



DEFENSE SECURITY COOPERATION AGENCY

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

31 MAR 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 26-44, Return of
Excess Foreign Military Sales Funds [SAMM E-Change 809]

References: (a) [DSCA Policy 05-27](#), "FMS Customer Account Refund Policy and Procedures",
September, 19 2005

(b) Security Assistance Management Manual, [Chapter 9, Section C9.11.5](#).

This policy memorandum supersedes reference (a) and revises the Security Assistance Management Manual (SAMM) to codify the processes and procedures for returning excess Foreign Military Sales (FMS) funds to enhance controls, ensure proper oversight, and clarify organizational roles and responsibilities. This memorandum also reassigns tasks performed by the Defense Finance and Accounting Service (DFAS) to the Defense Security Cooperation Agency (DSCA) Office of Business Operations/Financial Policy and Regional Execution (OBO/FPRE)) to streamline operations and improve accountability.

This policy is applicable to the movement of excess national funds, as outlined in reference (b), from the holding accounts within the FMS trust fund to a partner authorized bank

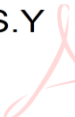
account, and does not apply to the routine movement of funds from the FMS trust fund to an FMS Federal Reserve Bank (FRB) account or between accounts held within the FMS trust fund. It also does not apply to the transfer of interest earned on investments within the partner's FMS FRB account when such interest is directly returned to the partner by the FRB. The terms of such transfers should be documented in a separate partner-specific agreement with the FRB. However, any interest earned and processed by DFAS is included within the scope of this policy.

DSCA (OBO/Information Management and Technology (IM&T)) will update the Security Cooperation Information Portal to allow partners to formally request a return of excess FMS funds. Until such time, all requests received by DSCA will be vetted through the appropriate U.S. Military Group (MILGRP) in-country. The MILGRP must receive face-to-face confirmation from the nation's Ministry of Defense (MoD) representative that the information presented in the request is accurate and is a legitimate request for a return of excess FMS funds. Documentation of this interaction, which must include a signed letter/memorandum from the MoD's representative at the Flag Officer/General Officer or Senior Executive Service-level, as well as email confirmation from the MILGRP, shall be included in the request to DSCA and DFAS when seeking approval to return excess FMS funds.

This memorandum is effective immediately. The policy in the attachment is incorporated into the SAMM at <https://samm.dsca.mil>.

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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Brian T. Watford
Acting Chief Operating Officer and Chief Financial
Officer

Attachment: SAMM E-Change 809 - Return of Excess Foreign Military Sales Funds

Attachment 1: Security Assistance Management Manual E-Change 809

Return of Excess Foreign Military Sales Funds

1. Add Section C9.11.9.:

C9.11.9. Returning Excess FMS Funds to a Partner. A return of excess FMS funds that meets the criteria outlined in [Section C9.11.5.1](#), must be requested by a designated representative of the FMS partner through the Security Cooperation Information Portal (SCIP), which requires a token for access. Returned FMS funds will be sent to a partner's authorized bank account only when requested by a designated representative.

C9.11.9.1. Roles and Responsibilities.

C9.11.9.1.1. Defense Security Cooperation Agency Country Finance Director. The DSCA (Office of Business Operations, Financial Policy & Regional Execution Directorate (OBO/FPRE)) Country Finance Director (CFD) is responsible for the financial oversight and direction of FMS partner programs. The CFD ensures partner programs remain solvent and appropriate actions are taken to avoid arrearages, including reviewing and approving the return of excess FMS funds, with consideration of the partner's current financial status. The CFD shall:

C9.11.9.1.1.1. Develop and maintain written bilateral operating procedures with individual partners to facilitate requests for the return of excess FMS funds from holding account(s). These procedures include maintaining record of designated representative(s) authorized to request the return of funds, an associated signature list, and authorized bank account(s) information for depositing excess funds. These procedures must be agreed upon and signed by the DSCA Deputy Assistant Director (OBO/FPRE) and two partner nation representatives, including one representative at the Flag Officer/General Officer or Senior Executive Service-level. The U.S. Military Group (MILGRP) is required to attest as witness of partner nation signatures on the agreed-upon bilateral operating procedures for the return of excess FMS funds.

C9.11.9.1.1.2. Receive return of excess funds requests submitted by foreign partners in SCIP. The request must include the holding account number, exact amount to be returned, requester's contact information, and bank account information for the return of excess FMS funds. Return of excess FMS fund requests received via other means (i.e. email) must be redirected to the CFD through SCIP by the partner. The CFD will prepare the supplemental financial information form. If the request cannot be submitted in SCIP, a face-to-face process will be followed to authenticate the requester and bank account information. DSCA (OBO/FPRE) will submit the request through the appropriate MILGRP point of contact for action. The MILGRP must receive face-to-face confirmation from the nation's Ministry of Defense (MoD) representative that the information presented on the request is accurate and is a legitimately authorized request for a return of excess FMS funds in accordance with established bilateral operating procedures.

C9.11.9.1.1.3. Validate holding account balances, assess the partner's cash position, verify requester and bank account information, and ensure return of excess FMS fund requests align with established bilateral operating procedures. The CFD will endorse the package with a digital signature and submit the recommendation to the appropriate designated official for final decision to approve or deny the return of excess FMS funds. The designated officials are as follows:

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| <ol style="list-style-type: none">1. Regional Execution Division Chief - Approval up to \$250M2. Deputy Assistant Director (OBO/FPRE) - Approval \$251M - \$1,000M3. Chief Operating Officer/Chief Financial Officer (COO/CFO) - Approval over \$1,000M |
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C9.11.9.1.1.3.1. If the request is approved, the CFD will provide a digitally signed approval package to the Defense Finance and Accounting Service (DFAS) Country Manager (CM) for further processing.

C9.11.9.1.1.3.2. If the request is denied, due to insufficient excess funds or inadequate information to authenticate the request, the CFD will notify the partner of denial and the rationale with a copy to the DFAS CM.

C9.11.9.1.1.4. Follow up with the partner via email to confirm receipt of funds once the return of FMS funds has been processed.

C9.11.9.1.1.5. Maintain documentation for each return of excess FMS funds request, including the partner's request and DSCA's approval or denial. The CFD will provide quarterly reports to the DSCA COO/CFO on the return of FMS funds activity and unresolved issues.

C9.11.9.1.2. Defense Finance and Accounting Service - Security Cooperation

Accounting. DFAS Security Cooperation Accounting (SCA) is responsible for collecting payments, maintaining FMS cash accounting records, and transferring partner's cash to the FMS partner's approved bank account. DFAS shall:

C9.11.9.1.2.1. Upon receipt of an approval from DSCA, validate the request for the return of excess FMS funds package for completeness and alignment with established procedures. The DFAS CM will notify the DSCA CFD if the requested return of excess FMS funds cannot be processed due to insufficient available cash at the time of receipt.

C9.11.9.1.2.2. Prepare and digitally sign the [Standard Form 1049 \(SF1049\), Public Voucher for Refunds](#). The DFAS CM will send the complete package, consisting of the [SF1049](#), the partner's return of excess FMS funds request, and the completed supplemental financial information form to the DFAS Certifying Official for processing through the appropriate holding account. The DFAS CM will notify the DSCA CFD upon completion, or if the transaction was unsuccessful.

C9.11.9.1.2.3. Maintain records of all returns of excess FMS funds, including the partner's request, the DSCA approval, and the [SF1049](#) voucher.

C9.11.9.1.3. Exceptions. A request for an exception, including a proposed alternative solution, may be submitted to DSCA OBO Financial Policy for review and approval. All exception requests must include justification and supporting documentation to ensure compliance with overarching intent to safeguard partner nation resources via strengthened authentication practices.

C9.11.9.1.4. Audit and Accountability. To ensure compliance with audit standards and maintain financial accountability, the return of excess FMS funds reconciliation process involves multiple layers of control and oversight. DFAS performs daily and monthly reconciliations to verify the accuracy of return transactions. [SF1049](#) vouchers are reconciled against the Defense Integrated Financial System (DIFS) and Defense Agencies Initiative (DAI) to confirm that funds are withdrawn from the correct account. Monthly reconciliations are conducted between DIFS, DAI, and the U.S. Treasury's Central Accounting and Reporting System at the country-level to confirm return transactions are reported for the correct amount.

2. Add Section C9.11.10.:

C9.11.10. Erroneous Payments. In the event of an erroneous or fraudulent payment, the DSCA CFD must be notified immediately, who will inform the FMS partner and the in-country MILGRP to initiate corrective actions. The DSCA CFD will also coordinate with DSCA (Front Office, Office of the General Counsel (FO/OGC)

C9.11.10.1. The DFAS CM, in coordination with the DSCA CFD, will investigate the cause, validate the transaction, and coordinate recovery or reprocessing of funds as necessary.

C9.11.10.2. In the event fraud is suspected, the payment must be reported to the DoD Office of Inspector General in accordance with the [DoD Financial Management Regulation Volume 5](#).

C9.11.10.3. All erroneous payments must be documented, reported to DSCA (OBO/FPRE), and included in refund activity reports. Detailed records of the transaction, investigation, and corrective actions must be maintained for audit and compliance purposes.

3. Update Section C9.11.5.1.:

From:

C9.11.5.1. Excess Funds - National Funds. Excess national funds are transferred to a cash Holding Account upon case closure, case cancellation, or purchaser's request. At the purchaser's written request, deposits in cash Holding Accounts may be applied to other FMS cases or refunded if the purchaser is not on the current quarter Arrearage Report, there are no collection delinquencies on other FMS cases, and there is sufficient cash reserve to meet financial requirements (including termination liability (TL) if no

Standby Letter of Credit (SBLC) applies) for the next quarter. Cash refunds must be approved by DSCA (Office of Business Operations (OBO)).

To:

C9.11.5.1. Excess Funds - National Funds. Excess national funds are transferred to a cash Holding Account upon case closure, case cancellation, or purchaser's request. At the purchaser's written request, deposits in cash Holding Accounts may be applied to other FMS cases or ~~refunded~~ returned if the purchaser is not on the current ~~quarter~~ Arrearage Report, there are no collection delinquencies on other FMS cases ~~not~~ **permissible by special billing arrangements**, and there is sufficient cash reserve to meet financial requirements (including termination liability (TL) if no Standby Letter of Credit (SBLC) applies) for the next quarter. ~~Cash refunds~~ **Returns of excess FMS funds** must be approved by DSCA (Office of Business Operations (OBO)) (~~refer to~~ [Section C9.11.9.](#)).