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WASHINGTON, D.C. 20301-2800**

08 JUL 2016

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 FOR SECURITY ASSISTANCE, DEFENSE FINANCE
AND ACCOUNTING SERVICE-INDIANAPOLIS OPERATIONS
DIRECTOR, DEFENSE INFORMATION SYSTEMS AGENCY
DIRECTOR, DEFENSE LOGISTICS AGENCY
DIRECTOR, DEFENSE LOGISTICS INFORMATION SERVICE
DIRECTOR, DEFENSE LOGISTICS AGENCY DISPOSITION
SERVICES
DIRECTOR, DEFENSE THREAT REDUCTION AGENCY
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DIRECTOR, NATIONAL GEOSPATIAL-INTELLIGENCE AGENCY
DEPUTY DIRECTOR FOR INFORMATION ASSURANCE,
NATIONAL SECURITY AGENCY

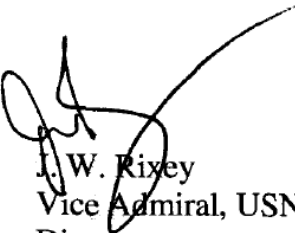
SUBJECT: Update to the Security Assistance Management Manual (SAMM) Chapter 11
Revising Section C11.9. Regarding the Special Defense Acquisition Fund (SDAF),
Defense Security Assistance Agency (DSCA) Policy 16-19, SAMM E-Change 305

The Special Defense Acquisition Fund (SDAF), authorized in Section 51 of the Arms Export Control Act (AECA), is a revolving fund that is used by the Department of Defense (DoD), in consultation with the Department of State, to finance the procurement of defense articles and defense services in anticipation of their future transfer under the AECA, the Foreign Assistance Act of 1961, as amended (FAA), or as otherwise authorized by law, to foreign governments and international organizations. The fund allows for faster deliveries once FMS agreements are signed, and it enhances U.S. force readiness by reducing the need to divert equipment and material from U.S. stocks when foreign partners have urgent requirements that cannot otherwise be satisfied.

Since the Fund was recapitalized in 2012, it has been managed on the basis of interim guidance issued by DSCA to the Implementing Agencies on December 1, 2012. This revision of SAMM Chapter 11, Section C11.9 establishes policies and procedures for its administration.

For any questions regarding this policy, please contact Paul Gray, DSCA/SA&E/EQP, at (703) 697-9637 or paul.o.gray.civ@mail.mil. For any general questions regarding the SAMM, please contact Mike Slack DSCA/STR/SPI, at (703) 697-9058 or micheal.d.slack.civ@mail.mil.

The attached revision to Chapter 11 will be included in the on-line version of the SAMM found on the DSCA Web Page as SAMM E-Change 305.



J. W. Rixey
Vice Admiral, USN
Director

Attachment:
As stated

cc:

USAFRICOM
USCENTCOM
USEUCOM
USNORTHCOM
USSOUTHCOM
USPACOM
USTRANSCOM
USSOCOM
STATE/PM-RSAT
USASAC
SATFA
TRADOC
NAVSUPWSS
NETSAFA
AFSAC
AFSAT
DISAM
MARCORIP
SCETC
USCG International Affairs (G-CI)

SECURITY ASSISTANCE MANAGEMENT MANUAL (SAMM), E-CHANGE 305

In Chapter 11. Special Programs and Services, replace the current Section C11.9. with the following:

C11.9. Special Defense Acquisition Fund (SDAF)

C11.9.1. Purpose. The Special Defense Acquisition Fund (SDAF) is a revolving fund that is used by the Secretary of Defense, in consultation with the Secretary of State, to finance the procurement of defense articles and defense services in anticipation of their future transfer under the [Arms Export Control Act \(AECA\)](#), the [Foreign Assistance Act of 1961](#), as amended, or as otherwise authorized by law to foreign governments and international organizations. The Fund allows the U.S. Government to deliver selected articles and services to partners in less than normal procurement lead-time, and it enhances U.S. force readiness by reducing the need to divert assets from U.S. forces when partners have urgent requirements that cannot otherwise be satisfied.

C11.9.2. Authority. The SDAF is authorized in [Section 51 of the Arms Export Control Act, 22 U.S.C. 2795](#). The fund was established with the enactment of the International Security and Development Cooperation Act of 1981, Public Law 97-113, which added Chapter 5 to the [Arms Export Control Act, 22 U.S.C. 2751](#), et seq. The Principal Deputy Assistant Secretary of Defense (Comptroller Directorate) approved the SDAF Charter and Operating Instructions on December 30, 1982. In 1989, [Section 51\(a\) of the Arms Export Control Act, 22 U.S.C. 2795\(a\)](#), was amended to provide that the SDAF can be used for narcotics control purposes. From 1981 to 1993, the Fund was used to purchase more than \$2.7 billion worth of defense articles and services, \$2.68 billion of which was sold and transferred to FMS partners. Although the fund was widely regarded as a success, reductions in defense spending at the end of the Cold War led to the decision to decapitalize the account in 1993 with no new procurements authorized after September 30, 1995. Unobligated cash balances within the SDAF were rescinded and the proceeds from future sales were returned to the Department of Treasury as offsetting receipts. However, the SDAF authority, as provided in [22 U.S.C. 2795](#), was never rescinded. In 2012, the Congress approved the Administration's request to recapitalize the Fund with the enactment of the [Department of State, Foreign Operations, and Related Programs Appropriation Act, 2012 \(Division I, Public Law 112-74\)](#), which authorized the Department to (1) conduct a one-time transfer of up to \$100 million from the FMS Administrative Surcharge Account to the SDAF, and (2) obligate up to \$100 million from the account through September 30, 2015.

C11.9.3. Account Funding and Capitalization. The SDAF operates as a financially-independent, revolving fund. When SDAF-purchased assets are transferred to a foreign government or international organization, the proceeds from the transaction are reimbursed to the SDAF and used to finance subsequent purchases. The account is capitalized using selected proceeds from FMS sales, as authorized in [Section 51\(b\) of the Arms Export Control Act, 22 U.S.C. 2795\(b\)](#).

C11.9.3.1. Fund Classification. In accordance with the [Financial Management Regulation \(FMR\), Volume 12, Chapter 1, Section 010602](#), the SDAF is a Department of Defense Public Enterprise Fund.

C11.9.3.2. Fund Symbol. The SDAF account symbol assigned by the Department of Treasury is 11-4116.

C11.9.3.3. Obligation Authority. The SDAF operates within the limits established by the Congress ([see 22 U.S.C. 2795](#)). None of the funds in the account may be obligated without prior Congressional approval of an obligation limitation determined in appropriation acts during the annual budgeting process. Since the SDAF was reconstituted in 2012, the obligation authority for the Fund has been annually provided in the Department of State, Foreign Operations and Related Programs Appropriation Act.

C11.9.3.4. Capitalization Limit. The capitalization limit for the Fund is provided in [10 U.S.C. 114\(c\)](#). This amount is calculated as the sum of the unobligated cash balance in the account plus the total monetary value of the assets that have been purchased by the Fund but not yet sold.

C11.9.3.5. Funding Sources. The primary source of funding for the SDAF is the monetary collections received from the sale and transfer of SDAF-procured defense articles and services to foreign governments and international organizations. In addition to these monies, the Fund is capitalized with collections received for the following charges on export sales by the U.S. Government and its contractors: (1) non-recurring research, development, and production costs; (2) asset-use and facility rental charges for the use of U.S. Government-owned facilities and equipment; and (3) collections from the sale of defense articles not intended to be replaced ([see Section 51\(b\) of the Arms Export Control Act \(AECA\), 22 U.S.C. 2795\(b\)](#)). In accordance with [Section 51\(b\)\(3\) of the AECA](#), the Fund may also be capitalized with monies authorized and appropriated or otherwise made available for the purposes of the Fund.

C11.9.3.6. Administrative Costs. SDAF administrative operating costs are included in the FMS administrative budget. However, the SDAF does have the authority to pay for additional administrative operating costs, if necessary.

C11.9.3.7. Cost Recovery. The SDAF cannot gain or lose monies as a result of procurement and/or sales transactions. As such, a special surcharge is applied, as necessary, to recover the cost of SDAF inventory losses, pilferage, obsolescence, and loss of proceeds resulting from sales at reduced prices. The surcharge amount is established by the DSCA Business Operations Directorate and added to the unit prices for articles and services in the SDAF inventory.

C11.9.4. Procurement of Defense Articles and Defense Services. DSCA, in consultation with the Department of State, Bureau of Political-Military Affairs, selects the defense articles and defense services to be purchased by the SDAF. The Implementing Agencies execute the purchases, and in coordination with DSCA, maintain accountability of the purchased articles and services until they are sold and transferred to a foreign customer or building partner capacity program in accordance with the laws, regulations, and rules that govern such transactions.

C11.9.4.1. Procurement Proposals. To request SDAF funds, DoD Components must download and complete the SDAF Procurement Proposal Form.

C11.9.4.1.1. Secondary and Stock Items. Secondary or stock items that are critical or essential to the operation of a major end item will be considered for procurement. Complete spare parts packages, however, are usually not appropriate; although, exceptions can be made on a case-by-case basis. Items managed by the Defense Logistics Agency (DLA) and the General Services Administration (GSA) are not normally considered for SDAF buys.

C11.9.4.1.2. Transportation Costs. Costs that are expected to be incurred to transport items

to an assembly or holding point that are not included in the unit price should be included as a separate line in the procurement request.

C11.9.4.1.3. Storage and Maintenance Costs. Defense articles purchased by the SDAF can be stored at a U.S. Government facility or by the manufacturer. The costs that are expected to be incurred for the storage and maintenance of the item must be included in the procurement request.

C11.9.4.2. Procurement Proposal Submission. Proposals may be submitted to DSCA at any time during the year. DSCA will not accept a proposal, however, until it has been reviewed by (1) the Office of the Deputy Under Secretary of the Air Force, International Affairs, (2) the Office of the Deputy Assistant Secretary of the Army for Defense Exports and Cooperation, or (3) the Office of the Deputy Assistant Secretary of the Navy for International Programs. Proposals that are generated by Security Cooperation Offices or Geographic Combatant Commands should be coordinated with the relevant Integrated Regional Team at DSCA. Completed proposals should be submitted to dsca.ncr.bpc.mbx.sdaf-program@mail.mil.

C11.9.4.3. Proposal Review and Approval Process. When a procurement proposal is received, it is added to the Unfunded Proposal List (UPL). DSCA, in consultation with the Department of State, Bureau of Political-Military Affairs, reviews the UPL and selects the proposals to fund at scheduled times during the year. When deciding whether to approve a proposal, DSCA coordinates with the Office of the Deputy Assistant Secretary of Defense for Security Cooperation, the Joint Chiefs of Staff, Directorate for Strategic Plans and Policy (J-5), and others, as needed. Proposals that are not approved during a review period remain on the UPL until the proposal is rescinded by the requesting organization or is deemed to be no longer executable.

C11.9.4.4. Urgent Procurement Requests. Procurement requests that must be acted upon immediately should be sent directly to DSCA at dsca.ncr.bpc.mbx.sdaf-program@mail.mil. In such instances, DSCA coordinates the request with the Department of State, Bureau of Political-Military Affairs, as well as the relevant Military Department(s), Geographic Combatant Command(s), and others, as needed. Such requests must be urgent in nature, directly support the achievement of a U.S. strategic priority, and be approved by the Director, DSCA. Urgent requests will only be considered if there is sufficient funding available in the SDAF account at the time DSCA receives the request.

C11.9.4.5. Funds Distribution and Execution. SDAF funds are distributed by the DSCA Comptroller to the Military Departments on a Funding Authorization Document (FAD) in the Program Budget and Accounting System (PBAS). Table C11.T20. lists the organizations that receive the funds. These organizations subsequently allocate budget authority to the appropriate acquisition activity(s) through the Military Department’s accounting system (General Fund Enterprise Business System, Navy Enterprise Resource Planning, or General Accounting and Financial System). Once the funds have been allocated, the acquisition activity establishes obligation authority and assumes responsibility for managing the funds.

Table C11.T20. - SDAF Funds Distribution

Military Department:	Funds Issued To:
U.S. Air Force	Deputy Assistant Secretary for Budget (SAF/FMB), Directorate of

Military Department:	Funds Issued To:
	Budget Management and Execution (FMBM)
U.S. Army	Assistant Secretary of the Army for Financial Management and Comptroller (ASA/FM&C), Army Budget (BU), Business Resource Directorate (BUR)
U.S. Navy	Office of the Deputy Assistant Secretary of the Navy for International Programs (NIPO) and Financial Management and Budget (FMB-33)

C11.9.4.5.1. Military Interdepartmental Purchase Request. When necessary, SDAF funds may be issued on a Military Interdepartmental Purchase Request (MIPR), [DD Form 448](#). The MIPR may be accepted as direct cite or reimbursable. Acceptances ([DD Form 448-2](#)) must be provided to the DSCA Comptroller no later than ten (10) days after acceptance. DSCA will not issue a MIPR when the requested funds can be distributed in PBAS.

C11.9.4.5.2. Compliance with Acquisition Regulations and Procedures. SDAF procurements must be made in accordance with Department of Defense regulations and procedures, as outlined in the [Federal Acquisition Regulation \(FAR\)](#) and the [Defense FAR Supplement \(DFARS\)](#). The international agreements exception to full and open contracting competition, as outlined in the Competition in Contracting Act (CICA) ([10 U.S.C. Section 2304\(c\)\(4\)](#)), the [FAR Subpart 6.302-4](#), and the [DFARS Subpart 206.302-4](#), cannot be used on SDAF procurements.

C11.9.4.5.3. Reporting Obligations. Obligating documents, to include procurement contracts, must be provided to DSCA no more than ten (10) days from the date when the funds were obligated. Obligating documents shall be submitted to dsca.ncr.bpc.mbx.sdaf-financials@mail.mil.

C11.9.4.5.4. Excess Funds. Funds distributed for the procurement of defense articles and defense services that are not needed must be returned to DSCA.

C11.9.5. Inventory Control and Reporting of SDAF Assets.

C11.9.5.1. Custodial Responsibility. The Implementing Agencies, in coordination with DSCA, are responsible for storing and maintaining accountability of defense articles purchased by the SDAF until the items are transferred to a foreign government, international organization, or building partner capacity program. In addition, the Implementing Agencies must establish controls to ensure SDAF assets are not transferred to a foreign customer or used by the Military Department unless explicitly approved by DSCA.

C11.9.5.2. Inventory Storage and Payment. SDAF-procured items should be stored at a U.S. Government facility. If such storage is not available, the items may be stored by the manufacturer. SDAF-procured items should be segregated from other items in the inventory. The SDAF-procured items do not have to be physically segregated from other inventory, but the inventory manager must be able to maintain accurate accountability of the SDAF-procured items. Implementing Agencies should forward bills and obligating documents for storage to dsca.ncr.bpc.mbx.sdaf-financials@mail.mil. When SDAF-procured items are stored at a U.S.

Government facility, only those bills for direct out-of-pocket costs will be paid. An itemized list of storage expenses must be approved by DSCA before any costs are incurred.

C11.9.5.3. Inventory Reporting. Defense articles purchased by the SDAF and taken into property accountability by the Military Departments require quarterly reporting to DSCA. Inventory items may either be on loan to the Military Department in accordance with the SDAF Loan Agreement or they may be in inventory awaiting finalization of a foreign military transfer. In either circumstance, the Military Departments are responsible for property accountability of all items financed by the SDAF for which custody is required. For items provided from Department of Defense inventories, [SF 1080](#) billings, with accompanying back-up detail, will serve as the source documents. For items provided from new procurement, delivery reporting shall be conducted through the Wide Area Workflow (WAWF) online application. In the event WAWF is not available, [DD 250s \(“Material Inspection and Receiving Report”\)](#), with accompanying back-up detail, shall be used.

C11.9.5.4. Inventory Reports. Inventory reports must be submitted to DSCA no more than ten (10) days after the end of a fiscal quarter. There is no required format that must be used when submitting the report, but at a minimum, the report must contain the information listed in Table C11.T21. Inventory reports shall be submitted to dscanrc.bpc.mbx.sdaf-program@mail.mil.

Table C11.T21. - SDAF Inventory Report

Number	Requirement
1	Item description
2	National Stock Number (NSN) or Part Number (PN), if applicable
3	Contract award date(s)
4	Quantity in stock
5	Quantity on order, to include estimated delivery dates
6	Quantity sold by country and LOA (case line)
7	Quantity on loan to Military Departments

C11.9.5.5. Inventory Losses. If SDAF-procured items are lost while held in inventory, the responsible Implementing Agency will conduct an investigation in accordance with the [DoD Financial Management Regulation, Volume 12](#). Results of the investigation will be forwarded to the Director, DSCA for disposition, to include the possible billing of the Implementing Agency for the loss.

C11.9.6. Allocation of Defense Articles and Services Purchased by the SDAF. SDAF-procured assets are allocated in accordance with the laws, regulations, and policies that apply to all foreign military sales and transfers. The allocation of an asset to support an eligible foreign country, international organization, or building partner capacity program must be approved by DSCA before it can be added to an LOA.

C11.9.6.1. Types of Sales. Generally, sales are made from assets in the SDAF inventory. In instances where the article or service requested has been purchased by the SDAF but not yet

delivered to the U.S. Government, the customer may purchase the equity that the SDAF owns in the acquisition contract.

C11.9.6.2. Allocation Process. The allocation process begins when an eligible foreign country, international organization, or building partner capacity program requests information on defense articles and/or services, and the articles and/or services are available in the SDAF inventory. When such a request is received, the Implementing Agency should verify the availability of the requested asset and then submit an SDAF Allocation Request to dsca.ncr.bpc.mbx.sdaf-sales@mail.mil. If the request is approved, DSCA will sign and return the SDAF Allocation Request to the Implementing Agency, along with a Financial Analysis Worksheet. These documents must be included with the FMS or pseudo-FMS case when it is sent to the DSCA Case Writing Division. Once a case is offered, the SDAF assets on the case will be held in reserve until the Offer Expiration Date (OED) expires.

C11.9.6.2.1. SDAF Allocation Request. An approved allocation request authorizes the Implementing Agency to offer the requested item or service to a foreign government, international organization, or building partner capacity program. Allocation Messages are reviewed periodically by DSCA and the Military Departments to ensure actions are complete or to initiate proper follow-up actions.

C11.9.6.2.2. Financial Analysis Worksheet. The Financial Analysis Worksheet (FAW) provides the SDAF sales price. A separate FAW must be completed for each SDAF line on a case. The FAW must reference the Funding Allocation Document (FAD) or MIPR that was issued by DSCA Comptroller to procure the items and services.

C11.9.6.3. Price and Availability Data. Implementing Agencies must coordinate with DSCA before responding to a request for price and availability data for items and services on contract for SDAF or in the SDAF inventory. To submit such a request, Implementing Agencies must complete an SDAF Allocation Request and submit it to dsca.ncr.bpc.mbx.sdaf-sales@mail.mil. If DSCA approves the proposed allocation, the Implementing Agency will provide the customer with pricing and availability data through standard FMS procedures. The price and availability data will contain an expiration date (usually 90 days), which the Implementing Agency may extend in coordination with DSCA.

C11.9.6.4. LOA Development Data.

C11.9.6.4.1. Source of Supply Code. The SDAF source code is “F.”

C11.9.6.4.2. Separate Case Lines. SDAF assets may be offered on a separate LOA or as one or more separate lines on an LOA that includes articles and services that will not be sourced from the SDAF inventory. Sub-lines will not mix SDAF and non-SDAF material and services.

C11.9.6.4.3. Type of Assistance (TA) Code. The TA code for SDAF assets is 5 (Cash Sale from Procurement with Payment in Advance, [AECA Section 22\(a\)](#)). This does not require a cash term of sale on the LOA.

C11.9.6.4.4. Support Items. In instances where an SDAF-procured item is a component of an end item not purchased by the SDAF, the SDAF item will be identified with a source of supply code “F” on a separate line(s) on the case. In such instances, the SDAF item(s) must be on a separate line from the non-SDAF item(s).

C11.9.6.4.5. Delivery Codes. SDAF uses three delivery codes, as shown in Table C11.T22.

Table C11.T22. – SDAF Delivery Codes

Code	Description
SA	Sale of items originally purchased from DoD inventories.
SD	Sale of items procured from contractors by the SDAF. This delivery source code computes packing, crating, and handling (PC&H) cost.
SE	Sale of items procured from contractors and shipped directly from the contractor to the customer, providing there is no requirement for any special PC&H. This delivery source code does not calculate PC&H cost.

C11.9.6.4.6. Case Notes. A case note(s) is required for SDAF items and services. This note must convey that the line provides articles or services from the SDAF inventory. Implementing Agencies have the discretion to include additional information in the note, if needed.

C11.9.6.4.7. Case Amendments and Modifications. The preferred method is to allocate SDAF assets during the development of a basic case. The addition of SDAF assets to an implemented case, whether through a case amendment or modification, is done on an exception basis only. The Implementing Agency must coordinate with DSCA before making any adjustments to an implemented case. If a pricing adjustment is needed, a new Financial Analysis Worksheet (FAW) must be prepared and included with the case when it is submitted to the DSCA Case Writing Division. Payments for SDAF lines are due with acceptance of the case amendment or modification.

C11.9.6.5. Pricing Rules. SDAF items are priced in accordance with the pricing guidance contained in [DoD 7000.14.-R, DoD Financial Management Regulation](#).

C11.9.6.5.1. Sales Pricing. The price for SDAF assets and contract equities sold through the FMS process will be computed by establishing a base acquisition price. The base price is the higher of the SDAF procurement price or the current contract price. Once the base price has been established, additional charges, such as CAS, transportation, and proportionate storage fees, will be added to arrive at the SDAF selling price.

C11.9.6.5.1.1. Application of Select Pricing Elements. The SDAF unit price is all inclusive. Implementing Agencies should not include any additional pricing elements when preparing an LOA other than the FMS administrative surcharge. The FMS administrative surcharge is in addition to (and not a component of) the unit price and therefore should not be included in the SDAF sales price.

C11.9.6.5.1.2. Added Costs. The SDAF sales price must include charges for storage of the item; manpower funded by the SDAF to procure the item; costs for transporting the material; and packaging, crating, and handling costs. This information is provided by DSCA when the Implementing Agency prices the SDAF line(s) on the LOA.

C11.9.6.5.1.3. Non-Recurring Costs. Applicable non-recurring costs (NC) paid by SDAF will be added to the base price to arrive at the SDAF selling price. If the item being sold is classified as Significant Military Equipment and the USG has developed an NC for the item (paid for by other than SDAF funds), that NC may be waived under normal procedures. If the NC is not waived, a new MASL must be created for the SDAF sale so that the item will be reported as coming from the SDAF inventory and the NC is included in the pricing.

C11.9.6.5.1.4. Contract Administration Services (CAS) Surcharge. CAS is included in the unit price for SDAF items and services. Implementing Agencies (and the Case Writing Division) should not include CAS as a separate pricing element when developing SDAF case lines in DSAMS.

C11.9.6.5.2. Price Reduction. In accordance with [DoD 7000.14-R](#), if DSCA determines an SDAF-procured item is of reduced utility, an appropriate reduction to the price may be made. Such a reduction could conceivably lower the selling price to below the SDAF cost.

C11.9.6.6. Payment Schedules. The payment for defense articles and services sourced from the SDAF must be included in the initial deposit. This policy can be waived by DSCA if there is a strong justification to do so.

C11.9.6.7. Supply Discrepancy Reports (SDRs). It is Department of Defense policy that the appropriation credited with the proceeds of a sale pay SDR costs or replace the material when the U.S. Government is deemed to be at fault ([see DoD 7000.14-R](#)). Hence, SDAF will finance SDRs on SDAF cases, if applicable. When the SDAF is considered the appropriate source of funding for a SDR, the SDR must be submitted to DSCA in accordance with [Section C6.4.10](#).

C11.9.6.8. Reimbursement to the SDAF. LOA closure responsibilities for the sale of SDAF assets transferred to a foreign purchaser resides with the Implementing Agency responsible for the LOA. The DSCA Business Operations Directorate, in coordination with the Implementing Agency, assures reimbursement of the appropriate amount to the SDAF.

C11.9.6.8.1. Obligating Documents. Once a case is implemented, the Implementing Agency must establish an obligation for the SDAF asset(s) in their official logistics system at the case/line level. The Implementing Agency can use a Miscellaneous Obligating Requirements Document, if available. For obligation purposes, the implemented LOA and the existing SDAF contract shall serve as the documentation to support a financial obligation in the accounting and finance system of record. Obligating documents must be provided to DSCA at dscn.cr.bpc.mbx.sdaf-financials@mail.mil.

C11.9.6.8.2. Expenditure Transfer. Once the funds on a case have been expended against the LOA, DFAS-IN will facilitate an expenditure transfer from the customer trust fund account to the SDAF account. Should the procurement or the delivery of the assets to the customer be cancelled, DFAS-IN will transfer the funds from the SDAF account back to the customer.

C11.9.6.8.3. Complete Reimbursement. As with any other FMS procurement contract, the LOA obligates the purchaser to pay the total cost to the U.S. Government, even if the actual costs exceed the estimates provided in the LOA.

C11.9.6.8.4. Delivery Reporting. After the case/line obligation has been established by Implementing Agency in its official logistics system, and upon the delivery of the articles and/or services to the customer, the Implementing Agency is responsible for reporting the delivery of the articles and/or services (within the 30 day time period) via the appropriate logistics system. Delivery reporting of the articles and/or services purchased from the SDAF will also serve to liquidate the obligation created at the case/line level and allow for closure of the SDAF line.

C11.9.6.9. Loans to Military Departments. SDAF-procured items may be loaned to U.S. forces upon the approval of DSCA and the consummation of an SDAF Loan Agreement between DSCA and the borrowing activity. The borrowing activity is responsible for all repair and replacement costs. In the event the loaned equipment is destroyed or permanently transferred to

U.S. forces, the borrowing activity will be required to reimburse the SDAF in the amount specified in the loan agreement.

C11.9.6.10. Sales to Military Departments. At times, the Military Departments divert material from U.S. service inventories to meet urgent foreign requirements. In such instances, the Military Departments may request that SDAF assets be used to replenish inventories. If the request is approved by DSCA, the Military Department is required to use its own funds to purchase the requested item(s) from the SDAF.

C11.9.6.10.1. Pricing. The sale of an item from the SDAF to a Military Department will be priced to recover the cost(s) incurred by the SDAF.

C11.9.6.10.2. Secondary and Stock Items. Secondary and inventory items may not be used to fill U.S. requirements without written concurrence of the Director, DSCA, and appropriate reimbursement to the SDAF.

C11.9.6.10.3. Required Information. The information listed in Table C11.T23. must be provided to DSCA when requesting the purchase of assets in the SDAF inventory.

Table C11.T23. - Request to Sell SDAF Assets to a Military Department

Step	Requirement
1	Item description and quantity;
2	Latest contract price for the item;
3	Required delivery date for the item or service; and
4	Brief statement explaining why the SDAF assets are needed.

C11.9.6.11. Presidential Drawdown. The SDAF-procured stock can be used to support Presidential Drawdowns. Since the SDAF is a revolving fund, the Military Departments must use their own funds to purchase the item(s) or service(s) from the SDAF.

C11.9.6.12. Reimbursing Funds Invested in Modifications of Assets Not Owned by the SDAF. The SDAF can be used to finance equipment modification programs. The use of the SDAF for such purposes must be approved by DSCA. SDAF funds invested for such purposes must be listed as a separate line(s) on the case.

C11.9.6.12.1. Charge Required. A charge to recoup the SDAF investment must be included on a separate case line(s). The charge must be coordinated with the DSCA Business Operations Directorate.

C11.9.6.12.2. Amortization. The amount of recoupment per unit is established by the DSCA Business Operations Directorate, in consultation the Military Departments and the Office of the Undersecretary of Defense (Comptroller), and must be explicitly identified in the Financial Analysis Worksheet accompanying the case.

C11.9.6.12.3. Process and Reporting Compliance. The same policies and procedures concerning the allocation and delivery reporting of SDAF assets, as well as the financial reimbursement to the SDAF, apply to the sale and transfer of modified assets.