



## DEFENSE SECURITY COOPERATION AGENCY

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WASHINGTON, D.C. 20301-2800

03 AUG 2026

MEMORANDUM FOR DIRECTOR, SECURITY COOPERATION ACCOUNTING  
DIRECTORATE, DEFENSE FINANCE AND ACCOUNTING  
SERVICE, INDIANAPOLIS OPERATIONS

SUBJECT: Defense Security Cooperation Agency Policy Memorandum 26-63, Return and Closure Procedures on Direct Commercial Contracts Approved in Fiscal Year 2017 and Prior

This memorandum establishes policy and provides direction to the Defense Finance and Accounting Service (DFAS) to cease all payment and disbursement activity to vendors in support of Direct Commercial Contracts (DCCs) that were initially approved for financing in Fiscal Year (FY) 2017 and all prior fiscal years.

In support of the Department of War's goal to achieve an unmodified audit opinion by FY 2027 and to facilitate a clean transition to the Defense Agencies Initiative (DAI) financial system, the Defense Security Cooperation Agency (DSCA) is ceasing financial support for legacy DCCs in which previously reserved Foreign Military Financing (FMF) funding was applied. A comprehensive review determined that sufficient supporting documentation for contract execution for DCCs from FY 2017 and prior can no longer be guaranteed. To reduce the risk of improper payments and to decrease unspent funds, DSCA will end support for legacy DCCs and return unspent funds to the appropriate account.

### Policy and Required Action

- a. DSCA has established policy to end financial support for all DCCs approved for FMF funding in FY 2017 and prior.
- b. To implement this policy, DSCA's Country Finance Directors (CFDs) will identify these specific legacy DCCs for which there are unspent FMF funds. CFDs will encourage partners to seek all outstanding vendor invoices by September 16, 2026, and submit to DFAS for payment on or before the end of the fiscal year on September 30, 2026, and verify that partners have notified their vendors of the funding cessation.
- c. By September 30, 2026, DSCA will formally reduce the unspent value of FMF funds by DCC, returning those funds to the appropriate fiscal year.
- d. The DSCA FMF Loans Division will transmit an update of returned balances to DFAS via close-out memorandums identifying ending balances. These close-out memorandums will be sent to the partners and DFAS.
- e. DFAS is requested to perform the following actions:

- (1) Update all DFAS records for the returned FMF amounts by DCCs, removing any and all remaining financial commitments for the specified DCCs, and flagging these records to ensure they are excluded from migration to the DAI financial system.
  - (2) Cease all future disbursements and payment authorizations to vendors for the specified legacy DCCs, effective October 1, 2026. If DFAS receives vendor invoices for these specified DCCs after October 1, 2026, DFAS will route them back to the DSCA FMF Loans Division for disposition. Invoices received after the cut off will be required to be paid with national funds.
  - (3) Retain receipt of close-out memorandums once provided to the partner.
- f. This coordinated effort will ensure that unspent funds are properly managed and returned to the appropriate accounts by DSCA following DFAS's action. DSCA and DFAS will conduct a joint reconciliation of all closed DCCs within 60 days to ensure alignment.

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](mailto: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 DSCA (Office of Strategy, Plans, and Policy, Execution Policy and Analysis Directorate (SPP/EPA)) at [dsca.ncr.spp.mbx.epa@mail.mil](mailto:dsca.ncr.spp.mbx.epa@mail.mil).

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