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# REENGINEERING THE USAF FMS EFFORT

By

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"The Pentagon needs to update its cumbersome Foreign Military Sales (FMS) system to make it more responsive to the needs of international customers and should work with industry in developing a new process...according to Deputy Defense Secretary John Hamre." [*Defense Daily*, May 6, 1998]

Security Assistance (SA) is a term describing a wide range of programs through which the United States implements its foreign policy. A key element of security assistance involves the use of arms transfers or foreign military sales (FMS). In recent years, the changing world environment has driven us to reevaluate the effectiveness of our FMS system and adapt to a new way of doing business.

FMS has long been a flexible foreign policy tool contributing to the strategic objectives of the U.S. and its allies. While Security Assistance activities have focused on emerging democracies in recent years, procedures for administering FMS programs have been around for decades and operate at no cost to the U.S. Government. The Deputy Under Secretary for International Affairs (SAF/IA) is the focal point in the United States Air Force (USAF) for Security Assistance and FMS. Currently, USAF is administering approximately 4,000 cases or contracts worth an estimated \$100 billion, principally with our traditional allies. Since the end of the Cold War, we have witnessed a marked decline in the procurement of major weapon systems and FMS. While much of this decline is attributable to the end of the Cold War and the accompanying change in domestic priorities by many nations, it also reflects the frustration they have experienced in dealing with the bureaucratic barriers of the FMS system. Seeing the handwriting on the wall, the USAF began its reinvention journey almost four years ago to respond to the feedback of our international customers.

With these goals in mind, the Secretary of the Air Force chartered SAF/IA on July 5, 1995, as a Reinvention Laboratory (RL). Soon thereafter, SAF/IA stood up a RL Steering Committee (RLSC). Since its inception, the RLSC has worked to streamline the FMS process by eliminating duplication, reducing costs, and enhancing responsiveness to our customers. The RLSC is chaired by BGen Jeffrey Kohler, Assistant Deputy, Under Secretary of the Air Force, International Affairs, and is made up of senior managers from across the USAF FMS arena. To work their initiatives, the RLSC established four Process Action Teams (PATs): Case Execution, Disclosure, Financial Management, and Organization Relationships.

These PATs have worked various initiatives since 1995. Their work is on-going with each focusing on initiatives in its respective area of expertise. The Case Execution PAT began by identifying barriers which prevented efficient execution of FMS cases resulting in delays in meeting customer requirements. The PAT's initial successes are led by the development of the Worldwide Warehouse Redistribution System (WWRS). This is a web based system used for filling FMS requirements. WWRS matches up buyers and sellers of excess serviceable, fully

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functioning, spare parts and support equipment via the internet. This website not only saves the USAF manpower dollars, but provides customers access to materials at reduced cost, and reduces lead times for articles through redistribution of assets instead of new procurement. Another initiative of the PAT, which was implemented in March 1999, involves streamlining the case management process through outsourcing much of the case workload and leveraging the expertise of the private sector. The objective is to improve efficiency of case execution from Letter of Offer and Acceptance (LOA) to case closure. Similar significant FMS reform efforts have been undertaken by our Disclosure PAT.

The Disclosure PAT's efforts have been tremendously successful. Two initiatives that have changed the traditional way of doing business include new excess defense article (EDA) notification procedures and disclosure approval authority. Through the PAT's efforts, a change in Congressional notification requirements for EDA was approved. Essentially, this change facilitates the transfer of EDA by eliminating Congressional notification requirements on non-major defense equipment (MDE) if the LOA value falls below \$7 million dollars. A change to disclosure procedures has also helped to streamline the process. On disclosure issues that were non-contentious within the USAF, approval authority was changed from CSAF to SAF/IA. Both of these initiatives aided in improving our responsiveness to customer requests by decreasing the time required to staff and coordinate cases. The Disclosure PAT's most recent efforts involve teaming with U.S industry to improve the export licensing process. By working together, these agencies have begun to simplify the USAF required license submissions. Additionally, their effort includes proposals for simplification of the language used in the International Traffic in Arms Regulation (ITAR). Both of these are important steps along the road to improving the export licensing process our international customers must contend with. Another area our RLSC is working hard to improve is the FMS financial management process.

Our Financial Management PAT is identifying inefficiencies in FMS accounting and financial procedures which can be streamlined and improved. These procedures include, among others, recoupment of non-recurring costs, manpower accounting, resource funding, direct fund cite procedures, as well as pricing procedures for price and availability (P&A) and Letters of Offer and Acceptance (LOA) data. In late 1998, a contract was awarded to review all financial management processes across the USAF and their interface with the Defense Financial Accounting Service (DFAS). The objectives of the project are to: 1) map "as is" processes, 2) recommend streamlined and standard processes, 3) identify training needs, and 4) develop a financial management handbook. The scope of this effort is comprehensive with the goal of overhauling and updating the FMS financial management system to ensure it is significantly more responsive to our international customers. SAF/IA, HQ DFAS, and DFAS-DE/I are working together to make this project a success. Another initiative undertaken by the Financial PAT is a review of Air Force Non-Recurring Cost Recoupment process. In December 1998 a tiger team examined these procedures and drafted revised procedures early this year.

Our final PAT, the Organizational-Relationship PAT, began by undertaking a review of security assistance relationships throughout the USAF FMS arena. They identified areas of overlapping responsibilities and duplication of effort among the various SA agencies which prevented effective utilization of manpower and resources. Upon completion of their assessment, the PAT recommended a closer SA inter-agency evaluation be undertaken to provide

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recommendations for more efficient management and streamlining of Air Force FMS processes. In September 1998, an independent contractor was hired to conduct such a study. At the conclusion of their assessment, the agency recommended, among other things, a restructuring of the organizational relationships among SAF/IA, Air Force Security Assistance Command (AFSAC), and the Air Force Security Assistance Training Command (AFSAT), organizational relationship structure. To ensure SAF/IA's oversight of all USAF security assistance activities, AFSAC and AFSAT, whose operational chains of command extended from AFMC and AETC respectively, should become direct reporting units of SAF/IA. This clear line of directive authority to both agencies provides SAF/IA not only tasking authority over these SA agencies, but should eliminate duplication of effort and enhance responsiveness to FMS customers. In February of this year, the recommendation for organizational realignment of these three agencies was embraced by the RLSC.

Another issue examined by this PAT is the FMS training provided our SA personnel. First, the team is conducting a field survey of USAF SA agencies to determine the level of training of personnel. They've also met with SAF/AQ personnel and examined the web based training effectively utilized by the Acquisition community. Additional discussions on the appropriate training for FMS personnel included inter-service meetings with the Navy's International Program Office (IPO) and the Defense Security Assistance and Cooperation Agency (DSCA). As a result, a comprehensive DoD effort is underway to improve and ensure training for FMS personnel.

In responding to Dr. Hamre's call last May to reform our FMS practices and procedures, the USAF is working hard to improve its FMS efforts. Our Reinvention Lab has focused their efforts in four areas, Case Execution, Disclosure, Financial Management, and Organizational Relationships. While we are encouraged by the progress our PATs have made in these areas so far, we realize there is much more yet to be done. As Henry Kissinger once said, "each success only buys an admission ticket to a more difficult problem."

### **About the Author**

Major James B. Rake, is a Politico-Military Affairs Advisor to the Under Secretary of the Air force, International Affairs (SAF/IA). He is the Administrator of SAF/IA's reinvention Laboratory. He holds a BA degree in International Relations from the University of South Carolina, and a Masters Degree in Political science from Auburn which he completed while attending the Air Command and Staff College at Maxwell Air Force Base, AL. Prior to attending ACSC, Major Rake was Chief, Special Program Branch, and Flight Commander, at Squadron Officer School, Maxwell AFB, AL.

## **Drawdowns: A Policy Tool**

**By**

**LTC Russell B. Crumrine, USA**

### **Introduction**