
FOREIGN MILITARY SALES PROCESS

INTRODUCTION

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

Beginning with a customer country's request, the FMS process is a complex one that for a major weapon system sale may last for more than seven years. It is outlined in Figure 5-1 and discussed in this chapter and later in Chapter 6, "Foreign Military Sales Cases". The USG acquisition, logistics, financial, and training elements of the FMS process are further discussed in subsequent chapters in this textbook.

This chapter addresses the entire FMS process starting with the preliminary stages when the customer begins to define requirements and ending up with a discussion of FMS program closure.

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

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

STAGES OF THE FOREIGN MILITARY SALES PROCESS: PRELIMINARY AND DEFINITION

The FMS process begins when the customer starts to develop requirements for a U.S. defense article or service. During this preliminary stage, there should be ongoing consultation between the customer and U.S. representatives, principally the in-country U.S. security assistance organization (SAO). Chapter 4, "Security Assistance Organizations Overseas," of this text discusses the SAO in detail. As the customer continues to define requirements, follow-on discussions will expand to include U.S. defense contractors as well as representatives from MILDEPs and other DoD organizations. These discussions should address such topics as acquisition programs, training plans, financing, and concepts of operations and support, among others. U.S. security assistance plans should complement the customer's plans and budgets whenever feasible. Follow-on discussions for the more complex sales may even lead to an international agreement or a memorandum of understanding (MOU) between the

customer and the U.S., documenting the rights and obligations of each with regard to weapons systems development, production, or transfer. Chapter 8, “Foreign Military Sales Contractual Agreements,” of this text discusses these types of agreements in detail.

TABLE 5-1
FOREIGN MILITARY SALES PROCESS

<p><u>Preliminary</u> (Indefinite)</p>	<ul style="list-style-type: none"> • Customer determines requirements • Customer obtains specific systems information
<p><u>Definition</u> (Indefinite)</p>	<ul style="list-style-type: none"> • Customer and U.S. exchange technical information
<p><u>Request</u> (Indefinite)</p>	<ul style="list-style-type: none"> • Customer prepares and submits an LOR for price and availability (P&A) data • Customer prepares and submits LOR for an LOA
<p><u>Development of Offer</u> (Policy for the response to LOR by LOA is 120 days for 80% of LORs) (Congressional review if required is from 15-50 days.)</p>	<ul style="list-style-type: none"> • Implementing agency (IA) receives the LOR • IA develops an LOA data (LOAD) • DSCA-CWD writes LOA • DoS/DSCA/Congress review LOA • DSCA countersigns LOA • IA issues LOA to customer
<p><u>Acceptance of the Offer</u> (Policy is 60 days to accept a LOA)</p>	<ul style="list-style-type: none"> • Customer signs LOA • Customer sends signed copy of LOA and initial deposit to Defense Finance Accounting Service-Indianapolis Center (DFAS-IN) • Customer sends signed copy of LOA to IA
<p><u>Implementation</u> (15 days average)</p>	<ul style="list-style-type: none"> • DFAS-IN* issues obligational authority (OA) • IA issues implementing directive • IA activates FMS computer systems
<p><u>Execution</u> (Depends on delivery schedule)</p>	<ul style="list-style-type: none"> • Case and line managers order articles/ services/training • Articles and services shipped and expended training conducted • IA reports performance to customer and DFAS-IN
<p><u>Reconciliation and Closure</u> (Policy is 2 years from last delivery)</p>	<ul style="list-style-type: none"> • MILDEP/DFAS-IN and customer reconcile records • MILDEP sends closure certificate to DFAS-IN • DFAS-IN issue final bill to customer

[*Editor’s Note: DFAS-DE functions are transitioning to DFAS-IN within the next 10-12 months.]

STAGES OF THE FOREIGN MILITARY SALES PROCESS: REQUEST

As the customers begin to down-select systems and services to meet their requirements, they may submit an LOR to the USG. An LOR may ask only for P&A data or for a full-up formal sales offer in the form of an LOA. By policy the LOA response should be done in 120 days eighty percent of the time. A P&A is considered a rough order magnitude response and by policy should be made in 45 days.

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

Technically, less formal methods of communication such as meeting minutes and even oral discussions may be considered appropriate media for transmission of LORs, but this is rarely, if ever, the case in practice. Whenever a customer makes a request through less formal media like these, the normal U.S. response is to ask the customer to put his request in an official letter or message. See SAMM, C5.1, for a detailed discussion on LORs.

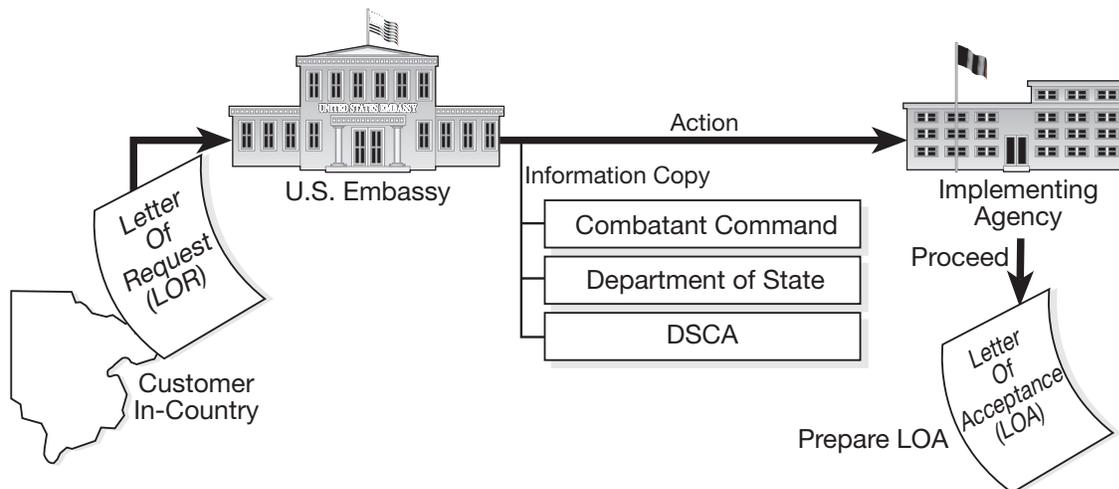
Letter of Request: Format

There is no standard format for an LOR. However, customers are encouraged to provide as much detail as possible in their requests. The information the IA may require in an LOR in order to provide a timely and comprehensive response includes but is not limited to the following:

- Whether an LOA or P&A is requested
- Defense documentation for previous DoD or contractor discussions that would impact the LOA response
- Specific user/purchaser information and a traceable reference/serial number
- Quantity and specific model numbers and/or nomenclatures of the items requested
- Unique non-U.S. configuration requirements
- Sole source requirements
- Requested delivery schedule
- Requested payment schedule
- Amount of time required for customer acceptance of LOA
- Customer operational and support concepts for items requested
- Concurrent spare parts required (usually up to three years worth of spares)
- USG or contractor services required
- Training requirements
- Funding source/method of financing
- Customer specific budget or payment schedule requirements
- Waivers requested

- Warranty requirements
- Special transportation requirements
- Whether concurrent foreign competition or commercial negotiations are underway
- Any offsets with a defense contractor connected with this proposed sale
- Overseas contract administrative services be requirements
- Whether a site survey has been requested or completed
- Any related agreements such as a MOU or a letter of intent (LOI)

Figure 5-1. Channels of Request



Letter of Request: Channels of Submission

The action addressee for the LOR is the implementing agency (IA). The IA is the USG organization authorized to receive and process LORs. A description and listing of authorized IAs are provided in Attachment 5-1. The channel of submission used for an LOR depends on whether the article or service requested is considered significant military equipment (SME), or all other FMS, i.e., non-SME. See Figure 5-1 for this channel of request for the LOR.

Significant Military Equipment

SME are items highlighted on the U.S. Munitions List (USML) as warranting special export controls because of their capacity for special military utility or capability. The USML is included in Part 121, International Traffic in Arms Regulations (ITAR). The ITAR and USML are on the Department of State (DoS) web site at http://www.pmdtc.org/itar_index.htm. Note that SME can be further identified as major defense equipment (MDE), which is listed in the SAMM, Appendix 1 and is subject to these processing guidelines.

If the customer sends an LOR for SME to the U.S. embassy, the embassy should forward the LOR to the relevant IA for action, with information copies to the DoS, Bureau of Political-Military Affairs (STATE/PM), DSCA, and the relevant combatant command (COCOM). The embassy's transmittal should include a country team assessment (CTA), addressing such topics as:

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

Refer to SAMM, Table C5.T1 for more detail regarding this assessment.

Note that this submission is a country team assessment, not just an SAO assessment. Although the SAO is normally the action office that prepares the transmittal, it is important to remember that the analysis and recommendations it contains must be staffed with other members of the country team and represents the position of the U.S. chief of mission. Country team assessments are normally classified.

If the customer sends an LOR for SME directly to the IA, the IA should provide information copies to DoS Bureau of Political-Military Affairs (STATE/PM), DSCA, and the relevant combatant command. The IA should also send a copy of the LOR to the U.S. embassy via the SAO and ask for a country team assessment.

Non-Significant Military Equipment

If the U.S. embassy receives an LOR for non-significant military equipment (non-SME), the SAO should forward it to the cognizant IA, with information copies to DSCA and the combatant command. No country team assessment is required.

If the customer sends the LOR directly to the IA, then the IA must ensure that DSCA receives an information copy. Although not officially required, it is common for IAs to also provide information copies of non-SME LORs to the SAO and the combatant command.

If it is not clear which IA has cognizance for the system requested, or if the subject of the LOR is sensitive enough to require a higher-level review, then the U.S. embassy or customer may send the LOR directly to STATE/PM and DSCA.

Within five days of receipt of an LOR, STATE/PM and DSCA should initiate coordination to determine if there will be any USG objection to the proposed sale.

Although not officially required, it is common for COCOMs to also submit assessments with a combatant commander recommendation to the IA regarding the sale, similar to the country team assessment sent by the U.S. embassy.

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

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

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

Letter of Request: Negative Responses

If the IA believes that an LOR should be disapproved, the IA should first coordinate with DSCA, who will coordinate with STATE/PM and other relevant agencies. Refer to SAMM, Section C5.2.2 for a detailed discussion.

STAGES OF THE FOREIGN MILITARY SALES PROCESS: OFFER AND ACCEPTANCE

The individual within an IA responsible for processing an LOR is the country director. The country director is also known as country desk officer or country program manager (CPM). Country directors are usually found in the headquarters element of the IA's security assistance structure. More detail on IA organizations can be found in Attachment 5-1 at the end of this chapter. A country director will normally process all LORs the IA receives for a given country or region. However, there may be several country directors assigned to a customer country with many large complex FMS programs.

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

Letter of Request Response Documents

There are two primary USG responses to an LOR.

Price and Availability

A P&A response is an estimate that reflects rough order of magnitude (ROM) data. It is provided for country planning purposes only and shows estimated costs and projected availability of defense articles or services. P&A responses will normally not be provided for nonstandard subsystems and the IA should respond within 45 days of receipt of an LOR. P&A data is not valid for use in the preparation of an LOA or should it be used by the customer for budgeting purposes. P&A responses should not be construed as a USG approval for the material or service. Only the LOA is the offer to sell. To avoid confusion, the term P&A should not be used in reference to data developed for completion of an LOA, and such data should be referred to as LOA data (LOAD). Refer to SAMM, Section C5.3, for further discussion of P&A.

Letter of Offer and Acceptance

The LOA, or the FMS case, is the authorized document used by the USG as an offer to sell defense articles and services to a foreign country or international organization. An example of an LOA, including many related FMS process documents, and a description of the LOA elements are shown in Appendix 1, "Case Document Package," at the end of this textbook. The LOA represent a

bona fide offer by the USG to sell the described items identified on the document. The LOA becomes an agreement when the customer accepts the case by signing it and providing the payment specified in the LOA. If logistical or financial requirements change during the execution phase of the FMS case, it may be possible to amend or modify the case. Amendments and modifications are discussed in later Chapter 8, “FMS Contractual Agreements”. The LOA is subject to many conditions and restrictions referred to as the LOA Standard Terms and Conditions. These standard terms and conditions of an LOA are further described also in Chapter 8, “FMS Contractual Agreements.”

As soon as LORs are received by the IA, they are loaded into the Defense Security Assistance Management System (DSAMS). Examples of a DSAMS-developed LOA along with most of the supporting documents used in the FMS process are shown in Appendix 1.

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

Foreign Military Sales Case Identifier

To differentiate among the approximately 12,000 open FMS cases, each LOA is assigned a unique case identifier, which is described in detail in Chapter 6, “Foreign Military Sales Cases.”

Milestones and Metrics

In order to ensure timely responses to LORs, DSCA has established several FMS process management milestones and metrics. The clock starts ticking as soon as the IA receives an LOR and it is loaded into DSAMS.

- Within 5 days, the IA should send the customer an acknowledgement of receipt of the LOR. This acknowledgement should also list a unique case identifier
- Within 5 days, DSCA should initiate coordination with STATE/PM and other relevant government agencies to determine if there are any immediate objections to the proposed sale within the USG
- Within 10 days, the IA should provide Congressional notification data to DSCA, if required. [More on congressional notification is below. Also see earlier Chapter 2, “Security Assistance Legislation and Policy,” and SAMM, Section C5.6.]
- Within 10 days, the IA should enter case information into the DSCA 1200 database system via DSAMS. [See Appendix 3, “Security Assistance Automation,” in this textbook, and SAMM, Chapter 13 for a discussion of these and other information systems]
- The IA should provide the customer a P&A within 45 days of receipt of an LOR
- The IA should provide the customer an LOA within 120 days for 80 percent of all LORs

In order to meet DSCA’s milestones, each IA has also developed its own internal metrics and milestones.

Initial Processing of the Letter of Request by the Implementing Agency

LORs are initially received and processed by the applicable IA country director. Except for purchasers with very large programs, country directors will process all LORs for a particular country or region. Before any further action is taken on the LOR, it must be validated to ensure the customer is eligible to purchase defense articles and services. The IA should acknowledge receipt of the LOR with the case identifier within 5 days.

The LOR is also loaded into the DSAMS. This system, described in Appendix 3, “Security Assistance Automation,” will be used to task organizations and compile the LOA data that will be used to write the LOA documents. The 120 day LOA processing metric starts when the LOR is loaded into DSAMS. It is important to note that the LOR should be loaded into DSAMS immediately and not held aside if the LOR is incomplete. While the LOA is being compiled, country directors will normally have a checklist of tasks or questions to answer in order to complete the processing of the LOR. The following are typical checklist items:

- Did copies of the LOR go to the proper USG review organizations?
- Does the LOR contain an identifiable customer reference or serial number?
- Is the LOR a result of a foreign solicitation?
- Are there any additional LOR references, such as a MOU or a pre-negotiated response?
- Does the request comply with total package approach (TPA) policy?
- Is the request a valid military requirement?
- Is this a sensitive technology request?
- Will the request result in the transfer of classified information?
- For Section 36(b), AECA cases, has DSCA been provided with the congressional notification data within 10 days?
- Is the request for missile related technology or classified information?
- Will production be in-country?
- Will any production be used for third country sales?
- If the request is for standard U.S. materiel, is a valid national stock number (NSN) provided?
- How many initial spare parts are required to be delivered with the end items?
- Does a sole source request contain the proper justifications?
- If the request is for non-standard materiel has a military specification (MILSPEC) package or engineering data description been included?
- Has the request been screened to determine if there is a concurrent commercial bid in process?

- Does a quality inspection team need to inspect the material upon delivery to the customer?
- Does the customer require any special USG or contractor services?
- Does the customer require a not to exceed (NTE) or firm fixed price (FFP) response?
- Does the LOR contain any unique customer budget or payment schedule requirements?
- Is there enough information to properly identify all the requirements?
- Is a site survey required?
- Has a negative response been coordinated with DSCA?

Compilation of Letter of Request Data by the Implementing Agency

As the country director proceeds through the IA's initial processing checklist, the case manager is tasked via DSAMS to begin compiling LOA data (LOAD). In some instances, the country director may also serve as the case manager but most often the case manager resides in the organization that manages the primary article or services requested in the LOR, such as a systems command or a system program office. It is the case manager who normally has primary responsibility for the LOA content. See SAMM, Section C2.4 for a detailed discussion of case management responsibilities.

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

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

The MILDEP organizations and other agencies responsible for compiling and coordinating LOAD and for writing LOAs will be further described in later Attachment 5-1.

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

In order to write an LOA, the IA will construct a separate LOA line item for each generic category of material or services. For each line item, the IA will also determine the appropriate material Military Articles and Services List (MASL) number. The complete material MASL is contained within DSAMS. MASL data, such as generic codes, MASL numbers, and descriptions must be included on the LOA for each line item. A sample extract of the material MASL is in Appendix 1 "Case Document Package", of this textbook. A table of generic codes is in SAMM, Appendix 4.

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

Completeness of Offer: The Total Package Approach

When compiling LOA data, case managers should adhere to the policy of total package approach (TPA) outlined in SAMM, Section C4.5.3. TPA ensures that FMS customers are afforded the opportunity to acquire the full complement of articles and services necessary to field, maintain, and utilize major items of equipment efficiently and effectively. 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, among others.

As part of the TPA, IAs should ensure that LOAs for equipment include at least one year's supply of spare parts [SAMM, Section C5.4.8.9.2]. These packages are referred to both as concurrent spare parts (CSP) and as initial spare parts (ISP). LOAs should include CSP or ISP for all support and ancillary equipment listed on the LOA as well as for major weapon systems. IAs normally 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.

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

Quality of Items Sold

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

Release of Letter of Offer and Acceptance Data

It is DoD policy to comply with the Freedom of Information Act (FOIA). However, under exemption (b)(4) within DoDD 5400.7, *DoD FOIA Programs*, Paragraph C3.2.1.4. Commercial or financial information that a person, a U.S. or foreign business, or a foreign government provides to the USG may be exempt from disclosure to the public if:

- It is not the type of information that the originator would usually release to the public
- Disclosure is likely to cause substantial competitive harm to the originator

- Disclosure is likely to impair the ability of the USG to obtain necessary commercial or financial information in the future
- Disclosure is likely to impair some other legitimate USG interest

Any USG employee who receives an FOIA request regarding an LOA or an FMS procurement contract should refer it to the appropriate IA legal counsel. IAs should coordinate any decision to release or withhold information with DSCA General Counsel. Chapters 7, “Technology Transfer, and International Programs Security,” and Chapter 8, “FMS Contractual Agreements,” of this textbook also address FOIA requests. Also refer to SAMM, Section C3.4.1.

Congressional Notification

For most countries, an LOA meeting one of the following Section 36(b)(1) AECA thresholds will be notified to Congress:

- \$14 million or more of major defense equipment
- \$50 million or more of total case value
- \$200 million or more of design and construction services

The thresholds for North Atlantic Treaty Organization (NATO) countries, Japan, Australia, and New Zealand are \$25 million, \$100 million, and \$300 million respectively. It must be noted that MDE is significant military equipment (SME) for which the USG has incurred more than \$50 million in total nonrecurring research and development costs or more than \$200 million in total production costs.

Although the IA provides most of the information contained in a Section 36(b) notification package, it is DSCA that must assemble the package and forward it to Congress, specifically the House International Relations Committee (HIRC) and the Senate Foreign Relations Committee (SFRC). DSCA must also obtain concurrence from State/PM before sending a notification package to Congress. In order to present the customer with an LOA as soon as possible, preparation for the congressional notification process should run concurrent with the compilation of LOA data and the preparation of the LOA.

For most countries, the time frame for a congressional notification action is a total of 50 days, which consists of 20 days advance (informal) notice and 30 days statutory notice. Statutory notification immediately follows advance notification and is marked when the notification information is entered into the *Congressional Record*. Congressional notification packages are considered classified until the statutory notification period begins.

For NATO and NATO countries, Japan, Australia, and New Zealand, there is only a fifteen day statutory requirement and no requirement for advance or informal notification.

Once statutory notification begins and the package is no longer classified, the IA may, with DSCA approval, give the customer an advance copy of the LOA. However, this copy of the LOA must be unsigned and annotated as a draft, and is therefore not binding. It is a courtesy copy for information only and should not be construed as an official offer. The IA can present the official LOA to the customer only after the congressional notification period has lapsed and when directed by DSCA.

If Congress objects to a proposed LOA, it must pass a joint resolution to that effect prior to the expiration of the notification period. If the notification period passes with no congressional action, DSCA may then countersign the LOA and release it to the IA for official presentation to the customer.

See SAMM, Section C5.6 and Table C5.T10 for a detailed discussion of the congressional notification process.

Defense Security Cooperation Agency Countersignature

The IA will notify the DSCA Case Writing Division (DSCA-CWD) when they complete compiling LOA. The DSCA-CWD will complete the LOA writing process by doing a quality review for policy compliance and add necessary LOA notes and payment schedule. In most cases, an LOA also requires countersignature which is coordinated through the CWD. Countersignature indicates that DSCA has reviewed and concurs with the release of the LOA. Countersignature may also require a final round of coordination with other government agencies, such as ASD (GSA) and STATE/PM. The CWD also routinely coordinates with the relevant DSCA regional directorate prior to countersigning the LOA. Countersignature now occurs electronically between DSCA-CWD and the IA using e-mail and DSAMS. SAMM, Section C5.4.13 and Table C5.T9 for a detailed discussion of the DSCA countersignature process.

Once DSCA-CWD countersigns and releases the LOA, the IA will forward it to the customer for acceptance. The IA should also send a copy of the LOA to DFAS-IN. Though not required, it is also common for the IA to send an information copy of the LOA to the SAO.

STAGES OF THE FOREIGN MILITARY SALES PROCESS: ACCEPTANCE OF A LETTER OF OFFER AND ACCEPTANCE

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

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

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

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

STAGES OF THE FOREIGN MILITARY SALES PROCESS: IMPLEMENTATION AND EXECUTION

Implementation

After receiving the initial deposit, DFAS-IN releases obligational authority (O/A) to the cognizant IA. The O/A is forwarded via DSAMS to the MILDEP FMS management unique computer systems. The O/A is evidence that proper case acceptance, including cash deposit, have been received and

the case may be implemented. The O/A provides case financial authority which allows the IA case manager to implement the case. The IA may then prepare case directives that direct and coordinate the case implementation process. Implementation ends and case execution begins when requisitions for the LOA material and services are processed against the case. There is no standard time frame for case implementation; however, it should be accomplished within 10-15 days.

Although an LOA provides basic information and authority for an FMS case, it will often have insufficient information for case implementation. A case directive provides detailed instructions and information that the IA's field activities can use to support requirements within the FMS case. Much of the information in the case directive is related to finance and logistics, such as fund cites and shipping instructions. A user of the case directive should consider it as the intermediate step linking the LOA and the actual requisition or purchase order for the articles and services listed on the LOA. The case manager is normally the person who prepares the case directive.

The term, FMS case directive, has several definitions depending on the variations of case directive documents. In the broadest context, a case directive is a document, or an assortment of documents, used to implement an accepted LOA. The case directive is also known as the project directive for the Navy and the international program directive for the Air Force.

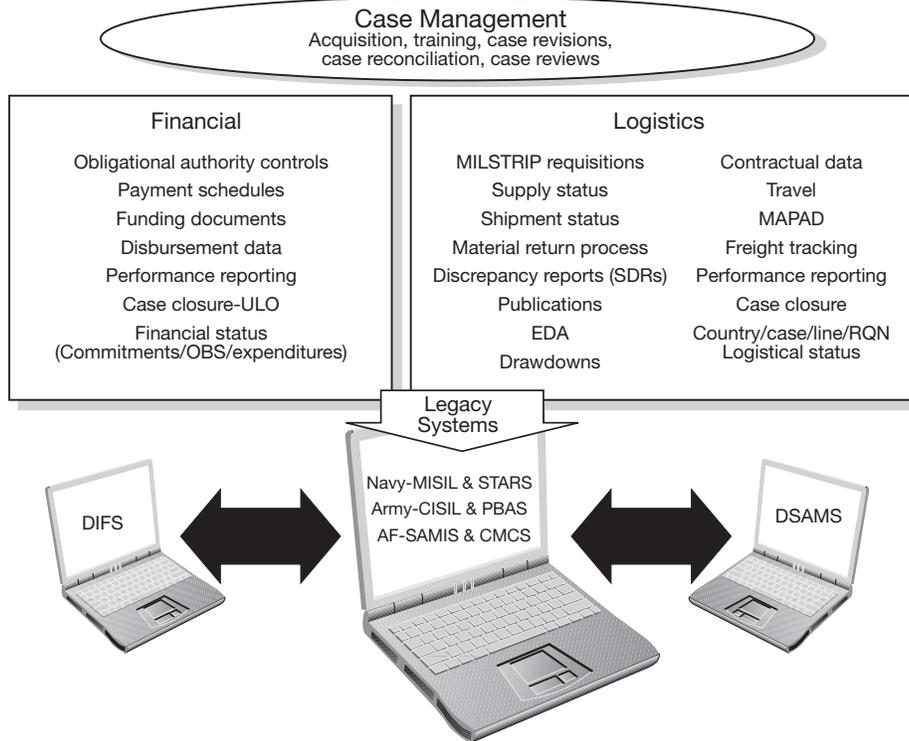
Implementation transitions into case execution when the IA's field activities begin to requisition articles and services against the case. While there is no standard metric for case implementation, a good rule of thumb is to implement a case within 15 days of acceptance by the customer. Moreover, since the case directive is an extension of the LOA, it should be amended or modified concurrent with LOA amendments and modifications. If LOA files and case directive files are not maintained in tandem, discrepancies will arise between what the LOA intends and what actually happens during the execution phase.

Execution

Case execution, depicted in Figure 5-2, is the longest part of the lifecycle of an FMS case. It begins when the IA's field activities start the requisition and procurement process against the case directive and does not end until the last article or service is delivered or completed. This can take several years for a major case.

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

**Figure 5-2
Foreign Military Sales Case Execution**



Foreign Military Sales Case Management Policy, Procedures and Concepts

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

According to the SAMM, C2.4 the MILDEPs will assign a case manager to each active FMS case. Case management begins during P&A, LOA preparation, and should include the TPA concept. Further, the SAMM 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, FMR, Volume 15, Chapter 6.

Implementing Agency Case Management

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

The case manager is accountable for all aspects of assigned FMS cases. This includes planning and execution functions as well as all financial, logistical, and acquisition matters associated with each program. The objective is to provide all articles and services within the cost and schedule estimated on the LOA. The case manager must stay on top of each program and be aware of any problems which could impact the estimated cost or schedule. This requires frequent communication with the weapon system program manager as well as the contracting officer. When potential cost overruns or delays are identified, the case manager is expected to consult with the program manager, the contractor and the foreign customer to ensure all options are explored and IA informed decisions can be made. LOA amendments and modifications should be processed promptly to ensure the case reflects up-to-date estimates and descriptions for the program.

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

Case management may entail different terminology depending upon the IA case management philosophy. For instance, the U.S. Navy tends to use the term case administering office (CAO) to describe the systems command, e.g., NAVAIR, having basic cognizance over a case. The U.S. Navy will also identify a program manager (PM) to be a case manager at a systems command. The term integrated country program manager identifies a case manager at the Navy Inventory Control Point International Programs (NAVICP) directorate level. The U.S. Army uses the term program manager which is defined as the Army Materiel Command (AMC) commander, or his designated representative, assigned total responsibility for complete management of an FMS case by Headquarters, AMC. The Army also uses the terms command case manager at the Major Subordinate Command Security Assistance directorate level and central case manager at the U.S. Army Security Assistance Command (USASAC) in New Cumberland, Pennsylvania, to identify personnel involved in FMS case management. The U.S. Air Force also uses different FMS case manager terminology such as: country director at Deputy Under Secretary of the Air Force for International Affairs (SAF/IA), command country manager at Air Force Security Assistance Center (AFSAC) and case manager or security assistance program manager (SAPM) at an air logistics center (ALC) or systems program office (SPO).

At the international logistics control office (ILCO) level, the following are representative of a case/country manager's duties:

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

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

Total Package Approach

Successful program and case management and customer satisfaction are generally the result of careful up-front planning and foresight. The planning for a specific FMS weapon system sale is, in large part, a function of anticipating all the requirements for the initial weapons sale and the follow-on support requirements. These requirements should be comprehensively reviewed and, where applicable, incorporated into the FMS program sale, thus to achieve what is termed the TPA. Planning for what should be included in a systems sale will of course vary accordingly to type of weapon system. Attachment 5-2 is a compilation of common items on checklists used by the Army, Navy and Air Force for an aircraft systems sale. This type of aircraft checklist can be used by the case manager to identify the myriad of items or services to be considered for a sale. A checklist can provide the case writer with the questions that need to be asked to ensure that all requirements have been planned

for and incorporated into the proposed sale. Checklists provide an effective means for implementing the TPA particularly since the personnel involved in writing the case may not be technical or program management experts. Site survey is an essential element of TPA.

Site Surveys

The policy for types of security assistance survey teams, including site surveys, is contained in the SAMM, C1.3.4.2 and C1.F1. The LOA data checklist such as shown in Attachment 5-2 may provide the questions to be asked or identify items to be considered for a weapons sale. However, it may not be sufficient to anticipate all variables, and the answers to the LOA checklist questions still need to be developed. To accomplish these requirements and provide a comprehensive LOA, it may be necessary for the U.S. MILDEP to conduct a site survey.

Site surveys are associated with major weapon system sales and are conducted in country with MILDEP, purchaser, and contractor representatives (if appropriate). The purpose of the site survey is to assess the requirements for introducing a specific weapon system into a country. Thus, as the planning TPA checklist indicates, an assessment of facilities, and required levels of maintenance and support capabilities will be reviewed. A program management plan for introducing the weapon system will also be developed. Normally, the best time to conduct a site survey is prior to the writing of the LOA. The site survey will allow for the most accurate assessment of delivery schedules and pricing data. Site surveys are funded by the FMS customer as noted in SAMM, Table C5.T6.

Military Department Security Assistance Computer Systems

Each of the military departments has its own dedicated FMS systems to provide internal control and management of security assistance transactions. These systems are used to monitor the supply and financial performance of the implemented cases. They are also used to report case status to the purchasers and to DFAS-IN. The MILDEPs use the DSAMS to develop, write, and implement LOAs. The following are the current database systems used by the MILDEPs for FMS case execution management. These systems are often referred to as legacy systems and are scheduled to be replaced by a standardized database management system entitled the Case Execution Management Information System (CEMIS). DSAMS and CEMIS are described in more detail in Appendix 3, "Security Assistance Automation."

U.S. Army

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

U.S. Navy

- Management Information System for International Logistics (MISIL)

U.S. Air Force

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

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

Security Cooperation Information Portal

The Security Cooperation Information Portal (SCIP) is a web-based means by which the security cooperation community can access the data from many different security assistance data base systems including the legacy systems mentioned above. SCIP allows the international security cooperation community, including the FMS customer, access to a wide range of FMS logistical and financial case data. The SCIP is also discussed in Appendix 3, “Security Assistance Automation.”

Foreign Military Sales Case Reviews

The FMS case review is a tool case managers and customers use to assess the overall program status relative to its objectives. Appropriate management actions can be exercised to correct discrepancies. The SAMM requires an annual case review by the case manager. Program management reviews (PMRs) are oriented to a specific weapon system sale and may include several FMS cases. PMRs 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. The PMR also provides USG and customer representatives with updates and exchanges of information. The frequency and the location of the PMR should be indicated in the LOA notes. Case reviews have various names and can be attended by USG, purchaser, and contractor personnel, depending on program, case size, and complexity. Some of the MILDEP unique titles for these reviews are:

- Security assistance reviews (SARs)
- Security assistance management review (SAMRs)
- Program management reviews (PMRs)
- Case reconciliation reviews (CRRs)

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

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

The SAMM, C6.T6, provides a listing of the different categories of reviews, who should attend and when they should occur. There are also financial management reviews (FMRs) that are conducted by DSCA and are described in the SAMM, C9.F7. More comprehensive information concerning FMS reviews is contained in the DSCA policy Memo 00-19, available on the DSCA web site: <http://www.dsca.mil>.

STAGES OF THE FOREIGN MILITARY SALES PROCESS: RECONCILIATION AND CLOSURE

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

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

Reconciliation

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

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

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

Supply and Services Complete

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

- All material has been delivered
- All services have been performed
- Program management lines must be completed no more than 1 year after SSC

- All supply discrepancy reports 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
- The customer has been notified with a notice of supply services complete (NSSC)
- All other requirements of the LOA have been met

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

The IA will provide DFAS-IN a certificate of case closure after the case becomes SSC. DFAS will then complete its closure/reconciliation process and ultimately provide the customer with a final bill. An FMS case is considered closed when DFAS-IN issues a final bill or a final statement of account (DD Form 645) to the customer.

Procedures for Case Closure

Cases can be closed under the accelerated case closure procedures (ACCP) or non-ACCP. Except for foreign military finance program (FMFP) funded cases, customers may choose which program they want to participate in. SAMM, Table C4.T4, and RCM, Table C3.T1, indicate which countries participate in ACCP. If a customer chooses ACCP, then all of the country FMS cases will be closed under that program, including those implemented prior to the date the customer decided to participate in ACCP.

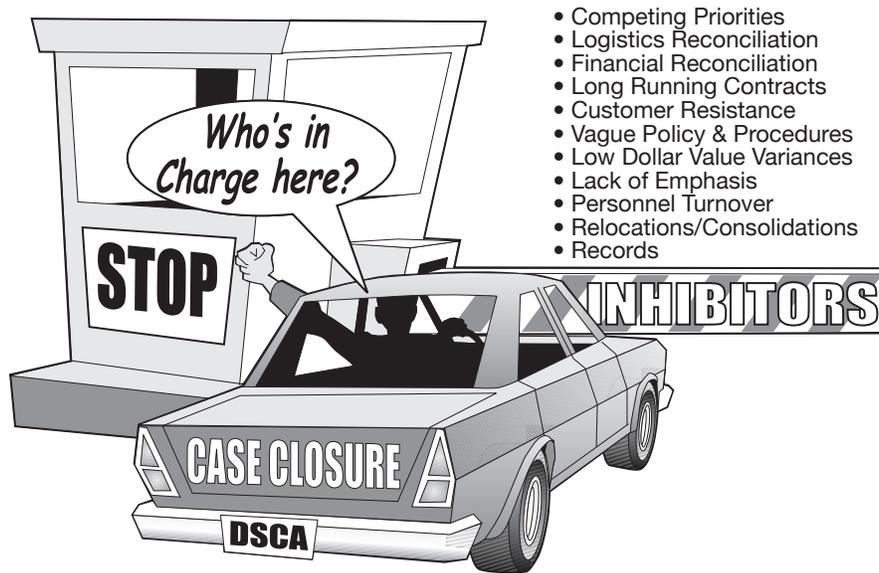
Non-ACCP is used for countries that have elected not to participate in ACCP. Under non-ACCP, cases may be closed only when all case requirements, i.e., obligations are completed and then final billed, and audited if necessary. Normally, the estimated closure date in a non-ACCP LOA is 36 months after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

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

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

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

Figure 5-3
Case Closure Inhibitors



The ULO value along with the delivered value of the case is billed and collected from the FMS customer. The ULO collection is placed by DFAS-IN into a customer-owned, country level case closure suspense account (CCSA). The customer is given a final bill indicating that the case is closed. The IA records will indicate that the cases are interim closed. Subsequent post-closure case disbursements for the unliquidated obligations will be processed against CCSA, thereby allowing cases closed by the accelerated process to remain closed.

Customers receive regular CCSA statements as part of their quarterly DD Form 645 billing package. 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 more than six months, DFAS-IN may require payment of the entire balance owed.

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

Enhanced Accelerated Case Closure Procedures and Force Closure

Enhanced accelerated case closure (EACC) and force closure are subsets of ACCP, used to enforce closure of cases under ACCP. ACCP cases not closed within 24 months of SSC are candidates for nomination by DSCA for EACC. Cases which land on DSCA's EACC list receive top priority for closure. DSCA usually give IAs two to three quarters (i.e., six to nine months) to close cases on the EACC list. If a case remains open on the EACC list for more than three quarters, DSCA may direct DFAS-IN to unilaterally force close the case, without reconciling with the IA's records. Force closed cases are in an interim closed status until IA and DFAS-IN records agree, all underlying contracts are closed out, and ULOs equal zero.

Processing Transactions Against Closed Cases

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

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

SUMMARY

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

Depending on the nature of the foreign government's requirements, a purchaser may request either P&A data or an LOA. P&A data is usually needed by the foreign government for ROM estimates on prices and delivery timeframes. Response times for military departments to provide P&A data is within 45 days after receipt of the request. For LOAs, it is 120 days for 80 percent of cases.

The LOA also known as an FMS case, is a contractual document and should provide the purchasing country with all the information required to purchase not only the materiel or service, but also all the ancillary support needed for full functional operation. The LOA should be written in such detail and clarity that the purchaser can accept the offer as stated. The LOA, upon country acceptance, is returned to the implementing agency and to DFAS-IN with the required initial payment. DFAS-IN then provides obligation authority to the IA. The FMS case may be implemented after a case directive is promulgated by the military department. The case directive provides significant management information required to track the case through its active life and to provide an audit trail. The DSCA 1200 FMS information system along with the DSAMS are used for program control and status reporting of FMS especially during execution.

A case is considered supply complete when all articles and services have been delivered or performed by the implementing agency. Case closure is then undertaken. A case is considered closed when, in addition to final delivery or performance, all financial transactions, including collections, have been completed and the customer has received a final statement of account for the case.

REFERENCES

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

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

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

ATTACHMENT 5-1

IMPLEMENTING AGENCY ORGANIZATIONS IN SUPPORT OF FOREIGN MILITARY SALES

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

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

U.S. Army

U.S. Army Security Assistance Command (USASAC)
Fort Belvoir, Virginia

For training-only LORs:

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

For construction-only LORs:

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

Information address for Army LORs:

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

U.S. Navy

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

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

U.S. Air Force

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

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

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

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

For training-only LORs:

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

Defense Security Cooperation Agency

DSCA writes specialized FMS cases:

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

Defense Contract Management Agency

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

Defense Contract Management Agency (DCMA)
Alexandria, Virginia

Defense Reutilization and Marketing Service

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

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

Defense Logistics Information Service

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

Defense Logistics Information Service (DLIS)
Battle Creek, Michigan

Defense Information Systems Agency

DISA provides information systems and services:

Defense Information Systems Agency (DISA)
Arlington, Virginia

National Geospatial-Intelligence Agency

NGA writes cases for charts and maps:

National Geospatial-Intelligence Agency (NGA)
Bethesda, Maryland

National Security Agency

NSA writes cases for special communication systems:

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

Defense Threat Reduction Agency

DTRA writes cases for special weapons development and improvement services:

Defense Threat Reduction Agency (DTRA)
Fort Belvoir, Virginia

Letter of Request Information Addresses

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

United States European Command (EUCOM)
Stuttgart Germany

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

United States Southern Command (SOUTHCOM)
Miami, Florida

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

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

Implementing Agency Codes

DSCA has assigned each implementing agency a one-letter code that identifies it as the cognizant organization for a given FMS case. This code is recorded in the third position of the FMS case identifier. For example, a case managed by the U.S. Air Force (IA code D) on behalf of the Appendix 1, "Case Document Package," fictitious country of Bandaria might be BN-D-YCY, whereas a Bandarian case managed by the U.S. Army (IA code B) would be BN-B-YCY. Below is a list of active IA codes. Those marked with an asterisk are no longer used on new LOAs, but may still be found on older cases. See SAMM, Table C5.T2, for a current list of IAs currently authorized to receive LORs and prepare LOAs.

<u>IA Code</u>	<u>Organization</u>
B	Department of the Army
C	Defense Information Systems Agency (DISA)
D	Department of the Air Force
E*	U.S. Army Corps of Engineers (USACE; now included under IA code B with the rest of the U.S. Army)
F	Defense Contract Management Agency (DCMA)
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 Center (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 located in the vicinity of Washington, D.C.;
- An International Logistics Control Office (ILCO) that deals primarily with support equipment, spare parts, and repair services
- An FMS training activity, which manages both stand-alone schoolhouse training such as professional military education (PME) and training in support of system sales

Additionally, although each MILDEP uses its own legacy information management systems for some aspects of case management, all MILDEPs and other IAs use the DSAMS to task and prepare LOAs. Normally, the headquarters element is the point of entry for material LORs. It then uses DSAMS to designate a lead command for the preparation of the P&A or LOA. The lead command is responsible for obtaining data from other relevant organizations to prepare the P&A/LOA.

Read Chapter 3, “U.S. 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 3 of this textbook and SAMM, Chapter 13, for a discussion of DSAMS and other security assistance information management systems.

U.S Army

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

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

The Security Assistance Training Field Activity (SATFA), located at Ft. Monroe, VA, 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 will write a separate training LOA to support a material LOA. SATFA may receive taskings from USASAC-Belvoir or may receive LORs directly. SATFA may also sign training LOAs as the official U.S. Army representative.

Another U.S. Army organization connected to FMS training is the Security Assistance Training Management Office (SATMO) at Ft. Bragg, NC. 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 SAOs.

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

U.S. Navy

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

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

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

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

U.S. Air Force

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

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

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

ATTACHMENT 5-2

SAMPLE LETTER OF OFFER AND ACCEPTANCE AND TOTAL PACKAGE APPROACH AIRCRAFT CHECKLIST

Identification Requirements

Description
Nomenclature
Quantity
Delivery timeframe

Facilities

Requirements, airfields, storage, etc.
Construction services

Maintenance

In-country Maintenance Plan

Initial Support Requirements

90 day/2 year test equipment
POL and fuel requirements
Weapons handling equipment
Power units

Organizational

Intermediate
Depot
In-country manpower skill requirements

Operational Concepts

Mission profile
Primary/secondary
Hours Use
Number of Bases

Staging

Where?
U.S. government or commercial?

Training Requirements

English language
Maintenance
Training aids/devices
Administration
Operational (flight, navigational)
Supply (inventory management)
CONUS vs. in-country

Technical Information Requirements

Production and engineering data
Plans and drawings
Specifications
Changes and modifications
Performance and failure data
Computer software
Publications

Configuration Management

Additions/deletions
Pre or post production

Follow-on Support Requirements

Repair
Publication
Technical support/documentation
Services
Ammo
Fuel

Services

Site Survey
Packaging requirements
Quality assurance
Technical assistance
Program management
Construction
Ferry service - transport equipment
Commercial vs. USG