

AD-A127 199

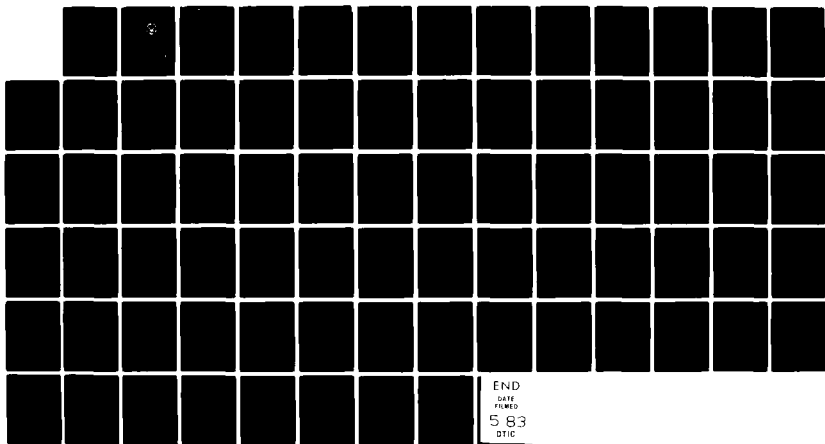
RESOURCES MANAGEMENT SYSTEM (RMS): AN OVERVIEW(U) NAVAL  
POSTGRADUATE SCHOOL MONTEREY CA D E BRANDT DEC 82

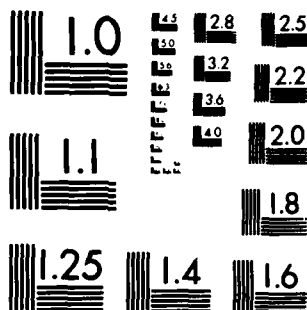
1/1

UNCLASSIFIED

F/G 5/1

NL





MICROCOPY RESOLUTION TEST CHART  
NATIONAL BUREAU OF STANDARDS-1963-A

AD A127199

# NAVAL POSTGRADUATE SCHOOL

Monterey, California



## THESIS

Resources Management System (RMS):  
An Overview

by

Douglas Edward Brandt

December 1982

Thesis Advisors

P.W. Blondin  
K.J. Euske

DTIC  
SELECTED  
APR 20 1983  
E

Approved for public distribution; distribution unlimited

DTIC FILE COPY

83 04 25 096

REPORT DOCUMENTATION PAGE		READ INSTRUCTIONS BEFORE COMPLETING FORM
1. REPORT NUMBER	2. GOVT ACCESSION NO. AD-A127 195	3. RECIPIENT'S CATALOG NUMBER
4. TITLE (and Subtitle) Resources Management Systems (RMS): An Overview		5. TYPE OF REPORT & PERIOD COVERED Master's Thesis December 1982
7. AUTHOR(s) Douglas Edward Brandt		6. PERFORMING ORG. REPORT NUMBER
9. PERFORMING ORGANIZATION NAME AND ADDRESS Naval Postgraduate School Monterey, CA 93940		8. CONTRACT OR GRANT NUMBER(s)
11. CONTROLLING OFFICE NAME AND ADDRESS Naval Postgraduate School Monterey, CA 93940		10. PROGRAM ELEMENT, PROJECT, TASK AREA & WORK UNIT NUMBERS
14. MONITORING AGENCY NAME & ADDRESS (if different from Controlling Office)		12. REPORT DATE December 1982
		13. NUMBER OF PAGES 75
		15. SECURITY CLASS. (of this report)
		15a. DECLASSIFICATION/DOWNGRADING SCHEDULE
16. DISTRIBUTION STATEMENT (of this Report)  Approved for public distribution; distribution unlimited		
17. DISTRIBUTION STATEMENT (of the abstract entered in Block 20, if different from Report)		
18. SUPPLEMENTARY NOTES		
19. KEY WORDS (Continue on reverse side if necessary and identify by block number) Resources Management System (RMS) Operation and Maintenance, Navy (O&M,N) Financial Management Management Reporting		
20. ABSTRACT (Continue on reverse side if necessary and identify by block number)  This thesis provides a synopsis of the 'Resources Management System' (RMS) which is currently in use at many Navy shore activities. The information is presented in manual format so that it can be used as a guide to the Resources Management System. The manual provides insight into the background of RMS and provides a concise view of RMS operations at the local command level. The		

DD FORM 1473

1 JAN 73

EDITION OF 1 NOV 68 IS OBSOLETE  
S/N 0102-014-6001

SECURITY CLASSIFICATION OF THIS PAGE (When Data Entered)

manual is focused at the local command level because the greatest number of RMS participants are at that level. The overview highlights relationships within the system and provides a view of the RMS reporting requirements.

Accession For	
NTIS GRA&I	<input checked="" type="checkbox"/>
DTIC TAB	<input type="checkbox"/>
Unannounced	<input type="checkbox"/>
Justification	
By	
Distribution/	
Availability Codes	
Dist	Avail and/or Special
A	



Approved for public release; distribution unlimited.

**Resources Management System (RMS): An Overview**

by

Douglas E. Brandt  
Lieutenant Commander, Medical Service Corps, United States Navy  
B.A., Washington State University, 1971

Submitted in partial fulfillment of the  
requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

from the

NAVAL POSTGRADUATE SCHOOL  
December 1982

Author: \_\_\_\_\_

Approved by: \_\_\_\_\_

Thesis Advisor

Thesis Advisor

Chairman, Department of Administrative Sciences

Dean of Information and Policy Sciences

## ABSTRACT

This thesis provides a synopsis of the 'Resources Management System' (RMS) which is currently in use at many Navy shore activities. The information is presented in manual format so that it can be used as a guide to the Resources Management System. The manual provides insight into the background of RMS and provides a concise view of RMS operations at the local command level. The manual is focused at the local command level because the greatest number of RMS participants are at that level. The overview highlights relationships within the system and provides a view of the RMS reporting requirements.

## TABLE OF CONTENTS

I.	INTRODUCTION . . . . .	8
	A. GENERAL . . . . .	8
	B. OBJECTIVE . . . . .	8
	C. SOURCES . . . . .	9
	D. ORGANIZATION . . . . .	9
II.	AN INTRODUCTION TO RESOURCES MANAGEMENT SYSTEMS .	10
	A. BACKGROUND AND HISTORY . . . . .	10
	B. APPROPRIATIONS COVERED BY RMS . . . . .	12
	C. FUNDS FLOW . . . . .	15
	D. DEFINITIONS . . . . .	17
III.	ACCOUNTING IN RMS . . . . .	22
	A. BUDGET CATEGORIES . . . . .	23
	B. EXPENSE ACCOUNTING SYSTEM . . . . .	26
	C. ACCOUNTING REPORTS . . . . .	29
IV.	WHAT IS IN RMS . . . . .	31
	A. THE PARTICIPANTS AND THEIR ROLES . . . . .	31
	B. COMMUNICATIONS . . . . .	34
	C. RMS REPORTS . . . . .	35
	1. NAVCOMPT 2168 . . . . .	35
	2. NAVCOMPT 2169 . . . . .	37
	3. NAVCOMPT 2171 . . . . .	39
	4. NAVCOMPT 2199 . . . . .	40
	D. THE UMR REPORTS . . . . .	41
	1. Funds Control Report . . . . .	44
	2. Performance Reports . . . . .	47
	3. Format A . . . . .	48
	4. Format B . . . . .	50
	5. Format C . . . . .	52
	6. Format D . . . . .	54

E.	REPORT COMPARISION . . . . .	57
V.	HOW THE SYSTEM WORKS . . . . .	60
A.	THE HIGH LEVEL USERS . . . . .	60
B.	CLAIMANT/ACTIVITY INTERFACE . . . . .	62
C.	INTERNAL MANAGEMENT USES . . . . .	67
D.	CIVILIAN PERSONNEL MANAGEMENT IMPACTS . . . . .	70
E.	CONCLUSION . . . . .	71
	LIST OF REFERENCES . . . . .	72
	INITIAL DISTRIBUTION LIST . . . . .	73

## LIST OF FIGURES

2.1	Funds Flows . . . . .	16
3.1	Expense Account Structure . . . . .	22
3.2	Accounting Classification Relationships . . . . .	23
3.3	GLA Account Classifications . . . . .	27
4.1	AAA Relationships . . . . .	34
4.2	NAVCOMPT 2168 . . . . .	36
4.3	NAVCOMPT 2169 . . . . .	38
4.4	NAVCOMPT 2171 . . . . .	40
4.5	NAVCOMPT 2199 . . . . .	42
4.6	Commanding Officer's Summary . . . . .	46
4.7	UMR Format A . . . . .	49
4.8	UMR Format B . . . . .	51
4.9	UMR Format C . . . . .	53
4.10	UMR Format D . . . . .	55

## **I. INTRODUCTION**

### **A. GENERAL**

Since its inception in 1947 the Department of Defense (DOD) has been faced with the need for accurate and timely information for management use. This need has been met with a variety of systems. One of those systems, the Resources Management System (RMS), was implemented in July of 1967 as an integrated approach to budgeting, accounting, and the reporting of expenses within the Operation and Maintenance appropriations of the military services.

### **B. OBJECTIVE**

The objective of this thesis is to provide an overview of RMS as it applies to the Operation and Maintenance (O&M) appropriation of the Department of the Navy (DON). Current information, regulations, and policies pertaining to RMS are contained in the the Navy Comptroller's Manual, Naval Supply Systems Command Publications, and other related instructions and Navy notices. The primary reference for RMS is NAVSO P-3006-1, Financial Management of Resources (Shore Activities). This thesis presents a compilation of these sources of information to present a manual which can be used as a reference for RMS within the DON.

The manual focuses primarily on the local command level since the greatest number of RMS participants are at that level. The manual includes background information leading up to the establishment of RMS and provides a concise view of RMS operations at the local command level. The overview highlights relationships within the system and provides a view of the RMS reporting requirements including the Uniform

Management Reporting (UMR) system. The manual is intended not only to be a guide for those unfamiliar with RMS and but also as a reference for those who are knowledgeable in the area.

### C. SOURCES

The Navy Comptroller's Manuals, Naval Instructions, and Naval Notices are the main sources of information for this manual. Other relevant publications, including the text of the Practical Comptrollership Course (PCC) from the Naval Postgraduate School and several theses from that institution were reviewed to obtain the necessary information. This information is, for the most part, readily available to local commands, it is however, fragmented and requires a great deal of time to research. This manual seeks to limit that loss of time.

### D. ORGANIZATION

This manual consists of in four (4) chapters. Each chapter can be used as a reference to the section of RMS covered in the chapter. The chapters together cover RMS as it applies to the Operations and Maintenance, Navy (O&M,N) appropriation. The four chapters are:

- 1) An Introduction to the RMS,
- 2) Accounting in RMS,
- 3) What is in RMS,
- 4) How the System Works.

The author offers conclusions and observations based upon his interpretation of the available sources of information.

## **II. AN INTRODUCTION TO RESOURCES MANAGEMENT SYSTEMS**

This manual provides an overview of the Resources Management System (RMS) currently being used by Navy commands ashore funded with the Operations and Maintenance, Navy (O&M,N) appropriation. The manual highlights RMS, its uses, capabilities, and reports. The Uniform Management Reporting system (UMR) and its reports are covered to acquaint the user with the potential of that system.

The manual is divided into 4 chapters, which comprise a complete overview to RMS. The four chapters are:

- 1) An Introduction to RMS (this chapter),
- 2) Accounting in RMS,
- 3) What is in RMS,
- 4) How the System Works.

This introductory chapter contains a synopsis of the History of RMS, the Appropriations included, Funds Flows as they relate to a command, and a terminology and definitions section. This manual is intended for use at the activity level as a ready reference and possibly for instructional purposes. At higher levels it can be used in much the same way, with more emphasis on the instructional aspect.

### **A. BACKGROUND AND HISTORY**

The first comptroller of the Defense Department, Mr. W.V. McNeil, laid the evolutionary groundwork for RMS through his efforts to obtain a 'Performance Type Budget'. During the mid 1960's the systems begun by Mr. McNeil were vertically integrated to establish a link between Planning, Programming, and Budgeting of operations and field execution and reporting of those operations. This integration was

accomplished through Project Prime (Priority Management Efforts). RMS is the result of that effort and is an integrated budgeting, accounting, and reporting system that monitors the use the Navy's expense type resources.

Prior to RMS, resources were provided to local Navy commands in the form of numerous allotments for specific areas or items. Each allotment required separate accounting and reporting to the fund's grantor (who may or may not have been directly involved in the chain of command to the local activity involved). Two examples which illustrate the variety of allotments a command might have at any given time are: an allotment for postage stamps (from the Navy Administrative Office) and, property maintainance (from what was then equivalent to Engineering Field Divisions, the Bureau of Yards and Docks). Among other things, the allotment from the claimant might include an amount for provisions instead of general supplies, these amounts could not be interchanged. This type of funding contributed to a chain of command problem wherein those responsible for the operations and supervision of an activity (the operational claimants), were not necessarily included in the funding chain for large amounts of funds being expended in the operation of that activity. As a result the local commander had little flexibility in orchastrating the execution of resources at his command [Ref. 1].

As stated earlier the Resource Management System was implemented within the Department of Defense in Fiscal Year 1968 through an effort known as Project Prime. Dr. Robert N. Anthony, the Assistant Secretary of Defense (Comptroller) at that time, was tasked in 1965 to make major changes to DOD programming, budgeting and accounting systems. RMS (in almost its present form) was the result of this effort. Related systems were also reviewed in the areas of inventory management, capital equipment acquisition, and reporting

systems. These actions were based in part on an Executive Branch request by President Johnson (24 May 1966) for all Federal Agencies to accelerate the Joint Financial Improvement Program. Many of these actions stem from the recommendations of the two Hoover Commissions (1947 and 1953), the requirements of the National Security Act (1949), and the Budget and Accounting Procedures Act (1950).

For a period of about ten years after RMS was implemented in Fiscal Year 1968 there was no overall co-ordination of management reports used in RMS. This vacuum led to a proliferation of local and claimant specific reports. To alleviate this problem a system was designed to consolidate and standardize management reports which could normally be expected to be extracted from the RMS database. This system of reports is today called the Uniform Management Reporting System (UMR). UMR was implemented in Fiscal Year 1977 as a supplement to RMS to provide specific financial information for local commands and claimants. The system consolidates several previous NAVCOMPT reports, routinely compares actual performance to the budget, and eliminates much of the need for the manual preparation of reports from the available command database. The UMR system can produce up to seven basic report formats which display financial type information about local commands.

#### **B. APPROPRIATIONS COVERED BY RMS**

As stated above, this manual focuses on the O&M,N appropriation as it is used at the local command level. This funding is used for the operation and maintenance of a command. The Expense Operating Budget (EOB) granted by higher authority is the total amount of expense type funds available to a command for a given fiscal year, except for the additional funds gained by the amount of reimbursable

orders accepted or reimbursable work performed, billed and collected. The EOB is issued to a command to fund the expenses incurred for its operation. A command may attempt to gain investment type funding through specific allotments for special projects, investment equipment procurement (Other Procurement, Navy (OPN)), or new construction funded with the Military Construction (MCON) appropriation. However, the accounting for these funds is handled outside the RMS accounting system. The RMS accounting system covers only expense type asset consumption (e.g. civilian pay or supplies). It also includes reimbursable work accomplished by an RMS activity which is accounted for within RMS. Reimbursable work is that work which is not required in an activity's mission statement. It is performed for the requestor and billed to that requestor for the amount of variable costs (normally), for the work completed.

The two major expense appropriations within DOD are Operations and Maintenance (O&M), and Military Personnel (MP). New Obligational Authority (NOA), that amount the commanding officer may legally obligate, does not include reimbursements and military personnel expense. These items must be estimated and supported in the submission of a command's budget. The other appropriations are normally considered investment type funding.

When RMS was implemented, considerable effort was devoted to differentiating between investment and expense costs. Uniform criteria were established by DOD to distinguish the costs of ongoing operations (expenses) from those costs associated with the acquisition of long lived assets (investments). Investment costs normally lead to long run benefits as opposed to current operations.

Expenses are defined as labor costs, material consumed, and services received, except when used in the production of investment equipment. The NAVCOMPT Manual gives detailed

instructions for the classification of costs by the expense/investment criteria. Some examples in the expense area include: salaries and wages of employees, end items of equipment costing less than \$3,000, non-repairable parts including those in support of aircraft and missiles, food, clothing, petroleum and lubricants, furniture, furnishings and galley and mess equipment that are moveable in nature. Other costs that are normally expenses are maintenance and repair of real property, rentals and services [Ref. 2: section 4060].

Investment costs are normally those associated with the acquisition of equipment and real property. Included in this area are the cost of major end items of equipment, other end items of equipment costing more than \$3,000; centrally managed spare parts and assemblies; and the construction, modification and maintenance that results in an improvement of the basic character, purpose or operational capacity [Ref. 2: section 4060]. Further definitions and instructions are contained in the current issuance of SECNAVINST 7040.6 and the NAVCOMPT MANUAL.

Project Prime had two basic goals in accounting for military personnel, 1) include all military personnel services of a mission/organization in a unit's budget, and 2) charge all military personnel (with a few exceptions) to a program, project and/or function in accordance with actual duties.

At the time RMS was planned the intent was to combine the Military Personnel, Navy (MPN) and the O&M,N appropriations. This is evident in the inclusion of military personnel expense in the reporting of operational costs of an activity. The DOD budget for Fiscal Year 1968 was submitted to Congress in this fashion by the Assistant Secretary of Defense (Comptroller). The Congress did not go along with this concept partially due to a jurisdictional

dispute among the various appropriation committees involved in the funding of the Defense Department [Ref. 3]. Had this combination taken place the responsibility center might have gained considerably more operational flexibility in spending command funds. Even without this consolidation, commands are still required to report statistical data on military personnel expenses in their operation. This report has helped to emphasize that military personnel are not a 'free' resource, and has enabled both DOD and the Navy to more realistically determine the true cost of operations. Even though military personnel expenses are still funded through the Military Personnel appropriation (MPN) and not the O&M,N appropriation they are statistically costed for each responsibility center to determine the 'true' cost of a service or function.

#### C. FUNDS FLOW

Each command receives its funds as the result of the funds' flow through the chain of command. A brief description of that chain helps in understanding how each command receives its funds.

Funds flow starts with the passage of the appropriation legislation by the Congress and the signing of the Appropriation Act by the President. Following Presidential signature the Treasury Department issues an appropriation warrant (which sets up an accounting structure for each appropriation within the Treasury) citing the appropriation number. The Comptroller General (Head of the General Accounting Office (GAO)) countersigns all warrants issued by Treasury. The warrant is then passed from Treasury to the Office of Management and Budget (OMB) where it is apportioned by fiscal period (in the case of O&M it is further broken into quarterly obligational constraints), and then

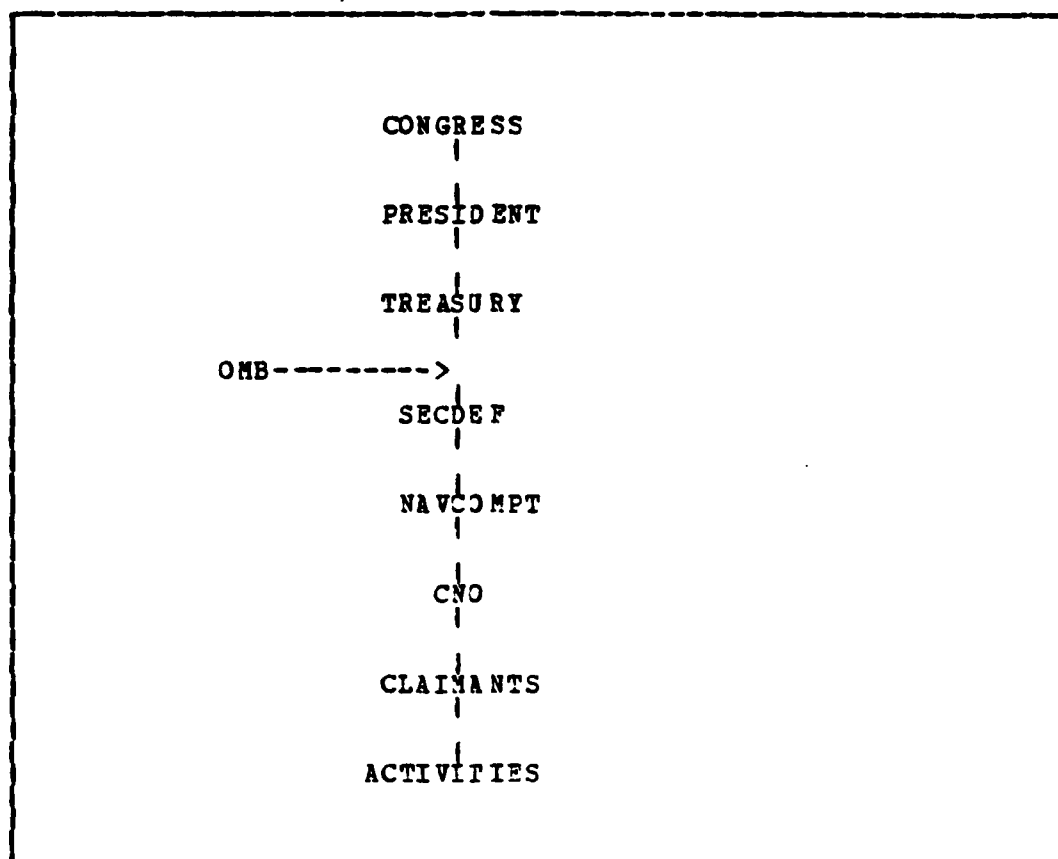


Figure 2.1 Funds Flows.

passed to the Secretary of Defense (SECDEF) who further allocates the appropriation to the various services.

In the Navy's case, the actions from the SECDEF are passed to the Secretary of the Navy (SECNAV). The Comptroller of the Navy, a member of the SECNAV staff, passes these funds to the Chief of Naval Operations (CNO). The CNO in turn allocates them to the various claimants (e.g. CHNAVMAT, CINCPACFLT, BUMED). These claimants then issue Expense Operating Budgets (EOB) to field activities known as responsibility centers in the RMS concept of O&MN funding. Legal limitations in the form of Section 3679 R.S.

responsibility goes with those funds to the field activity level (with the EOB). Most responsibility centers further subdivide responsibility for these funds by the issuance of operating targets (called OPTARS) to their cost centers. Figure 2.1 depicts the flow of funds from the Congressional level to that of the claimant.

#### D. DEFINITIONS

The following definitions are provided to enhance understanding of RMS. With the use of acronyms and abbreviations in the Navy, there exists a real possibility for misunderstanding. These definitions are, for the most part, taken from the Navy Comptrollers (NAVCOMPT) Manuals or other official publications. If the definitions provided are still unclear these manuals provide further, more detailed explanations.

Activity Group/Subactivity Group (AG/SAG): A structure signified by a two digit code which shows cost breakouts by principle functional area. The AG/SAGs represent an integrated programming, budgeting, and accounting classification structure. An AG represents a major function identified by a claimant/subclaimant in a budget submission and will aggregate to a decision package in the budget. A SAG represents a more detailed breakdown within the AG. The AG/SAG codes reflect primary breakouts of financial data for use in programming, budgeting, management and accounting for expenses and gross adjusted obligations in the O&MN appropriation. The AGs are generally used only at the claimant/subclaimant level and above while SAGs are used at the responsibility center level and above. In other words the activity will normally manage to the SAG level rather than the AG level. Examples of the AG/SAG structure are:

AG: H1, General Defense Intelligence  
SAG's

H3,	Pacific Command Intelligence
H4,	European Command Intelligence
H5,	Atlantic Command Intelligence
H6,	Other Command Intelligence
AG: SC,	Procurement Operations
SAG's	
1S,	Inspection and Testing
2S,	Quality/Reliability Assurance
3R,	Supply System Services

**Accrual Accounting:** The method of accounting whereby revenue and expenses are identified with specific periods of time, such as a month or year, and are recorded as incurred, along with acquired assets without regard to the date of receipt or payment of cash [Ref. 4: pg. 16].

**Antideficiency Act, Sec 3678 RS (31 USC 628):** This law requires that funds be spent only for the purpose for which they were appropriated. For example, use of J&MN funds to procure Investment (OPN) equipment violates Sec 3678 RS.

**Antideficiency Act, Sec 3679 RS (31 USC 665):** The law which forbids anyone from obligating funds in excess of the amount authorized, provides for the reporting of and the punishment for such obligations, forbids any contract or obligation in advance of an appropriation, and requires the apportionment of appropriations.

**Apportionment:** A determination by the Office of Management and Budget (OMB) that limits the amount of obligations that may be incurred in a specific time period during the fiscal year. For example, an appropriation of \$10,000,000. may be apportioned to allow only 25 percent obligations per quarter, or maybe 30, 25, 25, and 20 percent respectively, per quarter.

**Appropriation:** A part of the Appropriation Act providing a specific amount of funds for specific purposes.

**Authorization Accounting Activity (AAA):** An activity or command designated by the Navy Comptroller to perform accounting for another shore activity or itself.

**Budget:** A plan of operations for a fiscal period in terms of sources and uses of funds, workload anticipated and historical data for an activity.

**Commitment:** An administrative reservation of funds based upon firm procurement directives, orders, requisitions, authorization to issue travel orders, or requests to incur obligations without further action by the requestor.

**Cost Account:** Accounts established to classify transactions by cost according to the purpose of the transaction. Cost account codes are used to uniformly identify the contents in management reports throughout the Navy.

**Cost Center:** A subdivision of a responsibility center for which identification of costs is desired and is amenable to cost control through one responsible supervisor.

**Direct Cost:** Costs which are incurred for and are readily identifiable to specific work or work assignments.

**Expenditure:** The actual payment of funds (a disbursement). A charge against available funds supported by an approved voucher, claim or document.

**Expenses:** The costs of operation and maintenance of activities.

**Expense Element:** Identifies the type of resource being consumed in the functional/subfunctional category or program element (e.g. 'A' military labor, 'T' supplies, 'U' civilian labor).

**Execution/Budget Execution:** The operation and carrying out a program as contained in the approved budget.

**Functional/Subfunctional Category (FC/SFC):** A structure signified by codes which are designed to collect expense and gross adjusted obligation information by functional area needed by DOD. The first digit is the functional category (FC) and the second is the subfunctional category (SFC). For example:

FC:	Y,	Medical Mission Operations
SFC:	YE,	Patient Affairs
	YF,	Dietetics
	YG,	Pharmacy
	YH,	Laboratory

FC:	M,	Maintainance of Real Property
SFC:	M1,	Recurring Maintainance
	M2,	Non-recurring Maintainance

**Job Order:** A local command system that identifies a particular task or function within a local command. The job order system provides for the accumulation of accrued expenses. This system must be able to produce accrued costs by SAG, FC/SFC, CAC, and EE (if necessary). The job order number (JON), is normally assigned to a specific segment of a cost center's operations. Cost centers may have numerous JONs. These JONs will normally relate to a specific local management code.

**Local Management Code (LMC):** A coding structure which provides local managers the ability to code and identify respective internal management levels, tasks and operations. An example of this would be a local code system that specifically identifies a cost center or area within a cost center such as dietetics operations within a hospital foodservice operation or a specific building on a military compound. LMCs may be designed to relate to various CACs within the accounting structure.

**New Obligational Authority (NOA):** Authority to incur obligations becoming newly available for a given year, authorized by current and prior congressional action.

**Obligational Authority:** Congressional authorization to procure goods and services within a specified amount by appropriation or other authorization, the administrative extension of such authority as by apportionment or funding, and the amount of authority so granted.

**Obligation:** A legal reservation of funds and the duty to make a future payment. This occurs when an order is placed or a contract is awarded for goods or services.

**Reimbursements:** Amounts received by an activity for the cost of material, work or services provided to others, for credit to an appropriation or other fund account.

**Responsibility Center:** DOD defines this as "...an organizational unit headed by an officer or supervisor who is responsible for the management of resources in the unit, and who in most instances can significantly influence the expenses incurred in the unit" [Ref. 5: sec 102, pg. 1-6].

**Resources:** Military and civilian personnel, material on hand and on order, and the entitlement to procure or use material, utilities, and services required for the performance of the basic mission of the responsibility center and work performed for others.

**Undelivered Orders:** Any document or requisition meeting the criteria of an obligation, issued for material or services which has not yet been received by the ordering activity. These are considered a legally binding contracts which have not been received or performed.

**Work Unit:** A measure of output that expresses a volume of work; conversely manhours and dollars are measures of input required to produce work units or perform work.

### III. ACCOUNTING IN RMS

The foundation for the complete system (RMS) is the expense account structure. This one basic structure provides complete integration for budgeting, accounting, and reporting [Ref. 6: pg. 136]. This accounting classification system overlays all phases of RMS operations so an under-

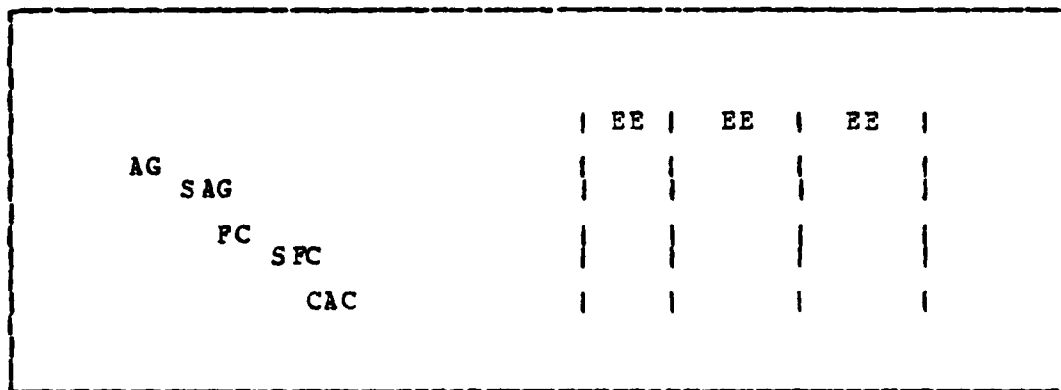


Figure 3.1 Expense Account Structure.

standing of the accounting operation is essential. This system provides the local commands with the ability to report costs in 4 basic formats:

- 1) by program element, this identifies what program is using the resources,
- 2) by Activity Group/Subactivity Group, which reflects the utilization of funds in the manner budgeted,
- 3) by Functional Category, that tells why or for what purpose the funds were used,
- 4) by Expense Element, that tells what kind of resources were used.

EXPENSE ELEMENTS						
	TOTAL	T	U	V	W	
CAC	58	32	7	11	8	
CAC	60	18	17	10	15	
FC/SFC	118	50	24	21	23	(subtotal)
CAC	30	10	0	14	6	
CAC	40	5	23	2	10	
FC/SFC	70	15	23	16	16	(subtotal)
AG/SAG	188	65	47	37	39	(TOTAL)

**Figure 3.2 Accounting Classification Relationships.**

Figure 3.1 shows the basic structure of how the accounting system builds from the CAC to the AG. At the field level the comptroller will deal in the last three of the above categories, the Cost Account Codes (CAC), (as shown in figure 3.2), and the LMCs.

#### **A. BUDGET CATEGORIES**

With RMS being designed to communicate between the various levels involved in a coded format (by category) an understanding of the relationships within RMS is necessary. The various budget categories provide for the communication of data in differing formats for these users.

A definition of the budget categories follows, (A more complete definition of each budget category is given in the previous chapter).

1) Activity group (AG): A structure which shows principle areas of activity which are desired by claimants for the administration of funds with RMS. For example:

AG	F3	Base Operations Support-Other
SAGs	EE	Aircraft Flight Operations
	FE	Payments to GSA
	FL	Morale, Welfare and Recreation

2) Functional and Subfunctional Categories (FC/SFC): a structure which describes the specific functions being performed within activity groups (AG) and subactivity groups (SAG). The first digit is the functional category and the second is the subfunctional. For example: A, B, C, W, X, and Y are FCs for various mission operations. SFCs along with the above FCs further define the segment of that function. These are used to collect expenses by function.

3) Cost Account Codes (CAC): Specific cost accounts which have been established to classify transactions according to purpose. The CACs are used to identify uniformly areas of effort and to quantify work units in management reports. These codes relate directly to subfunctional category codes. Examples are as follows:

SFC	D1	Administration, General
CAC	1A00	Command
	1A10	Command and Executive Office
	1A30	Public Affairs Office

Under the SFCs used for the Maintenance of Real Property

SFCs	M1/M2	Maintenance of Real Property
CAC	7100	Buildings
	7140	MRP of Storage Facilities
	7150	MRP of Medical and Dental Facilities

The CACs account for input in man-hours and output in work units [Ref. 7: section 4640]. In this example the CACs 1A00 and 7100 are summary CACs and the CACs 1A10, 1A30, 7140,

7150, are the subsidiary accounts which can be totaled to the overall cost for the respective summary cost account.

4) Expense Elements (EE): This code structure identifies the type of resource (input) being used. A single digit code which is used along with the CACs and FC/SFCs to identify the costs by type within the accounting system. Some common examples are:

<u>EE</u>	<u>Description</u>
A	Cost of Military Personnel
M	Utilities and Rents
Q	Purchased services-other
T	Supplies
U	Civilian Labor

5) Local Management Code (LMC): A structure which provides local managers with the ability to code and identify internal management levels, tasks, and operations. An example of this would be a local system that specifically identifies a cost center or an area within a cost center, such as dietetics operations within a hospital foodservice or a specific building on a military compound.

The four preceding budget categories (AG/SAG, FC/SFC, CAC, and EE), along with local job order numbers and LMCs, are the foundations of the system. A local Job Order Number (JON) presents information which relates all of the categories mentioned above and also the fiscal year and appropriation. These are used to identify and summarize costs within cost centers. It is necessary to understand how they relate to and build on each other in order to understand how RMS works. The CACs are the building blocks, as depicted in Figure 3.2, relating to a specific FC/SFC and consequently to a specific AG/SAG.

Figure 3.2 is an example of how the costs of various expense elements, cost account codes, and functional/subfunctional categories add up to a total for an

activity/subactivity group. This type of format allows for the summarization of costs by EE, CAC, FC/SFC, and AG, SAG. The NAVCOMPT Manual Volume 2 gives detailed descriptions of the CACs, including work units and how to count these work units.

## **B. EXPENSE ACCOUNTING SYSTEM**

The expense accounting system has its roots in a General Ledger, which is designed to accumulate the financial data required to operate the system and meet objectives of the accurate classification of costs by type of expense. The structure of the General Ledger Accounts allows for the uniform classification of all accounting transactions by the classification and posting of transactions to the various accounts as indicated by the type of account. The accounts in the General Ledger are structured so as to indicate the general classification and the title of the account. The major classifications of accounts are as indicated in the figure 3.3 The General Ledger structure (GLA) is a somewhat different system in that it deals with assets, liabilities, income, expenses, the memorandum/budgetary, and statistical accounts. Previous material dealt only with the expenses of operations.

The GLAs track three fiscal years, the current year plus the two prior years. Expenditures in the current year may be a reflection of a prior year obligation. This system is designed to reflect that type of occurrence. The GLA structure follows transactions from commitment to obligation to expenditure. Each of these actions effects several of the account categories within the GLA structure.

<u>Major Classification</u>	<u>Account Series</u>
Asset Accounts	1000 - 1099
Liability Accounts	2000 - 2099
Investment Accounts	3000 - 3099
Income Accounts	4000 - 4099
Expense Accounts	5000 - 5099
Memorandum/Budgetary Accts.	9000 - 9999
Statistical Accounts	0900 - 0999

Figure 3.3 GLA Account Classifications.

The asset accounts include operating budgets authorized, unexpended EOB, uncosted obligations, accounts receivable and various income accounts from other agencies. Liabilities are basically accounts payable, items that have been costed but not as yet expended. The investment accounts are the so called 'declining balance' accounts. The balances decline as items (transactions) are expended. An accounting entry in this series requires a contra entry in the 5000 series (expense accounts). Other entries in this series (3000) concern undelivered orders, and accrued expenditures. The income accounts (4000 series) show the various sources of income to an activity. The expense accounts (5000 series) contain the cost of work or service done for others. These are the expenditures which decrease the amount of unexpended EOB. The memorandum/budgetary accounts contain accounts receivable from other appropriations, other federal agencies and non-federal agencies. Reimbursement income from outside sources is also contained in these accounts. The military personnel expense authority

and availability, budgeted expense availability are included also. These accounts are used to complete the double entry accounting system for entries not included in the normal RMS funding chain. The statistical accounts (0900 series) give the information gathered from the accounting system needed to monitor the funds flow. These accounts include certain types of unpaid obligations, contingent liabilities for accrued leave (civilian), and gross adjusted obligations for travel, foreign military sales, and other items. A contingent liability is a liability of a known amount that has an unknown date of payment (e.g. civilian leave). Detailed descriptions of the general ledger accounts are given in section 211 of the NAVSO-P3006-1.

As previously defined an obligation is a legal requirement to pay for goods or services. An expense is a cost of operating an activity, or a cost of doing business. In RMS this can lead to some confusion because of time differentials between the actual obligation and the receipt and costing of goods or services. The potential for confusion exists in that a department head or other user may not understand the difference between an expense, obligation, or expenditure. An expense represents the consumption or utilization of an asset. If a contract was let for the yearly rental of an item on 1 October, the obligation occurs at the time the contract is signed. The expense charged to the cost of operations for that item would be prorated over the fiscal year, probably in monthly increments. A \$120,000 contract would be expensed at \$10,000 per month with the remaining balance carried in a prepaid expense (asset) account. The obligation would reduce the amount of funds (NOA) available for use but the total amount of the obligation would not appear as an operational expense until it had been fully costed the end of the fiscal year. During each month the prepaid asset account would be decreased and the

expense account would increase. Similarly, the cost of civilian payroll at the end of an accounting period is an expense of that period, even if not paid until the following period. Assume a pay period from 26 December to 9 January, the payroll would be paid in January, however the expense of the first 5 days would be an expense of the first quarter and the last nine days an expense of the second quarter.

The above contract or payroll is also a description of accrual accounting. This method of accounting recognizes the fact that there are other items of value than cash. In the above example of the contract the prepaid expense is an asset which is of value but not in cash. The accrual accounting method decreases the prepaid expense monthly and increases the expense of operation at that time of actual consumption. It recognizes the expense in the period in which it was incurred without regard to the receipt or payment of cash. This type of information is presented in the Trial Balance Report (NAVCOMPT Report 2199) which is discussed in Chapter 4. Figure 4.5 displays data which shows in some cases obligations but no expenses for a period and vice versa.

### C. ACCOUNTING REPORTS

One of the requirements of any accounting system is the production of reports showing the results of operations, in financial terms of a fiscal period. The reports coming from RMS will be covered in detail in the next chapter, a brief discussion is included in this chapter to assist in summarizing the accounting function.

There are two basic types of accounting reports, period and position reports. The balance sheet is a position report, it shows assets, liabilities, and equity at a given point in time. The income statement is a period report it shows revenue, expenses, profit, or surplus.

The Navy does use period and position reports in RMS. The NAVCOMPT FORM 2199 (Trial Balance Report) is a balance sheet which is a position report. The balances in the various General Ledger Accounts (GLAs) are used to construct the report which reflects the financial position of an activity at a given point in time. This report is produced monthly by the AAA and submitted to higher authority. The report reflects the status of all the funds available to the command.

The two reports, the NAVCOMPT 2168 (Operating Budget/Expense Report) and the NAVCOMPT 2169 (Performance Statement) are like income statements for activities or position reports. The 2168 comes in two levels of detail, one by cost center and one by responsibility center. The cost center report reflects fiscal year to date status of SAG, FC/SFC and CAC within the cost center. It shows manhours (civilian and military), labor expense (civilian and military) and various categories of expenses. The various cost center reports for an activity are summarized and then presented as the Responsibility Center 2168 which could be likened to a command income statement. These reports are in the same format as the budget submission which aids in the comparison of the actual performance to planned for use in management control.

The 2169 (Performance Statement) is a monthly report that compares cumulative accrued expenses and work units by SAG, FC/SFC and CAC by cost center to the budget for the year by each category. This report displays needed information for management control and the tracking of expenses against income. In this case income equals the EOB authority received plus the value of reimbursable orders received.

#### IV. WHAT IS IN RMS

This chapter presents a summary of the interactions and relationships within RMS and their impact on all levels of DOD. These relationships include the cost centers, the entire chain of command, the Congress and the President. The chapter discusses the participants in the chain of command and their roles in the budget process from the Presidential level to the command level. A section on the communications links within RMS describes the role of the AAA within the system. The final section covers the various reports, their contents and uses within RMS.

##### A. THE PARTICIPANTS AND THEIR ROLES

This section is a basic review of the budget formulation process in the Federal Government and specifically in DOD. This process is continuous and no one participant really starts it, however, for purposes of discussing the process it is useful to pick a starting point.

The Presidential budget submission to the Congress every January is used as the place to begin a review of the process. The Presidential Budget is built on agency estimates provided to the Office of Management and Budget (OMB). OMB is charged with the responsibility of compiling the President's Budget. OMB works to a total target figure for the Federal budget and must balance the various agencies' requests to meet that total. Presidential influence is felt through the implementation of his policies on defense and the other federal programs. Areas of high priority will probably get an increased share of the budget in a given year.

Congressional action begins with the receipt of the Budget from the President. The House and Senate Budget committees, the Appropriation, and Armed Services committees all influence and act on the budget as it relates to DOD. The Armed Services Committees interact with the Appropriation committees specifically on DOD matters, they review and draft bills which will enact specific DOD programs. The Appropriation committees set dollar limits for authorized programs. The Appropriation committees generally fund programs which have been approved by Authorizing legislation. The DOD budget is subject to the political process in the Congress as are all actions taken in that body. Trade-offs and bargaining can impact heavily on the budget which finally is passed as an appropriation bill. After Presidential signature on an appropriation, OMB re-enters the picture as a management agency. OMB apportions the funding to set the rate at which the appropriations can be spent. From OMB the funding is passed to the Secretary of Defense (SECDEF). SECDEF further apportions the funds and allocates them to the various services.

The Navy gets involved at the Secretary of the Navy (SECNAV), level. The funding flows down through this office in response to the budget input going up through the SECNAV for inclusion in the DOD budget. At this level the funding is allocated to the Chief of Naval Operations (CNO) and the Commandant of the Marine Corps (CMC). The CNO allocates the funds to the claimants (e.g. BUMED, NAVSEA, NAVAIR). The claimants issue operating budgets (EOBs) to responsibility centers under them. At the responsibility center operating targets (OPTARS) are issued to cost centers for their operations. Various levels in this chain may withhold an amount for contingencies.

The budget input side of the funding process works in the opposite direction. The cost centers first develop their requirements based upon expected workload and costs. The responsibility center comptroller utilizes these and other estimates to compile the activity budget for submission to the claimant. Generally, the activity budget must meet assigned target figures from the claimant. The claimant in turn uses the budget submissions from the activities and other estimates as his basis for submission to the CNO. The claimants must bargain for and justify their requirements to NAVCOMPT for their share of the Navy budget. CNO and the SECNAV then hold joint reviews for these budgets and ultimately develop the Department of the Navy (DON) budget for submission to SECDEF. SECDEF and the Joint Chiefs of Staff (JCS) have an influence on the DOD budget submission as entered in the Presidential Budget. The Planning, Programming, and Budgeting System (PPBS) and the services' Programs Objectives Memorandum (POM) are used to define how the services intend to deal with the threat to national security as specified in the Joint Strategic Planning Document (JSPD) issued by the JCS. This threat analysis is based upon scenarios and intelligence estimates of events most likely to occur in the world. The SECDEF after a joint DOD/OMB review and alteration process constructs the DOD budget. The President injects whatever final aspects are necessary and directs OMB to submit his budget (for DOD) to the Congress. All the participants from OMB through the claimant can and will (most likely) be called to defend their part of the budget submission in Congressional hearings.

## B. COMMUNICATIONS

RMS utilizes a variety of communication methods. It appears to have been designed to maximize the use of electronic means of communication while limiting the amount of manual preparation of reports, transactions and changes.

A central entity in the communications system for RMS is the Authorization Accounting Activity (AAA). The function of the AAA is to provide accounting services to user commands and reports to the commands and claimants involved. Under RMS the activity transmits its accounting transactions

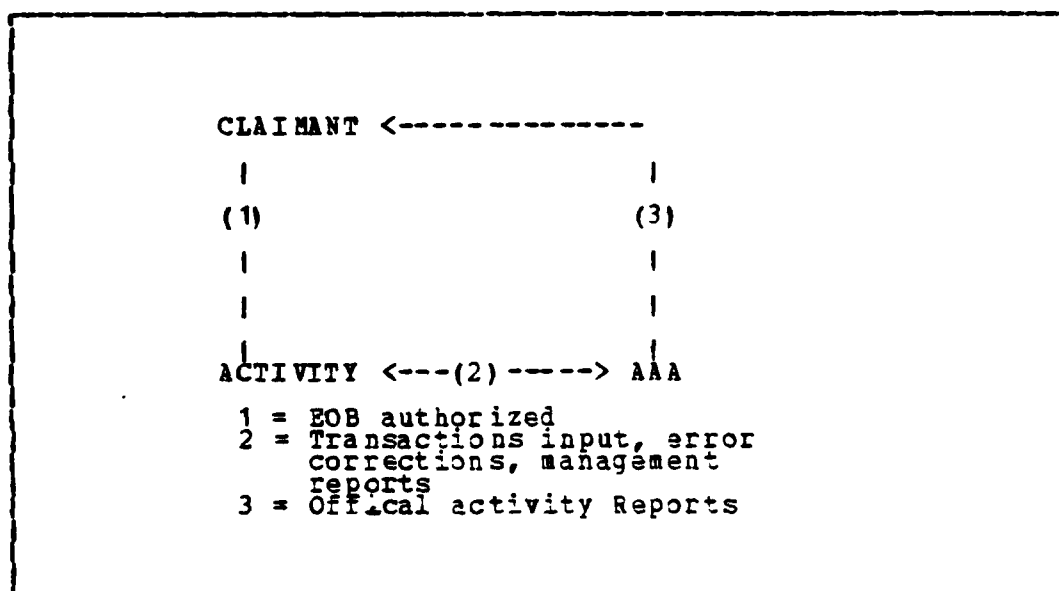


Figure 4.1 AAA Relationships.

to the activity which has been designated as its AAA. The AAA validates these transactions against pre-established review criteria and enters them in the accounting records. Any errors in the original transactions are returned to the RMS activity for correction. At the end of accounting periods, or as otherwise scheduled, the AAA provides the RMS

activity with management reports. Concurrently, the AAA submits the official reports of the activity to the claimant as required.

The transmission of any and all of the items shown in Figure 4.1 can be carried out in a variety of ways, naval message, electronic data transmission and the mailing or hand delivery of prepared documents.

### C. RMS REPORTS

RMS reports are a form of responsibility accounting in themselves. Reports give information in RMS in a variety of ways, there are financial reports for appropriation allocation records and also functional category and expense element reports. These reports are used at various levels of management for differing reasons such as the tracking of obligation rates, workload and performance and the amount of unobligated expense authority left in an appropriation. This section discusses the Trial Balance (NAVCOMPT FORM 2199), the SAG, FC/SFC, EE report (NAVCOMPT FORM 2171), and the NAVCOMPT 2168 and 2169 (Expense Operating Report and Performance Statement respectively).

#### 1. NAVCOMPT 2168

The NC (NAVCOMPT) 2168, the Operating Budget/Expense Report, is prepared in two levels of detail, one is for the cost center and the other is for the responsibility center which summarizes the cost centers within the command. This report provides details on work units completed, man hours and accrued expenses accumulated to date by cost center and responsibility center. This is a position report which shows the results of operations and their expenses for the reporting period. This report is compiled by AG/SAG, FC/SFC, and CAC within each cost and responsibility center.

OPERATING BUDGET/EXPENSE REPORT

FROM		TO		BUDGET		REPORT		For Period Ending		
NSC UIC		NAVSUPSYSCOM Washington, D.C. 20360 UIC 65872		Detail Updated Plan		Detail X Summary		31 October 1962		
Budget for				Appropriation Data 1731804.970G		Cost Center Responsibility Center		Reporting Fiscal Officer		
UIC				UIC 00023						
FUNC/ SUB ACCOUNT	DESCRIPTION	WORK- UNITS	MAN- HOURS	MILITARY EXPENSES	CIVILIAN EXPENSES	MILITARY LABOR	CIVILIAN LABOR	MATERIAL SUPPLIES	OTHER	TOTAL EXPENSES
101	(3)	147	137	167	131	131	131	131	131	7131
2R D1	1800		560	1446	13,719	21,348				35,067
2R D1	1810			8		138				138
2R D1	1810			303		2,568				2,568
2R D1	1810			275		4,671				4,671
2R D1	1810			1163		33,815				33,815
2R D1	1811			1361		31,795				31,795
2R D1	1810			1147		30,504				30,504
2R D1	1810			8		61				61
2R D1	1810			28		382				382
2R D1	1810			19-		228-				228-
2R D1	1810					30,654-				30,654-
2R D1	1811			74		383				383
2R D1	ADMINISTRATION, GENL		736	5645	17,004	34,783				52,637

Figure 4.2 NAVCOMPT 2168.

This report is prepared in the same format as the budget submission and of use at higher echelons to compare the actual performance with the budgeted figures. The NAVCOMPT 2168 provides details as to work units accomplished, man-hours and accrued expenses (year to date) by SAG, FC/SFC, and CAC. Figure 4.2 is an example of the NC 2168 for an activity.

The heading of the report provides information about the command and appropriation data. The columns contain SAG, FC/SFC, CAC, work units, military man-hours, civilian man-hours, military services (expenses), civilian labor expenses, material and supplies expense, commercial contracts expense, other expenses, and total expenses. Vertically the report displays the following: a total of expenses by CAC within each FC/SFC, a total by FC/SFC within each SAG, a total for each SAG, a total for all direct and reimbursable expenses (separately), and a grand total of all expenses.

## 2. NAVCOMPT 2169

The NC 2169 (Performance Report) is a period report showing the results of that period's operations. The report is a monthly report which can be prepared for each cost and responsibility center. The accrued expenses incurred and work units completed in each of the activity's cost centers are shown by SAG, FC/SFC, and CAC and compared to the budgeted amounts (normally) for each item. The actual expenses and work units come from the local job order system and are compared to the approved budgeted amounts for each item. This report can be very useful at the cost center or total activity level. Its usefulness derives from the fact that it provides on one report a comparison of actual performance to the approved budget on a cumulative monthly basis. This report is forwarded to the major claimant and other offices as directed. Figure 4.3 is an example of the NC 2169.



The NAVCOMPT 2169 provides actual year to date expenses and work units and compares them to the approved budget. The heading of the report is nearly the same as the NAVCOMPT 2168. The horizontal alignment has columns for SAG, FC/SFC, CAC, total expenses for each SAG, FC/SFC, and CAC, annual budgeted expenses, percentage of actual to planned expenses, work units, actual, planned, and percent of actual to planned, and actual and standard unit costs. The vertical alignment is the same as the NAVCOMPT 2168.

### 3. NAVCOMPT 2171

The NC 2171 (AG/SAG, FC/SFC, EE Report) is a period report prepared monthly. Data are presented in terms of gross adjusted obligations and expenses showing SAG, FC/SFC, and EE within each appropriation. See Figure 4.4 for an example of the NC 2171. This report shows the flow from obligations to expenses for both the current period and fiscal year to date.

The NAVCOMPT 2171 (SAG, FC/SFC, EE report) provides detailed input (on expenses and obligations), to the claimant for input to the Navy's overall management system the NAVCOMPT/Claimant level. The report gives accrued expenses and gross adjusted obligations for the current month and year to date. The report is prepared for each EOB and each program element within each EOB. The report format shows a five digit SAG, FC/SFC, EE code in which the first two digits are the SAG, the next two are the FC/SFC and the last is the EE. Expenses are reported as follows: by the five digit code followed by a subtotal to the SAG, FC/SFC level (the first 4 digits), next by the four digit SAG, FC, EE structure with a subtotal by SAG/FC. This is followed by the three digit entries, SAG/EE subtotaled at the SAG level and a grand total. These entries are prepared for each SAG within the responsibility center to compile the grand total.

6-0309		SUB-ACTIVITY GROUP/FUNCTIONAL CATEGORY/EXPENSE ELEMENT REPORT		PAGE
NAVCOMPT FORM 2171		FOR PERIOD END		31 OCT 1982
FROM	TO			
NSC	NAVREOFINCEH			
	WASH DC 20376			
UIC	UIC 00179			
OB ORDER AND UIC		CHARGEABLE UIC		1731004-9706
		00123		
CODE	CURRENT MONTH	EXPENSES	P.Y.T.O.	CROSS ADJUSTED OBLIGATIONS
				CURRENT MONTH
28 DP U	10,103.08	10,103.08		10,103.08
28 DP B				1,200.00
28 CP - SUBTOTAL	11,328.08	11,328.08		11,303.08
28 01 A	17,844.00	17,844.00		4,300.00
28 01 C				34,782.76
28 01 U	34,782.76	34,782.76		38,082.76
28 01 - SUBTOTAL	52,626.76	52,626.76		42,085.76
28 A - C				12,085.00
28 A B				500.00
28 A T	300.00	300.00		
28 A U	195,815.50	195,815.50		195,815.50
28 A - SUBTOTAL	196,115.50	196,115.50		208,400.50
28 0 - A	17,844.00	17,844.00		4,300.00
28 0 C				
28 0 B	1,000.00	1,000.00		
28 0 U	225.00	225.00		
28 0 - SUBTOTAL	18,844.00	18,844.00		4,300.00
28 0 - A	43,956.84	43,956.84		40,885.84
28 0 - SUBTOTAL	43,956.84	43,956.84		40,885.84
28 A	17,844.00	17,844.00		16,385.00
28 C				
28 M	1,000.00	1,000.00		500.00
28 B	225.00	225.00		
28 T	300.00	300.00		
28 U	240,701.34	240,701.34		240,701.34
28 - SUBTOTAL	240,701.34	240,701.34		240,701.34
CHARGEABLE ACT TOTAL	313,856.36	313,856.36		307,390.73
GRAND TOTAL	313,856.36	313,856.36		307,390.73

Figure 4.4 NAVCOMPT 2171.

#### 4. NAVCOMPT 2199

The NC 2199 (Trial Balance Report) presents the financial status of all funds available under the operating budget. This report which is provided to the activity and major claimant (by the AAA) presents the status of all funds (direct and reimbursable) by fiscal year received by the O&M activity on the resource authorization and on reimbursable orders. This is a position report which shows the command's financial status at a given point in time. Figure 4.5 is an example of this report. The net change in the financial data in the report is used by the AAA to post to the activity control ledgers. This report can be used to monitor such areas as undistributed disbursements and to track the 3 fiscal years (the current year plus the two previous), for obligation rate information.

The Trial Balance (NAVCOMPT 2199) provides monthly status of all funds available under the EOB. The heading contains information on the command, appropriation, and other pertinent information. The report lists summary and detail CACs grouped by assets, liabilities, income, investments, expenses, and memorandum/budgetary accounts. The columns of the report contain entries as follows: balances from prior month, balances current month, changes for the period, and total. The total is a grand total of all detail accounts except the statistical series.

#### D. THE UMR REPORTS

The UMR system as mentioned before was initiated in 1977. It consists of up to seven (7) different reports which may be prepared by the AAA to be used for management control by an activity. This system when initiated was

"...to provide in one report, a comparison of actual and planned management data in terms of expenses and gross adjusted obligations, reflect unique management data needs, when feasible, and include reporting requirements

00000		TOTAL BALANCE REPORT		NAVCOMPT FORM 2199		PAGE	
APRM 1731000.0700		PC/RE		FOR PERIOD ENDING 31 OCT 83			
FROM		FOR		FOR 00023			
MSC		TO 0017N		NAV SUP SYS COM			
		NAVROFINCEN		WASH DC 20376			
ACCOUNT NUMBER AND TITLE		BALANCES-PRIOR-MONTH		BALANCES-CURRENT-MONTH		CHANGES-FOR-PERIOD	
		DEBIT		CREDIT		DEBIT	
...ASSETS...							
1001 ALLOTMENTS/ORDS AUTHORIZED		512,000.00		512,000.00			
1002 FUNDS DISBURSED				132,850.47		132,850.47	
1003 UNDISBURSED EXPENSES/COSTS		1,034.29		1,034.29			
TOTAL ASSETS		513,034.29		513,034.29		132,850.47	
...LIABILITIES...							
2000 ACCTS PAYABLE-US GOV AGENCIES				12,650.54		12,650.54	
2010 ACCTS PAYABLE-US GOV AGENCIES				12,650.54		12,650.54	
2100 ACCTS PAYABLE-PUBLIC				11,659.89		11,659.89	
2140 ACCTS PAY-PUBLIC				11,659.89		11,659.89	
TOTAL LIABILITIES				28,960.86		28,960.86	
...INVESTMENTS...							
3011 UNCOM FUNDL AUTH-DIRECT PGM				130,040.49		130,040.49	
3010 UNDELIVERED ORD/ORDSTAND ORLIG				114,500.41		114,500.41	
3011 UNDEL ORD/ORDSTAND ORL-DIRECT				101,200.00		101,200.00	
3010 UNDEL CASH DIRECT PGM MAP				13,200.00		13,200.00	
3011 ACCRUED EXPENDITURES-DIRECT PGM				297,860.65		297,860.65	
3011 ACCRUED EXPENSES CONTRA				315,710.45		315,710.45	
3010 ACCRUED EXPENSES-MILITARY PER				17,800.00		17,800.00	
TOTAL INVESTMENTS		315,710.45		370,345.75		370,345.75	
...EXPENSES...							
3010 GEN EXPENSE MILITARY PERSONNEL		17,800.00		17,800.00		17,800.00	
3021 GEN EXPENSES-OTHER-CURRENT YR		255,510.41		255,510.41		255,510.41	
3022 GEN EXPENSES-OTHER-PRIOR YR 1		40,501.75		40,501.75		40,501.75	

Figure 4.5 NAVCOMPT 2199.

currently satisfied outside of the official management reporting system" [Ref. 9].

This system was designed with the capability to produce optional reports including the following:

1) combine data contained in the NAVCOMPT FORMS 2168 and 2169 into one report

2) combine data contained in the NAVCOMPT FORMS 2168, 2169 and 2171 in one report

3) display management information not available on the NC 2168 and 2169 (e.g. obligations, production rates, man-month/year conversions, planned workload, productive effectiveness, quarter and semi-annual summaries, leave data and prior year data at the cost account level)

4) a display of data by month on a single page for each cost account with quarterly, semi-annual and annual totals to provide information in a readily usable format which eliminates the need to refer to two or more reports and to transcribe data to worksheets to obtain required information

5) eliminate the need to maintain manual records to record work units and expenses by cost account on a monthly basis since all months in the current year are visually displayed for each cost account in the report

6) certain formats (UMR Formats A and B), display data by month for the entire year on one page, consequently only the current monthly report needs to be saved, leading to long term savings in filing and storage space for reports

7) the system has the ability to retroactively correct the prior month's data in UMR Format A or B to reflect actual performance for that month.

[Ref. 10: pg. 18-38]

The UMR system has two parts, a funds control status reporting system which is a 'bank statement' for obligation control and a performance reporting system which provides functional expense information by cost account. The system,

designed for the AAAs to meet activity needs does have its problems. Some AAAs cannot or do not provide a full range of reports to user activities. The user activity is to have the choice of report formats it receives.

#### 1. Funds Control Report

The funds control status report is used to introduce the authorization, annual obligation plan, for labor and non-labor, at the lowest management level. This report displays commitments, obligations, expenditures and presents the 'obligation as a percent of plan', and the unobligated balance. This report can be produced in three (3) formats. These formats are:

a) Detail Transaction Listing (Direct and Reimbursable), this report reflects all transactions input for an activity which have a bearing on funds control. This provides information needed to research individual transactions, identify errors or unrecorded charges and to reconcile records.

b) Responsibility Center, this report is by department, division or cost center. A summary total report providing cost center managers with detail on authorizations, gross obligations, annual obligation plan, and obligations as a percent of plan.

c) The Commanding Officer's Summary, a report that provides the commanding officer the status of funds at any given time including information such as total authorizations (beginning of period and changes during the period), gross obligations to date, unobligated balance, unfilled orders, net available, annual obligation plan, obligations as a percent of plan. This report consolidates the responsibility center report to one page. These funds control reports reflect a great deal of what was displayed in the NC 2171. They are more compact, understandable and present the

information from two reports (NAVCOMPT 2168 and 2171) in a single report.

The funds control status reports provide a means to monitor commitments, obligations, and expenditures within the activity. This monitoring ability is available at various levels within the command, cost center, department, and the command as a whole. These reports also provide the means to trace individual documents (transactions) to their source. The reports give the status of any changes to authorized funds or OPTARS. OPTARS can be easily monitored at higher levels within the command for control purposes. For instance, the Commanding Officer's summary is a potential tool to monitor total obligations to avoid 3679 R.S. violations and compares actual obligations against the plan on a summary basis.

A short review of the reports will help provide a better understanding of them. All reports show the EOB holder, appropriation, and authorization number. At the department/division level the detail transaction listing report shows the LMCs as applicable and whether the funds are direct or reimbursable. The columns (vertical alignment), in the report show document number, JON, quantity and labor hours, unfilled requisitions and orders, accounts payable, expenditures and obligations. The percent of actual obligations to the plan, amount authorized, and unobligated balance is also provided. The rows (horizontal alignment), give beginning balances in material, labor and other, current transactions (by document number), labor charges and ending balances in the labor, material and other. This report is similar to, only with more detail, than Figure 4.6

At the responsibility center level the report comes in two segments, one for each department and one that summarizes the departments in the responsibility center. Both

**Total Reimbursements earned**  
**Reimbursements billed**  
**Reimbursements collected**  
**Reimbursements unfilled**

reports have the same format. Authorizations (beginning, changes, and total to date), gross obligations (current and year to date), unobligated balance, annual obligations plan, obligations as a percent of plan, unfilled requisitions and unreserved balance are presented as column headings. The rows of the report show total labor costs, total material and other costs, a grand total and the amount of undistributed disbursements. In the department report these amounts are presented by individual department. This report is similar to, only with more detail, than Figure 4.6

The Commanding Officer's Summary report provides columns for NOA and reimbursable dollars broken out by labor, material and other amounts and a total of these. The vertical format shows beginning authorizations and authorizations to date. Gross obligations, unobligated balance, unfilled requisitions, and net available amounts are presented along with the annual plan, obligations as a percent of plan and reimbursables information provide the Commanding Officer the information needed for funds and management control. Figure 4.6 is an example of the Commanding Officer's Summary report.

## 2. Performance Reports

The performance reports are in four (4) formats lettered A,B,C, and D. The objectives of these reports were to consolidate the NC 2168 and 2169 into one report which gives a comparison of actual and planned management data in terms of expenses and gross adjusted obligations. These reports also reflect unique management data needs, and, where feasible include reporting requirements that are currently satisfied outside the official management reporting system. A brief description of the 4 UMR formats follows:

### 3. Format A

The UMR A report gives information on production, military and civilian labor, gross adjusted obligations, staffing, undelivered orders, consignments, and prior year expense information. Figure 4.7 is an example of this report. The UMR A is produced for each cost center, department or division by CAC and summary cost account. A summary cost account is a higher level account into which individual CACs are totaled. The cost center, department and division reports are summarized at the SAG and FC/SFC level. The report is prepared for the activity with summaries in the SAG, FC/SFC and also an overall summary page is prepared for the activity covering both total and reimbursable funds. The benefit to the user command of this report is in financial control of the OPTAR or OPTARS at higher levels in the organization. The report can be used in budget formulation with the historical data on costs, outputs, reimbursables and staffing. This report also measures performance (actual against planned), and productivity ratios for comparison between periods. The report provides the capability to monitor expense targets (e.g. Maintenance of Real Property, Travel, ADP), and section 3 of the report monitors gross obligations to track against obligational authority. Using the report trends in production, expenses, and backlogs are easily identified along with variances in the performance indicators based upon actual production.

The report presents information on the command, appropriation, period covered, EOB number, FC/SFC, CAC, and SAG and whether the funding is direct or reimbursable is presented in the heading. The report has three sections: section one has work unit information (average, backlog, and production rate) man-hours used, fixed hours (a ratio of actual to predetermined standard hours allowed), and a



productivity ratio. Civilian labor (both regular and overtime), military labor, contract labor and a labor total are given with a labor variance. Section two presents expenses for labor (civilian, military, and contract), material expenses, and total expenses. Undelivered orders, unit costs, leave data and total staffing are also presented in section two. The vertical alignment of sections one and two present the above data by month, quarter, and year to date, with the annual planning figures for use in management control.

Section three of this report has columns for data on gross obligations, unfilled orders (the current balance of unfilled requisitions), and prior year expenses (current period and year to date).

#### 4. Format B

The UMR B is very similar to UMR format A, only reduced in scope for smaller activities. This report is an alternative to Format A for a smaller activity. Format B does not have as much production rate information as Format A and therefore limits the ability to do variance analysis. With the exception of variance analysis Format B has the same potential benefits to the user of Format A. It covers work units, labor and gross adjusted obligations, and also undelivered orders, consignments, and prior year expense information. It also covers each cost center at the CAC level; these are summarized at the SAG and FC/SFC level. It provides summaries of the above information and gives an overall summary for the activity. This report is illustrated in Figure 4.8

The UMR B can be produced in one of three formats:  
1) with detail visibility to the CAC level with a summary at the summary cost account level, FC/SFC, SAG and activity level. 2) with detail at the CAC and summary CAC within

USCB		UNIFORM MANAGEMENT REPORT - B				PERIOD ENDING 30 OCT 1982		PAGE 4
ACTIVITY		MSC						
CD NUMBER								
APPROPRIATION		1731804.9706		00 UIC SUMMARY 00		DIRECT+REINS		
		WORK-UNITS		MAN-MONTHS				
ACTUAL		PLANNED		Y		CIV REC CIV O/T MILITARY CONTRACT TOTAL		
0CT							136.2 5.3 4.4	113.0
YTD							136.2 5.3 4.4	113.0
PLAN								
		EXPENSES				TOTAL		UNDELIVERED
CIV REC		MILITARY		CONTRACT		MATERIAL OTHER		COST
0CT	244,033.46	11,454.95	17,844.00	8,235.34	19,246.77	13,049.64	313,856.36	113,883.12
YTD	244,033.46	11,454.95	17,844.00	8,235.34	19,246.77	13,049.64	313,856.36	113,883.12
PLAN								
0CTP	244,033.46	11,454.95	17,844.00	8,235.34	19,246.77	13,049.64	313,856.36	113,883.12
		GROSS OPLIC		CONSIGNMENTS		PRIOR YR EXP		
0OCTH	369,390.73	63,175.26		49,501.75				
YTD	369,390.73	63,185.26		49,501.75				

Figure 4.8 UMR Format B.

departments and a summary at the FC/SFC, department, and activity level. 3) with detail visibility to the CAC and summary CAC level within LMC within the FC/SFC, department, and activity level. This report can also be prepared by budget line item (selected by the RMS activity). Section one contains columns with information on actual and planned work units, the percent of actual to planned work units, FC/SFC, department, CAC, SAG and the total/reimbursable funds. Section two has columns with the actual, planned, and percentage of work units, civilian (regular and overtime), military, and contract man-hours. Columns in section three of the report give the expenses for civilian, military and commercial contract labor. Material and other expenses, undelivered orders, unit costs are also presented. Sections one and two give monthly, quarterly, and annual (year to date) entries for each column. Section 3 is the same as in Format A.

#### 5. Format C

The UMR C combines the NAVCOMPT FORMS 2168, 2169 and 2171. Figure 4.9 illustrates this report. It provides cumulative year to date expenses, undelivered orders, and gross adjusted obligations by CAC and EE. It is a monthly report for cost centers and the responsibility center. It provides cumulative fiscal year to date figures for man hours, work units planned and completed, work unit cost and consignments at the cost account level. It provides actual and planned expenses, prior year resources used, undelivered orders, and fiscal year to date gross adjusted obligations at the CAC/EE level. It provides a separate report for each cost center with the above information on direct and reimbursable programs. Expenses are accumulated year to date by FC/SFC within SAG categories. There is a summary report for the responsibility center of all cost center data with two parts, direct and reimbursable.



The cost and obligation data in this report can be useful for financial control with its presentation of expenses and obligations by CAC and EE. The historical data in the report also has uses in budget formulation. The report compares actual performance to plans, monitors expenses and obligations by targets, and total obligations for those authorizations subject to section 3679 R.S.

Format C has three sections, cost center, responsibility center, and a recapitulation report for the responsibility center. The heading of the report is similar to that of formats A and B.

The column alignment for the cost and responsibility center sections contain entries covering SAG, FC/SFC, CAC, consignments, EE, fiscal year to date work units, work unit costs, planned and actual expenses, prior year expenses, undelivered orders and fiscal year to date gross adjusted obligations. The vertical alignment in the cost center report gives totals by EE, CAC (all EEs within each CAC) and by FC/SFC by EE. A total figure for each SAG and each EE and a grand total expense figure for each cost center is provided. The responsibility center report has expenses given by FC/SFC, by CAC, by EE, by CAC, by FC/SFC by EE, by FC/SFC grand total and by SAG grand total.

The recapitulation report has the same heading as the two previous reports. The columns have SAG, FC, SFC, EE and consignment entries. Vertically the data is summarized by SAG, FC, SFC, and EE. The EEs are summarized at the SFC, FC, SAG, and responsibility center levels.

#### 6. Format D

The UMR D is a consolidation of the NC 2168 and 2169 and presents the same data. This report is shown as Figure 4.10, it is a two part report, the Operating Budget/Expense Report and the Performance Statement. The Operating

UNIFORM MANAGEMENT REPORT - D									
PERFORMANCE STATEMENT									
PAGE									
FOR PERIOD ENDING									
31 OCT 1962									
TO ( ) COST CENTER									
(A) RESPONSIBILITY CENTER									
APPROPRIATION									
1731804.9700									
DIRECTOR REG FINANCIAL SERVICE									
CORP SEC USM									
OB GRANTOR									
NAV SUP SYS COM									
WASH DC 20376									
UIC 00179									
UIC 00023									
DETAIL									
CA	FILE	EXPENSE	MOR	WORK UNITS	ACTUAL	UNIT COST	ACTUAL	UNIT COST	BACKLOG
(011) (2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
SC AS 2726	SMALL PUR BUYING	3050							2021
SC AS 2727	SMALL PUR SOL & CONTR	1016							10
SC AS 2728	SMALL PUR MOD & DOC C	302							10
SC AS 2821	CONTRACT ADMIN	2021							1022
SC AS 2822	PURCHASE ADMIN	511							111
SC DP 1M33	ADP REMOTE TERMINALS	31							
SC DP 1M41	ADP DATA ENTRY	579800							
SC 01 1090		40							
SC 01 1042		101							
2R AS 2721	PUR DDC CONTROL	5407							
2R AS 2722	CONTRACT OPS	43650							
2R AS 2723	CONTRACT SOL & PRU	10266							
2R AS 2724	CONTR MOD & DOC CONF	10266							
2R AS 2725	SMALL PUR BUYING	27118							
2R AS 2726	SMALL PUR SOL & CONTR	6034							
2R AS 2728	SMALL PUR MOD & DOC C	10421							
2R AS 2729	DIFF MGT & ADMIN	210834							
2R AS 2731	PROCUREMENT MGMT	120814							
2R AS 2732	FIELD MGMT	22768							
2R AS 2733	TRNG PROCUREMENT OPS	117							
2R AS 27	PROCUREMENT OPERS	145944							
2R AS 2821	CONTRACT ADMIN	25012							
2R AS 2822	PURCHASE ADMIN	10291							
2R AS 2830	CONTRACT ADMIN MGMT	10260							
2R AS 28	CONTRACT ADMIN	50171							
2R DP 1M11	ADP ADMIN	330							
2R DP 1M12	ADP TRNG	10892							
2R DP 1M22		12223							
2R DP 1M25		20684							
2R DP 1M33	ADP REMOTE TERMINALS	20221							
2R DP 1M41	ADP DATA ENTRY	20210							
2R DP 1M51	ADP SCMO	163							

Figure 4.10 UMR Format D.

Budget/Expense Report (NC 2168) displays detailed data on work units completed, military/civilian man-hours, and accrued expenses, material and supplies, commercial contracts and other expenses. These are given by CAC and then are displayed by FC/SFC and CAC for both direct and reimbursable programs. A total is shown for each CAC within each FC/SFC and SAG. Prior year expenses, unfilled orders and consignments are shown at the SFC level (at the bottom of the report).

The Performance Statement (NC 2169) is part 2 of Format D. It follows the same format as the EOB report above and includes a display of actual work units compared to plan, accrued expenses compared to plan with a percent indicator of actual performance to the plan. This report presents accurate, up to date financial and performance data on a cumulative basis with no additional input requirements on the receiving command, assuming the command was meeting the reporting requirements prior to implementation of the UMR.

UMR D has uses in the areas of financial management control, budget formulation, performance measurement, and expense and obligation monitoring. The report is useful in these areas because of its presentation of expenses, work units, labor (hours and dollars), by CAC, FC, and SAG. The heading for the report has the same information as the other UMR reports. The EOB section has columns with categories by SAG, FC/SFC, CAC, work units, military and civilian man-hours, military and civilian labor expenses, material, other, commercial contract and total expenses. Vertically the report totals, in each cost center, expenses by SAG, FC/SFC, and CAC. Total expenses are reported by direct and reimbursable categories for each cost and responsibility center.

The Performance Statement has columns for SAG, FC/SFC, CAC, total expenses, annual budget expenses, percentage of actual to plan, work units (actual, planned and percent of actual to plan), actual budgeted and standard costs, and backlog. The vertical alignment of this section is the same as the EOB report with the exception of undelivered orders and prior year expenses which are not shown in the performance statement.

This overview of the reports was provided to acquaint the user with a brief description of the information available in the system.

## E. REPORT COMPARISON

This section describes how the reports relate to one another, identifies where information can be found in the various reports and locates that same information in the other reports. The reports produced by RMS and the UMR provide information on the expenses, obligations, and productivity of a responsibility or cost center. The same information in these can often be found in more than one of the reports. The only report that may be an exception to the previous statement is the Trial Balance (NC 2199). This is because it is a balance sheet showing the command's position whereas the other reports show activity for the period much like an income statement in the private sector.

The NC 2168 displays man-hours and expenses for AG, SAGs, FC/SFCs, and CACs. The total expense information is displayed in column 12 for each CAC within each SFC and SAG. These totals can also be found in column 4 of the NC 2169 and the expenses columns of the NC 2171 (which has both current period and year to date figures). The UMR A and B reports also display expense information in section 2 of each report, UMR reports C and D show the expense data in

column 12. Formats A and B have the expenses by monthly totals, C and D break them out by SAG, FC/SFC, EE, and CAC. The NAVCOMPT 2171 is the only NavCompt report which displays the EE, it also shows the SAG and the FC/SFC (e.g. Total expenses of \$313,856 appear in the following reports, NC 2171, the UMR A, B, C and D. Total obligations of \$368,391 appear in the NC 2171, the UMR A, B and C. Total NOA of \$512,000 appears in the NC 2199 and the Commanding Officers Summary. If complete reports were used instead of portions of reports the total expense figures would also appear in the NC 2168, 2169 and 2199).

Gross adjusted obligations appear in the NC 2171 for the current period and year to date. These same figures appear in column 15 of the UMR C and section 3 of the UMR A and B. These are the only reports which give visibility to the amount of obligations. These obligations are shown with the expenses for the same area of interest (e.g. SAG, EE).

Information on man-hours appears in columns 5 and 6 of the NC 2168 and in section 1 of the UMR A and B, and in the UMR D in column 6. Production rate information is found in the UMR A and B in section 1, it shows man-hours and work-units to provide management the ability to monitor productivity.

The NC 2168 also allows the summation of expenses by civilian labor (col. 8), material and supplies (col. 9), and commercial contracts (col. 10) when these columns are totaled. The UMR A and B have this same information broken down by month (in section 2).

The NC 2199 shows the status of funds authorized or received by a responsibility center. This report is generated from the general ledger accounts. The total assets shown in this report represent the amount of funds a commanding officer has to work with in a fiscal year. Taking the total gross adjusted obligations from the NC 2171

or the UMR reports and subtracting it from the total assets figure will give the amount funds remaining for the fiscal year.

By following from one report to another expense and obligation data can be obtained in a variety of formats. Totals can be obtained by EE, FC/SFC, AG, SAG, or CAC if the reports are used appropriately.

## V. HOW THE SYSTEM WORKS

This chapter reviews RMS as it relates to the operational cycle of a fiscal year. The users of RMS and its operations are discussed to display the effect RMS has on the Navy. Budget development and budget execution are discussed. The effects of apportionment on a command are reviewed within the discussion of budget development and execution. Involved in the budgeting and execution cycles are the limiting factors of civilian manpower limits and man-years. These too are covered to show what effects these limits have on a command's operations.

### A. THE HIGH LEVEL USERS

RMS is used at a variety of levels within the Department of the Navy (DON). The system is in reality a management control system for all levels within the Navy. At the lower levels, the cost center and the responsibility center, RMS is suited for the planning and attention directing aspects of management control, operational control and for funds control. Management control is defined as "...the process by which management assures that the organization carries out its strategies effectively and efficiently" [Ref. 11: pg. 2]. Operational control is defined as "... the process of assuring that specific tasks are carried out effectively and efficiently" [Ref. 11: pg. 2].

The management control uses at the responsibility center and below involve both output (production or services generated) and input (resources consumed). RMS provides the cost center, responsibility center, and claimant with output information which compares budgeted production of a given

level with the actual. Unfavorable variances from the plan can be identified and dealt with before they become uncorrectable. The output reports along with the expense reports give an indication of either deficient or excess funding based upon actual performance compared to the budget. RMS can perform this identification at various levels from the individual cost center up through the reporting levels to DOD.

RMS also provides information for the control of funds at these levels. The system shows expenses to date, obligations to date and funds available. This provides all levels, down to the responsibility center level, with the necessary information on funds availability to avoid the legal violations associated with the overobligation of an appropriation or expense operating budget. While the cost center would not normally have legal violations associated with overobligation, it needs the information in order to control the funds assigned.

The expenses and obligations of operations identify potential funding deficiencies or excesses which might require reprogramming or the recoupment of funds. The reprogramming may be done at the responsibility center level to meet changes in current operations. Reprogramming is the action of shifting funds from one program to another. A claimant may reprogram by moving funds from one activity to another. The same holds true for DOD and DON.

OMB uses input from DOD based upon RMS reports almost solely as a funds control mechanism. As a watchdog agency it needs the obligation reports to track the appropriations already spent and those left unspent. These figures provide the information OMB needs to function in funds' control and in reporting to the Congress and the Executive Branch. OMB would be involved in any recoupment/impoundment actions by the Executive Branch or the Congress.

OMB is also the office that initially apportions the appropriations to control the expenditure of funds. The RMS reports provide OMB the information needed to track DOD against not only the total appropriation but also the individual period apportionments. Apportionment has a definite impact on the execution of the budget at all levels (execution is covered in more detail later in this chapter). It impacts the obligation rate by placing a legal (R.S. 3679 USC) upper limit on spending and an administrative lower limit on the obligation rate.

The RMS operation may be too large to grasp if you try to observe the complete system at one time. The RMS can be broken down into three (3) nearly separate operations which facilitates the observation of RMS. These three phases are, budget submission and the receipt of an operating budget (covered in this chapter), budget execution (covered in this chapter), and reporting (covered in the previous chapter). These three phases are all inter-related and form a self-closing cycle: each phase needed to complete the next.

## **B. CLAIMANT/ACTIVITY INTERFACE**

To deal with the activity level budget submission in this manual you can take as a given the events that precede the local activity submission at higher levels. These are a given in that a single activity has a minimal impact on the events at the DCD level and above. These actions include the Congressional actions, the PPBS cycle at DOD, the review and reclama that claimants go through with NavCompt and similar actions from that level up. A budget can be viewed as a financial plan of action. To quote the Navso P-3582,

An operating budget is designed to provide a plan against which performance can be measured, variances analyzed, and adjustments made to permit effective management of resources at all echelons. Although the budget is an annual plan, it must contribute to the attainment of future objectives and missions. It is not an entity unto itself, it has roots in the past and must bear a direct relationship to the future.

The development of an operating budget is a process of determining these requirements at the lowest echelon (normally a cost center), and summarizing these requirements with those of other cost centers for the total activity. In developing a budget the cost center manager utilizes those specific guidelines provided by the commanding officer [Ref. 12: pg. III-1].

Keeping in mind that a budget should not be a cast in concrete document but be a dynamic, changing plan the command must still begin somewhere each fiscal year. Officially the command budget preparation begins with the budget call from higher authority however, given time constraints the comptroller must begin prior to the receipt of this document if a sound budget is desired. Using the reports available on the current year operations, anticipated changes in the upcoming year, and the commanding officer's guidance, the comptroller can issue an internal budget call to cost center managers. This internal budget call should involve the respective cost center managers in the budget process. The internal budget call facilitates participatory budgeting which aids in the acceptance of the budget by the managers. They in turn can provide estimates on work load and costs for the comptroller to use in a preliminary budget preparation. The format in Figure 3.2, AG, FC, CAC, and, EE will provide a majority of the expense data needed to prepare a budget in any one of the three formats that are required. These formats are described below:

- 1) By cost center, Activity Group/Subactivity Group, Functional/Subfunctional Category, and Cost Account there under. The budget by cost center is submitted on the Operating Budget/Expense Report (NavCompt Form 2168) and is for internal use in management control.

- 2) By responsibility center, Activity Group, Functional/Subfunctional Category, and Cost Account. This format is prepared on the Operating Budget/Expense Report (NavCompt Form 2168) and is submitted to higher authority.

3) By Functional/Subfunctional Category, and Expense Element. This format is prepared on the Activity Budget/Apportionment Submission (NavCompt Form 2179-1) and is for submission to higher authority. A separate NavCompt 2179-1 is required for each activity group when required by the major claimant and/or operating budget grantor.

An example of the NavCompt Form 2168 is shown as Figure 4.2. This form is the prescribed standard submission form but major claimants often make modifications for reporting requirements to gather additional information needed in apportionment and budget submissions.

The development of a local budget is basically a four step process. These steps are as follows:

1) Developing and translating the planned workload for each cost center into budget/accounting classifications, such as civilian and military labor hours, material requirements, work or services to be performed for others.

2) Applying realistic dollar values to each of the above within guidelines established by NAVCOMPT and management commands (e.g. The use of a percent inflation factor for supplies or a percent pay raise for civilian labor).

3) Summarizing and adjusting the dollar estimates for each cost center and the entire command thus providing the planned operating budget for internal use.

4) Preparing the final budget for the total activity and submission to higher authority.

[Ref. 12: pg. III-2]

These four steps all can begin and end with a basic format similar to Figure 3.2. Past operational results are available in this format (in the records of past fiscal years operations) and department estimations for the upcoming fiscal year can be formatted in this way.

This preliminary budgeting can be finalized with the receipt of the official budget call from higher authority. This budget call will normally include annual planning figures for NOA, and civilian and military personnel end strengths. These figures are given as 'ceilings' which cannot be exceeded in the formal budget submission. At this time certain funds may be fenced or targeted, in other words, these funds can only be applied to that purpose (e.g. maintenance of real property, professional travel).

With the receipt of the control figures from higher authority the activity must make their preliminary budget conform to the limitations of the budget call. Control figures are assigned target amounts for the activity to use in its budget preparation.

In the process of making the preliminary budget meet the constraints given in the budget call those programs and functions for which adequate resources are not expected to be provided become the unfunded requirements. These unfunded requirements can normally be submitted along with the operating budget. Great care should be taken in the preparation of this requirement list, it should be fully justified and documented. These unfunded requirements can have a definite impact upon additional funding for the command later in the fiscal year.

With the completion of preparation of the constrained (preliminary) budget the commanding officer will normally review and ultimately approve the budget for submission. All cost and workload estimates should be supportable and the budget should be an accurate reflection of the command's mission, priorities, and needs. With the preparation of the final budget submission for higher authority the command must be prepared to give follow-on justification if requested by superiors in the funding chain. With the submission of the NAVCOMPT FORMS 2168 and 2179-1 the actual budget submission is complete.

During the course of the fiscal year there is a constant reviewing of operations in the financial area. There is normally one formal review per year conducted at all levels. The formal review is called the mid-year review which takes place late in the second quarter of each fiscal year. This review begins at the activity level and goes up the chain of command to the CNO level. Each budget category is analyzed for obligations to date and projected obligations for the balance of the fiscal year. Programs are looked at for the possibility of providing resources for previously unfunded requirements caused by changing conditions. If one program is being spent at a slower rate than anticipated the savings may be reapplied elsewhere. Major claimants review their subordinate commands and recommend reprogramming actions to the Fiscal Management Division at OPNAV which reviews the total requirements and recommendations in conjunction with the program sponsors and the Director, Navy Programming and Planning, and then recommends the appropriate reallocation of funding to the Comptroller of the Navy. The Comptroller makes a final review and forwards recommendations to OSD for approval and submission to congressional committees as required.

Several actions can take place during the year based upon the review cycle. Recoupment is the recovery of programmed funds from an area which has been terminated, slowed down, had a change in support requirements, had changes in contract prices, and so on. These funds can then be recovered and reapplied as necessary.

Reprogramming can take place at any level within DOD when funds are moved from one program or budget category to another. Reprogramming is constrained by law as to the amount of funds that may be so moved without higher level approval (higher level is defined as SECNAV and up). The general limitations that apply are as follows:

1) Prior approval is required to reprogram funds for items specifically reduced or eliminated by Congressional action or in which Congressional committees have expressed interest: for items beyond specific program limitations imposed by OMB, DOD, or SECNAV: for increase in quantity of major procurement programs: or for transfers from an earlier fiscal year program.

2) Annual appropriations have a limitation requiring prior approval of the Comptroller of the Navy and/or higher authority for specific and cumulative changes of \$5 million or more. The Director, OPNAV Fiscal Management Division may approve a cumulative adjustment of less than \$5 million. Similar limitations apply to Procurement and RDT&E appropriations but the dollar thresholds may change.

Reprogramming actions at a command do have an impact on the whole Navy execution program. The command is involved at the claimant level, the internal reprogramming at the command level must be submitted on updated financial plans and reviews to the claimant.

#### C. INTERNAL MANAGEMENT USES

Perhaps the largest and longest phase of the budget cycle is that of budget execution. To quote the Navy Comptroller's Manual (Vol. 7),

Budget execution is that phase of the budget cycle which encompasses all actions required to accomplish effectively, efficiently, and economically the programs for which funds were requested and approved by competent authority. The budget execution phase overlaps the formulation and review phases in that updated financial plans based on current priorities must be completed in time for action under those plans to begin on 1 October of a new fiscal year. The execution phase continues throughout the period of availability of the appropriation for obligation and expenditure. Effective budget execution requires procedures for control and evaluation which will ensure compliance with regulations and limitations established by the Congress, the General Accounting Office, the Treasury Department, the Office of Management and Budget (OMB), and the Secretary of Defense, as well as all echelons of responsibility and command within the Department of the Navy [Ref. 2: section 3000].

While this is a lengthy definition it is the overall (official), view of budget execution. At the local level budget execution is the accomplishment of the command's annual financial plan. The annual financial plan is the approved budget for a command. Involved in this is the realization that all funds appropriated by the Congress must be accounted for by the Navy. To a great extent budget execution is the carrying out of the approved plan. The RMS accounting system reflects how the plan is being accomplished. The efficiency, effectiveness, and economy mentioned in the NAVCOMPT Manual are just as important as the accounting. An efficient command gets more done for the same funding level, an effective command meets its goals or mission and an economical command does not waste funds. All of these concepts are important to the Navy.

Budget execution at the local level is a subset of that function at the Department of the Navy level. Quite possibly the most important single player in the execution phase is the activity comptroller. In his position as the staff advisor to the commanding officer the comptroller's function is to provide to the commanding officer the factual data necessary for the effective management of operations. To adequately perform this staff function the comptroller has a variety of responsibilities, including:

- 1) technical guidance and direction of financial matters throughout the organization,
- 2) administration of all laws, policies, regulations, and directives pertaining to financial management,
- 3) budget formulation, review, and execution,
- 4) accounting and statistical data collection,
- 5) the review of performance against financial plans,
- 6) the promotion of economy and efficiency in the performance of assigned programs.

This is not an all inclusive list but it does point out the major duties of the comptroller.

The role of a comptroller in budget execution is the effective accomplishment of a combination of tasks. These tasks are a subset of the previous list of responsibilities and include:

- 1) translation of programs into financial plans and budgets,
- 2) comparison of performance to plans,
- 3) the analysis and evaluation of operating programs,
- 4) to serve as a consultant and member to all resources planning and review boards,
- 5) the administration of the civilian manpower ceiling control program,
- 6) the performance of internal fiscal review and audits,
- 7) the accounting for resources and inventories.

Any and all of these tasks need to be completed in a timely and accurate manner. If not, the whole management control system suffers and without a good financial control system the overall management control system will suffer equally.

Budget execution begins prior to the receipt of the EOB for any given fiscal year. The activity must be ready by 1 October to operate on either a continuing resolution or a new appropriation from the Congress. To do this the command planning for the new fiscal year must be flexible and realistic. Normal control figures from higher authority are austere and require the command to have the ability and the knowledge of its operation to operate within these initial planning figures. This requires the accounting system to accurately portray the performance of all cost centers in the current (closing) fiscal year so the comptroller can present a realistic plan of operations for the upcoming fiscal year that will stay within the planning figures provided.

With the approval of this plan by the commanding officer and the official fund distribution by higher authority on the NAVCOMPT Form 2168-1 the detailed financial plan must be submitted to higher authority. The actual operating budget is then issued to the command on a 2168-1 and this becomes the basis for any further submissions of reports and/or reclaims.

Effective budget execution makes use of the management reporting system (UMR) to constantly track the financial and workload position of the command. This should provide the information necessary for internal adjustments or reprogramming to meet the current conditions. Such reprogramming must be done within legal limitations, command priorities, and must be able to be justified to higher authority. When the budget execution program identifies a definite shortfall of funds a reclama can be submitted to higher authority. This reclama may or may not result in additional funds, that depends on a variety of factors. The reclama must be well documented, justified and competitive. Again the accounting and reporting system provides a portion of the the basis for the reclama. It must therefore be accurate and timely to provide the comptroller the necessary facts to develop the reclama. In a manner of speaking budget execution can best be seen as a constant process of review. The review is in two modes, the first is the informal command-level continuous review.

#### **D. CIVILIAN PERSONNEL MANAGEMENT IMPACTS**

RMS functions as a control mechanism in the area of civilian personnel management at the activity, claimant, DON, and DOD levels. This control mechanism takes the form of authorized civilian end strength for DOD, DON, claimants, and activities. Civilian staffing is controlled by the use

of ceiling points, end strength, (number of civilians on the payroll on 30 September) and funded man-years. Funded man-years is a concept of equating the dollars spent on civilian labor to a number of full-time equivalent man-years. If a stable number of civilians were on board for a complete fiscal year (no vacancies or temporary employees) man-years should equal end strength. However, if employees were added or temporary employees used to meet unusual demands or vacancies occurred during the year the man-years of employment paid for may not equal end strength or ceiling points. Higher authority uses a combination of the man-years and end-strength figures to set ceiling point numbers for activities. A command where the man-year figure was consistently lower than the end strength could be easily viewed as having too many ceiling points and vice versa. This type of control is used down the chain of command from OMB to DOD, to the claimant, and the activity.

RMS, with its reporting system, contains information on civilian labor. The reports contain expenses for labor and number of personnel employed, thus providing higher authority the input for this control system.

## **B. CONCLUSION**

This manual has presented an overview to RMS from its inception to the present day. By highlighting some of the inter-relationships and available information the manual hopefully will provide the user an insight into RMS. It is not intended to be a detailed guide to the innerworkings of RMS but a ready reference to the overall system.

# LIST OF REFERENCES

1. DeCesaris, C.A., Director, Program/Budget Division, Bureau of Medicine and Surgery, Washington D.C., Interview on 21 July 1982.
2. Navy Comptroller Manual, Vol. VII, NAVSO P-1000. Department of the Navy, Office of the Comptroller.
3. Regan, Eugene, Accounting Branch (Code FDA), Headquarters, Marine Corps. Washington D.C., Interview 5 August 1982.
4. Kohler, E.L. A Dictionary for Accountants, Prentice-Hall Inc, Englewood Cliffs, N.J. 1975.
5. Financial Management of Resources (Shore Activities), NAVSO P-3006-1, March 1976
6. Donnelly, Joseph D. Budget Execution (O&M,N) at Navy Shore Activities, Master's Thesis, Naval Postgraduate School, 1980.
7. Navy Comptrollers Manual, Vol II, NAVSO P-1000, Department of the Navy, Office of the Comptroller.
8. Navy Comptroller Notice 7200 Navy-Wide Uniform Management Report (UMR), 29 October 1976.
9. Navy Comptroller Financial Management Newsletter-NAVSO P-3658 Summer 1981, Vol VI, No 1.
10. Anthony, Robert N. and Herzlinger, Regina E., Management Control in Non-Profit Organizations Homewood Ill: Richard D. Irwin Inc., 1980.
11. Financial Management Guidebook for Commanding Officers NAVSO P-3582, 1977.

# INITIAL DISTRIBUTION LIST

	No. Copies
1. Defense Technical Information Center Cameron Station Alexandria, Virginia 22314	2
2. Library, Code 0142 Naval Postgraduate School Monterey, California 93940	2
3. Assistant Professor Kenneth J. Fuske Code 54Ee Department of Administrative Sciences Naval Postgraduate School Monterey, California 93940	2
4. CDR Peter W. Blondin, SC, USN Code 54Zf Department of Administrative Sciences Naval Postgraduate School Monterey, California 93940	3
5. Department Chairman Code 54Js Department of Administrative Sciences Naval Postgraduate School Monterey, California 93940	1
6. CAPT James E. Erie, MSC, USN Navy Medical Command Southwest Region San Diego, California 92134	1
7. LCDR Douglas E. Brandt, MSC, USN US Naval Regional Medical Center P.O. Box 19 FPO New York 09521	3
8. Chief, Bureau of Medicine and Surgery (MED 10) 23rd and E Streets NW Washington, DC. 20372	1
9. Chief, Bureau of Medicine and Surgery (MED 13) 23rd and E Streets NW Washington, DC. 20372	1
10. Chief, Bureau of Medicine and Surgery (MED 14) 23rd and E Streets NW Washington, DC. 20372	1

11. Mr. Eugene Regan 1  
Accounting Division (Code FDA)  
Room 3101 Arlex  
Headquarters Marine Corps  
Washington, DC. 20380
12. LCOL Joseph Mullane, USMC 1  
Code 54Mm  
Department of Administrative Sciences  
Naval Postgraduate School  
Monterey, California 93940
13. LCDR Frank Royer SC, USN 1  
Code 54Ro  
Department of Administrative Sciences  
Naval Postgraduate School  
Monterey, California 93940
14. Mr. William F. Bowie 1  
Commander, Navy Accounting and Finance Center  
(Code NAFC 6D)  
Washington, DC. 20376
15. CAPT J. Cuddy, USN 1  
Office of the Comptroller  
NCB 13/OP92/C  
Department of the Navy  
Washington, D.C. 20350
16. Commanding Officer 1  
Naval Supply Center  
Box 300  
Pearl Harbor, HI 96860
17. Commanding Officer 1  
Naval Supply Center Puget Sound  
Bremerton WA 98314
18. Commanding Officer 1  
Naval Supply Center  
937 No. Harbor Drive  
San Diego, CA 92132
19. Commanding Officer 1  
Naval Air Station  
Whidbey Island, WA 98278
20. Commanding Officer 1  
Naval Air Station  
Barbers Point, HI 96862
21. Commanding Officer 1  
Naval Air Station Miramar  
San Diego, CA 92145

22. CAPT G. Gaddis SC, USN  
Comptroller (Code 022)  
Naval Postgraduate School  
Monterey, California 93940

1

