



DEFENSE SECURITY COOPERATION AGENCY

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

31 MARCH, 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 25-45, Recognition of Contract Authority Realized and Liquidated in the Security Assistance Accounts Financial Statements [SAMM E-Change 691]

- References:
- (a) Defense Security Cooperation Agency FY 2022 Financial Statement Audit Notice of Findings and Recommendations (NFR) SAA-2022-N0018
 - (b) Federal Financial Management Improvement Act (FFMIA), Section 803, Subsection (a)
 - (c) Office of Management and Budget (OMB) Circular No. A-11, *Preparation, Submission, and Execution of the Budget*
 - (d) Office of Management and Budget (OMB) Circular No. A-123, Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996*
 - (e) Statement of Federal Financial Accounting Standards (SFFAS) No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*
 - (f) Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*

This memorandum implements a corrective action identified in reference (a) for DSCA to develop policies and procedures to recognize, measure, record, and report contract authority liquidated from security assistance activities in the Security Assistance Accounts (SAA) financial statements in accordance with references (b) - (f). This memorandum is effective immediately.


The policy in the attachment requires the Implementing Agencies (IAs) to follow relevant accounting guidance as described above. Furthermore, the policy calls attention to updated posting logic manuals containing illustrative entries for Foreign Military Sales (FMS) transactions, including those involving contract authority. These manuals are applicable to organizations that execute FMS.

Monthly, the Defense Finance and Accounting Service (DFAS) will check for contract authority errors in Defense Departmental Reporting System to ensure trial balances submitted by IAs follow posting logic guidelines. If DFAS identifies errors, it will communicate them to DSCA for further distribution to the relevant IA for correction.

The policy is incorporated into the DSCA Security Assistance Management Manual 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 Reporting and Oversight Division (OBO/CMP/FRO)) at dsca.ncr.dbo.mbx.accounting-operations@mail.mil. For questions relating to the SAMM, please contact DSCA Office of Strategy, Plans, and Policy, Execution Policy and Analysis Directorate (SPP/EPA), dsca.ncr.spp.mbx.epa@mail.mil.

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

Attachment:
SAMM E-Change 691

Security Assistance Management Manual E-Change 691

RECOGNITION OF CONTRACT AUTHORITY REALIZED AND LIQUIDATED IN THE SECURITY ASSISTANCE ACCOUNTS FINANCIAL STATEMENTS

1. Add the following SAMM sections C14.8.3. – C14.8.3.2.:

C14.8.3. Contract Authority. Contract authority is the statutory authority to incur obligations, with the liquidation of such obligations dependent on a future act, such as receipt of an appropriation. Funds appropriated by Congress for defense purposes cannot be used to liquidate obligations resulting from the use of FMS contract authority, unless specifically allowed in appropriation acts or supplemental funding bills. Rather, FMS purchaser national funds in the FMS Trust Fund are used to liquidate these obligations.

C14.8.3.1. DSCA and the IAs are to accurately recognize, measure, record, and report contract authority and contract authority liquidated from the security assistance activities in the SAAs financial statements. This must be done in accordance with the accounting standards issued by authoritative accounting bodies including, but not limited to: Office of Management and Budget (OMB) Circular A-11, *Preparation, Submission, and Execution of the Budget*, and relevant Statements of Federal Financial Accounting Standards (SFFASs) issued by the Federal Accounting Standards Advisory Board (FASAB).

C14.8.3.2. To reinforce existing guidance, DSCA (Office of Business Operations, Comptroller Directorate, Financial Reporting and Oversight Division (OBO/CMP/FRO)) published posting logic manuals with illustrative entries for FMS transactions, including those with contract authority. They can be accessed at https://www.fiscal.treasury.gov/files/ussgl/approved_scenarios/foreign-military-sales-posting-logic-manual.pdf.