



OFFICE OF THE UNDER SECRETARY OF DEFENSE

1 100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1 100

COMPTROLLER

June 18, 2024

MEMORANDUM FOR ASSISTANT SECRETARIES OF THE MILITARY DEPARTMENTS
(FINANCIAL MANAGEMENT AND COMPTROLLER)
ASSISTANT SECRETARY OF THE ARMY (ACQUISITION,
LOGISTICS, AND TECHNOLOGY)
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,
DEVELOPMENT, AND ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION,
TECHNOLOGY, AND LOGISTICS)
CHIEF FINANCIAL EXECUTIVES OF THE DEFENSE AGENCIES
CHIEF ACQUISITION EXECUTIVES OF THE DEFENSE
AGENCIES

SUBJECT: Valuation and Reconciliation of Defense Articles Provided Under the Presidential
Drawdown Authority (FPM24-11)

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,
"General Business Rules for Use of Drawdown Authority and Replacement of
Items and Reimbursement for Services Provided under Drawdown Authority,"
June 1, 2023
(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

This policy memorandum supplements the existing policy in references (a) through (d)
regarding the valuation of defense articles provided under Presidential Drawdown Authority
(PDA) pursuant to sections 506 or 552 of the Foreign Assistance Act of 1961, as amended.

Effective immediately, DoD Components must reconcile their records of past transfers of
defense articles to the Government of Ukraine using PDA, following the updated valuation
guidance provided in the attachment. Any discrepancies identified must be promptly reconciled
and recorded, based on the attached guidance. Please also see the attached guidance for a new
certification requirement, due July 12, 2024. The DoD FMR will incorporate this policy in its
next scheduled revision.

My staff point of contact is Mr. Eddie Jo, 571-256-2707 or eddie.j.jo.civ@mail.mil.

STEFFENS.THOMAS.CHARLES.1029342870
S.CHARLES.1029342870
42870
Digitally signed by
STEFFENS.THOMAS.CHARLES.
1029342870
Date: 2024.06.18 17:53:14 -04'00'

Thomas C. Steffens
Deputy Chief Financial Officer

Attachment:
As stated

USC000422-24

**Presidential Drawdown Authority
Supplement Guidance on Valuation of Defense Articles**

June 18, 2024

Use of Historical Cost is Required When Possible

When possible, DoD Components are required to use the historical cost (also known as acquisition cost) of Presidential Drawdown Authority (PDA) articles that are classified as General Equipment (GE) or Operating Materials and Supplies (OM&S). GE PDA articles must be valued at historical cost, less any accumulated depreciation (i.e., net book value), with the exception 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.

Use of Deemed Cost Methods are Permitted

If DoD Components cannot determine the historical cost of PDA articles that are classified as GE or OM&S, they are permitted to use the deemed cost to value those PDA articles. Permissible deemed cost methods for GE are 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 use any, or a combination of, these valuation methods for valuing GE PDA articles. Additionally, permissible deemed cost methods for OM&S are 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). DoD Components may use any, or a combination of, these valuation methods for valuing OM&S PDA articles.

Valuation of General Equipment Below Capitalization Threshold

DoD components 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 it 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 WebFlis catalog price or standard price.

Developing Initial Estimates for Execute Orders

When developing valuation estimates for the purposes of proposed PDA packages for the Secretary of Defense or Presidential approval, to be implemented through Execute Orders (EXORD), DoD Components should adhere to the valuation policy found in 1) the Deputy Chief Financial Officer memorandum, “Clarification of Presidential Drawdown Authority Valuation of Defense Articles,” March 31, 2023, 2) the Under Secretary of Defense Comptroller/Chief Financial Officer memorandum, “General Business Rules for Use of Drawdown Authority and Replacement of Items and Reimbursement for Services Provided under Drawdown Authority,” June 1, 2023, and 3) this guidance, to the greatest extent possible. However, to facilitate rapid execution of the PDA process, DoD Components may use average net book value for a group of similar articles provided within a single PDA package and implement EXORD for the purpose of valuation estimates listed in those documents, with the exception that GE 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. Post-delivery, these estimates must be reconciled to the valuation consistent with the policy previously cited above and this guidance.

Reconciliation of Articles Provided to Ukraine

All DoD Components that provided defense articles to Ukraine pursuant to PDA should already be reconciling all past records to validate the valuation of those articles reflects the guidance in the above paragraph and (now) this guidance, with a completion date no later than the end of June 2024. Additionally, DoD Components must verify the PDA articles delivered to Ukraine are removed from property and financial records. Upon completion of the reconciliation by the end of June, DoD Components are further required to provide a certification statement to the Office of the Deputy Chief Financial Officer, confirming the reconciliation and its results. Email this certification statement to Mr. Eddie Jo, eddie.j.jo.civ@mail.mil, no later than July 12, 2024.

DoD Components must maintain sufficient supporting documentation for an external party (e.g., an auditor) to be able to verify the reconciliation of past records with current valuation guidance, clearly identifying the reason for any update (e.g., new valuation method, updated quantity, different article variant, etc.).