



DEFENSE SECURITY COOPERATION AGENCY

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WASHINGTON, D.C. 20301-2800

18 JUNE 2025

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 25-17, Recognition of Inventory and Related Property and General Property, Plant and Equipment in the Security Assistance Accounts Financial Statements [SAMM E-Change 637]

References: (a) Defense Security Cooperation Agency FY 2022 Financial Statement Audit Notice of Finding and Recommendations SAA-2022-N0008
(b) Defense Security Cooperation Agency FY 2022 Financial Statement Audit Notice of Finding and Recommendations SAA-2022-N0009
(c) Public Law 104-208, Title VIII – Federal Financial Management Improvement, Section 803, Subsection (a), As Amended
(d) Office of Management and Budget Circular A-123, Appendix D Compliance with the Federal Financial Management Improvement Act of 1996, As Amended
(e) Statement of Federal Financial Accounting Standards No. 3, Accounting for Inventory and Related Property, October 27, 1993
(f) Statement of Federal Financial Accounting Standards No. 6, Accounting for Property, Plant, and Equipment, November 30, 1995
(g) Statement of Federal Financial Accounting Standards No. 10, Accounting for Internal Use Software, October 8, 1998
(h) DoD 7000.14-R, Financial Management Regulation, Volume 4, Chapter 4, Inventory and Related Property, November 2017

- (i) DoD 7000.14-R, Financial Management Regulation, Volume 4, Chapter 25, General Equipment, May 2019
- (j) DoD 7000.14-R, Financial Management Regulation, Volume 4, Chapter 27, Internal Use of Software, August 2018

This memorandum updates policy in the Security Assistance Management Manual (SAMM) to ensure the Security Cooperation (SC) community properly recognizes Inventory and Related Property (I&RP) and General Property, Plant, and Equipment (PP&E) in the Security Assistance Accounts (SAA) Financial Statements.

This policy addresses the Letter of Offer and Acceptance (LOA), funds distribution and requisition processes related to I&RP. It is in direct response to a Notice of Finding and Recommendations (NFR) (reference (a)). This NFR reported that DSCA, in coordination with the Implementing Agencies (IAs) and the Defense Finance and Accounting Service (DFAS), is not recognizing, valuing, recording, and reporting I&RP procured with Security Assistance (SA) funds in the SAA financial statements consistent with the accounting standards issued in accordance with references (c), (d), (e), and (h).

This policy also addresses the requisition processes related to PP&E. It is in direct response to a NFR (reference (b)) which reported that DSCA, in coordination with IAs and DFAS, is not recognizing, valuing, recording, and reporting General PP&E procured with SA funds in the SAA financial statements consistent with the accounting standards issued in accordance with references (c), (f), (g), (i), and (j).

Based on the NFR issued by the independent auditor, the SAA financial statements could potentially be misstated and not in compliance with accounting standards. Therefore, the subject policy is intended to mitigate the risk of future misstatements in the SAA and ensure that the Department's accounting practices are consistent with federal financial accounting standards.

This is required for all basic LOAs that enter the development cycle starting 1 July 2025. The policy in the attachment is incorporated into the DSCA SAMM Chapters 5 and 7 at <https://samm.dsca.mil>.

If you have policy questions on this memorandum, please contact DSCA (Office of Business Operations, Financial Policy & Regional Execution Directorate, Financial Policy Division (OBO/FPRE/FP)) at dsca.ncr.obo.list.fpre-fp@mail.mil. Please reference the DSCA Policy Number and Memo Subject. For execution questions, please contact DSCA (Office of Business Operations, Comptroller Directorate, Financial Audits and Systems Division (OBO/CMP/FAS)) at dsca.ncr.it.mbx.fiar-for-fms@mail.mil. If you have general questions about the SAMM, please contact DSCA (Office of Strategy, Plans, and Policy, Execution Policy and Analysis Directorate (SPP/EPA)) at dsca.ncr.spp.mbx.epa@mail.mil.

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Date: 2025.06.18 10:12:14 -04'00'

J. Aaron Harding
Chief Operating Officer and Chief Financial Officer
Defense Security Cooperation Agency

Attachment:
SMM E-Change 691

Security Assistance Management Manual E-Change 637

RECOGNIZE INVENTORY AND RELATED PROPERTY (I&RP) AND GENERAL PROPERTY, PLANT AND EQUIPMENT (PP&E) IN THE SECURITY ASSISTANCE ACCOUNTS (SAA) FINANCIAL STATEMENTS

1. Update SAMM section C5.4.1.:

From:

C5.4.1. Definition. The Letter of Offer and Acceptance (LOA) is the legal instrument used by the USG to sell defense articles, defense services including training, and design and construction services to a foreign country or international organization under authorities provided in the Arms Export Control Act (AECA). The LOA itemizes the defense articles and services offered and when implemented becomes an official tender by the USG. The LOA is not used to provide Price and Availability (P&A) data. Signed LOAs and their subsequent Amendments and Modifications are also referred to as "Foreign Military Sales (FMS) cases." See [Chapter 15](#) and [Chapter 15-Legacy](#) (for programs as identified in the [Chapter 15](#) introduction) on use of LOAs to implement Building Partner Capacity (BPC) cases.

To:

C5.4.1. Definition. The Letter of Offer and Acceptance (LOA) is the legal instrument used by the USG to sell defense articles, defense services including training, and design and construction services to a foreign country or international organization under authorities provided in the Arms Export Control Act (AECA). The LOA itemizes the defense articles and services offered and when implemented, becomes an official tender by the USG. [Section C5.4.1.1.](#) and [Section C5.4.1.2.](#) provide additional guidance on itemizing defense articles and services. The LOA is not used to provide Price and Availability (P&A) data. Signed LOAs and their subsequent Amendments and Modifications are also referred to as "Foreign Military Sales (FMS) cases." See [Chapter 15](#) and [Chapter 15-Legacy](#) (for programs as identified in the [Chapter 15](#) introduction) on use of LOAs to implement Building Partner Capacity (BPC) cases.

2. Add subsections C5.4.1.1-C5.4.1.2.:

C5.4.1.1. Case lines will clearly identify whether defense articles, defense services, or training is being provided. Offset related costs must follow SAMM guidance. See [Section C6.3.9](#).

C5.4.1.2. Case lines will also identify defense articles that are procured in support of case execution that will be in possession of the USG, but that are not intended to be shipped to the purchaser, such as special tooling, test equipment, and non-exportable hardware, etc.

C5.4.1.2.1. To meet the requirements of the identification of defense articles that are not intended to be shipped to the foreign partner, within the case line notes case managers should add a sentence stating the following:

Defense articles not intended to ship - “This line contains defense articles that are not intended to be shipped to the foreign partner.”

3. Update SAMM section C7.3.:

From:

C7.3. Title Transfer. Title to Foreign Military Sales (FMS) materiel is transferred to the purchaser upon release from a Department of Defense (DoD) supply activity (point of origin) unless otherwise specified in the Letter of Offer and Acceptance (LOA). A supply activity can be either a DoD storage depot or a commercial vendor that furnishes materiel under a DoD-administered contract. However, U.S. Government (USG) security responsibility does not cease until the recipient’s Designated Government Representative assumes control of the consignment. Before transfer, a US Government representative will perform a visual kind, count, and condition of the packaging, marking, and pallets.

To:

C7.3. Title Transfer. ~~Title to Foreign Military Sales (FMS) materiel is transferred to the purchaser upon release from a Department of Defense (DoD) supply activity (point of origin) unless otherwise specified in the Letter of Offer and Acceptance (LOA). A supply activity can be either a DoD storage depot or a commercial vendor that furnishes materiel under a DoD-administered contract. However,~~ Title to Foreign Military Sales (FMS) materiel is delivered and passed from the USG to the purchaser at the initial point of shipment unless otherwise specified in the Letter of Offer and Acceptance. With respect to items procured from a commercial manufacturer, items are typically released for delivery to the purchaser at the manufacturer's loading facility. With respect to items purchased from DoD stocks, items are typically released for delivery to the purchaser at the U.S. depot. The “initial point of shipment” occurs when a defense article is released from U.S. custody for delivery to the purchaser. Items will be packed, crated, or otherwise prepared for shipment. The IA determines when the items will be released for shipment. The timing of the release of shipment to a purchaser for a line item or a subsystem may be intentionally deferred so that title passes for the line item or subsystem at the same time as title transfers for the end-item. Title transfer may occur prior to transfer of possession. If title transfers prior to the transfer of possession to the purchaser, U.S. Government (USG) security responsibility does not cease until the recipient’s Designated Government Representative assumes control of the consignment. Before transfer, a US Government representative will perform a visual kind, count, and condition of the packaging, marking, and pallets.

4. Update SAMM section C7.3.1.:

From:

C7.3.1. Procurement Items. When items are procured directly from a vendor, title passes at the vendor's loading facility. FMS transactions are government-to-government sales and the terms of any DoD-administered contract for FMS materiel should be Free-On-Board (FOB) origin, consistent with [Defense Federal Acquisition Regulation Supplement \(DFARS\) Procedures, Guidance, and Information \(PGI\) Section 225.7301\(c\)](#). FOB specifies which party pays for which shipment and loading costs, and where responsibility for the goods is transferred. FOB-origin means the price for goods includes delivery at the seller's expense to a specified point and means that the purchaser assumes liability for lost or damaged cargo and pays all shipping costs, whether through a FMS freight forwarder or the Defense Transportation System. For more information, reference: [Federal Acquisition Regulation \(FAR\) Section 47.303-1 F.o.b. Origin](#).

To:

C7.3.1. Procurement Items. ~~Unless otherwise specified in the Letter of Offer and Acceptance, w~~When ~~items~~ FMS material is ~~are~~ procured directly from a vendor ~~and shipped directly to the purchaser~~, title passes at the ~~manufacturer's~~ ~~vendor's~~ loading facility. FMS transactions are government-to-government sales and the terms of any DoD-administered contract for FMS materiel should be Free-On-Board (FOB) origin, consistent with [Defense Federal Acquisition Regulation Supplement \(DFARS\) Procedures, Guidance, and Information \(PGI\) Section 225.7301\(c\)](#). ~~FOB specifies which party pays for which shipment and loading costs, and where responsibility for the goods is transferred. FOB-origin means the price for goods includes delivery at the seller's expense to a specified point and means that the purchaser assumes liability for lost or damaged cargo and pays all shipping costs, whether through a FMS freight forwarder or the Defense Transportation System.~~ For more information on FOB origin, reference: [Federal Acquisition Regulation \(FAR\) Section 47.303-1 F.o.b. Origin](#). See [Section C15.5.9.1](#). for guidance on title transfer for defense articles procured under Building Partner Capacity authority. For materiel requiring a Notice of Availability (NOA) ([DD Form 1348-5](#)), costs associated with storage and insurance will begin as soon as the NOA is sent to the address in the MAPAD. See [Section C7.11](#). for more information on NOAs.