

United States Senate

WASHINGTON, DC 20510

July 10, 2023

Honorable Lloyd Austin
Secretary of Defense
1000 Defense Pentagon
Washington, DC 20301

Dear Secretary Austin,

We write to inquire about Department of Defense (DOD) accounting procedures for U.S. security assistance to Ukraine.

On June 20, 2023, a DOD spokesperson asserted that DOD had been “overestimating the value” of U.S. security assistance to Ukraine by a combined \$6.2 billion over fiscal years 2022 and 2023. Specifically, the spokesperson noted that “[military] services used replacement costs rather than net book value” in many cases, and that this sum would subsequently “go back into the pot of money” allocated for Presidential Drawdown Authority (PDA) for Ukraine.

These so-called “valuation errors” are particularly concerning given the nature and scope of U.S. aid to Ukraine—over \$113 billion thus far. By relying largely on PDA for Ukraine security assistance, DOD sends existing equipment to Ukraine and purchases new equipment to replace U.S. stocks. The true cost to American taxpayers for supporting Ukraine is therefore the replacement cost, not the net book value. While accounting consistency is certainly in the interest of good governance—especially given DOD’s habitual inability to pass a financial audit—this is a transparent attempt to bypass Congress for additional funds, while continuing to prioritize Ukraine over more vital U.S. interests, including deterring China in the Pacific. This is yet another example of why we do not support further appropriations to Ukraine.

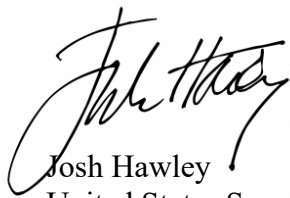
By using creative accounting to conceal the actual cost of supporting Ukraine, you appear to be circumventing the American people’s elected representatives. Congress, not DOD, possesses the power of the purse. We will continue to safeguard this constitutional responsibility, and therefore request answers to the following questions no later than August 10, 2023.

1. How does DOD justify the use of net book value vice replacement costs when the equipment given to Ukraine must be replaced with new equipment?
2. How is DOD calculating the net book value of equipment given to Ukraine?
3. Prior to this updated accounting guidance, which military services were using replacement cost and which were using net book value or other methods?
4. What is the total replacement cost to backfill U.S. equipment and munitions stocks that have been drawn down for Ukraine?

5. If DOD intends to use net book value going forward, but still needs to replace equipment for U.S. stocks based on replacement value, how does DOD propose to fund the full replacement cost?
6. Given the apparent difficulties DOD is experiencing with properly accounting for Ukraine security assistance, how would a Special Inspector General for Ukraine Assistance aid you in this effort?

Thank you for your prompt attention to this important matter.

Sincerely,



Josh Hawley
United States Senator



JD Vance
United States Senator



Mike Lee
United States Senator



Roger Marshall, MD
United States Senator



Mike Braun
United States Senator

CC: The Honorable Antony Blinken
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U.S. Department of State
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