

Chapter 4 – Financial Management

Table of Contents

4.1	Financial Management	4-4
4.2	Responsibilities	4-4
4.2.1	Commanding Officer	4-4
4.2.1.1	Actions	4-5
4.2.2	Comptroller	4-6
4.2.3	Accountable Officials	4-7
4.3	Fiscal Law and Regulations	4-8
4.3.1	Purpose, Time and Amount	4-8
4.3.2	Anti-Deficiency Act Violation Reporting	4-9
4.3.3	Anti-Deficiency Act Violation Penalties	4-9
4.4	Types of Appropriations	4-10
4.4.1	Appropriations	4-10
4.4.1.1	Operations & Maintenance, Navy (O&M,N)	4-10
4.4.1.2	Operations & Maintenance, Naval Reserve (O&M,NR)	4-10
4.4.1.3	Shipbuilding and Conversion, Navy (SCN)	4-11
4.4.1.4	Weapons Procurement, Navy (WPN)	4-11
4.4.1.4.1	Other Procurement, Navy (OPN)	4-11
4.4.1.5	Research, Development, Test and Evaluation (RDT&E)	4-11
4.4.1.6	Navy Working Capital Fund (NWCF)	4-12
4.4.1.7	Foreign Military Sales (FMS)	4-12
4.4.1.8	National Defense Sealift Funds (NDSF)	4-12
4.5	Budgeting and Accounting	4-12
4.5.1	SUPSHIP Mission Budgets	4-12
4.5.2	Navy Enterprise Resource Planning (Navy ERP)	4-13
4.5.2.1	Roles in ERP	4-14
4.5.2.2	ERP Site Leads	4-14
4.5.3	The Standard Accounting and Reporting Systems (STARS)	4-14
4.6	Purpose of Funds Provided to SUPSHIPS	4-15
4.6.1	SUPSHIP Mission Funds	4-15
4.6.2	Ship Construction Funds	4-15
4.6.3	Foreign Military Sales (FMS) Funds	4-16
4.6.4	Ship Repair Funds	4-16
4.6.5	Fleet Modernization Program (FMP) Funds	4-17
4.6.6	Berthing Funds	4-17
4.6.7	Commander Naval Installations (CNI) Funds	4-18
4.6.8	Environmental Compliance Oversight Funds	4-18
4.6.9	Reimbursable Work Orders (RWO)	4-19

4.7	Funding Methods	4-19
4.7.1	Mission Funding Allotment	4-19
4.7.2	Reimbursable Orders	4-19
4.7.2.1	Types of Reimbursable Orders	4-20
4.7.2.1.1	Project Order (PO)	4-20
4.7.2.1.2	Economy Act Order (EAO)	4-20
4.7.3	Military Interdepartmental Purchase Request (MIPR)	4-21
4.7.4	Direct Citations	4-21
4.7.5	Budget Structure WBS Elements from ERP Activities	4-22
4.8	General Classifications of Funds Transactions	4-22
4.9	Prompt Payment Act, 5 CFR 1315	4-23
4.9.1	Progress Payments and Prompt Payment Requirements	4-23
	Chapter 4 Acronyms	4-25

References

- (a) SECNAVINST 7000.27C, Comptroller Organizations
- (b) DoD 7000.14-R, DoD Financial Management Regulation
- (c) SECNAVINST 5200.35G, DoN Managers' Internal Control (MIC) Program
- (d) 31 USC 3528, Responsibilities and Relief from Liability of Certifying Officials
- (e) Public Law 104-106 Section 913
- (f) 31 USC 1301(a), Application
- (g) 31 USC 1502, Balances Available
- (h) 31 USC 1341, Limitations on Expending and Obligating Amounts
- (i) 31 USC 1342, Limitation on Voluntary Services
- (j) 31 USC 1517, Prohibited Obligations and Expenditures
- (k) 31 USC 1349, Adverse Personnel Actions
- (l) 31 USC 1350, Criminal Penalty
- (m) 31 USC 1518, Adverse Personnel Actions
- (n) 31 USC 1519, Criminal Penalty
- (o) NAVSO-P 1000, DoN Financial Policy Manual
- (p) OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Controls
- (q) Standards of Internal Control in the Federal Government ("Green Book"), GAO-14-704
- (r) 10 USC 7572, Quarters: Accommodations in Place of for Members on Sea Duty
- (s) Assistant Secretary of the Navy, (Financial Management and Comptroller) (ASN(FM&C)) memo dated 3 May 2002
- (t) 41 USC 23, Orders or Contracts for Material Placed with Government-owned Establishments Deemed Obligations
- (u) 31 USC 1535, Agency Agreements
- (v) Public Law 104-134, Debt Collection Improvement Act of 1996
- (w) 5 CFR 1315, Prompt Payment Act (PL 97-177)

Figures

Figure 4-1: SUPSHIP Funding Decision Tree 4-24

Chapter 4 – Financial Management

4.1 Financial Management

A command's program for the proper administration of funds is an integral part of effective management. There are specific responsibilities associated with managing public funds which go to the highest levels of SUPSHIP organizations. The goal of this chapter is to explain the importance of proper financial management within the SUPSHIPS and with their customers. This chapter will refer to overarching guidance for Financial Management in the Department of Defense. The actual references rather than this volume should be consulted and used to make policy decisions with legal/financial implications. For the Department of the Navy, [SECNAVINST 7000.27C](#), Comptroller Organizations, reference (a), is the authority and provides guidance for the establishment, periodic reviews and approval of Comptroller organizations. This directive assigns responsibility to the commanding officer for ensuring the command has a financial management organization capable of proper and effective administration of funds and complying with applicable laws, regulations, policies, procedures, and sound financial practices.

Key to achieving this objective is an understanding of the integration of budgeting, accounting and performance measurement while adhering to the legislative requirements for financial management in the Federal Government.

4.2 Responsibilities

4.2.1 Commanding Officer

The Supervisor of Shipbuilding, as commanding officer, has specific responsibilities with regard to Financial Management. Commanding officers of activities that receive a sub allocation of funds from a Navy or Marine Corps organization are responsible under [31 USC 1341](#) and [31 USC 1517](#) for the proper administration of all funds received. They are required to have a qualified Comptroller, to delegate authority to that Comptroller for the appropriation accounts involved, and to designate specific responsibilities for the authority delegated. The Comptroller can then delegate authority and/or signature authority for funding documents to other individuals within the Comptroller organization. All delegations of authority must be documented in writing and maintained for audit. In addition, commanding officers are responsible for establishing and maintaining internal control systems to ensure that:

- All available funds are identified, controlled and recorded in the official accounting records from the time received until subdivided to others or obligated and expended.
- All available funds are identified with authorized purposes by account and period of availability for new obligations and period of availability for expenditures.
- All special and recurring provisions and limitations on the obligation and expenditure of funds are identified and documented for all available funds and accounts.

- All proposed obligations of funds are reviewed to ensure that sufficient funds are available to cover the obligations, that the purpose of the obligations is consistent with the authorized purposes of the funds or accounts, and that the obligation does not violate any special or recurring provisions and limitations on the incurrence of obligations.
- These internal control requirements apply to all appropriations and funds provided to the command by apportionments, allocations, allotments, reimbursable orders, or other means.
- All documents associated with financial transactions are well-documented and accessible per guidance contained in [DoD 7000.14-R](#), DoD Financial Management Regulation (DoD FMR), reference (b), and to ensure commands are audit ready.

The proper stewardship of federal resources is a fundamental responsibility of command. These internal control requirements apply to all appropriations and funds provided to the command. Further guidance can be found in [SECNAVINST 7000.27C](#) and [SECNAVINST 5200.35G](#), DoN Managers' Internal Control Program (MICP), reference (c).

4.2.1.1 Actions

Commanding officers are obligated to take all necessary actions to establish accountability and enhance the administrative control of funds, including:

- Hiring a qualified Comptroller and establishing an organizational structure which provides unfettered access and a direct reporting chain from the Comptroller to the commanding officer.
- Establishing and maintaining adequate fiscal controls to prevent over-authorization, over-commitment, over-obligation, or over-expenditure of funds made available to the activity. Prompt reporting of any violation is also required.
- Issuing an activity instruction providing for the authority, responsibility, and procedures required in the administrative control of funds.
- Delegating funds administration authority to individuals in the Comptroller organization at the appropriate level to ensure that the individuals are personally aware of the necessary detail to establish total accountability. These funds administrators should be in a position that enables them to provide approval or disapproval of financial transactions. Overall financial management remains the responsibility of the activity Comptroller.
- Ensuring that subordinates delegated the authority to act as funds administrators are authorized in writing, by name, clearly specifying the extent of the authority.
- Ensuring that delegated funds administrators are familiar with the statutory responsibilities inherent in the administration of funds.

4.2.2 Comptroller

The Comptroller is the senior financial manager within the SUPSHIP command and the chief financial advisor to the Supervisor. Responsibility for the command's financial management and integrity is inherent in this position. The Comptroller shall ensure that the requirements of DoD FMR are met. In addition, the Comptroller will establish a system of internal controls to ensure all government resources are used efficiently and effectively to achieve intended program results, consistent with applicable laws and regulations, and in a way that minimizes the potential for waste, fraud and mismanagement.

As referenced in enclosure (1) of [SECNAVINST 7000.27C](#), the Comptroller organization has overall responsibility for financial management in six major functional areas:

- **Budget Formulation** includes those actions performed in development, review, justification, and presentation of budget estimates and requires organizations consider expected demand and the resources required to meet that demand. The focus is on prioritizing these requirements and requesting adequate resources to achieve the highest priorities in each year. It also creates a baseline against which actual results can be compared.
- **Budget Execution** encompasses those budgetary actions required to effectively and efficiently accomplish the programs for which funds were requested and appropriated. The process must ensure funds are administered in accordance with applicable laws, administrative policies and regulations of higher authority.
- **Managerial Accounting** concepts and standards are aimed at providing reliable and timely information on the full cost of programs. It involves establishing accounting control over assets provided to the command and the accumulation and preparation of financial information on a regular basis for analysis and decision-making.
- **Program Analysis** is the process of identification, measurement, analysis, interpretation, and communication of financial information. This information is used by management to plan, evaluate, make decisions, and improve operational efficiency within an organization and assure appropriate use of, and accountability for, its resources.
- **Performance Measurement** is the process of tying financial data to results. It emphasizes objectively assessing operational performance and effectiveness using valid, identifiable criteria; analyzing data, information and results; identifying trends and deviations; and projecting future outcomes to guide programmatic decision-making and risk management. Because it measures progress towards achievement of goals and objectives, it is also a long-term planning tool that can justify resource allocation.
- **Audit Readiness** is a state of being prepared at all times to demonstrate proper manual and automated processes and documentation (e.g. process controls, financial controls, Information Technology (IT) controls) that are executed in accordance with policy and appropriate accounting standards. SUPSHIPs can maintain a constant state of audit readiness by having business processes that are sustainable, traceable and repeatable.

Inherent in the Comptroller's responsibilities are the requirements to:

- Guard against inadvertent or deliberate violations of statute or regulation
- Ensure prompt recording of authorizations, commitments and obligations in budgetary accounts
- Monitor the recording of assets, liabilities and expenses in proprietary accounts
- Monitor the processes of pre-validation and certification of payments
- Review outstanding commitments and obligations to ensure they are valid
- Match disbursements to obligations and accounts payable
- Issue and accept funding documents which obligate direct appropriations, working capital or customer funds
- Ensure timely billing of costs incurred against funding documents and the prompt matching of collections associated with those billings
- Certify completeness and accuracy of those transactions included in financial statements and reports prepared by the Defense Finance and Accounting Service (DFAS) on behalf of the activity

4.2.3 Accountable Officials

An accountable official is a member of the military or a DoD civilian to whom public funds are entrusted or who participates in the process of certifying vouchers for payment. Individuals who are delegated authority by the commanding officer to authorize, commit, obligate, and expend specific funds related to a specified authority and responsibility are agents of the Comptroller.

Comptroller personnel are responsible for certifying fund availability and assignment of proper funding citations on commitment and obligating documents. However, a certification of fund availability is not a certification for payment. A Departmental Accountable Official (DAO) is a government employee who participates in the process of certifying vouchers for payment. Certifying officers and DAO are both considered accountable officials. Certifying officers ensure transactions are properly documented and computed correctly according to source documents and that they are correct and proper for payment.

CERTIFYING OFFICERS: Certifying officers must have knowledge, background or experience in the preparation of a voucher for payment. In support of voucher certifications, they must check the accuracy of facts stated on a voucher and, in supporting documentation, verify the computation and determine the legality of a proposed payment. All certifying officers must have completed an approved certifying officer legislation training course

applicable to their mission area within two weeks of their appointment and refresher training annually.

DAOs: DAOs provide information, data or services that certifying officers rely on to certify vouchers. Examples include: employees who approve vouchers for payment, travel authorizing officials, purchase cardholders, and officials who approve time and attendance records. These officials are responsible for providing timely and accurate data to ensure that payments are supportable, legal and computed correctly. [31 USC 3528](#), Responsibilities and Relief from Liability of Certifying Officials, reference (d), applies.

Certifying officers and DAOs are to be designated in writing using a [DD577](#) which identifies the types of payments, roles and responsibilities. Both certifying officers and DAOs are required to be familiar with their responsibilities as detailed in [31 USC 3528](#) and [DoD FMR Volume 5 Chapter 5](#) as they are responsible for providing technical input to financial management processes and under [Public Law 104-106 Section 913](#), reference (e), they “shall be pecuniarily liable for any wrong payment or over-obligation of government funds resulting from his or her negligent performance of duties.” For this reason, accountable officials must uphold the highest standards with regard to proper payments and obligations of federal funds.

4.3 Fiscal Law and Regulations

SUPSHIP funding must be administered in accordance with laws established by Congress, as well as policies and regulations promulgated by the Navy and DoD, to enforce the provisions of proper financial management. The Comptroller is the sub-allocation holder, and with the Supervisor, is ultimately responsible for establishing tight fiscal controls. The Comptroller will obtain guidance, as needed, from the NAVSEA Comptroller to resolve any questions on the interpretation of fiscal laws and regulations.

4.3.1 Purpose, Time and Amount

Purpose, time and amount limit the availability of budgetary resources for obligation and expenditure. The laws that establish funding control requirements are listed below. There are three laws that apply to amount violations, which form the cornerstone of the Anti-Deficiency Act (ADA). Violations of the Purpose and Time statutes may result in an ADA violation if insufficient funds are available in the correct appropriation to rectify the error.

- **PURPOSE (Necessary Expense Doctrine):** [31 USC 1301\(a\)](#), Application, reference (f), states that “appropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law.” There is no requirement to report a violation of this statute. The accounting, however, must be corrected to reflect the proper funding. This accounting correction can lead to a reportable violation of the ADA if the proper funds were not available at the time of the obligation or expenditure.
- **TIME (Bona Fide Needs Rule):** [31 USC 1502](#), Balances Available, reference (g), states that “the balance of an appropriation or fund limited for obligation to a definite

period is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period of availability and obligated consistent with section 1501 of this title. However, the appropriation or fund is not available for expenditure for a period beyond the period unless otherwise authorized by law.”

- **AMOUNT (ADA):** [31 USC 1341](#), Limitations on Expending and Obligating Amounts, reference (h), states that “an officer or employee of the United States may not (A) make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation; (B) involve the Government in any contract or other obligation for the payment of money before an appropriation is made, unless authorized by law.”
- **AMOUNT (ADA):** [31 USC 1342](#), Limitation on Voluntary Services, reference (i), states that no officer or employee of the United States will accept voluntary services not authorized by law, except in cases of emergency involving safety of human life or protection of property.
- **AMOUNT (ADA):** [31 USC 1517](#), Prohibited Obligations and Expenditures, reference (j), states that an officer or employee of the United States may not make or authorize an expenditure or obligation exceeding an apportionment or the amount permitted by regulations prescribed.

4.3.2 Anti-Deficiency Act Violation Reporting

When an obligation or expenditure of funds in excess of the amount available in an appropriation occurs, the violation must be reported in accordance with the [Financial Management Regulation \(FMR\), Volume 14](#). If a violation occurs at the SUPSHIP level, the SUPSHIP Comptroller is obligated to notify the Supervisor of the violation within ten working days and must immediately contact SEA 04Z and SEA 01 with all relevant details. NAVSEA will conduct a preliminary investigation, to include the advice of legal counsel, to determine if a violation has occurred and the nature and scope of the violation.

Depending upon the findings and if sufficient funds exist within the appropriation at the NAVSEA headquarters level, the issue may be resolved in-house. If a violation is confirmed which cannot be resolved at the Headquarters level, the results of the preliminary review must be submitted up the chain-of-command to the Assistant Secretary of the Navy (Financial Management and Comptroller), who will review and forward to the Undersecretary of Defense (Comptroller), who will perform a final review and determination and, when necessary, prepare the letters reporting the violation to the President, the Office of Management and Budget and Congress.

4.3.3 Anti-Deficiency Act Violation Penalties

Penalties for violation of [31 USC 1341](#) and [1342](#) are contained in [31 USC 1349](#), Adverse Personnel Actions, reference (k), and [31 USC 1350](#), Criminal Penalty, reference (l), while penalties for violation of [31 USC 1517](#) are contained in [31 USC 1518](#), Adverse Personnel

Actions, reference (m) and [31 USC 1519](#), Criminal Penalty, reference (n). In both cases, violators are subject to appropriate administrative discipline including, when circumstances warrant, suspension from duty without pay or removal from office. For knowing and willful violations, the penalty is a fine of not more than \$5,000, imprisonment of not more than two years, or both.

4.4 Types of Appropriations

4.4.1 Appropriations

An appropriation is the authority provided by an Act of Congress to incur obligations for specified purposes and to make payments for them out of the Treasury. The following is a brief description of the types of appropriations often encountered by SUPSHIPs. They are generally classified as either expenses or investments. Expenses are the costs incurred to operate and maintain the organization. Investments are costs that result in the acquisition of, or an addition to, end items. Refer to the Department of the Navy Financial Policy Manual, [NAVS0 P-1000](#), reference (o), and [DoD FMR Volume 1](#) for more detailed explanations of appropriations.

4.4.1.1 Operations & Maintenance, Navy (O&M,N)

O&M,N funds are used for expenses, not otherwise provided for, necessary for the operation and maintenance of the Navy and Marine Corps, as authorized by law. Per the Expense/Investment criteria, equipment purchases under this appropriation are limited to a system unit price of less than \$250,000. This limitation is subject to change by Congress, and the current limitation is contained in the DoD FMR Volume 2A. O&M,N funds are available for new obligations for one fiscal year and are appropriated and authorized for use on an annual basis. This appropriation funds SUPSHIPs' operations and includes salaries, and general and administrative (G&A) costs. G&A includes the costs necessary to support the SUPSHIP workforce and typically include costs for IT, travel, and training.

4.4.1.2 Operations & Maintenance, Naval Reserve (O&M,NR)

O&M,NR funds are used for expenses, not otherwise provided for, necessary for the operation and maintenance, including training, organization, and administration, of the Navy Reserve; repair of facilities and equipment; hire of passenger motor vehicles; travel and transportation; care of the dead; recruiting; procurement of services, supplies, and equipment; and communications. Equipment purchases under this appropriation are limited to a unit price of less than \$250,000. O&M,NR funds are available for new obligations for one fiscal year and are appropriated and authorized for use on an annual basis.

4.4.1.3 Shipbuilding and Conversion, Navy (SCN)

SCN funds are used for investments to finance the construction of new ships and conversion of existing ships, including service life extensions and nuclear refueling overhauls. Included in the SCN appropriation are hull, mechanical and electrical equipment, electronics, guns, torpedo and missile launching systems, and communications systems. It also includes plant equipment, ship outfitting and post-delivery projects, machines, and tools. This appropriation is a multi-year appropriation and normally remains available for obligation for five fiscal years or the obligation work limiting date (OWLD) of the ship under construction. The OWLD is established as 11 months following completion of fitting out the ship, and the OWLD date of the last hull in a class of ships governs when the appropriation is scheduled to expire. NAVSEA 01 has created an [SCN Desk Guide**](#) to assist in the execution of SCN funds.

4.4.1.4 Weapons Procurement, Navy (WPN)

WPN funds are used for investments to finance the procurement of missiles, torpedoes, guns, munitions, and supporting equipment, and the installation of modernization equipment. This appropriation is a multi-year appropriation and remains available for new obligations for three fiscal years.

4.4.1.4.1 Other Procurement, Navy (OPN)

OPN funds are used for investments to finance the procurement, production and modernization of equipment not otherwise provided for. Such equipment ranges from the latest electronic sensors to training equipment and spare parts. The system unit price of this equipment must be in excess of \$250,000. This appropriation is a multi-year appropriation and remains available for obligation for three fiscal years.

4.4.1.5 Research, Development, Test and Evaluation (RDT&E)

RDT&E funds are used for expenses and investments for the development of a new system, such as basic and applied research, advanced technology development, demonstration and validation, engineering development, developmental and operational testing, and evaluation of test results. The cost of operation of dedicated research and development installations and activities are also appropriated under RDT&E. This appropriation is a multi-year appropriation and remains available for obligation for two fiscal years; however, RDT&E follows an incremental funding policy and is budgeted to cover the costs expected to be incurred during a 12-month period.

** Link requires CAC/NMCI access

4.4.1.6 Navy Working Capital Fund (NWCF)

The Navy Working Capital Fund (NWCF) is a branch of the family of DoD Working Capital Funds. The NWCF is a revolving fund, an account or fund that relies on sales revenue rather than direct Congressional appropriations to finance its operations. It is intended to generate adequate revenue to cover the full costs of its operations, and to finance the fund's continuing operations without fiscal year limitations. A revolving fund is intended to operate on a break-even basis over time; that is, it neither makes a profit nor incurs a loss. SUPSHIPs are not NWCF activities, but purchase services from, or work with, NWCF activities.

On occasion, program offices provide funding to NWCF activities for supplies and/or services. If that funding needs to be placed on a ship building contract, the originating HQ WBS element needs to be used to create purchase requests rather than using a WCF reimbursable network activity.

4.4.1.7 Foreign Military Sales (FMS)

FMS trust fund is a transfer from Department of Treasury, through DoD to the Department of Navy. FMS case funding is a no-year appropriation advance to finance the cost of FMS purchases. The associated overhead, which is a one-year appropriation is paid for by FMS Contract Administration Service (CAS) funding.

4.4.1.8 National Defense Sealift Funds (NDSF)

NDSF are used for the construction, operation, maintenance, and support of strategic sealift assets, such as dry cargo/ammunition ships (T-AKE) and expeditionary platforms like mobile bases (T-ESB) and fast transports (T-EPF). The NDSF appropriation is a multi-year appropriation and shall remain available for obligation for five fiscal years.

4.5 Budgeting and Accounting

4.5.1 SUPSHIP Mission Budgets

Funding and manpower controls evolve over time and are based on Program Objective Memorandum (POM) requests as part of the Planning, Programming, Budgeting and Execution (PPBE) process within DoD. This process for SUPSHIPs begins 30 months in advance of the beginning of an execution year. The SUPSHIP Workforce Forecasting Tool - Pricing Model (SWFT-PM) is the model used to project future year manpower and funding requirements.

Annual Financial Management Plans are developed by SEA 04Z1 for the SUPSHIP community and provided to SEA 01 for review, consolidation, and integration into NAVSEA's submissions to the Department of Navy, Office of the Secretary of Defense and President's budget requests. These budgets normally cover the current year and the next fiscal year, commonly referred to as "the budget years". Once financial controls for a fiscal year are known, the division of mission funding to the individual SUPSHIPs is calculated based on

projected manning requirements (end strength and Full-Time Equivalent (FTE) controls) and the amount of funding available in the execution year.

During the year of execution, funds are issued by NAVSEA to the SUPSHIPS on a quarterly basis using fund centers and functional areas within the Navy Enterprise Resource Planning System (Navy ERP). The allocations are based on obligation phasing plans developed between the SUPSHIP Comptrollers and SEA04Z1. Adjustments can occur at any time during the year of execution to accommodate emergent requirements.

SUPSHIPS must review budget requirements quarterly. Requests for adjustments (increases and decreases) in a quarterly cash allocation or the annual planning amount will be provided to SEA04Z1 for coordination. In addition, NAVSEA 04Z will conduct a mid-year review of SUPSHIP mission funding during the January-March timeframe. If a significant shortfall exists, the SUPSHIP will provide detailed justification to SEA 04Z1 for inclusion in NAVSEA mid-year review requests.

4.5.2 Navy Enterprise Resource Planning (Navy ERP)

Navy ERP is an integrated financial, acquisition and logistics information technology system that provides financial and budgetary management for Navy System Commands (SYSCOMs). It is deployed to the following SYSCOMs and their field activities: Naval Sea Systems Command (NAVSEA), Naval Air Systems Command (NAVAIR), Naval Supply Systems Command (NAVSUP), Space and Naval Warfare Systems Command (SPAWAR), the Strategic Systems Program (SSP), and the Office of Naval Research (ONR). For these commands, it is the financial system of record. The system interfaces with many external automated systems to exchange acquisition, financial, payment, manpower and personnel, and logistics data.

NAVSEA's transition into Navy ERP began on 1 October 2010. At that point, Navy ERP became NAVSEA's system of record for financial transactions using FY11 funds, with the exception of ship construction or "complex" contracts, which were delayed until 1 April 2011 while the development and testing of ship construction functionality was completed. The NAVSEA general fund decided not to convert their legacy data into Navy ERP. As a result, FY10 and prior funding retain the Standard Accounting and Reporting System (STARS) as the financial system of record, while any transactions using FY11 funding and beyond are completed in Navy ERP. The only exception would be some FY11 funds that needed to be obligated on contracts between 1 October 2010 and 1 April 2011, prior to the complex contracting functionality deploying.

Navy ERP is used by NAVSEA HQ to receive and distribute funding, and by the SUPSHIP to establish obligations and commitments, create purchase requests and funding documents, make payments, perform financial reporting, provide financial auditability, and perform timekeeping. There are workflows within Navy ERP that route documents for approval via predetermined steps to ensure that funding transactions are appropriately authorized and valid. Navy ERP also has a document management system that allows attachments to provide additional information on transactions (such as purchase requests, sales orders, and project structures) and for auditability. As an integrated system, financial managers, project

offices, and contracting officers all have access to the areas they need to perform work within the system, and although each group has different responsibilities, they are looking at the same data to accomplish it.

4.5.2.1 Roles in ERP

Navy ERP relies on specific role assignments for access. Roles are requested via a system called Access Enforcer. Role based training is required prior to obtaining a role, and roles are monitored closely by the individual commands and the NAVSEA ERP Business Office (NEBO) to ensure access to information and transactions are provided on an as-needed basis. In addition, some role combinations are restricted and/or require specific justification as a part of management and controls that help ensure the accountability of financial data and prevent waste, fraud, and abuse. [OMB Circular A-123](#), Management's Responsibility for Enterprise Risk Management and Internal Controls, reference (p), states that internal controls are an integral part of all financial management processes and requires that reasonable assurance be taken to ensure effective operations, reliable financial reporting, and compliance with applicable laws and regulations. Further control activities stated in Standards of Internal Control in the Federal Government ("Green Book"), [GAO-14-704G](#), reference (q), prescribe proper segregation of duties (separate personnel with authority to authorize a transaction, process the transaction, and review the transaction); physical controls over assets (limited access to inventories or equipment); proper authorization; and appropriate documentation and access to that documentation. As a result of this guidance, a separation of duties (SOD) analysis is required to be completed annually by all NAVSEA field activities for individuals that possess conflicting role combinations, and justification documentation is required for all SOD role combinations that will be maintained.

4.5.2.2 ERP Site Leads

Navy ERP touches everyone and many processes at the SUPSHIPS. It is important to be aware of methods to troubleshoot any issues that might arise. Each NAVSEA command, including the SUPSHIPS, has a site lead for ERP. These site leads can assist in getting the information necessary to obtain roles or assist in solving other Navy ERP issues that may arise. The first step and fastest way to resolve an issue is to leverage subject matter experts within the command or within the SUPSHIP community. If that fails, there is a HEAT ticket system on the Navy ERP website for registered issues. These HEAT tickets will initially go to the Navy ERP help desk at NAVAIR, and if they cannot be resolved at that level, may be forwarded to NEBO for resolution. If the NEBO is unable to resolve the issue, it may continue to the Navy's ERP Program Office at NAVSUP for resolution.

4.5.3 The Standard Accounting and Reporting Systems (STARS)

STARS was the official accounting system for NAVSEA and most Navy organizations until the implementation of Navy ERP. Most Navy System Commands have now transitioned to Navy ERP although Fleet units are still using STARS. NAVSEA financial data resides in STARS for all FY10 and prior years. The SUPSHIPS have access and use both the STARS-HCM and the STARS-FL modules to maintain legacy accounting and general ledger data. A description of the current STARS sites is below:

STARS-FL Charleston – Official accounting system for SUPSHIP Mission Funding and Reimbursable Funds Administration through FY10. SUPSHIPS continue to use this site to reconcile FY10 and prior year accounts.

STARS-FL Norfolk – Official accounting system for Fleet funded ship work actions. SUPSHIPS use this site to reconcile accounts prior to FY11. Since implementing ERP in FY11 SUPSHIPS only use STARS-FL Norfolk to assist in the reconciliation of direct cited actions.

STARS-HCM – Official accounting system for the Navy’s System Commands and PEOs prior to ERP. These commands implemented ERP at different times and vary as to the conversion of legacy data. Ship work funded in STARS HCM that was not converted to ERP will continue to be reconciled from STARS. For NAVSEA General Fund, legacy data was not converted, and STARS HCM remains the accounting system for all funds FY10 and prior. These funds are referred to as “legacy funds”. Some FY11 funds are maintained in STARS-HCM because they were obligated in FY11 prior to the April 1, 2011 Complex Contract implementation in Navy ERP.

4.6 Purpose of Funds Provided to SUPSHIPS

4.6.1 SUPSHIP Mission Funds

The SUPSHIPS are mission-funded activities financed with appropriated O&M,N funds. Department of the Navy Financial Policy Manual, [NAVSO P-1000](#), provides guidance in budget execution and financial management of funds used to finance the salaries and general and administration expenses (G&A) incurred in the daily operation of the SUPSHIPS.

4.6.2 Ship Construction Funds

The Program Executive Offices (PEOs) budget for and fund ship new construction programs and carrier refueling overhauls (RCOH) from SCN and RDT&E appropriations. Based on program managers’ estimates, NAVSEA prepares annual budget requests which are submitted for review. The budget process follows the same process as SUPSHIP O&M,N, and calls for sequential submissions up the chain starting with the Navy Budget in the summer, the Office of the Secretary of Defense (OSD) Budget normally submitted in the fall, and culminates in the President’s Budget submission to the Office of Management and Budget (OMB) in February of each year. Once the funding is made available to the program offices in the year of execution, funding for various items is made available to the SUPSHIPS in Navy ERP via a Work Breakdown Structure Element (WBSE) as part of a Budget Structure. The program office creates a Budget Structure that projects their program spending plan for that year/appropriation. Each WBS reflects a category of cost for the program. The WBSE is communicated to the SUPSHIP typically through an email and gives the SUPSHIPS direction on execution (purpose and amount).

4.6.3 Foreign Military Sales (FMS) Funds

Foreign Military Sales (FMS) provide military assistance through the sale of defense articles and services to eligible foreign governments and international organizations. Each FMS project is assigned a case order number for accounting and management purposes. The United States normally receives full reimbursement for costs associated with these sales. Most sales are made on a "dependable undertaking" basis. To ensure that the U.S. Government will not suffer a loss resulting from the sale, the foreign government agrees to provide cash to cover payments to contractors and to reimburse the Department of the Navy for work performed. Initially, most obligational authority is in the form of unfunded contract authority where the cash needed for expenditures is not available. Defense Finance and Accounting Service (DFAS) is responsible for obtaining the required cash, as needed, from foreign customers on a quarterly basis. DFAS applies for FMS Authority when an invoice has FMS lines of accounting. All other lines on the invoice must be pre-validated before DFAS will apply for the FMS authority. FMS authority is only granted after the first Friday of the month and not after the third week of the month. Monetary rates come out at the beginning of the month and DFAS wants to ensure that the current rate is used, hence not applying until the first Friday. DFAS will not apply after the third week of the month because they have to ensure that the invoice pays during that month and is paid at the previous rates.

Funding for labor, material, contracts, travel, accessorial, and all other costs of work directly identifiable to an FMS case is sent from NAVSEA 01 to SUPSHIP via an ERP Direct Cite (RX) document in ERP. Management Information System for International Logistics (MISIL) is the financial system of record for FMS. Obligations are created in the ERP system, and also posted in MISIL. Disbursements are merged from Wide Area Workflow (WAWF) to MISIL. Funding for FMS Contract Administration Services (CAS) is provided to SUPSHIP from NAVSEA 01 via an ERP reimbursable (WX) funding document. CAS charges are expenses not directly identifiable to an FMS case, and consist of administrative overhead labor and other costs that support all FMS projects. [DoD FMR Volume 15](#) provides additional information regarding financial management of FMS.

4.6.4 Ship Repair Funds

The Fleet Commands (FLTCOMs) budget and fund ship repairs from O&M,N and O&M,NR appropriations, as applicable. The funds are normally authorized to SUPSHIP for specific use by the Type Commander (TYCOM) responsible for a ship. These funds pay for contractual costs of authorized repairs and for incidental costs, which include:

- Naval Supervising Activity (NSA) material
- Travel and salary cost for overseas ship checks
- Alterations Equivalent to a Repair (AERs) and preparation of drawings or sketches to be contracted out
- Electronics field changes on installed equipment

SUPSHIPS receive ship repair funds from FLTCOMs on [NAVCOMPT Form 2276](#), commonly referred to as a Request for Contractual Procurement (RCP), and [NAVCOMPT FORM 2275](#) Order for Work and Services. Details on ship repair funds, including current year and prior year availabilities, may be found in the Department of the Navy Financial Management Policy Manual, [NAVSO P-1000](#), paragraphs 074200 and 074220.

4.6.5 Fleet Modernization Program (FMP) Funds

Installation of equipment is funded with the OPN appropriation in the same fiscal year as funds that procure the associated equipment. NAVSEA provides funds to SUPSHIPS on WBS elements for the accomplishment of Title “K” Ship Alterations (SHIPALTs), electronics field changes for installed equipment, and ordnance alterations (ORDALTs). This funding covers expenses incidental to the accomplishment of alterations, such as:

- Preparation and reproduction of alteration drawings contracted out
- Travel costs, other than local, for overseas shipchecks of alterations

Title “D” and “F” SHIPALTs are addressed in [paragraph 4.7.2](#).

4.6.6 Berthing Funds

Berthing is a very complex issue due to the various types of funds that are used to pay these expenses. [10 USC 7572](#), Quarters: Accommodations in Place of for Members on Sea Duty, reference (r), provides for accommodation of members on sea duty or assigned to duty in connection with commissioning or fitting out of a ship deprived of quarters, onboard a ship because of repairs, because the ship is under construction and is not yet habitable, or because of other conditions that make quarters uninhabitable. Expenses can be funded by SCN, TDY or military allowances, depending on the type of orders issued to the sailor. For SCN funded ship availabilities, the cost of berthing is part of the investment cost of the availability and may be funded by NAVSEA using SCN or O&M,N funds, depending on the Program Office’s election of funds at the beginning of the availability and must remain in the chosen appropriation for the life of the availability. For O&M,N funded ship availabilities, the cost of berthing is funded by the FLTCOM in the O&M,N appropriation. Berthing for crewmembers of new construction platforms varies based on several factors.

For surface ships, crew members are ordered to ships under construction as either a member of the Pre-Commissioning Unit (PCU) that is geographically located at the shipbuilder’s yard, or as part of the Pre-Commissioning Detachment (PCD) which is located at a fleet concentration area, normally in the projected homeport of the ship being built. For nuclear-powered ships, crew members are ordered directly to the PCU at the shipbuilder’s yard. PCU members are ordered to the ship in increments. Some of these increments are for a period of time greater than 180 days before delivery. In these circumstances, the member is issued orders “For Duty In Connection With Fitting Out (DUTY CFO) (ACC-106)”, which allows the member to execute a Permanent Change of Station (PCS). The member is entitled to:

- Move family members/household goods to the PCU
- Receive basic allowance for housing (BAH) or government quarters, if available

A second set of PCS orders will be issued entitling the member to move family members and household goods to the ship's ultimate homeport once it has been designated.

If the crew member will be at the PCU less than 180 days, the orders are written as Temporary Duty In Connection With Fitting Out (TEM DU CFO/ACC-352), with the ultimate duty station designated as the ship in its selected homeport. These orders do not authorize PCS to the shipbuilder's yard. The member is entitled to per diem while on TEM DU at the PCU, and to move family members/household goods to the post-commissioning homeport after the Chief of Naval Operations (CNO) makes the official homeport announcement. Per diem ceases at the scheduled date of delivery for surface ships and at the designated move aboard date for carriers and submarines. Carrier and submarine move aboard dates are generally earlier than the delivery date. At delivery the ship should be habitable. If the Navy accepts delivery of a ship that is uninhabitable, program managers are responsible to pay for pre-com crew housing using SCN end cost or O&M,N funds until the ship becomes habitable.

The administrative division of the PCU processes military orders for assigned crewmembers and verifies who is entitled to government quarters. The PCU is also responsible for providing that information to the installation responsible for arranging military or commercial berthing. If SCN funded berthing is required, the SUPSHIP Comptroller receives funding from the program office in order to pay the cost of the required berthing. Certification of entitlement from the PCU is used to validate the payment. After commissioning, berthing expenses become the responsibility of the Fleet.

The feeding or messing of the pre-com crews is not an allowable cost. Military members receive a Basic Allowance for Subsistence (BAS) which is a cash allowance to offset the cost of a member's meals.

4.6.7 Commander Naval Installations (CNI) Funds

Commander Naval Installations Command (CNIC) has overall shore installation management responsibility and authority as the Budget Submitting Office (BSO) for installations support and is the Navy point of contact for installation policy and program execution oversight. Base support responsibilities vary by region and SUPSHIP. In some cases, funding is transferred to the SUPSHIPS for purchase of cell phones, long distance service, and vehicles.

4.6.8 Environmental Compliance Oversight Funds

Environmental Compliance Oversight funds are used to support the SUPSHIPS' Environmental, Safety and Health (ESH) programs. This funding supports salaries of civilian personnel involved in ESH programs, projects to ensure that contractor oversight in the ESH arena is effectively conducted, and awareness training that is provided to the contractor,

SUPSHIP and ship's force personnel. Environmental funding is coordinated between NAVSEA 04Z and 04RE and provided to the SUPSHIPS as part of mission funding.

4.6.9 Reimbursable Work Orders (RWO)

In addition to the funding provided for contractual obligations, SUPSHIP customers provide reimbursable funding to pay for non-mission work accomplished by the SUPSHIPS. Examples include out-of-build yard post shakedown availabilities (PSAs), Deputy Program Manager's Representatives and production controllers. This funding is provided annually, and is documented via the RWO process. To determine whether work is considered mission or non-mission, see the SUPSHIP Funding Decision Tree, [Figure 4-1](#).

4.7 Funding Methods

4.7.1 Mission Funding Allotment

An allotment is a distribution of budget authority to an execution level accounting entity. It authorizes the incurrence of obligations in a specified amount for the purpose of the SUPSHIP mission as described in the budget submission. NAVSEA provides O&M,N funding to each SUPSHIP's highest level fund center within Navy ERP. The SUPSHIP Comptroller monitors and controls the allocation to lower levels within the command using statistical project structures. All funding is required to be administered in accordance with existing laws and statutes, some of which are described in [paragraph 4.3](#) of this chapter.

4.7.2 Reimbursable Orders

Reimbursable orders are written agreements between components of the Federal Government requiring the performance of work or services by one component and payment by the other component which cover the cost of property, work or services. The [DoD FMR Volume 3, Chapter 15](#) provides general reimbursement policy. [DoD FMR Volume 11A](#) contains more detailed guidance regarding reimbursable operations, policies and procedures. All funded, reimbursable orders, including those of an Economy Act Order (EAO) per Assistant Secretary of the Navy (Financial Management and Comptroller) ([ASN\(FM&C\)\) memo dated 3 May 2002](#), reference (s), are subject to the recipient activity projecting that at least 51 percent of the funds will be used for "in-house" work. "In-house" work is defined as the cost of all direct labor, materials and supplies, travel and minor equipment. If less than 51 percent of the work will be in-house effort, the funding for tasks to be contracted out should be provided on a Request for Contractual Procurement (RCP). SUPSHIPS should not accept reimbursable orders when no in-house salaries are to be charged, with the exception of reimbursable documents for the sole purpose of executing MILSTRIP requisitions. MILSTRIP requisitions are a specific exception to the 51% rule granted due to limitations in the ERP system. Reimbursable order accounting requires additional SUPSHIP effort in order to support documentation and accounting workload. Policy

In accordance with [FMR Volume 11A](#), an activity performing a service or furnishing material to another entity shall be reimbursed **unless** the performing entity has been provided

appropriated funds for that purpose. Because SUPSHIPS are provided appropriated funds for the purpose of performing their assigned mission, they may only accept reimbursable orders for work that falls outside the scope of their mission. Failure to comply with this requirement could result in a violation of [31 USC 1301](#) (Purpose Act), and possibly [31 USC 1341](#) (ADA) as well.

The SUPSHIP Funding Decision Tree, [Figure 4-1](#), was developed to assist SUPSHIPS in determining whether a customer requested task falls within or outside the scope of the SUPSHIP mission. The decision tree asks a series of general questions that apply to all tasks, and if necessary, follows with additional questions based on the nature of the tasking and the mission area under which the tasking would fall. SUPSHIP personnel should request SEA 04Z1 assistance in resolving any tasking that is not clearly addressed by the Decision Tree.

4.7.2.1 Types of Reimbursable Orders

4.7.2.1.1 Project Order (PO)

A project order is a specific, definite and certain order issued under the authority contained in [41 USC 23](#), Orders or Contracts for Material Placed with Government-owned Establishments Deemed Obligations, reference (t), for the production of material; for repair, maintenance, or overhaul; or for other specific work and services to be performed. It serves to specifically define the work to be accomplished and the terms of the order in much the same manner as contracts with a commercial enterprise. Project orders, once issued, can carry over until completion. However, similar to contracts, project orders must be for hardware or a 'non-severable' service only.

Funds shall be obligated when the performing activity signs acceptance of the project order. The accounting is the responsibility of the accepting activity. The funds provided on a project order cannot be exceeded without written amendment by the ordering activity and are subject to the same fiscal limitations that are contained within the appropriation from which they are funded. Expiration dates of project orders may not extend beyond the point in time in which the ordering appropriation will be cancelled (generally, five years after the appropriation expires for new obligations). Because of the expiring funds limitation, the order must stand the test of a bona fide need to be issued in the current fiscal year and a bona fide intent that the performing activity intends to proceed with the execution of the request without undue delay.

Project orders are subject to the recipient activity projecting that at least 51 percent of the funds will be used for "in-house" work. If less than 51 percent of the work will be in-house effort, the funding for tasks to be contracted out should be provided on an RCP, Request for Contractual Procurement. When funding is sent via a Project Order to another Navy activity, for legacy funds, the [NAVCOMPT Form 2275](#) is used, however in ERP the [NAVCOMPT Form 2276A](#) is generated.

4.7.2.1.2 Economy Act Order (EAO)

Like the project order, an Economy Act Order provides authority for federal agencies to order goods and services from other federal agencies, including other military departments and defense agencies. The order is issued, however, under the authority contained in [31 USC 1535](#), Agency Agreements, reference (u), and is intended for work or services of a recurring nature where the scope of the work is not specific. These orders are typically used for inter-service support agreements for services such as administrative or janitorial work, utilities, and transportation. However, services such as testing and evaluation and level of effort work-years may be covered by an EAO. Funding for EAOs for legacy funds is sent using the [NAVCOMPT Form 2275](#), however in ERP a [NAVCOMPT Form 2276A](#) is generated. This form is commonly called a "work request." EAOs are subject to the recipient activity projecting that at least 51 percent of the funds will be used for "in-house" work. If less than 51 percent of the work will be in-house effort, the funding for tasks to be contracted out should be provided on an RCP, Request for Contractual Procurement. MILSTRIP requisitions, funded reimbursably from funding sources external to ERP, are a specific exception granted due to limitations in the ERP system.

Funds for EAOs are obligated upon documented acceptance by the performing activity. The accounting for these funds becomes the responsibility of the performing activity. The funds provided by an EAO cannot be exceeded without written amendment by the ordering activity. An EAO citing an annual or multi-year appropriation must serve a bona fide need arising or existing in the fiscal year (or years) for which the appropriation is available for obligation. Work requests must terminate upon expiration of the appropriation cited on the document.

4.7.3 Military Interdepartmental Purchase Request (MIPR)

MIPRs provide authority to order material, supplies, equipment, work, and services between Department of Defense activities and federal agencies. MIPRs can be received or issued by SUPSHIPs for orders placed with non-Navy DoD activities and federal agencies via [DD Form 448](#). For MIPRs issued by the SUPSHIPs, obligations will be recorded upon contract award for direct cite MIPRs, and upon acceptance for reimbursable orders. Examples of MIPR use include: orders placed with the GSA, Federal Prison Industries, Government Printing Offices, Defense Supply Agencies, printing plants authorized to be established by the Joint Committee on Printing, and the Navy Publications and Printing Service Management Office. Many orders placed with these agencies are required by law.

4.7.4 Direct Citations

Direct citations are requests from one government activity to another to obtain material, equipment or services. The requesting activity provides their accounting data and the performing activity cites the requesting activity's complete line of accounting directly on the document. If both activities are in ERP, the line of accounting is conveyed using Budget Structure WBS elements or Network Activities. For Navy Activities outside of Navy ERP, requests for Contractual Procurement (RCP) can be issued on either the [NAVCOMPT Form 2276](#) or [2276A](#) to pass direct citation authority. The accounting function remains the responsibility of the requesting activity and its AAA. When the performing activity signs acceptance, they are agreeing to award the contract; however, direct cite obligations are not recorded until the contract is awarded. The performing activity must comply with fiscal law

and all restrictive statements contained in the document and ensure that confirmed copies of the contracts or orders that result are promptly provided to the requesting activity and its AAA for posting of obligations and expenditures. The reimbursable portion of a [NAVCOMPT 2276A](#) will be obligated upon acceptance. The funding cited on the document will not be exceeded without an amendment issued by the requesting activity.

4.7.5 Budget Structure WBS Elements from ERP Activities

Once a program has created their Budget Structures and associated WBS elements, they can use those WBS elements to pass funds to other activities for various execution purposes. For activities within Navy ERP, the Budget Structure WBS element acts for the line of accounting and is provided for direct citation on contract award, as well as other funding transactions like outfitting, pre-commissioning, MILSTRIPs, P-Card, etc.

4.8 General Classifications of Funds Transactions

All expenditures must be preceded by an authorization to expend from the available funds. In theory, every transaction progresses through four stages: initiation, commitment, obligation, and expenditure. The four stages of funds transactions are described as follows:

- **Initiation:** An administrative reservation of funds based on procurement directives, requests, or equivalent instruments that authorize preliminary negotiations, but require that funds be certified by the official responsible for the administrative control of funds before incurrence of the obligation. Initiations are entered into memorandum accounts to help keep pre-commitment actions, such as approved procurement programs, within the available subdivision of funds. Initiations identify funds to be set aside for planning purposes before establishment of commitments or obligations. Initiations will not be maintained as a part of the official fiscal records. At the field level, this is done on an exception basis, for example in planning yard contracts.
- **Commitment:** An administrative reservation of funds based on firm procurement requests, unaccepted customer orders, directives, authorizations to issue travel orders, or equivalent instruments which authorize the recipient to create obligations without further recourse to the official responsible for certifying the availability of funds. A commitment is generally recorded when the Comptroller signs the document to certify that the funds are available and properly cited for the effort. Only warranted or authorized personnel can legally obligate government funds. In ERP, a commitment is recorded when a PR is created and saved. It is then sent through workflow to the Comptroller for approval before a legal obligation can occur.
- **Obligation:** A legally binding agreement or action that will result in outlays, immediately or in the future. An obligation is a recording of funds when an order is placed, contract is awarded, service is received, travel orders are issued, and similar transactions are entered into requiring future payment of money in an agreed amount. By law, obligations must be supported by documentary evidence of a mutual agreement in writing. Each individual transaction must meet the test of the following principles:

- A determination that the specific goods, supplies or services required according to a contract entered into or an order placed obligating an appropriation to meet a bona fide need of the fiscal year charged; and
- Contracts entered into or orders placed for goods, supplies or services will be executed only with a bona fide intent that the performing activity will commence work and perform the contract without unnecessary delay.
- **Expenditure:** An accounts payable transaction and its corresponding disbursement that results in a reflection of expenditures. The Debt Collection Improvement Act of 1996, [Public Law 104-134](#), reference (v), requires payments on all federal contracts to be made via Electronic Funds Transfer (EFT) if the solicitation was issued after June 26, 1996. [DoD FMR Volume 5 Chapter 11](#) applies. All DoD Vendors are required to be registered in the System for Award Management (SAM) database as DFAS payment offices and the SUPSHIPS use the EFT data provided in the SAM in order to issue EFT payments. There are only limited exceptions to this mandate.

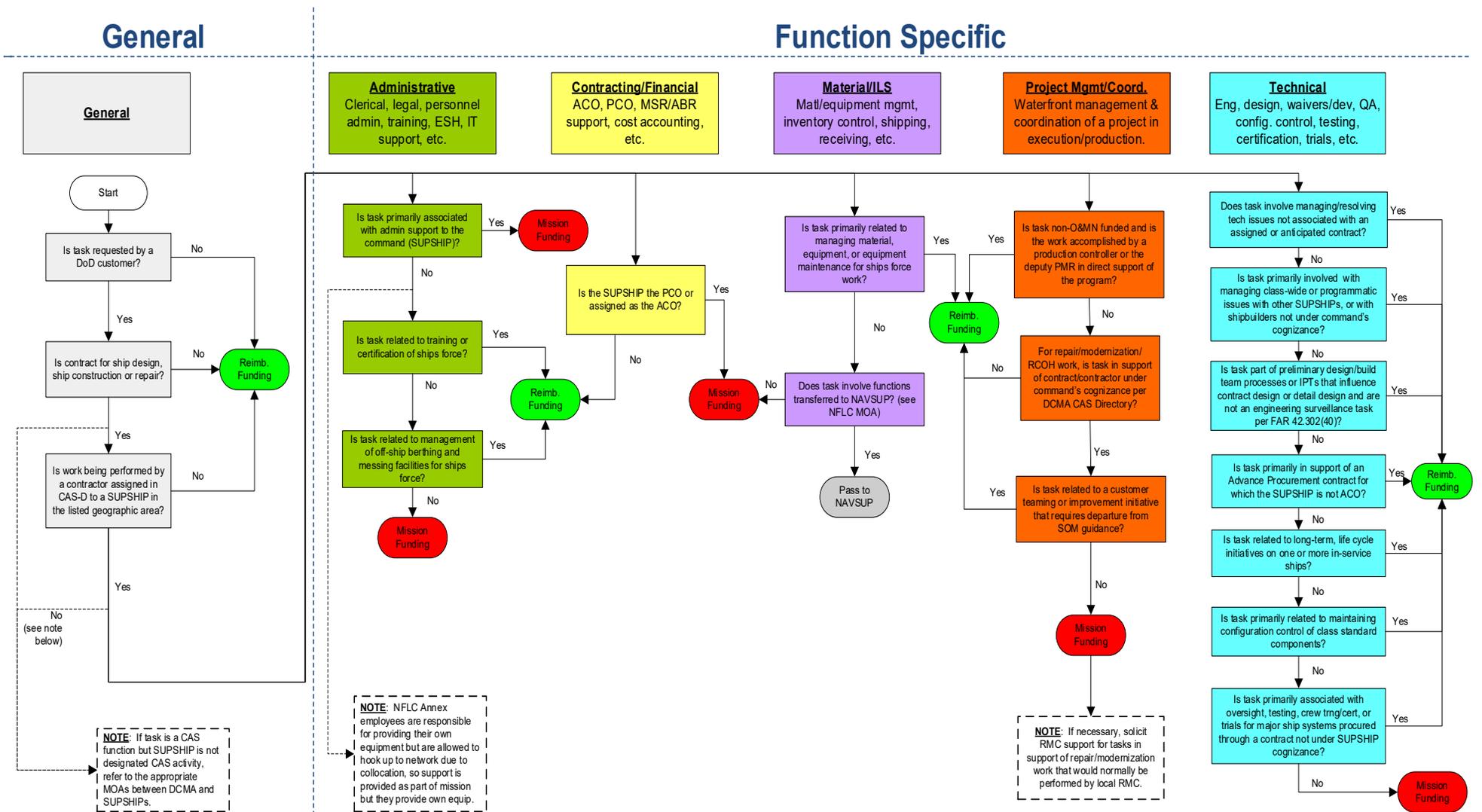
4.9 Prompt Payment Act, 5 CFR 1315

In 1982, Congress enacted the Prompt Payment Act, PL 97-177 (now [5 CFR 1315](#)), reference (w). The Prompt Payment Act was passed to help ensure federal agencies pay vendors in a timely manner, pay interest when payments are made late, and take discounts only when payments are made by the discount date. The Prompt Payment Act requires an assessment of late interest penalties against agencies that pay vendors after a payment due date. The late payment interest rate was established under the Contract Disputes Act and is referred to as the "Renegotiation Board Interest Rate," the "Contract Disputes Act Interest Rate," and the "Prompt Payment Act Interest Rate."

4.9.1 Progress Payments and Prompt Payment Requirements

Per [DoD FMR Volume 10 chapter 7](#), progress payments and interim vouchers on cost contracts are not subject to the Prompt Payment Act. They are considered to be contract financing payments and are paid based on specific payment terms contained in the contract. Department of Defense policy is to make contract financing payments as expeditiously as possible. The standard due date unless otherwise specified is 7 days for progress payments on fixed price contracts and 14 days for interim vouchers on cost contracts.

Figure 4-1: SUPSHIP Funding Decision Tree



Chapter 4 Acronyms

AAA	Authorized Accounting Activity
ADA	Anti-Deficiency Act
AER	Alteration Equivalent to a Repair
ASN(FM&C)	Assistant Secretary of the Navy (Financial Management and Comptroller)
BAH	Basic Allowance for Housing
CAS	Contract Administration Service
CFR	Code of Federal Regulations
CNI	Commander, Naval Installations
CNIC	Commander, Naval Installations Command
CNO	Chief of Naval Operations
DAO	Departmental Accountable Official
DFAS	Defense Finance and Accounting Service
DoD	Department of Defense
DoN	Department of the Navy
EAO	Economy Act Order
EFT	Electronic Funds Transfer
ERP	Enterprise Resource Planning
ESH	Environmental, Safety and Health
FLTCOMs	Fleet Commands
FMP	Fleet Modernization Program
FMS	Foreign Military Sales
FMR	Financial Management Regulation

** Denotes secure hyperlink requiring NMCI/CAC access

FTE	Full Time Equivalent
G&A	General and Administrative
GSA	General Services Administration
HQ	Headquarters
IT	Information Technology
LOA	Letter of Authority
MICP	Managers' Internal Control Program
MILSTRIP	Military Standard Requisitioning and Issue Procedures
MIPR	Military Interdepartmental Purchase Request
MISIL	Management Information System for International Logistics
NAVAIR	Naval Air Systems Command
NAVCOMPT	Navy Comptroller
NAVSEA	Naval Sea Systems Command
NAVSEASYSKOM	Naval Sea Systems Command
NAVSO-P	Navy Financial Policy Manual
NAVSUP	Naval Supply Systems Command
NDSF	National Defense Sealift Funds
NEBO	NAVSEA ERP Business Office
NFLC	NAVSUP Fleet Logistics Center
NSA	Naval Supervising Activity
NWCF	Navy Working Capital Fund
O&M,N	Operations and Maintenance, Navy
O&M,NR	Operations and Maintenance, Navy Reserve
OMB	Office of Management and Budget

** Denotes secure hyperlink requiring NMCI/CAC access

ONR	Office of Naval Research
OPN	Other Procurement, Navy
ORDALT	Ordnance Alteration
OSD	Office of the Secretary of Defense
P-Card	Purchase Card
PCD	Pre-Commissioning Detachment
PCS	Permanent Change of Station
PCU	Pre-Commissioning Unit
PEO	Program Executive Office
PL	Public Law
POM/PR	Program Objective Memorandum/Program Review
PPBE	Planning, Programming, Budgeting and Execution
PSA	Post Shakedown Availability
RCOH	Refueling Complex Overhaul
RCP	Request for Contractual Procurement
RDT&E	Research, Development, Test and Evaluation
RWO	Reimbursable Work Order
SAM	System for Award Management
SCN	Ship Construction, Navy
SECNAVINST	Secretary of the Navy Instruction
SHIPALT	Ship Alteration
SOM	SUPSHIP Operations Manual
SPAWAR	Space and Naval Warfare Systems Command
SSP	Strategic Systems Program

** Denotes secure hyperlink requiring NMCI/CAC access

STARS	Standard Accounting and Reporting System
STARS-FL	Standard Accounting and Reporting System Field Level
STARS-HCM	Standard Accounting and Reporting System Headquarters Claimant Module
SUPSHIP	Supervisor of Shipbuilding, Conversion and Repair, USN
SWFT-PM	SUPSHIP Workforce Forecasting Tool/Pricing Model
SYSCOMs	Systems Commands
TDY	Temporary Duty
TEMDU CFO	Temporary Duty in connection with Fitting Out
TYCOM	Type Commander
USC	United States Code
WBSE	Work Breakdown Structure Element
WBS	Work Breakdown Structure
WCF	Working Capital Fund
WPN	Weapons Procurement, Navy

** Denotes secure hyperlink requiring NMCI/CAC access