



## DEFENSE SECURITY COOPERATION AGENCY

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WASHINGTON, D.C. 20301-2800

08 OCT 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  
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 26-107, Update Special  
Defense Acquisition Fund Inventory Report Requirements [SAMM E-Change 873]

Reference: [DoDIG-2019-085](#) (Audit of the Defense Security Cooperation Agency–Security  
Assistance Account), May 8, 2019

This memorandum updates the Security Assistance Management Manual (SAMM) with corrective action identified in the above reference to establish policies requiring the inclusion of inventory values in annual physical inventory inspection reports. Effective immediately, Implementing Agencies (IAs) must record and report the total inventory value of all Special Defense Acquisition Fund (SDAF)-procured defense articles during annual inspections, aligning physical inspection data with quarterly inventory reporting metrics. The policy in the attachment is incorporated into the DSCA SAMM at <https://samm.dsca.mil>.

If you have policy 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 Memo 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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Brian T. Watford  
Acting Chief Operating Officer and  
Chief Financial Officer

Attachment: SAMM E-Change 107 - Defense Security Cooperation Agency Policy  
Memorandum 26-873, Update Special Defense Acquisition Fund Inventory Report Requirements

**Attachment: Security Assistance Management Manual E-Change 873**  
**Update Special Defense Acquisition Fund Inventory Report Requirements**

1. Renumber and update SAMM Section SDAF.7.1.3.1. and SDAF.7.1.3.2.

Current:

**SDAF.7.1.3.2. Custodial Responsibility.** The IAs, in coordination with DSCA, are responsible for storing and maintaining accountability of defense articles purchased by the SDAF until the items are transferred to the partner, international organization, or building partner capacity program. In addition, the IAs must establish controls to ensure SDAF assets are not transferred to a purchaser or used by the MILDEP unless coordinated with and approved by DSCA. IAs must ensure that DoW and contractor facilities are physically inventoried annually to determine the location, identification numbers ((e.g. National Stock Number (NSN), Part Number (PN), Managed Control Number (MCN)), and quantities of the SDAF-procured materiel on hand. All physical inventories must be completed before the end of the fiscal year and documented and reported to DSCA no later than 30 days after the end of the fiscal year.

Revised:

**SDAF.7.1.3.1. Custodial Responsibility.** The IAs, in coordination with DSCA, are responsible for storing and maintaining accountability of defense articles purchased by the SDAF until the items are transferred to the partner, international organization, or building partner capacity program. ~~IAs are responsible for property accountability of all items financed by the SDAF that are within custody of their DoW Component.~~ In addition, the IAs must establish controls ~~with logistics counterparts within their Component~~ to ensure SDAF assets are not transferred to a purchaser ~~or used by the MILDEP~~ unless coordinated with and approved by DSCA. ~~IAs must ensure that DoD and contractor facilities are physically inventoried annually to determine the location, identification numbers ((e.g. National Stock Number (NSN), Part Number (PN), Managed Control Number (MCN)), and quantities of the SDAF-procured materiel on hand. All physical inventories must be completed before the end of the fiscal year and documented and reported to DSCA no later than 30 days after the end of the fiscal year.~~

2. Renumber and Update SAMM Section SDAF.7.1.3.1.:

Current:

**SDAF.7.1.3.1. Inventory Inspections and Reporting.** Defense articles purchased by the SDAF and taken into property accountability by the MILDEPs require annual inspections and reporting to DSCA. MILDEPs are responsible for property accountability of all items

financed by the SDAF for which custody is required. Inventory inspections will be conducted in accordance with DoD policies and procedures.

Revised:

**SDAF.7.1.3.2. Physical Inventory Inspections and Reporting.** Physical inventory inspections will be conducted in accordance with DoW policies and procedures. Defense articles purchased by the SDAF and taken into property accountability by the MILDEPs require annual physical inventory inspections and reporting to DSCA. IAs must ensure that DoW and contractor facilities are physically inventoried on an annual basis to determine the location, identification numbers (e.g. National Stock Number (NSN), Part Number (PN), Managed Control Number (MCN)), quantities, and associated inventory values of the SDAF-procured materiel on hand. SDAF inventory values shall be calculated based on the historical cost, defined as the original purchase price including all costs necessary to bring the inventory to its current location and condition. All physical inventories must be completed before the end of the fiscal year and documented and reported to DSCA no later than 30 days after the end of the fiscal year.

### 3. Update SAMM Section SDAF.7.1.3.4.

Current:

**SDAF.7.1.3.4. Inventory Reports.** Inventory reports must be submitted to DSCA no more than thirty (30) 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 SDAF.T7](#). Inventory reports shall be submitted to the DSCA SDAF Program Manager (PM). Annual inventory inspections must be reported to DSCA.

Revised:

**SDAF.7.1.3.4. Quarterly Inventory Reports.** Quarterly inventory reports must be submitted to the DSCA SDAF Program Manager no more than thirty (30) 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 SDAF.T7](#). ~~Inventory reports shall be submitted to the DSCA SDAF Program Manager (PM). Annual inventory inspections must be reported to DSCA.~~

4. Rename and add row 9 to Table SDAF.T7.:

**Table SDAF.T7. - Quarterly Special Defense Acquisition Fund Inventory and Inspection Report**

| #   | Requirement      |
|-----|------------------|
| ... | ...              |
| 9   | Inventory Values |