



DEFENSE SECURITY COOPERATION AGENCY

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WASHINGTON, D.C. 20301-2800

5 February 2026

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 25-88, Undercollected
Payments for Cases Pending Closure [SAMM E-Change 785]

Effective immediately, the Security Assistance Management Manual (SAMM) is updated to clarify that the Defense Security Cooperation Agency (DSCA) may authorize the use of foreign partner excess and residual funds, held in the Foreign Military Sales (FMS) trust fund, to obtain payment for disbursement amounts that exceed case collections for Letters of Offer and Acceptance (LOA) in the case closure inventory report. This authorization is contingent upon the partner's laws and policies not strictly prohibiting fund transfers between FMS cases; otherwise, a separate payment plan will be established. This decision will assist in accelerating payments to the Defense Finance and Accounting Service for LOAs ready for final closure and ensures that the U.S. Government (USG) does not incur a loss when executing FMS programs. Furthermore, the signing of LOAs symbolizes FMS partner acceptance of Standard Terms and Conditions outlined in the LOA, including timely payments to the USG for the total cost of defense articles/services as specified by the USG.

If you have questions on this memorandum, please contact the 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 memorandum subject. For general questions about the SAMM, please contact the 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: 2026.02.05 14:31:52 -05'00'

Brian Watford
Acting Chief Operating Officer and Chief Financial Officer
Defense Security Cooperation Agency

Attachment: SAMM E-Change 785 - Undercollected Payments for Cases Pending Closure

Security Assistance Management Manual E-Change 785

Undercollected Payments for Cases Pending Closure

1. Update SAMM Section AP7.C4.10.1:

From:

AP7.C4.10.1. The Defense Integrated Financial System (DIFS) Case Closure Certificate Inventory (CCCI) reflects an 'L' inhibitor code whenever a case that is pending closure requires additional payment from the purchaser. In this situation, Defense Finance and Accounting Service - Indianapolis (DFAS-IN) notifies the purchaser on the next quarterly billing statement of the amount owed to close the case. Fifteen days after the bill due date, if payment has not been received, DFAS-IN prepares a report of all the "Billed yet still Undercollected Cases" and provides it to DSCA (Office of Business Operations, Financial Policy & Regional Execution Directorate (OBO/FPRE)). In addition, DFAS-IN will change the CCCI inhibitor code to 'A' to indicate that responsibility for resolution resides with DSCA (OBO/FPRE).

To:

AP7.C4.10.1. The Defense Integrated Financial System (DIFS) Case Closure Certificate Inventory (CCCI) reflects an 'L' inhibitor code whenever a case that is pending closure requires additional payment from the purchaser. **Upon receipt of the closure certificate from the Implementing Agency (IA), Defense Finance and Accounting Service - Indianapolis (DFAS-IN) will issue an 'L' inhibitor memorandum to the purchaser. This memorandum will detail the delivered and collected values, and the remaining amount due to close the case. Thereafter, DFAS-IN will send monthly notifications until the first quarterly billing statement (DD645) is issued following receipt of the closure certificate. If payment remains outstanding fifteen (15) days after the bill's due date, DFAS-IN will generate a report of all 'Billed yet still Undercollected Cases' and submit it to the Defense Security Cooperation Agency (DSCA), specifically the Office of Business Operations, Financial Policy & Regional Execution Directorate (OBO/FPRE). In addition, DFAS-IN will add the CCCI inhibitor code to 'D' to indicate that responsibility for resolution resides with DSCA (OBO/FPRE).**

AP7.C4.10.2. The Country Finance Director (CFD) will contact the partner as a final attempt to secure outstanding payment. In the event the purchaser does not remit payment within 90 days of CFD contact, DSCA may authorize the use of funds from the partner's excess or residual trust fund balances to pay the outstanding amounts owed to clear the 'L' inhibitor. In addition, the CFD provides a final notice to partners that the amount due will be taken from excess and/or residual trust fund balances within 15 days. To facilitate the subsequent funds transfer, the CFD will also provide DFAS with the relevant partner correspondence, explicitly specifying the date and holding account from which the funds will be drawn. Once this information is received, DFAS-IN will independently confirm the amount due and then process the necessary transactions to transfer funds and satisfy the outstanding balances.