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11 FEB 2021

MEMORANDUM FOR DEPUTY UNDER SECRETARY OF THE AIR FORCE FOR
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DEFENSE EXPORTS AND COOPERATION
DEPUTY ASSISTANT SECRETARY OF THE NAVY FOR
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DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY
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DIRECTOR, DEFENSE LOGISTICS AGENCY DIRECTOR,
DEFENSE INFORMATION SYSTEMS AGENCY
DIRECTOR, DEFENSE LOGISTICS INFORMATION SERVICE
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DIRECTOR, DEFENSE THREAT REDUCTION AGENCY
DIRECTOR, NATIONAL GEOSPATIAL INTELLIGENCE
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DIRECTOR, MISSILE DEFENSE AGENCY
DEPUTY DIRECTOR FOR INFORMATION ASSURANCE,
NATIONAL SECURITY AGENCY

SUBJECT: DSCA Oversight of Annual Case Reviews, DSCA Policy 20-65 [SAMM E-Change
442]

REFERENCES:

- a) Department of Defense 7000.14-R, Financial Management Regulation (FMR), [Volume 15, Chapter 7](#), November 2018
- b) DSCA Manual 5105.38, Security Assistance Management Manual (SAMM), [Chapter 16](#) and [Appendix 7](#) (Reconciliation and Closure Guide (RCG)), September 23, 2013

Implementing Agencies (IAs) are required to conduct Annual Case Reviews (ACRs) in accordance with the DoD Financial Management Regulation (FMR) Vol 15, Chapter 7, Section 070204 and DSCA Security Assistance Management Manual (SAMM) Chapter 16, C16.2.3.1, and Appendix 7, Chapter 2, A7.C2.5, Figures A7.C2.F6 and A7.C2.F7. GAO Audits 19-678 and 20-386, noted that DSCA did not provide sufficient oversight and review of ACRs to validate their compliance with policy. Previously, DSCA reviewed completed ACRs on an ad-hoc basis. To address GAO's audit concerns, DSCA will now conduct ACR reviews on a quarterly basis. This memorandum updates the SAMM Chapter 16 and Appendix 7 to establish DSCA's increased oversight and review of ACRs.

Effective immediately, on a quarterly basis, DSCA will request and review a sampling of the signed ACR Checklist (A7.C2.F7). DSCA's ACR review will include both Foreign Military Sales (FMS) and Building Partner Capacity (BPC) cases. The number of cases that DSCA will review will be determined by the IA's inventory of implemented cases. The reviewed ACRs will also be selected from three different "age" categories to ensure an even sampling of new and old cases. The detailed methodology and the criteria for requesting and reviewing the ACRs is outlined in Attachment 2.

In addition to the review process outlined below, DSCA will also review ACR documentation when conducting case reviews during the Business Process Reviews (BPRs). Finally, DSCA will maintain a Master List of all cases where ACRs are reviewed and will be retained for audit purposes.

For any questions regarding this policy, please contact Ms. Jeneen Caldwell at jeneen.k.caldwell.civ@mail.mil, (703) 697-8923.

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Jackie Leonard
Acting Chief Financial Officer

Attachments:

1. SAMM E-Change 442
2. Methodology and Guidance
3. DSCA Review Scorecard Template

Attachment 1

Security Assistance Management Manual (SAMM), E-Change 442

DSCA Oversight of Annual Case Reviews

1) ADD the following to SAMM Chapter 16.

C16.2.3.1.1. DSCA Oversight of Annual Case Reviews. DSCA will review a sampling of Annual Case Reviews on a quarterly basis and additional cases may be reviewed during Business Process Reviews (BPRs) to ensure compliance. Number of samplings will be determined by the inventory of Implemented cases and further subdivided based on three age categories:

- Category 1: Cases Implemented for less than 2 Years;
- Category 2: Cases Implemented between 2-5 Years; and
- Category 3: Cases Implemented greater than 5 Years.

C16.2.3.1.1.1. DSCA will provide feedback and corrective actions if necessary as well as conduct trend analysis to identify any systemic issues requiring corrective action. DSCA will maintain a Master List of cases and results of the reviews for audit purposes.

2) ADD the following to SAMM Appendix 7, Chapter 2 (RCG)

A7.C2.5.2. DSCA Oversight of Annual Case Reviews. DSCA will review a sampling of Annual Case Reviews on a quarterly basis and additional cases may be reviewed during Business Process Reviews (BPRs) to ensure compliance. Number of samplings will be determined by the inventory of Implemented cases and further subdivided based on the ratio of the three age categories:

- Category 1: Cases Implemented for less than 2 Years;
- Category 2: Cases Implemented between 2-5 Years; and
- Category 3: Cases Implemented greater than 5 Years.

A7.C2.5.2.1. DSCA will provide feedback and corrective actions if necessary as well as conduct trend analysis to identify any systemic issues requiring corrective action. DSCA will maintain a Master List of cases and results of the reviews for audit purposes.

Attachment 1

DSCA Oversight of Annual Case Reviews

Methodology and Guidance

1. Determining sample size:
 - a. DSCA will review 3% of implemented cases each year (or 0.75% per quarter). The overall 3% population for review will be derived from the number of implemented cases at the beginning of the fiscal year.
 - b. DSCA will determine the population of cases in Implemented status at the end of each quarter.
 - c. DSCA will determine the number of Annual Case Reviews (ACRs) by Implementing Agency (IA), based on the ratio of cases in Implemented status.

2. Determining the number of cases by Age Category to be reviewed:
 - a. DSCA will identify cases by age at the end of each quarter using the Case Control (CASECON) report from the Defense Integrated Financial System (DIFS).
 - b. Within the population size, there will be 3 categories of which the number of ACR documents to provide will depend on age of the case at time of review.
 - Category 1: Cases Implemented < 2 Years = All ACRs will be requested for each case. This should equate to at least one ACR for each selected case.
 - Category 2: Cases Implemented 2-5 Years = All ACRs will be requested for each case. This should equate to at least 2-4 ACRs depending on the age of the selected cases.
 - Category 3: Cases Implemented > 5 Years = The last 5 ACRs will be requested for each selected case.
 - c. DSCA will choose the cases based on the criteria above to ensure a sufficient sample is obtained from each IA for FMS and/or BPC programs.

3. DSCA, Financial Policy and Analysis (FPA) will provide a listing of the cases to each IA focal point (i.e. NIPO, AFSAC/AFSAT, USASAC-NC, etc.) for distribution to appropriate case managers.
 - a. DSCA will provide a list of cases to the IAs focal point by the 5th business day of each new Quarter (October, January, April, and July)
 - b. The IA will have until close of business of the first business day of the following month to provide the documentation to DSCA/FPA.

- Documentation should be consolidated by the IA focal point and any missing documents must be identified and annotated as to reason.
 - Documentation will be sent to the DSCA/FPA Case Closure Request Mailbox at dscanrc.dbo.mbx.case-closure-requests@mail.mil
- c. ACRs reviewed as part of a BPR will be added to the Master List.

4. DSCA Review Template and Tracker

- a. DSCA developed a tracker that records and tracks:
- Number of Samples Requested by FY, Quarter and Age Category
 - Case ID's and Age Category
 - Number of Case Reviews provided
 - Date ACR's were provided
 - Number of ACR's completed, missing or incomplete
 - Explanation by IA regarding missing or incomplete reviews
 - DSCA will provide IAs with any corrective action required (see template example).
 - IAs will provide DSCA with the corrective action taken and completion date
- b. DSCA will conduct an analysis of the provided documentation and send feedback to the IA focal points for any negative trends requiring further corrective action (example: trend suggests that ACRs are not being performed by specific Case Manager or organization; corrective action will be determined based on the trend).
- c. DSCA will maintain a consolidated Master List of all cases and ACRs and date requested from the IAs.

DSCA Review of IA Annual Case Review Score Card

Fiscal Year and Quarter: FY: 2020 QTR:1

Total Number of Cases to be Reviewed: 3

Total Number of Cases by Age Category:

Category 1 (< 2 years): 1

Category 2 (2-5 years): 1

Category 3 (> 5 years): 1

SAMPLE TEMPLATE

CC	IA	Case ID	Date Basic Implemented	Age Category	Number of ACRs Required	Number of ACRs received	Date ACRs Received	Notes/Explanations from IA	DSCA Comments/Corrective Action Required	Follow-up Status	IA Corrective Action Taken	Corrective Action Completion Date
BN	Q	AAA	20-Sep-19	1	1	1	10/1/2020					
BN	Q	BBB	15-Sep-16	2	3	2	10/1/2020	Current ACR in process.	Acceptable Deviation. Please forward when completed.	ACR received 10/15/2020		
BN	Q	CCC	5-Feb-11	3	5	0	10/1/2020	ACRs not completed. (Detailed explanation required)	Current ACR to be completed and provided to DSCA within 30 days. This case will be monitored to ensure future ACR's are completed in accordance with policy.	ACR received 10/15/2020	Completed ACR that were incomplete	11/15/2020