

# FOREIGN MILITARY SALES PROCESS

## INTRODUCTION

The foreign military sales (FMS) program is part of security assistance authorized by the *Arms Export Control Act* (AECA). It is a fundamental U.S. foreign policy tool. Under Section 3, AECA, the U.S. may sell defense articles and services to foreign countries and international organizations when the President formally finds that to do so will strengthen the security of the United States (U.S.) and promote world peace. Department of Defense (DOD) 5105.38-M, *Security Assistance Management Manual* (SAMM), Table C4.T2, identifies countries and organizations designated as eligible to purchase articles and services through the FMS system. This program is conducted through formal contracts or agreements between the U.S. government (USG) and an authorized foreign purchaser. These agreements are called U.S. Letters of Offer and Acceptance (LOA).

Beginning with a customer country's request, the FMS process is a complex one that for a major weapon system sale may last for more than seven years. It is outlined in Table 5-1 and discussed in this chapter and later in Chapter 6, "Foreign Military Sales Cases." The USG acquisition, logistics, financial, and training elements of the FMS process are further discussed in subsequent chapters in this textbook. This chapter addresses the entire FMS process starting with the preliminary stages when the customer begins to define requirements and ending with a discussion of FMS program closure.

**Table 5-1**  
**Foreign Military Sales Process**

<b><u>Preliminary</u></b> (Indefinite)	<ul style="list-style-type: none"> <li>• Customer determines requirements</li> <li>• Customer obtains specific systems information</li> </ul>
<b><u>Definition</u></b> (Indefinite)	<ul style="list-style-type: none"> <li>• Customer and U.S. exchange technical information</li> </ul>
<b><u>Request</u></b> (Indefinite)	<ul style="list-style-type: none"> <li>• Customer prepares and submits a Letter of Request (LOR) for price and availability (P&amp;A) data</li> <li>• Customer prepares and submits LOR for an LOA</li> </ul>
<b><u>Development of Offer</u></b> (Policy varies from 75 days for a simple LOA to 120 days+ for a complicated LOA)  (Congressional review if required is from 15-50 days)	<ul style="list-style-type: none"> <li>• Implementing agency (IA) receives the LOR</li> <li>• IA develops LOA data (LOAD)</li> <li>• Defense Security Cooperation Agency-Case Writing Division (DSCA-CWD) writes LOA</li> <li>• DOS/DSCA/Congress review LOA</li> <li>• DSCA countersigns LOA</li> <li>• IA issues LOA to customer</li> </ul>

**Table 5-1 (Continued)**  
**Foreign Military Sales Process**

<p><b><u>Acceptance of the Offer</u></b> (Policy is 60 days to accept an LOA)</p>	<ul style="list-style-type: none"> <li>• Customer signs LOA</li> <li>• Customer sends signed copy of LOA and initial deposit to Defense Finance Accounting Service-Indianapolis Center (DFAS-IN)</li> <li>• Customer sends signed copy of LOA to IA</li> </ul>
<p><b><u>Implementation</u></b> (15 days average)</p>	<ul style="list-style-type: none"> <li>• DFAS-IN issues obligational authority (OA)</li> <li>• IA issues implementing directive</li> <li>• IA activates FMS computer systems</li> </ul>
<p><b><u>Execution</u></b>  (Depends on delivery schedule)</p>	<ul style="list-style-type: none"> <li>• Case and line managers order articles/ services/training</li> <li>• Articles and services shipped and expended/ training conducted</li> <li>• IA reports performance to customer and DFAS-IN</li> </ul>
<p><b><u>Reconciliation and Closure</u></b> (Policy is 2 years from last delivery)</p>	<ul style="list-style-type: none"> <li>• MILDEP/DFAS-IN/customer reconcile records</li> <li>• MILDEP sends closure certificate to DFAS-IN</li> <li>• DFAS-IN issues final bill to customer</li> </ul>

It is important to remember that the USG infrastructure that supports the FMS process is not a stand-alone arrangement. Instead, it overlays the existing domestic structure of the DOD. Therefore, policies, databases, and organizational elements for support of FMS vary among DOD agencies. The military departments (MILDEPs) and other DOD agencies involved in writing and managing FMS programs are collectively referred to as IAs.

Note also that while this textbook offers an overview of the FMS process, it is not intended to replace the SAMM or other official references. The SAMM, which is published by the Defense Security Cooperation Agency (DSCA), is the principal manual providing policy and guidance for the administration and implementation of security assistance in compliance with the AECA, the *Foreign Assistance Act* (FAA), and other related statutes and directives. The SAMM and the associated policy memos are essential reading if one is to understand the FMS process. Much of what is discussed in Chapters 5 and 6 of this textbook correlates to Chapters 1, 2, 4, 5, and 6 of the SAMM. It is important to keep abreast of new policies and procedures by reviewing periodically the links to the SAMM and to security assistance policy memoranda and messages on the DSCA web site <http://www.dsca.mil/publications.htm>.

### **STAGES OF THE FOREIGN MILITARY SALES PROCESS: PRELIMINARY AND DEFINITIONS**

The FMS process begins when the customer does a threat analysis in conjunction with its national security objectives. The customer will identify potential defense requirements and obtain specific systems information. The customer will quantify system life cycle costs and determine if the potential capability is a viable cost alternative. Normally there should be ongoing consultations between the customer and U.S. representatives, principally the in-country U.S. security cooperation organization (SCO).

Chapter 4 of this textbook, “Security Cooperation Organizations Overseas,” discusses the SCO in detail. As the customer continues to define requirements, follow-on discussions will expand to include U.S. defense contractors as well as representatives from MILDEPs and other DOD organizations. These discussions may include such topics as required security agreements, acquisition alternatives, training plans, transportation plans, methods of financing, and concepts of operations and support. U.S. defense strategy plans, concerns for standardization, and interoperability should complement the customer’s plans and budgets whenever feasible. Follow-on discussions for the more complex sales may even lead to an international agreement or a Memorandum of Understanding (MOU) between the customer and the U.S., documenting the rights and obligations of each with regard to weapons systems development, production, or transfer. Chapter 8 of this textbook, “Foreign Military Sales Contractual Agreements,” discusses these types of agreements in detail.

### **STAGES OF THE FOREIGN MILITARY SALES PROCESS: REQUEST**

In down-selecting systems and services to meet defense requirements, the customer may submit an LOR to the USG. An LOR can request an information-only P&A response or a full-up formal sales offer response in the form of an LOA. The policy time frame for the U.S. to reply to an LOR with an LOA is based on an Anticipated Offer Date (AOD) that is assigned after receipt of a complete LOR by the IA. AODs are placed into one of four possible category groups as shown in Figure 5-1. Please read Chapter 6 of this textbook if you are unfamiliar with the different types of cases shown in Figure 5-1. The detailed LOA response policy is in the SAMM C5.4.2. A P&A is considered a rough order magnitude response and should be completed in 45 days (by policy).

<b>Figure 5-1 Letter of Request to Letter of Offer and Acceptance Response Time Anticipated Offer Date Groups</b>		
<b>Group</b>	<b>Anticipated Offer Date (Goal offer 85% of LOAs after LOR is considered complete)</b>	<b>Type of Case</b>
A	75 days or less	Default for Blanket Order and Training Cases
B	120 days or less	Default for Defined Order Cases
C	120 days or more	Defined Order Cases requiring engineering system integration, complex pricing, detailed release coordination, multi IA coordination, or unique acquisition requirements
D	When necessary guidance (funding, etc.) becomes available	All Pseudo or non-FMS Cases

The LOR should describe the customer’s requirement in as much detail as possible. LORs are usually submitted in formal correspondence, such as letters or messages. LORs may also be submitted via e-mail if the customer has made prior arrangements with the IA.

Technically, less formal methods of communication such as meeting minutes and even oral discussions may be considered appropriate media for transmission of LOR. Whenever a customer

makes a request through less formal media like these, the normal U.S. response is to ask the customer to put his request in an official letter or message. [SAMM, C5.1, has a detailed discussion on LORs.]

### Letter of Request: Format

There is no standard format for an LOR. However, a complete and comprehensive LOR is a critical document for communicating customer requirements to the IA. Figure 5-2 depicts the categories of information that may need to be addressed in an LOR. All these categories are described in detail with applicable references in the Defense Institute of Security Assistance Management (DISAM) LOR Writing Guide. This guide is found in the “On Line Learning” section of the DISAM web site. There are other online resources available that will help the customer prepare a complete LOR. See the list of references at the end of this chapter for links to the U.S. Army and U.S. Air Force generic and commodity-specific LOR checklists and preparation tools.

**Figure 5-2**  
**Letter of Request Checklist**

- Identification Information
    - Purpose:
      - Price and Availability (P&A)
      - Letter of Offer and Acceptance (LOA)
    - Lease
    - Purchaser
    - Pre-negotiations
    - Transparency
    - Acceptance Time Frame
    - International Solicitation
  - Major Item Considerations
    - Standard Model
    - Quantity
    - Unique Configuration
    - Delivery Time Frame
    - Transportation
    - Warranties
    - Sole Source
  - Support Considerations
    - Operations Concept
    - Maintenance Concept
  - Supply Concept
  - Initial Spares
  - Support Equipment
  - Facilities
  - Follow on Support
  - Publications
- Services
    - FMS Case Reviews
    - Training
    - DOD/Contractor Services
    - Site Survey
  - Financial Considerations
    - Funding Source
    - Payment Schedule/Initial Deposit
    - Financial Waivers
  - Special Considerations
    - Memorandum of Understanding (MOU)
    - Offsets
    - Commercial Negotiations
    - Special Reports
    - Interoperability



Customers should contact the IA headquarters offices to request assistance (if needed) with LOR preparation. The financial or logistical success of an FMS program may hinge on clear and comprehensive LOR information. To enhance communication and ensure a comprehensive and accurate LOA, purchaser involvement in the LOA development process is encouraged, especially on major system sales cases. Figure 5-3 reflects the SAMM C5.4.6.2 policy on this subject.

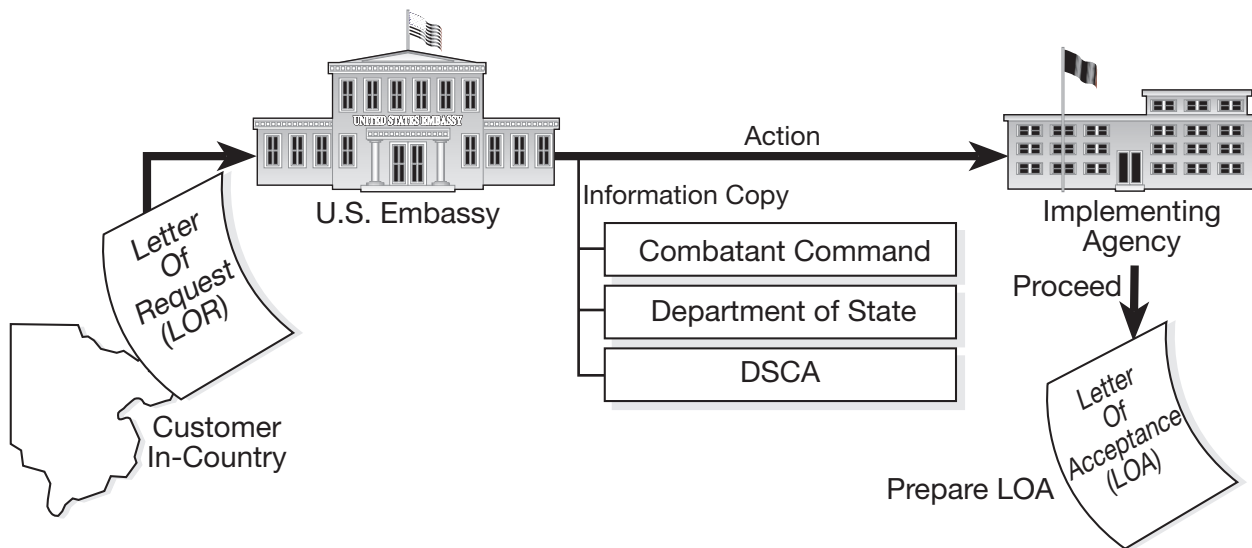
**Figure 5-3  
Purchaser Participation in the Letter of Offer and Acceptance Preparation Process**

- Purchaser involvement early on in the LOA development process is essential to ensure the final document provides the best “fit” for identified requirements.
- Purchasers should be encouraged to attend meetings and receive correspondence designed to clarify LOR information.
- Any unique notes or conditions being considered may be provided to the purchaser for advance review to ensure these special cases and/or program-unique needs are addressed.

**Letter of Request: Channels of Submission**

The action addressee for the LOR is the IA. The IA is the USG organization authorized to receive and process LORs. A description and listing of authorized IAs are provided in Attachment 5-1. Detailed LOR routing information and addresses for IA’s are in SAMM C5.T2. Information copies of LORs containing Significant Military Equipment (SME) and Major Defense Equipment (MDE) should be provided to the U.S. Embassy/SCO, the Department of State (DOS) Bureau of Political-Military Affairs (STATE/PM), DSCA, and the relevant Geographic Combatant Command (GCC). Figure 5-4 shows the channels of request for the LOR.

**Figure 5-4  
Channels of Request**



**Channels of Request**

SME are items highlighted on the *U.S. Munitions List* (USML) as requiring increased export controls because of their capacity for special military utility or capability. The USML is included in Part 121, *International Traffic in Arms Regulations* (ITAR). A link is provided in the list of references to this chapter. SME can be further identified as Major Defense Equipment (MDE), which is listed in

the SAMM, Appendix 1. If the LOR contains MDE the U.S. Embassy or SCO must provide a country team assessment (CTA). A CTA will address such topics as:

- The reason the customer requires the system
- How the customer intends to employ and deploy the system
- The customer's ability to operate and maintain the equipment
- How the customer intends to pay for the system
- The embassy's plan for end-use monitoring
- The embassy's recommendation as to whether the U.S. should agree to sell the system

Note that this submission is a country team assessment, not just an SCO assessment. Although the SCO is normally the action office that prepares the transmittal, it is important to remember that the analysis and recommendations it contains must be staffed with other members of the country team and represents the position of the U.S. chief of mission. Country team assessments are normally classified. Refer to SAMM, Table C5.T1, for more detail regarding the CTA.

It is the responsibility of the IA to ensure that information copies of the LORs are provided to the correct USG organizations. If it is not clear which IA has cognizance for the system requested, or if the subject of the LOR is sensitive enough to require a higher-level review, then the U.S. embassy or customer may send the LOR directly to STATE/PM and DSCA.

There may be many USG agencies not identified in this chapter that may need to review an LOR and a proposed offer. The type and breath of the USG reviews vary to a large extent depending upon whether the request contains non-SME, SME, MDE, classified items, and sensitive or missile-related technology. It is the responsibility of the IA to ensure that the correct organizations review the LOR. The goal is for the necessary reviews to happen concurrently to minimize the response time to the FMS customer.

### **Letter of Request Advisories and Pre-Operational Testing and Evaluation Sales Policy**

DSCA may need to prepare LOR advisories to the Under Secretary of Defense for Acquisition, Technology and Logistics [USD(AT&L)] and the Chairman of the Joint Chiefs of Staff. For example, an LOR requesting an LOA or P&A for SME/MDE that is still in DOD development and not approved for U.S. production must be approved by DSCA prior to the IA responding to the customer. DSCA will not approve this pre-operational testing and evaluation (OT&E) systems request until USD(AT&L) concurs. This is often referred to as the Yockey waiver. LOR advisories are also necessary for other types of requests such as requests for co-production or licensing agreements for MDE or requests for MDE which are expected to result in congressional notification. LOR advisories are discussed in the SAMM, C5.1.4.5.

### **Letter of Request: Negative Responses**

If the IA believes that an LOR should be disapproved, the IA must first coordinate with DSCA, who will coordinate with STATE/PM and other relevant agencies. Note that at any time during the LOA development process STATE/PM and DSCA may coordinate to determine if there will be any USG objection to the proposed sale. Refer to SAMM, Section C5.2.3, for a detailed discussion.

## **STAGES OF THE FOREIGN MILITARY SALES PROCESS: OFFER AND ACCEPTANCE**

The individual within an IA responsible for processing an LOR is the country director. The country director is also known as country desk officer or country program manager (CPM). Country directors

are usually found in the headquarters element of the IA's security assistance structure. More detail on IA organizations can be found in Attachment 5-1 at the end of this chapter. A country director will normally process all LORs the IA receives for a given country or region. However, there may be several country directors assigned to a customer country with many large complex FMS programs.

Upon receipt of an LOR, the country director should confirm that the requestor is eligible to purchase defense articles and services under the AECA, FAA, and other statutes and policies. Refer to SAMM, Table C4.T2, to determine this eligibility.

### **Letter of Request Response Documents**

There are two primary USG responses to an LOR.

#### ***Price and Availability***

A P&A response is an estimate that reflects rough order of magnitude (ROM) data. It is provided for country planning purposes only and shows estimated costs and projected availability of defense articles or services. P&A responses will normally not be provided for nonstandard subsystems and the IA should respond within 45 days of receipt of an LOR. P&A data is not valid for use in the preparation of an LOA nor should it be used by the customer for budgeting purposes. P&A responses should not be construed as a USG approval for the material or service. Only the LOA is the offer to sell. To avoid confusion, the term P&A should not be used in reference to data developed for completion of an LOA, and such data should be referred to as LOA data (LOAD). Refer to SAMM, Section C5.3, for further discussion of P&A.

#### ***Letter of Offer and Acceptance***

The LOA, or the FMS case, is the authorized document used by the USG as an offer to sell defense articles and services to a foreign country or international organization. An example of an LOA, including many related FMS process documents and a description of LOA elements can be found in the Bandarian Security Cooperation Program Sample Documents. The LOA represents a bona fide offer by the USG to sell the described items identified on the document. The LOA becomes an agreement when the customer signs it and provides the payment specified in the LOA with acceptance. If logistical or financial requirements change during the execution phase of the FMS case, it may be possible to amend or modify the case. Amendments and modifications are discussed later in Chapter 8, "FMS Contractual Agreements." The LOA is subject to many conditions and restrictions referred to as the LOA Standard Terms and Conditions. These standard terms and conditions of an LOA are further described in Chapter 8 of this textbook, "Foreign Military Sales Contractual Agreements."

It is important to remember that a P&A response is not a commitment by the USG to sell the requested articles and services. Once the customer has decided to purchase an article or service via FMS, an LOR for an LOA must be submitted. Only the LOA is an offer by the USG to sell.

### **Foreign Military Sales Case Identifier**

To differentiate among the approximately 12,000 open FMS cases, each LOA is assigned a unique case identifier, which is described in detail in Chapter 6 of this textbook, "Foreign Military Sales Cases." This unique case identifier will be provided to the customer by the IA as soon as possible. However, if the proposed sale must be notified to Congress, the case identifier may not be available until the proposed sale is entered *U.S. Federal Register* as a congressional notification.

## Initial Processing of the Letter of Request by the Implementing Agency

LORs are initially received and processed by the applicable IA country director. Except for purchasers with very large programs, country directors will process all LORs for a particular country or region. Before any further action is taken on the LOR, it must be validated to ensure the customer is an eligible FMS recipient and that informational copies have been distributed correctly. By policy, the IA should acknowledge receipt of the LOR within 5 days.

The LOR is also then loaded into the Defense Security Assistance Management Systems (DSAMS). This system, described in Appendix 1, “Security Assistance Automation,” of this textbook, will be used to task organizations and compile the LOAD that will be used to write the LOA documents. While the LOAD is being compiled, country directors will normally have a checklist of tasks or questions to answer in order to complete the processing of the LOR. The following are typical checklist items:

- Is the country authorized to receive the requested defense articles or services?
- Did copies of the LOR go to the proper USG review organizations?
- Is the LOR complete, does it contain enough information for a comprehensive LOA response?
- Does the LOR contain an identifiable customer reference or serial number?
- Is the LOR a result of a foreign solicitation?
- Are there any additional LOR references, such as a MOU or a pre-negotiated response?
- Does the request comply with total package approach (TPA) policy?
- Is the request a valid military requirement?
- Is this a sensitive technology request?
- Will the request result in the transfer of classified information?
- For Section 36(b), AECA, cases, has DSCA been provided with the congressional notification data within 10 days?
- Is the request for missile related technology or classified information?
- Will production be in-country?
- Will any production be used for third country sales?
- If the request is for standard U.S. materiel, is a valid national stock number (NSN) provided?
- How much initial spare parts are required to be delivered with the end items?
- Does a sole source request contain the proper justifications?
- If the request is for nonstandard materiel, has a military specification (MILSPEC) package or engineering data description been included?
- Has the request been screened to determine if there is a concurrent commercial bid in process?
- Does a quality inspection team need to inspect the material upon delivery to the customer?
- Does the customer require any special USG or contractor services such as an in-country weapon system logistics officer?
- Does the customer require a not to exceed (NTE) or firm fixed price (FFP) response?

- Does the LOR contain any unique customer budget or payment schedule requirements?
- Is a site survey required?
- Has a negative response been coordinated with DSCA?

### **Compilation of the Letter of Offer and Acceptance Data by the Implementing Agency**

As the country director proceeds through the IA's initial processing checklist, the case manager is tasked via DSAMS to begin compiling LOA Data (LOAD). It is the case manager who normally has primary responsibility for the LOA content. See SAMM, Section C2.4, for a detailed discussion of case management responsibilities.

The case manager must coordinate with weapon system program managers and item managers to collect cost and availability estimates for every article and service that will be included in the LOA. These estimates may be based on current DOD inventories or on information from U.S. defense contractors. As the data develops, the case manager and country director should both be alert for issues that may require further coordination, not only within the IA but also with other DOD organizations, as well as the DOS and other non-DOD agencies.

When outside coordination is required, the time required and the level at which it should occur will depend on a number of political, technical, and financial factors. For example, a routine follow-on support case will likely require little or no coordination with organizations outside the IA. Cases involving more than one proponent MILDEP (e.g., U.S. Navy helicopters with U.S. Army electronics) require coordination across service lines. More complex sales involving political issues, such as basing rights, may require participation by DSCA, the Deputy Under Secretary of Defense for Policy, the GCC, and the DOS. Complex financial or other business arrangements may also require coordination with the Departments of Commerce and Treasury.

### **Correlating the Letter of Request with the Military Articles and Service List**

In order to write an LOA, the IA will construct a separate LOA line item for each generic category of material or services. For each line item, the IA will also determine the appropriate material *Military Articles and Services List* (MASL) number. The complete material MASL, which is substantial, is contained within DSAMS. MASL data, such as generic codes, MASL numbers, and descriptions must be included on the LOA for each line item. A sample extract of the material MASL may be found in the Bandarian Security Cooperation Program Sample Documents. A table of generic codes is in the SAMM, Appendix 4. A MASL handbook is also available on the DSCA web site.

It must be noted that there are two separate and distinct MASLs, one for material and services and another for training. They should not be confused. Each contains different kinds of information and has different uses. DSCA maintains the material MASL with input from the MILDEPs. The security assistance training activities of the MILDEPs maintain the training MASLs, which are accessed via the Training Management System (TMS). SAMM, Section C13.6, discusses both types of MASLs in detail.

### **Completeness of Offer: The Total Package Approach**

When compiling LOAD, case managers should adhere to the policy of TPA outlined in SAMM, Section C4.5.3. TPA ensures that FMS customers are afforded the opportunity to acquire the full complement of articles and services necessary to field, maintain, and utilize major items of equipment efficiently and effectively. To a large degree, TPA depends on receiving a comprehensive LOR. In

addition to the weapon system itself, an LOA that follows the TPA concept will address areas such as training, technical assistance, publications, initial support, and follow-on support.

As part of the TPA, IAs should ensure that LOAs for equipment include at least one year's supply of spare parts. [SAMM, Section C5.4.8.9.2] These packages are referred to both as concurrent spare parts (CSP) and as initial spare parts (ISP). LOAs should include CSP or ISP for all support and ancillary equipment listed on the LOA as well as for major weapon systems. IAs normally requires that a significant portion of CSP and ISP be in country before they will release major end items for delivery. CSP and ISP are often identified by category and total value rather than itemized on the LOA.

IAs implements TPA through checklists for various weapon systems. TPA is discussed in more detail later in this chapter.

### **Quality of Items Sold**

DOD policy requires that articles and services sold under FMS reflect favorably on the U.S. Therefore, in most cases, articles provided under FMS will be new or unused or will have original appearance and function as much as possible as a result of rebuild, overhaul, or other rehabilitation. At a minimum, articles provided via FMS should meet the same serviceability standards prescribed for issue to U.S. forces. If the customer desires new equipment exclusively, this should be specified in the LOR and set forth in the LOA. Similarly, if the customer wants to buy excess defense articles (EDA) as is, where is, this too should be specified in the LOR and LOA. For EDA, the customer usually bears any costs for repairs, rehabilitation, or modification required to make the materiel usable. Additionally, LOA notes for EDA typically state that the USG is not obligated to provide transportation or future support for such material. Chapter 2, "Security Assistance Legislation and Policy," and Chapter 10, "Logistics Support of International Military Sales," of this textbook discuss EDA sales in detail. Also refer to SAMM, Section C11.5.

### **Public Release of the Letter of Offer and Acceptance Data**

It is DOD policy to comply with the *Freedom of Information Act* (FOIA). However, under exemption (b)(4) within DODD 5400.7, *DOD FOIA Programs*, SAMM Paragraph C3.6, commercial or financial information that a person, a U.S. or foreign business, or a foreign government provides to the USG may be exempt from disclosure to the public if:

- It is not the type of information that the originator would usually release to the public
- Disclosure is likely to cause substantial competitive harm to the originator
- Disclosure is likely to impair the ability of the USG to obtain necessary commercial or financial information in the future
- Disclosure is likely to impair some other legitimate USG interest

Any USG employee who receives an FOIA request regarding an LOA or an FMS procurement contract should refer it to the appropriate IA legal counsel. IAs should coordinate any decision to release or withhold information with DSCA General Counsel. Chapters 7, "Technology Transfer, and International Programs Security," and Chapter 8, "FMS Contractual Agreements," of this textbook also address FOIA requests. Also refer to SAMM, Section C3.6.1.1.

### **Congressional Notification**

The IA will provide congressional notification information (described in SAMM C5.6.5) to DSCA within 10 days of receipt of the LOR. DSCA will coordinate with DOS-PM and congressional

staff personnel prior to submitting the completed notification package to Congress. The notification is presented to the House Foreign Affairs Committee (HFAC) and the Senate Foreign Relations Committee (SFRC). DSCA must obtain concurrence from STATE/PM before sending a notification package to Congress. In order to present the customer with an LOA as soon as possible, preparation for the congressional notification process should run concurrent with the compilation of LOAD and the preparation of the LOA. Figure 5-5 and Chapter 2 of this textbook provide a summary and further discussion of congressional notification requirements.



Once statutory notification begins, the notification information becomes public information and is posted in the *Federal Register*. At this time the IA may, with DSCA approval, give the customer an advanced copy of the LOA. However, this copy of the LOA must be unsigned and annotated as a draft, and is therefore not binding. It is a courtesy copy for information only and should not be construed as an official offer. The IA can present the official LOA to the customer only after the congressional notification period has lapsed and when approved by DSCA.

If Congress objects to a proposed LOA, it must pass a joint resolution to that effect prior to the expiration of the notification period. If the notification period passes with no congressional action, DSCA may then countersign the LOA and release it to the IA for official presentation to the customer. See SAMM, Section C5.6 and Table C5.T10, for a detailed discussion of the congressional notification process.

### **Defense Security Cooperation Agency Review and Countersignature**

The IA will notify (MILAP status) the DSCA-CWD when they have completed compiling LOAD within DSAMS. DSCA-CWD will complete the LOA writing process by doing a quality review for policy compliance and add the applicable standard LOA notes.

FMS case countersignature is coordinated through the DSCA-CWD. Countersignature indicates that DSCA/CWD has reviewed and concurs with the release of the LOA. Countersignature also requires a final round of coordination with STATE/PM/RSAT. The CWD routinely coordinates with the relevant DSCA regional and financial directorates prior to countersigning the LOA. Once an LOA is countersigned by DSCA, it is placed in “Offered” status.

Next, usually within 1 day, the IA will print out the LOA, sign it and send it to the customer (DOCMNSENT status). On average, it takes about ten days from the time the LOA is approved by the IA for DSCA-CWD review (MILAP status) until it is countersigned by DSCA (Offered status). The AOD metric is based on the date the LOR is considered “LOR Complete” to the “DOCUMENTSENT” status in DSAMS. A more complete description of the IA and DSCA-CWD roles in the case development process is shown in Figure 5-6.

<b>Figure 5-6 Case Development Responsibilities</b>	
<b>Implementing Agency Actions</b>	<b>DSCA - Case Writing Division (CWD)</b>
<p><b><u>Develop LOA Data - “D” Status</u></b></p> <ul style="list-style-type: none"> <li>• Primary interface with the stakeholders on all LOA development issues</li> <li>• Develop line item LOA structure</li> <li>• Develop line item description notes</li> <li>• Obtain cost information</li> <li>• Price line items</li> <li>• Prepare payment schedule analysis</li> <li>• Develop delivery schedules</li> <li>• Process waivers</li> <li>• Prepare congressional notice (36b) input</li> <li>• Prepare case unique/non-standard notes</li> <li>• Releasability coordination</li> <li>• Foreign disclosure coordination</li> <li>• Identify manpower and standard level of service requirements</li> <li>• Conduct MTCR review</li> <li>• Identify EUM requirements</li> <li>• Review and approve final CWD LOA package</li> <li>• Sign LOA and send to customer for acceptance (Offered - “O” status)</li> </ul>	<p><b><u>CWD - Assembles the LOA</u></b></p> <ul style="list-style-type: none"> <li>• Write (W) Status               <ul style="list-style-type: none"> <li>• LOA quality assurance review</li> <li>• Prepare case standard notes</li> <li>• SA regulation and policy review</li> <li>• Construct payment schedule</li> </ul> </li> <li>• Review “R” Status               <ul style="list-style-type: none"> <li>• Forward LOA package to IA for final review</li> <li>• Conduct DSCA (CPD/CFD/policy) review                   <ul style="list-style-type: none"> <li>• Conduct legal review</li> </ul> </li> <li>• Proposed “P” Status                   <ul style="list-style-type: none"> <li>• Coordinate on State (RSAT) review</li> </ul> </li> </ul> </li> <li>• Offered - “O” Status               <ul style="list-style-type: none"> <li>• Countersign the LOA</li> <li>• Forward LOA package to IA</li> </ul> </li> </ul> <p>“D”, “P”, “O” = SCIP Status</p>

Once DSCA-CWD countersigns and releases the LOA, the IA will sign it and forward it to the customer for acceptance. The IA should also send a copy of the LOA to DFAS-IN.

Once the IA presents the customer with the LOA, the customer, by SAMM policy, should have 60 days to review and accept it; however, there are many exceptions to this rule [SAMM, Figure C5.F5.] To officially accept an LOA, the customer must:

- Send signed copies of the LOA to DFAS-IN and the IA (this may be done via the SCO)
- Send the initial deposit/payment due to DFAS-IN with acceptance as annotated on the LOA

Both of these actions must be completed before an LOA is considered accepted and ready for implementation. Payment must be in U.S. dollars and may be via check or wire transfer.

Customers should strive to accept an LOA by the offer expiration date (OED) listed on the first page of the LOA. If an OED is less than 60 days from the date the IA offers the LOA, the LOA must include a note explaining the reason. [SAMM, Table C5.T5] If the customer cannot meet the OED, the customer may request an extension from the IA. Many considerations, such as contract deadlines for multi-country programs or policy concerns, may preclude granting an extension. Customers should note that even if an extension is granted, cost and delivery estimates are perishable and will tend to degrade over time. An extended time period between the LOA offer and LOA acceptance may result in a less accurate cost and delivery estimates.

## **STAGES OF THE FOREIGN MILITARY SALES PROCESS: IMPLEMENTATION AND EXECUTION**

### **Implementation**

After receiving the initial deposit, DFAS-IN releases obligational authority (OA) to the cognizant IA. OA is forwarded via DSAMS to the MILDEP FMS management unique financial computer systems. The OA is evidence that proper case acceptance, including cash deposit, has been received and the case may be implemented. OA provides case financial authority which allows the IA case manager to implement the case. The IA may then prepare case directives that direct and coordinate the case implementation process. Implementation ends and case execution begins when requisitions for the LOA material and services are processed against the case. There is no standard metric or time frame for case implementation; however, it tends to be accomplished within 10-15 days.

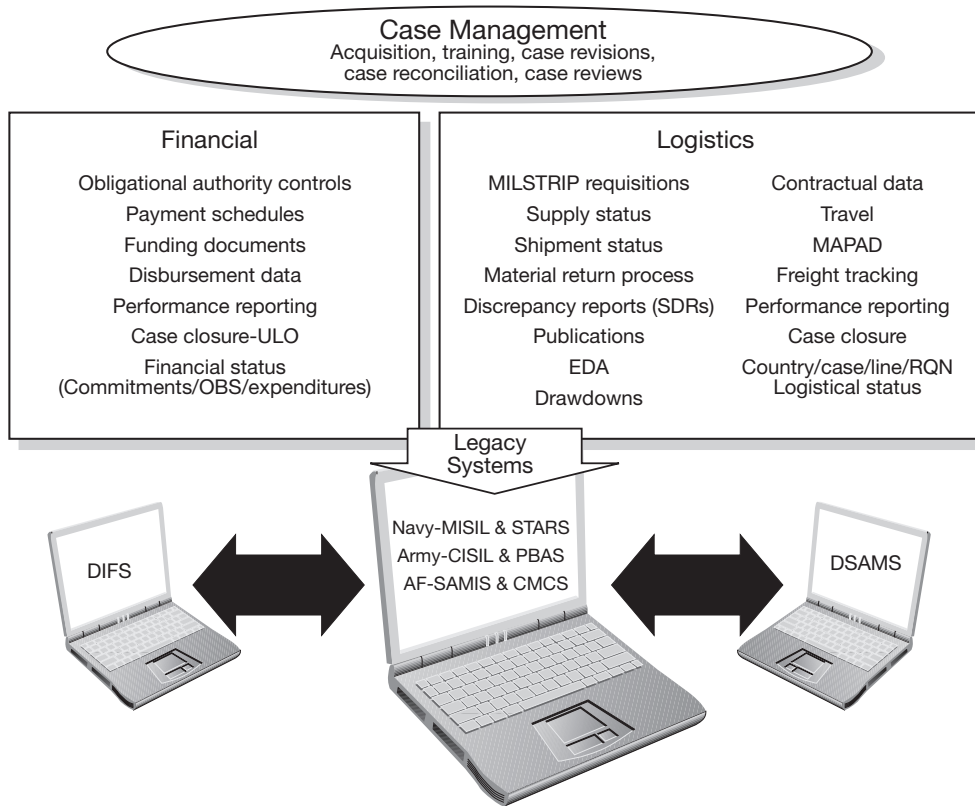
Although an LOA provides basic information and authority for an FMS case, it may have insufficient information for case implementation. A case manager may issue supplemental guidance (e.g. a case directive) in order to provide more detailed case logistical and financial implementation instructions. The term “FMS case directive” has several definitions, depending on the variations of case directive documents. In the broadest context, a case directive is a document, or an assortment of documents, used to implement an accepted LOA. The case directive is also known as the project directive for the Navy and the international program directive for the Air Force.

Implementation transitions into case execution when the IA or customer begins to requisition articles and services against the case. Moreover, since the case directive is an extension of the LOA, it should be amended or modified concurrent with LOA amendments and modifications. If LOA files and case directive files are not maintained in tandem, discrepancies will arise between what the LOA intends and what actually happens during the execution phase.

### **Execution**

Case execution, depicted in Figure 5-7, is the longest part of the life cycle of an FMS case. It begins when the IA's start the requisition and procurement process against the case directive and does not end until the last article or service is delivered or completed. This can take several years for a major case.

**Figure 5-7  
Foreign Military Sales Case Execution**



SAMM, Section C6.3.1, dictates that acquisition in support of FMS cases will be conducted in the same manner as it is for U.S. requirements, thus affording the customer the same benefits and protection that apply to DOD procurement, which is one reason why customers often prefer to buy via FMS. Accordingly, procurement and supply actions for FMS cases are normally carried out in the same manner by the same USG procurement and logistics activities that support U.S. forces, although IAs may establish offices or positions within their organizations specifically to coordinate and monitor FMS support. A typical FMS case includes items both from U.S. supply stocks and from new procurement. FMS procurement requirements may be consolidated on a single contract with U.S. requirements or may be placed on a separate contract, whichever is most expedient and cost effective. SAMM, Chapter 6, discusses case execution in detail.

**Foreign Military Sales Case Management Policy, Procedures, and Concepts**

A significant element of the case execution process involves FMS case management. The management of FMS programs and their cases, like the concept of management itself, is often regarded by some as more of an art than a science. While it is beyond the scope of this chapter to assess that contention, an argument can be made that FMS program and case management follows the same universal management principles of other DOD and USG programs or even nongovernmental ventures for that matter, i.e., the principles of planning, organizing, coordinating, communicating, directing, and controlling. Of this list of traditionally accepted management principles or functions, communication is especially pertinent as it relates to security assistance in general and FMS in particular. Equally important to case management is an understanding of the overall FMS process, in particular, identifying the key organizations and people responsible for executing an FMS case. It is not an understatement

to say that FMS has a language of its own and that learning and communicating with the numerous acronyms, special terms, and organizational symbols is very often half of the battle.

According to the SAMM, C2.4, the MILDEPs will assign a case manager to each active FMS case. Case management begins during P&A, LOA preparation, and should include the TPA concept. Further, the SAMM Table C2.T1 identifies the following specific responsibilities of a case manager:

- Establish initial and long-range goals and objectives for execution
- Ensure foreign disclosure and international transfer arrangements are approved prior to signature of the LOA or agreement
- Prepare a master plan (including a plan for case closure)
- Develop a financial and logistics management plan
- Approve plans of execution, scope, and schedule of work
- Review and verify funding and program requirements
- Integrate the program
- Initiate requirements
- Ensure that all schedules are accurate and timely
- Validate that costs are accurate and billed
- Reconcile cases especially during execution
- Respond to purchaser, higher headquarters, counterparts, functional activities, and other supporting agencies
- Initiate working agreements with supporting activities as appropriate
- Analyze performance in relation to required performance specifications
- Maintain a complete chronological history (significant events and decisions)
- Provide status, progress, and forecast reports
- Ensure all automation records are in agreement
- Prepare case for closure
- Ensure that case records are retained in accordance with DOD 7000.14-R, DOD *Financial Management Regulation (FMR)*, Volume 15, Chapter 6

### ***Implementing Agency Case Management***

An FMS case is not generally under the sole domain of any one organization. Rather, several organizations touch or impact an FMS case during its life cycle. Thus, there can be many organizations and people involved in the management of one FMS case. However, there should be one person assigned as the case manager. The case manager for blanket order and cooperative logistics supply support arrangement (CLSSA) cases normally resides at the appropriate MILDEP International Logistics Control Office (ILCO). The case manager for a defined order case may also be in the ILCO or in the MILDEP weapon system program office. SAMM C2.4.1 policy states that a case manager should be assigned by the IA before the case is implemented.

The case manager is accountable for all aspects of assigned FMS cases. This includes planning and execution functions as well as all financial, logistical, and acquisition matters associated with each program. The objective is to provide all articles and services within the cost and schedule estimated on the LOA. The case manager must stay on top of each program and be aware of any problems which could impact the estimated cost or schedule. This requires frequent communication with the weapon

system program manager as well as the contracting officer. When potential cost overruns or delays are identified, the case manager is expected to consult with the program manager, the contractor, and the foreign customer to ensure all options are explored and IA-informed decisions can be made. LOA amendments and modifications should be processed promptly to ensure the case reflects up-to-date estimates and descriptions for the program.

Good case management requires cooperation between the USG managers, contractors, and the foreign purchaser prior to any financial impacts on the case.

Case management may entail different terminology depending upon the IA case management philosophy. For instance, the Navy executes major system sale requirements through centralized SYSCOM Security Cooperation Offices (SSCOS). These offices provide advocacy and oversight throughout the FMS case life cycle to the SYSCOM commander and the affiliated Program Executive Office. This may include assisting pre-LOR efforts and ensuring alignment of FMS efforts to GCC requirements. The actual case manager will normally reside in the Program Executive Office. For follow-on support requirements the case manager, referred to as an Integrated Country Program Manager (ICPM) and will be located in the U.S. Navy International Programs Directorate of the Navy Inventory Control Point (NAVICP-OF) in Philadelphia, Pennsylvania. The U.S. Army uses the term program manager which is defined as the Army Materiel Command (AMC) commander, or his designated representative, assigned total responsibility for complete management of an FMS case by Headquarters, AMC. The Army also uses the terms command case manager at the Major Subordinate Command Security Assistance directorate level and central case manager at the U.S. Army Security Assistance Command (USASAC) in New Cumberland, Pennsylvania, to identify personnel involved in FMS case management. The U.S. Air Force also uses different FMS case manager terminology such as: country director at Deputy Under Secretary of the Air Force for International Affairs (SAF/IA), command country manager at Air Force Security Assistance Center (AFSAC), and a Security Assistance Program Manager (SAPM) at an Air Logistics Center (ALC) or systems program office (SPO).

At the ILCO level, the following are representative of a case/country manager's duties:

- Maintain effective case management control of all FMS cases and programs for assigned countries through shipment and case/program line closure
- Coordinate and implement country program management directives for support requirements of an assigned country's programs
- Serve as the point of contact for matters relating to country programs, acting as the country's U.S. representative within the U.S. supply system, to insure responsive and timely service
- Audit FMS cases to insure that the materiel requirements of the LOA have been satisfied
- Resolve problems relative to materiel delivery services, special relationships between customer country armed forces, and U.S. requirements for transportation or documentation

In effect, case managers serve as the interface (or focal point) between the foreign country's requirements and the DOD acquisition, logistics, financial, and training systems. They are responsible for the overall logistics and financial management of FMS cases.

## ***Total Package Approach***

Successful program and case management and customer satisfaction are generally the result of careful up-front planning and foresight. The planning for a specific FMS weapon system sale is, in large part, a function of anticipating all the requirements for the initial weapons sale and the follow-on support requirements. These requirements should be comprehensively reviewed and, where applicable, incorporated into the FMS program sale to achieve what is termed the TPA. Planning for what should be included in a systems sale will of course vary according to type of weapon system. Commodity specific checklists, as discussed earlier in this chapter, can be used by the case manager to identify the myriad of items or services to be considered for a sale. A checklist can provide the case writer with the questions that need to be asked to ensure that all requirements have been planned for and incorporated into the proposed sale. Checklists provide an effective means for implementing the TPA, particularly since the personnel involved in writing the case may not be technical or program management experts. Site survey is an essential element of TPA.

### ***Site Surveys***

Commodity specific checklists may not be sufficient to anticipate all variables and the answers to the LOA checklist questions may still need to be developed. To accomplish these requirements and provide a comprehensive LOA, it may be necessary for the IA to conduct a site survey. The policy for security assistance survey teams (including those performing site surveys) is contained in the SAMM, C1.3.4.2 and C1.F1. A detailed site survey checklist is contained in the *Navy Product Support Manual* which may be viewed in the online DISAM LOR Guide.

Site surveys are associated with major weapon system sales and are conducted in country with MILDEP, purchaser, and contractor representatives (if appropriate). The purpose of the site survey is to assess the requirements for introducing a specific weapon system into a country. Thus, as the planning TPA checklist indicates, an assessment of facilities and required levels of maintenance and support capabilities will be reviewed. A program management plan for introducing the weapon system will also be developed. Normally, the best time to conduct a site survey is prior to the writing of the LOA. The site survey will allow for the most accurate assessment of delivery schedules and pricing data. Site surveys are funded by the FMS customer.

### ***Military Department Security Assistance Computer Systems***

Each of the MILDEPs has its own dedicated FMS systems to provide internal control and management of security assistance transactions. These systems are used to monitor the supply and financial performance of the implemented cases. They are also used to report case status to the purchasers and to DFAS-IN. The MILDEPs use DSAMS to develop, write, and implement LOAs. The following are the current database systems used by the MILDEPs for FMS case execution management. These systems are often referred to as legacy systems and are scheduled to be replaced sometime after 2012 by a standardized database management system entitled the Security Cooperation Enterprise Solution (SCES). DSAMS is described in more detail in Appendix 1, “Security Assistance Automation,” of this textbook.

#### **U.S. Army**

- Centralized Integrated System for International Logistics (CISIL)
- Program, Budget, and Accounting System (PBAS)

#### **U.S. Navy**

- Management Information System for International Logistics (MISIL)

## **U.S. Air Force**

- Case Management Control System (CMCS)
- Security Assistance Management Information System (SAMIS)

Since these systems are essential for monitoring the performance of the approximately 12,000 open FMS cases, their reports and case products are used extensively by case managers to manage their assigned cases.

### ***Security Cooperation Information Portal***

The Security Cooperation Information Portal (SCIP) is a web-based means by which the security cooperation community can access the data from many different security assistance data base systems including the legacy systems mentioned above. SCIP allows the international security cooperation community, including the FMS customer, access to a wide range of FMS logistical and financial case data. The SCIP is also discussed in Appendix 1, “Security Assistance Automation,” of this textbook.

### ***Foreign Military Sales Case Reviews***

The FMS case review is a tool U.S. case managers and customers use to assess the overall program status relative to its objectives. Appropriate management actions can be exercised to correct discrepancies. The SAMM requires an annual case review by the case manager. Program management reviews (PMRs) are oriented to a specific weapon system sale and may include several FMS cases. Program reviews which usually involve face-to-face discussions with the customer identify problems as early as possible so that resolution can be accomplished before program milestones are impacted or compromised. Program reviews also provide USG and customer representatives with updates and exchanges of information. The frequency and the location of program management reviews should be indicated in the LOA notes. Case reviews have various names and can be attended by USG, purchaser, and contractor personnel, depending on program, case size, and complexity. Some of the MILDEP unique titles for these reviews are:

- Security assistance reviews (SARs)
- Security assistance management review (SAMRs)
- Program management reviews (PMRs)
- Country management reviews (CMRs)

The reviews can be major in scope looking at all cases related to a program sale in order to assess and adjust program requirements or program performance. Typically, case reviews or PMRs will assess the following topics:

- Major item contract status
- Major item delivery status
- Supply discrepancy report (SDR)
- Payment schedule adjustments
- Case financial status (commitments, obligations, and expenditures)
- Critical/urgent requirements and procedures
- Configuration issues
- Price increases
- Funding issues

- Transportation/shipping problems
- Training program
- Case closure
- Spares, supply, and shipment status

The SAMM, C6.5, provides more comprehensive information on FMS reviews.

## **STAGES OF THE FOREIGN MILITARY SALES PROCESS: RECONCILIATION AND CLOSURE**

As the delivery of articles and services listed on an LOA nears completion, the case manager should begin making preparations to reconcile and close the case. Case reconciliation should include the customer as a major participant. Reconciliation and closure mark the final stages of the FMS life cycle. They have historically also been the most difficult and contentious, so much so that DSCA has published a separate manual addressing reconciliation and closure procedures and requirements in detail. Refer to DOD 5105.65-M, *Foreign Military Sales Case Reconciliation and Closure Manual (RCM)*, available on the DSCA web site at: <http://www.dscamilitary.com/publications.mil>.

Although many USG agencies, as well as the customer, are all deeply involved in reconciling and closing a case, the responsibility for success at these stages falls ultimately on the shoulders of the case manager.

### **Reconciliation**

The RCM, Section C1.3, defines reconciliation to include the following:

- Financial and logistical actions that ensure proper accounting
- Accuracy and thoroughness of data
- Currency of schedules
- Timeliness and completeness of reporting

It is important to note that although this textbook discusses reconciliation as if it were one of the last things done with an FMS case, reconciliation should begin when an FMS case is implemented and should continue throughout the life of the case. A major case can generate thousands of requisitions and procurement actions. Closing out all transactions requires aggressive planning and continuous follow-up. At a minimum, per RCM, paragraph C1.5.2, case managers should reconcile all of their cases at least annually. Case managers who defer detailed reconciliation until the end of a case's period of performance are setting themselves up for failure. On the other hand, thorough and continuous reconciliation starting at implementation supports a successful case closure.

### **Supply and Services Complete**

It is DSCA policy to close an FMS case as soon as it is feasible to do so. Timely closure reduces the administrative distraction of monitoring dormant cases that are logistically but not financially complete. This allows case managers to focus their energies on executing and reconciling active cases. Additionally, closing cases promptly expedites the release of excess case funds back to the customer. An IA declares that a case is a candidate for closure when it is supply and services complete (SSC):

- All material has been delivered
- All services have been performed
- All supply SDRs are resolved

- All warranty periods have elapsed
- The IA and customers logistical records have been reconciled
- All notes on the LOA have been satisfied
- The appropriate database systems are updated with SSC case status
- All other requirements of the LOA have been met

SAMM, Section C6.8.3, requires IAs to include a note in LOAs declaring an estimated closure date which depends on the procedures used to close the case.

After a case is declared SSC, the IA will reconcile the case logistical and financial records. Then, under Accelerated Case Closure Procedures, will submit a case closure certification to DFAS-IN within two years of the SSC date. The Defense Finance Accounting Service (DFAS) will then complete its closure/reconciliation process and ultimately provide the customer with a final bill. An FMS case is considered closed when DFAS-IN issues a final bill or a final statement of account (DD Form 645 FMS *Quarterly Billing Statement*) to the customer.

### **Procedures for Case Closure**

Cases can be closed under the Accelerated Case Closure Procedures (ACCP) or non-ACCP. Except for Foreign Military Finance Program (FMFP) funded cases, customers may choose which program in which to participate. SAMM, Table C4.T2, and RCM, Table C3.T1, indicate which countries participate in ACCP. If a customer chooses ACCP, then all of the country's FMS cases will be closed under that program, including those implemented prior to the date the customer decided to participate in ACCP.

Non-ACCP is used for countries that have elected not to participate in ACCP. Under non-ACCP, cases may be closed only when all case requirements, i.e., obligations are completed and then final billed, and audited if necessary. Normally, the estimated closure date for a non-ACCP LOA is 36 months after the completion of the longest underlying contract. For major system sales, especially those with procurement contracts that also support U.S. forces and other FMS customers, these requirements can delay closure for several years after a case is SSC. If no contracts apply, then the estimated closure date is normally 36 months from the last scheduled delivery or service. Because non-ACCP is so cumbersome and takes so long, most countries elect to participate in ACCP.

ACCP applies to all countries using FMFP funds and any other countries that choose to participate. Since most countries participate in ACCP, it is now the standard for case closure. ACCP requires cases be closed within 24 months after the case is SSC.

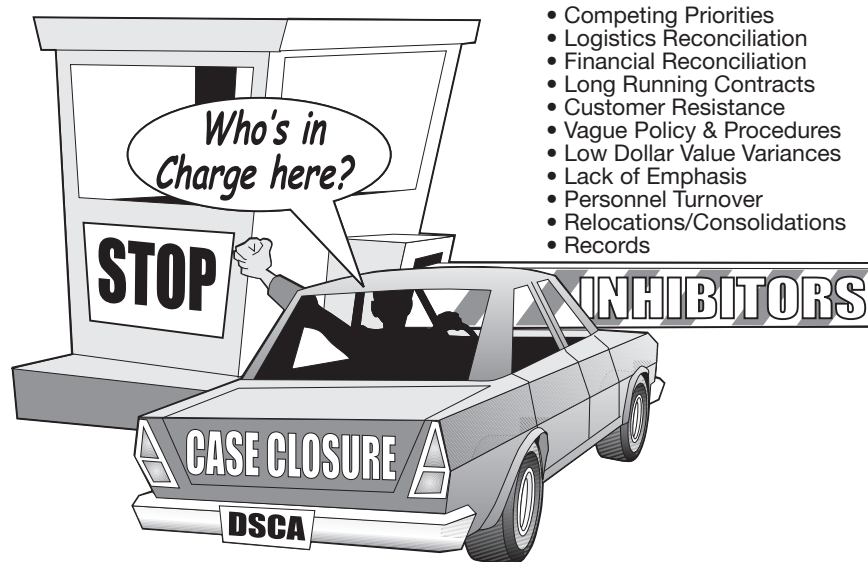
Historically, it was not uncommon for system sales cases to remain open for 3-5 years after becoming supply complete. Figure 5-8 illustrates many of the historical inhibitors to case closure.

ACCP procedures allow a case to be closed even if there are outstanding unliquidated obligations against on the case. A work request for services, a procurement contract, and an inventory requisition are examples of an obligation. Under non-ACCP, all case obligations must be supply and financially complete, i.e., finally disbursed or liquidated. ACCP allows the case manager to estimate the final case disbursements after the case has become supply complete. This estimated final disbursement is called the unliquidated obligation (ULO) value.

The ULO value, along with the delivered value of the case, is billed and collected from the FMS customer. The ULO collection is placed by DFAS-IN into a customer-owned, country level case closure suspense account (CCSA). At this point the case is considered "interim closed" in the IA FMS

computer systems; however, DFAS/IN will provide the customer a final bill (DD 645) indicating that the case is closed. Subsequent post-closure case disbursements for the unliquidated obligations will be processed against CCSA, thereby allowing cases closed by the accelerated process to remain closed.

**Figure 5-8**  
**Case Closure Inhibitors**



Customers receive regular CCSA statements as part of their quarterly DD Form 645 *FMS Quarterly Billing Statement*. If the balance exceeds anticipated ULOs, the customer may receive a refund. However, if the CCSA balance is in arrears \$100,000 or more for longer than six months, DFAS-IN may require payment of the entire balance owed.

Cases closed under the ACCP procedures outlined above are considered interim closed. Cases are not moved into final closed status until all outstanding obligations equal final disbursements. If there are excess ULO collections at final closure, the FMS customer may receive a reimbursement from the CCSA.

### **Processing Transactions Against Closed Cases**

Although final closure marks the end of the life cycle of an FMS case from a practical and operational standpoint, cases never really close from a DOD accounting perspective. DOD policy requires that all charges or credits against a case be processed, regardless of when they arise. Thus, it is possible for a case to be considered closed for many years, only to be reopened when a final audit finds a lost expenditure. If the customer participates in the ACCP, this newly discovered expenditure will be processed against the CCSA. If the customer is a non-ACCP participant, then the affected case must be reopened.

Reopening a case is undesirable for both the customer and the IA. For the customer, it may mean trying to justify a new expenditure for a case reported as delivered and complete years before. For the IA, a reopened case represents the use of already premium resources and perhaps an instance of inefficient management of the case closure process. At a minimum, reopened cases distract all concerned from the important business of processing, implementing, managing, reconciling, and closing currently active cases.

## SUMMARY

The process of FMS management follows a logical sequence of steps over a prescribed timeline. A purchaser initiates the FMS process by submitting an LOR through one of two basic channels. An FMS request initiated in country for significant military equipment is routed through the U.S. embassy or through the purchasing government's representative in the U.S. to the appropriate U.S. military department for action. Information copies routed through the U.S. embassy are sent to the appropriate GCC, DSCA, and STATE/PM. FMS requests for articles other than SME are also sent directly to the cognizant IA with information copies to STATE/PM and DSCA.

Depending on the nature of the foreign government's requirements, a purchaser may request either P&A data or an LOA. P&A data is usually needed by the foreign government for ROM estimates on prices and delivery timeframes. Response times for military departments to provide P&A data is within 45 days after receipt of the request. For LOAs, the response time is based on an Anticipated Offer Date which is described in Figure 5-1.

The LOA, also known as an FMS case, is the document that provides the legal authority for the DOD to provide defense articles and services to a customer country or international organization. The FMS case becomes implemented when the customer accepts the case and provides the required funding to DFAS-IN. The information in the accepted LOA, including associated amendments and modifications, provides the basis for the IA case manager to execute the FMS program. As the program is executed, the resulting financial and logistical documents and transactions are tracked by FMS unique computer systems. As the LOA requirements are delivered, they are also reported to DFAS/IN. DFAS-IN then will provide a quarterly bill to the customer. When all the material has been delivered and the services completed, the case becomes SSC. Under ACCP the case should be closed and reported to the customer as closed within two years of becoming SCC. The case will remain in "Interim Closed" status until all the final expenditures have been processed. Eventually a case will move into "Final Closed" status.

Below is a partial list and description of the different categories of case status found in DSAMS and SCIP:

### Case Status:

- Development - LOR received and LOA being developed by the IA
- Proposed - DSCA reviews the IA LOA data, writes the LOA, and coordinates on DOS review
- Offered - LOA countersigned by DSCA, signed by MILDEP, and LOA sent to the customer for acceptance
- Accepted - Customer returned accepted LOA and initial deposit to the IA and DFAS
- Implemented - Obligational authority issued, case is implemented and available for execution
- SSC-Implemented - MILDEP declares the case Supply Services Complete. No new requisitions allowed
- Interim Closed - Final expenditures estimated and collected (ULO). Case at DFAS. Final bill issued to customer
- Closed-Final - DFAS declares all final expenditures received

## REFERENCES

Department of Defense, DOD 5105.38-M, *Security Assistance Management Manual (SAMM)*.

Department of Defense, DOD 5105.65-M, *Foreign Military Sales (FMS) Case Reconciliation and Closure Manual (RCM)*.

Department of Defense, DOD 7000.14, *Financial Management Regulation (FMR)*, Volume 15, "Security Assistance Policy and Procedures."

U.S. Army generic LOR checklist and commodity specific checklists: <https://usasa.army.mil/site/fmscustomers>.

U.S. Air Force commodity specific checklists and an LOR preparation tool: <https://afsac.wpafb.af.mil>.

*International Traffic in Arms Regulations* and *U. S. Munitions List*: [http://www.pmddtc.state.gov/regulations\\_laws/itar.html](http://www.pmddtc.state.gov/regulations_laws/itar.html).

## **ATTACHMENT 5-1**

### **IMPLEMENTING AGENCY ORGANIZATIONS IN SUPPORT OF FOREIGN MILITARY SALES**

The DOD organizations that receive and process letters of request from foreign customers, write LOAs, and manage FMS cases are known as IAs. Although over 90 percent of open FMS cases are managed by the three MILDEPs (Army, Navy, and Air Force), a number of other agencies may also be tasked to act as IAs. Several other organizations have served as IAs in the past and may still have some older LOAs open. This attachment briefly discusses IA codes and then summarizes the way each of the MILDEPs is organized to support FMS. Additional information about specific MILDEPs and other IAs is available on the internet.

If a customer country wants defense articles or services through FMS, it may request an LOA from the USG. An LOR for an LOA is forwarded through the channels described earlier in this chapter. The LOR must ultimately find its way to the IA so that work on developing the LOA may begin. Figure 5-2 indicates that the LOR should be sent to the IA for action. Principal IA action addressees authorized to receive LORs are listed below. DOD 5105.38-M, *Security Assistance Management Manual* (SAMM), Table C5.T2, contains the complete list with addresses.

#### **U.S. Army**

U.S. Army Security Assistance Command (USASAC)  
Huntsville, Alabama (Redstone Arsenal)

#### **For training-only LORs:**

Security Assistance Training Field Activity (SATFA-TRADOC)  
Fort Monroe, Virginia

#### **For construction-only LORs:**

U.S. Army Corps of Engineers  
Washington, D.C.

#### **Information address for Army LORs:**

Office of the Deputy Assistant Secretary of the Army for Defense Exports and Cooperation  
Arlington, Virginia

#### **U.S. Navy**

Navy International Programs Office (Navy IPO)  
Washington, D.C.

The Navy International Programs Office also processes LORs  
for the U.S. Marine Corps and U.S. Coast Guard

#### **U.S. Air Force**

#### **For communications, electronics, aircraft and missile systems (SME) LORs:**

Deputy Under Secretary of the Air Force for International Affairs (SAF/IA)  
Washington, D.C.

#### **For follow-on support (except for training) LORs:**

Air Force Security Assistance Center (AFSAC)  
Wright-Patterson Air Force Base, Dayton Ohio

#### **For training-only LORs:**

Air Force Security Assistance Training (AFSAT) Squadron  
Randolph Air Force Base, Texas

### **Defense Security Cooperation Agency**

#### **DSCA writes specialized FMS cases:**

Defense Security Cooperation Agency-Case Writing Division (DSCA)  
Arlington, Virginia

### **Defense Contract Management Agency**

DCMA writes cases for Contract Administration Services (CAS)  
on direct commercial sales:

Defense Contract Management Agency (DCMA)  
Alexandria, Virginia

### **Defense Reutilization and Marketing Service**

#### **DRMS is the Defense Logistics Agency office that writes cases for excess property:**

Defense Reutilization and Marketing Service (DRMS)  
Battle Creek, Michigan

### **Defense Logistics Information Service**

#### **DLIS is the Defense Logistics Agency office that writes cases for cataloging services:**

Defense Logistics Information Service (DLIS)  
Battle Creek, Michigan

### **Defense Information Systems Agency**

#### **DISA provides information systems and services:**

Defense Information Systems Agency (DISA)  
Arlington, Virginia

### **National Geospatial-Intelligence Agency**

#### **NGA writes cases for charts and maps:**

National Geospatial-Intelligence Agency (NGA)  
Bethesda, Maryland

### **National Security Agency**

#### **NSA writes cases for special communication systems:**

National Security Agency (NSA)  
Ft. George Meade, Maryland

### **Defense Threat Reduction Agency**

#### **DTRA writes cases for special weapons development and improvement services:**

Defense Threat Reduction Agency (DTRA)  
Fort Belvoir, Virginia

### **Letter of Request Information Addresses**

An information copy of the LOR should be sent to DSCA, STATE/PM/RSAT, and to one of the following appropriate GCCs:

United States European Command (EUCOM)  
Stuttgart, Germany

United States Pacific Command (PACOM)  
Camp H. M. Smith, Hawaii

United States Southern Command (SOUTHCOM)  
Miami, Florida

United States Central Command (CENTCOM)  
MacDill Air Force Base, Florida

United States Northern Command (NORTHCOM)  
Peterson Air Force Base, Colorado

## Implementing Agency Codes

DSCA has assigned each IA a one-letter code that identifies it as the cognizant organization for a given FMS case. This code is recorded in the third position of the FMS case identifier. For example, the fictitious case used for Bandarian Security Cooperation Program Documents, managed by the U.S. Air Force (IA code D) might be BN-D-YCY, whereas a Bandarian case managed by the U.S. Army (IA code B) would be BN-B-YCY. Below is a list of active IA codes. Those marked with an asterisk are no longer used on new LOAs, but may still be found on older cases. See SAMM, Table C5.T2, for a current list of IAs currently authorized to receive LORs and prepare LOAs.

<b>IA Code</b>	<b>Organization</b>
<b>B</b>	Department of the Army
<b>C</b>	Defense Information Systems Agency (DISA)
<b>D</b>	Department of the Air Force
<b>E*</b>	U.S. Army Corps of Engineers (USACE; now included under IA code B with the rest of the U.S. Army)
<b>F</b>	Defense Contract Management Agency (DCMA)
<b>L*</b>	Defense Audiovisual Agency (DAVA)
<b>M</b>	National Security Agency (NSA)
<b>P</b>	Department of the Navy
<b>Q</b>	Defense Security Cooperation Agency (DSCA)
<b>R</b>	Defense Logistics Agency (DLA)
<b>U</b>	National Geospatial-Intelligence Agency (NGA)
<b>W*</b>	Defense Advance Research Projects Agency (DARPA)
<b>X*</b>	Defense Finance and Accounting Service-Indianapolis Indiana (DFAS-IN)
<b>Z</b>	Defense Threat Reduction Agency (DTRA)

## Military Departments

The three MILDEPs manage the vast majority of FMS cases. Accordingly, the offices that support security assistance for the most part overlay the existing domestic infrastructure. As one might expect from such an arrangement, the policies, databases, and organizational elements used to manage FMS vary among MILDEPs. Still, the MILDEP FMS organizations are similar in that each has:

- A dedicated FMS headquarters element located in the vicinity of Washington, D.C.
- An ILCO that deals primarily with support equipment, spare parts, and repair services
- An FMS training activity, which manages both stand-alone schoolhouse training such as professional military education (PME) and training in support of system sales

Additionally, although each MILDEP uses its own legacy information management systems for some aspects of case management, all MILDEPs and other IAs use the DSAMS to task and prepare LOAs. Normally, the headquarters element is the point of entry for material LORs. It then uses

DSAMS to designate a lead command for the preparation of the P&A or LOA. The lead command is responsible for obtaining data from other relevant organizations to prepare the P&A/LOA.

Read Chapter 3, “United States Government Organizations for Security Assistance,” Chapter 10, “Logistics Support of International Military Sales,” and Chapter 14, “International Training” of this textbook for more discussion of the overall MILDEP FMS organizational structure, ILCOs, and training activities. See Appendix 1 of this textbook “Security Assistance Automation” and SAMM, Chapter 13, for a discussion of DSAMS and other security assistance information management systems.

### ***United States Army***

Two organizations share FMS headquarters responsibilities for the U.S. Army. The office of the Deputy Assistant Secretary of the Army for Defense Exports and Cooperation (DASA-DE&C) has management oversight for Army security assistance policy, as well as for international armaments cooperation, foreign disclosure, technology transfer, and munitions export licensing. Headquarters, U.S. Army Security Assistance Command (USASAC) located at Huntsville, Alabama (Redstone Arsenal), is the Army’s executive agent for FMS. As such, it receives all Army LORs for material, which it then tasks out via DSAMS.

USASAC has a branch organization at New Cumberland, Pennsylvania, (USASAC-NC) that acts as the Army ILCO. Although USASAC-NC writes and manages cases for follow-on support, it cannot sign LOAs, unlike its Navy and Air Force counterparts.

The Security Assistance Training Field Activity (SATFA), located at Ft. Monroe, Virginia, is the Army organization that writes and manages training cases. Unlike the Navy and Air Force, the Army normally does not include training on materiel cases. Instead, SATFA will write a separate training LOA to support a material LOA. SATFA may receive taskings from USASAC-Huntsville or may receive LORs directly. SATFA may also sign training LOAs as the official U.S. Army representative.

Another U.S. Army organization connected to FMS training is the Security Assistance Training Management Office (SATMO) at Ft. Bragg, North Carolina. SATMO neither receives LORs nor writes LOAs. Instead, it is responsible for selecting, training, and supporting mobile training teams (MTTs) that deploy overseas to support security assistance training requirements. There is no comparable organization in the other two MILDEPs. SATMO works closely with SATFA and with SCOs.

The Headquarters, U.S. Army Corps of Engineers (USACE) in Washington, D.C., is the organization responsible for receiving LORs and for writing and managing FMS cases for Army design and construction services.

### ***United States Navy***

The Navy International Programs Office (Navy IPO) is the security assistance headquarters element in the U.S. Navy. Navy IPO handles not only FMS, but also other international programs such as international armaments cooperation and technology transfer. It also acts as the executive agent for security assistance matters related to the U.S. Marine Corps and U.S. Coast Guard. Accordingly, Navy IPO is the action addressee/point for entry for all LORs related to U.S. maritime services.

The Navy Inventory Control Point for FMS (NAVICP-OF), located in Philadelphia, Pennsylvania, is the Navy ILCO. Navy IPO tasks NAVICP-OF to write cases for follow-on support, and although it does not have the authority to receive LORs directly, NAVICP-OF does have the authority to sign such cases as the official Navy representative.

The Naval Education and Training Security Assistance Field Activity (NETSAFA) in Pensacola, Florida, is the agency that has oversight for FMS maritime training. Almost every LOA for the sale of a major maritime system will include a training line prepared by NETSAFA. However, unlike its counterparts in the Army and Air Force, NETSAFA is not authorized to accept LORs directly. Instead, LORs for maritime training must go to Navy IPO who will in turn task them to NETSAFA via DSAMS.

Navy IPO, NAVICP-OF, and NETSAFA also work closely with counterpart offices in the U.S. Marines Corps and U.S. Coast Guard to access their resources to meet FMS requirements.

### ***United States Air Force***

The Office of the Deputy Undersecretary of the Air Force for International Affairs (SAF/IA) is the Air Force headquarters element for security assistance. SAF/IA receives LORs for major system sales and tasks them out via DSAMS.

The Air Force Security Assistance Center (AFSAC) at Wright-Patterson Air Force Base, Ohio, is the Air Force ILCO. However, not only can AFSAC receive LORs and write, sign, and manage cases for follow-on support, it may also receive taskings from SAF/IA to write cases for major system sales.

The Air Force Security Assistance Training Squadron (AFSAT) at Randolph Air Force Base, Texas, receives LORs and writes, signs, and manages cases for Air Force training. Air Force training via FMS may be included as a line on an LOA for a system sale or may be provided via a separate FMS case.