
SECURITY ASSISTANCE PERSPECTIVES

Security Assistance Program Management In The Naval Supply Systems Command Part II

By

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[Editor's Note: This is the second of a two-part article featuring U.S. Navy security assistance programs managed by various agencies within the Navy Supply Systems Command (NAVSUP). Part 1 appeared in the Summer, 1993, issue of *The DISAM Journal*, and included several brief articles describing the security assistance operations of NAVSUP agencies located within the metropolitan Washington DC area. Part 2, herein, continues in the same vein by examining the important management activities of those NAVSUP agencies located outside of Washington DC.]

NAVILCO - Serving The Navy FMS Community

By

Captain Samuel B. McGavran, Commander, NAVILCO

Established on 28 February 1967 as the only command of its kind in the U.S. Navy, the U.S. Navy International Logistics Control Office (NAVILCO), Philadelphia, Pennsylvania, is an operating field activity under the command of Commander, Naval Supply Systems Command. NAVILCO is a relatively small activity of only 6 U.S. Navy Supply Corps Officers and 316 civilians. NAVILCO's people, along with an on-site detachment of Defense Finance Accounting Service - Denver Center (DFAS-DE), provide a cost effective and responsive source of essential services to Foreign Military Sales (FMS) customers and U.S. Navy FMS managers.

Also located at NAVILCO are 25 Security Assistance Foreign Representatives from 15 customer countries who monitor their countries' programs and provide NAVILCO with immediate customer access.

NAVILCO receives policy guidance from the Director, Navy International Programs Office (NAVY IPO), and Commander, Naval Supply Systems Command (NAVSUP). Although NAVILCO does not "manage" FMS cases as do our comparable sister service organizations, we are actively involved in every phase of an FMS case from implementation through final closure. We think that NAVILCO provides vital support services to the entire Navy FMS management process. The purpose of this article is to give you an appreciation for our role in security assistance.

History. NAVILCO has literally grown up with the security assistance program. Beginning as the International Logistics Division at the Naval Supply Center (NSC) Bayonne, NJ, and following consolidation of Navy records management of the security assistance program from both NSC Bayonne and NSC Oakland, NAVILCO was established as a Navy Command in 1967. In 1977, NAVILCO was relocated from Bayonne NJ to its present home on the Navy Aviation Supply Office compound in Northeast Philadelphia, PA.

More recently, Defense Management Review Decisions (DMRDs) have been having a significant impact on NAVILCO and will help mark 1993 as a year of great change in NAVILCO's history.

In March 1993, the DoD consolidation of finance and accounting services directed by DMRD 910 caused us to capitalize 99 former NAVILCO employees on site into a new detachment of DFAS-Denver Center. The majority of NAVILCO's old Comptroller Department is now known as DFAS-DE, Security Assistance Defense Accounting Office-Philadelphia.

DMRD 918, which is driving the consolidation of Automated Data Processing (ADP) System development services under the Defense Information Technical Service Office (DITSO), also impacted NAVILCO. Although the great majority of the individual services' Central Design Agency (CDA) assets are being pulled into this new organization, the responsibility for FMS ADP systems development remains with the services. Consequently, in May 1993, NAVILCO assumed command responsibility for the Management Information System for International Logistics (MISIL) Development Department of the old Navy Fleet Material Support Office at Mechanicsburg, PA when that command became a part of DITSO.

Although it remains to be seen if the huge, functionally narrow, organizations being created under the DMRD process can remain responsive to the customer while producing projected dollar savings, we at NAVILCO feel strongly that these DMRD-driven reorganizations only underscore the need to maintain a Navy owned and operated ILCO. As a customer focused, service operation we will continue to offer U.S. Navy FMS customers a single point of contact to help them navigate through the complex supply and financial processes in place throughout the Department of Defense (DoD). We help bridge the gap between the Navy-unique technical, supply, and maintenance communities and the new monolithic "stovepipe" DoD organizations being created in the supply, financial, and systems process areas. We provide a source of reassurance and stability to our customers in a radically changing U.S. support structure which they view with increasing trepidation.

Supply Operations. NAVILCO serves as the single control point between customer countries and the DoD supply system. The vast majority of requisitions for both initial outfitting material and follow-on support flow through NAVILCO into the supply system. NAVILCO tracks all assigned requisitions until they are completed and provides status reports to both U.S. and foreign customers through the MISIL. NAVILCO works closely with Navy and Defense Logistics Agency (DLA) Inventory Control Points (ICPs), helping to expedite customer requirements and responding on those frequent occasions when the automated systems require manual intervention.

Twelve Country Program Managers (CPMs) at NAVILCO serve as customer focal points for all matters relating to supply processes. These CPMs and their staffs work closely with foreign customer countries, NAVY IPO desk officers, and case managers located primarily at Navy Hardware Systems Commands. In an average one-month period, NAVILCO has over 100,000 orders in process, receives 25,000 new orders, and generates over 110,000 status notices to customers.

NAVILCO CPMs do much more than process requisitions. They are uniquely talented individuals who offer a broad base of experience in support of Navy case managers. Major program offices rely upon them to assist in setting up case management records in MISIL and to help ensure that customer countries know how to interact with the U.S. system. Since NAVILCO people work across many program areas, they can provide individual program managers with valuable lessons learned from earlier efforts with specific countries. For instance, their insight into the level of sophistication of a customer country's supply system can help determine a customer's ability to handle automated supply data for a new program, and enables them to make suggestions for system enhancements. Navy FMS program offices that work closely with NAVILCO in a program's early stages have fewer problems downstream in effecting material and financial case completion.

NAVILCO supply operations personnel are also responsible for monitoring and resolving customer reports of discrepancies (RODs). Although most RODs require some action by a DLA or Navy supply activity for final resolution, we have achieved a steady decline in the number and age of outstanding RODs through constant prodding and the direct assistance provided by a small but aggressive group at NAVILCO.

An equally small and aggressive group of physical distribution experts at NAVILCO provides Navy customers with hands-on assistance in the material movement processes. Recognized throughout DoD for their knowledge of the FMS-unique aspects of transportation, this group works with DoD shippers and freight forwarders to ensure the smooth flow of FMS material through the transportation system. This kind of low key, but vital "in the ditch" customer support work is representative of the contribution NAVILCO is providing on a daily basis to the Navy FMS business.

Defense Finance and Accounting Service-Denver Center (DFAS-DE) Security Assistance Defense Accounting Office Philadelphia (SA DAO-PHILA). SA DAO-PHILA's Financial Program Managers (FPMs) are the unsung heroes of the FMS management process. They must deal with a highly complex bill paying and contracting system that is not known for the accuracy and timeliness of its financial documentation. Since laws governing the financial accounting for FMS funds are much less forgiving than they are for standard DoD accounting, final case financial closure is an arduous and often frustrating task. SA DAO-PHILA personnel understand this process well and are making excellent progress in closing cases in spite of many process obstacles.

As is the case with the CPMs on the supply side, FPMs work closely with foreign customers, case managers, and program offices. Because of their broad experience, it behooves Navy FMS managers to seek their advice in setting up cases in order to facilitate future financial management and case closure.

Supply and financial integration is the single greatest strength of the U. S. Navy's FMS management process. Although the employees of SA DAO-PHILA no longer report directly to the Commanding Officer of NAVILCO, they recognize the importance of maintaining the strong supply/financial teamwork that has characterized the Navy system in the past. As long as these people remain collocated with NAVILCO, this link will remain strong.

Automated Data Processing (ADP) Systems. MISIL is currently the backbone of the Navy's FMS supply and financial management system. Although there is another execution system, Standard Accounting and Reporting System (STARS), used by the Naval Sea Systems Command, 74 percent of all Navy FMS cases accounting for 85 percent of Navy FMS dollar sales, are managed in MISIL.

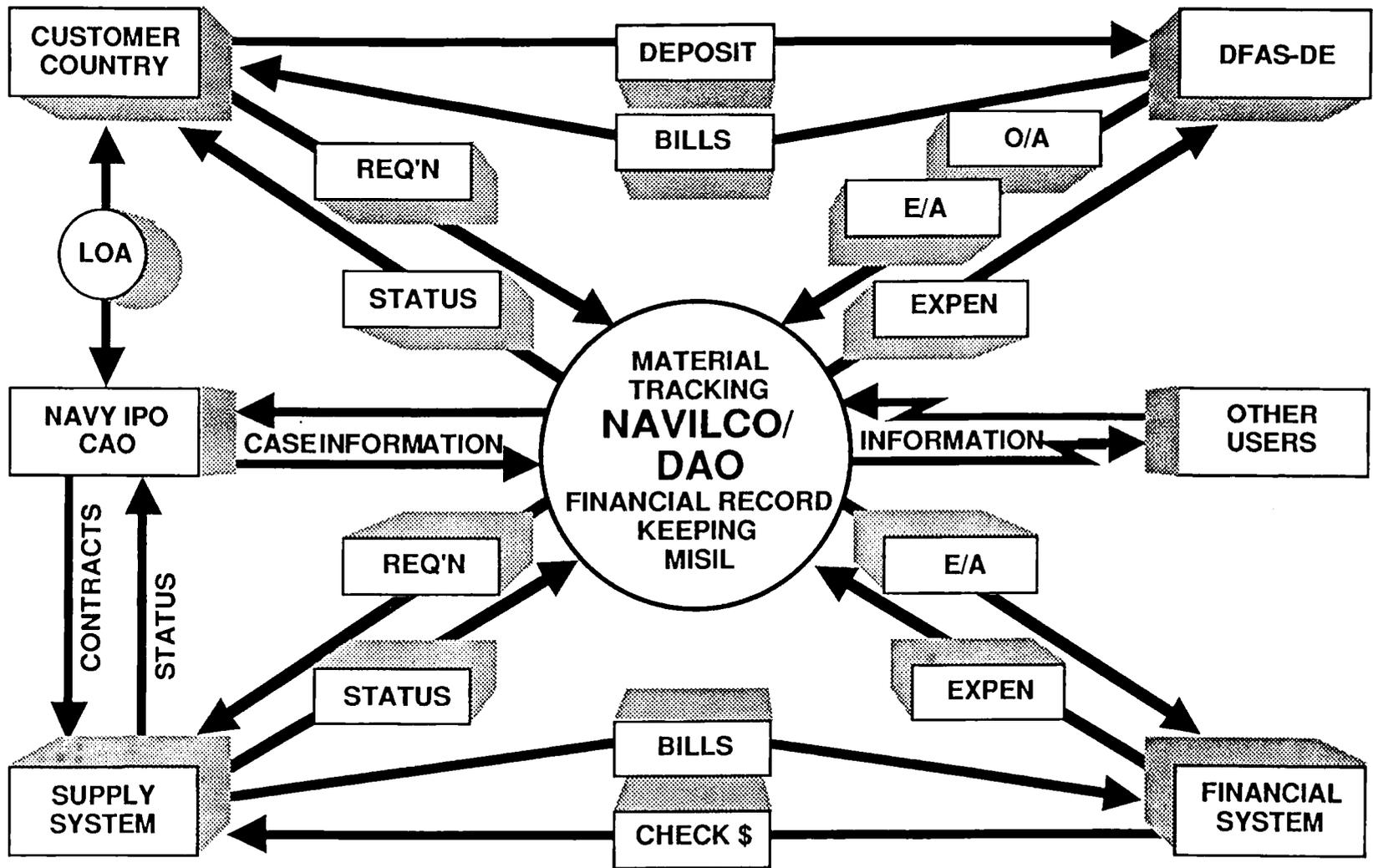
MISIL is unique among systems employed by the three services in that it provides a fully integrated supply and financial record. A requisition or other supply transaction registered in MISIL is reflected immediately in the case financial record, providing real-time visibility of case funds status. All supply and financial transactions pass through MISIL on their way into and out of the DoD supply system. In addition, MISIL controls all transactions forwarded to and from the DFAS-Denver Center's Defense Integrated Financial System (DIFS) data base. Table 1 illustrates the pivotal role the MISIL system and NAVILCO/SA DAO-PHILA play in processing supply and financial FMS transactions.

Because of its central position in the FMS process, MISIL provides a tremendous quality control point for FMS management. Typically, some 40 percent of all contract expenditure financial transactions initially "except out" for correction through MISIL and are reworked prior to being processed to Denver. Since MISIL closely monitors a microcosm of the entire DoD supply and financial system, NAVILCO provides early warning of system-wide problems. NAVILCO's identification of a Defense Program for Reutilization of Assets (DEPRA) processing difficulty in early 1993 saved DoD customers countless wayward requisitions.

Foreign Liaison Offices in the U.S., U.S. security assistance organizations overseas, and other U.S. FMS managers use MISIL interactively on a daily basis to track case material and financial status. Foreign FMS customers appreciate the individual requisition line item visibility which MISIL provides.

NAVILCO, as the primary user of MISIL, has long played a major role in maintaining and improving the MISIL system. In May 1993, we also assumed responsibility for overall systems development and systems maintenance through our Mechanicsburg, PA detachment. MISIL is one of only two major U.S. supply ADP systems to complete modernization prior to the DMRD freeze in new systems development. It provides the Navy FMS community with a truly flexible, integrated data base that continues to prove its responsiveness to emerging customer requirements. Recent innovations include: a freight tracking process which allows customers to monitor the progress of shipments through their freight forwarders; and a "contract accounting" capability that allows program managers to monitor contracts by Accounting Classification Reference Number (ACRN) while preserving the detailed visibility of individual requisition lines. This major modification has helped make MISIL even more useful for case and program managers.

Case Reconciliation Reviews (CRRs). NAVILCO will host some 24 CRRs with foreign customers this year. Under a charter from NAVY IPO, NAVILCO hosts these meetings which are conducted about every 18 months with most major foreign customers. During a CRR, representatives of the Navy Hardware Systems Commands, ICPS, DFAS-Denver, SA DAO-PHILA, and NAVILCO sit down with our customers to conduct a detailed supply and financial reconciliation of cases. Case funding level adjustments are discussed as well as unique supply and financial issues raised by the customers. We also use these meetings to update our customers on recent procedural changes, such as the accelerated case closure initiatives associated with the unliquidated obligation (ULO) process, and to market new capabilities to them. The CRR does not take the place of individual Program Management Reviews (PMRs), which are more technical in nature; however, over the years the Navy has found that great benefit is derived by bringing together the supply and financial personnel to review cases and share their perspectives.



Summary. We hope that this brief article has helped to acquaint you with NAVILCO. We consider ourselves to be the work horse of the Navy FMS Program, and take pride in our customer-oriented approach to international logistics. Working closely with the International Logistics staff of our immediate boss, Commander, Naval Supply Systems Command, the staff of Navy IPO, Navy and DLA ICPs, Navy Hardware Systems Command FMS managers, SA DAO-PHILA, and DFAS, we facilitate a team approach to FMS and help Navy present a united, responsive face to our foreign customers. With an average civilian grade level of only 7.5, NAVILCO provides the Navy FMS community with an efficient and cost effective organization for the day-to-day support of security assistance programs.

FMS Bonanza at ASO Philadelphia

By

**Commander Roger Petty, USN, and Mr. Ray MacWilliams
International Logistics Support Division, Aviation Supply Office**

"Your nation buys a weapon system from another nation," says CDR Joe Smith, a logistician from the Bandarian Navy. "In my business, the first thing you think is 'How will we support it once we have it?' Coming to ASO, I found that it's no longer a worry. ASO takes care of its customers!"

At the Naval Aviation Supply Office (ASO) in Philadelphia, the customer is king, especially in the world of Foreign Military Sales (FMS). Supporting over 2,000 aircraft for 30 nations, ASO manages 20 different types of aircraft, from A-7s to F/A-18s.

ASO is the Inventory Control Point (ICP) for Navy and Marine Corps aviation spares and repairs worldwide, managing 230,000 items with an inventory value of over \$13 billion. Although the Cold War has ended, FMS business is booming at ASO, generating ten percent of its annual *sales* of \$2.91 billion.

"We will generate almost 5,000 contract actions this year, with projected sales of over \$300 million, an increase of \$100 million over the past decade," said CDR Roger Petty, SC, USN, International Logistics Support (ILS) Division Director. "The 70 people we have on the staff of the division do an outstanding job, managing almost 30,000 requisitions a year and over 1100 repair actions," he added. With the potential for several new programs, the ILS Division at ASO could have up to 60,000 new requirements in Fiscal Year 1994 and may initiate up to 10,000 procurement actions.

"We function as the customer advocate for our foreign customers," Petty said "We will provide program management, follow-on support, and repair assistance from the award of the aircraft contract through retirement."

The initial program management phase is performed by a dedicated team leader supported by 2-4 supply technicians. Using ASO's extensive database and networking capabilities, they provide price and availability information on parts, including projected lead-times for budget

planning. The ASO program managers also participate in site surveys to assess a nation's support capabilities and fine tune the levels of spares needed.

During the initial support phase of an FMS program, ASO develops gross requirements lists (GRLs) for aircraft and engine spares, plus a GRL for support equipment spares. These GRLs are tailored to each customer country's requirements, and are computed to the number of aircraft to be supported and the estimated flying hours projected by the customer. The GRL reflects the range and depth of spares required to support a program for a pre-determined period. Normally, the initial support is for two years, but GRLs can be computed for long range support at the customer's request. For the most recent program, spares have been computed for a nine and a half year support period.

Besides taking supply and procurement actions on ASO managed items, the ASO manager must also ensure the remaining items (DLA, GSA and Air Force managed) are submitted for supply actions by building a MILSTRIP package for input into the NAVILCO MISIL database. Using internal tracking files and the MISIL database, the ASO manager ensures all ASO managed items are issued from stock or procured on a timely basis. ASO also monitors the delivery of items and performs follow-up and expedite actions when needed.

When the initial support phase of a program is in place, the follow-on support phase begins, normally about two years into the program. The follow-on support cases should be in place before delivery of the first aircraft. These cases include the Cooperative Logistics Supply Support Agreement (CLSSA), Direct Requisitioning Procedures (DRP), and Repair of Repairables (ROR).

CLSSA requires up front customer investment and the augmentation of Navy and DoD stocks. The investment is based on the dollar value of assets expected to be used over one year. This approach allows customers to enjoy equal treatment under DoD priority systems. DRP, on the other hand, requires no initial investment by the nation, but allows requisitions only to the reorder point of DoD stock levels.

Since FMS customers seldom have total repair capability, an ROR case is generally required to provide supplemental capability. Although several options are available for ROR cases, ASO recommends the "TRIL with Tracking" procedure. ASO will develop a TRIL (Tailored Repairable Item List) which reflects all the repairable items applicable to the specific program and where each item should be shipped for repair. This precludes a customer from having to come back to the U.S. Navy for disposition of each failed item.

ASO also hosts 15 foreign liaison officers in Philadelphia, who interact with their U.S. civilian and military counterparts on their individual programs. This gives both ASO and our allies an opportunity to learn. They see how we develop the support packages, while we get to know their own unique use and requirements for their particular weapon system configuration.

"As the Inventory Control Point for Navy and Marine Corps aviation worldwide, we're uniquely able to give our foreign military customers the same logistics solutions we provide to our own forces," said Petty. "We see ourselves as logistics information brokers, not just people who order parts. Sometimes, the best approach is to find ways to avoid buying parts or repairs. As defense budgets worldwide decrease, we can give our allies real value by 'holding the line' on costs while improving overall readiness. We have the databases, the worldwide interfaces and most importantly, the people with years of logistics experience to give our customers what they want, when they want it."