

**Defense Security Cooperation Agency  
FMS Reinvention Goals for 2001 and Beyond  
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The Deputy Secretary of Defense in May 1998 directed that efforts be undertaken to reinvent the Foreign Military Sales (FMS) process. DSCA, working hand in hand with the inter-agency and Defense Industry Associations, developed three Reinvention White Papers that focused on:

- Increased transparency in the FMS process
- Improvements in pricing, finance and USG cost recovery
- Arms transfer/technology transfer

In determining how to implement the reinvention concepts and recommendations articulated in the three White Papers, as well as synchronize many excellent reinvention activities already under way in the Military Departments, our inter-departmental Reinvention Working Group identified over one hundred actions, process changes, and initiatives for further work. Each was given a priority and a time line for its implementation before being assigned to a lead defense agency or service for development.

Shortly after coming to DSCA, I determined that FMS reinvention should proceed along two tracks. The first track involves identification and development of significant short-term process improvements that can be implemented by the Fourth of July 2001. Four Integrated Process Teams (IPTs) are now formed and chartered to effect improvements in Partnering, Finance, Business Process Improvements, and Personnel and Training. These IPTs report directly to me for guidance and direction.

Our short-term reinvention goals are a blend of initiatives that will produce enhancements to our internal as well as our external business processes. In a sense, there's something in them for everyone - our security cooperation employees, foreign customers, and industry.

By the Fourth of July 2001, significant FMS Reinvention projects will be completed and/or the policy foundations established for a formal rollout of these initiatives in the Fall of 2001. Here are the improvements we plan to have in place:

- Partnering: The Process Transparency White Paper called for us to provide our foreign customers and U.S. industry greater visibility into internal U.S. government FMS activities. By this summer, we will have policy guidance in place that allows for greater customer participation in FMS-related contract negotiations. We will institutionalize the "Team International" concept in which customer, contractor and government form as a team early in the acquisition process to discuss and define program requirements and address releasability, cost factors, security and legal considerations. We also will create a web-based security assistance customer handbook that makes critical process and procedural information available to the international customer to allow him or her to perform more efficiently.

- Finance: Another concern expressed by our foreign customers is that too much of their money is unnecessarily encumbered in termination liability and in what is viewed as an inaccurate payment schedule. By July 2001 we will announce institutionalization of the use of Standby Letters of Credit with commercial banking sources in lieu of prepaid termination liability reserves. We will also review and update the assumptions used in our current payment schedule methodology. We will undertake to ensure that the approach used when computing FMS customer payment requirements is fair and consistent. Lastly, we will incorporate all Implementing Agencies into the case closure process and advocate participation of all foreign customers in Accelerated Case Closure Procedures.
  
- Business Processes: Effective internal business practices are needed to provide the service and support expected by our foreign customers and defense industry. By July, we will have field-tested a customer satisfaction survey that seeks and responds to customer feedback at several key points in the FMS process. Complementing this effort, we will refine business metrics to better help us focus leadership attention and resources. We will use our information technology capabilities to develop a web-based reference text for our customers to use in construction of effective Letters of Request (LOR) and to make more efficient the internal processing of our Letters of Offer and Acceptance (LOA).
  
- Personnel and Training: We have often heard from our customers and industry representatives that the security cooperation work force is not as thoroughly trained as it should be. By July, we will have guidelines and standards for implementation of professional development and training programs for International Affairs civilians working in security cooperation jobs in the three military departments and applicable Defense Agencies. To assist in developing these guidelines and standards, we will conduct work force surveys that take stock of the capabilities of our security cooperation civilians, determine a desired end state, and assess the resources needed to get us there. We will also have the groundwork laid for a security cooperation internship program.

The second FMS reinvention track consists of longer-term improvements which, for a number of reasons (e.g., resource availability, staffing requirements, etc.) cannot or should not be implemented by July 2001. These initiatives will transition into longer term business process *reengineering* efforts.

We have reorganized to support this transition by adding a new Programming Division to our recently re-named Policy, Plans and Programs Directorate. The Programming Division will implement the programmatic planning in support of our Performance Based Budget (PBB) process as well as long-term business process improvements and reengineering.

It is here that the majority of the over one hundred actions, process changes and initiatives I mentioned earlier will be further developed and implemented over time. While the concepts have not yet been completely fleshed out, the following improvements and enhancements to the FMS process form our vision for the future:

- We will fully implement Performance Based Budgeting (PBB) begun this past January. This specifies programmatic goals to be accomplished by the security cooperation community and relates the available budgetary resources to performance objectives. We anticipate that our PBB process will go a long way toward addressing concerns expressed by OMB, GAO and the Congress about management of our FMS Administrative Budget and the appropriate level of allocations.
- We will use the Customer Satisfaction Survey to monitor trends and assist the PBB process in allocating resources.
- To build on our efforts to better develop our work force, we will assist with the implementation of security cooperation professional development programs in the Military Departments and implement the security cooperation internship program.
- We will refine further the technological initiatives developed in support of our short-term goals to enhance LOA processing and develop web-based reference documents and procedures for electronic submission of Letters of Request.
- We will maintain a steady focus on improvements to our daily FMS business practices. In so doing, we will develop clear guidelines for case-funded manpower and Program Management Lines. This will help us to properly resource our workload, bring consistency to our case management, and ensure transparent accountability for all manpower costs to the FMS customer. We will develop LOA language identifying Firm Fixed Price lines on stock items. This will assist customers in better identifying which prices are firm and which are considered estimates until after contract negotiation. We will also consolidate and bring uniformity to how we process non-standard items through FMS.
- We will build a cost model for the security cooperation community to better understand the nature of our costs. The Performance Based Costing (PBC) model is a complement to the PBB process and will ensure that the annual FMS Administrative ceiling is supported by an understanding of the actual costs of the program as well as ensure that the FMS Admin budget is equitably allocated among its major claimants.
- We will explore the exciting and promising potentials of web-based case management.

Our goals and objectives for improving the FMS process are ambitious, but the changing global economic, political and security environments demand such ambition. DSCA seeks, through its established security cooperation programs, FMS reinvention, and other activities, to enhance America's influence in all regions of the world, ensure continued U.S. access to foreign bases and facilities vital to carrying out our national security strategy, and promote military interoperability with our allies, partners and friends.