



DEFENSE SECURITY COOPERATION AGENCY
2800 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-2800

6 February 2024

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, SECURITY COOPERATION ACCOUNTING
DIRECTORATE, 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 24-20, Contingent Liabilities to the Security Assistance Accounts [SAMM E-Change 679]

- References:**
- (a) Defense Security Cooperation Agency FY 2022 Financial Statement Audit Notice of Finding and Recommendations (NFR) SAA-2022-N0012
 - (b) The Federal Managers Financial Integrity Act of 1982 (FMFIA) ([31 U.S. Code \(U.S.C.\) 3512](#))
 - (c) The Government Accountability Office's (GAO's) Standards for Internal Control in the Federal Government, [Principle 10, Design Control Activities](#)
 - (d) The Government Accountability Office's (GAO's) Standards for Internal Control in the Federal Government, [Principle 12, Implement Internal Control Activities](#)
 - (e) Department of Defense Financial Management Regulation ([DoD FMR](#)), [Volume 4, Chapter 12](#): Other Liabilities, Section 4.3, Contingent Liability
 - (f) Office of Management and Budget (OMB) Circular [No. A-123 – Management's Responsibility for Enterprise Risk Management and Internal Control](#)

This memorandum implements a corrective action identified in reference (a) for DSCA to review Implementing Agencies' (IAs) processes, systems, and guidance to include the DoD Financial Management Regulation (FMR) and Security Assistance Management Manual (SAMM) in order to document gaps that impede contingent liabilities from being reported completely and accurately in the Security Assistance Account (SAA) financial statements in

accordance with references (b), (c), (d), (e), and (f). In accordance with reference (e), contingent liabilities are defined as an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an entity. This memorandum is effective immediately.

DSCA, in coordination with the IAs, will perform a documented assessment of SAA programs and activities to identify the types and sources of contingent liabilities that may exist related to SAA programs and activities. The assessment should include treaties and other international agreements, warranties related to foreign military sales, and other items determined by DSCA.

The policy is incorporated into the DSCA SAMM at <https://samm.dsca.mil>.

If you have questions on this guidance, please contact Derrick Lee, Financial Policy & Regional Execution Directorate, Financial Policy Division (FPRE/FP), (703) 697-9207, derrick.v.lee2.civ@mail.mil.

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J. Aaron Harding
Chief Operating Officer and Chief Financial Officer

Attachment:
SAMM E-Change 679 – Contingent Liabilities to the Security Assistance Accounts

Security Assistance Management Manual E-Change 679

1. Add SAMM Sections C14.8.2. and C14.8.2.1.:

C14.8.2. Contingent Liability Assessments. DSCA (Office of Business Operations, Accounting and Reporting (OBO/A&R)) issues data calls in approximately April and October of each year to the IAs and DSCA offices to assess the SAAs and determine if there are any contingent liabilities that could be potentially recognized or disclosed in the SAA financial statements. Contingent liabilities under this assessment can include treaties and other international agreements, warranties related to Foreign Military Sales, and other items determined by DSCA.

C14.8.2.1. While DSCA (OBO/A&R) coordinates on legal contingent liabilities and contingent liabilities related to future contract financing payments to recognize and disclose them in the SAAs' financial statements, DSCA (FO/OGC) and Defense Finance and Accounting Services (DFAS) respectively leads those assessments.