



DEFENSE SECURITY COOPERATION AGENCY

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WASHINGTON, D.C. 20301-2800

07 AUG 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
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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 26-78, Contract
Litigation and Foreign Military Sales Case Closure [SAMM E-Change 807]

- References: (a) [Executive Order 14268](#), "Reforming Defense Sales to Improve Speed and Accountability," April 9, 2025
- (b) National Defense Authorization Act for Fiscal Year 2024, [P.L. 118-31](#), 137 Stat. 133 (2023)
- (c) Secretary of War Memorandum for Senior Pentagon Leadership Commanders of the Combatant Commands Defense Agency and DoD Field Activity Directors, "Achieving a 2028 Unmodified Financial Statement Audit Opinion," June 16, 2025
- (d) Defense Security Cooperation Agency, Security Assistance Management Manual, [Section C16.3.1.1.6. Cases with Associated Contracts in Litigation](#) and [Section C16.3.1.1.7. Litigation Resolution](#)

This policy memorandum provides an update to the Security Assistance Management Manual (SAMM) to provide guidance on Foreign Military Sales (FMS) cases associated with contracts in litigation in support of case closure objectives in accordance with references (a)

through (d). Under this policy, FMS cases tied to contracts in litigation are eligible for final closure once all associated case lines have a zero Unliquidated Obligation (ULO) value.

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 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.

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Date: 2026.08.07 14:50:35 -04'00'

Brian Watford
Acting Chief Operating Officer and Chief Financial Officer

Attachment: SAMM E-Change 807 - Contract Litigation and FMS Case Closure

Attachment: Security Assistance Management Manual E-Change 807

CONTRACT LITIGATION AND FMS CASE CLOSURE

1. Update Section C16.3.1.1.6.:

- Current:

C16.3.1.1.6. Cases with Associated Contracts in Litigation. FMS cases that meet the ACCP closure eligibility conditions set forth in [Section C16.3.1.1.1](#), may be interim closed (closure type 2) even if contracts associated with the relevant case are the subject of ongoing litigation. Such FMS cases shall be final closed after the litigation has concluded and a judgment has been issued.

- Revised:

C16.3.1.1.6. Cases with Associated Contracts in Litigation. FMS cases that meet the ACCP closure eligibility conditions set forth in [Section C16.3.1.1.1](#), may be interim closed (closure type 2) even if contracts associated with the relevant case are the subject of ongoing litigation. **When associated case lines have an Unliquidated Obligation (ULO) value of zero, the FMS case shall be final closed prior to the resolution of ongoing litigation.** Such FMS cases shall be final closed after the litigation has concluded and a judgment has been issued.

2. Update Section C16.3.1.1.6.1.:

- Current:

C16.3.1.1.6.1. If cases with contracts subject to litigation are eligible for interim closure in accordance with [Section C16.3.1.1.6](#), IAs shall notify partner nations of this fact, and that the case may not proceed to final closure until the litigation has been resolved.

- Revised:

C16.3.1.1.6.1. If cases with contracts subject to litigation are eligible for interim closure in accordance with [Section C16.3.1.1.6](#), IAs shall notify partner nations of this fact, and that the case may not proceed to final closure until the litigation ~~has been~~ is resolved **except when associated case lines have a ULO value of zero.**

3. Update Section C16.3.1.1.7.:

- Current:

C16.3.1.1.7. Litigation Resolution. No case shall be final closed prior to the resolution of any litigation involving an associated or supporting U.S. Government contract. At such time that the litigation has been concluded, the case shall be final closed if the litigation resolution did not have an adverse outcome for the relevant partner (see [Section AP7.C4.14.](#)) or may be reopened as required to process any adverse judgments associated with the case in accordance with the criteria and procedures in [Section AP7.C4.15.](#)

- Revised:

C16.3.1.1.7. Litigation Resolution. No case shall be final closed prior to the resolution of any litigation involving an associated or supporting U.S. Government contract **except when associated case lines have an Unliquidated Obligation (ULO) value of zero. See [Section C14.8.2.](#) for DSCA data calls each year to the IAs to assess any contingent liabilities that could be potentially recognized or disclosed in the Security Assistance Accounts financial statements.** ~~At such time that~~ When the litigation has ~~been~~ concluded, the case shall be final closed if the litigation resolution did not have an adverse outcome for the relevant partner (see [Section AP7.C4.14.](#)). ~~or~~ The case may be reopened as required to process any adverse judgments associated with the case in accordance with the criteria and procedures in [Section C16.3.16](#) and [Section AP7.C4.15.](#)

4. Update Section AP7.C.3.3.1.9.:

- Current:

AP7.C3.3.1.9. Cases with Associated Contracts in Litigation. FMS cases that meet the ACCP closure eligibility conditions set forth in [Section AP7.C3.3.1.](#) may be interim closed (closure type 2) even if contracts associated with the relevant case are the subject of ongoing litigation. Such FMS cases shall be final closed after the litigation has concluded and a judgment has been issued.

- Revised:

AP7.C3.3.1.9. Cases with Associated Contracts in Litigation. FMS cases that meet the ACCP closure eligibility conditions set forth in [Section AP7.C3.3.1.](#) may be interim closed (closure type 2) even if contracts associated with the relevant case are the subject of ongoing litigation. **When associated case lines have an Unliquidated Obligation (ULO) value of zero, the FMS case shall be final closed prior to the resolution of ongoing litigation.** Such FMS cases shall be final closed after the litigation has concluded and a judgment has been issued.

5. Update Section AP7.C.3.3.1.9.1.:

- Current:

AP7.C3.3.1.9.1. If cases with contracts subject to litigation are eligible for interim closure in accordance with [Section AP7.C3.3.1.9.](#), IAs shall notify partner nations of this fact, and that the case may not proceed to final closure until the litigation has been resolved.

- Revised:

AP7.C3.3.1.9.1. If cases with contracts subject to litigation are eligible for interim closure in accordance with [Section AP7.C3.3.1.9.](#), IAs shall notify partner nations of this fact, and that the case may not proceed to final closure until the litigation ~~has been~~ is resolved **except when associated case lines have a ULO value of zero.**

6. Update Section AP7.C.3.3.1.10.:

- Current:

AP7.C3.3.1.10. Litigation Resolution. No case shall be final closed prior to the resolution of any litigation involving an associated or supporting USG contract. At such time that the litigation has been concluded the case shall be final closed if the litigation resolution did not have an adverse outcome for the relevant partner (see [Section AP7.C4.14.](#)) or may be reopened as required to process any adverse judgments associated with the case in accordance with the criteria and procedures in [Section AP7.C4.15.](#)).

- Revised:

AP7.C3.3.1.10. Litigation Resolution. No case shall be final closed prior to the resolution of any litigation involving an associated or supporting USG contract **except when associated case lines have a ULO value of zero. See [Section C14.8.2.](#) for DSCA data calls each year to the IAs to assess any contingent liabilities that could be potentially recognized or disclosed in the Security Assistance Accounts financial statements. ~~At such time that~~ When the litigation has ~~been~~ concluded the case shall be final closed if the litigation resolution did not have an adverse outcome for the relevant partner (see [Section AP7.C4.14.](#)). ~~or~~ The case may be reopened as required to process any adverse judgments associated with the case in accordance with the criteria and procedures in [Section AP7.C4.15.](#)).**