



INSPECTORS GENERAL

*U.S. Department of Defense &
U.S. Department of State*



(U) The DoD and Department of State OIG Joint Audit of U.S. Assistance Provided in Support of Ukraine Through the Foreign Military Financing Program



SEPTEMBER 26, 2025

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and Global Operations, [REDACTED]~~





(U) Results in Brief

(U) The DoD and Department of State OIG Joint Audit of U.S. Assistance Provided in Support of Ukraine Through the Foreign Military Financing Program

September 26, 2025

(U) Objective

(U) The objective of this joint audit was to determine whether the Department of Defense (DoD) and Department of State (State) appropriately administered and managed foreign military financing (FMF) provided in response to Russia's war against Ukraine.

(U) Background

(U) The FMF program is part of the security assistance authorized by the Arms Export Control Act that enables eligible partner nations to purchase U.S. defense articles (such as weapons and other equipment), services, and military training. The FMF program follows the Foreign Military Sales (FMS) process. FMF is a source of financing provided to a partner nation through the issuance of a grant (non-repayable) or direct loan. FMF funds are transferred to a U.S.-controlled account maintained on behalf of the foreign partner and executed by the U.S. Government.

(U) Since Russia's 2022 invasion of Ukraine, Congress approved Ukraine to use FMF as a source of financing for FMS cases. Specifically, in FY 2022 and FY 2023, Congress appropriated \$4.24 billion in FMF funds for Ukraine and those countries affected by the war in Ukraine.

(U) Findings

(U) The DoD and State generally administered and managed FMF funds for the 4 Ukraine FMF cases we reviewed, valued at \$243 million,

(U) Findings (cont'd)

(U) from a total of 11 cases, valued at \$282 million, in accordance with established processes. Although the FMS process can typically take multiple years to complete based on the complexity of the case, the DoD and State generally executed FMF cases for Ukraine in a shorter timeframe. This occurred because the DoD and State modified standard processes and procedures to execute FMF funds to Ukraine during contingency operations. However, these modified procedures were not documented within existing DoD and State guidance. In addition, we identified opportunities to improve and enhance the FMF program between the two Departments, such as establishing a joint FMF case documentation repository and developing an interagency agreement for administering and managing FMF funds.

(U) The DoD and State could increase efficiency in the overall execution and oversight of the FMF program by incorporating the modified procedures into policies and procedures.

(U) Recommendations

(U) We recommend that the Assistant Director for the Office of Strategy, Plans, and Policy, Defense Security Cooperation Agency, and the Assistant Secretary, Bureau of Political-Military Affairs, Department of State, review the FMS process and update their respective FMF guidance to incorporate efficiencies identified while supporting a contingency environment in Ukraine that could improve the overall FMS process, including unique circumstances or exceptions to requirements needed during contingency operations.

(U) We recommend that the Assistant Secretary, Bureau of Political-Military Affairs, Department of State, in coordination with the Assistant Secretary of Defense, Strategy, Plans, and Capabilities, Office of the Under Secretary of Defense for Policy, develop and implement an interagency agreement between State and the DoD that governs the administration and management of FMF funds.



(U) Results in Brief



(U) The DoD and Department of State OIG Joint Audit of U.S. Assistance Provided in Support of Ukraine Through the Foreign Military Financing Program

(U) Management Comments and Our Response

(U) The Acting Assistant Secretary of Defense, Strategy, Plans, and Capabilities, Office of the Under Secretary of Defense for Policy; Acting Assistant Director for the Office of Strategy, Plans, and Policy, Defense Security Cooperation Agency; and the Bureau of Political-Military Affairs, Department of State, agreed with the recommendations; therefore, they are resolved, but will remain open, pending further action. We will close these recommendations once management provides documentation showing that the actions are complete.

(U) Recommendations Table

(U) Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Assistant Director, Office of Strategy, Plans, and Policy, Defense Security Cooperation Agency	None	1	None
Assistant Secretary of Defense, Strategy, Plans, and Capabilities, Office of the Under Secretary of Defense for Policy	None	3	None
Assistant Secretary, Bureau of Political-Military Affairs, Department of State	None	2, 3	None

(U)

(U) Note: The following categories are used to describe agency management’s comments to individual recommendations.

- **(U) Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **(U) Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **(U) Closed** – The DoD OIG or State OIG verified that the agreed-upon corrective actions were complete, in accordance with their respective compliance processes.





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September 26, 2025

MEMORANDUM FOR CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARY OF DEFENSE FOR POLICY
COMMANDER, U.S. EUROPEAN COMMAND
DIRECTOR, DEFENSE SECURITY COOPERATION AGENCY
ASSISTANT SECRETARY, BUREAU OF POLITICAL-MILITARY AFFAIRS
ASSISTANT SECRETARY, BUREAU OF EUROPEAN AND EURASIAN AFFAIRS
U.S. AMBASSADOR, U.S. EMBASSY KYIV, UKRAINE

SUBJECT: (U) The DoD and Department of State OIG Joint Audit of U.S. Assistance Provided
in Support of Ukraine Through the Foreign Military Financing Program
(DODIG-2025-168 and AUD-GEER-25-30)

(U) This final report provides the results of the DoD Office of Inspector General (OIG) and State OIG's joint audit. We previously provided copies of the draft report and requested written comments on the recommendations. We considered management's comments on the draft report when preparing the final report. These comments are included in the report.

(U) The Acting Assistant Secretary of Defense, Strategy, Plans, and Capabilities, Office of the Under Secretary of Defense for Policy; the Acting Assistant Director, Office of Strategy, Plans, and Policy, Defense Security Cooperation Agency; and the Department of State's Bureau of Political-Military Affairs, agreed to address the recommendations presented in the report; therefore, we consider these recommendations resolved, but will remain open, pending further action. We will close the recommendations when management provides documentation demonstrating that all agreed-upon actions to implement the recommendations are completed.

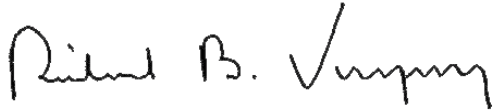
(U) For DoD OIG Recipients

(U) DoD Instruction 7650.03 requires that recommendations be resolved promptly. Therefore, the DoD OIG requests that the Acting Assistant Director of the Office of Strategy, Plans, and Policy, Defense Security Cooperation Agency, provide specific actions in process or completed related to their recommendations within 30 days. Send your response to either [REDACTED] if unclassified or [REDACTED] if classified SECRET.

(U) For State OIG Recipients

(U) State OIG also provided a copy of the State OIG Compliance Information Sheet, which lists the action offices for each recommendation. State OIG requires the Bureau of Political-Military Affairs to provide information on actions taken or planned for the recommendations within 30 days of the date of this memorandum. Actions taken or planned are subject to follow-up and reporting in accordance with the compliance response information.

(U) The OIGs appreciate the cooperation and assistance provided by your staff during this joint audit. If you have any questions or would like to meet to discuss the audit, please contact Mr. Richard B. Vasquez at [REDACTED] for DoD-related questions or Ms. Beverly J. Charlton at [REDACTED] for State-related questions.



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Assistant Inspector General for Audit
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State Office of Inspector General

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(U) Introduction

(U) Objective

(U) The objective of this joint audit was to determine whether the Department of Defense (DoD) and the Department of State (State) appropriately administered and managed foreign military financing (FMF) provided in response to Russia's war against Ukraine. See Appendix A for the scope and methodology and Appendix B for prior coverage related to the objective.

(U) Background

(U) The FMF program is part of the security assistance authorized by the Arms Export Control Act (AECA) that enables eligible partner nations to purchase U.S. defense articles (such as weapons and other equipment), services, and military training.¹ Through the issuance of a grant (non-repayable) or direct loan, the FMF program provides a source of financing for a partner nation to purchase defense articles. The FMF program promotes U.S. national security by enabling key allies to improve defense capabilities and foster closer military relationships between the United States and recipient nations.

(U) Congress enacted the current statutes for the sale and export of defense articles to other countries mainly through two laws: the Foreign Assistance Act of 1961 and the AECA of 1976.² The Foreign Assistance Act established policy guidelines for the overall transfer of defense articles and services from the United States to international partners and the AECA governs the sale of defense articles and services to those entities.

(U) In addition, the FY 2023 National Defense Authorization Act authorized the Secretary of Defense, with the concurrence of the Secretary of State, to provide appropriate security assistance and intelligence support, including equipment, supplies and services, training, and logistics support to the military and national security forces of Ukraine.³ At a high level, these laws specified the roles of both the DoD and State in the administration of the sale, export, and funding of defense articles to foreign countries, outlined in Title 22 (Foreign Relations and Intercourse) and Title 10 (Armed Forces) of the United States Code.

¹ (U) Security assistance is a group of programs, authorized under Title 22 of the United States Code, by which the U.S. Government provides defense articles, military education and training, and other defense-related services to eligible foreign governments by grant, loan, credit, cash sales, or lease. Public Law 90-629, "AECA of 1976," section 25, as amended by Public Law 118-31, December 22, 2023.

² (U) Public Law 87-195, "Foreign Assistance Act of 1961," section 502, September 4, 1961, as amended by Public Law 118-159, December 23, 2024.

³ (U) Public Law 117-263, "FY 2023 National Defense Authorization Act," section 1233(a), December 23, 2022.

(U) The FMF Program

(U) The FMF program was designed to build long-term capacity in priority areas rather than filling materiel gaps in the day-to-day functioning of partner militaries. The program fulfills political and capacity building purposes with the intent to develop a military's self-sufficiency and strengthen the bilateral relationship with the United States such that U.S. grant assistance is no longer necessary. FMF funding is available to foreign partners for a specific purpose, usually in response to a request for equipment or services; however, the FMF funds do not belong to the foreign government and as a result are not provided directly to the foreign partner. Rather, the FMF funds are transferred to a U.S.-controlled account maintained on behalf of the foreign partner and executed by the U.S. Government.

(U) The FMF program follows the Foreign Military Sales (FMS) process, under which a foreign partner identifies a military-related requirement (material item, service, or training) and chooses to have the U.S. Government acquire it on the partner's behalf. The foreign partner provides a written request, known as a Letter of Request (LOR), for the purchase of U.S. defense articles and services, and the partner should include information pertaining to the desired defense articles or services in sufficient detail and the proposed method of financing. Military Department officials review the LOR to determine whether the U.S. Government can fulfill the request. Once the Military Department officials determine that the request can be fulfilled, the U.S. Government responds to the LOR with a Letter of Offer and Acceptance (LOA).

(U) An LOA is the agreement between the U.S. Government and a foreign partner that governs the FMS acquisition. The LOA is an official DoD document by which the U.S. Government offers to sell U.S. defense articles and services to a foreign government or international organization in accordance with the AECA. To fulfill LOA requirements, the U.S. Government may supply items or services from on-hand DoD resources or may purchase from industry for subsequent delivery to the foreign partner.⁴ FMS case execution may span several years, especially if the items need to be manufactured or transported.

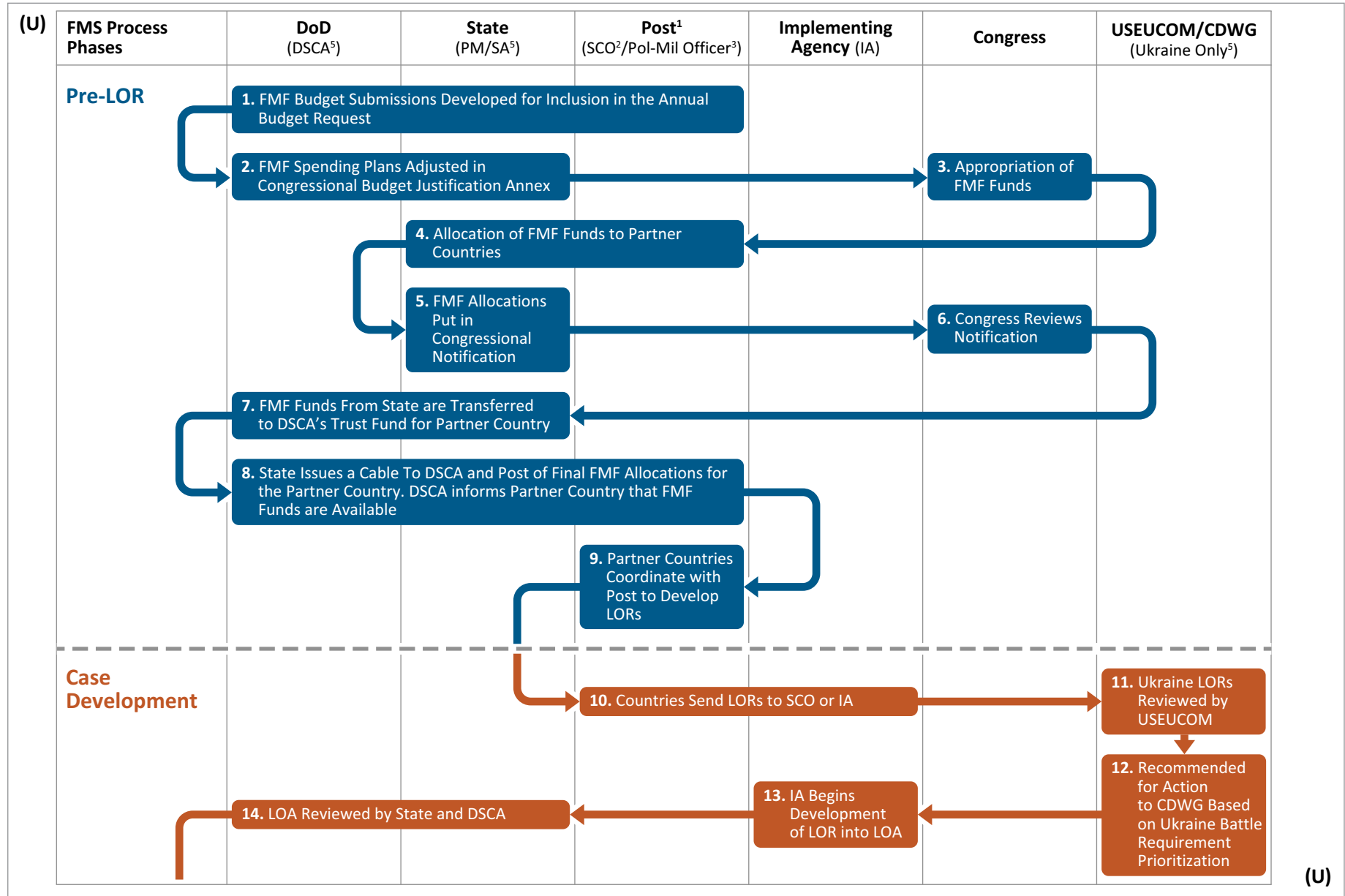
(U) The FMS process progresses through five main phases: Pre-LOR, Case Development, Case Implementation, Case Execution, and Case Closure.

(U) The FMS process progresses through five main phases: Pre-LOR, Case Development, Case Implementation, Case Execution, and Case Closure. See Figure 1 below for a flow chart of portions from the FMS process

that includes multiple agencies and processes involved for Ukraine FMF cases. See Appendix D for additional information regarding key highlights that occur within each phase of the FMS process.

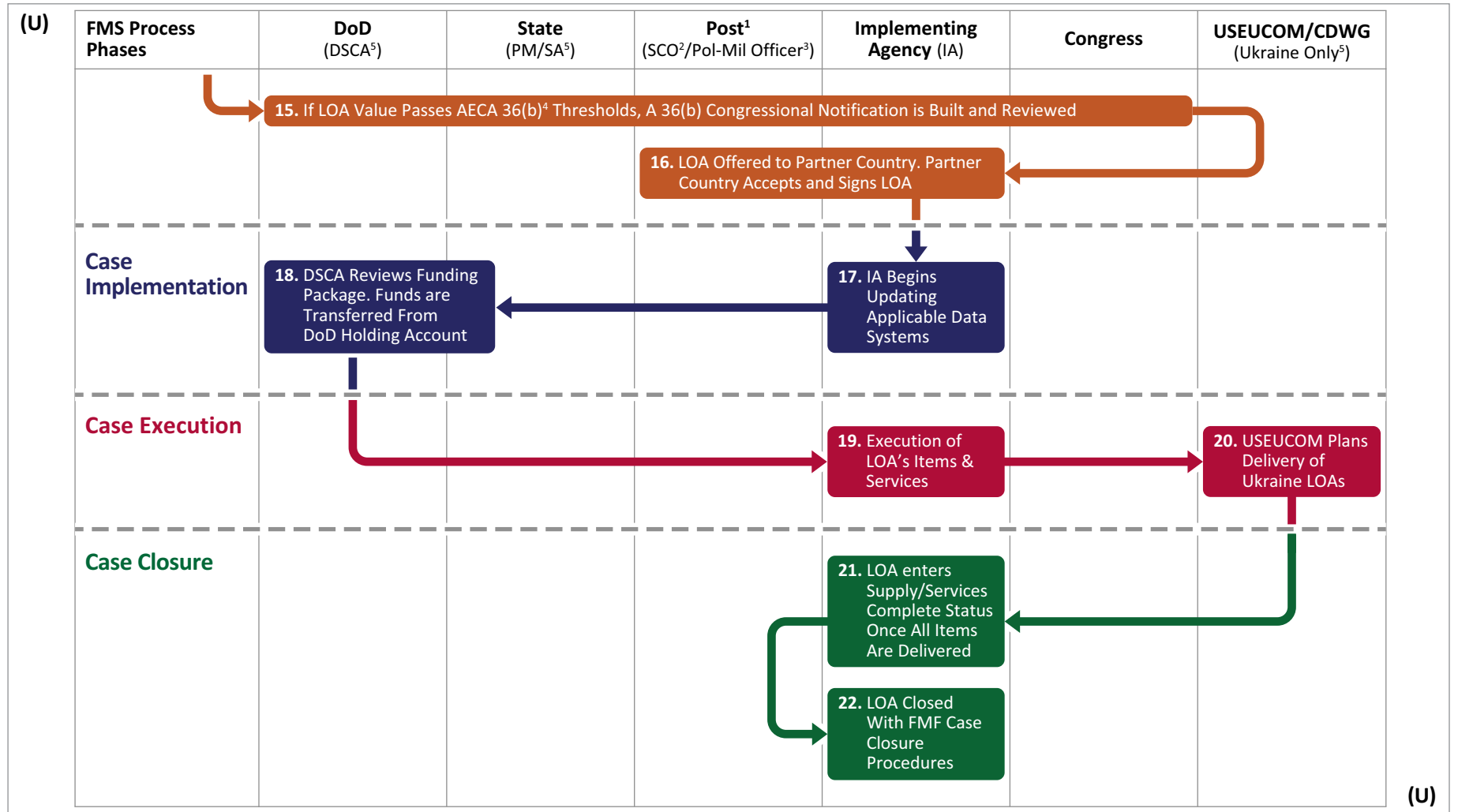
⁴ (U) The Foreign Assistance Act authorizes the President to direct transfers of items or services of defense articles from DoD stocks, DoD services, and military education and training. New procurement of items is not authorized for Presidential Drawdowns, and no new funds may be placed on existing contracts.

(U) Figure 1. The Foreign Military Sales Process



(U)

(U) Figure 1. The Foreign Military Sales Process (cont'd)



(U)

¹ (U) A "Post" is defined as a U.S. embassy or consulate where U.S. staff are assigned.

² (U) Security Cooperation Organizations (SCOs) cover all DoD elements in a foreign country that are assigned to implement security cooperation and security assistance management functions.

³ (U) Political-Military Officers (Pol-Mil Officers) are State personnel who are actively engaged with the SCOs in planning a partner country's military requirements that are suitable for receiving FMF funds.

⁴ (U) "AECA 36(b)" refers to the AECA, Section 36(b), that requires LOAs to meet a specific threshold to require a numbered certification to be submitted to Congress before being offered to a partner country.

⁵ (U) Defense Security Cooperation Agency (DSCA). Bureau of Political-Military Affairs, Office of Security Assistance (PM/SA). U.S. European Command (USEUCOM). Cross Department Working Group (CDWG).

(U) Source: The DoD OIG and State OIG generated based on the FMS process.

(U) Roles and Responsibilities

(U) State and the DoD have vital roles in FMF program implementation. State manages and oversees the FMF program in accordance with U.S. foreign policy. To ensure alignment with U.S. national interests, the Secretary of State determines which countries can participate in the FMF program and the Secretary of Defense executes the FMF program. State, in coordination with the DoD, is responsible for

(U) The Secretary of State determines which countries can participate in the FMF program and the Secretary of Defense executes the FMF program.

managing and supervising all aspects of U.S. security cooperation programs, including the FMF program.⁵ State determines whether there will be a U.S. program with, or sale to, a particular country and, if so, its size and scope.

The Secretary of Defense establishes military requirements and implements programs to transfer defense articles and services to eligible foreign countries and international organizations.

(U) State’s Bureau of Political-Military Affairs, Office of Security Assistance (PM/SA), as part of its mission to build enduring security partnerships to advance U.S. national security objectives, coordinates with other State stakeholders to identify each country’s security assistance objectives and reviews and approves program proposals. State’s Office of Foreign Assistance authorizes FMF funds transfers from the U.S. Department of the Treasury to the DoD.

(U) The DoD’s Defense Security Cooperation Agency (DSCA) administers and supervises the execution of all security cooperation programs for the DoD and leads the day-to-day program implementation for each FMF recipient country. The DSCA’s mission is to advance U.S. defense and foreign policy interests by building foreign partners’ capacity and to encourage and enable allies and partners to respond to shared challenges. The DSCA is responsible for managing the provision of defense articles, military training, and other defense-related services funded by grants, loans, and other security cooperation funds.

(U) The DoD’s Security Cooperation Organizations (SCOs) are DoD elements located in foreign countries that implement security cooperation and security assistance management functions. The DoD’s Office of Defense Cooperation maintains locations at some U.S. embassies worldwide, acts as a partner country’s SCO, and executes security assistance programs, including the FMF program. The Office of Defense

⁵ (U) Security cooperation is a term for activities undertaken by the DoD to encourage and enable international partners to work with the United States to achieve strategic objectives. It includes all DoD interactions with foreign defense and security establishments, including all DoD-administered security assistance programs. Security program authorizations and appropriations are provided to the Secretary of Defense primarily under the annual National Defense Authorization and Appropriations Acts. By statute or Executive Order, security assistance programs are sometimes required to be exercised in coordination with the Secretary of State.

(U) Cooperation participates in day-to-day management and oversight of the delivery of FMF-funded equipment on the ground. Specifically, the Office of Defense Cooperation in U.S. Embassy Kyiv, Ukraine, engages with Ukraine's Ministry of Defense and the Ukrainian Armed Forces.

(U) Implementing Agencies (IAs) are Military Department organizations or DoD agencies responsible for military assistance program execution. For the FMF program, IAs are responsible for preparing LOAs and implementing the resulting FMF case. The IAs are further responsible for the overall management of the actions that will result in delivery of the materials or services set forth in an LOA that was accepted by a foreign partner.

(U) Foreign Military Financing in Support of Ukraine

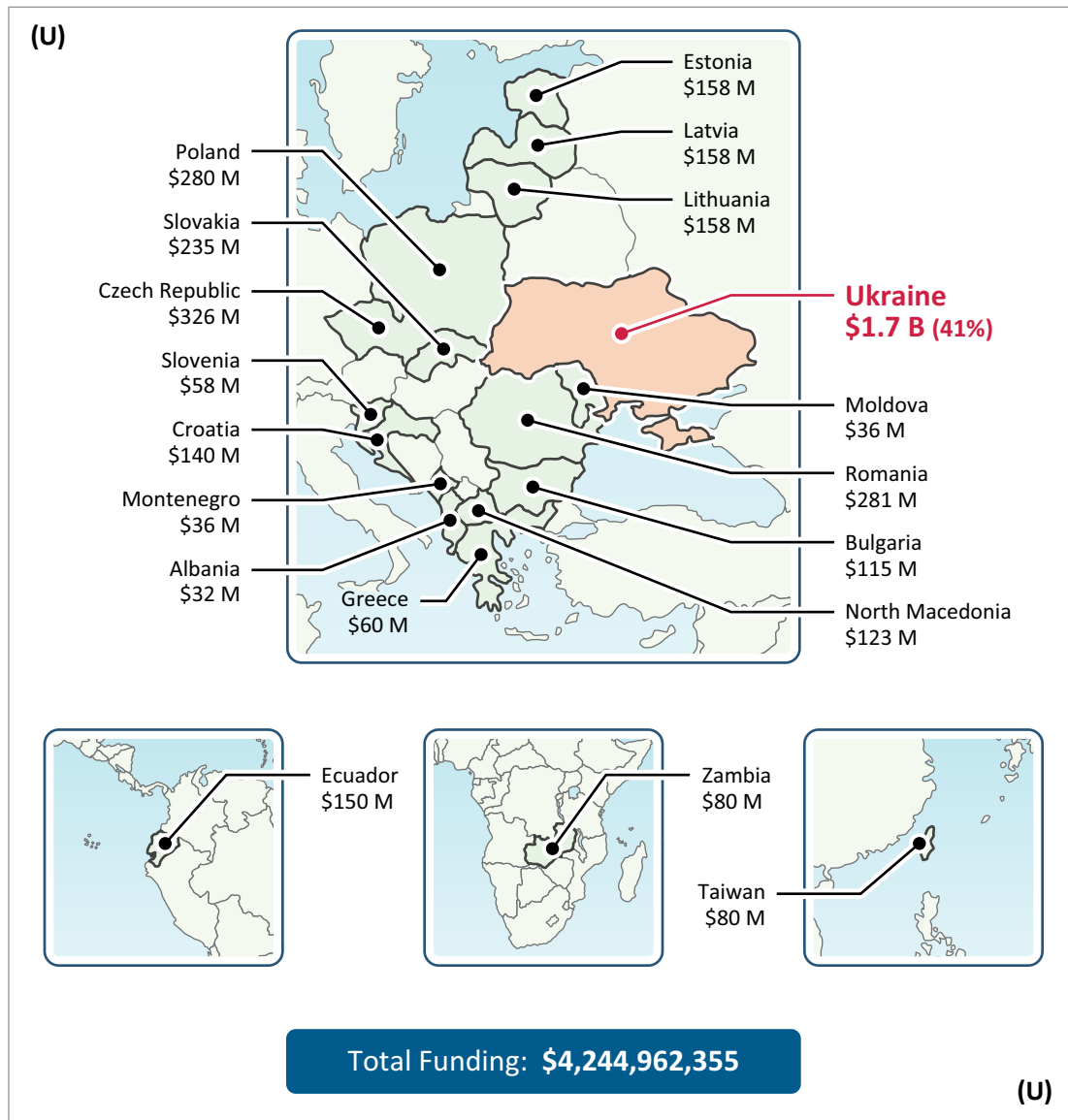
(U) Since Russia's 2022 invasion of Ukraine, the U.S. Government has worked with its allies and partners to provide Ukraine with critical security, economic, and humanitarian assistance. Security assistance for Ukraine and countries affected by the war included artillery, air defense, and armor. Congress approved Ukraine's use of FMF to fund FMS cases. Specifically, in FY 2022 and FY 2023, through Ukraine supplementals, Congress appropriated a total of \$4.24 billion in FMF funds for 19 countries affected by the war in Ukraine.^{6,7} This appropriation provided \$1.7 billion to support Ukraine.

(U) FMF funds may be used to obtain defense equipment and services, including armored vehicles, spare parts, tactical support, training, weapon systems parts, and sustainment. See Figure 2 below for a graphic summarizing the 19 countries and the amounts they received from the FY 2022 and FY 2023 Ukraine Supplementals.

⁶ (U) Public Law 117-103, "Consolidated Appropriations Act, 2022," March 15, 2022, and Public Law 117-180, "Continuing Appropriations and Ukraine Supplemental Appropriations Act, 2023," September 30, 2022. Appropriated funds are sums of money that were established in laws of Congress that provide an agency with budget authority for that agency to use the funds for specific purposes and make payments from the U.S. Treasury.

⁷ (U) Supplemental appropriations (supplementals) are legislation from Congress that provide budget authority in addition to any amounts provided by regular or continuing appropriations measures. These measures are usually developed in response to urgent and unanticipated needs, such as natural disasters and urgent military operations. Supplementals provide specific sums of money for specified purposes; however, these funds are usually available for obligation immediately upon enactment and remain available until expended.

(U) Figure 2. FY 2022 and FY 2023 Ukraine Supplemental Funding for 19 Countries Impacted by the War in Ukraine



(U) Note. For this figure, due to rounding, the dollar amounts presented for each country will not equal the total funding value listed.

(U) Source: The DoD OIG and State OIG generated based on FY 2022 and FY 2023 Ukraine supplemental funding for countries impacted by the war in Ukraine.

~~(CUI)~~ To execute FMF funding provided in response to the war in Ukraine, the DoD implemented a Cross Department Working Group (CDWG) that reviews potential security assistance for Ukraine and develops recommendations for State. The CDWG is a DoD-only working group, consisting of [REDACTED].

[REDACTED]. It is comprised of various DoD stakeholders, including [REDACTED].

[REDACTED].

(U) Criteria

- (U) Grant Military Assistance Guide (GMAG)
 - (U) Serves as a guide to State's PM/SA on how to administer FMF funds.⁸
 - (U) Provides overarching descriptions of PM/SA's responsibilities regarding the FMF program.
 - (U) Includes language describing the annual FMF budget, as well as PM/SA's coordination with other entities in the FMS process, including working with the embassy, DoD, and relevant State regional bureaus, to determine and approve the amount and purpose of each fiscal year's FMF funding request on a country or regional basis.
- (U) Security Assistance Management Manual (SAMM)
 - (U) Provides DoD-wide guidance to all entities within the DoD engaged in the management or implementation of DoD security assistance and security cooperation programs over which the DSCA has responsibility.⁹
 - (U) Provides guidance on the SCOs' responsibilities for military assistance planning and budget cycles of both the DoD and State.
 - (U) Outlines FMF program organizational responsibilities and requirements, providing general guidance on each step of the FMS process.
- (U) Government Accountability Office (GAO) Standards
 - (U) Defines the standards for internal control in the federal government and provides criteria for designing, implementing, and operating an effective internal control system.¹⁰
 - (U) Establishes guiding principles for the U.S. Federal Government when creating organizations and direct that management consider not only how units interact to fulfill overall responsibilities, but also how reporting lines within an organizational structure function so that units can communicate necessary quality information.

(U) FMF Cases Reviewed

(U) This audit focused on the \$1.7 billion in FMF funding provided to support Ukraine through the FY 2022 and FY 2023 supplementals. Using a DSCA-provided list, we identified 11 cases, valued at \$282 million, providing FMF-funded equipment and services to Ukraine. We selected a nonstatistical sample of four cases, valued

⁸ (U) U.S. Department of State Bureau of Political-Military Affairs, Office of Security Assistance, "Grant Military Assistance Guidance, Foreign Military Financing," August 2016.

⁹ (U) Defense Security Cooperation Agency 5105.38-M, "Security Assistance Management Manual," April 30, 2012.

¹⁰ (U) Government Accountability Office, "Standards for Internal Control in the Federal Government," September 2014.

(U) at \$243 million, based on case delivery status, highest dollar value, and IA. Table 1 lists the four Ukraine FMF cases reviewed, including IA, funding source, case value, the LOR date, case description, and delivery status of each case. For additional case information, including each case’s specific timeline, see Appendix C.

(U) Table 1. Foreign Military Financing Cases That We Reviewed

(U) Case Name	IA	Funding Source	Case Value	LOR Date	Description	Delivery Status as of April 2025
EDA Grant Transfer of MRAP Vehicles ¹	U.S. Army	Original: EDA and USAA Amendment 1: FY 2021 funding Amendment 2: USAA ²	\$9,376,075	03/19/22	Transportation of 200 MRAPs and spare parts for the vehicles	Fully Delivered
RADA RPS-42 Radars	U.S. Navy	USAA	\$47,325,566	12/26/23	38 radars and technical assistance	Not Delivered
HAWK System Sustainment	U.S. Army	AUSAA ³	\$137,593,574	02/15/24	Various parts to sustain the HAWK system ⁴	Not Delivered
FrankenSAM Sustainment	U.S. Air Force	USAA	\$48,900,000	03/08/24	Six vans to support FrankenSAM air defense systems and six trucks for missile loading/launching	Partially Delivered
Total			\$243,195,215			(U)

¹ (U) The 200 Mine Resistant Ambush Protected (MRAP) vehicles were provided through the DoD’s Excess Defense Articles (EDA) Program. EDAs are DoD and U.S. Coast Guard-owned articles no longer needed and declared excess by the U.S. Military. This excess equipment may be offered at reduced or no cost to eligible foreign recipients on an “as is, where is” basis in support of U.S. national security and foreign policy objectives. An additional \$5,025,542 from FY 2021 funding was also used in this case to pay for MRAP spare parts.

² (U) Public Law 117-180, “Continuing Appropriations and Ukraine Supplemental Appropriations Act, 2022” (USAA), September 2022.

³ (U) Public Law 117-128, “Additional Ukraine Supplemental Appropriations Act, 2023” (AUSAA), May 2022.

⁴ (U) Various parts for the sustainment of the HAWK system include actuator seals, data cables, launchers, platoon command posts, power panels, and radar sets.

(U) Source: The DoD OIG and State OIG generated based on the four Ukraine FMF cases reviewed for this audit.

(U) Finding

(U) DoD and State Officials Adjusted Processes to Effectively Use FMF in Support of Ukraine; However, Improvements Can be Made

(U) The DoD and State generally administered and managed FMF funds for the 4 Ukraine FMF cases we reviewed, valued at \$243 million, from a total of 11 cases, valued at \$282 million, in accordance with established processes. Although the FMS process can typically take multiple years to complete based on the complexity of the case, the DoD and State generally executed FMF cases for Ukraine in a shorter timeframe. This occurred because the DoD and State modified standard processes and procedures to execute FMF funds to Ukraine during contingency operations. However, these modified procedures were not documented within existing DoD and State guidance. In addition, we identified opportunities to improve and enhance the FMF program between the two Departments, such as establishing a joint FMF case documentation repository and developing an interagency agreement for administering and managing FMF funds. The DoD and State could increase their efficiency in the overall execution and oversight of the FMF program by incorporating the modified procedures into policies and procedures.

(U) FMF Cases Generally Complied with Established Policies

(U) The DoD and State generally administered and managed the FMF funds for the four Ukraine FMF cases we reviewed, valued at \$243 million, as required by Federal, DoD, and State policies. Specifically, as of April 2025, all four Ukraine FMF cases that we reviewed had completed the Pre-LOR, Case Development, and Case Implementation phases of the FMS process and complied with policies. However, only two of the four cases had deliveries, and both cases partially complied with Case Execution phase policies.¹¹ See Figure 3 for the status of each case by FMS process phase, including compliance with requirements.

¹¹ (U) The RADA Radars case and HAWK System case have entered the Case Execution phase but have not begun deliveries to determine whether they fully complied with Case Execution phase policies. Therefore, as of April 2025, these two cases partially complied with Case Execution phase policies.

(U) Figure 3. Selected FMF Cases by FMS Process Phase and Compliance with Requirements

(U) FMF Case	Pre-LOR	Case Development	Case Implementation	Case Execution	Case Closure
EDA Grant Transfer of MRAP Vehicles	●	●	●	▲	-
RADA RPS-42 Radars	●	●	●	▲	-
HAWK System Sustainment	●	●	●	▲	-
FrankenSAM Sustainment	●	●	●	▲	-

(U) For this table, ● noncompliant, ▲ partially compliant, ● compliant, and – phase not reached yet. (U)

(U) Source: The DoD OIG and State OIG generated based on audit results.

(U) The following list shows examples of compliance from the FMS process phases.

- (U) All four Ukraine FMF cases accurately identified Ukraine as a country approved to receive FMF funds and specified the intent of the FMF funding, as required during the Pre-LOR phase.
- (U) All four Ukraine FMF cases included information required to prepare the LOA, which occurs during the Case Development phase. For cases that included manpower and travel, such as the FrankenSAM, HAWK System, and RADA RPS-42 Radars cases that we reviewed, the SMM required that an LOA include the LOR and an associated breakdown for the support costs. The FrankenSAM, HAWK System, and RADA RPS-42 Radars cases included all required documentation for developing the LOA, as required by the SMM.
- (U) All four Ukraine FMF cases included the completion of the funding package and contained all the appropriate documentation to meet the requirements outlined in the DSCA FMF-Grants Standard Operating Procedure to comply with Case Implementation phase policies.¹²

(U) The two cases that had deliveries partially complied with FMS process requirements for the Case Execution phase.¹³ The EDA MRAP case, which included FMF funds for maintenance repairs, packing, and transportation costs, completed delivery of the requested 200 MRAPs and spare parts for the MRAPs as of December 2023; however, some of the case documentation did not align with SMM requirements. For example, the SMM required SCOs to ensure successful shipment transfers to the purchaser’s designated government representative. According to a DoD official, the 200 MRAP vehicles for the EDA MRAP case were delivered to Ukraine, but the only documentation maintained by Army personnel for the receipt of delivery was an email from an Army official informing the case managers that the vehicles were

¹² (U) DSCA Standard Operating Procedure, “Foreign Military Finance - Grants,” April 27, 2020.

¹³ (U) As of April 2025, the FrankenSAM case was not fully delivered, and until the completion of delivery, it cannot be determined whether the case fully complied with FMS process requirements.

(U) delivered and another email from a second Army official that stated the MRAPs were transferred to Ukraine. Although the documents indicate that the MRAPs purchased were delivered to Ukraine, the emails do not align with the SAMM requirement to officially transfer the MRAPs to the designated government representative. Relying on emails to document confirmation of defense article shipments when operating in an evolving contingency environment could impact proper accountability for the FMF program.

(U) In addition, DoD personnel did not report delivery data in the inventory database for the 200 MRAPs and MRAP spare parts on the EDA MRAP case. According to one IA official, IAs prioritized the provision of equipment and services to the requesting country over administrative actions for posting shipments. U.S. Army officials stated that the last delivery of MRAP spare parts occurred in December 2023; however, as of May 2025, the shipment still was not recorded in the inventory database. The SAMM states that DoD components are required to report in DoD financial systems the title transfer of equipment to the purchasing partner nation within 30 days of the transfer. Without complete and accurate inventory database systems, DoD and State officials must individually contact the Military Services operating in-country to confirm whether shipments have been received and may lack accountability of equipment or services delivered to foreign partners. However, the guidance does not consider the evolving priorities when operating in a contingency environment and whether circumstances and exceptions to existing requirements are necessary.

(U) The DoD and State Expedited Ukraine FMF Cases Through the FMS Process

(U) The process for providing FMF-funded equipment and services to foreign partners usually spans several years. According to a PM/SA official, the timeframe for the delivery of FMF-funded equipment depended on the requested defense articles and capability. The PM/SA official noted that some defense articles could be delivered in about 1 year, while more complex defense articles could take multiple years to be delivered. The PM/SA official explained that vendors typically do not begin production of defense articles until an order is placed.

(SBU) However, for two of our four cases, DoD and State officials were able to provide FMF-funded equipment and services to Ukraine in shorter timeframes, demonstrating a more efficient process when supporting contingency operations. For example, for the EDA MRAP case, Ukraine received 200 MRAPs in only 3 months from the LOA approval. This was achieved because the MRAPs were available for use, located in Italy, and funds were reallocated to Ukraine once State approved the request. According to a DSCA official, the FMS process is used for long-term defense planning and not typically used in times of war.

[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]. A PM/SA official stated that defense articles could be provided to Ukraine in a shorter timeframe through these donations.

(U) The DoD and State Modified Processes and Procedures

(U) The DoD and State modified standard processes and procedures for executing FMF funds in response to the war in Ukraine. The GMAG states that one of the FMF program's greatest strengths is its flexibility, both in terms of intent as well as its available uses. By leveraging the flexibilities that both DoD and State policies already include, DoD and State officials modified FMF procedures, allowing for a more efficient FMS process. However, these modified procedures were not documented within existing DoD and State guidance.

(U) The DoD Modified FMS Processes for Contingency Operations

(U) The SAMM outlined DoD organizational responsibilities and FMF program requirements, providing general guidance on each step of the FMS process. According to a DSCA official, DSCA personnel initially followed the standard FMS process; however, as the war in Ukraine intensified, DSCA personnel decided that it was necessary to modify the process specifically for Ukraine. The DSCA official stated that the CDWG was added to the FMS process for Ukraine to ensure that Ukrainian LORs aligned with the DoD's desired capabilities for the country.

(U) In June 2022, the DoD created the CDWG to facilitate communication and coordination among DoD Components developing potential Ukraine-related security assistance recommendations for State. According to DSCA officials, conversations regarding FMF funding requests could take weeks and the intent of the CDWG was to streamline the communication and coordination process by bringing multiple DoD Components together on a regular basis. One CDWG official stated that the CDWG officials reviewed military requirements, funding mechanisms, and potential acquisition methods, including determining if an item comes from existing inventory or is acquired from a defense contractor.

(U) Three of the four Ukraine FMF cases we reviewed were subject to additional review by the CDWG as part of the contingency operation efforts.¹⁴ Although not documented in the SAMM, the development and implementation of the CDWG in the FMS process for Ukraine streamlined communication across all organizations involved in the three cases. A DSCA official stated that updates to the SAMM could occur at any time when a necessary update was identified. The FMF program would benefit from reviewing efficiencies incorporated when using FMF funds during a contingency environment in Ukraine, and updating the standard FMS process, as appropriate. Therefore, the Assistant Director, Office of Strategy, Plans, and Policy, DSCA, should review and update the SAMM to incorporate efficiencies identified while supporting a contingency environment in Ukraine that could improve the overall FMS process, including circumstances or exceptions to requirements needed during contingency operations.

(U) State Modified FMF Program Procedures for Contingency Operations

(U) The GMAG, last updated in August 2016, outlines State's roles, responsibilities, budgeting, planning, and implementation processes for FMF funds to comply with the AECA. The GMAG includes high-level guidance for State processes to create, plan for, and spend FMF funds each year.

(U) In FY 2022 and FY 2023, through Ukraine supplementals, Congress appropriated a total of \$4.24 billion in FMF funds for countries affected by the war in Ukraine in which the funding was not provided in response to specific requests for military equipment or services. The GMAG does not include procedures for administering FMF funds when funding was directly provided instead of provided in response to a request.

¹⁴ (U) The CDWG reviewed three of the four cases we selected. The CDWG was not established at the time the EDA MRAP case was funded with FMF.

(SBU) [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

- (SBU) [REDACTED]
[REDACTED]
- (SBU) [REDACTED]
[REDACTED]
[REDACTED]
- (SBU) [REDACTED]
[REDACTED]

(U) This agreement occurred outside State’s normal FMF procedures. Additionally, the current version of the GMAG has not been updated to account for expedited timelines, including contingency operations. PM/SA officials acknowledged that State needed to update and expand FMF guidance and stated they were aligning staffing resources with this priority to revise guidance for the FMF program. Although the modifications that were developed for the four Ukraine FMF cases that we reviewed may not apply to other contingency operations, the GMAG still needs to be updated to account for current processes. Therefore, the Assistant Secretary, PM, State, should review and update the GMAG to incorporate efficiencies identified while supporting a contingency environment in Ukraine that could improve the overall FMF program, including unique processes and procedures needed during contingency operations.

(U) Improvement Opportunities for the FMF Program

(U) The DoD and State have opportunities to improve the joint FMF program, such as establishing a joint FMF case documentation repository and developing an interagency agreement for administering and managing FMF funds. Implementing these improvements would benefit both DoD and State’s communication across the Departments, as well as overall oversight and execution of the joint FMF program.

(U) State Officials Should Maintain a Joint Documentation Repository for FMF Cases

(U) According to GAO standards, management should clearly document internal controls, all transactions, and other significant events in a manner that allows the documentation to be readily available for examination.¹⁵ Effective records management helps to ensure that agencies can efficiently locate and retrieve information when needed in the daily performance of their missions.

(U) State officials relied on DoD officials to provide key FMF case documentation, as each Department separately maintained documentation for their respective aspects of the joint FMS process.

(U) State should maintain a joint FMF case documentation repository for key documents pertaining to FMF cases. Each Department is responsible for different aspects of the FMS process. PM/SA, the lead bureau and the FMF program's primary steward, has a responsibility to monitor program execution and establish and maintain an appropriate

records management system that the DoD and State can access for maintaining FMF case documentation. State officials relied on DoD officials to provide key FMF case documentation, as each Department separately maintained documentation for their respective aspects of the joint FMS process.

(U) According to the GMAG, PM/SA is required to monitor program execution to ensure alignment with funding availability. PM/SA officials retained some information in their email, but generally needed to request FMF case documentation, such as DSCA financial reporting documentation, from other offices to compile a complete FMF case file. According to a PM/SA official, when State obligates FMF funding to the DSCA for partner countries, PM personnel do not have access to some DoD financial systems to ensure that FMF obligations were aligned correctly to each FMF case. PM/SA officials stated that to fulfill their role of verifying information in FMF cases, they had to rely on emails from DSCA officials to provide key FMF financial reporting documents. In addition, PM/SA officials stated that they needed to reach out directly to the SCOs located at each partner country to confirm the status of current FMF cases. Thus, having a joint repository of FMF cases would provide PM/SA officials more visibility over DSCA financial reporting documentation and could improve their FMF program oversight efforts.

(U) Implementing effective records management that meets GAO standards ensures that the DoD and State retain critical records related to operations and essential information regarding FMF cases to maintain effective oversight over FMF cases, including accountability over equipment and services provided. On June 17, 2025, the Deputy Secretary of Defense issued guidance to implement Executive Order 14268, "Reforming Foreign Defense Sales to Improve Speed and Accountability," which directs the Executive Branch to improve accountability and transparency throughout the defense sales enterprise to ensure predictable and reliable

¹⁵ (U) GAO, "Standards for Internal Control in the Federal Government," September 2014.

(U) delivery of American products to foreign partners in support of U.S. foreign policy objectives. The implementing guidance required the Secretary of Defense, with assistance of the Secretary of State and the Secretary of Commerce, develop a single electronic system to track all ongoing FMS efforts throughout the case lifecycle. Establishing a joint repository for uploading and managing FMF case documentation, such as those provided by the DSCA, IAs, and PM/SA officials, could improve FMF program administration and management and align with recently issued guidance. Therefore, the Assistant Secretary, PM, State, in coordination with the Assistant Secretary of Defense, Strategy, Plans, and Capabilities, DoD, should develop and implement an agreement that establishes a joint repository for all FMF case documentation that both Departments can access.

(U) The DoD and State Should Develop an Interagency Agreement That Defines Expectations, Roles, and Responsibilities For FMF

(U) The DoD and State should develop an interagency agreement that clearly outlines each Department's expectations, roles, and responsibilities for administering and managing FMF funds. For example, a DSCA official stated that DSCA personnel were not always notified of State's foreign policy decisions that significantly impacted FMF funding, such as when funds for one European country were rescinded without notification while work on a case was in progress. Although this example was not specific to Ukraine FMF funds or our selected cases, according to a DSCA official, this has occurred in other instances. According to a DSCA official, clearly establishing expectations in an interagency agreement with State, including timeframes for the DSCA to comply with State's updated foreign policy decisions, would be helpful for DSCA FMF case execution. These clear expectations could also prevent any negative impacts that could result from foreign policy changes.

(U) Additionally, PM/SA officials stated that their oversight of the FMS process is impacted from a lack of timely standard reports on FMF case status and case descriptions from the DSCA, and standardized terminology between the Departments. For example, State officials indicated that they do not have access to the DoD systems used to complete an FMF case. Specifically, PM/SA personnel do not have access to the DoD's FMS case development and implementation system to obtain documents such as specific FMF financial reporting documents. The PM/SA official stated that they must request the necessary documents from DSCA officials, which can result in delayed responses. State officials added that regular communication and standardized reporting with DoD officials may improve oversight.

(U) According to GAO standards, some level of documentation is necessary to facilitate appropriate internal control component design, implementation, and effective operations.¹⁶ An organization will best achieve its objectives by implementing controls through policies in enough detail to allow management to effectively monitor the control activity and should include the responsibilities for the objectives of the operational process and the procedure to accomplish the task.

(U) Establishing and implementing an interagency agreement would improve communication between the DoD and State and ensure the Departments achieve joint objectives to administer and manage the FMF program. Therefore, the Assistant Secretary, PM, State, in coordination with the Assistant Secretary of Defense, Strategy, Plans, and Capabilities, DoD, should develop and implement an interagency agreement between State and the DoD that governs FMF administration and management. The agreement should establish expectations, roles, responsibilities, and agreed-upon timeframes for FMF execution and oversight policies for both Departments.

(U) The DoD and State Could Increase Their Efficiency in the Overall Administration and Management of the FMF Program

(U) The FMF program is a critical foreign policy tool for promoting U.S. interests around the world by ensuring that coalition partners and friendly foreign governments are equipped and trained to work toward common security goals and share burdens in joint missions. By providing equipment and services, such as air defense, armored vehicles, anti-armor capabilities, munitions, and donation agreements to partner countries, the FMF program helps to enhance the readiness and capabilities of allied and foreign partners.

(U) The processes and procedures that DoD and State officials modified, developed, and implemented for administering and managing FMF-funded services and equipment to support the war in Ukraine should be documented. The DoD and State could improve their efficiency in the overall execution and oversight of the FMF program by updating policies and procedures. Similar procedures could be applied when FMF funds are used in other instances or for other contingencies and the efficiencies identified can be standardized to ensure consistent operations.

¹⁶ (U) GAO, "Standards for Internal Control in the Federal Government," September 2014.

(U) State's oversight of the FMF program helps ensure that FMF funds are used to align with U.S. foreign policy objectives, support regional and global stability, and strengthen military partnerships with allies and partners. Thus, it would be beneficial that both DoD and State officials document clear roles, responsibilities, and expectations, and provide complete access to information among the Departments, especially during times of conflict.

(U) Recommendations, Management Comments, and Our Response

(U) Although not required to comment, the Division Chief, Security Cooperation Strategy Division, Joint Staff, verbally responded to the report and agreed with the recommendations.

(U) Recommendation 1

(U) We recommend that the Assistant Director for the Office of Strategy, Plans, and Policy, Defense Security Cooperation Agency, review and update the Security Assistance Management Manual to incorporate efficiencies identified while supporting a contingency environment in Ukraine that could improve the overall Foreign Military Sales process, including unique circumstances or exceptions to requirements needed during contingency operations.

(U) Assistant Director, Office of Strategy, Plans, and Policy Comments

(U) The Acting Assistant Director for the Office of Strategy, Plans, and Policy, DSCA, agreed with the recommendation, stating that the DSCA regularly updates the SAMM to reflect lessons learned from administering security assistance in contingency environments, including Ukraine. The Acting Assistant Director also stated that the SAMM would be updated to reflect the identified efficiencies and published at the earliest opportunity.

(U) Our Response

(U) Comments from the Acting Assistant Director addressed the specifics of the recommendation; therefore, it is resolved but will remain open. The DoD OIG will close the recommendation once it receives the updated SAMM and verifies that the updates incorporated efficiencies identified while supporting a contingency environment in Ukraine that could improve the overall FMS process, including unique circumstances or exceptions to requirements needed during contingency operations.

(U) Recommendation 2

(U) We recommend that the Assistant Secretary, Bureau of Political-Military Affairs, Department of State, review and update the Grant Military Assistance Guidance to incorporate efficiencies identified while supporting a contingency environment in Ukraine that could improve the overall Foreign Military Financing Program, including unique processes and procedures needed during contingency operations.

(U) Bureau of Political-Military Affairs Comments

(U) The Bureau of Political-Military Affairs, Department of State, agreed with the recommendation, stating that PM/SA is working to update the GMAG and plans to include guidance on processes, procedures, and considerations during contingency operations as part of the update. The Bureau plans to release the updated GMAG, or a rolling release of updated GMAG sections, in December 2025.

(U) Our Response

(U) The Bureau's comments and planned actions addressed the specifics of the recommendation; therefore, it is resolved, but will remain open, pending further action. State OIG will close the recommendation once it receives a copy of the updated GMAG demonstrating that the updates incorporated efficiencies identified while supporting a contingency environment in Ukraine that could improve the overall FMF Program, including unique processes and procedures needed during contingency operations.

(U) Recommendation 3

(U) We recommend that the Assistant Secretary, Bureau of Political-Military Affairs, Department of State, in coordination with the Assistant Secretary of Defense, Strategy, Plans, and Capabilities, Office of the Under Secretary of Defense for Policy, Department of Defense, develop and implement an interagency agreement between the Department of State and the Department of Defense that governs Foreign Military Financing administration and management. The agreement should establish expectations, roles, responsibilities, and agreed-upon timeframes for Foreign Military Financing execution and oversight policies for both Departments. The agreement should also include each Department's official guidance on consistent use of terminology and establishing a joint repository for all Foreign Military Financing case documentation that both Departments can access and update.

(U) Bureau of Political-Military Affairs Comments

(U) The Bureau of Political-Military Affairs, Department of State, agreed with the recommendation to develop an interagency agreement with the DoD on the use of appropriated funding for the administration of security assistance and security cooperation activities. The Bureau also concurred that any such agreement should establish expectations, roles, responsibilities, agreed-upon timeframes for execution of State security assistance programs, and oversight policies for both Departments. Finally, the Bureau stated that the DSCA is the primary implementer of certain State programs and is responsible for managing the security cooperation workforce. As such, the Bureau stated that the DSCA is the appropriate partner in developing an interagency agreement governing FMF administration and management.

(U) Our Response

(U) The Bureau's comments and planned actions addressed the intent of the recommendation; therefore, it is resolved, but will remain open, pending further action. State OIG will close the recommendation once it receives a copy of the interagency agreement, developed in coordination with the DoD, that governs FMF administration and management, including established clear expectations, roles, responsibilities, and agreed-upon timeframes for FMF execution and oversight policies for both Departments. The agreement should also include each Department's official guidance on consistent use of terminology and establishing a joint repository for all FMF case documentation that both Departments can access and update.

(U) Assistant Secretary of Defense, Strategy, Plans, and Capabilities Comments

(U) The Acting Assistant Secretary of Defense for Strategy, Plans, and Capabilities, OUSD(P), agreed with the recommendation. The Acting Assistant Secretary stated that the Office of the Assistant Secretary of Defense, Strategy, Plans, and Capabilities, will work with the Bureau of Political-Military Affairs, Department of State, to develop and implement an interagency agreement to govern FMF administration and management. The Acting Assistant Secretary also stated they will work with the Office of the Director, DSCA, to coordinate with the Bureau, to establish clearer roles and responsibilities that govern FMF administration and management.

(U) Our Response

(U) Comments from the Acting Assistant Secretary of Defense for Strategy, Plans, and Capabilities, OUSD(P), addressed the specifics of the recommendation; therefore, it is resolved, but will remain open. Since the primary action office for the recommendation is the Bureau of Political-Military Affairs, Department of State, the State OIG will close the recommendation when we receive a copy of the interagency agreement and verify the contents of the agreement aligns with the intent of the recommendation.

(U) Appendix A

(U) Scope and Methodology

(U) We conducted this performance audit from May 2024 through July 2025 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

(U) Audit Universe and Sample Selection

(U) The scope of this audit included FMF funding to Ukraine from FY 2022 through May 2024. Using a list of cases provided by the DSCA, we determined that \$1.7 billion was appropriated to support Ukraine directly. From that list, we identified 11 cases that provided FMF-funded equipment and services to Ukraine, valued at \$282 million. Of these 11 cases, we selected a nonstatistical sample of 4 cases, valued at \$243 million, based on case delivery status, highest dollar value, and IA.

(U) We ensured that at least one case from the sample covered each delivery stage (not delivered, partially delivered, fully delivered) and that each IA (U.S. Army, U.S. Navy, and U.S. Air Force) was represented by at least one case. Our results are based on a nonstatistical sampling methodology and therefore cannot be used to calculate estimates (projections) for the population. See Appendix C for specific details and timelines of each of the four FMF cases reviewed.

(U) Correspondence and Documentation

(U) To determine whether the DoD and State appropriately administered and managed FMF funds provided in response to Russia's war against Ukraine, we contacted the following stakeholders regarding their roles and responsibilities.

(U) DoD Stakeholders

- (U) Under Secretary of Defense for Policy (OUSD(P))
- (U) Defense Security Cooperation Agency (DSCA)
- (U) Cross Department Working Group (CDWG)
- (U) Office of Defense Cooperation
- (U) U.S. European Command Plans, Policy, Strategy, and Capabilities (J5)
- (U) U.S. Army Europe and Africa
- (U) U.S. Army Security Assistance Command
- (U) U.S. Army Tank-automotive and Armaments Command

(U) State Stakeholders

- (U) Bureau of Political-Military Affairs (PM)
- (U) Office of Security Assistance (SA)
- (U) Office of Regional Security and Arms Transfers (RSAT)
- (U) Office of Foreign Affairs
- (U) Office of the Legal Advisor
- (U) U.S. Embassy Kyiv, Ukraine

(U) We also reviewed the following types of documentation to validate information learned in meetings to analyze the FMS process.

- (U) Congressional Notifications
- (U) Country Specific Cables
- (U) Fund Transfer Records
- (U) LORs
- (U) LOAs
- (U) Obligation Records
- (U) Delivery Receipts
- (U) State Action Memorandums
- (U) Transportation Records

(U) In addition, we reviewed the following guidance to identify FMS process requirements.

(U) Federal Guidance

- (U) Public Law 87-195, "Foreign Assistance Act of 1961," approved September 4, 1961, as amended by Public Law 118-159, enacted December 23, 2024
- (U) Public Law 90-629, "AECA of 1976," as amended by Public Law 118-31, enacted December 22, 2023
- (U) GAO, "Standards for Internal Control in the Federal Government," September 2014

(U) DoD Guidance

- (U) DSCA, Defense Security Cooperation University, "Security Cooperation Management," Edition 41, May 2021
- (U) DSCA Standard Operating Procedure, "FMF – Grants," April 27, 2020
- (U) DSCA 5105.38-M, "SAMM," April 30, 2012

(U) State Guidance

- (U) “Foreign Affairs Manual,” undated
- (U) “Foreign Affairs Handbook,” undated
- (U) PM/SA, “GMAG, FMF,” August 2016

(U) Internal Control Assessment and Compliance

(U) We assessed internal controls and compliance with laws and regulations necessary to satisfy the audit objective. In particular, we assessed control activities as well as information and communication related to whether the DoD and State appropriately administered and managed FMF funds provided in support of Ukraine. For example, we reviewed control activities between the DoD and State by identifying the lack of an interagency agreement between the Departments that defines responsibilities and expectations for administering and managing the joint FMF program during contingency operations.

(U) In addition, we reviewed information and communication controls by identifying methods that the DoD and State used to coordinate with IAs, overseas Posts, and partner nations to overcome communication challenges associated with executing FMF cases. However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

(U) Use of Computer-Processed Data

(U) We did not rely on computer-processed data to perform this audit as it was not significant to developing conclusions to answer the audit objective.

(U) Appendix B

(U) Prior Coverage

(U) During the last 5 years, the DoD OIG, GAO, and the State OIG issued 10 reports discussing FMF, FMS, security assistance, and defense articles.

(U) Unrestricted DoD OIG reports can be accessed at <https://www.dodig.mil/reports.html/>.

(U) Unrestricted GAO reports can be accessed at <http://www.gao.gov>.

(U) Unrestricted State OIG reports can be accessed at <https://www.stateoig.gov/reports>.

(U) DoD OIG

(U) Report No. DODIG-2025-019, “Evaluation of Security and Accountability Controls for Defense Items Transferred to Ukraine Through Romania,” November 12, 2024

(U) The DoD OIG determined that the DoD did not implement effective controls to accurately account for defense items it procured for and transferred to the Ukrainian Armed Forces through Romania. The DoD OIG also determined that the lack of effective controls and discrepancies occurred because the DSCA did not establish requirements in the SAMM for DoD Components to record inventories, and U.S. Air Forces in Europe officials did not require logistics enabling node in Romania personnel to perform accountability procedures for DoD-procured defense items.

(U) Report No. DODIG-2025-004, “Audit of Accountability Controls for Defense Items Transferred to Ukraine Through Slovakia,” October 11, 2024

(U) The DoD OIG determined that USEUCOM, U.S. Army Europe and Africa, Security Assistance Group–Ukraine officials did not have effective controls to provide visibility of all U.S. defense items transferred to the Ukrainian Armed Forces through the Logistics Enabling Node in Slovakia. In addition, USEUCOM did not establish standard operating procedures to document roles and responsibilities for receiving, transferring, reporting, and maintaining supporting documentation when U.S. defense items transitioned through the Logistics Enabling Node in Slovakia.

(U) Report No. DODIG-2024-082, “Audit of the DoD’s Controls for Validating and Responding to Ukraine’s Requests for Military Equipment and Assistance,” May 17, 2024

(U) The DoD OIG determined that USEUCOM, Security Assistance Group-Ukraine, and the Service Component Commands had controls in place, and they continued to update controls to validate Ukraine’s requests for military equipment and assistance required to fill capability gaps. However, the DoD OIG found that USEUCOM, Security Assistance Group-Ukraine, and the Service Component Commands did not document the roles, responsibilities, processes, or procedures for validating Ukraine’s requests because of the fast-paced nature of the effort and sense of urgency to support the Ukrainian Armed Forces.

(U) Report No. DODIG-2023-084, “Evaluation of Accountability Controls for Defense Items Transferred Via Air to Ukraine Within the USEUCOM Area of Responsibility,” June 8, 2023

(U) The DoD OIG determined that DoD personnel effectively and swiftly received, inspected, staged, and transferred defense items to Government of Ukraine representatives in Jasionka, Poland. However, DoD personnel did not have the required accountability of thousands of defense items that they received and transferred in Jasionka, Poland.

(U) Report No. DODIG-2022-053, “Audit of the Department of Defense Foreign Military Sales Acquisition Process,” January 12, 2022

(U) The DoD OIG determined that the DoD’s reporting on the status of its FMS acquisitions did not fully comply with the congressional reporting requirements. Specifically, the Military Department IAs used inconsistent processes to track and report FMS acquisitions, and the DoD OIG identified problems with Section 887 reporting for all 18 FMS cases reviewed.

(U) Report No. DODIG-2021-003, “Audit of the Department of Defense Process for Developing Foreign Military Sales Agreements,” October 9, 2020

(U) The DoD OIG determined that although the DoD coordinated foreign partner requirements with the DSCA, Military Departments, and other organizations, the Military Department IAs exceeded the DSCA’s processing standards for how long it should take to develop FMS agreements for 70 delayed cases reviewed.

(U) GAO

(U) Report No. GAO-24-106745, "U.S. Agencies Should Improve Tracking of Authorized U.S.-Origin Defense Article Transfers Requested by Foreign Donors," August 20, 2024

(U) The GAO found that State allocated some FMF funding for three purposes: 1) to encourage countries to sever ties with the Russian defense industry, 2) replenish defense articles donated to Ukraine, and 3) incentivize additional donations of defense articles to Ukraine. The GAO determined that State had expedited its review process for third party transfers to Ukraine and had authorized almost all donor country requests destined for Ukraine.

(U) Report No. GAO-24-106884, "Ukraine: Status of Foreign Assistance," March 28, 2024

(U) The GAO found that State was not using a systematic approach to categorize and separately track the status of foreign assistance specifically in response to the crisis in Ukraine. Consequently, State faced challenges in providing the status of this foreign assistance. The GAO found that State's financial system did not separately identify, categorize, and track funds specifically in response to the resulting crisis, and a substantial manual effort was required to identify and align the data, which resulted in State facing challenges in identifying precise data on the status of this U.S. funding.

(U) Report No. GAO-24-106289, "Ukraine: DoD Should Improve Data for Both Defense Article Delivery and End-Use Monitoring," March 13, 2024

(U) The GAO found that the DoD established new entities to deliver defense articles to Ukraine in condensed timeframes using Presidential Drawdown Authority and the Ukraine Security Assistance Initiative. However, the DoD did not fully document new entities' roles and responsibilities.

(U) State OIG

(U) Report No. ISP-I-24-16, "Inspection of the Bureau of Political-Military Affairs,"
September 2024

(U) State OIG found that PM offices prioritized Ukraine-related activities, consistent with administration strategy, the Functional Bureau Strategy, and the Assistant Secretary's guidance, to meet high-profile and immediate demands. State OIG found that in many cases, PM implemented streamlined approaches to manage its Ukraine workload by concentrating the workload with a small group of people who developed expertise. However, State OIG also found that PM's efforts and State Department workforce planning processes were ineffective in addressing the bureau's staffing requirements related to the surge of work on conflict areas, including Ukraine.

(U) Appendix C

(U) Selected FMF Case Details and Timelines

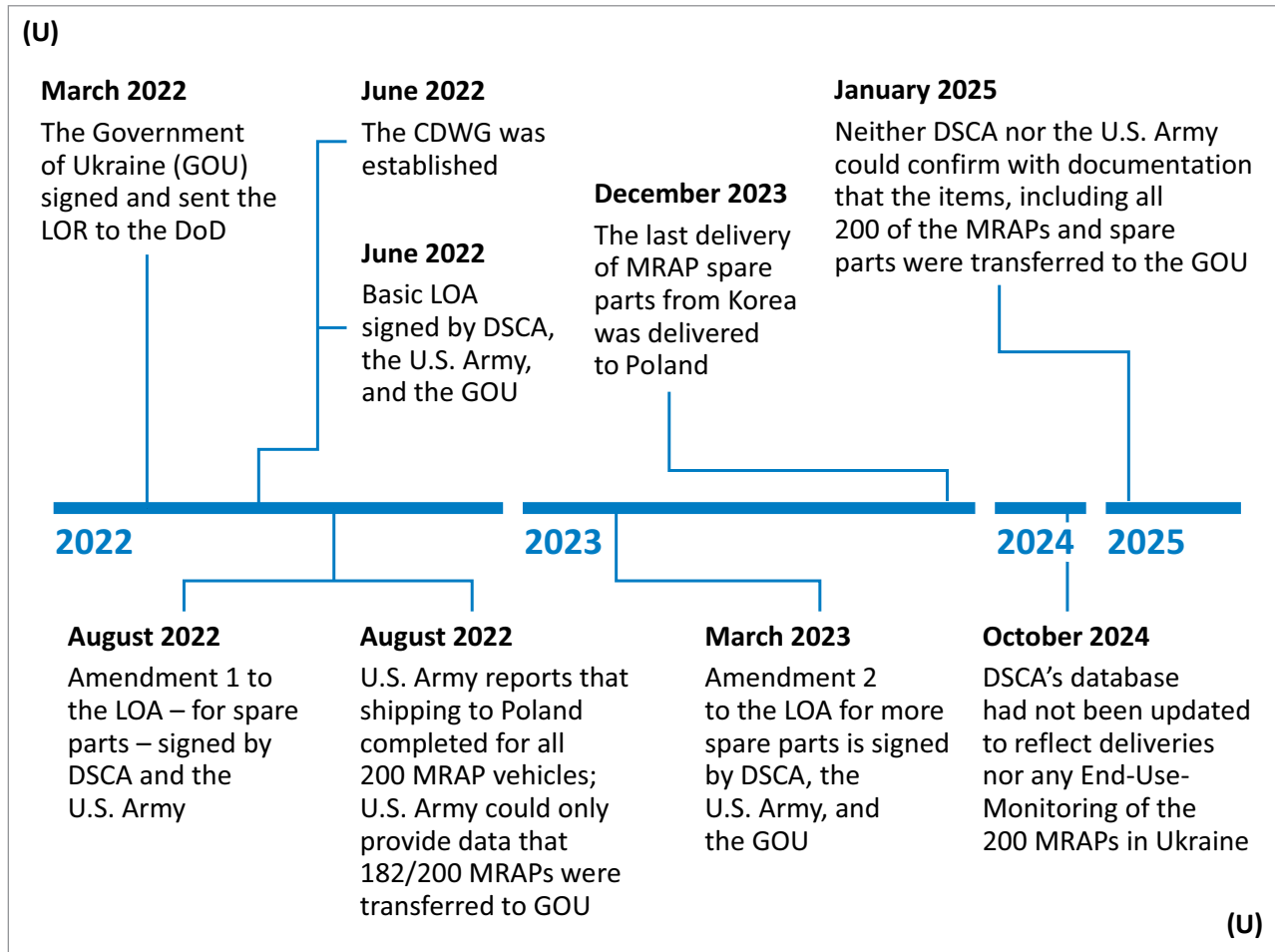
(U) The following tables and figures provide additional details related to our nonstatistical sample of four FMF Ukraine cases, valued at \$243 million. In Tables 2, 3, 4, and 5, we identify each case's supplemental funding source, case value, IA, dates of key documentation associated with each case, and a brief description of the FMF items. In addition, in Figures 4, 5, 6, and 7, we provide a timeline of the overall lifecycle for each of the four FMF cases, including important milestones, such as approval, delivery dates, and delivery status of the case.

(U) Table 2. EDA MRAP Case Information

(U) Case Name	Funding Source	Case Value	IA	LOR Date	LOA Date	Description
EDA Grant Transfer of MRAP Vehicles	Original: EDA and USAA Amendment 1: FY 2021 funding Amendment 2: USAA	\$9,376,075	U.S. Army	03/19/22	Original: 06/19/22 Amendment 1: 07/29/22 Amendment 2: 03/14/23	Transportation of 200 MRAPs, spare parts for the vehicles, and services (U)

(U) Source: The DSCA.

(U) Figure 4. EDA MRAP Case Timeline



(U) Source: The DoD OIG and State OIG generated based on audit results.

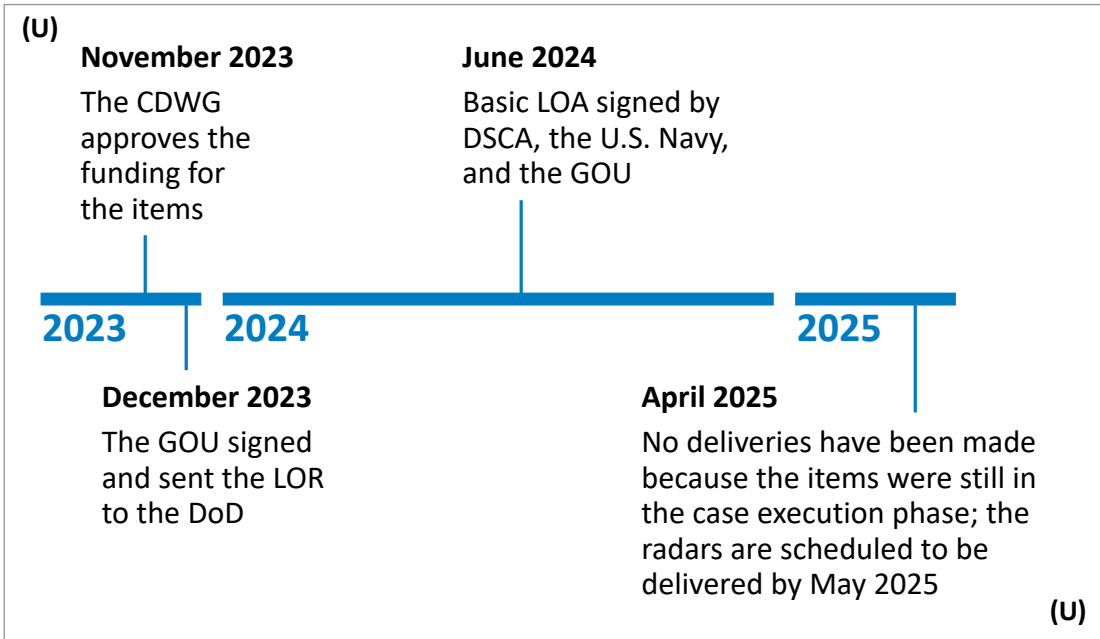
(U) Table 3. Radar Case Information

(U) Case Name	Funding Source	Case Value	IA	LOR Date	LOA Date	Description
RADA RPS-42 Radars*	USAA	\$47,325,566	U.S. Navy	12/26/23	06/15/24	38 radars and technical assistance (U)

*(U) RADA RPS-42 radars are tactical hemispheric air surveillance radar systems used for air defense.

(U) Source: The DSCA.

(U) Figure 5. Radar Case Timeline



(U) Source: The DoD OIG and State OIG generated based on audit results.

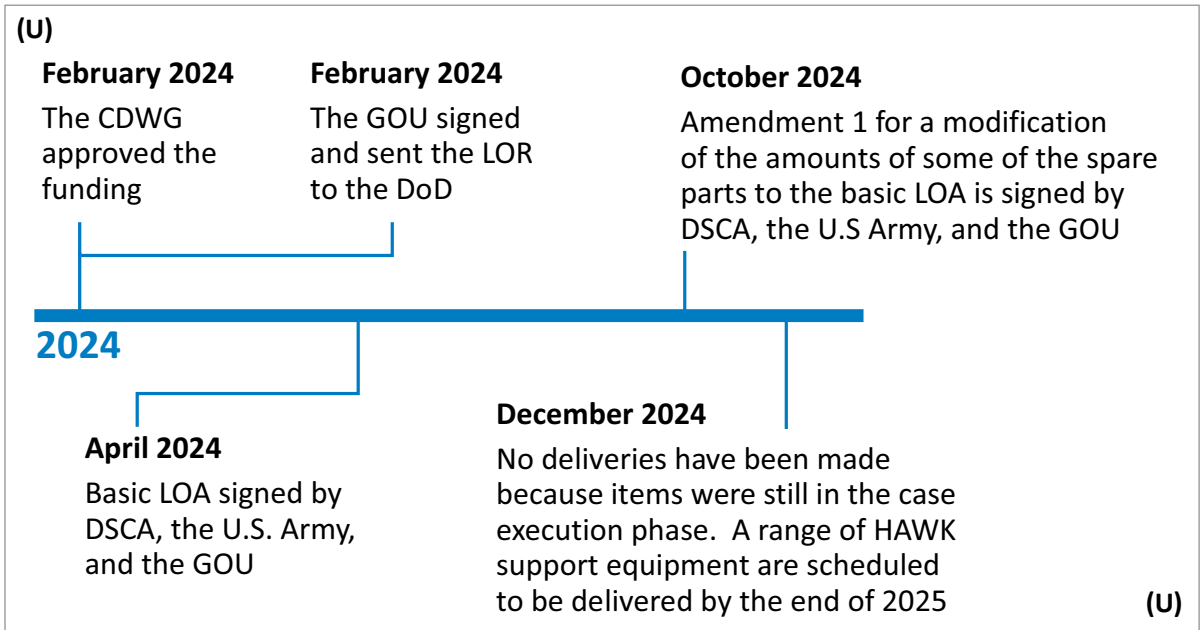
(U) Table 4. HAWK System Case Information

(U) Case Name	Funding Source	Case Value	IA	LOR Date	LOA Date	Description
HAWK System Sustainment*	AUSAA	\$137,593,574	U.S. Army	02/15/24	Original: 04/11/24 Amendment 1: 10/24/24	Various parts to sustain the HAWK system (U)

*(U) The HAWK system is a medium range, surface-to-air guided missile that provides air defense coverage against low-to-medium-altitude aircraft.

(U) Source: The DSCA.

(U) Figure 6. HAWK System Case Timeline



(U) Source: The DoD OIG and State OIG generated based on audit results.

(U) Table 5. FrankenSAM Case Information

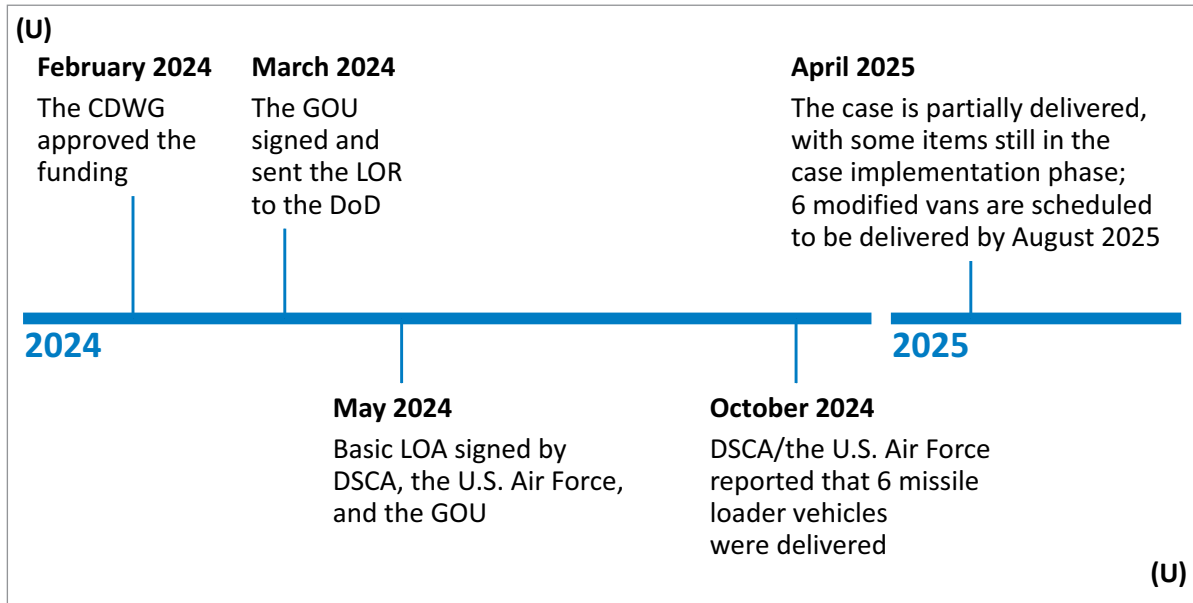
(U) Case Name	Funding Source	Case Value	IA	LOR Date	LOA Date	Description
FrankenSAM Sustainment*	USAA	\$48,900,000	U.S. Air Force	03/08/24	05/21/24	Six vans to support FrankenSAM air defense systems and six trucks for missile loading/launching

(U)

* (U) The FrankenSAM air defense concept involves the improvisation assembling together air defense weapons for Ukraine from an array of parts from allies and partner nations.

(U) Source: The DSCA.

(U) Figure 7. FrankenSAM Case Timeline



(U) Source: The DoD OIG and State OIG generated based on audit results.

(U) Appendix D

(U) Key Highlights From FMS Process Phases

(U) This appendix provides specific steps that occur within each FMS process phase. The five FMS phases are listed below with key highlights that each case encounters as it progresses through that phase.

(U) Pre-LOR Phase

(U) The Pre-LOR phase consists of the DoD and State establishing a fiscal year's FMF budget and formalizing requests for defense articles or services for eligible requesting countries. After Congress approves the fiscal year's FMF budget and funds are made available to State, the requesting country, such as Ukraine, works with the Office of Defense Cooperation personnel to identify which defense articles or services the country would like to request and what the United States in turn is willing to provide. Once the determination has been made, the requesting country develops an LOR to fulfill the defense requirements request.

(U) Case Development Phase

(U) The Case Development phase focuses on the development of the LOA, in which the U.S. Government makes an offer of defense articles or services with estimated costs in response to the LOR. The DoD and State review the LOR and coordinate with the IA to approve or disapprove the LOR and initiate the development of the LOA. DoD and State entities review the LOA for compliance with U.S. foreign policies and security objectives and submit the LOA to the requesting country for signature of acceptance.

(U) Case Implementation Phase

(U) The Case Implementation phase begins once the foreign country accepts the proposed LOA and any required initial deposits have been paid by the purchasing country. During this phase, the IA is required to establish the LOA into all the applicable DoD data systems. According to the DSCA FMF-Grants Standard Operating Procedures, once an FMF case has been accepted and signed by the requesting country, the Defense Finance and Accounting Service creates a complete funding package required for financial implementation. The funding package includes the funding memorandum, LOA, and the foreign country's unused funds account report.

(U) Case Execution Phase

(U) The Case Execution phase begins when orders for the LOA's items and services are processed in the applicable DoD data systems. The Case Execution phase includes activities, such as acquisitions, transportation, maintenance, training, and case documentation. Logistics for LOA items are fulfilled using pre-existing U.S. military logistics systems. The SAMM requires that all case transactions, financial and logistical, are recorded as part of the official case file.

(U) Case Closure

(U) The Case Closure phase is the final phase of the FMS process. It occurs when all requirements outlined in the LOA have been satisfied, all financial transactions have been completed, and the purchasing country received the final billing statements. During this phase, the IAs work with the Defense Finance and Accounting Service and the requesting country to perform closure procedures, which can span for 2-5 years or longer.

(U) Management Comments

(U) Office of the Under Secretary of Defense for Policy



STRATEGY, PLANS,
AND CAPABILITIES

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
2200 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-2200

MEMORANDUM FOR DEPUTY ASSISTANT INSPECTOR GENERAL FOR AUDIT
ACQUISITION, CONTRACTING, AND SUSTAINMENT

SUBJECT: Comments on D2024-D000RL-0120.000/24AUD027, Joint Audit of U.S.
Assistance Provided in Support of Ukraine Through the Foreign Military Financing
Program

Thank you for the opportunity to review and comment on your draft report on how the Departments of Defense and State administered and managed foreign military financing (FMF) provided in response to Russia's war in Ukraine.

As noted in the draft report, we acknowledge your finding that the DoD and State generally administer and managed FMF funds in accordance with established processes, and that DoD and State generally executed FMF cases for Ukraine in an expedited timeline using modified procedures. I acknowledge your finding that DoD and State may gain efficiencies to the FMF program by memorializing these modified procedures.

I also acknowledge your specific recommendation #3, that the Assistant Secretary of Defense for Strategy, Plans, and Capabilities work with State Department counterparts to develop and implement an interagency agreement to govern FMF administration and management. The Office of the Assistant Secretary of Defense for Strategy, Plans, and Capabilities, working with the Office of the Director, Defense Security Cooperation Agency, will coordinate with the Office of the Assistant Secretary of State for Political Military Affairs to establish clearer roles and responsibilities that govern FMF administration and management.

We plan to initiate and conduct our review in a timely manner. My point of contact for this response is [REDACTED]

Rafael F. Leonardo
Performing the Duties of Assistant Secretary of
Defense for Strategy, Plans, and Capabilities

(U) Defense Security Cooperation Agency



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

21 August 2025

MEMORANDUM FOR DEPARTMENT OF DEFENSE OFFICE OF INSPECTOR GENERAL
(DODIG)

SUBJECT: Response to the draft DODIG Report "Joint Audit of U.S. Assistance Provided in Support of Ukraine Through the Foreign Military Financing Program" (Project No. D2024-D000RL-0120.000/State OIG Project No. 24AUD027).

(U) Thank you for the opportunity to respond on the subject DODIG's evaluation report titled "Joint Audit of U.S. Assistance Provided in Support of Ukraine Through the Foreign Military Financing Program" (Project No. D2024-D000RL-0120.000). I appreciate DODIG's open and collaborative process in performing this evaluation.

(U) DODIG recommends that the "Assistant Director for the Office of Strategy, Plans, and Policy, Defense Security Cooperation Agency review and update the Security Assistance Management Manual to incorporate efficiencies identified while supporting a contingency environment in Ukraine that could improve the overall Foreign Military Sales process, including unique circumstances or exceptions to requirements needed during contingency operations."

(U) DSCA concurs with comment regarding DODIG's recommendation:

- (U) DSCA regularly updates the Security Assistance Management Manual (SAMM) to reflect lessons learned from administering security assistance in contingency environments, including Ukraine.
- (U) SAMM updates reflecting identified efficiencies will be published at the earliest opportunity.

Please direct any questions to DSCA's main point of contact for this matter, [REDACTED]

A handwritten signature in black ink, appearing to read "Hussam Bader", written over a horizontal line.

Hussam Bader
Assistant Director (Acting)
Office Of Strategy, Plans, And Policy
Defense Security Cooperation Agency

(U) Bureau of Political-Military Affairs, Department of State



United States Department of State

Washington, DC 20520

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August 7, 2025

TO: IG – [REDACTED], Assistant Inspector General for Inspections

FROM: PM – James W. Holtsnider, SBO

SUBJECT: Response to Draft OIG Report – Joint Audit of U.S. Assistance Provided in Support of Ukraine Through the FMF Program

The Bureau of Political-Military Affairs (PM) has reviewed the draft OIG inspection report. The point of contact for this memorandum is Todd Gobeille, Deputy Director for Global Strategy and Oversight, Office of Security Assistance, PM. We provide the following comments in response to the recommendations provided by OIG:

OIG Recommendation 2: We recommend that the Assistant Secretary, Bureau of Political-Military Affairs, Department of State, review and update the Grant Military Assistance Guidance to incorporate efficiencies identified while supporting a contingency environment in Ukraine that could improve the overall Foreign Military Financing Program, including unique processes and procedures needed during contingency operations.

Management Response: PM concurs with the recommendation. PM’s Office of Security Assistance has been working to publish the first major update of the FMF Grant Military Assistance Guide (GMAG) since the last revision in 2016. PM intends to include guidance on processes, procedures, and considerations during contingency operations. The bureau anticipates the release of the updated FMF GMAG, or a rolling release of updated GMAG sections, in December 2025.

OIG Recommendation 3: We recommend that the Assistant Secretary, Bureau of Political-Military Affairs, Department of State, in coordination with the Assistant Secretary of Defense, Strategy, Plans, and Capabilities, Office of the

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(U) Bureau of Political-Military Affairs, Department of State (cont'd)

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Under Secretary of Defense for Policy, Department of Defense, develop and implement an interagency agreement between the Department of State and the Department of Defense that governs FMF administration and management. The agreement should establish expectations, roles, responsibilities, and agreed upon timeframes for FMF execution and oversight policies for both Departments. The agreement should also include each Department's official guidance on consistent use of terminology and establishing a joint repository for all FMF case documentation that both Departments can access and update.

Management Response: PM concurs with the recommendation to establish an interagency agreement between State and Defense on the use of appropriated funding for the administration of security assistance and security cooperation activities. As the Defense Security Cooperation Agency (DSCA) is the primary implementer of certain State programs, and as the agency responsible for managing the security cooperation workforce through the Defense Security Cooperation Service (DSCS), PM views DSCA as the appropriate partner on such an agreement. PM also concurs that any such agreement should establish expectations, roles, responsibilities, agreed upon timeframes for execution of State security assistance programs, and oversight policies for both Departments. However, PM notes that funds appropriated as FMF administration are authorized with a broader scope than FMF program execution. As a result, any interagency agreement between State and DoD on administrative funding would necessarily be less prescriptive than the framework in this recommendation.

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(U) Bureau of Political-Military Affairs, Department of State (cont'd)

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Approved: PM – James W. Holtsnider, Senior Bureau Official [JWH]
I confirm the drafter received guidance on this paper’s intent, objectives, topics, scope, and structure. **Yes** **No**

Drafted: [REDACTED]

Cleared:

Bureau	Name	Clearance Status
PM/PDAS	[REDACTED]	ok
PM/DAS	[REDACTED]	ok
PM/SA	[REDACTED]	ok
PM/RSAT	[REDACTED]	ok

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(U) Acronyms and Abbreviations

AECA	Arms Export Control Act
AUSAA	Additional Ukraine Supplemental Appropriations Act
CDWG	Cross Department Working Group
DSCA	Defense Security Cooperation Agency
EDA	Excess Defense Articles
FMF	Foreign Military Financing
FMS	Foreign Military Sales
GAO	Government Accountability Office
GMAG	Grant Military Assistance Guide
GOU	Government of Ukraine
IA	Implementing Agency
LOA	Letter of Offer and Acceptance
LOR	Letter of Request
MRAP	Mine Resistant Ambush Protected (vehicles)
OSD(P)	Office of the Under Secretary of Defense for Policy
PM/SA	Bureau of Political-Military Affairs, Office of Security Assistance
SAMM	Security Assistance Management Manual
SCO	Security Cooperation Organization
USAA	Ukraine Supplemental Appropriations Act
USEUCOM	U.S. European Command

(U) Glossary

(U) Appropriated funds. Sums of money that were established in laws of Congress that provide an agency with budget authority for that agency to use the funds for specific purposes and make payments from the U.S. Treasury.

~~(U)~~ **Cross Department Working Group.** A DoD-only working group composed of different DoD stakeholders, including [REDACTED], [REDACTED], who reviewed potential security assistance for Ukraine and developed recommendations for State.

(U) Excess Defense Articles. Defense articles owned by the U.S. Government which have been identified as no longer needed and declared excess by the U.S. Military Services. This excess equipment may be offered at reduced or no cost to eligible foreign partners on an “as is, where is” basis in support of U.S. national security and foreign policy objectives.

(U) Implementing Agency. Military Department organizations or DoD agencies responsible for the execution of military assistance programs.

(U) Letter of Offer and Acceptance. An official DoD document by which the U.S. Government offers to sell a foreign government or international organization U.S. defense articles and services in accordance with the AECA.

(U) Letter of Request. A request in message or letter form from an eligible FMS foreign partner for the purchase of U.S. defense articles and services.

(U) Political-Military Officers. State personnel who are actively engaged with the SCOs in planning a partner country’s military requirements that are suitable for receiving FMF funds.

(U) Post. A U.S. embassy or consulate where U.S. staff are assigned.

(U) Security Assistance. A group of programs, authorized under Title 22 of the United States Code, by which the U.S. Government provides defense articles, military education and training, and other defense-related services to eligible foreign governments by grant, loan, credit, cash sales, or lease.

(U) Security Cooperation. Activities undertaken by the DoD to encourage and enable international partners to work with the U.S. to achieve strategic objectives. It includes all DoD interactions with foreign defense and security establishments, including all DoD-administered security assistance programs.

(U) Security Cooperation Organizations. DoD elements located in foreign countries that implement security cooperation and security assistance management functions.

(U) Supplemental Appropriations (Supplementals). Legislation from Congress that provide budget authority in addition to any amounts provided by regular or continuing appropriation measures. These measures are usually developed in response to urgent and unanticipated needs, such as natural disasters and urgent military operations. Supplementals provide specific sums of money for specified purposes; however, these funds are usually available for obligation immediately upon enactment and remain available until expended.

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