



**DEFENSE SECURITY COOPERATION AGENCY**  
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WASHINGTON, D.C. 20301-2800

March 18, 2025

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 25-29, Valuation and Reconciliation of Defense Articles Provided Under the Presidential Drawdown Authority [SAMM E-Change 721]


- References:**
- (a) Deputy Chief Financial Officer memorandum, "Clarification of Presidential Drawdown Authority Valuation of Defense Articles", March 31, 2023
  - (b) Under Secretary of Defense Comptroller/Chief Financial Officer memorandum, "Update to the General Business Rules for Use of Drawdown Authority and Replacement of Items and Reimbursement for Services Provided under Presidential Drawdown Authority", January 8, 2025
  - (c) Department of Defense Financial Management Regulation (DoD FMR), Volume 4, Chapter 4, Inventory and Related Property, November 2017
  - (d) DoD FMR, Volume 4, Chapter 25, General Equipment, May 2019
  - (e) Deputy Chief Financial Officer memorandum, "Valuation and Reconciliation of Defense Articles Provided Under the Presidential Drawdown Authority (FPM24-11)", June 18, 2024
  - (f) DoD Instruction 5000.64, "Accountability and Management of DoD Equipment and Other Accountable Property", June 10, 2019

This policy memorandum updates Chapter 11 of the Security Assistance Management Manual (SAMM) to incorporate and supplement the DCFO guidance found in references (a) – (c) regarding the valuation of defense articles provided under Presidential Drawdown Authority (PDA) pursuant to sections 506 and 522 of the Foreign Assistance Act of 1961, as amended.

The supplemental guidance in this memorandum is effective immediately.

The policy in the attachment is incorporated into the DSCA Security Assistance Management Manual (SAMM) at <https://samm.dsca.mil>. 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). For questions relating to the SAMM, please contact DSCA Office of Strategy, Plans, and Policy, Execution Policy and Analysis Directorate (SPP/EPA), [dsca.ncr.spp.mbx.epa@mail.mil](mailto:dsca.ncr.spp.mbx.epa@mail.mil).

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J. Aaron Harding  
Chief Operating Officer and Chief Financial Officer

Attachment:  
SAMM E-Change 721

## Security Assistance Management Manual E-Change 721

1. Update SAMM Section PD.2.4.

**From:**

**PD.2.4. Value of Drawdowns.** It is critical to ensure that projected values are as accurate as possible. Close coordination between the DSCA IOPS, DSCA (Office of Business Operations, Financial Policy & Regional Execution Directorate, Financial Reporting and Compliance Division (OBO/FPRE/FRC)) and the MILDEPs during drawdown execution is critical to reconcile values as early as possible. The Services should report actual value of drawdown to DSCA (OBO/FPRE/FRC) in the DSCA 1000 system no later than 90 days after delivery of the equipment (See Section PD.7.1.1.). Value of articles, training, and services is determined using the following guidance:

**To:**

**PD.2.4. Drawdown Value Thresholds.** Drawdowns must be executed within applicable statutory thresholds and notified values. DSCA leverages the drawdown Execute Order (EXORD) and reporting in the DSCA 1000 System to ensure drawdown execution does not exceed applicable value thresholds. The EXORD is developed by DSCA in coordination with the Military Departments (MILDEPs) and identifies the estimated quantity and value of defense articles and services within MILDEP stocks or resources available to support a drawdown. After DSCA issues the EXORD, MILDEPs are responsible for reporting in the DSCA 1000 System the actual quantity and value of defense articles and services provided to the benefitting foreign partner within 90 days of delivery.

2. Update SAMM section PD.2.4.1.:

**From:**

**PD.2.4.1. Value of Articles.** The value of drawdown articles is calculated pursuant to DoD FMR 7000.14-R, Volume 4, Chapter 4 for inventory and related property (i.e., operating materials and supplies, and stockpile material) and DoD FMR Volume 4, Chapter 25 for general equipment. MILDEP replacement cost should not be used to determine the replacement value of drawdown articles. MILDEPs should not use replacement cost as the value of defense articles being provided under drawdown authority.

**To:**

**PD.2.4.1. Value of Articles.** The value of drawdown articles is calculated pursuant to [DoD FMR 7000.14-R, Volume 4, Chapter 4](#) for inventory and related property (i.e., operating materials and supplies, and stockpile material) and [DoD FMR Volume 4, Chapter 25](#) for general equipment. ~~MILDEP replacement cost should not be used to determine the replacement value of drawdown articles. MILDEPs should not use replacement cost as the value of defense articles being provided under drawdown authority.~~

3. Add SAMM Sections PD.2.5 through PD.2.7.1. as shown:

**PD.2.5. DSCA Reconciliation of Drawdown Authority.** DSCA conducts routine

reconciliations between MILDEP reported actuals in the DSCA 1000 System and estimates included in the EXORDs. These reconciliations enable the identification of residual or remaining authority on an EXORD that could be used to provide additional capabilities to the benefitting partner within the scope of the original Presidential Determination and notification, or that could be applied to another approved PD. As such, MILDEP timely reporting of actual deliveries in the DSCA 1000 System is critical to support DSCA reconciliation efforts to accurately track available authority.

**PD.2.6. Drawdown Valuations.** The valuation of a drawdown begins during EXORD development when the MILDEPs provide DSCA the estimated value and quantity of defense articles and services within their stocks or available resources that could be used to support the drawdown effort. The MILDEPs report in the DSCA 1000 System the final valuation of defense articles and services provided under a particular drawdown effort based on actual deliveries. DoD Components are expected to adhere to established valuation guidance in the following SAMM paragraphs, and in the applicable sections of the DoD FMR, when providing initial valuation estimates to DSCA during EXORD development and when reporting actual valuations of delivered defense articles and services in the DSCA 1000 System. The estimated cost to replace defense articles and services provided under PD cannot be used as either the initial estimated valuation or the final reported valuation.

**PD.2.6.1. Value of Articles.** The value of drawdown articles is calculated pursuant to [DoD FMR 7000.14-R, Volume 4, Chapter 4](#) for inventory and related property (i.e., operating materials and supplies, and stockpile material) and [DoD FMR Volume 4, Chapter 25](#) for general equipment. MILDEPs should only use replacement cost to value a defense article when all other options for valuation are exhausted.

**PD.2.6.1.1. Development of Initial Estimates for Execute Orders.** When developing valuation estimates in support of a PD EXORD, the Department of Defense (DoD) Components should adhere to the valuation policy outlined in the following SAMM sections to the greatest extent possible. To facilitate rapid execution during an emergency drawdown or when drawdown execution is otherwise time-sensitive or urgent, DoD Components may provide DSCA the average net book value for a group of similar defense articles as the initial EXORD estimate. This excludes General Equipment (GE) or Operating Materials and Supplies (OM&S). PDA articles will not be valued below 10 percent of their historical cost, or, if the historical cost is not available, the articles will not be valued below 10 percent of their catalog or standard price, which may serve as a reasonable estimation of historical cost.

**PD.2.6.1.2. Use of Historical Cost is Required When Possible.** For PDA articles classified as GE or OM&S, DoD Components are required to use the historical cost (also known as the acquisition cost), less any accumulated depreciation (i.e., net book value). The one exception is that a depreciated GE PDA article will not be valued below 10 percent of its historical cost; or, if the historical cost is not available, a depreciated GE PDA article will not be valued below 10 percent of its catalog or standard price, which may serve as a reasonable estimation of historical cost. For PDA valuation purposes, DoD Components are not required to use the Moving Average Cost method to value OM&S PDA articles.

**PD.2.6.1.3. Use of Deemed Cost Methods When Necessary.** Should DoD Components be unable to determine the historical cost of PDA articles classified as GE or OM&S, they are permitted to use deemed cost methods for valuation. The approved deemed cost methods include: (1) Replacement Cost; (2) Fair Value; (3) Cost of similar assets at the time of

acquisition; (4) Contract-based estimates; or (5) Budget-based estimates. DoD Components may utilize any, or a combination of, these valuation methods for valuing GE PDA articles. Additional deemed cost methods permissible for OM&S are as follows: (1) Standard (Selling) Price or Fair Value; (2) Latest Acquisition Cost; (3) Replacement Cost; (4) Estimated Historical Cost (initial amounts); and (5) Actual Historical Cost (initial amounts).

**PD.2.6.1.4. Valuation of Fully Depreciated General Equipment.** DoD Components must use net book value in determining the value of GE articles provided under PDA. For PDA valuation purposes only, fully depreciated GE (i.e., GE with a zero net book value) must be valued at 10 percent of the estimated historical cost or, if the historical cost is not available, 10 percent of catalog/standard price as a reasonable estimation of the GE salvage value.

**PD.2.6.1.5. Valuation of General Equipment Below Capitalization Threshold.** DoD Components are authorized to have different GE capitalization thresholds for financial reporting purposes (e.g., \$1,000,000 for the Navy and Air Force General Funds and DoD Intelligence reporting entities, and \$250,000 for all other DoD General Funds and Working Capital Funds). GE under the capitalization threshold is expensed in the period purchased and is not reported as GE on the Component's balance sheet. However, for property accountability purposes, and in accordance with [DoD Instruction 5000.64, "Accountability and Management of DoD Equipment and Other Accountable Property,"](#) all property (including GE) with a historical cost of \$5,000 or more must be recorded in the Accountable Property Systems of Record (APSR). For PDA valuation purposes, GE of \$5,000 or more but below the financial reporting capitalization threshold must be valued at historical cost as recorded in the APSR. For GE below the APSR threshold (Currently \$5,000), GE must be valued using the Web Federal Logistics Information System (WebFlis) catalog price or standard price. WebFlis is located at <https://www.dla.mil/Information-Operations/Services/Applications/WebFLIS/>.

**PD.2.6.2. Value of Training.** The value of drawdown military education and training is based on the additional or incremental costs incurred by the USG to provide the training (e.g., Foreign Military Financing (FMF) Grant or incremental rate pursuant to [DoD FMR 7000.14-R, Volume 15, Chapter 7](#)).

**PD.2.6.3. Value of Services.** The value of services provided under a drawdown is based on actual costs to the USG to provide the service. This includes funded civilian pay, travel and per diem costs of military and civilian personnel. This is limited to services performing an approved support role that is devoted exclusively to the drawdown effort. and is included when computing the value of drawdown services. Value does not include salaries of active-duty members of the U.S. Armed Forces and unfunded civilian retirement and other benefits.

**PD.2.7. DoD Component Reconciliation of Articles Provided Under the Presidential Drawdown Authority.** All Department of Defense (DoD) components that have provided articles under the Presidential Drawdown Authority (PDA) are required to reconcile their records to validate the valuation of defense articles and services provided under PDA in accordance with the guidance provided in [Section PD.2](#). DoD components must promptly update their records, as necessary, to reflect accurate delivery and valuation data. Additionally, DoD components must verify that all PDA articles delivered to the partner nation are promptly removed from USG property and financial records. Upon completion of the reconciliation process, the respective DoD components are required to submit a certification statement to OUSD (Comptroller), confirming the reconciliation and detailing

the results.

**PD.2.7.1.** DoD components must maintain comprehensive supporting documentation to facilitate external verification of PD article valuations (e.g., by an auditor). This documentation should be sufficient to verify the reconciliation and should include details on the cause of any updated information (e.g., application of a new valuation method, adjustments in quantity, changes to the article variant, etc.). All supporting documentation must be readily accessible and available upon request.