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Shipbuilding and Conversion,
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PROGRAM MANAGEMENT COURSE INDIVIDUAL STUDY PROGRAM

SHIPBUILDING AND CONVERSION, NAVY, (SCN)
FUNDS FLOW FOR MAJOR SHIPBUILDING PROGRAMS

Study Report
PMC 75-1

M. L. HENDRICKSON, DNC

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DEFENSE SYSTEMS MANAGEMENT SCHOOL

STUDY TITLE:

SHIPBUILDING CONSTRUCTION NAVY, (SCN) FUNDS' FLOW FOR MAJOR SHIPBUILDING PROGRAMS

STUDY PROJECT GOALS:

To describe the physical flow of funds, the principal documents used, and the accounting and reports system.

STUDY REPORT ABSTRACT

The study provides an overview of the process and documentation flows for transfers of appropriated and apportioned SCN funds from the Office of the Navy Comptroller (NAVCOMPT) through the Navy Chain of Command to the ultimate using activity. The Ships Acquisition Project Manager (SHAPM) in the Naval Sea Systems Command is the central activity for the execution of the shipbuilding programs, therefore a heavy emphasis will be placed on the interfacing SHAPM activity. The paper will, in addition, discuss the role of the recently implemented Procurement and Accounting Reporting System (PARS) in the SCN accounting process.

KEY WORDS

RESOURCES MANAGEMENT FINANCIAL MANAGEMENT APPROPRIATIONS
MILITARY FUNDS SHIPBUILDING

NAME, RANK, SERVICE

M. L. HENDRICKSON, DNC

CLASS

PMC 75-1

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MAY 1975

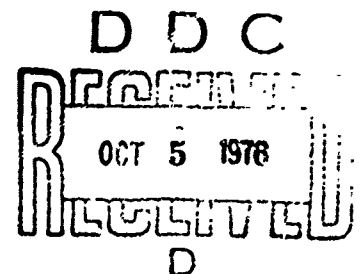
SHIPBUILDING AND CONVERSION, NAVY, (SCN)
FUNDS FLOW FOR MAJOR SHIPBUILDING PROGRAMS

Study Project Report
Individual Study Program

Defense Systems Management School
Program Management Course
Class 75-1

by
M. L. Hendrickson, DNC
May 1975

Study Project Advisor
R. J. O'Shaughnessy, Capt, USN



This study project report represents the views, conclusions, and recommendations of the author and does not necessarily reflect the official opinion of the Defense Systems Management School or the Department of Defense.

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EXECUTIVE SUMMARY

The expenditure of funds for procurement of major ships and ship systems results in a yearly multi-billion dollar program. Proper management of these funds demands precise and comprehensive controls over the allocation, tracking, and expenditure of SCN funds. The Navy is presently in the process of implementing a new Procurement Accounting and Reporting System (PARS) intended to provide a single comprehensive central accounting system. This new system will replace a myriad of non-integrated systems used previously.

The purpose of this paper is to track the flow of funds which have been appropriated by Congress and apportioned by the Office of Management and Budget (OMB) and the Department of Defense (OSD), from the time funds are received by the Office of the Navy Comptroller (NAVCOMPT) until funds are transferred to the action organization responsible for executing the funding action. The report will discuss the chains of command, the major types of actions, the documents involved, and the reporting and monitoring techniques used in tracking SCN funds flow. The interface of the PARS system regarding SCN funds will be identified. A previous Defense Systems Management School study, "An Overview of the Navy Budget Process," by Capt. R. J. O'Shaughnessy, USN, May 1974, is highly recommended as a companion reading to describe the earlier planning, programming and budgeting actions taken regarding these funds prior to the time they are received by NAVCOMPT.

The level of detail is selected to provide a person, working in a Project Management office, without formal financial management background that information he will need to become familiar with the SCN funds flow,

and to communicate with professional financial managers. A detailed annotated bibliography is included to allow further study by interested individuals.

This study was performed in early CY75 and reflects the status of the PARS program and the SCN funds flow interface at that time. Interested readers are cautioned to contact the responsible NAVSEA financial management codes to determine whether any changes will be made when the PARS system is formally implemented and the NAVSEA PARS manual is published.

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SHIPBUILDING AND CONVERSION, NAVY, (SCN)
FUNDS FLOW FOR MAJOR SHIPBUILDING PROGRAMS

CHAPTER I

Introduction

The Naval Sea Systems Command, (NAVSEA) is responsible for the administration of Naval shipbuilding and conversion funds (except for SSPO LOG SCN expenditures, which will not be discussed in this paper). The Office of Navy Comptroller (NAVCOMPT) Manual (1)¹ assigns NAVSEA responsibilities regarding the Shipbuilding and Conversion, Navy, (SCN) to include:

"(1) the design and development of totally integrated ships which are operable engineering whole systems, (2) the delivery of ships meeting the approved characteristics on time, (3) coordinating authorities in developing and acquiring total ship systems, and (4) administering the SCN appropriations."

Within NAVSEA, much of this responsibility is further delegated to a Ship Acquisition Project Manager (SHAPM) for further action regarding a specific shipbuilding program. The SHAPM may expend these appropriations directly with industry or he may utilize other government agencies to provide management support or other resources required to execute his program.

*ABSTAINER

This study represents the views and conclusions of the author and does not necessarily reflect the official opinion of the Defense Systems Management School nor the Department of Defense nor the Department of the Navy.

¹Sources cited or included in this paper are listed as used in the annotated bibliography, the first number to the source used and the remainder (if applicable) to the section and page within the source.

The purpose of this paper is to track the flow of Congressionally appropriated funds from NACOMPT TO THE SHAPM and to provide a summary of SHAPM funding actions and control of the SCN funds. The process of obtaining SCN funds is complicated and time consuming. Prior to the time the funds are received at NAVCOMPT, they have passed through lengthy planning, programming, budgeting, appropriation and authorization phases. This paper will not discuss the preliminary actions to any extent. For those readers interested in an overview of how the need was originated, how the needs were translated into operational requirements and how funds were budgeted and approved through Congress, the study report entitled, "An Overview of the Navy Budget Process" by Capt. R. J. O'Shaughnessy, USN,(2) is highly recommended.

THE NAVY PROCUREMENT ACCOUNTING AND REPORTING SYSTEM

The Navy has recently implemented a new accounting system to track the funds flow of appropriated SCN dollars. The system is called the Procurement Accounting and Reporting System (PARS) and is administered by the Naval Material Command Support Activity (NMCSA) under the management of the Naval Material Command (NAVMAT) Headquarters. Prior to the implementation of PARS a variety of financial accounting and reporting systems existed for various purposes. They each had their strong points and proponents for specific purposes, but integration was lacking. Several reporting systems were often required to track financial data for a given project. The various systems used different time bases and reporting elements, therefore a direct correlation of financial data for a given ship acquisition was exceedingly difficult. To overcome this problem, the Navy chartered a study group to develop a Navy Financial Management Improvement Plan (FMIP). The overall

objectives of the FMIP were to develop an integrated financial management system providing: full disclosure of financial transactions; the necessary level of financial data required by each cognizant management level; and effective accountability and control of all funds. The PARS system evolved as a subset of the FMIP to provide uniform financial reporting for all procurement appropriations (3). PARS was designed to focus on providing that level of information which Project Managers require to effectively control their procurement actions. In order to ensure compatibility among the various governmental activities involved in SCN activities, standardized coding, processing, and report formats were evolved. The general design of the PARS system commenced in Fiscal Year 1972. Systems development effort progressed through detail design, and programming, and was implemented for in-house tracking of SCN funds in Fiscal Year 1975(4). The PARS system is presently operational for the flow of SCN funds, however, specified, contractor reporting has not yet been implemented.²

A major feature of the automated PARS system for SCN funds is the capability provided to the SHAPM for direct control and access of financial data. The SHAPM initiates all major financial transactions involving expenditure of the SCN funds, and is a direct recipient of periodic management reports tailored to his requirements. In addition each SHAPM has (or will soon have) a remote PAP's computer terminal onsite for direct interrogation of the PARS data base.

²The schedule for full implementation was not available at the time of this writing.

The PARS procedural information in this paper is based primarily on data contained in the NAVMAT PARS User Manual(4), and the NAVSEA PARS Operating Procedures Manual(5). The NAVSEA Manual will be updated in the near future (target date is August 1975) and should be consulted for specific changes regarding SCN appropriations subsequent to the date of this paper.

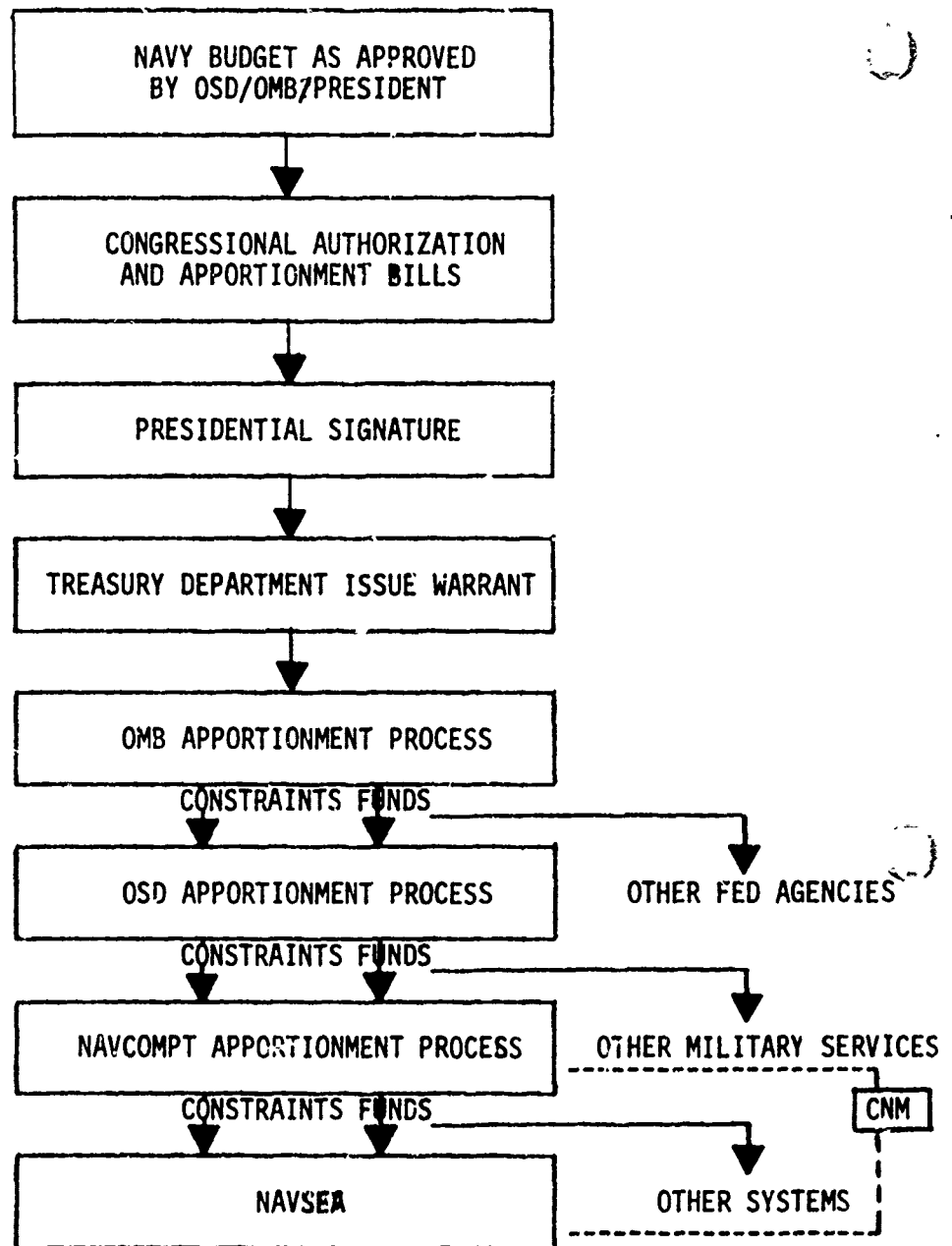
CHAPTER II

SCN FUNDS FLOW FROM THE OFFICE OF THE NAVY COMPTROLLER TO THE NAVAL SEA SYSTEMS COMMAND

Introduction

The Congress of the United States is specifically designated by the Constitution of The United States as responsible for the defense of our country. Congress has, in addition, been given control of the defense purse strings (1:8). Once Congress provides defense funds through passage of an appropriation bill and the President signs the bill, funds are available to pursue specific shipbuilding programs through warrants issued by the Treasury Department. Certain prerequisites must have been met. The shipbuilding program must have been included in the planning, programming, and budget cycle. The specific ship funds and number of ships must have been authorized and appropriated by Congress. Subsequent to signing the bill, the Executive Branch further controls the availability of funds through the apportionment process. (See Figure 1) Apportionment hearings are held to determine whether program priorities and progress support the original budget projections. Acting for the President, the Office of Management and Budget (OMB) may restrict the rate or the purpose of funds expenditures to meet appropriation requirements. Once the OMB apportionments are made, a similar process is effected by the Department of Defense and additional constraints may be imposed.

As stated earlier, the process for obtaining funds is a long and time consuming one. By the time the above hurdles are cleared, the budget data that justified the fiscal year ship program is over a year old (7-4-7). In addition, the appropriated funds finally received by the Navy may be subject



TOP LEVEL SCN FUNDS FLOW DIAGRAMS

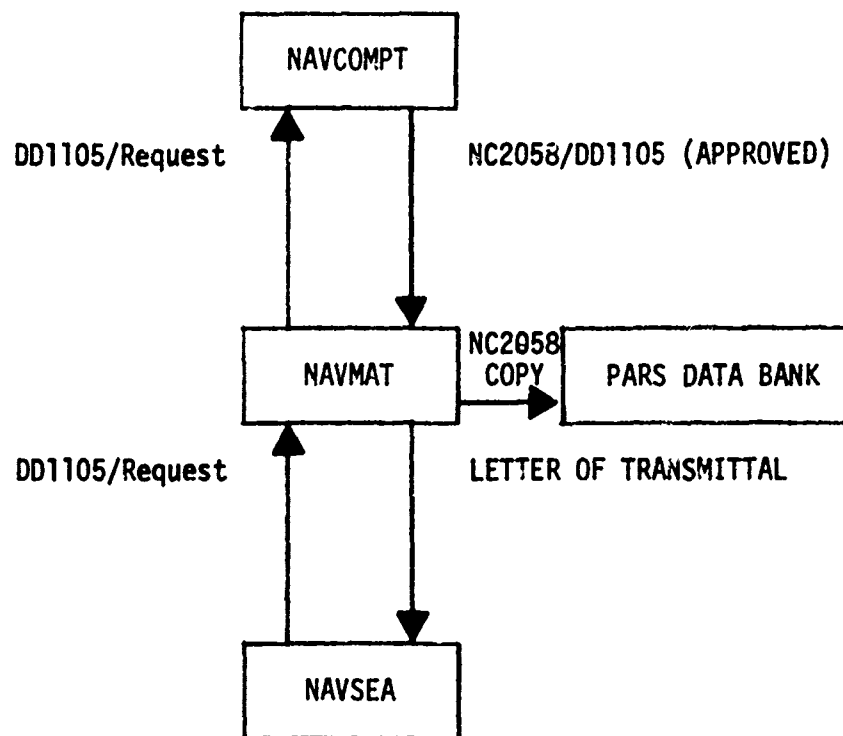
FIGURE 1

to Congressional, OMB, or DOD constraints. Strict accounting of the funds must be followed within the Navy to ensure the monies are expended in accordance with higher directives.

NAVCOMPT PROGRAM/FUND ALLOCATIONS

The primary vehicle used by NAVCOMPT in the transfer and control of funds from NAVCOMPT to NAVSEA is the Program/Fund Allocation document, NAVCOMPT Form 2058 (NC2058), Exhibit II-I. This document is originally prepared by NAVSEA and forwarded to NAVCOMPT/OPNAV¹ via NAVMAT as a request for funding. Upon receipt of the NC2058 document, NAVCOMPT reviews, revises and approves it; then sends it back to NAVSEA via NAVMAT. The approved NC2058 document officially transmits the Congressionally appropriated funds and will be accompanied by information regarding any deferrals, time constraints, or other pertinent information from OMB, OSD or OPNAV regarding expenditures of the funds. (See Figure 2) NAVMAT suballocates the funds and passes the related information to NAVSEA by a letter of transmittal. This letter will also identify any amounts which have been established as DOD, NAVMAT, or OPNAV reserves. A copy of the NC2058 will be sent to the NCMSA for entry into the PARS data bank. This input to the PARS system will provide the SCN baseline against which all other sub-allocations and procurement actions will be measured and reported. Accompanying the NC2058

¹NAVCOMPT has recently combined with the OPNAV Budget Branch. For the purpose of this paper the term "NAVCOMPT/OPNAV" will be used to discuss the combined function. The present combined code is Office of Budgets and Reports Fiscal Management Division NCB/92).



DD1105 Apportionment/Reapportionment Schedule and NC2058, Program Fund Allocation (PFA)

Document Flow From NAVCOMPT to NAVSEA

FIGURE 2

will be a copy of the Appropriation Warrant issued by the Treasury Department. Another document processed at this time is the DOD Form 1105 (DD 1105). Exhibit II-2, Apportionment/Reapportionment Schedule. This document again originates from NAVSEA citing the time flow needs for funds. It flows up through the chain of command and when approved contains the apportionment time rate controls.

ALTERNATE APPROPRIATION PROCESSES

Funds and funding authority can come to the NAVSEA under two major categories. The first category is as a result of the "normal" Congressional appropriations process. In recent years, however, the Congressional appropriation process has not normally been completed in time to ensure that funds can be made available to support on going program funding requirements. As a result, Congress usually passes a "Continuing Resolution" Bill at the start of a new fiscal year to allow previously committed program to continue. Under the provisions of the Continuing Resolution action no new program starts are allowed, however, committed program may continue at either their present rate or budgeted rate, whichever is lower.

One main difference under the Continuing Resolution process and the normal appropriation process regards the Apportionment/Reapportionment Schedule (DD1105) request. As stated earlier, the DD1105 represents the services planned expenditure of money based on approved appropriations. This document is not used during the interim funding authority under the Continuing Resolution, as the funding rates and limits are inherently included. During this time, firm data to NAVSEA will be provided via an OSD originated "Obligation Rate Memo" giving for each appropriation an OSD issued "Approved/Deferred List of P-1 Budget Items" authorizing or deferring

obligations for each budgeted item. This information is passed to NAVCOMPT then to NAVSEA for the SCN appropriation via the NC2058 process mentioned earlier. When the final Congressional appropriation bill is passed and signed into law by the President, NAVSEA will initiate a formal DD1105 to request its desired funding time rate structure. NAVCOMPT will review it, approve it and send it back to NAVSEA via the chain of command for action along with an amended NC2058 reflecting the final appropriation data. The final NC2058 document will establish approved program values for each budget item, reflect deferrals or other reserves as unallocated, and allocate the net authority available for procurement action (5:2-28/30). The revised NC2058 data is also provided to the NMCSA PARS function for file maintenance and program support.

One other method of receiving appropriations will be mentioned but not discussed in detail. At any time during the budget execution year, the President might submit a Supplemental Appropriations Budget. If the Supplemental Budget is passed by Congress and signed into law by the President, money will be apportioned in general accordance with the normal apportionment route and the authority will be passed from NAVCOMPT/CNM to NAVSEA via a revised NC2058.

Prior to receipt of an NC2058 and funds from NAVCOMPT/CNM, the NAVSEA Comptroller establishes the SCN Chart of Accounts. The Chart of Accounts is the primary NAVSEA accounting document of record and is the baseline for all further monitor and control processes. It is used in preparation of financial data for processing into the PARS accounting system and is specifically designed to: (5:1-1)

- associate the specific shipbuilding program to sub-heads and appropriations;
- provide the source of valid accounting data for coding procurement documents;
- identify the SHAPM responsible for financial administration;
- provide names, titles and requirements for output reports.

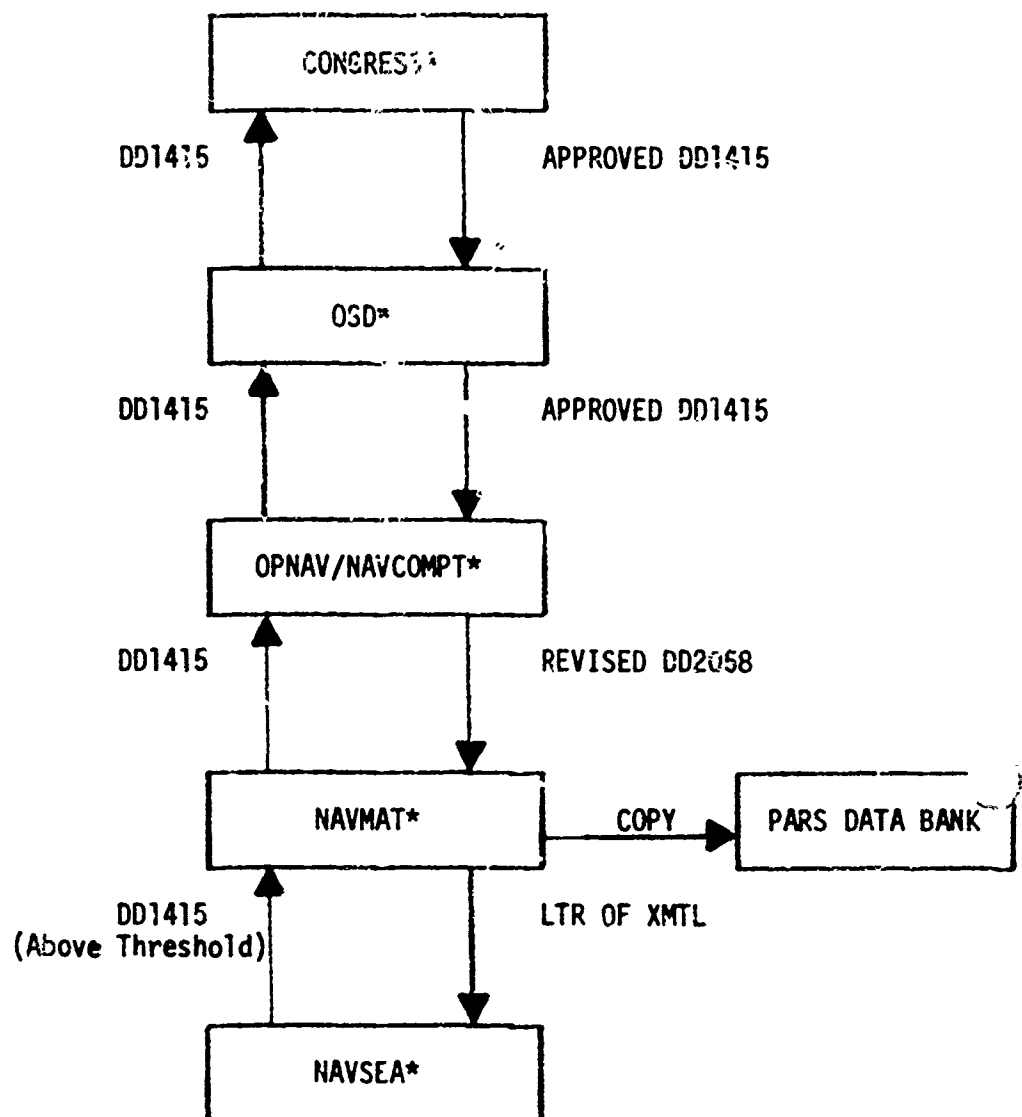
A copy of the Chart of Accounts is sent to the NMCSA PARS data bank as an input document for tracing further financial activity.

REPROGRAMMING ACTIONS EXTERNAL TO NAVSEA

One other action which can affect the flow of funds between NAVCOMPT and NAVSEA is reprogramming actions. (See Figure 4) Once NAVCOMPT firms up the specific funds for the SCN appropriations the data is entered into a DD Form 1414 (DD1414), Base for Reprogramming Action. The form becomes the baseline for determining the flexibility in transferring appropriated monies within the SCN account. Basically, no flexibility is allowed between appropriations, but the NAVSEA will be allowed to transfer money within the SCN appropriation if it follows certain prescribed rules.

A Reprogramming action can be utilized to solve financial shortages or to adjust programs within limits. (See Figure 4) This involves the reapplication of funds between line items within a given appropriation. Thresholds are established in the form of dollar limits to dictate which reprogramming actions may be approved at the Service level, which at the DOD level, and which must be referred back to Congress for approval.

A request for Reprogramming Action, DD Form 1415 (DD1415), Exhibit II-3, is required to be submitted from NAVSEA to OSD via NAVMAT and



Reprogramming Process for "Above Threshold" Actions and/or Congressional Interest Actions.

*NOTE: Each level has reprogramming approval authority based on established threshold criteria.

FIGURE 4

NAVCOMPT/OPNAV whenever a single or cumulative increase of 5 million dollars or more is required in a single P-1 line item, or when a new P-1 budget line item of \$2M is desired to be added. This is called an "Above-Threshold" action. Other requirements for using the Above-Threshold reprogramming criteria result when the reprogramming action involves a program in which congress has expressed a special interest, or for functions or programs which have been specifically eliminated or reduced by congressional action.

Upon receipt of a DD1415 Above-Threshold reprogramming action, OSD reviews, approves or forwards the action to the appropriate Congressional committee for review and approval. After approval, OSD returns the DD1415 to NAVCOMPT who issues a revised NC2058 to NAVSEA via NAVMAT reflecting the appropriation changes. The revised information is also transcribed from the NC2058 and used to update the NMCSA PARS data file for approved reprogramming actions.

NAVCOMPT PCOP 7030 REV. 6-72 (OPART)

11 COLONS

SUBMITTING BUREAU OR OFFICE CHIEF OF NAVAL OPERATIONS		APPROPRIATION TITLE SEAPENS PROCUREMENT, NAVY		APPROPRIATION SYMBOL 17 7476 1507		FISCAL YEAR PROGRAM/CATEGORY ACTIVITY/LINE ITEM OF PROCUREMENT AND/OR PROGRAM ELEMENT		TOTAL PROGRAM QTY AMOUNT		UNALLOCATED QTY AMOUNT		TOTAL CUMULATIVE YEAR ALLOCATIONS QTY AMOUNT	
SLIP-201						(12)		(13) (14)		(15) (16)		(17) (18)	

SECTION 1 - PROGRAM AND OBLIGATING AUTHORITY

TOTAL BAL 1 BALLISTIC MISSILES		768,100,000	51,100,000	217,000
SUBTOTAL ACTIVITY 21-LINER MISSILES				
MISSILES				
42E1	AIM-7 E/F (SPARROW III)	38,900,000	37,000,000	1,500
42E2	AIM-9 M (SIDEWINDER IC IM)	16,300,000	16,200,000	100
42E3	AIM-54A (PACER)	92,500,000	91,500,000	11,000
42E4	AGM-45A (SPRINE)	10,600,000	2,000,000	8,600
42E5	AGM-53A (COW)	22,700,000	22,700,000	500
42E6	AGM-78C (STANDARD ARM)	500,000		
42E7	AGM-84A (HARMER) ADVANCE PROCUREMENT CURRENT YEAR	19,000,000	19,000,000	
72F1	AIM-66B (STANDARD MR)	29,100,000	4,100,000	25,000
72F2	AIM-67A (STANDARD ER)	1,700,000	1,700,000	9,000
72F3	AGM-66C (STANDARD SSP)	7,700,000	5,400,000	2,300
72F4	OTHER MISSILE SUPPORT	12,500,000	6,600,000	5,900
42E8	AERIAL TARGETS	33,000,000	12,500,000	20,500
42E9	SLUTCT-L	292,100,000	209,700,000	23,400
SUBTOTAL ACTIVITY 22-LINER MISSILES				
42E9	AIM-7 E/F (SPARROW III) MODIFICATIONS	2,700,000	1,000,000	1,700
42E9	AIM-9 SIDEWINDER IC IM MODIFICATIONS	200,000		200
42E9	AIM-54A (PACER) MODIFICATIONS	300,000		300

EXAMPLE

APPORTIONMENT AND REAPPORTIONMENT SCHEDULE

AGENCY		APPORTIONMENT		FISCAL YEAR	
DEPARTMENT OF DEFENSE		Shipbuilding & Conversion, Navy		1974	
Department of the Navy		175/1611		COMPLEMENT NO. 1	
DESCRIPTION	AMOUNT ON LATEST DD FORM 1165	SUBMITTALS COMPLIANT	REAPPORTMENT BY SECDEF	ACTION BY OMB	
BUDGETARY RESOURCES					
BUDGET AUTHORITY					
1A APPROPRIATIONS REALIZED		2,970,600,000	2,970,600,000	2,970,600,000	
1B OTHER NEW AUTHORITY REALIZED					
1C NET TRANSFERS OF FY AUTH REALIZED					
1D ANTICIPATED RESOURCES					
1 TOTAL BUDGET AUTHORITY		2,970,600,000	2,970,600,000	2,970,600,000	
UNAPPORTIONED BALANCE					
2A UNAPPORTIONED BALANCE JULY 1					
2B NET TRANSFERS OF FY BALANCES					
2C ANTICIPATED TRANSFERS OF FY BALANCES					
2 TOTAL UNAPPORTIONED BALANCE					
RECOVERIES OF PRIOR OBLIGATIONS					
3A CANCELED		4,514,600	4,514,600	4,514,600	
3B CHANGE IN UNPAID CUSTOMER ORDERS		26,150,000	26,150,000	26,150,000	
3C ANTICIPATED FOR REST OF YEAR		39,334,500	39,334,500	39,334,500	
3 TOTAL RECOVERIES OF PRIOR OBLIGATIONS		70,000,000	70,000,000	70,000,000	
RECOVERIES OF PRIOR OBLIGATIONS					
4A ACTUAL RECOVERIES					
4B ANTICIPATED RECOVERIES REST OF YEAR					
4 TOTAL RECOVERIES OF PRIOR OBLIGATIONS					
RESTORATIONS (1) AND WRITE-OFFS (2)					
5 TOTAL BUDGETARY RESOURCES		3,040,600,000	3,040,600,000	3,040,600,000	
APPLICATION OF BUDGETARY RESOURCES					
APPORTIONMENTS					
6A	2,711,300,000	2,711,300,000	2,711,300,000		
6B					
6C					
6D					
6E					
6F					
6 TOTAL APPORTIONMENTS		2,711,300,000	2,711,300,000	2,711,300,000	
RESERVES					
7A FOR CONTINGENCIES					
7B FOR SAVINGS					
7C FOR SUBSEQUENT APPORTIONMENT			329,300,000	329,300,000	
7 TOTAL RESERVES				329,300,000	
UNAPPORTIONED BAL OF REVOLVING FUNDS					
8 TOTAL BUDGETARY RESOURCES		3,040,600,000		3,040,600,000	

2/ DD 1176 as of 30 November 1974

APPROVED BY: [Signature]
 SPECIAL AGENT IN CHARGE
 ASSISTANT SECRETARY OF THE NAVY
 (FINANCIAL MANAGEMENT)
 REQUESTED BY: [Signature]
 ASSISTANT SECRETARY OF THE NAVY
 (FINANCIAL MANAGEMENT)
 DATE: 26 Jan 1975
 DATE: 26 Jan 1975

DD FORM 1165
 Copy 1165, as BSC does not
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APPROPRIATION ACCOUNT TITLE						USD SERIAL NUMBER																						
Shinbuilding and Conversion, Navy 1972/1976																												
PROGRAMATION SERIAL NUMBER			(Amounts in Thousands of Dollars)																									
FY 1972-3																												
LINE ITEM	PROGRAM BASE REFLECTING CONGRESSIONAL ACTION		PROGRAM PREVIOUSLY APPROVED BY SEC DEF		REPROGRAMMING ACTION		REVISED PROGRAM																					
	QUANTITY	AMOUNT	QUANTITY	AMOUNT	QUANTITY	AMOUNT	QUANTITY	AMOUNT																				
	b	c	d	e	f	g	h	i																				
<p>The purpose of this reprogramming action is to provide for increased funds in the FY 1972 Cost Growth Line Item for increased claims coverage in the FY 1971 and prior year programs. The source of funds for these increases is the FY 1972 X-SHIP conversions.</p> <p>REPROGRAMMING INCREASES</p> <p><u>FY 1972 Program:</u></p> <p>Budget Activity 5: <u>Z Type Craft</u></p> <p>1. Cost Growth</p> <table border="1"> <tr> <td>Total Program</td> <td>58,500</td> <td>58,500</td> <td>+14,880</td> <td>73,380</td> </tr> </table> <p><u>Explanation</u> - The increase is required to provide for anticipated settlement of shipbuilder claims in the FY 1967 and prior year program ships.</p> <p>TOTAL PROGRAM INCREASES +14,880</p> <p>REPROGRAMMING DECREASES</p> <p><u>FY 1972 Program:</u></p> <p>Budget Activity 1: <u>(X TYPE) Ships</u></p> <p>2. SHIP TYPE (conv)</p> <table border="1"> <tr> <td>Total program</td> <td>1 (87,167)</td> <td>1 (58,001)</td> <td>1 (-16,001)</td> <td>1 (40,000)</td> </tr> <tr> <td>Less Adv. Proc. XX</td> <td>(-21,818)</td> <td>XX (-17,813)</td> <td>XX (-6,301)</td> <td>XX (-11,517)</td> </tr> <tr> <td></td> <td>1 65,349</td> <td>1 40,188</td> <td>1 -11,700</td> <td>1 26,485</td> </tr> </table> <p><u>Explanation</u> - Reflects latest end cost estimate to complete FY 1972 conversions.</p> <p>TOTAL PROGRAM DECREASES -11,700</p> <p>3. Resources available for reprogramming -3,180</p> <p><u>Explanation</u> - These funds are available from reprogramming 72-111</p> <p>TOTAL PROGRAM DECREASE 14,880</p>									Total Program	58,500	58,500	+14,880	73,380	Total program	1 (87,167)	1 (58,001)	1 (-16,001)	1 (40,000)	Less Adv. Proc. XX	(-21,818)	XX (-17,813)	XX (-6,301)	XX (-11,517)		1 65,349	1 40,188	1 -11,700	1 26,485
Total Program	58,500	58,500	+14,880	73,380																								
Total program	1 (87,167)	1 (58,001)	1 (-16,001)	1 (40,000)																								
Less Adv. Proc. XX	(-21,818)	XX (-17,813)	XX (-6,301)	XX (-11,517)																								
	1 65,349	1 40,188	1 -11,700	1 26,485																								
REQUESTED SIGNATURE AND DATE					APPROVED SIGNATURE AND DATE																							

DD FORM 1415

16

Electronic

Electronic

CHAPTER III

SCN Flow from NAVSEA Headquarters to the Ship

Acquisition Project Managers (SHAPM)

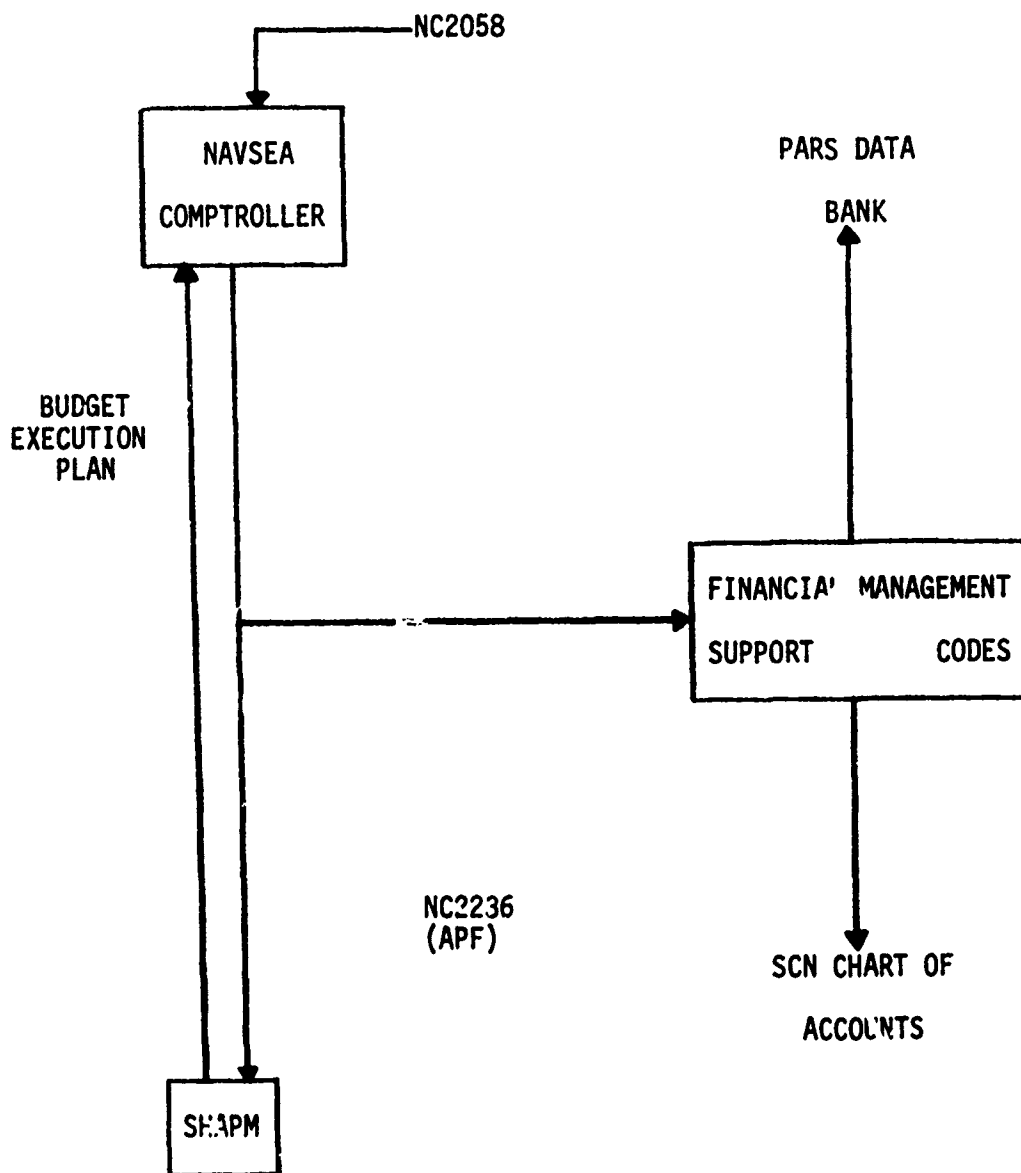
Introduction

The main principals within NAVSHIPS regarding the management of SCN funds are the NAVSEA Comptroller, the NAVSEA financial management support groups and the SHAPMS. The NAVSEA Comptroller is responsible for the receipt and processing of funds within NAVSEA. He is responsible within NAVSEA for the establishment of principles, policies and procedures coordinating the preparation, submission, administration and execution of the NAVSEA budget. Various financial management support codes within NAVSEA provide administrative, accounting and management support to the Comptroller in support of his assigned functions. The central action organization for actually executing the SCN appropriation is the SHAPM. The SHAPM is chartered by the NAVSEA Commander for integrating all technical, financial and management aspects of a given shipbuilding program.

The purpose of this chapter will be to describe the internal funds flow from the NAVSEA Comptroller to the SHAPM in order to initiate actual action in procurement of major ships and ship systems. The main flow of these funds is direct from NAVCOMPT/OPNAV, through NAVMAT, the NAVSEA Comptroller, and to the SHAPM. This chapter will also discuss other flows of SCN appropriations which reach the SHAPM by indirect means, and will show how some SCN funds are used to support other programs on a pay-back relationship.

"Normal" SCN Funds Flow

The principal document controlling the transfer of funds from the NAVSEA Comptroller to the SHAPM is the Advise of Project Funds (A/PF), NAVCOMPT Form 2236 (NC2236) (exhibit III-1). This form contains financial data transcribed from the NC2058 document (described in Chapter II) relating to Congressionally appropriated funds. Upon transmittal of this document to a specific SHAPM, NAVSEA financial management codes provide a copy of the financial data to the NMCSA PARS data bank for accounting support and file maintenance purposes. The Advise of Project Funds will identify the specific procurement line item of interest, the appropriation data identifying the funds to be used, and any constraints regarding expenditure of the funds placed by the NAVSEA Comptroller or higher levels (see figure 5). Advise of Project Funds changes may be made, and if so, they will be documented and will identify the reason for the change and the specific amounts affected. The Advise of Project Funds document flow starts when the SHAPM submits his budget execution plans to the Comptroller. The NAVSEA Comptroller reviews the SHAPM request against the original budget submission and latest priorities. When the Comptroller receives the NAVCOMPT funding authorization, he will approve the SHAPM request and provide the funding authorization to the SHAPM on an Advise of Project Funds document. The approval will be accompanied by direction regarding management reserves retained at higher levels, the OSD Approval/Deferral List, and will show the time-phased funds usage allowed.



SCN FLOW FOR "NORMAL" FUNDING ACTIONS

Figure 5

The transfer of appropriated funds via the NAVCOMPT/OPNAV chain of command is the normal route for direction regarding SCN activity. NAVSEA may receive additional direction for expenditure of Congressionally appropriated funds from other Naval activities, from other Military Departments, and from other governmental agencies (see figure 6). Some of these provide non-SCN funds which are directly usable (Direct-Cite) for the function intended. Other funding requests, however, require the expenditure of NAVSEA controlled SCN funds with later reimbursement being provided by the requesting activity. (5:II, 31/35)

MAP/MIPR Actions

When NAVSEA provides services or material to other than US Navy customers on a reimbursable basis, two major categories of actions are involved. The first is a Military Assistance Program (MAP) order. These orders are received by NAVSEA headquarters, which processes them to the SHAPM with copies to the NAVSEA Comptroller for entry into the SCN Chart of Accounts and the PARS data base. The MAP orders may involve two sub-categories of actions: Grant Aid orders, or Foreign Military Sales. Grant Aid orders authorize and direct the delivery of defense material and services to foreign governments. To accomplish this direction, the SHAPM expends SCN funds and the SCN appropriations are later reimbursed through the NAVCOMPT/OPNAV chain. Foreign Military Sales are based on a receipt of an offer and acceptance signed by the Chief of Naval Operations and a foreign country representative. Foreign Military Sales orders for major shipbuilding or conversion may also be taken as reimbursable orders under the SCN appropriations.

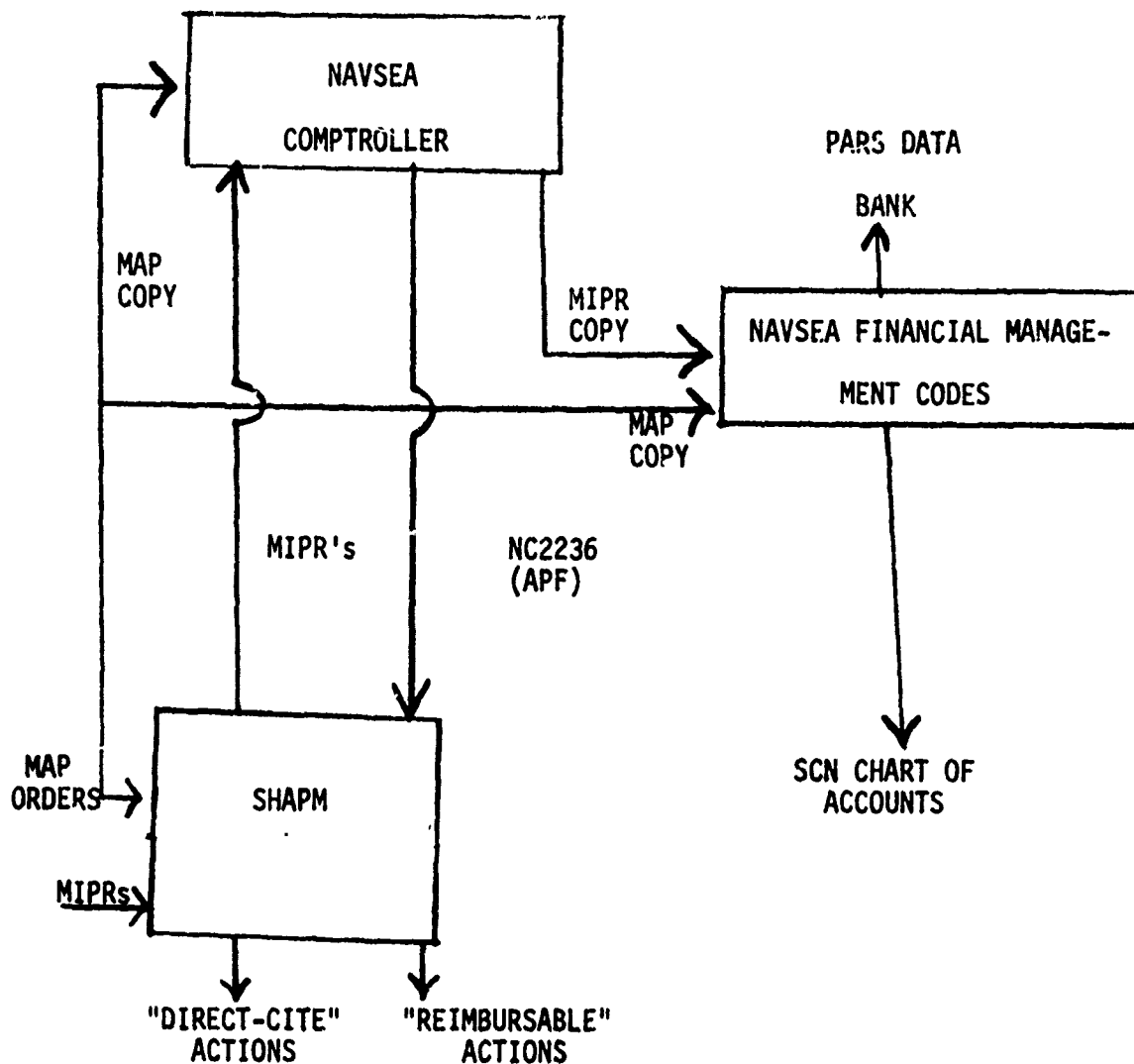


Figure 6

The second category of reimbursable orders includes all actions other than the MAP orders. The "other than MAP orders" are received directly by the SHAPM for action. The SHAPM accepts the order in conjunction with the NAVSEA Comptroller. The NAVSEA Comptroller again enters the data into the SCN Chart of Accounts and forwards the data to the NMCSA for PARS file maintenance and accounting support. The most common type of order received under this category is the Military Inter-Departmental Purchase Request (MIPR). The MIPR actions involve orders for Naval material from other military services. These orders may or may not involve SCN appropriations in that they may be accepted on either a direct-cite basis or on a reimbursable order basis. When an order is accepted on a direct-cite basis, the SHAPM will execute the order and directly charge the effort to the appropriation data provided by the ordering activity. If accepted on a reimbursable basis, however, SCN funds will be expended in a manner similar to that involved with MAP funding and the SCN funds will be reimbursed.

Whenever SCN funds are involved in satisfying the reimbursable orders described above, the NAVSEA Comptroller enters the pertinent data into a Reimbursable Order Data Sheet (RODS), exhibit III-2, and forwards it to the NMCSA to establish the record in the PARS data base regarding the reimbursable order received. This action establishes a PARS data baseline which will be later used to automatically bill the ordering agency for the actual funds expended. The NAVSEA Comptroller will then update the COA and provide an Advise of Project Funds to the cognizant SHAPM officially

advising him that the funds have been established and entered into the system, with copy to the PARS system. NMCSA will provide file maintenance support, status reports and the required billing services to obtain reimbursement. (4)

Internal NAVSEA Reprogramming Actions

Some flexibility is allowed within NAVSEA for reprogramming. If a reprogramming action is deemed necessary to balance priorities or provide for unforeseen problems, and if the action is below the threshold for OSD or Congressional approval, direct action can be taken within the Navy itself. The action can either originate from one of the SHAPMS involved in the procurement of a major ship system, or a reprogramming decision might be handed down from higher Navy Department authorities. In either case, the NAVSEA Comptroller will channel the request through the chain of command and, when approved, update the COA and issue a revised Advise of Project Funds document to officially advise the affected SHAPMS and will take action to enter the change into the system.

ADVISE OF PROJECT FUNDS
NAVCOMPT FORM 225 (10-70)

-2F-

1. DOCUMENT NUMBER N00024-75-AP-11810.01		2. APPROPRIATION 1751810		3. EFFECTIVE DATE 72 08 05		PAGE 1 OF 1		PA		
TITLE		PROJECT UNIT		ACTION CODE		16. PERIOD COVERED		17. REQUISITION MANAGER CODE		
						PRIOR				
						A. CHANGE		C. CURRENT		
						A. PRIOR		C. CHANGE		
						A. PRIOR		C. CHANGE		
DESP EQUIPMENT	81 HJ		C	Y			\$800,000.00	4,500,000.00	3,500,000.00	795
MAN IN THE SEA	81 KI		A	Y				1,000,000.00	1,000,000.00	500
DIVING AND SALVAGE	81 HY		C	Y			4000,000.00	2,500,000.00	6,500,000.00	500
NAVAL INSHORE SUPPORT EQUIP	81 HZ		A	Y				1,000,000.00	1,000,000.00	500
TOTALS							12,000,000.00		12,000,000.00	TOTALS

EX 17.11.01

12. REMARKS:
Funds reprogrammed to cover higher priority requirements per SHIPS OO MMD, 8/1/74 (N00024-75-5T-11810.01 applies).

13. DISTRIBUTION
PMS 795
OOC
1014
1026
1028

14. APPROVED BY:
C. GRENUCK

DATE
8/1/74

15. APPROVED BY:
B. WILLIS

DATE
8/2/74

1. DOCUMENT NUMBER N00024-75-R0-00001		2. AMEND NO. 00		3. EFFECTIVE DATE YR. 75 MON. 04 DA. 01		PAGE 1 OF 1 PAGES	
4. INCOMING ORDER IDENTIFICATION							
A. INCOMING ORDER NUMBER PGY144 1071 0000		B. AMEND. NUMBER 00	C. GENERIC CODE C6A	D. COUNTRY CODE GY	E. NAVILCO CONTROL AND/OR CASE NUMBER BDF		F. REF. SOURCE CODE 9
5. METHOD OF BILLING <input type="checkbox"/> MONTHLY <input type="checkbox"/> QUARTERLY <input checked="" type="checkbox"/> UPON COMPLETION OF THE WORK REQUESTED							
6. ACCOUNTING CLASSIFICATION DATA OF PERFORMING ACTIVITY							
A. ACT. CODE	B. ACRN	C. APPROPRIATION	D. SUBHEAD	E. PROJECT UNIT	F. QUANTITY	G. AMOUNT	
1	A	A A	1751611	85R4	78891	00000001	250,000.00
2							
3							
4							
7. ACCOUNTING CLASSIFICATION DATA OF OFFICE TO BE BILLED							
A. ACRN	B. APPROPRIATION	C. SUBHEAD	D. OBJ. CLASS	E. BUR. CONT. NO.	F. AAA	H. TT	I. PAA
1	A A	17-11X8242	2842	031	7442	0	65916
2							
3							
4							
J. COST CODE	K. OTHER THAN NAVY ACCOUNTING DATA						
8. AMOUNT APPLICABLE TO LINE 7-1 ABOVE 250,000.00		9. AMOUNT APPLICABLE TO LINE 7-2 ABOVE		10. AMOUNT APPLICABLE TO LINE 7-3 ABOVE		11. AMOUNT APPLICABLE TO LINE 7-4 ABOVE	
12. REQUESTING ACTIVITY (Name and Address) NAVILCO, Bayonne New Jersey							
13. REMARKS							
14. PREPARED BY: P. Befacchia				DATE 4/1/74		15. APPROVED BY: E. A. Willis	
						DATE 4/2/74	

CHAPTER IV

SHIP ACQUISITION PROJECT MANAGER (SHAPM) EXECUTION OF SCN PROGRAMS

Introduction

At this point in time the SHAPM has the funds and the authority to execute funding actions in support of his charterec program as long as he stays within the general constraints handed down by the NAVSEA Comptroller. The SHAPMS have a variety of ways to execute their programs. They may directly fund a commercial activity such as a shipbuilder or manufacturer of a major ship system, or they may fund other Navy or government agencies to provide materials, services, or contract management support. The majority of SCN funds are passed directly from the SHAPM to a commercial activity by means of a contractual agreement between the Navy and the contractor. The second highest consumer of SCN funds involves a SHAPM tasking another Navy activity to provide direct support to the shipbuilding process. Some of the SCN funding sent to other Navy activities is sub-let to commercial contractors to provide Government Furnished Equipment and services to the prime shipbuilder. In-house shipyards and laboratories may be utilized, and other military services or outside government agencies may get involved in the execution of SCN program. The purpose of this chapter will be to describe some of the major funding actions the SHAPM may take and discuss the monitor and control function provided by the PARS system to provide the SHAPM with meaningful status reports on the commitment, obligation and expenditure of funds. Selected examples of funding actions will be described and the related funds control documentation displayed.

SHIPS PROJECT DIRECTIVES (SPD) PROCESS

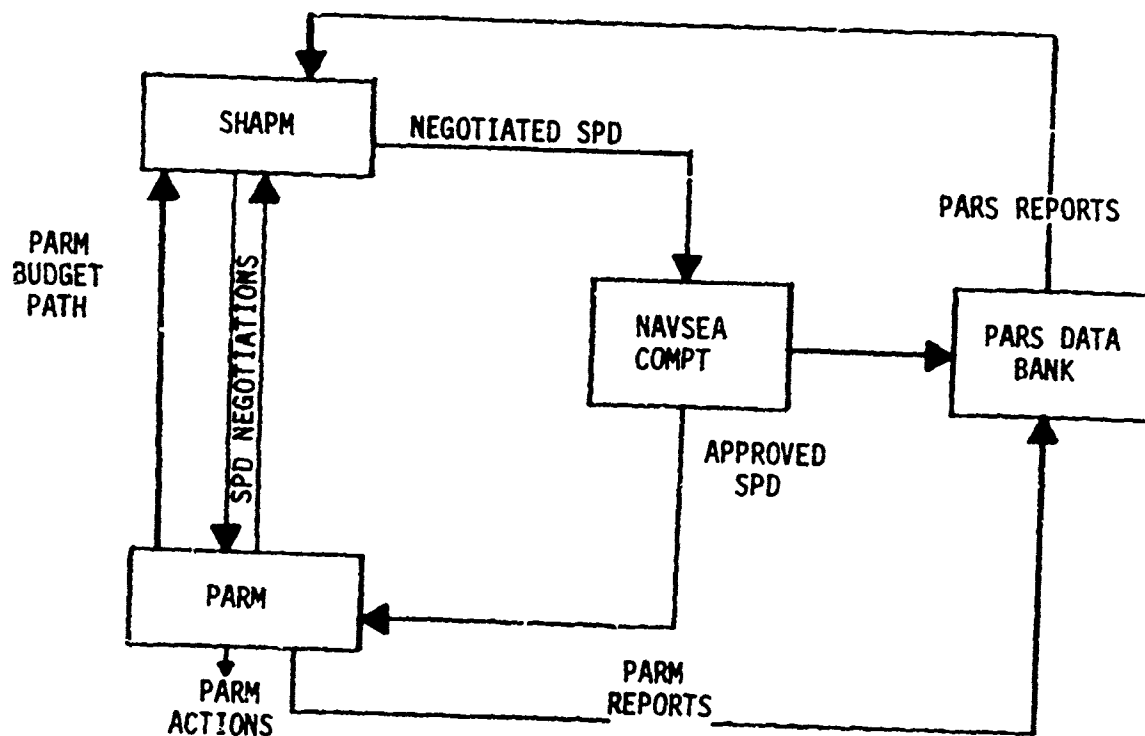
The majority of in-house funding and authority transfers are effected

by Ships Project Directives (SPD) (8). The SPD's are used to provide funding and direction to activities within Naval Material Command Headquarters components and may be used between other Naval activities if mutually agreed upon. The SPD is originated by a SHAPM and is negotiated between him and a specific Participating Manager (PARM) organization.¹ (See Figure 7)

It should be noted that preliminary planning has taken place between the SHAPM and the PARM prior to the issuance of an SPD. The basic requirements for the PARM support were earlier established during the programming, planning and budgeting phases (7:IV). In addition, prior to the time the SHAPM received the SCN appropriations for an action, he would have received funding implementation plans from each of the potential PARMS which provides time phased initiation and obligation planning data.

The first part of the SPD contains technical direction, administrative support requirements, and status reporting requirements. The SPD Part II (NC2252) contains hardware descriptive data and funding information. The SPD Part II is provided in form and format to be compatible with the PARS system to facilitate the SHAPM monitor and control function. The SPD is reviewed and approved by the NAVSEA Comptroller and sent to NMCSA for entry into the PARS system. Upon receipt of the document, the PARS system will automatically determine if adequate funds are available in the cited appropriation, and record the amounts against the applicable ship hull number. In addition, the PARS system will advise the SHAPM on the status

¹PARM is defined as any in-house agency performing services or providing resources to a SHAPM under a negotiated SPD agreement.



SPD PROCESS

FIGURE 7

of PARM activity using the SPD cited SCN funds. The SPD becomes official once it has been accepted by both the SHAPM and the PARM and received an authorizing signature by the NAVSEA Comptroller. Once the PARM accepts the SPD he becomes responsible for initiating procurement and management actions in a timely manner so that the required functions can be feasibly accomplished within the SHAPM cost and schedule constraints.

Once the SPD is negotiated it becomes the historical documented record and the baseline for future actions. The SPD's are provided at the Ship System level. For example, the SHAPM may provide an SPD to the Naval Electronics System Command (NAVELEX) which will cover all NAVELEX management actions and electronic hardware systems for a given ship. The SPD funding data sheets may break down the systems into lower sublevels of the ship in accordance with the Ship Work Breakdown Structure (11), but the data sent to the PARS data base summarizes the financial information at the ship system level. This provides ease of data processing and handling, but as will be discussed later, limits the analytical capability of the data base.

Once negotiated, changes can be made to the SPD by mutual agreement between the PARM and the SHAPM. Some flexibility is allowed regarding the use of the funds. The PARM may be allowed to change funds around within the overall constraints of the SPD without gaining specific approval of the SHAPM if off-setting reductions can be found within the same SPD funding authority. If this is done, the PARM will notify the SHAPM of the action taken. If additional funds are required for which off-setting reductions are not available, the PARM will advise the SHAPM of the requirement and will wait for additional receipt of funding or direction prior to further

action. If the request requires SHAPM reprogramming, the reprogramming action must be processed through the normal NAVSEA chain of command proceedings as outlined in Chapter III of this paper.

Exhibit IV-1 is an example of an approved SPD Part II, NAVCOMPT Form 2252 (NC2252). PARS reports will be issued to all cognizant activities at the end of any month in which a new SPD Part II is established or revision incorporated. PARS reports will in addition be provided on an as requested basis to interested activities (5:3-13).

INTER-COMMAND FUNDING AUTHORIZATIONS

A second inter-Navy funding action is accomplished when the SPD Part II is used alone (without the Part I technical information) to transfer funds within the Naval Material Command. This approach is often followed regarding the issue of outfitting materials, post-delivery support and transfers of MAP funds. Again, the document will be prepared initially by the SHAPM, reviewed by the NAVSEA financial management codes and entered into the PARS system to ensure the availability and applicability of the cited funds. When acceptable, the document will be authorized and signed by the NAVSEA Comptroller. PARS reporting will be identical to that discussed under the SPD system.

OTHER SHAPM FUNDING ACTIONS

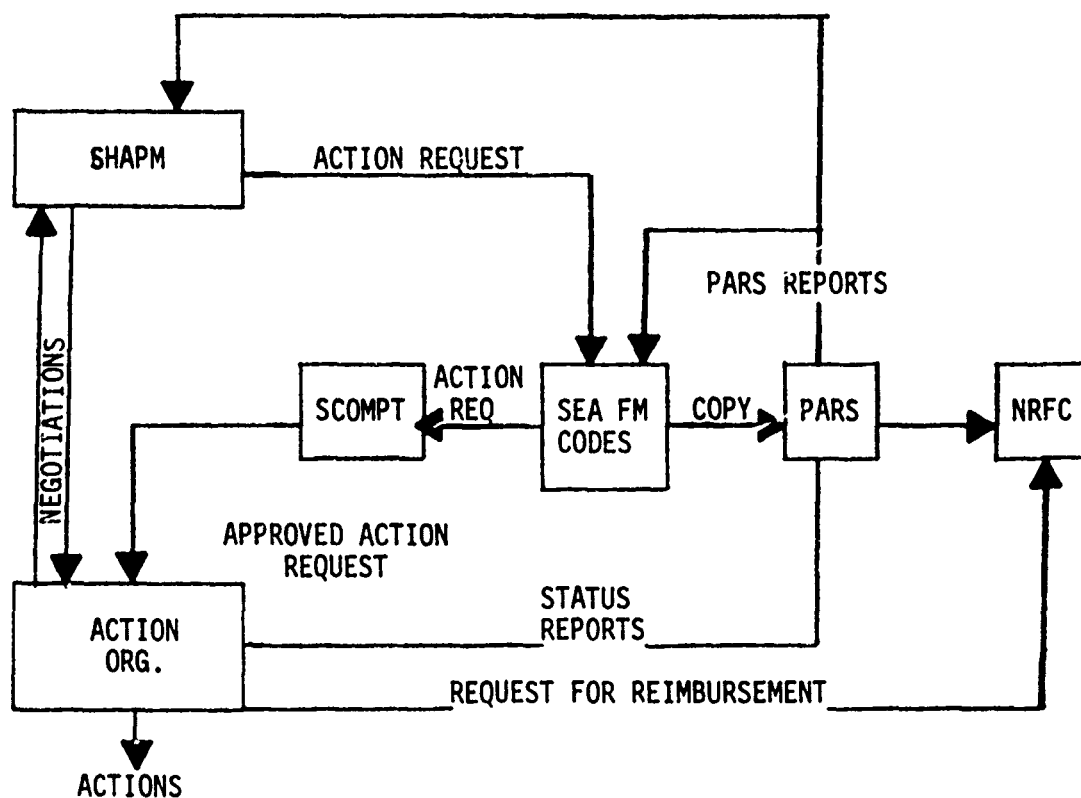
There are other standard documents used to pass funds between the SHAPM and other agencies in support of a specific shipbuilding program. Many of the forms discussed in the remainder of this section will be used not only by the SHAPM but by secondary agencies in execution of tasks assigned by the SHAPM. For instance, a SHAPM might assign a PARM specific

direction and funds in support of a ship program which will require assistance from yet another activity. The PARM might well pass part of the responsibility down to a government laboratory who will then execute a contractual document with a commercial organization to deliver specific resources or services. This paper will discuss these actions in three rough categories of actions. The first will include those documents used primarily in the transfer of technical direction and funding actions between Navy organizations. This will include actions such as the Allotment/Suballotment Authorization, NAVCOMPT Form 372 (NC372), Exhibit IV-2; Work Requests, NAVCOMPT Form 140 (NC140), Exhibit IV-3; and Project Orders, NAVCOMPT Form 2053 (NC2053), Exhibit IV-4. The second category of actions will be covered by funding executions between a SHAPM or supporting government agency and another military service. In this case a Military Interdepartmental Purchase Request (MIPR), DOD Form 448 (DD448), Exhibit IV-5, will be utilized to effect the required action. The third category of actions include activity directed towards commercial activities. The SHAPM or his supporting activities may enter contractual agreements directly with a commercial organization or they may direct another agency to perform the contract administration function. If the agency elects to contract the work directly, the work effort is initiated by a Procurement Request (6) and culminated in a contractual vehicle between the government agency and the contractor. In a case where an activity wishes to delegate responsibility for contract execution to a separate in-house activity, the activity may initiate action by sending the agency a Request for Contractual Procurement, NAVCOMPT Form 2038 (NC2038), Exhibit IV-6. The agency receiving the NC2038 would contractually execute the order through a procurement request.

INTER-NAVY FUNDING ACTIONS

The transfer, accounting and reporting of funds for the Allotment/ Suballotment Authorizations (NC372), the Work Request (NC140), and the Project Order (NC2053) are very similar. (See Figure 8) Each of these documents serves similar purposes in the transfer of task assignments and funds.² The documents are initiated by the SHAPM or supporting activity responsible for executing the applicable SCN program. The statements of work and funding levels are negotiated between the cognizant organizations. Once the activities reach agreement, the applicable funding documents are forwarded to the NAVSEA financial management codes. The Budget Branch reviews the document to determine whether the allocations are in accordance with previous budget estimates and program plans. The document is then passed to the NAVSEA Financial Control Branch who certifies whether the proper document type is being used for the purpose intended and reviews the item for format errors and erroneous data. At this time the Financial Control Branch initiates action to enter the information into the PARS data bank to ensure adequate SCN funds are available to support the request, and to serve as a baseline for follow-on accounting and reporting services. If the funding document meets all tests, the funding action is authorized by the NAVSEA Comptroller. A copy of the order will be transmitted to the action organization and a financial record will be sent for incorporation into the PARS system. The receiving activity will accept the order by returning a signed copy of the document to the SHAPM, and the original to the PARS data bank.

²A detailed description of the tasks covered by each document is available in the NAVSEA Manual (6).



DOCUMENT Flow for NC372, NC140, and NC2053 actions.

FIGURE 8

DIRECT CITE ORDERS

The funding direction to the receiving activity may be on a direct-cite basis. The receiving activity will perform the action requested, and will charge the effort directly against the SCN account of the ordering activity. As funds are obligated and expended, the activity will advise the PARS system. The PARS will perform the accounting function and will provide status reports to the SHAPM to advise him of actual fund expenditures. If additional funds are required to complete the task, the action activity will negotiate directly with the SHAPM to either adjust the work statement or the availability of funds. If the funds are not completely expended at completion of the task, the PARS system will initiate action to return the unused portion to the unobligated balance and so advise the SHAPM.

REIMBURSABLE ORDERS

In the case of reimbursable orders, (NC140 and NC2053) the receiving agency will expend other funds to accomplish the required tasks and then will bill via the Navy Regional Finance Center for reimbursement. The Navy Regional Finance Center will process the billing and forward the disbursement data to NMCSA. The NMCSA will perform the PARS file maintenance function, obtain expenditure corrections as needed, and deobligate unexpended funds on receipt of final bills. PARS reports will be provided to the SHAPM and to the NAVSEA financial management codes for monitor and control purposes.

IV.4.2

Actions involving Military Interdepartmental Purchase Requests (DD448) or the Request for Contractual Procurement (NC2038) will follow a path

similar to the above process. Funds may again be sent on a direct-cite or a reimbursable basis. Funds authorized on NC2038 are for direct-cite only. Funds authorized on IPR/MIPR may be accepted by the performing activity on direct cite and/or reimbursable basis. NMCSA will again perform the file maintenance function and the bills will be paid through the Navy Regional Financial Center. Details regarding the technical aspects of the MIPR can be found in the NAVSEA PARS Operating Manual (4). NAVSHIPS Instruction 7300.65 or February 1973 describes the Request for Contractual Procurement (NC2038) process (9).

CONTRACTOR INTERFACE

The process for accounting, monitoring and controlling contractual services with commercial agencies is much more complex than the basic in-house activity discussed to this point. The Navy PARS system is designed to provide accounting and reporting services similar to that presently used for inter-governmental actions; however, the system is not presently operational. In the interim, the monitoring and control of contract funds is primarily the functions of the individual SHAPM organization, or supporting activity and is strictly dependent upon the contractual provisions negotiated between the government and the commercial activity. The PARS system does monitor the original commitment of the funds. The SHAPM or supporting organization initiates contractual action by submitting a Procurement Request. This Procurement Request along with an accompanying financial data form is entered into the PARS system by the NAVSEA financial management codes. If the document meets the prescribed requirements and sufficient funds are available

to support the proposed procurement, the Procurement Request is forwarded to the NAVSEA Contracts Directorate for action. Once a contractual vehicle is negotiated between the government and the commercial activity, the information is also entered into the PARS data bank.

As stated earlier, SHAPM monitoring of contractual activity is dictated by the specific provisions of the contract involved. The primary contracts presently awarded in support of major shipbuilding programs use one of two standard cost reporting systems; either the Cost/Schedule Status Report (C/SSR) (10), or the Cost Performance Report (CPR) (10). The CPR is designed for use in production programs in excess of \$200 million, or for other items of national urgency or as directed by higher authorities. The CPR is therefore applicable to most major shipbuilding programs. The C/SSR is designed for programs with a cost threshold of \$2 million or more, and will cover many of the contracts between the SHAPM or supporting agencies and contractors providing ship systems or subsystems to be installed in ships. Either the CPR or C/SSR can be put on smaller contracts if the ordering activity so desires and the contractor agrees. The PARS system will be expanded in the near future to accept data direct from these reports to provide the SHAPM with a central control system regarding expenditure of all SCN appropriations under his control. DOD Instruction 7000.10 (10) contains a detailed description of the form and format of the CPR and C/SSR reports.

PROJECT DIRECTIVE - PART II
NAVCOMPT FORM 2252 (11-75)

-ZFΛ-

[illegible]

NAVSHIP OVERPRINT 8-88

FROM: COMMANDER, NAVAL SHIP SYSTEMS COMMAND
DEPARTMENT OF THE NAVY
WASHINGTON, D C 20360

TYPE OF AUTHORIZATION

☒ NEW☐ AMEND. NO.

ALLOTMENT ACCOUNTING OFFICE

ACCOUNTING NO. 62793

(Name and address)

SUPSHIP, Newport News, VA

Supervisor of Shipbuilding
Conversion and Repair, USN
Newport News, Va.

TITLE OF APPROPRIATION AND BUDHEAD

SHIPBUILDING & CONVERSION, NAVY

APPROPRIATION SYMBOL AND SUB-ITEM

1751611.8214

AUTHORIZATION

The total of this authorization is allotted to fund the purpose stated under "Instructions" and is subject to all limitations specified therein. All financial control, jurisdiction, and responsibility under Section 3078 R.S. and regulations thereunder, for the total amount allotted, is passed to the addressee. To accomplish the purpose of this allotment, amounts assigned to budget projects may be adjusted within the total limitation but cumulative adjustments to any one budget project totaling 10% or more must be reported to the allotter in accordance with NavCompt Manual, Volume 2.

PROJECT NO.	(11) TITLE OR DESCRIPTION	(12) PREVIOUS ADJUSTED AUTHORIZATION	(14) AMOUNT OF THIS AUTHORIZATION
01	SSN 711 HMR Change Orders		10,000.00
02	SSN 711 FMR Change Orders		10,000.00
To provide funds for change orders in accordance with reference (a).			
TOTAL			20,000.00

INSTRUCTIONS:

(16) Allot. Total \$20,000.00

Reference (a) SUPSHIP NN MSG 111716Z Oct 1974

Submit NAVCOMPT 2025 to NMCSA (Code SA122)

Funds in this allotment are not available for new obligations after 30 May 1976.

Copy to:
SHIPS 10242(3)
PMS393

3) NFC, WASH.

V. Goode, X20441, 30 Oct 1974

*PROJECT BALANCES IN THIS COLUMN ARE BASED UPON NAVCOMPT FORM 2025 FOR

REQUESTED	CODE	RECOMMENDED	CODE
		(20)	
DATE	APPROVED	(22)	38

Exhibit IV-2

FROM

Commander, Naval Ship Systems Command
Department of the Navy
Washington, D. C. 20360.

NUMBER

HR - N00024-75-WR-56002

DATE

TO

Commanding Officer
Philadelphia Naval Shipyard
Philadelphia, Pa.

00151

MAXIMUM AMOUNT AUTHORIZED

25,000.00

APPROPRIATION SYMBOL
AND SUBHEAD

AA 1751611.8552

OBJECT
CLASS

025

BUREAU
CONTROL NO.

SA300

AUTHORIZATION
ACCT'G ACTVY

068342

TRANS. TYPE

2D

PROPERTY ACCT'G
ACTIVITY

000000

COST CODE

40697A200000

JOB ORDER NUMBER

COMPLETION DATE OR PERIOD OF WORK

30 Sept. 1974

FOR DETAILS, CONTACT:

JC OWENS AUTOVON 222-1138

TYPE OF REQUEST

☐ CONTINUING☒ SPECIFIC☐ NUMEROUS

REQUESTING OFFICE (Signature and Title)

WORK TO BE PERFORMED IN ACCORDANCE WITH ABOVE INFORMATION

AA-Amount \$25,000.00*

Provide engineering services as necessary.

Forward acceptance copy to SHIPS 1024 and PMS300.

Forward Original acceptance to: Commanding Officer
Naval Material Command Support Activity (NMCSA)
Washington, D. C. 20360

ATTN: SA123

Copy to: SHIPS 1024 (3)
PMS300 (2)

ESTIMATED	CODE	RECOMMENDED	CODE
TYPE OF ORDER		ACCEPTING OFFICE (Signature and Title)	
<input type="checkbox"/> COST REIMBURSEMENT <input type="checkbox"/> FIXED-PRICE		39	

PROJECT ORDER
NAVCOMPT FORM 2053 (REV. 1-70)
(NAVSHIPS OVPRT 11-71)

1. PROJECT UNDER NO.
N00024-75-PO-51010

2. AMENDMENT NO.

3. TYPE <input checked="" type="checkbox"/> COST REIMBURSEMENT <input type="checkbox"/> FIXED-PRICE	4. ISSUE DATE	5. EXPIRATION DATE 30 June 1976
--	---------------	------------------------------------

6. CUMULATIVE TOTAL
10,000.00

7. ORDERING COMPONENT (Name and location)

COMMANDER, NAVAL SHIP SYSTEMS COMMAND
DEPARTMENT OF THE NAVY
WASHINGTON, D. C. 20360

8. PERFORMING ACTIVITY - a. NAME AND LOCATION

Commanding Officer
Charleston Naval Shipyard
Charleston, S.C.

b. ACCOUNTING NO.

00189

c. ACCOUNTABLE ACTIVITY

00189

9. ACCOUNTING DATA TO BE CHARGED

APPROPRIATION SYMBOL AND SUBHEAD (a)	OBJECT CLASS (b)	BUREAU CONTROL NO. (c)	ALTH. ACCTG. ACTIVITY (d)	TRANS. TYPE (e)	PROPERTY ACCTG. ACTIVITY (f)	COST CODE (g)	AMOUNT (h)
NA 1751611.8552	031	SA300	068342	2D	000000	40699K100000	10,000.00

10. DELIVERY INSTRUCTIONS - a. PLACE

b. DATE

c. METHOD

11. DESCRIPTION OF WORK TO BE PERFORMED AND OTHER INSTRUCTIONS (If more space is required, attach additional sheets)

AA - Manufacture QRY 10B Frames in accordance with specification 71B247. QTY of Ten

Forward acceptance copies to NAVSHIPS Codes 1024, and PMS300.

Forward original acceptance to:

Commanding Officer
Naval Material Command Support Activity (NMA)
Washington, D. C. 20360

ATTN: SA123

Copy to: SHIPS 1024(3)
PMS302P (2)
PMS302A

REQUESTED	CODE	RECOMMENDED	CODE
<p>12. This Order is placed in accordance with the provisions of 41 U.S.C. and applicable project order regulations. Work is to be performed and material to be procured pursuant to this Order are properly chargeable to the appropriation or other accounts indicated above until the expiration date of this Project Order. Funds in the amount shown under the block "Cumulative Total," have been committed and will be obligated on receipt of the acceptance copy by the ordering component.</p>			
a. AUTHORIZING OFFICER (Typed name and title)		b. SIGNATURE	
<p>13. ACCEPTANCE (The above terms and conditions are satisfactory and are accepted)</p>			
a. ACCEPTING OFFICER (Typed name and title)		b. SIGNATURE	

MILITARY INTERDEPARTMENTAL PURCHASE REQUEST

PAGE 1 OF 1 PAGES

1. CONTROL SYMBOL NO.

2. DATE PREPARED
8/1/74

3. MIPR NUMBER
N00024-75-MP-5019M

4. AMEND. NO.

Commanding Officer
Air Force Systems Command
Washington, D. C. 22201
ATTN: AIR 012

5. FROM: (Agency, Name, Telephone Number of Originator)

Commanding Officer
Naval Ship Systems Command
Washington, D. C. 20362

6. ITEMS: [] ARE [] ARE NOT INCLUDED IN THE INTERSERVICE SUPPLY SUPPORT PROGRAM AND REQUIRED INTERSERVICE SCHEDULING [] HAS [] HAS NOT BEEN ACCOMPLISHED

ITEM NO.	DESCRIPTION (Federal Stock Number, Nonmanufacturer, Specification and/or Drawing No., etc.)	QTY	UNIT	ESTIMATED UNIT PRICE	ESTIMATED TOTAL PRICE
1	AN/QST Electrical Compressors	5	ea	2,000.00	10,000.00
	AB	4	ea	2,000.00	8,000.00
2	AN/URT Electrical Pumps	10	ea	500.00	5,000.00
	AB	8	ea	500.00	4,000.00

NOTE: The total MIPR price may not be exceeded.

Forward acceptance copies to NAVSHIPS Codes SHIPS 1024 and 0412 and to the MDCS at the following address:

Commanding Officer
Naval Material Command Support Activity
Washington, D. C. 20360 (ATTN: SA123)

10. SEE ATTACHED PAGES FOR DELIVERY SCHEDULES, PRESERVATION AND PACKAGING INSTRUCTIONS, SHIPPING INSTRUCTIONS AND INSTRUCTIONS FOR DISTRIBUTION OF CONTRACTS AND RELATED DOCUMENTS

11. GRAND TOTAL
27,000.00

12. TRANSPORTATION ALLOTMENT (U and if FOS Contractor's Plan)

13. MAIL INVOICES TO (Payment will be made by)

Reimbursable: See Block 8 (Mark: Attn: SHIPS 1024)
Direct-cite: NRFC Norfolk or Appl. DCASH

14. FUNDS FOR PROCUREMENT ARE PROPERLY CHARGEABLE TO THE ALLOTMENTS SET FORTH BELOW, THE AVAILABLE BALANCES OF WHICH ARE SUFFICIENT TO COVER THE ESTIMATED TOTAL PRICE

AA	1751611.8106	031	SA002	0	068342	2D	000000	21037H600000	15,000.00
AB	1751611.8106	031	SA002	0	068342	2D	000000	21038H600000	12,000.00

15. FROM THIS OFFICE (Type Name and Title)

16. SIGNATURE

41

17. DATE

DD FORM 1 OCT 65 448

PREVIOUS EDITION OF THIS FORM IS OBSOLETE

REQUEST NO.
NC 74-75-RP-5499R

2. AGREEMENT
NEW

3. DATE

REQUESTING ACTIVITY

Commanding Officer
Naval Ship Systems Command
Washington, D. C. 20362

5. TO: CONTRACTING AGENCY

Commanding Officer
Naval Air Systems Command
Washington, D. C.

DELIVER TO:

Commanding Officer
Naval Supply Center
Norfolk, Va. 22222

7. DELIVERY SCHEDULE

DISTRIBUTION OF CONTRACTS/RELATED DOCUMENTS

NAVSHIPS Codes: SHIPS 1024 (1)
PMS300 (1)
NAVSEC 6200

Commanding Officer
Naval Material Command Support Activity
Washington, D. C. 20362 (1)
(ATTN: SA123)

8. PROCUREMENT BY CONTRACT OF THE FOLLOWING IS REQUESTED

ITEM NO. (a)	PROPERTY COST CLASS (b)	DESCRIPTION (Include complete nomenclature and specification and/or drawing number) (c)	ESTIMATED TOTAL COST (d)
1		QTY 5 AN/KSR-10 in accordance with specification 6741-B AA	\$50,000.00
2		QTY 14 AN/QSR-7 in accordance with specification 6811-A AA	\$30,000.00
Forward acceptance copies to SHIPS 1024 and NAVSEC 6200 Forward original acceptance copy to: Commanding Officer Naval Material Command Support Activity (NMCSA) Washington, D. C. 20360 (ATTN: SA123)			One copy of each contractual document direct citing accounting data on this NAVCOMPT 2038 will be forwarded to each addressee listed in Block 8 Reference NAVCOMPT 2038 on contractual document.
TOTAL			\$80,000.00

10. DATE FOR DELIVERY IN ACCORDANCE WITH (Specification No., instructions, etc.)

11. FUNDS CHARGEABLE

APPROPRIATION SYMBOL AND SUBHEAD	OBJECT CLASS	BUREAU CONTROL NO. AND SUBALLOT.	AUTHORIZATION ACCOUNTING ACTIVITY	TRANS. TYPE	PROPERTY ACCOUNTING ACTIVITY	COST CODE
A 1751611.6552	031	SF 300	068342	ID	000189	406975300010*

12. AUTHORIZATION:

certify that the contractual services listed above and on attached sheets, if any, are properly chargeable to the account specified and that the available balances are sufficient to cover the cost thereof.

AUTHORIZING OFFICER (Type name and title; signature)

13. ACCEPTANCE:

request for contractual services listed in this document is hereby accepted.

ACCEPTANCE OFFICER (Type name and title; signature and date)

CHAPTER V

Summary and Conclusions

This paper has given an overview of the SCN appropriations funds flow, primarily from the Office of the Navy Comptroller through the chain of command to the SHAPM responsible for executing the funds in support of a major shipbuilding program. It described how the new Procurement Accounting and Reporting System (PARS) interfaces in the monitor and control function. The paper showed some of the various ways appropriated funds may come to the SHAPM and also some of the ways that a SHAPM might execute actions in support of his shipbuilding program.

PARS SYSTEM

The PARS system as implemented, shows promise in supporting the SHAPM and higher level SCN accounting and reporting function. It has been developed in a thorough and logical manner, tracking the entire Navy chain of SCN funding actions. Several aspects of the SCN funds flow and control still remain unresolved and must be cleared up before a true closed loop system will be available for the intended purpose.

First, the system must be expanded to include data feedback reports from commercial concerns. The system has the inherent capability to perform this functions, however, the multitude of reporting forms and formats may cause problems in implementing a viable program. A second aspect that should be explored regards the reporting level of data in the PARS system. Most of the present day SHAPM planning is based on discrete work packages and functions as described in a Work Breakdown Structure (WBS) (11). The WBS allows the SHAPM to plan his budget and expenditures at a very detailed sub-unit level. During the formative phases, a strong push was made by

SHAPM representatives to include the WBS as the reporting baseline for the P/RS system. Several of the members of the PARS implementation group concurred with the recommendation, however, the PARS functional managers decided to use a "Major Category Code" breakdown structure instead. The Major Category Code evolved from an earlier "Cost Category Code" structure used by the financial management community and was determined to be more adaptable to their purposes. The Major Category Code structure is similar to the WBS in that it allows breaking a system down into its component structures but it suffers disadvantages in that : (1) it is not directly relatable to the SHAPM management system; and (2) considerable flexibility is allowed in structuring the Major Category Code for similar uses. In practice, PARS accounting data is primarily useful to the SHAPM only at the Ship System level. The SHAPM does not have the capability of using the PARS system to match fund flows and expenditures against the original detailed planning estimates. This aspect will be even more important when the PARS system accepts contractor fund data. Inclusion of the WBS breakout would provide an invaluable tool in tracking actions such as the expenditure of in-house funds against a specific item of Government Furnished Equipment to ensure that the program is progressing satisfactorily to meet shipbuilder integrating requirements. It is recommended that studies be undertaken to use the SHAPM WBS in the PARS system.

PARM FEEDBACK DATA

Another aspect requiring further analysis and study regards the feedback of financial management data from the PARM's and other activities assigned supporting tasks by the SHAPM. The present system is very permissive to say the least. The PARM reporting requirements are based primarily

on the time they receive an action, the time they assign any sub-allocations of authority, and the time the action is completed. Virtually no data is provided to the SHAPM through PARS regarding "work-in-progress," "estimated percent work completed" or "estimate to complete." To compound the problem, each PAKM may select a slightly different reporting structure for the equipment under the Major Category Code structure, and has wide latitude for effecting changes without SHAPM approval. The author feels that the capability for tracking detailed financial data and in-process work accomplishments is as critical for the major PARM's as it is for the major contractors, and recommends the adoption of monitor and control techniques similar to those incorporated in commercial contracts. Reports similar to the CPR and C/SSR reports (10) would seem to be a minimum to support SHAPM responsibilities for managing a truly integrated shipbuilding program. A related problem regards the sub-allocation of funds by the PARMs and supporting activities in support of a specific shipbuilding effort. The NAVSEA draft PARS Operating Manual provides strong and explicit guidelines for transfer of funds between the SHAPM/PARM in their initial execution of SCN funds. Very little mention is given, however, regarding further sub-allocation of SCN funds to laboratories, shipyards, and commercial activities from the second tier of management allocations. For instance, if a SHAPM or PARM issues a work order to a shipyard to provide ship system support under SCN appropriations, the SHAPM, PARM, and shipyard will all have clearly defined responsibilities for issuing, accepting, and reporting to the PARS data bank as the procurement progresses. If the shipyard elects to further sub-allocate tasks or funds to other government or commercial activities, there would appear to be no requirement to report this information back into

the PARS data base in a regular disciplined manner; unless specific instructions are contained in the work statement issued by the SHAPM or PARM.

In general, it would appear that the present system is approaching the stage where it can provide the centralized tracking, status reporting, and management control reporting function vitally needed to manage the multi-billion SCN appropriations for major shipbuilding programs. Improvements are required for the system to be truly useful in the manner intended, and these improvements are well within the state of the art and should provide no major obstacles.

ANNOTATED BIBLIOGRAPHY

1. NAVCOMPT Manual

A NAVCOMPT Financial Operations Manual containing seven basic volumes:

- Volume 1 - Comptroller Organization and Responsibility
- 2 - Accounting Classifications
- 3 - Appropriations, Cost and Property Accounting
- 4 - Disbursing
- 5 - Appropriation Control Procedures
- 6 - Budgeting
- 7 - Operating Forces, Funding and Accounting

2. An Overview of the Navy Budget Process, Study Report PMC 74-1, by Capt. R. J. O'Shaughnessy.

Provides an overview of the budgetary process in the Office of the Chief of Naval Operations during the formulation, justification and execution of the Navy Budget.

3. SECNAV Instruction 7000.18A of 18 Oct 1974. Policy for the Development of financial Management systems in the Department of the Navy.

This directive provides for centralized direction of the development of financial management system in the Navy.

4. NAVMAT Procurement Accounting and Reporting System Users Manual, July 1974.

This manual is published by NAVMAT and contains PARS system instruction for all Navy procurement appropriations.

5. NAVSEA Procurement Accounting and Reporting System Operating Procedures Manual, 31 May 1974.

The NAVSEA PARS manual contains information for tailoring the SCN, WPN and OPN funds to NAVSEA/PARS requirements.

6. Shipboard System/Equipment Acquisition Manual of 7 April 1962.

Provides instructions to PARM type activities for participating in shipbuilding activities and executing SCN funds.

7. Department of the Navy Programming Manual, dated 5 June 1971.

Complete instructions for Navy Department activities for supporting the Department of Defense Planning, Programming, and Budgeting System.

8. NAVSHIPS Instruction 7000.29C, with Change 1 dated 23 April 1974, Subj: Ship Project: Directive (SPD) System, implementation of:

Establishes a standard SPD system by which SHAPM's shall specify and control project tasks within the NMC.

9. NAVSHIPS Instruction 7300.65 of 7 February 1973, Request for Contractual Procurement, NC2038, procedures for:

Instructions for using the NC2038 process and documents to request another Naval activity to execute a contract with a commercial activity.

10. DOD Instruction 7000.10, Subj: Contract Cost Performance, Funds Status and Cost Schedule Reports, of 6 August 1974.

Instructions for use of CPR and C/SSR reports in contracts.

11. Military Standard 881 of 1 November 1968, Subj: Work Breakdown Structures for Defense Material Items.

Requirements for using the WBS to breakdown work efforts and providing a standard baseline for accounting and reporting.

12. NAVMAT Instruction 7000.14B of 30 July 1971, Subj: Management Within NAVMAT for Ship Development Acquisition, Conversion Projects under all Appropriation.

Basic management policies and procedures for ship development, acquisition/conversion under direct (non-reimbursable) programs within NAVMAT.

13. OPNAV Instruction 7000.15 of 16 September 1970, Committing of Navy Funds or other resources.

Requires OPNAV approval prior to committing Navy Funds to activities outside the Department of Defense.

14. NAVMAT Instruction 7000.18, of 19 October 1972, Subj: CNM Integrated Financial Management System Implementation Task Group; establishment of

Provides a history of early CNM IFMS activity (pre-runner of PARS system.)

15. NAVMAT Instruction 7000.20 of 15 June 1973, Subj: Contract Cost Performance and Funds Status Report.

Implements DOD Instruction 7000.10 in the Navy Material Command (CPR & CFSR).

16. NAVMAT Instruction 7040.2 of 19 January 1967, Subj: Cost Information Reports.

Discusses earlier contractor cost reporting systems.

17. NAVMAT Instruction 730.3A of 3 November 1971, Subj: Expeditious recovery of unexpended funds excess to contract requirements.

Establishes policy and procedures for the deobligation of contract unexpended dollar balances excess to known contract requirements.

18. BUSHIPS Instruction 4330.9E of 22 September, Subj: Review of Outstanding Allotments, Commitments and Obligation of BUSHIPS funds.

Describes earlier SCN budget tracking system.

19. BUSHIPS Instruction 7303.119, Subj: Reporting the Cost of Escalation and Change Orders for New Construction and Conversion Shipwork in Naval Shipyards.

Title is self-explanatory.

20. NAVSHIPS Instruction 7303.1343 of 26 February 1973, Subj: Outfit Supply Allotments; accounting and reporting for:

Accounting and reporting procedures for outfit supply allotments using SCN appropriations.