

C14. CHAPTER 14

FORECASTING, PROGRAMMING, BUDGETING, AND AUDITS

C14.1. FORECASTING AND JAVITS REPORTS

C14.1.1. The Javits Report (Arms Export Control Act (AECA), Section 25(a) (reference (c))). Each year by February 1st, the President submits the Arms Sales Proposal (commonly referred to as the Javits Report) to Congress. The proposal covers all potential Department of Defense (DoD) Foreign Military Sales (FMS) of major weapons or weapons-related defense equipment for \$7M or more, or of any other weapons and weapons-related defense equipment for \$25M or more, which may be offered during the next calendar year. The intent of this report is to list all possible sales even if the probability of the sale in the next year is not considered high. In addition, the Military Departments (MILDEPs) must provide a list of Significant Military Equipment that is anticipated to become available for transfer as Excess Defense Articles during the next 12 months - this list is part of the Javits Report. Sales already notified to Congress are excluded; however, sales reported on a previous Javits submission must be reported on each subsequent report until formal notification is made. Security Cooperation Organizations (SCOs), Implementing Agencies and the Defense Security Cooperation Agency (DSCA) Country Program Directors (CPDs) may include direct commercial sales (DCS) that meet these thresholds if sufficient information is known. The DSCA CPD is responsible for answering all questions on DCS included on DSCA's submission. The worksheet for input to the Javits Report is combined with the input for the annual Forecast Report (see paragraph C14.1.2.). DSCA CPDs provide copies of the worksheets to their SCOs and Implementing Agency counterparts. Individual country input is unclassified unless the country has requested classification (see Chapter 4, subparagraph C4.5.16.1.). DSCA (Programs Directorate/Weapons Division) prepares the Security Assistance portion of the Javits Report and provides it to the Department of State (DoS) for submission to Congress. Table C14.T1. outlines the DSCA submission timeline for this report.

C14.1.2. DSCA Forecasting Process. DSCA uses a sales forecasting process to determine projected revenue, to assess community "right sizing," and to allocate Administrative funds to the MILDEPs. Forecasting supports various Congressional initiatives that DSCA pursues to advance its mission and effectiveness. Each year these estimates are published in the upcoming calendar year Foreign Operations Fiscal Year Budget for the current fiscal year and the next fiscal year. The estimates include all highly probable sales of weapons or weapons-related defense equipment, services, or training by the United States Government (USG) to foreign purchasers for the reporting fiscal years. DSCA prepares the Security Assistance portion of the Forecasting Report and provides it to the DoS for submission to Congress. Projections of dollar levels or content of FMS agreements and of dollar levels of FMS credit extensions for the budget year or a subsequent fiscal year are classified for each individual country and international organization. These projections are declassified when the applicable fiscal year Congressional Budget Justification (CBJ) is delivered to Congress. The projections are marked as follows: "Classified by DoD 5105.38-M, Declassify on Delivery to Congress of Congressional Budget Justification for Fiscal Year [insert fiscal year]." Table C14.T2. outlines the DSCA submission timeline for this report.

Table C14.T1. DSCA Javits Submission Timeline

Date	DSCA Javits Report Submission Timeframe Event (Specific due dates are provided in the annual Javits message.)
June	DSCA (Programs Directorate/Weapons Division) sends tasking message on the Javits Report and 2 years (budget and plan fiscal years) of FMS Forecasting projections to the Implementing Agencies and SCOs. The spreadsheet for input of this data is a combination of Forecasting and Javits Report data.
	DSCA CPDs provide copies of the worksheet to their SCO and Implementing Agency counterparts.
August	SCOs' country input is due into the DSCA CPDs. SCOs should ensure coordination with their Combatant Commands and appropriate Implementing Agencies.
September	Input for the Javits Report and Forecasting Report due from the DSCA CPDs and forwarded to the DSCA (Operations Directorate) for review.
	Approvals received from the DSCA (Operations Directorate) and the consolidated report sent to Implementing Agencies and Combatant Commands for review and comment.
October	DSCA (Programs Directorate/Weapons Division) sends draft report to DSCA (Operations Directorate), DSCA (Strategy Directorate/Policy Division), and DSCA (Business Operations Directorate) for review/comment.
	Comments due back from the Implementing Agencies and Combatant Commands. The consolidated report is sent to the DSCA (Operations Directorate), DSCA (Strategy Directorate/Policy Division), and DSCA (Business Operations Directorate) for approval.
	DSCA (Operations Directorate), DSCA (Strategy Directorate/Policy Division), and DSCA (Business Operations Directorate) review/comments due to DSCA (Programs Directorate/Weapons Division).
October – November	Draft Javits Report coordinated with the Director/Deputy Director, DSCA.
November	Draft Javits Report DoD coordination complete.
December	DoD-cleared First Draft Javits Report sent to the DoS.
November - January	DSCA (Operations Directorate) respond to Javits questions from the DoS and Director/Deputy Director, DSCA.
January	Javits background papers/comments due from the DSCA CPDs.
	DSCA Director's approval of DoS's final report, and the Javits Report pre-brief between DSCA and the DoS.
February	Javits Report due to Congress.
	Javits Report briefing to House and Senate staffs.

Table C14.T2. DSCA Forecasting Submission Timeline

Date	DSCA Forecasting Submission Timeframe Event
June	DSCA (Strategy Directorate) sends tasking message on the Javits Report and 2 years (budget and plan fiscal years) of FMS Forecasting projections to the Implementing Agencies and SCOs. The spreadsheet for input of this data is a combination of Forecasting and Javits Report data.
	DSCA CPDs provide copies of the worksheet to their SCO and Implementing Agency counterparts.
	DSCA (Operations Directorate) contact SCOs and Implementing Agencies about tasking on the 2 years of FMS Forecasting projections
August	SCO input due to Implementing Agencies and DSCA (Operations Directorate).
	Implementing Agencies input due to DSCA (Operations Directorate).
September	DSCA (Strategy Directorate/Requirements Division) receives all inputs from DSCA (Operations Directorate) via the Forecasting Module for the 2 upcoming fiscal years of FMS Forecasting projections.
	DSCA (Strategy Directorate/Requirements Division) reviews and analyzes the forecasting data.
	DSCA (Strategy Directorate/Requirements Division) sends email request to DSCA (Operations Directorate) for vetting session meetings on submissions.
	Vetting sessions are scheduled as soon as possible to resolve differences among the four divisions within the DSCA (Operations Directorate).
	DSCA (Strategy Directorate/Requirements Division) and DSCA (Operations Directorate) finalize the forecasting position.
	Brief Deputy Director, DSCA on the 2-year FMS Forecasting projections.
	Resolve any issues resulting from the briefing to the Deputy Director, DSCA.
October	Brief the Director, DSCA on the 2-year FMS Forecasting projections.
	Resolve any issues resulting from the briefing to the Director, DSCA.
November	Prepare the CBJ for DSCA (Business Operations Directorate) to be incorporated for Security Assistance input into the upcoming calendar year CBJ.

C14.2. PROGRAMMING

The principal steps in the DoD Programming process are: Program Objective Memoranda (POMs) are formulated and submitted; the Office of the Secretary of Defense (OSD) Defense Resources Board (DRB) reviews the POMs; DRB review results are documented in the Program Decision Memorandum (PDM) and signed by the Deputy Secretary of Defense (each Service receives a separate PDM); and PDMs are issued concluding the Programming phase. This process is also applied to the Security Assistance community.

C14.2.1. What is a Program? Programs are a set of resources structured to support the processes, activities, and infrastructure to accomplish the mission, goals, and objectives of Security Cooperation. Programs encompass all resources used to support that program including dollars and manpower. Funding is categorized by both program element and object class (e.g., Civilian Pay, Temporary Duty (TDY), Contracts, Supplies, etc.). Each Security Cooperation program relates to United States (U.S.), DoD, and DoS goals and objectives. Programs may be funded by several different sources, including the FMS Trust Fund, and DoS and DoD allocations such as Foreign Military Financing (FMF), Case Funding, Operations and Maintenance (O&M), Research and Development (R&D), Military Pay, etc.

C14.2.2. How Are Security Cooperation Programs Aligned? Security Cooperation programs are aligned to DSCA's Six Core Functions. The Six Core Functions include Pre-Letter of Request (LOR), Case Development, Case Execution, Case Closure, Business Sustaining, and Other Security Cooperation Missions. Each program has a designated Office of Primary Responsibility (OPR), which has overall responsibility for planning and programming and a designated Program Element Monitor (PEM). A list of OPRs and PEMs is maintained by DSCA (Strategy Directorate/Requirements Division). Performance measures evaluate each program as it relates to achieving DSCA planning objectives.

C14.2.3. DSCA Programming Process. DSCA programs for 3 years, rather than 6. FMS and FMF Administrative Funds shall use this programming process for fiscal year 2005 and through the Future Years Defense Program (FYDP). Table C14.T3. illustrates the DSCA Programming process. The dates in this table are estimates and may vary from year to year. A critical component of the programming process is to establish the Program Element Monitor (PEM) and Implementing Agency or Claimant for each program element. The PEM is generally the DSCA contact for the program element and is expected to review all incoming programs submissions for technical matter issues, affordability, and consistency with planning and programming guidance. The PEM does not produce or submit programming requests for all Implementing Agencies and Claimants, but does have a role in the review of all program submissions. The Implementing Agency representative is responsible for programs submissions to DSCA (Strategy Directorate).

Table C14.T3. DSCA Programming Process

Timing	DSCA Programming Process Event
Early September	Call for Security Cooperation Issues (every other year). This “Call for Issues” solicits inputs for the DSCA Planning Guidance, issued biennially, to set the direction/goals for the community and its resource allocation process and is addressed to the MILDEPs, combatant commanders, and other organizations requesting and/or using FMS/FMF Administrative Funds.
Early October	Strategy Forum (every other year). The Security Cooperation community discusses issues that should be addressed in the upcoming DSCA Security Cooperation Planning Guidance. Emphasis is placed on planning priorities and potential impacts on resource allocation decisions.
Mid November	Issue Planning Guidance (every other year). The DSCA Security Cooperation Planning Guidance draws from the overarching goals for the country and the Department of Defense to arrive at guidance for the Security Cooperation community. The DSCA Planning Guidance is issued every even-numbered year. In odd years, a shorter Guidance Addendum is issued to provide focused objectives for that cycle. The DSCA Planning Guidance sets out the vision, principles, goals and priorities that help Implementing Agencies/Claimants understand the community’s direction and allocate resources to support the goals.
Early December	Programming Process Meeting with Implementing Agencies (every year). Implementing Agencies discuss their issues or concerns with the upcoming programming process. Issues include both programming cycle processes and priorities for possible inclusion in the DSCA Programming Guidance.
Mid December	Issue Programming Guidance (every year). The DSCA Programming Guidance is the official guidance document governing the programming stage of the DSCA Planning, Programming, and Budgeting System (PPBS) process. An updated timeline is included in each Programming Guidance.
Late February	Stakeholders Program Submissions* due. The Implementing Agencies/Claimants are required to provide their submissions to DSCA as requested in the Programming Guidance and justify the level of funding and manpower resources needed to meet their programmatic requirements, mission, goals, and objectives. They balance the known level of resources with the highest priority requirements. As part of the programs submission due in late February, the MILDEPs, other DoD Agencies, and DSCA Headquarters and Field Components, provide their programming request (both dollars and work years) for the POM years, for the FMS Administrative Account and FMF Administrative Account only. The submission addresses all 34 program elements and is submitted in dollars, work years, and by object classes. The Implementing Agencies/Claimants are encouraged to submit their program requests based on program-based requirements and policy-directed priorities. Submission decisions should be based on priorities specified in the Planning Guidance and Programming Guidance. The programs submission require the Implementing Agencies/Claimants to fill out separate exhibits for each existing, planned, or requested Information Technology (IT) system or application. All IT systems and applications must be justified based on a business case analysis framework.
Late February-Mid April	Program Review/Analysis (includes Integrated Priority List (IPL) and Unfunded List, if necessary). The review is performed by DSCA (Strategy Directorate/Requirements Division). All program submissions are reviewed for: (1) consistency with Planning and Programming Guidance; (2) completeness of explanation of requirements; and (3) use of return on investment, performance-based, business case-type analysis in justifying requests.
Early March	MILDEP Presentations* to DSCA (Strategy Directorate) and DSCA (Business Operations Directorate). At the beginning of the Program Review process, the MILDEPs present their programs submissions to DSCA to demonstrate how submitted funding and manpower requirements support the overarching mission, goals, and objectives of the Security Cooperation community. All other Implementing Agencies/Claimants deal directly with the DSCA (Strategy Directorate/Requirements Division) during the Program Review process.

Table C14.T3. DSCA Programming Process (continued)

Timing	DSCA Programming Process Event
Early May	PDM to Stakeholders. The PDM establishes the baseline for all program elements, by Implementing Agency. When complete, the PDM becomes the foundation for the actual DSCA budget for the FMS and FMF Administrative Accounts, and is provided to DSCA (Business Operations Directorate) for budget formulation. The Director, DSCA makes the final PDM decisions. The PDM is released to the MILDEPs for review within 5 business days. The Implementing Agencies have the opportunity to address any major programming issues to the Director, DSCA. Other Implementing Agencies, including internal DSCA elements, also have the opportunity to address their major programming issues during the program review process. The PPBS process dictates that the PDM becomes both the new resource “baseline” for the programs and the baseline resource level to begin the budget formulation process.
Mid May	Major Programming Issues. MILDEPs address resource issues during the Programming process before Director, DSCA final decisions.
	Present PDM Recommendations to Director, DSCA.
Late May – Early June	Final Decisions/Requirements Division Adjustments/Analysis/Baseline
Early June	Issue final PDM to DSCA (Legislative and Public Affairs (LPA) Office), Stakeholders, and DSCA (Business Operations Directorate) (FMS and FMF Administrative Accounts only). The DSCA (Business Operations Directorate) uses the resources level as “targets” by program element, provided to the Implementing Agencies/Claimants in the budget guidance for the next 2 fiscal years.
*Indicates major deliverable due from Implementing Agencies/Claimants.	

C14.3. BUDGETING

FMS Administrative Funds and FMF Administrative Funds finance the administration of various Security Assistance programs. FMS and FMF administrative funding is available to DoD organizations that implement and execute Security Assistance programs. Administrative funding is not provided to organizations that formulate U.S. Security Assistance policy such as the DoS, the Joint Staff, or the Undersecretary of Defense for Policy (USD (P)). A general description of the budget process and guidance to assist organizations in preparing FMS Administrative, FMF Administrative, and SCO budgets follows. Specific formats, instructions, and guidelines for budget development and submission are provided with each annual budget call.

C14.3.1. FMS and FMF Administrative Funding

C14.3.1.1. FMS Administrative Funding. The FMS Administrative Fund is financed with collections from FMS purchasers derived from an assessed administrative surcharge. Collections also included a logistics support charge (LSC) assessed against specific logistics-related items delivered on or after 1 April 1987 and prior to 1 October 2007. The DSCA (Business Operations Directorate) is responsible for financial management of the FMS Administrative Surcharge and the LSC Trust Fund. The Defense Finance and Accounting Service (DFAS) collects the surcharges in accordance with DoD 7000.14-R (reference (9)), Volume 15, Chapter 7. The FMS appropriation is subject to the same controls and regulations as any DoD appropriations.

C14.3.1.2. FMF Administrative Funding. The FMF Administrative Fund is financed from a combination of annual appropriations in the FMF account and reimbursements from the sale of Military Assistance Program (MAP)-owned defense articles (MAP inventory of disposable property returned from recipient countries) that are credited to the current year FMF account as they occur. FMF funds are appropriated to the President. By Executive Order 12163, (reference (df)) the President allocates these funds and delegates the authority and responsibility for their administration to the Secretary of Defense. The FMF appropriation is subject to the same controls and regulations as DoD appropriations.

C14.3.1.3. FMS and FMF Administrative Budget Call and Submission. DSCA issues an annual Budget Call to Implementing Agencies that execute an FMS Administrative budget. Each year the call is issued in May and is due in August. The main objective of the call is to provide Implementing Agencies with budget execution guidelines for the development of their budget submission. The call provides the Implementing Agencies with funding targets to develop budgets and allocate resources. Targets are based on the current, approved PDM issued to each Implementing Agency. The call includes reference materials and information needed to develop and submit the FMS and FMF Administrative budgets. DSCA consolidates the call for both the FMS and FMF Administrative budgets; however, the budgets should be developed independently.

C14.3.1.4. FMS and FMF Administrative Budget Issuance. DSCA releases a comprehensive Financial Plan each year in late September for use by the Implementing Agencies. The information is concurrently used as DSCA's annual budget submission to the Office of Management and Budget (OMB) and the President's Budget. The Financial Plan includes the final Implementing Agencies' baseline for use in developing their annual execution plan and a notional schedule of execution reviews for the upcoming fiscal year.

C14.3.1.5. FMS and FMF Administrative Budget OMB Hearings and Reclama. DSCA meets annually with OMB to discuss prior, current, and future fiscal year budgets - typically in October. During the hearing, DSCA presents the Agency's budget for the FMS Administrative fund. The goal of the hearing is to provide information and justification for the President's Budget request, as well as other matters pertinent to the President's Budget Submission. Following a review, OMB provides a "passback." The passback is OMB's official decision regarding DSCA's budget and sets the budget topline for the following fiscal year and associated out years. DSCA changes the budget to reflect OMB's decisions. During the passback and reclama process, DSCA has the opportunity to justify changes in funding levels of the FMS Administrative Budget. The President's Budget Submission is an opportunity for DSCA to provide evidence of fiscally sound planning, budgeting, and management. The result of the President's Budget Submission is a budget that complies with OMB and President's guidelines and policies. DSCA completes and returns its component of the President's Budget Submission through formal President's Budget galleys and the OMB MAX Budget Information System. The President's Budget Submission includes the target for the upcoming and subsequent fiscal year. If any adjustments were made during the OMB passback and reclama process, DSCA communicates those changes in the President's Budget Submission.

C14.3.1.6. Reimbursement Exemptions for FMS Administrative Funds. AECA, section 43 (reference (c)) exempts reimbursement from the FMS Administrative Budget for military personnel costs and unfunded civilian retirement costs supporting the administration of the FMS program. The effective date for the exemption of military personnel costs is January 1, 1990. The effective date for the exemption of unfunded civilian personnel costs is the first complete pay period of December 1989.

C14.3.2. SCO Funding. DSCA allocates FMS Administrative and FMF Administrative funding for Security Assistance management functions to the SCOs and the Combatant Commands' Headquarters through the Combatant Commands. The SCOs prepare budget execution plans in accordance with instructions in this chapter, the annual DSCA SCO Budget Call, other DSCA guidance, and Combatant Command guidance. SCO and Combatant Command Headquarters support costs include U.S. and Foreign Service National (FSN) salaries and allowances, travel, rents, utilities, communications, printing, contractual services equipment (including vehicles), and permanent change of station travel for U.S. civilians with transportation agreements. DSCA centrally funds U.S. Coast Guard salaries, International Cooperative Administrative Support Services (ICASS), Residential Local Guard Program, C-12 Aircraft Flying Hour Program, FSN Separation Liability Trust, and furniture and move-in costs for new embassy buildings.

C14.3.2.1. SCO Budget Call. DSCA issues an annual SCO Budget Call requiring submission of budget estimates and supporting justification materials to provide input for the President's Budget. The budget call, usually issued in May, includes the current Annual Funding Plan (AFP) and targets for the budget year. The Combatant Commands submit consolidated budget execution plans to DSCA by the third week of August. Submissions include the actual costs for the 2 years prior fiscal year, estimated actual costs for the prior fiscal year, revised estimated requirements for the fiscal year starting October 1st, and projected costs for the budget year for inclusion in the President's Budget. DSCA reviews these submissions to establish approved SCO budget estimates for inclusion in the initial submission to OMB in November.

C14.3.2.2. Development and Submission of SCO Budget Estimates. The SCOs complete budget estimates in accordance with instructions in the SCO Budget Call. The Combatant Commands review the SCO submissions, set priorities, and adjust target levels. Each Combatant Command submits a consolidated budget estimate and execution plan to DSCA, including a prioritized list of unfunded requirements, in the Security Assistance Automated Resource Management Suite (SAARMS) Budget Preparation Module format.

C14.3.2.3. Issuance and Use of SCO Funds. DSCA issues funds to the Combatant Commands quarterly through the Program Budget Allotment System (PBAS) in accordance with the annual budget execution plan. DSCA issues annual year-end closeout guidance to all funds recipients.

C14.3.2.3.1. SCO Funds. DSCA finances all SCO operating costs with a combination of FMS Administrative and FMF Administrative Funds, collectively known as T-20 funds. DSCA allocates the two types of funds based on resource allocation data submitted annually by the SCOs in proportion to the types of Security Assistance program management functions being performed.

C14.3.2.4. Assistance-in-Kind (AIK). While not a funded program, AIK offsets funding requirements for some SCOs. SCOs receiving AIK (e.g., office space, vehicles, utilities, personnel) report such support in their annual budget estimates by object code, using fair market value to assign costs.

C14.4. AUDITS

C14.4.1. DSCA Audit Responsibilities. The DSCA (Business Operations Directorate) has oversight of all General Accounting Office (GAO) and DoD Inspector General (DoDIG) audits on Security Assistance programs. DSCA is normally provided advance notification of a proposed audit identifying the Congressional committee or organization that initiated the action; a statement of the scope; a time schedule for the audit; the name, number, and organization of the audit focal point; and a unique audit work or job code number.

C14.4.2. Relationship with MILDEP and Combatant Command Audit Agencies. Generally, audits or inspections of MAP, International Military Education and Training (IMET), and FMS programs are conducted in accordance with instructions of the MILDEPs and Combatant Commands.

C14.4.3. Procedures. Upon receipt of an audit request, the DSCA (Business Operations Directorate/Administration and Management) audit liaison officer reviews the audit request and appoints a DSCA Primary Action Officer (PAO) and/or a Collateral Action Officer (CAO). The audit liaison officer ensures that the appropriate MILDEP or Combatant Command headquarters structure is apprised of significant issues associated with the audit. Once audit responsibility is assigned, an entry audit conference is conducted as soon as practical. The PAOs and/or CAOs keep all working notes and memoranda for the record (MFRs) as appropriate and provide periodic status updates to the Director, DSCA, with a copy to the DSCA audit liaison officer. Periodic is defined as not less than bimonthly with negative responses required.

C14.4.4. Exit Conferences. During exit conferences, the auditors generally meet with the PAO and/or CAO to present their proposed findings and a draft report.

C14.4.5. Audit Findings and Recommendations. Upon publication of the audit or findings, DSCA reviews to determine any future course of action (e.g., business process re-engineering (BPR) initiatives) as appropriate.

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