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DEPARTMENT OF THE NAVY
COMMANDER MILITARY SEALIFT COMMAND
WASHINGTON NAVY YARD BLDG 210
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WASHINGTON DC 20398-5540

COMSCINST 7040.2
PM2
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COMSC INSTRUCTION 7040.2

Subj: SPECIAL MISSION SHIPS PROGRAM FINANCIAL MANAGEMENT ROLES AND RESPONSIBILITIES

1. Purpose. To delineate the roles and responsibilities of the Special Mission Ships Program Management Office (PM2) personnel relative to PM2 financial management.

2. Background

a. The mission of the Military Sealift Command (MSC) is to provide efficient sea transportation in peace and at war. This includes providing deterrence through the employment of Afloat Preposition Forces, sustained forward presence through the Combat Logistics Forces and surveillance, oceanographic survey and other specialized scientific support through Special Mission Ships. Within this framework, PM2's mission is to provide operationally reliable Special Mission Ships and cost effective ship management services to the Department of Defense (DoD) and Federal agencies with high quality, sound financial control, prudent acquisition and efficient resource management. PM2's goal is to be DoD's and the Federal government's "supplier of choice" for scientific support and special mission programs, providing consistently superior customer-focused service at competitive prices.

b. MSC is a unique Navy organization because of the type and scope of its operations and the way it is funded. MSC reports to the Navy and to the U. S. Transportation Command (USTRANSCOM). MSC is financed through the Working Capital Fund (WCF) rather than by annual appropriations. Because of the dual reporting responsibility, MSC prepares two sets of financial statements that are split between WCF Transportation (WCF-T) for the common user DoD programs and for WCF Navy (WCF-N) for Navy unique programs. PM2 operations are funded within the WCF-N portion. Under the WCF concept, MSC operates somewhat like a commercial concern. The operation is funded through billings to its customers. MSC sets its billing rates in advance to recover the costs of operations and to break-even over time.

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c. In 1996, MSC made organizational changes to improve the way MSC business is conducted to meet its various DoD customers and sponsors. This restructure or reinvention created five major programs, each headed by a senior civilian (Program Manager) with a staff of support specialists focusing on customer requirements. These business subsidiaries are supported by Functional Directorates (FDs) and by the Area Commands delivering direct customer interface services.

d. PM2 supports the operation of approximately 27 ships of different classes, performing various missions for a multitude of sponsors. The Special Mission Ship Program has three major product lines which include (1) Surveillance Platforms/Counter Drug, (2) Range Cable and Oceanographic Survey Ships and (3) Time Chartered Deep Submergence Rescue Ships and special support. Special Mission Ships are both U. S. government-owned and chartered and manned by civil service mariners (CIVMARs) or mariners employed by companies under contract with MSC.

e. PM2 is a complex business enterprise serving various DoD sponsors. Our business lines are aligned under two organizational groups. PM21 is responsible for all Surveillance/Counter Drug Platforms and PM22 is responsible for all Range/Cable/Oceanographic/Deep Submergence and special project platforms. The following lists the ships that comprise PM2's program and their associated sponsors:

PM21

<u>Ship</u>	<u>Ship Type</u>	<u>Sponsor</u>
USNS INVINCIBLE (T-AGOS 10)	Dual Band Radar	U.S. Air Force
USNS PREVAIL (T-AGOS 8)	SURTASS	CINCLANTFLT
USNS ASSERTIVE (T-AGOS 9)	SURTASS	CINCLANTFLT
USNS BOLD (T-AGOS 12)	SURTASS	CINCLANTFLT
USNS VICTORIOUS (T-AGOS 19)	SURTASS	CINCLANTFLT
USNS ABLE (T-AGOS 20)	SURTASS	CINCLANTFLT
USNS EFFECTIVE (T-AGOS 21)	SURTASS	CINCLANTFLT
USNS LOYAL (T-AGOS 22)	SURTASS	CINCLANTFLT
USNS STALWART (T-AGOS 1)	Counter Drug	CINCLANTFLT
USNS INDOMITABLE (T-AGOS 7)	Counter Drug	CINCLANTFLT
USNS CAPABLE (T-AGOS 16)	Counter Drug	CINCLANTFLT

PM22

<u>Ship</u>	<u>Ship Type</u>	<u>Sponsor</u>
USNS OBSERVATION ISLAND (T-AGM 23)	Missile Range Instrumentation	USAF
USNS WATERS (T-AGS 45)	Navigation Test Support Ship	SSPO
USNS JOHN MCDONNELL (T-AGS 51)	Hydrographic Survey Ship	NAVMETOCOM
USNS LITTLEHALES (T-AGS 52)	Hydrographic Survey Ship	NAVMETOCOM
USNS PATHFINDER (T-AGS 60)	Oceanographic Survey Ship	NAVMETOCOM
USNS SUMNER (T-AGS 61)	Oceanographic Survey Ship	NAVMETOCOM
USNS BOWDITCH (T-AGS 63)	Oceanographic Survey Ship	NAVMETOCOM
USNS HENSON (T-AGS 64)	Oceanographic Survey Ship	NAVMETOCOM
USNS SILAS BENT (T-AGS 26)	Oceanographic Survey Ship	NAVMETOCOM
USNS KANE (T-AGS 27)	Oceanographic Survey Ship	NAVMETOCOM
USNS HAYES (T-AG 195)	Acoustics Research	NAVSEA
MV CAROLYN CHOUEST	NR-1 Support Vessel	CINCLANTFLT
MV KELLIE CHOUEST	Deep Submergence Support	CINCLANTFLT
MV DOLORES CHOUEST	Deep Submergence Support	SUBPAC
USNS ZEUS (T-ARC 7)	Cable Laying/Repair	SPAWAR

3. Discussion

a. Implementation of program management at MSC placed overall program responsibility, authority and accountability for all aspects of Special Mission Ships with PM2. This changed the way MSC conducts business both internally and externally. Reorganization empowered the Program Managers to identify requirements, develop budgets and financial execution plans for their respective business lines. With the current and future financial constraints placed on DoD, PM2 must be able to deliver Special Mission Ship support to the sponsors efficiently and economically. Financial management requires attention at all levels within the PM2 organization. Ensuring proper fiscal management and stewardship of financial resources is a fundamental responsibility of PM2 personnel in order to comply with existing regulations to combat against waste and mismanagement of resources. All PM2 personnel involved with financial management functions must work synergistically to ensure that PM2 resources are applied consistent with the mission and because financial decisions today drive customer billing rates in the future. Our goal is to deliver quality Special Mission Ship services at the lowest possible cost to our sponsors.

b. Financial management and oversight of PM2 ships requires a vigilant effort to control costs through improved financial management controls. This is a top priority for PM2. Our goal is to ensure that PM2 accurately forecasts current as well as long-term financial requirements and that PM2 thoroughly monitors funds execution throughout the organization from Headquarters to the ship deck plates.

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c. Staff personnel must be aware of program cost drivers in their specific area of expertise and take action to control associated costs. For instance, the Marine Transportation Specialists must be thoroughly familiar with the composition of port costs and identify areas of opportunity to curb unnecessary spending. Likewise, PM2 engineers must be proactively seeking ways to execute the maintenance and repair efforts to requirement only. These collective business process improvement efforts have a profound effect on the current and future execution of our resources. Moreover, these efforts are important to our sponsors. PM2 has a responsibility to the sponsors to control costs, identify areas of opportunity to reduce costs with a potential to reduce Net Operating Results (NOR) and to deliver value added services for the price they pay. Therefore, in order to strengthen our financial management practices within PM2, all applicable personnel must be thoroughly familiar with their individual and associated financial management roles and responsibilities. The following identifies those positions within the PM2 organization and defines their respective roles and financial management responsibilities.

4. Financial Management Roles and Responsibilities

a. Special Mission Ships Program Manager (Headquarters)

(1) Role. The Special Mission Ship Program Manager's role is to function as Commander, Military Sealift Command (COMSC) responsible officer for all facets of the Special Mission Ships Program including sponsor support, strategic planning, requirements determination and overall program management, fiscal control and execution.

(2) Financial Responsibilities. The Program Manager is responsible to COMSC for overall management of the Special Mission Ship program to ensure that special mission ships are operated for the sponsors at the most economical price. To accomplish this, the Program Manager has overall financial management responsibility for PM2's programs. This includes overall strategic planning for PM2's requirements, budget strategies and financial execution plans in concert with COMSC, Navy, DoD and sponsor strategic planning factors. As such, the Program Manager will:

(a) Provide guidance and direction concerning the development of the Business Plan.

(b) Provide guidance and direction relative to the Program Objectives Memorandum (POM) development and submission to N9 for consolidation.

(c) Provide oversight and guidance relative to the development of PM2's budget strategies and the development of the annual budget submission to N8.

- (d) Provide guidance to field staff regarding the budget development process consistent with NAVCOMPT/OSD guidance.
- (e) Approve PM2's annual financial spending/phasing plan.
- (f) Provide guidance to establish effective cost control procedures throughout PM2's organization and chain of command.
- (g) Ensure that the Management Control Program is instituted throughout PM2.
- (h) Ensure that vulnerability assessments are conducted and appropriate internal controls are established to ensure segregation of duties.
- (i) Assess financial execution performance against approved annual spending/phasing plan.
- (j) Provide guidance to maximize consistency of stabilized rates in concert with NAVCOMPT/OSD guidance.
- (k) Provide COMSC and sponsors with periodic financial management briefings.
- (l) Provide N8 with 30-day advance notice of any unusual or major cash requirements changes.

b. Project Officers (Headquarters)

(1) Role. The Project Officers are responsible to the Program Manager for the operation of each assigned ship. The Project Officers will develop Business Plans for each ship and formulate the ship budgets and financial execution plans. In conjunction with financial execution review, the Project Officers will develop appropriate performance metrics to evaluate program execution against the approved Business Plan.

(2) Financial Responsibilities. Project Officers work directly for the Program Manager; however, they work shoulder to shoulder with the Business Manager and the Lead Budget Analyst in the development of PM2's program budgets and financial execution plans. As such, Project Officers will:

- (a) Work directly with sponsor counterparts to identify program requirements.
- (b) Work in concert with the Business Manager, to develop the POM submission.

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(c) Analyze requirements and work directly with project staff, Functional Codes, Business Manager and Budget Analyst with the development of ship budgets.

(d) Ensure that project staff personnel enter budget data into the Budget Preparation System (BPS).

(e) Work directly with the Business Manger in the preparation of budget reclamas for submission to N8 and Navy.

(f) Ensure that project staff determines estimates for all applicable GLAs.

(g) Provide guidance to the project staff concerning cost control requirements.

(h) Review and approve the overall project/ship spending plan.

(i) Review program financial execution performance against the approved financial phasing plan

(j) In conjunction with the Business Manager, provide the Program Manger and Sponsors with a monthly assessment concerning overall financial execution performance.

(k) Develop and execute a Project Management Control Program, conduct vulnerability assessments and implement internal controls for assigned projects.

(l) Ensure that all work performed for the customer has been funded in advance in accordance with working capital fund procedures and ensure that all costs are chargeable to the year in which they were incurred.

c. Business Manager (Headquarters)

(1) Role. The Business Manager works directly for the Program Manager. In this capacity, the Business Manager functions as the Program Manager's expert on all PM2 business matters. As the Program Manager's business expert, the Business Manager assists the Program Manager with the development of the Business Plan, overall program financial requirements, budget strategy and uses appropriate performance metrics to evaluate PM2 business processes and financial performance against the approved Business Plan.

(2) Financial Responsibilities. The Business Manager will:

(a) Develop, maintain and update PM2's Business Plan.

- (b) Work shoulder to shoulder with the Project Officers and sponsor counterparts to determine PM2 program and financial requirements.
- (c) In conjunction with the Project Officers, develop PM2's POM submission.
- (d) Develop appropriate budget strategies in conjunction with the Project Officer requirements determinations and develop detailed justification to satisfy N8 budget guidance.
- (e) Review the annual consolidated financial execution plan and in conjunction with the Project Officers and Lead Budget Analyst, establish appropriate internal controls over expense budgets issued to fund administrators. Be responsible for the PM2 Management Control Program.
- (f) Perform a monthly financial execution analysis in conjunction with the Project Officers and Lead Budget Analyst from the Program Management Reporting System (PMRS) and COGNOS tools PM2 PowerCube to display financial execution data and analyze variances
- (g) Prepare the monthly financial management brief for the Program Manager, Project Officers and Sponsors and develops the follow-on brief for COMSC.

d. Lead Budget Analyst (Headquarters)

(1) Role. The Lead Budget Analyst works directly for the Business Manager. As Lead Budget Analyst, the incumbent is responsible to the Business Manager for the development of PM2's consolidated budget and will develop and use appropriate performance metrics to evaluate financial execution.

(2) Financial Responsibilities. As the Business Manager's primary financial management assistant, the Lead Analyst will:

- (a) Develop and maintain PM2's overall budget.
- (b) Provide the Project Officers and field Budget Analysts with budgetary guidance concerning budget formulation and assists the Business Manager with the interpretation of NAVCOMPT directed budget marks and the preparation of budget reclamation.
- (c) Prepare all required budget exhibits as required by N8.
- (d) Coordinate the proper receipt and accounting and control of funds, including reimbursable funding.

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(e) Perform a monthly financial execution analysis from the Program Management Reporting System (PMRS) and use the COGNOS tools PM2 PowerCube to display financial execution data and analyze associated variances between authorized spending levels and actual obligations.

(f) Provide the Business Manager with an overview of PM2's financial execution performance and assist in the development of the brief to the Program Manager and COMSC.

(g) Ensure that all approved reprogramming requests are properly reflected in PM2's expense budgets.

(h) Ensure that PM2 personnel use the correct expense GLAs.

(i) Maintain control over PM2's Budget Authorization from N8 and the distribution of expense authorizations internally and externally to PM2's organization.

(j) Provide monthly input to N82 concerning any unusual revenue or expense activity in order to accurately reflect ship Net Operating Result (NOR).

(k) Ensure that all expenditures are certified and processed timely to avoid command interest payments.

e. Field Budget Analysts

(1) Role. The field Budget Analyst supports the Project Officer with budget development and financial execution of resources for programs (G) Surveillance Ships and (S) Special Mission Ships respectively.

(2) Financial Responsibilities. Field Budget Analysts will:

(a) Assist the Project Officers and the Lead Budget Analyst with the development of the their program budgets and the development of appropriate performance metrics to evaluate ship financial execution

(b) Develop the ship's OPTAR budgets in conjunction with the Ship's Management Teams.

(c) Prepare annual budget exhibits based on the guidance provided by the Project Officer and Lead Budget Analyst.

(d) Perform a monthly financial execution analysis from the PMRS reporting system and use the COGNOS tools PM2 PowerCube.

(e) Provide the Project Officer and Lead Analyst with an overview of applicable program financial execution performance (electronic submission).

(f) Provide the Project Officer with all reprogramming requests with justification as to the need for the reprogramming request.

(g) Ensure that all disclosures of financial information to outside commands or sponsors are coordinated through the Project Officer, Business Manager or Program Officer.

f. Logistics Specialist (Headquarters and Field)

(1) Role. The Logistics Specialist is responsible to the Program Manager for the identification of all shipboard logistics requirements for programs (G) and (S) logistics budgets and execution of funds.

(2) Financial Responsibilities. The Logistics Specialist will:

(a) Work directly with the Project Officers and sponsors to identify overall logistics requirements.

(b) Provide COMSC N4 with funding estimates for shipboard ILS functions.

(c) Prepare estimates for all logistics GLAs.

(d) Provide written justification for each estimate.

(e) Brief the Program Manager, Project Officers, Business Manager and Lead Budget Analyst regarding overall logistics funding requirements estimates.

(f) Ensure that logistics budget estimates are entered into BPS.

(g) Coordinate all Logistics approved budgets with Project Officers and field activities.

(h) Prepare an annual logistics financial execution/phasing plan.

(i) Provide the Project Officers, Business Manager and Lead Budget Analyst with a monthly assessment concerning logistics financial execution performance and provide variance justification.

(j) Provide input to the Business Manager to develop the monthly financial management brief.

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(k) Ensure that any reprogramming requests are approved by the Project Officer.

g. Fund Administrators

(1) Role. The Program Manager will designate PM2 "Fund Administrators" in writing. As such, these individuals will be responsible to the Program Manager for the financial management of the funds placed under their control.

(2) Financial Responsibilities. Fund Administrators will:

(a) Ensure that obligations and expenditures incurred against authorized budget levels under their purview are closely monitored to prevent over spending.

(b) Depending on position in the chain of command, notify the Program Officer, Project Officer, Business Manager or Lead Budget Analyst when it is apparent that funds under their cognizance are insufficient to carry out operational requirements.

(c) Provide the Project Officer with recommended course of action through either the submission of a reprogramming request or request for additional funding.

(d) Prepare justification necessary to support additional funding.

(e) Prepare monthly reports on status of funds to the Project Officer and Business Manager staff.

(f) Coordinate the official receipt of funds with N81 staff and obtain a copy of the corresponding Budget Program Authority (BPA) document.

"Signed"
JOHN J. BEPKO, III
Deputy Commander

Distribution:
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List I (Case A, B, C)
SNDL 41B (MSC Area Commanders)