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# FOREIGN MILITARY SALES PROCESS

## INTRODUCTION

The Foreign Military Sales (FMS) program is part of Security Assistance (SA) authorized by the Arms Export Control Act (AECA) and is a fundamental tool of United States (US) foreign policy. Under section 3, AECA, the US may sell defense articles and services to foreign countries and international organizations when the President makes a determination that a prospective purchaser is eligible. Department of Defense (DOD) 5105.38-M, *Security Assistance Management Manual* (SAMM), table C4.T2, identifies countries and organizations designated as eligible to purchase defense articles and services through the FMS program. Questions regarding eligibility should be referred to the Defense Security Cooperation Agency (DSCA). FMS programs are conducted through formal contracts or agreements between the US government (USG) and an authorized foreign purchaser. These government-to-government agreements to transfer defense articles and services are called Letters of Offer and Acceptance (LOAs) or FMS cases.

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 DSCA, is the principal manual providing policy and guidance for the administration and implementation of SA in compliance with the AECA, the Foreign Assistance Act (FAA), and other related statutes and directives. The SAMM and associated DSCA policy memoranda can be found on DSCA's website: <http://www.dscamilitary.com/samm>. In this dynamic national security environment, it is important to keep abreast of new or revised SA policies and procedures by periodically reviewing the SAMM and policy memos. There is also a convenient link to the SAMM and policy memos at the Defense Institute for Security Assistance Management (DISAM) website: <http://www.disamilitary.com>. These references are essential reading to understanding the FMS process. Much of the information discussed in chapters 5 and 6 of this textbook correlates to chapters 1, 2, 4, 5, and 6 of the SAMM.

Before discussing the FMS process itself, it is important to understand that the USG infrastructure supporting FMS is not a stand-alone arrangement, but rather utilizes the existing domestic structure of the DOD. Therefore, policies, databases, and organizational elements that support FMS vary among DOD agencies that manage LOAs. Military departments (MILDEPs) and other DOD agencies involved in writing and managing FMS programs are collectively referred to as Implementing Agencies (IAs), and are listed in attachment 5-1 to this chapter.

The FMS process is complex, and for a major weapon system sale, may last for many years. The stages of the FMS process are outlined in table 5-1 and are discussed throughout this chapter and in chapter 6, "Foreign Military Sales Cases." The DOD acquisition, logistics, financial, and training elements of the FMS process are further addressed in subsequent chapters of 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/case closure.

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

<b>Preliminary</b> Indefinite Time Period	Customer identifies defense capability requirements Customer researches options/sources
<b>Definition</b> Indefinite Time Period	Customer refines requirements Customer and US exchange technical information
<b>Request</b> Indefinite Time Period	Customer prepares/submits Letter of Request (LOR) for Price and Availability (P&A) or LOA
<b>Offer</b> 75-120+ days Depends on complexity of case Congressional review 15-50 days	IA and DSCA receive and evaluate LOR IA develops LOA data (LOAD) DSCA Case Writing Division (CWD) “writes” LOA Congressional notification, if required, concurrent with LOA development DSCA-CWD countersigns LOA IA issues LOA to customer
<b>Acceptance</b> OED is generally 85 days from IA approval in DSAMS (by policy, includes at least 60 days for country review)	Customer signs LOA by Offer Expiration Date (OED) Customer sends signed LOA to the IA Customer sends signed LOA and Initial Deposit to Defense Finance and Accounting Service-Indianapolis (DFAS-IN)
<b>Implementation</b> 15 days average	DFAS-IN issues Obligational Authority (OA) IA issues implementing directive IA activates FMS computer systems
<b>Execution</b> Depends on delivery schedule Longest phase in the life of a case	Articles/services/training are ordered Articles shipped and services accomplished Training conducted IA reports performance to customer/DFAS-IN
<b>Closure</b> 2 years from supply/services complete (Accelerated Case Closure Procedures)	IA/DFAS/customer reconcile records IA sends closure certificate to DFAS-IN DFAS-IN issues final bill to customer

**STAGES OF THE FOREIGN MILITARY SALES PROCESS: PRELIMINARY AND DEFINITION**

The FMS process begins when the customer conducts a threat analysis in conjunction with its national security objectives. During this assessment, the customer typically looks at material and non-material solutions to address mission deficiencies. Non-material solutions may involve areas such as military doctrine, force structure, and training philosophy. For potential material solutions to defense requirements, the customer may explore options by seeking information from the USG about specific systems. These efforts are referred to as the Preliminary Stage in the life of the FMS process. An important element of this analysis is for the customer to quantify system life cycle costs to determine if the potential capability is a viable cost alternative. Normally, there should be ongoing consultations between the customer and US representatives, especially the in-country US Security Cooperation Organization (SCO), to assist the customer with defining and refining its requirements. This is called the Definition Stage of the FMS process.

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 often expand to include US defense contractors as well as representatives from the IAs 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. US 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 US to document the rights and obligations of each party with regard to weapons systems development, production, or transfer. Chapter 13 of this textbook, “Systems Acquisition and International Armaments Cooperation,” discusses these types of agreements in detail.

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

Upon identifying US systems and/or services to meet defense requirements, the customer may submit a Letter of Request (LOR) to the USG. An LOR can be communicated through formal correspondence (such as a letter or message), electronic mail, or a Request for Proposal (RFP). Less formal methods of communication such as minutes to a meeting or perhaps even oral discussions may be acceptable for transmission of an LOR, but USG representatives should ensure that the request is appropriately documented for future reference and accountability. SAMM C5.1 has a detailed discussion on LORs.

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

A customer’s LOR can request an information-only Price and Availability (P&A) response or a full-up formal sales offer response in the form of an LOA. The key differences between these two types of USG responses to LORs are outlined below.

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

P&A is a rough order of magnitude (ROM) estimate reflecting projected cost and availability for defense articles and services identified in an LOR. Generally the IA will use existing financial and logistics information to respond to a P&A request. P&A is intended for planning purposes only and should not be used by the customer for budgeting purposes. Normally, nonstandard subsystems will not be included in P&A responses unless approved by DSCA. By policy, the IA should respond within forty-five days of receiving an LOR for P&A data. These ROM estimates are not valid for use in preparation of an LOA, and therefore should not be construed as USG commitments to provide the requested material and/or services. In other words, P&A data is not an official USG offer to sell. After reviewing P&A data, a separate LOR for LOA is required if a customer desires to pursue a purchase. It is not necessary for an LOR for P&A data to precede an LOR for LOA. To avoid confusion, the term P&A should not be used when referring to data developed for an LOA – such data should be referred to as LOA data (LOAD). Refer to SAMM C5.3 for further discussion of P&A data.

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

The LOA, or 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. The Bandarian Security Cooperation Program Sample Documents package includes a sample LOA, including many related FMS process documents. By policy, the IA must offer an LOA within 75–120+ days after receipt of a complete LOR, depending on the type and complexity of the case. The specific time parameters and associated criteria will be addressed in more detail later in this chapter. The LOA represents a bona fide offer by the USG to sell the described items identified in the document. The LOA becomes an agreement when the customer accepts (signs) it and provides the initial deposit payment specified in the LOA. While P&A and LOA data are both estimates, an LOA is developed based on the customer’s specific requirements and contains the most precise data available at the time the document is prepared.

If logistical or financial requirements change after the FMS case is implemented, it may be necessary to amend or modify the case. LOA 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, also described in chapter 8 of this textbook.

### Letter of Request Format

There is no standard or prescribed format for an LOR. The key to a good LOR is that it provides sufficient information to adequately communicate the customer’s requirements to the USG. A complete and comprehensive LOR is essential so the IA can prepare a cost estimate that accurately reflects those customer requirements. Figure 5-1 is a generic checklist depicting the categories of information that may need to be addressed in an LOR. While not all these categories are necessarily applicable to all LORs, the checklist provides good insight into the type of information the USG needs to be able to construct an LOA. All these categories are described in detail in the LOR Writing Guide found in the “Online Learning” section of DISAM’s website. The US Army and US Air Force also have excellent tools available to assist in LOR preparation via generic and commodity-specific LOR checklists found on their websites. See the list of references at the end of this chapter for the applicable links to these online resources.

**Figure 5-1  
Letter of Request Checklist**

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Identification Information               <ul style="list-style-type: none"> <li>• Purpose:                   <ul style="list-style-type: none"> <li>• Price and Availability (P&amp;A)</li> <li>• Letter of Offer and Acceptance (LOA)</li> </ul> </li> <li>• Lease</li> <li>• Purchaser</li> <li>• Pre-negotiations</li> <li>• Transparency</li> <li>• Acceptance Time Frame</li> <li>• International Solicitation</li> </ul> </li> <li>• Major Item Considerations               <ul style="list-style-type: none"> <li>• Standard Model</li> <li>• Quantity</li> <li>• Unique Configuration</li> <li>• Delivery Time Frame</li> <li>• Transportation</li> <li>• Warranties</li> <li>• Sole Source</li> </ul> </li> <li>• Support Considerations               <ul style="list-style-type: none"> <li>• Operations Concept</li> <li>• Maintenance Concept</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Supply Concept               <ul style="list-style-type: none"> <li>• Initial Spares</li> <li>• Support Equipment</li> <li>• Facilities</li> <li>• Follow on Support</li> <li>• Publications</li> </ul> </li> <li>• Services               <ul style="list-style-type: none"> <li>• FMS Case Reviews</li> <li>• Training</li> <li>• DOD/Contractor Services</li> <li>• Site Survey</li> </ul> </li> <li>• Financial Considerations               <ul style="list-style-type: none"> <li>• Funding Source</li> <li>• Payment Schedule/Initial Deposit</li> <li>• Financial Waivers</li> </ul> </li> <li>• Special Considerations               <ul style="list-style-type: none"> <li>• Memorandum of Understanding (MOU)</li> <li>• Offsets</li> <li>• Commercial Negotiations</li> <li>• Special Reports</li> <li>• Interoperability</li> </ul> </li> </ul> |
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In addition to the checklists and online tools, customers and SCOs can contact the IA headquarters offices to request assistance (if needed) with LOR preparation. The financial or logistical success of an FMS program can hinge on clear and comprehensive LOR information. To enhance communication and ensure a complete and accurate LOA, purchaser involvement in the LOA development process is encouraged, especially on major system sales cases. Table 5-2 outlines the applicable policy reflected in SAMP C5.4.6.2.

**Table 5-2**  
**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
- Purchasers should identify unique requirements and special needs during LOA development so they can be incorporated into the final LOA document
- Any unique notes or conditions being considered may be provided to the purchaser for advance review to ensure these special case and/or program-unique needs are addressed

### **Total Package Approach**

Successful program and case management and customer satisfaction are generally the result of careful up-front planning and foresight. Effective planning for an FMS weapon system sale involves anticipating not only the requirements for the weapon system itself, but also the associated initial and follow-on support articles and services necessary for introduction and sustainment of the system. This philosophy is called the total package approach (TPA). Planning for what should be included in the system sale will of course vary according to type of weapon system. The MILDEP commodity specific checklists mentioned earlier in this chapter can be a valuable tool in identifying the myriad of items or services to be considered for a proposed sale. This type of checklist can provide the customer, the SCO, and the case writer with the questions that need to be considered to ensure all requirements are identified in an LOR and are subsequently incorporated into the LOA to achieve TPA. See SAMM C4.5.3 for more discussion on TPA.

### **Site Surveys**

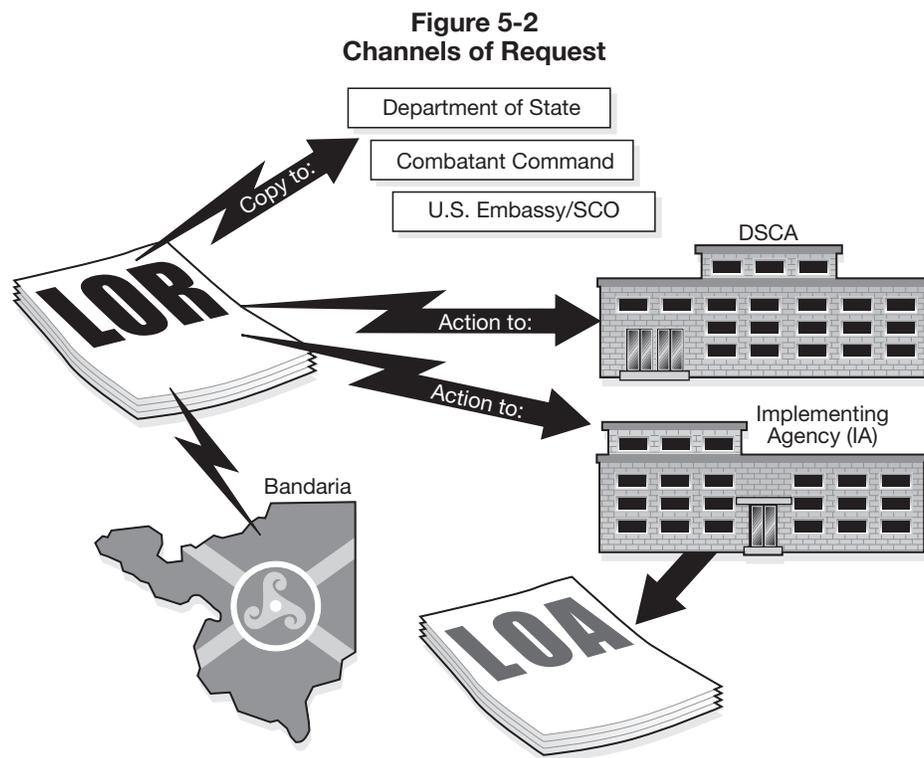
Commodity specific checklists may not always be sufficient for anticipating all the variables during LOA development for weapon system sales, especially in instances where the purchaser is a new FMS customer or is introducing a new weapon system capability for the first time. Sometimes it may be necessary for the IA to conduct a site survey in order to help identify and/or clarify the customer’s requirements. Site surveys are conducted in country and are funded by the FMS customer. A site survey team generally includes the MILDEP, the purchaser, and contractor representatives. A key focus of the site survey is to assess facilities and required levels of maintenance and support capabilities. Looking at in-country facilities early in the process is crucial to ensure the customer is prepared to receive, operate, and maintain the new capability. Normally the best time to conduct a site survey is prior to writing the LOA. This will help ensure the IA has vital insight and required information up front to develop the most accurate pricing and delivery schedules possible for the LOA. The policy for security assistance survey teams (including site surveys) is contained in SAMM C1.3.4.2 and C1.F1. A detailed site survey checklist is also contained in the Navy Product Support Manual which may be viewed in the online DISAM LOR Writing Guide.

### **Letter of Request Channels of Submission**

Before discussing LOR submission procedures, it is important to understand a few key terms. The *US Munitions List* (USML) is included in part 121 of the *International Traffic in Arms Regulations* (ITAR). Items highlighted with an asterisk on the USML require increased export controls because of their capacity for special military utility or capability. These items are called significant military equipment (SME). A link to the ITAR is provided in the list of references to this chapter. Items of SME having a nonrecurring research and development cost of more than \$50 million or a total production cost of more than \$200 million are called major defense equipment (MDE). Appendix 1 of the SAMM

identifies MDE items and provides an associated nonrecurring cost for each. Chapter 12 of this textbook, “Foreign Military Sales Financial Management,” discusses nonrecurring costs for MDE in more detail.

By policy, the action addressees for an LOR should be the IA and DSCA. The IA is the USG organization authorized to receive and process LORs. As mentioned earlier in this chapter, attachment 5-1 includes a listing of authorized IAs. Table C5.T2 in the SAMM provides addresses and routing information for each IA. An LOR can originate from in-country or from purchaser representatives in the US. Regardless of where the LOR originates, there are key organizations that should receive a copy. In addition to the action addresses (IA and DSCA), the US embassy/SCO and the applicable geographic combatant command (GCC) should receive a copy. If the LOR is for SME, then the Department of State, Bureau of Political-Military Affairs (DOS/PM), should also receive a copy. Figure 5-2 shows the typical channels of request for an LOR.



If the LOR contains MDE, the US embassy or SCO must provide a Country Team Assessment (CTA). Information to be addressed in a CTA is outlined in the SAMM, table C5.T1, and includes such topics as:

- The reason the customer requires the system
- How the customer intends to employ and deploy the system
- Expected reactions of neighboring nations
- The customer’s ability to safeguard, operate, and maintain the equipment
- How the customer intends to pay for the system and economic impact
- Human rights considerations
- The embassy’s plan for end-use monitoring
- The embassy’s recommendation as to whether the US should agree to the sale

Note that this submission represents the official position of the US Chief of Mission for that particular country. The SCO is normally the action office that prepares the CTA transmittal, but the analysis and recommendations it contains are staffed with other members of the country team. CTAs are often classified. Introduction of a new war-fighting capability to a nation/region requires concurrence from the GCC. This can be included in the CTA itself or provided via separate assessment.

The IA is responsible for ensuring that information copies of 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 US embassy or customer may send the LOR directly to DOS/PM and/or DSCA.

### **Negative Responses to Letters of Request**

If the IA believes that an LOR should be disapproved, the IA must first contact DSCA. DSCA will then coordinate with DOS/PM and other relevant agencies before formally notifying the customer of the disapproval. Refer to SAMM C5.2.2 for more details.

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

The IA must process the LOR so case development can begin. The individual responsible for doing this is generally found at the headquarters element of the IA's Security Assistance organization. This person may be referred to as the country director, country program director (CPD), country program manager (CPM), command country manager (CCM), or country desk officer. For ease of discussion in this text, the term "country director" will be used. Normally, the country director will process all LORs the IA receives for a given country or region. However, for large and complex FMS programs, there may be more than one country director assigned. Attachment 5-1 contains additional information about the IA organizations that process LORs.

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

Within five days of LOR receipt, the IA must validate the requestor's eligibility to purchase US defense articles and services and must acknowledge receipt to the purchaser. Refer to SAMM table C4.T2 for eligibility information. The IA also loads the LOR information into the Defense Security Assistance Management System (DSAMS), the DSCA-managed data system used for case development and implementation. DSAMS is described in appendix 1 of this textbook, "Security Cooperation Automation." The IA uses DSAMS to task organizations and compile the LOA data (LOAD) that will be used in preparing the LOA.

While the LOAD is being compiled, country directors will often have a checklist of tasks or questions to answer in order to complete the processing of the LOR. Information for evaluating LORs can be found in SAMM C5.1.4 and table C5.T3. Typical country director checklist items can include, but are not limited to:

- Did copies of the LOR go to the proper USG organizations for action/review?
- Is the LOR complete and does it comply with TPA policy?
- Does the LOR contain an identifiable customer reference or serial number?
- Is the LOR a result of a foreign solicitation?
- Are there additional LOR references, such as an MOU or pre-negotiated conditions?
- Is the request for a valid military requirement?
- Was DSCA provided with congressional notification data within ten days?

- Is this a sensitive technology request?
- Is the request for missile related technology or classified information?
- Will production be in-country?
- Will any production be used for third country sales?
- For standard US material, was a valid national stock number (NSN) provided?
- If the request is for nonstandard material, has a military specification (MILSPEC) package or engineering data description been included?
- What initial spare parts are required to be delivered with the end items?
- Is sufficient information included to process a sole source request?
- Was the request screened to determine if there is a concurrent commercial bid?
- Does a quality inspection team need to inspect material upon delivery?
- 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 unique customer budget or payment schedule requirements?
- Is a site survey required?
- Has a negative response been coordinated with DSCA?

### **Letters of Request Requiring Special Processing**

There may be many USG agencies not identified in this chapter that need to review an LOR and a proposed offer. The type and breadth of the USG reviews vary to a large extent depending on the items being requested. It is the responsibility of the IA to ensure that the correct organizations receive a copy of the LOR to review. To the extent possible, the required reviews should occur concurrently to minimize the response time to the FMS customer.

### ***LOR Advisory***

In some instances, DSCA may need to prepare an LOR Advisory to notify the Under Secretary of Defense for Acquisition, Technology, and Logistics [USD (AT&L)] and the Chairman of the Joint Chiefs of Staff of certain proposed sales. LOR Advisories are addressed in SAMM C5.1.4.5. An LOR Advisory does not replace required disclosure or releasability actions being worked by the MILDEPs. An LOR advisory is required if DSCA receives an LOR for items or services that meet any of the following criteria:

- First introduction of MDE into the purchaser's country
- MDE that is expected to require Congressional notification
- Coproduction or licensing agreements for MDE
- Items/services of a sensitive nature (such as Night Vision Devices, items containing missile technology, Man Portable Air Defense Systems (MANPADS), foreign-sourced articles/services, items related to missile defense)
- MDE that has not yet completed Operational Test and Evaluation (OT&E)

## ***LORs Requiring Unique Review***

There are also special procedures in place for LORs requesting specific types of items. For example, LOR advisories identifying MDE items that are still in development for DOD (pre-OT&E) are staffed to DSCA and USD(AT&L) for a Yockey waiver before USG can offer to sell such items. Additional information on Yockey waivers can be found in acquisition chapters of this textbook, chapters 9 and 13. LORs for Night Vision Devices are staffed in accordance with SAMM C5.1.4.3.3 and C5.1.4.6. Detailed policies and procedures for LORs for Command, Control, Communications, Computer, Intelligence, Surveillance, and Reconnaissance (C4ISR) can be found in SAMM C3.3. Special reviews/approvals are also required when LORs include such items as Communications Security (COMSEC) equipment, Stinger/Man Portable Air Defense Systems (MANPADS), integration of non-US subsystems, medical countermeasures, and articles/services containing Geospatial Intelligence (GEOINT). See SAMM C4.3 and C5.1.4.3 for additional information about these unique review processes for LORs.

## **Letters of Request Requiring Congressional Notification**

If the IA estimates that an LOR will result in an LOA that meets or exceeds certain dollar thresholds (as specified in section 36(b) of the AECA), the IA must provide Congressional notification data to DSCA within ten days of LOR receipt. SAMM figures C5.F11 through C5.F14 are templates for the information to be provided by the IA. DSCA then prepares the notification package and coordinates with DOS/PM and Congressional staff personnel to ensure potential concerns and sensitivities are resolved prior to providing the notification package to Congress. After this “pre-consultation” period and upon DOS/PM concurrence, DSCA submits the notification to the House Foreign Affairs Committee (HFAC) and the Senate Foreign Relations Committee (SFRC). The financial reporting thresholds and Congressional review periods, which vary by country, are outlined in figure 5-3.

**Figure 5-3  
Foreign Military Sales Notification to Congress**

<p><b><u>Reporting Threshold</u></b></p> <p>NATO countries, Japan, Australia, New Zealand, Israel, and Republic of Korea</p> <ul style="list-style-type: none"><li>• \$100M total case value</li><li>• \$25M major defense equipment</li><li>• \$300M design and construction services</li></ul> <p>All other countries</p> <ul style="list-style-type: none"><li>• \$50M total case value</li><li>• \$14M major defense equipment</li><li>• \$200M design and construction services</li></ul> <p><b><u>Congressional Review Period</u></b></p> <p>NATO, NATO countries, Japan, Australia, New Zealand, Israel, and Republic of Korea</p> <ul style="list-style-type: none"><li>• 15 days statutory (formal) notification</li></ul> <p>All other countries</p> <ul style="list-style-type: none"><li>• 30 days statutory notification, preceded by 20 days advance (informal) notification</li></ul>
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Unless other prior arrangements are made, Congress must be in session at the start of the advance notification and at the start of the statutory notification periods. Therefore, it is important for customers, SCOs, and IAs to consider the Congressional calendar when planning key milestones for FMS programs. Congressional notification data is considered classified unless DOS specifically authorizes (through DSCA) handling at the “For Official Use Only (FOUO)” or unclassified level. At the start of the statutory notification period, the notification data becomes public domain information and is posted

in the *Federal Register* and on DSCA's website. When the statutory notification period begins, the IA may, with DSCA approval, give the customer an advance copy of the LOA. However, this advance copy must be unsigned and annotated as a draft, and is therefore not considered an official offer.

Congress can object to a proposed LOA by passing a joint resolution. In the absence of a joint resolution prior to expiration of the statutory notification period, DSCA may electronically countersign the LOA at the end of the statutory notification period and then release it to the IA for official offer to the customer. The SAMM C5.6 provides details about the Congressional notification criteria, data handling, information to be provided by the IA (including sample formats), and the notification process itself. Chapter 2 of this textbook, "Security Cooperation Legislation and Policy," also addresses Congressional notification.

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

In order for USG to be as responsive as possible to a customer's LOR, LOA development should run concurrently with the Congressional notification process. To initiate LOA development, the country director tasks preparation of the LOAD using DSAMS. Every LOA has an assigned case manager, and it is normally the case manager who has primary responsibility for the overall LOA content. Case management will be addressed in more depth later in this chapter.

For major system sales, the case manager must coordinate with weapon system program managers and item managers to determine the LOA line items to be included on the case to meet requirements identified in the customer's LOR. Cost and availability estimates are developed for all articles and services included in each LOA line. These estimates may be based on current DOD inventories or on information from US defense contractors. IA personnel also prepare LOA notes that pertain specifically to the LOA lines and FMS case being developed. If the customer has requested any waivers, the IA will staff the waiver request(s) and ensure it is appropriately reflected in the LOA document.

As the data is being developed, the case manager and country director should both be alert for issues that may require further coordination, not only within the IA and other DOD organizations, but also 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., US Navy helicopters with US 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, or DOS. Unique or 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**

During LOA development, the IA will construct a separate LOA line item for each generic category of material or services to be provided. The IA will assign the appropriate material *Military Articles and Services List* (MASL) number to each LOA line item. The complete material MASL, which is substantial, is resident in DSAMS. Key elements of the MASL data include generic codes, MASL numbers, and MASL descriptions. A sample extract of the material MASL may be found in the *Bandarian Security Cooperation Sample Case Documents* package. A table of generic codes can be found in the SAMM, appendix 4. A MASL handbook is also available on the DSCA website.

It is important to note 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). Both types of MASLs are discussed in detail in SAMM C13.6.

## Developing a Complete Offer with the Total Package Approach

When compiling LOAD, case managers should adhere to the policy of TPA mentioned earlier in this chapter and in the SAMM 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. See SAMM C5.4.8.9.2 for more information. These packages are referred to as concurrent spare parts (CSP) or 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 require 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.

### Defense Security Cooperation Agency Review and Countersignature

In addition to the IA, the DSCA Case Writing Division (DSCA-CWD) plays a key role in case development. The IA notifies DSCA-CWD via DSAMS when LOAD development is complete. SAMM C5.4.15 describes the documents the IA must provide DSCA-CWD along with the draft LOA document. DSCA-CWD then completes the LOA writing process by accomplishing a quality review for policy compliance and by adding the payment schedule and the standard LOA notes. After finalizing the LOA document, DSCA-CWD staffs it for IA, headquarters DSCA, and legal reviews as appropriate. When this coordination process is complete, DSCA-CWD forwards the LOA document to DOS/PM for final review. Upon DOS concurrence, DSCA-CWD electronically countersigns the LOA, indicating that the IA can sign the case and officially offer it to the customer. A more complete description of the IA and DSCA-CWD roles in the case development process is shown in figure 5-4.

**Figure 5-4**  
**Case Development Responsibilities**

<b>Implementing Agency (IA)</b> <b>Develop LOA</b>	<b>DSCA Case Writing Division (CWD)</b> <b>Assemble the LOA</b>
<ul style="list-style-type: none"><li>• <b>Development “D” Status</b><ul style="list-style-type: none"><li>• Act as primary interface with stakeholders</li><li>• Review releasability/foreign disclosure</li><li>• Prepare Congressional notification input</li><li>• Develop LOA line item structure</li><li>• Obtain cost information</li><li>• Develop LOA line item pricing</li><li>• Prepare line item description notes</li><li>• Prepare case unique/non-standard notes</li><li>• Develop program delivery schedules</li><li>• Prepare payment schedule analysis</li><li>• Process/coordinate waivers</li><li>• Identify manpower requirements</li><li>• Conduct MTCR review</li><li>• Identify EUM requirements</li><li>• Approve LOA and send to DSCA-CWD</li></ul></li><li>• <b>Review “R” Status</b><ul style="list-style-type: none"><li>• Review/sign CWD LOA package (“R”)</li></ul></li><li>• <b>Offered “O” Status</b><ul style="list-style-type: none"><li>• Offer LOA after DSCA countersigns (“O”)</li></ul></li></ul>	<ul style="list-style-type: none"><li>• <b>Write “W” Status</b><ul style="list-style-type: none"><li>• LOA quality assurance review</li><li>• Policy review</li><li>• Case standard notes</li><li>• Payment Schedule preparation</li></ul></li><li>• <b>Review “R” Status</b><ul style="list-style-type: none"><li>• IA final review of LOA package</li><li>• DSCA HQ review</li><li>• Legal review</li></ul></li><li>• <b>Proposed “P” Status</b><ul style="list-style-type: none"><li>• State (RSAT) review</li></ul></li><li>• <b>Offered “O” Status</b><ul style="list-style-type: none"><li>• DSCA countersignature</li></ul></li></ul> <p>• “D,” “P,” “W,” “R” and “O” status appear in SCIP • “W” and “R” visible to USG only - rolled up as “D” for non-USG</p>

The single digit alpha codes reflected in figure 5-4 are case status codes found in a data base called the Security Cooperation Information Portal (SCIP). These status codes are defined in the DISAM Practical Exercises and Handbook, *Security Cooperation Information Portal Case Information Community*. Additional information about SCIP can be found in appendix 1 to this text book, “Security Cooperation Automation.”

**Letter of Offer and Acceptance Response Time**

The time required to respond to an LOR with an LOA depends on the type of case being prepared and the complexity of the program. The policy time frame for a USG response to an LOR is based on the Anticipated Offer Date (AOD). An AOD is assigned only after the LOR is considered complete (i.e., enough detail has been provided for LOA development to begin). This reinforces the importance of receiving a comprehensive LOR from the customer. If the IA receives an incomplete LOR, much time can be spent communicating back and forth with the customer and/or the SCO to try to clarify the customer’s requirements. This can cause unnecessary delays and can potentially impact program cost and schedule. The more emphasis placed on producing a complete LOR up front, the more likely we can help avoid customer frustrations with LOA processing times. AODs are placed into one of four possible case groupings as illustrated in figure 5-5. Refer to chapter 6 of this textbook, “Foreign Military Sales Cases,” for more information about the different types of cases referenced in figure 5-5. More details regarding the LOA response time policy can be found in SAMM C5.4.2.

**Figure 5-5  
Letter of Request to Letter of Offer and Acceptance  
Response Time Anticipated Offer Date Groups**

<b>Group</b>	<b>AOD</b> (goal offer 85% of LOAs after LOR is considered complete)	<b>Type of Case</b>
A	75 days or less	Blanket Order, Cooperative Logistics Supply Support Arrangement (CLSSA), and Training cases
B	120 days or less	Defined Order cases
C	121 days or more	Defined Order cases requiring engineering system integration, complex pricing, detailed release coordination, multi IA coordination, or unique acquisition requirements
D	75 days default (May be adjusted based on program guidance)	All pseudo LOAs

**STAGES OF THE FOREIGN MILITARY SALES PROCESS: ACCEPTANCE**

Once DSCA-CWD countersigns and releases the LOA, the IA prints a copy from DSAMS, signs it, and offers it to the customer for acceptance. Every LOA includes an offer expiration date (OED) on the cover page. Generally the OED is computed as eighty-five days from IA approval in DSAMS (when the document is sent to DSCA-CWD for review and coordination). This OED period includes twenty-five days for US administrative processing and sixty days for country review. SAMM figure

C5.F5 identifies those countries with DSCA-approved OEDs longer than eighty-five days. To officially accept the LOA, the customer must sign the case by the OED and send signed copies to the IA and to the Defense Finance and Accounting Service in Indianapolis (DFAS-IN). The customer must also send the initial deposit (as reflected on the LOA) to DFAS-IN. Payment must be in US dollars and may be via check or wire transfer. Distribution instructions are found in the LOA following the payment schedule. The customer should also fill in the information on the bottom of the first page of the LOA prior to sending the accepted document.

Customers should strive to accept an LOA by the offer expiration date (OED) listed on the first page of the LOA. If the customer cannot meet the OED, the customer may request an extension from the IA. If an extension is required, the customer should notify the IA as soon as possible, preferably in the LOR. 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 less accurate cost and delivery estimates. Occasionally, the USG will give the customer a shorter than authorized OED, generally in conjunction with contractual requirements. When this occurs, the USG should advise the customer in advance and must include a special note in the LOA explaining the reason for the short OED.

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

### **Implementation**

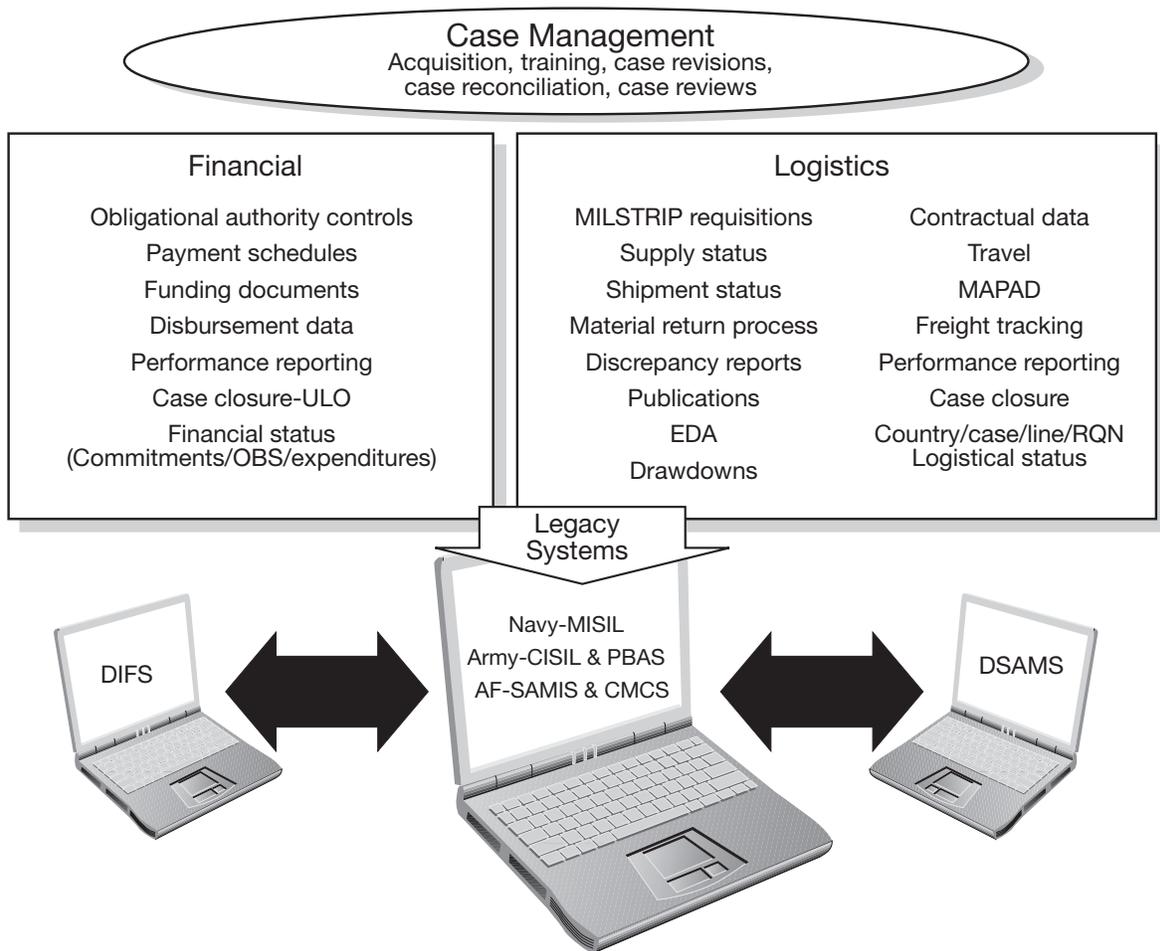
After receiving the initial deposit, DFAS-IN releases obligational authority (OA) to the cognizant IA. OA is forwarded via DSAMS to the unique MILDEP FMS management financial computer systems. The OA is evidence of proper case acceptance, including receipt of initial deposit, and signals that the case may be implemented. OA is not money, but it provides financial authority allowing the IA case manager to implement the case. Upon receipt of OA, the IA may begin to incur obligations against the case (i.e., negotiate a contract, submit requisitions, schedule training, etc.). There is no standard metric or time frame for case implementation; however, it is generally accomplished within ten to fifteen 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. Case directives should be revised as appropriate whenever LOAs are modified or amended.

### **Execution**

Implementation ends and case execution begins when requisitions for the LOA material and services are processed against the case. Case execution is the longest phase in the life cycle of an FMS case. It can last many years for a major system sale case. During case execution, there are many actions that occur in the areas of acquisition, finance, logistics, and training. There are separate chapters in this textbook dedicated to each of these important functional areas. Figure 5-6 depicts many of the financial and logistics transactions that occur during the life of an FMS case.

**Figure 5-6  
Foreign Military Sales Case Execution**



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

The MILDEPs use DSAMS to develop, write, and implement LOAs. Once implemented, a single FMS case can generate thousands of logistical and financial transactions. With approximately 13,000 implemented cases for countries worldwide, effectively accounting for all the transactions during case execution can be a daunting task. Each MILDEP has dedicated FMS data 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. These systems interface with DSAMS and with the DFAS-managed Defense Integrated Financial System (DIFS). These MILDEP systems are often referred to as legacy systems and are scheduled to be replaced by a standardized database management system called the Security Cooperation Enterprise Solution (SCES). The case execution data systems currently used by the MILDEPs are as follows:

***US Army***

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

***US Navy***

- Management Information System for International Logistics (MISIL)

### **US Air Force**

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

### ***Security Cooperation Information Portal (SCIP)***

SCIP is a web-based portal that enables the security cooperation (SC) community to view logistical and financial case data from various SA data systems. SCIP was initially developed to provide the FMS customer with visibility into the MILDEP legacy systems mentioned above, but has become so popular that its scope, capabilities, and user base are continuously being expanded. SCIP is discussed in more detail in appendix 1, “Security Cooperation Automation,” of this textbook. The DISAM practical exercises and handbook, *Security Cooperation Information Portal Case Information Community*, is another excellent resource containing valuable SCIP information and numerous practical exercises.

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

The management of FMS programs and their associated 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 (for example, the principles of planning, organizing, coordinating, communicating, and directing). Because of the large number of USG organizations involved in SA, communication is vital to effective program and case management. Some organizations play a role in the up-front policy decisions, some are involved in case development, and others actually execute the programs. It is therefore critical that managers of FMS programs understand the overall process and be familiar with the key players involved. 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.

SAMM C6.3.1 dictates that acquisition in support of FMS cases will be conducted in the same manner as it is for US requirements, thus affording the customer the same benefits and protection that apply to DOD procurement. This 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 DOD procurement and logistics activities that support US forces, although IAs may establish offices or positions within their organizations specifically to coordinate and monitor FMS support. A typical FMS case includes items from both US supply stocks and from new procurement. FMS procurement requirements may be consolidated on a single contract with US requirements or may be placed on a separate contract, whichever is most expedient and cost effective.

### ***Case Manager***

An FMS case is not generally under the sole domain of any one organization. Many organizations can touch or impact an FMS case during its life cycle. As such, many organizations and people can be involved in the management of an FMS case. However, as indicated earlier in this chapter, there should be one person assigned as the case manager for each LOA. Prior to case implementation, the IA assigns a case manager to integrate and manage all aspects of the case. 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

The case manager is accountable for all aspects of assigned FMS cases in compliance with applicable laws and regulations. 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 the assigned program and be aware of any problems that could impact the estimated cost or schedule. The case manager cannot accomplish all these objectives alone. Effective case management requires frequent communication with the weapon system program manager, the contracting officer, and numerous other key personnel in other organizations. 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 potential options are explored and 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. After all articles and services have been provided, the case manager ensures that cases are closed in a timely manner. Case management organizations and philosophies vary among the MILDEPs. The case manager for blanket order and Cooperative Logistics Supply Support Arrangement (CLSSA) cases normally resides at the applicable MILDEP International Logistics Control Organization (ILCO). The case manager for defined order cases may be in the ILCO or in the MILDEP weapon system program office. The case manager for training cases resides at the MILDEP security assistance training organizations.

## *Foreign Military Sales Reviews*

The SAMM requires an annual case review by the case manager. Case reviews can also involve reviewing all FMS cases associated with a particular country. Case reviews have various names and can be attended by USG, purchaser, and contractor personnel, depending on program, case size, and complexity. Some common MILDEP unique titles for these reviews include:

- Security Assistance Reviews (SARs)
- Security Assistance Management Review (SAMRs)
- Country Management Reviews (CMRs)

In addition to case reviews, Program Management Reviews (PMRs) are effective tools for US case managers and customers to assess the overall program status relative to its objectives. PMRs focus on a specific weapon system sale and may include several related FMS cases. These 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. PMRs also provide USG and customer representatives with updates and exchanges of information. The frequency and the location of PMRs should be indicated in the LOA notes.

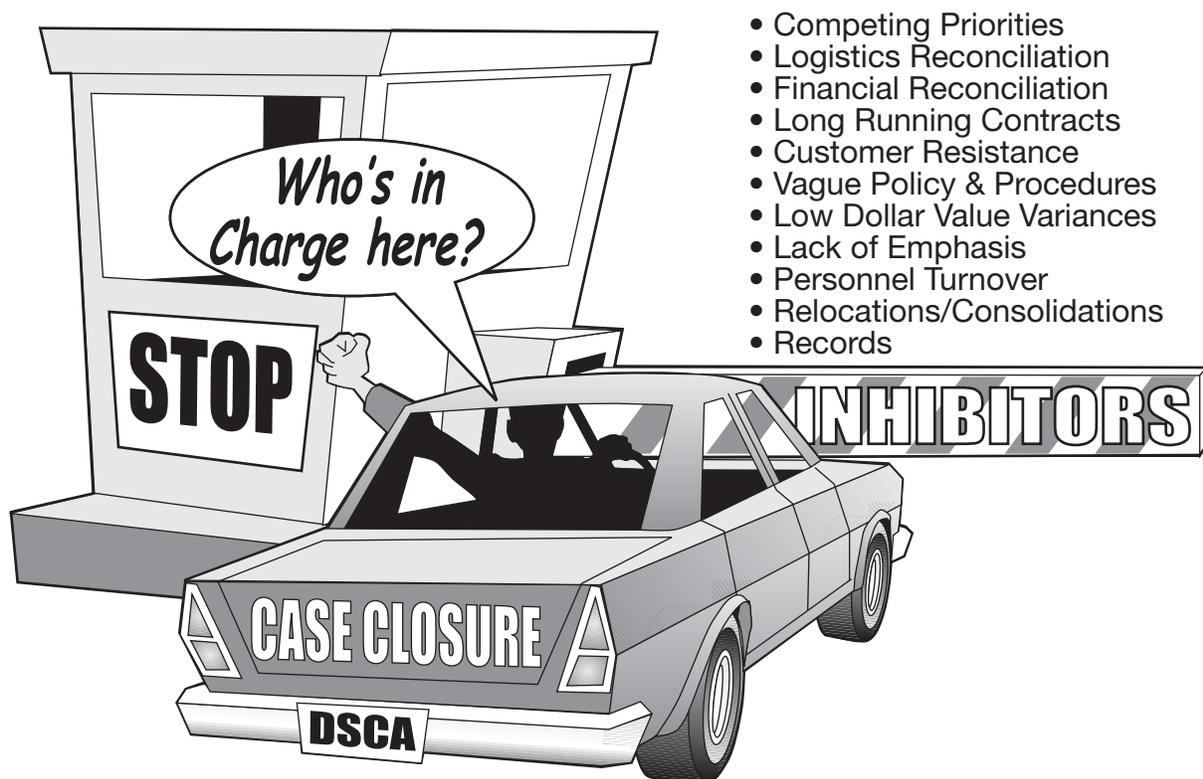
SAMM C6.5 provides more comprehensive information on FMS reviews. Depending on the type of review and the country/program involved, the following topics may be addressed during a case or program review as applicable:

- Major item contract status
- Major item delivery status
- Supply discrepancy report (SDR)
- Critical/urgent requirements and procedures
- Spares, supply, and shipment status
- Configuration issues
- Case financial status (commitments, obligations, and expenditures)
- Payment schedule adjustments
- Price increases and funding issues
- Transportation/shipping problems
- Training program
- Case closure

### **STAGES OF THE FOREIGN MILITARY SALES PROCESS: 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. Figure 5-7 illustrates many of the potential inhibitors to case closure. The key players in FMS case closure are the IA, DFAS-IN, and the customer. But ultimately the responsibility for successful case closure falls on the shoulder of the case manager at the IA.

**Figure 5-7**  
**Case Closure Inhibitors**



### **Reconciliation**

While closure is the final phase in the FMS life cycle, reconciliation should occur throughout the life of the case starting with implementation. As indicated earlier in this chapter, a single case can generate thousands of requisitions and procurement actions. Closing out all these transactions requires aggressive planning and continuous follow-up. Reconciliation can include the following:

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

Case managers should reconcile cases at least annually. Case managers who defer reconciliation until the end of a case are setting themselves up for failure. On the other hand, thorough and continuous reconciliation starting at implementation helps facilitate 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 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), meeting the following criteria:

- 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 C6.8.3 requires IAs to include a note in LOAs declaring an estimated closure date. After a case is declared SSC, the IA will reconcile the case logistical and financial records and submit a case closure certification to DFAS–IN within a specified time frame depending on the applicable case closure procedure used (types of case closure procedures are addressed in the next section). DFAS will then complete the case 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) to the customer.

### **Procedures for Case Closure**

There are two methods of case closure: Accelerated Case Closure Procedures (ACCP) or non-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, bills have been sent, and audits have been completed if necessary. Normally the estimated closure date for a non-ACCP LOA is thirty-six months after the completion of the longest underlying contract. For major system sales, especially those with procurement contracts that also support US forces and other FMS customers, closure can be delayed for several years after a case is declared SSC. If no contracts apply, then the estimated closure date is normally thirty-six months from the last scheduled delivery or service. Since closing a case under non-ACCP can be cumbersome and take so long, most countries elect to participate in ACCP.

ACCP is voluntary, except for those countries with FMF-funded programs. SAMM table C4.T2 identifies which countries participate in ACCP. If a customer chooses ACCP, then all of that country’s FMS cases will be closed under that program, including those implemented prior to the date the customer decided to participate in ACCP. Since most countries participate in ACCP, it is now considered the standard for case closure. ACCP requires cases be closed within twenty-four months after the case is SSC. While all obligations must be completely disbursed or liquidated under non-ACCP, the ACCP methodology allows a case to be closed even if there are outstanding unliquidated obligations against the case. Examples of an obligation include a work request for services, a procurement contract, or an inventory requisition. Under ACCP, the case manager estimates the unliquidated obligation (ULO) value. The ULO value is the difference between the estimated final case obligations and the current cumulative case expenditures. This estimated final disbursement is called the unliquidated obligation (ULO) value. The ULO amount is billed and collected from the FMS customer and placed by DFAS–IN into a customer-owned, country level Case Closure Suspense Account (CCSA). At this point the case is considered “Interim Closed” and DFAS–IN provides the customer a final bill (DD 645) indicating that the case is closed. Subsequent case disbursements for the ULOs will be processed against the CCSA, thus enabling cases closed by ACCP to remain closed.

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. Even though the customer receives a “final bill” when a case is interim closed under ACCP, eventually the case has to be “Final Closed.” An Interim Closed case is not moved into Final Closed status until all outstanding obligations equal the final disbursements. If there are excess ULO collections at final closure, the FMS customer may receive a reimbursement from the CCSA.

### **Processing Transactions After Case Closure**

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. 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 identifying defense requirements and submitting an LOR for US defense articles and/or services. As emphasized throughout this chapter, it is very important for the LOR to be complete, i.e., contain sufficient information for the USG response to accurately reflect the customer’s requirements. Failure to provide a complete LOR can delay processing while requirements are being clarified, and can impact program cost and schedule. Both the LOR and the USG response should comply with the TPA philosophy that many customers view as an advantage of the FMS process.

Whether an LOR is initiated in country or by a country’s representative in the US, the action addressees should be the IA and the DSCA. The US embassy/SCO and the applicable GCC should see information copies of LORs. DOS/PM should receive copies of LORs for SME. Further, a CTA is required for an LOR containing MDE. It is the IA’s responsibility to ensure that the appropriate USG agencies receive the LOR.

Depending on the nature of the foreign government’s requirements, a purchaser may request either P&A data or an LOA. P&A is not an official USG offer, but may be needed by the foreign government for ROM estimates on prices and delivery timeframes. Response time for IAs to provide P&A data is within forty-five days after receipt of the request. For LOAs, the response time is based on an Anticipated Offer Date which is described in figure 5-5.

The LOA, also known as an FMS case, is an official offer 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 initial deposit 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 reported to DFAS-IN, and DFAS-IN then provides a

quarterly bill to the customer. When all the material has been delivered and the services completed, the case becomes Supply and Services Complete (SSC). Under ACCP, the case should be Interim Closed within two years of becoming SCC. The case will remain Interim Closed until all the final expenditures have been processed. Eventually a case will move into “Final Closed” status.

## **REFERENCES**

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

DOD 7000.14, *Financial Management Regulation* (FMR), Volume 15, “Security Assistance Policy and Procedures.”

US Army generic LOR checklist and commodity specific checklists:

<http://www.army.mil/info/organization/usasac/>

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

*International Traffic in Arms Regulations* and *US Munitions List*:

[http://www.pmddtc.state.gov/regulations\\_laws/itar\\_official.html](http://www.pmddtc.state.gov/regulations_laws/itar_official.html)

## **ATTACHMENT 5-1**

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

#### **Implementing Agencies (IAs)**

A customer may request a Letter of Offer and Acceptance (LOA) for US defense articles or services through Foreign Military Sales (FMS). A Letter of Request (LOR) for an LOA is forwarded through the channels described in this chapter. The action addressees should be the IA and the Defense Security Cooperation Agency (DSCA). An IA is a DOD organization that can receive and process LORs from foreign customers, develop LOAs, and manage FMS cases.

Although most open FMS cases are managed by the three MILDEPs (Army, Navy, and Air Force), a number of other agencies also perform as IAs. This attachment identifies the authorized IAs. The SAMM, Table C5.T2, provides applicable email and mailing addresses.

#### **US Army**

##### **LORs other than Training and Construction:**

US Army Security Assistance Command (USASAC)  
Redstone Arsenal, Huntsville, Alabama

##### **Training-only LORs:**

Security Assistance Training Field Activity (SATFA)  
Fort Eustis, Virginia (formerly Fort Monroe, VA)

##### **Construction-only LORs:**

US Army Corps of Engineers  
Washington, DC

##### **Information copy of Army LORs:**

Deputy Assistant Secretary of the Army for Defense Exports and Cooperation (DASA DE&C)  
Arlington, Virginia

#### **US Navy**

##### **All maritime LORs (including US Marine Corps, US Coast Guard):**

Navy International Programs Office (Navy IPO)  
Washington, DC

#### **US Air Force**

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

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

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

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

##### **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 (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 Logistics Agency (DLA)**

**Defense Reutilization and Marketing Service writes cases for excess property:**

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

**Defense Logistics Information Service 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)  
Falls Church, Virginia

### **Defense Threat Reduction Agency**

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

Defense Threat Reduction Agency (DTRA)  
Fort Belvoir, Virginia

### **Missile Defense Agency**

**MDA writes cases for THAAD and AN/TPY-2 Radar System:**

Missile Defense Agency  
Washington, DC

### **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. Meade, Maryland

### **Implementing Agency Codes**

DSCA has assigned each of the above IAs a one-letter code that identifies the cognizant organization for a given FMS case. This code is reflected in the middle position of the FMS case identifier. For example,

the Bandaria case shown in the Bandarian Security Cooperation Program Sample Documents package is identified by the case identifier BN-D-YCY. The “D” in the middle position of the case identifier is called the IA Code. Below is a list of IA codes. Those marked with an asterisk are no longer used on new LOAs, but may still be found on older cases. SAMM Table C5.T2 includes a comprehensive list of IAs (with associated IA codes) currently authorized to receive LORs and prepare LOAs.

<b>IA Code</b>	<b>Organization</b>
B	Department of the Army
C	Defense Information Systems Agency (DISA)
D	Department of the Air Force
E*	US Army Corps of Engineers (USACE; now included under IA code B with the rest of the US army)
F	Defense Contract Management Agency (DCMA)
I	Missile Defense Agency (MDA)
L*	Defense Audiovisual Agency (DAVA)
M	National Security Agency (NSA)
P	Department of the Navy
Q	Defense Security Cooperation Agency (DSCA)
R	Defense Logistics Agency (DLA)
U	National Geospatial-Intelligence Agency (NGA)
W*	Defense Advance Research Projects Agency (DARPA)
X*	Defense Finance and Accounting Service - Indianapolis, Indiana (DFAS-IN)
Z	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
- An International Logistics Control Office (ILCO) that is responsible for support equipment, spare parts, and repair services
- An FMS training activity that 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 data 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. DSAMS is then used to designate a lead command for the preparation of the P&A or LOA data. The lead command is responsible for obtaining data from other relevant organizations to prepare the P&A/LOA.

Read Chapter 3, “US 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 and SAMM, Chapter 13, for a discussion of DSAMS and other security cooperation information management systems.

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

Two organizations share FMS headquarters responsibilities for the US 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, US Army Security Assistance Command (USASAC) located at Huntsville, Alabama (Redstone Arsenal), 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 and writes/manages cases for follow-on support.

The Security Assistance Training Field Activity (SATFA), located at Ft. Eustis, 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 material cases. Instead, SATFA generally writes a separate training LOA to support a material LOA. SATFA may receive taskings from USASAC-Huntsville or may receive LORs directly.

Another US 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, US Army Corps of Engineers (USACE) in Washington, DC, is the organization responsible for receiving LORs and writing/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 US 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 US Marine Corps and US Coast Guard. Accordingly, Navy IPO is the action addressee/point of entry for all LORs related to US maritime articles and services. The Navy ILCO is the Naval Supply Systems Command Weapon System Support (NAVSUP WSS-OF), located in Philadelphia, Pennsylvania. Navy IPO tasks NAVSUP WSS-OF to write cases for follow-on support.

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 receive LORs directly. Instead, LORs for maritime training must go to Navy IPO who will in turn task them to NETSAFA via DSAMS.

Navy IPO, NAVSUP WSS-OF, and NETSAFA also work closely with counterpart offices in the US Marine Corps and US Coast Guard to access their resources to meet FMS requirements.

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

The Office of the Deputy Under Secretary of the Air Force for International Affairs (SAF/IA) is the Air Force headquarters element for security assistance. In addition to headquarters functions performed by Army DSA-DE&C and Navy IPO, SAF/IA also has extensive political and military responsibilities. SAF/IA receives LORs for major system programs but generally tasks the Air Force Security Assistance Center (AFSAC) at Wright-Patterson AFB, Ohio, to prepare the LOA. AFSAC is also the Air Force ILCO in that it receives LORs and writes, signs, and manages cases for follow-on support.

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.