



DEFENSE SECURITY COOPERATION AGENCY

2800 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-2800

November 28, 2023

MEMORANDUM FOR DEPUTY UNDER SECRETARY OF THE AIR FORCE FOR
INTERNATIONAL AFFAIRS
DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR
DEFENSE EXPORTS AND COOPERATION
DEPUTY ASSISTANT SECRETARY OF THE NAVY FOR
INTERNATIONAL PROGRAMS
DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY
DIRECTOR, DEFENSE INFORMATION SYSTEMS AGENCY
DIRECTOR, DEFENSE LOGISTICS AGENCY
DIRECTOR, DEFENSE THREAT REDUCTION AGENCY
DIRECTOR, MISSILE DEFENSE AGENCY
DIRECTOR, NATIONAL GEOSPATIAL-INTELLIGENCE
AGENCY
DIRECTOR FOR SECURITY ASSISTANCE, DEFENSE FINANCE
AND ACCOUNTING SERVICE – INDIANAPOLIS
OPERATIONS
DIRECTOR OF CYBERSECURITY DIRECTORATE AND DEPUTY
NATIONAL MANAGER FOR NATIONAL SECURITY
SYSTEMS, NATIONAL SECURITY AGENCY

SUBJECT: Defense Security Cooperation Agency Policy Memorandum 23-50, Contingent
Legal Liabilities [SAMM E-Change 647]

- References:
- (a) Defense Security Cooperation Agency FY 2022 Financial Statement Audit Notice of Finding and Recommendations (NFR) SAA-2022-N0011
 - (b) The Federal Managers Financial Integrity Act of 1982 (FMFIA) (31 U.S. Code (U.S.C.) 3512)
 - (c) Department of Defense Financial Management Regulation (DoD FMR), Volume 4, Chapter 12: Other Liabilities, Section 4.3
 - (d) Office of Management and Budget (OMB) Circular No. A-123
 - (e) Office of Management and Budget (OMB) Circular No. A-136
 - (f) Federal Financial Accounting Standard 5 and 12

This memorandum implements a corrective action identified in reference (a) for DSCA to develop policies and procedures requiring internal control activities that identifies, assesses, and reports actual and contingent legal liabilities in the Security Assistance Account (SAA) financial statements in accordance with references (b), (c), (d), (e), and (f). This memorandum is effective immediately.

The policy in the attachment requires the Implementing Agencies (IAs) to report to DSCA any litigation, claims, and assessments meeting the materiality threshold where a negative judgment would be paid, either in full or in part, from funds within the SAAs. DSCA (Front Office, Office of General Counsel (FO/OGC)) will track IAs' compliance with data calls or other requests for information related to contingent legal liabilities that should be recorded and/or disclosed in the SAAs' financial statements, ensure proper record keeping of contingent legal liability information provided by the IAs and DSCA, include interim and final Legal Representational Letters (LRLs) in the SAA's financial statements, and request subsequent events data calls on an annual basis in coordination with DSCA (Office of Business Operations (OBO)).

The policy is incorporated into the DSCA Security Assistance Management Manual (SAMM) at <https://samm.dsca.mil>.

If you have questions on this guidance, please contact Jennifer Robey, Financial Policy & Regional Execution Directorate, Financial Policy Division (FPRE/FP), (571) 236-0341, jennifer.e.robey.civ@mail.mil.

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J. Aaron Harding
Chief Operating Officer and Chief Financial Officer

Attachment:
SAMM E-Change 647 – Contingent Legal Liabilities

Security Assistance Management Manual E-Change 647

Contingent Legal Liabilities

1. Add SAMM Section C14.8.:

C14.8. Security Assistance Accounts Financial Statements

C14.8.1. Legal Contingencies. DSCA (Front Office, Office of the General Counsel (FO/OGC)), in coordination with DSCA (Office of Business Operations (OBO)), conducts data calls to ascertain the existence of litigation, claims, and assessments affecting the Security Assistance Accounts (SAAs). The [DoD Financial Management Regulation \(DoD FMR\), Volume 4, Chapter 12](#), Accounting Policy, provides guidance on assessing the likelihood of adverse outcomes for legal cases. Any such litigation, claims, or assessments are recorded and/or disclosed in the SAAs' financial statements and related footnotes.

C14.8.1.1. DSCA submits interim and final SAA financial statements each August and November, respectively, to the Department of Treasury. In approximately July and October of each year, DSCA (FO/OGC) issues data calls to all Implementing Agencies (IAs) and other USG organizations that may be involved in threatened or pending litigation affecting the SAAs, requesting that such organizations report any litigation, claims, and assessments meeting the materiality threshold where a negative judgment would be paid, either in full or in part, from funds within the SAAs. Additionally, DSCA (FO/OGC) will issue subsequent data calls as necessary for the IAs and other USG organizations to confirm whether there were any changes to the previously reported information.