



## DEFENSE SECURITY COOPERATION AGENCY

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

16 February 2022

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 FOR SECURITY ASSISTANCE, DEFENSE FINANCE  
AND ACCOUNTING SERVICE – INDIANAPOLIS  
OPERATIONS  
DIRECTOR OF CYBERSECURITY DIRECTORATE AND DEPUTY  
NATIONAL MANAGER FOR NATIONAL SECURITY  
SYSTEMS, NATIONAL SECURITY AGENCY

SUBJECT: Update to SAMM Appendix 6 – LOA Notes Listing for Supply Discrepancy Report,  
Security Assistance Management Manual (SAMM) Policy Memorandum 22-02,  
[SAMM E-Change 546]

References: (a) DSCA, SAMM Policy Memorandum 21-74, 17 November 2021

This memorandum revises existing Building Partner Capability (BPC) Letter of Offer and Acceptance (LOA) case notes in Appendix 6 as applicable to Supply Discrepancy Report (SDR) processing for BPC cases in accordance with reference (a).

The SDR is no longer used by the Security Cooperation Organization (SCO) to report deficiencies for BPC cases. If there is a deficiency, or a problem with the delivery of materiel or services, IAs should refer to the relevant U.S. Government contract. If no contractual remedy is available, or liability does not reside with the contractor, the IAs shall contact the DSCA Program Manager to determine the way forward. As such, the requisite 12-month waiting period for the closure of FMS cases that allows the FMS purchaser to submit an SDR associated with the final delivery, as explained in SAMM C16.4.1.1.1., does not apply to BPC cases.

Effective immediately, the attached E-Change 546 is incorporated into the SAMM.

If you have questions on this memorandum, please contact S. Justin Lee,  
DSCA/OBO/FPRE/Financial Policy at (703) 697-6587, sungjae.j.lee.civ@mail.mil.

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J. Aaron Harding  
Chief Operating Officer and Chief Financial Officer  
Defense Security Cooperation Agency

Attachment:  
As stated

## Security Assistance Management Manual E-Change 546

### Update to SAMM Appendix 6 – LOA Notes Listing

1. Update SAMM [Appendix 6 BPC Materiel Transfer note](#) text to:

1. Shipment and Delivery:

- a. All shipments will be marked and labeled in accordance with [DoD Standard Practice for Military Marking \(MIL-STD 129\)](#).
- b. The U.S. Government agrees to provide transportation services for the items identified in this LOA to the agreed point of delivery in the Benefitting Country. The SCO (or U.S. Government representative) will confirm receipt of all materiel deliveries within 30 days in accordance with [SAMM Section C15.5.4.6](#).
- c. Any shipment discrepancies or damage **in transit** will be reported by a U.S. Government representative through the existing DoD discrepancy reporting system (Transportation Discrepancy Report (TDR)) ~~or Supply Discrepancy Report (SDR))~~, according to procedures **identified in [Defense Transportation Regulation – Part II, Appendix E, Para G., Sec 2. for processing U.S. Government-owned materiel transported through the Defense Transportation System \(DTS\)](#)**. If there is a deficiency or a problem with the delivery of materiel or services outside of transportation, IAs should refer to the relevant U.S. Government contract. If no contractual remedy is available, or liability does not reside with the contractor, the IAs shall contact the DSCA Program Manager to determine the way-forward. ~~The SDR (Standard Form 364) will be used by the SCO to promptly report any overage, shortage, damage, item deficiency, improper identification, improper documentation, or non-shipment of defense articles. The SCO may submit SDRs for documentation purposes regardless of the dollar value of the discrepancy, but only claims valued at \$200 or more (based on the value of the item plus any transportation and handling costs) will be reviewed for possible funding reimbursement.~~ Discrepant articles will be returned to the U.S. Government's custody. Any claim, including a claim for shortage or nonperformance, received more than one year after delivery of the defense articles to the Benefitting Country (or after the end of the scheduled period of performance for services) will not be processed.
- d. ~~The Supply Discrepancy Report (SDR) process is not applicable to Building Partner Capability (BPC) cases. The 12-month waiting period for closure of FMS cases to facilitate the submittal and resolution of SDRs does not apply to BPC cases.~~

(No change to 2. Title and Custody Transfer:)

2. Update SAMM [Appendix 6 BPC Materiel Transfer for Afghanistan note](#) text to:

1. Shipment and Delivery:

- a. All shipments will be marked and labeled in accordance with [DoD Standard Practice for Military Marking \(MIL-STD 129\)](#).

- b. The U.S. Government agrees to provide transportation services for the items identified in this LOA to the agreed point of delivery in the Benefitting Country. The SCO (or U.S. Government representative) will confirm receipt of all materiel deliveries within 30 days in accordance with [SAMM Section C15.5.4.6](#).
- c. Any shipment discrepancies or damage **in transit** will be reported by a U.S. Government representative through the existing DoD discrepancy reporting system (Transportation Discrepancy Report (TDR)) ~~or Supply Discrepancy Report (SDR)),~~ according to procedures **identified in [Defense Transportation Regulation – Part II, Appendix E, Para G., Sec 2.](#) for processing U.S. Government owned materiel transported through the Defense Transportation System (DTS). If there is a deficiency or a problem with the delivery of materiel or services outside of transportation, IAs should refer to the relevant U.S. Government contract. If no contractual remedy is available, or liability does not reside with the contractor, the IAs shall contact the DSCA Program Manager to determine the way forward. ~~The SDR (Standard Form 364) will be used by the SCO to promptly report any overage, shortage, damage, item deficiency, improper identification, improper documentation, or non-shipment of defense articles. The SCO may submit SDRs for documentation purposes regardless of the dollar value of the discrepancy, but only claims valued at \$200 or more (based on the value of the item plus any transportation and handling costs) will be reviewed for possible funding reimbursement.~~ Discrepant articles will be returned to the U.S. Government's custody. Any claim, including a claim for shortage or nonperformance, received more than one year after delivery of the defense articles to the Benefitting Country (or after the end of the scheduled period of performance for services) will not be processed.**
- d. ~~The Supply Discrepancy Report (SDR) process is not applicable to Building Partner Capability (BPC) cases. The 12-month waiting period for closure of FMS cases to facilitate the submittal and resolution of SDRs does not apply to BPC cases.~~

(No change to 2. Title and Custody Transfer:)