and training to LCS Service Component Managers.

(4) For Joint Working Group meetings, schedule and develop the meeting agenda, publish pre-brief information, moderate the discussion, and publish meeting minutes.

(5) For Service Component Manager meetings, schedule and develop the meeting agenda, publish pre-brief information, chair the meeting, and publish meeting minutes.

(6) Coordinate with the Service Component Managers and RAs on the progress of their LCS projects and resolve any issues that may prevent timely completion.

(7) Coordinate with the 411th Contracting Support Brigade (CSB) on the development and implementation of LCS projects.

(8) Provide reports monthly and as requested to the Service Component Managers showing contract status and invoiced amounts according to the USFK LCS Program Manager's records.

(9) Retain a complete electronic copy of all LCS contracts.

(10) Process all draft LCS contract packages and invoices through ROK MND.

(11) Coordinate with ROK MND on LCS contracts, invoice payments, allocations, and other issues that may arise.

(12) Participate and provide information as required in preparation for and during USFK SMA Strategy meetings.

(13) Establish quarterly LCS metrics and execution goals and publish performance effectiveness measures for each of the Service Components. Identify at risk projects and apply funding to other projects if the Procurement Acquisition Lead Time (PALT) timeline for the at-risk project(s) cannot be met.

(14) Coordinate quarterly Service Component Representative program status briefings to the USFK J4.

(15) Review and provide input on revisions to USFK Regulation 37-5 (Special Measures Agreement Process) upon request.

(16) Support execution of the annual SMA process as specified in USFK Regulation 37-5 and provide associated information to USFK J5-Policy as requested by that staff section.

(17) Identify and track funds released by project cancellation or by the award of a contract for less than the estimated amount, and move the funds to the next approved project on the subject to available funding (SAF) list.

(18) Perform tasks as may be required in the operation of the LCS program.



(19) Conduct quarterly meetings for Service Component Managers, to include the 411th CSB, to discuss project status and milestone plans. During the meetings, Service Component Managers should notify USFK of personnel changes anticipated before the next quarterly meeting so the LCS Program Manager can provide timely training.

h. Service Component Managers will:

- (1) Provide LCS program training and information to RAs.
- (2) Coordinate RA program issues with the LCS Program Manager.
- (3) Attend Service Component Manager meetings and Joint Working Group meetings.
- (4) Monitor the status of LCS projects within their Service Component.
- (5) Consolidate, coordinate, and validate LCS budget allocations as necessary to maintain projected spending plans.
- (6) Respond to the LCS Program Manager's requests for information, clarification, or additional data on their Service Component's LCS projects.
- (7) Maintain current primary and alternate points of contact for all LCS projects, to include names, organizations, telephone numbers, and Date Eligible for Return from Overseas (DEROS).
- (8) Assist RAs in developing, submitting, coordinating and reporting of LCS projects. Obtain the proper technical, legal, or engineering assistance when needed.
- (9) Review Performance Work Statements (PWS) and other documentation before submission to the contracting activity. Ensure projects support Component Commander's priorities and meet LCS program requirements.
- (10) Ensure the amount requested for the contract does not exceed the amount approved by the Joint Working Group.
- (11) Ensure the RAs in their Service Component understand all contacts with ROK Government officials will be made through the LCS Program Manager.
- (12) Recommend changes for LCS program modifications to the LCS Program Manager.
- (13) Prioritize RA LCS projects for submission to and consideration by the Joint Working Group. All PWSs must be at least 90% complete before they may be approved by the USFK J4 LCS Program Manager.
- (14) Report the development and execution status of their approved LCS projects to the USFK J4 on a quarterly basis using the format at appendix E.
- (15) Establish a requirement for a monthly status report from each of their Contracting Officer Representatives (COR) on contract progress and remaining work.
- (16) Establish a requirement for each RA to develop and submit their PWSs to the 411th CSB for all new LCS projects within 15 days of project approval.

(17) Review weekly Service Component summaries and notify the USFK J4 Program Manager of any discrepancies.

(18) Submit a prioritized project list for the following CY by 1 Jan of each year. (Example, CY18's service's prioritized project list will be submitted to USFK J4 by 1 Jan 2017).

(19) Ensure all effort is exhausted to get contracts for the following CY through 411th CSB for contract award by 15 Dec of each current CY. (Example CY17's contracts awarded by 15 Dec 2016.)

(20) Review all contracts and identify any contracts requiring a wartime contingency clause. Coordinate with the 411th CSB to insert the U.S. wartime contingency clause, if necessary, and send the revised contracts to the USFK LCS Program Manager.

(21) Create project briefing slides (Appendix H template) for Service Component Commander on all Joint Critical and Component Critical nominated projects and obtain signature on each project slide and provide to the LCS Program Manager prior to the Resourcing Board.

(22) Submit a plan of action and milestones (POAM) for nonrecurring and new recurring projects to the LCS Program Manager. The target date will be no later than 31 May of the year before the program year for requesting activities to submit Project Requirements Packages (PRPs) to the 411th CSB, and no later than 31 December of the year before the program year for contract award. The project will lose funding approval if the requesting activities do not meet the milestones.

i. 411th CSB will:

(1) Receive the PWS. Ensure projects meet LCS program requirements, and are funded/approved by the USFK LCS Program Manager.

(2) Perform LCS contract solicitation and award. Monitor the status of the contract solicitation and award process and provide updates to the USFK LCS Program Manager.

(3) Prepare LCS contracts for MND approval.

(4) Upon receiving approval of a contract from MND, coordinate the final details of the service and/or delivery of the item to be provided by the contractor.

(5) Assist the RAs with any disputes, issues or concerns associated with an LCS contract.

(6) Provide the LCS cover sheet, company stock certificates and tax registers, and draft contracts for all contracting actions (to include new contracts and modifications) to the USFK LCS Program manager. If a company is over 51% owned by another company, then the other company is considered a parent company and both the parent company and the company being awarded the contract will have to provide stock certificates and tax registers for submission to the USFK LCS Program manager and to MND.

(7) Ensure new Service Component Managers receive training on how to prepare PRPs to assist with RA submissions. Training should be conducted within 30 days of appointment.

(8) Provide monthly contract status reports to the LCS Program Manager and Service Component Managers.

j. Requiring Activities (RA) will:

(1) Provide accurate data to 411th CSB regarding the period of performance on a contract, to include procuring all necessary documentation, securing identification to enter the relevant military installation(s), acquiring all materials necessary to start the project, and getting a pre-approved waiver for any U.S. origin or imported equipment and supplies. The period of performance stated on the final contract award documents will constitute the actual period of performance.

(2) Submit facility sustainment projects for approval in time to complete and fully invoice before 15 December of that current CY. Project packages that have not been completed by 31 May of the current CY, and have a PALT of greater than 200 days, will not be funded. Instead, the next project on the priority list will be approved for funding without an additional vote from the Joint Working Group.

(3) Submit a project to the respective Service Component Managers and have a 90% complete PWS prior to Joint Working Group approval.

## 2-5. Procedures

a. Program goal: allocate ROK Government-provided LCS funds in a way that maximizes USFK warfighting capabilities.

b. Program objectives:

(1) Ensure USFK receives maximum effectiveness from LCS funding strategies.

(2) Utilize 100 percent of the funds allocated, in the CY allocated.

(3) Ensure “carryover” funds brought from one CY to the next are kept to a minimum.

(4) Meet all major program milestones.

(5) Ensure the documentation of project development and execution provides a clear audit trail of accountability.

c. Additional Program Areas.

(1) Joint Working Group (JWG) Meeting.

(a) This forum brings the Service Component Representatives together on a quarterly basis to discuss and vote on a joint prioritized list, budget allocation, and other issues affecting the LCS program. Additional meetings may be convened, as necessary.

(b) The chairman is the Deputy Assistant Chief of Staff, J4.

(c) The voting members of the working group are:

- Eighth Army (8A/G4)
- Seventh Air Force (7 AF/A4)

- Commander, Naval Forces Korea (CNFK/N4)
- Marine Forces Korea (MARFOR-K/G4)
- SOCKOR (SOJ4)

(d) Non-voting members are:

- USFK J5 (Policy)
- USFK J4 (Plans & Operations Division)
- USFK J4 (Joint Sustainment Division)
- USFK J4 (MLD)
- USFK SJA
- 411th CSB

(e) Other organizations or individuals may attend or be invited at the request of the Chairman or other board members.

(f) Voting members must send a representative if they are unable to attend a meeting. The representative must be able to speak and vote on their behalf.

(g) Agenda items for this forum must be provided to the LCS program manager no later than 20 working days prior to the scheduled meeting. Issues not on the agenda may be discussed at the discretion of the Chairman.

(h) The agenda and supporting information will be sent via e-mail to attendees no later than 7 working days prior to the scheduled meeting.

(i) All voting shall be concluded by a majority vote.

## (2) Command Board

(a) The purpose of the Command Board is to present topics, decision points and other issues for Commander's approval to include issues that affect the Component Commands.

(b) The board is chaired by the USFK CG and facilitated by the USFK Chief of Staff.

(c) Attendees include the USFK primaries, Special Staff, and Component Commanders

## (3) Resourcing Board

(a) The purpose of the board is to review, validate, approve, and prioritize USFK resource requirements and identify optimal resourcing solutions with regards to initiatives and innovations in support of the Command's mission.

(b) Co-chaired by the J8 and the J4

(c) Attendees include USFK J-Staff Deputy Directors and Special Staff

(4) Requirements Review Board

(a) The purpose of the board is to review, validate, approve, and prioritize USFK resource requirements and identify optimal resourcing solutions with regards to initiatives and innovations in support of the Command's mission.

(b) Co-chaired by the USFK Comptroller and the Deputy J4

(c) Attendees include USFK J-Staff Deputy Directors and Special Staff

(5) Wartime Contingency Clauses

(a) Service Component managers will identify contracts requiring wartime contingency clauses to the 411th CSB and USFK J4 LCS Program Manager.

(b) All contracts required in times of crises, hostilities, or war should contain a wartime contingency clause. Contracts containing appropriate wartime contingency clauses play a significant role in wartime logistics support. Contracting of in-country civilian supplies or services could reduce the number of necessary off-peninsula support personnel and volume of materiel competing for strategic airlift.

(c) If a wartime contingency clause is not in the contract, the contract will be evaluated for necessity in wartime with probable cancellation so the funds can be shifted to other contracts. The recipient of the contractual services must initiate the wartime contingency clause if they want continued contract actions.

(d) A contract with a wartime contingency clause does not grant the contractor an exemption from ROK national mobilization. In 2009 ROK MND rescinded and ceased granting wartime contingency exemptions to contractors. They clarified that it is a company's responsibility to determine if they can meet U.S. contingency requirements after fulfilling their ROK mobilization requirements.

(e) USFK J4 MLD will conduct an annual data call with the 411<sup>th</sup> CSB and the Service Components to identify contracts with U.S. wartime contingency clauses. The list will be provided to ROK MND to identify companies targeted for ROK mobilization. This will enable contracting agencies/Service Components to engage companies, conduct site surveys, and determine contingency risk mitigation strategies before contingencies occur.

(6) LCS Contingency Plan

(a) In the event of a contingency; the LCS Program Manager will cancel out contracts without wartime contingency clauses, record this action in an excel document and forward that document to the Service Component Managers, Service Component "4's", and the Joint Resource Board.

(b) The funds released from the cancelled projects will be available to the Joint Resource Board for other projects.

(c) Funding for LCS projects in contingency situations will follow the same rules in the LCS IA and any applicable amendment(s) that are used under Armistice. The LCS JWG will prioritize a new list for approval by the Joint Resource Board.

d. Continuing Projects.

(1) Revalidation and Review. When preparing to develop a follow-on contract, the RA will perform and document a review of the cost effectiveness of the project. Review documentation will be provided with the draft Statement of Work (SOW) to the Service Component Manager and LCS Program Manager. The LCS Program Manager can also direct an out-of-cycle validation or review of a project. In either case, the RA will complete the review within 30 days of a change notification or by 15 December of the year before the execution year, or funds will be suspended until the review has been received. The documentation will include, as a minimum:

- (a) The justification for continuing the project.
- (b) How contracting for the requirement saves the US Government money.
- (c) Measures to ensure the US Government will receive “best value”. An example would be cost-to-replace versus cost-to-repair.
- (d) Process for determining replacement versus repair. An example would be the calculated “one-time repair limit” on a vehicle.
- (e) Impact, should this project not be funded.

(2) Supporting Documentation. All files and supporting documentation for projects funded under this program will be subject to review by the LCS Program Manager. When directed by the LCS Program Manager, the RA will make available all documentation associated with the execution of the project. This documentation will include:

- (a) The contract and all modifications.
- (b) Delivery orders, with supporting documentation, such as unit request letters.
- (c) Invoices or equivalent documentation.
- (d) Tax register and stock certificate of the company, and if the company is over 50% owned by another company, the tax register and stock certificate of the owning (parent) company.

e. Services and Supplies Provided by the ROK Military or Government Agencies.

(1) When considering entering into an arrangement with the ROK Military or a ROK Government Agency, do not enter into any negotiations or discussions before contacting the USFK J49-Multinational Logistics Division. Proper authorization must be obtained to enter into international negotiations on behalf of the US Government.

(2) You may gather preliminary information, such as capabilities, but you must make it clear that you are only gathering information. Your questions and their responses must not be construed as obligating the US Government.

f. Documentation.

(1) E-mail. E-mail will be treated the same as written and signed documentation. Exceptions will only be where higher guidance requires a written and signed form of documentation.

(2) Reports. Program reports will be provided electronically, usually via e-mail.

g. Timelines.

(1) Approved Projects in prior year. Projects will be considered approved after completing the board process and receiving approval at the Command Board. Contracts with lead times over 200 days will be required to submit a POAM not later than 31 May of the year before the program year.

(2) Projects not meeting timelines may lose funding. If this occurs, projects on the Subject to Available Funding (SAF) list will be funded using the released funds.

## **2-6. Reports**

a. LCS Program Manager Report.

(1) The LCS Program Manager will provide a monthly report to each Service Component on the status of each contract. The report will show the status of current, proposed, and completed contracts.

(2) Additional reports will be made available on request.

b. Service Component Report.

(1) Each Service Component will provide an update of the status of their projects to the USFK J4 on a quarterly basis as part of the JWG.

(2) The Service Component quarterly presentation to the USFK J4 will be coordinated through the LCS Program Manager.

## **Appendix A References**

### **Section I. Required Publications**

DODI 4165.3 (Department of Defense Real Property Categorization)

Implementation Arrangement for Special Measures Agreement (SMA IA)

Federal Acquisition Regulation (The FAR)

Implementing Agreement Concerning Logistics Cost Sharing (LCS IA)

United States Code title 10, section 2350g (Authority to accept use of real property, services, and supplies from foreign countries in connection with mutual defense agreements and occupational arrangements)

USFK Regulation 37-5 (Special Measures Agreement Process)

USFK Regulation 715-2 (Contracting for Supplies, Services, and Construction)

Any other DOD and service regulations and/or instructions applicable to the control, accounting, and use of US appropriated funds, equipment, and property.

### **Section II. Related Publications**

This section contains no entries.

### **Section III. Prescribed Forms**

This section contains no entries.



## **Appendix B**

### **Self-Dealing, Bribery and Conflict of Interest**

**B-1.** By both federal law and DOD policy, all those involved in acquisitions will do everything in their power to ensure that all agreements, arrangements, or contracts entered into under the LCS program will be free from self-dealing, bribery, and conflict of interest. In order to ensure the integrity of the acquisition process and to protect the interests of the US taxpayer, all personnel in the acquisition process should be aware of the circumstances involving their acquisitions and try to locate possible self-dealing, bribery, or conflict of interest.

**B-2.** Although not in themselves a positive indication of self-dealing, bribery, or conflict of interest, the following circumstances suggest the possibility:

- a. Requirement to deal through an agent or middleman who does not provide supplies or services, yet receives payments.
- b. High prices.
- c. Payments to persons not part of the transactions.
- d. Other unusual circumstances.

**B-3.** Since an accusation of self-dealing, bribery, or conflict of interest involving a foreign government official could have a major impact on relations with another country, anyone with reason to believe that self-dealing, bribery, or conflict of interests are involved should ensure that the suspicion is not released outside the US Government. When such suspicions appear well founded, the matter should be reported through both service and unified command channels to the Under Secretary of Defense (Production) who will determine if further investigation is warranted, how it will be carried out, and what action should be taken.

## **Appendix C**

### **Categories and Scope of Logistics Cost Sharing (LCS) Program Projects**

**C-1.** Single Ammunition Logistics System-Korea (SALS-K): service support including ammunition storage, security, maintenance, disposal, and transportation (to include receiving/shipping operations at relevant ports), in accordance with the Memorandum of Understanding (MOU) on SALS-K Reimbursement Rate, dated 31 July 2006, or superseding agreements.

**C-2.** Munitions Activities Gained by Negotiations between USAF-ROKAF MOU (MAGNUM): services including ROK storage services and maintenance of USAF munitions stored in ROKAF owned facilities, in accordance with the MOU between the United States Air Force (USAF) and the ROK Air Force (ROKAF) concerning the Storage of USAF Munitions in the ROKAF Munitions Facilities, dated 27 July 2016, or superseding agreements.

**C-3.** Repair and Maintenance Services: repair and maintenance of aircraft, ground equipment, and other equipment owned by the US and stationed in Korea. As an exception, with the specific agreement of the parties, repair and maintenance of aircraft belonging to the US not permanently stationed in Korean territory and territorial waters, but dedicated primarily to supporting ROK/US combined operations plan.

**C-4.** War Reserve Materiel (WRM) Maintenance: maintenance services for aircraft fuel tanks, bomb loading systems, ancillary loading tools, multifunctional loading systems, aircraft ground equipment, vehicles, readiness materiel to equip bases, basic materiel for unit sustainment, cooking equipment and utensils, and medical equipment, which are permanently stored at USFK bases.

**C-5.** Transportation Services: services provided by the Korea Railroad Corporation and Korean transportation contractors to transport USFK Passengers and USFK cargo, within the Republic of Korea.

**C-6.** Vehicle, Equipment, and Materiel Purchases: purchases of Korean-made vehicles (non-tactical and rail car) and other, equipment and materiel, to include (repair parts for heavy equipment and vehicles; equipment/supplies for warehousing storage systems, munitions storage (munitions pallets) and maintenance tools; vehicle maintenance and repair tools and equipment; mortuary affairs equipment and supplies; portable building structures and related installations and equipment; items to enhance force protection of logistics assets; War Reserve Materiel (WRM) repair and replacement parts, etc.) for the use of USFK.

**C-7.** Distribution and Storage of Petroleum-Based Fuel, Kerosene, and Lubricants: Annual fees for services provided by Daehan Oil Pipeline Corporation (DOPCO) for distribution and storage of US petroleum-based fuel, kerosene, and lubricants.

**C-8.** Special Agreed Leases Excluding Those for Family Housing: Facility leases other than for Family Housing.

**C-9.** Facility Sustainment Services: Repair services provided to sustain facilities on US installations.

**C-10.** Base Operational Support: electricity, natural gas, water, and sewage from public utilities; storage; and service for sanitation, laundry, bathing, and waste disposal services.

**Appendix D**  
**Program Definitions**

Project submissions for the LCS program will be grouped into three categories. The submission categories will be (1) Joint Critical, (2) Component Critical, and (3) Joint/Component Essential as explained below. The Service Components' initial project submissions must fit into an LCS-approved category and be executable during that calendar year (CY). The Joint Working Group will meet quarterly to discuss emerging/unforeseen projects and how they fit into the program.

**D-1. Joint Critical** – USFK submissions that benefits more than one Service Component and supports the Combined Forces Command's (CFC) Operational Plan (OPLAN) as communicated in one of the following categories:

- A. Joint and Component Statutory Requirements or International Agreements
- B. DoD Executive Agent Responsibilities
- C. EXCEPTIONS: Approval requires a Yes vote from all five (5) Joint Working Group voting members

**D-2. Component Critical** – Service Component submissions that may benefit more than one Service Component, may support the CFC OPLAN, or may be related to Service Components' operational readiness, but is not required under a U.S. statute, international agreement, or executive agent designation. Items within this category should:

- A. Support the submitting Service Component's ability to "Fight Tonight"
- B. Be identified as significant enough, that the submitting Service Component would fund the project with Operations and Maintenance funds if not funded through LCS
- C. EXCEPTIONS: Approval requires a Yes vote from 3 of 5 voting members

**D-3. Joint/Component Essential** – USFK or Service Components' submissions that would not be funded with Operations and Maintenance funds if not LCS funded

## **Appendix E Program Milestones/Events**

### **January**

- Service Components submit next calendar year projects in priority order
- LCS Program manager compiles projects and sends spreadsheets to Component 4s for priority sequence and voting
- LCS Program manager produces prioritized list based on votes and creates and publishes Joint Working Group final slides
- LCS Joint Working Group held to complete recommended prioritized list

### **February**

- LCS prioritized list is presented to the Resource Requirements Board for start of approval process
- Project slides are signed by the Service Component Commander and provided to the USFK LCS Program Manager for signature by the USFK J4 and J8 prior to the Resource Board
- LCS prioritized list is presented to the Resource Board for approval to move to the Command Board
- LCS prioritized list is presented to the Command Board for approval

### **March**

- Not later than 15 March or as specified by the Special Measures Agreement (SMA) timeline, LCS prioritized list is submitted to ROK Ministry of National Defense (MND) for future year (if there is a current SMA)
- LCS prioritized list is submitted to MND for the first quarter of the current calendar year listing all current contracts and their updated status

### **April**

- Review of all project allocations with Service Component Managers
- Meeting among the 411th CSB, Service Component Managers, and LCS Program Manager identifying status of current year contracts and future year contracts

### **May**

- Review and possible withdrawal of funding for facility sustainment contracts and services contracts requiring 240 days Procurement Acquisition Lead Time (PALT) not in the sourcing process by 1 May
- Second quarter Joint Working Group meeting
- On 31 May, fund subject to available funding (SAF) projects with funds determined available after 1 May review

### **June**

- LCS prioritized list is submitted to MND for the second quarter of the current calendar year listing all current contracts and their updated status
- Review of all project allocations with Service Component Managers
- Meeting among the 411th CSB, Service Component Managers, and LCS Program Manager identifying status of current year contracts and future year contracts

### **July**

- Review and possible withdrawal of funding for facility sustainment contracts and services contracts requiring 180 days PALT not in the sourcing process by 1 July

### **August**

- Review of all project allocations with Service Component Managers
- Meeting among the 411th CSB, Service Component Managers, and LCS Program Manager identifying status of current year contracts and future year contracts
- Third quarter Joint Working Group

### **September**

- LCS prioritized list is submitted to MND for the third quarter of the current calendar year listing all current contracts and their updated status
- Review and possible withdrawal of funding for facility sustainment contracts and services contracts requiring 120 days PALT not in the sourcing process by 1 September

### **October**

- Review of all project allocations with Service Component Managers
- Meeting among the 411th CSB, Service Component Managers, and LCS Program Manager identifying status of current year contracts and future year contracts

### **November**

- Fourth quarter Joint Working Group
- Estimated carryover letter sent to MND by 15 November

### **December**

- Solicitations by 1 December for current year contracts required per SMA IA
- MND approval of all current year contracts by 15 December per SMA IA
- Recurring contracts for the following year with complete documentation submitted to MND by 15 December per SMA IA
- Service Component Managers creating future contract list (2020 creating 2021 list for board process)
- LCS prioritized list is submitted to MND for the fourth quarter of the current calendar year listing all current contracts and their updated status

**Appendix F**  
**Process Flow Chart from Requiring Activity through Completed Contract**






The process starts with the Requiring Activity generating the requirement to the Service Component Manager. The Service Component Manager, in conjunction with the Logistics Director, prioritizes the project for funding. The Logistics Director gains approval from the Component CG and submits the component 1 – N list to the USFK LCS Program Manager. The USFK LCS manager compiles the component lists and sends the compilation to the Logistics Directors for a prioritized vote.



The 1 – N list recommended by the component Logistics Directors is briefed through the board process for approval by the USFK CG. The approved list is used to lessen the Procurement Acquisition Lead Time by submitting completed procurement packages to the 411th Contracting Support Brigade prior to the year of execution for long lead time contracts.

Final approval is provided by MND and the contract execution begins. Satisfactory work is invoiced through USFK J4 and paid by MND.

**Appendix G**  
**Plan of Action and Milestones (POAM) Template**

UNCLASSIFIED		
	<h2 style="margin: 0;">POAM Template</h2> <p style="color: blue; margin: 0;">Date _____</p>	
<p style="text-align: center; font-weight: bold; color: blue;"><u>WORKING ISSUES</u></p> <p>Steps for completion to go from concept to contract</p> <ul style="list-style-type: none"> <li>• What is preventing statement of work</li> <li>• Has a timeline been accounted for if there is a design</li> <li>• Has the design been paid with other funding</li> <li>• Is the design part of the contract and funded with LCS for a Korean contractor</li> <li>• Does a waiver need to be submitted for non-Korean materials</li> </ul>	<p style="text-align: center; font-weight: bold; color: blue;"><u>OVERVIEW</u></p> <ul style="list-style-type: none"> <li>• What is the criticality of the project</li> <li>• Why is this project being funded</li> </ul>	
<p style="text-align: center; font-weight: bold; color: blue;"><u>OPERATIONAL IMPACT/RISKS</u></p> <p>Impacts if the project is not funded</p>	<p style="text-align: center; font-weight: bold; color: blue;"><u>WAY-AHEAD</u></p> <p>How to meet the timeline to have the contract package completed and the submission suspense before funding is denied.</p>	
<div style="background-color: #0066b3; color: white; padding: 5px;"> <p><b>POAM</b></p>  </div>		

**Appendix H  
Project Calendar Year Submission Template**

<b>UNCLASSIFIED// FOR OFFICIAL USE ONLY</b>	
	<b>SALS-K</b> 
<p><b>Sponsoring Service:</b> Eighth Army  <b>POC:</b> Mr. Kim Jin Yong  <b>POC Email:</b> jinyong.kim3.1n@mail.mil  <b>POC Phone:</b> DSN: 723-3555  <b>LCS Amount:</b> 25,404,835,541 KRW  <b>Projected Start Date:</b> 1 Jan 2021  <b>Service Priority:</b>  <b>LCS Priority:</b> Joint Critical  <b>Category:</b> Single Ammunition Logistics System-Korea (SALS-K)</p> <p>Service Component Commander Signature</p> <p>_____</p> <p>USFK J4 Signature</p> <p>_____</p> <p>USFK J8 Signature</p> <p>_____</p>	<p><b>Description:</b> SALS-KMOA for Ammo operation.</p> <p><b>Justification:</b> This is a MOA between ROKA and USFK for ammunition storage, transportation, and maintenance. ROKA supports all required ammunition operations for USFK.</p> <p><b>Risk to Mission if not funded:</b></p> <p><b>Risk to Force if not funded:</b></p>
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CFAC PWD	

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Components are required to submit slides along with their 1 – N project list for the next calendar year. The slide template will be signed by the Service Component Commander verifying agreement with the project. The signature will be required for all Joint Critical and Component Critical projects nominated for the next calendar year. If the Service Component Commander is unable, the next General Officer in the command chain will sign the slides. The Service Component Commander signature cannot be delegated to the Service Component Logistics Director.

Initial slides submitted by the Service Component Managers do not require Service Component Commander’s signature. The Service Component Commander signature will be required after the Joint Working Group has voted and recommended the 1 – N priority order. The signature has to be completed and the slides returned prior to the Resourcing Board.



## **Glossary**

### **Section I. Abbreviations**

AQL	Acceptable Quality Level
cASM	Contingency Acquisition Support Model
CAP	Contractor Acquired Parts
CFM	Contractor Furnished Material
CLIN	Contract Line Item Number
COR	Contracting Officer's Representative
CY	Calendar Year
DJ4	USFK, Deputy Assistant Chief of Staff, J4
DO	Delivery Order
DOD	Department of Defense
FY	Fiscal Year
GFM	US Government Furnished Material
IA	Implementing Agreement or Implementing Arrangement
IAW	In Accordance With
J4	USFK, Assistant Chief of Staff, J4
JWG	Joint Working Group
LCS	Logistics Cost Sharing
KO	Contracting Officer
MAGNUM	Munitions Activities Gained through Negotiations between USAF/ROKAF MOU
MND	Ministry of National Defense
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
NLT	No Later Than
NTV	Non-Tactical Vehicle

PALT	Procurement Action Lead Time
PR	Purchase or Procurement Request
PRS	Performance Requirement Summary
PWS	Performance Work Statement
QASP	Quality Assurance Surveillance Plan
QR	Quality Representative
RA	Requiring Activity
RFP	Request for Proposal
ROK	Republic of Korea
ROKA	Republic of Korea Army
ROKAF	Republic of Korea Air Force
ROKG	Republic of Korea Government
SMA	Special Measures Agreement
SOCKOR	Special Operations Command Korea
SOW	Statement of Work
USA	United States Army
USAF	United States Air Force
USFK	United States Forces - Korea
USMC	United States Marine Corps
USN	United States Navy
WRM	War Reserve Material

## Section II. Terms

**NOTE:** Not all terms listed are used in this regulation, but are terms that users should be familiar with because they could be part of related conversations or correspondence.

**Contract.** A bilateral agreement between two or more parties, enforceable by law, which obligates the seller to furnish something, and obligates the buyer to pay for it.

**Federal Acquisition Regulation (FAR).** The Federal regulation that implements procurement-related statutes and governs Government procurement.

**Fixed-Price Contract.** A contract where the contractor agrees to deliver supplies or services at the times specified for an agreed upon price that cannot be changed unless the Government modifies the contract.

**Government Furnished Material.** Material of other than ROK origin provided to a ROK contractor or ROK government agency in performance of a contracted service.

**Government-Furnished Property (GFP).** Property in the possession of, or directly acquired by, the Government and subsequently made available to the contractor.

**Objective Performance Measure.** Based on the attributes of physical objects that can be measured or counted.

**Offer.** A response to a solicitation that, if accepted, would bind the offeror to perform the resultant contract. Responses to invitations for bids (sealed bidding) are offers called "bids" or "sealed bids." Responses to requests for proposals (negotiation) are offers called "proposals."

**Outcome Measure.** An assessment of the results of a program activity compared to its intended purpose (objective).

**Output Measure.** The tabulation, calculation, or recording of activity or effort and can be expressed in a quantitative or qualitative manner.

**Performance-Based Contracting.** Structuring all aspects of an acquisition around the purpose of the work to be performed as opposed to either the manner by which the work is to be performed or broad and imprecise statements of work.

**Performance Work Statement.** A tasking document that specifies the effort to be performed by a contractor. New term replacing term Statement of Work, and is used interchangeably.

**Procurement Package.** Documentation required for legal solicitation of goods or services. Consult USFK Reg 715-2, appendix D for guidance.

**Proposal Evaluation Factors.** Factors against which proposals are evaluated. The RFP must explain these factors and their order of importance.

**Proposal.** A response by a prospective contractor to a Request for Proposals issued by the CO in negotiated acquisitions. It is an offer (including technical performance, as well as cost or price terms) that can be accepted by the Government to create a binding contract, either following negotiations or when certain conditions are satisfied. The term "bid" is used in sealed bid procurements.

**Purchase or Procurement Request.** The document prepared by the requiring activity, which (1) describes the supplies or services to be acquired, (2) certifies the availability of funds, and (3) includes other information and approvals necessary for the CO to initiate an acquisition action.

**Quality Assurance Plan.** Document used by Quality Assurance personnel to evaluate the Contractor's performance under the terms of the contract. Address specific questions to 411th Contracting Support Brigade personnel.

**Reasonable Cost.** A cost, which in its nature and amount, does not exceed that which would be incurred by a prudent person in the conduct of competitive business. If challenged, the burden of proof for determining cost reasonableness rests with the contractor.

**Services.** The performance of identifiable tasks rather than the delivery of an end item of supply. Services also include tasks that are delivered under a contract where the primary purpose of the contract is to provide supplies.

**Sole Source Contract.** A contract awarded as a result of a solicitation that was provided to only one offeror or as a result of an unsolicited proposal.

**Solicitation.** A formal invitation by the Government to prospective offerors to submit offers to satisfy a Government need. It describes the requirements in sufficient detail to allow prospective offerors to determine their ability to meet that need and to submit a meaningful offer. It also includes the terms, conditions, and instructions under which offers may be submitted and resultant contracts will be awarded.

**Statement of Work (SOW).** See Performance Work Statement above.

**Surveillance.** The continual monitoring and verification of status of an entity and analysis of records to ensure specified requirements are being met. Surveillance activities may be delegated to other disinterested parties on behalf of the customer. It may be 100%, statistically-based sampling, qualitative sampling, or the result of discussion with individuals who have firsthand knowledge. It also may include the monitoring of contractor supplied metrics, available contractor data, sampling, or surveys.

**Technical Evaluation.** The measurement of a technical proposal against the technical requirements and the rating factors stated in the solicitation. Cost may be considered as an indicator of understanding of technical requirements.

**Technical Standard.** A common and repeated use of rules, conditions, guidelines or characteristics for products or related processes and production methods. It includes the definition of terms, classification of components, delineation of procedures, specification of dimensions, materials, performance, designs, or operations. It includes measurement of quality and quantity as well as a description of fit and measurements.

**Work Breakdown Structure (WBS).** A product-oriented, hierarchical division tree of deliverable items and associated services that relates the elements of work to each other and to the end item.