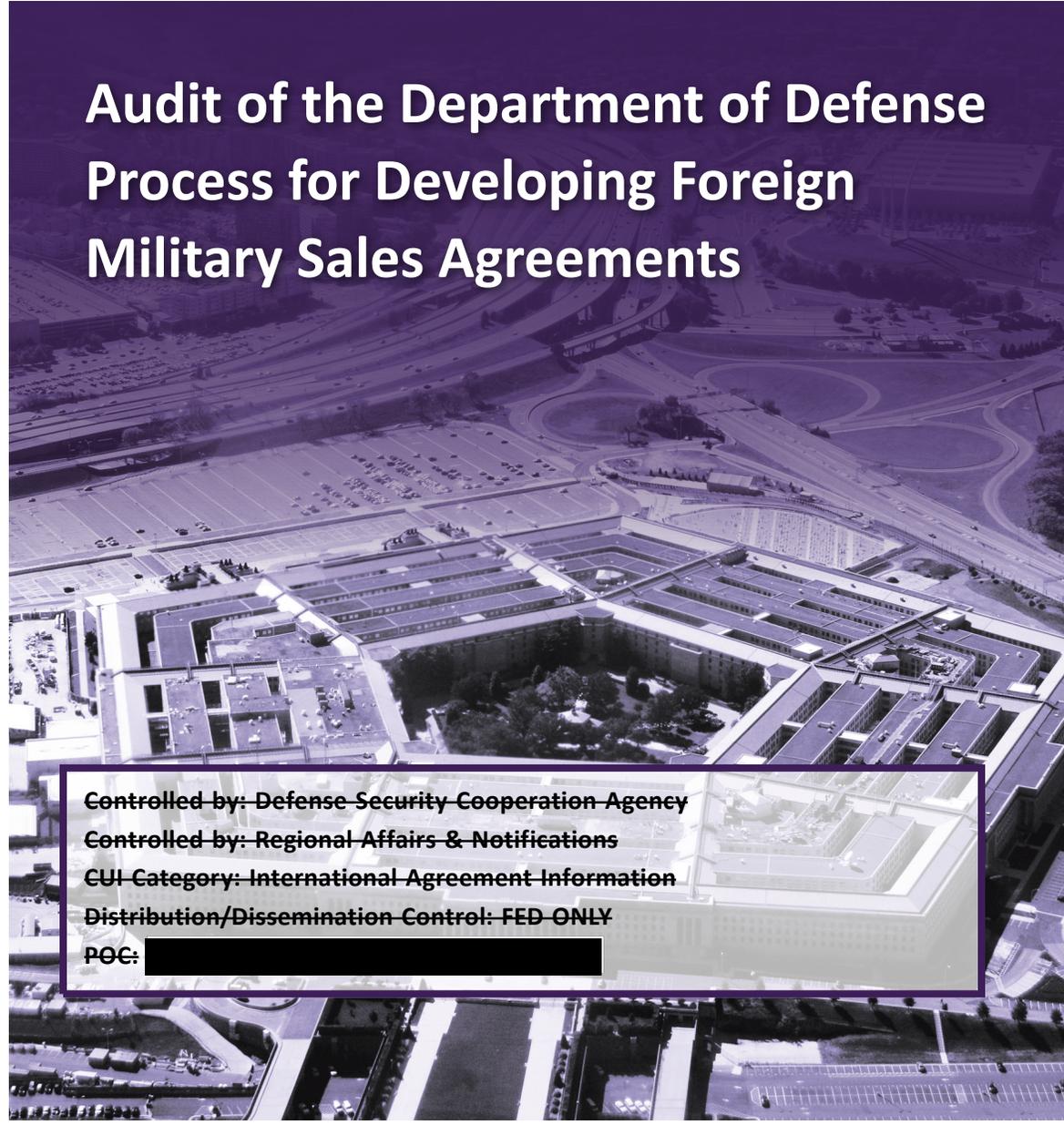


CUI

# INSPECTOR GENERAL

*U.S. Department of Defense*

OCTOBER 9, 2020



## Audit of the Department of Defense Process for Developing Foreign Military Sales Agreements

**Controlled by: Defense Security Cooperation Agency**

**Controlled by: Regional Affairs & Notifications**

**CUI Category: International Agreement Information**

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INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE

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# Results in Brief

## *Audit of the Department of Defense Process for Developing Foreign Military Sales Agreements*

October 9, 2020

### Objective

The objective of this audit was to determine whether the DoD coordinated foreign partner requirements for defense articles and services with the Defense Security Cooperation Agency (DSCA), Military Departments, and other organizations, and whether the metrics used by these Components maximize the results of the Foreign Military Sales (FMS) agreement development process. This audit focused on the timeliness of the DoD FMS agreement development process.

We conducted this audit in response to a reporting requirement contained in House Report 115-676, to accompany the National Defense Authorization Act for Fiscal Year 2019. We reviewed a nonstatistical sample of 80 DoD FMS cases, valued at \$16.3 billion, that were in an open status as of March 2019 and managed by the Military Department Implementing Agencies. The sample focused on 70 delayed cases to determine the cause of the delays and also included 10 cases developed within the DSCA processing standard to determine why the cases were processed in a timely manner.

### Background

U.S. national security benefits from providing military equipment and services to foreign partners and allies so they may build or enhance their security capability. To support partner countries and allies, the U.S. Government procures defense equipment and services on behalf of the foreign partner through various security cooperation and assistance programs,

### Background (cont'd)

such as the FMS program. The Department of State has overall responsibility for the FMS program, while the DoD administers the program through the DSCA and the Military Department Implementing Agencies.

According to DSCA officials, at the end of FY 2019, the DoD FMS program included 14,762 open cases, valued at \$579 billion, and involved 189 countries and international organizations. The DSCA requires foreign partners to submit a Letter of Request, which provides the details of the requested defense articles and services. Implementing Agencies are organizations that the DSCA authorized to receive foreign partner requests for defense articles and services and are responsible for developing and processing sales agreements in accordance with DSCA policy. The Implementing Agencies carry out the procurements to fulfill FMS agreements between the United States and foreign partners.

### Findings

Although the DoD coordinated foreign partner requirements with the DSCA, Military Departments, and other organizations, the Military Department Implementing Agencies exceeded the DSCA's processing standards for how long it should take to develop FMS agreements for 70 delayed cases reviewed. This occurred because:

- foreign partners submitted incomplete Letters of Request or changed their requirements after submitting the Letter of Request for 27 cases,
- agreements required extraordinary coordination with other DoD organizations and Federal agencies to obtain mandatory waivers or other approvals for 21 cases,
- agreements involved complex pricing efforts or funding issues for 12 cases, and
- Implementing Agency processing delayed 10 cases.

The congressional reporting requirement that prompted this audit stated that the committee was aware of concerns raised by U.S. military leaders, the defense industry, and foreign partners that the DoD FMS process is slow, cumbersome, and



# Results in Brief

## *Audit of the Department of Defense Process for Developing Foreign Military Sales Agreements*

### **Findings (cont'd)**

overly complicated. The results of this audit identified concerns with the DoD FMS agreement development process similar to those expressed in the congressional request. The congressional reporting requirement also emphasized that an efficient, thorough, and effective FMS process is vital to U.S. foreign policy and national security, and contributes to the health of the U.S. defense industrial base.

For the 10 timely cases reviewed that met the DSCA processing standards, the cases involved non-unique items, such as computers and munitions, and spare parts support for previously approved cases.

Recent congressionally mandated reporting requirements have increased visibility over the timeliness of the DoD FMS process. In addition, the DSCA and the Implementing Agencies had several ongoing and recently completed initiatives to improve the DoD FMS agreement development process. We believe that the outcomes and actions of the initiatives address the deficiencies this audit identified, and the timeliness of the FMS agreement development process is improving. Therefore, we are not making any recommendations and will consider a followup audit at a later date to review the outcomes and actions regarding the initiatives.

In addition, the Military Department Implementing Agencies did not accurately record receipt of foreign partner Letters of Request in the Defense Security Assistance Management System (DSAMS) for 72 of 80 sampled cases. Specifically, an average of 70 days elapsed between the receipt of the foreign partner's Letter of Request and the Letter of Request receipt date recorded in DSAMS. In addition, the Implementing Agencies did not comply with DSCA policy on establishing the case initialization and Letter of Request complete milestones in DSAMS and did not:

- initialize 65 cases within 10 days of receiving the Letter of Request, or
- record Letters of Request as complete for 45 cases within 20 days of receiving the Letter of Request.

Furthermore, of the 6,096 cases included in our audit universe:

- 1,392 cases (23 percent) exceeded the 10-day initialization standard, and
- 873 cases (14 percent) exceeded the 20-day Letter of Request complete standard.

This occurred because the DSCA did not establish adequate controls and oversight to ensure that the Implementing Agencies complied with DSCA policy requirements. As a result, the DSAMS data that the DSCA used to measure timelines for developing FMS agreements were inaccurate. Specifically, the actual processing times for developing FMS agreements exceeded those reflected in DSAMS. The DSCA needs accurate and well-maintained data to effectively monitor the Implementing Agencies' performance in developing timely agreements and to improve transparency for all stakeholders. In addition, the DSCA uses DSAMS data to prepare congressionally mandated reports on the timeliness of FMS case processing, and inaccurate DSAMS data negatively impacts the integrity of those reports.

### **Recommendations**

We recommend that the DSCA Director coordinate with the Military Department Implementing Agencies to establish controls and oversight mechanisms and require compliance with DSCA policy for accurately entering foreign partner Letters of Request and establishing the case initialization and Letters of Request complete milestones in DSAMS.



# Results in Brief

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## *Audit of the Department of Defense Process for Developing Foreign Military Sales Agreements*

### **Management Comments and Our Response**

The DSCA Director agreed with the recommendation, stating that the DSCA will update guidance within the DSCA Security Assistance Management Manual and continue to work with the Military Departments to improve management controls and oversight to ensure compliance. Comments from the Director addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation when we receive documentation showing that all agreed-upon actions to implement the recommendation are completed. Please see the Recommendations Table on the next page for the status of the recommendation.

## Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
DSCA Director	None	B.1	None

**Note:** The following categories are used to describe agency management’s comments to individual recommendations.

- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – OIG verified that the agreed upon corrective actions were implemented.



**INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500**

October 9, 2020

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR POLICY  
DIRECTOR, DEFENSE SECURITY COOPERATION AGENCY

SUBJECT: Audit of the Department of Defense Process for Developing Foreign  
Military Sales Agreements (Report No. DODIG-2021-003)

This final report provides the results of the DoD Office of Inspector General's audit. We previously provided copies of the draft report and requested written comments on the recommendation. We considered management's comments on the draft report when preparing the final report. These comments are included in the report.

The Defense Security Cooperation Agency Director agreed to address the recommendation presented in the report; therefore, we consider the recommendation resolved and open. As described in the Recommendation, Management Comments, and Our Response section of this report, we will close the recommendation when you provide us documentation showing that all agreed-upon actions to implement the recommendation are completed. Therefore, please provide us within 90 days your response concerning specific actions in process or completed on the recommendation. Send your response to either [followup@dodig.mil](mailto:followup@dodig.mil) if unclassified or [rfunet@dodig.smil.mil](mailto:rfunet@dodig.smil.mil) if classified SECRET.

If you have any questions, please contact me at [REDACTED].

A handwritten signature in black ink that reads "Theresa S. Hull".

Theresa S. Hull  
Assistant Inspector General for Audit  
Acquisition, Contracting, and Sustainment



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# Introduction

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## Objective

The objective of this audit was to determine whether the DoD coordinated foreign partner requirements for defense articles and services with the Defense Security Cooperation Agency (DSCA), Military Departments, and other organizations, and whether the metrics used by these Components maximize the results of the Foreign Military Sales (FMS) agreement development process.<sup>1</sup> This audit focused on the timeliness of the DoD FMS agreement development process.

We conducted this audit in response to a reporting requirement contained in House Report 115-676, to accompany the National Defense Authorization Act for Fiscal Year 2019. We reviewed a nonstatistical sample of 80 DoD FMS cases, valued at \$16.3 billion, that were in an open status as of March 2019 and managed by the Military Department Implementing Agencies (IAs).<sup>2</sup> See Appendix A for scope, methodology, and prior audit coverage.

## Background

### ***Congressional Reporting Requirement***

In its reporting requirement, the House Committee on Armed Services explained that an efficient, thorough, and effective FMS process is vital to U.S. foreign policy and national security, and contributes to the health of the U.S. defense industrial base. The committee cited concerns raised by U.S. military leaders, the defense industry, and foreign partners that the FMS process is slow, cumbersome, and overly complicated. The committee directed the Inspector General of the Department of Defense to conduct an audit regarding DoD implementation of FMS programs.<sup>3</sup>

### ***DoD Foreign Military Sales Program***

According to DSCA officials, at the end of FY 2019, the DoD FMS program included 14,762 open cases, valued at \$579 billion, and involved 189 countries and international organizations.<sup>4</sup> Security assistance is a group of programs,

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<sup>1</sup> A defense article is any item, including end-items, major systems and equipment, parts, components, accessories and attachments, or technical data, that constitutes the U.S. Munitions List. A defense service is the furnishing of assistance (including training) to foreign persons in the design, development, engineering, manufacture, production, assembly, testing, repair, maintenance, modification, operation, demilitarization, destruction, processing or use of defense articles; or military training of foreign units and forces, including formal or informal instruction of foreign persons.

<sup>2</sup> We selected the sample from a universe of 7,405 FMS cases, with a total case value of \$253 billion. The sample focused on 70 delayed cases to determine the cause of the delays and also included 10 cases developed within the DSCA processing standard to determine why the cases were processed in a timely manner.

<sup>3</sup> See Appendix B for the complete congressional reporting requirement.

<sup>4</sup> We use the terms “case” and “cases” throughout the report, and each case has a unique case identifier. However, a case can involve multiple case documents, including the LOA and any modifications, amendments, and restatements.

authorized under Title 22 United States Code authorities, by which the United States provides defense articles, military education and training, and other defense-related services by grant, loan, credit, cash sales, or lease, in furtherance of its national policies and objectives. All programs are subject to the continuous supervision and general direction of the Secretary of State to best serve U.S. foreign policy interests; however, the programs are administered by the DoD or the Department of State.

The Arms Export Control Act authorizes the sale of defense articles and services to eligible foreign customers under the FMS program and requires reporting of these sales to Congress when they meet certain criteria.<sup>5</sup> The FMS program encourages and enables foreign partners to work with the United States and achieve strategic objectives. The FMS program uses the DoD procurement system to support government-to-government sales of defense articles and services. The Department of State has overall responsibility of the program, including the approval of sales. The DoD administers the FMS program and manages procurements executed by Military Departments' and other DoD Components' acquisition programs on behalf of foreign partners. The FMS program includes multiple DoD Components, including the DSCA, the combatant commands, the Joint Staff, and the Military Departments.

### *Defense Security Cooperation Agency*

The DSCA, under the authority of the Under Secretary of Defense for Policy, directs, administers, and provides DoD-wide guidance to DoD Components for executing the FMS program. The mission of the DSCA is to advance U.S. national security and foreign policy interests by building the capacity of foreign security forces to respond to shared challenges. The DSCA carries out key administrative functions, such as overseeing the implementation of high-priority and urgent FMS cases and conducting negotiations with foreign partners. DSCA personnel coordinate with the Department of State to obtain approval of FMS cases and submit FMS cases for congressional notification when required. The DSCA issued a Security Assistance Management Manual (SAMM) as DoD-wide policy, which describes the legal, regulatory, and policy requirements relating to the FMS program.<sup>6</sup> The DSCA provides the overall guidance but has delegated the administration of the FMS program in whole or in part to the Military Departments, combatant commands, Defense agencies, and field activities implementing assigned responsibilities.

<sup>5</sup> Title 22, United States Code, Chapter 39 – Arms Export Control.

<sup>6</sup> DSCA Manual 5105.38-M, "Security Assistance Management Manual (SAMM)," April 30, 2012.

## ***Implementing Agencies***

The IAs are organizations that the DSCA authorized to receive foreign partner requests for defense articles and services. These organizations are responsible for developing and processing sales agreements in accordance with DSCA policy. The Military Departments were the major DoD FMS IAs responsible for managing 98 percent of the open cases and 99 percent of the total case value.<sup>7</sup> The IAs carry out the day-to-day implementation of procurements to fulfill FMS agreements between the United States and its foreign partners. The IAs conduct military education, training, and sales of defense articles and services in accordance with DSCA policy. They also provide technical information and data on weapon systems, tactics, doctrine, training, capabilities, logistic support, price, source, and availability for developing FMS cases. In addition, the IAs ensure conformance with technology transfer, classified military information release, and disclosure policies for their respective areas of responsibility to support the DoD FMS program. The IAs have subject matter experts who review foreign partner requests and prepare cases.

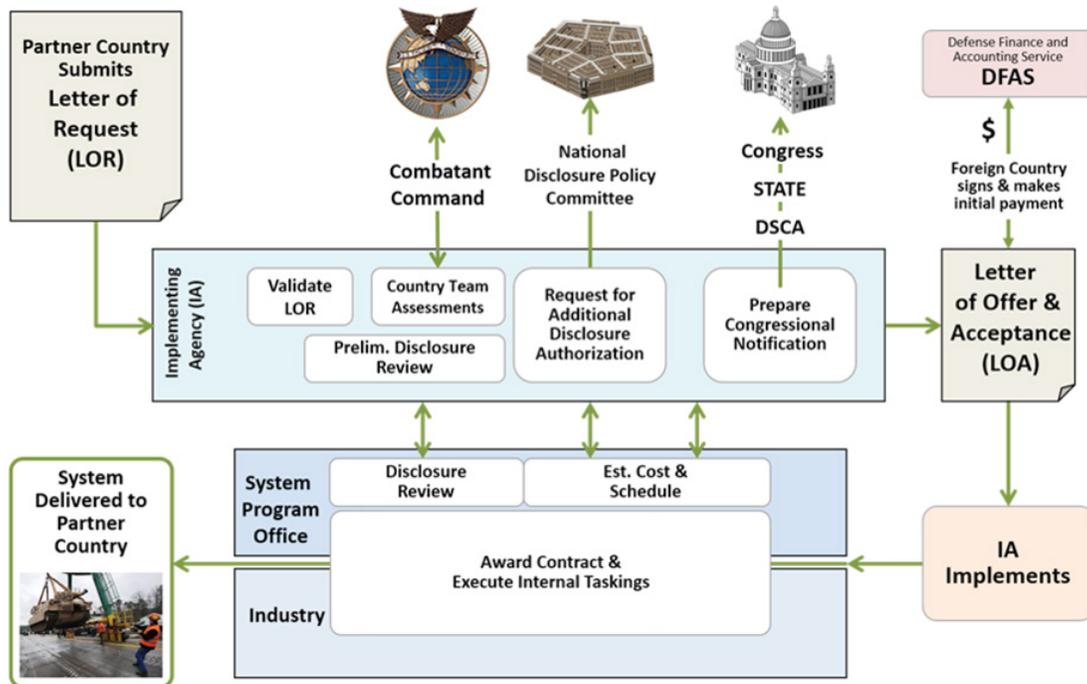
## ***DoD Foreign Military Sales Agreement Development Process***

The DSCA and the IAs use the Defense Security Assistance Management System (DSAMS) to manage and track the progress of DoD FMS cases. The DoD FMS program requires a foreign partner to submit a Letter of Request (LOR) for defense articles and services. Foreign partners can provide LORs through formal correspondence, requests for proposal, discussions, e-mails, or letters. The IA is required to use the DSCA SAMM criteria to validate the sufficiency of the LOR and, once validated, enter the LOR data in DSAMS and acknowledge receipt of the LOR to the prospective purchaser. The IA's receipt of the LOR represents the start of the FMS agreement development phase. The IA then completes numerous steps to develop the Letter of Offer and Acceptance (LOA). Once the IA completes the LOA and the status of the FMS case changes from development to offered, and the IA formally submits it to the foreign partner, the status of the FMS case changes from development to offered. The DSAMS offered date represents the end of the agreement development phase. When the foreign partner formally accepts the offer and deposits funds with the Defense Finance and Accounting Service, the status of the FMS case changes from offered to implemented. The IA then awards a contract and provides the requested defense articles and services to the foreign partner. Figure 1 shows the steps involved in the DoD FMS process.

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<sup>7</sup> Percentages based on our audit universe data as of March 6, 2019. See Appendix A for details.

Figure 1. DoD FMS Process



Source: The Air Force Security Assistance and Cooperation Directorate.

The IAs have the primary responsibility of providing security assistance to foreign partners through FMS. IAs include the U.S. Army Security Assistance Command (USASAC), the Navy International Programs Office (NIPO), and the Air Force Security Assistance and Cooperation (AFSAC) Directorate. These organizations have case managers responsible for assisting with FMS case development. The DSCA SAMM specifies that the IA will assign a case manager to each LOA to assist with case development, and to guide execution of the case after implementation. The IA is responsible for establishing case management functions and determining the organizational level at which these functions will be performed and managed. The DSCA SAMM also specifies that the term “case manager” may differ based on the organization to include country manager, command country manager, security assistance program manager, program support manager, or line manager, but all perform case management functions.<sup>8</sup>

LOAs can be modified, amended, or restated if circumstances warrant a change.

- **Modification** – Minor administrative changes that do not alter the scope of the LOA and do not require the foreign partner’s acceptance.
- **Amendment** – Changes that alter the scope of the LOA and require the foreign partner’s acceptance. A scope change may involve an increase or decrease in dollar value, quantity, lead-time, or other scope-altering change.

<sup>8</sup> This report also uses the term “case manager” to refer to the various personnel who perform case management functions.

- **Restatement** - Major changes that are needed after a document has been countersigned and offered to the foreign partner. If the foreign partner wants to retain the existing case identification designator, the DSCA can make another offer (a restatement) and include the major changes instead of canceling the offer and issuing a new case.<sup>9</sup>

## ***Agreement Development Processing Standards***

The time required to prepare LOAs varies with the complexity of the sale. The DSCA established standards for the basic number of days that it should take to process a case document from the receipt of an LOR until the IA makes an offer to the foreign partner. When an LOR is submitted, the IA's case manager will determine the complexity of the case and assign it to an Anticipated Offer Date (AOD) group (A, B, or C) based on the description of what the foreign partner wants to purchase.<sup>10</sup>

### ***Anticipated Offer Date Group "A" Cases***

AOD Group "A" cases are simple cases that involve purchases of spare parts, training, technical assistance, and logistics support. The DSCA SAMM specifies that these cases include blanket order LOAs, cooperative logistics supply support agreements, and associated amendments and modifications. The DSCA standard for these cases is 45 days from LOR receipt to offer.

### ***Anticipated Offer Date Group "B" Cases***

AOD Group "B" cases are standard cases such as a purchase of Patriot Missiles with all associated equipment, spare parts and support. The DSCA SAMM specifies that these cases include defined order LOAs and associated amendments and modifications. The IA can reassign an LOA document assigned to AOD Group "B" to AOD Group "C" if circumstances warrant a change. The DSCA standard for these cases is 100 days from LOR receipt to offer.

### ***Anticipated Offer Date Group "C" Cases***

AOD Group "C" cases are complex cases involving factors that are expected to substantially increase the time taken to complete, such as the sale of new fighter aircraft and associated support. The DSCA SAMM specifies that these cases include defined order LOAs and associated amendments and modifications that the IA

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<sup>9</sup> The case identifier is a six-letter code used to identify and track LOAs throughout the FMS process. The identifier is composed of three major components: (1) a two-letter country code to identify the requesting foreign partner, (2) a one-letter code to identify the IA, and (3) a three-position case designator to identify details on the article or service being provided.

<sup>10</sup> The DSCA also established AOD Group "D" for cases involving the building partner capacity program but we did not review those cases because they involve DoD funding and do not involve a request from a foreign partner.

considers “purchaser-unique” in nature. The IA must identify and document why the LOA is “purchaser-unique” in nature. The DSCA standard for these cases is 150 days from LOR receipt to offer.

The expected number of days the DSCA SAMM established for each AOD group includes multiple status changes and milestones to complete the agreement development process. For example, a case will go from development to writing, then review, and finally to offered all during the agreement development process. Within each of these status changes are milestones that IA personnel document in DSAMS.

### ***Case Development Extenuating Factors***

The DSCA established Case Development Extenuating Factors (CDEFs) to identify and track causes for delays in the agreement development processes. The DSCA SAMM explains that a CDEF identifies a reason why the processing time of an LOA document might exceed the standard processing time for each AOD group. The DSCA SAMM specifies that once the IA determines that an LOA document will be impacted by a CDEF, a CDEF reason code should be added in DSAMS.<sup>11</sup> High-level definitions for a few of the primary CDEFs discussed in the audit report are as follows.

- Purchaser’s LOR incomplete or changing requirements. This includes any LOR received that is considered incomplete where additional customer information is required before beginning the LOA data development. This also includes any significant changing requirements or new LORs received after the beginning of the LOA data development.
- Extraordinary coordination required inside or outside the IA. This includes working with other Military Departments or Federal agencies to get approvals or waivers for release of required items, and cases requiring congressional notification.
- Complex pricing efforts or funding issues. This includes pricing efforts on a major weapons platform, which pulls different types of equipment components in from various sources. This also includes contractor pricing delays involving contractor-validated pricing required to complete the LOA. Funding issues involve instances where the customer does not have funding readily available to cover case requirements, including when the customer has to wait for allocation of its annual allotment of Foreign Military Financing funding.

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<sup>11</sup> See Appendix C for a complete list of CDEF reason codes and their definitions.

The DSCA definitions do not include specific timeframes for the assignment of each CDEF, and the DSCA SAMM specifies only that a CDEF identifies why the processing time of an LOA document might exceed the standard processing time for each AOD group. For example, for an AOD Group C case, the DSCA SAMM does not state that the IA should assign a CDEF if extraordinary coordination exceeds a specified number of days (such as 60 or 90 days) but instead requires a CDEF code if the IA expects the total agreement development time to exceed the DSCA 150-day standard.

### ***Foreign Military Sales Case Files***

DoD policy and the DSCA SAMM specify the type of documentation IA personnel are to maintain in FMS case files and provide retention requirements.<sup>12</sup> The types of documentation that DoD policy requires IA personnel to retain for the agreement development process include:

- LOR documentation (including price and availability data and correspondences and other information relative to the LOR);
- planning information (including price and availability data, information used to prepare the LOA, responses to the foreign government if initially presented something other than an LOA, and correspondences related to exceptions or waivers); and
- FMS contractual instruments documentation (including congressional notification documentation, the LOA and any amendments or modifications, any memorandums of understanding or agreement relating to the LOA, correspondence related to internal review and coordination, and correspondence of transmittal to foreign government and acceptance).

DoD policy acknowledges that execution of a typical FMS case may span several years. Therefore, IA personnel must ensure accessibility to documents that provide the audit trail to account for U.S. Government and foreign government funds and retain this documentation for 10 years after the date of the case closure, which may be done electronically provided such files are complete, secure, and readily retrievable.

## **Review of Internal Controls**

DoD Instruction 5010.40 requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls.<sup>13</sup> We identified control weaknesses associated with the Military Department IAs

<sup>12</sup> DoD Regulation 7000.14-R, "Financial Management Regulation," Volume 15, "Security Cooperation Policy."

<sup>13</sup> DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

not meeting the DSCA processing standards for developing FMS agreements. In addition, we identified control weaknesses associated with Military Department IAs not accurately recording the receipt of foreign partner LORs and other agreement development milestones in DSAMS. We will provide a copy of the report to the DSCA senior official responsible for internal controls.

## Finding A

### Implementing Agencies Did Not Meet Agreement Development Processing Standards and the DoD Established Several Improvement Initiatives

Although the DoD coordinated foreign partner requirements with the DSCA, Military Departments, and other organizations, the Military Department IAs exceeded the DSCA processing standards for developing FMS agreements for 70 delayed cases reviewed. This occurred because:

- foreign partners submitted incomplete LORs or changed their requirements after submitting the LOR for 27 cases,
- agreements required extraordinary coordination with other DoD organizations and Federal agencies to obtain mandatory waivers or other approvals for 21 cases,
- agreements involved complex pricing efforts or funding issues for 12 cases, and
- IA processing delayed 10 cases.

The congressional reporting requirement that prompted this audit stated that the committee was aware of concerns raised by U.S. military leaders, the defense industry, and foreign partners that the DoD FMS process is slow, cumbersome, and overly complicated. The results of this audit identified concerns with the DoD FMS agreement development process similar to those expressed in the congressional reporting requirement. The reporting requirement also emphasized that an efficient, thorough, and effective FMS process is vital to U.S. foreign policy and national security, and contributes to the health of the U.S. defense industrial base.

For the 10 timely cases reviewed that met the DSCA processing standards, the cases involved non-unique items, such as computers and munitions, and spare parts support for previously approved cases.

Recent congressionally mandated reporting requirements have increased visibility over the timeliness of the IAs' FMS case processing. In addition, the DSCA and the IAs had several ongoing and recently completed initiatives to improve the DoD FMS agreement development process. We believe that the outcomes and actions of the initiatives address the deficiencies this audit identified, and the timeliness of the FMS agreement development process is improving. Therefore, we are not making any recommendations and will consider a followup audit at a later date to review the outcomes and actions regarding the initiatives.

## Implementing Agencies Did Not Meet Agreement Development Processing Standards

Although the DoD coordinated foreign partner requirements for defense articles and services, the Military Department IAs exceeded the DSCA processing standards for how long it should take to develop FMS agreements for 70 delayed FMS cases reviewed. The standards establish the time the IAs should take from the receipt of a foreign partner's LOR to when the LOA is offered. The DSCA's goal is for the IAs to offer 85 percent of their LOAs on or before the established timelines by AOD group.<sup>14</sup> Table 1 shows that the IAs, as a whole, did not meet the processing standards for FYs 2016 to 2018.<sup>15</sup>

*Table 1. Percentage of LOAs Meeting DSCA Processing Standards by AOD Group*

AOD Group (Standard In Days)	FY 2016 Percent of LOAs Meeting Standard	FY 2017 Percent of LOAs Meeting Standard	FY 2018 Percent of LOAs Meeting Standard
Group A ( 45 days)	70	71	64
Group B (100 days)	77	73	77
Group C (150 days)	61	47	55

Source: The DSCA.

We reviewed a nonstatistical sample of 80 FMS cases to evaluate the timeliness of the IA's FMS agreement development process. We focused on 70 delayed cases that did not meet DSCA processing standards to determine the primary reasons for the delays.<sup>16</sup> Table 2 identifies the breakout of the 70 delayed cases reviewed by the primary cause we identified.<sup>17</sup>

<sup>14</sup> The DSCA processing goal includes LOAs, amendments, and modifications, but this audit focused on LOAs.

<sup>15</sup> A comparison of FY 2018 and second quarter FY 2020 performance data on agreement development processing is provided later in this report in Table 3 in a section on DSCA improvement initiatives.

<sup>16</sup> We also reviewed 10 timely cases for which the Military Department IAs developed the agreements within the DSCA processing standards. These cases are discussed later in this report.

<sup>17</sup> The agreement development times for our sampled cases were generally impacted by multiple delays, and these delays overlapped in many cases, making it hard to quantify the individual impact. Therefore, we focused on the primary delay that accounted for the longest period for reporting purposes.

Table 2. Breakout of 70 Delayed Cases Reviewed by Cause of Primary Delay

Cause of Primary Case Delay	Number of Delayed Cases
Incomplete LORs or Changing Requirements	27
Extraordinary Coordination Required	21
Complex Pricing Efforts or Funding Issues	12
IA Processing	10
<b>Total Delayed Cases Reviewed</b>	<b>70</b>

Source: The DoD OIG.

## Foreign Partner Requests Were Incomplete or Requirements Changed

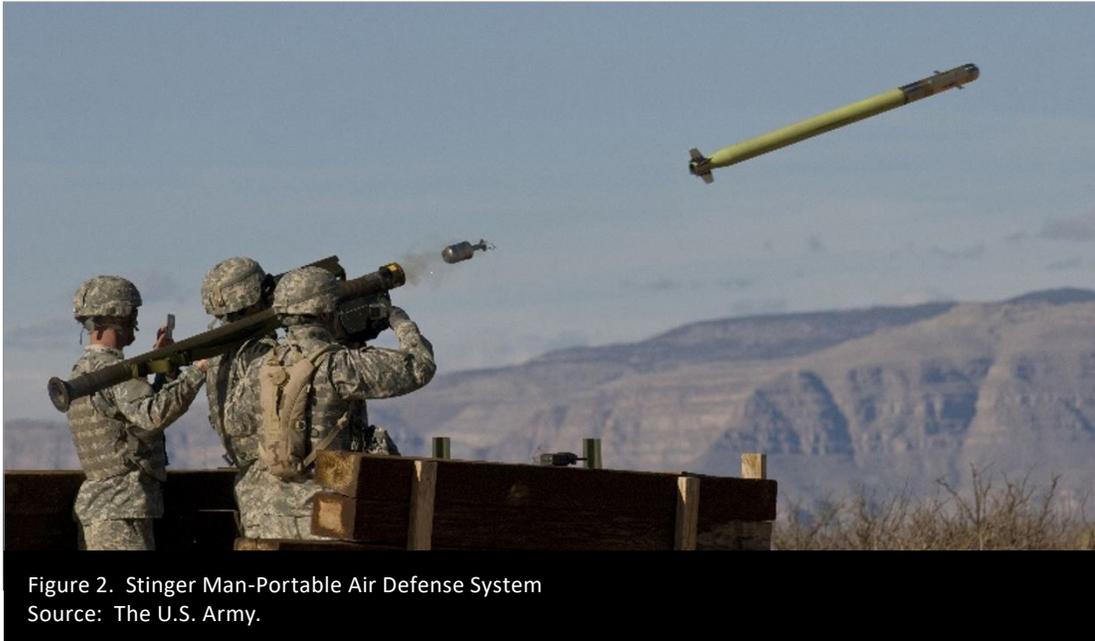
Foreign partners submitted incomplete LORs or their requirements changed, which delayed the FMS agreement development process. The time required to confirm the foreign partner’s requirements was the primary delay for 27 of the 70 delayed cases reviewed.

The DSCA requires a foreign partner to submit its LOR in writing and encourages the foreign partner to work with U.S. Security Cooperation Organizations and ensure the use of standardized checklists to develop the LOR.<sup>18</sup> Upon receiving the LOR and recording its receipt in DSAMS, IA personnel must coordinate a review of the LOR to ensure that it is actionable, meaning that it contains sufficient information to begin drafting the LOA. For example, USASAC personnel will generally send LORs to the case preparing activity, the Security Assistance Management Directorate, or Major Subordinate Command for a technical review before formal tasking.<sup>19</sup> The IA will start developing the LOA but in some cases, the IA has to coordinate with the foreign partner, or the appropriate Security Cooperation Organization, to clarify the requirements. The IA can obtain clarification through correspondence, or the foreign partner may submit a revised LOR. The time required to clarify the foreign partner’s requirements can significantly delay the agreement development process.

<sup>18</sup> U.S. Security Cooperation Organizations are military and civilian personnel stationed in foreign countries to manage security assistance and other military programs.

<sup>19</sup> The U.S. Army Materiel Command oversees 10 major subordinate commands that provide materiel life-cycle management for the Army. Examples include the Aviation and Missile Command, Communications-Electronics Command, and the Tank-Automotive and Armaments Command.

For example, USASAC personnel developed an agreement, valued at \$1.1 million, to sell 16 Stinger Man-Portable Air Defense Systems Missiles, technical support, and transportation services to the Government of Portugal to support the Portuguese Army Air Defense Brigade.<sup>20</sup> Figure 2 shows an example of the Stinger Man-Portable Air Defense Systems Missile.



USASAC personnel categorized the case as AOD Group C and took 719 days to develop the agreement, which exceeded the 150-day DSCA standard for an AOD Group C case by 569 days. The initial LOR was in the form of an e-mail requesting 40 refurbished Stinger missiles. USASAC personnel subsequently sent Portuguese officials requests for information to clarify the requirement. Portuguese officials clarified that they wanted 40 refurbished missiles upgraded to a specified configuration, and USASAC personnel tasked the case to the Security Assistance Management Directorate at the U.S. Army Aviation and Missile Life Cycle Management Command. Portuguese officials then submitted a revised LOR 127 days after their initial LOR to add the capability needed to fire the missiles to the requirement. After the Security Assistance Management Directorate returned the case to USASAC personnel, Portuguese officials then requested that thermal weapon sights be added to the requirement 265 days after they revised the LOR, which would have required an additional assessment and a combatant command endorsement for DSCA approval of the case. Portuguese officials then submitted a final LOR 174 days after their second revised LOR, changing the requirement to

<sup>20</sup> The Stinger missile is a short-range, man-portable, air defense weapon system.

16 Stinger missiles not upgraded to the originally specified configuration. Overall, it took 566 days from the date of the initial LOR submission until Portuguese officials provided the final LOR defining the requirements.

(CUI) As another example, AFSAC personnel were developing an agreement, valued at \$863 million, to upgrade 20 F-16 aircraft, including weapons and systems capabilities, to a newer configuration [REDACTED].<sup>21</sup> Figure 3 shows an example of an F-16 aircraft.



Figure 3. U.S. F-16 Fighting Falcon  
Source: The U.S. Air Force.

(CUI) At the time of our audit, the complex AOD Group C case was still in the development phase, and 1,198 days had elapsed since the date of the initial LOR.<sup>22</sup> The initial LOR specified numerous requirements, including advanced weapons, radar, and reconnaissance capabilities. [REDACTED] submitted an amendment to the LOR 223 days after the initial LOR requesting numerous additional advanced systems requirements, spare parts, and training. AFSAC personnel provided us minutes to a meeting between Air Force, contractor, and [REDACTED] that occurred 304 days after the LOR amendment. The purpose of the meeting was to complete the requirements definition necessary to develop the agreement. However, the discussions that took place caused additional delays. Specifically, one key discussion during the meeting was that Air Force officials stated that the electronic warfare architecture previously briefed to [REDACTED] had shifted to using the Advanced Integrated Defense Electronic Warfare System. Another key discussion of the meeting was that [REDACTED] expressed that the Air Force should prioritize a separate LOA for new production F-16 aircraft over the LOA to upgrade F-16 aircraft. The Air Force offered the LOA for new production

<sup>21</sup> The F-16 Fighting Falcon is a compact, single-engine, multirole fighter aircraft with high maneuverability and performance.

<sup>22</sup> AFSAC officials stated that as a result of employee turnover they were unable to provide additional details regarding the delays associated with this case aside from copies of the LORs and signed meeting minutes discussed below.

(CUI) F-16 aircraft and then issued a memorandum to [REDACTED], 197 days after the meeting, informing them that the Air Force was taking action to process the LOA for F-16 upgrades. At the time we obtained the case information from DSAMS for our audit, an additional 474 days elapsed since the Air Force's memorandum. AFSAC officials informed us that the case was on hold because [REDACTED] wanted the Advanced Integrated Defense Electronic Warfare System on the planes but the system had not been fully developed and the contractor had not provided the associated pricing information to the Air Force. AFSAC personnel stated that [REDACTED] wanted to be briefed on the system in terms of cost, schedule, and performance before moving forward with the case.

### **Extraordinary Coordination With Other DoD Organizations and Federal Agencies Was Required to Obtain Waivers and Approvals**

The IAs experienced delays resulting from extraordinary coordination required with other DoD organizations and Federal agencies to obtain mandatory waivers or other approvals for the sale of certain items. The extraordinary coordination was the primary delay for 21 of the 70 delayed cases reviewed.

DoD technology transfer policy requires that the DoD treat dual-use and defense-related technology as valuable national security resources, to be protected and transferred only in pursuit of national security and foreign policy objectives.<sup>23</sup> The DSCA SAMM summarizes the DoD technology transfer policy and specifies that the objectives include ensuring that:

- critical U.S. military technological advantages are preserved,
- transfers that could prove detrimental to U.S. security interests are controlled and limited,
- proliferation of weapons of mass destruction and their means of delivery are prevented, and
- diversion of defense-related goods to terrorists is prevented.

The DoD technology transfer policy specifies that this includes information about applications, capabilities, processes, and end-items, elements or components critical to a military system or network mission effectiveness, and technology that would reduce the U.S. technological advantage if it came under foreign control.

The DSCA SAMM specifies that in applying export control and technology security policies, due recognition will be given to the importance of interoperability with allies and coalition partners and to impacts on the defense industrial base.

<sup>23</sup> DoD Instruction 2040.02, "International Transfers of Technology, Articles, and Services," July 31, 2017.

The DoD technology transfer policy specifies that DoD organizations will apply export control and other technology security policies and procedures in a way that balances economic and scientific interests with those of national security and that it is important to take these considerations into account before any commitment to disclose or release controlled defense-related information or technology. The DSCA SMM addresses several categories of controlled defense-related information and technology.

The DSCA SMM also specifies that critical program information is the U.S. capability elements that contribute to the warfighters' technical advantage, which if compromised, undermines our military preeminence. U.S. capability elements may include, but are not limited to, software algorithms and specific hardware residing on the system, its training equipment, or maintenance support equipment. The DoD technology transfer policy specifies that critical program information includes elements or components of a program that, if compromised:

- could cause significant degradation in mission effectiveness;
- shorten the expected combat-effective life of the system;
- reduce technological advantage;
- significantly alter program direction; or
- enable an adversary to defeat, counter, copy, or reverse engineer the technology or capability.

The DSCA SMM specifies that the U.S. Government reserves the right to incorporate anti-tamper technologies and methodologies in weapon systems and components that contain critical program information offered under any security cooperation program.<sup>24</sup> The DSCA SMM also specifies that when preparing a response to an LOR for weapon systems or components containing critical program information, the IA will coordinate with the DoD Anti-Tamper Executive Agent to ensure that sensitive technology or program information is defended against unlawful exploitation or loss and that an approved anti-tamper plan is in place.<sup>25</sup> The IA must ensure that any necessary anti-tamper sustainment mechanisms and associated costs are included in the LOA and certify compliance with anti-tamper requirements on the LOA transmittal memorandum forwarded to the DSCA for LOA processing. An LOA that includes any weapons system or components that contain critical program information may not be offered until the DoD has issued written approval of the anti-tamper plan.

<sup>24</sup> Anti-tamper technologies are systems engineering activities intended to prevent or delay exploitation of critical program information in U.S. defense systems in domestic and export configurations to impede countermeasure development, unintended technology transfer, or alteration of a system due to reverse engineering.

<sup>25</sup> The DoD Anti-Tamper Executive Agent is responsible for implementing anti-tamper policy, coordinating and providing financial support for anti-tamper technology development, establishing and maintaining a data bank, providing proper security mechanisms, and conducting effective validation and assessing anti-tamper implementations.

The DSCA SAMM provides guidance for technology security and transfer requirements, such as export controls, foreign disclosure of classified and controlled unclassified information, anti-tamper requirements, and system-specific release requirements for sensitive technologies frequently requested by foreign partners. These requirements are necessary to protect national security resources. When developing agreements involving DoD technology security and transfer requirements, extraordinary coordination is necessary to obtain waivers and approvals and the IAs frequently experience delays.

The extraordinary coordination can involve multiple DoD and Federal organizations, including some outside the IA's chain of command. These organizations include the DSCA, the Defense Technology Security Administration, the National Security Agency (NSA), other Military Departments and organizations, and the Department of State. The level of required coordination also varies by the type of equipment included in the FMS. The extraordinary coordination for our sampled FMS cases involved DoD technology security and transfer requirements for certain types of DoD equipment, including Night Vision Devices (NVDs), Missile Technology Control Regime (MTCR), Global Positioning System (GPS), and Communications Security (COMSEC) equipment. Additional coordination requirements existed for FMS cases meeting established thresholds for congressional notification.

### ***Night Vision Devices***

The DSCA SAMM specifies that NVDs are portable devices that incorporate image intensification, infrared, thermal, or sensor-fused technologies and that the Defense Technology Security Administration is responsible for NVD export policy and requires the case-by-case review of all requests for the international transfer of such items through FMS.<sup>26</sup> Each review considers input from the Military Departments, the acquisition community, and the Joint Chiefs of Staff. The DSCA SAMM further specifies that image intensifier tubes ordered as spare parts or replacements for destroyed, lost, stolen, or missing devices also require a case-by-case review, except when replacing defective or damaged tubes that are returned to the U.S. Government on a direct exchange or repair and return basis.<sup>27</sup> The DSCA Weapons Division coordinates the IA's requests to sell NVDs with the Defense Technology Security Administration. The extraordinary coordination required for NVDs delayed the agreement development process.

<sup>26</sup> NVDs fall under Category XII(c) of the U.S. Munitions List (22 Code of Federal Regulations Part 121) and are designated as sensitive, unclassified significant military equipment.

<sup>27</sup> An image intensifier tube is a vacuum tube that increases the intensity of available light in NVDs for improved performance in low-light conditions.

(CUI) For example, USASAC personnel developed an agreement, valued at \$652,544, to sell 100 NVD Image Intensifier Tubes [REDACTED]. USASAC personnel categorized the case as AOD Group C and took 304 days to develop the agreement, which exceeded the 150-day DSCA standard by 154 days. USASAC personnel initially had to obtain program manager approval from the Army Communications-Electronic Command, which took 40 days. USASAC personnel then had to obtain approval from the Office of the Deputy Assistant Secretary of the Army for Defense Exports and Cooperation, which took 84 days before a request for approval was submitted to the DSCA.<sup>28</sup> The DSCA approved the request and obtained the Defense Technology Security Administration approval 87 days later. Overall, the extraordinary coordination required to obtain approval to sell the NVD Image Intensifier Tubes took 211 days. USASAC personnel stated that it can take 6 months or more to get an approval decision for exporting DoD NVDs but in the meantime, the case can be developed in DSAMS but cannot be processed to the DSCA Case Writing Division without the required approval document.

### ***Missile Technology Control Regime Items***

The DSCA SAMM specifies that MTCR is an informal and voluntary international political arrangement designed to control the proliferation of rocket and unmanned air vehicle systems and associated equipment and technology capable of delivering weapons of mass destruction. Although the regime is a political commitment rather than a treaty with international legal obligation, many countries, including the United States, have passed laws restricting the export of MTCR-controlled items.

The DSCA SAMM specifies that the DoD and Department of State each has a role in regulating the export of MTCR-controlled items from the United States. The DoD identifies MTCR-controlled items that purchasers have requested via FMS.<sup>29</sup> Upon receipt of an LOR, and before LOA development, IA personnel task the system program office, program manager, or equivalent to perform a technical review to identify MTCR-controlled items contained in the LOA or envisioned to be part of the associated program. The reviewer transmits a list of the MTCR-controlled items to the responsible IA point of contact at the earliest opportunity to ensure minimal delays in the LOA processing time. This list includes:

- the case identifier;
- a general case description identifying major associated systems;
- the Military Articles and Services List number of each MTCR-controlled item;

<sup>28</sup> The primary delay was extraordinary coordination, but the request was misplaced at the Office of the Deputy Assistant Secretary of the Army for Defense Exports and Cooperation, which contributed to the overall delay.

<sup>29</sup> Regime controls are applicable to all items on the MTCR annex as listed in 22 Code of Federal Regulations Part 121.16.

- the MTCR Annex Category, item identifier, and nomenclature; and
- a detailed description of each item, including the manufacturer.

The IA MTCR point of contact verifies the list and forwards a memorandum by e-mail to the DSCA Directorate for Security Assistance Weapons Division for review and submission to the Department of State for review and approval. The MTCR review focuses on missiles, complete systems (including ballistic missiles, space launch vehicles, and remotely piloted vehicles), and related technology for those systems capable of carrying a minimum payload of 500 kilograms to a range of at least 300 km, as well as systems intended for delivery of weapons of mass destruction.<sup>30</sup> The DSCA relays the Department of State's reply to the IA and the DSCA Case Writing Division.

Sales of certain GPS devices require the approval of the Global Positioning Systems Directorate at the U.S. Air Force Space and Missile Systems Center. The IA requests formal approval by memorandum and, if approved, the Global Positioning Systems Directorate provides a memorandum back to the IA. The MTCR and GPS approval processes can result in delays in developing the agreement.

~~(CUI)~~ For example, the AFSAC personnel developed an agreement, valued at \$79,761, to sell 15 Rockwell Collins 2-channel GPS receivers, associated technical documentation, and accessories [REDACTED]. The receivers were for use for production, supply, and qualification of the portable fire command unit of the self-propelled Howitzer PzH2000.<sup>31</sup> AFSAC personnel categorized the case as AOD Group B and took 154 days to develop the agreement, which exceeded the 100-day DSCA standard by 54 days. The case required extraordinary coordination between the USASAC [REDACTED] to clarify concerns that the requested GPS receivers would be placed in Howitzers and shipped to a country that was not an authorized user of military GPS equipment. The case also required extraordinary coordination with the Air Force Space and Missile Systems Center to obtain approval to release the GPS equipment. Overall, the extraordinary coordination to obtain the MTCR and GPS approvals took 104 days.

### ***Communications Security Equipment***

COMSEC consists of protective measures taken to deny unauthorized persons information derived from telecommunications of the U.S. Government relating to national security and to ensure the authenticity of such communications. COMSEC

<sup>30</sup> Department of the Army Pamphlet 12-1, "Security Assistance Procedures and Operations," March 31, 2016.

<sup>31</sup> The Howitzer PzH2000 is a highly mobile, self-propelled artillery vehicle capable of carrying up to five crew members.

includes, but is not limited to, crypto security, transmissions security, emissions security, and physical security of COMSEC materials. All requests for release of U.S. COMSEC products or associated COMSEC information must:

- be consistent with U.S. Government foreign policy and military/economic objectives,
- have no unacceptable impact of U.S. Government signals intelligence activities, and
- not adversely impact the overall information security posture of the U.S. Government.<sup>32</sup>

The DSCA SAMM specifies that combatant commander requirements to communicate with foreign governments via secure transmissions will necessitate a requirement for release and delivery of U.S. COMSEC equipment and that its transfer must be done in conjunction with a combatant command's interoperability requirement or otherwise support a U.S. policy objective. The DSCA SAMM also specifies that the NSA Director is the national manager for information security products, including both external COMSEC equipment and embedded cryptographic modules. All IAs, even those responsible for the acquisition of the COMSEC devices and embedded cryptographic modules, must request NSA Director determination as to whether the devices and modules are releasable and whether they can be included on an LOA. Requests must include a copy of the purchaser's LOR, the nomenclature and quantity of the requested COMSEC devices or embedded cryptographic modules, and the name of the weapon system or platform in which the devices will be integrated. The NSA will provide a written response to the IA, which may include special instructions for COMSEC materiel that requires special handling. Extraordinary coordination with the NSA for COMSEC equipment can result in delays in the agreement development process.

(CUI) For example, USASAC personnel developed an agreement, valued at \$8.4 million, to sell radios, ancillaries, COMSEC equipment, training, and services [REDACTED] [REDACTED] for the Joint Terminal Attack Controller Program. USASAC personnel categorized the case as AOD Group C and took 483 days to develop the agreement, which exceeded the 150-day DSCA standard by 333 days. USASAC personnel had to obtain NSA approval to sell some of the requested COMSEC equipment, and the NSA also had to draft a companion case to support a portion of the requirement involving radio assemblies. The case was further complicated because there was only a limited amount of Foreign Military Financing to fund both cases and the NSA case took precedence. Therefore, USASAC personnel could not finalize the LOA until the NSA completed

<sup>32</sup> Department of the Army Pamphlet 12-1, "Security Assistance Procedures and Operations," March 31, 2016.

~~(CUI)~~ its companion case. USASAC personnel provided evidence to show that the primary delay was extraordinary coordination and took 384 days to coordinate with the NSA to develop the agreement.

### ***Congressional Notification***

Congressional notification is required for FMS cases that meet certain dollar thresholds established for different procurement categories, and Congress has a specified timeframe to review submitted documentation before the offer is presented for delivery of defense articles.

Under Section 36(b) of the Arms Export Control Act, Congress must be formally notified 30 calendar days before a government-to-government foreign military sale of:

- major defense equipment valued at \$14 million or more,
- defense articles or services valued at \$50 million or more, or
- design and construction services valued at \$200 million or more.

In the case of such sales to North Atlantic Treaty Organization members, Japan, Australia, Israel, Republic of Korea, or New Zealand, Congress must be formally notified 15 calendar days before a sale can proceed. However, the prior notice threshold values are higher:

- major defense equipment valued at \$25 million or more,
- defense articles or services valued at \$100 million or more, or
- design and construction services valued at \$300 million or more.

The IAs must provide the required information to the DSCA for preparation and submission of congressional notification reports, including key information such as cost estimates; a sensitivity of technology statement identifying the extent of the sensitive technology and classified information and a justification for the sale in view of the technology sensitivity; and a military justification identifying how the proposed sale will enhance the foreign policy and national security objectives of the United States.<sup>33</sup> Upon expiration of the statutory 15- or 30-day review period, and if Congress has not enacted a joint resolution objecting to the proposed sale, the LOA document may be coordinated, countersigned, and offered to the purchaser. The extraordinary coordination required to obtain the required information and complete the congressional notification delayed the agreement development process.

<sup>33</sup> Sensitivity of technology refers to the detrimental effect on national security interests of the United States that could be caused by unauthorized disclosure or diversion of defense equipment, technical data, training, services, or documentation transferred in connection with a proposed sale.

Congressional notification is also required for articles provided to foreign partners through the Excess Defense Articles program as authorized by Section 516 of the Foreign Assistance Act. The program allows for foreign partners to obtain excess defense articles at a reduced price, based on the condition of the equipment, or as a grant. The foreign partner is responsible for packing, crating, handling, transportation, and refurbishment costs. Extraordinary coordination involving the transfer of excess defense articles can delay the agreement development process.

For example, USASAC personnel developed an agreement, valued at \$1.2 million, to provide Mine Resistant Ambush Protected vehicles to the Republic of Albania to support its Light Infantry Battalion Group.<sup>34</sup> USASAC provided the vehicles through the Excess Defense Articles program.<sup>35</sup> Figure 4 shows an example of the Mine Resistant Ambush Protected vehicle.



<sup>34</sup> These vehicles provides soldiers with highly survivable multi-mission platforms capable of mitigating improvised explosive devices, rocket-propelled grenades, explosively formed penetrators, underbody mines, and small arms fire threats.

<sup>35</sup> The Excess Defense Articles program is authorized by Section 516 of the Foreign Assistance Act.

USASAC personnel categorized the case as AOD Group B and took 371 days to develop the agreement, which exceeded the 100-day DSCA standard by 271 days. The case required extraordinary coordination between USASAC; the Deputy Assistant Secretary of the Army for Defense Exports and Cooperation; the Office of the Assistant Secretary of the Army for Acquisition, Logistics, and Technology; and the DSCA to obtain the necessary information to justify the sale and complete the required congressional notification. The coordination involved obtaining Albania's justification for acquiring the Excess Defense Articles and the Department of the Army's determination that the material was excess to DoD requirements and that there would be no adverse impact to U.S. military readiness as a result of the transfer. Overall, the coordination to sell the Excess Defense Articles took 184 days, which included the congressional notification period.

## Complex Pricing Efforts and Funding Issues Delayed Cases

The IAs experienced delays resulting from complex pricing efforts and funding issues necessary to develop agreements. The time required for complex pricing efforts and funding issues was the primary delay for 12 of 70 delayed cases reviewed.

### ***Complex Pricing Efforts***

As part of the agreement development process, the IA obtains pricing data for the LOA upon receiving the foreign partner's LOR. To obtain pricing data for the LOA, the IA must reach out to the system program office responsible for the specific defense articles the foreign partner wants to purchase. The IA must rely on the system program office to obtain the required pricing data from the contractor. IA personnel informed us that contractors often generate questions and request clarification on foreign partner requests, resulting in several back and forth discussions between the contractor, program office, and IA personnel. The efforts to obtain complex pricing data can delay the agreement development process.

~~(CUI)~~ For example, Navy International Program Office (NIPO) personnel developed a case, valued at \$820,712, to sell spare parts for the AGM-84H precision-guided cruise missile [REDACTED].<sup>36</sup> NIPO personnel categorized the case as AOD Group C and took 192 days to develop the agreement, which exceeded the 150-day DSCA standard by 42 days. NIPO personnel stated that it was the first case [REDACTED] purchased spare parts for the precision-guided cruise missile. The contractor took 156 days to provide pricing

<sup>36</sup> The AGM-84H is a day or night, adverse-weather, precision-strike weapon with a range of over 150 nautical miles.

(CUI) data. NIPO personnel stated that it is common for a contractor to take 3 to 6 months to provide pricing data for complex pricing data requests, which can result in significant delays.

### **Funding Issues**

In addition to delays resulting from complex pricing efforts, the IAs also encountered delays associated with funding issues. This included cases involving the Foreign Military Financing program, which is a type of military assistance that provides funding to eligible partner nations to purchase defense articles and services through FMS.

The DSCA SMM specifies that military assistance funding is a key tool in promoting foreign policy and national security objectives. For partner nations receiving U.S. military grant aid, the appropriate Security Cooperation Organization will submit annual Foreign Military Financing budget requests. The Secretary of State is the final authority on what funding levels are included in the military assistance budget request. Congress appropriates the military assistance funding and the Department of State provides it to the DoD for execution and DSCA administration. The DSCA SMM specifies that the Foreign Military Financing program baseline must be followed when submitting LORs and executing LOAs unless a deviation is sought from the DSCA and approved by the Department of State. In some cases, IA personnel must determine the cost of the foreign partner's requirements, balance the cost against the available funding, and adjust the requirements accordingly.

(CUI) For example, USASAC personnel developed a case, valued at \$541,990, to sell Instrumentable-Multiple Integrated Laser Engagement System infantry training system hardware, training, and technical assistance [REDACTED].<sup>37</sup> Figure 5 shows an example of the Instrumentable-Multiple Integrated Laser Engagement System.

<sup>37</sup> The Instrumentable-Multiple Integrated Laser Engagement System infantry training system is designed to simulate both the firing capabilities and the vulnerability of dismounted troops, tactical vehicles, and combat vehicles and to objectively assess weapon effects during training.



Figure 5. Instrumentable-Multiple Integrated Laser Engagement System  
Source: The U.S. Army.

(CUI) USASAC personnel categorized the case as AOD Group C and took 469 days to develop the agreement, which exceeded the 150-day DSCA standard by 319 days. USASAC personnel stated that the case was unique and used a specific type of Foreign Military Financing funding. USASAC personnel also stated that at the time of LOR submittal, [REDACTED] recently become eligible again for the Foreign Military Financing, and the DSCA provided an allocation of funding to be [REDACTED] [REDACTED] FMS cases, one of which was our sampled case. The LORs for the two cases shared the same type of funding allocation, so a pricing exercise needed to occur before USASAC could support the requirement. After receipt of the pricing information, USASAC personnel determined that sufficient funds did not exist but coordinated [REDACTED] to prioritize requirements between the two cases to fit within the available budget allocation. Overall, it took 195 days for USASAC personnel to resolve the funding issue and be able to proceed with developing the agreement.

## Implementing Agency Processing Delayed Cases

IA processing delayed 10 of 70 cases due to resource constraints and competing priorities, administrative errors, tasking the wrong program office as the case preparing activity, and other delays that the IAs were unable to explain.

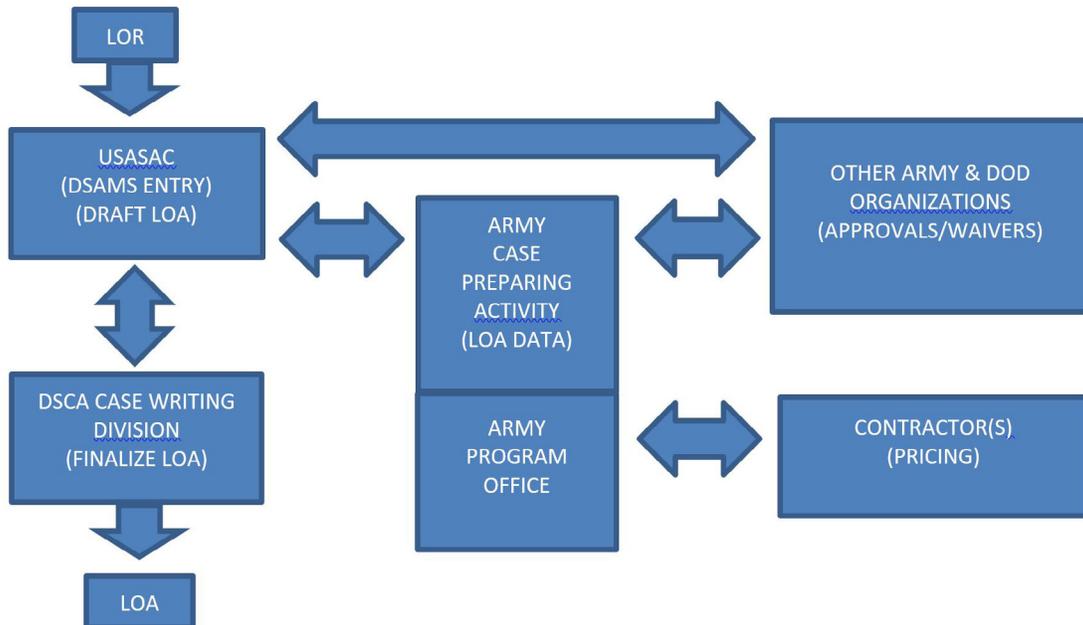
When the IA receives a foreign partner's LOR, the IA must coordinate with multiple organizations to develop the basic structure of the LOA. For example, when the USASAC receives a foreign partner's LOR, the case manager loads the LOR in DSAMS and tasks the appropriate case preparing activity to determine whether the LOR is technically and logistically supportable (actionable). The case preparing activity staffs the technical review with the program manager and upon technical review completion, the case preparing activity provides a response back to the case manager. The technical review response should include identification of

requirements for waivers, releases, classified information and equipment transfers, potential for congressional notification, and any development and execution concerns. If the LOR is deemed actionable, the case manager initializes the case in DSAMS and tasks the applicable case preparing activity to develop the LOA data.

The case preparing activity obtains the necessary LOA data, including requesting and consolidating pricing and availability data from the contractor, program manager, and other internal and external organizations as required. The case preparing activity also coordinates with the program manager and consolidates information required for the congressional notification package. The case preparing activity establishes individual case lines for the LOA to itemize the defense articles and services to be offered to the foreign partner. The case preparing activity uses the Military Articles and Services List, which is a catalog of descriptive codes and text used to identify materiel and services available to be transferred to foreign governments and international organizations. The codes and text are used in several systems to identify what is being transferred and to track logistics and financial transactions. The case preparing activity also consolidates and coordinates workforce requirements for the case and prepares the Manpower Travel and Data Sheet and line item description notes and details on the planned method of transportation to get the requested material to the customer. The case preparing activity reviews the LOA data to ensure that all requested material, technical assistance, training, and other required support have been offered and that delivery timeframes are compatible. When the case preparing activity obtains all of the required LOA data, it returns the case to the USASAC case manager.

The case manager reviews the LOA data and transmits the LOA data to the DSCA Case Writing Division. The Case Writing Division reviews the LOA data for accuracy and will return the LOA data to the case preparing activity if additional information is required to prepare the LOA such as Military Articles and Services List data or incomplete or missing information on waivers and approvals. Figure 6 illustrates the USASAC LOA development process.

Figure 6. USASAC LOA Development Process



Source: Department of the Army Pamphlet 12-1, "Security Assistance Procedures and Operations," March 31, 2016, and the DSCA SAMM.

(CUI) Delays in developing FMS agreements resulted from IA processing. For example, USASAC personnel developed a case, valued at \$41 million, to provide component repair and return in support of UH-60M Black Hawk Helicopters [REDACTED].<sup>38</sup> Figure 7 shows an example of the UH-60M Black Hawk Helicopter.



The case included helicopter components; communication, electrical, aircraft survivability, and support equipment; and meteorological and avionic components. USASAC personnel categorized the case as AOD Group B and took 201 days

<sup>38</sup> The UH-60 Black Hawk is a medium-lift utility helicopter.

to develop the case, which exceeded the 100-day DSCA standard by 101 days. The primary delays in the case resulted from Army IA processing. USASAC tasked the case to the Security Assistance Management Directorate at the U.S. Army Aviation and Missile Life Cycle Management Command. The Security Assistance Management Directorate returned the case to USASAC 30 days later than expected, citing delays with internal signature cycle and quality review board processes. USASAC had to re-task the case to the Security Assistance Management Directorate because the pricing estimates it developed for the LOA did not properly align with the LOR requirement, and it took an additional 57 days to resolve the pricing errors and an administrative error identified by the DSCA Case Writing Division. Overall, a delay of 87 days resulted from Army IA processing, causing the agreement development to exceed the DSCA processing standard.

## Agreements Were Developed Within Established Processing Standards

In addition to the 70 delayed cases reviewed, we also reviewed 10 timely cases that met the DSCA standards for processing agreement developments. We reviewed these cases to determine why the IA processed the agreements in a timely manner and found that the cases generally involved non-unique items, such as computers and munitions, and spare parts support for previously approved cases.

For example, NIPO personnel developed an agreement, valued at \$7.4 million, to sell T-2 and T-6 military training aircraft spare parts and support equipment to the Government of Greece, Air Attaché Office. Figure 8 shows an example of the T-6 training aircraft.

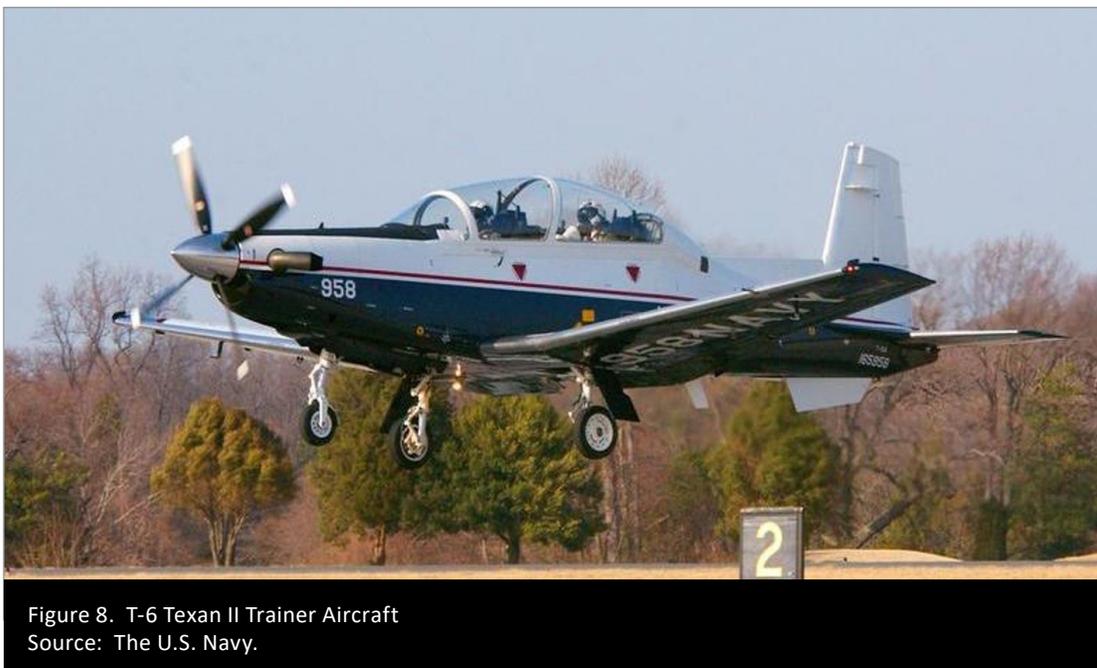


Figure 8. T-6 Texan II Trainer Aircraft  
Source: The U.S. Navy.

NIPO personnel categorized the LOA as AOD Group A and developed the case within the 45-day DSCA processing standard. NIPO personnel stated that they discussed the follow-on support agreement with the foreign partner several times before the formal LOR submittal, and the agreement did not require complex contractor pricing. In addition, NIPO personnel explained that Greece was an experienced FMS customer that had been working with the Navy for over 25 years, and credited the foreign partner's experience to accelerated development timelines.

## Recent Congressionally Mandated Reporting Requirements

Recent congressionally mandated reporting requirements have increased the visibility over the timeliness of the IAs' FMS case processing timeliness. Section 887 of the National Defense Authorization Act for Fiscal Year 2018 (Public Law 115-91), directed the Secretary of Defense to deliver a report describing the notional milestones and standard timelines associated with processing a foreign military sale. The Public Law directed that such milestones and timelines may vary depending on the complexity of the foreign military sale, and must cover the period beginning on the date of receipt of a complete LOR (as described in chapter 5 of the DSCA SAMM) from a foreign country and ending on the date of the final delivery of a defense article or defense service sold through the foreign military sale. The Public Law established a quarterly reporting requirement from June 2018 until December 31, 2021, to submit a list of each foreign military sale with a value greater than or equal to the dollar threshold for congressional notification:

- for which the final delivery of a defense article or defense service has not been completed, and
- that has not met a standard timeline to achieve a notional milestone.<sup>39</sup>

In June 2018, the Office of the Under Secretary of Defense for Acquisition and Sustainment submitted the required report describing notional FMS milestones and associated standard timelines to meet the Public Law requirements. Milestone one of the report is for the time from receipt of a complete LOR (or LOR receipt to LOR complete) and is the starting point for the timeline. Milestone two is for the LOA offer to country). The report established timelines for going from milestone one to milestone two, which represents the time required to prepare LOAs and varies with the complexity of the sale and the clarity of the information provided in the LOR. Specifically, the timelines are based on the DSCA standards for processing

<sup>39</sup> The DoD submits the reports to the Committee on Armed Services, Committee on Foreign Relations, and Committee on Foreign Affairs.

LOAs for each AOD group.<sup>40</sup> The Public Law also established an annual reporting requirement from November 2019 until December 31, 2021, to summarize the number, set forth separately by dollar value and notional milestone of:

- each foreign military sale that met the standard timeline to achieve a notional milestone during the preceding fiscal year, and
- each foreign military sale that did not meet the standard timeline to achieve a notional milestone and a description of any extenuating factors explaining why such a sale did not achieve such milestone.

We reviewed the DoD's annual report covering FY 2019, and it contained 115 cases, of which 73 cases (63 percent) missed the notional milestone from LOR complete to offer. The 73 cases included 3 of the delayed cases from our audit sample that were correctly reported as missing the milestone and the reasons included extraordinary coordination, congressional notification, and complex pricing. We believe that the increased visibility resulting from the congressionally mandated reporting requirements will help to improve the agreement development process.

## Initiatives to Improve the Agreement Development Process

The DSCA and the IAs had several ongoing and recently completed initiatives that have improved the timeliness of the FMS agreement development process. These initiatives include the Case Development Performance Improvement Initiative, the development of system-specific checklists, and CDEF coding. We believe that the outcomes and actions of the initiatives address the deficiencies this audit identified.

### ***Case Development Performance Improvement Initiative***

The DSCA initiated a Case Development Performance Improvement Initiative in November 2018, citing concerns that case development timeliness was far below standards.<sup>41</sup> The objective of the initiative was to improve case development performance across the Military Department IAs as specifically measured by the ability to meet DSCA-established timelines for developing FMS cases. The DSCA goal was for the IAs to offer 85 percent of their LOA documents to the foreign partner within the standard timeframes for each specific AOD group. The DSCA provided us the performance results for the second quarter of FY 2020. Although the IAs did not meet the DSCA standards for all AOD groups, the results of the comparison showed an improvement in performance as shown in Table 3.<sup>42</sup>

<sup>40</sup> These standards are 45/100/150 days for AOD Groups A/B/C but are each reduced by 20 days, which is the DSCA standard for reaching milestone one and going from LOR receipt to complete. Therefore, the established timeframes for congressional reporting are 25/80/130 days for AOD Groups A/B/C.

<sup>41</sup> DSCA Director Memorandum, "Case Development Performance Improvement Initiative – Meeting the Standards by December 2019," November 29, 2018.

<sup>42</sup> The DSCA provided these results to us in June 2020, and we did not verify the accuracy of the information as part of this audit.

*Table 3. DSCA Case Development Performance Improvement Initiative Results*

AOD Group (Standard in Days)	Fourth Quarter FY 2018 LOAs Meeting Standard	Second Quarter FY 2020 LOAs Meeting Standard	Percentage Increase*
Group A ( 45 days)	64	85	33
Group B (100 days)	77	84	9
Group C (150 days)	55	60	9

\* Percentage change in percent meeting standard. Calculation  $(85 - 64) / 64 = 33$  (rounded).  
Source: The DSCA.

As part of the Case Development Performance Improvement Initiative, the DSCA collaborated with representatives from the Military Department IAs to identify and implement individual projects that would enhance case development performance. These projects included policy changes, process improvements, clarification and simplification of guidance, training, and other activities. In addition to the activities that the DSCA sponsored or led, the Military Department IAs also identified and implemented improvements within their unique organizational structure. The DSCA developed a plan of action with milestones and included it as part of the memorandum that the DSCA Director provided to the IAs in November 2018. During the yearlong effort, the DSCA met quarterly with the Military Department IAs to review progress, share best practices, and recommend additional policy or procedural changes. The DSCA Case Development Performance Improvement Initiative officially ended on December 31, 2019, and the DSCA summarized the results in a January 2020 final report. Overall, the final report showed that the DSCA sponsored or led 32 individual initiatives, and the Military Departments led or sponsored 48 individual initiatives.

The sample of 80 FMS cases selected for this audit had agreements that the IAs developed or were developing before the completion of the DSCA Case Development Performance Improvement Initiative. Therefore, any improvements resulting from the recent DSCA initiative would not be reflected in our audit results. However, we reviewed the individual initiatives to determine whether they would address the problems our audit identified. Our review found that they addressed the reasons for delays in the agreement development process that our audit identified. The 80 initiatives sponsored or led by the DSCA and the Military Departments are too voluminous to discuss in detail, so we discuss them at a high level in the paragraphs below. We segregated the DSCA-led or sponsored initiatives by the major delay categories discussed throughout our report.

### ***Defense Security Cooperation Agency Initiatives - Extraordinary Coordination Required***

The DSCA led the following initiatives to address delays associated with extraordinary coordination.

- Address concerns identified with the NSA's ability to provide data and case-related information in a timely manner through communication and training and establish policy to reduce the NSA's "Authority to Sell" memorandum requirements. The DSCA provided training to NSA personnel, issued a policy memorandum, and updated the DSCA SAMM.<sup>43</sup>
- Improve the efficiency of coordination of LOA documents with the Department of State.
- Replace or simplify the Manpower Travel and Data Sheet. The DSCA provided training to the IAs to clarify requirements and mitigate the need for case returns.
- Establish a standard to increase the efficiency of the DSCA's processing of non-recurring costs waiver packages.<sup>44</sup>
- Provide training to address inconsistencies causing problems for the IAs when different DSCA offices provide conflicting guidance. The DSCA conducted initial training and determined the need for expanded training.

### ***Defense Security Cooperation Agency Initiatives - Complex Pricing Efforts or Funding Issues***

The DSCA led the following initiative to address delays associated with complex pricing efforts or funding issues.

- Revise pricing guidance to allow IAs greater flexibility when preparing LOAs while ensuring compliance with the DoD Financial Management Regulation. The guidance will include timelines for when IAs should use historical data if industry cannot provide pricing estimates within a specified number of days. The DSCA issued a policy memorandum, and updated the DSCA SAMM.<sup>45</sup>

<sup>43</sup> DSCA Policy Memorandum 18-52, "Process Change to National Security Agency (NSA) Authorization-to-Sell Memoranda for Identification Friend or Foe Cryptographic Equipment and Electronic Key Loaders," February 2019, and DSCA SAMM E-change 400.

<sup>44</sup> Non-recurring costs are one-time costs the U.S. Government pays to develop or produce a given defense article or weapons system that are passed on to a foreign partner unless the DSCA approves a request to waive the costs.

<sup>45</sup> DSCA Policy 19-06, "Letter of Offer and Acceptance (LOA) Revised Pricing Guidance," February 2019, and DSCA SAMM E-Change 421.

### ***Defense Security Cooperation Agency Initiatives - Other Overarching***

The DSCA led the following initiatives to address other overarching delays associated with the FMS agreement development process.

- Provide resources for each Military Department IA to work documents the DSCA Case Writing Division returns to have certain errors corrected (including pricing or unique notes). The expectation is that the Military Department IAs will submit requests through the existing budget process.
- Provide improved training on DSAMS for efficiently preparing case documents and follow-on training that focuses on updated policies and procedures on case development. The DSCA provided training in May and August 2019, and plans to continue training the IAs upon request.
- Eliminate redundant activities associated with pre-countersignature meetings for congressionally notified cases.<sup>46</sup>
- Upgrade the Case Tracking System to improve the accuracy, visibility, and processing time of case documents.<sup>47</sup> The DSCA issued a policy memorandum, and updated the DSCA SAMM.<sup>48</sup>
- Develop and improve automated reports to measure case development performance. The DSCA developed a new report for DSCA and IA use in August 2019.

### ***Military Department Initiatives***

The 48 initiatives that the Military Departments led or sponsored also address the reasons for delays in the agreement development process that our audit identified. The initiatives include policy updates, checklists, parallel processing, delegation of approval responsibilities, increased leadership engagement and oversight, and training. Additional key initiatives associated with case tracking are as follows.

- The Army IA developed red, amber, and green management reports for regional directors to intensively track and monitor cases. These reports are referred to as Common Operating Picture Tableau Reports.
- The Navy IA developed a Bi-Weekly Cases in Development Report to communicate risks and challenges with cases in meeting the standard metric.

<sup>46</sup> Pre-countersignature meetings are meetings between the DSCA, the IA, and prime contractor representatives to review the accuracy of the LOA to ensure that it meets the purchaser's requirements and all applicable DoD requirements before submitting it to the DSCA Case Writing Division.

<sup>47</sup> The Case Tracking System provides the status of new case coordination within the DSCA and the Military Departments and reports the length of time between each coordination point.

<sup>48</sup> DSCA Policy Memorandum 18-42, "Case Tracking System (CTS) Modernization, Security Assistance Management Manual," November 2018, and DSCA SAMM E-Change 394.

- The Air Force IA developed the Enterprise Case Portal, which is a SharePoint-based workflow and digital document warehouse for improved management oversight of case development.

### ***Development of System-Specific Checklists to Improve the Quality of Foreign Partner Letters of Request***

The DSCA and the IAs have an ongoing initiative to improve the quality of LORs received from foreign partners that started before the Case Development Performance Improvement Initiative mentioned previously. The initiative resulted from a report the Government Accountability Office issued in 2017 on expanding the use of tools to define FMS requirements sufficiently.<sup>49</sup> The report identified that the process for defining requirements was a significant challenge that affected expediency of FMS procurements. The report recommended that the DoD issue DoD-wide guidance for program offices to expand the use of tools, such as checklists, to aid FMS customers in specifying their requirements in a way that the DoD can act upon in a timely manner. In response, the DSCA directed the IAs to develop system-specific checklists for all major defense articles no later than July 30, 2023.<sup>50</sup> The DSCA provided the audit team a list of 74 system-specific checklists that the Military Department IAs created, as of February 2020, for foreign partners to use in creating an LOR.

### ***Expanding the Use of Case Development Extenuating Factor Codes***

DSCA guidance acknowledges that the complex cases take more time in the agreement development phase because they generally require additional coordination and approval outside the IAs. DSCA policy requires the IAs to assign CDEF codes for AOD Group “C” cases to identify the cause of delays experienced during the agreement development process. Examples of CDEF codes include detailed release or disclosure coordination required, complex pricing required, and extraordinary coordination required inside or outside the IA (congressional notification, waiver required).<sup>51</sup> Table 4 lists the top 10 CDEF codes the IAs assigned for AOD Group C LOAs implemented from FYs 2015 to 2018.<sup>52</sup>

<sup>49</sup> GAO-17-682, “Foreign Military Sales - Expanding Use of Tools to Sufficiently Define Requirements Could Enable More Timely Acquisitions,” August 2017.

<sup>50</sup> DSCA Policy Memorandum 18-09, “System-specific Checklists to Better Define Customer Requirements,” April 5, 2018.

<sup>51</sup> See Appendix C for a detailed description of the CDEF codes, including specific examples.

<sup>52</sup> The DSCA did not consolidate and formally report the CDEF totals in FY 2019 because it was making changes to the process.

*Table 4. Top Ten CDEF Codes for AOD Group C Documents (FYs 2015 to 2018)*

CDEF Code	CDEF Description	Ranking (Most Used to Least Used)
K06	Complex Pricing	1
K07	Extraordinary Coordination	2
K06.a	Contractor Pricing Delays	3
K10	Other (Explanation Required In DSAMS)	4
K07.b	Waiver Required	5
K05	Detailed Release/Disclosure	6
K07.a	Congressional Notification	7
K08.a	Changing Requirements	8
K01	First Time Purchase – FMS	9
K03	Engineering, Integration, Acquisition	10

Source: The DSCA.

DSCA officials stated that they evaluate an IA's use of CDEF codes by periodically identifying how many AOD Group C cases exceeded the 150-day processing goal and determining how many had at least one CDEF code assigned. The results showed that only a low number of cases did not have a CDEF code assigned. DSCA officials stated that they were not doing any additional monitoring at that time but were coordinating with the IAs to expand the use of the CDEF code data. Specifically, the DSCA was working with the IAs to improve the usefulness of the CDEF codes by providing more clarity to the CDEF code descriptions and better tracking. DSCA officials explained that the original intent of the CDEF codes was for the DSCA to perform analysis on the entire community of FMS cases to identify where delays existed. DSCA officials stated that they were reevaluating the CDEF codes with the IAs to make them more impactful and that they tasked the IAs to analyze and present the results on where delays occurred related to the CDEF codes. DSCA officials also acknowledged that the current CDEF codes may not be sufficient to identify delays and that the IAs have requested that the DSCA create additional codes and include better definitions in the DSCA SAMM.

We evaluated the use of CDEF codes for our 80 sampled FMS cases and determined that 45 cases required the IA to assign a CDEF code. The IAs assigned at least one CDEF code for 44 of the 45 cases, which is consistent with the results cited by DSCA officials. In addition, we found that the specific CDEF codes the IAs assigned reasonably reflected the actual delays encountered in the agreement development process.

## Impact of Delayed Agreements

Although the DoD coordinated foreign partner requirements for defense articles and services with the required activities, the Military Department IAs exceeded the DSCA processing standards for how long it should take to develop FMS agreements. Specifically, the DSCA established its current agreement development processing standards in June 2015 but as previously shown in Table 1, the IAs did not meet the DSCA's goal of processing 85 percent of their LOAs within DSCA's standards for any AOD group between 2016 and 2018.

In addition, the congressional reporting requirement that prompted this audit stated that the committee was aware of concerns raised by U.S. military leaders, the defense industry, and foreign partners that the FMS process is slow, cumbersome, and overly complicated. The results of this audit identified concerns with the DoD FMS agreement development process similar to those expressed in the congressional reporting requirement. The congressional reporting requirement also emphasized that an efficient, thorough, and effective FMS process is vital to U.S. foreign policy and national security, and contributes to the health of the U.S. defense industrial base.

Recent congressionally mandated reporting requirements have increased the visibility of the IAs' FMS case processing timeliness. In addition, the DSCA and the IAs had several ongoing and recently completed initiatives to improve the DoD FMS agreement development process. We believe that the outcomes and actions of the initiatives address the deficiencies this audit identified, and the timeliness of the FMS agreement development process is improving. Therefore, we are not making any recommendations and will consider a followup audit at a later date to review the outcomes and actions regarding the initiatives.

## Finding B

### The DoD Needs to Improve the Accuracy of Foreign Military Sales Agreement Development Performance Data

The Military Department IAs did not accurately record receipt of foreign partner LORs in DSAMS for 72 of 80 sampled cases. Specifically, an average of 70 days elapsed between the date of the foreign partner's LOR and the recording of the LOR receipt date in DSAMS. In addition, the IAs did not comply with DSCA policy on establishing the case initialization and LOR complete milestones in the DSAMS and did not:

- initialize 65 cases within 10 days of receiving the LOR, or
- record LOR complete for 45 cases within 20 days of receiving the LOR.

Furthermore, of the 6,096 cases included in our audit universe of LOAs:

- 1,392 cases (23 percent) exceeded the 10-day initialization standard, and
- 873 cases (14 percent) exceeded the 20-day LOR complete standard.

This occurred because the DSCA did not establish adequate controls and oversight to ensure that the IAs complied with DSCA policy requirements. As a result, the DSAMS data that the DSCA used to measure timelines for developing agreements were inaccurate. Specifically, the actual processing times for developing agreements exceeded those reflected in DSAMS. The DSCA needs accurate and well-maintained data to effectively monitor the IAs' performance in developing timely agreements and to improve transparency for all stakeholders. In addition, the DSCA uses DSAMS data to prepare congressionally mandated reports on the timeliness of FMS case processing, and inaccurate DSAMS data negatively impacts the integrity of those reports.

### Implementing Agencies Did Not Accurately Record Receipt of Foreign Partner Letters of Request

The IAs did not accurately record receipt of foreign partner LORs in DSAMS for 72 of 80 sampled cases, and the average number of days between the foreign partner's LOR and the DSAMS LOR receipt date was 70 days. DSCA policy specifies that the LOR receipt date is the date that the IA physically receives an LOR, whether it is a hardcopy of a letter, an e-mail, or signed meeting minutes.<sup>53</sup> The IAs

<sup>53</sup> DSCA Policy 16-11, "Letter of Request Receipt and Case Initiation Timelines," March 2, 2016.

cited changing customer requirements or processing errors among the reasons for the inaccurately recorded LOR receipt dates. In some cases, IAs were unable to provide a reason for the inaccuracies.

For example, USASAC personnel developed an agreement, valued at \$7.7 million, to sell the M2A1 Machine Gun and support equipment to the Government of Georgia Ministry of Defense.<sup>54</sup> Figure 9 shows an example of the M2A1 Machine Gun.



USASAC personnel categorized the case as AOD Group C, and the agreement development time reflected in DSAMS was 203 days. The LOR resulted from signed meeting minutes from the U.S. and Georgia Security Assistance and Financial Management Review. However, the meeting took place 110 days earlier than the LOR receipt date recorded in DSAMS. USASAC personnel could not explain the variance between the DSAMS LOR receipt date and the date of the signed meeting minutes. Calculating the agreement development time using the date of the signed meeting minutes increased the development time to 313 days.

(CUI) In another example, NIPO personnel developed an agreement, valued at \$6.9 million, to sell follow-on technical support for MK 54 Lightweight Torpedoes [REDACTED].<sup>55</sup> Figure 10 shows an example of the MK 54 Lightweight Torpedo.

<sup>54</sup> The M2A1 is a .50 caliber automatic, belt-fed, crew-operated machine gun, capable of single-shot and automatic fire.

<sup>55</sup> The MK 54 Lightweight Torpedo contains a warhead and propulsion system that can be deployed from a surface ship, helicopter, or fixed-wing aircraft to track, classify, and attack underwater targets.



Figure 10. MK 54 Lightweight Torpedo  
Source: The U.S. Navy

(CUI) NIPO personnel categorized the case as AOD Group B and, the agreement development time reflected in DSAMS was 176 days. However, the hardcopy LOR submitted [REDACTED] was dated 114 days earlier than the LOR receipt date entered in DSAMS. NIPO officials stated [REDACTED] LOR was “lost in the system.” We calculated the agreement development time using the date NIPO personnel received [REDACTED] LOR and determined that the actual agreement development time was 290 days.

## Implementing Agencies Did Not Initiate Cases in a Timely Manner

The IAs did not initialize cases in a timely manner in DSAMS for 65 of 80 cases reviewed. This included initialization of 31 cases based on the DSAMS LOR receipt date and initialization of 34 cases based on the actual receipt of the foreign partner’s LOR because the IA did not accurately record the receipt of the foreign partner’s LOR in DSAMS.<sup>56</sup>

<sup>56</sup> Because the DSAMS LOR receipt date is used as the starting point for the DSCA 10-day case initialization standard, any delays between receiving the foreign partner’s LOR and recording DSAMS LOR receipt would also impact the timeliness of case initialization.

The DSCA SAMM specifies that within 10 days of LOR receipt, the IAs should establish the case document in DSAMS, which creates a case initialization milestone. The manual also specifies that case initialization and LOR evaluation are separate processes that begin immediately upon LOR receipt, with LOR evaluation being the process of validating the LOR requirements and reaching the LOR complete milestone. Once the IA initializes the case, it then transfers the case to the case preparing activity to prepare the LOA data. At this point, the status of the case is maintained on the DSAMS Case Milestone List, which shows the various milestones, dates, organizations, and personnel involved through the development of the LOA, offer to the foreign partner, and implementation. The IAs generally delayed case initialization to validate LOR requirements or resolve funding issues, or otherwise were unable to provide justification for delaying case initialization.

For example, AFSAC personnel developed an agreement, valued at \$28,308, to sell GPS chips and receivers to the Ministry of Defense of the Kingdom of Spain. AFSAC personnel categorized the case as AOD Group B and took 318 days to develop the agreement. The DSAMS data showed that AFSAC personnel did not initialize the case until 177 days after receiving Spain's LOR and then assigned it to the case preparing activity 23 days later to prepare the LOA data. In response to our inquiries regarding the cause for delaying case initialization, AFSAC officials stated that they had no knowledge of the reason for the delay but speculated that it may have been associated with validating the LOR requirements. AFSAC officials stated that they were not involved with the case at the time it was developed and were unable to find any supporting documentation within their internal website or shared drives.

In addition to our sampled cases, analysis of the 6,096 cases included in our audit universe of LOAs found that 1,392 cases (23 percent) exceeded the DSCA initialization standard based on the dates reflected in DSAMS.<sup>57</sup> Table 5 shows the number of cases from our audit universe of LOAs that exceeded the 10-day DSCA LOR receipt to initiation standard, broken out by IA.<sup>58</sup>

<sup>57</sup> The actual number of cases that exceeded the 10-day DSCA standard could be larger if the IAs did not record the correct LOR receipt date in DSAMS.

<sup>58</sup> Our audit universe consisted of open FMS cases in DSAMS as of March 6, 2019. See Appendix A for details.

Table 5. LOA Case Documents Exceeding 10-Day DSCA Initialization Standard

Implementing Agency	Total LOA Case Documents	LOA Case Documents Exceeding 10-Day Standard	Percent Exceeding 10-Day Standard
Army	2,247	390	17
Navy	1,958	584	30
Air Force	1,891	418	22
<b>Total</b>	<b>6,096</b>	<b>1,392</b>	<b>23</b>

Source: The DoD OIG.

## Implementing Agencies Did Not Meet Letter of Request Complete Standard

The IAs did not evaluate LORs and meet the DSCA LOR complete standard in DSAMS for 45 of 71 cases reviewed.<sup>59</sup> This included 23 cases based on the DSAMS LOR receipt date and 22 cases based on the actual receipt of the foreign partner's LOR because the IA did not accurately record the receipt of the foreign partner's LOR in DSAMS.<sup>60</sup>

The DSCA SAMM specifies that IAs should strive to allow no more than 20 days to pass from LOR receipt to LOR complete, which is a key milestone reflecting internal review by subject matter experts to ensure that the LOR contains sufficient information to begin drafting the LOA. The IAs cited requirements validation or otherwise could not provide a reason for exceeding the DSCA 20-day standard.

For example, AFSAC personnel developed a case, valued at \$1.5 million, to provide services associated with integrating AGM-176A Griffin missiles on French C-130H aircraft to the Government of France, French Military Mission. Figure 11 shows an example of the C-130H aircraft.

<sup>59</sup> Of the 80 sampled cases, we did not analyze the LOR complete milestone for 9 cases, including 8 restated cases and 1 case that had not achieved the LOR complete milestone at the time of our data pull.

<sup>60</sup> Because the DSAMS LOR receipt date is used as the starting point for the DSCA 20-day LOR complete standard, any delays between receiving the foreign partner's LOR and recording DSAMS LOR receipt would also impact the timeliness of meeting the LOR complete milestone.



Figure 11. C-130H Aircraft  
Source: The U.S. Air Force.

AFSAC personnel categorized the case as AOD Group B and took 176 days to develop the agreement. AFSAC personnel took 107 days from the DSAMS LOR receipt to reach the LOR complete milestone. AFSAC personnel cited several reasons for delay in developing the agreement including requirement definition, discussion regarding use of one case versus two, locating the appropriate program office, personnel turnover, outside reviews, and competing priorities.

As another example, USASAC personnel developed a case, valued at \$21 million, to sell 20 RQ-20A Digital Data Link Puma Block II Unmanned Aircraft Systems and 16 Wasp AE IV Digital Data Link Unmanned Aircraft Systems to the Kingdom of Norway in support of the Norwegian Armed Forces. Figure 12 shows an example of the RQ-20A Digital Data Link Puma Block II Unmanned Aircraft.



Figure 12. RQ-20A Digital Data Link Puma Block II Unmanned Aircraft  
Source: AeroVironment, Inc.

USASAC personnel categorized the case as AOD Group C and took 299 days to develop the agreement. USASAC personnel took 112 days from the DSAMS LOR receipt to reach the LOR complete milestone. USASAC personnel cited customer-requested requirements changes as the reason for the delay. In addition, 77 days elapsed from the date of Norway's LOR and the date USASAC personnel recorded the LOR receipt in DSAMS and initialized the case. In response to our inquiries, USASAC personnel stated that there was no supporting documentation to support the delay in recording LOR receipt and initializing the case.

In addition to our sampled cases, analysis of the 6,096 cases included in our audit universe of LOAs showed that 873 cases (14 percent) exceeded the 20-day LOR complete standard based on the dates reflected in DSAMS.<sup>61</sup> Table 6 shows the number of cases in our audit universe of LOAs by IA that exceeded the 20-day DSCA LOR receipt to LOR complete standard.

*Table 6. LOA Case Documents Exceeding 20-Day DSCA LOR Receipt to Complete Standard*

Implementing Agency	Total LOA Case Documents	LOA Case Documents Exceeding 20-Day Standard	Percent Exceeding 20-Day Standard
Army	2,247	395	18
Navy	1,958	139	7
Air Force	1,891	339	18
<b>Total</b>	<b>6,096</b>	<b>873</b>	<b>14</b>

Source: The DoD OIG.

## Impact of Inaccurate Agreement Development Data in the Defense Security Assistance Management System

The IAs did not accurately record receipt of foreign partner LORs and other agreement development milestones in DSAMS. As a result, the DSAMS data that the DSCA used to measure timelines for developing agreements were inaccurate. Specifically, the actual processing times for developing agreements exceeded those reflected in DSAMS. The DSCA needs accurate and well-maintained data to effectively monitor the IAs' performance in developing timely agreements and to improve transparency for all stakeholders. In addition, the DSCA uses the DSAMS data to prepare congressionally mandated reports on the timeliness of FMS case processing, and inaccurate DSAMS data negatively impacts the integrity of those reports.

<sup>61</sup> The actual number of cases that exceeded the 20-day DSCA standard could be larger if the IAs did not record the correct LOR receipt date in DSAMS.

DSCA policy specifies that the LOR receipt date is the date that the IA physically receives an LOR and emphasizes that if the LOR receipt date is not entered in DSAMS correctly, the AOD standard will reflect an inaccurate picture of the LOA development time.<sup>62</sup> The DSCA evaluates the IA timeliness for processing FMS agreements against standards established in the DSCA SAMM by AOD group, and the starting point for tracking the agreement development processing is the DSAMS LOR receipt date. However, this audit found that the DSAMS LOR receipt dates for 72 of 80 sampled items occurred after physical receipt, in some cases significantly later. As a result, the actual agreement development processing times exceeded those reflected in DSAMS by an average of 70 days.

The DSCA also uses the DSAMS data to prepare congressionally mandated reports on the timeliness of FMS case processing, and inaccurate DSAMS data could negatively impact the integrity of those reports. As mentioned, congressionally mandated reporting requirements increased visibility over the timeliness of the DoD FMS process. To comply with the reporting requirements, the DSCA established specific notional milestones and reports to Congress quarterly and annually on the specific cases that missed those milestones. The DSCA established an LOR complete to offer milestone by using the already-established DSAMS LOR receipt to offer metrics for AOD Groups A, B, and C and subtracting the DSCA 20-day standard for LOR receipt to complete. The inaccurate DSAMS LOR receipt and complete dates identified by this audit raise concerns regarding the integrity of the LOR complete to offer milestone information that the DSCA provides to Congress.

Although the DSCA monitors and reports performance data on IA agreement development processing timeliness, DSCA officials informed us that they do not monitor the accuracy of the DSAMS LOR receipt data or the DSAMS case initialization and LOR complete milestones. Therefore, the DSCA should establish controls and oversight and require the IAs to comply with DSCA policy requirements on recording LOR receipt, case initialization, and LOR complete milestones in DSAMS.

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<sup>62</sup> DSCA Policy 16-11 "Letter of Request Receipt and Case Initiation Timelines" March 2, 2016.

## Recommendation, Management Comments, and Our Response

### Recommendation B.1

**We recommend that the Defense Security Cooperation Agency Director coordinate with the Military Department Implementing Agencies to establish controls and oversight mechanisms and require compliance with Defense Security Cooperation Agency policy for accurately entering foreign partner Letters of Request and establishing the case initialization and Letters of Request complete milestones in the Defense Security Assistance Management System.**

### *Defense Security Cooperation Agency Comments*

The DSCA Director agreed with the recommendation and acknowledged the importance of timely and accurate entry of case milestone information into DSAMS. The Director stated that the DSCA will update guidance within the DSCA SMM no later than December 31, 2020, to reiterate timeline standards and emphasize the importance of accurate data. The Director also stated that the DSCA will continue to work with the Military Departments, as recommended, to improve management controls and oversight to ensure compliance.

### *Our Response*

Comments from the Director addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close this recommendation once the DSCA provides documentation verifying that it updated the guidance within the DSCA SMM and coordinated with the Military Departments to improve management controls and oversight to ensure compliance.

## Appendix A

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### Scope and Methodology

We conducted this performance audit from March 2019 through August 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We reviewed the following.

- Title 22, United States Code, Chapter 39 – Arms Export Control
- DoD Directive 5105.65, “Defense Security Cooperation Agency (DSCA),” October 26, 2012
- DSCA Manual 5105.38-M, “Security Assistance Management Manual,” April 30, 2012
- Department of the Army Pamphlet 12-1, “Security Assistance Procedures and Operations,” March 31, 2016
- DoD Instruction 2040.02, “International Transfers of Technology, Articles, and Services,” July 31, 2017

We interviewed and conducted data calls with officials from the following DoD organizations.

- Under Secretary of Defense for Acquisition and Sustainment, Defense Pricing and Contracting
- DSCA
- USASAC
- NIPO
- Secretary of the Air Force for International Affairs
- AFSAC

We obtained and analyzed a universe of 35,619 open FMS case documents from the DSCA-managed DSAMS extracted by the DSCA on March 6, 2019. The FMS case documents included LOAs, Amendments, and Modifications in all AOD groups. We focused our audit on the 7,405 FMS LOAs, valued at \$253 billion, in the AOD Groups A, B, and C that the Military Department IAs managed. This included 594 documents in the agreement development phase not implemented and 6,811 implemented documents. The 6,811 implemented documents included 6,096 LOAs and 715 restated LOAs.

We initially selected a nonstatistical sample of 90 case documents, valued at \$17.8 billion that would allow us to get a wide variety of foreign partners, weapon systems, assigned CDEF codes, and dollar value. This consisted of 30 case documents from each of the Army, Navy, and Air Force, including 24 implemented documents and 6 documents in the agreement development phase. We removed four cases from our sample because they were contingency cases that did not involve any procurement-related actions and did not reflect standard FMS cases. In addition, we removed six cases that were canceled after the date of our sample selection. Our final sample consisted of 80 case documents, valued at \$16.3 billion, involving 80 unique requirements for 47 different foreign partners.

We obtained and reviewed case documentation from the Military Department IAs for each of the sampled documents, including:

- Foreign Partner LORs,
- LOAs,
- DSAMS Case Milestone Reports, and
- case manager records supporting causes for delays experienced in case development.

We interviewed and conducted data calls with Military Department IA personnel responsible for FMS case development and management to determine the reasonableness of the agreement development processing time and the causes for any delays. We compared the IA documentation to requirements set forth in DoD and DSCA policy.

## Use of Computer-Processed Data

We used computer-processed data from DSAMS to perform this audit; however, the conclusions and recommendations in this report are supported by evidence other than DSAMS data. To test the reliability of the data, we reviewed DSAMS documentation, interviewed DSCA and IA personnel, and compared the DSAMS data to supporting documentation in the FMS case files. We determined that the DSAMS data were sufficiently reliable for selecting FMS cases and determining delays in FMS agreement development process. During the audit, we determined that the DSAMS data contained inaccurate LOR receipt dates for 72 of the 80 FMS cases we reviewed. Because the DSAMS data contained inaccurate LOR receipt dates, we determined that the data were not sufficiently reliable for calculating metrics, specifically those used by the DSCA, because the inaccurate dates had the potential to understate those metrics. Finding B provides details on the errors and our recommendations.

## Prior Coverage

During the last 5 years, the Government Accountability Office (GAO) issued two reports discussing the agreement development phase of the DoD FMS program. Unrestricted GAO reports can be accessed at <http://www.gao.gov>.

GAO-17-703, "Foreign Military Sales - DoD Needs to improve Its Use of Performance Information to Manage the Program," August 2017

The DoD's performance on FMS has improved, but the DoD is not meeting two out of three performance metrics for the timely processing of FMS requests and does not collect data for the third metric. The first metric tracks the time taken from the receipt of a country's request for an item to when an LOA is sent to the partner country for approval. This metric is based on the complexity of the requests, and although the DoD's timeliness has improved, it is still short of the 85 percent goal. The second missed metric is the time the DSCA takes to review and approve FMS cases. The review time in 2016 was more than the 1-day goal. The third metric is the time the DoD takes to deliver the first item to the recipient country; however, the DSCA does not collect data on this metric and therefore does not know if it is meeting the goal. DoD officials cited several factors that adversely affect their ability to meet the timeliness goals, such as changing customer requirements or delays due to policy concerns regarding particular sales. However, because the DoD has not collected data on one metric and has not identified the underlying causes for not meeting its goals, it does not know the extent to which these or other factors are impacting program delivery.

GAO-17-682, "Foreign Military Sales - Expanding Use of Tools to Sufficiently Define Requirements Could Enable More Timely Acquisitions," August 2017

The GAO found that several factors may contribute to delays or increased prices in FMS. For example, program officials noted that general acquisition issues, such as delayed contract awards and unforeseen events during production, can similarly affect FMS. Moreover, Military Department officials stated that the process for defining requirements is a significant challenge that affects expediency of FMS procurements. DoD guidance states that programs may combine FMS and domestic requirements onto a single contract as a way to lower prices and facilitate timely delivery. However, program offices that the GAO spoke with noted that adequately defining foreign customers' requirements may prevent them from doing so. To expedite requirements definition, the Air Force and Army implemented checklists to aid foreign partners and program offices when specifying requirements. The Navy developed, but has not yet disseminated, its checklists for use. The GAO's

analysis of 32 FMS cases showed that checklists were not always available to support procurements but that program offices that used them noted increases in timeliness. Expanding the use of checklists by the DoD may better position the DoD to obtain information needed to deliver equipment and services to FMS customers when needed.

## Appendix B

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### Congressional Reporting Requirement

#### Department of Defense Inspector General Audit of Foreign Military Sales

An efficient, thorough, and effective Foreign Military Sales (FMS) process is vital to U.S. foreign policy and national security, and contributes to the health of the U.S. defense industrial base. The committee is aware, however, of concerns raised by U.S. military leaders, the defense industry, and foreign partners that the FMS process is slow, cumbersome, and overly complicated.

Therefore, the committee directs the Inspector General of the Department of Defense to conduct an audit regarding Department of Defense implementation of FMS programs and, upon completion of the audit, to submit a final report to the Committees on Armed Services of the Senate and the House of Representatives, the Committee on Foreign Relations of the Senate, and the Committee on Foreign Affairs of the House of Representatives. The committee further directs the Inspector General to meet with the House Committee on Armed Services and the House Committee on Foreign Affairs not later than June 30, 2018, to scope the audit fully. Additionally, the committee directs the Inspector General to provide an interim briefing to the House Committee on Armed Services and the House Committee on Foreign Affairs not later than November 30, 2018, on the manner that it intends to conduct such audit.<sup>63</sup>

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<sup>63</sup> House Report 115-676, to accompany the National Defense Authorization Act for FY 2019.

## Appendix C

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### Case Development Extenuating Factor Codes

The DSCA SAMM explains that a CDEF identifies a reason why the processing time of an LOA document might exceed the standard AOD processing time (AOD Group A-45 days, AOD Group B-100 days, and AOD Group C-150 days). The DSCA SAMM specifies that once the IA determines that an LOA document will be impacted by a CDEF, a CDEF reason code should be added in DSAMS. The DSCA SAMM provides the following definitions for the CDEF codes.

**1. First-time purchase of a defense article or service.** Initial sale of a specific major defense item to a country. Requires assessment/planning/acquisition of infrastructure/facilities/supply chain/technical training/organizational training/force restructure/force realignment and/or employment/doctrinal development support. (Air Force - Introduction of major system sale [i.e. F-16, F-15, F-35, MQ9, etc.]])

**2. First-time FMS purchase by a country or international organization with limited experience in FMS.** Sales to countries or international organizations with limited or no experience with United States Government FMS. The experience and culture of the customer is the focus of this CDEF. (Normally, working with relatively new countries or international organizations requires more time to educate the customers on how FMS works and the time required to walk them through the process.)

**3. Case requires engineering, system integration, or special acquisition.** Any case requiring developmental engineering, systems integration or special acquisition to replace, augment, or improve end item baseline subsystems, components, and/or parts. (This could include major system cases pulling numerous systems together for integration into a major weapon system platform. Efforts include systems where tactical data links are required. Special acquisition, or integration requirements for installation of non-U.S. subsystems on U.S. weapons platform could fall into this category.)

**4. Requested use of the system is different from its use by United States military forces.** Any customer intending to use U.S. Government-developed materiel to meet requirements or function in a manner different from that which was the material item was originally designed.

**5. Detailed release/disclosure coordination required.** This would include working with other Military Departments to get approvals for release.

- a. Technology Release Processes (i.e.; Low-Observable/Counter Low Observable, Tri-Service)
- b. Exception to National Disclosure Policy

**6. Complex pricing effort required.** This would include efforts on a major weapons platform, which pulls many Major Defense Equipment/Significant Military Equipment components in from various sources. The program managers have to ensure that the pricing efforts include the capability to meet all U.S. financial requirements and that they directly correlate with the customer requirements for delivery.

- a. Contractor Pricing Delays. Contractor validated pricing that is required for completed LOA. Many major contractors cannot provide pricing to fit our tight timeframes.

**7. Extraordinary coordination required inside or outside the Implementing Agency.** This would include working with other Military Departments to get approvals for release of required items, multi-country consortium approvals, as well as hybrid sales, which contain both FMS and Direct Commercial Sale elements.

- a. Congressional Notifications. Any case that will meet the congressional notification threshold and will require congressional notification.
- b. Waiver(s) Required. Any required waivers, accomplished simultaneously, that will extend the case development time; these could include Military Technology Control Regime, Non-Recurring Cost, Night Vision Devices, or other waivers.
- c. Excess Defense Articles. Cases including resourcing through the Excess Defense Article process, most particularly those Excess Defense Article cases required congressional notification.

**8. Purchaser incomplete LOR/additional information required.** Any LOR received that is considered incomplete or not actionable. This is usually discovered during the technical review. Instances where additional customer information is required prior to beginning the LOA data segment, such as fielding requirements, etc., would also be included.

- a. Changing Requirements/new LORs-Any significant changing requirements or new LORs received after the beginning of the LOA data segment, which requires readdressing data development impacting case development time.

**9. Funding Issues.** Instances where the customer does not have funding readily available to cover case requirements (such as when the customer has to wait for their yearly allotment of Foreign Military Financing to be allocated) could be included in this category.

- a. Billing issues, adjustments, over-commitment conditions on modifications and amendments where interface with the Defense Integrated Financial System is required can also be Included In this category.

**10. Other - Explanation required.** Any extenuating factor that presents a unique circumstance not fitting above categories. (E.g. Tri-Service meeting/decision required, critical technology protection, unordinary policy guidance, political hold, and/or waiver, etc.).

# Management Comments

## Defense Security Cooperation Agency



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SEP 08 2020

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: Response to the Department of Defense Office of Inspector General (OIG) Draft Report, "Audit of the Department of Defense Process for Developing Foreign Military Sales Agreements (Project No. D2019-D000AX-0128.000)"

Reference: DoDIG Memorandum, Response to the Department of Defense Office of Inspector General (OIG) Draft Report, "Audit of the Department of Defense Process for Developing Foreign Military Sales Agreements (Project No. D2019-D000AX-0128.000)" August 7, 2020

Thank you for providing a copy of the draft report regarding the development of Foreign Military Sales agreements. As requested, in the referenced memorandum, the Defense Security Cooperation Agency (DSCA) has reviewed the document and provides the following comments for your use in the final report.

FINDING A. While instances were identified where the Military Departments (MILDEPs), in their role as Implementing Agencies (IAs), did not meet established case development standards, the report recognizes that DSCA and the IAs have recently completed several initiatives to improve the related processes. The outcome of these initiatives address the deficiencies identified within the audit report, therefore no recommendations were made in this area. DSCA appreciates the acknowledgement of the hard work on the part of our community to improve our case development performance and continues to work with the IAs to sustain and build on this improved performance.

FINDING B. The audit identified examples where specific case development milestones and data entries were not completed by the MILDEPs in a timely manner.

AUDIT RECOMMENDATION B.1. "We recommend that the Defense Security Cooperation Agency Director coordinate with the Military Department Implementing Agencies to establish controls and oversight mechanisms and require compliance with Defense Security Cooperation Agency policy for accurately entering foreign partner Letters of Request and establishing the case initialization and Letters of Request complete milestones in the Defense Security Assistance Management System (DSAMS)."

DSCA RESPONSE: Concur. DSCA agrees that timely and accurate entry of case milestone information into DSAMS is important. This information is used in key reporting and case management activities, so the accuracy and timeliness of the information has a direct impact on the Department's ability to track, report, and make data-based decisions on a variety of topics. DSCA will update guidance within the Security Assistance Management Manual no later than December 31, 2020, to reiterate timeline standards and emphasize the importance of accurate

## Defense Security Cooperation Agency (cont'd)

data. DSCA will continue to work with the MILDEPs, as recommended, to improve management controls and oversight to ensure compliance.

Further, the draft report details several specific case examples that include the case value, purchaser/country name, article or service being purchased, and performance timeline information. DSCA requests that the purchaser/country name be redacted from the final published report due to sensitivities that may cause concern with certain customers. The examples will not lose their value or impact without a specific country identified.

We agree that case development performance and measurement are both vitally important and will continue to work with the IAs to improve the timeliness and accuracy of these activities. Please direct any questions or comments regarding this response to my audit liaison, [REDACTED]



Heidi H. Grant  
Director

# Acronyms and Abbreviations

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<b>AFSAC</b>	Air Force Security Assistance and Cooperation
<b>AOD</b>	Anticipated Offer Date
<b>CDEF</b>	Case Development Extenuating Factor
<b>COMSEC</b>	Communications Security
<b>DFAS</b>	Defense Finance and Accounting Service
<b>DSAMS</b>	Defense Security Assistance Management System
<b>DSCA</b>	Defense Security Cooperation Agency
<b>FMS</b>	Foreign Military Sales
<b>GAO</b>	Government Accountability Office
<b>GPS</b>	Global Positioning System
<b>IA</b>	Implementing Agency
<b>LOA</b>	Letter of Offer and Acceptance
<b>LOR</b>	Letter of Request
<b>MTCR</b>	Missile Technology Control Regime
<b>NIPO</b>	Navy International Programs Office
<b>NSA</b>	National Security Agency
<b>NVD</b>	Night Vision Device
<b>SAMM</b>	Security Assistance Management Manual
<b>USASAC</b>	U.S. Army Security Assistance Command

## Glossary

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**Anti-tamper technologies.** Systems engineering activities intended to prevent or delay exploitation of critical program information in U.S. defense systems in domestic and export configurations to impede countermeasures development, unintended technology transfer or alteration of a system due to reverse engineering.

**Anticipated Offer Date Group Code.** Case managers assign an AOD Group to each LOA document by the case manager based on the complexity of the case and description of what the foreign partner wants to purchase.

**Case Development Extenuating Factors.** Identifies a reason why the processing time of an LOA document might exceed the standard processing time for each AOD Group.

**Case Manager.** IA personnel responsible for FMS case development also referred to as country manager, command country manager, security assistance program manager, program support manager, or line manager.

**Critical Program Information.** U.S. capability elements that contribute to the warfighters technical advantage which if compromise undermines U.S. military preeminence.

**Defense Article.** Any item, including end-items, major systems and equipment, parts, components, accessories and attachments, or technical data that constitutes the U.S. Munitions List.

**Defense Service.** The furnishing of assistance (including training) to foreign persons in the design, development, engineering, manufacture, production, assembly, testing, repair, maintenance, modification, operation, demilitarization, destruction, processing or use of defense articles; or military training of foreign units and forces, including formal or informal instruction of foreign persons.

**Implementing Agency.** Organizations that the DSCA authorized to receive foreign partner requests for defense articles and services.

**Letter of Offer and Acceptance.** U.S. DoD letter by which the U.S. Government offers to sell to a foreign government or international organization U.S. defense articles and defense services pursuant to the Arms Export Control Act.

**Letter of Request.** The term used to identify a request from an eligible FMS participant country for the purchase of U.S. defense article and services. The letter may be in message or letter format.

**Non-Recurring Costs.** One-time costs the U.S. Government pays to develop or produce a given defense article or weapon system that are passed on to a foreign partner unless the DSCA approves a request to waive the costs.

**Security Assistance.** A group of programs by which the United States provides defense articles, military education and training, and other defense related services by grant, loans, credit, cash sales, or lease in furtherance of national policies and objectives.

**Security Cooperation Organization.** Military and civilian personnel stationed in foreign countries to manage security assistance and other military programs.



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