

COG I Stock No. 0530-LP-011-1990

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# SECURITY ASSISTANCE MANUAL



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**Naval Supply Systems Command  
NAVSUP Publication 541**

**(Includes effective pages of the Basic and Changes 1 thru 13)**

**0530-LP-011-1990**

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DEPARTMENT OF THE NAVY  
NAVAL SUPPLY SYSTEMS COMMAND  
1931 JEFFERSON DAVIS HIGHWAY  
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From: Commander, Naval Supply Systems Command  
Subj: SECURITY ASSISTANCE MANUAL (NAVSUP PUBLICATION 541)  
REVISED EDITION, CHANGE 13  
Encl: (1) NAVSUP Publication 541, Change 13

1. U. S. Navy Security Assistance policies and procedures undergo continuous review, evaluation and revisions. The purpose of the Security Assistance Manual is to serve as an up-to-date condensed summary of these policies relative to the supply system. Change 13 of the subject publication includes new/updated information relative to various areas of Foreign Military Sales (FMS) policies.
2. Change 13 includes a complete review/rewrite of Chapter 3, Pre-Case Activities.
3. Change 13 also includes individual changes to pages in Chapters 9, 10, 12, and 18.
4. Change 13 is effective immediately. With upcoming changes the entire publication will be rewritten and each chapter will be replaced. Any requested changes to the distribution or content of this manual may be directed to NAVSUP Code 07. This letter should be retained at the front of the manual to show that Change 13 has been incorporated.

C. E. McKENNA  
Assistant Deputy Commander  
Security Assistance



0530LP1873706



## SHEETS IN FORCE

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The following is a list of sheets in force through Change 13. It lists the odd page numbers (or other appropriate identification) of all the effective sheets within the publication. An "O" shown on the List below indicates that the page is from the original release of June 1985. The effective change number is shown for all other pages listed. Pages that have been ruled out (---) are no longer effective and should be removed and destroyed. This list is not intended for use as an order blank for individual pages.

All issuances may be ordered via MILSTRIP from the Naval Inventory Control Point, 5801 Tabor Avenue, Philadelphia, PA 19120-5099. The stock number for each is indicated below. Individual changes are ordered by citing the stock number; however, the basic and all changes may be ordered by citing the stock number of the basic issuance only.

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SECURITY ASSISTANCE MANUAL

NAVSUP PUBLICATION 541

NAVY DEPARTMENT  
Naval Supply Systems Command  
Washington, D.C. 20376-5000, 12 JUNE 1985

In September 1981, the Security Assistance program management functions of the Chief of Naval Material (MAT 08F) were delegated to the Naval Supply Systems Command (NAVSUP). These functions included implementation of higher level Security Assistance policy, and establishment of policies and procedures for the Naval Material Command Security Assistance Program. Upon the disestablishment of the NMC, that delegation was perpetuated by Naval Material Establishment (NME) Transition Notice 5400/18 of 25 April 1985, which designated NAVSUP as the lead command for Security Assistance and Arms Export Program in the NME.

NAVSUP Publication 541, the NAVSUP Security Assistance Manual, has been developed to update and consolidate previously existing NAVMAT and NAVSUP instructions, policy letters and procedures. Each chapter of the Security Assistance Manual is effective immediately upon distribution and is mandatory for use by all NME organizations.

This publication is stocked at the Naval Publications and Forms Center under Cog ØI stock number 0530-LP-541-0000. This initial release consists of the Foreword, Table of Contents, fifteen chapters, and one appendix. A complete set of chapter dividers and a three ring loose-leaf binder will be provided as soon as they are available. The remaining chapters are scheduled for release in the Summer of 1985.

Heads of NME organizations should issue supplementary instructions only as necessary to provide for the unique requirements within their organizations. Copies of all proposed supplementary instructions must be provided to NAVSUP prior to implementation. Such proposed supplementary instructions should be addressed to:

Commander  
Naval Supply Systems Command  
Code 07  
Washington, DC 20376-5000

Suggestions for improvement of this manual are welcome. Suggestions should be forwarded to the address above.

E. K. WALKER, JR.  
Commander, Naval Supply Systems Command



**NAVAL SUPPLY SYSTEMS COMMAND**  
**Publication 541**  
**Security Assistance Manual**

**FOREWORD**

**1. Purpose**

This manual provides an authoritative reference source for Naval Naval Supply Systems Command (NAVSUPSYSCOM) activities that are engaged in the execution of the Security Assistance Program. The intent of this manual is to begin where the Department of Defense (DOD) sponsored Security Assistance Management Manual (SAMM), DOD 5105.38-M, ends and to establish the policies and procedures necessary for Naval Supply Systems Command (NAVSUP) to perform its portion of the overall program. While this manual is not intended for use by the Navy's foreign government customers, NAVSUP activities are encouraged to use the information contained in the manual to assist those customers.

**2. Scope**

a. The Security Assistance policies and procedures described in this manual are directive in nature and apply to all elements and activities within NAVSUP. When this manual defines a specific policy or procedure to a level of detail that discusses one of the Automated Data Processing (ADP) systems used to support the NAVSUP Security Assistance Program, this manual will describe that policy or procedure as it is supported by the Management Information System International Logistics (MISIL).

b. Comptroller of the Navy (NAVCOMPT [NCB/NCF]) is the responsible organization within and outside the DON on non-routine Security Assistance Program (SAP) financial matters, including but not limited to policy and procedures reflected in NAVCOMPT Instruction 7000.46.

**3. Relation to Other Directives**

Every effort has been made to avoid conflict between the policies and procedures set forth in this manual and those set forth in other DOD or Navy publications. If, however, such a conflict is discovered, the matter should be immediately referred to:

Commander  
Naval Supply Systems Command  
Attn: SUP 07  
1931 Jefferson Davis Highway  
Arlington, VA 22241-5360

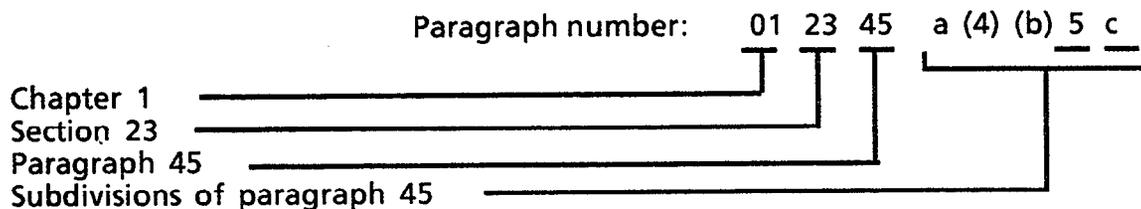
NAVSUP (SUP 07) will, if necessary, seek guidance or clarification from higher authority and then disseminate the information necessary to resolve the conflict.

**4. Distribution**

This manual has been prepared for distribution and use by NAVSUP activities and other organizations that work directly or indirectly with NAVSUP in the execution of the Security Assistance Program. Recipients of the manual are requested to inform SUP 07 of any recommended additions or deletions to the distribution list.

## 5. Organization of the Manual

a. The manual is divided into sequentially numbered chapters. Each chapter is divided into numbered sections that are identified by a descriptive title. Within the sections, each major paragraph is identified by a six-digit number. Paragraph, section, and chapter titles are listed in the Table of Contents. The paragraph numbers are constructed as follows:



b. The page numbers for the text and figures within each chapter contain the chapter number followed by the page sequence within that chapter. For example, page ten of Chapter Three is numbered "3-10".

c. Appendices for the manual are sequentially designated by a capital letter. Page numbers within an appendix are designated by the appendix letter followed by the page sequence within the appendix. For example, page eight of the first appendix is numbered "A-8".

d. Charts or tabular information within each chapter are presented as "figures" and appear at the end of each chapter's text. Figures are numbered sequentially using the chapter number followed by the figure sequence. Thus the first figure in Chapter Eleven is "Figure 11-1".

## 6. Acronyms

Appendix A contains an alphabetical listing of all acronyms used in the manual. For user convenience acronyms are spelled out the first time they are used in each chapter.

## 7. Future Revisions and Additions

a. This manual is published in loose-leaf format to permit simple incorporation of periodic revisions which will be sent to all activities on the distribution list. When such revisions are published, the replacement pages will show:

- (1) the date of the revision or addition,
- (2) the sequence number of the revision or addition, and
- (3) the revised or added material indicated by a vertical bar in the right-hand margin.

b. As changes are received, they should be posted to the "Record of Changes Sheet" on page iii.

c. Correspondence concerning recommended changes to this manual should be sent to NAVSUP (SUP 07) at the mailing address shown in paragraph 3 on page i.





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# CHAPTER 1 - INTRODUCTION TO THE NAVY SECURITY ASSISTANCE PROGRAM

## Section 1: Purpose, Policy Sources, and Definitions

### 010101 Purpose

This chapter identifies the sources of U.S. Navy (USN) Security Assistance (SA) policy; identifies the organizations that are key to the Navy's execution of its Security Assistance responsibilities; and describes, in general terms, the flow of Security Assistance actions within the Navy.

### 010102 Sources of USN Security Assistance Policy

The policies and procedures used by the USN to conduct its Security Assistance business are derived from six primary sources:

- a. The Foreign Assistance Act (FAA) of 1961, as amended.
- b. The Arms Export Control Act (AECA) of 1976, as amended.
- c. The International Traffic in Arms Regulation (ITAR).
- d. The Federal Acquisition Regulation (FAR).
- e. The Security Assistance Management Manual (SAMM), Department of Defense (DOD) 5105.38-M.
- f. The Foreign Military Sales Financial Management Manual, DOD 7290.3-M.

The first four of these provide the legal basis for Security Assistance, identify the items that may be sold through the Foreign Military Sales (FMS) process, and spell out the rules for procuring material on behalf of foreign governments. The last two provide specific implementing guidance for both the logistics and financial aspects of FMS.

## 010103 Definitions

a. Security Assistance is a general term which encompasses several specific programs executed by the U.S. Government (USG) with another nation or international organization. From a Department of State perspective, the Security Assistance Program considers the effectiveness of a country's own development efforts, its policies towards the U.S., its record of support for the United States in the United Nations and other international organizations, its human rights record, and available resources. Particular attention is paid to circumstances in which a limited investment of U.S. resources now can avert the need for larger, emergency requirements for assistance in the future. Our international economic and military cooperation programs also capitalize upon clear opportunities to stimulate political/economic evolution away from Soviet or Soviet proxy influence and toward democratic political and economic values. In its simplest terms, Security Assistance concerns the transfer of military and economic assistance through sale, grant, lease, or loan to friendly foreign governments. Those transfers are carried out under the principle that, if they are essential to the security and economic well-being of such governments and international organizations, then they are equally vital to the security and economic well-being of the United States. From the DOD perspective, specific Security Assistance programs which pertain to the Navy, as well as other terms used in Security Assistance, are defined in the subparagraphs below.

b. Foreign Military Sales (FMS) is but one of the programs within Security Assistance. Through FMS, eligible customers purchase defense articles and services from the USN. The purchasing customer pays for all costs associated with the sale, including the cost of administering the sale, in accordance with a contractual document known as "United States Department of Defense Offer and Acceptance", Department of Defense (DD) Form 1513, signed by authorized representatives of both governments. The sale may be on either a cash or credit basis.

c. Procurement for Cash Sales. The USG may enter into contracts for the procurement of defense articles or services for sale (through FMS) to an eligible foreign purchaser, if such purchaser provides the USG with a dependable undertaking: (1) to pay the full amount of such contract; (2) to make funds available

in such amounts and at such times as may be required by the contract (and to cover any damages/termination costs).

Such foreign purchaser payments shall be received in advance of the time any payments are due by the USG to the commercial contractor.

Interest shall be charged on the net amount by which such foreign purchaser (country or international organization) is in arrears under all of its outstanding unliquidated dependable undertakings, considered collectively. [Sec.22, AECA]

d. DOD Direct Credit Sales. The USG is authorized to finance procurements of defense articles, defense services, and design and construction services by friendly foreign countries and international organizations.

Repayment in U.S. dollars is required within 12 years, unless a longer period is authorized by statute. The interest rate shall be as determined by the President, but shall not be less than five percent per year. The term "concessional rate of interest" is any interest less than "market rate"--which is equal to or greater than the current average interest rate, as of the last day of the month preceding the financing of the sale, that the USG pays on outstanding marketable obligations of comparable maturity. [Sec. 23, AECA]

e. FMS case refers to a specific contractual agreement, i.e., one DD Form 1513.

f. The Foreign Military Financing Program (FMFP) consists of Congressionally appropriated grants and loans which enable eligible foreign governments to purchase U. S. defense articles, services, and training through either FMS or direct commercial sales channels. The FMFP is authorized under the provisions of Sections 23, 24, and 31 of the AECA, and originally served to provide an effective means for easing the transition of foreign governments from grant aid (i.e., MAP and IMET) to cash purchases. In recent years, however, the grant element of the FMFP has grown substantially.

g. The Military Assistance Program (MAP) is another Security Assistance program. Prior to 1982, MAP provided defense articles or services as Grant Aid. However, legislation that took effect in 1982 allowed grant funds to be merged with

other funds held for the foreign government account (e.g., cash, FMS credits) in that country's trust fund. This merger technique, commonly referred to as the MAP Merger Program, precludes distinguishing items as having been provided as grant aid and brings all MAP logistics and financial processing under FMS rules and procedures.

h. International Military Education and Training (IMET), a third Security Assistance program, provides professional military training and education in the U.S. and in overseas U. S. Military facilities to selected foreign military and related civilian personnel on a grant basis. It also gives these personnel a better understanding of American values and social, economic, and political institutions.

i. The Economic Support Fund (ESF) is authorized by Chapter 4 of Part II of the Foreign Assistance Act and was established to promote economic and political stability in areas where the United States has special political and security interests and has determined that economic assistance can be useful in helping to secure peace or to avert major economic or political crises. ESF is a flexible economic instrument which is made available on a loan or grant basis for a variety of economic purposes, including balance of payment support, infrastructure, and other capital and technical assistance development projects. While a substantial amount goes for balance of payments type aid, the ESF also provides for programs aimed at primary needs in health, education, agriculture, and family planning. Congress has made it clear that funds from this account should be used to the maximum extent possible for development and to support equitable growth that meets the basic needs of the poor.

j. Peacekeeping Operations (PKO) is authorized by Chapter 6 of Part II of the Foreign Assistance Act and was established to provide for that portion of Security Assistance devoted to programs such as the Multinational Force and Observers (MFO) which implement the 1979 Egyptian-Israeli peace treaty, and the US contribution to the United Nations Force in Cyprus (UNFICYP).

K. The Case Administering Office (CAO) is the Navy command or activity responsible for overall planning, pricing, execution, and closure of each FMS case. In accordance with OPNAVINST 4900.149, the CAO takes the necessary management

actions to ensure that the Case Manager (see paragraph 010103L, below) has access to the necessary resources to execute their assigned responsibilities.

L. The Case Manager is assigned by the CAO and functions as the "integrator" and generalist for all logistical and financial actions relevant to that FMS case. The Case Manager functions in compliance with OPNAVINST 4900.149.

## **Section 2: DOD Security Assistance Organizations**

### **010201 Defense Security Assistance Agency (DSAA)**

The DSAA is the operating arm for the Secretary of Defense in Security Assistance matters. DSAA directs and supervises the implementation of Security Assistance policy by the Military Departments (MILDEP) e.g., conducting international logistics and sales negotiations with foreign countries; making determinations with respect to the allocation of FMS Administrative funds; managing the credit financing program; and serving as the DOD focal point for liaison with U. S. industry with regard to S. A. activities.

a. MILDEP The offer process begins with the receipt at the military department (MILDEP) of a request for defense articles or services. The offices authorized to receive requests are U. S. Army Security Affairs Command, Washington; U. S. Navy - Navy International Programs Office (Navy IPO); U. S. Air Force - Air Staff (PRI), and the Air Force Logistics Command (AFLC) International Logistics Center. Note: Other DOD agencies, such as Defense Contract Audit Agency (DCAA), Defense Mapping Agency (DMA) and Defense Logistics Agency (DLA), also receive requests for their own products and/or services.

### **010202 Security Assistance Accounting Center (SAAC)**

The SAAC provides accounting and billing services for the Security Assistance Program. SAAC is responsible for standardized FMS billing and collections and the management and control of the country's trust funds.. It is the DOD point of contact with the customers for all billing and collection matters. SAAC issues bills, renders account statements, and receives all funds from the customers.

**010203 Defense Logistics Agency (DLA)**

For Security Assistance, the DLA functions in three primary areas of interest to the USN:

a. The DLA Supply Centers serve as the Inventory Control Points (ICPs) for material that has common application to more than one MILDEP.

b. The Defense Reutilization and Marketing Service (DRMS) receives and disposes of excess DOD material. FMS customers may buy needed items from DRMS.

c. The Defense Automated Address System (DAAS) Office (DAASO) provides two major functional areas of service to security assistance customers.

(1) The DAAS is the routing and transmission network for passing information to and from FMS customers. Through the communication system known as AUTODIN (the Automatic Digital Network), DAAS routes supply transactions between the various DOD organizations and FMS customers. Financial transactions between the USN and the SAAC are transmitted directly to SAAC via dedicated lines.

(2) For FMS customers who do not have access to AUTODIN or for whom AUTODIN is impractical, DAASO operates the International Logistics Communications System (ILCS) that is available through an FMS case between the customer and DAASO.

**Section 3: USN Security Assistance Organizations (Outside of NAVSUP)**

**010301 Navy International Programs Office (Navy IPO)**

Navy IPO is the USN focal point for all Security Assistance matters. Navy IPO receives requests for assistance from potential customers; initiates the USN response to the request; makes the final determination, for the USN, as to what Security Assistance programs will be executed with which countries; and signs the government-to-government agreement that establishes each USN FMS case.

During the execution of each case, Navy IPO provides oversight for the USN to ensure that the provisions of the case are properly carried out.

**010302 The Navy's Hardware Systems Commands**

The Navy's Hardware systems commands are where the detailed management of security assistance programs take place. Within each of the commodity-oriented systems commands is a small group for security assistance policy, coordination and monitoring. However, the program management office charged with the implementation of the FMS sale is the same office that handles U. S. weapon systems development. In the acquisition of a large system, the project manager must coordinate with all activities involved, including procurement offices, inventory control points (ICPs), test facilities, overhaul points, contractors and the Chief of Naval Education and Training (CNET). Price and availability data for a system sale is normally developed under the direction of the program manager.

**010303 Chief of Naval Education and Training Security Assistance Field Activity (NETSAFA)**

The NETSAFA conducts training services provided through the Security Assistance program. Chapter 32 of this manual presents the details of training policy and procedures.

**010304 Commandant of the Marine Corps (CMC)**

The CMC provides weapons systems, tactical doctrine, training, and logistics support in matters under Marine Corps cognizance. The CMC (Code LP0-4) serves as the CAO for Marine Corps FMS cases. The Marine Corps Logistics Base Albany is the ICP for Marine Corps material provided through Security Assistance programs.

**010305 Comptroller of the Navy (NAVCOMPT)**

The NAVCOMPT establishes the necessary financial policy and procedures to implement the requirements of DOD 7290.3-M and to enable the USN to meet the accounting information/performance needs of DSAA and SAAC.

**010306 Fleet Commanders**

CINCLANTFLT and CINCPACFLT have responsibility for operations and readiness of their respective fleets. They provide tactical air training, surface ship and submarine readiness training and logistics support. The fleet commanders provide Security Assistance training of an operational nature utilizing fleet replacement squadrons, fleet training groups and other training organizations within the fleet command structure, and render services to foreign Navies and Air Forces in support of foreign participation in joint exercises or foreign utilization of ranges and facilities. The CAO for FMS cases in the Pacific area is CINCPACFLT (Code 63), for the Atlantic area is CINCLANTFLT (Code N0/4C).

**010307 Naval Training System Center (NTSC)**

NTSC provides research and development, procurement services, logistics support, training requirements analysis, in-country training, material surveys, consultation, site surveys and inventory management for training aids and devices. NTSC is the CAO for FMS cases involving training aids and devices and coordinates with NETSAFA to provide complete training and training support to foreign governments.

**Section 4: Navy Security Assistance Organizations (Within NAVSUP)**

**010401 NAVSUP Headquarters**

a. The Deputy Commander, Security Assistance (SUP 07) exercises overall management control over the execution of the Security Assistance Program in NAVSUP Headquarters and field activities. SUP 07's general responsibilities are to:

(1) Develop and issue Security Assistance policy, procedures, and program direction to NAVSUP activities and organizations.

(2) Provide a central point of contact within NAVSUP Headquarters for FMS customer representatives.

(3) Furnish technical advice and information on NAVSUP managed cases and supply support issues to the Navy IPO of the Secretary of Defense (OSD), Unified Commands, Security Assistance Organizations (SAO), and foreign governments.

(4) Provide liaison with Navy IPO, OSD, and customer representatives concerning Security Assistance operations as required.

(5) Evaluate NAVSUP Security Assistance program performance.

(6) Coordinate the design, development and implementation of logistics, financial, and reporting systems for the Security Assistance Program.

(7) Prepare requirements for Automatic Data Processing (ADP) support of Security Assistance functions and task the Fleet Material Support Office (FMSO) and Navy International Logistics Control Office (NAVILCO) to develop and implement those requirements. Serve as the Navy central point of contact for all unique automated systems supporting Security Assistance such as the Management Information Systems, International Logistics (MISIL).

(8) Direct and control the development, coordination, execution, and evaluation of systems, policy, practices, and procedures related to the supply and budgetary responsibilities of NAVSUP's Security Assistance role. (The accomplishment or implementation of these systems, policies, practices, and procedures remains the responsibility of the appropriate functional organization.)

(9) Coordinate and recommend approval of activity administrative support funding requirements under the FMS segment of the Operations and Maintenance, Navy (O&MN) budget submissions.

(10) Manage assigned FMS cases and provide management oversight and direction to NAVSUP field activities in the execution of Security Assistance program requirements.

b. NAVSUP 07 is the initial point of contact for Navy IPO during the establishment of a NAVSUP managed FMS case for material/services support.

NAVSUP also oversees the Security Assistance operations of the ICPs and other NAVSUP field activities, and implements Navy IPO approved policies and programs.

#### **010403 Inventory Control Points (ICPs)**

The three Navy ICPs (Navy Aviation Supply Office, Navy Ships Parts Control Center, and the Navy Publications and Forms Center) perform essentially the same functions for Security Assistance customers as they do for USN customers.

a. The Navy Aviation Supply Office (ASO) prepares Price and Availability (P&A) input for all material under its cognizance, develops support requirements data such as Gross Requirements Lists (GRLs), develops and implements Cooperative Logistics Supply Support Arrangement (CLSSA) equity lists, Repair of Repairables (ROR) and conducts special projects as assigned by the SYSCOMs. In addition, ASO operates the ADP hardware that supports MISIL.

b. The Navy Ships Parts Control Center (SPCC) prepares P&A input for all material under its cognizance; develops equipment, ships, initial support requirements (Consolidated Shipboard Allowance Lists and GRLs); develops in-country shore support requirements (Coordinated Shore Based Material Allowance Lists); Repair of Repairables (ROR); and develops and implements CLSSA equity lists. SPCC also plays a special role in the management of the Security Assistance Program for Conventional Ammunition, and conducts special projects as assigned.

c. The Navy Publications and Forms Center (NPFC) develops support requirement lists of publications and forms, and manages inventory levels for these items. In addition to its role as an ICP, NPFC functions as a stock point for issue and shipping of publications (see Chapter 14 of this manual for details) and as a paying office for some FMS contracts.

#### **010404 Navy International Logistics Control Office (NAVILCO)**

NAVILCO serves as the primary interface between FMS customers and the USN supply system. NAVILCO distributes obligational authority to case managers; serves as the Authorized Accounting Activity (AAA) for FMS cases; receives, monitors, and controls FMS related requisitions for Navy managed cases and

programs; provides FMS customers supply and shipment status; provides management reporting to FMS customers, higher headquarters, and other interested activities; and reports delivery status and billing information to the SAAC.

#### **010405 Navy Fleet Material Support Office (FMSO)**

FMSO serves as the Central Design Agency (CDA) for : MISIL and the Standard Accounting and Reporting Systems (STARS). As the CDA, FMSO is responsible for the detailed design, analysis, programming, and maintenance of MISIL.

### **Section 5: Overview of USN FMS Procedures**

#### **010501 Background**

Normally, prior to the receipt of a customer's formal Letter of Request (LOR) for data leading to the sale of a major weapons system or equipment, discussions and informal exchanges of information have already occurred. Sometimes the discussions or exchanges are conducted under the terms of a bilateral Memorandum of Understanding (MOU). These discussions, etc., fall into the category "pre-case activities" that are discussed in more detail in Chapters 3 and 29 of this manual.

a. From the point of "pre-case activities" to the establishment of the FMS case, the process, typically, follows one of three sequences of events. The first two sequences, that lead to the sale of a weapons system or major end item, are differentiated by the amount of planning needed to identify and define the customer's real requirement for the item or system and his ability to support, maintain, and make effective use of the item or equipment. The third sequence may be applied to all types of cases.

(1) The first and least common of the three sequences occurs when both the customer and the USN recognize the need for a site survey to identify the customer's support requirements and the ability to provide that support. From this point of recognition, an FMS case, for the survey itself, is established, the survey is conducted,

a Program and Support Plan written, and then the process moves to establishment of the FMS case for the item or equipment.

(2) The second, and more common, sequence of events postpones the site survey. This sequence begins with preparation of planning data (see Chapter 4 of this manual) based on available information; and then, after an FMS case has been established, conducts a site survey and revises the case as necessary to provide the degree of integrated support needed for the customer's life cycle use of the item or equipment.

(3) The third sequence skips the site survey entirely and constructs the FMS case and its Program and Support Plan from information available and from a Program Planning Conference conducted by Navy IPO.

b. The following paragraphs briefly discuss the major events in a "typical" FMS program. Additional details appear in the appropriate chapters of this manual. Without attempting to show every detailed step, Figures 1-1 through 1-4 provide a general, graphic representation of the events.

#### **010502 Planning and Review (P&R) and Price and Availability (P&A) Data**

When the country expresses formal interest in a particular weapons system or equipment, it submits an LOR for either P&R data, useful for gross planning purposes, or for P&A data, that is more detailed and suitable for budgetary purposes. The country's request for either type data is forwarded to the organization that has cognizance over the material or services requested by the customer by Navy IPO. The P&R/P&A data is prepared by the appropriate CAO and submitted to Navy IPO. See Figure 1-1 for the general flow of events.

a. If the customer's LOR was for P&R data, the P&R response is forwarded to the customer, by Navy IPO.

b. If the customer's LOR was for P&A data, Navy IPO converts the P&A into a Letter of Offer and Acceptance (LOA) using a DD Form 1513 and then forwards the LOA to the customer as an offer of an FMS case.

### **010503 Initial Supply Support**

Just as the DOD's logistics system must provide material support for its weapons systems to ensure the combat readiness of those systems at all times, it is DOD policy that part of the sale of any weapons system or equipment to an FMS customer be an initial support package. USN policy extends to the specific requirement that each LOA for the sale of a basic system or equipment contain a line item for initial spare and repair parts. Specifically, the standard line item in an LOA for aircraft or aviation system will include a minimum of 18 months of initial support; for ships and ship systems the standard line item will include 90 days onboard material and an additional 24 months initial in-country support as a minimum.

a. The actual computation of initial support will be adjusted based on information extracted from the customer's LOR regarding anticipated mission, usage factors, etc., and from other factors determined during the site survey and discussions with the customer. As a practical matter, the P&A data described in paragraph 010502, above, and in Chapter 4 of this manual will include initial support information that will be subject to revision as the FMS case progresses through its life cycle.

b. Details of responsibilities and procedures for initial support are provided in Chapter 5 of this manual.

c. USN maintenance philosophy is embedded in all weapons systems offered to FMS customers. USN usage data—which is the basis for much of the initial support recommendations—stems from the three levels of maintenance philosophy employed by the USN in Figure 1-5.—FMS customers must have a detailed understanding of the USN maintenance philosophy and adhere to emulate it if they expect the initial supply-support package to adequately meet expected demands.

d. During the initial support period it is expected the FMS customers will not achieve their desired depot repair capability until well into the initial support period. For this reason the USN offers depot repair at existing USN organic/commercial facilities under a Repair of Repairables (ROR) case. The ROR turn around time (TAT) is normally planned for 180 days...which is 180 days from failure of the component

until return for repair in ready for issue (RFI) condition. Since initial supply support is based upon the 180 day TAT it is imperative that FMS customers commit to early identification and shipment of non-RFI components to USN repair depots.

#### **010504 Customer Acceptance**

The LOA is accepted when the customer signs the DD Form 1513 and returns it within the specified time to Navy IPO. At the same time, the customer sends 3 copies of the signed LOA and the required initial cash deposit to SAAC.

#### **010505 Case Implementation**

An accepted LOA is received from the customer, validated and implemented by Navy IPO. Simultaneously, the SAAC has received 3 copies of the signed LOA and the cash deposit for the case and issues Obligation Authority (OA) to the USN via the appropriate accounting system, e.g. MISIL, STARS etc. Additional discussion and details of the case implementation process are contained in Chapter 7 of this manual. Figure 1-2 presents the general flow of events during acceptance and implementation.

#### **010506 Case Execution**

The events involved in the execution of an FMS case are determined by which sequence of events was followed between the pre-case activities and the customer's LOR (see paragraph 010501). For the sake of simplicity, this introductory discussion of case execution assumes that a site survey was not conducted prior to the extension of an LOA to the customer and that the LOA is for the sale of a major system or end item of equipment. Specific details of the execution of different types of cases are contained in Chapters 8, 9, and 10 of this manual. Figure 1-3 graphically presents the generalized execution process.

a. After the LOA has been accepted (signed and returned with its cash deposit), it may be determined that a site survey is required after all. If so, its conduct is the next step.

b. From the results of the site survey, or from available data if no survey was required, a Program Support Plan is prepared by Navy IPO following the guidelines set forth in DOD Directive 5000.39, Acquisition and Management of Integrated Logistics Support for Systems and Equipment. This plan is prepared for each case which includes the sale of a major system or end item of equipment.

c. The CAO may direct that a Policy and Procedures Conference, based on the Program Support Plan be convened, for each sale of major equipment. The conference is attended by the involved Navy activities and customer representatives. Its objective is to ensure that all concerned understand the goals of the specific country program and their responsibilities in that program.

d. The CAO (SYSCOM, Marine Corps, or NTSC) may convene a Provisioning Conference, tailored to the country's maintenance and support plans, to refine the initial supply support computations for the initial buy of a major system. (The maintenance and support plans were developed as part of the Program Support Plan.)

e. The CAO may convene a Training Plan Conference to determine and coordinate the necessary training to support the customer's use of the equipment or system.

f. Based on these plans and conferences (subparagraphs 010506 b through e, above) a revised P&A for the system and its initial support may be developed by the case manager. The revised P&A will document changes to the original data resulting from this detailed planning conducted after implementation of the FMS case. A 1513-1 is generated to document the changes.

(1) Changes to payment or delivery schedules, or price changes without a change in the scope of the case, require completion of a "United States Department of Defense Notice of Modification of Offer and Acceptance", DD Form 1513-2.

(2) Minor changes to the scope of the accepted FMS case require completion of a "United States Department of Defense Amendment to Offer and Acceptance", DD Form 1513-1.

(3) Changes which go beyond these criteria should be accomplished by the establishment of a new FMS case.

g. Once the plans, conferences, revisions, modifications, and amendments are taken care of, supply actions may be started to provide the equipment, support documentation, services, and training required to fulfill the USN commitment to the case.

h. Throughout the life of the case, the Case Manager conducts periodic status reviews with the participants to ensure proper execution of the case.

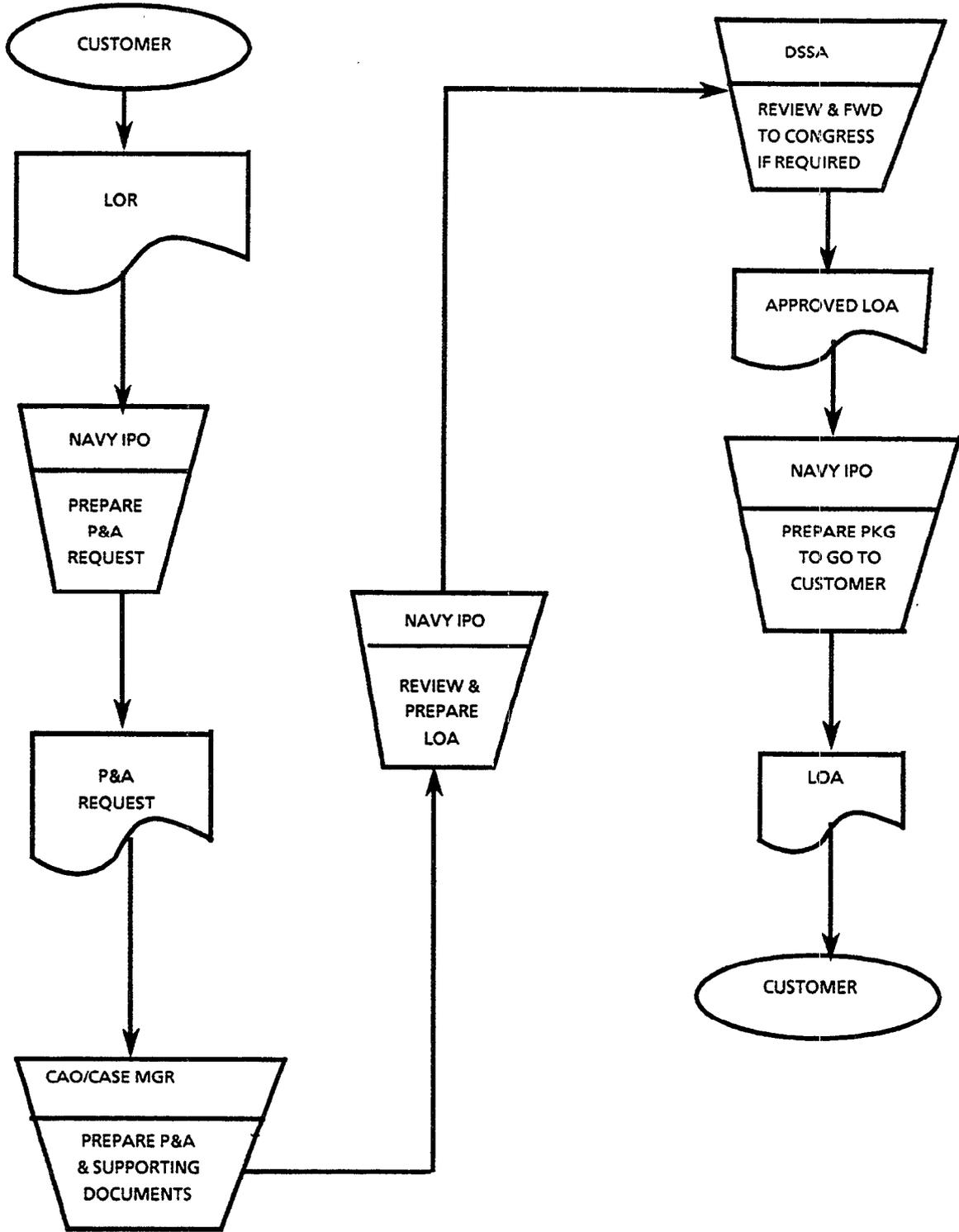
#### **010507 Case Closure**

The case closure process begins at the time when delivery schedules for the material or services are established. The process will be complete when all of the required material or services have been delivered, paid and accounted for, and when any reported discrepancies are resolved. The key activity in the closure process is a three way reconciliation of records between the Case Manager, NAVILCO, and the SAAC. Details of these requirements are provided in DOD 7290.3-M, DOD 5105.38-M, and in Chapters 20 and 21 of this manual. The general flow of events is presented in Figure 1-4.

#### **010508 Follow-on Support Cases**

Follow-on support for systems or equipment purchased through FMS is accomplished through any of the general types of FMS cases described in Chapter 2 of this manual. Follow-on support cases may be requested by the customer to replenish supplies, keep documentation up-to-date, alter equipment configuration, refurbish material, train personnel, or to obtain additional articles or services to sustain a system or equipment throughout its life cycle. Prudent planning during the P&A development for the major item or weapons system will have already identified many of the needed details of follow-on support and will have enabled the customer to wisely budget for follow-on support. Specific details of responsibility for follow-on support are provided in Chapter 5 of this manual. Additional general discussion and ideas for follow-on support are found in DOD 5105.38-M.

Figure 1-1  
NAVY CASE PREPARATION\*



\*NOT APPLICABLE TO NAVY SECURITY ASSISTANCE DATA SYSTEM (NSADS) AUTOMATED CASES.

FIGURE 1-2  
NAVY CASE IMPLEMENTATION

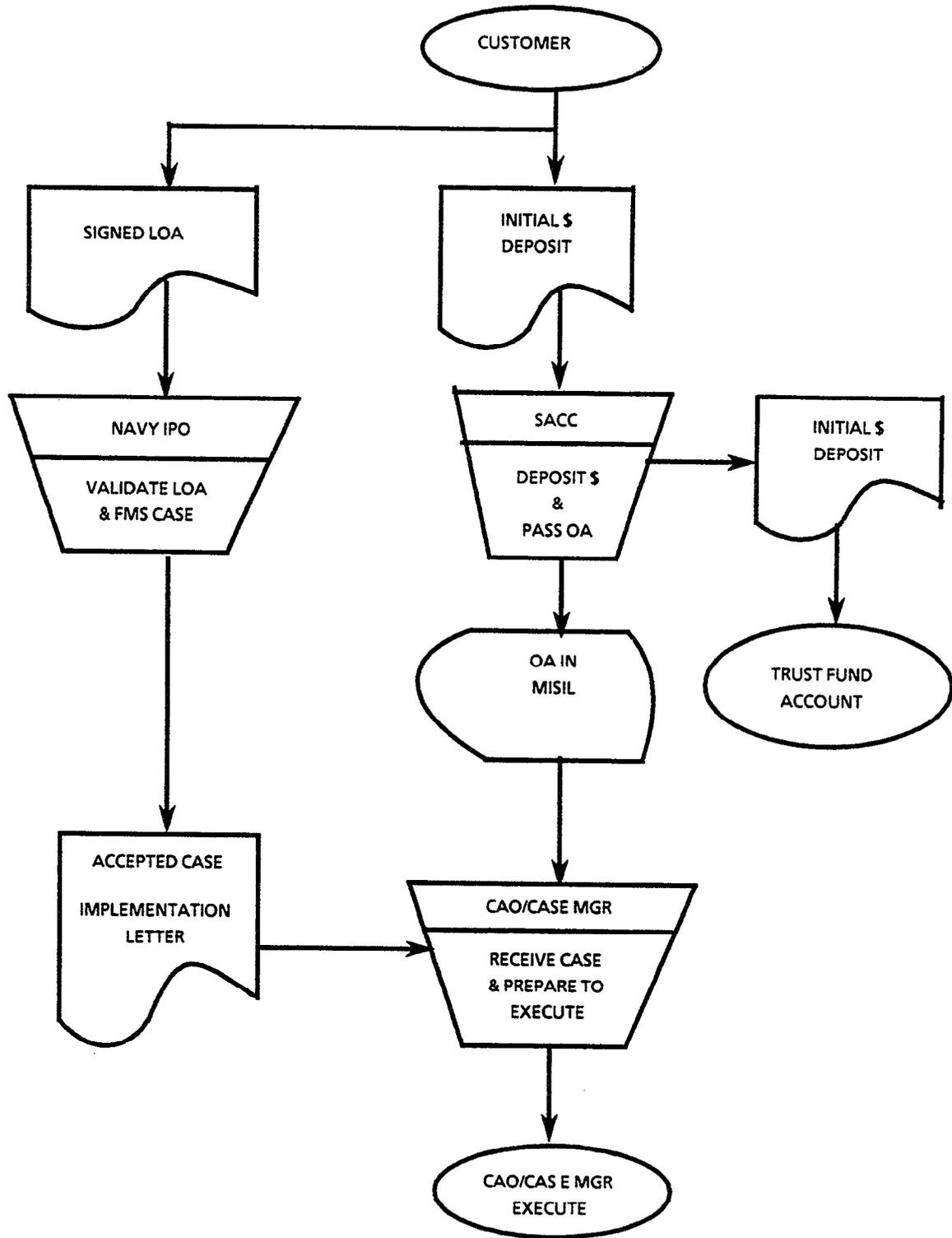
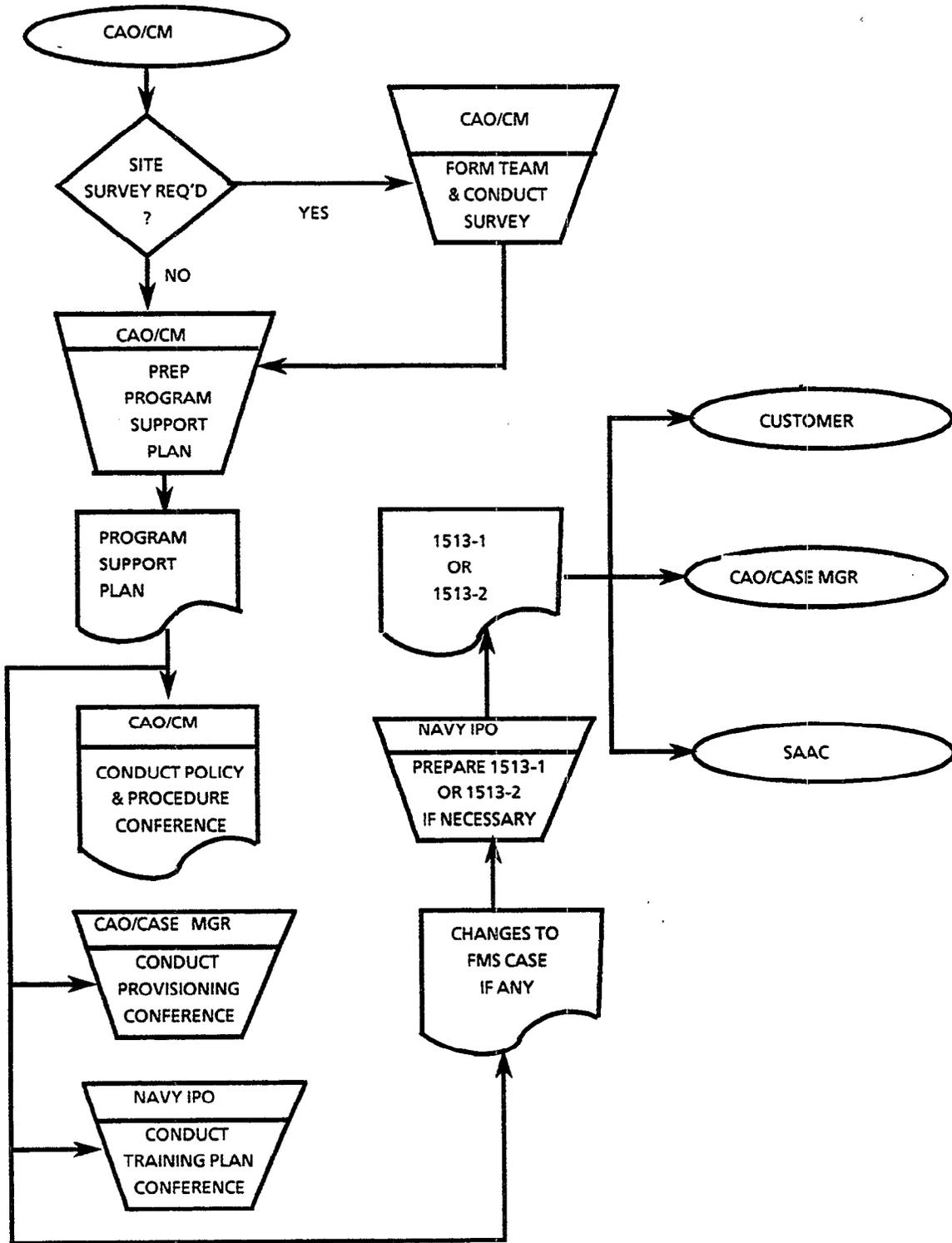


FIGURE 1-3  
 "PUSH" CASE EXECUTION



CASE EXECUTION (CONT'D)

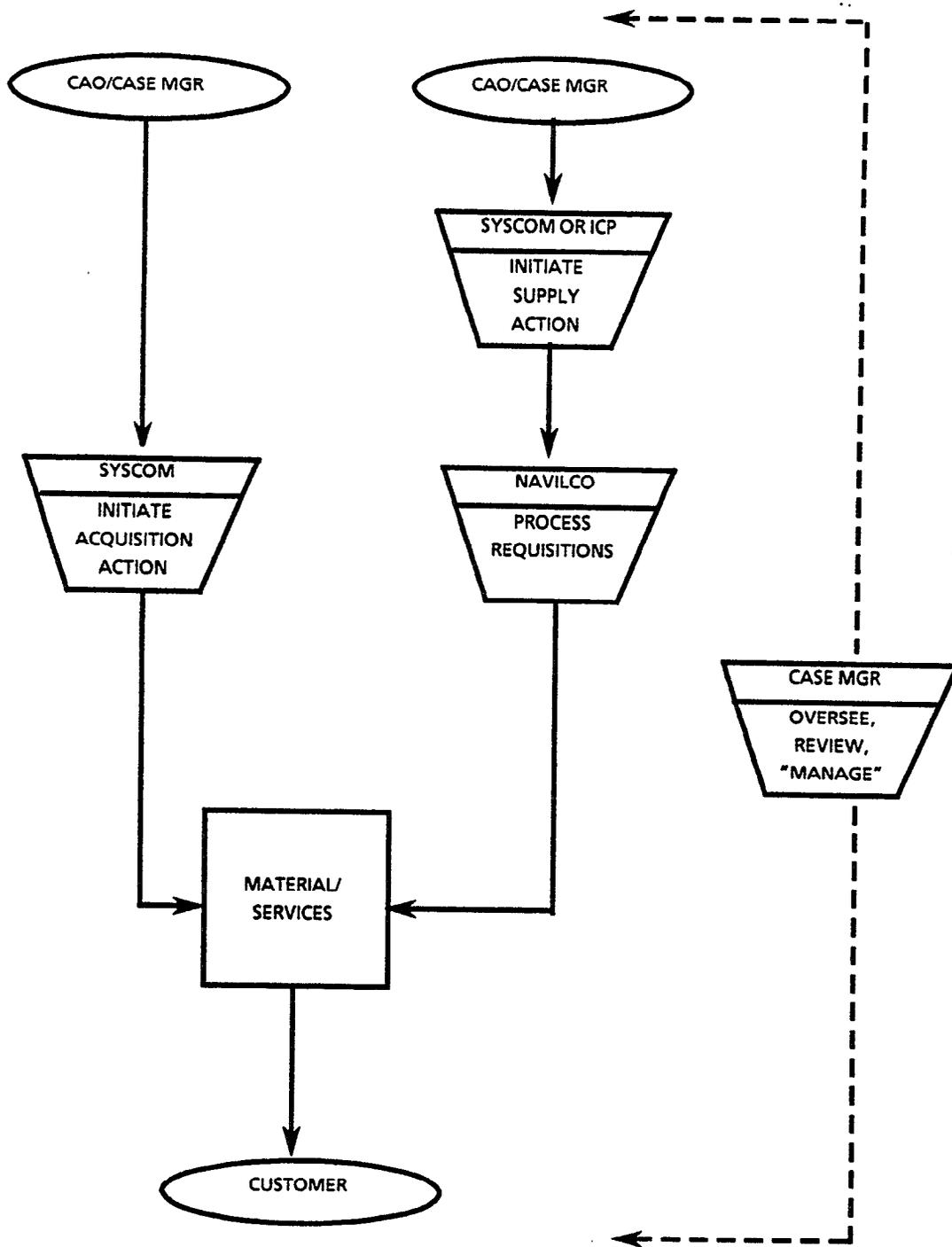


FIGURE 1-4  
NAVY CASE CLOSURE

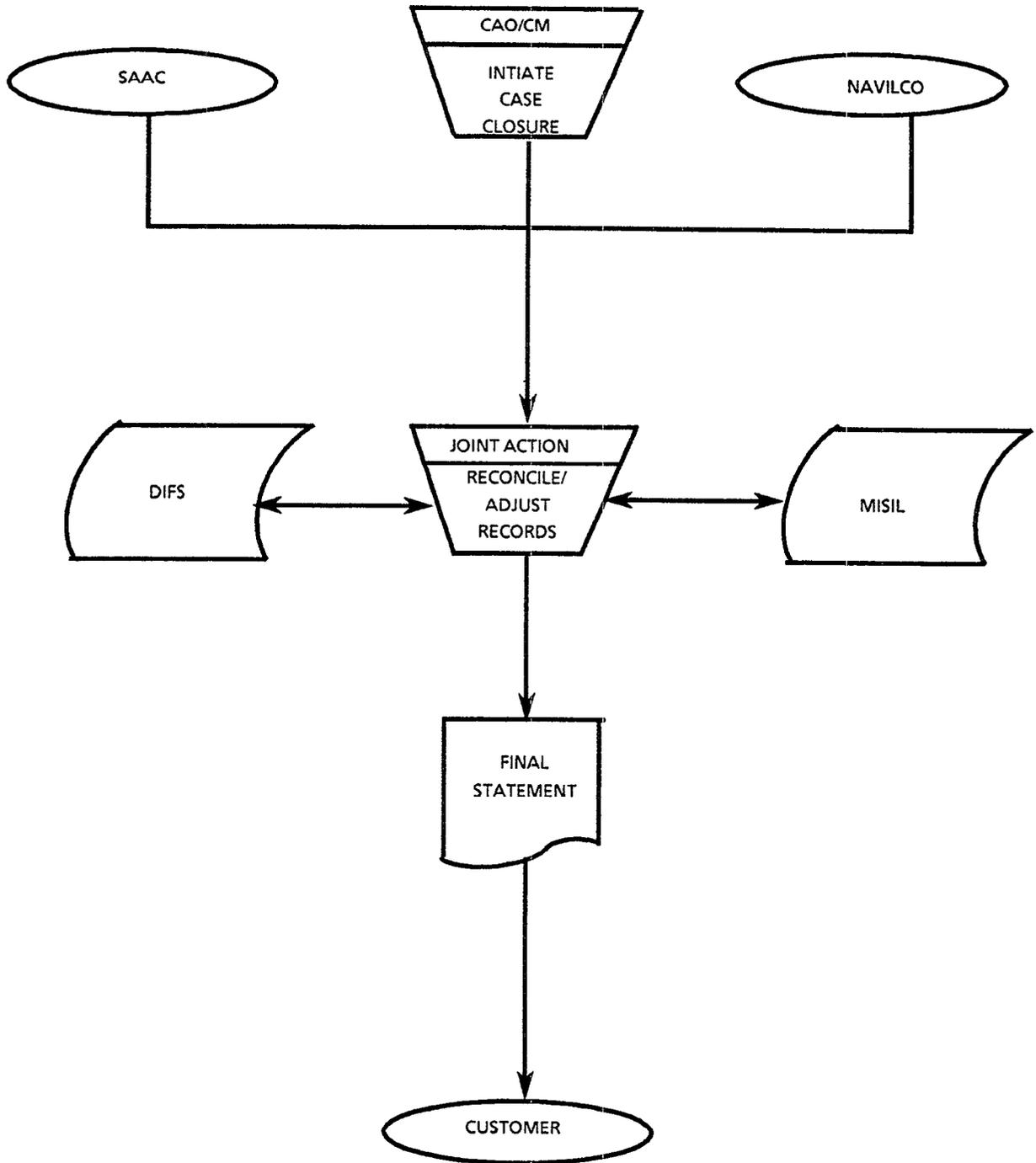
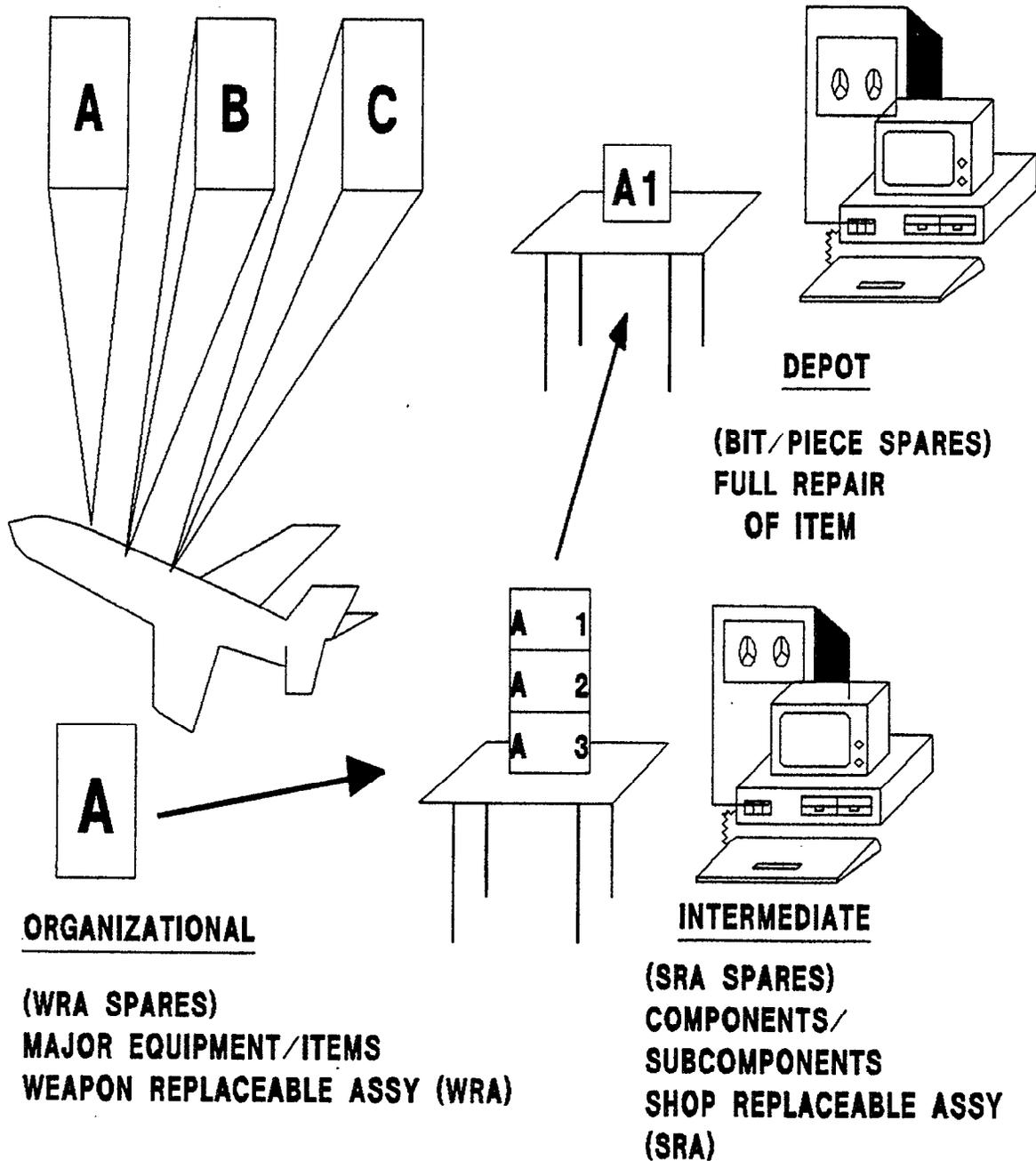


FIGURE 1-5

# MAINTENANCE/SUPPORT CONCEPT



## CHAPTER 2 - TYPES OF FOREIGN MILITARY SALES CASES

### Section 1: General

#### 020101 Background and Purpose

a. In general terms, a Foreign Military Sales (FMS) case should be thought of as a contract for the purchase of material, authorized for sale by U.S. law, between a foreign government and the U.S. Government (USG). It contains all the elements that are essential to any contract: the identification of what is being sold (an offer); acceptance or agreement of the offer by the purchaser; signatures of person(s) authorized by their governments to enter into such a contract (competent parties); the estimated price; and terms and conditions of the sale.

b. Each FMS case (or contract) carries a unique Case Identifier that enables FMS managers to keep track of it throughout its life. The Case Identifier consists of three parts:

(1) The Country Code is a two-position code that identifies a particular country or international organization.

(2) The Implementing Agency Code is a one-position code that identifies the Department of Defense (DOD) agency responsible for the case ("P" = Navy, "B" = Army, "D" = Air Force, "Q" = Defense Security Assistance Agency (DSAA), and "R" = Defense Logistics Agency (DLA)).

(3) The Case Designator is a three-position code that identifies a specific FMS case for that customer and U.S. implementing agency. As described in paragraphs 020201 through 020203, the first position of the case designator tells something about the type of material or service being sold. The last two positions are sequentially assigned and have no other meaning.

c. This chapter describes the three basic types of FMS cases (Defined Order, Blanket Order, and Cooperative Logistics Supply Support Arrangements (CLSSA)) and explains how each is used.

## Section 2: Types of Cases

### **020201**      Defined Order Cases

a. A defined order case is one in which the items, services, or training to be provided are stated explicitly in the U.S. Department of Defense Letter of Offer and Acceptance, (LOA). For example, a defined order case for an aircraft would have a line item for the complete flyaway aircraft and separate line items for the spare engines, spare parts, support equipment, training equipment, documentation, etc. These cases are specific, one-time sales contracts and normally require a Price and Availability (P&A) estimate to be developed in response to a customer's Letter of Request (LOR).

b. The U.S. Navy (USN) uses defined order cases for the following:

<u>First Position of Case Designator</u>	<u>Category</u>
A	Ammunition and other explosives
B or C	Individual spare and component parts
G	Technical and engineering services
L	Major end items (components and equipment)
P	Cartridge Actuated Devices (CAD), Propellant Actuated Devices (PAD), and Aircrew Escape Propulsion Systems (AEPS)
S	Weapons system (aircraft or ship)
T	Training
Z	Leases of navy articles

### **020202**      Blanket Order Cases (BO)

a. Blanket order cases represent an agreement between a foreign country or international organization and the U.S. Government for a category of material or services with no listing of specific individual items or quantities. The customer country may place orders for specified items or services up to the dollar value specified in the LOA. The Military Standard Requisitioning and Issue Procedures (MILSTRIP) are used for requisitioning by the customer country. A percentage of the

Obligational Authority (OA) issued by DFAS is withheld by NAVILCO to cover unanticipated price increases.

b. Most BO cases are for follow-on support materials or services. Figure 2-1 further categorizes the articles and services that can and cannot be obtained through BO cases.

c. The USN uses BO cases for the following:

<u>First Position of Case Designator</u>	<u>Category</u>
G	Technical and engineering services
J/H	DRP cases
M	Repair and return
R	Open-end requisitioning, with one or more terms and conditions that differ from the standard DRP provisions
T	Open-end training cases

d. Additional funds for new orders may be added to a BO FMS case only within one year following initial implementation of the case.

e. Navy Department BO cases will not specify a period of performance unless requested to do so by the purchaser in the Letter of Request (LOR). BO cases will normally contain the following Note:

"Requirements will be accepted under this case so long as funds are available to process them. An amendment increasing the case value for new orders will only be processed during the first year of case execution. The purchaser is responsible for requesting a follow-on case with sufficient advance notice (normally 120 days) to ensure continuation of this service. Beginning one year after implementation, if no new orders are placed against this case for 180 days or more, it will become a

candidate for closure unless the purchaser notifies Navy IPO of exceptional circumstances.'

f. If a purchaser requests a period of performance in the LOR the following note will be included in the case:

"The purchaser intends this case to support requirements during the period from \_\_\_\_\_ to \_\_\_\_\_. However, requirements will be accepted so long as funds are available to process them. An amendment increasing the case value for new orders will only be processed during the first year of case execution. The purchaser is responsible for requesting a follow-on case with sufficient advance notice (normally 120 days) to ensure continuation of this service. Beginning one year after implementation, if no new orders are placed against this case for 180 days or more, it will become a candidate for closure unless the purchaser notifies Navy IPO of exceptional circumstances."

**020203      Cooperative Logistics Supply Support Arrangements (CLSSA)**

a. Under a CLSSA, the USG provides the customer with the same peacetime support as that given U.S. forces having the same/comparable mission/Force Activity Designator (FADs). CLSSA is a system designed to support foreign country stock replenishment. The USG purchases stores, manages, and issues spare and repair parts to the foreign customer using the U.S. logistics system. The advantages of a CLSSA for the USG and the foreign government are improved supply support, reduced cost through higher volume procurement, increased accuracy in projection of requirements and increased equipment standardization. CLSSAs are implemented through two different Foreign Military Sales Orders (FMSOs) covering stockage, consumption, and storage.

(1) A FMSO I is a LOA for the estimated value by which U.S. on-hand and on-order stocks must be augmented to support the foreign customer's anticipated demand. A FMSO I provides the customer with equity in the supply system.

(2) A FMSO II is a LOA covering the foreign country's estimated withdrawals from the U.S. supply system for an agreed period, normally one year. A FMSO II resembles a blanket order case in the following ways:

- (a) There is a dollar ceiling
- (b) Requirements are undefined
- (c) The foreign country initiates the requisition (pull)

(3) For FMSO II cases, requisitions will be processed as either programmed or unprogrammed. Programmed requisitions will be treated the same as USN requisitions having the same FAD. Unprogrammed requisitions will be filled only to the Reorder Point (ROP).

- b. The first character in the Case Designator field of all FMSO cases is always a "K."
- c. Type of Assistance Code is always "V".
- d. Figure 2-2 identifies the characteristics of FMSO I and II cases.
- e. There are fundamental differences between FMSO II and other FMS follow-on support cases. Figure 2-3 compares the characteristics of CLSSA to those of defined order and blanket order cases.

**Figure 2-1**

**ARTICLES AND SERVICES OBTAINABLE VIA BLANKET ORDER CASES**

**Permissible**

Spare and repair parts  
Publications  
Support equipment  
Other support equipment (assemblies, components, special tools,  
and test equipment)  
Minor modifications and alterations  
Technical assistance services  
Repair of repairables  
Nonmajor defense equipment excess defense articles (except DLA) (must be a  
separate, unique case for each sales offer of excess material)

**Not Permissible<sup>1</sup>**

Classified material  
Classified publications  
Major defense equipment and the initial logistics support that is  
normally ordered for concurrent delivery with such items  
As is-where is items  
Technical data packages  
Explosive ordnance items  
Significant military equipment  
Lumber and other commercial type material

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<sup>1</sup> Unless an approved waiver is obtained in advance by the foreign customer.

Figure 2-2

CHARACTERISTICS OF FOREIGN MILITARY SALES ORDERS

FMSO I (Equity in U.S. Stocks)	FMSO II (Requisition Case)
- Augments U.S. stock; investment becomes an integral part of the DOD supply system	- Annual order; specific quantities and items not predefined
- Includes all centrally managed and stocked spare and repair parts managed and procured in response to recurring demand (except explosives, classified, and nonstandard items)	- Covers estimated cost of annual withdrawals (requisitions)
- Stock level normally computed at 17-months demand (5 months on-hand plus 12 months on order against procurement)	- Covers cost of storing on-hand FMSO I material and accessorial, administrative, asset use, and inventory loss charges
- Reviewed annually or as dictated by actual demand and program change	- Customer forwards requisitions via MILSTRIP
- 5 percent administrative charge	- Delivery to freight forwarder
	- Support priority determined by Force Activity Designator (FAD) and Urgency of Need Designator (UND)
	- 3 percent administrative charge

Figure 2-3

COMPARISON OF CLSSA TO DEFINED AND BLANKET ORDER CASES

	<u>CLSSA</u>	<u>DEFINED AND BLANKET ORDER</u>
- Type of material	Limited to inert, unclassified, secondary items, centrally stocked and managed on the basis of recurring demand	Stocked and nonstocked spare/repair parts and repairables, stock numbered and part numbered items; publications; etc.
- Stock issue criteria	Below reorder point	Normally only to reorder point
- Repairables	Attrition requirements only	Any valid customer requirement
- Pricing	Standard adjusted price <sup>1</sup>	Standard price plus replacement surcharges

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<sup>1</sup>Standard price plus applicable CLSSA surcharges. CLSSA requirements may be procured when not available in stock only if Navy Stock Fund moneys are cited on the procurement instrument.

## CHAPTER 3 - PRE-CASE ACTIVITIES

### Section 1: Overview of the Planning Process

#### **030101 Background and Purpose**

In order to have an in-depth knowledge of the USN role in Security Assistance (SA), it is important first to understand that by the time a foreign government makes a specific request to buy an item, system, or service, a great deal of planning at the Executive and Legislative branches of government has already occurred. The purpose of this chapter is to outline the major steps to be taken and name some of the players who will participate in that planning process.

#### **030102 Presidential Determination**

Planning for SA starts before a potential recipient country requests either military assistance or Foreign Military Sales (FMS) support. The initial step is the issuance of a Presidential Determination, which is required by both the Foreign Assistance Act (FAA) of 1961, as amended, and the Arms Export Control Act (AECA). In a Memorandum for the Secretary of State, the President states that the furnishing of defense articles and services to a specific country or international organization "...will strengthen the security of the United States and promote world peace..."

#### **030103 Identifying Requirements**

Identifying requirements for defense articles and services to be given or sold to foreign countries is a continuing process within the U.S. Government (USG). Foreign governments participate in this process and are responsible for decisions

about the structure and size of their armed forces. SA planning considers the requirements of the United States, its allies, and other friendly nations. The end result of sound SA planning will be an overall program which enhances U.S. defense posture, strengthens our security, and contributes to the advancement of human rights.

#### **030104 Program Scope**

Within the Department of Defense (DOD), planning for SA is an integral part of the strategic planning process. Currently, three SA-related programs are provided administrative oversight by DOD: they are (1) Foreign Military Sales (FMS) and Foreign Military Construction Sales; (2) the Foreign Military Financing Program, and (3) the International Military Education and Training (IMET) Program.

Where practicable, SA requirements are integrated with existing DOD requirements to avoid redundancy.

### **Section 2: The Planning Process**

#### **030201 Beginning the Planning Process Cycle**

The planning process begins each January with the staffing of the Secretary of Defense (SECDEF) draft Consolidated Guidance (CG) based on the current year's Joint Strategic Planning Document (JSPD). The CG provides the direction and rationale for the military portions of the SA Program, including instructions for submitting the Annual Integrated Assessment of Security Assistance (AIASA) and the Joint Strategic Planning Document Supporting Analysis (JSPDSA).

#### **030202 Annual Integrated Assessment of Security Assistance**

The AIASA is a classified report submitted by each Chief of a U.S. Mission whose host country is participating in any part of the U.S. SA Program. It is submitted in June to the Secretaries of State and Defense, with copies to the Arms Control and Disarmament Agency (ACDA), the SECDEF, the Joint Chiefs of Staff (JCS), and appropriate unified commands.

a. The AIASA includes recommended levels for IMET, FMS grants and cash sales, commercial purchases from U.S. vendors, and procurements from non-U.S. sources. The AIASA covers a four year period commencing 1 October of the fiscal year that starts 15 months from the date of submission.

b. The information for the AIASA is obtained through consultations between the U.S. country team and their foreign counterparts. In many cases, it will be an estimate of the country's requirements or intentions. It is the preliminary reference used by the Departments of Defense and State to prepare the annual Security Assistance budget.

### **030203 Joint Strategic Planning Document Supporting Analysis**

The country team prepares the JSDSA along with the AIASA. This report describes the host country's SA Program in general terms and justifies support of the country's FMS procurement plan. The JSPDSA and the AIASA are used by the JCS to prepare the annual Joint Security Assistance Memorandum (JSAM), which is an assessment of SA Programs and requirements that is issued in the June or July time frame.

**030204 Budget Submission and Review**

Starting in July the SA budget review process begins for the fiscal year commencing 1 October of the following year (i.e., 15 months later). Individual budget line items are assembled by the regional bureaus of the Department of State for each participating country. These budget line items are then reviewed and compiled into a proposed budget.

a. The SA Program Review Working Group (SAPRWG) and the Arms Transfer Management Group (ATMG) review the proposed budget. The SAPRWG includes representatives from the Departments of State and Defense, JCS, Agency for International Development, ACDA, National Security Council, Department of Treasury, and Office of Management and Budget (OMB).

b. The ATMG, chaired by the Under Secretary of State for Security Assistance (Science and Technology), is made up of representatives from the same agencies mentioned above in subpara (a), along with the Department of Commerce and the Central Intelligence Agency. After final review by the Secretary of State, the proposed budget is submitted to OMB in September/October for submission to the President.

**030205 Congressional Presentation Document**

The final steps in the development of a SA Program are the submission of the Congressional Presentation Document (CPD) to the Congress, the enactment of authorizing and appropriating legislation, and apportionment of funds.

### **Section 3: Between Planning and Execution**

#### **030301 Introduction**

With the conclusion of the planning process described in the preceding section, additional actions may take place before FMS cases are established. Because the SA Program for each country is unique, any or all actions below may or may not be necessary.

#### **030302 Pre-Case Negotiations for FMS**

In the routine course of events, a country's formal request for information leading to a specific FMS Program is usually preceded by a series of discussions, informal requests for information, or negotiations which may or may not result in formal agreements, such as a Memorandum of Understanding (MOU), Memorandum of Agreement (MOA), and/or one or more FMS cases. These informal discussions, etc., referred to as pre-case negotiations, are usually conducted by senior civilian or military officials of the USG and a foreign government. They may also be initiated by requests forwarded to the Secretary of State and other U.S. authorities.

a. Within this framework of pre-case negotiations, it is important to remember that SA matters are not to be thought of in isolation as just another transaction between a Navy organization and one of many "customers." SA plays an important role in U.S. foreign and defense policy. Transfers of military articles, services and documentation are essential to the security and well-being of the recipient governments and are therefore vital to the interests of the U.S.. In this context, pre-case negotiations can be very useful as long as close attention is paid to the strict avoidance of making (or implying) promises and specific commitments. Specifically, SA program managers must ensure that the FMS

customers are not given the impression that the USG is warranting the performance of a product or firm.

b. As a rule, USN personnel must not initiate discussions or engage in communications with foreign officials regarding potential SA plans or programs without having previously cleared the subject through the Navy International Programs Office (Navy IPO). Further, the forwarding of any letters to foreign governments recommending American products or contractors should be coordinated with Navy IPO prior to issuance.

### **030303 Site Survey and Logistics Support Conferences**

If a site survey or Logistics Support Conference is required to determine customer requirements, a line for Program Management should be included in the LOA. The cost of the pre-LOA survey team can initially be funded from the Administrative Budget Account Allotment of the Implementing Agency managing the potential sale.

a. If the LOA is subsequently accepted by the FMS customer, the Administrative Budget Account Allotment of the implementing agency will be reimbursed from the Program Management Line.

b. If the LOA is not accepted, the Administrative Budget Account Allotment bears the charge as part of the cost of doing business.

### **030304 Memoranda of Understanding (MOUs) and Memoranda of Agreement (MOAs)**

MOUs and MOAs are government-to-government agreements which formalize arrangements to proceed with one or more of the following: an FMS case; a

commercial or direct sale; co-production, offset, or license agreements; cooperative logistics arrangements; supply support, or other arrangements for defense material or services.

a. Although the content varies with each agreement, it usually establishes broad conditions for executing a program. It may address conditions such as terms of financing, time frames for delivery, general configurations and quantities, and general support. Systems Commands (SYSCOMs) may be called upon to assist during the negotiations or to draft or review an MOU or MOA which addresses an area under their cognizance.

b. The MOU and MOA can serve as point of reference for preparing a response to Price and Availability (P&A) and Letter of Offer and Acceptance (LOA) data requests, particularly if the pre-case negotiations include a feasibility study, a program definition effort, or other extensive program and technical review. P&A and LOA data are discussed in Chapter 4. Much of the data gathered is applicable to subsequent program planning; however, once an LOA is signed by both the U.S. and foreign country, the LOA becomes the binding contract which governs case implementation.

### **030305 License, Co-Production, and Offset Agreements**

MOUs and MOAs frequently address license, co-production, or offset agreements.

a. Licensing authorizes the sale or manufacture of U.S. proprietary equipment in countries other than the U.S. by a non-U.S. firm or foreign subsidiary. A licensing agreement is normally a direct commercial transaction between the U.S. firm and the foreign firm which, in most cases, requires an export license issued either by the Department of State for military equipment or

by the Department of Commerce for non-military equipment. If an FMS request from a foreign government includes materials or services that are within the terms of an existing licensing agreement, that agreement should be honored. Navy IPO will return the FMS request to the potential purchaser, citing the appropriate licensing agreement and advising direct procurement from the foreign firm.

b. Co-production is a sharing of product manufacturing or assembly between U.S. and foreign producers. Co-production is used to achieve standardization, interoperability, and a broader production base. The extent of co-production may be limited to the assembly of a few end items with little or no input of locally manufactured parts, or it may involve major manufacture of complete assemblies requiring an increase in the local industrial base. Co-production can be arranged either by DOD agreements, through licenses, or arrangements for same by applicable contractors. The agreements or licenses are the means through which designated foreign governments, international organizations, or foreign contractors can acquire the "know how" of production, repair, maintenance, or operation of a specific weapon system.

c. An offset arrangement commits the seller (usually a U.S. commercial source) to assist the buyer (a foreign government) in selling items produced in the foreign country. Like co-production, offset arrangements have the added benefit of compensating the foreign government for the political and economic costs of importing major U.S. defense equipment capability. Normally, offset arrangements are negotiated and implementation arrangements are developed directly between the U.S. Prime contractor and the purchasing government.

### **030306 Role of Project/Acquisition Mangers in Pre-Case Negotiations**

PMs and SYSCOM offices may be called on by Navy IPO to participate in or contribute to pre-case negotiations. Such participation will normally involve providing program and technical information.

### **030307 Letter of Intent (LOI)**

Sometimes the production process for a weapon system or equipment includes the procurement of a component or sub-assembly which, in itself, has an unusually long production lead time. That long lead time may, depending on an FMS customer's particular requirements, make the normal delivery schedule for the system or equipment unacceptable. In such a case, a Letter of Intent (LOI) may be used to enable the USN to initiate a procurement for the long lead time item (on behalf of the customer) before the LOA for the end item is completed.

LOIs establish a specific dollar limit on the liability of the purchasing country. To comply with the AECA, all cost reimbursement contracts awarded to implement an LOI must include a "Limitation of Cost or Funds" contract clause. This clause may be deleted at a later date after the foreign government signs the LOA. Use of the LOI is appropriate when such an early procurement will shorten the time between acceptance of the LOA and delivery of the item to a degree that will meet the customer's requirement.

There are two variants of the United States Department of Defense LOI form. One (used with the first Section C) is used to initiate the procurement of long lead time items prior to the issuance of an LOA. The other (used with the second Section C) is used to initiate the procurement of long lead time items during the period between issuance and acceptance of the LOA (see figure 3-1). Both variants are subject to the conditions established by the LOI Standard Terms and

Conditions form (figure 3-2). Amendment to LOI is used for changes to an LOI as provided in section B of the LOI (see figure 3-3).

Figure 3-1

**UNITED STATES DEPARTMENT OF DEFENSE  
LETTER OF INTENT**

Purchaser name and address

\* [self-explanatory]

\_\_\_\_\_\*\_\_\_\_\_\*\_\_\_\_\_  
Purchaser's reference LOA Identifier

**A The Government of \* , acting through its Ministry of Defense (hereafter referred to as the Purchaser) hereby declares its firm intent to procure, under United States Arms Export Control Act (AECA) procedures, from the Government of the United States (USG), items pertaining to the \* following:**

\*[use line item numbers and line data from the LOA. Include terms of payment and LOA dependable undertaking payment schedule.]

**B Standard Terms and Conditions - United States (US) Department of Defense (DoD) Letter of Intent (LOI), attached, are hereby made part of this agreement. In order to permit the USG to proceed immediately with the purchase described herein and to cover associated administrative expenses, the US DoD is herewith authorized to incur obligations and expend up to the sum of \$ \* (which includes estimated administrative and termination costs) on a Foreign Military Sales dependable undertaking basis, to be exceeded only in the event of a decision by either a Court or Board which increases the contractor's entitlement.**

[Use the applicable section C version shown below. The first version is to be used when the LOA has not yet been provided to the Purchaser. The second is to be used when the LOA has been issued to the Purchaser.]

**C It is understood that the US Department of the \* [Army, Navy, or Air Force] plans to present to the Purchaser a Letter of Offer and Acceptance within \* days after signature of the Letter of Intent.**

OR

**C A Letter of Offer and Acceptance that includes items in Section A was issued to the Purchaser \* by the US Department of the \*[Army, Navy, or Air Force] on \* [date LOA released]. Purchaser intends to sign said Letter of Offer and Acceptance not later than \* [date by which the LOA is expected to be signed, normally not later than the expiration date].**

**D The undersigned are authorized representatives of their governments and hereby commit \*\* their governments to this Letter of Intent (LOI):**

* _____ US Signature	* _____ Date	** _____ Purchaser Signature	** _____ Date
* _____ Typed name and title		** _____ Typed name and title	
* _____ Implementing Agency		** _____ Agency	
*** _____ DSAA	*** _____ Date		
*** _____ Typed name and title			

\* Data entered by IA  
\*\* Entered by Purchaser  
\*\*\* Entered by DSAA, Office of Comptroller

\_\_\_\_\_  
US DoD Letter of Intent.

Figure 3-2

**Standard Terms and Conditions - United States (US)  
Department of Defense (DoD) Letter of Intent (LOI)**

1 Except to the extent directly inconsistent with the provisions hereof, the terms and conditions set forth in "Letter of Offer and Acceptance Standard Terms and Conditions" of the Letter of Offer and Acceptance on which this LOI is based will apply to all activities undertaken pursuant to this LOI, and the estimated costs of such activities will be included in the Letter of Offer and Acceptance. In particular, Conditions 2.2, 2.3, and 3 are hereby incorporated by reference and made an integral part of this LOI. This LOI shall be superseded upon Purchaser's signature of the Letter of Offer and Acceptance.

2 In anticipation of the Purchaser's signature of the above mentioned Letter of Offer and Acceptance, the Purchaser Government commits to the following: \*

2.1 If, prior to Purchaser signature of the above mentioned Letter of Offer and Acceptance, the US DoD has reason to believe that the costs which it expects to incur in the performance of this LOI will exceed the amount set forth in block section B, it shall promptly notify the Purchaser in writing to that effect. The notice shall state the estimated amount of and the date by which the additional obligational authority (by a new or amended LOI) will be required from the Purchaser in order to continue performance.

2.2 If, after such notification, the additional obligational authority is not granted by the date set forth in the notification, the US Government is authorized, at its discretion, to terminate any and all activities under this LOI at Purchaser's expense, in accordance with section 2.3 below, in an amount not to exceed the amount set forth in section B.

2.3 The Purchaser agrees to pay the full amount of such authorized obligations and to make funds available in such amounts and at such times as may be requested by the US Government for expenditures against such obligations.

3 This LOI does not prejudice the Purchaser's decision on the acceptance of the Letter of Offer. Moreover, the Purchaser may cancel all or any part of this LOI at any time by notifying the US Government. Upon receipt of such notification the US Government is authorized to terminate any and all activities initiated hereunder, at Purchaser's expense, in accordance with section 2.3 above, in an amount not to exceed the amount set forth in section B.

4 Certain items for which procurements may be initiated hereunder are normally the subject of definitization conferences, at which specific items and quantities are agreed upon. If it is necessary to place any such items on order prior to any such conference, the US DoD is authorized to do so, using its best judgment, and will furnish a list of the items so ordered at the conference.

---

LOI Standard Terms and Conditions

Figure 3-3

\* [Purchaser letterhead]

\* [date]

\* [DoD Military Department address]

**Reference is made to the Letter of Intent between the Government of \* [purchasing country] and the United States Department of the \* [Army, Navy, or Air Force], dated \* [date of the LOI], identified by LOA designator \* [two character country code; code B, P, or D; and three character LOA identifier]. The Government of \* [purchasing country] desires to \* [show change desired] and herewith authorizes the Department of the \* [DoD Military Department] to incur obligations and expend up to the sum of \$ \* [revised LOI value] on a Foreign Military Sales dependable undertaking basis for said Letter of Intent.**

\* [Purchaser signature]

\* [Purchaser typed name and title]

\*\* (MILDEP signature and date)

\*\* (MILDEP typed name and title)

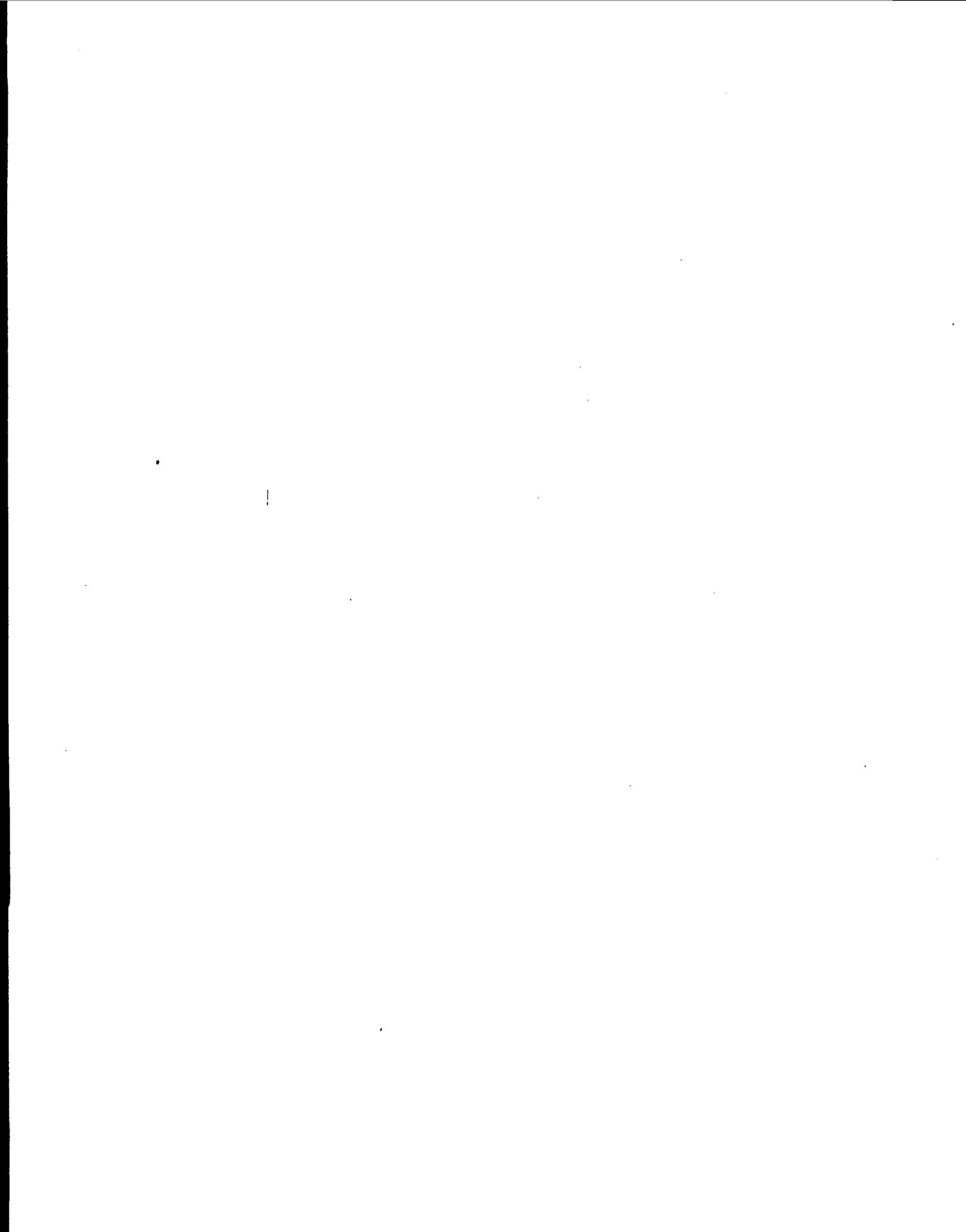
\*\*\* (DSAA Office of Comptroller signature and date)

\*\*\* (DSAA Office of Comptroller typed name and title)

* Completed by the Purchaser in consultation with the DoD Military Department
** Completed by the implementing US DoD Military Department
*** Completed by DSAA, Office of the Comptroller

---

Amendment to US DoD Letter of Intent.



## CHAPTER 4 - PRICE AND AVAILABILITY AND LETTER OF OFFER AND ACCEPTANCE DATA

### Section 1: Purpose and Definitions

#### 040101 Purpose

This chapter establishes responsibilities and procedures to ensure prompt and accurate reply to a request from Navy International Programs Office (Navy IPO) for Price and Availability (P&A) data and Letter of Offer and Acceptance (LOA) data via the Navy Security Assistance Data System (NSADS).

#### 040102 Definitions

a. P&A data is used by a potential Foreign Military Sales (FMS) customer for preliminary review and evaluation of the possible purchase of defense articles or services. P&A data provided separately from a LOA does not constitute a commitment by the U.S. Government (USG) to offer for sale the articles or services for which the estimate was prepared.

b. LOA data is an estimate of the cost and delivery schedule of defense articles and services of sufficient accuracy to be used for the preparation of a LOA. The LOA will then be provided to the customer.

c. NSADS is designed to automate the process of responding to FMS customer Letter of Request (LORs) from the time the FMS case is assigned through countersignature by the Defense Security Assistance Agency (DSAA). NSADS is a decision support system that prompts key decision and applies rules contained in Navy and DoD directives. NSADS maintains databases of weapons systems and service information, customer information, and case information, and provides for electronic data transfer among the CAOs, Navy International Programs Office (Navy IPO) and DSAA.

**040202      Requests for P&A and LOA Data Services**

P&A/LOA data is normally transmitted by the Navy Security Assistance Data System (NSADS). On an exception basis, Navy IPO may transmit P&A/LOA data via letter or message.

**040203      Processing Requests for P&A and LOA Data (via NSADS)**

a. Navy IPO is responsible for:

(1) Developing and maintaining NSADS programs.

(2) Establishing case records in NSADS, tasking the Case Administering Office (CAO) to develop LOA and P&A inputs (see figure 4-1) and tasking CAOs to develop amendment and modification data when based on a LOR. The goal for this process is five days.

(3) Developing LOAs, P&A responses, amendments and modifications from CAO automated/electronic inputs, coordinating with appropriate Navy and DoD offices, establishing LOA records in MISIL, and responding formally to the LOR. The goal for this process is ten days.

b. CAOs are responsible for:

(1) Responding to LOA and P&A requests via NSADS. Responding to amendment and modification requests using Management Information System for International Logistics (MISIL) for financial data. The goal for this process is fourteen days for basic cases, 45 days for ammunition basic cases and 45 days for amendments and modifications. If the CAO cannot meet the due date assigned by Navy IPO, the CAO should provide a committed response date to Navy IPO. Paragraphs 040204 through 040208 and Figures 4-2(a) through 4-2(d) provide requirements, procedures and checklists to assist in responding to P&A/LOA requests.

(2) Maintaining accurate weapons system information in NSADS by adding or modifying data for response to specific LORs.

(3) Coordinating with the receiving CAO and advising Navy IPO to readdress copies of the request to the correct CAO if the request has been misrouted or includes material under the cognizance of another inventory manager or Systems Command (SYSCOM).

**040204      Procedures for Basic Cases (via NSADS)**

a. STEP 1: Navy IPO will receive the LOR and determine sales policies prior to establishing the FMS case. If circumstances require that case development proceed before these issues are resolved, Navy IPO will notify the CAO of the situation. If the LOR is incomplete or ambiguous, Navy IPO will obtain necessary information from the customer before proceeding.

b. STEP 2: Navy IPO will create the case record and enter the LOR data in NSADS, access the country and weapon system databases and add necessary information to the case record.

c. STEP 3: Navy IPO will notify the CAO Security Assistance Office by E-Mail message that the case record is ready to review. If required, a copy of the LOR will be forwarded by courier or fax.

d. STEP 4: Should the CAO feel that the LOR is incomplete or ambiguous, it will contact the Navy IPO regional division action officer for clarification. When necessary, a pre-P&A conference may be called to resolve questions about the request or the content of the Navy response to it. If an additional line item appears necessary, the CAO will contact Navy IPO (04A) for assignment of Military Articles and Services List (MASL) data and entry into the NSADS weapons system and case databases.

e. STEP 5: The CAO will review the NSADS case record and add or modify information using the following menus (refer to the NSADS User Manual, reference (c), for operating instructions):

(1) Item Selection Menu. This menu displays all of the line items assigned to the weapon system, and the associated price and logistics data. The CAO can delete items and change the price, logistics, and weapons system notes from this menu.

(2) Standard Notes Menu. This menu is used to select all notes that are not related to a case line item.

(3) Milestones Menu. This menu can be used to enter estimated case execution milestone dates, if applicable.

(4) DD 2061 Menu. This menu provides DD Form 2061 data for each line item selected.

(5) 2061 Master Menu. DD 2061 summary information can be reviewed and below-the-line charges modified using this menu.

(6) Financial Analysis Worksheet Menu. The Special Defense Acquisition Fund (SDAF) Financial Analysis Worksheet can be modified from this menu. The CAO will review this worksheet for SDAF cases only (Implementing Agency Code 'Q').

(7) Payment Schedule. The CAO may modify the payment schedule from this menu.

(8) Copies To Menu. The LOA distribution will be completed by Navy IPO. However, the CAO may add activities that are not on the customary distribution for copies of this LOA. All NAVSUP managed LOAs offering repair of repairables service for SPCC cognizant material will include SPCC Code 058 as a copy to addressee.

(9) Remarks Menu. The CAO should record any remarks that are associated with this case, but that should not appear in the LOA. Examples of appropriate remarks include the results of the CAO disclosure review and supporting rationale, comments or recommendations on the reasonableness and advisability of any sole source request, or advice that significant information will be forwarded by separate letter.

f. STEP 6: The CAO will notify Navy IPO by E-Mail when the NSADS data review and modification is complete. Unless noted otherwise in the case remarks, this E-Mail message will be considered the official, coordinated command response.

g. STEP 7: Navy IPO will review the CAO's modifications and additions to the NSADS database, prepare the P&A or LOA, and (for LOAs only) enter the DD Form 2061 data into MISIL. Navy IPO may call for Quality Review Board meetings or other briefings during the course of this review. Navy IPO will consult with and notify the CAO of any changes to the CAO's portion of the case record made during this process, and will notify the CAO by E-Mail when the case is finalized for Navy signature and DSAA countersignature. The CAO may query the case record at any time.

**040205      Procedure for Amendments and Modifications (via MISIL)**

a. STEP 1: LORs for amendments and modifications received by Navy IPO will be reviewed and forwarded to the CAO for action when appropriate. If the LOR is incomplete or ambiguous, Navy IPO will obtain necessary information from the customer before proceeding. Other amendments and modifications may be initiated by the CAO in response to program changes.

b. STEP 2: Should the CAO need additional information, it will contact the Navy IPO regional division action officer for clarification. If an additional line item appears necessary, the CAO will contact Navy IPO (04A) for assignment of Military Articles and Services List (MASL) data and entry into MISIL.

c. STEP 3: The CAO will pull appropriate reports from MISIL/DIFS to establish current obligations and expenditures. Based on these reports, the CAO will revise the MISIL record as necessary to reflect the amendment or modification and forward the MISIL record to Navy IPO. A description and reason for the change, as well as additions, deletions and changes to the case notes, will be forwarded by separate letter.

d. STEP 4: Navy IPO will prepare the amendment or modification in NSADS from the MISIL record, CAO letter, and case file. Navy IPO may call for Quality Review Board meetings or other briefings during the course of preparations. Navy

IPO will consult with and notify the CAO of any changes to the CAO's portion of the case record made during this process, and will notify the CAO by E-Mail when the case is finalized for Navy signature and DSAA countersignature. The CAO may query the NSADS case record at any time.

**040206**      P&A Data Requirements

The CAO should include the following information in NSADS when furnishing P&A information:

- a. Identification of the system or service and the estimated cost.
- b. Identification of support equipment and the estimated cost of such equipment.
- c. Estimated dollar value of training, publications, etc.
- d. Estimated accessorial charges.
- e. Source of the data (e.g., last contract award, stock price, contractor quote).
- f. Estimated availability of the items/services.
- g. Key assumptions used in developing the data. For example:

(1) Standard Department of Defense (DoD) component factors were used in developing the ancillary equipment necessary to support the quantity of items requested.

(2) Training and publication cost estimates are based on criteria used by the SYSCOM/Program Manager.

- h. Key factors that will affect the planning data. For example:

(1) Current contract for this item expires on (indicate date) and a LOA

must be accepted by (indicate date) so that options can be added to the current contract. If a LOA is not accepted by the indicated date, the price may rise substantially and new data will be required.

(2) Production line is due to phase out (indicate date) and a LOA must be accepted by (indicate date) so that options can be added to the current contract. If a LOA is not accepted by the indicated date, the price may rise substantially and new data will be required.

(3) Material has a shelf-life of (indicate date).

(4) Training is required but cannot be estimated in advance of site survey. (If a site survey is required to determine customer requirements a line for Program Management should be included in the LOA.

i. Expiration date: (Indicate date) - After this date, if the article/service is still under review, revised data should be requested.

j. Any other specific information requested in the customers Letter of Request (LOR).

**040207      LOA Data Requirements**

Include the following information when furnishing LOA data on systems or equipment:

a. Complete lead time information including:

(1) Three months to cover the processing and transmittal of the signed LOA and funding through the Defense Finance and Accounting Service (DFAS), the Comptroller of the Navy (NAVCOMPT), the Navy IPO, and the Navy International Logistics Control Office (NAVILCO) to the CAO.

(2) In-house administrative time for processing requisitions, preparing and processing procurement requests or work requests, and preparing, advertising, and awarding contracts.

(3) Production lead time, which is the interval between awarding of commercial contracts (or the issuance of work requests) and the date material will be available for delivery (regardless of whether the material will be provided by commercial or Navy/DoD industrial activities through manufacture, assembly, repair, rework, test, etc.).

b. Planned source such as stock, in-house production, commercial contract, etc. If proprietary of sole source, identify the producer.

c. Relationships to U.S. production and/or any significant U.S. Navy (USN) work that would have to be deferred if the offer were accepted.

d. Information regarding whether the sale should be considered subject to a nonstandard procurement charge (usually 5 percent) in lieu of the normal 3 percent administrative charge, because of special procurement requirements (i.e., the item is not currently being procured by the USN, or the country has specified items by make, model, and manufacturer (single vendor integrity)). DSAA approval via Navy IPO is required for anything other than the normal 3 percent administrative charge.

e. A Financial Analysis Worksheet (FAW). An FAW is required only with the submission of Special Defense Acquisition Fund (SDAF) case line items. Figure 4-3 is a sample worksheet.

f. Congressional Notifications, which provide advance information (Figure 4-4) regarding an FMS sale to higher echelons (Secretary of the Navy, DoD, and Congress), are required with the LOA data submission if one or more of the following conditions exist:

The resulting LOA would be for total material and service value of \$50 million or more or for any Major Defense Equipment (MDE) at a total cost of \$14 million or more, or for design and construction services for \$200 million or more.

g. CNO (OP-411) notification and approval for release. If item is live or inert nonnuclear expendable ordnance and components issued from stock.

h. A Termination Liability worksheet (Figure 4-5) will be included with all P&As with a value of \$25 million or more. For cases below the \$25 million threshold, a formal certification that termination liability has been included in the payment schedule should be inserted into the case file by the case manager. The purpose of this worksheet is to provide the Director, Defense Security Assistance Agency (DSAA), with information concerning the implementing agency's determination of a plan for the collection of an appropriate amount of funds to cover the liability that would accrue to the USG should the FMS agreement be terminated prior to normal completion. This worksheet is for internal management purposes and normally will not be furnished to the customer.

i. A DD Form 2061, FMS Planning Directive, required in MISIL only, shows the P&A/LOA line items with their various appropriations and identifies when funds will be required. Both the forms 2060 and 2061 are submitted via the MISIL. All dollar amounts will be rounded up to the next whole dollar for line items, net values and all below the line charges. Hard copy DD Forms 2060 and 2061 are eliminated for all purposes, including implementation.

j. A payment schedule projecting quarterly payments due as of the 15th day of the last month of each quarter is submitted with the P&A package. Each payment amount should be sufficient to cover all costs and contingencies anticipated to be incurred on the purchaser's behalf during the succeeding quarter. Specifically, the deposits should provide for incremental payment for material, services, administrative charges, accessorial charges, contractor holdback, terminations liability, and any other applicable contingency or add-on costs. A new payment schedule should be provided with case increases or decreases.

k. Military Articles and Services List (MASL) data as required for each line item broken down as follows: Record Serial Number (RSN), Generic Code, MASL Number, and Unit of Issue.

l. Security classification of the item and recommendations regarding releasability.

m. Statements regarding:

(1) Commercial availability in accordance with OPNAVINST 4920.10

(2) Service approval of the item

(3) The impact of providing follow-on support

(4) The period for which the LOA Data information is valid. A 120- day period is desirable if not otherwise stated in Navy IPO request. (Expiration date: (Indicate date) - After this date, if the material/service is still under review, revised data should be requested.)

(5) CAOs should provide an 'Estimated Case Closure Date' for defined order LOAs. Although a case closure date will not normally duplicate the final estimated delivery date referred to in LOAs, there should be a close correlation. The DOD Executive FMS Reconciliation and Case Closure Board provides the means whereby CAOs can recommend final closure of cases when all deliveries are complete although charges on open contracts remain unbilled for the case and cannot otherwise be closed under current DOD guidelines. It is no longer necessary that cases remain unclosed on active files for years after full delivery of articles and services because contract overhead, renegotiation of profit, and similar costs are not finalized.

(6) An estimated date of procurement request release. Request for Proposal (RFP), or Request for Quote (RFQ) release, contract award, and delivery for "A" (except conventional ammunition), "B," "C," "P," or "S" series procurement cases.

(7) Applicability of Contract Administration Services.

(8) Applicability of Logistics Support Charges for other than stock issues.

(9) Blanket order FMS cases will not specify a period of performance unless requested to do so by the purchaser in the Letter of Request (LOR). Blanket order cases will normally contain the following note:

"Requirements will be accepted under this case so long as funds are available to process them. An amendment increasing the case value for new orders will be processed only during the first year of case execution. The purchaser is responsible to request a follow on case with sufficient advance notice (normally 120 days) to ensure continuation of this service. Beginning one year after implementation, if no new orders are placed against this case for 180 days or more, it will become a candidate for closure unless the purchaser notifies Navy IPO of exceptional circumstances."

The following note will be included if the purchaser requests a period of performance:

"The purchaser intends this case to support requirements during the period from \_\_\_\_\_ to \_\_\_\_\_. However, requirements will be accepted so long as funds are available to process them. An amendment increasing the case value for new orders will be processed only during the first year of case execution. The purchaser is responsible to request a follow on case with sufficient advance notice (normally 120 days) to ensure continuation of this service. Beginning one year after implementation, if no new orders are placed against this case for 180 days or more, it will become a candidate for closure unless the purchaser notifies Navy IPO of exceptional circumstances."

Note: The CAO may use this note to add the nominal period of performance on the customer's behalf if the CAO's pricing estimate is based upon a planned period.

n. Other information regarding ancillaries, installation material and support requirements, combined buys, alternate recommendations, etc., that would be of value to Navy IPO in preparing an LOA.

o. All other information in compliance with the Navy IPO tasking letter but not contained in this chapter.

Figure 4-1



DEPARTMENT OF THE NAVY  
NAVY INTERNATIONAL PROGRAMS OFFICE  
WASHINGTON, DC 20350-5000

4900  
Ser 04A1T/3U008570  
07 July 1993

From: Director, Navy International Program Office

Subj: TASKING OF FMS NSADS CASE

Ref: (a) Director NAVOTTSA ltr of 28 Jun 1990  
(b) DASN (TTSA) Memo of 6 Dec 1989

1. The following cases were tasked via NSADS on 06 July 1993.

<u>CAO</u>	<u>CASE</u>	<u>DUE DATE</u>	<u>P&amp;A/LOA</u>	<u>MODULE</u>
NAVSUP	UK-P-RDE	07-21-93	LOA	SYSCOM P&A
NAVAIR	NE-P-GHB	07-21-93	LOA	SYSCOM P&A
NAVSEA	MO-P-GAI	07-21-93	P&A	SYSCOM P&A
NAVSEA	BR-P-GSE	07-21-93	LOA	SYSCOM P&A
NAVSEA	CN-P-GRH	07-21-93	LOA	SYSCOM P&A
NAVAIR	IS-P-GHZ	07-21-93	LOA	SYSCOM P&A
NAVAIR	IS-P-B1X	07-21-93	LOA	SYSCOM P&A
NAVAIR	IS-P-BQW	07-21-93	LOA	SYSCOM P&A

2. Please include in your response the result of your disclosure review and supporting rationale, in accordance with reference (a), paragraph 2.c. Also provide names and telephone numbers of your technical and disclosure points of contacts.

3. Also provide case execution milestones, as applicable, in accordance with reference (b).

4. Your response should also include comments and recommendations on the reasonableness and advisability of any sole source request, as well as identification of any Federal Acquisition Regulation (FAR) impediments (other than competition requirements) to awarding contracts to the vendors specified in the sole source request.

W. H. EPSTEIN  
By direction

DISTRIBUTION:  
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Figure 4-2 (a)

**PRICE AND AVAILABILITY (P&A) AND LOA DATA  
CHECK LIST FOR AIRCRAFT**

1. Identification of requested aircraft
  - a. Description/nomenclature of aircraft
  - b. Quantity
  - c. Requested configuration (identify major systems)
  - d. Timeframe of delivery
  - e. Degree of commonality with equipment already in foreign governments' inventory
  - f. Additional requirements for rate tooling (yes or no). (Refer to SAP Master Planning and Phasing Worksheets.)
  
2. plan for use (known or assumed)
  - a. Mission profile
  - b. OP-tempo (flight hours/month)
  - c. Basing
  
3. Planned maintenance (known or assumed foreign government/USN)
  - a. In-country maintenance plan
    1. Level of repair and modification
      - Organization
      - Intermediate
      - Depot
    2. In-country manpower skill requirements
  
4. Required technical data/documentation
  - a. Production and engineering data (Technical Data Package (TDP) for coproduction/licensing or offset)
  - b. Prints and drawings
  - c. Standards and specifications
  - d. Technical and operating manuals
  - e. Changes and modifications Engineering Change Proposal (ECP) and Field Change (FC)

Figure 4-2 (a) - (Continued)

- f. Inspection and testing procedures
  - g. Performance and failure data
  - h. Computer software
5. Configuration management
- a. Incorporation of production changes
  - b. Incorporation of post-production changes
6. Support and test equipment/common and peculiar
- a. Special purpose vehicles
  - b. Power units
  - c. Maintenance stands
  - d. Test equipment
  - e. Special tools
  - f. Test benches
  - g. Weapons handling equipment
7. Supply support plan
- a. Interim support
  - b. Initial support (18 months) Gross Requirements List (GRL)
  - c. Incidental material requirements
  - d. Provisioning Technical Documentation (PTD)
  - e. Follow-On support
    - (1) Spares and repair parts replenishment
    - (2) Direct Requisitioning Procedures (DRP)
    - (3) Cooperative Logistics Supply Support Arrangement (CLSSA)
    - (4) ROR
    - (5) Technical support
    - (6) Configuration management
    - (7) Technical data/documentation
8. Facilities
- a. Required construction services
  - b. Facilities equipment
  - c. Facilities plan
9. Contract engineering, technical, and maintenance services

**Figure 4-2 (a) - (Continued)**

10. Training requirements
  - a. Operational
  - b. Maintenance
  - c. Supply and administration
  
11. Staging
  - a. Identify need
  - b. Recommended preference (direct commercial, commercial staging under FMS, or USN organic)
  
12. Site survey. Specify type, scope, team complement, contractor assistance, and duration
  
13. Aircraft Ferry
  - a. Commercial
  - b. USN organic
  
14. Program Management (MASL generic Code R6B)
  - a. Full time and part time
  - b. Broken out by command/field activities
  - c. USN travel expenses broken out by command/field activities
  
15. Above the line transportation charges
  - a. Parcel post pre-pay add - price the estimated value as part of the material line
  - b. Government Furnished Material (GFM) and Government Furnished Equipment (GFE). If prepaid price as part of the material line
  - c. When a Transportation Account Code (TAC) is necessary. There must be a separate sub-line or line item for transportation services
  
16. Below the line costs
  - a. Administrative costs
  - b. Transportation (not applicable to issue from Navy stock going to a CONUS freight forwarder/port of embarkation)
  - c. The applicable Delivery Term Code (DTC) must be used for hazardous, classified, and sensitive material that requires a Government Bill of Lading (GBL). This is normally applicable to DTCs 2, 5, 6, and 8

**Figure 4-2(b)**  
**PRICE AND AVAILABILITY (P&A) AND LOA DATA**  
**CHECK LIST FOR EQUIPMENT/WEAPONS**

1. Identification of requested equipment/weapons
  - a. National Stock Number (NSN) description/nomenclature of equipment/  
weapon
  - b. Quantity
  - c. Requested configuration (identify major systems)
  - d. Timeframe of delivery
  - e. Commonality with equipments/weapons already in foreign government's  
inventory
  
2. Plan for use (known or assumed)
  - a. Associated platforms for installation and/or delivery
  - b. Planned usage and/or expenditure rate
  
3. Planned maintenance (known or assumed foreign government/USN)
  - a. In-country maintenance plan
    1. Level of repair and modification
      - Organizational
      - Intermediate
      - Depot
    2. In-country manpower skill requirements
  
4. Required technical data/documentation
  - a. Prints and drawings
  - b. Technical and operating manuals
  - c. Performance and failure data
  - d. Inspection and testing procedures
  - e. Changes and modifications
  - f. Computer software
  
5. Configuration management
  - a. Incorporation of production changes
  - b. Incorporation of post-production change

**Figure 4-2(b) - (Continued)**

6. Support and test equipment/common and peculiar
  - a. General Purpose Test Equipment (GPTE)
  - b. Special tooling
  
7. Supply support plan
  - a. Interim support
  - b. Initial support
  - c. PTD
  - d. Follow-on support
    - (1) Spares and repair parts replenishment
    - (2) DRP
    - (3) CLSSA
    - (4) ROR
    - (5) Technical support
    - (6) Configuration management
    - (7) Technical data/documentation
  
8. Facilities
  - a. Required construction services
  - b. Facilities equipment
  - c. Facilities plan
  
9. Contract engineering, technical, and maintenance services
  
10. Training requirements
  - a. Operational
  - b. Maintenance
  
11. Staging
  - a. Identify need
  - b. Recommended preference (direct commercial, commercial staging under FMS, or USN organic)

**Figure 4-2(b) - (Continued)**

12. Site survey. Specify type, scope, team complement, contractor assistance, and duration
13. Program Management (MASL generic code R6B)
  - a. Full time and part time
  - b. Broken out by command/field activities
  - c. USN travel expenses broken out by command/field activity
14. Above the line transportation charges
  - a. Parcel post pre-pay add - price the estimated value as part of the material line.
  - b. GFM and GFE. If prepaid, price as part of the material line.
  - c. When a TAC is necessary. There must be a separate sub-line or line item for transportation services.
15. Below the line costs
  - a. Transportation (not applicable to issues from Navy stock going to a CONUS freight forwarder/port of embarkation)
    - b. The applicable DTC must be used for hazardous, classified, and sensitive material that requires a GBL. This is normally applicable to DTCs 2, 5, 6, and 8
  - c. Administrative costs

Figure 4-2(c)

PRICE AND AVAILABILITY (P&A) AND LOA DATA  
DATA CHECK LIST FOR SHIPS

1. Identification of requested equipment
  - a. Ship characteristics
    - (1) Platform
    - (2) Major subsystems
  - b. Quantity
  - c. Requested configuration
  - d. Time frame of delivery
  - e. Commonality with equipment/systems already in foreign governments' inventory
  - f. Special test and trials
  - g. Additional requirements for rate tooling (Yes or No). (Refer to SAP master planning and phasing worksheets.)
2. Plan for use (known or assumed)
  - a. Mission profile
  - b. Op-tempo (operating days/quarter)
  - c. Basing
3. Planned maintenance (known or assumed foreign government/USN)
  - a. Class maintenance plan
    - (1) Level of repair and modification
      - Organizational
      - Intermediate
      - Depot
    - (2) In-country manpower skill requirements
4. Required technical data/documentation
  - a. Production and engineering data TDP for coproduction/licensing or offset
  - b. Prints and drawings
  - c. Standards and specifications

Figure 4-2(c) - (Continued)

- d. Technical and operating manuals
  - e. Changes and modifications Ship Alterations (SHIPALTS), Ordnance Alterations (ORDALTS), and Field Changes (FCs)
  - f. Technical Repair Standards (TRS)
  - g. Inspection, test, and trial procedures
  - h. Reliability, maintainability, and quality assurance data
  - i. Computer software
5. Configuration management: common and peculiar
- a. Incorporation of production changes
  - b. Incorporation of post-production changes
6. Support and test equipment
- a. GPTE
  - b. Combat systems check-out vans
  - c. Grooming site
  - d. Land-based test site
7. Supply support plan
- a. Interim support
  - b. Initial support Coordinated Shipboard Allowance List (COSAL) and Coordinated Shore Based Material Allowance List (COSMAL)
  - c. Incidental material requirements
  - d. PTD
  - e. Follow-on Support
    - (1) Spares and repair parts replenishment
    - (2) DRP
    - (3) CLSSA
    - (4) ROR
    - (5) Technical support
    - (6) Configuration management
    - (7) Technical data/documentation

**Figure 4-2(c) - (Continued)**

8. Facilities
  - a. Required construction services
  - b. Facilities
  - c. Facilities plan
  
9. Contract engineering, technical, and maintenance services
  
10. Training requirements
  - a. Operational
  - b. Maintenance
  - c. Supply and administration
  
11. Staging
  - a. Identify need
  - b. Recommended preference (direct commercial, commercial staging under FMS or USN organic)
  
12. Site Survey. Specify type, scope, team complement, contractor assistance, and duration)
  
13. Program Management (MASL generic R6B)
  - a. Full and part time
  - b. Broken out by command/field activity
  - c. USN travel expenses broken out by command/field activity
  
14. Above the line transportation charges
  - a. Parcel post pre pay add - price the estimated value as part of the material line.
  - b. GFM and GFE. If prepaid, price as part of the material line.
  - c. When a TAC is necessary. There must be a separate sub-line or line item for transportation services

**Figure 4-2(c) - (Continued)**

15. Below the line costs

a. Transportation (not applicable to issues from Navy Stock going to a CONUS freight forwarder/port of embarkation)

b. The applicable DTC must be used for hazardous, classified and sensitive material that requires a GBL. This is normally applicable to DTCs 2, 5, 6, and 8

c. Administrative costs

Figure 4-2(d)

**CHECK LIST OF SUPPORTING DATA REQUIREMENTS  
FOR P&A AND LOA DATA SUBMISSIONS**

1. Nonrecurring production and nonrecurring RDT&E costs  
DOD 5105.38-M, Chapter 7, paragraph 70103.0  
NAVSUP Pub 541, Table 701-6  
DOD 7000.14-R, Volume 15, Chapter 7, paragraphs 70205 and 70304  
DOD 2140.2  
NAVMATINST 4900.22, Table 7-7  
DFAR 225.7306  
DFAR 252.235-7002

The requirement for the submission of the NRC summary is hereby rescinded. While the foregoing requirements for the worksheet have been rescinded, it is important that the data be maintained by the CAOs and be easily accessible when required.

2. Royalty fees  
DOD 5105.38-M, Chapter 14, paragraph 140109  
DOD 7000.14-R, Volume 15, Chapter 7, Section 715  
NAVMATINST 4900.22, Table 7-7
3. Identify if the time period P&A data is valid. Identify the source of pricing. Include applicable logistical information  
DOD 5105.38-M, Chapter 7, paragraph 70002C and 70003  
NAVMATINST 4900.22, Table 7-7
4. Sales commissions/agent's fees  
DOD 5105.38-M, Chapter 8, paragraph 80103  
DFAR 225.7303  
NAVMATINST 4900.22, Chapter 7.7.1.6, Table 7-7
5. Contract Administration Surcharge (CAS)  
5105.38M, Chapter 7, 70204.D  
DOD 7000.14-R, Volume 15, Chapter 7, para 70305

**Figure 4-2(d) - (Continued)**

6. MASL data (generic code assignment)  
DOD 5105.38-M, Appendix D, Table D-9  
OPNAVINST 4910.1B
  
7. FMS Planning Directive and FMS Obligational Authority (OA) (DOD Forms 2061/2060)  
DOD 7000.14-R, Volume 15, Chapter 2, Section 200, para 20003  
NAVMATINST 4900.22, Table 7-8
  
8. Financial analysis worksheet is required for SDAF line items only  
DOD 5105.38-M, Chapter 7, paragraph 70103.H.3.a  
NAVMATINST 4900.22, Table 7-8, Attachment 7-E-1
  
9. Financial annex  
DOD 5105.38-M, Chapter 7, paragraph 70103.H.2.j.(1)  
NAVSUP Pub 541, Table 702-3
  
10. Termination liability reserve data  
DOD 5105.38-M, Chapter 7, paragraphs 70103.H.3.b and 70204.D
  
11. Releasability recommendation  
NDP-1 releasability levels by country  
DOD 5105.38-M, Chapter 5, paragraph 50203
  
12. Exclusive licensing arrangements  
DOD 5105.38-M, Chapter 6, paragraph 6003.J
  
13. Commercial availability  
DOD 5105.38-M, Chapter 6, Section 601
  
14. Approval for full production  
OPNAV NOTE 4720 (11/82) and OPNAVINST 5000.42A  
NAVMATINST 4900.22, Table 7-7

**Figure 4-2(d) - (Continued)**

15. Impact statement  
DOD 5105.38-M, Chapter 7, paragraph 70302.A.2  
NAVMATINST 4900.22, Table 7-7
16. Sensitivity of technology assessment  
DOD 5105.38-M, Chapter 7, paragraph 70302.B.3  
NAVMATINST 4900.22, Table 7-7
17. Weapon system/equipment description  
DOD 5105.38-M, Chapter 7,  
Table 703-6B  
NAVMATINST 4900.22, Table 7-7
18. Military justification  
DOD 5105.38-M, Chapter 7, Section 703  
NAVMATINST 4900.22, Table 7-7
19. Section 36(b) congressional notifications  
DOD 5105.38-M, Chapter 7, Section 703, Table 703-4
20. Initial and follow-on logistics support plans  
DOD 5105.38-M, Chapter 6, paragraph 60003.F  
NAVMATINST 4900.22, Table 7-8
21. ASN(S&L) notification for FMS of MDEL items  
OPNAVSADINST 4900.19A  
SECNAV ltr w/encs (1) and (2) 15 Jan 75  
SECNAV memo w/encs (1) and (2) 18 Dec 74  
SECNAV memo w/encl (1) 12 Nov 74  
NAVMATINST 4900.22, Chapter 7-B-15, Enclosure (2)
22. Identify contingencies which could cause P&A data to fluctuate. Data should be clear and concise so that customers can be properly advised  
DOD 5105.38-M, Chapter 7, Table 701-14

Figure 4-2(d) - (Continued)

23. Address classified and hazardous items and appropriate bill of lading and transportation charges  
DOD 5105.38-M, Chapter 8, paragraph 80206.B9  
NAVMATINST 4900.22, Chapter 7-B-15, Enclosure (2)
24. Source selection for procurement for foreign governments  
DOD 5105/38-M, Chapter 8, Section 801  
NAVMATINST 4900.22, Chapter 7.2.2 - 7.2.3, )
25. Supplementary information for LOAs.  
DOD 5105.38-M, Chapter 7, paragraph 70103.H.2
26. Accessorial costs (packing, handling, crating, transportation, port loading and unloading and prepositioning costs)  
DOD 5105.38-M, Chapter 7, paragraph 130705  
DOD 7000.14-R, Volume 15, Chapter 7, Section 705
27. Administrative charges  
DOD 4000.25-8-M, Chapter 7, paragraph 70204.D.2  
DOD 7000.14-R, Volume 15, Chapter 7, Section 705
28. Patent Rights  
DOD 5105.38M, Chapter 7, paragraph 70103.H.2.s

Figure 4-3

**FINANCIAL ANALYSIS WORKSHEET  
(for SDAF Items Only)**

CC \_\_\_\_\_  
Case \_\_\_\_\_  
System \_\_\_\_\_  
Case Line \_\_\_\_\_

Date Prepared \_\_\_\_\_

**PRICING TECHNIQUE**

A . NSN \_\_\_\_\_

B. QTY \_\_\_\_\_

C. Source of Item (check one):

- 1.  Excess Inventory
- 2.  Inventory (without replacement)
- 3.  Inventory (replacement with same item)
- 4.  Inventory (replacement with improved item)
- 5.  Production
- 6.  Other

D. Source of Price (check one):

- 1.  Prime Contractor
- 2.  Price and GFE Contractor
- 3.  Standard Price
- 4.  Major Subordinate Command Estimate
- 5.  Other (explain)

E. Source Unit Price \_\_\_\_\_

F. Adjusted Price (explain source and computations in Remarks)

- 1.  Agent's Fees or Commissions
- 2.  Nonrecurring Costs (RDT&E)
- 3.  Nonrecurring Costs (production)
- 4.  Replacement Costs
- 5.  Adjusted for Inflation

**Figure 4-3 - (Continued)**

- 6.  Contractor Rental Payments for USG-Owned Plant and Production Equipment
- 7.  Unfunded Costs
- 8.  Recurring Support Costs  Contract  Government
- 9.  First Destination Transportation
- 10.  Other (explain)
- 11.  Total Adjustment

G. Adjusted Unit Price \_\_\_\_\_

H. Source for Schedule of Payments

- 1.  Prime Contractor
- 2.  Prime and GFE Contractor
- 3.  Major Subordinate Command Estimate
- 4.  Other (explain)

I. Comparison with other cases (12 months)

CC	CASE	UNIT PRICE	RATIONALE FOR EVALUATION*
(1)	_____	_____	_____
(2)	_____	_____	_____

J. Remarks (use continuation sheets, as necessary)

\* If different from above adjusted unit price.

## Figure 4-4

### IMPACT INFORMATION

1. Information requested - Describe the proposed offer and explain how it fits into the master security assistance plan (if available) for the customer country.

Comment - Description will be in P&A (Price and Availability) document. The answer as to how it fits into the master security assistance plan is considered a CNO responsibility based on JCS/DSAA policy.

2. Information requested - Provide the planned source of any hardware (by major system) or services.

- a. New procurement - Provide procurement plan

- (1) Quantity

Comment - Quantity will be in P&A.

- (2) Cost (Provide estimate class)

Comment - Cost will be in P&A. Class of estimate will be furnished when applicable with P&A for selected categories.

- (3) Schedule and relation to U.S. production (if any)

Comment - Schedule will be in P&A. Relationship to U.S. production will be furnished with P&A for selected categories when applicable.

- (4) Source(s)

Comment - Will be provided in P&A when item is proprietary or sole source.

- (5) Cognizant SYSCOM

Comment - Cognizant SYSCOM will be in P&A.

- (6) Future USN support requirements.

Comment - Future USN support requirements impact, if nonstandard to OPNAVINST 4900.87B, will be reflected in P&A.

- b. Navy stock

- (1) Quantity

Comment - Quantity will be in P&A.

- (2) Impact in USN inventory requirement

Comment - Impact on USN inventory requirement will be addressed in P&A if CNO directs issue from fleet assets or from stock below reorder point as an exception to OPNAVINST 4900.87B. Current DOD policy otherwise precludes impact.

**Figure 4-4 - (Continued)**

**(3) Item surplus or nonsurplus**

**Comment** - Excess (vice surplus) items will be identified in the P&A. Surplus is not accepted supply terminology.

**(4) Difference between proposed sale price and reprourement cost if reprourement for USN contemplated**

**Comment** - There will be no difference in cost between the proposed sale price and reprourement cost if reprourement for USN is contemplated. (DODINST 2140.1 provides guidance.)

**(5) Condition of item**

**Comment** - Condition of item is Ready for Issue (RFI) unless stated otherwise on the P&A.

**(6) Future USN support requirements**

**Comment** - Future USN support requirements impact, if nonstandard to OPNAVINST 4900.87B, will be reflected in the P&A.

- 3. Information requested - Identify repair/maintenance effort (if any).**
- a. Estimate of productive man-days per day for ship availabilities or dollar magnitude for aircraft work  
**Comment** - Estimate of productive man-days per day per ship availability will be furnished with P&A where applicable. Dollar magnitude is in P&A for aircraft rework
  - b. Proposed location and schedule for 3.a  
**Comment** - Location and schedule will be in P&A for defined effort.
  - c. Dollar magnitude of equipment modification/refurbishment effort associated with item 2.b.(5) above (organic or contractor)  
**Comment** - When modification/refurbishment is shown as a line item, the dollar magnitude will be in the P&A.
  - d. State any significant USN repair/refurbishment/maintenance work that may be deferred by acceptance of the offer because of constrained resources.  
**Comment** - SYSCOMs have been directed on future P&As to identify significant USN work to be deferred as result of FMS cases.
  - e. Estimate impact of items 2.a.(6) and 2.b.(6) on organic resources  
**Comment** - Impact of future USN support requirements on organic resources will depend on unknown variable such as volume of FMS vs. USN work and resources available in the future. This impact will be furnished on a case basis, where applicable.

**Figure 4-4 - (Continued)**

4. Information requested - Note any other aspect of the proposed offer which would be of significant interest to the Secretariat

Comment - Of significant interest to the Secretariat, and impacting on 2.a.(6) above, is the identification of items offered for sale under FMS which have not been USN service approved. This information will be furnished when applicable.



## CHAPTER 5 - INITIAL AND FOLLOW-ON SUPPORT

### Section 1: Background and Definition

#### 050101 Background

a. The Department of Defense (DOD) logistics system must provide material support for its weapons systems to ensure that they are ready for combat at all times. That logistics support begins with the initial determination of the mission requirements for the system and continues through the material management necessary during the operational life of the system. The Security Assistance Management Manual (SAMM), DOD 5105.38-M, states the DOD policy that sales of equipment to Foreign Military Sales (FMS) customers are normally made only when DOD has made, or has approved, plans to assure logistics support for the expected service life of the equipment. The logistics support planning must include all three phases of the process known as Integrated Logistics Support (ILS) discussed in Chapter 11 of this manual. (This chapter only addresses the first two of those phases.) The SAMM refers to ILS as the Total Package Approach (TPA) and says that, "...TPA is a means of ensuring that the FMS customers are aware of and afforded the opportunity to plan for obtaining all necessary support items, training and services required to efficiently introduce and operationally sustain major items of equipment/systems considered for purchase."

b. This chapter defines some of the terms used in providing support, identifies the sources of available support, identifies some criteria for selecting one or more sources of support, and discusses two of the key elements of ILS: initial and follow-on support. Chapter 11 of this manual provides checklists of things to be considered during FMS ILS planning. The supply support elements listed are of a general nature and should be used as a basis for providing the requested supply support.

#### 050102 Definitions

a. Initial Support is jointly identified by the FMS customer and the U.S. Navy at the time of system or major item procurement. Sufficient quantities of initial support items are required to support the successful operation of the system or major item from its delivery until follow-on support is available. Initial support is Phase I of the ILS life cycle.

b. Follow-on Support maintains the operational status of the system or major item through equipment maintenance, replenishment of support material, and acquisition of technical services. To accommodate administrative and production lead times, negotiations to define follow-on support begin during the weapons system acquisition phase. Follow-on support is Phase II of the ILS life cycle.

c. Provisioning is defined in DOD Directive 4140.40 as a "...management process for determining and acquiring the range and quantity of support items necessary to operate and maintain an end-item of material for an initial period of service." These support items include such things as spare parts, test equipment, special tools, calibration devices, support equipment, etc. Support requirement determination is made for organizational, intermediate, and depot level maintenance supply support, based on technical guidance and maintenance factors provided by a wide range of other activities including contractors, the Systems Commands (SYSCOMs), repair facilities, and the operating fleet. These determinations are usually made when a new system is brought into the U.S. Navy (USN) inventory and are also used as a point of departure for determining initial support when a system is sold through FMS.

d. Allowance List Development, also referred to as "Definitization", is the process whereby the original range and depth of support items determined during provisioning and modified through practical experience are further adjusted to meet the specific needs of the FMS customer. One major product of allowance list development will be one or more lists of Concurrent Spare Parts (CSP) that provide the bulk of the initial support.

e. Major Item (Line) is defined in the SAMM as "A program line for which the requirement is expressed quantitatively as well as in dollars. These lines are identified in the Military Articles and Services List (MASL) by a unit of issue other than 'xx'."

f. Configuration Management is a process for the control and documentation of not only the different operating versions or models of a particular end item or system, but also of the changes that occur to the capabilities,

specifications, and/or components of that item or system. When properly executed, configuration management changes are made to the supporting documentation, e.g., Allowance Parts List (APL), and Gross Requirements List (GRL), etc.

## Section 2: Policy

### **050201      Navy Acquisition Policy**

The USN's Security Assistance business should be conducted, to the maximum extent possible, under the same set of rules and procedures that apply to the rest of the Navy's business. Two general requirements of domestic Navy system acquisition policy establish the frame of reference for initial and follow-on support policy that applies to FMS.

a. Secretary of the Navy Instruction (SECNAVINST) 5000.1B requires, in part, "System acquisition...(is) to be managed efficiently and effectively by...an acquisition strategy encompassing all internal and external elements of the acquisition process, including early integration of manpower, training, and logistic support."

b. SECNAVINST 5000.39 requires, in part, "ILS planning and analysis is a major objective of the Department of the Navy's system/equipment acquisition process and will be conducted in balance with hardware development and procurement."

### **050202      FMS Initial and Follow-on Support Policy**

Within the USN, acquisitions of systems and equipment for Security Assistance customers will follow the same rules as acquisitions for domestic Navy requirements. To that end, the following are specific requirements that pertain to the development and definition of a major system or equipment sales case, including the initial and follow-on support of such a case.

a. Without specific direction to do so from the Navy International Programs Office (NAVY IPO), the USN will not offer to sell any weapons system or equipment for which support is not available. When such an offer is directed, Navy IPO places a clear statement of the non-availability of support in the Letter of Offer and

Acceptance (LOA) along with the disclaimer that the U.S. Government (USG) does not assume responsibility for support. The terms of any support arrangements agreed upon will be included in the LOA.

b. Each LOA for the sale of weapons systems or major items of equipment will be developed using the Total Package Approach (TPA) and will include complete initial Integrated Logistics Support (ILS) appropriate to that system or equipment and appropriate to that specific customer. Cost estimates that are incorporated into an LOA for weapons systems or major items will normally include computed ILS elements for a preliminary logistics support plan developed from historical requirements. Once the LOA is accepted by the customer, the logistics support plan will be revised based on specific customer requirements, a logistics conference, training plans conference, and policy and procedures conferences. Both the preliminary and final support plans will be based on the expected life of the item offered for sale in the customer's operating inventory.

c. The lay-in of the initial in-country stock of support equipment, spare and repair parts, special tools and test equipment, etc. is an integral function of the weapons system or equipment sale. The procurement and delivery schedule of this initial in-country stock must be described in the logistics support plan.

d. Initial support planning and subsequent actions associated with provisioning and allowance list development are required for all equipment furnished through the FMS program.

e. Shipboard and shorebased allowance lists are to be based on U.S. force operating concepts until otherwise determined during the period of case definitization following the customer's acceptance of the LOA.

f. The range and depth of the items on in-country support lists will include quantities to support the maintenance capability to be established in-country in accordance with the program's maintenance plan. Quantities will normally be computed using USN decision rules for a 24 month initial support period.

g. Item depth, either computed or rounded to a quantity of one or greater, will not be less than either the planned maintenance cycle requirement or the minimum replacement unit if no maintenance cycle requirement exists.

h. Initial support material will generally be supplied to the FMS customer from procurement rather than from stock. If the Inventory Manager determines that supply system assets are sufficient and issues from stock will not have a negative impact on USN and other FMS programs, then the Inventory Manager may issue from stock.

i. Replenishment or resupply of in-country stocks for follow-on support to maintain the normal 24 month initial support package will be accomplished by separate FMS cases. Those cases are as follows:

(1) Follow-on supply support provided as part of a Direct Requisitioning Procedures (DRP) type case or an Open-end Requisitioning type case follows the processing rules described in Chapter 9 of this manual.

(2) Follow-on supply support provided as a part of a Cooperative Logistics Supply Support Arrangement (CLSSA) follows the procedures described in Chapter 10 of this manual.

(3) Repair of Repairables support under an open-ended Foreign Military Sales (FMS) case follows the procedures established under Chapter 12 of this basic publication.

(4) Other support, e.g., publications, allowance list updates, logistics support services, etc., as required.

j. Supply actions for both initial and follow-on support are governed by the Uniform Material Movement and Issue Priority System (UMMIPS) and by the Force Activity Designator (FAD) assigned to each customer by the Joint Chiefs of Staff (JCS).

k. All FMS requirements must be clearly identified as such. Navy requisition processing procedures, consistent with DOD policy, provides for greater inventory access to USN requisitions than for FMS. This is to protect assets which are budgeted

for, and then obtained, in anticipation of future USN initial outfitting or recurring replenishment requirements. With the exception of CLSSA, FMS requirements are not included in USN budgeted stocks. Using USN requisitions (i.e., USN Unit Identification Code (UIC) in record position (rp) 30-35) for FMS requirements is not permissible. It would violate the Arms Export Act (AECA) and Foreign Assistance Act (FAA) and compromise Navy inventory control policy and permit access to items that may not be releasable to FMS customers (e.g. classified parts/publication and material below the re-order point). In addition, there are occasions when special handling of FMS requisitions e.g., requisitioned off-line, manual review) necessitates easy identification of FMS requirements. This can only be accomplished if the requisition is identifiable as an FMS requisition.

1. When a weapons system or equipment for which one or more FMS customer(s) are receiving follow-on support is identified for phase-out from the USN inventory, those customers must be notified of the impending loss of support for that system or equipment through the procedures described in Chapter 13 of this manual. Any customers receiving CLSSA support will have that support terminated as described in Chapter 10 of this manual.

### **Section 3: Selecting a Supply Support Strategy**

#### **050301 Types of Supply Support**

The primary source to obtain supply support for the weapons systems obtained through Security Assistance is via FMS follow-on support cases. Other sources of support include:

a. Sale of excess or obsolete USG property as described in Chapter 15 of this manual.

b. Direct commercial sales as described in Chapter 16 of this manual. Direct sales may consist of materials such as spare and repair parts as well as services such as repairs or training. In the case of a direct commercial sale, the customer must coordinate the use of his credit program with the Defense Security Assistance Agency (DSAA) before the sale. A country's selection of direct commercial sales to

obtain weapons systems or support does not preclude the USN from responding to follow-on requirements but does make the provision of that support more difficult.

c. In-country production of spare and repair parts. This process improves the customer's level of self-sufficiency and may be accomplished by either substituting domestic for imported items or by entering into licensing or co-production agreements. However, even in-country production may require at least initial support through an FMS case for training, engineering support, etc.

d. Third country procurement.

e. Reciprocal trade agreements.

f. Collective defense organizations such as the North Atlantic Treaty Organization (NATO).

g. Country-to-Country cooperative repair agreements.

h. Cannibalization. Recommended only as a temporary measure or as a last resort when no other support is available.

**050302      Criteria for Selection of Method of Support**

Selection of a supply support strategy is directly related to the existing and predicted capability of the customer country to maintain the equipment and to perform such supply management functions as inventory control, storage, and warehousing. The country's ability or degree of sophistication in determining its own operational requirements is also important. A third area of importance to the customer's selection of the best support method is his identified training needs and capabilities for the weapons systems in question. In addition to the customer's capabilities, there are several characteristics of the weapons system itself that, while they specifically apply to the provisioning process, should also be considered in the selection of the method of support. Those characteristics are:

a. Reliability. For a weapons system or end-item to be of value, it must be ready to perform its mission as much of the time as possible. The number of systems

and/or end-items and how often each one breaks down, combined with how critical the item is to the customer's strategy and tactics, may help to determine the source of that item's on-going material support.

b. Maintainability is a measurement of the ease of maintenance primarily in terms of time, but also giving consideration to technology, training, and facilities required to accomplish necessary repairs.

c. Economy considers not only the cost of the support material but the labor and maintenance facility costs associated with making repairs and the tangible costs of not having the system available. The lowest cost of repair parts may not be the lowest cost to repair an item. For example, if the least expensive repair parts are available in the customer's country but the proper maintenance facilities and/or trained mechanics are not available to do the repairs, then the most economical solution for repairing the equipment may be to return it to a U.S. repair facility.

d. Level of Repair identifies who performs specific maintenance operations--the organization that uses the item, an intermediate maintenance organization with more sophisticated facilities but still operating in the field or at sea, or a depot type maintenance facility with the capability of performing a complete rebuild. As one of the characteristics of the system or end item, level of repair affects the chosen method of repair in much the same ways as do reliability, maintainability, and economy. That is, considerations for the level of repair of different maintenance functions will determine the best location(s) for these functions to be accomplished.

e. Military Essentiality is a characteristic determined partly by the system or end-item itself and partly by the role that the system or end-item plays in the customer's security plans. Regardless of how military essentiality is derived, it is a key factor the customer should use in determining the source of support.

## **Section 4: Initial Support**

### **050401      Types of Programs**

There are two basic procedures for providing end items under the Security Assistance Program. They are:

- a. End items provided from new production in which the procurement lead time for the major item provides the program manager a significant amount of time, usually up to 36 months, to plan and execute logistics support.
- b. End items provided from inventory which usually involves a lead time of 4-6 months. The program manager must transfer the major end item to the customer within this limited time frame.

### **050402      Initial Support Planning**

Logistics support planning in the Security Assistance Program should have customer self-sufficiency as one of its major goals. In order to pursue this goal, it's necessary to determine the customer's current and planned maintenance capability and to build the initial support package around these assumptions. To make this determination, dialogue and exchange of documentation between the U.S. logistics managers and the customer are necessary. The end product of these exchanges will be a tailored maintenance plan which serves as a basis for determining spares and repair part requirements. The responsibility for coordinating the details of logistics support falls directly on the Case Manager for the applicable FMS Case.

### **050403      Timing of Initial Support**

Initial support should be available to the customer at the time the end item is provided. In certain instances, e.g., an end item furnished from inventory, it is impossible to provide a complete initial support package at that time. However, planning and execution should focus on providing as complete as possible support package concurrent with delivery of the end item.

**050404      Provisioning**

Figure 5-1 graphically describes the full provisioning cycle that begins at the time of end item or system definition and continues until the end item or system is removed from service.

a. During the provisioning process, the acquisition manager in the SYSCOM and the customer provide/develop/identify the following:

- (1) The specific configuration(s) of the system or equipment.
- (2) The operating plan that identifies basing, operating hours, etc.
- (3) The maintenance plan that identifies maintenance site capabilities, etc.
- (4) The logistics planning factors such as overseas resupply lead times, repairable turnaround times, transportation factors, freight forwarder handling times, customs processing requirements, etc., that are as realistic as possible.
- (5) The proposed time schedule for installation and operation of the system or equipment.

b. Also during the provisioning process, Provisioning Technical Documentation (PTD) is developed, consisting of:

- (1) Detailed configuration information.
- (2) Parts lists.
- (3) Drawings.
- (4) Failure rate analysis.
- (5) Technical manuals.

(6) Long Lead List (LLL). (Items with complex design, complicated manufacturing process, or limited production that may be difficult to deliver in conjunction with the weapons system Material Support Date (MSD)).

c. The full provisioning process followed by the USN for new systems is expensive and, since these systems have often been operational prior to being sold to FMS customers, full provisioning may not be required. Instead, the customer may elect to choose one of the alternatives described in paragraph 050405, below.

**050405      Alternatives to Full Provisioning**

There are two basic alternatives to full provisioning available to the customer.

a. A recommendation developed by the contractor may suffice if the equipment or system that will be supported is relatively simple or if the support package has become fairly standard through previous FMS or commercial sales.

b. File extracts of Navy compiled support data may be used to shortcut the full provisioning process if there are not major differences between the USN and FMS procured item in configuration, operation plan, or maintenance plan. In cases where full provisioning is not provided, short form provisioning or certificate of identity are required.

**050406      Initial Supply Support of Ships and Shorebased Installations**

The allowance list products are prepared by the Ships Parts Control Center (SPCC), Mechanicsburg, PA, which is the responsible Inventory Control Point (ICP). There are four basic documents:

a. Allowance Parts List (APL) - Identifies repair parts requirements for each individual equipment for a given number of installations. It further indicates the maintenance activity that should replace a component or part, whether or not the item will be repaired or disposed of and the essentiality of the item to the equipment.

b. Allowance Equipage List (AEL) - Identifies items other than repair parts, e.g., tools and accessories, required to operate the system. An AEL also may be used to identify requirements essential to the ship's operation, e.g., foul weather clothing, firefighting material, etc.

c. Coordinated Shipboard Allowance List (COSAL) - The COSAL is the single document which combines the spare and repair parts requirements needed to support the total ship's requirements. The sources for developing the COSAL are each APL and AEL related to equipments on board. The individual piece part requirements are listed in the Stock Number Sequence List section of the COSAL. The support endurance period is generally 90 days, as with USN COSALS. It should be noted that adjustments can be made in the length of the support endurance period, e.g., approximately 30 days instead of approximately 90 days, or in the customer's designation of overrides (additions or deletions).

d. Coordinated Shorebased Material Allowance List (COSMAL) - Identifies the spare and repair parts requirements for a group of weapons systems, ships or even an entire Navy. As with the COSAL, it provides a combined and factored repair parts requirement for weapons systems and equipments being supported. The initial support period is generally 24 months. As with the COSAL, adjustments can be made by the customer to meet specific program needs.

Note: It is essential that efforts be made to use demand history, supply system or contractor furnished, and to tailor allowance list recommendations to meet specific customer needs, e.g., mission, facilities, maintenance plans, test and calibration equipment, skills and funds available.

**050407      Initial Supply Support of Aircraft**

a. The initial support of aircraft and airborne missiles is provided by means of a Gross Requirements List (GRL). The GRL for aircraft is prepared by the Aviation Supply Office, Philadelphia, PA which is the responsible Inventory Control Point (ICP). The GRL for airborne missiles is prepared by the Ships Parts Control Center (SPCC), Mechanicsburg, PA.

b. The initial support period is generally 24 months.

Note: As with the surface programs, it is essential that efforts be made to use demand history (supply system or contractor furnished) and to tailor allowance list recommendations to meet specific customer needs, e.g., mission, facilities, maintenance plans, test and calibration equipment, skills and funds available.

### Section 5: Follow-on Supply Support

#### **050501      Categories of FMS Follow-on Support**

Follow-on support includes those functions or activities that enable the customer to obtain the full value from his investment throughout the weapons system's intended life. The elements that make up follow-on supply support are:

a. Replenishment of spare and repair parts stocked in country - There are two basic sources:

(1) Cooperative Logistics Supply Support Arrangements (CLSSA) - This is a cost-sharing system under which a customer invests a pro rata share in the U. S. supply system and therefore receives access to more inventory than under normal FMS processing. The scope of material available is limited to centrally managed and centrally stocked material. Standard prices (Management List-Navy, catalog) are used both for the investment and the replenishment requisitions. The Navy FMS cases under Cooperative Logistics are managed by NAVSUP. (See Chapter 10 for details.)

(2) Direct Requisitioning Procedures (DRP) - This process is covered under a blanket order FMS case managed by NAVSUP. DRP cases can be used in conjunction with Cooperative Logistics to replenish other than centrally managed and centrally stocked items. It can also be used by customers who do not participate in Cooperative Logistics to replenish a complete range of items.

(3) Open-end Requisitioning Case - This is used when a deviation from the procedures of the DRP case is required. Normally, the LOA of an open-end case spells out procedures and restrictions to be followed. To the extent that procedures and restrictions are not spelled out, the restrictions listed in subparagraph 090102b

apply. Price increase procedures for DRP case (See Chapter 9.) do not apply to open-end cases unless the terms and conditions of the LOA contains a unique note specifying the use of Pub 526 procedures. Otherwise, the standard terms and conditions of the LOA regarding price increases apply.

b. Repair of Repairables (ROR) - The processing of FMS repair of repairables transactions in the USN is covered under Return, Repair and Reship procedures. FMS Cases covering repair of repairables are managed by the Hardware Systems Command or the Supply Systems Command.

(1) For major weapons systems or groups of weapons systems, the preferred method is to use a Tailored Repairable Item List (TRIL), prepared by the appropriate ICP, which lists the items and the Designated Overhaul Point (DOP) that will do the repair. The advantage of the TRIL method is it reduces turn-around time by eliminating pricing inquires and shipping authorizations.

(2) Under Single Transaction (ST) procedures, the customer is required to assign a unique MILSTRIP Document Number for each item turned in for repair. ST procedures are offered when:

- (a) The number of items to be returned is expected to be small.
- (b) The equipment identified on the repair case is of a general nature.
- (c) Adequate provisioning and configuration data is not available and the customer does not wish to purchase this data.
- (d) The cost of developing a TRIL would be prohibitive.

c. Follow-on Technical Support - This covers the technical support of maintaining weapons systems and equipments, e.g., engineering change proposals (ECPs), ORDALTS, preparation for overhaul, contractor technical support, etc. The FMS case is managed by the Hardware Systems Command.

d. Publications - Follow-on support is required for both technical and supply publications. Additional copies of basic publications as well as replenishment of publications and changes may be required. Generally, a separate DRP FMS case, is established. It is open-ended and generic, undefined as to items and quantities and managed by NAVSUP.

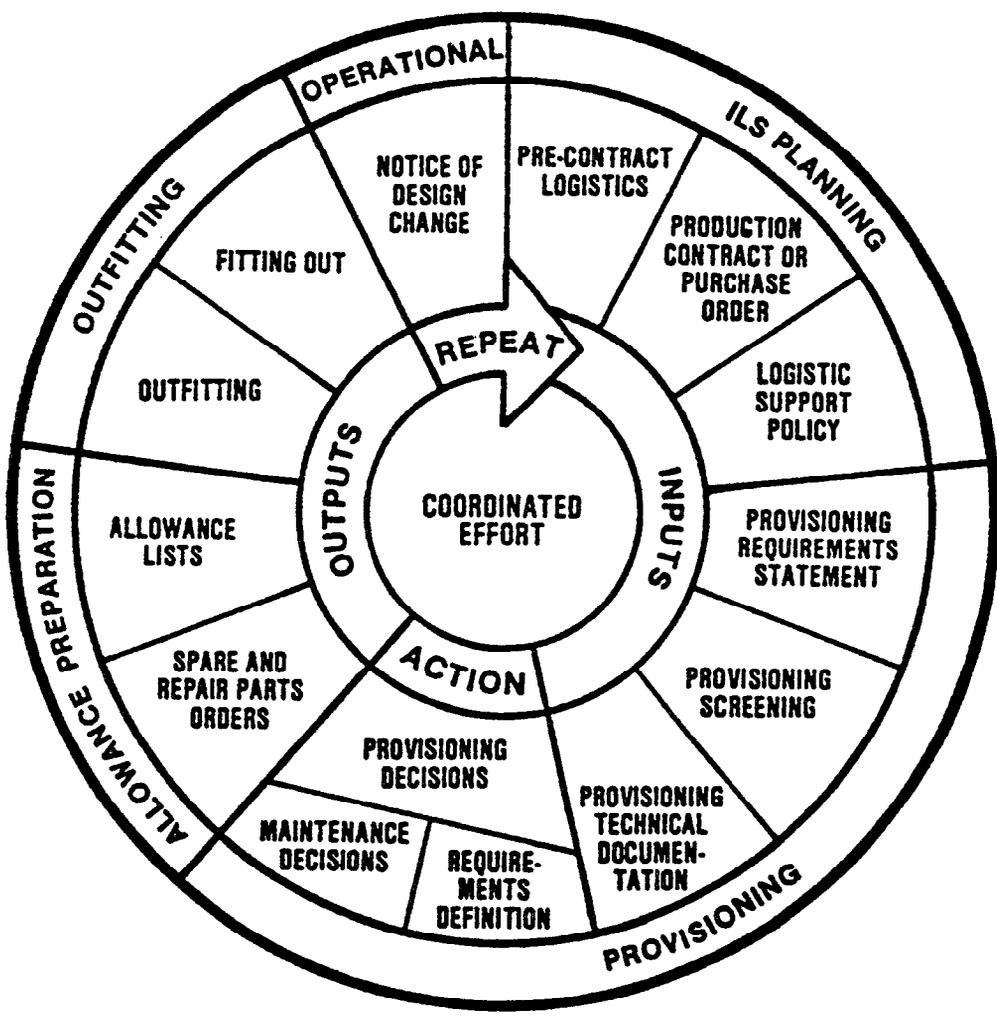
e. Requisition Expediting Services - The USN Casualty Reporting (CASREP) and Not Mission Capable Supply (NMCS) services can be made available to FMS customers. Material expediting and special reporting are provided, on a reimbursable basis, for selected critical material requisitions. The cost of these services are charged to an open-ended FMS Case managed by NAVSUP.

f. Supply Assistance Services - Supply Assistance can be provided on a reimbursable basis under a FMS Case managed by NAVSUP. The areas covered include Automated Data Processing, Material Staging, Equipment Validation, and others.

g. Training - Training is an integral part of the Total Package Approach (TPA) that must be used in development of FMS cases. As an aid to understanding the integrated Logistics process, FMS customers are offered training in two major categories: training in support of a case involving the sale and maintenance of a major system or piece of equipment; and that training provided by NETSAFA under a specific training case and modeled after the training made available by CNET in support of all Department of the Navy organizations.

Figure 5-1

# PROVISIONING CYCLE



## CHAPTER 6 - LETTER OF OFFER AND ACCEPTANCE (LOA), AMENDMENTS, AND MODIFICATIONS

### Section 1: Background of the Letter of Offer and Acceptance

#### 060101 Background

a. A Foreign Military Sales (FMS) case is a contractual agreement between the U. S. Government (USG) and a foreign government or international organization--referred to as the 'customer'. The standard form for recording the contract is the Department of Defense (DD) Form 1513, United States Department of Defense Offer and Acceptance also called the Letter of Offer and Acceptance (LOA).

b. The LOA defines the terms and conditions that relate to the offer of a particular sale. The terms and conditions clearly stipulate the obligations of both the USG and the customer. The LOA contains supplemental notes that amplify the information contained on the DD Form 1513. Notes reduce future misunderstandings.

c. Conversion of a LOA to a contract requires the completion of two actions:

- The customer must sign and return the LOA to Navy IPO.
- The Security Assistance Accounting Center (SAAC) must receive the required cash deposit from the customer.

### Section 2: Policy for LOAs

#### 060201 Preparing LOAs

Navy IPO prepares the LOA in response to a Letter of Request (LOR) from the customer. Navy IPO uses the Total Package Approach (TPA) to provide the customer with a comprehensive, full service product. The key element of a properly prepared LOA is the Price and Availability (P&A) data described in Chapter 4 of this manual. Chapter 4 details the information flow associated with P&A processing.

## **060202 Contents**

The LOA lists the material and services that are being offered.

a. Sales for major system or end items specify the type, quantity, supporting material, data, and services necessary to make full use of the system or end item.

b. Blanket order or Cooperative Logistics Supply Support Arrangement (CLSSA) cases describes generic types of material or services rather than an itemized list of specific items.

c. Each line in the case is assigned a Record Serial Number (RSN) to identify and track the line items. The first position of the RSN identifies the Case Administrating Office (CAO). The second and third positions are a numeric serial number from 01-99.

d. Navy IPO will use a DD Form 1513c Continuation Sheet to list all RSN line items that will not fit on the DD Form 1513.

e. An Annex A is attached to the DD Form 1513 listing the general conditions of the sale. The Annex A addresses a number of standard responsibilities, limitations, and terms for every FMS case.

f. Additional terms and conditions are listed on attachments or continuation sheets.

g. A financial annex specifies supplementary financial terms and conditions, and includes an estimated payment schedule.

## **060203 Pricing Policy**

Matters concerning pricing elements, policy, and procedures, are covered in detail in the FMS Financial Management Manual (DOD 7290.3-M) and the Security Assistance Management Manual, (SAMM), DOD 5105.38-M. The pricing information

listed on the LOA is clearly identified as an estimate; actual prices are determined following delivery of material or performance of a service.

**060204 DD Form 1513 Entries**

Detailed definitions and explanations for the entries on the DD Form 1513 are found in Chapter 7 of the SAMM.

**Section 3: Policy For Amending LOAs**

**060301 Amending LOAs, DD Form 1513-1**

Normally, major changes in scope for an existing FMS case require a new LOA. Amendments containing minor changes in scope are permissible. A minor change increases the case value by 10 percent or less; or \$1 million of non-SME articles or services, whichever is less. (Refer to Section 804 of the SAMM). Amendments are limited to:

- a. Minor changes in configuration of equipment ordered in the original LOA.
- b. Minor changes in scope due to the omission of non-Significant Military Equipment (SME) supporting equipment or services in the LOA for a major weapons system. The addition of the material or services cannot extend the life of the case by more than 12 months.
- c. Increases in the time of performance of a service not to exceed twelve months.
- d. Minor increases in the quantity of items on a defined order case for non-SME if the delivery period increase is twelve months or less.
- e. Change to the terms or the conditions of the LOA (other than permissible unilateral changes on the part of the USG) or a change to a transportation delivery term code resulting in an increase cost to the customer.
- f. Revisions to a CLSSA Foreign Military Sales Order (FMSO)-I case.

g. Changes of requirements within FMS training cases--the period of performance is not extended more than one year.

**060302 Preparation of Amendments**

The Case Manager or customer can identify a need to amend an FMS case. If an amendment is necessary and permissible under one of the above circumstances, Navy IPO prepares a DD Form 1513-1, United States Department of Defense Amendment to Offer and Acceptance. This form is commonly called a "dash one". Navy IPO uses data assembled by various activities participating in the execution of the case to prepare the DD Form 1513-1. The customer must accept the amendment before the change can be implemented.

**060303 Pen and Ink Changes to LOAs and Amendments**

Navy IPO must authorize pen and ink changes to LOAs and amendments prior to acceptance by the customer. DOD policy requires us to avoid pen and ink changes as much as possible. Extensive changes must be made with a new DD Form 1513 or 1513-1. The customer or U. S. Navy organization may request a pen and ink change. Navy IPO authorizes the change by message or letter to the customer with copies to SAAC and the FMS Control Division of the Comptroller, Defense Security Assistance Agency (DSAA). If the change revises the "Estimated Total Costs" or terms of sale, the FMS Control Division must concur prior to Navy IPO authorization.

**Section 4: Policy for Modifying LOAs**

**060401 Modifying LOAs, DD Form 1513-2**

Modifications to a LOA are made with a DD Form 1513-2, United States Department of Defense Notice of Modification of Offer and Acceptance. The form is also called a "dash two". Modifications do not change the scope of an LOA except for decreases due to deletion of an item. The customer's acceptance of the modification is not necessary for the modification to be effective. The customer is asked to acknowledge receipt of the modification.

**060402 DD Form 1513-2s Requiring DSAA Coordination and Countersignature**

Modifications which require DSAA coordination and countersignature prior to dispatch to the customer are as follows:

a. Price increases in excess of \$1.0 million and related changes in payment schedules to a previous LOA. For such price increase notifications, the following information should be addressed in Block 11 of the DD Form 1513-2 to ensure the customer is fully aware of its options with respect to the cancellation or reduction of the case:

(1) The detailed reason(s) for the increase.

(2) Status of contracting for the purchase (e.g. contract completed, contract still being negotiated, etc).

(3) The options the customer has if any, with respect to avoiding the price increase (e.g., contract termination or reduction of quantities).

(4) The estimated financial consequences of selecting such options.

(5) Any time limits for notifying the USG of purchaser desire to cancel or reduce the quantities.

b. Modifications to cases which involve FMS credit, MAP, or third country financing or which have been subject to congressional notifications.

c. Shifts of case value between two or more FMS cases by concurrent modifications.

d. A customer requests a change to the terms of sale (block 27 of the LOA or block 28 of the dash one) from any Type of Assistance code (other than "M" or "Z") to either "M" (Military Assistance Program (MAP)) or "Z" (FMS Financing Program). When such a modification is made, the DD Form 1513-2 must cite all the types, sources, and amounts of financing that will be used.

e. Extension of the ordering period for Blanket Order cases beyond a total of 24 months..

f. Case(s) involving SDAF assets.

**060403 DD Form 1513-2s Requiring No DSAA Coordination or Countersignature**

Modifications which do not require DSAA coordination or countersignature (provided there is no change in the "Total Estimated Cost" or "Terms of Sale") are as follows:

a. Extension of the ordering period for a blanket order case up to a total of 24 months.

b. Change or extension to a delivery commitment date.

c. Change to the LOA's transportation codes because of a requirement to use the DTS.

d. Changes to clarifying notes.

e. Changes to the payment schedule.

f. Changes in generic code and/or Military Articles and Services List (MASL) coding to correct an administrative error only. There should be no change to the description of articles or services to be sold.

If there are any doubts whether to use the DD Form 1513, DD Form 1513-1, or DD Form 1513-2 for a particular case, DSAA Operations should be promptly referred to for determination.

## CHAPTER 7 - CASE IMPLEMENTATION

### Section 1: Purpose and Background

#### **070101**      Purpose

This chapter briefly describes the actions that take place from the time the Foreign Military Sales (FMS) customer formally accepts a Letter of Offer and Acceptance (LOA) until the FMS case resulting from that acceptance is ready for U.S. Navy (USN) execution.

#### **070102**      Background

a. After the LOA has been accepted, the customer returns signed copies of the LOA, to the Navy International Program Office (Navy IPO) and to the Defense Finance and Accounting Service (DFAS DENVER). The initial cash deposit or payment specified in block 28 of the LOA must accompany the copy sent to DFAS DENVER.

b. Authority to implement an FMS case involves two distinct kinds of approval. Execution of the case cannot begin until both approvals have been passed to the Case Manager. The two kinds of approval are:

(1) Approval to provide the material or service.

(2) Approval to obligate funds.

c. For material and service cases managed by NAVSUP Headquarters and field activities, the case will be managed in the Management Information System, International Logistics (MISIL). For cases managed in MISIL:

(1) The approval route to provide the material or service begins with NAVY IPO, passes to the Systems Command (SYSCOM) charged with Case Administering Office (CAO) responsibilities, and ends at the Case Manager who will coordinate the action to be taken to obtain the requested material or service.

(2) The approval route to incur financial obligations--Obligational Authority (OA)--begins with DFAS DENVER. Based on receipt of the signed LOA and the required cash, DFAS DENVER passes OA to the Comptroller of the Navy (NAVCOMPT) via MISIL. NAVCOMPT then passes the OA to NAVY IPO who, in turn, passes it to the Authorized Accounting Activity (AAA) which is the Navy International Logistics Control Office (NAVILCO). NAVILCO, in turn, distributes the OA as directed by the CAO.

d. CAOs and/or customers may begin requisitioning and obligating funds as of the case implementation date. See paragraph 070202 b, below.

e. Once both the approval to provide the material and/or service and to obligate funds is obtained, the Case Manager operates within the chain of command to direct the actions necessary to satisfy case requirements. Figure 7-1 provides an overview of the case implementation process.

## **Section 2: Implementation Procedures**

### **070201      General**

The procedures described in the following paragraphs apply to material and services FMS cases managed by Naval Supply Systems Command (NAVSUP) organizations. These procedures are specifically oriented toward those FMS cases managed through MISIL.

### **070202      Implementation of Basic LOA**

a. NAVY IPO receives the signed LOA from the customer and validates that LOA against the version that was sent to the customer. The validation ensures that only authorized "pen and ink" changes have been made and that the customer has filled in blocks 29 through 37. After validation, NAVY IPO implements the case.

b. NAVILCO, as the AAA for all MISIL-managed FMS cases, distributes OA as instructed by the CAO to the various activities involved in execution of the case.

NAVILCO and/or the CAO, also records commitments obligations expenditures as they are incurred by performing activities involved with USN FMS cases. NAVILCO is also the central point of contact, via NAVCOMPT, between other activities managing cases in MISIL and DFAS DENVER for detailed financial matters.

**070203      Implementation of Amendments and Modifications**

The procedures for implementing an amendment or modification to an FMS case are the same as for implementing the basic case. That is:

- a. The LOA is reviewed and validated by NAVY IPO.
- b. Approval of the appropriate OA adjustment, if any, is verified by NAVY IPO and approved by NAVCOMPT.
- c. The validated LOA amendment or LOA modification with appropriate enclosures is implemented by NAVY IPO.

**070204      Emergency ImplementationEmergency Implementation**

Immediately upon receipt of OA from DFAS DENVER, NAVY IPO will implement the case by message rather than waiting for a validated LOA. An approved DD Form 2061 that matches the OA provided by DFAS DENVER will be maintained on file at NAVY IPO.

- a. The emergency implementation message (Figure 7-5 or Figure 7-6) will:
  - (1) Task the CAO to execute the case.
  - (2) Provide the NAVY IPO transaction control number and any additional information required.
  - (3) Direct NAVILCO to issue funds as instructed by the CAO.
- b. Once the accepted and validated LOA arrives for the case, NAVY IPO will follow the normal implementation procedures. The implementation letter will reference the emergency implementation message.

Figure 7-1

CASE IMPLEMENTATION OVERVIEW

Cash(\$) Deposit DFAS DENVER  
CUSTOMER Signed LOA Load OA to MISIL  
Signed LOA FMSCCS

NAVY IPO NAVY IPO MISIL FMSCCS  
Compare to P&A Validate LOA & Records OA in  
Verify OA & imple- pass implementa- case record  
ment to CAO via tion authority as OA received  
MISIL FMSCCS & available

Verify MISIL OA

MISIL FMSCCS MISIL FMSCCS NAVY IPO (NCB-3)  
Case implemen- OA released "Pushes" OA in  
tation permits by NAVY IPO MISIL FMSCCS  
obligating produces NAVY IPO  
funds & requi- NAVCOMPT 2058 Releases OA as  
sitioning at month-end responsible ofc.

1

CAO/CASE MANAGER NAVCOMPT (NCB-3)  
Provide OA distri- NAVCOMPT 2058 Distributes  
bution directions NAVCOMPT 2058s  
to NAVILCO/NRFC "after-the fact"  
Directs execution 1  
of case

OA for MISIL

NAVILCO  
Accounts for OA &  
distributes per NAVCOMPT 2058s  
SUP/SVC ACTIVITIES direction from  
Provides the re- CAO/Case Manager  
quired material  
or service using  
OA provided

NRFC-WASHINGTON  
Accounts for OA &  
distributes per  
direction from  
CAO/Case Manager Navy IPO



Figure 7-3

MISIL EMERGENCY IMPLEMENTATION MESSAGE

UNCLASSIFIED

From: Navy IPO WASHINGTON DC

To: (Case Administering Office (CAO))

NAVILCO PHILADELPHIA PA (136)

UNCLAS //NO4920//

SUBJ: FMS CASE (case identifier), EMERGENCY IMPLEMENTATION

A. Navy IPO WASHINGTON DC (date time group)

B. LOA, NAVY IPO SER OF (date)

C. NAVY IPO Code) SER TRANSMITTAL NO DTD

1. FOR (CAO): PER REF A, EMERGENCY IMPLEMENTATION OF REF B. REF C ISSUED O/A, DOLLARS.

2. FOR NAVILCO: CASE RECORD ESTABLISHED. DISTRIBUTE FUNDING AS DIRECTED BY (CAO).

3. WE WILL FORWARD SIGNED AND VALIDATED COPIES OF REF B BY SEPCOR.

4. TRANSACTION CONTROL NUMBER IS IPO.

(Originator/Office Symbol/Extension)

(date)

(Releasing Authority)

(Signature)

UNCLASSIFIED

(date time group)



Figure 7-5

MISIL EMERGENCY IMPLEMENTATION MESSAGE

FROM: COMNAVSUJPSYSCOM WASHINGTON DC

TO: (Case Administering Office)

NAVILCO PHILADELPHIA PA

INFO: CNO WASHINGTON DC

AFAFC DENVER CO//SAAC//

SECDEF WASHINGTON DC//USDP//

UNCLAS //N04920//

SUBJ: FMS CASE (case identifier), EMERGENCY IMPLEMENTATION

A. CNO WASHINGTON DC (date time group)

B. DD 1513-    , CNO SER                                  OF                                 

C. CNO OP-923C SER 2-58 TRANSMITTAL NO.          DTD                                 

1. FOR                  (CAO)                                 : PER REF A, EMERGENCY IMPLEMENT REF B.

REF C ISSUED O/A,                                  DOLLARS.

2. FOR NAVILCO: CASE RECORD ESTABLISHED. DISTRIBUTE FUNDING AS DIRECTED BY                                 .

3. WE WILL FORWARD SIGNED AND VALIDATED COPIES OF REF B BY SEPCOR.

4. TRANSACTION CONTROL NUMBER IS SUP                                 .

## CHAPTER 8: EXECUTION OF DEFINED ORDER CASES

### Section 1: Types of Defined Order Cases

#### 080101 Types of Cases

A defined order case is one in which the items, services or training to be provided are stated explicitly on the Letter of Offer and Acceptance (LOA). The U.S. Navy (USN) uses defined order cases for the following:

- a. System/Package sales including major end items and weapon systems and any related requirements to activate and operate the item or system for an initial period of time. These cases are identified by the letters "L" and "S" in the first position of the case designator (see Chapter 2 for explanation of case designator).
- b. Individual spare and component parts supplied under cases with "B" and "C" series designators.
- c. Technical and engineering services and Technical Data Packages (TDPs) sold under cases with "G" series designators. See Chapter 24 for additional information on TDPs.
- d. Munitions, ammunition, and other explosives supplied under cases with "A" series designators. This group contains cartridges, projectiles, bombs, missiles, and torpedoes.
- e. Cartridge Activated Devices (CADs), Propellant Activated Devices (PADs), and Aircrew Escape Propulsions Systems (AEPS) sold under cases with "P" series designators.
- f. Material leased under cases with "Z" series identifiers.
- g. Training cases for specific courses of instruction use the "T" series case designators. See Chapter 32 for more information.

## **Section 2: Case Execution**

### **080201 Execution**

During the execution phase of a Foreign Military Sales (FMS) case, the articles and/or services specified on the LOA are actually produced/performed by the USN under the authority granted by the LOA. The means by which the U.S. Government (USG) fulfills the requirements of the FMS case depend on the nature of the material and services being furnished. A typical case involves the procurement of items from new production, as well as providing selected items from government stocks. Items to be procured are contracted for by cognizant Department of Defense (DOD) buying activities. FMS requirements may be consolidated with USG requirements or placed on separate contracts, whichever is more expedient and cost effective. Federal Acquisition Regulation (FAR) provisions applicable to DOD also apply to procurements for FMS customers. The actual acquisition and performance actions for FMS cases are carried out by USG activities in the same manner and using essentially the same internal management organizations that are used for USG programs.

### **080202 Case Manager**

The Case Manager is responsible for coordinating USG efforts to complete the requirements of the LOA in order to: first, deliver the materials and/or services within the Delivery Commitment Date(s); second, complete the case within its authorized value; and, third, close the case as planned. See OPNAVINST 4900.149 for complete information on the role and responsibilities of USN FMS Case Managers.

### **080203 Management Information**

The Management Information System for International Logistics (MISIL) and the Standard Accounting and Reporting System (STARS) provide the financial and logistical information needed to manage case execution. MISIL and STARS also provide information to the Defense Integrated Financial System (DIFS) operated by the Security Assistance Accounting Center (SAAC). DIFS is used to manage FMS trust fund accounts and to bill FMS customers for material and services. STARS is used by

the Naval Sea Systems Command (NAVSEA) as the Management Information System (MIS) for management of major acquisition cases, where as virtually all other FMS cases managed by other Case Administering Offices (CAO's) use the MISIL. USN personnel depend on accurate, timely information from these systems to effectively manage their assigned portions of the FMS case. Also, high level USN and DOD managers use these systems to monitor the overall performance of FMS programs. The quality of the information in MISILs depends heavily upon the accuracy, completeness, and timeliness of the data provided to the Navy International Logistics Control Office (NAVILCO) which operates MISIL. Case Managers will continuously review the data in these systems and coordinate as necessary with NAVILCO and the SAAC to resolve any differences. Details on obtaining information from MISIL are found in NAVSUP Publication 543, MISIL User's Manual.

### **Section 3: Special Considerations**

#### **080301 Package Requisitions**

a. Spare parts packages which are recorded and managed at the detailed item level in MISIL are usually entered into MISIL through "requisition package" procedures as follows:

(1) The USN activity responsible for determining spare parts requirements, usually an Inventory Control Point (ICP), provides NAVILCO with a computerized input which details each spare part in the package.

(2) NAVILCO records the package in MISIL and distributes individual item requisitions according to the instructions provided with the package. Those instructions will generally fall into one of the following two categories:

(a) Return the individual requisitions to the ICP for procurement.

(b) Send the requisitions out to the supply system for normal processing.

(3) Supply action then proceeds and MISIL tracks each requisition by its normal automated means. For more information on requisition packages, see NAVSUP Publication 543, Application/Operation C01.

b. To ensure that MISIL's automated tracking of requisitions can take place unhindered, the following is required:

(1) If the requirements will be filled from ICP controlled USN stocks, or if the ICP will fill the requirements through an ICP managed procurement, the ICP will ensure that the package requisitions are loaded to its document status files within three weeks after receipt of the requisitions from NAVILCO.

(2) When package requisitions are forwarded to NAVILCO from the ICPs, NAVILCO will return output to the ICPs within three weeks of date of receipt.

## **CHAPTER 9 - EXECUTION OF BLANKET ORDER CASES**

### **SECTION 1: Types of Blanket Order Cases**

#### **090101 General.**

There are several types of blanket order cases managed within the Naval Supply Systems Command (NAVSUP). FMS customers and U.S. representatives submitting FMS requisitions under a blanket order case must adhere to FMS requisitioning policy. This is to protect assets which are budgeted for, and then obtained, in anticipation of future USN initial outfitting or recurring replenishment requirements. With the exception of a Cooperative Logistics Supply Support Arrangement (CLSSA), see Chapter 10, FMS requirements are not included in USN budgeted stocks. Using USN requisitioning procedures (i.e., USN Unit Identification Code (UIC) in record positions (rp) 30 to 35) for FMS requirements is not permissible. It would violate the Arms Export Control Act (AECA) and Foreign Assistance Act (FAA) and compromise Navy inventory control policy by permitting access to items that may not be releasable to FMS customers (i.e. classified parts/publications and material below the re-order point). Each type of blanket order case is designated to fill a particular requirement. The types are:

- a. Direct Requisitioning Procedures (DRP) cases normally identified by either the letter "J" or "H" in the first position of the case designator (see Chapter 2 for an explanation of the case designator).
  
- b. Open-end requisitioning cases normally identified by "R" series and some "G" series case designators.
  
- c. Repair of Repairables cases normally identified by an "M" series case designator.

d. Some training cases using a "T" series case designators.

e. Blanket order cases may be used as long as funds are available for ordering. Additional funds for new orders may only be added within one year following initial implementation. The case will become a candidate for closure if no orders are placed for 180 days.

#### **090102 DRP Cases**

Navy DRP cases are managed by NAVSUP and established to provide follow-on supply support for weapons system/equipment acquisition. These cases allow Foreign Military Sales (FMS) customers to requisition unclassified common use items. This type of case provides standardized, streamlined procedures for requisitioning, supply, and transportation.

a. The following items may be requisitioned:

- (1) Spare and repair parts.
- (2) Minor components.
- (3) Training aid devices.
- (4) Publications.

b. The following categories of material may NOT normally be requisitioned (see Figure 9-1):

(1) Classified material and publications, because they require releasability controls, special handling, and transportation.

(2) Technical support services (e.g., quality control, inspection, and audit), because a detailed specific statement of work is required and would be obtained using a defined order case.

(3) Initial spare and repair parts because the U.S. Navy (USN) usually includes initial provisioning of spare and repair parts as a line item of the defined order case for a major end item. Upon completion of the provisioning process, the Inventory Control Point (ICP) initiates action to procure these parts. Estimated availability dates are based on procurement lead times.

(4) Ammunition and explosive items, because they require special handling and transportation. All items in Federal Supply Group (FSG) 10, except for Cognizance Codes 1H, 1R, 3H, 7E, 7G, 7H, 7R, 9C, 9G, 9N, and 9Z are restricted and may not be directly requisitioned by foreign customers. Items in FSG 13, except for Classes 50, 55, 60, and 98 are also restricted and may not be directly requisitioned by FMS customers.

(5) Weapons systems, major end items, and major components (including aircraft and associated major support equipment, such as sonar and radar). Included in this restriction are all repairable end items that have been assigned identification numbers and are supported by Allowance Parts Lists (APLs) and Component Identification (CID) numbers. Figure 9-1 identifies material cognizance codes that apply to this material.

(6) Technical Data Packages (TDPs), because technology transfer issues are involved. Detail guidance is provided in Chapter 24 of this manual.

(7) Excess defense articles under the control of the Defense Reutilization and Marketing Service (DRMS), because they may be purchased from

DRMS through a separate FMS case established directly between the FMS customer and DRMS.

c. Requests to requisition restricted categories of material through a DRP case must be approved by Navy IPO on a requisition-by-requisition basis.

d. To simplify procedures regarding price increases, Figure 9-2 establishes thresholds above which the customer must authorize any price increase.

e. Travel and Living Allowances (TLA) management costs may be included in LOAs as technical services. Training and TLA/related management costs must be shown as a separate line on the respective FMS case under generic code R9Z "Other Services." Approved IMET rates for living allowance shall be used for this purpose.

#### **090103 Open-End Requisitioning Cases**

Open-end cases are similar to DRP but are used when a deviation from the standardized procedures of DRP cases is required. Generally, open-end cases spell out procedures and restrictions to be followed on the Letter of Acceptance (LOA).

To the extent that procedures and restrictions are not spelled out, the restrictions listed in subparagraph 090102b apply. Price increase procedures for DRP cases (subparagraph 090102d and Figure 9-2) do not apply to open-end cases unless the terms and conditions of the LOA contains a unique note specifying the use of P526 procedures. Otherwise, the standard terms and conditions of the LOA regarding price increases apply.

#### **090104 Repair of Repairables Cases**

Repair of Repairables (ROR) cases are discussed in Chapter 12 of this manual.

## **090105 Training Cases**

Training cases are discussed in Chapter 32 of this manual.

### **Section 2: Execution of Blanket Order Cases**

#### **090201 Requisition Submission**

a. Customers identify their specific requirements and submit requisitions to meet those requirements to the Navy International Logistic Control Office (NAVILCO) according to the FMS Customer Guide, Naval Supply Systems Command (NAVSUP) Publication 526.

b. Uniform Material Movement and Issue Priority System (UMMIPS), as delineated by DOD Directive 4410.6, is applicable to all FMS requisitions. UMMIPS provides a basis for expressing the rankings of requisitions and material movement transactions by a series of two digit codes known as Priority Designators. The priority designator is derived from a matrix combining the requisitioner's Force Activity Designator (FAD) and the urgency of need of the end use requirement as specified by the Urgency of the Need Designator (UND). FADs are established by the Joint Chiefs of Staff for all customer countries and international organizations. Component activities will take the necessary steps to ensure that participating foreign countries and international organizations are properly instructed in the establishment of the priority designator. NAVILCO is responsible for monitoring country and international organizations use of priority designators to ensure UMMIPS integrity.

c. Customers are ultimately responsible for maintaining the integrity of UMMIPS usage throughout the life of a FMS case. The correct assignment of the priority designator is essential to this integrity. The percentage of high priority material demands is measured against the limits delineated in OPNAVINST 4814.1F. The goal is to minimize the number of high priority requisitions through good management.

d. All levels of management will make every effort to structure local procedures to ensure compliance with UMMIPS policy.

#### **090202 NAVILCO Requisition Processing**

a. When the customer's requisition arrives at NAVILCO, it is validated and recorded in the Management Information System for International Logistics (MISIL). This validation will include a review of the assigned classification of material and dollar value/quantity on the requisitions. Erroneous priority designators will be corrected, and the country will be apprised of the action. Doubtful cases will be referred to the appropriate U.S. or purchaser representative for clarification or correction.

b. Once a requisition meets all the review criteria, NAVILCO passes it to the supply system for supply action according to Military Standard Requisitioning and Issue Procedures (MILSTRIP) in NAVSUP Publication 437.

c. NAVILCO receives MILSTRIP status transactions from the supply system and keeps an up-to-date record of the status of each requisition according to MILSTRIP in NAVSUP Publication 437.

d. Requisitions for classified material or classified publications must be processed through NAVILCO. Classified items will not be released without written approval from the authority designated in SECNAVINST 5510.34.

(1) Requisitions for classified material or classified publications will be rejected if the requisitions are not submitted in the correct format or are not accompanied by a copy of the Navy IPO release authorization. If there is no evidence of release approval, NAVILCO will reject the requisition, citing Status Code "CA" with the comment: "Requirement must be approved by Navy IPO prior to submission of requisition. Procedures outlined in NAVSUP Publication 526, Chapters 3 and 6, apply."

f. NAVILCO coordinates with the ICPs and the customer, as necessary, regarding price increases.

g. NAVILCO will provide a quarterly report to SUP 07 and Navy IPO that summarizes for each foreign requisitioner the number of infractions and the number of requisitions by priority designator using incorrect FADs and/or priority for each of the following categories:

(1) Grant aid.

(2) FMS (both Cooperative Logistics Supply Support Arrangement (CLSSA) and non-CLSSA cases) with cases and requisitions identified in separate listings by country.

#### **090203 ICP Processing**

ICPs process blanket order case requisitions according to MILSTRIP procedures outlined in NAVSUP Publication 437.

a. Ready for Issue (RFI) material will be issued from stock if U.S. forces will not be adversely effected.

b. In addition, the following guidelines apply:

(1) For Issue Priority Group (IPG) I requisitions, inventory managers (IMs) may issue to the zero net RFI on-hand wholesale level if additional due-in assets are anticipated within 15 days.

(2) IPG II requisitions may be issued by the IM to the extent that remaining RFI on-hand assets are at least equal to the safety level requirement and also that due-in assets are anticipated within 30 days.

(3) IPG III requisitions may be satisfied by the IM to the extent that remaining RFI assets will be at least equal to the sum of the safety level plus normal Economic Order Quantity (EOQ).

c. If RFI material is not available but Not Ready for Issue (NRFI) material is available, NRFI material may be sold according to asset drawdown procedures described in Chapter 33 of this manual.

d. If material is not available from stock, the item manager will determine if the customer's requirement/required delivery date (RDD) can be satisfied from due-in within 60 days. If not, the requisition will be placed on direct-cite procurement for direct delivery to the customer (i.e., the material from procurement will not pass through Navy stocks.)

e. For DRP requisitions, issues may be made or procurements initiated so long as the price stays within the guidelines provided in Figure 9-2. If price

increases exceed the guidelines in Figure 9-2, NAVILCO must be contacted for coordination with the customer. A decision must then be made to buy at the increased price or to cancel the requisition.

f. For other open-end case requisitions, price increases are processed in accordance with the LOA. The FMS customer will pay the total cost of the items, even if the total cost exceeds the amounts estimated in the LOA.

g. The Defense Reserve for Ozone-Depleting Substances (ODS) was established by the Department of Defense to insure that service requirements for mission-critical applications of ozone-depleting substances (ODSs) are filled during the production phase out of ODSs. The release of any material from the Defense Reserve of ODSs to FMS customers is prohibited. In addition, Navy activities that are registered as authorized users of Defense Reserve ODS material in support of mission-critical applications are not authorized to transfer ODS Reserve material to FMS customers for any reason. Any ODS material outside the Defense Reserve account may be issued to FMS customers. Procurement of ODS material may be submitted through DLA, provided the terms and conditions specified in the FY 93 Defense Authorization Act, the AECA, and the FAA are met. Additionally, two approvals are required: (1) Technical certification that no alternatives are available, and (2) a senior acquisition approval within the chain of command.

h. FMS customers requisitioning classified material or classified publications are required to obtain release approval from Navy International Programs Office (Navy IPO) prior to submission of requisitions. Customers are to complete requisitions for classified material/publications as follows:

(a) Enter "A05" in Document Identifier Code (record position (rp) 1-3).

(b) Enter "2B" in Advice Code (rp 65-66).

(c) Enter the following statement in the Remarks Block: "Item classified: Navy IPO Letter (File Number) (Serial Number) (Date) authorizes release of this item."

(d) A copy of the authorization letter must be attached to the requisition.

i. ICPs must ensure that the authority designated in the latest edition of OPNAVINST 5510.48 has approved the release of the classified material/publications to a foreign government.

j. Requisitions for classified material or classified publications that are received at an ICP directly from a FMS customer or that are received without required supporting documentation/approval authority are to be rejected citing Status Code "CA." Explanatory comments to be used are: "Requirement must be approved by Navy IPO prior to submission of requisition. Procedures outlined in NAVSUP Publication 526, Chapters 3 and 6, apply."

k. ICPs must ensure that classified material or classified publications being pushed to FMS customers as part of a major weapons systems support package (e.g., Coordinated Shipboard Allowance List (COSAL), Gross Requirements List (GRL), etc.) are certified for releasability by the organization identified in the latest edition of SECNAVINST 5510.34. Specifically, the ICP preparing the list of items/publications to be pushed to the FMS customer will identify those items that are classified and will ensure that written release authorization is obtained.

l. When it is necessary to use the Military Interdepartmental Purchase Request (MIPR) for FMS case material, the MIPR must indicate that the material is for FMS and a foreign country is the end user.

(1) For MIPRs submitted off-line, enter "For FMS; Foreign Country End User" into the Remarks block.

(2) For MIPRs submitted on-line, enter "For FMS; Foreign Country End User" into the Exception Data block (on the reverse side of the MIPR Form). On-line MIPRs require a Document ID Code of "A05."

m. Supply and shipment status is provided to NAVILCO according to MILSTRIP procedures in DOD 4000.25-1-M. This status information is then forwarded to the customer.

### **Section 3: Pricing Blanket Order Case**

#### **090301 Program Management Charges**

Program management lines are not normally appropriate for a blanket order case. Special situations, such as ship transfers, re-outfitting support, nonstandard equipment sales, special component tracking services, unusual transportation requirements, staging and special requisitioning, and procurement expediting, require program management charges. Program management lines (Generic Code R6B) will appear in a LOA whenever program management is required to ensure successful completion of the FMS case.

**Figure 9-1**

**NAVY MATERIAL COGNIZANCE CODES RESTRICTED FROM USE UNDER DRP**

<u>Cognizance Code (COG)</u>	<u>Inventory Manager</u>	<u>Material Description</u>
6A	SPCC	Secondary Items supporting Polaris/Poseidon/Trident subsystems, less navigation
8A	SPCC	Inert nuclear material
1B	NAVSUP	Fuel reclamation
2B	SPCC	Material handling equipment
2C	CESO	Major construction and civil engineering equipment
2E	NOC	Conventional air ammunition
4E	NOC	Air-launched guided missiles
8E	NOC	Air-launched missile material
2F	NAVSEA/SPCC	Major shipboard electronic equipment
6H	SPCC	Secondary items supporting Polaris/Trident subsystems, less navigation
8H	SPCC	Secondary items supporting Polaris/Poseidon sonar
2J	NAVSEA/SPCC	Major shipboard ordnance equipment

Figure 9-1 (cont)

NAVY MATERIAL COGNIZANCE CODES RESTRICTED FROM USE UNDER DRP

<u>Cognizance Code (COG)</u>	<u>Inventory Manager</u>	<u>Material Description</u>
4J	NAVSEA	Meteorology equipment
2M	NAVAIR	Cryogenics and mobile facilities
4M	NAVAIR	Meteorological material
6M	SPCC	Cryogenics equipment and missile cradles
8M	NAVAIR	Major aeronautical launch and recovery systems and equipment
20	NAWCTSD	Training equipment
2P	SSPO	Principal items for Polaris/Poseidon/Trident fire control and guidance systems
4P	SSPO	Principal items of the Polaris/Poseidon/Trident launching and handling subsystems
6P	SSPO	Principal items of the Polaris/Poseidon/Trident missile subsystems, less complete end items
8P	SSPO	Principal items of the Polaris/Poseidon/Trident navigation subsystems, less inertial navigation

Figure 9-1 (cont)

**NAVY MATERIAL COGNIZANCE CODES RESTRICTED FROM USE UNDER DRP**

<u>Cognizance Code (COG)</u>	<u>Inventory Manager</u>	<u>Material Description</u>
20	NAVAIR	Shipboard and air-stationed electronic equipment
4R	BRASO	Catapult and arresting gear material (repairable or investment type material)
6R	ASO	End items of support equipment
2S	NAVSEA	Major shipboard HM&E equipment
8S	NOC	ASROC material
2T	NOC	Conventional ammunition
4T	NOC	Torpedoes, components, and SUBROC components and submarine warfare weapons support material
6T	NOC	Underwater mines and components YORKTOWN
8T	NAVSEA	Surface launched guided missiles and components
8U	NOC	Sonobuoys
2V	NAVAIR	Aeronautical GSE and target drones
4V	NAVAIR	Aircraft engines

**Figure 9-1 (cont)**

**NAVY MATERIAL COGNIZANCE CODES RESTRICTED FROM USE UNDER DRP**

<b>Cognizance Code (COG)</b>	<b>Inventory Manager</b>	<b><u>Material Description</u></b>
6V	NAAC	Technical directive change kits
2W	NAVAIR	Photographic material
2X	SSPO	Principal items for Polaris/Poseidon/Trident missile subsystems
4X	SSPO	Secondary items supporting test instrumentation equipments unique to Trident
6X	SPCC	Secondary items supporting Poseidon/Trident systems
8X	SSPO	Principal items of Polaris/Poseidon/Trident inertial navigation equipment, components, and repair parts
4Y	SPCC	Trident Planned Equipment Replacement (TRIPER) program
2Z	SPAWAR	Shore (ground) and shipboard electronic equipment
4Z	ASO	Airborne armament equipment (ASO war consumables)

**Figure 9-2**

**CRITERIA FOR REFERRAL OF PRICE INCREASES TO THE CUSTOMER**

The DOD supply systems may initiate purchase action without specific price increase authorization from the customer country if:

a. The requisition value \* falls within the parameters listed below.

b. The purchase price \*\* does not exceed the requisition value by more than the allowable percentages/values of variation shown below.

Requisition Value	Percentage/Value
Less than \$ 2,499	100% or \$2,000, whichever is greater
\$ 2,500 - \$ 4,999	100% or \$3,000, whichever is greater
\$ 5,000 - \$ 9,999	75% or \$5,000, whichever is greater
\$10,000 - \$14,999	50% or \$7,500, whichever is greater
\$15,000 and above	20% or \$8,000, whichever is greater

**Notes:**

\* Requisition Value is defined as follows:

For standard stock: the current standard Management List-Navy (ML-N) unit price multiplied by the number of units being ordered.

For nonstandard material: the estimated unit price as originally entered on the requisition multiplied by the number of units being ordered.

\*\* Purchase Price is defined as the unit price at which the item may be purchased from a commercial source multiplied by the number of units being ordered.

**CHAPTER 10 - EXECUTION OF COOPERATIVE LOGISTICS SUPPLY  
SUPPORT ARRANGEMENTS**

**Section 1: Purpose, Conditions, and Discussions with Customers**

**100101      Purpose**

This chapter describes the policies and procedures to be followed during the execution of a Cooperative Logistics Supply Support Arrangement (CLSSA). The purpose and advantages of CLSSAs are discussed in Chapter 2.

**100102      Definitions**

a. CLSSA. A CLSSA is an agreement between a U.S. Military Department and a foreign military service or international organization (hereafter referred to as "foreign participants"), setting forth the terms and conditions under which the Department of Defense (DOD) will provide supply support of common weapons systems on an equal basis with U.S. forces. Such agreements are established through Foreign Military Sales (FMS) Letters of Offer and Acceptance (LOA), consisting of two Foreign Military Sales Orders (FMSOs): FMSO I and FMSO II.

b. FMSO I (Stock level or stock augmentation case). A FMSO I is the FMS case that provides for a foreign participant to purchase an equity in the DOD supply system. The Military Department uses this equity investment to procure additional levels of DOD stocks of secondary items in preparation for foreign participant stock withdrawals.

c. FMSO II (Requisition case). A FMSO II is the FMS case that funds the requisitioning of spare and repair parts for support of weapons systems or equipment designated for support under an applicable FMSO I case.

d. Augmentation Period. The augmentation period is that period of time during which stock levels of spare and repair parts are physically increased (or augmented) by the inventory managers with the customer's investment funds from FMSO I.

**100103**      **Conditions**

a. Before recommending a CLSSA as means of follow-on supply support, the Case Administering Office (CAO) will verify that the following conditions are met:

(1) The weapons systems will have reached the material support date prior to the end of the FMSO I augmentation period.

(2) The weapons system is planned to be active in U.S. inventory, with secondary items replenished on demand, for at least five years subsequent to the augmentation period. Close coordination and long-range planning is necessary to minimize the possibility of having an end item, which is being supported by a CLSSA, become obsolete in the near term and be a candidate for the Systems Support Buy Out (SSBO) procedures described in Chapter 13 of this manual.

b. It is essential that customer stock withdrawals (through the FMSO II) from the DOD logistics system not interfere with U.S. military forces readiness posture. Before offering a CLSSA, the Navy International Programs Office (Navy IPO) will advise the customer country of the following prerequisites for withdrawal of stocks:

(1) Adequate in-country stock levels must already be established by the foreign customer to provide for its own initial support.

(2) Augmentation of U.S. stocks must be completed before programmed requisitioning support can be offered under a FMSO II case.

(3) Case ordering periods for FMSO II cases have been eliminated from case requirements. The scope of a FMSO II case is determined by the case value and the weapons system being supported, similar to blanket order type cases. FMSO II cases implemented by the U.S. Navy will state a period of performance for planning purposes; however, NAVILCO will no longer automatically stop accepting new requirements when the stated period of performance ends. This will enable the customer to fully utilize funds before closure. As with blanket order type cases, the FMSO II case value may only be increased during the 12 month period following implementation and will be considered for closure if no new orders are placed against it for 180 days.

c. Cooperative logistics support is offered only to customers for weapons systems that are being supported for U.S. Forces. Support is limited to centrally managed and centrally stocked, stock-numbered items that are procured on the basis of recurring demand. The following classes of items are specifically excluded from CLSSAs:

- (1) Explosive ordnance.
- (2) Major end items.
- (3) Classified items
- (4) Obsolete items.
- (5) Technical data packages.

(6) Excess defense articles on Defense Reutilization and Marketing service (DRMS) Records.

## **Section 2: Procedures**

### **100201 Customer Establishment of Support**

a. The customer establishes two elements of support for the system/ equipment specified by the FMSO I case. These two elements are: (1) the secondary items stocks positioned in the customer's country and (2) the stocks in the U.S. Government (USG) custody under the CLSSA as an integral part of the DOD logistics system.

b. A minimum 12-month stock level must be in-country prior to implementation of a FMSO II case. These stocks will have been purchased and delivered under a FMS case separate from the CLSSA cases or under a direct commercial contract. Normally, these in-country spares will have been included as part of the original weapons systems sales.

c. The augmented CLSSA stocks that become an integral part of the DOD logistics system are used to replenish and maintain the in-country stock levels described above. Augmentation of stock levels in the DOD logistics system will be accomplished only after the customer has accepted and funded the FMSO I case. Such stocks will not be identified, physically segregated, or accounted for separately from other DOD stock inventories. The customer's financial investment in the FMSO II case will be used to augment and maintain stocks needed to replenish the customer's in-country levels. It is essential for customers to understand that the FMSO II case amount may not be increased without (1)

increasing the FMSO I investment and (2) allowing sufficient time for the USN to procure the additional items.

d. In order to take best advantage of the economics inherent in large quantity procurement, USN inventory managers should, to the maximum extent possible, combine procurement for U.S. stock replenishment, FMS in-country spares, and FMSO I stock augmentation requirements.

#### **100202      Establishing FMSO I**

CLSSAs normally involve the investment of funds in the USG inventory, not on the basis of specific lists of anticipated parts needed, but rather on the basis of dollar values of on-hand and on-order levels that will be required to support the dollar value of anticipated sales.

a. The FMSO I may contain the equity list as an enclosure. Since the USN's CLSSA program is financially based, the equity list does not indicate the items/quantities to be augmented. After the FMSO I has been implemented, it can be renegotiated, amended, or replaced as needed.

b. The FMSO I provides the customer investment in the DOD supply system based on the dollar value of the customer's Estimated Annual Demand (EAD) for material. The customer's requirements are included in USN stock level computations.

c. FMSO I is subdivided into two parts:

(1) Part A, which is the "on-hand" portion, normally represents the investment required to fund five months of stock to support the customer's estimated demand. The investment is calculated using the replacement price of |

the support items included under the CLSSA. The customer pays this amount in cash when the accepted FMSO I LOA is returned.

(2) Part B, which is the "on-order" portion, normally represents the investment required to fund the production lead time of the "on-hand" stock or a constant 12 months of stock to support the customer's estimated demand. This investment is calculated using the standard price of the support items included under the CLSSA. The customer authorizes a dependable undertaking for this amount.

d. The combined stock level is normally never less than 17 months. However, both levels may be adjusted upward or downward to more realistically reflect actual on-hand and on-order requirements and/or cash disbursement requirements for the items being supported. Documentation in support of such determination shall be retained at the office that developed the CLSSAs.

e. When requested by the Naval Supply Systems Command (NAVSUP), the Program Support Inventory Control Point (PSICP) computes an equity list to determine the initial investment required in U.S. stocks. The cost of developing the equity list is financed by the customer usually through a blanket order case. The list reflects:

(1) The National Stock Numbers (NSNs) of all eligible items for which demand is expected, based on provisioning data or service records.

(2) The estimated annual demand of each item.

(3) The standard unit price of each item.

(4) The on-hand and on-order quantities for each item.

(5) The dollar value of the estimated annual demand, on-hand, and on-order quantities for each item.

(6) Subtotals of the dollar value of estimated annual demand, on-hand, and on-order quantities by cognizance symbol.

(7) The total dollar value of the estimated annual demand, on-hand, and on-order quantities.

f. When requested by NAVSUP, the PSICP recommends a stock augmentation period based on the current status of U.S. support for the weapons system and the procurement lead time for additional stock to accommodate the anticipated demand under the CLSSA. Separate augmentation periods can be provided for consumable and repairable items.

(1) To determine adequate stock augmentation, program data (e.g. anticipated operations, maintenance capability, etc.) will be solicited from the foreign customer.

(2) After the customer has accepted the FMSO I case and the case has been implemented, NAVSUP will:

(a) Direct the Navy International Logistics Control Office (NAVILCO) to transfer funds from the FMS trust fund to the Defense Business Operating Fund (DBOF).

(b) Notify the Inventory Control Points (ICPs) of the FMSO I values by cognizance symbol for planning and subsequent budget submissions.

g. In the area of inventory management, ICPs may input Planned Program Requirements (PPRs) or other stock augmentation actions within the limits of FMSO I funds to include anticipated demands of participating countries.

(1) Each inventory control point establishes stockage objectives for items under its cognizance based on normal U.S. and CLSSA customer demand and stockage criteria.

(2) Material added to USN stocks under CLSSA are not separately identified or controlled. Normal in-storage care and preservation is provided, and approved design modifications are accomplished.

h. When requested by NAVSUP, the PSICP will send NAVILCO the equity list in computer tape format. NAVILCO will use this tape to establish a list of repairable items applicable to the CLSSA and the EAD for each. FMSO II requisitions will be screened against the list. The PSICP will also send NAVILCO transactions to update the equity list. The transactions will be sent in the Management Information System for International Logistics (MISIL) document identifier "XEL" format. A new equity list can replace an equity list in its entirety on NAVILCO's files.

### **100203 Requisitioning Under FMSO II**

A FMSO II is an annual FMS case that authorizes the participating country to requisition material under the CLSSA. FMSO II requisitions are processed on an equal basis with requisitions of the same priority from the U.S. forces in accordance with the Uniformed Material Movement and Issue Priority System (UMMIPS). When adequate investment has been established and system stock has been augmented under the FMSO I case, FMSO II requisitions may be

submitted for all centrally stocked, managed, and otherwise unrestricted items that apply to the weapons systems being supported by the CLSSA.

a. The cost of material issued under FMSO II is reimbursed to the applicable appropriation at standard price.

b. The FMSO II also funds any applicable accessorial and administrative charges.

c. After completion of stock augmentation, FMSO II requisitions are processed in the same manner as USN requisitions with the same Issue Priority Designator, subject to the following constraints:

(1) Customers must not use FMSO II requisitions to increase the item range and depth of in-country stocks beyond the scope specified in the FMSO I case. Withdrawals under the FMSO II case may not exceed the EAD unless agreed upon by the USG and the customer.

(2) Customers must strictly adhere to the Uniform Material Movement and Issue Priority System (UMMIPS) noted in the USN customer CLSSA. If abuses occur that jeopardize support of USN forces or other CLSSA customers, NAVILCO will notify NAVSUP (SUP 07).

(3) FMSO II requisitioning of items listed in subparagraph 100103c is not allowed. Such requisitions will be rejected to customers without action unless specific waivers have been granted.

(4) FMSO II requisitions for repairable items are screened against the list of repairables to the CLSSA. Requisitions for repairables that are not on the list will be referred to the PSICP for determination of applicability.

(a) Those requisitions the PSICP determines are not applicable to the CLSSA are returned to the customer with appropriate explanation.

(b) Those requisitions determined by the PSICP to be applicable to the CLSSA will be added to the CLSSA and to the front-end screen.

(5) FMSO II requisitions for quantities in excess of Maximum Release Quantity (MRQ) are filled to the MRQ level. The balance is canceled unless Advice Code "2L" is cited in rp 65 and 66. In this case, the MRQ is filled from available stock and the balance filled from stock available above the recorder point or back-ordered. If material is not due-in within 50 days, the material will be placed on procurement for direct delivery to the customer citing DBOF funds.

(6) Individual release authorization must be obtained from the Navy IPO and submitted with each requisition for classified items.

d. All FMSO II requisitions processed before the start of CLSSA termination are coded with a Demand Code "R" in rp 44 to show recurring demand. U.S. stock levels fluctuate in response to this code. Demand Code "N" in rp 44 shows nonrecurring demand.

**100204      Pricing FMSO II Requisitions**

FMSO II requisitions are billed at a standard price, plus any DOD-mandated acquisition surcharge.

**100205      Renegotiation/Termination**

a. An adjustment to the FMSO I investment will become necessary when one or both of the following conditions develops:

(1) The value of actual demand made (i.e., requisitions submitted) by the customer under a FMSO II case is 25% greater or less than the EAD that was used to compute the corresponding FMSO I investment case.

(2) A weapons system supported by CLSSA is significantly upgraded/updated to a new configuration.

b. Renegotiation based on under investment.

NAVSUP will calculate a new EAD, determine the additional on-hand cash investment required, and advise the PSICP.

c. Renegotiation based on over investment.

(1) The following procedures will be used to determine whether a material settlement or cash refund will be offered to the FMS customer as a result of a downward adjustment or termination of a CLSSA.

(2) If renegotiation is required, NAVSUP will:

(a) Notify the customer.

(b) Request the PCICP to:

1. Identify PPRs related to the FMSO -I
2. Provide a Potential Excess List of repairables and Navy-managed consumable for the Weapon System being supported.
3. Provide the customers' pro rata share of supply systems excesses. (This can be done by comparing end items populations {U.S. to specify customer}, requisition volumes, or other means.)

(c) Task NAVILCO to provide the itemized Front-end Screen list for the Weapons Systems supported.

(d) Obtain from MISIL the "Commitment" values from existing FMSO II cases.

(e) Determine the customer's actual annual demand average.

Note: The "actual annual demand average" will be the basis for determining the size of the new FMSO I after renegotiation. The actual annual demand average becomes the Estimated Annual Demand (EAD) of the renegotiated FMSO I. The difference between "actual annual demand average" and the current EAD (before renegotiation) is the amount subject to settlement (need for additional cash deposit if the actual annual demand average exceeds the current EAD, cash refund, material settlement or a combination thereof if the EAD exceeds the actual annual demand average.

(f) Take the FMSO I breakout (dollar value of repairables, Navy-managed consumables and all other consumable, e.g. GSA, DLA, etc.), Potential Excess List, the pro rata share percentage provided by the ICP and the Front End Screen List provided by NAVILCO and:

1. Match the National Item Identification Numbers (NIINs) that appear on the Front End Screen List or the PPRs to the Potential Excess List. For those items that match, summarize the total dollar value of supply system potential excess. This is the limit of potential excess material related to repairables to which the pro rata share percentage will be applied to determine the customer's material obligation for repairables material. To this limit, apply the customer's pro rata share percentage provided by the ICP.

Note: If the ICP provides a tailored potential excess list, i.e., potential excesses identified to a particular customer the match between the front end screen and the Potential Excess List is not necessary.

2. Use the logic cited in para c.(2)(f.)1 above, to develop a percentage that can be applied to consumable. Take this percentage and apply it to the consumables portion of Potential Excess List received from the ICP to determine the limit to the customer's liability for Navy-managed consumables. To this limit, apply the customer pro rata share percentage to determine the customer's material obligation for Navy-managed consumable.

Note: If the ICP provides a tailored potential excess list, the pro rata share percentage will be applied directly to the tailored potential excess list.

3. To determine the customer's material obligation for non-Navy managed consumables (DLA, GSA, etc.), apply the pro rata percentages received from the ICP to the total dollar value of the non-Navy managed consumables appearing on the FMSO I.

Note: In this way, Navy refunds of cash deposited in the DBOF to support demands on DLA/GSA stocks will be in the same ratio and pro rata share as computed for investments in Navy stocks.

4. If appropriate, provide a memo to NAVSUP 13 requesting a cash refund and information on the transfer of funds required to effect a material settlement. Once SUP 13 approves the cash refund/material settlement, send a letter to NAVILCO requesting the transfer from the DBOF to the customer's account. The cash refund plus the material obligation plus the renegotiated On Hand dollar value should equal the On Hand dollar value that existed prior to the renegotiation.

(g) Contact the FMS customer to renegotiate, advising the FMS customer of the amount of the cash refund and the amount of the material (potential excess) settlement. If the customer decides that he wants the material, arrange to have the material shipped. Make the necessary arrangements with the customer, NAVILCO, and the ICP to identify, requisition, report and ship the material that is drawn down. If the customer decides he does not want the material, arrange for disposal actions on the customer's behalf.

(h) Provide the customer with the proceeds of any disposal action less the administrative cost of the disposal action. The FMSO-I administrative charge will not be refunded to the customer.

(i) Take the necessary case closure or case amendment actions upon completion of the renegotiation.

## CHAPTER 11 - INTEGRATED LOGISTICS SUPPORT

### Section 1: Purpose and Elements of Integrated Logistics Support

#### 110101 Purpose

This chapter identifies the main elements involved in the development of a support package. (The support package is an integral part of the sale of a U.S. Navy (USN) weapons system, subsystem, or equipment to a Foreign Military Sales (FMS) customer.) Although this chapter is not intended to provide detailed instructions or procedures to tell a Hardware Systems Command (SYSCOM) how to develop and implement an Integrated Logistics Support (ILS) program, it is intended to provide, through the use of checklists, information on areas needing consideration during FMS ILS planning.

#### 110102 Elements of ILS

a. ILS is a composite of the elements needed to ensure the effective and economical support of weapons systems or subsystems at all levels of maintenance for the programmed life cycle of the equipment. ILS includes the following elements:

- (1) The maintenance plan
- (2) Manpower and personnel
- (3) Supply support (includes provisioning)
- (4) Training and training devices
- (5) Technical data
- (6) Computer resources support
- (7) Packaging, handling, storage, and transportation
- (8) Facilities
- (9) Integrated Logistics Support plan
- (10) Support and test equipment
- (11) Design interface

b. Life-cycle ILS is composed of the following three phases:

- (1) Phase I - Initial Support
- (2) Phase II - Follow-on Support
- (3) Phase III - Post Production Support

c. The details of ILS policy and procedure can be found in the following documents:

- (1) Department of Defense (DOD) Directive 5000.39
- (2) Secretary of the Navy (SECNAV) Instruction 5000.39
- (3) Office of the Chief of Naval Operations (OPNAV) Instruction 5000.49A
- (4) Integrated Logistic Support Supply Handbook, NAVSUP Publication 548

#### **110103      Planning Considerations**

a. ILS planning must address the program planning and financial decisions required during all phases of the logistics acquisition process. The plan must address the total life span of the weapons system, subsystem, or equipment, commencing with program initiation and extending through the operational phase until the system or equipment is retired from the operating inventory.

b. The maintenance concept, together with the operating plan and weapons system configurations, forms the foundation for logistics planning. It specifies who performs maintenance actions on which items; and where, when, and sometimes how maintenance action will be performed. Logistics planning is directed toward smoothing the integration of the weapons system or subsystem into the customer's armed forces and toward taking early steps to ensure its long-range support. One basic determination that must be made before logistics planning can proceed is the identification of the specific configuration of each weapons system, subsystem, and/or equipment that will be maintained and supported. Once the individual configurations are determined, the systems, subsystems, and/or equipments are separated into functional categories and a maintenance plan developed for each

category. After these determinations have been made, a tailored ILS plan can be developed.

c. Developing an overall ILS management plan enables identification and documentation of the life-cycle support requirements and estimates for the programmed life of the weapons system, subsystem, or equipment under consideration. This planning should include expected costs for acquisition of initial and follow-on support as well as the cost of absorbing the new items and their support into the existing support structure.

d. Figures 11-1 through 11-11 provide checklists of acquisition and logistics considerations that should be addressed during the development of each element of the ILS process. Application of these checklists will enable the identification of funding requirements and funding shortfalls so that management, engineering, and logistics support trade-offs can be considered. Use of the checklists will also provide the basis for estimating total program cost requirements in annual increments and will assist with periodic review of current and projected funding requirements related to the operating cost of all ILS functions.

**Figure 11-1**

**ILS PLANNING CHECKLIST: ACQUISITION CONSIDERATIONS**

- Statements of work
- Specifications
- Design to cost data
- Request for Proposal (RFP)
- Request for Quotation (RFQ)
- Source selection plan
- Invitation for Bids (IFB)
- Single Vendor Integrity (SVI) applications
- Spares acquisition in conjunction with production
- Technical manual contract requirements
- Contract data requirements list
- Proposed contract modifications
- Engineering change proposals
- Contracts
- Procurement requests
- Work requests
- Military Interdepartmental Purchase Requests (MIPR)
- Requisitions
- Project orders

Figure 11-2

**ILS PLANNING CHECKLIST: GENERAL LOGISTICS CONSIDERATIONS**

- Perform Site Survey
- Explore operation and support alternatives
- Consider life-cycle costs and constraints
- Identify readiness objectives
- Identify cost, manpower, readiness, and schedule
- Develop preliminary acquisition strategy
- Select operation and support alternatives
- Set life-cycle cost goals and alternatives
- Identify risks and trade-offs of manpower and system characteristics, and support concepts
- Refine readiness objective (operational availability)
- Consider environmental impact
- Reassess affordability
- Develop deployment concept
- Determine NATO Rationalization, Standardization, and Interoperability (RSI) requirements
- Project support element requirements, goals, and thresholds
- Project operation and support costs
- Develop acquisition strategy and schedules
- Establish ILS management team
- Manage and control life cycle cost elements
- Update design-to-cost goals
- Evaluate cost effectiveness and readiness potential
- Reevaluate environmental impact
- Update deployment concept
- Update NATO RSI requirements
- Update operation and support cost estimates
- Update acquisition strategy and schedules
- Update Government Furnished Property (GFP), Government Furnished Equipment (GFE), and Government Furnished Material (GFM) support requirements
- Perform logistics support analysis trade-offs
- Track and control support costs and schedules
- Plan DOD organic support
- Invoke configuration control practices
- Ensure the adequacy of quality assurance and quality control
- Develop ILS plan
- Foreign government Memoranda of Understanding (MOU)
- Foreign government Memoranda of Agreement (MOA)
- Foreign government Letter of Offer and Acceptance (LOA)
- Cross-service MOU and MOA
- Employ ILS management team
- Manage and control life-cycle cost elements

## Figure 11-2 (Continued)

- Consider allowance documentation needs, such as:
  - o Tailored allowance list
  - o COSAL, COSMAL, GRL
- Consider value engineering change proposals
- Evaluate cost effectiveness and readiness capabilities
- Program support to meet updated deployment schedule
- Comply with NATO RSI agreements
- Update Support Element Requirements
- Determine GFP, GFE, and GFM support requirements
- Revise acquisition strategy and schedules based on deployment schedules
- Refine operation and support cost estimates
- Ensure GFP, GFE, and GFM support requirements satisfied
- Manage deliveries of support material, data, and documentation
- Track and control support costs and schedules
- Manage phase-over from contractor support to USN organic support
- Sustain configuration control of support items and material
- Conduct logistics validation reviews
- Select source
  - o Develop source selection plan
  - o Participate in source selection
- Assess foreign maintenance organization/methodology
- Identify foreign user readiness objectives
- Consider environmental impact in foreign use
- Jointly develop foreign deployment concept
- Establish Joint USN/foreign ILS management team
- Reevaluate foreign environmental impact
- Update foreign user deployment concept
- Provide data on and establish foreign user configuration control systems and procedures
- Establish foreign user quality assurance and quality control procedures and programs
- Develop jointly tailored foreign ILS plan
- Employ joint USN/foreign ILS management team
- Conduct joint USN/foreign logistics validation reviews
- Consider follow-on support requirements
- Consider needs for transporting and handling classified and explosive material
- Identify freight forwarder requirements
- Identify configuration management plan
- Consider Installation and Check-out (I&C) spares requirements

**Figure 11-3**

**ILS PLANNING CHECKLIST: MAINTENANCE PLANNING**

- Estimate capabilities
- Evaluate possible concepts
- Establish concepts
- Develop requirements
- Conduct logistics support analysis
- Conduct level of repair analysis
- Establish evaluation criteria
- Evaluate plan
- Approve plan
- Evaluate maintenance demonstration of prototype
- Update maintenance plan
- Conduct interservice studies
- Evaluate development of built-in test equipment  
    against goals and test thresholds
- Consider/plan site survey visit
- Jointly estimate foreign user capabilities
- Jointly evaluate possible foreign use concepts
- Develop unique foreign user requirements
- Conduct foreign user level of repair analysis
- Jointly approve plan

**Figure 11-4**

**ILS PLANNING CHECKLIST: PERSONNEL SKILLS, TRAINING, AND SAFETY**

- Personnel skills and training
  - o Identify training documentation requirements
  - o Develop preliminary maintenance skill requirements
  - o Consider basic personnel and training requirements (manpower, skill availability, policies)
  - o Develop evaluation criteria
  - o Evaluate proposals
  - o Approve plan
  - o Identify new support-related hardware and software (test stations, simulators, etc.)
  - o Participate in navy training plans conference
  - o Validate personnel and skill requirements
  - o Train Technical Evaluation (TECHEVAL) Operational Evaluation (OPEVAL) participants
  - o Assist in updating personnel and training requirements
  - o Jointly approve foreign user plan
  - o Assist in updating foreign personnel and training requirements

**Safety**

- o Develop personnel safety considerations
- o Update safety plan
- o Perform safety analysis

**Figure 11-5**

**ILS PLANNING CHECKLIST: RELIABILITY AND MAINTAINABILITY**

- Estimate capabilities
- Establish gross requirements
- Establish evaluation criteria
- Perform evaluation
- Establish design guidelines
- Define reliability and maintainability guidelines to meet operational requirements
- Update reliability and maintainability requirements
- Demonstrate adequacy of reliability and maintainability requirements against goals and thresholds
- Adjust reliability and maintainability requirements
- Evaluate reliability and maintainability in the first article and/or service test models
- Demonstrate adequacy of reliability and maintainability for first article
- Update reliability and maintainability requirements

**Figure 11-6**

**ILS PLANNING CHECKLIST: SUPPLY SUPPORT**

- Estimate supply support capabilities
- Identify supply support trade-offs
- Develop supply support requirements
- Establish demonstration and validation provisioning requirements
- Evaluate provisioning and support proposals
- Approve supply support plan
- Develop recommendations for spares to support TECHEVAL/OPEVAL
- Procure spares and repair parts to support TECHEVAL/OPEVAL
- Determine need for procuring long lead-time spares concurrently with long lead-time items for production
- Prepare preliminary program support data
- Identify initial outfitting requirements
- Consider follow-on support requirements:
  - o Direct Requisitioning Procedures (DRP) case
  - o Cooperative Logistics (FMSO I and FMSO II cases)
  - o Repair of Repairables (ROR)
- Develop workaround strategy as required to meet support date

**Figure 11-7**

**ILS PLANNING CHECKLIST: SUPPORT AND TEST EQUIPMENT**

- Estimate capabilities
- Perform trade-off studies
- Determine preliminary support equipment requirements
- Update support equipment requirements
- Design support equipment
- Verify availability of support equipment
- Monitor development of diagnostic software, firmware, and computer resources
  - o Update software, firmware, and computer resource requirements
  - o Coordinate development of software, firmware, and computer resource support

**Figure 11-8**

**ILS PLANNING CHECKLIST: MANAGEMENT AND TECHNICAL DATA**

- Management data
  - o Develop data collection, analysis, and control procedures
  - o Perform collection and analysis of data feedback
- Technical data
  - o Identify technical data
  - o Perform technical data trade-offs
  - o Establish technical data concepts
  - o Develop technical data requirements
  - o Develop specifications and statement of work
  - o Develop contract data requirements list
  - o Convene data requirements review board
  - o Establish technical data program evaluation criteria
  - o Evaluate proposals
  - o Approve technical data plan
  - o Determine level of documentation/publications required
  - o Management data
  - o Verify suitability of data
  - o Develop specifications and statement of work inputs
  - o Convene data requirements review board
  - o Establish technical data program evaluation criteria
  - o Issue technical manual contract requirements
  - o Update management data plan
  - o Manage delivered data
  - o Verify suitability of data

**Figure 11-9**

**ILS PLANNING CHECKLIST: TRANSPORTATION AND HANDLING**

- Identify transportation and handling capabilities
- Develop alternatives for transportation and handling
- Establish transportation and handling requirements
- Establish evaluation criteria
- Evaluate proposals
- Approve plan
- Update requirements
- Assess foreign customer requirements
- Jointly approve foreign user plan
- Develop procedures for transporting and handling of classified and explosive items
- Consider freight forwarder availability and associated requirements

**Figure 11-10**

**ILS PLANNING CHECKLIST: FACILITIES**

- Develop requirements; identify existing capabilities
- Develop facility trade-offs
- Develop facilities plan
- Establish evaluation criteria
- Evaluate proposals for support facilities prototype construction
- Approve prototype construction
- Initiate military construction programming action for support facilities
- Verify availability of support test facilities
- Obtain approval for military construction
- Award construction contracts
- Ensure foreign user military construction programming action for support facilities
- Review functional adequacy of existing facilities
- Ensure that foreign user obtains approval for military construction

**Figure 11-11**

**ILS PLANNING CHECKLIST: RESOURCE FUNDS**

- Prepare funding estimates
- Provide financial estimates
- Develop funding requirements
- Request funding action
- Allocate funds for support
- Update financial plan for support
- Confirm funds availability
- Allocate funds for full-scale engineering development
- Update financial plan based on design reviews
- Confirm support funds availability for production



## CHAPTER 12 - REPAIR OF REPAIRABLES

### Section 1: General

#### **120101 Purpose**

To establish policy, procedures and responsibilities for the processing of the FMS customer repairables under the U. S. Navy (USN) Security Assistance (SA) Program for Naval Supply Systems Command (NAVSUP) managed cases, and repairable transactions processed by NAVSUP field activities.

#### **120102 Scope**

This chapter covers the Repair of Repairables (ROR) accomplished by the USN under the SA Program for all NAVSUP managed repairable material, except explosive items (which require special consideration and case by case basis evaluation) and classified cryptographic material (which is handled under NAVSUPINST 4900.38). ROR procedures covered in this chapter apply to the NAVSUP Inventory Control Points (ICPs), U.S. Navy International Logistics Control Office (NAVILCO) and Designated Overhaul Points (DOPs).

#### **120103 Background**

The Navy International Programs Office (Navy IPO) has directed the implementation of standard processing and financial accounting procedures for repairing repairables held by FMS customers to promote efficiency and economy in satisfying customer requirements. The following procedures comply with this direction and with the accounting policy and procedures set forth in Department of Defense Financial Management Regulation (DOD) 7000.14-R, Volume 15 March 1993.

#### **120104 General Policy**

a. ROR is normally accomplished as a separate Blanket Order type case identified by an "M" in the first position of the case designator. (See Chapters 2 and 9 of this manual.)

b. There are two general methods for accomplishing ROR: first, the Tailored Repairable Item List (TRIL) method; second the Single Transaction (ST) method. The two methods are described in detail in paragraphs 120202 and 120203, respectively. The method selected will be specified on the United States Department of Defense Letter of Offer and Acceptance (LOA).

c. The LOA will also identify any specific service required in conjunction with performance of the ROR case. Examples of such service include:

(1) Development of the TRIL.

(2) Specialized Program management/Technical services for the FMS Case.

d. If any unique customer requirements call for the use of non-standard procedures when executing the ROR case, those procedures must be coordinated with, and approved by, NAVSUP Code 73. They must also be identified on the LOA.

e. NAVSUP will be the Case Administering Office (CAO) for routinely supported ROR cases involving ICP managed material (i.e., items for which the ICP's perform the ROR management function for Domestic Navy).

For ROR cases requiring significant technical guidance or control, the SYSCOM which has the technical responsibility for the weapons system will be designated as the CAO.

f. Normally, all transportation costs for material shipped to a US Government or commercial rework facility must be prepaid by the FMS customer. Repairables will be consigned by the FMS customer to its designated freight forwarder for clearing through US Customs and transshipping within CONUS. Intra-Navy shipment of FMS repairables will be covered by a Government Bill of Lading (GBL). Recoupment of actual GBL charges is mandatory, and will be billed as "above the line" charges to the FMS case. To track the actual charges to the FMS case, the Case Manager must obtain a unique Navy FMS Transportation Account Code (TAC) from the Navy Material Transportation Office (NAVMTO), Code 021, Norfolk, VA and insure that the TAC code is cited on the GBL.

g. The DOP suspends repair actions, notifies the appropriate ROR Manager of costs incurred to date, and requests additional obligational authority for repair or disposition instructions when the repair cost of a given item will exceed 100% of the current ML-N Standard Price for that item or the repair cost will exceed 100% of the funds authorized in the funding document, even though the cost is not 100% of the ML-N Standard Price. The ROR Manager will notify the FMS customer of the costs incurred to date and will request disposition instructions for the material. In the event that the FMS customer directs disposal of the material, the carcass will be sent to the nearest Defense Reutilization and Marketing Office (DRMO) following the procedures in Section 3 of this chapter.

h. Any classified material connected with a ROR case will be protected under current USN security regulations, including movement control and accounting for the custody of the material. Costs associated with classified material will be

considered during the Price and Availability (P&A) process described in Chapter 4 of this manual.

i. The FMS customer may decide to cancel a Single Transaction repair (Figure 12-5). They must include in the Figure 12-5 format, the complete instructions for the action that they want the DOP to follow for the repairable item, if the Not Ready for Issue (NRFI) item is in transit to, or at the DOP.

j. Appropriate markings will be displayed for hazardous material and instructions for packing , crating, handling and shipping will be followed.

#### **120105 Forms**

- a. NAVCOMPT Form 2025 (Status of Funds Authorization)  
Stock Number 0104-LF-702-0302
  
- b. NAVCOMPT Form 2036 (Reconciliation Report)  
Stock Number 0104 LF-702-1100
  
- c. DD Form 1348-1 (DOD Single Line Item Release/Receipt Document)  
Stock Number 0102-LF-013-1040 (White)  
Stock Number 0102-LF-013-1050 (Yellow)  
Stock Number 0102-LF-013-1060 (Pink)
  
- d. DD Form 1149 (Requisition & Invoice/Shipping Document)  
Stock Number 0102-LF-800-0180
  
- e. NAVCOMPT Form 2277 (Voucher for Disbursement and/or Collections)  
Stock Number 0104-LF-800-0180

Note: The above forms may be obtained through normal Navy supply channels using NAVSUP PUB 2002F (Navy Stock List of Publications and Forms).

#### **120106 Definitions**

a. CAO (Case Administering Office). The Command that has responsibility for the overall planning, pricing, execution, and closure of an FMS case.

b. Case Manager. An individual who is the management focal point for a FMS case. The Case Manager is the individual responsible for the logistics and financial integrity of the case.

c. ROR Manager. An individual who prepares the appropriate documents for the DOP, tracks and reports on the status of all the customer's repairs. The Case Manager may designate another activity to perform ROR management functions.

d. DOP (Designated Overhaul Point). A government activity or commercial contractor designated by the ROR Manager to perform the highest (depot) level of repair on a particular item or group of items.

e. MRIL (Master Repairable Item List). The MRIL is a catalog of Navy repairable items. The MRIL is divided into two parts:

(1) Part I - Listing of Items: Contains National Stock Numbers (NSNs) and Navy Item Control Numbers (NICNs) of repairable items and Aircraft Engine Type/Model/Series identifiers. Contains information required to make repair/turn-in determinations on repairables and aircraft engines.

(2) Part II - Shipping Addresses: Contains addresses of DOPs including contractors and other destinations for all items listed in Part I. Addresses are listed in shipping code sequence.

f. TRIL (Tailored Repairable Item List). A listing which identifies all repairable line items for a total weapon system or major equipment along with corresponding turn-in destinations and estimated repair costs. It is adapted to a particular country's equipment configuration and maintenance capabilities.

## **Section 2: FMS Repair Program**

### **120201 Return and Exchange (R&E)**

This is not currently an authorized stand alone repair program for USN FMS, but can be authorized on a case by case basis for FMS customers that have also invested in a CLSSA case . Since August 1982, no new R&E cases have been offered to FMS customers. NAVSUP 07 is investigating implementation of a Return & Replace Program.

### **120202 Return, Repair and Reshipment Using a Tailored Repairable Item List (RRR/TRIL)**

a. General. RRR/TRIL can be offered in support of a major weapons system. Prior to recommending this procedure, the Case Manager should determine that provisioning and configuration data are adequate to support the development and maintenance of a TRIL. If they are not adequate, the P&A data should include a cost estimate to acquire the necessary data and develop the TRIL. The Case Manager directs the preparation of a TRIL which identifies repairables to corresponding DOPs. The customer returns items directly to the applicable DOP without providing advance notice. The ROR Manager provides detailed

management as delegated by the Case Manager and replies directly to customer inquiries regarding the status of repairs. Bills for services rendered are to be submitted at the carcass level. Special procedures, when stipulated on the FMS case LOA, may include a requisite lay in of spares and piece parts at the DOPs.

b. Exceptions. RRR/TRIL cases for certain designated weapons systems may be executed under special procedures such as the use of a hybrid TRIL case or a sole DOP TRIL. A hybrid TRIL combines single transaction and TRIL procedures by having a TRIL developed for components that have a known DOP while the FMS customer requests authorization and shipping instructions via letter for the balance. Under a sole DOP TRIL, all ROR candidates are returned to a sole DOP, but the sole DOP may repair the item or forward to another repair activity. In any case, the LOA will include any special procedures.

c. Responsibilities

(1) Case Manager

(a) Prepares the P&A estimate together with supporting documentation upon receipt of a Navy IPO request for P&A data. This includes the initial FMS Planning Directive (DD Form 2061) and FMS Obligational Authority (DD Form 2060) per DOD 7000.14-R, Volume 15.

(b) Prepares additional DD Forms 2060 and 2061, as required.

(c) Exercises overall management authority and ensures compliance with these procedures from case implementation through case closure.

(2) NAVILCO

(a) Establishes FMS case records.

(b) Provides funding, as directed by the Case Manager using Project Directive Line Item (PDLI) and Contract Accounting procedures.

(c) Receives and processes, on a monthly basis, a Status of Funds authorization, Comptroller of the Navy, NAVCOMPT Form 2025 (Status of Funds Authorization), from the ROR Manager(s) who have been issued suballotments.

NOTE: No NEW Suballotments are authorized for ROR cases. Existing suballotments will be allowed to continue until the funds expire.

(d) Receives, on a quarterly basis, Reconciliation Reports, NAVCOMPT Form 2036, from ROR Managers who have been issued suballotments. Reviews and incorporates the information from the NAVCOMPT Form 2036 into the overall FMS Trust Fund Expenditure Reconciliation Report.  
NOTE: NEW SUBALLOTMENTS ARE NO LONGER AUTHORIZED FOR ROR CASES. All new funding will be issued by Project Directive Line Item (PDLI) and Contract Accounting procedures. Existing suballotments will be used until they are closed.

(e) Provides performance and disbursement reporting to the Defense Finance and Accounting Service, Denver, Colorado 80279-5000.

(f) Updates the MIST ROR Database and MISIL from the data provided by the ROR Manager.

**(3) ROR Manager**

(a) Establishes the necessary programs to coordinate and manage the repair and return of Not Ready for Issue (NRFI) repairables under these procedures.

(b) Prepares TRILs and ensures TRIL data is kept current and consistent with FMS customer program requirements. The FMS Customer should receive any updates to the TRIL as required.

(c) Receives funding authority from NAVILCO and provides appropriate documents and funding authorities to the appropriate DOP. Organic repairs are funded through a project order or a work request. Commercial repairs are funded through a contract.

(d) Establishes and maintains the necessary fiscal and supply management programs to monitor the progress of repairs at DOPs. Ensures that a capability exists to acquire detailed data to support DOP charges at the individual carcass level. The ICP must be able to provide a single cost of the repair to each carcass to the FMS Customer and Case Manager. The customer is only authorized to receive the total cost of the unit repaired. The breakdown of labor, material, and indirect costs is not required, (if the unit cost to repair is provided at this detail, the information is not releasable to the FMS customer).

(e) Receives and processes job order charges from the DOPs as required.

(f) Reports the status of all FMS suballotments to NAVILCO on NAVCOMPT Form 2025 on a monthly basis and ensures all charges received are reported.

**NOTE: NO NEW SUBALLOTMENTS ARE AUTHORIZED.** Accounting for ROR cases will be done using Project Directive Line Item (PDLI) and Contract Accounting procedures.

(g) Reports all FMS suballotment expenditures and collections to NAVILCO on NAVCOMPT Form 2036 on a quarterly basis.

(h) Maintains liaison with DOP or DCAS point of contact to ensure problems are resolved and delivery dates are met.

(i) Maintains liaison with the Case Manager to send and receive information and direction concerning problems and specific program related matters.

(j) Advises the customer of costs incurred to date and requests disposition instructions from the customer whenever the DOP reports that the repair costs will exceed the ML-N standard price. Directs the DOP point of contact to send repairable carcass to the nearest Defense Reutilization and Marketing Office (DRMO) (Section 3 of this chapter) when the customer requests disposal of their material.

(k) Requests issuance of additional funds to complete the repair when the repair costs exceed the funds authorized by the funding document.

(l) Responds to customer requests regarding items not specifically listed on the applicable TRIL. Provides the customer with written authority to return the item with the shipping instructions when the item is not listed on the TRIL. Adds the repairable items to the TRIL when authority is given.

(m) Responds to customer inquiries regarding the status of repairs.

(n) Responds to Case Manager inquiries regarding the availability of funds and advises the Case Manager when it appears that the customer's requirements will exceed available funds.

(o) The ROR Manager will provide to NAVILCO on a weekly basis in electronic format the data required feed the MIST ROR central database.

(p) The ROR Manager will provide to the FMS customer a monthly report that contains the following data elements:

1. The date the NRFI asset was shipped to the Designated Overhaul Point (DOP) if provided by the FMS Customer (freight forwarder).
2. Entry Date that the record was established in the tracking system.
3. Country/Case Identifier.
4. Serial Number of the item.
5. National Item Identification Number (NIIN) or Manufacturer's Part Number and Commercial and Government Entity (CAGE).
6. Nomenclature of the item.
7. DOP identification.
8. Funding Document Number.
9. Date DOP received the NRFI asset.
10. Date DOP inducted the item.
11. Date DOP completed repair of the asset.
12. Action Taken (e.g. shipped in RFI condition, Beyond Repair/Beyond Economic Repair, disposed of, or returned to the customer in NRFI condition).
13. Date Freight Forwarder received the returned item if provided by the FMS Customer (freight forwarder).
14. Turn In Document Number.

Information will not always be available to enter all of the elements, but the field should always be present on the report. The ROR Manager may include additional information on their report, but all of the above fourteen data elements must be provided to the FMS customer. In order to prevent the distribution of voluminous reports, the ROR Manager, in working with the FMS Customer, will determine how long items remain on the report after the final action has been posted.

**(4) Designated Overhaul Point (DOP)**

(a) Receives the customer's NRFI item together with a letter of transmittal (Figure 12-1) which describes the extent of repairs desired and provides shipping instructions.

(b) Notifies the customer that the item has been received when an additional copy of the letter of transmittal and a pre-addressed envelope are included in the shipping container with the repairable item. Stamps the reverse side of the extra copy of the transmittal letter with the date of receipt.

(c) Ensures funding documents are received with sufficient funds before any repair work is started on the NRFI repairable item.

(d) Performs required inspection of the material received and verifies the accuracy and adequacy of the information provided by the transmittal letter.

(e) Initiates repair and incorporates desired change kits and configuration changes when authorized by the responsible ROR Manager.

(f) Suspends repair actions, advises the ROR Manager of costs incurred to date and requests additional obligational authority for repair or for disposition instructions when the cost exceeds 100% of the ML-N standard price

or the repair cost exceeds 100% of the funds authorized by the funding documents, even though the cost is not 100% of the ML-N standard price.

(g) Maintains all required accounting records at the job order level, consistent with the relevant funding document requirements.

(h) Provides charges at the unit level. A breakdown of the charges past the unit level (i.e. labor, material, indirect costs) is not necessary.

(i) Notifies the ROR Manager upon completion of repair and packs and preserves the Ready for Issue (RFI) item in accordance with current DOD standards for overseas shipments.

(j) Ships the item from the instructions provided by the letter of transmittal. Ensures all shipping documents clearly indicate the document number, the FMS Case, the import license number and the National Stock Number (NSN) or Part Number (P/N)/Commercial and Government Entity (CAGE) of the item, in addition to other required data and markings.

### **120203 Return, Repair and Reshipment on a Single Transaction Basis (RRR/ST)**

a. General. RRR/ST will be offered to prospective FMS customers when the estimated volume of returns is small or when it is impractical to advance fund several DOPs under the TRIL concept. RRR/ST is also appropriate when adequate provisioning and configuration data is not available to construct a TRIL and the prospective customer does not agree to purchase TRIL data. The RRR/ST procedures may be used both for unserviceable items listed in the MRIL and for items not listed in the MRIL that the customer wishes to have repaired. ROR Manager approval is required prior to material turn-in, whether or not the item is listed in the MRIL. The ICPs are the primary contact points between the FMS

customer and the USN supply system for RRR/ST. The ROR Managers perform management and tracking for Single Transactions repairable actions. In those instances when the FMS customer makes an error and sends a cost estimate request (Figure 12-2) to the incorrect ICP, the item is researched by the receiving ICP and is forwarded it with a transmittal letter to the correct ICP or SYSCOM. A copy of the transmittal letter will be provided to the FMS customer and NAVILCO.

b. Responsibilities

(1) Case Manager

(a) Prepares the P&A estimate together with supporting documents upon receipt of a P&A data request from Navy IPO. This includes the initial FMS Planning Directive (DD Form 2061) and FMS Obligational Authority (DD Form 2060), under DOD 7000.14-R, Volume 15.

(b) Prepares additional DD Forms 2061 and 2060 as required.

(c) Exercises overall management authority and ensures compliance with these procedures from case implementation through case closure.

(2) NAVILCO

(a) Establishes FMS case records.

(b) Prepares a requisition in the format prescribed in Figure 12-4 and forwards it to the responsible ROR Manager upon receipt of a customer's turn-in letter (Figure 12-3).

NOTE: Previous editions of sample letter format (Figure 12-3) are obsolete and will not be used.

(c) Processes requests for increased funding authority following normal procedures.

(d) Notifies the customer of costs incurred to date, and requests additional funds for repair, or for disposition instructions, when the obligational authority is insufficient to complete the repair.

(e) Posts repair status provided by the ROR Manager to MIST/MISIL.

(f) Receives and processes shipping documents (DD Form 1348-1 or DD Form 1149 from DOD activities or DD Form 250 from contractors), furnishing shipping status to the customer.

(g) Receives and processes charges following normal procedures.

(h) Receives an info copy of the customer's requests for cancellation of repair (See Figure 12-5).

(3) ROR Manager

(a) Receives customer requests for Single Transaction repair cost estimates direct from the FMS customer, provides appropriate responses (i. e., costs estimates) directly to the customer. Ensures that the response includes:

1. Turn In Document Number.

2. Estimated repair cost including authorized FMS surcharges.
3. Estimated completion date.
4. Specific shipping instructions.
5. Specific reference to the customer's request.

(b) Receives a copy of customer's turn-in letter (Figure 12-3) and requisition from NAVILCO (Figure 12-4). Prepares appropriate documents/funding authority for the DOP. Organic repairs will be funded through a project order or work request, commercial repairs through a contract, including a commercial buying service (such as FASTLINE) or a Basic Ordering Agreement (BOA).

NOTE: Previous editions of sample letter format (Figure 12-3) are obsolete and will not be used.

(c) Receives funding authority from NAVILCO and provides the work request, project order or contract to the applicable DOP, with a copy to NAVILCO.

(d) Monitors status of repairs and responds to customer follow-ups and NAVILCO requests for information.

(e) Posts repair status provided by the DOP to the ICP ROR tracking report.

(f) Requests additional funds to complete the repair, when the repair costs exceed the funds authorized by the funding document as long as the repair cost does not exceed the standard price.

(g) Receives and processes customer's requests for cancellation of repair (See figure 12-5).

(h) Will provide to NAVILCO on a weekly basis in electronic format the data required to feed the MIST ROR central database.

(i) Will provide to the FMS customer a monthly report that contains the following data elements:

1. The date the NFRI asset was shipped to the Designated Overhaul Point (DOP) if provided by the FMS Customer (freight forwarder).
2. Entry Date that the record was established in the tracking system.
3. Country/Case Identifier.
4. Serial Number of the item.
5. National Item Identification Number (NIIN) or Manufacturer's Part Number and Commercial and Government Entity (CAGE).
6. Nomenclature of the item.
7. DOP identification.
8. Funding Document Number.
9. Date DOP received the NFRI asset.
10. Date DOP inducted the item.
11. Date DOP completed repair of the asset.

12. Action Taken (e.g. shipped in RFI condition, Beyond Repair/Beyond Economic Repair, disposed of, or returned to the customer in NRFI condition.

13. Date Freight Forwarder received the returned item if provided by the FMS Customer (freight forwarder).

14. Turn In Document Number.

Information will not always be available to enter all of the elements, but the field should always be present on the report. The ROR Manager may include additional information on their report, but all of the above fourteen data elements must be provided to the FMS customer. In order to prevent the distribution of voluminous reports, the ROR Manager, in working with the FMS Customer, will determine how long items remain on the report after the final action has been posted.

(4) Designated Overhaul Point (DOP)

(a) Responds to the ROR Manager's requests for repair. When the capability to repair exists, provides estimated costs, repair time and appropriate shipping instructions.

(b) Ensures appropriate funding documents are received with sufficient funds before any repair work is started on the repairable.

(c) Notifies the customer that the item has been received when an additional copy of the letter of transmittal and a pre-addressed envelope are included in the shipping container with the repairable item. Stamps the reverse side of the extra copy of the letter with the date of receipt.

(d) Performs inspection and verifies the adequacy and accuracy of the customer's request for repair. Ensures the document number cited in the

letter of transmittal (Figure 12-3) is identical to that cited on the funding document.

**NOTE:** Previous editions of sample letter format (Figure 12-3) are obsolete and will not be used.

(e) Suspends repair actions, advises the ROR Manager of costs incurred to date and requests additional obligational authority for repair or for disposition instructions when the repair cost exceeds 100% of the ML-N standard price or exceeds 100% of the funds authorized by the funding document, even though the cost is not 100% of the ML-N standard price.

(f) Maintains accounting records.

(g) Notifies the ROR Manager upon completion of repair and packs and preserves the Ready for Issue (RFI) item in accordance with current DOD standards for overseas shipments.

(h) Provides charges to NAVILCO via the applicable U.S. Government (USG) disbursing office.

(i) Ships the RFI repairable to the customer per the instructions provided by the letter of transmittal (Figure 12-3) and ensures that all shipping documents contain the required data and markings. This includes the document number, the FMS case, the import license number and the NSN or part number and CAGE. Ensures NAVILCO and the ROR Manager are provided copies of all shipping documents (DD Form 1348-1 or DD Form 1149 from DOD activities or DD Form 250 from contractors).

**Section 3: Procedures for Uneconomically  
Repairable FMS Customer Assets**

**120301 General**

FMS customer owned material returned to the USN for repair may be determined by the responsible DOP to be beyond economic repair (BER). (See paragraphs 120202 and 120203.) In such cases, the customer may request the return of the uneconomically repairable material or authorize the disposal of the material.

**120302 Policy**

- a. When the FMS customer decides to have the USN ship the BER item back to the FMS country, the FMS ROR case will be billed for the shipping cost.
  
- b. If the FMS customer decides to have the USN supply system dispose of the item, the proceeds from the sale of the item will be used to defray the administrative cost of the disposal action. Thus, the customer will not receive any payment for uneconomical-to-repair items. The DD Form 1348-1 must accompany the disposal material to the responsible DRMO.
  
- c. The above policy has been coordinated with the Defense Reutilization and Marketing Services (DRMS).
  
- d. The customer will be billed for any repair costs incurred.

**120303 Responsibilities and Actions of Designated Overhaul Point (DOP)**

- a. Prepare a DD Form 1348-1 for the movement of the item upon notification that the FMS customer had authorized the disposal of repairable material.
- b. Forwards DD Form 1348-1 along with repairable material to the DRMO.
- c. Forwards a copy of the DD Form 1348-1 to the appropriate ROR Manager and:

Commanding Officer  
U.S. Navy International Logistics Control Office  
Code 20  
700 Robbins Avenue  
Philadelphia, PA 19111-5000

**120304 Liability for Loss of Repairables**

In this section, the definition of "LOST" is - the location or disposition of the asset is unknown; the DOP does not have a record of the disposition of the asset. No one knows what happened to the FMS customer's carcass.

- a. Shipment of an Item to a Repair Facility

An unserviceable item being returned to the USN by a FMS customer under a FMS repair procedure may be lost in transit and may never reach the designated repair facility to which it was shipped. The customer must bear the

burden of financial responsibility for the loss of the item. The customer is responsible for monitoring the progress of repairables through the transportation systems.

**b. Loss of an Item at a USN Repair Facility**

If an item is lost at a USN repair facility, the following policy applies: The FMS customer should submit a ROD to NAVILCO if documents exist that prove the USN received the item for repair, and there are no documents to prove that the USN shipped the item back to the FMS customer. The ROR Manager and NAVILCO will then initiate action back to the FMS customer with credit for the lost material.

Note: When submitting a ROD for a Repairable item lost at a repair facility, the FMS customer **must** include proof of delivery to the designated repair facility with the ROD. The customer must also be sure that it submits the ROD within one year of the date of billing for the repair work. If these requirements are not satisfied, NAVILCO will reject the ROD with an explanation.

**c. Loss of an Item at a Commercial Repair Facility**

If an item is lost at a commercial repair facility, the FMS customer must assume financial responsibility for the loss. This policy is defined in the LOA. The USG responsibility/liability for an FMS customer's asset will be determined by the terms and condition of the contract/purchase order/Blanket Order Agreement (BOA). The USG may try to resolve the problem by contacting the commercial contractor on behalf of the FMS customer. If the USG cannot resolve the problem, the FMS customer must assume financial responsibility for the loss.

## **120305 Submitting a ROD for a Lost Item Forwarded Under TRIL Case**

Sometimes, the FMS customer's asset is beyond repair. In these instances, the FMS customer is requested to provide disposition instructions. In the event the FMS customer desires that the carcass be returned, the USG will ship the carcass to the location designated by the FMS customer. The transportation for this shipment will be at the FMS customer's expense. When a FMS customer's asset is disposed of against the FMS customer's desires, a ROD may be submitted. The USG will initiate action to determine the reason for the disposal. When an item is disposed of by a U.S. repair facility, the policies described below apply.

### **a. Disposal by a Commercial Repair Facility.**

The Letter of Offer and Acceptance (LOA) calls for the customer to assume the same risks as the USG does when dealing with contractors. Any USG responsibility/liability for an FMS customer's asset will be determined by the terms and condition of the contract/purchase order/Blanket Order Agreement (BOA). Therefore, if the asset was erroneously disposed of by the commercial repair facility, the FMS customer must assume financial responsibility for the asset. (The USG may try to resolve the problem by contacting the commercial repair facility for the customer. If these efforts are unsuccessful, the customer is still financially responsible for the asset).

However, if the disposal of the asset is caused by the action/inaction of the USG , then NAVILCO will initiate action to provide the FMS customer with a credit equal to the value of the "F" condition carcass value.

### **b. Disposal by a USN Repair Facility.**

If a FMS customer's asset is disposed of by the USN repair facility without the consent of the FMS customer, NAVILCO will initiate action to provide the FMS customer with a credit equal to the value of the "F" condition carcass.

NOTE: It is necessary that FMS customers respond to requests for disposition instructions by the required due date.

## CHAPTER 13 - SYSTEM SUPPORT BUY OUT

### Section 1: Background

#### **130101 General**

System Support Buy Out (SSBO) procedures provide FMS customers the opportunity to decide if they want to support weapons systems that are being phased out of U.S. Navy (USN) use through a Life of Type buy or order support material from the supply system.

a. When a weapons system or equipment nears the end of its usefulness to the USN, a decision to discontinue procurement of the end item is made. Later, a decision will be made to remove the item and its unique spare parts from the USN inventory and to discontinue other types of support. (Under procedures established in Chapter 15 of this manual, Foreign Military Sales (FMS) customers will be given an opportunity to purchase discontinued material before it is disposed of.)

b. FMS customers who have purchased a weapons system/equipment often will continue to operate the system for years after it has been discontinued in the USN. They will not want the system to lose its usefulness due to a lack of spare parts. Therefore, it is necessary to give foreign governments the earliest possible notification of the planned phase out of a system/equipment by the USN and to present alternatives for continued support. This is accomplished through System Support Buy Out (SSBO) procedures. As required by DOD 5105.38-M, Security Assistance Management Manual (SAMM), a SSBO will be offered for a period of two years to allow the foreign country sufficient time to budget for and fund the SSBO.

#### **130102 Working Definition of SSBO**

SSBO provides the FMS customer an opportunity to either maintain some degree of support into the future (if the customer decides to use the system/equipment being phased out) or replace the system/equipment with a different system/equipment used by the USN. A SSBO for support termination consists of:

(1) USN notifying foreign governments that support for a weapons system/equipment will be terminated after two years.

(2) USN providing support through either a single Life of Type buy or through ongoing support as requested by participating countries during the two-year period.

### **130103 Customer Participation**

Once notification is made and the customer elects to participate in the SSBO, the customer does so through normal FMS procedures.

## **Section 2: SSBO Procedures**

### **130201 Navy International Programs Office Role**

On receipt of a SSBO nomination from a Hardware Systems Command, Navy International Programs Office (Navy IPO) will:

(1) Notify countries that USN support for the system/equipment will be terminated in approximately two years from the date of Navy IPO's notification. The notification should advise countries that they may continue to order spare/repair parts for the system/equipment during the two-year buy-out period or they may participate in a Life of Type buy (final procurement to support the system/equipment being phased out) by submitting their requirements to Navy IPO by a date specified by Navy IPO.

(2) Advise countries that the procedures in Naval Supply System Command (NAVSUP) Publication 526, FMS Customer Supply System Guide, should be followed.

(3) Advise the countries that support services such as training and repairs may also be acquired during the two-year support buy-out period through separate FMS cases.

(4) Send a copy of the notification to NAVSUP 07 and each Inventory Control Point (ICP).

(5) Advise SUP 07 of those countries participating in the SSBO as soon as possible.

**130202 NAVSUP Action**

On receipt of Navy IPO notification, NAVSUP will:

(1) Review Navy IPO notification to ensure compatibility with supply aspects of the SSBO process. Request Navy IPO make any appropriate changes.

(2) Monitor the ICPs to ensure that support is provided to the participating countries during the two-year buy-out period.

(3) Review existing Cooperative Logistics Supply Support Arrangement (CLSSA) cases to determine if any cases need to be renegotiated or terminated.

**130203 Inventory Control Point Action**

On receipt of Navy IPO notification, ICPs will:

(1) Ensure that support is provided to the participating countries during the two-year buy-out period.

(2) After the two-year buy-out period, identify, as appropriate, material remaining in stock for possible sale as excess under the procedures contained in Chapter 15 of this manual.

**Section 3: Selling Price and Procedures**

**130301 Selling Price**

The method used to determine the price of buy outs for support material/services is the same as for any other FMS transaction. (See Chapter 7 of DOD 7290.3-M)

## 130302 Selling Procedures

Customers participating in a SSBO will request establishment of new cases or requisition material under existing cases, as appropriate. Requirements for material will be filled from existing stock. If sufficient quantities of material are not on hand to satisfy the requirement, the ICP will issue the material on hand and submit the balance of the requirement to procurement. After expiration of the two-year support buy-out period, customers may be able to obtain spare parts through one of the following options:

(1) Requisition from USN on-hand stock until that stock is exhausted. (See Chapter 15 of this manual.)

(2) Requisition on a "fill or kill" basis from any available excess stock that has been turned over to the Defense Reutilization and Marketing Service (DRMS). (See Chapter 15 of this manual.)

(3) Procure through a direct commercial sale between the foreign country and a commercial vendor. (See Chapter 16 of this manual.)

(4) Requisition non-standard USN items and non-stocked DLA items for possible procurement through the USN's Fast Line Program.

Figure 13-1

NOTIFICATION LETTER TO FMS CUSTOMER

CNO Letterhead

From: Chief of Naval Operations

To: (Addresses supplied by OP631H)

Subj: SYSTEMS SUPPORT BUY OUT (SSBO) FOR (weapon system name) UNIQUE SPARE PARTS

Encl: (1) List of SSBO Unique Spare Parts  
(2) List of Common Spare Parts

1. The U.S. Navy has declared the (weapon system name) will become obsolete and that support for it will be discontinued effective (date). Therefore, on approximately the same date, spare and repair parts that are unique to this equipment will no longer be available through normal supply channels.

2. This notification letter is furnished to assist you in making long range plans for support of the (weapon system name). During the time remaining before it becomes obsolete, the U.S. Navy supply system will provide spare and repair parts support in the range and depth you determine. This support will be accomplished through systems Support Buy Out (SSBO) which is described in the following paragraphs.

3. The repair and spare parts listed in enclosure (1) are unique to this equipment and will be available for requisitioning through SSBO for approximately two years. Quantities requisitioned which exceed on hand quantities will be filled from procurement. At the conclusion of SSBO any remaining stocks will be available on a "first come, first served" basis.

4. The items should be requisitioned through normal channels against an active U.S. Navy blanket order type FMS case but not against a Cooperative Logistics Supply Support Arrangement.

5. Repair and spare parts which have application on other, non-obsolete equipment are listed in enclosure (2). These parts will continue to be available through normal supply and are not part of the SSBO.

6. In order to assist the U.S. Navy in providing timely SSBO support, request that you advise this office as soon as possible whether or not you will participate in this SSBO.

UNIQUE PARTS FOR \_\_\_\_\_

<u>NSN</u>	<u>COGNIZANCE SYMBOL</u>	<u>NOMENCLATURE</u>	<u>UNIT OF ISSUE</u>	<u>UNIT PRICE</u>	<u>CONDITION CODE</u>	<u>QUANTITY AVAILABLE</u>
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COMMON PARTS FOR \_\_\_\_\_

NSN

NOMENCLATURE

CURRENT



## CHAPTER 14 - PUBLICATIONS

### Section 1: Purpose, Background, and Types of Publications Available through Foreign Military Sales (FMS)

#### 140101 Purpose

This chapter briefly discusses the general types and forms of publications available to the FMS customer on either an individual requisition or automatic distribution basis. The chapter discusses the procedures followed for initial distribution; direct (or individual) requisitioning of various publications; and automatic distribution of changes, updates, and revisions. The chapter concludes with discussions of release authority requirements, marking and shipment of classified and technical publications, and responsibilities for pricing and billing.

#### 140102 Background

a. One of the basic ground rules for the proper development of an FMS case is to ensure that the customer is aware of, and afforded the opportunity to plan for and obtain, the support necessary to effectively use and maintain the equipment and systems purchased. Key elements of that support are the publications that accompany the items or systems as part of the initial support of the FMS case (see Chapter 5). As part of the follow on support of the customer's FMS program, the maintenance of up-to-date publications helps the customer sustain the support of his equipment or systems throughout their expected service life.

b. The term "publication", as used in this chapter, includes Allowance Parts Lists (APLs), technical orders, manuals and drawings; supply catalogs; training and administrative publications; equipment component lists; decals; as well as forms and audiovisual products. A publication may be bound or loose leaf, an imprinted form, Automatic Data Processing (ADP) listing, aperture card, microform, slide, or motion picture film.

#### 140103 Types of Publications Available through FMS

Not all types of publications are available in response to FMS customer requests. No publication will be provided without proper release authority. The

level of release authority required (see Section 3) depends upon the type and classification of the publication requested.

a. The types of publications listed below may be provided under a U.S. Navy (USN) Security Assistance (SA) case or program:

(1) Unclassified instructions, notes, pamphlets, and forms sponsored by USN activities and authorized for release to the customer by the sponsoring activity.

(2) Naval warfare publications authorized for release in accordance with Navy IPO NOTE C5510, Subject: Foreign Release Status of COMTAC Publications.

(3) Navy unclassified technical information and publications when released by the publication sponsor.

b. The following types of publications are specifically excluded from transfer to customers under USN Security Assistance cases and programs:

(1) All classified (Top Secret, Secret and Confidential) publications, unless specifically authorized for release to the customer by either Navy IPO or by a command having disclosure authority delegated by OPNAVINST 5510.48 (latest edition).

(2) Any technical publications and drawings not approved for release to the customer by the proper DOD authority.

(3) All publications for which the Defense Logistics Services Center (DLSC) is the sponsor. Customers should contact DLSC-SDD to make arrangements to obtain cataloging data and services. Requirements for these publications, citing the customer's DLSC case or program number, should be submitted to:

Defense Logistics Services Center  
Federal Center  
Attention: DLSC-SDD  
Battle Creek, MI 49016

(4) Military and Federal Specifications and Standards Documents should be obtained directly from:

Military Specifications and Standards  
Building 40  
700 Robbins Avenue  
Philadelphia, PA 19111-5094

(5) Publications for sale from:

Superintendent of Documents  
Government Printing Office  
Washington, DC 20402

(6) Publications for sale from:

National Technical Information Services  
5285 Port Royal Road  
Springfield, VA 22151

(7) Professional magazines must be purchased directly from the publishers.

## **Section 2: Procedures**

### **140201 Requirements Identification and Requisitioning**

These procedures are used to identify and meet FMS requirements for publications, which include initial distribution, direct requisitioning, and automatic distribution of changes and revisions.

## **140202 Initial Distribution**

The sponsors of major weapon systems determine initial distribution requirements for publications. Publications provided to the customer are based on the type of material being supported.

a. Aviation and Airborne Missile-related material: Naval Air Systems Command (NAVAIR) conducts a site survey or technical study to determine requirements for publications. Naval Air Technical Services Facility (NATSF) prepares a Tailored Initial Outfitting List (TIOL) of releasable publications and their required quantities based on results of the site survey. NATSF then forwards a copy of the TIOL to the Navy International Logistics Control Office (NAVILCO) with applicable stock numbers for generation of requisitions for the required initial distribution of publications with all current changes. The same TIOL becomes the basis for NATSF's automatic distribution of future up-dates to these publications to the FMS customers in the quantities required. Automatic distribution of updates will continue for an initial support period of one year. The customer must establish follow on case coverage six months prior to the end of the initial support period to assure continuation of update service beyond that initial period.

b. Surface-related material:

(1) Section III F of the Coordinated Ships Allowance List (COSAL) provides a list of all general publications and forms needed for ship operation. This COSAL section is provided for both new construction ships and for ship overhauls, and is tailored to the class of the ship. At the direction of the Naval Supply Systems Command (NAVSUP 07) and using Section III F of the COSAL, NAVILCO prepares requisitions for cases managed in MISIL and sends those requisitions to the Naval Publications and Forms Center (NPFC). NPFC assembles and ships the required publications (with all current changes) to the shipbuilder or overhaul activity for delivery to the ship. NPFC will cite the "push" requisition numbers to allow customer identification. Automatic distribution of future changes, if required, must be initiated by the FMS customer using the same procedures established in paragraph 140204.

(2) The Naval Sea Systems Command (NAVSEA) Acquisition Manager determines the initial distribution requirements of technical publications for surface

related material and forwards those requirements to NAVILCO. NAVILCO prepares appropriate requisitions and sends them to the Acquisition Manager. The Acquisition Manager adds the necessary work requests to the requisitions and forwards both types of documents to the cognizant publication distribution activities who distribute the technical publications. For publications ordered under STARS cases, customer requisitions are submitted to the publication distribution activity rather than NAVILCO.

### **140203 Direct Requisitioning**

Customers may submit requisitions using a current Direct Requisitioning Procedure (DRP) case or other appropriate case. Either basic publications (including all current changes) or specific individual changes may be requisitioned. Changes supplied concurrently with a basic publication are coded "C" in the Basic/Change Column of the NAVSUP Publication 2002, Navy Index of Publications and Forms. Those changes coded "B" must be individually ordered on separate requisitions. Procedures for requisitioning publications via a DRP case are as follows:

a. The customer will submit a Military Standard Requisitioning and Issue Procedures (MILSTRIP) requisition to NAVILCO for each publication or individual change to a publication desired.

(1) The requisition format will vary, depending on whether the publication can be identified to a publication stock number. Stock numbers for Navy publications are identified in NAVSUP Publication 2002.

(a) When the desired publication can be identified to a stock number, the customer country will submit a Department of Defense (DD) Form 1348 or DD Form 1348-M, Department of Defense (DOD) Single Line Item Requisition System Document, with a Document Identifier Code (DIC) of "A04".

(b) If the desired publication cannot be identified to a stock number, the customer country will submit by mail a DD Form 1348-6, Requisition for Nonstandard Material with a DIC of "A05".

(2) Requisitioners of classified publications are required to obtain release approval from Navy IPO prior to submission of requisitions. The requisition must contain DIC "A05" with Advice Code "2B" and the following statement in the "Remarks" block: "Item classified; Navy IPO letter (File Number) (Serial Number) (Date), authorizes release of this item." A copy of the Navy IPO authorization letter must be attached to the requisition. Failure to comply with any of the aforementioned requirements will result in a "CA" (cancellation) of the requisition with the following explanation: "Requirement must be approved by Navy IPO prior to submission of requisition. Procedures outlined in NAVSUP PUB 526, Chapter 3 and 6 apply."

b. NAVILCO will establish requisitions in the Management Information System, International Logistics (MISIL) and forward requests for publications to the source of supply, if known, along with authority for release if cited on or provided with the requisition. If NAVILCO is unable to determine the source of supply, the request will be forwarded to NPFC for technical research to identify the source. Based on the NPFC reply, NAVILCO will either provide shipment or rejection status to the customer country, or forward the request to the supply source identified by NPFC. In addition, NAVILCO will process billings in accordance with Section 5 of this chapter.

c. NPFC will identify the source of supply for publications and will process the request as follows:

(1) If material is stocked at NPFC, and release is authorized, the material will be shipped.

(2) If the source of supply is an activity that operates under the MILSTRIP system, the requisition will be referred for supply action and appropriate status will be supplied to NAVILCO.

(3) If the source of supply is an activity that does not operate under the MILSTRIP system, the requisition will be returned to NAVILCO with clear text identification of the source of supply.

(4) If the source of supply cannot be identified, the requisition will be returned to NAVILCO.

d. Publication distribution activities will process requests for publications received from NAVILCO. FMS requests for publications not routed via NAVILCO will be returned, and the requestor will be asked to submit requisitions in accordance with NAVSUP Publication 526, FMS Customer Supply System Guide, Chapter 2. Publication distribution activity responsibilities are as follows:

(1) For all classified publications, approval for release to the customer must be obtained from Navy IPO or the publication sponsor prior to shipment in accordance with paragraph 140103b(1). Classified publications will be shipped only to organizations designated in the MAPAD to receive classified material.

(2) Shipment of publications will be made by the distribution activity. All unclassified FMS small parcel shipments will be made via the United States Postal Service (USPS) using insured mail with return receipt requested or via the United Parcel Service (UPS), whichever is the most cost effective. If the cost is equal, UPS is the preferred mode. Freight shipments are made via Collect Commercial Bills of Lading (CCBL) or as required by the Delivery Term Code field (cc 34) of the requisition. Shipment of unclassified publications will be made to the address determined from the MILSTRIP requisition and the Military Assistance Program Address Directory (MAPAD), DOD 4000.25-8-M. Classified publications are shipped in accordance with Section 4 of this chapter and Section 5 of Chapter 19.

(3) Billing for publications shipped to customers must be transmitted to NAVILCO in accordance with Section 5 of this chapter.

#### **140204 Automatic Distribution of Changes**

Automatic distribution is a process whereby customers may receive changes, updates, and revisions to unclassified publications without submitting individual requisitions for each change. The process automatically forwards any change to the FMS customer. The process may be initiated for the customer as part of the initial support of an FMS system sale or it may be requested by the customer as part of follow-on support (see Chapter 5 for discussion of initial and follow-on support).

a. The automatic distribution of changes, etc. is subject to the following general criteria:

(1) Only stock numbered publications, including NAVAIR Technical Directives, are available.

(2) All forms of change to classified publications are subject to the same distribution restrictions described in paragraph 140103b(1).

(3) Automatic distribution service for changes, etc., to Naval Sea Systems Command (NAVSEA) and Space and Naval Warfare Systems Command (SPAWAR) publications is not currently available to FMS customers for the vast majority of these two commands' publications.

b. Customer requests for automatic distribution of changes to publications place additional responsibilities on NAVILCO, the publication sponsor, and the distribution activities. Generally, those additional responsibilities include:

(1) NAVILCO:

(a) Receive and forward request for automatic distribution to the publication sponsor for approval.

(b) If automatic distribution is approved, notify the distribution activity.

(c) If automatic distribution is denied, reject the request back to the customer with an appropriate explanation.

(2) Publication sponsors:

(a) Approve or deny automatic distribution requests received from NAVILCO.

1 If the request is approved, notify NAVILCO.

2 If the request is denied, notify NAVILCO and provide a suitable explanation to be passed to the customer.

(b) In addition, sponsors will keep the distribution activities informed of current approved distribution addressees.

(c) NATSF controls automatic distribution for the majority of NAVAIR publications (aircraft related material) by direct request or by use of NAVAIR 00-25DRT-1 ordering blanks.

(d) Provide NAVILCO with timely information for billing purposes, see Section 5.

**(3) Distribution activities:**

(a) Provide NAVILCO with confirmation that automatic distribution services have been established, as required.

(b) Use the current approved distribution lists provided by the publication sponsors to ensure that authorized customers receive timely distribution of changes.

(c) For each distribution of a classified change, ensure documented approval from the authority designated in OPNAVINST 5510.48 has been obtained.

c. The following pertains to establishment and execution of automatic distribution of changes, updates, and revisions.

**(1) Common elements:**

(a) Depending on whether or not he already has the publication, the customer specifies that automatic distribution should include both the basic publication plus changes or that automatic distribution only needs to include the changes.

(b) Customers identify the FMS case used to fund the cost of automatic distribution. At the end of each year, unless specified otherwise by the customer,

automatic distribution arrangements funded by DRP cases will be "rolled over", or continued, in the customer's follow on DRP case for the next year.

(c) Distribution activities pick, pack, and ship the changes, etc., in accordance with instructions from the publications sponsor. Advance notification of shipment will not normally be provided and DD Form 1348-1 shipping documents may not accompany shipments. Shipping labels affixed to the exterior packaging will contain all identifying information.

(2) Automatic distribution of changes, etc., to NAVAIR sponsored publications is accomplished as follows:

(a) For publications that were provided as initial distribution under a new case in support of material under the technical cognizance of NAVAIR, automatic distribution is initiated on behalf of the customer for a period of one to three years as specified in the covering FMS case. This initial support period begins when NAVAIR submits the automatic ordering forms to NATSF in accordance with NAVAIR 00-25DRT-1.

(b) Customer initiated requests are expedited through the use of NAVAIR 00-25DRT-1 order blanks submitted via NAVILCO to NATSF Code 03.

(c) The order forms are used to add or delete items on automatic distribution, establish quantities, identify applicable FMS cases to which the publication changes will be charged, and to identify freight forwarder and "mark for" addresses. The forms may also be used to change any of the items.

(d) To obtain copies of, or information about, NAVAIR 00-25DRT- 1, customers should be instructed to communicate directly with NATSF Code 03 by message or letter. (Facsimile copies of the order blanks are acceptable.) NATSF's mailing address is:

Naval Air Technical Services Facility  
700 Robbins Avenue  
Philadelphia, PA 19111-5098

(e) Upon receipt of the order blank and approval of the request, NATSF initiates the automatic distribution process with the distribution activity.

(f) Changes relating to the automatic distribution of NAVAIR calibration procedures will be referred to:

USN Metrology Engineering Center  
P.O. Box 2436  
Corona, CA 91769

(3) Automatic distribution of changes, etc., for all other publication sponsors that provide the automatic service is accomplished as follows:

(a) To request automatic distribution of future changes along with the basic publication, the customer submits a DD Form 1348 or 1348-6 using DIC "A05" to NAVILCO. The words "Requests Automatic Distribution" and the length of time for which the service is requested should be entered in the "Remarks" section of the DD Form 1348 or 1348-6, blocks L through V.

(b) To request changes only, the customer submits a letter to NAVILCO. The phrase "Request automatic distribution of changes only; basic publication is not required" and the length of time for which the service is requested should be specified in the letter.

(c) NAVILCO passes the request to the publication sponsor for approval.

(d) Sponsors approve or deny requests and pass approval information to NAVILCO.

### **Section 3: Release of Publications and Drawings to FMS Customers**

#### **140301 Obtaining Release Authority**

Prior to shipment, distribution activities must ensure that release authorization has been obtained and is current for all publications and changes to publications provided under Security Assistance cases/programs.

a. If release authority is not held, the distribution activity will forward the request, along with any supporting documentation, to the publication sponsor.

b. The publication sponsor will approve or deny the request (if authorized to do so by OPNAVINST 5510.48), request additional information via NAVILCO and the publication requestor, or refer the request to Navy IPO.

(1) If the sponsor authorizes the publication for release, written authority will be provided to the distribution activity by the sponsor.

(2) If the publication sponsor requires additional information (e.g., end use or case/program relationship), the request will be returned to NAVILCO via the distribution activity with a cover letter specifying the additional information required. NAVILCO will either provide the needed information (if available internally) or transmit the request for additional information to the customer. Return reply will be made via the chain of command.

(3) If the publication is classified a letter of authority to release the material must be obtained by the customer from Navy IPO. Navy IPO, at their discretion, may delegate release authority to the publication sponsor. In either case, the letter of releasability must accompany the request sent to NAVILCO by the customer. NAVILCO will reject any requests for classified publications without the letter of authorization. All requests from the customer to Navy IPO must include full identification and classification of the material for which release is requested and a justification of need for the publication.

(4) If the publication sponsor denies the request for release, NPFC will reject the requisition. For classified publications, denials will be sent to the customer.

## **140302 Release Authority Level**

The level of authority, at which release of publications to customers may be approved, is dependent on the classification and type of publication requested.

a. The distribution activity may release Naval warfare publications if authorized by the current edition of OPNAVNOTE C5510, (Subj: Foreign Release Status of COMTAC Publications).

b. All nontechnical publications that are unclassified or otherwise unrestricted for issue and all unclassified technical publications and drawings required solely to operate, maintain, or support material, may be released based on the approval of the publication sponsor. Approval must apply specifically to the customer country requesting the publication.

c. Technical publications and drawings necessary to produce, coproduce, or in any way manufacture material must be approved for release by Navy IPO. This category specifically includes, but is not limited to, all Technical Data Packages (TDPs). Chapter 24 of this manual provides policy and procedures for processing requests for TDPs.

d. All other classified nontechnical publications must be approved for release by Navy IPO unless the command has been delegated disclosure authority by OPNAVINST 5510.48.

### **Section 4: Marking and Shipping Classified and Technical Publications**

#### **140401 Marking**

All classified or technical publications will be marked as follows:

"This information is furnished upon the condition that it or knowledge of its possession will not be released to another nation without specific authority of the Department of the Navy of the United States; that it will not be used for other than military purposes; that individual or corporate rights originating in the information,

whether patented or not, will be respected; and that the information will be provided the same degree of security afforded it by the Department of Defense of the United States."

#### **140402 Shipping**

a. MAP shipments will be made to the foreign embassy or mission in the U. S. unless the country specifically requests that shipment be made to a U. S. Military representative (MAAG, Mission, or Defense Attache). For detailed procedures, see Section 5 of Chapter 19 of this manual.

b. FMS shipments will be made to the freight forwarder if the letter "A" or "C" for small parcels is found in the type of address column of the MAPAD. If none exists, shipment will usually be made to the customer's embassy or attaché in the United States. For detailed procedures, see Section 5 of Chapter 19 of this manual.

### **Section 5: Pricing and Billing of Publications**

#### **140501 Charge for Publications**

Publications will not be shipped on a "free issue" basis to customer countries with the exception of specifications and standards and NAVSUP Publication 526, FMS Customer Supply System Guide. NOTE: Basic publications and their existing changes are provided at the cost of the basic publication.

#### **140502 Responsibilities for Pricing and Billing**

Responsibilities for pricing and billing publications provided customers are divided among the publication sponsor, the distribution activity and NAVILCO.

a. Each publication sponsor must price publications and changes to publications under its cognizance in accordance with Chapter 7 of DOD 7290.3-M, FMS Financial Management Manual and advise the distribution activity of current prices for publications and changes. The sponsor must also advise NAVILCO of the

appropriation/subhead to which reimbursement should be made for publications under the sponsor's cognizance.

b. Subsequent to a shipment of publications not related to automatic distribution, the publication distribution activity furnishes NAVILCO with shipment status and pricing data. Based on this information, NAVILCO will generate a bill against the applicable FMS case.

c. For automatic distribution of changes, the publication sponsor must periodically provide NAVILCO with a NAVCOMPT Form 2277 (Voucher for Disbursement/Collection), citing the appropriate FMS case to be charged. For automatic distribution of changes to NAVAIR publications, NATSF will periodically provide NAVILCO with a DD Form 1149 (Requisition and Invoice/ Shipping Document) listing the publications provided and the price to be charged for each publication. Based on receipt of a NAVCOMPT Form 2277 or DD Form 1149 from the cognizant sponsor, NAVILCO will generate a bill against the appropriate FMS case.

d. When Navy IPO prepares an FMS case specifically for publications (as opposed to a major item case in which publications are just one of the supporting items), Delivery Term Code "4", Free on Board (FOB) point of origin, will normally be specified.

e. The Security Assistance Accounting Center (SAAC) will compute and assess Packing, Crating, and Handling, (PCH) charges based on the Delivery Source Code provided by NAVILCO on the DD-COMP(M) 1517, Detail Billing Report. SAAC will compute and assess transportation charges based on the Transportation Bill Code (TBC) or (in the absence of the TBC) the Delivery Term Code provided by NAVILCO on the DD-COMP(M) 1517, Detail Billing Report.



## CHAPTER 15 - SALE OF EXCESS DEFENSE ARTICLES AND POTENTIAL REUTILIZATION STOCKS

### Section 1: Background and Policy

#### 150101 General

This chapter provides background, policy, procedures, conditions of sale, points of contact and general information on the sale of excess defense articles and potential reutilization stocks. The sale of Excess Defense Articles (EDA) affords foreign governments a method for obtaining limited material support.

#### 150102 Background

a. Categories of defense articles are identified in the *International Traffic in Arms Regulation (ITAR)*, Part 121, "Arms, Ammunition and Implements of War". These items constitute the United States Munitions List. Items of Significant Military Equipment (SME) are identified with an asterisk on the U.S. Munitions List. Defense articles are considered to be items of Major Defense Equipment (MDE) when identified as SME on the U.S. Munitions List and when the U.S. Government has incurred either a nonrecurring research and development cost for the item of more than \$50 million or the item has had a total production cost of more than \$200 million. MDE that is excess to U.S. service requirements and cannot be utilized by other DoD components may be provided to eligible foreign governments through Foreign Military Sales (FMS) programs. Potential excess MDE is identified by the Systems Commands and reported to the Defense Security Assistance Agency (DSAA) via the Navy International Programs Office yearly. Systems Commands price the excess material in accordance with the matrix provided in Department of Defense Financial Management Regulation, DoD 7000.14-R, Volume 15, Security Assistance Policy and Procedures, Chapter 7. DSAA, in coordination with the Department of State, determines eligible countries and selects material to be offered under FMS procedures.

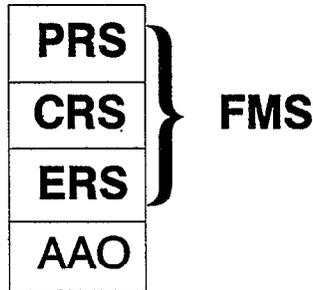
b. Procedures contained in NAVSUPINST 4500.13, Retention and Reutilization of Material Assets, provide an additional opportunity to the FMS customer to purchase potential excess (PE) or reutilization stock (spare and repair

parts) in support of weapons systems and equipment currently in use by the FMS customer.

c. Purchases of equipment and supplies that are excess to DoD requirements provides FMS customer's a means to stretch procurement budgets by obtaining NAVSUP managed Defense Business Operating Fund (DBOF) material at a reduced price.

**150103**      Policy

a. For the purpose of FMS sales, the Office of the Secretary of Defense (OSD) has defined excess as all items under the control of an inventory manager that are above the Approved Acquisition Objective (AAO). Within the inventory stratification process, this includes those items which stratify as Economic Retention Stock (ERS), Contingency Retention Stock (CRS), and Potential Reutilization Stock (PRS). The diagram below represents this definition of excess for FMS sales. (NOTE: Excess under Grant Transfer is defined differently, and is addressed in Chapter 40 of this manual.)



b. Potential reutilization stock also includes material that is identified by Navy Acquisition Advice code "P" (i.e., no longer used by U.S. service) in the ICP's inventory file. "P" coded material that has experienced FMS customer demand, but is not identified to a Navy weapons system application, will be offered for sale at reduced price to FMS customers.

(1) "P" coded material will be included on excess sale offer listings (see paragraph 150202d) prepared by the ICP. Offer letters will advise FMS customers that "P" coded items not selected at the end of the offer period will not be retained in U.S. stock., and will only be available through nonstandard procurement.

(2) "P" coded material will be retained for a maximum of one year through the use of 301 PPRs. When the offer period for FMS reutilization stock sale has expired, ICPs will delete the "P" code from material not selected and dispose of the material through the Defense Reutilization and Marketing Service (DRMS).

c. NAVSUP has responsibility for Navy PE material managed by its two Inventory Control Points (ICPs): the Ships Parts Control Center (SPCC), Mechanicsburg, PA and the Aviation Supply Office (ASO), Philadelphia, PA. Prior to being declared as excess material and referred to DoD disposal programs, NAVSUP managed PE material may be offered to FMS customers. The sale of PE material permits the U.S. Navy to recover material investment dollars and defray costs associated with retention of material in inventory.

d. Although OSD authorizes the reduced price sale of PE material down to the ERS level, NAVSUP managed items are only sold as excess when they stratify into the PRS level. This chapter addresses procedures for the sale of NAVSUP PRS items at reduced prices. NAVSUP managed items are offered for sale prior to their transfer to Defense Logistics Agency's (DLA) Defense Reutilization and Marketing Service (DRMS). Excess items may also be sold through the Major Item Material Excess (MIMEX) program.

## **Section 2: Procedures for U.S. Navy Sale of Excess Defense Articles (EDA)**

### **150201 Congressional Approval**

The statutory requirement of the Arms Export Control Act (AECA) requires Congressional notification and subsequent reporting for any international agreement which commits the U.S. Government to the sale of defense material or any undertaking by the DoD to establish an FMS transaction. NAVSUP will coordinate action with the Navy International Programs Office (Navy IPO) and Defense Security Assistance Agency (DSAA) to obtain approval for the sale of NAVSUP managed spare and repair parts. NAVSUP then prepares and forwards a Congressional Notification Letter to advise the House and Senate Armed Forces Committee Chairman of the sale of PE material to foreign customers. Congressional

approval must be obtained prior to notifying FMS customers of PE availability and accepting requisitions for excess material at reduced prices.

**150202      Preparation of Excess Offers**

a. Sale of PE material will be offered to FMS customers twice each year. These sales will correspond to the semiannual Asset Stratification accomplished by the ICPs. After each Asset Stratification, ICPs (ASO and SPCC) will review and select PRS items for offer to FMS customers. The following items will not be offered:

- (1) Items on the ICP's data base that are managed by another activity.
- (2) Items scheduled to be transferred to DLA within 6 months as part of Consumable Item Transfer.
- (3) Items with no FMS application or historical use.
- (4) Items not in "A" condition. Only Ready for Issue Assets will be sold.
- (5) Items with an extended book value less than \$500. Book value is the PRS quantity available times the unit price.
- (6) Items included on a Cooperative Logistics Supply Support Arrangement (CLSSA) that have not been renegotiated. These items must be sold at full price as part of the CLSSA renegotiation/termination process before they can be offered for sale under the Excess Defense Article (EDA) programs. (See Chapter 10 for CLSSA information.)
- (7) Items being offered through the System Support Buy Out (SSBO) program. (See Chapter 13 for SSBO information.)
- (8) Any Fleet Ballistic Missile (FBM), Trident, and Nuclear related items.
- (9) Any other items that may be restricted from sale by DoD 5105.38-M, SAMM.

b. Prior to offer for sale, policy requires that potential EDA be screened to determine if any other Service or Agency has a use for the material. OSD considers the process Services and Agencies go through to establish the Approved Acquisition Objective as meeting this requirement. Therefore, no further screening is required.

c. Items available for FMS sale will be organized according to application, by country. For example, F-4 parts will only be offered to countries which own F-4's and have use for the material being offered. Separate lists will be prepared for each country participating in the EDA sale. These lists will identify the weapon system, full Nomenclature, NSN/Part Number, Application Code, Special Material Identification Code (SMIC) (for ASO items), Local Routing Code (for SPCC items), Material Cognizance Code, Unit of Issue, Security Classification, Quantity, Standard Unit Price, Extended Standard Price, Reduced Unit Price, and Reduced Extended Price.

d. ICPs will prepare cover letters forwarding lists of PE material approved for sale to FMS customers. Offer letters must be approved by NAVSUP prior to mailing. Each letter will contain the list of available PRS material in hard copy and in an ADP format. The letters will contain instructions for preparing requisitions and offer expiration date. When the offer expiration date is reached and no requisitions have been received, material is eligible for transfer to DRMO for disposal.

#### **150203      EDA Requisitions**

The ICPs forward letters to each potential FMS customer identifying the availability of PE material for sale at reduced price. The ICPs inform FMS customers to use an existing Blanket Order Case, or to establish a Blanket Order Case for requisitioning PE material.

a. NAVSUP exercises management oversight of the requisitioning process. Requisitions submitted under Blanket Order Cases are "PULL" processing, i.e., requisitions are submitted by the FMS customer for material identified on the PE material selection list.

b. Requisitions for PE material must include Special Project Codes and Advice Codes to ensure material is properly provided at reduced price.

(1) Currently only Special Project Codes Z2A or Z3A are authorized for use in record positions 57-59 of the requisition indicating this order is for an excess part and to ensure billing occurs at reduced price. Z2A is used for Consumable items, which are billed at 50% of Standard Price. Z3A is used for Repairable items, which are billed 40% of Standard Price.

(2) Advice Code 2J **must be used** in record positions 65-66 of the requisition. This code indicates the requisition should be processed under "Fill or Kill" procedures providing only available PRS inventory and canceling any remaining quantity. This ensures orders are never procured to meet FMS EDA demand.

c. All requisitions for PE spare and repair parts will be forwarded to NAVILCO. NAVILCO will verify that requisitions are coded correctly, establish the reduced price in records, and forward the requisitions to the appropriate ICP.

d. Repairable items over \$100K in unit cost require inspections prior to release and shipment, and are an exception to normal processing of EDA requisitions. If the item to be supplied is new or unused, the ICP must manually submit a modified bill which charges 50% of the Standard price versus the normal 40%.

e. Upon shipment of material, the ICP will submit billing at the reduced price. NAVILCO will screen the billed value against the value established upon receipt of the requisition automatically rejecting any that reflect price differences. After review and confirmation of pricing criteria, NAVILCO will forward the bill to DFAS, Denver.

f. Figure 15-1 is a Flow Chart showing the actions associated with the PE sales.

### **Section 3: Defense Reutilization and Marketing Service (DRMS)**

#### **150301      Background**

The DRMS FMS excess program makes maximum use/reuse of excess material to the benefit of both the U.S. Government and the customer, contributes to U.S. and customer security objectives, and complies with U.S. foreign policy established by the Department of State. DLA is responsible for the disposition of excess DoD material, including the sale of declared excess property to FMS customers. DRMS is the DLA agent for carrying out this function. Excess and Reutilization Stock material includes items that the U.S. Navy has declared excess to its requirements due to: long supply or obsolescence resulting from technology advances; or because it is no longer required by current or former MAP/Grant Aid customers.

#### **150302      Condition of Sale**

All excess material sold by DRMS is sold "as is, where is," and there is no provision or guarantee that the item(s) will either be available in the future or that support material and/or services (including repair facilities) will be available. DoD components have limited capability to determine if an excess item meets a current FMS requirement. For this reason, matches of country needs and DoD excesses, while those excesses are still held by the DoD component, are usually limited to the most significant end items. Other EDA, including most EDA secondary items, are transferred to the Defense Reutilization Material Office (DRMO) nearest the physical location of each item at the time it becomes excess. EDA turned over to a DRMO is listed in the DLA DRMS Interrogation Requirements System (IRIS). IRIS is a computerized inventory searching service designated to provide information on all stock numbered items in the DRMS inventory. Further information concerning IRIS may be obtained from DRMS.

**150303**      **DRMS Points of Contact**

Three DRMS locations have been designated to provide information and assistance to FMS customers. These locations are:

a.    Headquarters, DRMS:

Commander, Headquarters, Defense Reutilization and Marketing Service  
Attn: DRMS-ORC Federal Center  
74 North Washington Ave.  
Battle Creek, MI 49017-3092  
Telephone: DSN 932-5925, Comm. (616) 961-5925

b.    DRMR - Europe:

Commander, Defense Reutilization and Marketing Region  
Attn: DRMR-ER  
Building B04, Lindsey Air Station  
APO New York 09633  
Telephone: DSN Wiesbaden Germany 937-1550,  
314-339-1110, X3833, Comm. 49-6121-82-3833

c.    DRMR - Pacific:

Commander, Defense Reutilization and Marketing Region  
Attn: DRMR-PO  
Camp H.M. Smith, HI 96861-5010  
Telephone: DSN 937-1550, 315-477-5241, Comm. (808) 477-5241

**150304**      **Information About DRMS Material**

a.    The Foreign Military Sales Customer Information Guide, NAVSUP Pub 526, provides guidance on the services of the program and how to use these services.

b. Physical inspection of material is available through visits to DRMS facilities. However, the most advantageous procedure is for the customer to register requirements in the mechanized "Want List" system. Then, when a match" is obtained between requirement and availability, DRMS can respond quickly through procedures outlined in paragraph 150305 to issue a new LOA, or sell the item using an established DRMS blanket order case.

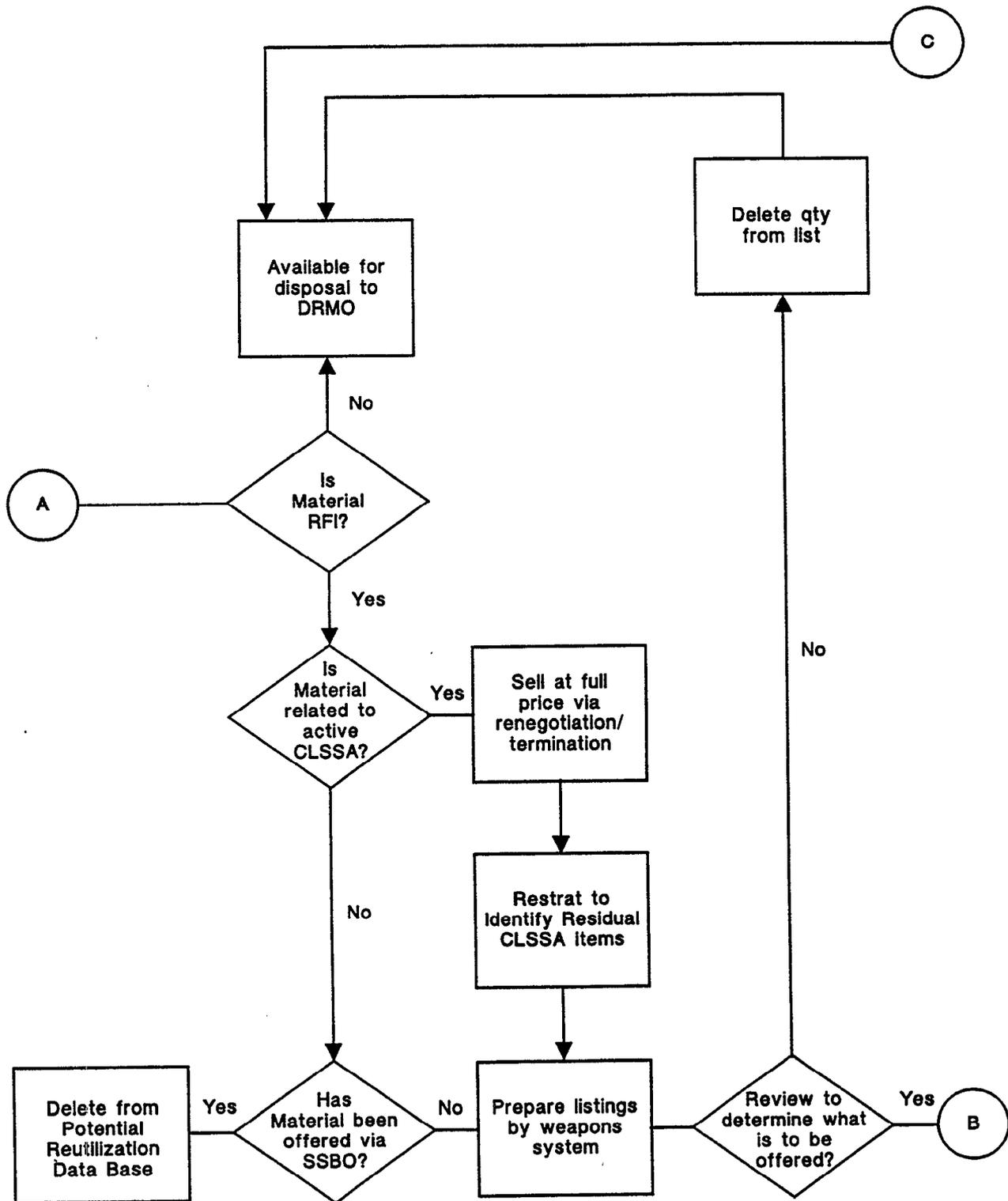
**150305**      **FMS Procedures**

Once the FMS customer has identified requirements, a Defined or Blanket Order case is established between the FMS customer and DRMS. (Blanket Order cases offer greater flexibility and are encouraged.) For Blanket Order cases, the FMS customer requisitions material using Military Standard Requisitioning and Issue Procedures (MILSTRIP). For Defined Order cases, DRMS initiates the supply action. DRMS is responsible for case management, billing, reporting, case closure and other processes in accordance with established FMS procedures. DLA is responsible for compliance with overall policy established by DSAA.

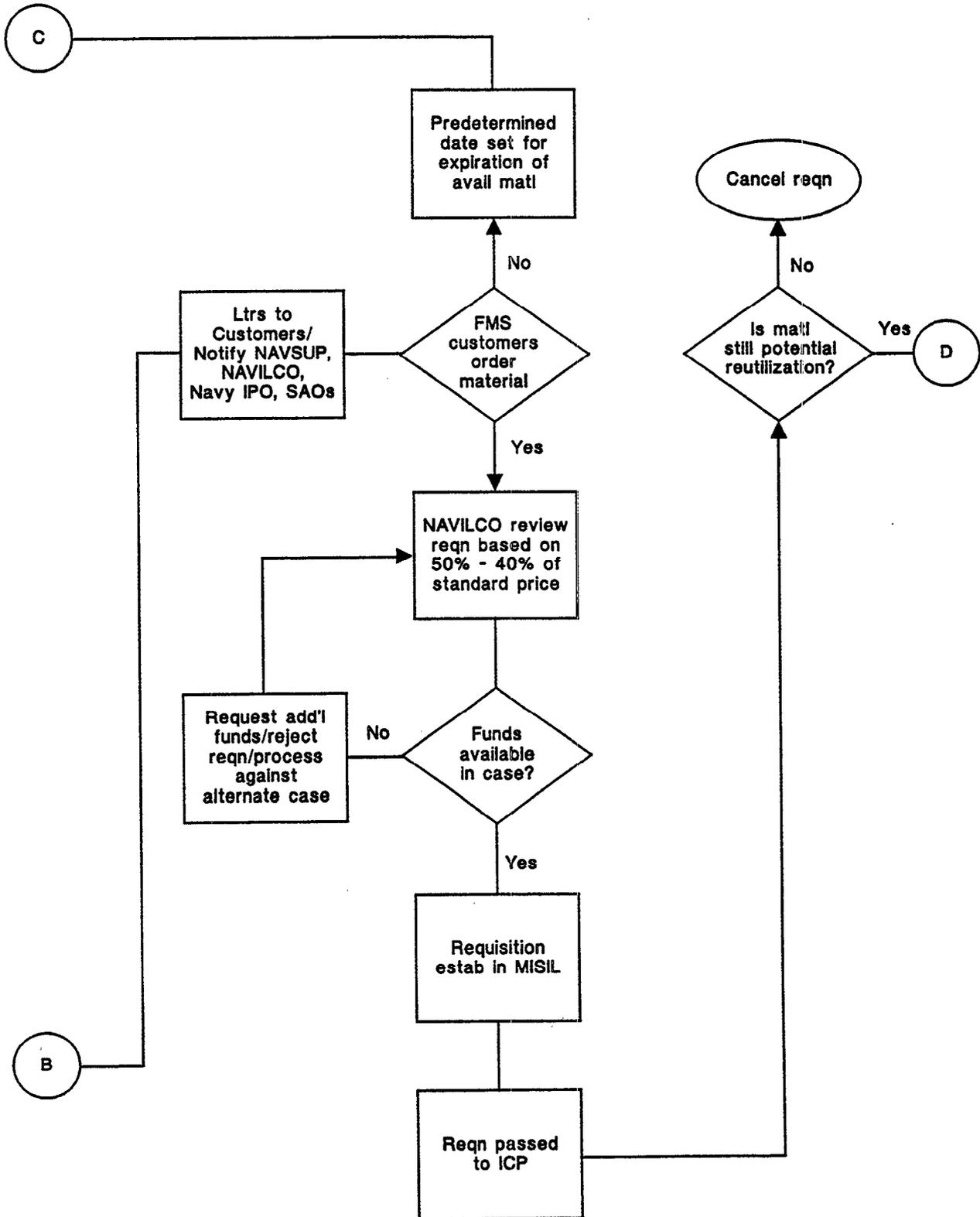
**150306**      **Major Item Material Excess (MIMEX)**

MIMEX is a system of screening to determine foreign customer requirements for major end items above the Approved Acquisition Objective (AAO) of the Military Department. MIMEX screening is based on a determination by the Inventory Manager that assets are above the AAO, therefore not required to fill existing U.S. force, MAP or FMS requirements. The system is operated by DSAA with participation by each of the Military Departments. MDE above the AAO is designated as "transferable assets" and made available to FMS customers at reduced cost using the formula prescribed in Department of Defense Financial Management Regulation, DoD 7000.14-R, Volume 15, Security Assistance Policy and Procedures, Chapter 7. These items are made available "as-is/where-is." The MIMEX system is also used for screening major items reported as "Redistributable MAP property" to determine redistribution requirements.

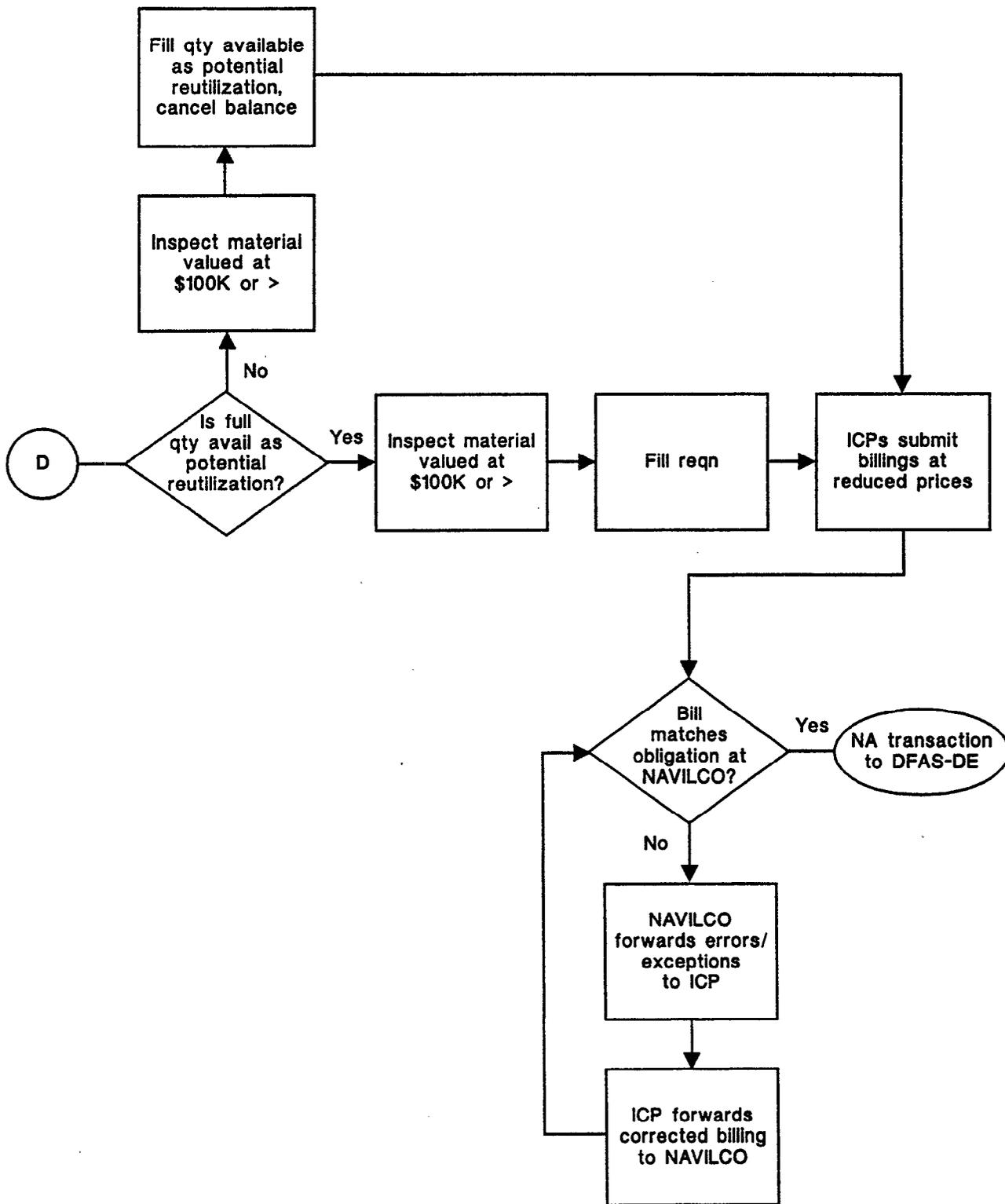
**Figure 15-1**  
**Excess Sales Process**



**Figure 15-1 (Continued)**  
**Excess Sales Process**



**Figure 15-1 (Continued)**  
**Excess Sales Process**



## CHAPTER 16 - CONTRACTOR PREFERENCE FOR DIRECT COMMERCIAL SALES

### Section 1: Purpose and General Policy

#### **160101**      Purpose

This chapter describes the U.S. Navy's (USN's) implementation of Department of Defense (DOD) policy and procedure for evaluation of contractor requests to sell defense articles directly to foreign governments rather than through Foreign Military Sales (FMS) procedures. The provisions of this chapter define the direct sales preference process and summarize the actions required of various USN organizations when:

a. The Defense Security Assistance Agency (DSAA) receives a notification of preference for direct commercial sale from a U.S. contractor and then tasks the USN to recommend approval or disapproval. (Note that the USN "recommends,, DSAA "decides.")

b. The Navy International Programs Office (Navy IPO) receives either a request from a FMS customer for Price and Availability (P&A) data or a Letter of Request (LOR) for the FMS sale of an item that has been approved by DSAA for direct commercial sale.

#### **160102**      General Policy Background

The background considerations that are the basis for the procedural guidance outlined in this chapter are as follows:

a. Direct sale preference requests are initiated when the U.S. manufacturer of an item normally sold through FMS procedures expresses a preference for selling that item directly to foreign governments, rather than through FMS. The manufacturer (or contractor) forwards this request to DSAA. Contractors are encouraged to communicate with DSAA and USN activities concerning specific sales or negotiations.

b. The DOD generally has no preference as to whether a foreign government satisfies its requirements for a U.S. origin defense article through FMS or direct commercial sale. As stated in the Arms Export Control Act (AECA), U.S. national security objectives are the primary basis for initiating sales to foreign customers under the FMS program. The procedure for considering and recognizing contractor preference for direct sale is neither required nor prohibited by the AECA. It is a process used by the DOD to accommodate U.S. industry preferences. The DOD will honor those preferences, to the extent possible, after giving due consideration to the potential effects on foreign policy and national security objectives.

c. In regard to the overall contractor preference process, USN Security Assistance personnel need to be aware of the following:

(1) Direct commercial sales are considered and approved on a case-by-case basis.

(2) Disapproval of a request for direct commercial sale preference does not prevent the request and ultimate approval of a munitions license for a specific commercial sale.

(3) NAVSUP activities should not engage in comparison studies requested by a foreign government that is trying to determine whether to buy an item through FMS or direct commercial sale. The only exception would be except under extremely unusual circumstances when such action is specifically approved by DSAA and passed to NAVSUP by the Navy IPO.

## **Section 2: Guidelines**

### **160201 Two or More Manufacturers**

To avoid the appearance of favoritism toward one manufacturer and to assure that other contractors are not omitted from consideration, a defense article will normally not be designated for direct sale preference if there are two or more contractors known to be qualified and currently capable of producing the article.

**160202**      **Items Normally Excluded from Direct Sale Preference**

Inclusion of an item in subparagraphs (a) through (p) below is not intended to designate items that may be sold only through FMS channels. Inclusion of an item cannot be used as a reason to deny commercial export license applications. Unless special circumstances exist, the following items are not considered for direct commercial sale preference:

- a. Classified articles.
- b. Items provided through Cooperative Logistics Supply Support Arrangements (CLSSA) and similar non-CLSSA follow-on support cases.
- c. Surplus personal property, including Military Assistance Program (MAP) disposable property.
- d. USN long-supply stocks, when, in the judgment of the USN inventory manager, reduction of those stocks is desirable.
- e. Repair parts or components normally carried in USN stocks when, in the judgment of the USN activity involved, those items are required for follow-on support of end items previously sold by the USN.
- f. All ammunition rounds above 40 mm in caliber.
- g. All aircraft flares that are not procured in complete form from commercial sources.
- h. All defense articles that contain, as components, Government Furnished Equipment (GFE) manufactured in a Government-Owned, Government-Operated (GOGO) facility (except as authorized for sale to U.S. firms under the provisions of DOD Directive 4175.1).
- i. Any defense article normally procured by the USN that the U.S. producer requests be sold through FMS channels, and there is no known exclusive commercial

licensing arrangement covering the geographical territory where the FMS customer is located.

j. Any defense article not normally procured by the USN when FMS is requested by a customer, the U.S. producer agrees, and there is no known exclusive licensing arrangement covering the geographical territory where the customer is located.

k. Any defense article which could, if provided through commercial channels, adversely affect deliveries to a military department or FMS customers through existing contracts.

l. Any article required in conjunction with a major system sale.

m. Defense services, unless the service requires such unique technical knowledge and skills that only one U.S. contractor is able to provide it.

n. Other defense articles not directly tied to end-item support but that are required to support the Navy and are governed by military specification.

o. Programs financed with MAP funds.

p. Items for which there are unallocated Special Defense Acquisition Fund (SDAF) assets.

**160203      Other Considerations**

Prior to responding to an FMS customer's request for P&A data or a LOR for an item designated for direct sale, the following must be considered:

a. Whether the customer has the necessary technical and administrative capability to make a prudent direct purchase. (The development of the answer to this question requires a great deal of tact and sensitivity as well as some amount of subjective assessment.)

b. Whether there is a specific government-to-government agreement, approved by the Director, DSAA, or by higher authority, covering such a sale or a special exemption to the direct sale preference approved by the Director, DSAA.

**160204**      **Exceptions**

The Governments of Thailand and the Federal Republic of Germany have been granted an exception to purchase, via FMS, articles and services designated for direct sales preference.

**Section 3: Processing Requests for Direct Sales Preference Designation**

**160301**      **Manufacturer's Responsibility**

The U.S. manufacturer informs DSAA of its preference to sell Significant Military Equipment (SME) items on a direct basis rather than through FMS. Information furnished by the manufacturer must establish that it is the sole U.S. source of the defense article or service. The request must also identify:

- a. The specific article designation/nomenclature.
- b. The military model number and National Stock Number (NSN), if applicable.
- c. The most recent contract with DOD for the item, including date and contract number.
- d. The cognizant USN activity or DOD component for that contract.

**160302**      **Initial Action**

Upon receipt of the manufacturers' request, DSAA contacts Navy IPO for comment and recommendation.

**160303**      **DSAA Decision**

a. DSAA decides to approve or disapprove the manufacturer's request based on USN and/or other DOD component recommendations and overall national security objectives. The manufacturer is informed of that decision and the Military Departments (MILDEPs) are provided with an information copy and appropriate instructions for processing any FMS requests for items approved for direct sale.

b. Twice a year DSAA produces a listing of the items eligible for direct sale and identifies the appropriate manufacturers. DSAA furnishes the list to each DOD component.

c. Direct sale preference designations that DSAA makes are normally valid for three years. Manufacturers are responsible for initiating a request to reconfirm the designation at the end of the three-year period.

**Section 4: Processing FMS Requests for Items Designated  
for Direct Sale Preference**

**160401**      **Navy IPO Responsibility**

Upon receipt of a request for P&A data or upon receipt of a LOR from a FMS customer, Navy IPO scans the listing of items designated for direct sale preference. If the FMS customer has requested information about an item on the designated list, Navy IPO will promptly (i.e., within three weeks of receipt of the customer's request) notify the customer of the direct sale preference and inform the customer of appropriate DOD and USN policy regarding direct commercial sales. (The text formats for informing the customer are provided in Chapter 6, Section 601 of the Security Assistance Management Manual (SAMM), DOD 5105.38-M.)

a. This notification to the customer must be coordinated with the DSAA Director for Operations (DSAA-OPS).

b. If Navy IPO feels an exception to the DSAA designation should be made in a specific circumstance, Navy IPO will pass its recommendation to DSAA-OPS for a decision within three weeks of receipt of the FMS customer's request.

**Section 5: Preparation of a Letter of Offer and Acceptance**  
**Versus Commercial Proposal**

**160501      General**

Customers may request Letter of Offer and Acceptance (LOAs) after having solicited bids from U.S. contractors. LOAs should not be offered to a customer until:

a. The customer confirms that commercial negotiations have stopped and the country provides rationale for continuing with FMS.

b. DSAA and/or DOD components have verified the U.S. contractor's preference regarding issuance of a LOA.

c. DSAA has decided, based on the combination of information received from the customer and the U.S. contractor, to satisfy the requirement under FMS.

**160502      Withdrawal of LOAs**

There are cases when a customer has requested and received a LOA and then has subsequently solicited bids from private industry for the same supplies and services. Such action by the customer does not automatically require DOD to withdraw the LOA; however, Navy IPO should query the foreign government as to its intentions and express a preference for withdrawing the LOA. U.S. contractor requests for withdrawal of LOAs should be referred to DSAA-OPS for resolution.

**160503      Direct Sale Preference for Individual Commercial Proposals**

In the event that a request for direct sale preference designation that identifies negotiations with one or more foreign countries is received by DSAA but does not qualify for inclusion in the listing of items eligible for direct sale preference designation, consideration will be given to direct sale preference for the individual transaction(s) in question. The U.S. commercial source must include sufficient supporting information to show that a specific request for a price quotation was

received, in writing, from a foreign country. Such informal notifications will be listed as an appendix to the listing of direct sale preference items, but will not be considered as designating items eligible for direct sale preference consideration. These items will remain in the appendix for a period of one year.

## CHAPTER 17 - ALLOCATION AND DIVERSION OF MATERIAL

### Section 1: Background and Definitions

#### 170101 Background

Department of Defense (DOD) policy calls for a determination to be made that the sale of a defense item will not degrade U.S. defense efforts by taking needed equipment from U.S. stocks (i.e., withdrawals) or by disrupting deliveries of critical items from production for U.S. forces (i.e., diversions) unless security or foreign policy requirements are such that the sale of the item is in the overall U.S. national interest.

#### 170102 Definitions

a. Allocation, as it pertains to Foreign Military Sales (FMS) refers to the decisions made, usually during the preparation of Price and Availability (P&A) data, as to the source of supply (e.g., inventory or production) that will be used during execution of the FMS case. For the sale of a major item or system, allocation serves to identify, at least for planning purposes, the production contract(s) that will be used to meet the U.S. Navy's (USN's) delivery commitment to the customer.

b. Diversion, as it pertains to FMS, is any deliberate action that causes material to be delivered to other than the original intended recipient.

c. Withdrawal, as used in this chapter and in the Security Assistance Management Manual (SAMM), DOD 5105.38-M, is a subcategory of diversion. Withdrawal refers to an unplanned removal of material from U.S. stock and furnishing of that material to an FMS customer to meet an immediate requirement.

## Section 2: Policy and Procedure

### 170201 Allocation

a. The Secretary of Defense has prescribed policies for allocating defense material between U.S. forces and international security requirements in a period of declining material acquisition programs. These include:

(1) Under normal circumstances, Security Assistance material requirements will be supplied from commercial production unless DOD can meet such material requirements from inventory without an undesirable impact on the combat readiness of U.S. forces.

(2) To the maximum extent possible, allocations of material shall be made within the normal priorities structure of the Uniform Military Material Issue and Priority Systems (UMMIPS).

b. Section 21(i) of the Arms Export Control Act (AECA) requires a report by the President to Congress "with respect to any proposal to sell, under this section, any defense articles or defense services, if such sale could have a significant adverse effect on the combat readiness of the Armed Forces of the United States." However, the Secretary of the Navy may determine that a FMS sale not requiring a Presidential report to Congress will still have sufficient impact to warrant review by the Secretary of Defense. Such a potential sale will be referred to the Undersecretary of Defense for Policy (USDP) and to the Undersecretary of Defense Acquisition (USDA) with an assessment as to whether:

(1) Supply action from either DOD stock or commercial production would:

(a) Affect the operational readiness of the USN.

(b) Have other serious impacts that the Secretary of the Navy believes warrant Secretary of Defense review but are not serious enough to require either:

1. Alteration or termination of the supply action.

2. A Presidential report to Congress.

(2) Supply action would constitute a significant adverse impact within the meaning of the law and, if taken, would require such a report to Congress.

**170202**      **Diversions**

a. All requests or recommendations for diversions of FMS equipment will be referred to the Director, Defense Security Assistance Agency (DSAA). In those instances where agreement cannot be reached with DSAA concerning the use of foreign program assets or diversion of defense material, the matter will be referred to the Secretary of Defense for a decision.

b. Presidentially directed or Secretary of Defense initiated material requirements shall be accorded sufficient priority through diversion of assets from other programs to ensure accomplishment of the requirement within the time period specified.

c. High priority international requirements (such as FMS requests) may be met by diverting or withdrawing equipment from U.S. active or reserve forces providing the operational readiness posture of these U.S. forces is not significantly lowered and payback can be accomplished in a reasonable period of time.

d. The following procedures will normally be followed:

(1) In cases where equipment delivery or performance of services by Navy personnel is expedited to a foreign purchaser and the Navy activity or the Office of the Secretary of Defense (OSD) staff become aware that such action appears to have an undesirable effect on the combat readiness of U.S. forces, either the Navy activity will initiate the development of an assessment or the USDP will request the Navy activity involved provide its assessment of the situation to USDP and the USDA. All NAVSUP organizations' assessment responses will be routed through the Security Assistance Directorate (SUP 07) to Navy IPO.

(2) Material being procured or stocked specifically for FMS may be diverted to meet higher priority foreign requirements or urgent needs of U.S. Forces with the

prior concurrence of the Director, DSAA, who will, as appropriate, obtain policy guidance from USDP.

(3) The USDP will refer the coordinated recommendation to the Secretary of Defense for review and decision. Because of the importance of such cases, it is essential that the Secretary of the Navy personally verify these assessments and make the report to USDP and Assistant Secretary of Defense (ASD) Production and Logistics (P&L) when such referral is required.

(4) The Secretary of Defense will determine if the DOD will provide the equipment or services on an expedited basis and if the impact of doing so is significant within the meaning of Section 21(i) of the AECA. In referring impact cases to the Secretary of Defense, the Secretary of the Navy provides the following information:

(a) The purchasing country or international organization.

(b) The amount of the proposed sale.

(c) A description of the defense article or service the USN proposes to sell.

(d) A full description of the effect the proposed sale will have on combat readiness of the USN.

(5) In those cases where the Secretary of Defense advises the President of the requirement for a report to Congress, the Secretary of Defense will provide the analysis relevant to the jurisdiction and certification called for in Section 21(i)(1)(E) of the Act. In this connection, a "proposal to sell" within the meaning of Section 21(i) of the AECA refers to a decision at an appropriate level of the U.S. Government to make a sale and to direct the issuance of a Letter of Offer and Acceptance (LOA) or to sign a document with comparable effect and does not refer to merely the receipt of a request for P&A or the receipt of a request for LOA. No Presidential report is required if the ultimate decision is made not to make the sale.

(6) Section 21(i) of the AECA also applies to a situation where significant adverse impact becomes apparent only after conclusion of a sale. However, no

Presidential report is required with respect to a supply action if the action is altered to avoid a significant adverse impact on U.S. combat readiness.

**170203**      **Withdrawal**

a. Removal of material from U.S. stock to meet a FMS customer requirement should be made judiciously and not as a matter of convenience to expedite asset acquisition.

b. The following procedures will be followed for ammunition:

(1) Replacement in kind should be used whenever possible. For ammunition items, replacement-in-kind policy permits replacement of a round with any round that provides the same warfighting mission capability, providing that the round being purchased has been previously approved by the Congress for procurement and that the inventory objective presented to Congress would not be exceeded.

(2) The Navy International Programs Office (Navy IPO) will forward all requests for ammunition withdrawals to Chief of Naval Operations (OP-41) with the reasons that necessitate the issue/sale, if the Navy will be reimbursed and when, and an appropriate Impact Statement.

(3) Case Administering Office (CAO) will ensure Chief of Naval Operations (OP-41) is notified when replacement in kind has been completed.



**CHAPTER 18 - CASUALTY REPORT/NOT MISSION CAPABLE SUPPLY  
PROCEDURES**

**Section 1: Purpose, Background, and Definitions**

**180101 Purpose**

This chapter describes the Casualty Report (CASREP) and Not Mission Capable Supply (NMCS) systems that are used by the U.S. Navy (USN) in support of participating Foreign Military Sales (FMS) customers. This chapter also outlines various customer and USN responsibilities and describes the procedures to be followed.

**180102 Background and Objectives**

The CASREP and NMCS systems were developed to provide high visibility and expedited requisition processing for attaining and maintaining optimum readiness of designated forces and programs through the efficient and effective use of the resources of the U.S. Government (USG) supply system. Although the CASREP and NMCS procedures were designed for use by USN forces, selected FMS customers are authorized to use the procedures, while operating under the same criteria as USN forces. Specifically, the objectives of the FMS CASREP and NMCS programs are to:

- a. Improve the FMS customer's operational readiness through proper spare and repair parts support.
  
- b. Decrease critical material requisition response time.

c. Provide intensive monitoring and expediting of requisitions.

d. Ensure the highest correct priority is applied to the expeditious movement of critical FMS requirements.

e. Apply uniform standards to FMS critical material reporting.

### **180103 Definitions**

a. CASREP requisition. A requisition for critical material that is required to repair inoperative mission essential ship or shore-based equipment. The nonavailability of that equipment must be causing a degradation to, or loss of, the ability to perform a primary or secondary mission.

b. NMCS requisition. A requisition for critical material required by an aircraft. The lack of the material renders the aircraft incapable of performing one or more of its assigned missions.

## **Section 2: Basic Policy and Organizational Responsibilities**

### **180201 Basic Policy**

a. Director, Navy International Programs Office (Navy IPO) may offer the CASREP/NMCS system and procedures to eligible FMS customers when the Navy IPO determines that such an offer is in the best interests of all concerned. Authorization to use CASREP/NMCS procedures is recorded in the letter of Acceptance (LOA). (CASREP/NMCS requisitioning authority may be granted for use in a Direct Requisitioning Procedure (DRP) or a Cooperative Logistics Supply Support Arrangement (CLSSA) case. )

b. Once use of these procedures is approved for a specific customer and case, that customer uses the requisitioning procedures set forth in Chapter 2, Naval Supply Systems Command (NAVSUP) Publication 526, FMS Customer Guide. For the purpose of expediting requisition processing, each FMS CASREP/NMCS customer is authorized to use the priority process under the Uniform Material Movement and Issue Priority System (UMMIPS) for determining the priority designator for each CASREP/NMCS requisition. FMS customers must be authorized to use a Force Activity Designator (FAD) of III or higher to participate in the CASREP/NMCS program. (Authorization to use FAD III is recorded in the LOA.)

c. Repair parts support is available through CASREP requisitioning as defined in paragraph 180103a. Excluded from CASREP requisitioning are ammunition, explosive ordnance, and spare and repair parts for missiles.

d. Support is available through NMCS requisitioning as defined in paragraph 180103b. Excluded from NMCS requisitioning are ammunition, Cartridge Activated Devices (CADs), Propellant Activated Devices (PADs), Aircrew Escape Propulsion Systems (AEPS), and spare and repair parts for missiles.

e. The full cost of performing the extra handling and reporting of CASREP and NMCS requisitions will be recovered by the USG. The extra costs are recovered from FMS customers based on their actual use of the system. Charges are levied against the specific FMS case that authorized the use of CASREP or NMCS.

#### **180202 Organizational Responsibilities for CASREP/NMCS**

The following subparagraphs identify the organizations involved in CASREP/NMCS processing and specify their responsibilities:

a. NAVSUP.

(1) SUP 07 will:

(a) Maintain the overall CASREP and NMCS programs for FMS including the necessary policy and procedures.

(b) Upon authorization from Navy IPO, initiate customer involvement in the CASREP/NMCS programs. Coordinate with Navy IPO any changes to existing cases and any new cases for CASREP/NMCS.

(c) Ensure that policy on use of UMMIPs is current and that authority to use the CASREP/NMCS process is included on the LOA. (UMMIPS guidance is contained in OPNAV Directive 4614.11).

(d) Ensure the FMS customer country is included in the Defense Automatic Addressing System Center (DAASC) for CASREP/NMCS. Provide the necessary information, as shown in Figure 18-1, to the DAAS Office (DAASO) via NAVSUP (SUP 041). A termination date will also be assigned.

(e) Provide Navy IPO a note for inclusion in the LOA to notify the customer of the proper requisitioning procedures.

(f) Upon implementation of a case authorizing CASREP or NMCS procedures, direct the U.S. Navy International Logistics Control Office (NAVILCO) to provide funds to the appropriate Inventory Control Point (ICP).

(g) Formally notify U.S. Naval Aviation Supply Office (ASO) or Navy Ships Parts Control Center (SPCC) of the execution date authorizing a country's entry into the Program. Forward a copy of the LOA implementing the

NMCS to ASO, (Code 037). Forward a copy of the LOA implementing the CASREP to SPCC (Code 032).

(h) Upon receipt of input from SPCC and ASO, provide the annual cost per requisition for CASREP and NMCS processing to Navy IPO for distribution to customer countries.

(i) Monitor the participating customers' compliance with these procedures.

(2) SUP 04 will notify the DAASC of active foreign customers in the CASREP and NMCS programs.

b. NAVILCO will:

(1) Receive and route requisitions in accordance with the processing described in Section 3.

(2) Assure requisitions for classified material are submitted in the correct format and accompanied by the required Navy IPO waiver/releasability authorization. For additional information, see Chapter 9.

(3) Upon implementation of a CASREP or NMCS program, issue a work request providing funding for CASREP/NMCS processing to the appropriate ICP.

(4) Upon notification of charges from the appropriate ICP, prepare monthly bills for CASREP/NMCS requisitioning services.

c. Inventory Control Points (ICP). Most often the ICP will be either ASO, SPCC, or one of the Defense Logistics Agency (DLA) Supply Centers. The ICPs

will receive and process requisitions for issue in accordance with Sections 3 and 4 below.

(1) The International Logistics Support Division (Code 037), U.S. Naval Aviation Supply Office, Philadelphia, PA, and the Security Assistance Department (Code 032), Navy Ships Parts Control Center, Mechanicsburg, PA, will identify an Expeditor/focal point responsible for monitoring/managing outstanding CASREP/NMCS requisitions until the foreign customer notifies SPCC/ASO of receipt of shipment through a Completion Report. The Expeditor will, at a minimum:

(a) Maintain a one workday turnaround time goal for CASREP and NMCS requisition processing. (Turnaround time is measured from day of receipt to posting of positive supply status.)

(b) Ensure that all avenues have been exhausted to obtain needed item(s), e.g., asset draw down, substitute issue, cannibalization, approval to issue below ROP, procurement, etc.

(c) If shipment delay occurs, notify the inventory manager, who will then obtain a more responsive status and forward that status within 24 hours.

(d) Provide each customer with a Weekly Status Report, by message, listing each outstanding CASREP/NMCS requisition. As a minimum, the report will include the requisition number, the quantity, and the current status.

(e) At the close of each quarter, the ICPs will submit a message to NAVILCO (information copy to SUP 07) detailing the number of CASREP and NMCS requisitions processed for each foreign customer. The message will include requisition/document #, NSN, priority designation, current status, and, if on contract, contract #.

(f) Prepare and submit "special monitoring" annual costs to NAVSUP (SUP 74) by 15 September of each year, using the guidelines provided in paragraph 180201e and Section 5 of this chapter.

(g) Process Completion Reports in accordance with paragraph 180402 to ensure receipt and close out action of CASREP/NMCS requisitions.

(h) Ensure that the appropriate DLA Supply Center is aware of a CASREP/NMCS requisition at the time the requisition is forwarded to the DLA Supply Center.

(2) Defense Logistics Agency (DLA). In accordance with DOD Material Management Regulation, DOD 4140.1-R of January 1993 and the Master Memorandum of Agreement (MMOA) between DLA and DON, executed on 9 January 1992, DLA is responsible for maintaining the capability to respond to emergency requirements on a 24 hour, 7 days a week basis, to include issue, packing and shipment. DLA will provide emergency issue, packing and shipment in accordance with UMMIPS guidance for all FMS CASREP and NMCS requisitions.

d. DAASO will:

(1) Receive and route requisitions as described in paragraph 180303b.

(2) Route supply status transactions for CASREP and NMCS requisitions to SPCC and ASO, respectively, in addition to NAVILCO.

**Section 3: Special Requirements for CASREP and  
NMCS Requisition Processing**

**180301 General**

All FMS CASREP and NMCS requisitions are submitted to NAVILCO in accordance with the standard requisition procedures set forth in Chapter 2 of NAVSUP Publication 526. The following paragraphs list the additional or special requirements for CASREP and NMCS requisitions.

**180302 CASREP Requirements**

a. CASREP requisitions contain:

(1) "W" in the first position (record position (rp) 40) of the serial number portion of the MILSTRIP document number. (Identifies the document as a CASREP requirement for expedited handling.)

(2) "F" in the first position (rp 54) of the MILSTRIP distribution field. (Indicates that status is to go to NAVILCO.)

(3) Priority designator as established under UMMIPS (rp 60 and 61) is entered. (See Figure 18-1).

(4) "N02" in the Required Delivery Date (RDD) field (rp 62-64). A RDD is entered when expedited handling of FMS material is required. In the case of FMS CASREP/NMCS requirements, the special code NO2 is used. (N in rp 62 is used for FMS CASREP/NMCS requisitions since they do not meet the criteria for use of the 999 code. The numerical entries in rp 63-64 indicate short RDD.)

b. Navy policy does not require that CASREP/NMCS requisitions be passed to the Navy ICP/DLA "off line." The customer sends the CASREP/NMCS requirements to NAVILCO via Autodin, ILCS, SALTS (for Kuwait only) or priority message. NAVILCO will pass the actions to the NAVICP identified by the material cognizance symbol (rp 55 and 56.)

### **180303 NMCS Requirements**

a. NMCS requisitions contain:

(1) A two-position Weapon System Designator Code (WSDC) in the last two positions (rp 21 and 22) of the stock number field. This code identifies the requisition as NMCS. (The WSDC is assigned by NAVSUP when the LOA is prepared and is used on all "AO\_\_", initial "A4\_\_", and reinstatement "AT\_\_" documents.)

(2) "G" in the first position (rp 40) of the serial number portion of the MILSTRIP document number. (Identifies the document as a NMCS requirement for expedited handling.)

(3) "F" in the first position (rp 54) of the MILSTRIP distribution field. (Indicates that status is to go to NAVILCO.)

(4) "5" in the first position (rp 57) of the project code field.

(5) The two-position WSDC (rp 21-22) is also entered in rp 58-59.

(6) Priority designator as established under UMMIPS (rp 60 and 61) is entered. (See Figure 18-1.)

(7) "NO2" in the RDD field (rp 62-64). A RDD is entered when expedited handling of material is required. In the case of FMS CASREP/NMCS requirements, the special code NO2 is used. (N in rp 62 is used for FMS CASREP/NMCS requisitions since they do not meet the criteria for use of the 999 code. The numerical entries in rp 63-64 indicate short RDD.)

b. If the customer uses a message to submit a DIC "A05" NMCS requirement, NAVILCO will pass the action to ASO via priority message. NAVILCO will pass all other NMCS requirements to ASO via the DAASC.

**Section 4: Supply Options, Completion Reports,  
and Nonreceipt of Material**

**180401 Supply Options**

a. Upon receipt of either a CASREP or NMCS requirement for a repairable item that the ICP does not have in Ready For Issue (RFI) stock, consideration should be given to repairing a not ready for issue (NRFI) stock under the Asset Draw Down Procedures in Chapter 33. Repair may be a quicker solution than back-ordering the item against anticipated material due-ins. The customer has final say on when the Asset Draw Down Procedures are to be used. It is the customer's responsibility to compare procurement repair costs and lead time against new procurement. This information is provided to the customer by the item manager via NAVILCO.

b. ASO and SPCC are authorized to take immediate procurement action (spot buy). If a spot buy will not meet the delivery date requirement, the item will be procured normally with a delivery date as early as possible. If the item is already on contract, ASO or SPCC will, if feasible, reconsign material to meet this requirement.

### **180402 Completion Reports**

a. When the FMS customer receives the required material from a CASREP or NMCS requisition action, a Completion Report is submitted in accordance with Chapter 2 of NAVSUP Publication 526.

b. For a CASREP requirement, the Completion Report information is entered in the SPCC's CASREP status folder by the expediter and the file is closed. The requisition is deleted from Weekly Status Report sent to the customer.

c. For a NMCS requirement, the Completion Report information is recorded in the ASO system and the requisition is dropped from the Weekly Status Report sent to the customer.

### **180403 Nonreceipt of Material**

a. All FMS CASREP and NMCS material is shipped via traceable means. Tracer action will be initiated by the SPCC or ASO expediter upon receipt of a request from the country. (Requests for tracer action are also submitted in accordance with Chapter 2, NAVSUP Publication 526.)

b. If a customer is billed for an item not received after an appropriate customer follow-up action, the customer may submit a Report of Discrepancy in accordance with Chapter 7, NAVSUP Publication 526. U.S. activities process those discrepancies in accordance with Chapter 20 of this manual.

## **Section 5: Determining Average Requisition Costs**

### **180501 Annual Calculation of Total CASREP/NMCS Costs**

ASO and SPCC will compute the total cost of handling NMCS and CASREP requisitions using the following cost elements:

a. The cost of labor to perform CASREP or NMCS processing will be computed using the average manyears cost from the ICP's FMS Administrative Budget multiplied by the number of productive manyears, or fractions thereof, which are applied to expediting requisitions. Include any research time necessary.

b. The pro rata share of computer time used for processing and monitoring the CASREP requisitions. Include only the extra time required for expediting, monitoring, and reporting. Do not include the time that would be used for processing any requisition, regardless of whether or not it is a CASREP .

c. Overhead costs resulting from the additional effort to process the requisition. (For example: overhead costs associated with additional computer utilization and data base maintenance; extra input clerks and supervisors; and additional telephones, office spaces, supplies, printing, and consumable items.)

### **180502 Calculation of Per Requisition Costs**

The individual elements of cost from paragraph 180501 are totaled and divided by the number of CASREP or NMCS requisitions processed during the year. The resulting figure is the average per requisition cost that will be charged for each CASREP and NMCS requisition processed during the succeeding year.

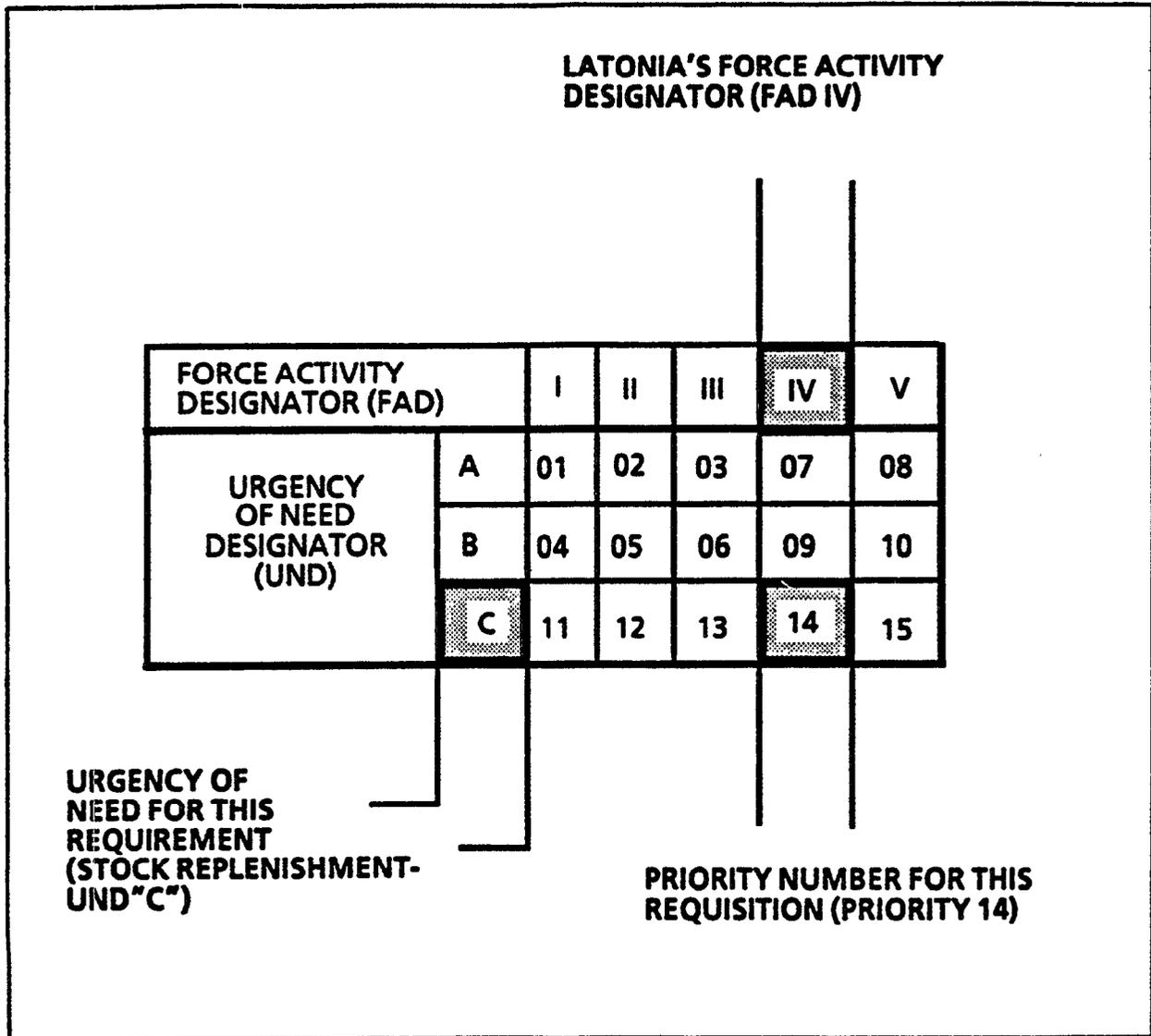
Figure 18-1

DEFENSE AUTOMATIC ADDRESSING SYSTEM INFORMATION

Record Position	Field Legend	Explanation
30	Service Code	Enter "P"
31-32	Country Code	Enter 2-position Country Code
40	Expediting Service Code	Enter "G" (NMCS) Enter "W" (CASREP)
48-50	Case Code	Enter 3-position Case Code
54	Distribution	Enter "F"

Figure 18-2

USE OF THE UMMIPS MATRIX TO DETERMINE A PRIORITY NUMBER



## CHAPTER 19 - SHIPMENT AND DELIVERY

### Section 1: Purpose and General Policy

#### 190101 Purpose

a. The policy and procedures for shipment and delivery of Security Assistance Program (SA Program) material differ from those governing the movement of U.S. Navy (USN) material. This chapter provides policy and procedural guidance for the shipment of Security Assistance material consistent with the requirements in the Security Assistance Management Manual (SAMM), DOD 5105.38-M; the Military Assistance Program Address Directory (MAPAD), DOD 4000.25-8-M; the Military Standard Transportation and Movement Procedures (MILSTAMP), DOD 4500.32-R; the Military Standard Requisitioning and Issue Procedures (MILSTRIP), DOD 4000.25-1-M; the Foreign Military Sales (FMS) Financial Management Manual, DOD 7290.3-M; and Military Traffic Management Regulation, NAVSUPINST 4600.70.

b. Each activity that ships Security Assistance material is responsible for complying with the policy and guidance found here. It must also comply with any deviations prescribed in a valid Letter of Offer and Acceptance (LOA), Department of Defense (DD) Form 1513.

#### 190102 General Shipment Policy for MAP Material

Department of Defense (DOD) and USN policy require that Military Assistance Program (MAP) material be transported either in the Defense Transportation System (DTS) or in DOD arranged U.S. flag ships or aircraft. For all practical purposes, the use of the Military Post Office (MPO) system for the delivery of MAP material is not authorized. Title to MAP material normally passes to the recipient government when it is accepted by an agent of that government from the Military Assistance and Advisory Group (MAAG) or authorized U.S. Government (USG) representative at the overseas port of discharge. The recipient government is always responsible for off-loading the material at the overseas port of discharge.

#### 190103 General Shipment Policy for FMS Material

Both DOD and USN policy hold the customer responsible for managing all aspects of transportation and delivery of FMS material from point of origin to ultimate in-country destination. Normally, a freight forwarder undertakes these responsibilities as an agent for the customer. Unless otherwise specified in the DD Form 1513, the point of delivery will be the Continental United States (CONUS) point of origin and the point of title transfer will be the initial point of shipment.

#### 190104 General Shipment Policy for Hazardous and Sensitive Material (MAP and FMS)

Shipment within the DTS to the CONUS Port of Exit (POE) is mandatory for hazardous and sensitive material as defined in NAVSUPINST 4600.70, Chapter

226; DOD 5100.176M; and in Volume 49, Code of Federal Regulations, Parts 100-199 (49 CFR 100-199). Exceptions to delivery policy are negotiated on a case-by-case basis, approved by the Defense Security Assistance Agency (DSAA), and must be noted on the DD Form 1513. An exception to the delivery policy noted in the DD Form 1513 does not change the point of title transfer unless specifically and separately stated on the DD Form 1513. See SAMM, Chapter 8, Section III, Paragraph F, for a more detailed discussion of transportation policy and permissible exceptions.

190105 Identification of Shipment and Storage Conditions

a. Whenever possible, information about material shipment and storage should be requested from the country representative when the FMS case is negotiated, included on the DD Form 1513 under "Additional Terms and Conditions" for each case, and provided in instructions to the contractor and shipping or packaging facility. Such information may include the following:

(1) The mode(s) of transport for shipping material to the country (e.g., air or surface).

(2) The mode(s) of transport and equipment used for moving between the in-country port of discharge and destination.

(3) The material shipped overseas as break-bulk or containerized cargo.

(4) The material used immediately or stored; and, if stored, for how long.

(5) The type of storage facilities available at in-country or port locations (e.g., covered, open, security, temperature controlled, bulk, etc.).

(6) The material transshipped in-country to multiple destinations.

(7) Climatic extremes for the area where material is used or stored.

b. The Price and Availability (P&A) and case negotiation process should identify all materials that will require special handling or transportation in the DTS and ensure that the appropriate Delivery Term Code (DTC) is applied. (In some cases, multiple DTCs may be appropriate.)

c. The FMS Financial Management Manual (DOD 7290.3-M) and the Security Assistance Management Manual (DOD 5105.38-M) state transportation will normally be charged in the following two ways:

(1) Transportation charges for items included in the Transportation Cost Look Up Table will be calculated using the figures on that table.

(2) Transportation charges for items not included in the Transportation Cost Look Up Table will be calculated using the surcharges given in the DOD 7290.3-M.

d. However, DSAA granted authority to charge above-the-line estimated actual cost in three circumstances:

(1) Material requiring movement by Special Assignment Airlift Mission (SAAM) flights.

(2) Movement of Government Furnished Equipment/Government Furnished Material (GFE/GFM) to production facilities.

(3) Repair and return items.

Any use of actual charges, surcharges, or estimated actual charges, either above or below-the-line not expressly approved by DOD 7290.3-M, DOD 5105.38-M, or by a waiver, is prohibited. Waivers may be requested from DSAA, via the chain of command, on a case-by-case basis.

## Section 2 Shipment of Material

### 190201 General

The offering procedures and documents prescribed in MILSTAMP apply to shipments of SA Program material transported within the DTS. Shipments are prepared and moved according to the DTC and Offer/Release Option Code specified on the DD Form 1513, and as described in this section and in NAVSUP Publication 437 (MILSTRIP/MILSTRAP Operating Procedures Manual). Shipment is made to the consignee designated in the appropriate section of the MAPAD. The consignee is usually a freight forwarder, but may also be a U.S. activity, a staging area, or other receiver designated by the customer country.

### 190202 FMS Delivery Term Code (DTC)

a. The DTC is a single alpha code, for ROR transactions, and a single numeric code, for other than ROR transactions, in the fifth position of the Transportation Control Number (TCN) or FMS MILSTRIP document number [DD Form 1348-1, card column (cc) 34]. The DTC corresponds to the Delivery Term Code specified in block 20 of the DD Form 1513. The DTC indicates the point within the transportation cycle where responsibility for the physical movement of an FMS shipment passes from DOD to the purchasing nation or international organization. This is the point to which DOD performs a reimbursable transportation service on behalf of the recipient country and does not relate to transfer of title. DTCs are used to:

(1) Differentiate FMS from MAP shipments. If cc 34 of the MILSTRIP requisition contains an alpha or numeric character other than zero, the shipment is FMS. Card column 34 will be a numeric zero in special FMS shipments and for all MAP shipments. (Card column 34 is the fifth position of both the MILSTRIP document number and the TCN.)

(2) Indicate the general method of movement. That is, whether shipment is through the freight forwarder or country representative, or within the DTS or other DOD arranged transportation.

(3) Indicate whether the delivery location at which USG action ends will be the point of origin, port of exit, other CONUS location, or some overseas destination.

(4) Bill the FMS customer for reimbursable transportation accessorial charges published in DOD 7290.3-M.

b. Figure 19-1 provides a listing and explanation of DTCs. Figure 19-2 provides a graphic description of the DTCs and their relation to other transportation related codes.

c. The standard DTC for most FMS shipments is "4", which signifies delivery Free on Board (FOB) origin. These shipments are made by Collect Commercial Bill of Lading (CCBL) or by small parcel mode on a reimbursable basis.

d. A broader discussion of basic DOD transportation policy and the respective responsibilities of the USG, the customer country and the freight forwarder is found in Chapter 8, Section III of the SAMM. NAVSUP PUB 437, Chapter 9 and DOD 4500.32-R, (MILSTAMP) Volume 1, Appendix K, contains detailed procedures for processing both FMS and MAP shipments.

#### 190203 Changes to Delivery Term Codes

a. Occasionally, situations arise which require a deviation from the specified DTC. Such situations chiefly occur with the movement of classified, sensitive, or hazardous material. For Navy and Marine Corps sponsored FMS cases managed in the Management Information System, International Logistics (MISIL), the shipping activity must refer a request to deviate from the authorized DTC to the Navy International Logistics Control Office (NAVILCO) (Code 252). (The address and telephone number for Code 252 are given in paragraph 190216b, below.) NAVILCO is NAVSUP's central point of contact for initiating changes to the transportation terms authorized in DD Form 1513s managed in MISIL. (MISIL managed cases can be identified by a numeric "48" in the Fund Code, cc 52-53, of the DD Form 1348-1.) After obtaining approval from the Case Manager, NAVILCO (Code 252) authorizes the deviation and ensures that the transportation billing reflects the actual transportation used. The shipping activity must never change the original document or requisition number to reflect such a deviation.

b. For other FMS cases, requests to deviate from the DTC should be referred to the Freight Forwarder Assistance Office of the sponsoring service listed in DOD 4500.32-R (MILSTAMP), Volume 1, Appendix K, Figure K-3.

#### 190204 Notices of Availability

a. The Notice of Availability (NOA) procedure determines whether FMS material moving from USG or commercial supply sources will be released automatically or require notification to the customer country or its freight forwarder. NOAs are not used with MAP material since all such shipments move overseas within the DTS. With the exception of classified, hazardous, sensitive, and outsize material, NOAs are not normally used when FMS material is shipped direct from contractor facilities.

b. When the NOA procedure is used for shipments from a contractor facility, it must be negotiated between the Navy contracting activity and the contractor and such agreement cited in both the NOA and in the contract. For FMS material moving from USN or other USG supply activities, the NOA requirement must be specified in the DD Form 1513 by the assignment of an "offer/release" code in Block 19.

#### **190205 Types of Offer/Release Codes**

The offer/release code, which is derived from Block 19 of the DD Form 1513, is found in cc 46 of the DD Form 1348-1 Release/Receipt Document and helps determine the method of shipment release. The offer/release codes are:

a. Code "A" indicates that the material is shipped automatically (i.e., without prior notification) to a predesignated address, usually the freight forwarder or country representative.

b. Code "Y" indicates that the material is prepared for shipment and an NOA is sent to the appropriate Type of Address Code (TAC) 3 MAPAD address advising that material will be shipped on the 15th day subsequent to the date of the NOA unless alternate shipping instructions are received. If a response to the NOA is not received, shipment is automatic. Also, unclassified small parcel shipments will be automatically released.

c. Code "Z" indicates that the material is prepared for shipment and an NOA is sent to the appropriate TAC 3 MAPAD address advising the consignee that specific shipping instructions are required before the shipment can be released. Paragraph 190208 describes the appropriate steps to follow if no reply to the initial NOA is received. Unclassified small parcel shipments will be automatically released.

d. Code "X" usually means that the material is moving overseas within the DTS and that NOA procedures do not apply. (See paragraph 190207.) An "X" in cc 46 indicates either that, the USN will sponsor the shipment to an in-country address (in which case the freight forwarder code (cc 47) must contain an "X" and a customer-within-country-code must be entered in cc 33), or that the shipment is to be made to an assembly point or staging area as indicated by clear text instructions or exception requisitions (in which case cc 47 must contain a "W").

#### **190206 Exceptions to the Offer/Release Code Requirements**

The following are exceptions to the normal requirement that release for shipment (of FMS material) from USG supply activities depends on the entry in column 46 of the DD Form 1348-1:

a. Classified material. An NOA must always be sent to the country representative indicated in *DOD 4050.25-8M* (MAPAD), page i, paragraph 1, of the applicable country section regardless of the entry in cc 46. The item(s) will be held pending a response from the country representative identifying the individual designated to receive and safeguard the classified material.

b. When an export release is required, as prescribed in Chapter 202 of NAVSUPINST 4600.70, the shipping activity will submit a request for export release to the Military Traffic Management Command (MTMC) Area Command before shipment. An NOA affirming that an export release has been requested will be furnished to the TAC 3 addressee. The export release provided by the MTMC releasing authority will include shipping instructions as coordinated with the freight forwarder or country representative.

c. When the shipping activity determines that the shipment either exceeds 15 feet in length or 8 feet in height or width, exceeds 8,000 pounds, is dangerous/hazardous, sensitive or otherwise requires a high degree of protection or control within CONUS, but does not require an export release from MTMC, a NOA will be furnished to the country representative or freight forwarder regardless of the entry in cc 46. The shipment will be held pending receipt of release and shipping instructions from the country representative or the freight forwarder.

#### **190207 Determining Shipment Release**

a. All unclassified shipment units to be shipped by small parcel mode, all shipments to Canada, and all shipments against requisitions with Code "A" or Code "X" entered in cc 46 that are not subject to the exceptions listed in paragraph 190206, above, should be shipped without prior or concurrent NOA.

b. All freight shipments of requisitions with code "Y" or "Z" in cc 46 must be offered by NOA to the freight forwarder or country representative prior to shipment release.

c. Detailed procedures for completion and distribution of the NOA are found in NAVSUP PUB 437, Chapter 9.

#### **190208 Non-Response to a Code "Z" NOA**

a. Since code "Y" shipments are released automatically if a response to the NOA is not received within 15 days of the transmission date, only code "Z" shipments and the exception shipments described in paragraph 190206 above are always held until release and shipping instructions are received from the freight forwarder or country representative.

b. Following the procedures in NAVSUP PUB 437, a duplicate NOA using the same NOA number, and annotated to indicate that country representative or freight forwarder failure to furnish release and shipping instructions is causing shipment delay should be prepared and sent to the contact point indicated on page i, paragraph 1 of the applicable country section in the MAPAD. If a reply is still not received, request assistance from the Navy MAPAD focal point listed in paragraph 190216b, below.

190209 Shipment Packaging

a. SAP shipments are governed by the DOD policy requirement that material shipped by, or to, any DOD activity must be preserved, packaged and packed at a level of protection sufficient to ensure safe delivery to the consignee. For SAP material, shipping activities must select items from stock that are preserved and packaged to Level A of the appropriate commodity specification, Inventory Control Point (ICP) packaging requirements, or Level A of MIL-STD-794. Exceptions are material shipped to Canada which shall be Level C, and parcel post shipments which shall be Level B of MIL-STD-794.

b. Procurement actions, taken in support of the SAP must specify in the contract either the levels of protection described in subparagraphs a and b, above, or the specific instructions of the procuring country.

c. Activities receiving repairables (see Chapter 12) should report shipments damaged due to inadequate packaging and packing. The cognizant MAAG is designated as the shipping activity for DD Form 364 reporting purposes.

Packaging of Repairable Items: FMS customers will ensure that the item returned for repair is packaged in a reusable special shipping container in accordance with MIL-STD-794D. If the reusable container has been damaged during shipment to the designated overhaul point, the container will be repaired by the overhaul point prior to the return of the repaired item. If the container is damaged beyond repair, a new container will be obtained. The cost of such repair or replacement will be charged to this case. If no container was provided when the item was shipped for repair and a container is provided by the U.S. Government, the cost of a new container will be billed to this case.

190210 Shipment Marking

SAP shipments will be marked as prescribed by MIL-STD-129 and MILSTAMP, Chapter 5, with the following minimum information:

- a. FMS case designator (for FMS only: shown in the "mark for" block of the shipping label or tag)
- b. Requisition number
- c. Transportation priority
- d. Project name and number (if applicable)
- e. Shipped from address
- f. Ship to address
- g. Ultimate consignee overseas address
- h. Mark for (if applicable)



## 190211 Certification of Hazardous Material

a. DOD and USN policy require that firearms, explosives, lethal chemicals and other hazardous material be moved within the DTS or other DOD arranged transportation under DOD control on a Government Bill of Lading (GBL) to the CONUS port of exit.

b. SAProgram material of a hazardous nature moving overseas via commercial air or sealift must be certified in accordance with governing international agreements.

(1) Hazardous material shipped under the SAProgram must be documented, packaged, marked, and labeled in accordance with pertinent shipping regulations and carrier tariff requirements for movement from the shipping activity to the ultimate consignee. Accordingly, whenever the NOA response indicates overseas movement of hazardous material by commercial air, the shipper must prepare a certification in accordance with the International Air Transport Association (IATA) tariff. This is necessary because the DD Form 1387-2 (Special Handling Data/Certification) does not meet the IATA certification requirement and because only the originating shipper can prepare the IATA certification.

(2) For hazardous material moving overseas by commercial sealift, the USN considers that the data provided on the DD Form 1387-2 is sufficient to assist the freight forwarder in certifying hazardous material in accordance with the International Maritime Dangerous Goods Code.

## 190212 Document Distribution

a. The distribution of shipment related documents remaining after SAProgram material has been packed, and the packing copies attached to the shipments, will be accomplished in accordance with the guidance in NAVSUP PUB 437, Chapters 6 and 9. The requirement to send copy 5 of the DD Form 1348-1, the extra set of DD Form 1348-1 and, for other than small parcels, a copy of the GBL or Advanced Transportation Control Movement Document (ATCMD) is important because freight forwarders generally use these advance documents to set up due-in files.

b. Shippers must forward advance documents as soon as they are prepared and the cargo has been dispatched. Documents for separate shipments may be held and batched only if they are going simultaneously to one freight forwarder and if the documents are separated by shipment within the envelope or container. Send the documents by first class or priority mail.

c. USN shippers will document all shipments to status recipients in accordance with NAVSUP PUB 437.

## 190213 Shipment Consolidation

a. FMS requisitions may be packed together in a single shipment unit when they all have identical entries in DD Form 1348-1 Release/Receipt document fields for country code and destination within country (cc 31-33), supplementary address (cc 45-50), and project code (cc 57-59). For other than

Canadian shipments, if the shipment is by small parcel mode, then Offer/Release Option codes "A", "Y", and "Z" in cc 46 may be considered equal to each other for consolidation purposes.

b. MAP requisitions may be packed together in a single shipment unit if they all have the same country code and destination within country code in cc 31-33.

c. Shipment units must be configured and consolidated as prescribed in MILSTAMP, Chapter 3. Material with different Transportation Priorities (TP) that are destined for the same ultimate consignee may be consolidated provided that the Required Availability Date (RAD) of the higher priority material is met. Normally, TP-3 material will not be consolidated in shipment units with TP-1 and TP-2 material that moves by air.

d. Consolidation should be used to the maximum extent possible consistent with sound traffic management principles and customer requirements. Where feasible, small parcels with TP-3 may be accumulated up to six days for consolidation into freight shipments according to the criteria in paragraph 190213a, above.

#### 190214 Mode of Shipment and Transportation Priority

a. The shipper selects the carrier unless the NOA specifies a carrier or unless export release is required and the clearance authority specifies the carrier and mode. For additional information on approved carriers, the purchaser may contact the Military Traffic Management Command (MTMC). The MTMC point of contact is the Foreign Military Sales Desk, Directorate of Inland Traffic, telephone number (202) 756-1870. For delivery term code "8" shipments [Delivery to Vessel (onboard) Port of Exit], the NOA is sent to the country representative or freight forwarder for information only.

b. The requisition transportation priority is based on the Uniform Material Movement and Issue Priority System (UMMIPS) priority assigned as prescribed in MILSTAMP, Chapter 2 and Section B. The Navy Material Transportation Office (NAVMTO), the Navy's air clearance authority, must clear Navy and Marine Corps sponsored airlift shipments in the DTS. FMS shipments are not subject to air shipment challenge but are otherwise governed by the air clearance procedures described in MILSTAMP and in NAVSUPINST 4630.22 series.

c. Shipments from outside CONUS to a CONUS consignee must be cleared with the Navy focal point in paragraph 190216b, below, to avoid uneconomic backhauls.

#### 190215 Transportation Control Number (TCN)

a. The TCN for FMS and MAP shipments is constructed from the MILSTRIP requisition number as prescribed in MILSTAMP, Appendix C. It must appear on any document which may generate an FMS or MAP shipment.

b. If the number of multiple shipments against one requisition is too large to be accommodated by the use of the suffix and partial shipment codes, separate requisitions must be submitted with more manageable quantities. NonMILSTRIP TCNs must not be used for SAProgram shipments.

## 190216 Resolving Shipment Problems

a. Normally, the customer's freight forwarder must resolve any shipment problems directly with the carrier. If the material never arrives, is misdirected, or there are documentation problems, then the shipping activity transportation officer must assist the freight forwarder by responding to inquiries.

b. If the problem cannot be resolved between the freight forwarder and the transportation office, the freight forwarder must be advised to send a fully documented description of the problem to the Freight Forwarder Assistance Office of the sponsoring service listed in the MAPAD, Section A. For Navy and Marine Corps sponsored cases (i.e., cases having a "P" in the first position of the requisition number for the USN and "K" for the Marine Corps). The address is:

Commanding Officer  
U.S. Navy International Logistics Control Office  
Code 252  
700 Robbins Avenue  
Philadelphia, PA 19111, USA

Telephone - Commercial: (215) 697-4142  
Autovon: 442-4142  
Toll Free: 1-800-356-6890 (Except within the 215 area code)

NOTE: NAVILCO (Code 252) also serves as the coordination point for initiating DTC changes (paragraph 190203a). The Navy MAPAD focal point is NAVSUP (Code 0731).

c. NAVILCO (Code 252), is also the USN central point of contact for assisting in tracing and expediting Security Assistance shipments moved within the DTS. Completing and forwarding a Material Identification Worksheet (Figure 19-3) to NAVILCO (Code 252) will assist in resolving shipping problems. The forms are available from NAVILCO (Code 252).

d. If the customer is not successful in resolving shipment problems after contacting the freight forwarder or the shipping agency, the purchaser may request assistance in the reconstitution of lost FMS shipment documents by contacting NAVILCO (Code 252).

## 190217 Retrograde FMS ROD Material

a. When the USG supply system response to a valid Report of Discrepancy (ROD) directs return of the discrepant material, NAVILCO will transmit detailed instructions for completing a DD Form 1348-1 (turn-in document for the discrepant material) to the customer by message. The inventory manager for the material provides complete disposition instructions, including shipping instructions, through NAVILCO (Code 26). Generally, the material is moved to the nearest U.S. facility for return to CONUS.

b. In the absence of a U.S. facility, the local U.S. MAAG/Mission can be queried to determine whether it can accept the material and return it through either the Army Post Office (APO) channels or on a Commercial Bill of Lading (CBL) annotated, "To be converted to a GBL by the destination transportation officer."

c. In the absence of a U.S. MAAG/Mission, the customer country can be requested to ship the material to its CONUS freight forwarder with instructions that after it clears U.S. Customs, to forward the shipment to its final destination on a CBL annotated, "To be converted to a GBL by the destination transportation officer." The resulting GBL must include the FMS case designator in the GBL "Description of Articles" block.

d. SA Program administrative funds will be cited for FMS material shipments returned to the U.S. Military Service or to DOD supply activities under the authority of an approved ROD as follows:

(1) The Transportation Account Code (TAC) will cite "III" in the second, third and fourth positions. The first position of the TAC is the sponsoring service code, e.g., Navy-sponsored shipments use TAC "PIII."

(2) Card columns 48-50 of the DD Form 1348-1 will identify the original FMS case through which material was purchased. Block 13 of the DD Form 1348-1 must contain the proper TAC and appropriate accounting classification, which is:

USN: PIII 97-11X8242 L009 8401 (Country Code/cc31-32)  
(Sponsoring Service Code/cc30)(Case Designator  
cc 48-50) GBL S843000

#### 190218 Misrouted Shipments

Country representatives or freight forwarders who receive misrouted shipments from a Navy shipping activity or under a Navy sponsored contract should request disposition instructions from NAVILCO (Code 252). Requests for disposition instructions should include a copy of the shipping document or as much of the information listed on the Material Identification Worksheet (Figure 19-3) as possible.

#### 190219 Repairables

a. Items involved in the Repair of Repairables (ROR) program are normally shipped at FMS country expense, outside of the DTS. The customer, through his representative or freight forwarder, arranges for transportation and clearance through U.S. customs. Return shipments to CONUS will not be directly consigned to the Repair Facility unless specifically authorized. See Chapter 12 of this manual.

b. The ROR material is consigned to the FMS country's CONUS representative who then forwards the shipment, transportation charges prepaid, to a repair facility determined in accordance with Chapter 12.

c. The alphabetic DTCs which are designed to permit varying degrees of U.S. responsibility for the return movement of classified, hazardous and exception material are not currently authorized for use in Navy sponsored FMS cases.

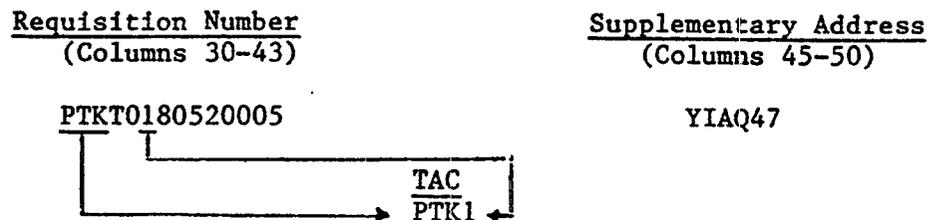
d. Classified shipments of FMS repairable items are normally made within the DTS or other DOD approved transportation modes which provide the required

security and enable the DOD to maintain control and custody of the repairable item until acceptance by the FMS customer occurs. The MAPAD lists freight forwarders who are cleared to receive classified repairables and ship the items FOB origin on a CCBL.

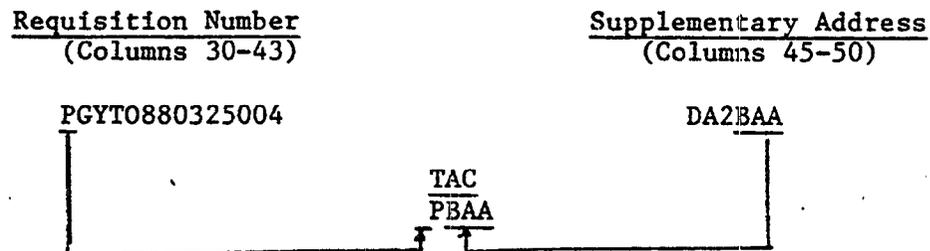
190220 Shipment Billing

a. Transportation Account Codes (TACs) are used to identify the sponsoring service and the appropriation to be charged for services incident to movement of material through the DTS. TACs for the shipment of SAProgram material are constructed as follows:

(1) A MAP TAC is always constructed with the sponsoring service code from cc 30 of the MILSTRIP requisition in the first position, the country code from cc 31-32 in the second and third positions, and the type of assistance code from cc 35 in the fourth. For example:



(2) For final shipments to the FMS customer, an FMS TAC is normally constructed with the sponsoring service code from cc 30 in the first position and the case designator from the supplementary address cc 48-50 in the second, third and fourth positions. For example:



(3) When transportation charges are to be billed "above the line", Navy managers will cite a Navy FMS TAC code, which is a "P" followed by three numerics - e.g., "P672", and case funds - e.g., 17-11X8242, XXXX, with the applicable numeric country code in the last two digits on all GBLs. FMS Case Managers should obtain the special Navy FMS TAC code at the time of case implementation or when the customer requests special premium transportation. This TAC code and the FMS MILSTRIP requisition must be annotated on all GBLs to be charged above the line to the FMS case as well as cited in contracts and supply documents. Special Navy FMS TAC codes should be obtained from:

U.S. Navy Material Transportation Office  
Navy Management Fund (Code 06)  
Norfolk, Virginia 23511

Telephone: Autovon 564-3165  
Commercial (804) 444-3165

b. DOD 4500.32-R (MILSTAMP), Volume II, describes the proper appropriation charges to use on all shipments of SAProgram material. The following are the appropriation charges used for Navy and Marine Corps sponsored SAProgram material shipments.

(1) For Navy and Marine Corps sponsored MAP shipments, construct the appropriation as follows: Navy Management Fund (NMF) Fiscal year identifier and TAC (e.g., NMF-89 PTK1).

(2) Regardless of the sponsoring service, the appropriation chargeable for FMS transportation costs cited on a GBL is: 97-11X8242 L009 8401 (country code/cc 31-32) (Sponsoring Service/cc 30) (Case Designator/cc 48-50) GBL S843000. The Case Manager must pass the complete appropriation to the shipper by inserting the two digit Authorized Accounting Activity (AAA) sub-head and then the two digit numeric country code in the last four positions of the fund cite.

c. MILSTAMP, Volume II, lists the billing addresses to use for all security assistance shipments. The following address is used for Navy and Marine Corps sponsored shipments:

(1) Navy and Marine Corps sponsored MAP shipments, both within the DTS and on a GBL, and for Navy and Marine Corps sponsored FMS shipments on GBLs will be billed to:

Commanding Officer  
Navy Material Transportation Office (Code 021.2)  
Bldg. Z-133, Naval Station  
Norfolk, VA 23511

(2) Transportation costs resulting from the movement of FMS material by DTS will be billed by the transportation operating agencies (Military Air-lift Command (MAC), MTMC, and Military Sealift Command (MSC)) direct to SAAC.

### Section 3: Military Assistance Program Address Directory

#### **190301 Purpose and Scope**

a. The MAPAD, DOD <sup>4000.25-8-M</sup>~~5105.38-0~~, is the directory of clear text addresses and shipping instructions used in the movement of material and distribution of documents for FMS and MAP shipments. The MAPAD is used by DOD services, the General Services Administration (GSA) and commercial firms under DOD contracts for the shipment of FMS and MAP material. Foreign governments and international organizations participating in MAP programs also use the directory.

b. As a DOD publication, MAPAD is authoritative. Shipping activities must conform to its directions regarding FMS and MAP shipments. Similarly, exceptions found in the MAPAD authorize deviation from normal service procedures. Directions for use of the MAPAD are contained in the directory, itself. Paragraphs 190302 through 190304, below, address areas of interest and caution to USN users.

#### **190302 Responsibilities**

a. Country representatives are responsible for furnishing the clear text addresses published in the MAPAD. The Defense Automatic Addressing System Office (DAASO), the DOD MAPAD custodian, is responsible for maintaining the directory and serves as the focal point for receipt of all directory changes.

b. The USN and Marine Corps contact point for liaison with DAASO in solving address problems, requisitioning directories, distributing revisions, additions and deletions, providing information on address codes, and approving special instructions and addresses cleared to receive classified material is:

Commander  
Naval Supply Systems Command  
Attn: SUP 0742  
Washington, DC 20376

### **190303 Caution in the use of Service Codes**

The MILSTRIP format for FMS requisitions includes two service codes, one in the document number (cc 30) and one in the supplementary address (cc 45). The service code in the document number is used to designate the U.S. service which sponsors and manages the FMS case. The service code in the supplementary address designates the purchasing country's service which is to receive the material. This is an important difference (especially for USN managed cases) because the routine USN procedure for shipping to the requisitioner if the supplementary address is unclear does not work in FMS. The service code in the supplementary address must be used for FMS shipments.

### **190304 Special Instruction Indicators**

a. Special instruction indicators appear in the fourth column on MAPAD address pages and inform the shipping activity that special procedures are required. A clear text description of each indicator is found at the beginning of each country section.

b. While most of the standard indicators are self-explanatory, the following two indicators require some further discussion:

(1) The indicator "S" allows the foreign country to write its own instruction. In effect, "S" instructions are open-ended and some are quite complex. Navy personnel responsible for considering requests from foreign governments to include new special instruction indicators in the MAPAD should carefully weigh the complexity of the instruction, the availability of alternatives and the country's need against the impact that a detailed instruction may have on the workload of the shipping activity. Assistance in designing shipment arrangements to meet customer needs with minimum disruption of the U.S. system is available from NAVILCO (Code 20B), the Physical Distribution Office.

(2) The indicator "A" directs that shipment be made to the address nearest shipping activity (even if it seems to be a back haul) and not to the address nearest the customer country. If "nearest" is a close call, the shipment should go to the address with the lower inland freight cost.

## Section 4: Small Parcel Shipments

### 190401 General

Within the following general guidelines, shipping activities will make every effort to select the most cost efficient mode of shipment for FMS small parcels based on administrative as well as transportation costs:

a. All FMS small parcel shipments from USA activities within CONUS will be made via either insured numbered mail with a return receipt requested using United States Postal Service (USPS) Form 3811, or via United Parcel Service (UPS). UPS is now the preferred mode for Navy sponsored FMS small parcel shipments within CONUS. Shipping activities are encouraged to use UPS to the maximum extent consistent with cost savings and transit time advantages. Cost comparisons should include the expense of maintaining the files of completed receipt copies of USPS Form 3811 described in paragraph 190403a below.

b. "Prepay and Add" procedures, which permit the use to the prepaid small parcel modes like UPS and USPS, must be used for Navy sponsored FMS small parcel shipments from contractor facilities. Under these procedures, the contractor pays the transportation charges and is reimbursed by the USG under a FOB origin contract.

### 190402 UPS Shipments

a. Shipping activities must use Bureau Control Number (BCN) 76001 to identify all Navy FMS shipments forwarded by UPS and must follow the commercial forms and procedures guidance found in NAVSUP Manual, Volume 5, (Transportation of Property) paragraph 52557.

b. Records must be maintained of UPS package control numbers cross referenced to requisition numbers. The shipping activity must contact UPS and request a proof of delivery record whenever it receives a ROD against FMS material it has forwarded by UPS. (See Chapter 20 of this manual.)

### 190403 Parcel Post (USPS) Shipments

a. Shipping activities must insure all FMS parcel post shipments for \$15.01 (including shipments valued at less or more than \$15) in order to establish proof of material receipt. USPS Form 3811 must be prepared and attached to each parcel with the exception of parcel post shipments to the Canadian government (see paragraph 190403b, below). All receipt copies of USPS Form 3811 will be filed to allow identification by insurance number and will be cross-referenced to the requisition number. A cross-reference of requisition number to small package control number will also be maintained by the shipping activity.

b. International parcel post shipments destined for the government of Canada will not be insured but will be mailed using "Certificate of Mailing" procedures and USPS Form 3817, 3877, or 9877A. Copies of the completed forms will be filed at the shipping activity as Evidence of Shipment (EOS) for ROD

processing. (See Chapter 20 of this manual.) Those files must permit cross-referencing between the certificate of mailing number and the MILSTRIP requisition number.

c. Parcel post insurance and certificate of mailing numbers will be forwarded to NAVILCO in accordance with the provisions of NAVSUPINST 4910.13A. NAVILCO will provide the customer with a copy of a return receipt or the Insured Mail Number.

d. Upon notification from NAVILCO of an FMS ROD indicating non-receipt of a parcel post shipment, the shipping activity will check its mailing records for return receipt or certificate of mailing information. If USPS Form 3811 has been received, a reproduced copy showing the appropriate consignee's signature will be forwarded to NAVILCO, 700 Robbins Avenue, Philadelphia, PA 19111-5095. NAVILCO will use the USPS Form 3811 to disallow the ROD. If the return receipt has not been received within 45 days from the shipment date, the shipping activity will file a USPS Form 3811A with USPS office of origin in accordance with Part 164.1 of the USPS Manual.

### Section 5: Shipment of Classified Material

#### 190501 General

a. MAP shipments of classified material will always, and FMS shipments of classified material will usually, be made within the DTS or by other U.S./DOD arranged transportation modes which will provide the required security and enable the U.S./DOD to maintain control and custody of the material until delivery to the purchaser is made.

b. Acceptable modes are: first, GBL with a common carrier authorized to transport classified material and able to provide the required level of protective service; second, registered parcel post within CONUS; third, the MPO; APO and Fleet Post Office (FPO) systems when authorized in the FMS case; fourth, the State Department Pouch Service; and, fifth, the Armed Forces Courier Service. In addition, classified FMS material may be shipped FOB origin on a CBL to a cleared freight forwarder in accordance with the provisions of DOD 5105.38-D (MAPAD) and DOD 5105.38-M (SAMM).

c. An audit trail must be maintained for shipments of classified material. Only carriers which can provide the required level of protective security service should be selected when classified material is to be shipped on a CBL. Inventory managers responsible for directing issue of classified material will provide the shipper with certification of release authority together with specific shipping instructions. The FMS offer/release option code "Z" NOA procedure is mandatory for all shipments of classified FMS material to ensure that the recipient is prepared to receive and safeguard the classified material.

#### 190502 Classified Freight

Shipments of classified freight items that are too large for USPS, UPS, or the diplomatic mail system (i.e. normally weighing in excess of 200 lbs. or larger than 8 cubic feet) will be made as follows:

a. MAP shipments of classified freight will move through the DTS to the U.S. MAAG, Mission, or Defense Attache in the customer country before being turned over to an agent of the recipient government.

b. FMS shipments of classified freight will usually move through the DTS as follows:

(1) Classified FMS freight will be shipped, preferably, to the customer's freight forwarder if the letter "B" is present in the type of address column of DOD 5105.38-D (MAPAD). (The MAPAD designates whether the country representative or freight forwarder is cleared to receive classified shipments.) An NOA must be forwarded to the country representative designated on the first page of the country section in MAPAD, Section B. The NOA must be forwarded not only to confirm that the address and instruction are up to date, but also to request the name(s) of the person(s) cleared to accept and to receipt for classified material.

(2) If the freight forwarder is not cleared, the shipment is normally made to the customer country's attache or embassy in the United States if the NOA response confirms this.

(3) Under DTC "8", classified freight may be moved in the DTS to a CONUS port of exit (POE) for delivery to an ocean or air carrier for export if the country representative listed in the MAPAD designates an official of the receiving country who will be on hand at the port of exit to accept the material. This receiving official may be an officer of the crew of the ship or aircraft.

(4) If the customer country requests that the shipment not be made to its embassy, shipment will be made to the Naval Supply Center (NSC) Norfolk, VA or NSC Oakland, CA. Material will be held at these activities until proper arrangements for delivery and for safeguarding the classified material are completed.

### 190503 Classified Publications and Documents

Shipments of classified publications and documents will be accomplished as follows:

a. MAP shipments will be made to the foreign embassy or mission in the U.S. unless the country specifically requests that shipment be made to a U.S. Military representative (MAAG, Mission, or Defense Attache). In the latter case, shipment will be made using the MPO address cited in the Standard Navy Distribution List (SNDL) and following postal regulations and/or State Department pouch procedures for classified matter.

b. FMS shipments will be made to the freight forwarder if the letter "A" for small parcels is found in the type of address column of the MAPAD. If none exists, and if the procedure described in paragraph 190502b.(3) does not apply, shipment will be made to the customer's embassy or attache in the United States. If the customer requests that shipment not be made to its

embassy, classified publications and documents will be shipped to NSC Norfolk, VA or NCS Oakland, CA. Material will be held at these activities and the customer requested to arrange for transfer of title and delivery.

#### 190504 Canadian Shipments

Classified shipments to Canada are exempted from the preceding requirements since all the addresses are Canadian military and are cleared to receive classified material. Type of Address Code (TAC) 1 should be used in lieu of TAC A for classified small parcel shipment and TAC 2 should be used in lieu of TAC B for classified freight shipments.

### Section 6: Delivery Commitments

#### 190601 General

Delivery commitments to foreign countries will be managed through the use of a required availability date (RAD) in the MILSTRIP requisition. Procedures for the identification of RADs are contained in DOD Manual 4000.25-1-M. DOD requires that FMS cases be reported to the Defense Security Assistance Agency (DSAA) on a quarterly basis where the delivery commitment date (DCD) for any major item on a case has slipped more than ninety days. This report requirement is found in DOD Manual 5105.38-M.

#### 190602 Policy

Material delivery commitments to foreign governments will be honored through the on-time delivery of complete articles that are logistically supportable. Delivery commitments will be realistic and shall be carefully evaluated to insure that they are coordinated with the requirements of the U.S. military forces. Proposals to provide U.S. military items to a foreign country from any source (stocks, production, excesses, etc.) will be carefully reviewed by the inventory manager prior to making a commitment.

#### 190603 Responsibilities

IMs are responsible for evaluating and determining the availability of material under their acquisition cognizance, with the qualification that systems commands (SYSCOMs) are responsible for coordinating and providing availability information for complete weapon systems and equipments, consistent with SYSCOM charters, to include ancillary and support material from other IMs. Availability for delivery of weapon systems and equipments must take full account of the availability of ancillary and related support material.

FIGURE 19-1

Delivery Term Codes

<u>CODE</u>	<u>EXPLANATION</u>
I	Codes Used for Other Than "Repair and Return" Transactions.
2	FOB (Free On Board) destination - inland origin to inland destination within CONUS (Continental United States) or inland origin to inland destination within the same overseas geographical area. U.S./DOD (United States/Department of Defense) is responsible for inland transportation to named inland point. Recipient country is responsible for unloading at named point and subsequent arrangements and costs.
3	FAS (Free Alongside) vessel CONUS port of exit. U.S./DOD is responsible for transportation to point alongside vessel. Recipient country is responsible for loading aboard the vessel and subsequent arrangements and costs.
4	FOB (Free On Board) origin. Recipient country is responsible for cost of CONUS inland transportation and subsequent arrangement for onward movement.
5	FOB port of exit. U.S./DOD is responsible for inland transportation to the CONUS port of exit. Recipient country is responsible for unloading from inland carrier at port of exit and subsequent arrangements and costs.
6	FOB overseas port of discharge. U.S./DOD is responsible for transportation from CONUS point of origin to and including ocean transportation to the overseas port of discharge. Recipient country is responsible for vessel discharge, port handling and subsequent arrangements and costs.
7	FOB destination (named inland point in recipient country). U.S./DOD is responsible for transportation from CONUS point of origin to and including overseas inland carrier delivery to named inland point. Recipient country is responsible for unloading at named point and subsequent arrangements and costs.
8	FOB vessel - CONUS port of exit. U.S./DOD is responsible for transportation from CONUS point of origin to and including unloading, handling, and storage aboard vessel at port of exit. Recipient country is responsible for ocean transportation and subsequent arrangements and costs.
9	FOB port of discharge (Landed). U.S./DOD is responsible for transportation from CONUS point of origin to and including vessel discharge and port handling at overseas port of discharge. Recipient country is responsible for loading on inland overseas carrier equipment and for subsequent arrangements and costs.

FIGURE 19-1 (2)

Delivery Term Codes

<u>CODE</u>	<u>EXPLANATION</u>
II	Codes Used With "Repair and Return" Transactions.
A	U.S./DOD is responsible for transportation from a designated overseas port of embarkation (POE) to a Continental United States (CONUS) destination, and return to a designated overseas port of debarkation (POD). Customer is responsible for overseas inland transportation of material to or from the overseas POE or POD and overseas port handling.
B	U.S./DOD is responsible for transportation from a designated overseas POE to a CONUS destination, return to a CONUS POE and CONUS port handling. Customer is responsible for overseas inland transportation to the overseas POE, overseas port loading, and over-ocean transportation from the CONUS POE to ultimate destination.
C	U.S./DOD is responsible for CONUS port unloading of country arranged carrier, transportation to and from a designated CONUS destination, and CONUS port loading of country arranged carrier. Customer is responsible for movement of material to and from the CONUS POD or POE.
D	U.S./DOD is responsible for CONUS port unloading of country arranged carrier, transportation to a CONUS destination and return to an overseas designated POD. Customer is responsible for over-ocean transportation to a CONUS POD, overseas port unloading and overseas inland transportation to ultimate destination of returned material.
E	Customer is responsible for all transportation from overseas point of origin to CONUS activity and return to an overseas destination.
F	U.S./DOD is responsible for transportation from an overseas inland location to an overseas POE, overseas port handling, overseas transportation to a CONUS POD, CONUS port handling, inland transportation to a designated CONUS destination, and return to an overseas destination.
G	U.S./DOD is responsible for overseas port handling through an overseas POE, overseas transportation to a CONUS POD, CONUS port handling, inland transportation to a CONUS destination and return to an overseas POD and overseas port handling. Customer is responsible for overseas inland transportation to and from the overseas port.
H	Customer is responsible for all transportation from overseas point of origin to CONUS activity. U.S./DOD is responsible for return transportation from CONUS activity to CONUS POE. Customer is responsible for return CONUS port handling and all transportation to overseas destination.
J	Customer is responsible for all transportation from overseas point of origin to CONUS activity. U.S./DOD is responsible for all transportation from CONUS activity to overseas destination.

Figure 19-2

DELIVERY TERM CODE DECISION TABLE

DELIVERY TERM CODE	MARK FOR ADDRESS	PROCURING SERVICE (RECEIVER) MUST BE	OFFER RELEASE MUST BE	FREIGHT FORWARDER MUST BE	DESTINATION	REASON FOR USE	DELIVERY TERM CODE
<u>FOR DELIVERY TO CONUS LOCATIONS</u>							
2	OPTIONAL BUT IF USED, THERE MUST BE AN ENTRY IN MAPAD	B, D, OR P	A, Y, OR Z*	A LETTER OR NUMBER OTHER THAN W, X, OR Z*	INLAND POINT	STAGING, GFE	2
3					ALONGSIDE VESSEL	RARE	3
4					PORT (FREIGHT FORWARDER)	NORMAL FMS TERMS	4
5						RARE (OBSOLETE)	5
8						ABOARD VESSEL	EXPLOSIVE, SENSITIVE, OR CLASSIFIED MATERIAL
* W OR X MAY BE USED BUT REQUIRE OFF-LINE PROCESSING							
<u>FOR DELIVERY TO OVERSEAS LOCATIONS</u>							
6	REQUIRED MAPAD MUST SHOW ADDRESS & APOD OR WPOD	B, D, OR P	X	X	ONBOARD VESSEL	WHEN ECONOMIC POLITICAL OR PRACTICAL FACTORS DICTATE	6
7					INLAND POINT		7
9					ALONGSIDE VESSEL		9
<u>WHERE CODES ARE LOCATED</u>							
20	33	35	19	34		DD FORM 1513 BLOCK	
4	33	45	46	47		MILSTRIP CARD COLUMN	
--	4	1	--	6		MAPAC	







## CHAPTER 20 - DISCREPANCY REPORTING

### Section 1: General Information

#### 200101 Purpose

Department of Defense (DOD) and U.S. Navy (USN) policy requires that a high level of quality control be maintained over the procedures and operations that relate to Security Assistance shipments and documentation. However, because of the large volume of transactions conducted in support of the Security Assistance Program (SAP) and the worldwide distribution of the material involved, some discrepant conditions do occur. This chapter describes types of discrepancies that may occur, types of discrepancy reports, responsibilities of the U.S. Government (USG) and the foreign government, and the conditions and procedures for submitting and processing discrepancy reports.

#### 200102 Types of Discrepancy

The four basic types of discrepancies that may occur during the course of Security Assistance transactions are: financial, billing, shipping, and packaging.

a. Financial discrepancies occur when administrative, accessorial, or other charges assessed to the customer are not accurate.

b. Billing discrepancies occur when material is delivered as ordered with proper documentation, but the delivery is incorrectly reported, omitted, or duplicated on delivery listings or statements of transactions.

c. Shipping (issue) discrepancies occur when there is a variation in the quantity or condition of material received from that shown on the shipping document. These are further categorized into carrier and shipper discrepancies.

(1) Carrier discrepancies involve damages to, or shortages of, packaged or loose freight that occur after the material is transferred to the custody of the carrier. These discrepancies normally reflect a quantity or condition that is different from

the quantity or condition reflected on the bill of lading or freight bill. Discrepancies that occur while the shipment is in transit are the fault of the carrier.

(2) Shipper discrepancies occur when there is no visible difference between the shipment as it is received and the description of the shipment (quantity and condition) as shown on the bill of lading or freight bill. However, when the container is opened, shortages, overages, incorrect items, concealed damages that occurred prior to shipment, or material quality deficiencies are discovered within the shipping container.

(a) Small Parcel Shipments. Some material, because of its small size and/or quantity, is shipped to customers in small packages rather than large containers. These small packages are normally shipped by either the United Parcel Service (UPS) or by the U.S. Postal Service (USPS). These types of shipments are referred to as "small parcel shipments." If a customer submits a ROD for nonreceipt of a small parcel shipment, Navy International Logistics Control Office (NAVILCO) will reject the ROD if there is evidence that the material was shipped. NAVILCO will provide evidence of shipment as follows:

1 UPS. NAVILCO will provide the customer with the UPS pick-up record and account number. This information will enable the customer to trace the shipment through the UPS.

2 USPS. NAVILCO will provide the customer with copies of documents substantiating delivery to and acceptance by the customer's designated representative.

d. Packaging discrepancies include any unsatisfactory conditions that result from improper packing, marking, unitization or preservation.

### **200103 Types of Discrepancy Reports**

The Report of Discrepancy (ROD), Standard Form (SF) 364, is used to report financial, billing, shipment, and packaging discrepancies. Excluded are transportation-type discrepancies for FMS shipments processed via the U.S. Defense Transportation Service (DTS); these discrepancies are processed on a Transportation

Discrepancy Report SF 3601, in accordance with NAVSUPINST 4610.33. (See subparagraph 200104b(2))

**200104 Submission of Discrepancy Reports**

The organizational entity responsible for submitting RODs depends on the type of discrepancy being reported:

a. Shipping, billing, and packaging discrepancies are reported by the foreign country or its representative on ROD (SF 364), in accordance with NAVSUP Publication 526. The discrepancies reported must meet the limitation established in paragraph 200105. These RODs are submitted to the following address:

Commanding Officer  
U.S. Navy International Logistics Control Office  
700 Robbins Ave.  
Attention: Code 25  
Philadelphia, PA 19111

b. Carrier discrepancies will be reported by the foreign country or its representative, or by a representative of the USG, depending on the mode of shipment of the discrepant material. The customer does not submit a ROD (SF 364) for a carrier discrepancy.

(1) Collect Commercial Bill of Lading (CCBL): The foreign country must file claims for discrepancies occurring to material shipped via CCBL directly to the carrier for resolution between the customer country (or its agent) and the commercial carrier.

(2) Government Bill of Lading (GBL): Carrier Discrepancies are submitted on behalf of the foreign country by the U.S. Government representative responsible for receiving DTS shipments of material for the FMS customer in-country (the U.S. Military Assistance Advisory Groups (MAAG) or other U.S. in-country representatives). Upon resolution, the U.S. Government either provides proof of shipment of material to the FMS customer or ensures that any credit due is processed to the customers account. Title for material transfers at the point of shipment unless

otherwise specified in the LOA. The U.S. Government does not assume responsibility for replacement or repair of material lost or damaged while in transit.

c. Financial discrepancies requesting financial adjustments pertaining to administrative and/or accessorial charges are submitted to:

Director  
Defense Finance and Accounting Service  
Attention: Code FSSC  
Air Force Accounting and Finance Center  
Denver, CO 80279

The Defense Finance and Accounting Service (DFAS) provides a consolidated listing of the actions taken in response to RODs. The listing, titled "Reply Listing to Customer Requests for Adjustments," is mailed with the DD Form 645 (Foreign Military Sales Quarterly Billing Statement) to the country involved. All responses to RODs are listed separately for each country and case. The Reply Listing is prepared in the same basic sequence as the FMS Delivery Listing attached to the customer bill.

#### **200105      Limitations for Submitting Discrepancy Reports**

The general limitations applicable to the submission of discrepancy reports depend on the type of discrepancy being reported.

a. Shipping, billing, packaging, and financial discrepancies (for other than DTS shipments) are submitted by the customer on Form 364. The following limitations apply to ROD submission:

(1) Dollar Value: For LOAs implemented before 1 June 1992, RODs for overages, damaged material and shortages, including total non-receipt, under \$100. will not be accepted for processing. For LOAs implemented after 1 June 1992, the acceptance threshold for overages, damaged material, and shortages, including total non-receipt is \$200. RODs for all other types of discrepancies, e.g., expired shelf life, misdirected material, and wrong item, may be submitted regardless of the dollar values.

(2) Time Standards: The USG will disallow any claim for material discrepancies, including a claim for shortage, but excluding a claim for nonshipment/nonreceipt of an entire lot, received after one year from passage of title, unless the USG determines that unusual and compelling circumstances involving latent defects justify consideration of the claim. Any claim for nonshipment/nonreceipt of an entire lot received after one year from date of passage of title or billing, whichever is later, will be likewise disallowed by the USG. RODs for which the USG's resolution is unacceptable to the customer must be submitted for reconsideration within 90 days of the date the ROD was denied by NAVILCO. Contested RODs are discussed in paragraph 200202d.

(a) Unless otherwise specified in the applicable LOA, the title for material passes to the foreign country at the initial point of shipment.

(b) The billing date used to determine timeliness of submission will be the date of the related DD 645 (FMS Quarterly Billing Statement).

(c) There are two exceptions to the ROD time limitation rule.

1 It may be determined that unusual circumstances involving **latent defects** are involved. (Latent defects are flaws or imperfections in material that cannot be easily detected through visual inspection. These flaws are normally present at the time the item is manufactured and are detected only when the item is used for the first time.) If latent defects are involved, RODs received by NAVILCO beyond the one-year time limit may be accepted.

2 Time limits for reporting deficiencies related to contractor warranties are defined in individual contracts and/or warranty clauses. These time limits, whether they are longer or shorter than one year, will be used instead of the one-year rule. In this situation, a copy of the applicable warranty should accompany the ROD.

b. Carrier discrepancies, other than for small parcels, are subject to the following limitations:

(1) If the material was shipped via the DTS, a claim (Transportation Discrepancies Report (DISREP), SF 361) will be filed regardless of dollar value.

(2) If the material was shipped via CCBL, no USG-imposed limitations apply. The customer and the carrier resolve the discrepancy.

c. Financial discrepancies have no predetermined limitations.

## **Section 2: ROD Processing**

### **200201      ROD Submission**

Shipping, billing, packaging, and small parcel shipment discrepancies are reported by customers or their representatives on ROD (SF 364). All Navy SAP RODs are submitted to NAVILCO for processing and must meet the criteria of this directive and NAVSUPINST 4440.179, Chapter 4.

### **200202      NAVILCO ROD Processing**

NAVILCO processing procedures are as follows:

a. NAVILCO will edit all RODs received to ensure they are complete, accurate, and meet submission requirements. Upon receipt, NAVILCO will:

(1) Enter the ROD in the Management Information System for International Logistics (MISIL) and report the ROD on the open/closed ROD report. This report serves as official notification to the customer country of receipt/completion of RODs.

(2) Review all RODs received to ensure that all SF 364 data entries identified as mandatory by the Joint Regulation DLAR 4140.60 are contained on the ROD and are accurate.

(a) For RODs submitted with incomplete or inaccurate data entries, NAVILCO will complete or correct the ROD if the required information is available locally; otherwise, the ROD will be rejected and returned to the customer.

(b) For most RODs, a valid Military Standard Requisitioning and Issue Procedure (MILSTRIP) requisition document number will be required for further processing; the exception occurs when NAVILCO has issued Obligational Authority (OA) to other activities to allow local management of cases or portions of cases. For this reason, prior to ROD rejection, RODs for which a valid Military Standard Requisitioning and Issue Procedures (MILSTRIP) requisition number cannot be identified must be further reviewed at NAVILCO to ensure that the discrepant material was not provided under a case for which OA was issued to another activity. Procedures for RODs against material provided under a case for which OA was issued to another activity are provided in subparagraph 200202b(3)(a).

(3) Review all RODs received to ensure that the limitations for ROD submission established in paragraph 200105 are met. If the ROD does not meet the submission criteria established, the ROD will be rejected and returned to the customer.

(4) For billing discrepancy RODs, NAVILCO will review the paperwork to ensure that final (or "actual") billing of the requisition is correct.

b. After completion of the initial validation and processing, if further steps are required to resolve the ROD, the following actions will be taken:

(1) NAVILCO will coordinate all ROD follow-on correspondence/MISIL updating to ensure that current status on outstanding RODs (i.e., progression coding, responsible Activity Routing Identifier (ARI), etc.) is accurate.

(2) NAVILCO will further review validated RODs to determine whether information sufficient to provide a basis for ROD denial is available in-house. Most RODs for shipper discrepancies may be rejected based on the availability of evidence of shipment. The exceptions are RODs against material shipped via USPS and RODs submitted to report latent material defects. For RODs against USPS shipments, proof of delivery is required as the basis for ROD rejection. For RODs against UPS shipments, the UPS Package Control Number is sufficient to reject a ROD.

(a) Evidence of Shipment (EOS) is defined as any movement document or receipt which specifies that the USG has shipped or released the material in question to a carrier for shipment to the country's designated representative. These

documents will show total quantity shipped and, for each shipment, the mode of transportation, date, transportation control number and/or notice of availability number (to the extent available), name of shipper and/or name of the carrier (to the extent available), weight/cube information, and the duly authorized signature of the carrier representative.

(b) Proof of delivery is defined as the documents which substantiate that the material in question was delivered to and accepted by the foreign country's designated representative.

(c) RODs not meeting the required time frame will be rejected (see paragraph 200105) unless there are extenuating or unusual circumstances and NAVILCO requests a complete research of the FMS ROD. The Inventory Control Point (ICP) or shipping activity, as appropriate, will perform the research and provide the specific information requested. (For further guidance see NAVSUPINST 4440.179).

(3) For RODs valued over \$100 and meeting initial validation criteria, for which information sufficient to deny the ROD is not available in-house, NAVILCO will forward the ROD to the cognizant USG supply system activity for further action.

(a) For U.S. Navy-managed material, NAVILCO will forward all RODs citing valid MILSTRIP requisition document numbers to the Navy stock point that shipped the material. If the Navy shipper cannot be determined, NAVILCO will submit the ROD to the appropriate ICP for initial action. RODs for which a valid MILSTRIP document number is not available and against cases for which NAVILCO has issued OA to allow local management will be forwarded to the Case Administering Office (CAO) for action. USN supply system procedures are further defined in paragraph 200203.

(b) RODs against other service or agency managed material will be forwarded for action to the cognizant ICP.

(c) RODs against material received direct delivery from procurement will be referred to the appropriate USG procurement agency for resolution with the contractor within 150 days.

(4) Upon receipt of the USG supply activity response, NAVILCO will take action to debit/credit or deny the ROD to the foreign customer. When the supply activity response to RODs forwarded for action provides neither ROD debit/credit nor documentation sufficient to deny the ROD, NAVILCO will return the ROD to the supply activity for further review.

(5) NAVILCO may administratively debit/credit RODs valued up to \$10,000 for which the USG supply system is proven unable to provide ROD debit/credit or a basis for ROD rejection. In addition, the Naval Supply Systems Command (NAVSUP) may authorize administrative debit/credit for generic classes of RODs valued at less than \$10,000 based on age, dollar value, or type of discrepancy criteria.

(6) In accordance with the Security Assistance Management Manual (SAMM), DOD 5105.38-M, RODs valued at over \$10,000 for which the USG supply system is unable to provide either ROD debit/credit or a basis for rejecting will be submitted to DSAA for approval, via NAVSUP, prior to being charged against FMS administrative funds as follows:

(a) NAVILCO will submit RODs valued at more than \$10,000 and recommended for administrative credit to NAVSUP (Code 01) for review. Full documentation and justification for any NAVILCO recommendation must be provided with the ROD submission.

(b) If NAVSUP (Code 01) disapproves administrative credit, the ROD will be returned to NAVILCO for denial to the customer. If SUP 01 recommends approval of administrative credit, the ROD will be forwarded with accompanying documentation to SUP 07 for review prior to submission to SUP 93 for legal review.

(c) NAVSUP (Code 07) will review the ROD request for administrative write-off and concur/nonconcur, providing supporting documentation for its recommendation. The ROD will be returned to SUP 01 for final review prior to submission, with all accompanying documentation, to SUP 93.

(d) NAVSUP (Code 93) will review the ROD concerning USG liability for the discrepancy under the terms of the applicable LOA or other governing document.

(e) If NAVSUP (01) determines that responsibility for the discrepancy does not lie with the USG, the ROD will be returned to NAVILCO for denial with information copies to NAVSUP (Codes 93 and 07). If the USG is found to be liable, the ROD will be forwarded with full documentation to Navy IPO by NAVSUP (Code 01), with an information copy to NAVSUP (Codes 93 and 07).

(f) Navy IPO will review the ROD and secure legal concurrence for all approval/disapproval action. If administrative credit is disapproved, the ROD will be returned to NAVILCO for denial to the customer with information copies to NAVSUP (Codes 93, 014, and 07). If approved, the ROD will be forwarded with full documentation to the DSAA, with information copies to NAVSUP (Codes 93, 014, and 07).

(g) DSAA will review the ROD and provide NAVILCO with approval or disapproval of administrative credit. Copies of the approval or disapproval will be provided to Navy IPO and NAVSUP (Codes 93, 014, and 07).

(7) When the return of the discrepant material is directed by the USG supply system or is otherwise required, NAVILCO will transmit detailed instructions for preparing a DD Form 1348-1 turn-in document for the discrepant material to the foreign country by message. Security Assistance administrative funds will be cited for the return shipment costs.

(8) When a ROD submitted on a requisitioning actions under the Standard Accounting and Reporting System (STARS) is determined to be eligible for credit funding and the source of funding for the credit is in dispute, the ROD will be processed as provided in Paragraph 200203 a. (3).

c. NAVILCO will process ROD debit/credit or denial data to DFAS for input to the foreign country's DD Form 645 and Quarterly Reply to Customer Requests for Adjustment Report.

d. Reconsideration of a denied ROD.

(1) The FMS customer may request reconsideration of the initial ROD reply. The customer must send a request with supporting justification, by message or

letter, to the International Logistics Control Office (NAVILCO) within 90 calendar days of the initial reply date on the SF 364. In the case of Navy RODs, NAVILCO will add the Suffix Code "R" to a ROD submitted for reconsideration, then forward that ROD, with comments and applicable correspondence to the ICP or shipper for review and reconsideration. The ICP or shipper will review all correspondence/information relating to the ROD to see if the request should be honored, initiate any action, and reply to NAVILCO within 60 days from the date of the request.

(2) The FMS customer may contest the reconsideration decision. The customer must explain why the decision is not satisfactory. The complaint and all supporting documentation must be received by NAVILCO within 90 calendar days of the reconsideration decision date. The letter will explain the customer's problem and position and will request a final decision. NAVILCO will add a Suffix Code "C" to the report number and forward the report to the action activities focal point for resolution. The action activity's focal point will review all the information relating to the problem, see that any needed action is taken, and send a final decision to NAVILCO within 60 calendar days from the date of the customer's request for resolution. Copies of all information/documentation relating to the ROD shall be included with all correspondence exchanged.

(3) NAVILCO may reject those requests for reconsideration that lack sufficient documentation/justification or fail to meet the time frames established.

**200203      USN Supply System ROD Processing**

Within 45 days of receipt of a ROD forwarded for action, NAVSUP activities will provide sufficient information and documentation to enable NAVILCO to determine the methods to be used to finalize the ROD. Action activities will receive FMS RODs from other service ILCOs. In these cases, the RODs must meet a required DOD 75-day time frame for reply as established by DLAR 4140.60.

a. RODs for which a valid MILSTRIP requisition document number is not available and against material provided under a case for which NAVILCO has issued OA to allow management of the case or portions of the case by another activity (i.e., requisitioning actions under Standard Accounting and Reporting System (STARS), Repair of Repairables (ROR), using tailored Repairable Item List (TRIL) procedures

and Special Defense Acquisition Fund (SDAF)), will be forwarded to the CAO for action. CAO procedures are as follows:

(1) If the CAO determines that the ROD is not valid, the ROD will be rejected to the customer, via NAVILCO, with a detailed explanation of the reasons for rejection.

(2) If the CAO determines that the ROD is valid, NAVILCO will advise the customer of corrective action to be taken. If ROD debit/credit is required to resolve the ROD, the CAO will take action to provide debit/credit on the customer's DD Form 645, as an adjustment to incremental billing.

(3) When it is determined that a STARS ROD is eligible for credit funding and there is a dispute as to the source of funding, NAVILCO will forward the ROD to NAVSUP (Code 01) for processing. Full documentation and justification will be provided with the ROD submission. If SUP 01 determines that responsibility for the discrepancy does not lie with the USG, the ROD will be returned to NAVILCO for denial with information copies to SUP 07. NAVILCO will provide information copies to the CAO and the FMS customer. If credit is approved, SUP 01 will determine ROD credit funding methodology and forward the ROD documentation to NAVILCO with an information copy to SUP 07.

b. All other RODs requiring USN supply system response will be routed to the Navy activity that shipped the material.

(1) The shipping activity will conduct research and take necessary action to resolve the ROD locally. Decisions will be made in accordance with the criteria established in Chapter 8 of DOD 5105.38-M, Security Assistance Management Manual.

(2) If research indicates a ROD debit/credit is appropriate, the original ROD will be returned to NAVILCO indicating action taken and billing adjustment date. The shipping activity will forward a copy of the ROD to the appropriate ICP. Figure 20-1 provides a decision table for credit determination.

(3) A debit/credit, when applicable, will be generated to NAVILCO in accordance with the Military Standard Billing System (MILSBILLS).

(4) When ROD credit is to be generated and discrepant material is involved, the shipping activity, the ICP or Systems Command (SYSCOM) will provide disposition instructions for the discrepant material.

(a) For discrepant material that was provided under a USN-managed case and for which return to stock is directed, NAVILCO will provide the foreign country with detailed instructions for preparing a DD Form 1348-1 turn-in document, based on the disposition directed by the ICP or SYSCOM. The DD Form 1348-1 will cite Security Assistance administrative funds for return transportation costs.

(b) For USN-managed discrepant material provided under a case managed by another U.S. military service, the ICP will provide a completed DD Form 1348-1 turn-in document with the disposition instructions. The DD Form 1348-1 will also cite Security Assistance administrative funds for return transportation costs.

(c) For discrepant material for which turn-in is directed, ROD credit will be processed upon receipt and inspection of the material by the Designated Stock Point.

(d) NAVILCO will advise the FMS customer to ship the material via the most economical means available ( i.e., "pre-paid") if DTS is not available. Customers have 180 days to return material.

NOTE: When the customer country uses the DTS to return discrepant material, it should be sure to send NAVILCO proof that the material was turned in to a USG activity. This proof of turn-in (copy of DD Form 1348-1) will be retained by NAVILCO in the customer's ROD file for reference only.

(5) If research indicates that the ROD is not valid, the shipping activity will return the ROD to NAVILCO with an explanation of why the ROD was rejected.

(6) Nonresponse to RODs. After appropriate follow-ups by NAVILCO or the requesting military service/agency ILCO and no reply is received, the requesting ILCO

will forward a copy of the ROD and all supporting correspondence/information to SUP 07 for assistance. SUP 07 will contact the action activity in question in an attempt to resolve the ROD. The action activity will send the disposition of an unresolved ROD directly to the requesting ILCO, with an information copy to SUP 07. When the discrepancy involves more than one military service/agency, the requesting ILCO will send copies of all data to the military services/agencies involved. The action activity will provide a response, with information copy(s) to all concerned.

**NOTE:** RODs against Defense Logistics Agency (DLA) directed shipments will be researched by the shipping activity and forwarded with the research findings to the appropriate Defense Supply Center (DSC) for resolution. The shipping activity will advise NAVILCO that the ROD has been forwarded to a DSC for further action.

**200204**      **Credit Processing**

Unless limitations are specified in the applicable LOA, valid RODs approved for credit/administrative write off will meet the criteria established in the Security Assistance Management Manual (SAMM), DOD 5105.38-M Chapter 8, Table 802-3. NAVILCO has authority for approval up to \$10,000. Credit/administrative write-off approval over \$10,000 must be submitted to NAVSUP (Code 01) for review (ROD credit authority is discussed further in subparagraphs 200202b(4), (5), and (6)).

**Section 3: Discrepancy in Shipping Report Processing**

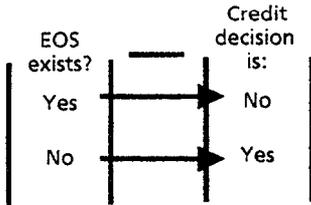
**200301**      **Transportation Discrepancies**

Unless otherwise specified in the applicable LOA, title to FMS material shipped to the customer transfers from the USG to the customer at the point of initial shipment, and the customer assumes the risk for loss or damage to the material at that point. When the DTS, including commercial carriers operating under Government Bills of Lading (GBL), is used to move the customer's material, the USG performs a reimbursable service that is billed to the customer's FMS case. (See paragraph 200104b(2)).

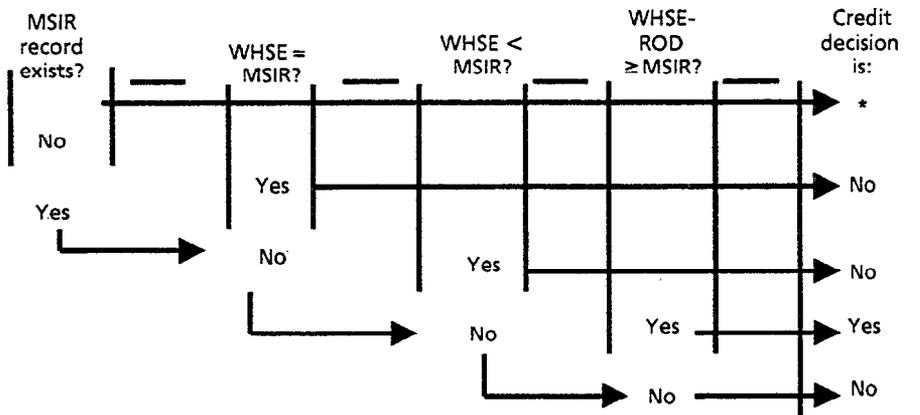
Figure 20-1

**DECISION TABLES FOR ROD CREDIT DETERMINATION**

**TABLE I: ROD reports non-receipt of material**



**TABLE II: ROD reports concealed shortage of material**



**KEY:**

ITEM	MEANING
EOS	Evidence of Shipment from point of origin
WHSE	Quantity physically present at warehouse
MSIR	Quantity recorded on Master Stock Item Record
ROD	Quantity reported on SF 364 (ROD) as discrepant
>	Greater than
<	Less than
=	Equal to
≥	Greater than or equal to
-	Minus
*	Unable to determine -- refer back to NAVILCO

## CHAPTER 21 - FMS CASE CLOSURE

### Section 1: Purpose, Background, and Definitions

#### 210101 Purpose

This chapter addresses responsibilities and procedures for closing those Foreign Military Sales (FMS) cases accounted for in the Management Information System, International Logistics (MISIL).

#### 210102 Background

Case closure brings together all of the diverse FMS processes that have served to assist in the management of a FMS case. The closure process compares the logistical and financial records, identifies differences, resolves those differences, and leads to the preparation of a final accounting to the customer. Because of the importance of the logistical and financial responsibilities undertaken by the U.S. Government (USG) as its part of each FMS case, it is important that this final accounting take place as soon as possible after logistical and financial actions are complete. Successful case closure depends, in large measure therefore, on the accuracy and timeliness of the actions that took place during the execution phase of the case.

#### 210103 Definitions

a. A Closed Case is defined as a FMS case where all material and/or services have been delivered; all financial transactions have been completed; the MISIL and Defense Integrated Financial System (DIFS) records are in agreement; and SAAC has issued a final DD 645 to the customer.

b. A Canceled Case is a subcategory of a closed case. A canceled case is a FMS case that is terminated for the benefit of the USG or at the customer's request prior to the normal completion of the actions described in paragraph 210103a. Final decision regarding charges against a canceled case is passed to DSAA, Comptroller, Financial and Management Division.

c. Case Reconciliation is defined as the matching of FMS case records between the case manager, MISIL, and DIFS prior to case closure. Reconciliation is initiated by either Navy International Logistics Control Office (NAVILCO) or the Case Manager. This may take the form of reconciliation between contract or financial execution documents and MISIL. To reconcile MISIL, debits or credits will be processed. After these documents have been reconciled with MISIL, the next step in the reconciliation process will be to ensure that MISIL and DIFS are in agreement. SAAC disbursements, performance, and accessorial costs must be reconciled. MISIL is used as the baseline for reconciliation with DIFS. If adjustments are necessary, DIFS will be adjusted to complete reconciliation.

d. A Final DD 645 is provided by SAAC to each FMS purchaser as a final statement of account when: all material and services have been delivered and billed to the purchaser and SAAC has collected payment for the same; the cost of such material and services has been reimbursed to financing DOD appropriations and accounts; and all reports of discrepancies have been resolved.

e. A Certificate of Closure is provided by the Navy to SAAC when all material and services have been delivered and billed; all RODs are resolved; case records in MISIL and DIFS agree; the Obligational Authority (O/A) has been adjusted to equal performance; and a final DD 2061 has been prepared.

## Section 2: Criteria for Case Closure Candidacy

### **210201**      Eligibility for Case Closure

A FMS case becomes eligible for closure when it meets the following criteria:

a. The closure code will be "W" for MISIL cases; The closure code is left blank for Standard Accounting and Reporting System (STARS) or Navy Education and Training Security Assistance Field Activity (NETSAFA) cases.

b. All ordered items must be physically delivered and all ordered services performed or completed.

- c. All Reports of Discrepancy (RODs) must have been processed and resolved.
- d. There can be no pending amendments or notices.
- e. All General Ledger Accounts (GLAs) must be 0, except 1031, 1060, 3210, 3218, and 3280.
- f. The sum of GLA 3210 and 3218 cannot be a positive number.
- g. The suspended requisition count for all Record Serial Numbers (RSNs) must equal 0.
- h. The financial exception count must equal 0.
- i. The open project directive count must equal 0.

### **Section 3: Responsibilities and Procedures**

#### **210301      Responsibilities**

Successful closure of a FMS case requires close cooperation between the Case Manager, NAVILCO and the SAAC. Their responsibilities include:

a. Case Manager:

(1) Complete all logistics and financial aspects of the FMS case within the LOA value (as amended or modified).

(2) Coordinate with contracting officers to obtain certificate that no significant additional costs are anticipated, in accordance with DOD 7290.3-M Chapter Seven, where needed to allow case closure prior to the negotiation of final contract overhead costs.

(3) Participate in the reconciliation of case records with NAVILCO and the SAAC.

(4) Certify requisition completion.

b. NAVILCO:

(1) Perform financial review and reconciliation with the Case Manager and the SAAC.

(2) Ensure no RODs remain open.

(3) Ensure no open exceptions in MISIL.

(4) Prepare the Case Closure Certificate for submission to the Navy Comptroller (NAVCOMPT) along with the final DD Form 2061.

c. SAAC:

(1) Participate in the reconciliation of case records with NAVILCO.

(2) Receive the Case Closure Certificate from the USN.

(3) Provide the customer with a Final Statement of Account (DD Form 645).

**210302      Procedures for Forwarding/Reviewing FMS Case Closure Documents**

In general, the case closure process may begin with either the Case Manager or NAVILCO.

a. When a case has been canceled, and is to be closed at zero dollar value, the Case Administering Office (CAO) is requested to provide any correspondence or other information as appropriate to NAVILCO for cases accounted for in MISIL. In addition to the correspondence that initiated case cancellation, the certificate should include a brief statement supporting case closure at zero dollar value. This information should be provided as soon as possible after cancellation in order to expedite closure of these cases.

b. NAVILCO processes the case through the "Close" command in MISIL (Case Closure Application). This will programmatically calculate any necessary Obligational Authority (OA) adjustments and post them as pending values. It will advance the Status Code to "S1," indicating that the case has been forwarded to the case manager for approval or disapproval.

c. At the same time that the case is forwarded to the Case Manager, the final DD form 2061 is generated in accordance with NAVCOMPTINST 7300.110 (latest edition), and the Case Closure Certificate is prepared in accordance with the DOD 7290.3-M. Values entered on lines three and five of the certificate will include not only the final charges reported by the Navy but also the surcharges applied by SAAC (stock issue (stock fund surcharge previously applied during 1980 and 1984), Contract Administration Services, Royalty Fees and Logistics Support Charge). The NAVILCO Comptroller signs the certificate. The original certificate and the DD Form 2061 are then forwarded to SAAC via NAVCOMPT and a copy is sent to the case manager. In addition, a copy of the final DD form 2061 is sent to Navy International Programs Office (Navy IPO) for selective quality assurance review.

d. The case manager is to review the case submitted for closure within ten working days after receipt of the notification. If the case manager approves the closure, the case is forwarded to NAVCOMPT via the case closure screen in MISIL (Status Code S2). Should the case manager disapprove the closure, the reason for disapproval will be annotated on the case closure screen in MISIL (Status Code "R1").

e. When NAVCOMPT receives notification that the case has been forwarded for review, the closure is reviewed and either approved or disapproved. If it is approved (Status Code "S3"), the pending OA adjustments will be made. The status code will proceed from "S3" to "3" to "3S" as the process progresses. Should NAVCOMPT disapprove the closure, the reason for disapproval will be annotated on the case closure screen in MISIL (Status Code "R2").

f. SAAC must assure DIFS values are in agreement with the Closure Certificate, validate all administrative and accessorial charges, and ensure that the customer has deposited enough funds in the case to cover the certified closure value. When this is completed, SAAC will issue a final DD 645 to the customer.

g. Upon advice from SAAC, NAVCOMPT will post Status Code "Z" (SAAC closure approval) in MISIL.

h. Closure disapproval by SAAC will be returned to NAVILCO via NAVCOMPT. NAVCOMPT or the case manager will be returned to NAVILCO.

i. Tracking reports are generated to appropriate offices for all actions within MISIL.

## CHAPTER 22 - FMS ADMINISTRATIVE FUND BUDGET PROCESS

### Section 1: General

#### **220101      Foreign Military Sales Administrative Funds**

Foreign Military Sales (FMS) administrative funds are derived from the Administrative Surcharge assessments made on FMS cases. The Defense Finance and Accounting Service (DFAS) collects these funds from foreign customers and allocates the funds to U.S. military departments/agencies according to Defense Security Assistance Agency (DSAA) direction.

Use of FMS administrative funds is limited to payment of costs associated with the general administration and conduct of the FMS program. These costs must have been incurred primarily for the benefit of foreign customers. Included are such functions as sales negotiation, case implementation, financial management, and reports of discrepancy. In general, FMS administrative funds are made available to selected Department of Defense (DOD) organizations for implementation of the FMS program and not to those organizations responsible for formulation of U.S. Security Assistance policy.

DSAA uses the FMS administrative fund budget Process to assess funding requirements, develop financial plans, and allocate funds.

### Section 2: Overview of the FMS Administrative Budget Process

#### **220201      DSAA FMS Administrative Fund Annual Budget Call**

DSAA develops and issues an annual FMS administrative fund budget call to U.S. military departments/agencies. Included in the call is specific guidance on preparation and presentation of budget estimates.

**220202      Navy FMS Administrative Fund Annual Budget Call**

DSAA forwards the Department of the Navy copy of the budget call to Comptroller of the Navy/Navy International Programs Office (Navy IPO). Then, a Navy FMS administrative fund budget call is generated in a NAVCOMPT Notice format. A cover letter and the NAVCOMPT Notice budget call are then forwarded to Navy activities requiring FMS administrative funds.

**220203      Collection and Consolidation of Budget Estimates**

Each Navy command receiving the NAVCOMPT FMS administrative fund budget call must gather the required statistics and information from headquarters and field activities and prepare a consolidated submission. At this point, the process proceeds in reverse order. NAVCOMPT/Navy IPO receives all Navy budget data and prepares a Department of the Navy consolidated submission to DSAA.

**Section 3: Preparation of Budget Estimates**

**220301      Budget Data Required for Four-Year Period**

Budget estimates must be displayed for a four-year period: Budget Year (BY), Current Year (CY), Prior Year (PY), and Prior Year minus one (PY01). As an example, the following categories would be displayed on the budget summary for the 1993/1994 budget submission:

BY	FY 1994 (estimated)
CY	FY 1993 (revised estimate)
PY	FY 1992 (estimated actual)
PY-1	FY 1991 (actual accounting/manpower data)

**220302**      **Mission Statement and Workload Statistics**

Each activity must submit a mission statement describing the role it plays relative to the U.S. Security Assistance Program and the functions it performs in support of the program. Additionally, prior year and prior year minus one workload statistics are also shown along with projections of workload trends for the current year and budget year.

**220303**      **Cost Estimates Presented by Object Class**

FMS budget estimates must be segregated into object class categories. Care should be taken to ensure that costs are allowable within the guidelines of the annual budget call and the section on pricing (Chapter 7) in the FMS Financial Management Manual (DOD 7290.3-M). Following is a description of object classes used to display budget requirements.

**Object Class**

**Cost Category**

11.1

Civilian - Full-Time Permanent

Included in this object class are regular wages and salaries and other payments that become part of an employee's regular pay, such as merit pay increases. Also included are wages and salaries paid to employees while they are on annual, sick, or compensatory leave.

11.3

Civilian - Other Than Permanent

Part-time effort must amount to 10 percent (or more) of a pay period to be chargeable to FMS administrative funds. Included are regular wages and salaries, terminal leave and merit pay increases paid to civilian employees for part-time, temporary, or intermittent work.

11.5

### Other Civilian Compensation

All compensation above basic rates paid to civilian employees, such as incentive awards, is included in this object class.

12.1

### Civilian Personnel Benefits (Funded)

Includes benefits paid to other funds on behalf of employee (i.e., employer's share of retirement, health insurance and benefits, accident compensation, and Thrift Savings Plan costs).

21.0

### Temporary Duty Costs

Includes allowable transportation and per diem costs and incidental expenses incurred by U.S. Government employees while in an authorized travel status. Also included are costs of travel and per diem associated with Permanent Change of Station (PCS).

22.0

### Transportation of Things

Includes freight and express charges, local transportation and handling of supplies and equipment and parcel post costs.

23.1

### Communications, Utilities, and Rental Charges

Includes telephone and postage (letters) costs, as well as utility costs.

23.2

### Automatic Data Processing Related Communications and Rental Charges

Rental of Automatic Data Processing (ADP) telecommunications hardware and software.

24.0 Printing and Reproduction

Includes costs for printing and reproduction, of standard forms, letterheads, printed envelopes, etc.

25.1 Other Services

Includes services (i.e., maintenance, training, etc.) and supplies provided by contractors.

25.2 Other Services - ADP-Related

Includes hardware and software maintenance and ADP training provided by contractor.

25.3 Other Services (Base Operations Support)

Included are costs associated with the general management and administrative support functions associated with the operation and maintenance of a military installation. Estimates of Base Operations Support (BOS) costs can be calculated by proration (i.e., determining the appropriate percentage of total costs that are chargeable to FMS Administrative Funds).

Only dedicated Security Assistance activities (such as, Navy International Logistics Control Office, Air Force Logistics Command-Integrated Logistics Support, Defense Finance and Accounting Services, and Defense Institute for Security Assistance Management) can include BOS estimates in their budget submissions.

26.0

Supplies/Material

Included are publications, office supplies and commodities that are ordinarily consumed or expended within one year after purchase.

31.0

Non-ADP Equipment Purchases

Includes items of a durable nature that can be expected to have a service life of over a year, such as calculators, typewriters, copiers, etc.

31.1

ADP Equipment Purchases

Includes ADP hardware such as central processing units and personal computers as well as off-the-shelf and custom software valued at more than \$25,000.

42.1

Reports of Discrepancy

Reports of Discrepancy (RODs) funds are used to make payments to correct discrepancies in FMS transactions when it is determined that such a payment is appropriate.

**220304      Justification of Zero-Based Object Classes**

Object Classes 23.2, 25.1, 31.0, and 31.1 are considered to be zero-based. Estimates shown in these categories for the budget year and current year must be justified with a written narrative explaining each individual requirement. The impact of not funding requirements must also be addressed.

**220305      Civilian Personnel Cost Estimates**

Civilian personnel cost estimates are computed for the four year period using escalations provided in the annual budget call. A lapse rate is applied to the calculations for each year (usually 2 percent) and then any estimates for overtime costs or awards may be included.

**220306      Workload Distribution Matrix**

A matrix showing distribution of workload is normally required in the budget submission. This display breaks out full-time and part-time manyears (civilian as well as military) into the various functions within each organization. Information provided in this format displays FMS workload in the prior year, current year, and budget year.

**220307      Annual Budget Call Requirements**

The types of information requested may vary somewhat from one year to another. Each budget call conveys especially tailored guidance for the preparation of that year's budget estimates. Allowable costs are defined, formats are provided, and any additional requirements explained.

**220308      Budget Targets and Decrement Lists**

At the outset of the budget process, a budget target is often dictated by higher authority. Generally, this is done unofficially. If a target is imposed, the totals for the budget year must reflect that number as the bottom line. Any additional requirements above the assigned target must be presented as a decrement list. The list prioritizes requirements that are above the budget target in descending order with the most urgent listed first.

**220309      Requests for Additional Justification and the Reclama Process**

Once the FMS administrative fund budget is submitted to Comptroller of the Navy/Navy IPO additional justification or clarification is often requested. At that time, the Naval Supply Systems Command (NAVSUP) collects pertinent data and generates a response.

Upon completion of their review, NAVCOMPT usually issues a mark (or decrease) on selected budget requirements. NAVSUP has the option of submitting a reclama requesting restoration of funds. The reclama must clearly and specifically justify the need to fund the marked requirement; also, the impact of nonfunding must be addressed.

**220310      FMS Fair Pricing**

On 21 November 1989, Congress passed FMS Fair Pricing legislation, thus instituting a major departure from the "full costing" concept adhered to formerly. FMS Fair Pricing was implemented in the DOD FY 1990 Appropriations Act (P. L. 101-165) and in revisions to Sections 21 and 43 of the Arms Export Control Act and Section 932 of the Foreign Assistance Act 1961. Both FMS case pricing and the use of FMS administrative funds are affected. For purposes of FMS administrative fund budget preparation, the following changes are applicable:

- a. Charges for civilian unfunded benefits (miscellaneous receipts) are no longer allowable after the last pay period of November 1989.
- b. Charges for military pay and benefits are no longer allowable, effective January 1990.

**Section 4: Financial Management of FMS Administrative Funds**

**220401      Comptroller, DSAA**

The Comptroller, DSAA, is responsible for financial management of the FMS administrative surcharge fund.

**220402      Defense Finance and Accounting Service**

DFAS provides centralized accounting support and assists in FMS Program implementation/management through the collection of the surcharge revenues and the allocation of FMS administrative funds in accordance with the DSAA-approved Annual Financial Plan (AFP). At the direction of the Comptroller,

DSAA, DFAS issues quarterly funding allotments to each of the organizations identified by the AFP.

**220403      FMS Administrative Funds Allocated to Navy Activities**

FMS administrative funds for Navy are passed by DFAS to NAVCOMPT on a quarterly basis. NAVCOMPT, in turn, allocates these funds to activities according to the Navy AFP as defined by Navy IPO. Upon receipt of a quarterly allocation, NAVSUP conveys funds to NAVSUP activities based on the AFP and the approved NAVSUP FMS administrative budget.

**220404      Navy FMS Administrative Fund Accounting Reports**

Recipients of FMS administrative funds are required to provide regular accounting reports on the use of the funds and to return end of year unobligated balances to DFAS within a reasonable amount of time after year-end certification. For the USN, the return of unobligated balance is the responsibility of NAVCOMPT.



**CHAPTER 23 - CARTRIDGE ACTIVATED DEVICES (CADs),  
PROPELLANT ACTIVATED DEVICES (PADs),  
AND AIRCREW ESCAPE PROPULSION SYSTEMS (AEPS)**

**Section 1: Background and Purpose**

**230101 Background**

CADs, PADs, and AEPS (that comprise Federal Supply Group and Class 1377 and carry the cognizance symbols "2E" - Naval Air Systems Command (NAV-AIR) or "2T" - Naval Sea Systems Command (NAVSEA)) are designed to accomplish system functions such as release of a bomb, removal of an aircraft canopy, or deployment of a flare. They are designated as safety of flight and mission essential items. Because these devices have few commercial applications, and because they have shelf life and installed life limitations, demands for CADs, PADs, and AEPS cannot be met from large inventories of stock and, in fact, are met from a rather limited production base. Therefore, the U.S. Navy (USN) established an intensive management program for CADs, PADs, and AEPS.

a. The intense management provides timely response to customer requirements so that mission capability is not compromised and so that consolidation of procurements and establishment of a common technical data base can generate economic benefits. While this intense management benefits USN aviation programs, the participation of Foreign Military Sales (FMS) customers in the program expands the demand base for the devices and systems and benefits the overall program through economies of scale in procurement.

b. Under the CADs, PADs, AEPS management program, the FMS customer may participate in either of two levels depending on the length of time that support is required. In 1983, the Defense Security Assistance Agency (DSAA) authorized the USN to establish two different types of CADs, PADs, and AEPS FMS cases. Currently, all CADs, PADs, and AEPS are obtained either through five-year cases carrying case designators in the "PA " series, or through one-year cases carrying "PN " series case designator. (The exceptions to this are the CADs, PADs, or AEPS obtained with the initial support package of a major-system case.)

(1) Five-year, "PA " series cases provide a number of support services, described in paragraph 230202, below, and ensure the timely supply of the CADs, PADs, and AEPS. The projection of customer supply and funding requirements over a five-year period reduces the variables of this type case and leads to better control. The FMS customer receives better service and the USN minimizes unplanned diversions from stock.

(2) The one-year "PN " series cases require the customer to determine his own requirements and provide him with only limited support services directly related to the basic supply process.

**230102 Purpose**

This chapter outlines the requirements for establishment of a CADs, PADs, and AEPS program for an FMS customer; identifies responsibilities within

Naval Material Establishment (NME) organizations; and describes some unique aspects of this type of FMS program.

## Section 2: Requirements for Establishment of an FMS CADs, PADs, and AEPS PROGRAM

### 230201 Customer Requirements

The customer submits a Letter of Request (LOR) for the establishment of a CADs, PADs, and AEPS program FMS case. The LOR identifies the aircraft (type, configuration, and quantity) to be supported and identifies any CADs, PADs, or AEPS currently in use and their remaining service life.

### 230202 USN Requirement

In response to the customer's LOR the USN, through its normal case preparation process (described primarily in Chapters 2, 4, and 6 of this manual), prepares a Letter of Offer and Acceptance (LOA) for a five-year support program and proposes the establishment of a "PA\_" series defined order FMS case. During the five-year program the USN will:

- a. Maintain configuration data for the customer's supported aircraft.
- b. Compute follow-on CADs, PADs, and AEPS requirements and advise the customer of the anticipated delivery schedule.
- c. Provide engineering services to the customer and respond to technical questions on engineering matters. (These services will be billed to the customer as they are performed.)
- d. Include the customer's assets in surveillance programs that evaluate CADs, PADs, and AEPS for quality, reliability, and serviceability. (The cost of these surveillance services is billed to the customer as the services are performed.)
- e. Coordinate and consolidate procurements for the FMS customer with procurements to meet USN requirements.
- f. Ensure that the shipment of CADs, PADs, and AEPS to the customer is accomplished in the most expeditious, authorized manner available.
- g. Prepare appropriate amendments to the FMS case in response to customer changes in aircraft configuration, density, etc.

### 230203 Customer Follow-on Requirements

During the course of the five-year support program, the customer keeps his CADs, PADs, and AEPS program current by ensuring that changes to aircraft configuration, density, operating parameters, etc., are passed back to the FMS Case Manager through the Navy International Logistics Control Office (NAVILCO).

### Section 3: NME Organization Responsibilities

#### **230301 Naval Supply Systems Command (NAVSUP)**

The NAVSUP Security Assistance Directorate (SIIP 07) ensures the development of Planning and Review (P&R) and Price and Availability (P&A) data (see Chapter 4) prior to preparation of the LOA by the Chief of Naval Operations (CNO) Security Assistance Division (OP-63). After acceptance of the LOA by the customer, SUP 07 implements the case (see Chapter 7) to NAVAIR or to NAVSEA.

#### **230302 Naval Air Systems Command/Naval Sea Systems Command**

NAVAIR acts as the Case Administering Office (CAO) and provides the Case Manager for the majority of CADs, PADs, and AEPS FMS cases. NAVSEA acts as the CAO and provides the Case Manager for "2T" cognizance cases. The following technical responsibilities for CADs, PADs, and AEPS reside with the CAO:

- a. Develops and updates a five-year acquisition plan for each participating customer.
- b. Collects, maintains, and updates configuration data for each participating country, service, aircraft, and CADs, PADs, and AEPS group.
- c. Responds to technical questions submitted by customers and provides a single point of contact for technical and engineering matters regarding CADs, PADs, and AEPS.
- d. Develops the annual USN Security Assistance CADs, PADs, and AEPS requirements for joint procurement with the assistance of the Naval Ordnance Station, Indian Head (NOSIH).
- e. Directs NAVILCO to issue a work request/project order to NOSIH. The work request/project order direction includes nomenclature, stock number, quantity, unit cost, and unit of issue.

#### **230303 Navy International Logistics Control Office**

NAVILCO receives case direction from NAVAIR or NAVSEA for "PA " and "PN " series cases. NAVILCO issues or amends the work requests or project orders as directed and assigns a separate Accounting Classification Reference Number (ACRN) to each stock number. NAVILCO establishes Military Standard Requisitioning and Issue Procedures (MILSTRIP) requisitions for unit of issue and quantity (not for services). One requisition is established for each line item on the FMS case.

**230304 Naval Ordnance Station, Indian Head**

NOSIH is a field activity of NAVSEA that functions as the Integrated Support Engineering Activity (ISEA) for NAVAIR to provide the following CADs, PADs, and AEPS related services:

a. Maintains an up-to-date Technical Data Package (TDP) for each CAD, PAD, and AEPS item in the latest configuration currently in use on U.S. military aircraft. For items no longer in active use by a U.S. Military Department (MILDEP), NOSIH maintains a TDP in the last configuration used by U.S. aircraft (TDPs are not maintained for items that have never been used by a MILDEP.)

b. Responds to NAVAIR requests concerning customer inquiries regarding CADs, PADs, and AEPS programs.

c. Provides quality monitoring of selected CADs, PADs, and AEPS. These selected in-service items (includes material in storage) are subjected to on-going evaluation during a surveillance period. These programs judge quality, reliability, serviceability, and material deterioration. In addition, surveillance programs analyze factors that adversely affect stocks such as design, manufacturing error, specifications, storage and service environments, etc. Based on data collected, NOSIH makes its conclusions known to customers and recommends corrections in the material and its environment. NOSIH also recommends a service life extension or reduction if the data collected supports such a recommendation.

d. Procures or manufactures the CADs, PADs, and AEPS items stipulated in work requests or project orders received from NAVILCO.

e. Provides monthly summary level data reports on "P" series cases to NAVILCO and ensures that NAVILCO is included on the distribution list for all Department of Defense (DD) Forms 250 and 1348.

f. Finalizes all charges on work requests or project orders and reconciles shipping status with NAVILCO.

g. Supports NAVAIR's update of baseline data with all configuration, airframe, or aircrew changes and any other changes that affect the type and/or quantity of customer requirements.

h. Prepares and submits P&R and P&A data based on NAVAIR's evaluation of customer requirements.

**230305 Ships Parts Control Center (SPCC)**

SPCC functions as the USN's CADs, PADs, and AEPS inventory manager and is the contracting activity for all such material with the exception of some components that are procured by NOSIH for incorporation into end items.

## Section 4: Unique Features of a CADs, PADs, and AEPS Program

### **230401 Five Year Acquisition Plan**

Every five-year CADs, PADs, and AEPS FMS case will include a five-year acquisition plan for the CADs, PADs, and AEPS required to support the USN managed aircraft identified by the customer. NAVAIR prepares, as part of its P&A data, a separate requirements schedule for each aircraft identified by the customer. The schedule provides the Department of Defense (DOD) Identification Code (DODIC), the nomenclature and the National Stock Number (NSN) for each CAD, PAD, and AEPS. The total case value will reflect the estimated cost to acquire the entire five-year requirement. (Note: requirements may be satisfied through either procurement, manufacture (by NOSIH), or rework.)

### **230402 Surveillance Programs**

Each five-year case contains provisions for participation in USN sponsored surveillance and permits the USN to perform, at the customer's request (and expense), engineering investigations to solve specific customer sponsored surveillance programs.

### **230403 Annual Adjustments and Pricing**

To ensure the accuracy of management data, and to refine estimated prices for planned annual buys, the USN will issue a case amendment (DD Form 1513-1) each year for the last four years of the FMS case. These amendments will identify and estimate the cost for customer participation in USN sponsored surveillance programs, and identify and estimate costs for customer initiated surveillance or engineering programs. Payment schedules will be revised, as necessary, to reflect only those expenditures actually anticipated for the coming year, thereby avoiding any overpayments against the case. If the range or depth of CADs, PADs, and AEPS (or any of the related data) is inaccurate according to the customer's records, the customer may request that the annual amendment correct the error. Procurement estimate will be adjusted accordingly.

a. If the items, listed on the customer's requirement schedule for procurement or renovation, are the same types as for USN procurement or renovation, the price charged to the customer will be based on a pro rata share of the joint procurement or renovation.

b. If the item is not part of a USN procurement or renovation, then the customer will be billed for the full cost to produce or renovate the item. (In addition to material costs, production or renovation costs may include such things as the cost to update TDPs, the cost of engineering changes, proof and test costs, lot acceptance test costs, etc.)

**230404 Issue and Movement Priority**

Because of their designation as safety of flight and mission essential items, CADs, PADs, and AEPS requirements should be assigned a Uniform Material Movement and Issue Priority System (UMMIPS) priority of "06". This will result in a transportation priority of "2" that will ensure expeditious air or surface movement either through the Defense Transportation System (DTS) or commercial carrier, if DTS is not required.

## CHAPTER 24 - TECHNICAL DATA PACKAGES

### Section 1: Purpose, Definition, and Basic Policy

#### 240101 Purpose

This chapter defines "technical data", states basic Department of Defense (DOD) policy with regard to the sale of Technical Data Packages (TDPs) to Foreign Military Sales (FMS) customers, and describes the two basic kinds of FMS sales.

#### 240102 Technical Data Package

Technical data is defined in the Security Assistance Management Manual (SAMM), DOD 5105.38-M, as "classified or unclassified information of any kind that can be used, or adapted for use, in the design, production, manufacture, repair, overhaul, processing, engineering, development, operation, maintenance, or reconstruction of goods or munitions; or any technology which advances the state-of-the-art or establishes a new art in an area of significant military applicability in the U.S. The data may take a tangible form, such as a model, prototype, blueprint, or an operating manual; or they may take an intangible form such as a technical service or oral or visual interactions."

#### 240103 Basic Policy Toward the Sale of TDPs

a. All requests for the sale of TDPs must be approved by the Director, Defense Security Assistance Agency (DSAA). Therefore, any such request received out of channels by a U.S. Navy (USN) activity must be referred to DSAA for review. TDPs will normally not be sold unless DSAA has determined the sale to be in the U.S. interest and alternative means of meeting the request are considered to be less desirable.

b. TDPs normally fall in one of two categories:

(1) Requests for data for use in maintaining or operating any item of U.S. equipment.

(2) Requests for data for use in producing an item of U.S. equipment either for the purchaser's own use or for sale to third countries.

c. Referrals of requests to DSAA must include the appropriate information relevant to the intended end use of the TDP. A formal statement in writing from the purchaser as to the intended end use of the TDP must be obtained in every case.

d. TDPs furnished to foreign governments under the FMS program will be provided on a reimburseable basis only, by means of a Letter of Offer and Acceptance (LOA), DD Form 1513, that will cover, as a minimum, the full costs

for preparation, reproduction and handling of the TDP in accordance with existing DOD FMS pricing policies. If the TDP is for production, a royalty fee will be included as a separate line item on the LOA unless waived by the Director, DSAA.

## Section 2: Sale of TDPs for Maintenance and Operational Purposes

### 240201 Information Required by DSAA

If a TDP is requested for the purpose of maintaining and of operating an item of U.S. equipment, the NAVSUPSYSCOM organization having cognizance over the item will provide the Director, DSAA, via NAVSUP 07 and NAVOTTSA with the following:

- a. A copy of all pertinent correspondence with the purchasing government.
- b. A statement as to whether the requirement would be met by means of pertinent DOD instructions, maintenance or technical manuals, or other similar publications.
- c. In-country inventory of major end-items that require maintenance support from the requested TDP.
- d. Information as to the security classification of the TDP and the proprietary rights involved, if any.
- e. The activity's recommendation concerning the request.

### 240202 Action After Approval by DSAA

After DSAA has approved the requested sale of the TDP, if Price and Availability (P&A) data has not already been prepared, it will be done by the appropriate NAVSUP organization and forwarded to NAVOTTSA via Sup 07--see Chapter 4 of this manual--for preparation of an LOA that will lead to establishment and execution of a "G" series FMS case.

### 240203 Precautions in the LOA and in Execution of the FMS Case

- a. The LOA, and any other transmittal correspondence, must clearly state that the TDP is released only for the purpose stated by the requesting government, and that it may not be used for production purposes without the prior consent of the U.S. Government (USG).
- b. The TDP, itself, must bear clear identifying markings that state any restrictions (such as security classification) or proprietary rights, that apply.

### Section 3: Sale of TDPs for Production Purposes

#### **240301 Information Required by DSAA**

If a TDP is requested for the purpose of producing an item of U.S. defense equipment for use by the customer's own forces or for sale to third countries, the NME activity having cognizance over the item will provide the Director, DSAA, via CNO (OP-63), with the following information:

- a. Quantity to be produced.
- b. Intended end disposition of item to be produced, to include names of third country purchasers if the item is for third country sale.
- c. Current status of U.S. production and stock on hand of the item(s) involved.
- d. U.S. and foreign production history of the item for the last five years.
- e. Future U.S. production plans.
- f. Current U.S. source(s) of supply for the item.
- g. Current cost to the USG of the item, and whether it is produced in-house or under government contract.
- h. Security classification of the item to be produced.
- i. Other countries authorized to produce the item.
- j. Impact that the sale may have on FMS programs and on other programs or projects.
- k. Whether or not the intended recipients of production have previously obtained the item and the quantities they obtained (actual or estimated).
- i. Recommendation concerning royalty fee.

#### **240302 Action After Approval by DSAA**

The process for establishing a TDP "production" FMS case is the same as for the "maintenance and operations" case described in paragraph 240202, above, except that:

- a. Normally, the customer will be assessed a royalty fee for production cases. The royalty fee is determined based on a recommendation developed by the cognizant Systems Command and forwarded via CNO (OP-63) to DSAA for approval.

b. Non-recurring cost (NRC) recoupment is included when the P&A data for the TDP is developed. The costs considered will include a pro rata share of the Research, Development, and Test and Evaluation (RDT&E) funds that were expended/invested during development of the hardware.

## **CHAPTER 25 - SHIP QUALIFICATIONS TRIAL (SQT) AND SHIP TRAINING CRUISE (STC) PROCEDURES**

### **Section 1: Background, Purpose, and Definitions**

#### **250101 Background**

After a U.S. Navy (USN) major weapons system has been installed on a Foreign Military Sales (FMS) customer's ship, the ship and its crew may undergo a Ship Qualification Trial (SQT) or a Ship Training Cruise (STC). The SQT/STC trains the crew in the proper use and support of the new system and aids in the achievement of a stable level of operational readiness. During a SQT, the USN places a supply team on board the customer's vessel to coordinate with the USN supply system for support of the new system. During a STC, the vessel's own supply department personnel coordinate supply support.

a. During the SQT or STC, one of the customer's active FMS cases is used to provide funding for the repair parts needed to successfully complete the SQT/STC.

b. During the SQT or STC, routine replenishment of the ship's storeroom stock may be obtained through either a Cooperative Logistics Supply Support Arrangement (CLSSA) or a Direct Requisitioning Procedures (DRP) FMS case.

c. In order to procure such end use items as fuel, provisions, emergency non-SQT or non-STC related repair parts, spare parts required for the safety of the homeward voyage, and general use consumables, the ship may use the cash sale procedures authorized in paragraphs 035950 through 035965 of the Navy Comptroller (NAVCOMPT) manual.

## 250102 Definitions

a. SQT/STC Related Requirements are spare or repair parts for the weapons system or its ship support system equipments. The parts are vital to the mission of the SQT/STC and the safety of the ship at sea.

b. Non-SQT/STC Related Requirements consist of fuel, provisions, general use consumables, and repair or spare parts needed for immediate use on the ship but not directly related to the SQT or STC mission.

c. Lead Naval Supply Center (NSC) is the NSC designated by the Naval Supply Systems Command (NAVSUP) Security Assistance Directorate (SUP 07) as the central point of contact for all the "SQT/STC related requirements" during a specific SQT or STC.

d. USN SQT/STC Team is composed of individuals assigned by the Naval Ship Weapons System Engineering Station (NSWSES) to assist the ship's commanding officer in completing the SQT/STC. Team members are especially selected for their knowledge of equipments and system operation.

e. Supply Liaison Representative (SLR) - The USN individual assigned at each shore activity to provide liaison between the USN activity and the ship for matters relating to supply.

f. Port of Call for the purpose of this chapter is a port on the ship's itinerary that also has a USN facility with support responsibilities during the SQT/STC.

## **Section 2: General Procedures**

### **250201 Submission of Material Requirements**

All SQT/STC related material requirements, other than Casualty Report (CASREP) requirements, are to be submitted to the port of call. Requisitions that cannot be filled at the port of call will be referred to the lead NSC on a "fill or kill" basis. CASREP requirements will be submitted directly to the lead NSC.

### **250202 Cash Sales at Ports of Call**

Cash sales procedures from the NAVCOMPT Manual may be used at any port of call for consumables, provisions, fuel, emergency non-SQT/STC related repair parts and some parts required for safety of homeward voyage.

### **250203 Use of the Supply Liaison Representatives**

An SLR is assigned to each port of call. The SLR serves as the single point of contact for all requisitions submitted to the respective port of call. All requirements from a particular port must be presented to the SLR.

### **250204 Ship's Storeroom Replenishment**

Routine storeroom replenishment requisitions, i.e., for stock rather than for immediate use, will be submitted by the ship to the Navy International Logistics Control Office (NAVILCO). The issuing activity ships material to the customer's

freight forwarder in accordance with Military Standard Requisitioning and Issue Procedures (MILSTRIP) and the freight forwarder arranges for delivery of the material to the ship.

#### **250205 Funding for Material Support**

Funding for SQT/STC related requisitions will be accomplished via an appropriate funding document provided to the lead NSC by NAVILCO at the direction of either the Naval Sea Systems Command (NAVSEA)/FLEET for SQTs or NAVSUP (SUP 07) for STCs. When processing bills for material issued from stock, the lead NSC will compute FMS inflation factors in accordance with DOD 7290.3-M and the NAVCOMPT manual and will issue a NAVCOMPT Form 2277 against the funding document to reimburse the appropriate Navy Stock Fund (NSF) account.

#### **250206 Pre-SQT/STC Preparation**

a. NAVSEA/NAVSUP will initiate preparation of SQT/STC planning letters six months prior to a SQT/STC with issuance of the SQT/STC planning letters three months prior to the SQT/STC. After coordination with the appropriate activities, these letters will provide the following information:

(1) Ship's name and Unit Identification Code (UIC).

(2) Transportation Account Code (TAC) to be used for movement of SQT/STC material.

(3) Proposed SQT or STC schedules.

**(4) Designation of lead NSC.**

**(5) Designation of SLR from each participating activity.**

**(6) Any exceptions or additions to these procedures.**

**(7) Designation of SQT/STC Project Officer.**

**(8) Identification of post-SQT/STC information requirements.**

**b. The SQT/STC planning letter will be distributed to:**

**(1) Navy International Program Office (Navy IPO).**

**(2) Commander in Chief, Atlantic or Pacific Fleet (CINCLANTFLT or CINCPACFLT) as appropriate.**

**(3) Appropriate Type Commander (COMNAVSURFLANT, COMNAVSURFPAC, etc).**

**(4) Lead NSC.**

**(5) All proposed ports of call.**

**(6) NAVSUP Operations Division (SUP 071) for SQT planning letters.**

(7) NAVILCO.

(8) Ships Parts Control Center (SPCC) (Code 032)

(9) Country Naval Attache, Washington D. C.

(10) Country Security Assistance Foreign Representative (SAFR) at NAVILCO (if there is one).

(11) Ship's commanding officer.

(12) Customer's freight forwarder.

**250207 Post-SQT/STC Information Requirements**

a. Upon completion of an SQT or STC, NAVSUP (SUP 07) requires information for the purpose of analyzing and critiquing the performance of the USN Supply System's support of the SQT or STC. These information requirements are:

(1) A list of the requisitions initiated during the SQT or STC. The list should be sorted by SQT/STC or Non-SQT/STC related requirements (see paragraph 250102) and should be accompanied by a summary of the number of requisitions submitted, filled, canceled, and referred.

(2) A critique of the logistical arrangements for the SQT or STC. Comments should address areas that functioned smoothly as well as problem areas.

b. In order to satisfy these information requirements, a suggested requisition log format is provided at Figure 25-1.

c. Responsibility for collecting and submitting this information is discussed in paragraphs 250401 and 250402, below.

### **Section 3: General Requisitioning Procedures for SQT/STC**

#### **250301 Requisitioning SQT/STC Related Material Requirements While at Lead NSC**

a. The following procedures are to be used for SQT/STC related material requirements while the ship is at the lead NSC:

(1) Fill out a Department of Defense (DD) Form 1348, Single Line Item Requisition, in accordance with Figure 25-2.

(2) Submit the requisition as directed by the SLR. If the requisition is to be processed as a bearer requisition, follow local procedures.

(3) Keep track of the requisition for both supply management and information requirement purposes (see paragraph 250207).

b. In the event that referral to an Inventory Control Point (ICP) is required, the lead NSC will establish a local MILSTRIP record with the Document Identifier Code (DIC) "ZMZ" and modify the requisition for ICP processing (i.e., replace the original supplementary address with the lead NSC's UIC).

**250302 Requisitioning SQT/STC Related Material Requirements While Not at Lead NSC**

a. The following procedures are to be used to requisition SQT/STC related material requirements while the ship is at ports of call other than the lead NSC:

(1) Fill out DD Form 1348 in accordance with Figure 25-3.

(2) Submit the requisition to the SLR at the next port of call. Requirements may be forwarded by message to the next scheduled port of call. A maximum of seven requisitions may be submitted on one message.

b. The port of call supply activity will process the requisition under normal procedures. If the demand cannot be met locally, the requisition will be referred to the lead NSC on a fill or kill basis.

c. The SLR will forward copies of all requisition documents for issues that cite funds positioned at the lead NSC to the lead NSC.

**250303 Requisitioning of Non-SQT/STC Related Requirements Via CLSSA or DRP**

While undergoing SQT/STC, routine storeroom replenishment for ship's Coordinated Ships Allowance List (COSAL) material will be implemented by the use of the current CLSSA or DRP case. Requirements will be submitted by the Supply Officer of the ship to NAVILCO. NAVILCO will then input the requisitions into the USN supply system. Material will be shipped by issuing activities to the country's

freight forwarder. The freight forwarder, as an agent of the foreign country, will then be responsible for forwarding the material to the ship. Procedures for requisitioning under DRP and CLSSA are provided in Chapters 9 and 10 of this manual.

#### **250304 Requisitioning Consumable Material at SERVMART**

a. SERVMART may be used for obtaining consumable items. SERVMART is a retail self-service store which stocks low-cost, high demand items for direct sale to authorized customers. DD Form 1348s will be filled out in accordance with Figure 25-4 for cash sale purchases or Figure 25-5 for purchases using the lead NSC funding account.

b. Local procedures for processing SERVMART requisitions will be provided by the SLR.

#### **250305 Requisitioning Provisions**

a. Provisions may be requisitioned under cash sales procedures. Procurement of provisions is the responsibility of the ship. A DD Form 1149 will be used and completed as shown in Figure 25-6.

b. One DD Form 1149 should be prepared for all fresh, frozen, and dry provisions. Due to frequent price changes, prices will be entered by the supply activity. Meat provisions will be charged on an average case weight according to standard USN procedures.

c. Dairy and bakery products may not be available at the local supply activity. In this case the ship must make arrangements with local vendors for these products. The names of vendors currently supplying USN ships with bakery and dairy products may be obtained from the supply activity.

d. DD Forms 1149 should be submitted via local procedures provided by the SLR.

e. The ship is not restricted to USN sources in procuring provisions and may do business with any local vendor in any port.

#### **250306 Requisitioning Fuel**

a. Fuel may be requisitioned from USN supply activities under cash sales procedures. Procurement of fuel is the responsibility of the ship. A DD Form 1149 is to be completed in accordance with Figure 25-7.

b. Submit DD Form 1149 to the SLR.

c. The ship is not restricted to USN sources in procuring fuel, and may do business with any local fuel dealer in any port of call. Navy special fuel #6 may not be available at every port of call.

## **250307 Requisitioning CASREP Material**

Due to their critical nature, CASREP material requirements for the SQT/STC, will only be processed through the lead NSC. To permit maximum responsiveness from the USN supply system, the requisition should be submitted with a Uniform Material Movement and Issue Priority System (UMMIPS) priority '03". The requisition will be charged against the NAVILCO funding document placed at the lead NSC. CASREP procedures are provided in Chapter 18 of this manual.

### **Section 4: SQT/STC Execution Responsibilities**

## **250401 SQT/STC Supply Team**

The SQT team consists of USN personnel assigned by NSWSES. The STC team consist of members of the ship's crew Supply Department.

### **a. USN SQT team will:**

(1) Originate all SQT related requisitions for consumable NSF material and repairable material in accordance with Figures 25-2 through 25-7.

(2) Maintain integrity of these procedures by ensuring that requisitions submitted are actually SQT related.

(3) Pass requisitions to the SLR.

(4) Maintain appropriate supply records to initiate the post-SQT information required in paragraph 250207, above. Submit the information to the lead NSC SLR at the conclusion of the SQT.

**b. Ship's Crew Supply Team:**

(1) Prepare all requisitions, STC and non-STC related in accordance with Figures 25-2 through 25-7.

(2) Maintain appropriate supply records to initiate the post-STC information required in paragraph 250207, above. Submit the information to the lead NSC SLR at the conclusion of the STC.

(3) Maintain the integrity of these procedures by ensuring that STC related requisitions submitted are actually STC related.

(4) Pass the requisitions to the designated SLRs for supply action.

(5) One week prior to the conclusion of the STC, initiate cancellation action for all STC requisitions not likely to reach the ship prior to sailing for home.

**250402 Supply Liaison Representative**

The SLR will:

a. Assist the SQT/STC team in originating SQT/STC related requisitions.

b. Present SQT/STC requisitions to the appropriate USN supply department and monitor, as necessary, the processing of those requisitions to ensure compliance with UMMIPS time frames for the issue of material. Timely issue of material is particularly important during a SQT or STC because of the tight schedule requirements of both the FMS customer and USN vessels undergoing the SQT/STC process.

c. Maintain records on the status of all outstanding SQT/STC requisitions. Establish close liaison with lead NSC customer service office to ensure access to the latest supply status.

d. Forward proof of delivery copies of SQT/STC receipt documents to lead NSC.

e. Provide other such assistance as may be necessary to assure a successful SQT/STC.

f. Assure copies of all requisitions for which material has been issued have been forwarded to the lead NSC the day the FMS customers ship departs the Navy activity.

g. (At the lead NSC) Receive the post SQT/STC information (paragraph 250207) initiated by either the USN SQT team or by the ship's crew STC team, verify and/or reconcile that information, further sort the requisition data by Cognizance Code, and forward the information to NAVSUP (SUP 07) with any additional comments concerning the logistical support provided during the SQT or STC.

**250403 Lead Naval Supply Center**

The lead NSC will:

a. Identify an SLR to be the FMS customer's key point of contact for the duration of the SQT/STC.

a. Act as initial input point for all SQT/STC and non-SQT/STC requisitions while the ship is at the lead NSC.

c. For SQT/STC requisitions not available for issue, pass to the inventory control manager, establishing 'ZMZ' record and modifying requisition format to conform to ICP processing requirements.

d. Provide all possible assistance in expediting material delivery. Inform the SLR of status, as available.

e. Act as transshipment point for SQT/STC material arriving at lead NSC while the ship is away from port. Ensure that transportation costs are charged against funding document.

f. Issue material from stock on a cash sales basis in accordance with NAVCOMPT Manual paragraphs 035950-035965.

g. Perform accounting for SQT/STC related requisitions, charging the NAVILCO funding document.

h. Provide other such logistical assistance as may be necessary for a successful SQT/STC.

i. The following ship's departure time frames must be followed for material and billing.

<u>Process</u>	<u>Time Frame</u>
(1) All material issued	1 Day
(2) Provision of material turnover list to FMS customer (forward 3 copies to SUP 071)	+ 30 Days
(3) Complete billing on all USN issues	+ 60 Days
(4) Complete billing on all local procurements	+ 90 Days
(5) Complete billing on Defense Logistics Agency (DLA) items	+ 120 Days
(6) Finalize funding document	+ 120 Days

**250404 NAVILCO**

NAVILCO will:

a. When directed by NAVSEA/NAVSUP, issue a funding document to the lead NSC.

b. Input ship CLSSA or DRP requisitions into the supply system when received via the country SAFR.

**250405 Ports of Call**

USN Ports of Call will:

a. Identify a SLR to be the FMS customer's key point of contact for the duration of the SQT/STC.

b. Process requisitions in support of the SQT/STC.

c. Act as receipt point for material marked for the ship while the ship is in port. Material held for the ship after the ship has departed will be shipped Commercial Collect Bill of Lading (CCBL) to the country freight forwarder. However, if the ship is to return within a reasonable period of time, material may be held pending ship arrival.

d. Provide other such logistical assistance as may be necessary to ensure a successful SQT/STC.

**250406 NAVSUP**

NAVSUP (SUP 07) will:

a. Coordinate the supply arrangements required to support the SQT/STC.

b. Issue an STC planning letter at least three months in advance of the STC.

c. Assist in resolving any logistics problem area that would tend to jeopardize or delay the SQT/STC.

d. Evaluate reports of past SQTs and STCs (including the information submitted in response to paragraph 250207, above) to identify problems and lessons learned and to recommend or make changes to existing procedures.

**250407 NAVSEA/FLEET**

NAVSEA Security Assistance Programs Division (SEA 916) will:

a. Coordinate arrangement of dates for the ship to participate in the SQT/STC.

b. Ensure that an SQT planning letter is published at least three months prior to an SQT.

**250408 NSWSES**

Assign the individual members of the SQT team.

Figure 25-1

SUGGESTED FORMAT FOR SQT OR STC REQUISITION LOG

1	2	3	4	5	6	7	8	9	10
<u>SERIAL NO.</u>	<u>NSN</u>	<u>QTY</u>	<u>U/I</u>	<u>SENT TO</u>	<u>STATUS</u>	<u>EX. PRICE</u>	<u>CUM OBLIG</u>	<u>REC'D FROM</u>	<u>DATE REC'D</u>
6143-0001	5960-00-123-4568	1	EA	NNZ	PASSED TO SPCC	20.00	20.00		
6144-0001	5960-00-456-7890	10	EA	NNZ		100.00	120.00		
6144-0002	3110-00-683-1796	3	EA	NNZ	PASSED TO NJZ	50.00	170.00		

1. SERIAL NUMBER - Enter the four digit Julian date the requisition is prepared, followed by a sequentially assigned serial number from 0001 to 5999. Serial numbers will not be duplicated on the same date.
2. NSN - Enter the 13 digit National Stock Number (NSN) or the manufacturer's Part Number (P/N). If the P/N is used, it must be preceded by the Federal Supply Code for Manufacturers (FSCM).
3. QUANTITY - The quantity requisitioned.
4. UNIT OF ISSUE (U/I) - Self explanatory.
5. SEND TO - Enter the routing identifier of the supply activity to which the requisition is sent. If the requisition is submitted by message, also enter the Date Time Group (DTG) of the message.
6. STATUS - Enter the latest supply status and the date of that status.
7. EXTENDED PRICE - Unit price times the quantity requisitioned.
8. CUMULATIVE OBLIGATIONS - Enter the total dollar value of requisitions placed up to this point.
9. RECEIVED FROM - Enter the routing identifier of the issuing activity, obtained from card columns 4-6 of the DD Form 1348-1.
10. DATE RECEIVED - Enter the Julian date the material is received. In case of a partial receipt, draw a diagonal line and enter the date and partial quantity received in the upper portion of the block. If the requisition is cancelled, "CANC" will be entered, and the balance adjusted accordingly.

Figure 25-2

FORMAT FOR REQUISITIONING NSF MATERIAL WHILE AT LEAD NSC

**DATA BLOCK  
OR CARD  
COLUMN  
FROM DD  
FORM 1348**

	<u>NOMENCLATURE</u>	<u>ENTRY</u>
A	SEND TO:	Lead NSC name and UIC.
B	REQUISITION IS FROM:	Ship name and UIC.
1-3	DOC. IDENT.	Document Identifier Code (DIC): A0A - for stock numbered items, A0B - for P/N items, and A0E - with exception data.
4-6	ROUTING IDENTIFIER	Lead NSC Material Routing Identifier (MRI).
M&S		Media and Status Code: As assigned by the lead NSC.
8-20	STOCK NUMBER	The 13 digit NSN. Use with DIC A0A.  If a P/N applies:  (a) Enter the 5 digit FSCM in data block 8 thru data block 12.  (b) If the P/N is 10 digits or less, enter the P/N beginning with data block 13. Use with DICA0B.  (c) If the P/N is more than 10 digits, enter both the FSCM and P/N in the "Remarks" data blocks (L through V) and properly identify. Use with DIC A0E.
23-24	UNIT OF ISSUE	The U/I for the item from the Management List-Navy (ML-N).
25-29	QUANTITY	Quantity desired - fill positions right to left, use zeros in blank spaces.

**DATA BLOCK  
OR CARD COLUMN  
FROM DD  
FORM 1348**

	<u>NOMENCLATURE</u>	<u>ENTRY</u>
30	SERV	Enter Service code "P".
31-35	REQUISITIONER	Ship's UIC.
36-39	DATE	The four digit Julian date the requisition is prepared.
40-43	SERIAL	A sequentially assigned serial number from 0001 to 5999 - serial numbers are not to be duplicated on the same date.
44	DEMAND	"N" for non-recurring.
45	SERV.	Enter Service code "P".
46-50	SUPPLEMENTARY ADDRESS	Lead NSC Job Order number.
51	SIG	Enter Signal code "A".
52-53	FUND	As assigned by the lead NSC.
54-56	DISTRIBUTION	Leave position 54 blank. Enter the two digit USN Material Cognizance Symbol (COG) in 55 and 56.
57-59	PROJECT	As assigned by the lead NSC.
60-61	PRIORITY	Enter "03".
62-64	REQ. DEL. DATE	Enter the three digit Julian date by which the material is required - all SQT requisitions should have a Julian date not later than the departure date from the Continental United States (CONUS). <b>NOTE:</b> If the material cannot be issued by this Required Delivery Date (RDD), the requisitions will be cancelled. Therefore, the RDD must be assigned realistically.
65-66	ADVICE	Enter "2T".
67-80		Leave Blank.

Figure 25-3

**FORMAT FOR REQUISITIONING NSF MATERIAL WHILE NOT AT LEAD NSC**

A DD Form 1348 will be filled out in accordance with Figure 25-2 except as follows:

<u>DATA BLOCK</u>	<u>NOMENCLATURE</u>	<u>ENTRY</u>
A	SEND TO:	Port of call supply activity name and UIC.
4-6	ROUTING IDENTIFIER	Port of call MRI.
46-50	SUPPLEMENTARY ADDRESS	Lead NSC UIC.
51	SIG.	Enter Signal code "B".
65-66	ADVICE	Enter "2C".

Shipping instructions in the "Remarks" should be sufficiently detailed so that issuing activities may ship the material to the proper location.

Figure 25-4

**FORMAT FOR REQUISITIONS FOR NON-SQT RELATED REQUIREMENTS**  
**REQUISITIONED UNDER CASH SALE FROM SERVMART**

<b><u>DATA BLOCK</u></b>	<b><u>NOMENCLATURE</u></b>	<b><u>ENTRY</u></b>
A	SEND TO:	SERVMART, supply activity name and UIC.
B	REQUISITION IS FROM:	Ship's name and UIC.
C		Enter "Cash sales".
1-3	DOC. IDENT.	Enter DIC "A0A".
4-6	ROUTING IDENTIFIER	Supply activity MRI.
8-20	STOCK NUMBER	Enter "Money value not to exceed \$ _____".
30-50		Supply activity will advise format consistent with local cash sale procedures.
51	SIG.	Enter Signal code "K".
52-53	FUND	As assigned by lead NSC.
54-56	DISTRIBUTION	Leave position 54 blank. Enter the two digit USN Cognizance code in positions 55 and 56.
57-59	PROJECT	As assigned by lead NSC.
60-61	PRIORITY	Enter "13".
65-66	ADVICE	Enter "5U".

Remarks: To be submitted by the Supply Officer of the ship and approved by the Fleet Liaison Officer.

Immediately after checking out of the SERVMART, the ship's representative will sign three copies of the DD Form 1348 and return them to the SLR so that cash sales collection may be effected.

Figure 25-5

**SQT RELATED REQUIREMENTS REQUISITIONED FROM  
THE SERVMART ON DD FORM 1348**

<b><u>DATA BLOCK</u></b>	<b><u>NOMENCLATURE</u></b>	<b><u>ENTRY</u></b>
C		Leave blank.
30	SERV.	Enter Service code "P".
31-35	REQUISITIONER	Ship's UIC.
36-39	DATE	Enter the Julian date.
40-43	SERIAL	The SQT series of requisitions 0001 thru 5999, will be used.
45	SERV.	Enter Service code "X".
46-50	SUPPLEMENTARY ADDRESS	Lead NSC Job Order number.
51	SIG.	Enter Signal code "A".
52-53	FUND	Assigned by lead NSC.
57-59	PROJECT	Assigned by lead NSC.

Remarks:

(1) To be signed by the USN SQT Officer, and approved by the Fleet Liaison Officer.

(2) After checking out through the SERVMART cash register, the adding machine tape total should be annotated on the remaining copies of the DD Form 1348.

(3) One copy of the DD Form 1348 with the adding machine tape attached will be forwarded to the lead NSC. The remaining copies are for the SQT team or STC records.

Figure 25-6

**FORMAT FOR REQUISITIONING PROVISIONS**  
**UNDER CASH SALES PROCEDURES**  
**(DD FORM 1149)**

<b><u>DATA BLOCK</u></b>	<b><u>NOMENCLATURE</u></b>	<b><u>ENTRY</u></b>
1	FROM	Ship's name
2	TO	Supply activity name and UIC.
3	SHIP TO - MARK FOR	Ship's location.
4	APPROPRIATION AND	Enter "Cash Sales".
5	REQUISITION DATE	Date the requisition is prepared.
6	REQUISITION NUMBER	Local port of call will advise format consistent with local cash sales procedures.
7	DATE MATERIAL REQUIRED	Enter the date delivery to the Ship is desired. At least six working days lead time is desired.
8	PRIORITY	Enter "06".
10	SIGNATURE	Signature of authorized ship's officer.
(a)	ITEM NUMBER	Enter numbers in sequence for each item.
(b)	FEDERAL STOCK NUMBER DESCRIPTION AND CODING OF MATERIAL AND/OR SERVICES	Enter stock numbers for frozen and dry provisions, noun name for fresh.
(c)	UNIT OF ISSUE	Self-explanatory.
(d)	QUANTITY REQUESTED	Self-explanatory.

Figure 25-7

**FORMAT FOR REQUISITIONING FUEL**  
**UNDER CASH SALES PROCEDURES**  
**(DD FORM 1149)**

<b><u>DATA BLOCK</u></b>	<b><u>NOMENCLATURE</u></b>	<b><u>ENTRY</u></b>
1	FROM	Ship's name.
2	TO	Supply activity name and UIC.
3	SHIP TO - MARK FOR	Ship name - ship's location.
4	APPROPRIATION AND SUBHEAD	Enter "Cash Sales".
5	REQUISITION DATE	Date the requisition is prepared.
6	REQUISITION NUMBER	Local port of call will advise format consistent with local cash sale procedures.
7	DATE MATERIAL REQUIRED	Enter the date that delivery to the ship is desired. At least six working days lead time is desired.
8	PRIORITY	Enter "06".
10	SIGNATURE	Signature of authorized ship's officer.
13	MODE OF SHIPMENT	Enter "PPL".
(a)	ITEM NUMBER	Enter numbers in sequence for each item.
(b)	FEDERAL STOCK NUMBER DESCRIPTION AND CODING OF MATERIAL AND/OR SERVICES	Enter stock number for fuel required.
(d)	QUANTITY REQUESTED	Number of barrels of fuel requested.



## CHAPTER 26 - VISITS, ACCREDITATIONS, AND SECURITY ASSISTANCE FOREIGN REPRESENTATIVES

### Section 1: Background, Purpose, and Definitions

#### 260101 Background

In the performance of the FMS mission, Systems Commands, as well as manufacturers contracting with the U.S. Navy, must contact, meet, and coordinate with FMS customer representatives. Contact by representatives of foreign governments and international organizations must be controlled to ensure security and foreign policy interests of the United States are protected. Department of Defense Instruction (DODINST) 5230.20 sets requirements, policies, and procedures for control of foreign representatives requesting visits and accreditation. Chief of Naval Operations Instruction (OPNAVINST) 4900.126 establishes policies and procedures within the U.S. Navy (USN) for control of Security Assistance Foreign Representatives (SAFRs). OPNAVINST 5510.48 (latest series), the manual for disclosure of classified military information to foreign governments and international organizations, gives detailed guidance on disclosure procedures that must be complied with when processing visit and accreditation requests.

#### 260102 Purpose

This chapter defines some of the terms used in the process of controlling contact among the USN, contractors, and foreign representatives and highlights key policies and procedures that govern our conduct of these activities.

#### 260103 Definitions

a. Accreditation pertains to three different types of recognition afforded to representatives of foreign governments. The first two types of accreditation are defined here for background purposes, the third definition pertains specifically to this chapter:

(1) Diplomatic accreditation is recognition by the U.S. State Department on behalf of the U.S. Government (USG) of specified members of a foreign embassy or foreign mission.

(2) Attaché accreditation is recognition by one or more of the Military Departments (MILDEPs) or Defense Agencies of a diplomatically accredited military officer as a military attaché.

(3) Functional accreditation is recognition by the USN of a working relationship with a foreign official who resides in the U.S. (including U.S. citizens employed by a foreign government or foreign company) for a specific purpose and on a recurring basis, other than as an attaché. The minimum requirements for either attaché or functional accreditation are:

(a) Notification/certification from a country's embassy that:

1 The specified individual is an officially sponsored representative of the government.

2 The individual named is authorized by that government to conduct business with DOD for a specified purpose.

3 The individual holds a specified level of security clearance.

(b) Written acceptance of the individual's status from the Department of Defense (DOD) components of which accreditation was requested.

b. Visit is defined as contact by a foreign representative with either a USN activity or USN contractor for a single occasion and for a specified purpose.

c. Extended visit is the same as a visit except that approval is extended for recurring contacts over a longer period of time, normally not to exceed one year. OPNAVINST 4900.126 further defines an extended visit as a visit of two or more weeks continuous duration or intermittent visitation exceeding two months cumulative duration in a 12-month period.

d. Security Assistance Foreign Representative (SAFR) is an individual representing a foreign government and/or foreign military organization acting in liaison with, or acquiring information from, USN activities for the purpose of conducting Security Assistance. A SAFR may be identified through one or more of the following:

(1) An office located at a USN activity where the office and position were established by a particular FMS case.

(2) Functional accreditation by the Navy International Programs Office (Navy IPO) 30.

(3) Approved visit or extended visitation as defined in subparagraphs 260103b and c.

(4) Foreign trainees at USN activities if their training relates to coordination for Security Assistance purposes.

## **Section 2: DOD Policy**

### **260201 Visits and Accreditations for Specific Purposes**

Requests for visit and/or accreditation approval are submitted by the embassy of a foreign government in accordance with DODINST 5230.20 and the Guide for Foreign Attaches Accredited to the Department of the Navy. These requests must state a specific purpose for either the visit or accreditation.

a. These requests must be carefully reviewed to ensure that they do not, intentionally or unintentionally, circumvent the requirement of the International Traffic in Arms Regulation (ITAR) that U.S. manufacturers obtain an export license from the State Department for all classified and unclassified technical data for material identified on the U.S. Munitions List.

b. Requests for approval of a visit by a SAFR to a DOD component or DOD contractor should be received a minimum of 30 days prior to the date of the requested visit. Request for SAFR functional accreditation should be received at

least 90 days prior to the beginning of the requested accreditation period. Once approval of a request for either accreditation or visit has been given, the office to be visited should be given at least 72 hours (three working days) advance notice of the visit.

c. Requests for visits that do not relate to a specific FMS project or potential project will be returned to the foreign embassy without DOD sponsorship. However, if the DOD component, Navy IPO 10, has no objection, the embassy may go directly to the contractor without DOD sponsorship. (The contractor must abide by the provisions of the ITAR.) If Navy IPO 10 believes that current policy and circumstances prohibit the release of the information requested by the foreign government, then the contractor will be told not to release information.

d. DOD components must periodically screen approved visit, extended visit, and accreditation documentation with a view toward recommending cancellation of any that are no longer in the best interest of the United States.

e. Information required in a foreign embassy's request for visit or accreditation approval is specified in DODINST 5230.20. The formats for requests to the USN are provided in the Guide for Attaches Accredited to the Department of the Navy.

#### **260202 Disclosure of Classified Information**

Specific, detailed constraints on the disclosure of classified military information to SAFRs are provided in OPNAVINST 5510.48 (latest series), OPNAVINST 5510.155C, and SECNAVINST 4900.46A. Key elements for determining if disclosure is appropriate are:

a. Disclosure must be authorized either by Navy IPO or by another command that has been given a written authorized Delegation of Authority.

b. Assuming that the contact meets the criteria of subparagraph 260202a, the disclosure must be limited to the specific stated purpose of the visit.

c. The disclosure of classified information is limited to oral and visual material only. No documents are to be provided unless there is a specific written

authorization included in the approval of the visit or accreditation. Additionally, bibliographies containing classified documents or unclassified technical publications that are not released to the public domain, may not be disclosed.

d. Disclosure policy itself is often classified. Disclosure of policy decisions revealing what information has been denied is strictly forbidden.

### **260203 Visits and the DOD Acquisition Process**

Qualified government and industry representatives from countries with which DOD has a reciprocal procurement Memorandum of Understanding (MOU) and/or offset agreements, must be afforded an opportunity to compete for DOD acquisition contracts on a fair and equal basis with U.S. industry. This competition is subject to U.S. laws, regulations, and the National Policy and Procedures for the Disclosure of Classified Military Information to Foreign Governments and International Organizations (referred to as "NDP-1"). In this context and in accordance with appropriate technology transfer, export license, and information disclosure requirements, qualified foreign representatives must be allowed to participate in DOD component and joint DOD-U.S. industry meetings that directly or indirectly relate to contract opportunities.

## **Section 3: USN Policy**

### **260301 Control Officer for SAFRs**

Each USN activity that hosts one or more SAFRs is required to appoint, in writing, a control officer for each SAFR. The control officer must be thoroughly familiar with the appropriate DOD and USN disclosure and visit/accreditation instructions and, per OPNAVINST 4900.126, is specifically responsible for ensuring that disclosure of any classified information to SAFRs is strictly in accordance with the terms and conditions of their specific visit/accreditation approval. All disclosures must be authorized in writing. The objective of these procedures is not to restrict or constrain the flow of information to the SAFR but to ensure that disclosure of such information is explicitly authorized and that only information necessary is disclosed.

### **260302 Mission Definition for SAFR**

a. Each USN activity that hosts one or more SAFRs must, per OPNAVINST 4900.126, define in written statements the type and scope of the functions of each SAFR. The mission definition will be made available to the SAFR in the following circumstances:

(1) Functional accreditation by Navy IPO 30 to a hosting USN activity.

(2) Establishment of a Memoranda of Understanding (MOU) or similar agreement with the foreign government for the SAFR position at the hosting USN activity.

(3) Establishment of a FMS case for the SAFR at the hosting USN activity.

b. Mission definition statements for SAFRs should address, but not be limited to, the following:

(1) Authorized disclosure for subject area specified in the functional accreditation or visit request approval letter.

(2) Definition of access to telecommunication and Automated Data Processing (ADP) facilities at the hosting USN activity.

(3) Key points of contact in the USN activity for liaison with SAFR.

(4) Description of types of functions involved (e.g., monitoring case development/execution, etc.).

(5) Definition of powers of signature SAFR holds (e.g., authorizing DD Form 1513 changes, modifications, and amendments).

(6) Administrative services that are provided by the hosting USN activity. Some examples of these administrative services are printing and copying; mail pickup and delivery; equipment and supply service; and warehouse storage and transportation.

(7) Security Assistance management training is available through the Defense Institute of Security Assistance Management (DISAM) and that requests for quotas should be addressed to the Registrar of the DISAM.

(8) State the maximum classification of information for which access is required to fulfill the stated mission.

c. Implementation of the mission definition will:

(1) Significantly reduce the probability of an inadvertent disclosure of information that could be embarrassing to both the USN and the foreign government.

(2) Greatly enhance the control officer's ability to perform his or her assigned mission.

**260303      SAFR-Contractor Relations**

The terms and conditions for each FMS case specify that the USG undertakes procurement actions with contractors on behalf of the FMS customer. In order to ensure the integrity of the procurement/contract process, the following guidance, extracted from OPNAVINST 4900.126, will be used to control SAFR-contractor relations:

a. SAFR liaison with a contractor will be directed through the contracting officer. SAFR communication with prime contractors and subcontractors will be via the USN's program or project office and the procuring and administrative contracting officers. This communication must be within the guidelines established by each visit authorization.

b. All negotiations with the contractor are the exclusive responsibility of USG-appointed contracting officers.

c. The submission and execution of any changes to a contract are the sole responsibility of the contract administrator. SAFR involvement in the change process will only be through the USN program/project office.

## Section 4: Execution of Policy

### **260401      SAFR Office Cost Recovery**

a. Per OPNAVINST 4900.126, FMS management cases or case management lines will be established to recover all costs related to U.S. Government support of SAFRs. SAFR office costs are related to special support services provided to a FMS customer that are outside the scope of administrative services ordinarily provided to FMS purchasers and financed from FMS administrative surcharge collections. Pricing will be in accordance with the following guidance. Requests for special support not addressed in the guidance below should be coordinated with the Case Administering Office (CAO) and Navy IPO.

(1) Charges for Use of Facilities and Equipment. In the event that office space is provided in non-DOD facilities (i.e., is rented from commercial sources or the General Services Administration (GSA)), the pro-rata share of operating costs, including space rental charges, will be assessed on the basis of space assigned versus total space available for assignment. Amounts collected will be credited to the Navy appropriation accounts that finance such costs. As a rule, the FMS customer (SAFR) will be expected to provide office equipment and furnishings.

(2) Administrative Support to SAFR Offices. All costs of administrative support to SAFR offices requested by the FMS customer, such as telephone, equipment rental, supplies, reproduction services, mail, message, printing services, Automated Data Processing services, etc., are chargeable to the FMS management case/line supporting the SAFR office. If it is not within the scope of the case, the services will not be provided. Actual costs will be charged whenever they are available. However, estimates and prorations of costs may be utilized as the basis for DD Form 1513 pricing of services and charging the FMS customer. Documentation regarding the development of these costs should be provided to the CAO. Amounts collected will be credited to the applicable Navy appropriation financing the costs.

(3) Special Services in Support of SAFR Offices. All costs of special services provided at the specific request of the SAFR, if the services are within the scope of the related FMS management case or case management line, will be charged to that

case/line. If not within scope, the services will not be provided. Costs of travel and personnel costs of USN personnel will be charged to the case/line if specifically requested by the SAFR. Travel costs should directly cite the case funds if feasible. Other special efforts, such as contractor assistance, special ADP programming/reports or other requested services and material/equipment, are chargeable to the management case/line. Contractual transactions should be direct cite funded. Amounts for services provided by USN activities will be priced and collections credited in accordance with guidance in DODINST 2140.1 (implemented in NAVCOMPT Manual, Volume 3, Chapter 2, Section III).

b. The following are prohibitions under SAFR FMS liaison cases:

(1) Travel costs of the SAFR cannot be applied to an FMS case. Note the distinction here between the SAFR and DOD employees performing travel for the SAFR.

(2) Navy activities will not provide civil service employees in direct support of SAFR cases.

(3) The SAFR possesses no authority to withdraw FMS case funds. Any funds that SAFRs have under their control will be managed outside of FMS cases and FMS trust funds.

**260402      Actions Before Contact with SAFR**

a. Activities will, upon request, advise Navy IPO 10 as to the approval, recommended approval, or denial of specific requests for visits, extended visits, and accreditations. When delegated responsibility for visit approval, activities will approve or deny requests and make the required notifications. Once approvals have been granted for extended visits and accreditations, organizations will periodically review them in light of current U.S. and USN interests and recommend cancellations as appropriate.

b. Navy IPO will, when applicable, approve or deny requests, make the required notifications, and use the Foreign Disclosure Technical Information System (FORDTIS)

to keep other DOD components and USN activities advised of visit/accreditation approvals, subjects to be discussed, etc.

c. USN personnel will ensure, prior to meeting with any SAFR, that the visit or accreditation has been approved. Contact officers, as defined in DODINST 5230.20 and OPNAVINST 5510.48 (latest series), will ensure that all personnel in an office scheduled to receive an approved visit are informed of the visit, its specific purpose, and the limitations on the disclosure of information as far in advance as possible.

**260403      Actions During Contact with SAFR**

a. Organization control officers, as defined in OPNAVINST 4900.126, will ensure that the contacts with the SAFR are in accordance with the Mission Definition Statement developed specifically for that SAFR.

b. USN personnel will ensure that only the specific purpose of the approved visit is discussed during the visit and that disclosure of any classified information, if approved, is in strict accordance with the visit approval notification.

## CHAPTER 27 - LEASES

### Section 1: Background and Definitions

#### 270101 Background

a. On occasion, the U.S. Government (USG) will lease instead of sell defense articles to a foreign government. The Arms Export Control Act (AECA) provides both the statutory authority for leases as well as the general terms and conditions for those leases. Within the U.S. Navy (USN), the Chief of Naval Operations (CNO) Security Assistance Division (OP-63) serves as the single office responsible for coordinating, signing, and administering lease agreements. Naval Material Establishment (NME) activities will occasionally be involved in providing OP-63 with information in support of a lease, in sponsoring a lease, and/or providing lease support via an associated Foreign Military Sales (FMS) case.

b. NME offices involved with a lease should be thoroughly familiar with Chapter 12 of the Security Assistance Management Manual (SAMM), DOD 5105.38-M.

c. It should be noted that a lease is a separate agreement between the USG and the foreign customer; it is not a part of an FMS case. A lease is, however, almost always accompanied by a supporting FMS case to cover the expenses involved in initiating or executing the lease. Typical expenses covered in the support case are listed in paragraph 270202, below.

#### 270102 Definitions

a. Lease is a contract by which the USG conveys the use of a defense article to a foreign government or international organization for a term of years and for a specified quarterly rental payment or other consideration.

b. Lease Agreement is a document stating the provisions of the lease. The mandatory format for a lease agreement is provided in Chapter 12 of the SAMM. No deviation from the standard format, including the general provisions, is permitted without prior approval of the Defense Security Assistance Agency (DSAA).

c. Sponsor is the USG organization that "owns" the defense article being leased. The sponsor also develops the cost figures for both the lease and related FMS support case.

d. Delivery Certificate is a document used to transfer possession, but not title, of a defense article to a customer under the terms of the lease agreement. (The format for the delivery certificate is specified in Chapter 12, of the SAMM.

## Section 2: Policy

### **270201 When Leases are Appropriate**

A lease, rather than a sale, is appropriate and authorized when: first, there are compelling foreign policy and national security reasons for providing the item to the customer and, second, the article is not currently needed for USG use, but there is a requirement to retain the item for future use. Before a lease may go into effect, it must be approved by the Director, DSAA; the Secretary of the Navy; and all other offices and agencies concerned. Additionally, if the lease is for a period of one year or longer, involves major defense equipment valued at \$14 million or more or involves any defense articles valued at \$50 million or more, then the proposed lease is also subject to Congressional notification and review. Some typical examples of when a lease may be appropriate are:

- a. To meet an urgent foreign requirement that cannot wait for the normal lead time of an FMS procurement.
- b. To meet a temporary foreign requirement.
- c. To provide equipment for testing or evaluation leading to a possible sale.

### **270202 General Conditions**

- a. Leases are limited to a maximum five years duration.
- b. Rental payment schedules will provide for depreciation.
- c. FMS credits or Military Assistance Program (MAP) merger funds may not be used for lease payments.
- d. The customer is required to pay the cost of restoration or replacement if the leased article is damaged, lost, or destroyed.
- e. A lease support case will be used to recover all associated costs, such as:
  - (1) Packing, crating, and handling;
  - (2) Transportation;
  - (3) Sale of associated articles and services, including refurbishments required prior to, during, or at the conclusion of the lease period;
  - (4) Loss or damage of the leased article; and
  - (5) Inspection, restoration, maintenance, and occasional costs.
- f. FMS credits or MAP merger funds may, with DSAA approval, be used for support cases.

g. Although leases are not FMS cases, for identification purposes they are assigned case designators in the "Z" series (see Chapter 2 of this manual).

### **270203 Exceptions**

a. Leases of USN vessels require Congressional notification and/or special enabling legislation pursuant to 10 United States Code (U.S.C.) 7307. This requirement is in addition to, and separate from, the notification required by Chapter 6 of the AECA. See Chapter 2 of the SAMM.

b. The requirement to charge for depreciation and the costs for restoration or replacement if the article is lost or damaged may be waived if the lease is entered into for any of the following:

- (1) Cooperative research and development,
- (2) Military exercises,
- (3) Communications or electronics interface projects, or
- (4) If the article has passed three-quarters of its normal service life.

## **Section 3: Procedures**

### **270301 General**

Within the framework of paragraph 270101, above, CNO (OP-63) carries out the majority of the functions or services associated with the lease of USN property to a foreign government or international organization. The following paragraphs describe the lease process and its tasks.

### **270302 Sponsoring the Lease**

a. An NME activity may sponsor a lease either at the direction/request of CNO (OP-63) or in response to a Price and Availability (P&A) data request, that would otherwise lead to an FMS sale. (This second reason for sponsoring a lease might come about if the item requested for sale has a long term U.S. need that requires the USN to retain title to the item.) The NME activity must gain the approval of OP-63 before preparing a lease nomination in response to a P&A request.

b. The fact that a lease is being considered or being nominated must not be disclosed to the foreign country until after all required approvals are obtained and confirmed by CNO (OP-63).

## **270303 Preparing the Lease Package**

CNO (OP-63) initiates the USN's lease process based on either a request for a lease from a foreign government or international organization or on a recommendation from an NME organization that lease, rather than sale, of an item is both possible and advantageous to the USG. The lease process is discussed in detail in Chapter 12 of the SAMM that also contains samples of all required documents.

a. The package of documents to nominate an article for lease generally consists of:

(1) Lease agreement.

(2) Payment schedule. (The format for the payment schedule is given in Figure 12-I-3 of the SAMM. Chapter 7 of the FMS Financial Management Manual, DOD 7290.3-M, provides the method for determining appropriate depreciation and other costs.)

(3) Justification for lease versus sale. (Memo format is given at Figure 12-I-4 of the SAMM. This memo is always required by DSAA. If Congressional notification is required, the memo will be used by DSAA to prepare the notification package.)

(4) Support case, Department of Defense (DD) Form 1513, if required, with all associated documents.

(5) Delivery certificate.

(6) Determination. (See Figure 12-I-1 of the SAMM.)

b. CNO (OP-63) normally prepares all documents associated with a lease but may direct an NME organization to do so.

c. Other associated approval and notification forms will be prepared by CNO (OP-63).

## **270304 Executing the Lease**

The effective date of the lease, unless the lease agreement specifies otherwise, is the date it is signed by the foreign government's authorized representative. (The effective date is important because the length of the lease period is an integral condition of the lease itself and will determine the closure and/or renewal dates.)

a. Execution of the lease begins when CNO (OP-63) provides a copy of the lease and the delivery certificate to the sponsoring organization. Normally, if there is a supporting FMS case, it will be implemented at this time (see Chapter 7 of this manual).

b. The sponsor activity releases the defense article and provides services in accordance with the supporting FMS case.

c. CNO (OP-63) monitors the lease execution with the help of the in-country U.S. Security Assistance Organization (SAO) and initiates extensions, revision, terminations, payment schedule changes, etc., as necessary.

d. CNO (OP-63) prepares all reports required during the performance of the lease.

e. A CNO (OP-63) action officer is named as Case Manager for the FMS support case.

#### **270305 Closing the Lease**

a. The Security Assistance Accounting Center (SAAC) will initiate the closure of the lease. CNO (OP-63) will approve the lease for closure.

b. Support cases will be closed only after the lease is closed and all costs associated with the lease termination and return of the defense article are recovered.

#### **270306 Renewing the Lease**

Lease renewals are processed in the same way as new leases, i.e., a new agreement is drafted, renewal of the lease rather than sale is justified, etc. The renewal process must be started far enough in advance so that the renewal is complete when the prior lease expires.

### **Section 4: Responsibilities**

#### **270401 CNO (OP-63)**

Within the background of paragraph 270101, above, CNO (OP-63) carries out the majority of the functions or services associated with the lease of USN property to the government of a foreign country. Specifically CNO (OP-63) provides the following:

a. Management and coordination of the lease itself beginning with the preparation of cost figures through the eventual return of the leased item to the physical possession of the USN.

b. Initiation of the USN's lease process based on either a request for a lease from a foreign government or a recommendation from an NME organization that lease, rather than sale, of an item of equipment may be both possible and advantageous to the USG.

c. Verification, with the other Military Departments (MILDEPs) and with other USG departments and agencies, that the equipment to be leased is not currently needed for "public" use.

d. Presentation of the lease recommendation to DSAA for approval.

- e. Development of required documentation and correspondence per Chapter 12 of the SAMM.
- f. Management of the FMS case that supports the lease.
- g. Oversight of lease payment collection by SAAC and the reporting of FMS support case charges by NME organizations.
- h. Reports on the status of active leases as required by the SAMM.
- i. Initiation of extensions or renewals, revisions, and terminations of leases, and the preparation of any related documentation and correspondence.

**270402 The Naval Supply Systems Command (NAVSUP) Security Assistance Directorate (SIIP 07)**

NAVSUP (SIIP 07) assists in document preparation as tasked by CNO (OP-63), coordinates the preparation of P&A data for the supporting FMS case, and reviews documentation prepared within the NME for completeness and accuracy.

**270403 NME Organizations**

NME organizations will assist with document preparation as required by CNO (OP-63), serve as lease sponsors, prepare P&A data for supporting FMS cases, and ensure that all appropriate costs are charged to the support case.

## CHAPTER 29 - MEMORANDA OF UNDERSTANDING AND MEMORANDA OF AGREEMENT

### Section 1: Purpose and Background

#### 290101 Purpose

This chapter expands on the introductory information about Memoranda of Understanding (MOUs) and Memoranda of Agreement (MOAs) provided in Chapter 3 of this manual. This chapter provides background and establishes responsibilities within the Naval Supply Systems Command (NAVSUP) organizations for developing and coordinating these documents.

#### 290102 Background

In recent years there has been an increase in the number and kinds of formal international agreements (sub-treaty level) between elements of the U.S. Government (USG) and foreign government counterparts. While these agreements carry a variety of titles (such as MOU, MOA, and Memorandum of Discussion) their exact titles depend on their content and are somewhat interchangeable. (In this chapter they will all be referred to as MOUs).

a. MOUs cover a wide variety of matters, such as offsets and coproduction, reciprocal procurement and production, mutual cooperation on research and development and logistics support, and war reserve support. Some of the agreements are closely tied to specific Foreign Military Sales (FMS) programs, while others support broad foreign and defense policy efforts.

b. While MOUs generally originate at a level above the NAVSUP organizations, MOUs cannot be generalized to a common point of origin or detailed process of review, coordination, and approval. However, because of the broad scope of many of the MOUs, it is necessary to establish responsibilities for handling them within NAVSUP. Those responsibilities are described in Section 2.

## **Section 2: Responsibilities**

### **290201 General**

The broad scope of many MOUs often causes them to impact on more than one organization. MOUs may affect policy guidance, management, and implementation of one or more FMS cases. Therefore, NAVSUP organizations involved in both the pre-implementation review and post-implementation execution of a MOU must coordinate closely to prevent wasteful overlap in the execution of those responsibilities.

### **290202 Basic Responsibilities**

#### **a. NAVSUP:**

(1) Assists Navy International Programs Office and other Department of Defense activities in the coordination, development, and review of Security Assistance Program MOUs for areas under the cognizance of any NAVSUP organization.

(2) Develop draft MOUs upon request.

(3) Assess potential short-and long-range impacts of proposed MOUs on programs managed or supported by NAVSUP organizations.

## CHAPTER 30 - SUSPENSIONS AND CANCELLATIONS

### Section 1: Background and Purpose

#### **300101**      Background

a. Under normal circumstances, once a Foreign Military Sales (FMS) case is implemented that case will proceed without interruption until complete. However, the State Department, the organization within the Executive Branch of government with responsibility for foreign policy, retains the authority to suspend or cancel, in whole or in part, FMS cases. The suspension or cancellation will generally fall into one of two categories:

(1) Action to suspend or cancel all FMS transactions with a specific customer country. This type of action would generally be taken in response to a political/military situation, as well as request from the customer based on economic or other internal factors.

(2) Action to suspend the sale of a specific item of U.S. origin and/or manufacture. This type of action may involve any number of FMS customers since it is aimed at preventing the export of a specific item rather than at a specific customer.

b. Regardless of the category of the action, suspensions and cancellations are relatively rare, the circumstances surrounding them differ, and no two are alike. In practice they are handled on a case-by-case basis.

c. In rare instances, the Brooke Amendment will be enacted for countries that are more than one year in arrears in their payments. Specific guidance on the limited types of suspensions allowed under the Brooke Amendment can be found in DOD 5105.38-M, paragraph 90211.B. Until such time as DOD 5105.38-M is updated to reflect new Defense Security Assistance Agency (DSAA) guidance on exclusion to the Brooke Amendment, the following information is provided. International Narcotics Act - P. L. 101-231 provided funding for the counter narcotics efforts and restricted its use to provide for support equipment and services for the Arms Export

Control Act (AECA) and the Foreign Assistance Act (FAA). To implement the funding controls DSAA has established three separate country codes for the program: (1) D1 for Bolivia, (2) D3 for Peru, and (3) D5 for Colombia. FMS cases established for these country codes for the counter narcotics effort are not subject to Brooke Amendment sanctions.

### **300102      Distinction Between Suspension and Cancellation**

"Suspension" as used in this chapter refers to the suspension of delivery of material ordered through a FMS case or Military Assistance Program (MAP). Typically, suspension is an initial action that allows events and circumstances to develop to a point where the State Department can decide whether to permit the resumption of deliveries or to make the suspension permanent. "Cancellation," on the other hand, is the usual result of a suspension being made permanent. It results in FMS case cancellations and contract terminations that are directed by the DSAA after a case-by-case review.

### **300103      Purpose**

This chapter describes the general requirements to carry out a suspension or cancellation and defines the responsibilities of NAVSUP field activities to ensure execution of the cancellation or suspension.

## **Section 2: Suspension or Cancellation of a Country's FMS Program**

### **300201      Initiation of Suspension or Cancellation**

DSAA initiates the process within the Department of Defense (DOD) by sending a message to the Military Departments (MILDEPs). The U.S. Navy's (USN's) copy of the message is addressed for action to the Navy International Programs Office (Navy IPO).

a. Navy IPO develops specific taskings/instructions necessary to execute the suspension or cancellation. Typically Navy IPO readdresses the DSAA message to the hardware system commands for information and to NAVSUP for implementation.

b. After the receipt of the Navy IPO taskings/instructions, NAVSUP (SUP 07) disseminates the Navy IPO message to Address Indicator Group (AIG) 7775. This AIG contains all USN shippers who are holders of the Military Assistance Program Address Directory (MAPAD), DOD 4000.25-8-M. If the DSAA message is retransmitted to NAVSUP, it will be retransmitted to AIG7775. This message serves to alert appropriate shipping activities of an impending suspension or cancellation and enables them to begin to plan for necessary actions to halt shipments to that customer.

### **300202      Typical Actions in Response to Suspension or Cancellation**

NAVSUP (SUP 07) receives specific taskings from Navy IPO, analyzes them, and initiates actions to involved NAVSUP activities. While these actions will vary, the following are common actions that NAVSUP and its field activities should be prepared to accomplish:

- a. Suspend all deliveries of FMS and MAP material immediately.
- b. Suspend pre-contract procurement actions that are in-progress and initiate no new procurement actions. (If the procurement action is at a stage where, for example, potential contractors may be preparing bids or proposals, the NAVSUP field activities will immediately inform those known potential contractors of the suspension or cancellation so that they may take whatever action they deem appropriate.)
- c. Complete the production portion of existing contracts but do not deliver the material. Material ready for shipment from contractors is stored (segregated) by the most economical means pending receipt of disposition instructions.
- d. Suspend customer-initiated requisitions (i.e., "pull" type requisitions from Cooperative Logistics Supply Support Arrangements (CLSSAs) and blanket order FMS cases) at the activity holding the requisition.
- e. Report to NAVSUP (SUP 07) items scheduled for release and items on order but unshipped. (NAVSUP will consolidate this information and pass it to DSAA via Navy IPO.)

f. NAVSUP (SUP 07) will determine the unused dollar value of CLSSA and blanket order cases as reported in Management Information System for International Logistics (MISIL) and report those values to DSAA via Navy IPO.

g. Complete the current course of instruction for students undergoing FMS funded training but do not permit entry into any new courses after the suspension or cancellation date unless specifically authorized by DSAA. (Note: Brooke Amendment sanctions for IMET training, training teams, and training aids differs. Consult DOD 5105.38-M, paragraph 90211.D, for specific restrictions.)

h. Review all open cases to determine if there are any lines that would support either U.S. government personnel or contractor personnel detained in country. If the review indicates that personnel are in country, Navy IPO should be immediately advised and requested to provide guidance from DSAA. If contractor personnel are involved, instructions should be requested regarding continued contract coverage for the detained personnel for the duration of their captivity. In the event that case funded U.S. government personnel are detained in country, Navy IPO should be requested to provide direction regarding continuation of pay and benefits.

i. Review all open cases to determine if there are any lines which support dedicated customer programs in the Continental United States (CONUS). Identify those positions funded by case lines and the work performed to NAVSUP (SUP 07) . (NAVSUP will forward this information to Navy IPO and request guidance on continuing case funded efforts.)

### **300203      Navy International Logistics Control Office Functions**

When a customer's program is suspended or canceled, the following actions are initiated by Navy International Logistics Control Office (NAVILCO).

a. NAVILCO, Code 252, should coordinate with the Military Traffic Management Command (MTMC) and request the diversion of Navy sponsored shipments already enroute to the customer via the Defense Transportation System (DTS). In conjunction with Navy IPO, a determination will be made by NAVILCO where to

direct MTMC to ship the materiel for segregated storage utilizing the most economical means pending disposition instructions from DSAA.

b. NAVILCO will use the Mass Update Capability in MISIL to apply/remove suspensions or cancellations when directed.

**300204      Required Impact Assessments**

At 10 and 21 day increments after a suspension notification, the Security Assistance Management Manual (SAMM), DOD 5105.38-M, requires Navy IPO to forward USN impact assessments to DSAA. Therefore, cognizant NAVSUP activities must begin, immediately upon receipt of the suspension notice, to assemble the following information. Most of this information will simply document the actions taken in subparagraphs 300202a. through f, above:

a. Ten days after suspension:

(1) Identify major end-items and "significant" secondary items already in the DTS and scheduled for release within 30 days to the country whose program has been suspended.

(2) Identify major end-items and "significant" secondary items on order but unshipped.

b. Not later than 21 days after suspension:

(1) Identify all other material enroute, scheduled for shipment within 30 days, on order but unshipped.

(2) Identify the unused dollar value of blanket order and CLSSA (FMS Order (FMSO) type II cases).

**300205      Additional Action by the State Department**

If the State Department decides to do so, it may deny the required export permits for items on which the title has already passed to the FMS customer

but which are in-transit or in-storage in the United States under control of the customer country or its agent (e.g., freight forwarder).

### **Section 3: Suspension of Individual Items**

#### **300301 General**

When the State Department determines that national security and/or foreign policy interests require the suspension of the sale of a specific item, the State Department notifies DSAA of that determination. DSAA will, in turn, notify the MILDEPs. DSAA will also notify the FMS customers. Navy IPO will notify NAVSUP of the requirement to suspend FMS shipments until further notice.

#### **300302 Components of Suspended Items**

This type of suspension applies equally to both the end item itself and to all of its components. When the suspension is announced, DSAA will task the appropriate MILDEPs and other DOD activities to list the components. The component list will be forwarded to the Bureau of Politico-Military Affairs at the State Department to notify the Office of Munitions Control (OMC). OMC will then monitor export activity to ensure that the suspension is complete.

## CHAPTER 31 - FMS REPORTS

### Section 1: Background and Purpose

#### **310101** Background

The Foreign Military Sales (FMS) program requires constant management within the Department of Defense. FMS programs are supported by the Military Services, Agencies, Systems Commands, and Program Offices, on a global basis. Maintaining program control in accordance with Executive Branch direction and Congressional legislation requires production of reports to monitor logistics and financial information. The reports produced by activities involved in the FMS program provide visibility of current information to manage FMS customer programs, maintain individual FMS Case controls, and identify or resolve problems.

#### **310102** Purpose

This chapter provides the sources for obtaining FMS reports, general program information and a synopsis of reports available or required for financial status, supply status, and program management.

### Section 2: Reports

#### **310201** Management Information System, International Logistics (MISIL) Reports

a. The Navy International Logistics Control Office (NAVILCO), located in Philadelphia, PA, has responsibility for reports produced by the MISIL system. Naval Supply Systems Command (NAVSUP) MISIL Users Manual (formerly NAVSUP P-543, Volume 3 Chapter 10) lists more than 190 of the reports available in MISIL. MISIL reports are listed in alphabetical order with a cross reference (report name to manual page) at the front of Chapter 10. Chapter 10 provides information for each report including:

Report Title:           Name of the report

Purpose:                   A brief description of the report and its uses.

- Availability:** Lists the authorized users of the report such as Authorized Accounting Activities.
- Request Criteria:** Describes the process used to produce the report, when the report is available, and how to produce the report.
- Selection Options:** Provides information related to selecting the report as a result of other MISIL selections.
- Output:** Provides a detailed description of the fields contained in the report.
- Notes:** Provides information related to the report when applicable.

b. MISIL reports are provided in four categories:

(1) Reports based on a user request - These are management reports selected by authorized MISIL users. They include reports such as Case Status (Detail and Summary), Case Disposition (Detail and Summary), Case Manager Report of Directed Funds, and Disbursement/Payment Schedule Comparison Report.

(2) System generated reports - These are management reports generated on a routine basis and include Negative Balance PDLs, FMS Adverse Financial Condition Reports and Obligations in Excess of Authority.

(3) Tracking/Notification reports - These reports are prepared in response to a specific action or requirement such as Notification of Obligational Authority, Notification of Letter of Intent, and Notification of Pending Case/Amendment/Notice/Cancellation by the Country.

(4) User requested reports through NAVILCO - These reports are prepared on an as required basis and include Program Management, Supply Implementation, and CASREP/NMCS Requisitions.

The MISIL Users Manual is the reference source for MISIL reports. Both the MISIL report number and report title should be used when referenced in correspondence.

### **310202 Defense Security Assistance Agency (DSAA) reports**

a. The Defense Security Assistance Agency maintains the DSAA Foreign Military Sales Information System (DSAA (AR)1200), commonly referred to as the DSAA 1200 System. This system contains FMS country oriented data which provides status of sales negotiations, execution of accepted sales cases and other associated information about the FMS program. In addition to current and historical information since program inception, it covers the chronology of each FMS case or potential case from point of establishment through Congressional review, acceptance, implementation and final completion (the transfer of material/services and final billing to the customer case). The DSAA 1200 system contains two (2) types of data records: Case Level Record and Item Detail Data. The Security Assistance Management Manual (SAMM), DOD 5105.38-M, Chapter 15, contains expanded information on the types of data contained in the DSAA 1200 system and a detailed description of the output reports available. Reports may be ordered from DSAA Office of the Comptroller, Data Management Division, Washington, D.C. 20301-2800.

b. Reports in the DSAA 1200 system are classified in accordance with the guidelines set forth in DOD 5105.38-M. Therefore, users may require a "need-to-know" and appropriate security clearance to be provided with report information. Reports are structured to provide management data by category. These categories include:

#### **(1) Update Data Management Products**

(a) Weekly New Requests Summary - This summary is a comprehensive listing of all pertinent case information prepared for each country case identifier for which a Letter of Request (LOR) input was received from the Implementing Agency (IA) and processed by DSAA in the currently weekly update.

(b) Offers Tendered Summary - This report contains the same information as the new Request/Amendment Summary; however, the records included are offers processed by DSAA in the current weekly update.

(c) Maintenance and Acceptance Error List - This list is produced by transaction type for each change originator and includes data input processed during the weekly update.

(d) State Department List - This is a summary list containing pertinent case information, contained in the New Request Summary, which includes data processed during the current weekly update that falls under Section 36(b), Arms Export Control Act, legislation.

(e) File Maintenance Management Alert List - This listing reflects data for fiscal year, status, 36(b) indicator, classification, State Department notification date, statutory notification to Congress date, offer date, acceptance date, obligational authority date, closure date, cancellation date, Defense Finance and Accounting Service detail value, case description, construction indicator, total case value, and the country case identifier for each individual line of data processed during the current weekly update. All change transactions are reflected by two line entries followed by a message explaining the action taken by the change.

## (2) Item Detail Level

(a) Item delivery Status Report "E" - This report contains the quantity and value purchased, value delivered, and the computed quantity and value of purchases remaining undelivered. Additionally, country and case totals are provided.

(b) Item Purchases by NSN Report "I" - This report contains the quantity and value purchased, value delivered, and the computed quantity and value of purchases remaining undelivered. Normally, this report is prepared only for major items to limit the volume of the report.

### (3) Item Detail Data Summarized into Categories

(a) Summary of Purchases Report "D" - This report summarizes purchases into general categories depicting the quantities and dollar amounts by fiscal year.

(b) Selected Item Summary Report "G" - This report summarizes purchases into general categories depicting the quantities and dollar amounts by fiscal year. The year of purchase is determined by the acceptance date of each case.

(c) FMS Status of Purchases and Deliveries Report "H" - This report summarizes purchases and deliveries showing the quantity and value for cumulative purchases, current FY purchases, and computed undelivered purchases.

### (4) Case Level

(a) Case Listing Report "C" - This report provides the case status, fiscal year, implementing agency, offer date, acceptance date, implementation date, case description, and total case value.

(b) FMS Case Level Summary Report "L" - This report consists of data drawn from both case and detail level reflection the case value, total purchases, undefined purchases, total deliveries, and computed undelivered balances.

### (5) Summary Management

(a) Fiscal Year Activity Report "B" - This report summarizes the total case value contained in the case records by country and fiscal year.

DSAA 1200 system reports use abbreviated titles for column headings. A list of the abbreviated titles along with the meaning for each is provided in Chapter 15 of the SAMM.

### **310203 General FMS Reports**

The Foreign Military Sales Program has reporting requirements generated or required by Government Departments, Agencies, Services and systems Commands. General FMS reporting requirements include but are not limited to major subject areas such as weapons systems and equipment Memorandums of Understanding (MOUs), Navy international co-production agreements, Cooperative Logistics Supply Support Arrangements (CLSSA), and reporting the actual physical delivery of major items. Generally, reporting requirements are disseminated by directives or specified by instructions which establish the format, frequency, and reporting criteria.

**Figure 31-2**

**DSAA 1200 FMS INFORMATION SYSTEM OUTPUT REPORTS**

Reports are structured to provide management data in the following five primary categories:

a. Letter of Request Reports

Report NEWREQ - Weekly New Requests/Amendment Summary  
Report OFFERS - Offers Tendered Summary  
Report EXCEPET - Exception Summary  
Report CNTRYREQ - Country Request Summary

b. Item Detail Level

Report DELVRYPRD (E) - Item Purchase - Delivery Status  
Report NSNPURCHS (1) - Item Purchases by NSN

c. Item Detail Data Summarized into Categories

Report PURCHASES (D) - Summary of Purchases  
Report SIPURCHES (G) - Selected Item Summary  
Report DELIVRIES (H) - Status of Purchases and Deliveries

d. Case Level

Report CASE (C) - Foreign Military Sales Case Listing  
Report CASESUM (L) - FMS Case Level Summary

e. Summary Management and Credit Reports

Report CREDIT (A) - Status of Credit Programs  
Report CCACTIVE (B) - Fiscal Year Activity  
Report (M) - Credit Program Status, Credit Arrangement Summary  
Report (N) - Credit Program Status, Case Summary

GENERAL FMS REPORTS

Figure 31-3

<u>Report Title</u>	<u>Description</u>	<u>Report #</u>	<u>Recipient</u>	<u>Frequency</u>
<u>Major Weapon Systems/Equipment</u>				
Specific Weapon Systems Memoranda of Understanding (MOU)	Semi-Annual Report on Specific Weapon System MOU's involving compensatory coproduction and offset agreements	DD-DR&E (SA) 1510	OP-63	Semi-Annual
Security Assistance Master Planning & Phasing Worksheets	Reports vital planning data on selected weapon systems as determined by DSAA	DSAA(Q) 1143	OP-63 for DSAA	Quarterly
Major Defense Equipment List	Identifies & updates Significant Combat Equipment List for OSD & State Department	DSAA(Q) 1126	OP-63 for DSAA	Quarterly
<u>Coproduction</u>				
USN International Coproduction Report	Reports U.S. Naval international coproduction agreements for OASD (MI&L)	DD-I&L (SA) 834 (4920)	OP-63 for SECNAV (MI&L)	Semi-annual
Coproduction Programs Approved Under Security Assistance Procedures	Status of Coproduction programs approved under the Security Assistance Program (SAP)	DSAA(Q) 1226	OP-63 for DSAA	Quarterly
<u>Recoupment</u>				
Recoupment of Non-Recurring Costs on Sales of USG Products and Technology	Computations for recoupment on all Major Defense Equipment List items. Ref. OPNAVINST 4920.10	DSAA(Q) 1112	OP-63 for DSAA	Quarterly

<u>Report Title</u>	<u>Description</u>	<u>Report #</u>	<u>Recipient</u>	<u>Frequency</u>
<u>Budgetary</u>				
FMS Administrative Budget	Budget request to recover costs to administer the FMS program	DSAA(Q) 1128	NAVCOMPT for DSAA	Semi-annual
SAP Monthly Obligations	Status of obligations	DSAA(M) 1019	CNO/DSAA	Monthly
Intermediate Fighter Program (FX) NAVAIR Monthly Cost Report	Report of Navy cost incurred in F-X engine (same as F-18)	None	CNO/DSAA	Monthly
<u>Training</u>				
NATO Training	NATO Standardized Training Report to Congress	DSAA(Q) 1224	OP-63 for DSAA	Semi-annual
International Logistics FMS Lessons Learned	Provides lessons learned in the management and operation of the FMS program within DOD	NAVMAT 4920-2	DISAM WPAFB	Semi-annual
<u>Case Execution</u>				
Case Execution	Projected contract award date	OPNAV 4920-4	OP-63	Quarterly
<u>Slippage</u>				
Required Availability Date	Facilitates management of delivery commitments for major weapon systems, end items, and current spare parts	NAVMAT 4900-10C	NAVSUP for OP-63	Quarterly

<u>Report Title</u>	<u>Description</u>	<u>Report #</u>	<u>Recipient</u>	<u>Frequency</u>
Price and Delivery Schedule Changes, FMS Cases	Reports FMS material cases for which delivery of any major item has slipped more than one calendar quarter	DSAA(Q) 1123	OP-63 for DSAA	Quarterly
<u>Major Item Delivery</u>				
Report of FMS Major Item Deliveries	Report of actual physical delivery of major items	None	SAAC via NAVILCO	Quarterly

## CHAPTER 32 - TRAINING

### Section 1: Background and Objectives

#### **320101 Background**

The training of personnel of participating countries is an essential part of the overall Security Assistance Program. As described in Chapter 5 of this manual and in Chapter 10 of the Security Assistance Management Manual (SAMM), DOD 5105.38-M, training is an integral part of the Total Package Approach (TPA) that must be used in the development of Foreign Military Sales (FMS) cases. The long-term reliability of our support to the customer depends not only on the equipment we have sold, but also on our customer's ability to train his people to operate, maintain, and support that equipment.

a. As an aid to understanding the Systems Command's (SYSCOM) role in Security Assistance training, it will be helpful to divide training requirements into two major categories depending on the source of the requirement.

(1) First are those requirements derived as a part of the application of the TPA to the sale and maintenance of a major system or equipment. The SYSCOM identifies these requirements and coordinates their execution with the Naval Education and Training Security Assistance Field Activity (NETSAFA) and other SYSCOM organizations. NETSAFA is under the command of the Chief of Naval Education and Training (CNET), and their role is to support all Department of the Navy organizations in the execution of the Navy's Security Assistance Training Program.

(2) The second are those requirements which come to the SYSCOM from NETSAFA. These requirements most often develop from either the customer's on-going use of a system or equipment previously purchased or general training not related to a specific system or equipment. (They may also develop if a NETSAFA administered training case supporting a major system sale contains requirements for training to be conducted in an environment other than a formal classroom/training facility setting.) These requirements are generally executed by NETSAFA, but may involve one or more SYSCOM activities. SYSCOM involvement in this type of training

will typically consist of developing and furnishing NETSAFA with Price and Availability (P&A) data for the cost of one or more types of non-classroom training (see paragraphs 320201a (2)-(9), below), conducting that training, and ensuring appropriate billing information passes to NETSAFA.

b. From the point of view of the SYSCOM organizations (Project Managers, Case Administering Offices (CAOs), and Case Managers), an early awareness of training requirements is a very important consideration during the preparation stage of a Letter of Offer and Acceptance (LOA) for a major system sale. For example, if a customer wants to buy a type of aircraft that will be new to him, development of the LOA for that sale will need to take into consideration not only how much aircrew training will be required, but also the types and quantities of maintenance and groundcrew training that will be required both for initial/first crew training and life cycle/replacement crew training.

(1) Since these FMS training requirements will have an impact on the training resources available to our own fleet, the earlier and more detailed those FMS training considerations are, the better for all concerned. Simultaneously, since the timing of the availability of training for the customer will, at least partly, drive the customer's ability to use and maintain the system, training plays a role in determining delivery schedules for the system.

(2) Early consideration of training requirements requires intense coordination between the SYSCOMs, Fleet Training Commands, NETSAFA and the Navy International Programs Office (Navy IPO). Training Commands must be consulted when developing costing data in response to P&A requests. Depending on the specific circumstances, the early consideration and coordination of training requirements may involve including a training line in the LOA for the system sale case, a separate training case (normally a Blanket Order type), or a combination of both.

c. While keeping the SYSCOM's perspective in mind, this chapter addresses the subject of training from a general point of view. The chapter will address the overall objectives of the U.S. Navy's (USN) Security Assistance Training Program (SATP), provide the necessary definitions and policy guidance, and then establish the responsibilities for training within the SYSCOMs.

d. Chapter 10, "Training Program Management", of the SAMM provides a great deal of detail in terms of definitions and procedures for Security Assistance training.

e. The Joint Security Assistance Training (JSAT) regulation (SECNAVINST 4950.4) revises several regulations that cover the education and training of foreign personnel. It prescribes policies, responsibilities, procedures, and administration for the education and training of foreign military students by the Departments of the Army, Navy, and Air Force as authorized by U.S. Security Assistance legislation. It deals specifically with training under the International Military Education and Training (IMET) program and the FMS program and contains instructions on the Department of Defense Informational Program (IP). The JSAT Regulation governs all training regardless if it is funded under a training "T" case or as a line item in a materiel sales case.

### **320102 Objective**

While training requirements are implicit in the majority of FMS transactions, a careful reading of the Department of Defense (DOD) training philosophy recorded in Chapter 10 of the SAMM makes it plain that training should accomplish more than just teaching the customer how to use and maintain his equipment. The interpersonal relationships that develop during the conduct of training as well as the student's understanding of the United States and our way of life have far reaching effects on the rapport between the USN and foreign armed forces. Training programs should seek to advance that end. While specific objectives of the USN's SATP will vary with each customer, in general terms those objectives will strive toward three goals:

- a. To ensure that the customer is fully able to operate and maintain the equipment he has purchased,
- b. To lead the customer toward self-sufficiency, and
- c. To enhance the relationship between the customer and the United States.

## Section 2: Definitions and Policy Sources

### **320201 International Military Education and Training (IMET)**

IMET provides the Security Assistance customer with military education and training on a grant basis. Funds for the IMET program are appropriated by the Congress. The identification, programming, and approval of IMET requirements follow the procedures for the submission of the Annual Integrated Assessment of Security Assistance (AIASA) described in Chapter 3 of this manual. IMET is available in a wide range of courses taught by the Military Departments (MILDEPs). These courses are listed in the Training Military Articles and Services List (T-MASL). Additional courses may be developed upon request.

a. Including those courses, IMET is available in nine general categories defined in detail in the SAMM.

- (1) Student training (MILDEP courses).
- (2) Mobile Training Teams (MTT).
- (3) Technical Assistance.
- (4) Field Training Service (FTS).
- (5) On-the-Job (OJT)/Qualification Training
- (6) Orientation Tours (OT).
- (7) Observer training.
- (8) DOD Informational Program (IP).
- (9) Country liaison personnel.

b. Overall control of the IMET program is retained at the DOD level by the Defense Security Assistance Agency (DSAA). In order to control the IMET program, DSAA issues IMET orders to authorize and direct the specific IMET program for each recipient country. In addition to controlling the IMET program by use of the IMET Order, DSAA has also identified in Section I001, Chapter 10, of the SAMM a variety of types of training that require case-by-case DSAA approval.

c. Paragraphs 100101 through 100109 of Section I001, Chapter 10 of the SAMM provide specific and detailed guidance for IMET.

d. Navy IMET policy is defined by the JSAT, (SECNAVINST 4950.4).

### **320202 FMS Training**

FMS training is purchased by the Security Assistance customer either through cash or FMS financing as authorized by the Arms Export Control Act (AECA). As with IMET, the training available is listed in the Training MASL. Also the same basic SAMM guidelines apply to FMS training and IMET. However, FMS training requirements are converted into actual training programs by means of the LOA and FMS case process instead of the Congressional appropriation and DSAA IMET Order process described in the SAMM.

a. Navy IPO policy generally calls for the FMS training directly associated with the weapon system to be accomplished as a part of the system sale FMS case.

b. Detailed policy for the training provided through FMS is provided in SECNAVINST 4950.4.

c. FMS training is provided in the same nine general categories as is IMET -- see paragraph 320201a (1)-(9).

### **320203 Professional Military Education (PME) Exchanges**

PME exchanges are authorized by section 544 (Exchange Training) of the FAA of 1961, chapter 5, part II. Section 544 authorizes the President to provide for the attendance of foreign military personnel at PME institutions in the United States (other than service academies) without charge, if such attendance is part of a negotiated international agreement that provides for the exchange of students on a one-for-one, reciprocal basis each fiscal year between the two military services participating in the exchange. PME USN/United States Marine Corps (USMC) institutions are: U.S. Naval Command College, U. S. Naval Staff College and U. S. Marine Corps Command and Staff College. Chapter 14, of SECNAVINST 4950.4 (JSAT) gives detailed policy and procedures on Exchange Training.

### Section 3: Responsibilities

#### **320301 General**

As described in other chapters throughout this manual, Navy IPO has been designated by the Secretary of the Navy (SECNAV) as the director for Security Assistance matters for the USN and the USMC. By agreement, Navy IPO also coordinates Security Assistance matters for the Coast Guard. As the director of the Navy's Security Assistance business, Navy IPO:

- a. Directs all USN input into the LOA process (and any subsequent amendments or modifications to FMS cases),
- b. Coordinates with USN Security Assistance elements at the unified commands,
- c. Provides USN interface with DSAA and other federal departments involved in the Security Assistance process,
- d. Maintains continuous dialogue with Security Assistance customers, and
- e. Specifically in the area of training, provides policy and oversight responsibility in coordinating customer generated requests for training and system/equipment sales generated training requirements with NETSAFA, major commands, and CNO mission sponsors. SATP program execution is delegated to NETSAFA.

#### **320302 NETSAFA**

The Naval Education and Training Security Assistance Field Activity carries out three separate, but interrelated functions as the principal support and coordination activity for training.

- a. First, NETSAFA is the single point of contact for U. S. Navy training. In this role, NETSAFA has the lead in programming all U. S. Navy related training with the Navy major claimants. It establishes foreign training requirements for all U. S. Navy training programs including review of Navy Training Plans and interfaces with CNO

(OP-01) and the Manpower and Training Divisions of CNO Warfare Sponsors to coordinate foreign requirements. It oversees the submission of Navy course classified data to Navy IPO for release authority.

b. Second, NETSAFA is the Chief of Naval Education and Training's (CNET's) agent for security assistance. In this role NETSAFA is responsible for managing international shore-based education and training conducted at NAVEDTRACOM activities.

c. Third, NETSAFA is the principal support agent for the entire USN SATP. In this role NETSAFA prepares training ("T") case LOAs, acts as "T" case manager or case administering officer, coordinates pricing, computes travel and living allowance, interfaces with DSAA for IMET programming, authorizes the issuance of Invitational Travel Orders (ITOs) financially administers the SATP, provides billing services (except for USCG and Navy Fleet Commands), and manages the Automated Centralized Ticketing System (ACTS). NETSAFA is responsible for providing ADP support in the form of management information systems for publishing USN SATP related documents, and for conducting the annual USN International Military Student Officer (IMSO) workshop.

### **320303 U. S. Marine Corps (USMC)**

The USMC is a major partner in the USN's SATP. The Director of the Marine Corps Air Ground Training and Education Center (MAGTEC), Marine Corps Combat Development Command is responsible for the Commandant of the Marine Corps SATP. The SATP's Section in the Training and Education Center is responsible for the administration and implementation of USMC training in fulfillment of Security Assistance training requirements. They coordinate all training and education conducted at USMC activities, coordinate USMC MTTs and Extended Training Service Specialists (ETSSs), control inputs to the USMC PME courses and coordinate Marine Corps matters with other USN SATP activities.

### **320304 U.S. Coast Guard (USCG)**

The USCG is also a major partner in the USN's SATP. Administration and implementation of USCG training is conducted by HQ CG/G-CPI (International Programs). G-CPI is responsible for training and education conducted at all USCG activities, coordinating USCG MTTs and ETSSs and coordinating Coast Guard matters with the other USN SATP activities.

### **320305 Naval Supply Systems Command (NAVSUP)**

In its role as the Security Assistance program manager for NAVSUP, the Security Assistance Directorate (SUP 07) is responsible for:

a. Coordination of the development of P&A data as described in Chapter 4 of this manual. This coordination includes preparing data for training requirements that will be executed by a NAVSUP activity as part of an FMS training case managed by NETSAFA or as part of a major weapons system sales case.

b. Coordination of the conduct of OJT for foreign students in supply administered facilities. Examples of NAVSUP's coordination responsibility for OJT are follow-on training for the Foreign Officers Supply Course (FOSCO) and the Foreign Officer Supply Maintenance Aviation Training (FOSMAT) taught at the Navy Supply Corps School (NSCS). FOSCO and FOSMAT are the responsibility of CNET; the follow-on portions are NAVSUP's responsibility. Specifically, the follow-on training consists of:

(1) Informational Program visit to Headquarters, NAVSUP,

(2) One week of functional supply training at the Navy International Logistics Control Office (NAVILCO), and

(3) Two weeks of functional supply training at the the Naval Supply Center (NSC) Pensacola.

(4) Optional, two weeks of Weapon Systems Supply Support/Principles of Inventory Control (PIC) sponsored by NAVSUP and hosted by NETSAFA Pensacola.

c. Conduct of the Navy Supply Management Course for Senior Foreign Officers. This course gives senior foreign officers (CDR thru RADM) a better understanding and appreciation of principles and techniques of the major areas of supply and fiscal management such as: cataloging, inventory management, transportation management, contracting, application of automated data processing, budgeting, etc. The first and last weeks of this eight week course are spent at the Naval Supply Systems Command (NAVSUP) Headquarters, Washington, DC. The balance of the course consists of visits to NSCS, the Fleet Material Support Office (FMSO), NAVILCO, the Ships Parts Control Center (SPCC), the Aviation Supply Office (ASO), NSC Charleston, the Naval Training Systems Center (NTSC), the Canadian National Defense Headquarters, and a Canadian Supply Base.

d. Coordination of requests for MTTs. MTTs are available through FMSO, to provide training in specific courses. These courses are designed to provide FMS customers with USN/DOD supply system background ranging from general orientation to detailed procedural instruction. Courses can be taught as existing stand alone modules, integrated into a comprehensive training program, or tailored to meet the specific needs of individual customers.

#### **Section 4: Training and the Total Package Approach**

##### **320401 General**

The TPA is used during the development of every USN major system or equipment sales case. As described in Chapter 5 of this manual, TPA ensures that the customer is aware of and afforded the opportunity to plan for obtaining all the necessary support items, training, and services to efficiently operate and maintain the equipment he has purchased through FMS.

##### **320402 Components of Training**

The following components of the overall training process are considered during case development.

- a. The categories of training listed in paragraph 320201a, above.
- b. Training aids that may be sold to the customer for his long term use in sustaining training.
- c. Training missiles and ammunition that may be required for use with a weapons system.
- d. Training facilities such as ranges, airfields, targets, and port facilities that may need to be either built in the customer country or provided by the USN on a reimbursable basis.
- e. The time required to conduct training (operational/maintenance/support).
- f. Knowledge of existing in-country skills, facilities, etc. (Developed through the efforts of the in-country Security Assistance Organization (SAO) and the site survey team.)

**320403 Determination of Training Requirements**

The customer's ability to operate and maintain the system or equipment must be assessed. Technically sophisticated customers may be able to make this determination themselves based on their review of operating and maintenance requirements data furnished by the responsible activity (after consideration and clearance of technology transfer requirements with Navy IPO). However, for other customers a site survey will generally be required. Based on information gathered from the site survey, the SAO, and coordination/consultation with the customer, specific training requirements will be determined for both the initial and follow-on support periods.

**320404 Fulfillment of Training Requirements**

Initially the customer may prefer to have his personnel trained at USN facilities. However, because of domestic fleet needs and training resource constraints, training in USN training facilities may not be possible. (Such a

determination will be made by Navy IPO in conjunction with the CNO's Total Force Training and Education Division (OP-11), the organizations that would fulfill the requirement (CNET or SYSCOM), and the force and mission sponsor.) If the USN cannot fulfill the requirement in its own facilities, the following alternatives may be considered:

- a. Contractor training conducted in the U.S. or the customer country.
- b. MTTs that consist of DOD military and civilian personnel on Temporary Duty (TDY) to train customer personnel.
- c. Engineering and Technical Service Specialists (ETSS) who may be provided on a permanent change of station basis to perform training functions similar to MTTs.
- d. USN industrial sites such as Naval Aviation Depot (NAVAVNDEPOT), Naval Shipyards (NSY), or Naval Weapons Stations (NWS) may be useful to assist the customer's maintenance personnel not only with OJT maintenance training, but also with the establishment of in-country depot and rework facilities.
- e. Assistance by the USN with the establishment of in-country training facilities, staff, and curricula.

### **320405 Training Conference**

If required by the size or complexity of the training package associated with a major system sale, Navy IPO may convene a training conference. The conference will validate training requirements, identify and allocate USN resources to fulfill those requirements, and identify alternatives if USN resources are not available. The end product of the training conference is a training plan with specific milestones. The milestones are integrated with the initial and follow-on support planning described in Chapter 5 of this manual. In addition to the customer, Navy IPO will normally request the following organizations participate in the conference:

- a. SYSCOM with CAO responsibility (usually the SYSCOM responsible for case management),

- b. NETSAFA,
- c. Chief of Naval Technical Training (if required),
- d. Chief of Naval Air Training (if required),
- e. Naval Training Systems Center (NTSC) (if required),
- f. CNO Education Programs Branch (OP-114), and
- g. The force and mission sponsor.

### **320406 Follow-On Training**

Requirements for follow-on training are identified as a part of the initial planning for the sale of a system or equipment. Follow-on requirements will continue to be defined and developed as the system is delivered to the customer and as he develops operational experience. These requirements will be defined by consultation with the in-country SAO, SYSCOMS, Navy IPO, and NETSAFA. Case managers need to keep the customer informed of the training implications of configuration changes, modifications, and alterations. Follow-on training is accomplished by means of defined and/or blanket order training cases (see Chapters 8 and 9 of this manual). Follow-on training is not limited to instruction on the specific system; it may also cover maintenance, supply, physical distribution, etc.

### **320407 Training Devices and Equipment**

NTSC provides support to the SYSCOMS and their project managers for the development, acquisition, and logistics support of training devices and equipment used with operational systems. NTSC also provides that same support to FMS customers. Therefore, NTSC must be involved during the development of training plans for any system sale that has training device or equipment implications.

### **320408 Pricing of Training**

The FMS Financial Management Manual, DOD 7290.3M Chapter 7, Section 710 and 711, provides tuition pricing guidance. Additional assistance is included in Figures 32-1, 32-2 and 32-3 at the end of this Chapter. Questions concerning tuition pricing, country quota and pricing entitlements should be coordinated with NETSAFA.

### **320409 Programming Guide**

The Navy's Security Assistance Training Program Programming Guide is published and distributed by NETSAFA. The programming guide serves many purposes. For the SAO incountry, it serves as the major tool in identifying specific training courses to meet the country's requirements. For the foreign training coordinator, it serves as a guide to student administration. For all concerned, it serves as a cross reference between USN, USMC and USCG.

### **320410 International Military Student Administration and Tracking**

The U. S. Government's SAO assigned responsibility for assisting the U. S. Diplomatic Mission in country will provide services and technical assistance in preparing students to receive training in the United States. SAOs coordinate scheduling with appropriate agencies and assist in selection of students to ensure they meet security, medical, English language, and technical requirements for training provided under the case. SAOs ensure students are briefed before their departure from home country and prepare necessary administrative documents related to training, including Invitational Travel Orders (ITOs), medical records and arrival messages. To ensure that SAOs have the required data to prepare students for departure, all training programmed under the Navy's SATP must appear on the Standardized Training List (STL) which is a product of the Student Training Analysis and Tracking Information System (STATIS) maintained by NETSAFA. CAOs of material cases with training lines must coordinate with NETSAFA to ensure their training is entered into STATIS.

Figure 32-1

SECURITY ASSISTANCE TRAINING PROGRAM (SATP)

TUITION PRICING

<u>TUITION TYPE</u>	<u>GENERAL DESCRIPTION</u>
FMS (FULL)	Essentially represents the full cost of training. FMS tuition includes prorata share of base operating support and equipment support as well as a prorata share of all costs of schoolhouse operation. Also includes an attrition factor.
FMS (NATO)	Same as FMS (FULL) except excludes indirect base support costs and the attrition factor.
FMS (NATO/NRC)	Same as FMS (NATO) except excludes military pay and entitlements. (Currently applies to ISRAEL only)
FMS (IMET)	Conceptually represents the incremental cost of training. Involves isolating those direct costs that are "incremental" as well as the application of a prescribed rate for indirect base operating support costs to ascertain the "incremental" cost.
FMS (IMET/NRC) FMS (IMET/MAP)	Same as FMS (IMET) except excludes incremental military pay and entitlements. The FMS case must be totally financed by nonrepayable credit or by MAP.
IMET	Same as FMS (IMET/NRC) and FMS (IMET/MAP). Used for tuition pricing under the International Military Education and Training Program and for other U. S. appropriation-funded SAT, for example, INM, ANDEAN.

Figure 32-2

**FMS TRAINING - COUNTRY TUITION ENTITLEMENT DETERMINATION**

<u>SOURCE OF FUNDING</u>	<u>TUITION ENTITLEMENT</u>	<u>NOTES</u>
A. COUNTRY FUNDS OR REPAYABLE CREDIT	FMS (FULL)	COUNTRY NOT NATO-ENTITLED AND NOT IMET-ELIGIBLE
	FMS (NATO)	COUNTRY NATO-ENTITLED BUT NOT IMET-ELIGIBLE
	FMS (IMET)	COUNTRY IMET-ELIGIBLE
B. NONREPAYABLE CREDIT (NRC)	FMS (NATO/ NRC)	FMS (NATO) LESS MILPAY/ENTITLEMENTS
	FMS (IMET/ NRC)	FMS (IMET) LESS MILPAY/ ENTITLEMENTS (IMET)
C. MAP APPROPRIATION	FMS (IMET/ MAP)	FMS (IMET) LESS MILPAY/ENTITLEMENTS (IMET) (IF COUNTRY IMET-ELIGIBLE)
D. OTHER APPROPRIATIONS (INM/ANDEAN)	IMET	IMET PRICE (PRICE IS SAME AS IMET)

DEFINITIONS

NATO-ENTITLED	U.S. Government has ratified a North Atlantic Treaty Organization Standardization Agreement with country or a reciprocity agreement has been signed with a major non-NATO country.
IMET-ELIGIBLE	U. S. Congress has approved country as an IMET recipient.
INM/ANDEAN	International Narcotics Matters (INM) ANDEAN identifies the region in South America which the State Department is concentrating on for INM.

Figure 32-3

SECURITY ASSISTANCE TRAINING PRICING MATRIX

PRICING ENTITLEMENT

<u>TYPES OF COSTS</u>	<u>FMS (FULL)</u>	<u>FMS (NATO)</u>	<u>FMS (NATO/NRC)</u>	<u>FMS (IMET)</u>	<u>FMS (IMET/NRC)</u> <u>FMS (IMET/MAP)</u>	<u>IMET</u>
<b><u>DIRECT COSTS</u></b>						
Civilian Pay /1	Y	Y	Y	Y(I)	Y(I)	Y(I)
Civilian Fringe Benefits /2	Y	Y	Y	Y	Y	Y
Civilian Unfunded Retirement /3	Y	Y	Y	N	N	N
Military Pay /4	Y	Y	N	Y(I)	N	N
Military Fringe Benefits /5	Y	Y	N	Y	N	N
Material/Other	Y	Y	Y	Y(I)	Y(I)	Y(I)
<b><u>INDIRECT COSTS</u></b>						
Civilian Pay /1	Y	N	N	Y(I)	Y(I)	Y(I)
Civilian Fringe Benefits /2	Y	N	N	Y	Y	Y
Civilian Unfunded Retirement /3	Y	N	N	N	N	N
Military Pay /4	Y	N	N	Y(I)	N	N
Military Fringe Benefits /5	Y	N	N	Y	N	N
Material/Other	Y	N	N	Y(I)	Y(I)	Y(I)
<b><u>OTHER CHARGES</u></b>						
Attrition /5	Y	N	N	N	N	N
RIM Shipment /7	Y	Y	Y	Y	Y	Y
Informational Program /8	Y	Y	Y	Y	Y	Y
Administrative Surcharge /9	Y	N	N	Y	Y	N

LEGEND: Y = Yes, include cost. N = No, exclude cost. (I) = Incremental cost.

**Figure 32-3 Continued**

**NOTES:**

- /1 Accelerate, when applicable, for leave and holidays (18%).
- /2 Apply as a percentage of accelerated labor (21.1% for FY 91).
- /3 Apply as a percentage (14.7%) of accelerated labor (exclusive of fringe benefits).
- /4 Use composite standard pay rates and accelerate, when applicable, for leave and holidays (14%).
- /5 Apply 6% (officer) and 18% (enlisted) to accelerated composite pay.  
Add the 6%/18% computation to O&MN or RDT&E as applicable
- /6 Apply 1% for non-flight /4% for flight to subtotal cost, exclusive of RIM/IP.
- /7 Add \$65 per non-PME course or \$265 per PME course for shipment of Retainable Instructional Material (RIM).
- /8 Weekly rate established by Navy IPO. FY 91 rate is \$30 per week
- /9 Applies in DD 1513 preparation, not in detailed course cost.



## CHAPTER 33 - ASSET DRAWDOWN

### Section 1: Background and Purpose

#### 330101 Background

Foreign Military Sales (FMS) requisitions for repairable items (other than requisitions placed by a customer against a Cooperative Logistics Supply Support Arrangement (CLSSA) type FMS case) are normally filled from Department of Defense (DOD) Ready-For-Issue (RFI) stocks if the inventory level of the repairable item is above the reorder point. If an RFI item is not available from stock at the time the Inventory Control Point (ICP) receives the FMS requisition, the item manager has the following two options to satisfy the requirement:

a. To fill the requirement from new or existing procurement actions including possible diversion of material earmarked for U.S. Navy (USN) or other FMS customer use. (Diversions are discussed in Chapter 17 of this manual.)

b. To determine if there are any Not Ready For Issue (NRFI) stocks available that might be issued and repaired to fill the customer's requirement. This second option is referred to as "asset drawdown."

#### 330102 Purpose

This chapter describes the USN's asset drawdown process and policy for FMS customers. This chapter also outlines the responsibilities of NAVSUP field activities that are involved in the execution of the asset drawdown.

### Section 2: Policy and Description of the Process

#### 330201 Basic Policy

a. Asset drawdown will be considered when an ICP receives a non-CLSSA FMS requisition for a repairable item and when, using the criteria described in paragraph

090203 of this manual for filling FMS requirements from DOD stocks, there are no RFI items available.

b. Use of the asset drawdown process must be approved by the customer before it is initiated.

### **330202      Description of Asset Drawdown**

The process consists of two separate, but closely related, actions. The FMS customer pays for both actions. Both actions are separately reported on the Quarterly Requisition Report (QRR) prepared for the customer by the U.S. Navy International Logistics Control Office (NAVILCO).

a. The first action consists of the sale of the NRFI item (also referred to as the "carcass") to the customer and shipment of the item from the stock point to a designated repair facility for restoration to an RFI condition.

b. The second action is the repair of the carcass at the repair facility and the subsequent delivery of the RFI item to the customer.

## **Section 3: Responsibilities**

### **330301      Inventory Control Point**

Upon determination by an inventory manager that RFI assets are not available to fill an FMS requisition for a repairable item and which NRFI assets that might be used to satisfy the requisition are available, the ICP will:

a. Develop an estimate of the cost to the customer of:

(1) The NRFI carcass.

(2) The repair of the item.

(3) The time required to transfer the NRFI item to the repair facility, restore it to RFI condition, and have it ready for delivery.

b. Develop an estimate for the customer of:

(1) The dollar cost to obtain the requisitioned item through a normal procurement action.

(2) The time required to have an item available for delivery through the procurement process. (This estimate must include Procurement Administrative Lead Time (PALT) plus production time.)

c. Forward the two sets of estimates to NAVILCO for decision by the customer.

d. If notified by NAVILCO that the customer has chosen procurement action, take the appropriate steps to procure the item. (Asset drawdown will not be involved).

e. If the customer elects the asset drawdown process, then proceed as follows:

(1) Initiate a Military Standard Requisitioning and Issue Procedures (MILSTRIP) referral transaction, Document Identifier Code (DIC) "A4E", to the stock point. Ensure that the carcass value plus appropriate FMS surcharges appear in the unit price field of the referral transaction. The carcass value of an item is based on policy from the FMS Financial Management Manual, DOD 7290.3-M. The carcass value of a Navy Defense Business Operating Fund (DBOF) item equals the standard price of the item minus the net price. The standard price and the net price for a repairable item can be found in the Management List-Navy (ML-N)). Issue and billing instructions to the stock point must include the following:

(a) When the item is issued, report that issue in accordance with standard Transaction Item Reporting (TIR) procedures.

(b) If the stock point is a Centralized Accounting and Billing (CAB) activity, then the ICP will process the bill to NAVILCO.

(c) If the stock point is a non-CAB activity, then the stock point will process the bill to NAVILCO.

(2) Establish and maintain a control file for all referral orders processed for asset drawdown.

(3) Submit a funded work request or project order to the repair facility. The work request or project order will perpetuate the customer's requisition document number except that the first position of the serial number will be changed to "R." The work request or project order will also provide the FMS case identifier, the customer's "ship to" address, and instructions that copies of all shipping documents must be sent to NAVILCO's Operations Department (Code 20) and to the ICP.

**330302      U.S. Navy International Logistics Control Office**

Upon receipt of estimates of costs and lead times from an ICP, NAVILCO will:

a. Forward the estimates to the customer with any additional advice deemed appropriate and request approval to either procure or use asset drawdown.

b. If the customer decides to proceed with asset drawdown, advise the ICP of that decision and:

(1) Direct the ICP to pass an appropriate referral transaction to the Stock Point that holds the carcass.

(2) Direct the ICP to initiate a work request or project order to fund the repair of the carcass at the repair facility.

(3) Provide DIC "BSA" to ICP for use on an ICP purchase order or work request.

(4) Insure availability of case funds.

(5) Enter the revised document number in the Management Information System for International Logistics (MISIL).

(6) Upon receipt of bills for both the carcass from the ICP or stock points and for the repairs from the repair facility, prepare Department of Defense (DD)

COMP(M) "NA" or "ND" transactions and forward them to the Security Assistance Accounting Center (SAAC).

c. If the customer decides to proceed with procurement, advise the ICP to follow the normal procurement process.

**330303      Stock Point**

If the customer has elected the asset drawdown, the stock point will:

a. Receive the referral transaction from the ICP and ship the NRFI carcass to the designated repair facility.

b. Report the issue of the NRFI item to the ICP via a TIR.

c. Bill NAVILCO for the carcass if the stock point is a non-CAB activity.

**330304      Organic Repair Facility**

Upon receipt of a carcass and an appropriate work request or project order, the designated repair facility will:

a. Repair the carcass and then ship the RFI item to the address specified on the project order.

b. Provide copies of all shipping documents to NAVILCO and the ICP.

c. Prepare a bill to NAVILCO, using either Standard Form (SF) 1080 or Navy Comptroller (NAVCOMPT) Form 2277, for the actual cost of repair and any other costs directly associated with the repair, including all applicable funded and unfunded costs.



## CHAPTER 34 - CONVENTIONAL AMMUNITION

### Section 1: Background, Purpose, and Definition

#### **340101**    Background

a. In November 1975 the Secretary of Defense assigned the Secretary of the Army as the Single Manager for Conventional Ammunition (SMCA). This assignment included responsibilities for the procurement, production, supply, and maintenance/renovation for conventional ammunition within the Department of Defense (DOD). Subsequently these SMCA responsibilities were redelegated to Headquarters, U.S. Army Armament, Munitions and Chemical Command (AMCCOM), Rock Island, Illinois. This action removed the wholesale inventory management responsibilities and the above functions from the U.S. Navy (USN) and transferred them to AMCCOM while the Navy retained retail inventory management and technical responsibilities for its conventional ammunition.

b. The USN's management of Security Assistance program conventional ammunition sales requires extensive coordination among several USN activities and between the USN and the SMCA. Prior to the disestablishment of the Naval Material Command, this coordination effort was reviewed and strengthened through the establishment of an Ammunition Improvement Program with two goals:

(1) Reduce the unplanned draw downs on USN inventory to satisfy Foreign Military Sales (FMS) requirements.

(2) Improve the service to FMS customers by delivering ammunition items on time and within original case values.

c. Although the basic ideas represented by these two goals are identical with the guiding policy for all FMS business, the added dimension of an "outside" activity (the SMCA) highlights the importance of effective and timely coordination.

#### **340102**    Purpose

This chapter describes the responsibilities, procedures and relationships between the USN, the SMCA, and the FMS customers for the execution of the Security Assistance program for conventional ammunition.

#### **340103**    Definition of Conventional Ammunition

a. Conventional ammunition includes the following (assigned for management to the SMCA) along with other ammunitions, explosives, and components in Federal Supply Classification (FSC) group 13 that are not specifically excluded in subparagraph b, below:

(1) Small arms, mortar, automatic cannon, artillery, and ship gun ammunition.

(2) Bombs (cluster, fuel air explosive, general purpose, and incendiary).

(3) Unguided rockets, projectiles, and submunitions.

(4) Chemical ammunition with various fillers (incendiary, riot control, smoke, toxic agents, burster igniters, peptizers, and thickeners for flame fuel).

(5) Land mines (ground-to-ground and air-to-ground delivered).

(6) Demolition material.

(7) Grenades.

(8) Flares and Pyrotechnics.

(9) All items included in the foregoing, such as explosives, propellants, chemical agents, cartridges propelling charges, projectiles, warheads (with various fillers, such as high explosives, illuminating, incendiary, antimaterial, and antipersonnel), fuzes, boosters, and safe and arm devices, whether in bulk, combination, or as separately packaged items of issue for complete round assembly.

(10) Related ammunition containers and packing and packaging materials.

b. Specifically excluded from this definition of conventional ammunition and retained for management by the individual military services are the following:

(1) Guided projectiles, rockets, missiles, and submunitions.

(2) Naval mines, torpedoes, and depth charges.

(3) Nuclear ammunition and included items such as warhead, warhead sections, projectiles, demolition munitions, and training ammunition.

(4) Cartridge and propellant-actuated devices.

(5) Chaff and chaff dispensers.

(6) Guidance kits for bombs and other ammunition.

(7) Swimmer weapons.

(8) Explosives ordnance disposal tools and equipment.

(9) Related ammunition containers and packing and packaging materials.

## Section 2: Organizational Responsibilities

### **340201 Chief of Naval Operations (CNO) Security Assistance Division (OP-63)**

CNO (OP-63) directs requests for Planning and Review (P&R) and Price and Availability (P&A) information for all conventional ammunition under the cognizance of Naval Material Establishment (NME) organizations to the Naval Supply Systems Command (NAVSUP) Security Assistance Directorate (SUP 07). An information copy of these requests is sent to the Ships Parts Control Center (SPCC).

### **340202 Naval Supply Systems Command**

Acting as the lead NME command, NAVSUP (SUP 07) will:

a. Upon receipt of a request for P&R or P&A data, process the request in accordance with Chapter 4 of this manual and then task SPCC to prepare the requested P&R or P&A data. If the request contains items whose cognizance code is "2E" or "2T", information copies of the request will be provided to the Naval Air Systems Command (NAVAIR) Armament Systems Division (AIR-540) or Naval Sea Systems Command (NAVSEA) Ammunition Management Division (SEA-642) for technical screening and approval.

b. Upon receipt of P&A response data from SPCC, complete the necessary review and verification in accordance with Chapter 4 and forward the response to CNO (OP-63).

c. Schedule semi-annual reviews of FMS ammunition cases. During these meetings the FMS elements of CNO; NAVAIR; NAVSEA; SPCC; Naval Ordnance Station, Indian Head (NOSIH); U.S. Navy International Logistics Control Office (NAVILCO); and NAVSUP will review the status of active FMS cases. Actions will be assigned, if required, to ensure delivery within the time frames and costs of the Letter of Offer and Acceptance (LOA).

### **340203 Naval Air Systems Command/Naval Sea Systems Command**

NAVAIR (AIR 540) and/or NAVSEA (SEA 642) will technically review cognizance code "2E" and "2T" P&A/P&R requests for assigned conventional ammunition items. After this review they may recommend return, disapproval, or other modification of those requests that involve: less than economic order quantities, obsolete or obsolescent items, incorrect technical coordination, and items that are not releasable to the country involved. As described in paragraphs 340101, above, and 340204, below, most conventional ammunition is procured by either the SMCA or SPCC. However, as an exception, when "new" items enter the system under the cognizance of NAVAIR, those items may initially (one to two years) be procured by NAVAIR's Conventional Air Launched Ordnance Division (APC-201) before being transitioned to the SMCA for procurement.

**340204 Ships Parts Control Center**

a. SPCC will initiate the required P&R or P&A action upon receipt of the information copy of the request from CNO (OP-63) when it is evident that the action required is within the SPCC area of responsibility.

(1) If the SMCA has responsibility for the procurement of the requested conventional ammunition, SPCC will forward the request for P&A/P&R data to the SMCA and forward a request for the Technical Data Package (TDP) costs and availability to the cognizant Naval Engineering Activity. SPCC will track the request to ensure a timely response.

(2) If SMCA is not responsible for procurement, SPCC will forward the request for P&A/P&R data to the cognizant organizations.

(3) SPCC will process requests for P&R and P&A data in accordance with the time frames and routings specified in Chapter 4 of this manual.

b. SPCC will procure "navy unique" conventional ammunition for FMS customers. Whenever possible these procurements will be combined with domestic procurements to take maximum advantage of cost and time savings.

c. SPCC will initiate Military Interdepartmental Purchase Requests (MIPRs) with the SMCA as described in Section 3, below.

d. SPCC will provide NAVILCO with appropriate delivery/shipment status data for billing and customer information.

**340205 U.S. Navy International Logistics Control Office**

NAVILCO will:

a. Record and control the distribution of obligational authority.

b. Receive, monitor, and control FMS requisitions for USN conventional ammunition cases.

c. Provide FMS customers with supply and shipment status.

d. Provide reports to FMS customers, higher headquarters, and other interested activities.

e. Generate delivery status and billing information to the Security Assistance Accounting Center (SAAC).

f. Coordinate the delivery of explosive items to FMS customers.

### Section 3: Military Interdepartmental Purchase Request

#### 340301 MIPR Processing

A MIPR is used by SPCC to specifically define an FMS conventional ammunition requirement to the SMCA and to pass the appropriate funds to the SMCA to execute a procurement action to satisfy that requirement. MIPR processing is the responsibility of SPCC and requires coordination with NAVILCO. NAVILCO provides SPCC with Military Standard Requisitioning and Issue Procedures (MILSTRIP) documentation and funding, and retains the responsibility for reporting funds status to SAAC and case closure. SPCC functions as the Authorization Accounting Activity (AAA) for these suballotted funds and coordinates with SMCA for MIPR acceptance, price increase, and the status of procurements while the SMCA has the responsibility of providing monthly status reports.

#### 340302 MIPR Reviews

MIPR reviews are conducted semi-annually at the SMCA, and are attended by representatives of NAVSUP, NAVAIR, NAVSEA, SPCC and the engineering activities. These reviews provide face-to-face meetings with the SMCA personnel involved in the procurement process and the joint discussions lead to the resolution of problems. The meetings also enhance the working relationships among the participants.

#### 340303 Foreign Government Users

a. U.S. Navy activities requisitioning U.S. Army material via the MIPR process for FMS cases, must indicate that the material's end-user will be a foreign government.

b. If the MIPR is submitted off-line, enter in the "Remarks" block that the requisition is for FMS and that a foreign country will be the end-user.

c. If the MIPR is submitted on-line, Document Identifier Code "A05" should be used and the same statement included as "exception data" on the requisition.

### Section 4: Shipment of Conventional Ammunition

#### 340401 Shipment of Inert Ammunition Items

This material moves directly to the country's freight forwarder on a Collect Commercial Bill of Lading (CCBL), thus eliminating both the requirement for storage while the freight forwarder arranges transportation and the need to develop transportation cost estimates during P&R/P&A development. A Notice of Availability (NOA) is provided to the country's freight forwarder by either the responsible Defense Contract Administration Services Management Area (DCASMA), the in-house production activity, or the stock point before the material is shipped to the freight forwarder.

#### 340402 Shipment of Explosive Ammunition Items

a. Normally, when explosive ammunition items become available for shipment, either the DCASMA, the U.S. Government (USG) production facility, or the ammunition stock point forwards an export release request to the east or west coast control center of the Military Traffic Management Command (MTMC). At the same time, the DCASMA, etc., also forwards an NOA to the address designated in the Military Assistance Program Address Directory (MAPAD), DOD 4000.25-8-M. The explosive material is then held at the producing activity or ammunition stock point until called forward by the country's freight forwarder. Once called forward, the material moves via a Government Bill of Lading (GBL) to the port of embarkation for overseas movement as arranged by the freight forwarder. (Actual GBL shipping costs are then reported by the shipping activity to NAVILCO for billing to the appropriate FMS case.)

b. Although the process described in paragraph 340402a is the preferred method for shipping explosive items, the most common exception to that process occurs when the Defense Transportation System (DTS) moves the explosive material to a destination in the customer's country. Use of the DTS is indicated by the Delivery Term Code (DTC) specified in the requisition, work order, or purchase order. This type of movement is coordinated by NAVILCO with the shipping activity, MTMC, and the port of embarkation after NAVILCO has verified that the shipping activity has initiated an export release request. (Unlike the "normal" shipment process described in subparagraph 340402a, the transportation charges from this type of movement are determined by the SAAC based on computations derived from the DTC and the value of the shipment - see Chapter 8 of the FMS Financial Management Manual, DOD 7290.30-M.)

#### 340403 Response to Notice of Availability (NOA)

The customer responds to a NOA from the shipping activity as soon as possible. Fifteen days after a NOA has been sent to the customer the application of storage charges, in accordance with DOD 7290.3-M Chapter 7, to the cost of the material is appropriate. Upon notification by the shipping activity that neither the customer nor his agent has responded to the NOA, NAVILCO will provide assistance through its contacts with the customer. If, within 30 days after notification of customer non-response to the NOA the delay is still not resolved, NAVILCO will recommend that NAVOTTSA prepare a DD Form 1513-2 notifying the country that storage fees will be assessed. NAVOTTSA will evaluate the recommendation from its perspective and act in accordance with the best interests of the USN and USG.)

### Section 5: Withdrawal of Conventional Ammunition From USN Stock

#### 340501 Requirement for Approval to Withdraw From Stock

Normally, conventional ammunition is sold to the FMS customer from procurement rather than from stock. However, during the execution of an ammunition case, circumstances (e.g., delay in production) may make it impossible to meet a scheduled delivery date from procurement. When this occurs, the Case

Manager has two basic options: first, slip and reschedule the delivery; or, second, deliver the ammunition on time but from an alternate source—normally from USN stock. However, before ammunition for the FMS customer may be delivered from USN stock, approval must be obtained from the CNO's Material Division (OP-41). Paragraphs 340502 through 340505, below, describe the general procedure for obtaining that approval through the use of an impact statement.

#### 340502 Request for Impact Statement

When the Case Manager learns of a potential or probable delivery slippage, he or she makes an initial determination, based on her or his unique perspective of that FMS case and an appropriate consultation with the customer, to either reschedule delivery or request delivery from USN stock.

a. If that initial determination is to reschedule the delivery, the Case Manager executes the necessary coordination with SPCC and NAVILCO and, if appropriate, initiates a Department of Defense (DD) Form 1513-2, Notice of Modification of Offer and Acceptance.

b. If the initial determination is to request delivery from USN stock, the Case Manager requests SPCC to prepare an impact statement.

#### 340503 Preparation of Impact Statement

Based on the request from the Case Manager, and in fulfillment of its responsibilities as the USN conventional ammunition manager, SPCC prepares an impact statement that addresses the effect(s) of withdrawing the ammunition from USN stock to meet this FMS request. SPCC sends the impact statement to the Case Manager.

#### 340504 Case Manager Use of the Impact Statement

The Case Manager assesses the impact statement from SPCC and decides whether to continue to pursue a withdrawal from USN stock or to resort to a delayed delivery.

a. If the Case Manager decides to delay delivery, appropriate coordination is done with NAVSUP (SUP 07), SPCC, and NAVILCO and a DD Form 1513-2 initiated if necessary.

b. If the Case Manager decides to pursue a withdrawal from USN stock, he or she prepares a justification that provides the rationale for the decision. The justification and impact statement are sent to NAVOTTSA.

#### 340505 Determination to Withdraw From USN Stock

NAVOTTSA receives the justification and impact statement package and forwards it, along with any additional recommendation to OP-41 for final determination. OP-41 returns its decision to NAVOTTSA for notification to the Case Manager and SPCC. (Once notified, SPCC and the Case Manager coordinate with each other and with NAVILCO, as appropriate, to execute the decision.)



## CHAPTER 35 - EXPORT LICENSES

### Section 1: Purpose and Background

#### 350101 Purpose

This chapter establishes procedures for the review and processing of munitions export license applications within the Naval Material Establishment (NME).

#### 350102 Background

U.S. firms and other non-government organizations that desire to export defense articles and services (including equipment, ammunition, data, technical assistance, technology, etc.) covered by the International Traffic in Arms Regulation (ITAR) must apply for a State Department export license. The State Department refers the applications and related inquiries to the Department of Defense (DOD) as numbered munitions cases for concurrence or recommendations. For U.S. Navy (USN) cognizance munitions cases, the Chief of Naval Operations (CNO) Technology Transfer and Policy Control Division (OP-62) provides central control. OP-62 forwards the munitions cases to the NME when a technical review is required. The Naval Supply Systems Command (NAVSUP) Security Assistance Directorate (SUP 07), as the lead Systems Command (SYSCOM) for Security Assistance and Arms Export Programs, coordinates within the NME when necessary.

### Section 2: The NME Review Process

#### 350201 Initiation by the Chief of Naval Operations (OP-62)

The NME review process begins when CNO (OP-62) forwards munitions case data to the appropriate SYSCOM. At the same time, OP-62 sends a copy of OPNAV Form 4230/1 (5-68), Export License Records, to SUP 07.

#### 350202 SYSCOM Responses

Responses are prepared in the format specified by OPNAVINST 4000.36F, Department of the Navy Procedures for Processing Export License Applications for Munitions List Items and Related Export Control Matters (Figure 35-1). Additional sheets may be attached for comments that do not fit into the formatted letter.

a. Responses must be completed within seven working days of receipt of the case material.

(1) Responses will identify each item for which a Non-Recurring Recoupment Charge (NRC) has been established by the Defense Security Assistance Agency (DSAA).

(2) If an NRC has not been established but is potentially applicable, the case will be forwarded with the comment that NRC may be required and a recommendation to the requestor that they contact a specified office to determine the amount.

b. Normally, responses are returned to CNO (OP-62) with a "copy to" SUP 07. However, under any of the following circumstances, reply to OP-62 via SUP 07 is required.

(1) Critical technology transfer is involved. (Critical technology is defined in DOD Directive 2040.2, Control of International Technology, Goods, Services, and Munitions Transfers.)

(2) Further coordination within the NME is required.

(3) The response contains a recommendation for either a conditional approval or denial rather than approval.

c. If the SYSCOM charged with reviewing the munitions case finds that another activity either has cognizance over the case or a substantive interest in it, that SYSCOM will:

(1) If the other activity is outside the NME, notify SUP 07 of the problem by telephone and return the case to OP-62.

(2) If cognizance is shared with one or more NME activities:

(a) Evaluate the case as described in paragraph 350202, above.

(b) Forward the case and the evaluation to the next cognizant activity by letter.

(c) Send a copy of the transfer letter to SUP 07.

(3) If cognizance belongs wholly to another NME activity, pass the case to that activity by letter, notify SUP 07 of the transfer (by telephone), and send a copy of the transfer letter to SUP 07.

d. The second NME activity will prepare its evaluation in accordance with subparagraphs 350202 a and b, above, and will forward both evaluations to the next NME activity, if necessary, or to CNO (OP-62) (via NAVSUP (SUP 07) if appropriate).

### **350203 NAVSUP Follow-on Actions**

When responses are forwarded via NAVSUP, SUP 07 takes the following actions:

a. Coordinates with the Office of the Chief of Naval Research, Technology Transfer Office (Code 01223) for technology transfer issues, if appropriate.

b. Consolidates the NME responses, adjudicates conflicting recommendations, and forwards the coordinated NME position to OP-62.

### Section 3: Commodity Jurisdiction Cases

#### **350301**    Background

Sometimes a question arises as to whether an item is covered by the ITAR and therefore falls within the jurisdiction of the Department of State, or is not covered by the ITAR and falls within the jurisdiction of the Department of Commerce. In this instance a Commodity Jurisdiction case is processed.

#### **350302**    Procedure

Commodity Jurisdiction cases are evaluated in the same manner as described for munitions cases in Section 2, above. However, a recommendation for export is not made. Instead, the SYSCOM determines whether or not the article or service is contained in the U.S. munitions list (Section 121.01 of the ITAR). If the SYSCOM determines that the item is included in the munitions list, the evaluation must identify the appropriate munitions list category.

### Section 4: Foreign Disclosure and Technical Information System (FORDTIS)

#### **350401**    Background

FORDTIS is a DOD managed information system to record and control the transfer of classified military information, munitions, and technology to foreign countries. It contains information on Foreign Disclosure, Munitions Licenses, Foreign Military Sales (FMS), Grant Aid, and Strategic Trade cases. FORDTIS provides strict control of information and expedites license reviews by linking all reviewing parties to a central computer. Eventually, FORDTIS will be used for tasking and responding to munitions cases.

#### **350402**    Use of FORDTIS

FORDTIS processing procedures have not yet been established to the degree where the system may be used for official tasking. In the interim, the FORDTIS mail function can and should be used to the maximum extent possible to expedite case reviews. Evaluations forwarded by FORDTIS mail may reference the paragraph numbers and short titles (e.g., "COGNIZANCE") of Figure 35-1 without entering the text of the format.

(4) If NRC recoupment:

(a) Is established, state the amount and identify each item that requires recoupment.

(b) May be required but is not established or cannot be determined for certain from the information available, make the following statement in the recommendation paragraph:

"Recoupment of nonrecurring costs may be required. Request advise contractor to contact (Name, Org., Code, Telephone No.) for charges."

**j. RECOMMENDATION**

(1) The paragraph must provide an explicit recommendation, i.e., APPROVAL, DENIAL or CONDITIONAL APPROVAL.

(2) If recommending CONDITIONAL APPROVAL or DENIAL, provide specific comments supporting the position recommended. If recommending CONDITIONAL APPROVAL, the paragraph must state which condition would lead to APPROVAL if that condition were satisfied.

## CHAPTER 36 - SECURITY ASSISTANCE GENERAL CONFERENCE PROGRAM

### Section 1: Purpose, Objectives, and Policy

#### **360101 Purpose**

This chapter identifies types of Security Assistance conferences conducted by the U.S. Navy (USN) with Foreign Military Sales (FMS) customers and Security Assistance Organization (SAO) representatives. This chapter defines policy and responsibilities for organizations within the Naval Supply Systems Command, and briefly describes the Navy International Programs Office (Navy IPO) and Case Administering Office (CAO) functions relating to the Security Assistance conference program. This chapter does not discuss meetings on FMS cases managed by a single Naval Systems Command (SYSCOM) or Navy field organization (e.g., specific weapons system program reviews).

#### **360102 Objective of the General Conference Program**

The primary objective of the general conference program is to enhance communications between the customer and the USN. These conferences provide an opportunity to: explain USN policies, procedures and systems as they relate to the FMS customer; and assist in early identification and resolution of problems. The program directly benefits FMS customers and the USN by improving both the status of the FMS case and the quality of records through an intensive management review of selected country programs. The conferences are in no way intended to replace close, day-to-day management by USN Case Managers and FMS customers.

#### **360103 Policy**

No single management approach to Security Assistance general conferences is applicable for all countries. Variations in the size and complexity of FMS country programs and in the degree of sophistication found in customers' Automatic Data Processing (ADP) capabilities require flexibility to tailor the approach taken for each meeting to fulfill individual customer needs. Within this context, the following policy guidance applies:

Figure 35-1

EVALUATION OF EXPORT LICENSE APPLICATIONS  
USING  
OPNAV FORM 4000/21 (4/10)

Note: OPNAV 4000/21 provides the format for a letter, normally completed by a SYSCOM during the process of evaluating an application for a commercial export license. The **bold face** material shown below is the format of the letter itself. The light face material is explanatory information to help in completing the form letter. For additional details see OPNAVINST 4000.36F.

**From:**  
**To:**  
**Via:**

**Subj:** DEPARTMENT OF STATE EXPORT LICENSE APPLICATION, MUNITIONS CASE  
NUMBER \_\_\_\_\_

**Ref:** (a) Identify the original tasking from CNO (OP-62).

**Encl:** (1) The export license application

1. In response to reference (a), the following comments and recommendations concerning the export license application, enclosure (1), are submitted:

**a. COGNIZANCE**

- (1) Indicate who has primary cognizance.
- (2) Indicate from whom comments should be/were solicited.
- (3) Indicate that comments of other NMF activities are consolidated/ included with your response (if appropriate).

**b. IDENTIFICATION**

- (1) Provide complete identification of equipment including make, model, Navy Ammunition Logistics Code (NALC), manufacturer if known, item end use, and National Stock Number (NSN) if known.
- (2) If not USN equipment, discuss similarities to USN equipment.

**c. SECURITY CLASSIFICATION**

- (1) Provide classification of document, equipment, related technical data, and operational/maintenance information.

reviewed to ensure that control criteria i.e., Estimated Shipment Dates (ESDs) established in management records) are reasonable, current, and accurate. Where control criteria are suspect (for example, the next step is scheduled for day 365 of any calendar year) or action dates have slipped, off-line corrective action must be taken.

## **Section 2: Kinds of Conferences**

### **360201 Security Assistance Reviews**

SARs are flag level meetings held by Navy IPO to discuss major policy and program issues with countries strategic to U.S. national interests and having major FMS programs with the USN.

a. SARs are generally scheduled on request by the FMS country, but may also be scheduled by: the Defense Security Assistance Agency (DSAA), with tri-service participation; or by Navy IPO with Navy and Security Assistance Accounting Center (SAAC) participation (as required).

b. Based on the specific topics and programs to be discussed, Navy IPO will determine SAR participants and invite them to attend the SAR.

### **360202 Area Security Assistance Conferences**

These conferences are conducted by unified area commanders (e.g., Central Command (CENTCOM) or Pacific Command (PACOM)), to discuss current events in the Security Assistance environment and to address specific topics submitted by the U.S. SAOs in the customer countries. The conferences are held at central locations either in or out of the Continental U.S. (CONUS).

a. Participation in the area conferences by USN CONUS organizations is determined by Navy IPO. Representatives usually include: Navy IPO; the Deputy Commander for Security Assistance, NAVSUP; and the U.S. Navy International Logistics Control Office (NAVILCO). Other participants frequently include representatives of the Departments of State and Defense, and the Naval Air, Sea,

a. In execution of the general conference program, emphasis will be placed on quality rather than quantity. All selected cases and topics must be thoroughly reviewed and discussed with FMS customer representatives. Any issue that cannot be satisfactorily resolved or taken for action at the meeting must be referred to the next higher organizational level in the USN for resolution or guidance. For issues beyond the authority of the meeting's host, the customer must be directed to the proper source for the information needed.

(1) The lead USN organization for each meeting will prepare and distribute minutes documenting all agreements and including action item summaries (with supplemental taskings as necessary) within thirty days after conclusion of the meeting. Each action item will specify the cognizant organization/code and the projected completion date. If the action item cannot be completed within one year, the cognizant organization must submit a detailed Plan of Action and Milestones (POA&M) with dates for each subaction.

(2) If no action items result from the meeting, the minutes should so state. Otherwise, quarterly written reports summarizing progress against each open action must be sent to the customer until all actions are complete.

b. Scheduling of more than one conference for a particular country in one year is to be avoided and, to conserve resources, the USN meeting should include all of the FMS customer's military services. Scheduling should also consider the existence (or absence) of other types of intensive management review that will benefit country programs. Preference for scheduling general conferences should go to countries not scheduled for other management reviews. These limitations ensure that the benefits of intensive reviews will be allocated as equitably as possible to all FMS customers across the range of programs supported, and that resources expended to conduct general conferences are applied where most needed.

c. To promote maximum efficiency in execution of the Security Assistance general conference program, mechanized confirmation and reconciliation of records--both internal Department of Defense (DOD)/USN and FMS customer records--will be completed whenever possible as a first step in preparing for the meeting. After completion of this preliminary records reconciliation and update (but before the meeting with customers), open case or program lines must be

country is scheduled for an IR, each line of every USN case managed in MISIL for the country must be reviewed in preparation for the IR. Labor-intensive, tedious preparations entail a major expenditure of resources by the USN and other DOD organizations (e.g., the Defense Logistics Agency (DLA) and other MILDEP Inventory Control Points (ICPs)). The preparations must begin at least 120 days before the Phase I meeting to allow time for each necessary step to be completed before the meeting. Attempts to compress preparation time or conduct too many reviews during the same time frame will degrade the quality of these reviews for all customers.

d. The FMS customer, case managers, and NAVILCO participate in Phase I meetings. When Phase II meetings are held, other participants are determined by Navy IPO, based on specific FMS case issues and on topics submitted by the customer. Participants might include representatives of SAAC, Navy SYSCOMs, and ICPs. SAOs may also participate in these conferences.

#### **360204 Case Management Reviews (CMRs)**

CMRs include both a review of FMS cases (usually no more than 50) selected by the FMS customer for intensive supply and/or financial review, as well as discussion of agenda topics requested by the customer. The CMRs are held (usually, no more than once each year) for FMS customers with unique management problems that cannot be resolved through ordinary review procedures. For example, if a customer's law requires FMS cases to be closed sooner than indicated by DOD/USN goals, a CMR may be necessary. An important objective of the CMR is to make sufficient progress against the customer's unique management problems to revert to regular IR scheduling for that country.

a. CMRs are scheduled in the same manner as Implementation Reviews, based on FMS customer requests submitted a minimum of six months before the meetings are desired. Meetings may be held in CONUS or the foreign country, frequently alternating between the two. Since the preponderance of material covered at these reviews relates to the detailed case review, NAVILCO generally takes the administrative lead for documenting the meeting and reporting progress. Supplemental tasking and reporting may be done by representatives of the senior organization attending the CMR.

b. Participation is determined by the senior organization attending the CMR, assisted by NAVILCO, based on specific cases and issues to be reviewed. Attendees typically include representatives of NAVOTTSA, SYSCOM Case Managers, ICPs and SAAC.

### **360205 NAVILCO Field Liaison Visits**

The NAVILCO staff will conduct a Field Liaison visit to customer countries to explain USN Security Assistance organization and procedures as they relate to FMS customers, and to assist customers in identifying and resolving problems they may be experiencing in the execution of their Security Assistance program. NAVILCO also advises cognizant USN organizations of problems identified during the Field Liaison visit.

a. Country visits are scheduled either at customer request or based on USN perception of need. Because these meetings require less advance preparation than other types of general conferences, their schedules are the most flexible. For this reason, Field Liaison visit schedules are subject to frequent revision to meet rapidly changing customer requirements and operational priorities.

b. USN representation on Field Liaison visits usually consists of NAVILCO personnel, augmented by other USN organizations when needed to fully address specific cases or issues submitted by the customer.

### **360206 Organizational Functions**

Figure 36-1 identifies the USN organization responsible for each function at the different types of Security Assistance general conferences.

GENERAL CONFERENCE ORGANIZATIONAL FUNCTIONS

TYPE OF MEETING

FUNCTION	SAR	AREA SA CONFERENCE	FMS IMPLEMENTATION REVIEW	CASE MANAGEMENT REVIEW	NAVILCO FIELD LIAISON VISIT
CHAIR MEETING	Navy IPO	AREA COMMAND	NAVILCO - PHASE I Navy IPO - PHASE II	NAVILCO	NAVILCO
DOCUMENT MEETING/ MONITOR PROGRESS IAW PARA 360104a	Navy IPO	AREA COMMAND	NAVILCO - PHASE I Navy IPO - PHASE II	NAVILCO	NAVILCO
STANDARD PARTICIPANTS	FMS CUSTOMER Navy IPO	FMS CUSTOMER SAOs Navy IPO SUP 07 NAVILCO	FMS CUSTOMER NAV SUP Navy IPO NAVILCO	FMS CUSTOMER NAV SUP Navy IPO NAVILCO	FMS CUSTOMER SAOs NAVILCO
FREQUENT PARTICIPANTS	NAV SUP SYSCOMS NAVILCO SAOs	SYSCOMS ICPs OTHER NAVY ORGANIZATIONS	SAAC SYSCOMS ICPs DLA	SAAC SYSCOMS ICPs DLA	AS REQUIRED TO FULLY ADDRESS ISSUES



## CHAPTER 37 - SHIPS TRANSFER LOGISTICS SUPPORT PROCEDURES

### Section 1: Introduction

#### **370101**      Purpose and Objective.

The purpose of this Chapter is to identify and describe the processes involved in transferring ships or service craft to a foreign government through the Foreign Military Sales (FMS)/Lease program. The objective of this Chapter is to identify the specific tasks required to ensure that logistics readiness issues are accomplished.

Discussions will focus on the role of the Naval Supply Systems Command (NAVSUP) and its subordinate activities. Special emphasis will be directed toward identification of substantive logistics issues which arise during the transfer and actions required to ensure a successful transfer.

This Chapter will expand on each process and identify the specific functions to be accomplished, methods used, and the options available to efficiently complete logistics support objectives.

Figure 37-1 (shown on page 37-51) illustrates a simplified data flow pattern, identifying the top level processes involved in the transfer of a ship to a foreign government. Each circle represents a step in the transfer process. Each square represents data input into the process. The lines leading from the squares to the circles represent the type of data input into the process.

#### **370102**      General.

a. All transfers of U.S. Navy vessels are coordinated with the Offices of the Secretary of Defense, the Secretary of the Navy, and the Department of State. Transfers are made only after satisfying the Congressional notification/authorization requirements of 10 U.S. Code 7307. This code requires enactment of specific legislation authorizing the foreign transfer of vessels less than 20 years old or displacing more than 3,000 light tons. All other naval vessel transfers require notification of both the House and Senate Armed Forces Committee Chairman during a 30-day continuous session of Congress.

b. The Secretary of the Navy provides policy guidance and coordination in accomplishing vessel transfers. A summary of the manuals, and directives used in the development of this Chapter are provided in Section 2. Specific portions of these documents will be quoted or referenced throughout this Chapter to provide clarity and to identify activity/agency responsibilities for a particular function within the ship transfer process.

### **370103      Pre-implementation Requirements.**

Prior to issuing a directive authorizing a vessel transfer, pre-implementation requirements must exist or be accomplished. These requirements include:

a. Receipt of a formal written request from a foreign government.

b. Identification of the vessel to be transferred:

(1) CNO/SECNAV identifies which vessel(s) will be made available for transfer to the foreign government.

(2) SECSTATE/SECDEF issue formal authorization for transfer after Congress has been notified in accordance with Title 10 U.S. Code 7307.

c. Resolution of releasability issues for installed equipments to be transferred.

d. Coordination of Communication Security (COMSEC) equipment releasability/availability with the Office of the Chief of Naval Operations (OP-094); Naval Computer and Telecommunications Command; Commander, Naval Security Group Command (COMNAVSECGRU); and Director, Communications Security Material System (DSMS). Specific conditions and requirements governing the release of COMSEC will be coordinated with the Joint Chiefs of Staff (JCS-J6) and the National Security Agency (NSA) by Navy IPO.

e. Foreign government inspection of the vessel proposed for transfer and attendance at briefings outlining transfer requirements and support cases.

f. Acceptance of the Letter of Offer and Acceptance (LOA) for sale, lease, or other agreement by the foreign government.

The complexity of the ship transfer process, from the time a vessel is identified as an excess U.S. Navy requirement, offered for sale/lease to a foreign government, and actually transferred, requires coordination of transactions among many navy organizations and activities, as well as the recipient country.

**370104      Organizations and General Responsibilities.**

When the potential for foreign transfer of a ship exists, a planning team is formed which should consist of representatives assigned by commanders of major commands, their offices, and activities. The planning team should meet as soon as possible to initiate contacts between the activities involved. The initial meetings must include liaison with foreign customer representatives to establish dialogue and obtain their input. The initial meeting provides the foundation for subsequent meetings held between organization to implement actions required during the ship transfer process. These organizations include:

a. Chief of Naval Operations (CNO). Annually, the CNO provides the Secretary of the Navy (SECNAV) with a report of ships available for transfer from the active and inactive Navy Fleets. This report also reflects the condition of the ships (Fit or Unfit) and the ships future military usefulness.

b. Navy International Programs Office (Navy IPO). In conjunction with other organizations and activities, Navy IPO is responsible for developing and disseminating a transfer plan. Additionally, Navy IPO acts as the primary point of contact with the customer's in-country representative (Security Assistance Office (SAO), Defense Attache Office (DAO), Office of Defense Cooperation (ODC), Military Liaison Office (MLO), Military Assistance Advisory Group (MAAG), Mission, etc.) to facilitate requirements and requests.

c. Commander-in-Chief U.S. Atlantic Fleet/Commander-in-Chief U.S. Pacific Fleet (CINCLANTFLT/CINCPACFLT). Fleet CINCs are assigned responsibilities as implementing agents for transfers of active ships. This type of transfer is referred to

as a "Hot Ship" transfer. In addition to developing the FMS LOA for "Safe to Steam" repairs, the CINCs are responsible for providing assistance in the development of the transfer plan. Development of the transfer plan includes addressing issues such as hosting the foreign crew, insuring the USN crew is adequately housed, monitoring the disposition of equipment, coordinating foreign crew training, submitting a copy of the ships characteristics cards to the Naval Intelligence Support Center, and coordinating logistics, communications and administrative support as authorized. Many of the myriad responsibilities and procedures required in accomplishing these assignments are delegated to the Type Commanders.

d. Naval Sea Systems Command (NAVSEA). As the "Ships Transfer Lead Systems Command", NAVSEA addresses releasibility issues and coordinates efforts to ensure the ships readiness for transfer, maintaining a complete record of the configuration management of the ship being transferred. This includes equipment added and/or removed prior to the transfer. Additionally, NAVSEA is responsible for preparing the FMS LOA for engineering and technical support.

e. Naval Supply Systems Command (NAVSUP). In FMS case development, NAVSUP plays a major role to ensure availability of follow-on support requirements. NAVSUP provides for the logistics readiness of ships being transferred and coordinates support requirements with Supply Centers, and subordinate commands such as Fitting-out Supply Support Assistance Center (FOSSAC), and Intra-Fleet Supply Support Operations Teams (ISSOT).

f. Navy International Logistics Control Office (NAVILCO). Provides FMS/FML case requisitioning, financial accounting control, and reporting on all FMS LOAs.

g. Navy Ships Parts Control Center (SPCC). SPCC provides the Coordinated Shipboard Allowance List (COSAL) and Coordinated Shorebased Material Allowance List (COSMAL) documentation to support the configuration of the ship(s) being transferred.

h. Navy Military Personnel Command (NMPC). Coordinates military personnel requirements for activation, deactivation, and Fleet Introduction Team (FIT) manning issues.

i. Naval Education and Training, Security Assistance Field Activity (NETSAFA). NETSAFA, under an FMS LOA for training requirements, coordinates all training requirements for the foreign crew, as authorized by Navy IPO.

j. Assigned naval supply support activity coordinates logistics services to support authorized foreign crew requirements during the transfer process.

k. Designated local naval activity coordinates other local support requirements for the foreign crew.

The interrelationship among these organizations and specific actions required during a ship transfer will be explored in detail in later sections of this Chapter.

## Section 2: References

### **370201 References and Support Documentation.**

This section provides a listing of the various instructions applicable to ship transfer. The processes involved in a ship transfer require significant coordination among many activities, each having specific guidance for its sphere of responsibility. However, logistics management issues are common to all areas and have an impact in each phase of the process. A brief summary of the contents or purpose of the major directives and instructions used in the development of this Section is given below.

a. **DOD 7000.14-R, Volume 15** of 03/93; Subject: Financial Management Regulation, Security Assistance Policy and Procedures. This manual contains financial management procedures, including pricing for post transfer logistics support.

b. **SECNAVINST 4900.48** of 11\06\90; Subject: Transfer of U.S. Naval Vessels to Foreign Governments and International Organizations. This instruction provides policy guidance and procedures for the transfer of U.S. naval vessels to foreign governments and international organizations. Included in this instruction are the pre-implementation requirements, implementation responsibilities and procedures for activities, and transfer documentation requirements.

c. **SECNAVINST 5440.4** of 12\17\84; Subject: Change in Status of Ships and Service Craft and Striking of Aircraft; Approval Required for. This instruction establishes the approval required for making changes in the status of ships and aircraft of the U.S. Navy. It specifies that no active or inactive ship or aircraft may be decommissioned, deactivated, stricken, or transferred without the direct authorization of the Secretary of the Navy.

d. **OPNAVINST 4440.19D** of 07\12\79; Subject: Rules for Cannibalization of Operational Equipment and Diversion of Material at Contractors Plants to Meet Urgent Operational Requirements (Change Notice 1 - 12\10\85). The purpose of this instruction is to establish uniform policy for meeting urgent material requirements through cannibalization or diversion of navy assets. Foreign government requirements may be filled when actions will not adversely affect U.S. Navy programs and costs are borne by the foreign government.

e. **OPNAVINST 4770.5F** of 05\29\91; Subject: General Instructions for Inactive Ships and Craft. This instruction promulgates the Manual for the Inactivation, Maintenance, and Disposal of Ships and Service Craft. The instruction contains 12 chapters outlining the responsibilities and actions required for administering inactivation, maintenance, and ultimate disposition of ships and service craft located at Naval Inactive Ship Maintenance Facility (NISMF) sites and ships held by the Maritime Administration (MARAD) for Navy and Military Sealift Command (MSC) use.

f. **NAVSEAINST 4770.1B** of 03\02\84; Subject: Cannibalization of Material from Inactive Ships. The policies set forth in this instruction provide specific procedures for requesting material from inactive fleet assets.

g. **NAVSEAINST 4790.3B** of 06\06\85; Subject: Policy and Responsibility for Processing Planned Maintenance System (PMS) Technical Feedback Reports. This instruction addresses the procedures for processing Technical Feedback Reports. Its application to ship transfers is limited to decisions regarding foreign crew capability to perform preventative maintenance on equipment. Long range decisions in this area may affect repair part levels and/or in-country support decisions.

h. **NAVSUP Publication 526**; Subject: Foreign Military Sales Customer Supply System Guide. This guide is designed to acquaint the FMS customer with the practices of the U.S. Navy supply system to ensure they obtain effective support. Additionally, this publication provides the FMS customer basic information on topics, such as the requisitioning processes, Direct Requisitioning Procedures (DRP), Cooperative Logistics Supply Support Arrangements (CLSSA), classified material requests, and other topics integral to the FMS program.

i. **Navy Comptroller Manual, Volume III**; Subject: Appropriation Cost and Property Accounting (FIELD). The manual establishes the methods used by fiscal and supply officers to report receipts and expenditures of public funds and property.

### **370202      Classification of Ships.**

The classification and operational control of a ship are factors in the transfer process. For example, the CNO's report of ships available for transfer is based on the input from three warfare sponsors; OP02, Undersea Warfare; OP03, Surface Warfare; and OP05, Air Warfare, and other activities as necessary in support of the Ship Disposition Review (SDR). Recommendations are based on national security needs for ships in three (3) classifications:

a. **Active Ships** - assigned to active fleets and to their supporting activities under the leadership of Commander in Chief, U.S. Pacific Fleet (CINCPACFLT) or Commander in Chief, U.S. Atlantic Fleet (CINCLANTFLT)

b. **Inactive Ships** - have been decommissioned, yet retained on the Naval Vessel Register and in the custody of the Director, Inactive Fleet, and are maintained in a state of readiness consistent with their probable employment for future needs.

c. **Stricken Ships** - are identified as no longer required for national security interests or have no further military essential requirements and have been removed from the Naval Register.

The classification of the ship may be a determining element in deciding whether the vessel qualifies for sale or lease. Additionally, the warfare sponsor also has responsibilities for follow-on support issues in post-transfer cases.

### **370203      Qualification for Sale or Lease.**

Under the guidance of the CNO, the Navy's Office of the Inspector General, Board of Inspections and Survey, prepares a Report of Readiness and Inspection for each ship proposed for transfer to a foreign government. The results of this inspection determine whether the ship is Fit, capable of performing its primary mission or Unfit, unable to perform its primary mission. This inspection determines whether a ship may be sold or leased to a foreign government. Ships declared Unfit may be sold only; ships declared Fit may be sold or leased. This discriminator has a impact on FMS/FML cases and will be discussed in more detail in later sections.

### **Section 3: Pre-Ship Transfer Support Planning**

#### **370301      Task Planning.**

The most critical phase in the ship transfer process is the advance planning of the multiple tasks required to ensure a successful program. This begins at the point where the decision is made to release a ship and affects all activities throughout the turnover process. The planning phase entails discussions involving a series of multi-level negotiations, conducted between representatives of the U.S. Navy and representatives of the foreign government, as well as, a series of meetings held between various U.S. Navy activities, to establish the framework of responsibilities and roles required during the subsequent FMS/FML cases.

Extensive interaction is required among various U.S. Navy headquarters offices and their field activities to ensure the successful transfer of a ship to a foreign government. A constant, interactive flow of information is required between the Navy IPO, Fleet Commanders, NAVSEA, NAVSUP, NAVILCO, SPCC, designated Fleet and Industrial Supply Centers (FISC), Fitting-out Supply Support Assistance Center (FOSSAC), Intra-Fleet Supply Support Operations Teams (ISSOT), and others during the transfer of a ship.

The initial planning meetings are the catalyst for defining how these activities will proceed and ensuring points of contact are established early in the process, so that the necessary information can be effectively transmitted. The planning meetings are the point in the process at which funding for the cases should

be identified, specific responsibilities defined, time frames targeted, locations of the ship transfer(s) identified, requisitioning channels determined, and the country's general requirements and capabilities identified. Ensuring that all the critical transfer elements are addressed during the initial planning meetings will result in a well informed customer and a coordinated transfer plan.

Every ship transfer is unique and, as a result, the responsibilities of the naval activities involved will vary from transfer to transfer. The elements discussed in this section should be addressed in the initial planning meeting to develop a framework of procedures to be used during the transfer. Depending on the customer's unique requirements with respect to each ship transfer, all of these elements may not require direct action by NAVSUP or its field activities. For the purpose of this guide, the NAVSUP country desk officer is referred to as the NAVSUP Ship Transfer Logistics Support Manager. The Ship Transfer Logistics Support Manager must ensure that each of these elements is considered in the planning discussions since the decisions will have an impact on NAVSUP and its field activities.

Figure 37-2 and the discussion that follows highlights the more salient elements which should be addressed during the initial planning meetings. (Figure 37-2 is shown on page 37-51.)

#### **370302      Customer Liaison.**

An individual point of contact, who is familiar with the language of the foreign country and has experience in logistics support and FMS procedures, should be assigned to conduct communications between the U.S. Navy activities and the customer's turnover team. The U.S. Navy customer liaison may be a Personnel Exchange Program officer, assigned by NMPC, by the Fleet CINCs, or assigned by another activity involved in the transfer. While this is not always feasible, establishing a single point of contact will benefit the entire process. The foreign government counterpart may be the Officer who will assume supply duties before, during or after the ship transfer. This officer may not be familiar with FMS procedures. Therefore, good liaison with this individual, and the foreign team, will facilitate the transfer by aiding in the understanding of FMS procedures and U.S. Navy systems, as well as facilitating communications and arrangements that may be necessary in making commercial purchases.

**370303**      **Funding Information.**

The Navy Comptroller Manual (Volume III) requires that all work performed or supplies or services furnished on behalf of a foreign government, be conducted on a reimbursable basis. For material or services furnished outside the cash sales provisions, FMS cases must be established, funded, and approved in advance. FMS case cost estimates are indicative of the average U.S. Navy requirements to provide a specified level of support. The value of an individual case does not mean that an FMS customer is required to utilize the full amount during the life of the case. Rather, it is a maximum which cannot be exceeded without a case amendment agreed to by both the country and U.S. Navy.

**370304**      **Facility Access.**

Access to facilities should be a topic discussed during initial planning meetings with the FMS customer, representatives of the turnover planning team, and personnel from the overhaul activities, when applicable. Areas to be considered include:

- Use of medical and dental facilities.
  - Anticipated number of personnel to be supported.
  - Method of payment for service provided.
  - Requirements for immunizations, if required.
- Use of government retail facilities; such as Navy exchanges and commissaries.
  - Any regulations or restrictions which apply to the use of these activities should be explained in detail to the FMS customer.
- Use of or access to special services and recreation facilities; such as gyms, bowling alleys, clubs, and other facilities.
- Use of other government facilities; such as supply centers, SERVMARTs, maintenance activities, and Post Offices.

Each of these areas may necessitate an FMS case(s) to provide funding for the type of services desired.

Points of contact, for both the FMS customer and shipyard activities, should be provided. The shipyard point of contact should establish and maintain contact with representatives from all activities involved in the transfer; i.e., Navy IPO, NAVSEA, NAVSUP (Supply Centers, FOSSAC and other NAVSUP activities), and NAVILCO.

**370305      Lodging and Subsistence Requirements.**

Decisions concerning the lodging, subsistence, and transportation of the foreign turnover team, as well as, the method for funding must be determined in advance. Lodging options for the foreign turnover team should be addressed, special provisions for subsistence identified, and transportation needs for the team considered so that the necessary FMS case funding can be established prior to the actual arrival of the team. The customer must be made aware of their funding responsibilities for these services.

**370306      Computer Capability.**

During the initial planning meetings with the Fleet Commander or implementing Fleet representative, computer compatibility requirements should be determined. This would include the type of shipboard system hardware, support requirements, and maintenance requirements needed to support the turnover. This would include areas such as the operating system (UNIX or Microsoft Disk Operating System (MS-DOS)) required to meet the compatibility requirements of the servicing supply activity, database formats, and languages. These areas should also be considered for follow-on support requirements and in-country computer compatibility. Each U.S. Navy activity (Navy IPO, NAVSUP, NAVSEA, NAVILCO, and SPCC) should identify which common systems are available to facilitate shipboard implementation of automated information.

**370307**      **FMS Knowledge Base.**

The planning meetings will be the point for establishing initial contacts between U.S. activities involved in the ship transfer. At the point that responsibilities of the activities are defined, the ship transfer logistics support manager should determine the knowledge in FMS procedures of personnel at the turnover site and make a determination of the need for additional training or development. The primary requirement in the initial planning meetings is information. A complete picture of the transfer must be developed to anticipate and/or preclude problems. The responsibilities for developing and disseminating this planning information should not rest with any single activity, rather it should be a cooperative effort. For example, Navy IPO would coordinate issues involving the use of blanket waivers for commercial items, when the FMS customer cannot access foreign markets while in the U.S.; NAVSEA would provide the shipyard with information on the condition of the ship and any pertinent equipment history; NAVSUP would provide information on requirements, procedures, and costs for ISSOT to receive material, load/off load items from ships and conduct ship inventories to identify shortages, use of facilities such as SERVMART or Shop Stores; and NAVILCO would provide implementation and expenditure guidance.

**370308**      **Military Assistance Program Address Directory (MAPAD) Changes.**

Address changes should be made to guarantee that materials requisitioned, during the turnover, are delivered to the ship or material staging facility and not the freight forwarder. At completion of the transfer, MAPAD changes that are peculiar to a specific ship must be changed or deleted to reflect the FMS customers freight forwarder. Project codes should be established in conjunction with the MAPAD change to expedite the requisitioning process and provide an easy method of identifying the ship to which the material should be delivered. Assignment of project codes is coordinated by NAVILCO for FMS, Grant Aid, and Military Assistance Programs. The NAVSUP Technical and Interservice Programs Branch processes and approves assignment of Project Codes to preclude the assignment of an unauthorized or pre-existing code. The project code is a unique identifier, designating special requirements and/or considerations. Project codes may also prove valuable in identifying and segregating material ordered in support

of Coordinated Shipboard Allowance List (COSAL) deficiencies, ship's force work, or special material requirements of the foreign customer.

**370309      Shipboard Allowance Levels.**

In the past, U.S. Navy policy for supporting equipment transferred to a foreign country has been based on the U.S. Navy method of developing allowances. This involves the use of mathematical models to establish allowance levels. The U.S. Navy method considers elements such as the Best Replacement Factor (BRF), which is the predicted rate of failures per year, and the Population (POP) of the part onboard the ship. Determining the Usage Requirement (UR) for a 90-day endurance period is accomplished by multiplying the BRF by the POP and dividing the product by four, as used in the Fleet Logistics Support Improvement Program (FLSIP) model. In this model the only variable is the BRF. The policy of strict adherence to this approach has changed and now gives greater recognition to the customer's indigenous capability, maintenance philosophy, and practices. While the basic model is still used, SPCC has the capability to change the replacement rate and the endurance period, and to adjust rounding factors to compensate for customer requested changes to allowance levels. For example, in the FLSIP model, if the Usage Requirement (UR) is less than 1, but greater than .0625 the item is carried as an insurance item. The .0625 is known as the rounding factor. The FMS customer can request that the rounding factor be adjusted in the allowance model to raise or lower the number of insurance items carried. Additionally, the endurance period can be changed to facilitate any number of days endurance load, such as a 30- or 60-day periods.

Knowledge of how the foreign customer will provide for equipment repair is critical to preparing allowance and support documentation, as well as determining the proper level of logistics support. By knowing what maintenance philosophy will be used, the ship transfer logistics support manager can make intelligent, well informed program support decisions. For example, knowledge of limited operational schedules may result in the desire to maintain a 30 or 60-day onboard endurance level of spare parts, instead of the U.S. Navy 90-day endurance level norm. Adjustments of insurance item coverage will also assist in tailoring the support package to meet specific customer needs. This requires informing the customer of his options in setting cutoff points or adjusting rounding factors affecting allowance level development.

**370310**      **In-Country Capabilities.**

Each foreign navy varies in its indigenous capability to perform complex and highly technical ship equipment repairs or major ship repairs. The in-country capability of shipyards and civilian repair facilities must be evaluated to determine the level of follow-on logistics support available. Once the country's innate capabilities have been determined, a support methodology which will ensure maintenance of the ship at a fully operational status can be selected. Ascertaining in-country capabilities and anticipated repair practices will affect the development of the required COSAL and Coordinated Shorebased Material Allowance List (COSMAL). The COSAL and COSMAL content will be affected by the method the country plans to utilize to support its repair efforts. Approaches which may be taken include: 1) use of the U.S. Navy methodology, 2) accommodating specific customer operational plans, or 3) reliance on commercial support. Each of these options is discussed in the paragraphs below. These support options can also be used in various combinations, depending on the country's unique requirements.

**370311**      **U.S. Navy Methodology.**

The U.S. Navy methodology anticipates a certain level of repair to be accomplished at the shipboard and organizational levels. Repairs beyond the pre-determined organization level are provided for at intermediate or depot level facilities, such as tenders, Ship Intermediate Maintenance Activities (SIMA), or shipyards. Materials required to support the repair efforts for various maintenance levels are provided for through development of COSAL(s), Tender and Repair Ship Load Lists (TARSL), and shore facility support documents, which reflect the repair capabilities built into the organization performing the repairs.

The advantage of using the standard U.S. Navy approach in FMS programs is that all U.S. Navy activities involved in the program are familiar with the requirements of the process. No special training or unique processing for the FMS customer is required.

The disadvantage of assuming that the foreign customer will be well served by using the U.S. Navy model is that inappropriate repair part allowances may be developed for activities which cannot or will not be performing the repairs. This may unnecessarily increase the cost of the support package.

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**370312**      **Accommodating Customer Operations.**

Many foreign navies have operating schedules which are limited when compared to the U.S. Navy. As a result, there is often a desire to minimize the repairs performed by the ship's force while at sea. The result is a greater reliance on the country's shore maintenance capability. Knowledge of this is essential to development of the COSAL and COSMAL.

A decision by a foreign customer to perform most maintenance ashore may - require substantial increases in the spares carried at the shore facility. Preparation of the COSMAL will, therefore, require off-line input to the process. The plan for development of the ship's COSAL and COSMAL should be reviewed with the foreign customer early in the process, to allow them to make the best logistics support decisions based on their unique requirements.

**370313**      **Commercial Shore Support.**

It is essential that an FMS case be established to cover both organic and commercial contractor repair of repairables. If organic U.S. Navy repair facility services are not available or practical to support the Repair of Repairables (ROR) components, an ROR FMS case should be established to provide the required support from a commercial shipyard or a contractor. The ROR case can be used to ensure that the customer's failed repairable components are repaired and returned in a timely manner. In instances where an FMS case is not practical, assistance in identifying a commercial repair source for direct contracting between the foreign government and the manufacturer will be necessary.

### **370314      Requisitioning Procedures.**

Requisitioning procedures during a turnover are an essential element in pre-ship transfer planning. Often, the usual FMS process of sending requisitions to NAVILCO for process is inadequate. This is due to the urgency of the material requirements to supply or maintenance work being accomplished during the turnover period and the location of the ship at or near a supply center. Steps must be initiated early and closely monitored to avoid or minimize problems later in the transfer process. These include two basic options for the type of requisitioning method used within the Navy Supply System. They are: 1) requisitioning of material with National Stock Numbers (NSN) or 2) procuring material using the Open Purchase method.

In both instances, foreign logistics personnel and the servicing NSC or supply activity need to know the requisitioning channel to be used, the assigned Unit Identification Code (UIC), as related to the FMS case, and the appropriate assigned project codes. Additionally, accounting data must be established and disseminated to all activities involved in the transfer process for proper financial accounting.

### **370315      Requisitioning NSN Material.**

In order to submit requisitions for NSN material to the supply system, a requisition channel must be established. This includes elements, such as submitting required information to establish the ship's Unit Identification Code (UIC) and other pertinent data required to identify the requisition, including the assignment of project codes. Consideration must be given to the type of FMS case when selecting a submission method. An example is a "G" series case (Technical Support) used by NAVSUP as an alternative for COSAL requirements. Requisitions prepared under this case must be submitted to NAVILCO by magnetic tape or data diskette, and after all shortages or COSAL requirements have been identified. Use of a Technical Support case may require an "exception to policy" from Navy IPO to requisition material. Additionally, the servicing supply activity must know the method by which requisitions will be submitted under NAVSUP DRP cases, i.e., either by manual submission, via automated methods, such as Automated Digital Network (AUTODIN), or using a PC-based system.

The assignment of project codes affects both requisitioning and accounting functions for the FMS case. Assignment of project codes is coordinated by the Navy International Logistics Control Office for FMS, Grant Aid, and Military Assistance Programs. The NAVSUP Technical and Interservice Programs Branch processes and approves assignment of Project Codes to preclude the assignment of an unauthorized or pre-existing code. The servicing supply center should be advised of the project codes assigned so that they are loaded to their local computer programs. This will expedite requisition processing and minimize the inadvertent cancellation of requisitions. The FMS customer should be aware that project codes can be used to identify the destination of the material requisitioned or to identify the intended use of the material. For example, a specific project code can be assigned for COSAL shortages or material for repairs during overhaul.

As part of the requisition process, foreign government personnel should be made aware of the commodities available and authorized under the cash sales procedures or by the FMS Case. For example, NSN requisitions for dry provisions and repair parts (identified in the COSAL) are authorized, whereas, some types of consumable materials are not. During discussions, the FMS customer should be advised that unfilled U.S. Navy requisitions are canceled when the transfer takes place. However, NAVSUP can provide a listing of these requisitions for the FMS customers review if the items are desired and can be ordered under an FMS case. Additionally, both the U.S turnover and foreign crew supply personnel should be familiar with procedures for using ready issue stores, such as SERVMARTs, as a potential source of supply. Access to these types of facilities may require specific FMS case funding.

Access to consumable material deserves further attention. In normal circumstances, the FMS program precludes the customer from ordering "commercially available" items from the U.S. supply system. It is intended that these items be obtained through the customer's local economy. During the transfer process, this access is not feasible. Consideration should be given to obtaining a blanket waiver to the "commercially available" policy during the turnover and while the re-flagged ship is under going repairs or modification at U.S. facilities. The waiver needs to be addressed with Navy IPO as part of the pre-ship transfer planning.

**370316**      **Open Purchase Requisitions.**

FMS customers should be made aware that requisitioning material through open purchase is an option. All accounting data must be in place prior to submitting purchase requests to the supply activity. Required accounting data should be obtained from NAVILCO, as early as practicable, to facilitate procurement of emergent items. If a U.S. activity is to support open purchase requirements for the FMS customer, the purchasing activity must be aware of the estimated number of requirements, the type of requirements anticipated, and any funding limitations. The purchasing activity must also know the level of anticipated activity for financial and material accounting.

As an alternate to Open Purchase requisitioning, the FMS customer should consider using agents established through their own embassy. This provides an alternate, readily available source of supply in the event that FMS case procedures or requirements have not been established or are not in place at the time.

**370317**      **Configuration Change Processing.**

The Allowance Change Requests (ACR) (NAVSUP Form 1220-2) and Configuration Change Forms (CCF) (OPNAV Form 4790/CK), which were previously submitted while the ship carried a U.S. Navy designator and remain unprocessed, should be reviewed as early in the process as possible. These change requests may have an impact on the allowance levels for shipboard spares. The process for accomplishing the requested changes are complex and involve many activities. These documents should be identified and tracked to determine current status in order to minimize duplication of effort. In some cases, an ACR will identify where material shortages are known to exist.

**370318**      **COSAL Shortages.**

COSAL support is one of the high visibility areas during a ship transfer and is directly supported by NAVSUP. Early identification and resolution of COSAL shortages will have a positive effect on the turnover process and will significantly reduce the time and effort required to meet onboard allowance levels before the vessel sails. Actions which can be taken in this area include:

- Conduct equipment validation to verify current ship equipment configuration.
- Review of shipboard stock records to identify COSAL supported items, in order to identify deficiencies and determine whether the material is on order.
- Review of removed equipment listings to determine if repair parts remaining onboard can be used to fill other deficiencies.
- Conduct storeroom inventories prior to scheduled turnover start dates in order to identify shortages.

An ISSOT can be provided under an established NAVSUP or NAVSEA managed FMS case to accomplish these actions.

**370319      Ship's Force Support.**

The recipient foreign government may initiate repair or renovation efforts during the turnover period. This often results in requirements for parts and/or services separate from those generated as part of any overhaul work being performed by the U.S. Government. Satisfying these ship's force requirements will require that separate logistics support and financial billing procedures be put in place. This will normally include submission of direct requisitions against the supply system, use of the local SERVMARTs, and assistance with open purchases. Each of these alternative methods needs to be addressed early in the turnover preparation planning sessions.

**370320      Third Country Clearance.**

Although this is not a specific requirement for the SUP-71 ship transfer logistics support manager, the subject of third country clearance should be addressed during the transfer process. This subject relates to the FMS customers return to his home port. During transit the vessel may require a port visit in a foreign country for fuel, provisions, or other reasons. In addition to the requirement to

obtain diplomatic clearances, it is necessary to arrange port and support services. If U.S. Fleet Introduction Team personnel are aboard the ship, the officer in charge will normally address his requirements to a U. S. Embassy. The FMS customer must arrange for his specific requirements. This may require the use of husbanding agents or ship chandlers arranged through the FMS customer embassy.

**370321      Follow-on Logistics Support.**

Successful and continued long-term operation of sophisticated weapons, electronic, and general shipboard systems normally requires an integrated approach to effectively provide continued follow-on logistics support throughout the life cycle of a ship after its transfer to a foreign country. The investment by a foreign country in obtaining follow-on services will ensure maximum logistics readiness and operability. The different types of follow-on logistics support which are available to a foreign customer under the ship transfer program and which should be seriously considered during the initial planning meetings are:

- Follow-on engineering technical support services
- Training support
- Technical and supply catalog publication support
- COSAL/COSMAL maintenance support
- Repair of weapon system components by either U.S. Navy organic facilities or U.S. commercial contractors
- Requisitioning expediting services can be included as a separate line item on a blanket order (DRP) or CLSSA case.
- Requisition services for routine stock replenishment
- Cooperative Logistics Supply Support Arrangement for stock replenishment

The follow-on support service options, listed above, are normally established under separate FMS cases. The type and level of support is determined during the initial planning meetings and result in development of LOAs. This general subject area is discussed in more detailed in Section 6.

## **Section 4: Logistics Support**

### **370401 Ship Turnover Functions.**

The turnover of a ship to a foreign government requires that certain logistics support be in place at the turnover site. This support is distinct from the effort being provided or planned for U.S. shipyard work, post delivery support, or the development of logistics documentation, such as the COSAL or COSMAL. While NAVSUP does not have primary responsibility for all support functions, the NAVSUP ship transfer logistics support manager needs to be aware of the overall requirements to, at a minimum, cover the topics during planning sessions. These include:

1. Identifying sources of funds (eg. NAVSEA managed cases containing funds) for the various functions to be accomplished.
2. Establishing a method for replacement of COSAL shortages.
3. Providing material support and services for requirements generated as a result of ship's force repairs and overhaul work.
4. Establishing support for the foreign country turnover team, if required.
5. Identifying the source of and payment mechanism for provisions required by the ship during the turnover.
6. Arranging for ship's fuel and port services.
7. Arranging access to military exchange facilities.
8. Ensuring that medical facilities are identified for ship's force use, if required.
9. Identifying access to tours and cultural events for the visiting crew.

Of this list, NAVSUP has direct responsibility for the first three functions, which are discussed in detail in this guide. Direct responsibility for the

remaining functions rests with other U.S. Navy activities. However, it is essential that the NAVSUP ship transfer logistics support manager be aware of how these functions will be supported, since each of them will impact on NAVSUP or its field activities. For example, almost every function will result in NAVILCO involvement as the Authorized Accounting Activity for funds control, if the turnover is managed in the Management Information System for International Logistics (MISIL) system. If the turnover is managed under the STARS system, NAVSUP direct responsibility is minimized; however, the NAVSUP ship transfer logistics support manager needs to be aware of all actions which will affect NAVSUP activities regardless of which FMS case manager controls the funds. In either instance, the need to have funding lines set up, in advance, to support the ship during the transfer process and after it is re-flagged is paramount. Having funding in place, as well as procedural guidance, will minimize the need to address each requirement to NAVSUP.

As a point of reference, Figure 37-3 highlights the functions addressed here. Following the figure is a discussion of the essential aspects of providing material support during the turnover process. (Figure 37-3 is shown on page 37-52.)

#### **370402      Decision Considerations.**

While no ship transfer programs are exactly the same, there are several fundamental issues which need to be considered. These include the duration of the turnover process, the availability of advance turnover information, the identification of funding sources, and the level of FMS procedures and processing knowledge of personnel involved in the turnover. These will have an impact on the approach used to provide on-site support.

#### **370403      Turnover Duration.**

The duration of the turnover process will often dictate the method used to provide on-site support. Short periods tend to emphasize the need for direct involvement of the local stock point. Extended turnover periods of at least several months duration offer opportunities for several approach combinations, such as a package approach for COSAL deficiencies and local stock point and SERVMART support for ship's force work.

**370404**      **Advance Information.**

Early knowledge of an impending ship turnover is critical to determining the support approach to be used. This knowledge affects not only the NAVSUP ship transfer logistics support manager, but also individuals at NAVILCO, SPCC, and the stock point identified to provide potential support. All the options available to the NAVSUP ship transfer logistics support manager require liaison with other activities to ensure successful execution of the turnover. It is incumbent on the NAVSUP ship transfer logistics support manager to maintain communications with both Navy IPO and NAVSEA, in order to remain current on transfer functions and to provide timely information to NAVSUP commands.

**370405**      **Case Funding.**

Legal requirements involving FMS transactions necessitate identification of the FMS funding sources prior to initiating action on behalf of the foreign government. The NAVSUP ship transfer logistics support manager has a pivotal role in this process. While that manager may not define the FMS cases, he or she is responsible for ensuring that the FMS community identifies funding sources to support each function to be performed. This may require identification of available funds in existing FMS cases or generating estimates of funding requirements. In either instance, early coordination with NAVSUP field activities is essential to obtain realistic cost planning data.

**370406**      **Knowledge of FMS Process.**

The NAVSUP ship transfer logistics support manager must anticipate that the level of FMS knowledge and experience resident at the activities identified to provide on-site turnover support may be limited. Recognizing this, the need to arrange for training or development of very specific controls must be built into the decision process when determining the best on-site support approach. Particularly important are topics such as the unique data required in FMS documentation and strict control over funding authority.

Although many processes are the specific responsibilities of the NAVSUP ship transfer logistics support manager, some are spearheaded by other activities. However, these processes often require NAVSUP input, action, or coordination. Issues involved include:

- **Inactive ship material inventories.** Deficiencies in material inventories on inactive ships need to be addressed. For example, deficiencies in tools, test equipment, and repair parts can cause delays in work schedules during yard periods. Correcting these deficiencies early eliminates unnecessarily processing priority requisitions.
- **Training.** There is a need to provide up-front training for the FMS customer. This is not limited to the training of the FMS turnover crew coordinated by the Naval Education and Training Security Assistance Field Activity (NETSAFA). It should include MILSTRIP procedures for supply document preparation, procedures for acquiring technical manuals, or processing requests to calibration facilities for test equipment.
- **Special Requirements.** The FMS customer may provide indigenous equipment to support ship force work and administrative functions, such as electrical tools and office machines, which require different power requirements, i.e., 60 cycle vice the U. S. 50 cycle standard. This may require procurement of adapters (a minor support issue), or the purchase or lease of a generator set and related support items (a major support requirement).
- **Automated systems.** If automated systems such as SNAP are removed, the FMS customer may require some type of automated PC system and programs to facilitate requisitioning and material control. The FMS customer should be encouraged to purchase and employ an alternate automated data processing system. The FMS dedicated International Logistics Communications System (ILCS), which is designed to support FMS customer supply requisitioning, may satisfy this requirement. While use of ILCS would be advantageous, it may not be possible to install it quickly enough at a turnover site to make its use practical.

The FMS customer's knowledge of the turnover process and events occurring during the transfer are equally important. For instance, the FMS customer needs to be kept informed on topics, such as the status of funds available, funds expended, and anticipated funds required for each project. While data addressing these issues is available in the MISIL system, it may be necessary to develop special displays of the data to meet the management information needs of the FMS customer.

**370407      Funding.**

FMS regulations require that all efforts taken on behalf of a foreign government be supported by appropriate funding. The ultimate responsibility for ensuring the availability of adequate funds rests with the ship transfer logistics support manager. The NAVSUP ship transfer logistics support manager must be fully aware of the funding available in NAVSUP managed cases and assist in identifying all logistics actions requiring funding, even if the source of the funds is not a NAVSUP managed case.

Control over funds in NAVSUP cases is a routine responsibility of the NAVSUP ship transfer logistics support managers. By maintaining accurate financial controls, the NAVSUP ship transfer logistics support manager can readily provide information about uncommitted funds which are available for use in the early phases of the ship transfer process. This is particularly important when a transfer is performed within a compressed time frame. By fully understanding the elements of the transfer process, the NAVSUP ship transfer logistics support manager can be in a position to provide timely estimates of the costs involved.

**370408      COSAL Shortage Replacement.**

Shortages in onboard spares are normally identified by a Navy or contractor activity, such as ISSOT. The Stock Number Sequence List (SNSL), developed by SPCC as part of the ship's preliminary COSAL, is compared to the onboard spares inventory. Depending on the time limits imposed for the transfer, the shortages may also be identified by comparing the existing COSAL with the ship's repair parts stock records. These records reflect allowance quantities as well as requisition data for parts on order.

Once the shortages are identified, there are generally five basic methods available for ordering and managing the delivery of the material to the ship. Special circumstances surrounding the ship turnover, such as location and time available for the transfer, will influence the method used and may result in a combination of approaches. The five options are: 1) electronic transmission of requirements from the turnover site to NAVILCO on DRP cases; 2) package requisition processing through SPCC; 3) use of COSAL Requisitioning and Status Procedures (CRASP) on NAVSEA managed cases; 4) use of the FISC closest to the turnover site as the initial point of entry (POE) for requirements, or 5) manual processing of requirements. Options 2, 4, and 5 can be accomplished on NAVSUP "G" series cases.

An issue involved in all of these optional processes affecting COSAL deficiency requisitioning, is the use of DoD excesses to meet the requirement. This issue is identified as "Salvage Review" in the figures presented in this section. The draw-down of DoD excess has benefit to both the foreign customer and DoD. The customer may achieve a reduction in cost and DoD achieves a more balanced inventory level. In approaching this topic, the NAVSUP ship transfer logistics support manager must consider the rules governing excess material pricing, the cost of researching excess material availability, billing procedures, and the material release process. Each of these elements require considerable coordination among the activities involved in excess material release. NAVSUP P-541, Section 15 (Sale of Excess or Potential Excess Inventory) contains specific procedures for the sale of excess material at reduced price. U.S. law requires Congressional Notification in advance of these sales. Therefore, a decision to use or not to use excess material, as a source of supply for an FMS customer, must be addressed very early in the planning process.

#### **370409      Direct Transmission to NAVILCO.**

Direct transmission processing entails establishing electronic capability at the transfer site to permit direct submission of requirements to NAVILCO. This may be accomplished through (ILCS) or through delivery of tapes or disks. Upon receipt of the requirements, NAVILCO will perform all current validity checks against the data and process the requisitions through MISIL and into the supply system. This

approach requires that either the ship's force or U.S. representatives possess a thorough knowledge of the FMS requisition process to preclude errors in data handling, formatting, and distribution. Figure 37-4 (shown on page 37-52) displays the general information flow of the direct transmission option.

Direct transmission to NAVILCO has the advantage of submitting requirements into the supply system, as soon as they are known. It also allows NAVILCO to retain direct control over the financial integrity of the case used to support the transactions and provides for validation of FMS unique data before the requisition is passed into the supply system. This process also maintains requisition control under the auspices of personnel familiar with FMS transactions. The approach of submitting all requirements through NAVILCO, using direct transmission, adds one additional processing point to the requisitioning procedure. Using this approach may bypass the potential that requirements could be satisfied by the POE stock point. Use of direct transmission to NAVILCO or the POE options, discussed in paragraph 4.3.4, should be evaluated to determine which option provides the most advantageous result.

#### **370410      Package Requisition Processing.**

This method takes identified COSAL deficiencies and consolidates all requirements into groups for entry into the supply system. The packaging aspect involves SPCC and NAVILCO. COSAL shortages, defined by the U.S. and customer representatives, are passed to SPCC for consolidation and preparation. NAVILCO provides SPCC with the common data elements, which apply to all requisitions, such as the FMS case identifier, country code, etc. Upon compilation of the data, SPCC electronically passes the requisitions to NAVILCO for entry into MISIL. The requisitions flow from NAVILCO into the Navy Supply System. The Inventory Control Point (ICP) process results in distribution of the requisitions to the appropriate supply center for material release. This process is graphically displayed in Figure 37-5 shown on page 37-53.

The package approach has certain advantages. It provides a controlled environment, in which requisition, financial, and FMS required data is validated before transmitting the requirements to the Navy Supply System. It also provides tighter control over the rate of obligations and the availability of FMS case

funds to support these requirements. The package requisition process maintains FMS requirements under the control of personnel sensitive to regulations, stock issue restrictions, and FMS program practices.

Another advantage to the package requisition approach is the ability to track requisitions for COSAL and COSMAL material. Since these requisitions are entered into MISIL, the status of the requisition is available to the FMS ship transfer manager at NAVILCO, NAVSUP, and SPCC. Additionally, requisitions which have been canceled during supply processing are readily captured for technical review by SPCC and re-entered into the system.

### **370411      COSAL Requisitioning and Status Procedures (CRASP).**

On NAVSEA managed cases, another requisitioning method available is to have the Outfitting Supply Activity (OSA), FISC Charleston, process COSAL and COSMAL requirements. The OSA possesses the necessary navy stock point automatic data processing equipment for the CRASP program. SPCC Mechanicsburg develops and provides the DD 1348 MILSTRIP format necessary for the CRASP program to electronically process supply availability card data necessary for ordering. The OSA uses CRASP for processing requirements into the Navy Supply System. This process ensures that funds are available before the requisitions are released. CRASP monitors material from the time it is ordered from the supply system, staged at the site until it is required, and received by the ship. In addition, the CRASP program provides a number of supply and material management reports and a detailed audit trail for each requisition. It must be noted that information provided in these reports is not maintained on MISIL.

The CRASP program was initially designed to support new commission ships undergoing construction and conversion, as well as overhaul ships. For FMS purposes, CRASP and related UICP programs have been modified to permit the identification of individual ship hulls on the requisitions and CRASP reports. This makes CRASP an effective aid to outfitting FMS ship transfers. Once the ship is delivered, a Supply System Shortage Report (deficiency listing) is provided. The OSA or SPCC will track all outstanding requisitions until shipped complete.

**370412      Use of a Stock Point for Initial Requisition Entry.**

When the ship turnover is conducted at a location contiguous to a Navy Stock Point or a stock point detachment, the potential exists to make use of those facilities in satisfying COSAL shortage requirements. This process requires that the stock point receive a funded requisition directly from the ship's force, turnover support group, or on site U.S. representatives. Requirements should be handled on a "Fill or Kill" basis. To maintain control over this process, the stock point or U.S. representative provides NAVILCO with a tape or disk identifying requirements which were "Filled" or "Killed". This information is recorded in the MISIL system. "Filled" requisitions are recorded as obligations for record purposes only. "Killed" requisitions are recorded as new obligations and passed to the supply system. Figure 37-6 (shown on page 37-53) demonstrates this process.

The key advantage to this approach is timeliness. If requirements are handled on a "Fill or Kill" basis by the local supply point, the processing delays experienced in either the manual or package processes are reduced. The needs are acted upon as quickly as they are identified. If the material is locally available, in accordance with FMS issue criteria, it can be delivered and stowed rapidly. This can be an important factor in a short turnover period.

Time can be saved if the stock point is permitted to pass the unfilled requirements into the supply system, as opposed to forwarding the unfilled requirements to NAVILCO for entry into the system. This option is shown in Figure 37-7 on page 37-54. It must be noted that this option requires increased advanced planning, scheduling, and training. It also requires valuable processing time, which must be balanced against the overall time available for the ship turnover. Additionally, having requisitions pass directly to the stock point, bypasses normal funds availability validation at NAVILCO. This can be overcome by establishing "not-to-exceed" funding authority at the stock point or under the control of a U.S. representative at the turnover site. In either instance, personnel involved require understanding of the strict financial controls in the FMS process.

### **370413      Manual Requisition Processing.**

Manual processing of COSAL shortage requirements is the least desirable option. It entails development of single Line Item Requisition Forms (DD-1348) for each identified shortage. This requires manual preparation of each requisition document or the use of MILSTRIP format to submit consolidated requirements by letter or message. Manual requirements are normally sent to NAVILCO for processing. Therefore, requiring an excessive clerical effort and results in a potential for error in the data entry process.

Manual processing should only be considered as a means of last resort. Regardless, it must be recognized as a potential option when dealing with ship's forces who lack the appropriate requisition automation training. If this situation occurs, the NAVSUP ship transfer logistics support manager should investigate the possibility of assigning U.S. representatives at the turnover site to assist in generating non-manual requirements and obtain basic PC capability as part of the ship transfer.

### **370414      Ship's Force Repair Support.**

The recipient foreign government may initiate repair or renovation efforts during the turnover period. This often results in requirements for parts and services separate from those generated as part of any overhaul work being performed by the U.S. Government. Satisfying these ship's force requirements will require that separate logistics support and financial billing procedures be put in place. This will normally include submission of direct requisitions against the supply system, use of the local SERVMART, and assistance in open purchases. Some jobs identified in the Ship Alteration Repair Package (SARP) may become ship's force work items. Material support for these jobs needs to be addressed at planning meetings, to enable the shipyard to respond to support requirements. These issues also involve NAVSEA and NAVILCO for scheduling and financial concerns. Each of these alternative methods should be addressed early in the turnover preparation planning sessions.

**370415**      **Direct Requisitions.**

Material requirements to support work-in-process demand a shorter response time than can normally be anticipated in filling COSAL deficiencies. Only one of the options discussed above for satisfying COSAL deficiencies is fully capable of supporting these requirements. That option is using a point of entry stock point for the initial entry of requirements into the supply system since the critical factor is timeliness of material receipt. The local stock point can issue material, which is available locally, or return it to the ICP for further referral to another stock point.

If this approach is used, it offers the same advantages and disadvantages as those discussed under COSAL deficiencies. In view of the time issue, a decision not to use the local stock point to support ship's force repair work should only be selected when adequately justified by other overriding decision considerations.

**370416**      **SERVMART Support.**

The advantages of the SERVMART concept of logistics support are fully accepted by the U.S. Navy. The ability to provide rapid access to common use consumable material, without the burden of individual requisition processing, results in time and cost savings. These benefits should be made available to the foreign government during the ship turnover period. To ensure effective use of this methodology, advance liaison with the SERVMART activity is required to include funding limitations, foreign crew training in SERVMART procedures, and FMS case billing procedures.

**370417**      **Open Purchase.**

Purchase support to satisfy non-standard requirements is normally provided by an ICP (SPCC) under the FMS program. However, when providing direct support of work in-process, using the standard approach can become unwieldy. As a result, arrangements should be made with a purchasing activity located at or near the turnover site to provide this support. This may require direct negotiation

between the ships transfer logistics support manager and the purchase activity to ensure that procedural and funding functions are clearly understood and implemented.

Depending on the purchasing activity's workload, it may be necessary to limit on-site, non-standard purchasing only to the most critical parts or services needed to meet repair efforts or provide direct funding to the purchasing activity for the increased workload. As an alternative to direct funding, routine and non-repair related purchases can be directed to NAVILCO for transmission to an ICP for purchase action.

**370418**      **Lessons Learned.**

Documenting and applying lessons learned to follow-on ships being transferred to the same FMS customer is extremely beneficial, in that obstacles encountered in the first transfer work-up can be avoided in subsequent transfers. Maintaining a daily log of issues, problems, and solutions used during a ship transfer provides a significant advantage for the ship transfer logistics support manager when selecting options or addressing the concerns of the FMS customer. The FMS customer may need the flexibility to deviate from standard U.S. practices to meet some of his requirements. This could require Navy IPO involvement to negotiate agreements with the FMS customers embassy to arrange for procurement of material from commercial sources. These arrangements can be pre-planned, if previous procedures are documented.

**Section 5: COSAL/COSMAL Development**

**370501**      **Task Performance.**

The Ships Parts Control Center (SPCC), Mechanicsburg, as the Central Design Agency and Configuration Data Manager for FMS ship transfers, has responsibilities to ensure that technical and logistics documents, which identify the equipment configuration of the ship and specify the repair parts required to support the ship's installed equipment, are developed and provided to FMS customers. These products are the COSAL and the COSMAL. This section provides an overview of the functions performed by SPCC in the development of these documents.

SPCC is also tasked with providing assistance to FMS customers in determining the best method to employ in developing the appropriate support levels for shipboard and shorebased material assets. This requires close coordination with the various activities involved in the ship transfer process. Of key importance are the initial meetings with the FMS customer and representatives from NAVSEA, NAVSUP, and the Navy IPO. At these meetings, the options available to the FMS customer are presented. The options selected by the FMS customer and decisions made during planning meetings will be reflected in the final COSAL and COSMAL allowance documents, maintained in the Ship Configuration and Logistics Support Information System (SCLSIS) data base, and related Configuration Status Accounting (CSA) products.

The levels of provisioning include different allowance determination models, such as the Fleet Logistics Support Improvement Program (FLSIP) or Modified FLSIP (MOD-FLSIP) models, which calculate separate levels of supply support required or desired by the customer. In order to determine the best provisioning model, the FMS customer's existing support capabilities, maintenance practices, the facilities available to perform maintenance actions, and the ships operating cycles should be taken into consideration. These decisions require coordinated effort among NAVSEA, the FMS customer, and NAVSUP.

In addition, SPCC plays a key role in generating various related COSAL/COSMAL products, for example the Stock Number Sequence List (SNSL), Section 3 of the COSAL, which is essential for identifying shortages of shipboard material support items. Using the SNSL, SPCC has the capability to prepare batched material requisitions in magnetic tape format to order material deficiencies.

#### **370502      Coordinated Shipboard Allowance List (COSAL) Development Timeline.**

The COSAL is the allowance document which identifies a ship's material support requirements for the vessel being transferred. The COSAL lists the items required by a ship to achieve maximum, self-supporting operating capability for an extended period of time. The material listed on the COSAL allowance reflects the items determined during the provisioning process as required to be physically carried or authorized onboard the ship in designated supply storerooms or operating spaces

to support the ship in performing its primary mission. The COSAL lists: 1) equipments/components installed onboard; 2) repair parts and special tools required for the operation and shipboard repair of equipment; and 3) operating space items and consumables necessary for the upkeep of the ship. A primary requirement is that the ship must have the capability to install a particular spare part before it can be considered for its allowance.

The objective of the COSAL is to provide documentation and material support for the ship at or before the Turnover/Sail date. The COSAL allowance list is tailored to the individual ship based upon the ship's installed equipment, the military essentiality of the ship's systems, the capability of the ship's crew to maintain and repair the equipment, and ease of access to ashore support activities. These are the driving factors in developing an allowance document which will accurately reflect the ships configurations and provide the optimum spare parts support onboard.

Timely configuration status file updating and development of the allowance document will ensure an effective COSAL is delivered to the foreign customer to satisfy his logistics support requirements once the ship arrives in country. Close coordination and flow of required documentation between all the participants in the provisioning and COSAL development process will ensure proper logistics support and contribute to a successful ship transfer. The following examples are steps or products needed by NAVSUP activities, which must be accomplished within a precise time frame:

- The activity tasked by NAVSEA with conducting the equipment configuration validation will require timely validation aids to verify and report the configuration of the ship.
- SPCC as the CDA/CDM verifies the configuration of the ship, based on the validation.
- Provide NAVILCO with requisition data for processing system and maintaining financial management controls.

Integral to providing the FMS customer with the required allowance document is establishing and disseminating a timeline which identifies each of the steps required in the COSAL development process. The start point for the timeline is obtained by subtracting the time required for COSAL development from the Ship Turnover/Sail date. The COSAL development process, for an active ship transfer, normally requires approximately 18 months (this is the optimum time frame). However, in circumstances when the ship turnover/sail date must be expedited, some of the required milestone processing steps must be compressed into shorter time frames. In previous ship transfers, where a major ship overhaul was not required and the turnover process was expedited, this timeline has been accomplished within ten months. Regardless, the earlier the Ship Turnover/Sail date is provided to SPCC, the sooner the entire process can begin. Figure 37-8 (shown on page 37-55) provides a sample FMS COSAL development timeline, based on an active ship transfer.

The following paragraphs describe the timeline in more detail and provide a brief description of the events occurring within a given time period. It is important to recognize that the timeline is a planning document and that events may occur simultaneously within any given time period. Additionally, there are activities, outside SPCC, which have control of some events that significantly effect the COSAL development process. For example, NAVSEA maintains control of the Ship Configuration and Logistics Support Information System (SCLSIS) data, V09 file, which holds the configuration data for ships. The updating of this data is controlled by a U. S. Navy CDM. In order for SPCC to begin the COSAL development process, NAVSEA must release the ship and authorize the transfer of Navy CDM functions to SPCC, as the CDA, to configure the ship for the FMS customer. SPCC as the CDA will validate the configuration of the ship, update the SCLSIS file, and maintain updates to the Weapons System File (WSF).

### **370503      Configuration Validation.**

SPCC must be notified of the date that a configuration validation will be conducted in order to prepare and mail the validation aids. To facilitate scheduling, within the SPCC data processing cycle, this notification must occur prior to the 15th of the month preceding the date the validation aids are required. The fifteenth of the month is critical since SPCC must schedule and run monthly automatic data processing programs by that date. On the timeline this event is scheduled 18 months prior to the Turnover/Sail date.

Equipment validations are essential to establish an accurate configuration of the ship. The configuration of the ship reflects the actual inventory of equipment installed aboard the ship at the time of transfer to the FMS customer. Shipboard validations involve matching the name plate data of installed equipments to the data contained in the WSF. Shipboard validations are directed by NAVSEA and conducted by various activities. Results of the configuration validation are then provided to the CDM for upload to the SCLISIS V09 file. Funds to perform the validation effort must be in place, either from an FMS case developed for this purpose or assigned from an existing FMS Case.

**370504      CDA Input to SCLISIS.**

As a result of the equipment cotenclude all outstanding configuration changes, i.e., OPNAV Form 4790/Cks. The CDA normally performs these actions between 9 and 18 months prior to the Turnover/Sail date.

**370505      Program Management Plan (PMP).**

Upon receipt of the SCLISIS data, SPCC will develop a PMP. This occurs approximately eight and one-half months prior to the scheduled date for extracting the final COSAL from the WSF. This is the point where SPCC's International Logistics Support Department (Code 032) provides milestones and due dates to the HM&E COSAL CSA (Code 0551) and the Allowance Products (Code 0553) Divisions. This information is needed in order to meet the allowance product extract requirements. These allowance products include COSAL and COSAL sub-sets, such as the Stock Number Sequence List (SNSL), which are used in identifying COSAL shortages.

**370506      SPCC WSF Lockout.**

When NAVSEA transfers Navy CMD responsibilities, SPCC will "Lockout" the WSF to process updates and source data. "Lockout" refers to the procedure of limiting access to the WSF; allowing only SPCC authority to make changes.

**370507      Assemble Source data.**

Six months prior to the Ship Turnover/Sail date, SPCC will acquire and assemble all remaining source data, including any marked up copies of COSAL indices, Summary List of Component Changes (SLCC), and equipment removal lists.

**370508      Database Quality Review.**

SPCC will perform a line by line configuration Quality Review (QR) of a ship's configuration to identify systems, equipments, and components that require update. This review ensures an accurate baseline for subsequent source data processing. The review includes validating items, such as Service Application Codes (SAC), and quantities.

**370509      Source Data Processing.**

After the configuration QR has been accomplished, approximately five months prior to the Turnover/Sail date, all remaining source data will be processed. Additionally, any deficiencies identified during the QR will be corrected. Allowance Parts List (APL) and Allowance Equipage List (AEL) material, such as clothing, identified by FMS instructions for removal, will also be deleted.

**370510      Process De-install List.**

NAVSEA will provide SPCC with a list of equipments and components that are not authorized for transfer to FMS customers. This list is also known as the Remove Equipment List. Three months prior to the turnover, the parent APL and any related APLs (children of the parent APL), will be removed from the database. In cases where the related APLs are deleted, the system level APL will also be deleted. De-install information should be provided as soon as possible to facilitate these actions.

Paragraphs 370507 through 370510 shown above should be accomplished in sequence and as early in the process as possible to provide optimum results. The quality of the source data is the primary factor in meeting the three month processing time required to accomplish these steps.

Any errors identified during the review of inputs will be corrected between 60 and 75 days prior to the Turnover/Sail date. Additionally, any final changes received at SPCC will be processed.

Two months prior to Turnover/Sail date is the cutoff for the last update to the WSF prior to extract of the COSAL allowance document. At this point the SNSL can be compared to the ships inventory data identifying shortages, and the package requisition process implemented.

**370511      COSAL Extract.**

Forty-five days prior to Turnover/Sail date, SPCC Code 032 will request an allowance document (COSAL) extract from the WSF.

**370512      COSAL Quality Review.-**

A COSAL quality review will be conducted on the extract document to ensure accuracy. Deficiencies will be edited and corrections accomplished.

**370513      Deliver COSAL.**

The final allowance document (COSAL) is assembled and provided to the FMS customer. The data described in these paragraphs address active ships using SCLISIS V09 tapes maintained by the CDM. Inactive ships are already in SECAS V30 tape format, with updates to the WSF already accomplished. Therefore, the COSAL development process can be performed with greater ease and time savings.

**370514      Coordinated Shorebased Material Allowance List (COSMAL).**

The COSMAL is the allowance document which identifies the shorebased material support requirements for the vessels being transferred. COSMAL material is physically stocked at ashore military infrastructures located in-country, such as a supply center. The COSMAL authorized material provides an echelon of resupply to support the ship operating forces. Material is issued directly from these activities to the ship(s) to replenish material used and requisitioned by a

ship during its normal operation. The COSMAL is tailored to meet the FMS customer's requirements, to maintain an ashore stock endurance, measured in years of support available. Development of the COSMAL is dependent on multiple factors, which include:

- Endurance level requested by the FMS customer
- Number of ships to be supported
- Operating tempo of the ships
- FMS case funding available for support
- Date when in-country support must be available.

Representatives from SPCC's Security Assistance Department (Code 032), NAVSEA, Navy IPO, and the FMS customer should discuss these key issues at initial planning meetings. As the COSMAL process progresses, the issues discussed are solidified and final decisions implemented.

A COSMAL is developed using configuration data contained in the WSF. Therefore, a COSMAL can be developed for a single ship or an entire fleet of ships. A COSMAL can be extracted from the WSF as soon as ships configuration data has been correctly loaded. Integral to the process is the FMS customer's decision on range and depth of support required. This information is critical, because the allowance levels identified in the COSMAL are determined by applying applicable allowance computation mathematical models. These models consider material survival rate, turn-around-time for repair of failed assets, and the number of ships being transferred. Selection of the specific model used is based on the number of years of support requested by the FMS customer.

### **370515      COSMAL Development Timeline.**

The COSMAL development process requires approximately 60 days to complete, from the time the configuration data is set in the WSF to the production of the final COSMAL allowance document. The steps in the process are presented in Figure 37-9 shown on page 37-56.

**370516**      **Extract Stock Number Sequence List (SNSL).**

Approximately five days after the configuration data has been set in the WSF and COSMAL development starts, a SNSL is produced. The SNSL contains the NSN of the materials which support the ship's installed equipment. This data forms the baseline for establishing ashore stock objectives. The SNSL can be provided to the FMS customer for review if requested. During the review period, the FMS customer can identify any pre-existing, in-country assets which may affect the FMS customer's decision to change the allowance level or decline selected material support entirely.

**370517**      **Review COSMAL Products.**

Forty-five days prior to the Turnover/Sail date, SPCC performs a COSMAL Quality Review (CQR) to ensure its accuracy and to identify deficiencies.

**370518**      **Load Correction and Changes.**

After the CQR has been performed, corrections are loaded to the WSF. At this point, any changes requested by the FMS customer are also entered.

**370519**      **Deliver Final COSMAL Allowance Document.**

The final COSMAL is generally mailed to the FMS customer.

**370520**      **Requisitioning COSMAL Material.**

Requisitions for COSMAL allowance material are prepared by SPCC in tape format (Package Requisition Process) and forwarded to NAVILCO for processing and submission into the Navy Supply System. Preparation of the requisition tape is normally accomplished after the FMS customer has reviewed the COSMAL and determined what material will be stocked and managed in-country. A processing timeline for this function is provided in Figure 37-10 shown on page 37-57.

Availability of FMS customer funds may constrain material stock objectives. Therefore, it is incumbent upon the ship transfer logistics support manager to screen all sources of supply for material to support customer requirements. Material may be available from excess stocks at reduced price. Careful screening of excess material lists may provide the customer increased support while optimizing funds.

**370521      COSMAL Package Requisition Timeline.**

Preparation of COSMAL material requisitions by SPCC requires approximately 45 days from the time the FMS customer completes review of an allowance document and identifies the requirements. After the final COSMAL requirements are identified, SPCC forwards requisitions to NAVILCO or the OSA (CRASP procedures) for supply system processing.

Once the requisitions have been filled by the Supply System, the material is forwarded to the FMS customer's freight forwarder. Ownership and custody of the material transfers and becomes the responsibility of the FMS customer.

**370522      Options in the Process.**

An option available to the FMS customer is that of providing COSMAL material in increments. This option is possible because a COSMAL representing one ship can be extracted from the WSF. This option affords the FMS customer the opportunity to have shorebased support for the first ship available in-country earlier. Subsequent increments are then provided with requisition quantities reflecting the differences between total allowance and material already provided as additional ships are transferred.

SPCC uses ICPNET to make "wire transfers" of the requisition data to NAVILCO. This saves time in the process and places the requisitions in the supply system earlier.

## **Section 6: Follow-On Logistics Support**

### **370601 Support Summary.**

Sophisticated weapons systems, electronic, and general shipboard systems require a detailed, structured, well planned support program to ensure the sustainability of the transferred equipment or system throughout its life cycle and to ensure successful long-term operations. DoD policy is to encourage logistics support through FMS follow-on logistics support cases via the service department which transferred the end item. Some customers may choose to obtain this support directly on their own through commercial sources, with the original equipment manufacturers, or their own in-country suppliers. However, DoD's position is that the best support is provided by utilizing existing stocks in the DoD supply system under FMS procedures. The programs necessary to provide this support are covered by follow-on logistics support FMS cases, such as Direct Requisitioning Procedures (DRP), Cooperative Logistics Supply Support Agreements (CLSSA), Repair of Repairables (ROR), and Casualty Reporting (CASREP) procedures. The FMS customer should be made aware of these programs early in the transfer process so that Navy IPO, NAVILCO, and other activities involved with these cases can be ready to support customer requirements. The following paragraphs provide an overview of the follow-on logistics support options available to FMS customer.

### **370602 Direct Requisitioning Procedures (DRP) Stock Replenishment.**

Stock replenishment is the general term used to identify any method of replacing repair parts or components which have been consumed through maintenance or repair actions. Under ideal conditions, parts required for shipboard use are available in the ship's storerooms, based on the allowances established as part of the COSAL development process. Once used, the ship's spares are then replenished from shore based stocks which were established as part of the DRP replenishment FMS case. Once the DRP case has been implemented, FMS customers submit requisitions through NAVILCO COSMAL process. The shore based stocks are subsequently replenished through a DRP replenishment FMS case. Once the DRP case has been implemented, FMS customers submit requisitions through NAVILCO.

It is essential that the replenishment requisitions be submitted in an orderly and systematic fashion to minimize stock shortages and allow for demand data accumulation by the customer's navy. As with the USN Inventory Control Points, demand data will assist the FMS customer in developing replacement usage factors necessary for inventory control. DRP cases are not limited to support of a specific weapon systems or major end item. Requisitions may be submitted for stocked, as well as non-stocked items. There are, however, certain categories of material that are restricted from requisitioning: e.g., ammunition, explosives, major weapons systems and equipments, classified material and publications, commercially available items, initial provisioning spares. Separate action must be taken to either receive a waiver for the restriction or to acquire the restricted material under separate FMS cases.

Under DRP, the basic stock replenishment case is established on a blanket order, for which an upper limit dollar value is established, but which is not identified as to specific items and quantities of material which may be ordered against it. This type of case is managed by NAVSUP.

The material requirements under a DRP case are determined by the customer, submitted to NAVILCO, and routed to the appropriate ICP. The material is either issued from stock or procured, shipped to the freight forwarder, and billed against the appropriate case. One hundred percent supply and shipment status, as received by NAVILCO, is provided to the customer. Additionally, a quarterly requisition report, prepared by NAVILCO and furnished to the customer, summarizes the status of all submitted requisitions. (Note: As MISIL around the world is implemented, the customers may have more frequent and timely updates available through electronic access to MISIL. The ship transfer logistics support manager should be aware of what countries are active in the new concept.)

DRP requisitions are prepared using the MILSTRIP procedures, forms, and codes described in Section 2 of NAVSUP Publication 526. The primary advantages to using DRP cases are: reduction of administrative effort, simplification of requisition processing, and an increase in the overall efficiency and economy of supply actions. Relying totally on a DRP case for resupply is an incomplete approach because,

- return of repairables is not permitted under DRP procedures,
- material ordered under DRP can not be released below the inventory reorder point.

A balanced resupply program is achieved by considering that a companion to this basic stock replenishment approach is a Cooperative Logistics Supply Support Arrangement.

**370603      Cooperative Logistics Supply Support Arrangements (CLSSA).**

The CLSSA program is the method by which a FMS customer becomes a full participant in the U.S. Navy Supply System. This means that the customer receives treatment equal to that of similar USN activities in the processing of requisitions for centrally managed, centrally stocked material.

In order to participate in this program, the customer makes a cash investment in the Navy Stock Fund. This permits Navy inventory managers to increase on-hand stock levels, if necessary, to support the customers anticipated requirements. The investment is made through a FMS case referred to as a Foreign Military Sales Order (FMSO). The first case in the program is called a FMSO I case. The value of the FMSO I case is based on the type of equipment to be supported and the estimated annual demand (EAD) of anticipated repair part requisitions to be submitted over a twelve months period. The level of investment equates to 5 months worth (i.e. 5/12 of the EAD), which represents the level of stock to be augmented by the U.S. Navy to cover the anticipated requirements.

Once the investment is made, a period of time is needed for item managers to increase U.S. stock levels to support the investor's anticipated demand for material. The normal time lapse between the initial investment and the ability to requisition material under this arrangement depends on the procurement lead time, generally 24 to 30 months. Therefore, the FMS customer should be advised to obtain sufficient initial support assets during the turnover process to cover this augmentation period and to use DRP until the CLSSA is in place. Ideally, the decision to participate in a CLSSA program should be made when the end item is initially purchased. Subsequent to the implementation of the FMSO I case, the customer requisitions material under a FMSO II case (referred to as the "requisitioning case).

The FMSO II case is the open ended case established on an annual basis under which in-country depot stocks are replenished. The case value is determined by the customer based on anticipated requirements. The maximum value of the annual case must not exceed the estimated annual demand, established in the FMSO I investment case. FMSO II cases are reviewed annually to compare estimated and actual demand as identified on the FMSO I and FMSO II cases. The level of investment may require renegotiation to coincide with the actual level of demand, if there is a deviation of more than 25% or a significant equipment configuration change. FMSO cases may be terminated by either of the parties whenever the support is no longer necessary or desired, or when the U.S. no longer operates the weapon system in its active inventory.

CLSSAs are established to support equipment that is active in the U.S. inventory and supported by centrally managed, stocked NSN parts. The major advantages of the CLSSA arrangements are that U.S. inventory stocks are augmented to support anticipated FMS demand and issue restrictions are less stringent than those of DRP procedures. Additionally, FMS customer requisitions are processed using the same priority as that used for U.S. forces operating under the same Force Activity Designator (FAD). Restrictions on the types of material available under a FMSO II case are similar to the DRP exclusions cited above.

Before discussing CLSSA as part of the transfer process, the ship transfer logistics support manager should confer with SUP-71. This is necessary to ensure that a review of the equipment on the ship is conducted to determine which equipment, if any, is suitable for CLSSA coverage. Premature discussion with the customer may result in misunderstanding of the Navy support policy.

#### **370604      Repair of Repairables (ROR).**

Many of the weapons system components sold to FMS customers can be repaired. However, the FMS customer may not have the in-country capability to accomplish these repairs. Therefore, the U.S. offers the FMS customer the opportunity to participate in a ROR FMS case. When these cases are negotiated, NAVSUP Publication 526 should be cited as the reference containing the procedures to be followed for repair transactions.

ROR cases for ships can be managed by either a Hardware Systems Command (NAVSEA, NAVAIR, SPAWAR) or NAVSUP. Generally, repairables for a single system (e.g., Standard Missile, Torpedoes, HARPOON, etc.) are managed by a Hardware Systems Command and repairable cases covering a wide variety of weapons systems and equipment are managed by NAVSUP. The designation of the manager is mutually agreed upon by the appropriate systems commands.

The determination of which systems command will manage the repairable case is based on several factors. Some of these are:

- The stage of production of the weapons system. If the system is still in production with a project management office in the Hardware Systems Command, the probability is that the hardware command will manage the repairable FMS case.
- The type of weapons system. If the item is a major item, e.g., missile launcher, for which the Hardware Systems Command is the inventory manager, the probability is that the hardware command will manager the repairable FMS case.
- The repair activity. If the activity responsible for performing the repairs is a field activity of the hardware command, e.g., Naval Torpedo Station, Keyport for torpedoes, or Naval Ordnance Station, Louisville for ordnance, the probability is that the hardware command will manage the repairable FMS case.
- Usually, the repairable cases managed by NAVSUP cover repairables for which the Navy ICP performs inventory management responsibilities involving many items and weapons systems, some of which do not have permanently designated overhaul points. Due to the range of repairable items, the repair effort involves hundreds of sources of repair, both organic (Navy) and commercial contractors.

A ROR case requires that the customer's components be handled as a unique item throughout the repair process. This method is referred to as Return, Repair, and Reship (RRR) procedures. In essence, the carcass returned by the

customer is sent to a U.S. overhaul facility (either government or commercial); the item is repaired and the same item is reshipped to the customer. As part of this controlled process, the customer is required to assign a unique MILSTRIP document number for each item turned in for repair. This aids in tracking the item throughout the shipment and repair process and ensures that the same item is returned to the customer.

FMS customers expressing a desire to participate in this program will need to know the range of services available and the items that can be repaired. A fundamental tool for this purpose is the Tailored Repairable Item List (TRIL) for a specific weapons system. This document is formulated to meet specific FMS customer requirements and contains a list of the NSN, Commercial and Government Entity (CAGE) code, manufacturers part number, and the designated U.S repair facility. When TRIL lists are developed, only RRR items are included for a specific weapons system. However, even though all TRIL items are RRR, not all repairable items are listed on the TRIL. All systems do not qualify for TRIL, e.g., Spanish ships program. TRIL transactions are generally not on MISIL requisition file (summary data, only). Before the FMS customer can use ROR procedures, he must establish an FMS case via Navy IPO. It is sound management to establish this case early in the ship transfer program to handle equipment failures which may occur during the transfer process.

An option to consider is a combination of TRIL and a single requisition method, such as for HM&E transactions. For example, when sufficient weapons system data exists for systems, such as RADARs, SONARs, or other electronics, TRIL can be used on a system basis and single transactions can be used for other support requirements.

Ship transfer logistics support managers should be alert to limitations placed on Navy managed ROR cases. The level of control must be sufficient to assure that the same item turned in for repair is the same item returned to the foreign customer. This precludes the use of the usual navy process of repair and exchange. In unusual situations, where circumstances warrant, a request for a waiver to this policy may be considered by NAVSUP-71.

**370605      Requisition Expediting Services.**

In an effort to provide requisition expediting services and improve support for critical repair parts, FMS customers are authorized to participate in the USN Casualty Report (CASREP) Program on a reimbursable basis. CASREP requisition expediting services are normally established under a DRP case.

The FMS CASREP Program was developed to expedite requisition processing to attain and maintain optimum readiness of designated forces and programs, as well as to provide maximum visibility of the status of requisitions within the program. These expedited and monitoring actions are the same efforts provided to U.S. forces submitting CASREP requisitions to the supply system.

The main objectives of the CASREP Program are to provide intensive monitoring and expediting of requisitions, to decrease critical material requisition response time, to ensure the appropriate priority is assigned to requisitions, and to apply uniform standards to requisition reporting.

The steps involve the requisitioning process under the CASREP program are:

- Navy IPO authorizes the customer's entry into the program, establishes an FMS case, provides requisitioning procedures, and validates the FAD for the country.
- The customer submits CASREP requirements to NAVILCO via priority message.
- NAVILCO routes the requisitions to the appropriate ICP. The ICP processes the requisition and refers the requisition to a stock point to release and ship the material or takes the appropriate procurement action to satisfy the CASREP.
- The ICP expedites the logistics action and provides status reports identifying the individual requisition and the most recent logistics status.

- The FMS customer is assessed a processing charge for each CASREP requisition handled in the expediting system.

If used selectively, the CASREP Program, because of its concentrated management efforts, can greatly enhance logistics effectiveness.



Figure 37-1  
TOP LEVEL PROCESS

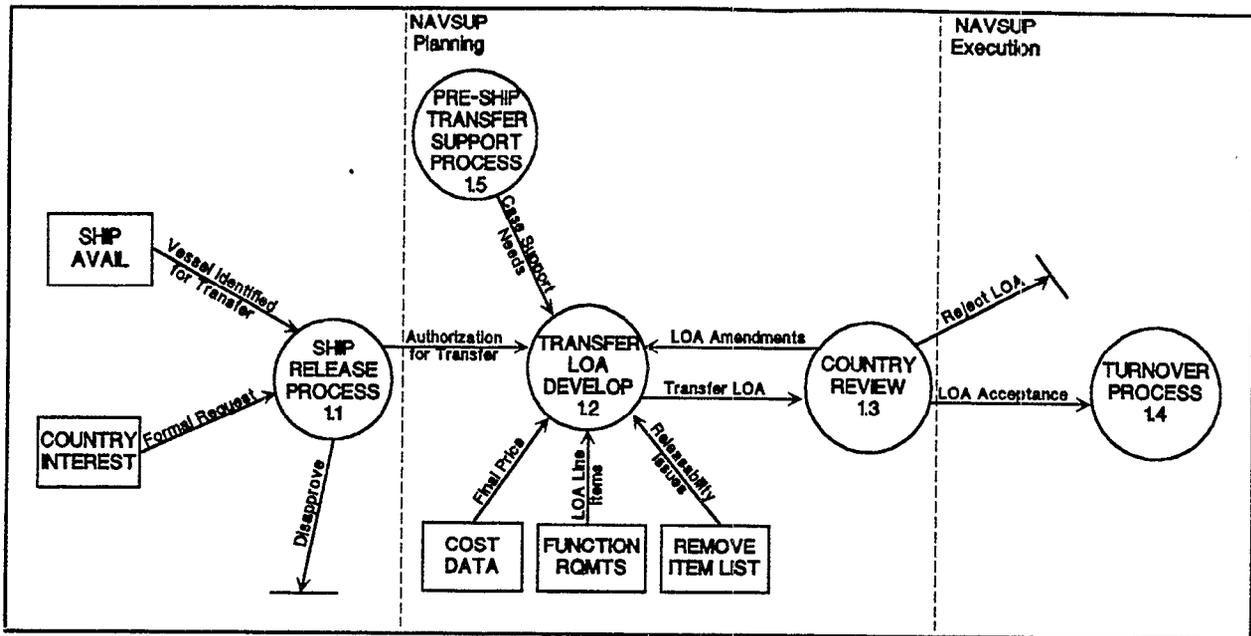


Figure 37-2  
CRITICAL TRANSFER ELEMENTS

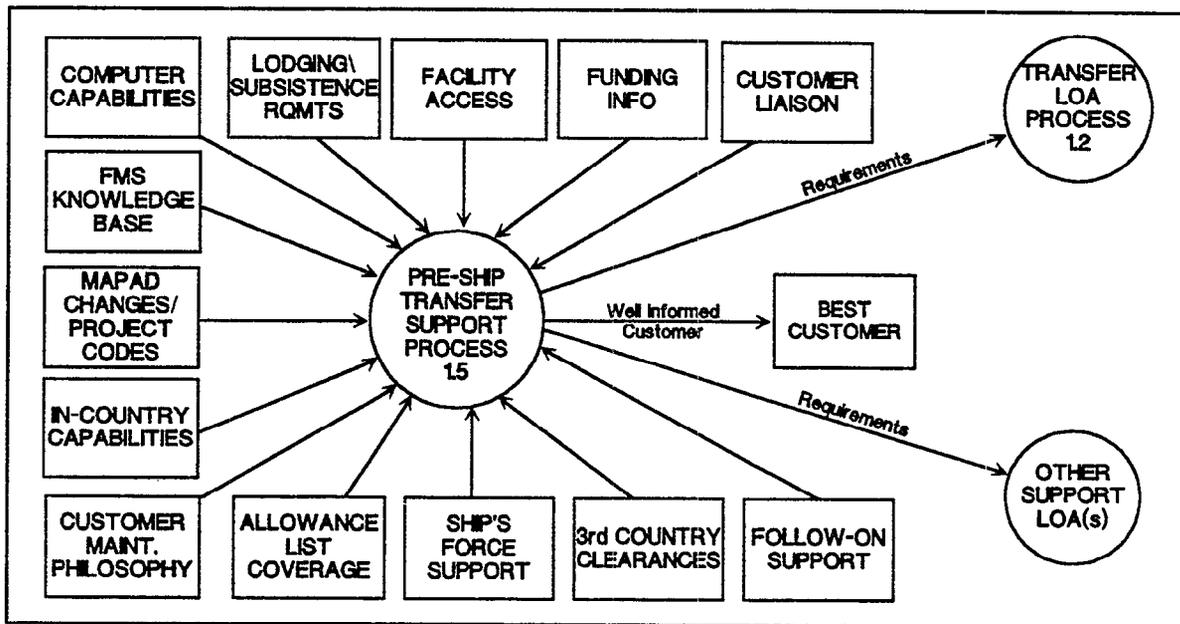


Figure 37-3

MATERIAL SUPPORT PROCESS

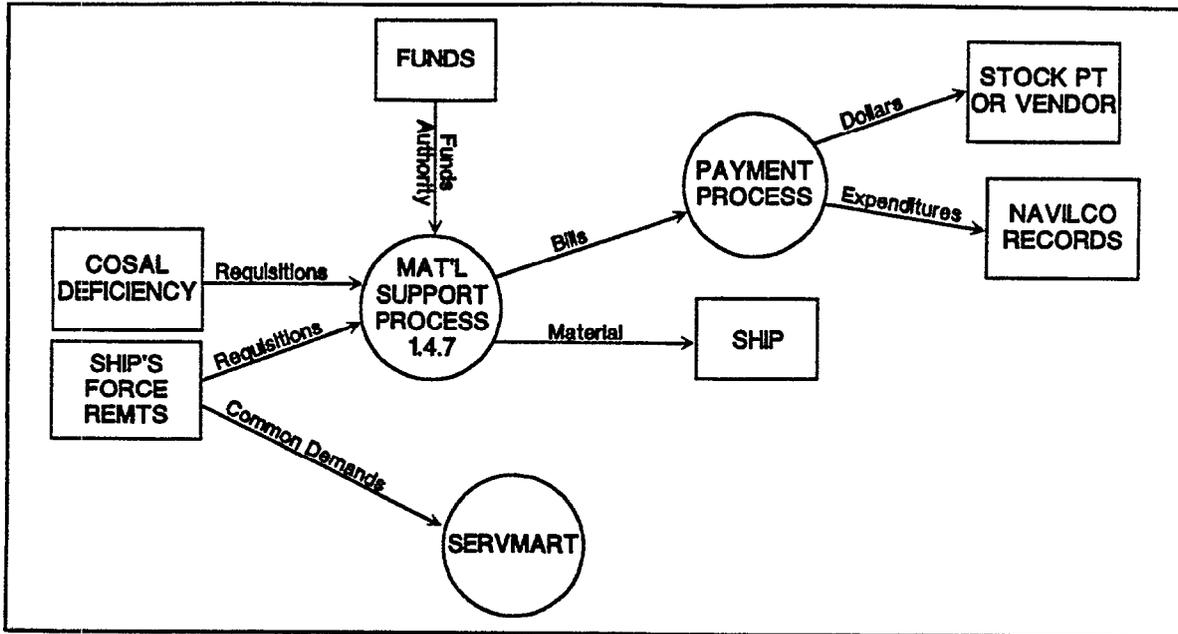


Figure 37-4

PROCESSING THROUGH NAVILCO

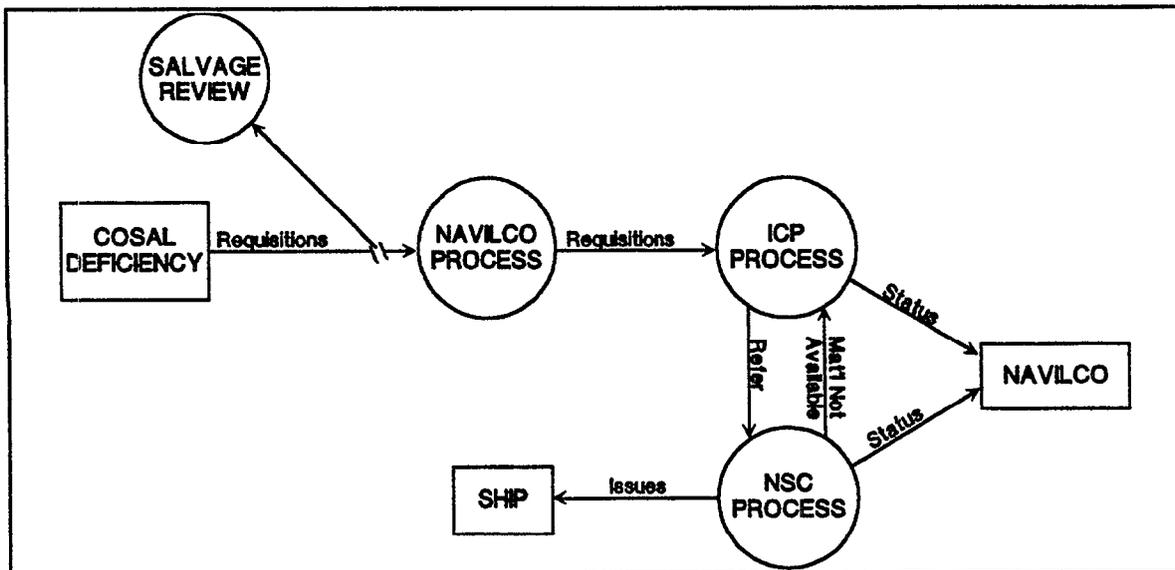


Figure 37-5  
PACKAGE REQUISITIONING PROCESSING

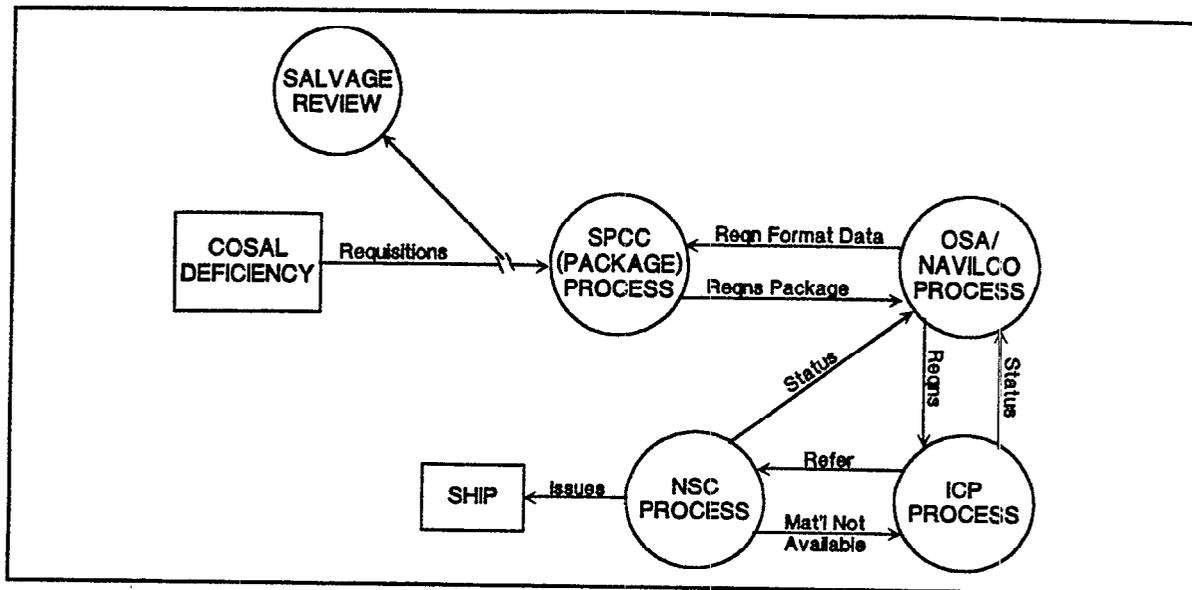


Figure 37-6  
"FILL or KILL" PROCESS

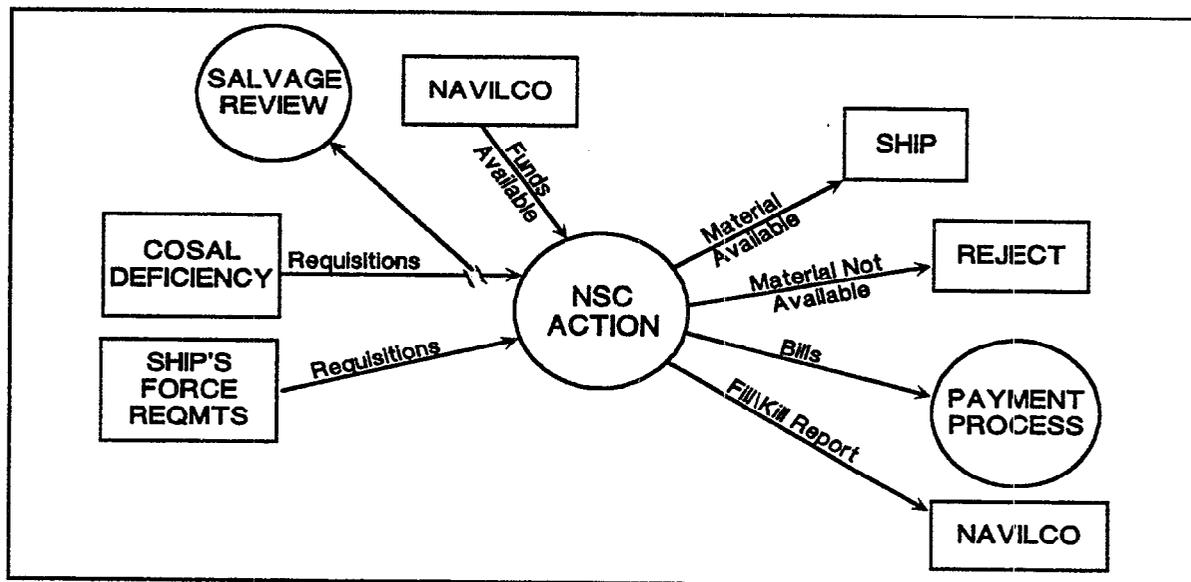


Figure 37-7

STOCK POINT POE PROCESS

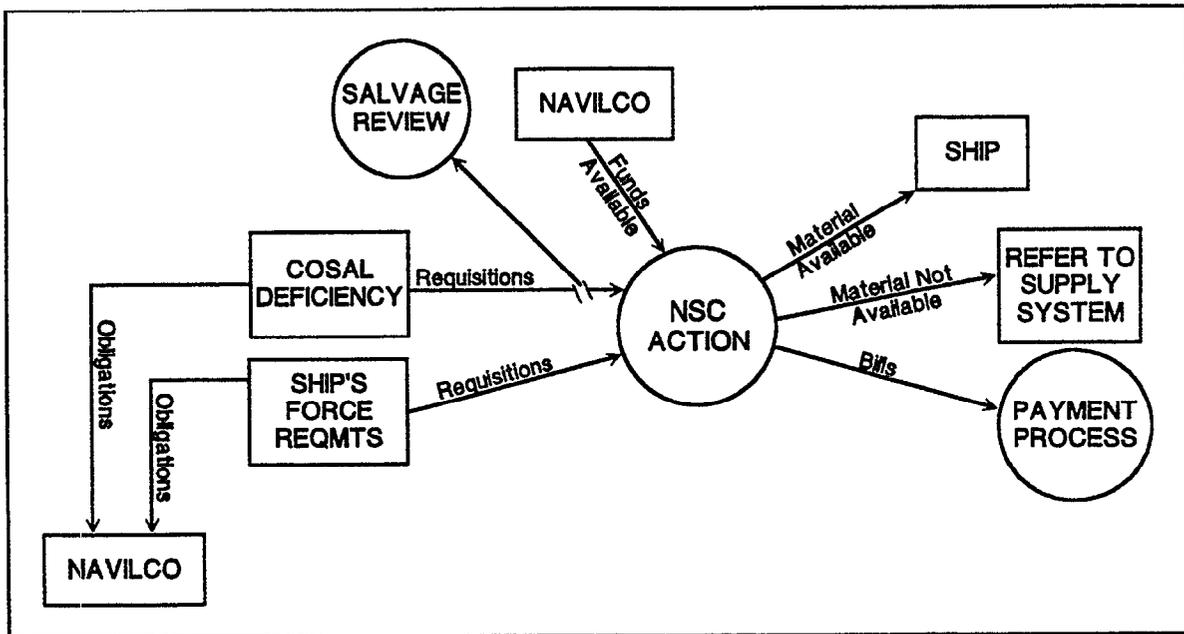


Figure 37-8

FMS COSAL DEVELOPMENT TIMELINE

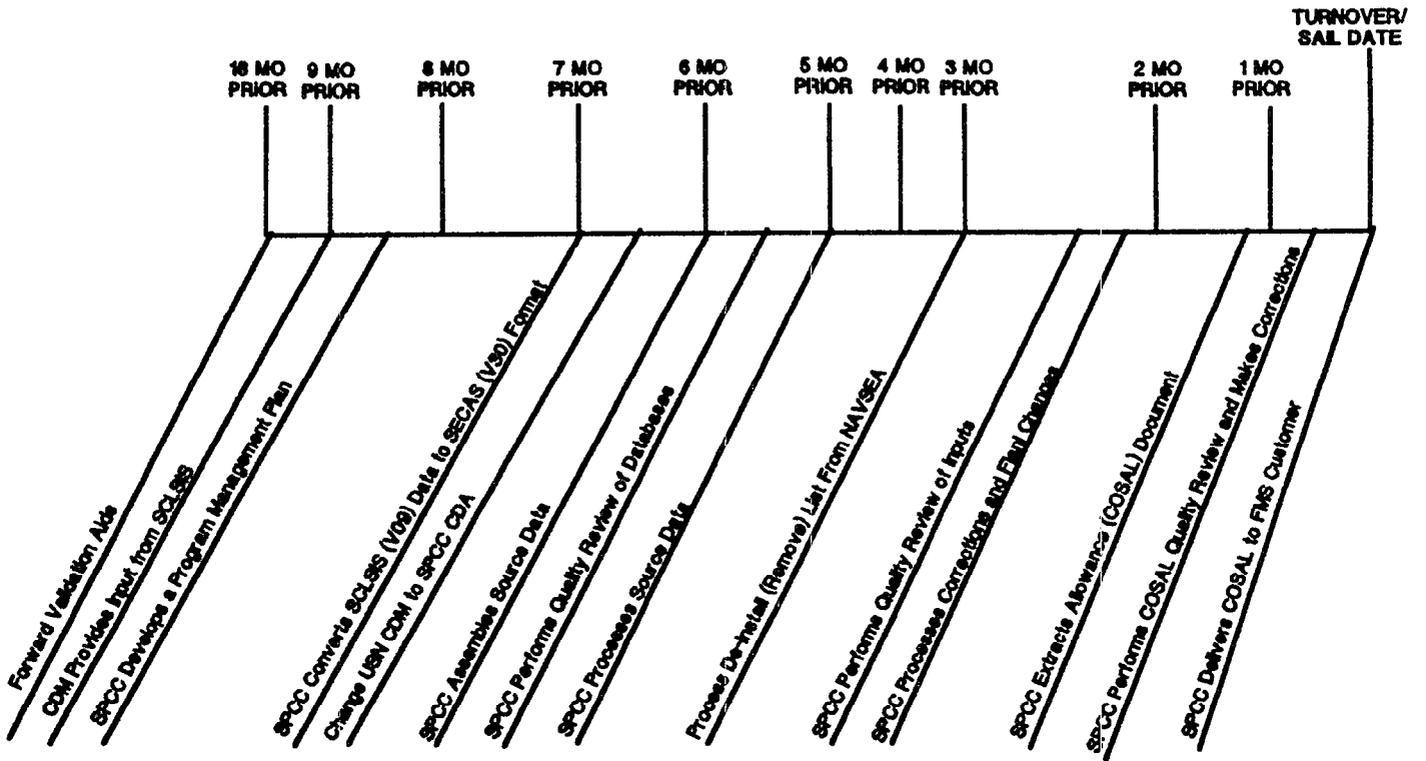


Figure 37-9

FMS COSMAL DEVELOPMENT TIMELINE

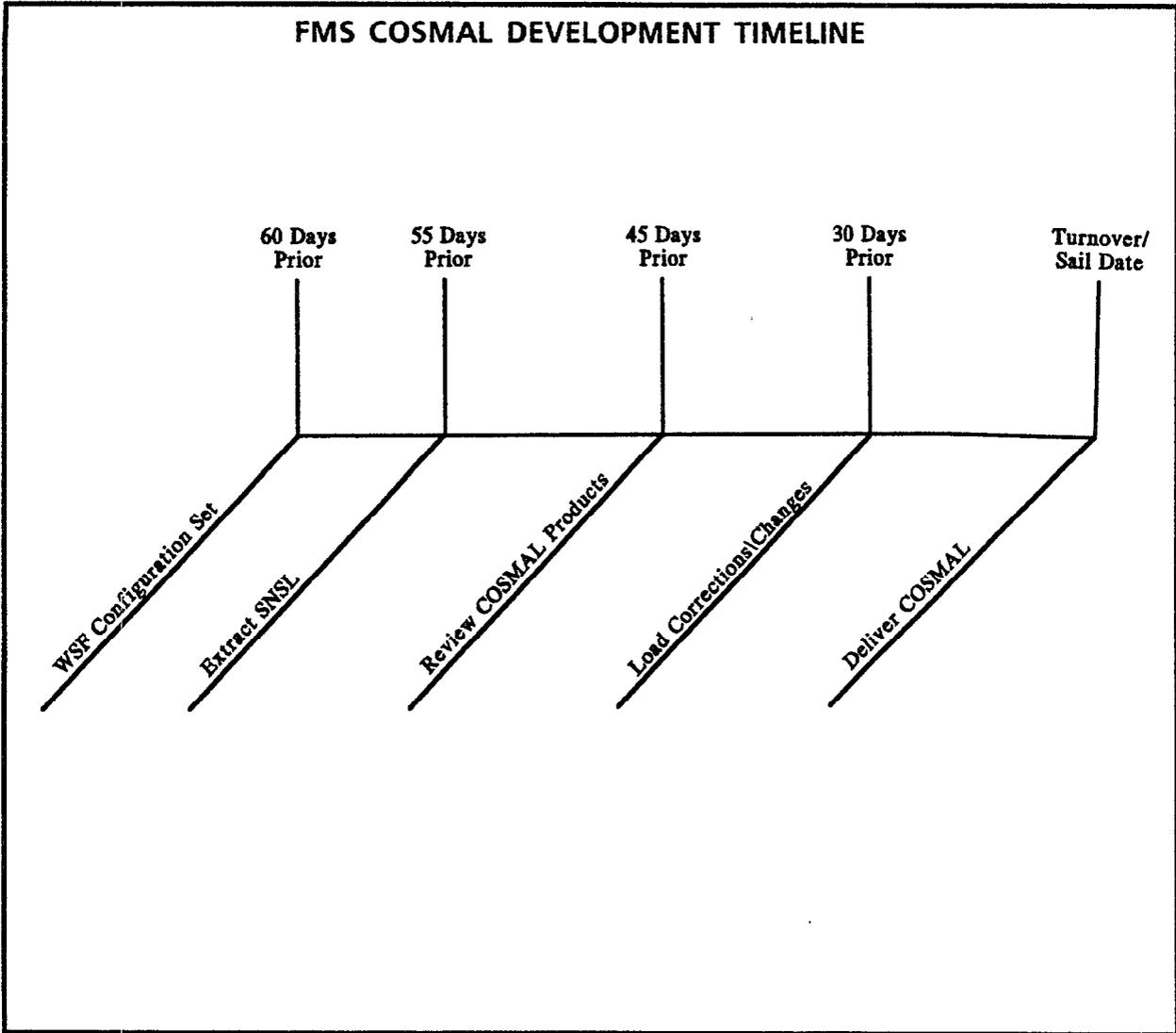
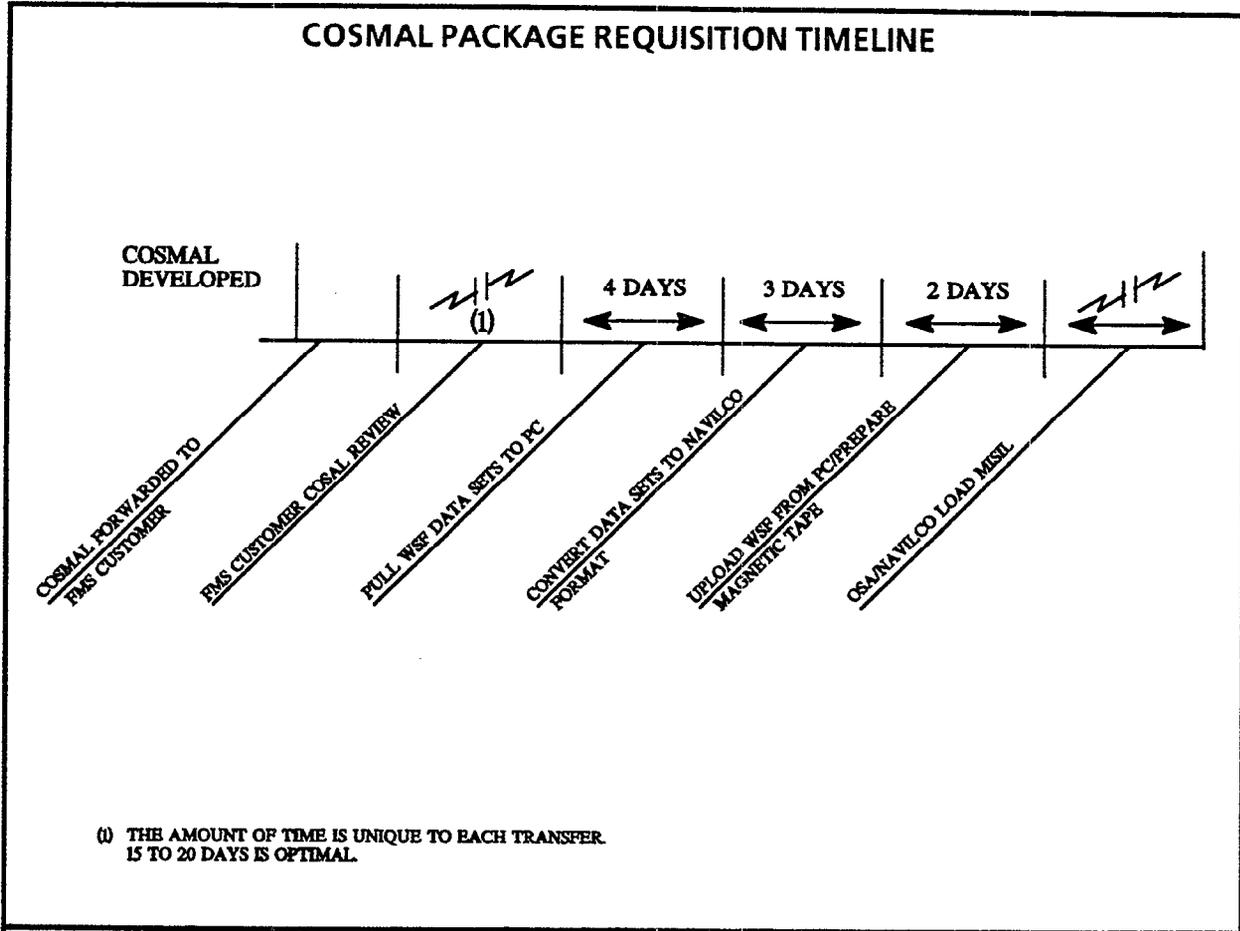


Figure 37-10

COSMAL PACKAGE REQUISITION PROCESS





## CHAPTER 39 - INFORMATIONAL PROGRAM

### Section 1: General

#### **390101**      Purpose

a. To assign responsibilities and provide guidance for the administration of the Informational Program (IP) within the Naval Supply Systems Command (NAVSUPSYSCOM), in consonance with DOD Directive 5410.17 and SECNAVINST 4950.4.

b. To enhance the formal training courses and orientation of Foreign Military Students and military-sponsored visitors in the United States (U.S.) under the Security Assistance Program.

#### **390102**      Background

Foreign Military Students, whether officer, enlisted or civilian, will be considered guests in the United States and treated accordingly. They will be given the opportunity to participate in the IP within the limits of time and resources available. The IP is strictly voluntary, but participation shall be encouraged. It is the responsibility of each activity to ensure that its IP is interesting and attractive enough to earn the full and active interest of all foreign students. The objective of the IP is to assist the students in acquiring a balanced understanding of United States society, institutions and goals. The IP is intended to complement the student's formal training courses and orientation while in the U.S. Exposure of the students to the nonmilitary aspects of American life is considered by the Department of the Navy (DON) to be of importance, second only to the objectives of the military training which the student is scheduled to attend. Figure 39-1 lists the twelve IP objectives and provides examples of how they can be accomplished. DOD 5410.17, enclosure (4) and SECNAVINST 4950.4, paragraph 11-6 also provide numerous samples of trips which could be taken to achieve the objectives of the IP. Chapter 11 of SECNAVINST 4950.4 also sets forth guidance on policy, applicability, responsibilities and other aspects of subject programs of the Navy.

**390103      Applicability**

Activities shall administer the expenditure of IP funds with the objective of providing every eligible student the opportunity to experience various aspects of American life. IP funds are not to be used to defray transportation expenses to and from field study assignments when such assignments are for academic purposes and not specifically intended to further the goals of the IP. Similarly, IP funds are not to be used to provide routine transportation, e.g., to and from classes. Authorized dependents may accompany their sponsors on IP events only on a space-available basis and at no cost to the U.S. Government.

**390104      Escort Officer**

A Foreign Military Student Manager (FMSM) may act as escort or may appoint someone to act on his/her behalf. The success of the IP functions rest in large measure on the knowledge, initiative and personal interest of the escort. The escort is in constant contact with the foreign students, and is, therefore, in the best position to influence their impressions of what they see and hear. Escorts should be thoroughly familiar with the objectives of the IP and should be prepared to discuss the various topics as opportunities arise. The ratio of escort officers to students is as follows: (a) One to ten participants-- one escort; (b) Eleven to twenty participants-- two escorts; (c) Twenty-one to fifty participants--three escorts, (d) Fifty plus participants--four escorts. A checklist for escorts, (Figure 39-2), is provided to assist the FMSM/escort in planning IP trips. Assessments (Figure 39-3) shall be summarized for the NAVSUP IP manager (SUP 74A) each July as part of the Annual IP Assessment and Budget Call.

**Section 2: Financing**

**390201      Scope**

Funds are authorized by the Navy International Programs Office (Navy IPO) through the Naval Supply Systems Command Headquarters (NAVSUPHQ) for implementation of the IP. These funds may be used to cover costs of acclimation programs, field trips, Washington, DC visits, special lectures and seminars, cultural

and sporting events, representational functions, and other activities under the purview of the IP. Control of NAVSUPSYSCOM expenditures under this program is retained by NAVSUPHQ. The NAVSUP IP manager (SUP 74A) will approve IP funding and all events (including no-cost functions) prior to their taking place.

**390202      Initial Approval for IP Participation**

Each activity approved for participation in the IP during a given fiscal year will be provided a direct fund cite letter. Figure 39-4 is a sample letter. This letter provides the fixed portion of the fund citation to be used in executing the program. Authorization will be provided for each individual function as outlined in paragraph 390203.

**390203      Authorization for Specific IP Function/Event**

After a FMSM/escort has planned an IP function or event, he/she will contact the NAVSUP IP Manager via phone (Commercial (703) 607-1012 or DSN 327-1012) and provide the following information:

- a. Name of activity
- b. Name of requestor
- c. Estimated dollar requirement (if any)
- d. Function date and number of days
- e. Number of foreign students
- f. Number of foreign guests
- g. Number of U.S. guests
- h. Number of escorts
- i. Description of the function/purpose

**390204      Advance of Funds**

An advance of funds for each IP function is authorized under NAVCOMPT manual, paragraph 046377-1e.

a. When an advance of funds is required, the activity authorized to incur obligations for IP purposes shall by letter to the Disbursing Officer (copy to NAVSUPHQ (SUP 74A and SUP 123E)) do the following:

(1) Designate and authorize an individual to incur and pay expenses;

(2) Indicate the applicable number of foreign students involved and the maximum amount to be expended; and

(3) Designate and authorize the Disbursing Officer serving the activity to advance the required amount of funds using NAVSUPHQ assigned Standard Document Number and fund citation.

b. Upon presentation of the written designation, the Disbursing Officer will advance the amount authorized on a NAVCOMPT Form 2277 citing the transaction type code "1K" the standard document number and other accounting data contained in the letter designation.

c. Within 10 days after completion of each function or event, the designated individual will prepare a Claim for Reimbursement for Expenditures on Official Business, SF-1164, or Voucher for Disbursement or Collection-NAVCOMPT Form 2277, as prescribed in NAVCOMPT manual, paragraph 046377. The claim will contain the standard document number and the fund citation used on the related authorization letter. All expenditures will be itemized and supported by receipts where obtainable. The claim will be submitted to the activity fiscal officer for approval. The claim, together with the original letter designation, will be presented to the disbursing officer who effected the advance. The disbursing officer will process the claim crediting the transaction code "1K" accounting data cited for the advance, and charging the accounting data (transaction code "2D") cited in the letter. Any money advanced and not expended will be collected from the individual. A copy of the settled claim will be sent immediately to NAVSUPHQ (SUP 123E and

SUP 74A)) for obligation of funding and entry into the Automated IP Tracking System.

**390205**      **Disbursing Funds**

Disbursements of funds authorized by NAVSUPHQ for IP activities will be made by the FMSM/escort authorized to draw funds in accordance with paragraph 390204. When possible, government checks may be used to pay advance deposits. This procedure should lessen the need for large cash advances and reduce the FMSM/escort's personal liability for stolen/lost money. When cash advances are necessary, FMSM/escorts should purchase travelers checks. Travelers check fees are an authorized IP expenditure and can be listed on claims as miscellaneous cost. Use of "dedicated" Command IP checking accounts is not authorized and is subject to violation of 31 U.S. C. Section 3302 (a).

**390206**      **Living Allowance**

Students participating in IP tours are considered to be in a duty status. The living allowances authorized for IMET students at their training centers will be continued throughout the duration of the tour.

**390207**      **Tours and Visits**

IP tours and visits may be conducted on an all-expense paid basis with the following limitations: Single room accommodations are authorized for O-7's and above and civilian equivalents. All other students shall use double room accommodations. The only exception will be for female students when no other female student is participating in the IP event. Maximum meal allowances are to be based on the rates authorized in the Joint Travel Regulations (JTR) for the applicable city.

**390208**      **Escort Officers**

Lodging and meals for escorts will be provided on the same basis as for regular TAD. Escort expenses shall be included in the estimated cost of an IP trip.

**390209**      **Social Activities**

Social activities on a moderate basis in direct support of the IP are authorized. Breakfast, luncheons or dinner with a guest speaker are an excellent means of introducing foreign students to members of the civilian community and civilian sponsors. Normally, the proportion of U.S. official personnel and guests at such functions should not exceed the total number of foreign students. However, depending upon the occasion, this recommended proportion may be exceeded if approval is obtained in advance from the NAVSUP IP Manager (SUP 74A).

Entertainment and social activities should not be the predominant element of the IP.

**390210**      **Travel and Transportation**

a. Government transportation shall be used to the fullest extent possible in an effort to broaden the program and effect economy. Commercial transportation, however, is authorized as required.

b. Surface transportation and short trips are encouraged to provide foreign students with a closer look at the American countryside.

c. Trips should normally be within a 500-mile round trip limitation. A waiver for trips exceeding this limitation must be approved by Navy IPO with the exception of the Washington, DC trip for selected senior, career, postgraduate, and other significant courses as designated by DON. Include with your waiver request(s) a statement of IP objectives to be met and justification as to why these objectives cannot be accomplished within the mileage limitations and submit in your annual IP requirements report in July. Approval must be obtained from Navy IPO via NAVSUPHQ prior to issuance of an authorization.

d. No cost travel orders for foreign students and escorts should be prepared when IP activities in excess of 10 hours are conducted out of the local area. Preparation should be in accordance with the requirements of the JTR.

### **Section 3: Extraordinary Expenses**

#### **390301      Extraordinary Expenses (EE)**

These expenses (Budget Project N60 funds) are defined as those incidental to representation activities for students under the IMETP. They include costs of commanding officers' welcome, receptions, civilian and military sponsor banquets, faculty and student luncheons, graduations and other similar activities which bridge cultural differences and enhance the relationship between school officials, local community supporting participants and foreign students while attending courses of instruction at U.S. and overseas facilities. EE funds may also be used for activities described above in connection with the IP and orientation visits and tours, but must be limited to IMETP students. The expenditure of N60 funds for students not sponsored under the IMETP is not authorized. A limited number of activities are authorized EE funds. The same limitations and constraints apply to EE funded activities as for IP, although different accounting applies.

### **Section 4: Documentation Flow**

#### **390401      Documentation Flow**

Submit to NAVSUPHQ the following reports, documents or forms as indicated:

- a. Annual IP requirements report (July) - send to SUP 74A.
- b. Copy of advance funding letter and vouchers to Disbursing Officer for each IP activity - send to SUP 123E and SUP 74A.
- c. Settled Claim for Reimbursement for Expenditures on Official Business, SF-1164, or Voucher for Disbursement or Collection--NAVCOMPT Form 2277 - send to SUP 123E and SUP 74A.

## **Section 5: Reports and Responsibilities**

### **390501      Reporting Requirements**

a. Following the third quarter of each fiscal year, activities will provide NAVSUPHQ a review of current year's IP activities and IP plans for the coming fiscal year. The review should include the number of foreign students who participated in the program under IMETP and FMS by Officer, enlisted and civilian, and a narrative assessment of results and any recommendations for program improvements. The plan should also include a proposal on how the remaining year's funds will be spent. Further, the report should contain a projection of the next year's IP with requests for Navy IPO waiver of the 500-mile round trip limitation, if required. All reports should contain sufficient detail to permit an accurate assessment of the activity's efforts towards fulfillment of the goals of the IP.

b. Annual reports shall include a point of contact, preferably the FMSM/escort, with the contact's code, address and DSN number. This information should also be forwarded to NAVSUPHQ (SUP 74A) when the FMSM/escort changes.

c. The annual report shall be for a twelve-month period commencing 1 October of each year and shall be submitted to NAVSUPHQ (SUP 74A) no later than 15 July each year.

### **390502      Responsibilities - NAVSUPSYSCOM**

a. Submit the annual IP and EE budget requirements to Navy IPO (40).

b. Issue letters/messages to respective Commanding Officers authorizing funds and assigning accounting data to be cited on financial documents.

c. Act as focal point and Program Manager of the IP for NAVSUPSYSCOM.

d. Upon request, confirm availability of funds and appropriateness of IP function; approve, authorize funding and enter information into the Automated IP Tracking System.

- e. Review waiver requests and provide recommendations to Navy IPO as necessary.
- f. Review NAVSUP activities' programs for compliance.
- g. Issue a report call to activities in June of each year.
- h. Provide target allocation of program dollars to activities.
- i. Receive and verify copies of all obligating documents from activities utilizing program funds.
- j. Maintain records of amount authorized to each activity and obligations/expenditures incurred.
- k. Consolidate obligation expenditures for the program year.
- l. Reconcile expenditures for the previous FY's IP.

**Figure 39-1**

**INFORMATIONAL PROGRAM OBJECTIVES**

**OBJECTIVES.** DOD has established 12 objectives which are designed to give foreign students an opportunity to obtain a balanced understanding of the U.S. through personal contact and observation of our people and our governmental and cultural institutions. These objectives and examples of how they can be accomplished are:

1. U.S. Government Institutions. Visits to post offices, local and state government agencies, and Washington, DC.
2. The Judicial System. Visits to city, county or state courthouses or traffic courts; interviews with a local judge; tour of a police station.
3. Political Parties. Visits to polling locations, attendance at political rallies, tours of political headquarters during election campaigns.
4. Press. Tour of newspaper offices, TV studios or radio stations.
5. The Diversity of American Life. Sporting events, concerts, civic clubs, celebration of national holidays, trips to cities, national parks, entertainment centers, etc.
6. Minorities. Tours of public schools, panel discussions by minorities, visits to Indian reservations.
7. Agriculture. Visits to farms, ranches, livestock shows, veterinary hospitals.
8. Economy. Tour of banks or other financial institutions, visits to private businesses, tour of factories.
9. Labor and Labor/Management Relations. Labor and management briefings during factory tour, visit to labor union office.
10. Education. Tours of public schools or universities, attendance at PTA meeting.
11. Public and Social Welfare. Tours of hospitals, retirement homes, visits to Salvation Army office.
12. Human Rights. The way in which all of the above elements reflect the U.S. commitment to the basic principles of internationally recognized human rights.

(An outstanding, low cost but highly successful approach to achieving some of the above objectives is to have guest speakers at morning or evening meals with a follow-up question and answer session.)

**Figure 39-2**

**CHECKLIST FOR ESCORTS ON INFORMATIONAL PROGRAM TRIPS**

1. Each escort should:
  - a. Receive TAD orders for the trip (including foreign students) when event exceeds 10 hours and is outside local area.
  - b. Understand the DOD objectives and the specific objectives of the trip.
  - c. Receive a briefing from the tour paying-agent on procedures for drawing, issuing, and accounting for trip funds.
  - d. Receive a copy of the itinerary.
  - e. Be assigned a group of foreign students.
  - f. Be introduced to all tour participants.
  - g. Obtain receipts for any expenses.
  - h. Explain points of interest during the tour.
  - i. Account for students following lunch breaks, etc.
  
2. Escorts should assure the students are briefed on the following:
  - a. Need to wear neat uniforms or appropriate civilian clothing.
  - b. Weather report to assist in selecting seasonal clothing.
  - c. Allowances for meals, entrance fees, tips, etc.
  - d. Tour itineraries with emphasis on arrival and departure times.
  - e. Places of interest.
  - f. Appropriate behavior.
  - g. Need to pay bills before departing.
  - h. Baggage allowances.
  - i. Danger of carrying large sums of money.

**Figure 39-2 (Continued)**

**CHECKLIST FOR ESCORTS ON INFORMATIONAL PROGRAM TRIPS**

3. After tours, escorts will:

- a. File claim for expenditures.
- b. Return excess funds to paying agent.
- c. Forward copy of settled claims to NAVSUPHQ (SUP 74A & SUP 123E).
- d. Assist the FMSM escort in the preparation of thank you letters when appropriate.
- e. Assist in debriefing students and evaluating the tour.
- f. Prepare escort officer's assessment of IP activity for annual report to NAVSUPHQ (SUP 74A).

**Figure 39-3**  
**UNIT/ACTIVITY LETTERHEAD**  
**ESCORT OFFICER'S ASSESSMENT OF IP ACTIVITY**

Objective: \_\_\_\_\_  
\_\_\_\_\_

Date and Description of Activity: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

No. of Foreign Students: \_\_\_\_\_  
Countries Represented: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Escort Officer's Assessment of Student's Reactions:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
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\_\_\_\_\_

Note: One of these should be filled out by the senior escort the first day of duty after completion of an Informational Program activity.

Figure 39-4



4950  
74A/462

From: Commander, Naval Supply Systems Command  
To: Commanding Officer

Subj: FYXX INFORMATIONAL PROGRAM (IP)

Ref : (a) SECNAVINST 4950.4  
(b) DOD Directive 5470.17  
(c) NAVSUP Pub 541, Chapter 39

1. In accordance with references (a) and (b), your activity is hereby designated for participation in the Informational Program during FYXX.\* Reference (c) provides guidance on program policies and procedures.
2. Individual IP functions will be approved by NAVSUPHQ (SUP 074A) on request. Requests shall be made by calling DSN 327-1012 or commercial (703) 607-1012.
3. The fund citation and documentation number to be used by your activity is as follows:

Document number: N00023XX MDIPO \* \*

AA 17X804.973R 000 JA501 0 068342 2D XIPOXX 2577B000507B  
\* \*\* \* \*\*

\* Note 1: Indicates fiscal year.

\*\* Note 2: The FIRST digit - H for HEADQUARTERS  
F for FIELD ACTIVITY

The SECOND digit - B for NAVSUPHQ  
C for NAVILCO  
D for FISC NORFOLK  
F for SPCC  
G for ASO  
H for FMSO  
J for NSCS ATHENS  
K for FISC PENSACOLA  
L for NAVILCODET  
M for FISC CHARLESTON  
N for FISC JACKSONVILLE

\*\*\* Note 3: Enter 1K for advances, 2D for settlements.

## CHAPTER 40 - GRANT TRANSFERS

### Section 1: Introduction

#### 400101 Purpose.

The purpose of this Chapter is to provide Navy policy and procedures for Grant Transfers of Navy material under the Foreign Assistance Act (FAA) of 1961.

#### 400102 Background.

The FAA provides the President of the United States the authority to drawdown and provide lethal and non-lethal defense articles and services from the stocks of the Department of Defense, when:

- a. An unforeseen emergency exists which requires immediate military assistance to a foreign country or international organization.
- b. The emergency requirement cannot be met under the authority of the Arms Export Control Act (AECA) or any other law.

The authority contained in the FAA is effective for these purposes upon prior notification of the Committee on Foreign Affairs of the House of Representatives, the Committee on Foreign Relations of the Senate, and the Committee on Appropriations of each House of Congress. The FAA authorizes the appropriation of sums as required by the President to reimburse the applicable appropriation, fund, or account for defense articles, defense services, and military education and training provided for each applicable section of the FAA.

#### 400103 General.

There are two classifications of material associated with Grant Transfers, non-excess material and Excess Defense Articles (EDA). The classification of material is associated with a specific type of Grant Transfer.

There are five types of Grant transfers for defense articles and services addressed in specific sections of the FAA. One section of the FAA authorizes the Grant Transfer of non-excess material, while four sections authorize EDA only. Several sections which authorize transfer of EDA state this drawdown must not have an adverse impact on military readiness. Excess Navy assets do not impact Navy readiness. A common factor among the five Grant Transfer types is that the defense articles and services are provided to the recipient at no cost. However, Packing, Crating, and Handling (PC&H), and transportation costs are charged in some Grant Transfers. A summary of each type Grant Transfer and associated material classification is provided in the following paragraphs by FAA Section.

a. Section 506 - Special Authority (non-excess material). This section of the FAA provides for Grant Transfers for internal and collective security and self defense of any eligible country for lethal and non-lethal material. The President may authorize the drawdown of any defense material (non-excess material and EDA) or defense service to meet an unforeseen emergency. The drawdown of defense articles must be from Department of Defense stocks. Contractual procurement to acquire or replace the material or service is not authorized. An aggregate value for material and services not to exceed \$75,000,000 in any fiscal year is authorized. This aggregate value applies to the total amount of Presidential authority for one fiscal year, not a value for any one authorization.

Section 506(a) contains the amendment authorizing Presidential drawdowns of defense articles, services, and military education to provide grant assistance for requirements related to international narcotics control, disaster assistance, and migration and refugee assistance. Travel and associated costs of personnel performing training and services are included under Section 506(a) Grant Transfers.

These transfers are considered Grant Assistance and do not require payment for the material, PC&H, and transportation. The appropriate funds account will be reimbursed by the U. S. Government.

b. Section 516 - Southern Region Amendment (SRA) (EDA material). This section of the FAA provides for the Grant Transfer of both lethal and non-lethal EDA

to countries on the Southern flank of NATO. Materials are to be used to modernize the defense capabilities of these countries. The eligibility of individual countries may vary from year to year. Navy IPO will monitor countries eligibility and only direct transfers for authorized countries. The most recent Congressional legislation can be reviewed to determine which countries are eligible. This transfer is considered Grant Assistance and does not require payment for the material by the foreign government.

Material transferred is not intended to be replaced and is therefore exempt from Section 21(a)(2) of the AECA which requires payment by the foreign country. The drawdown of defense articles must be from Department of Defense stocks. Contractual procurement to acquire or replace the material or service is not authorized. Costs for PC&H, transportation, inspection, refurbishment and other services performed will be charged. SRA Section 516 transfers are not subject to the \$250,000,000 ceiling imposed for EDA under AECA Section 31(d).

c. Section 517 - Counternarcotics (EDA material). This section of the FAA provides for the Grant Transfer of lethal and non-lethal EDA to certain Latin American and Caribbean countries for modernization of military capabilities associated with anti-narcotics activities to curb major illicit drug production or drug trafficking. Latin American and Caribbean countries having a democratic government, and whose Armed Forces do not engage in violations of internationally recognized human rights, are eligible for Grant Assistance. EDA will be provided to the countries for use by/with local law enforcement agencies in a comprehensive national anti-narcotics program which prevents the production, processing, trafficking, transportation, and consumption of illicit narcotic or psychotropic drugs or other controlled substances.

The Secretary of State determines the eligibility of countries to receive EDA in accordance with the International Narcotics Control Act of 1988, and ensures that the transfer of EDA is coordinated with other anti-narcotics enforcement programs assisted by the U. S. Government. The aggregate value of EDA transferred to a country in any fiscal year may not exceed \$10,000,000. The material transferred

must be drawn from existing stocks of the Department of Defense (purchase of items is not authorized) and the drawdown must not have an adverse impact on the military readiness of the United States.

This transfer is considered Grant Assistance and does not require payment for the material by the foreign government. Costs for PC&H, transportation, inspection, refurbishment and other services performed will be charged.

d. Section 518 - Natural Resources and Wildlife Management (EDA material). This section of the FAA provides for the Grant Transfer of non-lethal EDA and small arms to friendly countries, international organization, and private and voluntary organizations for biodiversity activities involved in the protection of endangered plants and wildlife species and other purposes as defined in Section 119 of the FAA. The material transferred must be drawn from existing stocks of the Department of Defense (purchase of items is not authorized) and the drawdown must not have an adverse impact on the military readiness of the United States.

This transfer is considered Grant Assistance and does not require payment for the material by the foreign government. Transportation of non-lethal EDA and small arms is authorized on a DOD space available basis at no cost.

e. Section 519 - Authority Relating to Modernization of Military Capabilities (EDA material). This section of the FAA provides for Grant Transfer of non-lethal EDA to assist in the modernization of defense capabilities of countries for whom Foreign Military Financing (FMF) program was justified for the fiscal year in which the transfer is authorized. In addition, it must be determined that the Grant Transfer of EDA is preferable to selling the EDA taking into account the proceeds of sale and the comparative foreign policy benefits that may accrue to the United States as the result of either a transfer or sale.

The material transferred must be drawn from existing stocks of the Department of Defense (purchase of items is not authorized) and the drawdown must not have an adverse impact on the military readiness of the United States.

This transfer is considered Grant Assistance and does not require payment for the material by the foreign government. Costs for PC&H, transportation, inspection, refurbishment and other services performed will be charged.

## **Section 2: Authorization and Implementation**

### **400201 Transfer Authorization.**

The Navy International Programs Office (Navy IPO) is ultimately responsible for developing the Navy's list of material offered for Grant Transfers. The Navy IPO process includes a survey of various Navy organizations for eligible excess material and considering "want lists" submitted by any eligible country. Activities/ICP's submitting lists of material nominated for EDA Grant Transfer will verify, and provide a statement to NAVSUP/Navy IPO, that material has been screened for utilization by other DOD components in accordance with DOD 4160.21M, Defense Reutilization and Marketing Manual.

The completed Navy list is forward to the Defense Security Assistance Agency (DSAA) for staffing within the Office of the Secretary of Defense (OSD), Joint Chiefs of Staff (JCS), and the State Department. After DSAA review, Congress is notified. As specified in the FAA, EDA is offered to authorized countries after 30 days has elapsed subsequent to Congressional notification. Each country will review the approved EDA list and indicate the EDA in which they are interested. The EDA is then reserved and transferred to the respective countries.

Items originally nominated by Navy IPO are normally reserved pending authorization and transfer. For Defense Business Operations Fund (DBOF) material, this reservation will only ensure material is not disposed of prior to transfer. If US forces or other valid requirements occur prior to actual transfer, the material will be issued against these requirements. Certain material on the proposed SRA list may no longer be available for Grant Transfers as a result of this action.

Defense articles authorized under Section 506(a) of the FAA must be delivered to the recipient country or international organization not more than 120 days from the date on which Congress received notification. Articles delayed require a new Congressional notification explaining the reason for the previous delay.

**400202 Implementation.**

Upon receipt of Presidential Authorization (Congressional Notification), actions for transferring material will begin. Navy IPO will designate a Case Administrative Officer (CAO) for each country and program. The CAO is responsible for ensuring all equipment is transferred, accessorial (PC&H and transportation) costs are billed (if appropriate), and records maintained.

All Grant Transfer programs will have an LOA. Navy IPO and the CAO will establish new Services LOAs for FAA sections 516, 517, and 519 Grant Transfers for charging any costs incurred during material transfer. There is no cost for the article; however, out-of-pocket expenses such as PC&H, transportation and refurbishment are charged to the Grant Transfer recipient.

Grant Transfer material must be shipped under Grant Transfer procedures. Certain actions must be completed to ensure this process is successful. The CAO will be responsible for ensuring the following actions are completed.

a. Ensuring Section (C) of the MAPAD (Grant Shipments) has the correct MAPAC Ship-To/Mark-For address entered. Grant Transfer requisitions resemble Grant Aid requisitions as they process through ASO and SPCC's UICP system. The MAPAC is constructed by Grant Aid rules, not FMS rules. MAPAC's are constructed as shown in the following example for MAPAC "XXAZ00".

---

Rqn Sup Address (cc 45-50) Y0GA01 : _____ :	Rqn Doc Number (cc 30-43) PXAZ4130010001 : _____ :		
: : X : : XA : : Z : : 00 : : _____ :	: : : : : : : : : : _____ :		
From Rqn cc 45 Y converted to X by UICP	Country Code from Rqn cc 31-32	Mark For Code from Rqn cc 33	Always Zero Fill

---

Each MAPAC in Section (C) of the MAPAD has various Transportation Account Codes (TACs). TAC code M identifies the Mark-For address. TAC codes 1 and

2 provide the Ship-To address for small parcel and surface freight shipments. The Ship-To addresses should include a statement in parenthesis indicating it is a Grant Transfer shipment. The applicable FAA section should be referenced in the address as shown in the following example for a TAC 1 or 2 address.

Xanadu Navy (SRA 516 Program)  
C.O. Freight Warehouse  
123 Street Ave.  
Anywhere, NJ [zip]

b. Ensuring the proper Mark-For code is entered on the LOA. This code must correspond with the address listed in the grant section of the MAPAD. Section (C) of the MAPAD must have an entry matching the MAPAC constructed from requisition data. This MAPAD address is used by the shipping activity to correctly construct addresses for package shipping labels.

c. Notifying NAVILCO Code 252, DSN 442-5002 (FMS Transportation ControlOffice) of the specific Grant Transfer program. NAVILCO Code 252 provides advice for any transportation problem associated with grant shipments.

d. Notifying the recipient country's Freight Forwarder of anticipated shipments under specific requisition numbers. Notification will assist the Freight Forwarder with recognizing shipments of Grant Transfer material and coordinating shipment to the recipient country.

Navy IPO and the CAO are responsible for ensuring MAPAD entries are correct and material is delivered to the proper address.

### **Section 3: Requisitioning and Billing**

#### **400301 Requisition Processing.**

The CAO will identify all material to be transferred and liaison with ASO or SPCC to create requisitions. The following entries must be made in the specified card columns of Grant Transfer requisitions in order for the requisition to process correctly through the UICP and MISIL systems.

a. Document Number, cc 30-43:

(1) Mark-For Code, cc 33:

Enter the Mark-For Code from the LOA. Ensure this code creates the proper MAPAD address for delivery.

(2) Delivery Term Code, cc 34:

Enter the Delivery Term Code (DTC) from the LOA. Normally the DTC will be DTC "4". Although this is a Grant Transfer DTC "0" will not be used.

(3) Type of Assistance (TA) code, cc 35:

Enter TA code "C" for Grant Transfers under Section 506.  
Enter TA code "1" for all other Grant Transfers.

These entries are required by UICP for processing nonreimbursable orders and are in accordance with the SAMM, appendix D-66.

b. Supplementary Address, cc 45-50: The Supplementary Address for Grant Transfer requisitions differs from standard FMS requisitions which contain the Offer Release Code, Freight Forwarder Code, and LOA Case Designator.

(1) Service Code, cc 45:

Enter "Y". Required by UICP for processing nonreimbursable orders and construction of the correct MAPAC.

(2) CC 46:

Enter "0" Zero.

(3) Receipt Control Number, cc 47-50:

Enter the four position Receipt Control Number designated by DSAA for the transfer.

c. Signal Code, cc 51:

Enter "C". Required by UICP for processing nonreimbursable orders.

d. Fund Code, cc 52-53:

Enter "49". Required by UICP for processing nonreimbursable orders.

e. Project Code, cc 57-59:

As provided by DSAA. The JCS assigns a Project Code for FAA Section 506 Grant Transfers to enable the U.S. to identify the program being supported. Other Grant Transfers may be assigned a Project Code if required.

f. Advice and Status Code cc 65-66:

Enter "2J". Material requisitioned for Grant Transfers are to be filled from existing DOD stocks. Procurement is not authorized for material not in stock. Advice code 2J advises the inventory manager to fill the requisition only if assets are available, otherwise cancel/reject the requisition. This is commonly called "Fill or Kill". Partial Fills are appropriate. For example, if a quantity of five (5) is ordered and three (3) are available, three (3) would be shipped and the remaining quantity of two (2) canceled. **Grant Transfer requisitions must never go to procurement.**

**400302 Billing.**

Grant Transfer material is provided to the foreign customer at no cost. Charges for DBOF material are absorbed by the DBOF account. Billing of this material is accomplished through normal Transaction Item Report (TIR) processing. The ICP will submit an interfund bill for \$0 to NAVILCO. This interfund bill is generated by the ICP to clear their account and show the record is closed. NAVILCO does not process this interfund bill.

For applicable programs, the CAO is responsible for ensuring transportation, PC&H, inspection, refurbishment, and other services performed are charged against a services LOA established for the recipient country and reimbursed to appropriate funds accounts.

a. For actual cost billings, the CAO will provide the activity performing the service a work request and that activity will submit a DD Form 2277 to NAVILCO for reimbursement. Funds collected will be credited directly to the activity providing support.

b. Estimated cost billings may be used when it is uneconomical to track and account for actual costs. For estimated cost billings, the CAO will submit a DD 2277 to NAVILCO and funds collected will be credited to the appropriate account. Estimated costs will be determined in accordance with DOD 7000.14-R, Volume 15, Financial Management Regulation.

Transportation for DBOF material will be provided prepaid at U.S. Government expense to the recipient countries freight forwarder. Costs incurred with the transfer of DBOF funded material may be billed as estimated or actual (refurbishment costs must be actual). Bills based upon actual costs will be reimbursed to the shipping activity and bills based upon estimated costs will be returned to the appropriate DBOF account at NAVSUP.

The CAO is responsible for updating and maintaining all DBOF billing information located on NAVILCO's MIST system.

#### **Section 4: Data Management and Reporting**

##### **400401 Data Management.**

The Navy must maintain a detailed record of all Grant Transfers and provide periodic reports to DSAA. Currently the Navy's MISIL, maintained by NAVILCO, cannot process requisitions which are "free issue". However, NAVILCO can record Grant Transfer data using the MIST ADP system. Navy IPO has assigned NAVILCO the responsibility for keeping all Grant Transfer data on MIST.

Information on Grant Transfers using requisitions processed through ASO or SPCC will have this data transferred electronically from the ICP to NAVILCO. All other Grant Transfer data will be added by the CAO through a MIST on-line process or through electronic data transfer coordinated with NAVILCO.

The information in the MIST database is provided by the ICP's processing the requisitions or by the CAO. The CAO assigned by Navy IPO is responsible for ensuring their programs data is complete and accurate in MIST. This includes data for a CAO's program that was entered into MIST by an ICP.

Grant Transfer information is permanently retained by NAVILCO. Grant Transfer records may be moved to a historical file when all supply actions for an entire Grant Transfer program are complete and the CAO has provided written authorization.

Section 5 of this chapter provides information on MIST and the procedures for creating, updating and retrieving data records.

#### **400402 Reports.**

DSAA requires reports of Grant Transfers and provides these to Congress and the State Department. Navy IPO has access to MIST data and will use the information available to prepare Grant Transfer reports required by DSAA.

Section 5 provides procedures for creating and downloading report information and displays sample reports.

### **Section 5: MIST Database Management**

#### **400501 MIST Functions.**

MIST is an application within the Navy Logistics Network (NLN). The system offers the user capabilities to add, update, or query data records, and produce management reports for each of the five Grant Transfer programs. Records can be added or updated either individually or by batch transaction. ASO and SPCC

load Grant Transfer information from their Document Status File (DSF) by batch means. CAO's or other authorized users normally input data by on-line entry, but, may use batch entry when arrangements have been coordinated with NAVILCO Code 50.

**400502**    **MIST Databases.**

After signing on to the NLN and accessing MIST the user is presented with menu options to select a Grant Transfer program. For purposes of this annex FAA Section 516, Southern Region Amendment data screens will be used in all examples. The first screen presented is the "UPDATE MENU". This screen allows the user to add records or change records already established (Note: Records can be changed through the Query process, but not added). Access is keyed to the records document number. The first screen, as shown below, allows entry of a document number to select an existing record or establish a new one. Data Element definitions are provided for MIST screens as Figure 40-1 at the end of this Section.

ZGX0041

04/07/93 10.54.35

-----  
S O U T H E R N   R E G I O N   A M E N D M E N T

\*\* U P D A T E   M E N U \*\*

ENTER DOCUMENT NUMBER

SERVICE	(1):
COUNTRY	(2):
MARK FOR CODE	(1):
DELIVERY TERMS CODE	(1):
TYPE OF ASSISTANCE	(1):
JULIAN DATE	(4):
SERIAL NR	(4):
SUFFIX	(1):

\*\*NOTE: USE PSEUDO DOCUMENT NUMBER IF NO REAL DOCUMENT NUMBER EXISTS.  
SEE HELP SCREEN FOR INSTRUCTIONS.

-----  
: PF1: HELP : PF3: PRIOR MENU : PF6: ADD : PF9: CHANGE : PF10: DELETE :  
-----

The next screen, as shown below, appears after a document number has been entered from the previous screen. This screen allows for the actual addition or revision of records. Several fields have restricted access depending upon entry conditions. This screen can also be accessed by selecting "UPDATE TRANS" from the Report Selection screen described in paragraph 405103. Selecting PF1 will provide additional information on using this screen.

```

ZGX0041                SRA - ADD FUNCTION                04/07/93  10.57.32
-----
***  ENTER ALL DATES IN YYDDD FORMAT  ***

DOCUMENT NR/SFX:      PTHA4130450001 A      CNTRY:  TH      CONTROL NR:

REQN RECEIVED        DT:                    NSN:
DSF LAST ACTION      DT:                    COG:           SPARES IN:
ILCO ESTABLISHED     DT:  93097             MAT STK PT/ARI:
ILCO LAST ACTION     DT:  93097             QUANTITY:      UI:
REQN CANCELLED       DT:                    STATUS CD:
SHIPPED              DT:
MODE OF SHIPMNT      :
BILLED               DT:
EST/ACT CD           :
SOURCE CD:  N22

-----
: PF1: HELP : PF3: EXIT : ENTER: PERFORM ADD :
-----

```

Query Screens allow for viewing or updating records and for generating reports. Selecting this option generates the screen shown below. This screen allows you to choose a set of records depending upon the field selections entered. PF1 provides help information in using this screen. Please examine the **SELECTION CD** field on this screen. This field is not a data field but a method for quickly selecting a specific set of records. The following entries will retrieve specific subsets of data:

- (A) All Records
- (C) All Canceled Records. (Records with a valid cancellation date, system does not key on cancellation status codes)
- (S) All Shipped Records. (Records with a valid shipment date)
- (O) All Open Records. (Records with no shipment or cancellation date)

```

-----
                OPERATOR  VALUE 1      VALUE 2      MACRO I :
                                      MACRO II:
BILLED          DT:
DSF LAST ACTION DT:
ILCO ESTABLISHED DT:          CONTROL NR      :
ILCO LAST ACTION DT:          EST/ACT CD      :
REQN CANCELLED  DT:          MAT STK PT/ARI  :
REQN RECEIVED   DT:          MODE OF SHPMNT  :
SHIPPED         DT:          -----> SELECTION CD   :
QUANTITY        :          SOURCE CD      :
EXTENDED ITEM AM :          SPARES IN      :
UNIT PRICE      :          STATUS CD      :
                                      CNTRY      :
DOCUMENT NR/SFX:          NSN:          COG      :
OPERATORS:  EQ, NE, LT, LE, GT, GE, RG(RANGE)  UI      :
-----
:PF1: HELP : PF5: MACRO LIST : ENTER : PERFORM QUERY : PF3: PRIOR MENU : PF12: SORT OPTIONS :
-----

```

**400503 MIST Reports.**

After entering information in the **Query Screen** the system asks whether this query should be done against an Entire Download or a Previously Extracted File. After entering this decision a Report Selection screen appears as shown below. This screen identifies the number of records selected by your query and allows you three options.

**UPDATE TRANS:** This option directs you back into the UPDATE section. Query records which are placed on hold may be viewed or edited using this option. When selected, each record is presented as an add screen allowing the user to update or change entries for a single record or a group of records.

**DATASET:** This option allows you to create a dataset for download to your PC. Datasets are downloaded in ASCII format which facilitates conversions to text files or database files as required by the user.

**REPORT NUMBER:** This option allows you to select any of five reports in which to display your data.

YOU HAVE 1809 QUERY RECORDS(S) ON HOLD

ENTER A REPORT NUMBER  
OR AN X TO CREATE A DATASET  
OR AN X TO UPDATE QUERY TRANSACTIONS.  
(ONLY THOSE WITH DOWNLOAD CAPABILITY MAY CREATE A DATASET.)

REPORT NUMBER:  
DATASET:  
UPDATE TRANS:

---

: PF1: HELP : PF5 : REPORT LIST : PF12 SORT OPTIONS  
: PF3: PRIOR MENU : PF11: QUERY SCREEN : ENTER: VIEW REPORT/CREATE DATASET

---

\*\*\* SORT OPTION IS NOT CHOSEN. \*\*\*

Report # 100

This report shows every field of data for a selected record. One record appears per page or screen. A sample of this screen appears below.

REPORT 100 SOUTHERN REGION AMENDMENT RECORD AS OF 04/07/93 04/07/93 10.57.32

---

DOCUMENT NR/SFX: PPTQ4112540462 CNTRY: PT USER ID: ZJL5302

REQN RECEIVED	DT: 92177	CONTROL NR	: YOGA01
REQN CANCELLED	DT: 92181	MAT STK PT/ARI	: N65
SHIPPED	DT: 00000	MODE OF SHPMNT	:
DSF LAST ACTION	DT: 92181	STATUS CD	: CM
ILCO ESTABLISHED	DT: 92206		
ILCO LAST ACTION	DT: 92302	NSN: 2995001024484AQ	
BILLED	DT: 92350	COG: 1R	UI: EA

QUANTITY	: 00054	EST/ACT CD:	E
EXTENDED ITEM AM	: 5,341.00	SOURCE CD :	N65
UNIT PRICE	: 109.00	SPARES IN :	Y

---

: PF3: EXIT : PF4 : PRINT : PF7 PREVIOUS PAGE : PF8 NEXT PAGE  
MORE

---

Report # 101

This screen is a summary screen showing the values of Shipped, Canceled and Open records. Information is grouped and subtotaled by Country and Control Number. This is a summary report designed for broad program reviews and obtaining information for DSAA quarterly reports. Data should be obtained by using **SELECTION CD (A)** from the query screen. This screen with sample data is shown below.

REPORT 101 SOUTHERN REGION AMENDMENT SUMMARY AS OF 04/07/93 11.14.22

CNTRY	CONTROL NR	VALUE SHIPPED	VALUE OPEN	VALUE CANCELLED
PT	YOGA01	23,926,921.61	98,787.84	3,218,252.05
PT	YOGA02	293,755.00	.00	.00
TOTAL FOR COUNTRY: PT		24,220,676.61	98,787.84	3,218,252.05

PF3: EXIT PF4: PRINT PF7: PREVIOUS PAGE PF8: NEXT PAGE  
END OF REPORT

Report # 102

This screen is designed to show shipped records. Data should be obtained by using **SELECTION CD (S)** from the query screen. Data is organized by Country, Control Number, and Document Number. This screen with sample data is shown below.

REPORT 102                    SRA RQN SHIPMENT DETAIL                    AS OF 04/07/93    11.36.33

DOCUMENT NR/SFX	NSN	MAT STK PT/ ARI	SHIP DT	QNTY	EXTENDED ITEM AM
CNTRY/CONTROL NR: PT/Y0GA01					
PPTQ4112540462J	2995001024484AQ	Q16	92189	2	218.00
PPTQ4112540462Q	2995001024484AQ	NOZ	92178	3	327.00
PPTQ4112541942	2995001591131AQ	NNZ	92191	23	621.00
PPTQ4112640482	2840001958343AQ	NNZ	9221	58	17,040.00
PPTQ4112640482E	2840001958343AQ	NNZ	92219	24	17,040.00
PPTQ4112640482J	2940001958343AQ	NOZ	9221	29	20,590.00
PPTQ4112640642	2925003273991AQ	NNZ	9218	4	1,252.00

PF3: EXIT            PF4: PRINT            PF7: PREVIOUS PAGE            PF8: NEXT PAGE  
MORE

Report # 103

This screen is designed to show records with open supply action. Data should be obtained by using SELECTION CD (O). Data is organized by Country, Control Number, and Document Number. This screen with sample data is shown below.

REPORT 103                    SRA RQN OPEN RQN DETAIL                    AS OF 04/07/93    11.38.12

CNTY	CONTROL NR	DOCUMENT NR/SFX	COG	MAT STK PT/ ARI	QUAN- TITY	REQN RECD DT	DSF LAST ACTION DT	ILCO LAST ACTION DT	STATUS
PT	Y0GA01	PPTQ4112641022	1R	N65	1	92199	92205	92209	CM
PT	Y0GA01	PPTQ4112641112	1R	N65	1	92199	92207	92209	CM
PT	Y0GA01	PPTQ4112641122K	1R	NOZ	24	92199	92226	92365	BM
PT	Y0GA01	PTQ4112641152	1R	N65	8	92199	92205	92209	CM

PF3: EXIT            PF4: PRINT            PF7: PREVIOUS PAGE            PF8: NEXT PAGE  
MORE

Report # 104

This report shows every field of data for a selected record. Data is arranged to allow more than one record to appear on a page or screen. Data is not automatically sorted. WARNING! Records must be manually sorted with Country and Control Number used as the 1st and 2nd sort criteria. Any other elements may be designated as the 3rd through 5th sort criteria. Screen 104 with sample data is shown below.

REPORT 104  
11.29.03

SOUTHERN REGION AMENDMENT RECORDS

AS OF 04/07/93

DOCUMENT NR/SFX	UI	ARI	QTY	SHPD DT	UNIT PRICE	ICP/DSF REC DT	ILCO EST DT	SOR CD
NSN	COG	MODE	STAT	CANC DT	EXT ITEM AM	DSF LST	ILCO LST SP	
	E/A CD	BILL DT						

CNTRY/CONTROL NR: PT/Y0GA01

PPTQ4112540462	EA	N65	54		109.00	92177	92206	N65
2995001024484AQ	1R		CM	92181	5,341.00	92181	92302	Y
			E	92350				
PPTQ4112540462E	EA	N65	49		109.00	92177	92206	N65
2995001024484AQ	1R		CM	92181	5,341.00	92181	92302	Y

PF3: EXIT      PF4: PRINT      PF7: PREVIOUS PAGE      PF8: NEXT PAGE  
MORE

(NOTE: There is no automatic sort because this would have prevented the user from freely selecting various sort criteria for the 3rd through 5th priority.)

**FIGURE 40-1**  
**DATA ELEMENT DEFINITIONS**

DOCUMENT NUMBER/SFX	Document Number. The last position is the suffix code if one is used.
CNTRY	FMS customers Country Code.
CONTROL NR	This is the Supplementary Address of the requisition. The first position is always Y. The second position is Zero (0). The third through sixth positions are a unique Receipt Control Number established by DSAA.
REQN RECEIVED	The date the requisition was received. Usually the date established in the ICP's DSF.
DSF LAST ACTION	The most recent date that information on this record was updated in an ICP's DSF.
ILCO ESTABLISHED	The date showing when a record is established in the MIST database.
ILCO LAST ACTION	The date showing when a record was last updated in MIST.
REQN CANCELLED	The date showing when supply action was cancelled.
SHIPPED	For entries established by ARI Code N32 or N35 (see SOURCE CD) this date represents the date the shipping activity acknowledged receipt and intent to ship. This date may differ from the actual shipping date by a few days. For entries with any other SOURCE CD, this entry is the date on which the shipping activity released shipment.
MODE OF SHIPMENT	The transportation method used by the shipper.

**FIGURE 40-1 - (Continued)**  
**DATA ELEMENT DEFINITIONS**

<b>BILLED</b>	The date indicating when the CAO completed billing for any services performed with transfer of material.
<b>EST/ACT CD</b>	An estimated/actual coded which indicates whether billing was based upon actual (A) or estimated (E) costs.
<b>NSN</b>	The National Stock Number including both the FSC and NIIN.
<b>COG</b>	The Cognizance Code identifying the Inventory Manager, Technical Command and Stores Account.
<b>SPARES INDICATOR</b>	A code showing whether the item is a Spare Part or a Major Item. (Y) for Spares and (N) for Major Items.
<b>MAT STK POINT/ARI</b>	The Activity Routing Identifier code of the installation supplying material.
<b>QUANTITY</b>	Quantity of Material being supplied.
<b>UI</b>	Unit of Issue.
<b>STATUS CD</b>	This field indicates the last known status of the requisition.
<b>UNIT PRICE</b>	The standard price of a single item.
<b>EXTENDED ITEM AM</b>	The total value of the supply action computed from the Quantity and Unit Price.
<b>SOURCE CD</b>	The ARI code of the activity providing data for the MIST record.

## CHAPTER 41 - MANAGEMENT INFORMATION SYSTEM, INTERNATIONAL LOGISTICS

### Section 1: Functions and Responsibilities

#### **410101**      Purpose

This section describes the standards and responsibilities for the Management Information System, International Logistics (MISIL) Automatic Data Processing (ADP) security functions.

#### **410102**      Background

The Management Information System, International Logistics (MISIL) is a system designed to provide accurate, timely logistics and financial information about the Security Assistance Programs managed by the U.S. Navy. Since the programs contribute indirectly to the U.S. defense posture and since free access to the MISIL data could compromise a foreign country's security posture, MISIL is categorized Level II as defined in OPNAVINST 5239.1A.

#### **410103**      Responsibilities

a. The Naval Supply Systems Command (NAVSUP) will appoint the Designated Approving Authority (DAA) for MISIL and confirm the appointment in writing. The DAA is the official assigned the responsibility to accredit ADP elements, activities, and networks under the official's jurisdiction. The DAA will always be the Commanding Officer, Navy Aviation Supply Office (ASO). The MISIL ADP Security administration function will be located in the Systems Development and Implementation Division (SUP 072) of the NAVSUP Security Assistance Directorate.

b. ADP Security Administrator will:

(1) Develop and promulgate ADP security policy for MISIL.

(2) Coordinate with the NAVSUP ADP Security Administrator in the implementation and execution of the NAVSUP ADP Security Program.

(3) Coordinate with MISIL users to define data access and update requirements.

(4) Represent the interest of MISIL in the area of ADP security.

(5) Appoint the Network Security Officer (NSO) for MISIL. Confirm the NSO appointment in writing.

c. Designated Approving Authority (DAA) will:

(1) Report all security violations and incidents to appropriate authorities as directed in Chapter 8 of OPNAVINST 5239.1A.

(2) Ensure that contract specifications for ADP hardware, software, maintenance services, professional or other services and supplies accommodate ADP security requirements.

(3) Will appoint the ADP Security Officer (ADPSO).

d. DAA Designated ADP Security Officer (ADPSO) will:

(1) Ensure that a MISIL ADP Security Plan conforming with OPNAVINST 5239.1A is developed and maintained.

(2) Appoint ADPSO for MISIL and confirm the appointment in writing to the MISIL ADP Security Administrator.

(3) Ensure that all procurement documents or specifications that are related to MISIL comply with appropriate ADP security requirements.

(4) Ensure that the Risk Analysis, Security Test and Evaluation (ST&E), and Contingency Plans for MISIL are developed, implemented, and maintained.

(5) Ensure compliance with applicable ADP security requirements.

(5) Ensure that the system will automatically clear residual data from deallocated blocks of main memory.

(6) Ensure that user passwords are not displayed on screens or printed on hardcopy output, except those needed for distribution of passwords to authorized users.

(7) Ensure that the system will automatically logoff any terminal that has not been used for a specified period of time.

(8) Ensure that the system provides the capability to limit access by user, transaction, program, function, command, record, data sets, or individual specified screens.

(9) Ensure that the users' menu views are limited to the individual specified screens they are authorized to use.

(10) Ensure that the system has the capability of limiting logon attempts for remote and batch job submissions. Provide the capability for the MISIL ADPSSO to specify limit of attempts with a default limit of three logon attempts.

(11) Ensure that all addresses passed between the system and the user are logical references. No real addresses should be used.

(12) Ensure that the passwords are sufficiently protected so they are not compromised.

(13) Provide the capability to deactivate all passwords every 90 days and allow users to assign new passwords on-line.

(14) Ensure the ADP security requirements are included in Life Cycle Management documentation as appropriate.

h. All Activities: All activities having remote terminal access to MISIL are responsible for complying with the following requirements:

(1) Implement the general administrative, physical, and personnel security standards set forth in OPNAVINST 5239.1A and NAVSUPINST 5239.1.

(2) Inform NAVSUP (SUP 72) of all significant events affecting the security of the MISIL terminals.

(3) Review the MISIL ADP Security requirements periodically and submit recommended changes to NAVSUP (SUP 72).

(4) Appoint a Terminal Area Security Officer (TASO) and provide written confirmation of the appointment to the MISIL ADPSSO and NAVSUP (SUP 72).

(5) Coordinate with the MISIL ADP Security Administrator to define data access and update requirements.

(6) Employ safeguards defined in the CDA AP/OP certification.

(7) Appoint an activity MISIL ADPSO. Confirm the appointment in writing to the MISIL ADP Security Administrator. The MISIL ADPSO will:

(a) Coordinate with the activity security officer on matters concerning physical security.

(b) Ensure that TASOs are appointed for each remote MISIL terminal or cluster of terminals.

(c) Ensure that all ADP security violations and incidents involving MISIL are investigated, documented, and reported as required by OPNAVINST 5239.1A.

(d) Ensure that applicable personnel security procedures are established for those personnel involved with MISIL and the MISIL network.

e. MISIL ADP System Security Officer (ADPSSO) will:

(1) Be the focal point for all security matters involving MISIL.

(2) Execute the ADP Security Program as it applies to MISIL, including preparing and submitting the required accreditation support documentation.

(3) Maintain an inventory of all MISIL ADP hardware, implemented system software releases, and major functional applications.

(4) Monitor system activity to ensure compliance with security requirements.

(5) Conduct and document a risk assessment conforming with OPNAVINST 5239.1A.

(6) Contribute to the ADP Security Plan for MISIL.

(7) Supervise, test, and monitor changes in MISIL affecting the system and network security posture.

(8) Implement appropriate countermeasures required by directive or determined to be cost-effective.

(9) Develop and test annually a contingency plan for MISIL as specified in OPNAVINST 5239.1A.

(10) Monitor ADP procurements for security impact to ensure compliance with security regulations and known security requirements for MISIL.

(11) Conduct audits of MISIL use to include logon attempts.

f. MISIL Network Security Officer (NSO): MISIL is one of the systems on the NAVSUP Logistics Network (NLN). The NLN security requirements and the NSO responsibilities are defined in NAVSUPINST 5239.2, Naval Supply Systems Command Logistics Network Policy and Implementation Guidance, 27 June 1988.

The NSO will:

(1) Ensure that countermeasures and requirements are included in the network design and that individual nodes of the network comply with these countermeasures and requirements prior to interfacing with the network.

(2) Develop and promulgate the standard security procedures which govern MISIL network operations.

(3) Ensure that security measures and procedures used at network nodes fully support the security and integrity of the MISIL network.

(4) Maintain liaison with the MISIL ADPSSO and with any other ADPSSOs at activities that are involved with the MISIL network.

(5) Ensure that all required countermeasures are utilized.

g. Central Design Agency (CDA): The Navy Fleet Material Support Office (FMSO) is the MISIL CDA, and is responsible for the following in relation to hardware, system software, and application software:

(1) Provide risk assessment and certification that Application Operation (AP/OP) releases meet security standards specified in the CDA Development Handbook. Submit all certification documents with all releases.

(2) Ensure that when the CPU forms an address, the address of the memory location is within the acceptable memory range.

(3) Ensure that validity checks are incorporated where data input records are screened for range, value coding, and detection of invalid or unreasonable results, such as illogical bit combinations, illegal/highly improbable numeric codes, and illegal storage addresses.

(4) Provide the capability to isolate users and processes from each other.

i. TASOs will be appointed by the user activity receiving remote MISIL terminal capabilities. They will enforce all security requirements implemented by the DAA designated ADPSO for remote terminals. The TASOs will:

(1) Ascertain which individuals in their activity need access to the MISIL terminal.

(2) Ensure that the proper access request forms are prepared and forwarded based upon the Security Administrator's direction.

(3) Maintain a current list of personnel authorized access to each terminal and provide a copy of the list to NAVSUP (SUP 72) and to the MISIL ADPSSO.

(4) Report ADP security violations and incidents to the activity ADPSO.

(5) Ensure that the terminal is inactive and protected when properly cleared and indoctrinated personnel are not in the terminal area.

(6) Brief each user on MISIL terminal security requirements.

(7) Schedule and conduct periodic reviews to determine requirements for continued access to MISIL. Such reviews will include examining the need for access to the system, and determining the access requirements (e.g., update or query only) of personnel using the assigned terminal(s).

(8) Ensure that any ADP products which cannot be identified or which contain extraneous data are forwarded to the MISIL ADPSSO.

(9) Provide for the proper destruction of waste output.

(10) Provide assistance to the MISIL ADPSSO as required to ensure security at remote terminal areas.

## Section 2: MISIL Information Center

### **410201**      Purpose

This section describes the standards and responsibilities for the MISIL Information Center (IC).

### **410202**      Background

The IC will provide information support to MISIL users. It supplements standard MISIL products, user documentation, and training by providing MISIL users with consulting and ad hoc reporting services.

### **410203**      Responsibilities

The MISIL IC will:

a. Provide services to all authorized MISIL users. An authorized user is any person who has been issued a MISIL password through standard security procedures. The IC will maintain a list of all authorized MISIL users. The IC will refer all unauthorized users to the MISIL Data Administrator (SUP 72).

b. Screen users' information requests and advise them of the best way of obtaining the desired product. Information needs may be satisfied in a number of ways, and IC personnel will provide recommendations based on their own judgment and the policies contained in this document. Typical ways in which IC personnel may respond to information requests are:

(1) The user may be referred to an existing MISIL product.

(2) The IC may assist the user in obtaining the information required, or the IC may develop a report or query and provide the output to the user. Output may be provided as hard copy reports, terminal screens, print files, files available for transfer, or other products as appropriate.

(3) The IC may inform the user that the request cannot be satisfied because the requested information cannot be obtained from the system as it is designed. In this case, the IC will refer the user to the MISIL System Administrator (NAVSUP 72) for review of the requirements and possible MISIL system changes.

c. Provide query services, as opposed to update services only. IC personnel will not create applications which access and directly update the MISIL data base. Maintenance of the MISIL data base will be performed only by programs written and maintained by the MISIL Central Design Agency (CDA).

d. Provide information that reflects only the current contents or the contents at a specific point in time (i.e., month end, year end, etc.) of the MISIL data base. The IC will not, for example, create history files to maintain data for trend analysis.

e. Provide data/information in text (as opposed to graphic) format only. The user will be responsible for converting data into graphic representations (e.g., charts, graphs, etc.) if desired.

f. Provide for printed output, with one copy to the requesting user. The user will be responsible for any further copying and distribution.

g. Respond to all requests on a "first-in, first-out" basis to the extent possible.

h. Advertise IC services to MISIL users.

i. Maintain a record of all requests from MISIL users. These records will be available to NAVILCO, NAVSUP, and FMSO management upon request. Records will be retained for at least 1 year following the last use of the document product.

j. Report on what the IC is doing.

(1) The IC will produce a summary report describing the types of services being provided and identify the MISIL users who are making use of IC services. The report will be based upon the records maintained as required in 410203.i above. The report will be produced quarterly and will be made available to Navy International Logistics

Control Office (NAVILCO), NAVSUP, and FMSO management. Reports will be retained for at least 1 year.

(2) The IC will produce a semiannual report of the type of information that has been requested in the last six months. The report will be distributed to all user organizations.

k. Track and report the IC's performance in relation to the goals set forth in Section 3 below. This report will be produced monthly and will be made available to NAVILCO and NAVSUP management. Reports will be retained for at least one year.

l. Report on resources used. The report will be produced quarterly and will be made available to NAVILCO and NAVSUP management.

### Section 3: IC Performance Goals

#### **410301**      IC Goals

The following performance goals are established for the IC:

a. The average turnaround time for completing (either as satisfied or not satisfied) user requests will be one working day or less.

b. 50% of all requests that are satisfied will be completed within one working day.

c. 70% of all requests that are satisfied will be completed within two working days.

d. 80% of all requests that cannot be satisfied will be completed within one working day.

e. 95% of all requests that cannot be satisfied will be completed within two working days.

## **Section 4: Availability**

### **410401      Availability**

The IC will be located at NAVILCO. The IC will be staffed from 0730 to 1600 EST (or EDT when applicable) Monday through Friday except for federal government holidays. Users are able to reach the IC via telephone or ICPNET Electronic Mail. The IC telephone number is 215-697-4446 or DSN 442-4446 and the ICPNET mail box ID is "MISIL Information Center."

## **Section 5: IC Improvements**

### **410501      IC Improvements**

Suggestions for improving IC services should be forwarded to NAVILCO (Code 50). Any unresolved complaints or problems should be referred in writing to NAVSUP 72. All complaints or problem referrals should provide specific details and reasons for dissatisfaction.





PRE-SHIP TRANSFER ACTIONS LIST

Transfer of \_\_\_\_\_ Country \_\_\_\_\_

ACTIONS	DETAIL OF REQUIREMENT	DATE PERFORMED	NOTES
Establish contact with customer liaison.	Good liaison established early in the transfer process between the customer and SUP-07 ship transfer logistics support manager will aid in the understanding of FMS procedures and, therefore, facilitates supply activities during the transfer.		
Determine country's need for training.	This will be determined during the in-country site survey or may result from discussions with the customer.		
Identify the need for third country clearances.	In the event that the customer must stop at a foreign country's port for refueling, provisions, etc., during the trip home, diplomatic clearances must be obtained.		
Identify the site(s) from which the ship(s) will be transferred. Forecast time frames for the ship transfer.	This information will have an impact on many issues in the pre-transfer phase, such as the method for the requisitioning of ship's force support items, which vendors to use, and the lodging and transportation of the crew.		
Determine whether personnel at the turnover site have knowledge in FMS procedures.	It may be necessary to conduct introductory training in FMS procedures.		
Determine where the foreign turnover team will live during the transfer.	A decision must be made, prior to the arrival of the foreign crew, as to whether the team will stay onboard the ship being transferred, at a local hotel, on a barracks barge or at some other facility.		

Ensure appropriate funding is in place so that all activities can perform their required actions.

**PRE-SHIP TRANSFER ACTIONS LIST**

ACTIONS	DETAIL OF REQUIREMENT	DATE PERFORMED	NOTES
Identify a means of transportation for the foreign crew and any special dietary requirements which will be required during the transfer.	The foreign crew will require a bus, car or some other means of traveling from their lodging area to the site, to dining facilities, etc. The country should be made aware of any expense that will be incurred for transportation.		
Determine what access the foreign crew will have to government services and facilities, such as: medical, dental, navy exchanges and commissaries, recreational, SERVMART, post offices, maintenance, etc.	The customer must be made aware of the many regulations which apply to the use of these facilities and the procedures to be followed. The ship transfer logistics support manager must discuss the costs these services with the customer and determine what method of payment will be used, i.e., a FMS case or cash basis. The number of personnel to be supported must also be determined.		
Establish financial requirements and documentation procedures.	It is necessary to have financial controls in place at the transfer locations to facilitate requisition processing. Additionally, NAVILCO requires financial issues to be in place for all support cases in the ship transfer process.		
Determine the requirement for DRP or CLSSA procedures for routine stock replenishment.	To determine the applicable FMS logistics follow-on support case requirements.		
Identify the ship(s) foreign home port.	To what location, within the receiving country, will the ship(s) be going? What ship support capabilities exist or need to be developed?		
Establish time frames and POA&M for the ship transfer.	This should be coordinated with SUP-07, NAVSEA, Navy IPO, etc.		
Identify the type of computer capabilities required to support the turnover.	This will include shipboard system hardware, support requirements, and maintenance requirements.		

Ensure appropriate funding is in place so that all activities can perform their required actions.

**PRE-SHIP TRANSFER ACTIONS LIST**

ACTIONS	DETAIL OF REQUIREMENT	DATE PERFORMED	NOTES
Identify the types of FMS cases that must be established for the transfer, in addition to basic transfer cases and follow-on services.	How will the customer pay for services such as lodging, food, transportation, medical services, requisitioning of ship's force items, etc.		
Determine if a site-survey will be initiated.	NAVSEA executes the in-country site survey with NAVSUP support. The survey will aid in determining the country's capability to maintain the ship, whether shipyards are available, and identify requirements for follow-on support cases, training, etc.		
Identify customer's maintenance philosophy. Determine which option is most suitable to the customer, i.e., U.S. Navy methodology, on-shore support, or commercial shore support. (Section 3 covers this in detail.)	This will impact on the allowance and support documentation and logistics support the country requires. This is normally provided by NAVSEA.		
Identify customer's logistics support capabilities.	This will be determined during the in-country site survey or may result from discussions with the customer.		
Determine country's need for follow-on technical support.	This will be determined during the in-country site survey or may result from discussions with the customer.		
Identify in-country technical repair capabilities.	This information will affect the level and type of follow-on support required.		
Initiate action and establish time frames to conduct equipment validation, material inventories, and identification of shortages.	Having this information early in the process, will help to identify the requisitions that will be needed to bring supplies up to allowance level.		

Ensure appropriate funding is in place so that all activities can perform their required actions.

**PRE-SHIP TRANSFER ACTIONS LIST**

ACTIONS	DETAIL OF REQUIREMENT	DATE PERFORMED	NOTES
Review shipboard stock records to identify deficiencies and material on order.	Perform comparison between shipboard inventory validation and existing stock records.		
Determine method to be used for requisitioning COSAL shortages.	Four methods for the replacement of COSAL shortages are discussed in Section 4 of this Chapter. Depending on the time frames involved in the transfers, a combination of methods may be utilized.		
Determine requisitioning method to be used for ship's force requirements.	The customer must be informed of the requisitioning method to be used. The procedures must be explained and the method of payment must be determined.		
Issue MAPAD changes.	This will ensure that materials being requisitioned during turnover will go to the ship, instead of the freight forwarder. Upon completion of the transfer it is necessary to delete or change the MAPAD to the FMS customers freight forwarder.		
Establish project codes. Advise the appropriate supply center of the assigned project codes.	Project codes affect both requisitioning and accounting functions for the FMS cases. The project code will aid in identification and delivery of materials ordered to replenish COSAL deficiencies.		
Identify the technical and supply catalog publications required.	The publications should match the updated equipment configuration of the ship.		
Identify what COSAL/COSMAL maintenance support the country will require.	This will be a part of the follow-on support methodology determined during the in-country site survey.		

Ensure appropriate funding is in place so that all activities can perform their required actions.

**PRE-SHIP TRANSFER ACTIONS LIST**

ACTIONS	DETAIL OF REQUIREMENT	DATE PERFORMED	NOTES
Identify how repairs to the weapon system components will be accomplished.	Based upon the site survey, make determination to perform repairs at in-country intermediate maintenance activity or return repairables to U.S.		
Identify anticipated CLSSA repair part supply requirements.	To determine applicable FMS logistics follow-on support case requirements.		
Review COSAL and COSMAL listings with the customer.	The COSAL\COSMAL produced are based upon current ship configuration.		
Review the status of ACRs (Form 1220-2) and Configuration Change Forms (Form 4790/CK).	These documents impact on the ship's allowance levels for shipboard spares. The status of these documents should be identified and tracked.		
Review removed equipment listings.	This will identify any possible repair parts which may be used to fill other equipment deficiencies.		

Ensure appropriate funding is in place so that all activities can perform their required actions.

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