



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

22 September 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, 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 25-47, Update to
Security Assistance Management Manual to incorporate Building Partner Capacity
Funds Return Requirements [SAMM E-Change 758]

Reference: (a) Defense Security Cooperation Agency, [Policy Memo 22-33 "Building Partner
Capacity Funds Return Guidance,"](#) dated June 17, 2022
(b) [DoD 7000.14-R, Financial Management Regulation \(FMR\), Volume 15, Chapter
3, Accounting,](#) June 2025

This memorandum updates the Security Assistance Management Manual (SAMM) Chapter 15-Legacy to incorporate standing policy guidance related to Building Partner Capacity (BPC) funds return processes outlined in reference (a). Further, this memorandum is intended to ensure that Implementing Agencies (IAs) are acting in accordance with fiscal law requirements for BPC funds that are continuing to use the Foreign Military Sales (FMS) Trust Fund as part of BPC-legacy case processes, including meeting specific case closure and reconciliation deadlines ahead of funds expiration and cancellation. This update adjoins an update to the FMR in reference (b).

If you have 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 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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WATFORD.BRIAN.T.
Date: 2025.09.26 12:43:11 -04'00'

Brian Watford
Acting Chief Operating Officer and Chief Financial
Officer

Attachments:

Security Assistance Management Manual (SAMM), E-Change 758

Security Assistance Management Manual (SAMM) E-Change 758

Incorporating DSCA 22-33 into the Security Assistance Management Manual

1. Update C15-Legacy per below:

- From:

C15 - Legacy.7.1. General. The Implementing Agency (IA) will expend funds or reduce case value before the end of the cancelling year of the funds, generally the fifth year after the funds expire for new obligation, or other statutorily authorized period. DSCA requires that Building Partner Capacity (BPC) Letters of Offer and Acceptance (LOAs) (also known as BPC cases) funded with expiring/cancelling funds be closed by the IA no later than July 31st of the cancelling year, which allows time for residual funds to be redirected or returned before the deadline. IAs must ensure that vendors have submitted all invoices and that all outstanding obligations have been paid in full prior to July 31st. The IA will update the Estimated Closure Date milestone in the Defense Security Assistance Management System (DSAMS), if appropriate, and begin closure of a BPC case as soon as the case is supply/service complete. Chapter 16 and Appendix 7, Reconciliation and Closure Guide (RCG) provide additional information on case reconciliation and closure.

- To:

C15 - Legacy.7.1. General Guidance on Building Partner Capacity funds transfer into the Foreign Military Sales Trust Fund. The transfer of appropriated funds to the Foreign Military Sales (FMS) Trust Fund does not exempt the Implementing Agency (IA) from following the fiscal parameters of the appropriation funding the Building Partner Capacity (BPC) program. Consistent with the appropriation life cycle, expired funds are no longer available for incurring new obligations and may only be used to liquidate previously incurred obligations and fund upward, within-scope adjustments to obligations that were incurred during the BPC funds' period of availability prior to transfer.

C15 - Legacy.7.1.1. The ~~Implementing Agency (IA)~~ will expend funds or reduce case value before the end of the cancelling year of the funds, generally the fifth year after the funds expire for new obligation, or other statutorily authorized period. DSCA requires that ~~Building Partner Capacity (BPC)~~ Letters of Offer and Acceptance (LOAs) (also known as BPC cases) funded with expiring/cancelling funds be closed by the IA no later than July 31st of the cancelling year, which allows time for residual funds to be redirected or returned before the deadline. ~~The IAs~~ must ensure that vendors ~~have delivered all defense articles and services~~ to the USG, submitted all invoices, and that all outstanding obligations have been paid in full prior to July 31st. The IA will ~~update the Estimated Closure Date milestone in the Defense Security Assistance Management System (DSAMS), if appropriate, and~~ begin closure of a BPC case as soon as the case is supply/services complete. Chapter 16 and Appendix 7, Reconciliation and Closure Guide

(RCG) provide additional information on case reconciliation and closure.

2. Add new C15 - Legacy.7.5. Returning Building Partner Capacity Funds and renumber current C15-Legacy.7.5 and 7.6 to 7.6 and 7.7 respectively per below:

C15-Legacy7.5. Returning Building Partner Capacity Funds.

C15 - Legacy.7.5.1. Cancelling Funds. By March 31 of the final fiscal year of the BPC case funds lifecycle, the IA must review and reduce the value of the BPC case to the highest financial requirement. To enable the return of funds before cancellation, the IA will submit case closure certificates to DFAS-IN no later than July 31. In the event IAs are unable to close cases prior to July 31 of the cancelling year, IAs should use the Alternate Funds Return process as outlined in C15 - Legacy.7.5.3. For invoices received after funds drawn down in General Ledger System(s), but prior to funds cancelling, request guidance from the DSCA Country Finance Directors (CFDs) and DFAS-IN.

C15 - Legacy.7.5.2. Cancelled Funds. Cancelled funds are not available for any purpose and must be returned to the U.S. Treasury. The failure to return cancelled funds may result in a violation of U.S. Code and DoD regulations, as well as established DSCA policy, and exposes organizations to a heightened risk of Anti-Deficiency Act (ADA) violations. In the event the IA identifies cancelled funds on an existing BPC case, it must submit a case closure certificate to DFAS-IN immediately. DSCA will work with DFAS-IN to return cancelled funds to the U.S. Treasury.

C15 - Legacy.7.5.3. Alternate Funds Return. For any cases that cannot be closed by the BPC appropriation cancellation date, the IAs should follow the BPC Alternate Funds Return process. These alternate procedures consist of drawing down Obligation Authority for undelivered orders, unpaid obligations, and/or uncollected reimbursements in the IA's General Ledger system(s) and submitting a DIFS Funds Return Memorandum to DFAS-IN no later than July 31 of the fiscal year of funds' cancellation.

C15 - Legacy.7.5.3.1. Defense Finance and Accounting Service - Indianapolis. DSCA will coordinate with DFAS-IN to return the unliquidated funds to Treasury once IA actions are complete. The July 31 deadline provides sufficient time for DFAS-IN and DSCA to perform the required actions across multiple, non-integrated financial systems to ensure cancelling funds are properly returned. If funds are required after unliquidated balances have been returned, IAs should seek current year funding from DSCA using Prior Year Adjustment (PYA) procedures. BPC cases that leverage the Alternate Funds Return Process will remain open until properly reconciled and closed by the IA.

3. Add C15-Legacy.7.6.3 and C15-Legacy.7.6.4

C15 - Legacy.7.6.3. Credits Received After Funds Cancellation. If a credit is received after the funds on a closed BPC case have cancelled, the IA will contact either DSCA to request the case be re-opened or DFAS-IN Security Cooperation Accounting (SCA) to process a credit transaction and return the cancelled funds to the U.S. Treasury without reopening the

case. If the case is re-opened, the IA will process the credit transaction, reconcile and re-close the case. DSCA will return funds received due to a credit on a BPC case after the original appropriation has cancelled to the U.S. Treasury. Net transactions with both debits and credits cannot be posted. IAs must follow the PYA process for any debit transactions.

C15 – Legacy.7.6.4. Transportation Accounts. Cancelled residual funds in the DSCA FMS transportation cost clearing sub-accounts will be returned to the U.S. Treasury. See Section C15-Legacy.6.2.1. “Prior Year Adjustments” for guidance on handling invoices received after the cancellation of a BPC program’s appropriation and for information on resolving issues where invoices are received after a BPC program's appropriation cancels.

4. Update DSCA 22-33 to “Incorporated: Guidance in this memo has been incorporated into the SAMM by DSCA 25-47.”