

## CHAPTER 1

### INTRODUCTION

**1.1 Purpose.** To publish the Policies and Procedures Manual, Navy Outfitting Program (NOP), Shipbuilding and Conversion, Navy (SCN) Ships. This manual supersedes T9066-AA-MAN-020/SCN, dated 1 November 1987.

**1.2 Definition.** Outfitting is the collective process by which Navy ships and selected shore stations are initially provided with material required for: (1) operation and maintenance of installed equipment; (2) safety and protection of the ship and crew; and (3) performance of the ship mission. SCN outfitting includes initial outfitting material for those items authorized in a ship's allowance list by the last day of the month in which the Post Shakedown Availability (PSA) is completed and for which funds are obligated within 11 months after completion of fitting out (for SSNs the envelope is 15 months and for MCMS it is 16 months). The Fitting Out Period normally will be between 10 and 90 calendar days, depending on complexity of the ship. For surface ships, it starts with the day after the date of delivery. For submarines and MCMS, it normally occurs prior to delivery. If special conditions render fitting out impracticable during this period, the Chief of Naval Operations (CNO) will consider requests for extension. The shipbuilder, government activity, or contract agent may be assigned the fitting out responsibilities as the Fitting Out Activity (FOA). Fitting out, the operation of physically placing allowed material on board the ship, can be accomplished at either the shipbuilding yard or the designated FOA.

The functional area of outfitting comprises the following elements:

- IDENTIFICATION OF REQUIREMENTS
  - Programming
  - Budgeting
  - Provisioning
  - Allowance Development
- FUNDING
  - Budget Development
  - Budget Execution
- ORDERING
  - Requirements Determination
  - Requisitioning Requirements
  - Requisition Preparation
  - Requisition Submission
  - Requisition Processing
  - Requisition Screening
  - Requisition Monitoring/Follow-up
- RECEIVING
- INSPECTING

- BINNING/STAGING
- LOADING ON BOARD (Fitting Out)

The above outfitting elements are applicable to fleet modernization programs as well as shipbuilding and conversion programs. However, policies, procedures, methodologies and responsibilities employed for their accomplishment vary between outfitting programs funded by the SCN appropriation and fleet modernization programs funded by the OPN appropriation. To provide for these variations, the Policies and Procedures Manual for the NOP is published in two separate documents. This manual outlines Navy outfitting policy and procedures applicable to the SCN appropriation. Volume 1 provides outfitting policy and procedures for OPN funded programs.

**1.3 Scope.** The scope of the SCN NOP encompasses program support and financing of material for:

- a. Outfitting of equipment acquired for shipboard use and installed in new construction shipbuilding and extended overhaul conversion efforts, Service Life Extension Program (SLEP) and Nuclear Refueling.
- b. Outfitting resulting not only from installation of new equipment, but also from special or unique allowance changes approved by the CNO or Hardware Systems Commands (HSCs).

**1.4 Applicability.** SCN NOP funding applies to the:

- a. Outfitting material procurement in support of the construction of new ships and conversion of existing ships for all hull, mechanical and electrical equipment, electronics, guns, torpedo and missile launching systems, and communications systems.
- b. Outfitting material procured (1) for new construction, conversion, overhaul, and Precommissioning/ship crew support and (2) by shore activities such as Supervisors of Shipbuilding, Conversion and Repair, Navy (SUPSHIPs); Fleet and Industrial Supply Center, Puget Sound; Fleet Training Centers (FTCs), Norfolk and San Diego; Naval Surface Warfare Center, Indian Head Division, Seal Beach Detachment (NSWC-IHD Seal Beach Det); Naval Surface Warfare Center, Carderock Division, Ship Systems Engineering Station (NSWCCD-SSSES), Philadelphia; and Naval Surface Warfare Center, Port Hueneme Division (NSWC PHD).
- c. Procurement of long lead-time items.

**1.5 Inclusions.** Valid charges to the SCN Outfitting account include:

- a. All material listed in Sections IIIA - Store Room Items (SRI) and IIIB - Operating Space Items (OSI) of the Hull, Mechanical, Electrical, Ordnance and Electronics segments of the Coordinated Shipboard Allowance List (COSAL) and in the Ship Portable Electrical/Electronic Test Equipment Requirements List (SPETERL).

b. All items listed in the Naval Inventory Control Point, Philadelphia (NAVICP-P) allowance lists, other than those items installed in or used by aircraft.

c. All General Use Consumables List (GUCL) material listed in Section IIIIE of the COSAL.

d. All forms (Cog symbol 1I) and publications (Cog symbol OI) listed in Section IIIIF of the COSAL.

e. All material listed in the Nuclear Reactor segment of the COSAL, i.e., the "Q" COSAL.

f. All library books in the Chief of Naval Education and Training (CNET) allowance list.

g. All non-installed items in the Authorized Medical Allowance List (AMAL) and the Authorized Dental Allowance List (ADAL).

h. Pre-Commissioning crew and ship's crew support in advance of actual commissioning or completion of conversion/overhaul. The general rules of thumb to follow when determining the appropriateness of a pre-commissioning charge are: (1) it must be for day-to-day purposes, (2) it must be consumable, (3) it must directly benefit the pre-commissioning/ship's crew efforts, (4) it can not be used to build up a stock of supplies or equipment for future use, and (5) items bought must not go aboard ship. Valid Precommissioning charges include but are not limited to: office equipment, office supplies, office services, leased vehicles, transportation costs, postage, cameras/film, cleaning supplies, portable fans/heaters, some repair costs, awards and quality of life items.

i. Bulk lube oil remaining on board the ship at time of delivery.

j. Recreation equipment such as softballs/baseballs, gloves, uniforms, basketballs, footballs, physical fitness equipment, snorkel equipment, fishing equipment, volleyballs, soccer balls, team shirts, boxing bags and racquetball/table tennis equipment. The Bureau of Naval Personnel (BUPERS) publishes the shipboard recreation allowance list.

k. Allowance Appendix Page (AAP) items (Government Furnished Material (GFM) only).

l. Photographic and meteorological material.

m. Update revision of technical manuals for SCN ships.

n. Material for Contractor Furnished Equipment (CFE) identified in the ship's COSAL and procured by the shipbuilder. Note: A Congressional decision was made in 1998 changing the Navy policy to procure contractor furnished spares from the outfitting account in the year of the requirement. Instead of fully funding the CFE requirement in the fiscal year of the ship's appropriation, the Ship Program Manager would budget for CFE spares in the Outfitting Program as an annual appropriation in the fiscal year that is a lead time away from when the spares are required for sea trials and delivery.

1.6 **Exclusions.** Exclusions from SCN outfitting financing are:

- a. Outfitting support for allowances not approved by either CNO or the HSCs.
- b. Outfitting support that is properly chargeable to a maintenance account.
- c. Outfitting for ships undergoing overhaul/maintenance availability, active fleet ships beyond the Obligation Work Limiting Date (OWLD), and other ships for which Operation & Maintenance, Navy (O&MN) funds are budgeted.
- d. Outfitting of Foreign Military Sales (FMS) Program ships/facilities.
- e. Items required for the commissioning ceremony. (Improper items include souvenirs and gift items, public affairs items such as press kits, bumper stickers, ships plaques and pictures of the Commanding Officer.)
- f. Items on aeronautical allowance lists that are installed in or used by aircraft.
- g. Maps, charts, and navigation publications listed in the U.S. Oceanographic Allowance List.
- h. CNO established allowance for automotive vehicles and construction equipment.
- i. Subsistence, resale clothing, ships store items, and bunker fuel.
- j. 2Z Cog items listed in the SPETERL.
- k. End item equipment.
- l. Material procured for CFE not identified in the ship's COSAL.
- m. Interim spares, i.e., spares required to be furnished by the Ship Program Manager (SPM) or Participating Manager (PARM) prior to system stock availability and material support date.
- n. Material in excess of total allowance quantities or material previously provided.
- o. Pre-Commissioning crew support charges not attributable to pre-commissioning. Several examples are entertainment expenses, ships allowance list requirements, furniture and furnishings, various nonstandard supplies and souvenir or gift items.
- p. Maintenance Assist Modules (MAMs)

1.7 **Nuclear Propulsion.** The NAVSEA Organization Manual states the Deputy Commander for Nuclear Propulsion (NAVSEA 08) is responsible for

all technical matters pertaining to nuclear propulsion of U.S. Navy ships and craft to include all aspects of integration of the nuclear plant into the ship system. Nothing in this manual detracts in any way from these responsibilities. Accordingly, NAVSEA 08 will be consulted on all matters relating to or affecting the nuclear propulsion plant and associated nuclear support facilities.

**1.8 TRIDENT Submarines.** Director, Strategic Systems Programs (DIRSSP), is responsible for policy governing the development, computation, issuance and accuracy of allowance and load lists for TRIDENT Missile Systems, OHIO Class Submarines, and TRIDENT Support Facilities. Accordingly, DIRSSP will be consulted on all matters regarding allowance policy affecting ships/systems/equipment under their cognizance.

**1.9 Objectives.** The following objectives of the NOP for SCN support CNO's goal to optimize Fleet readiness:

- a. Provide timely and effective outfitting of equipment and equipage for new construction and conversion ships.
- b. Provide outfitting support for ships as integrated, engineered and functionally whole systems.
- c. Monitor new construction, extended overhauls, conversion and nuclear refueling outfitting events for consistency with outfitting policies and practices.
- d. Support the effective acquisition and delivery of outfitting material.
- e. Support effective total program management and execution from allowance development through receipt of outfitting material.
- f. Forecast the timing and amount of funds required by the overall outfitting account.
- g. Monitor Program Support Data (PSD) for new construction ships.
- h. Coordinate the outfitting account budget with Navy Working Capital Fund (NWCF) for outfitting requirements.
- i. Maintain full accountability for funds authorized and allocated to the Outfitting Supply Activity (OSA), Naval Supervising Activity (NSA) and others.
- j. Provide effective safeguards against the over obligation of authorized funds.
- k. Execute obligation of outfitting account funds only for authorized purposes.
- l. Support timely reallocation of funding authority among the OSA, NSA and others.

m. Minimize the accumulation of residual material, and, where possible, re-distribute and utilize residual material to meet an outfitting requirement.

**1.10 NOP Organization and Responsibilities.** Functional responsibilities of the commands and activities associated with the NOP are outlined in the subparagraphs below. Figure 1-1 provides an overview of some of the key elements and players in the outfitting process and the interactions of the major activities.

**1.10.1 General.** The prime responsibility of all participants is to ensure the timely delivery of a ship, meeting the readiness factors mandated by CNO as described in NAVSEAINST 4441.7 (SERIES)/NAVSUPINST 4441.29 (SERIES).

**1.10.2 Program Executive Officers (PEOs)/Naval Sea Systems Command Ship Program Managers (NAVSEA SPMs).** The PEO/SPM, as the major participant in the new construction shipbuilding/conversion program, ensures that all facets of the program are appropriately administered. These responsibilities include but are not limited to:

- a. Develop the Integrated Logistic Support Plan (ILSP).
- b. Furnish budget estimates for all outfitting material.
- c. Ensure participants receive sufficient information on all supported equipment to allow for procurement and delivery of all allowance list material.

**1.10.3 Naval Sea Systems Command Participating Managers (NAVSEA PARMs).** PARMs are responsible to:

- a. Serve as the technical equipment manager and government representative for specific GFM.
- b. Identify to the SPM the goods and services for which it is responsible.
- c. Provide the goods and services tasked by the Project Directive (PD).
- d. Establish a method to ensure the status of responsibilities is reported to the SPM.
- e. Invoke Provisioning Technical Documentation (PTD) requirements in new equipment acquisition contracts.
- f. Develop end-item PSD in accordance with the Naval Supply Systems Command (NAVSUP) instruction 4420.36 (SERIES).

**1.10.4 Naval Sea Systems Command (NAVSEA 04L4).** NAVSEA 04L4 is responsible for the NOP and will:

- a. Establish and disseminate outfitting policy and procedures.
- b. Establish and execute program and financial responsibilities.

c. Prepare and submit the outfitting budget. Figure 1-2 illustrates the budget development process.

d. Develop and maintain supply and financial management systems for requisition tracking, funds accounting, and status reporting and distribution, i.e., Outfitting Requisition Control and Accounting System (ORCAS)/Automated COSAL Tracking System (ACTS).

e. Establish and maintain funds control documents and disperse outfitting funds to OSA, NSAs and others. Figure 1-3 illustrates the budget execution process.

f. Monitor and facilitate the outfitting process.

g. Monitor the residual asset program.

h. Administer, coordinate and monitor the development of PSD in the associated PSD Automated Reporting and Tracking System (PARTS).

i. Monitor the Push to Pull program.

j. Monitor the High Value (HIVAL) screening program.

k. Monitor operations of the OSA and NSA.

**1.10.5 Naval Sea Systems Command (NAVSEA 012). NAVSEA 012 will:**

a. Establish and maintain the NAVSEA Chart of Accounts and allocate funds accordingly.

b. Ensure financial control of funds within established statutes.

c. Serve as principal financial consultant and advisor.

d. Analyze and review the execution of approved programs and coordinate the Ship Cost Adjustment (SCA) reviews.

**1.10.6 Supervisor of Shipbuilding (SUPSHIP)/Naval Supervising Activities (NSAs). SUPSHIPS/NSAs will:**

a. Serve as the on site shipbuilding and conversion contract administrator.

b. Provide outfitting statistics.

c. Process all GFM outfitting material orders for funding by the OSA.

d. Verify the completeness and accuracy of all Configuration Data Managers Database - Open Architecture (CDMD-OA) inputs.

e. Prepare and process Preliminary Allowance Lists (PALs) and Advance Repairable Identification Codes (RICs) and AAPs as required.

f. Receive and store GFM until fitting out is required.

g. Expedite material delivery.

- h. Monitor the shipbuilder's provisioning process.
- i. Monitor/verify the shipbuilder's equipment validation process.
- j. Monitor the shipbuilder CFM asset records for all repair parts and equipage on hand or on order.
- k. Verify completeness and accuracy of the ship's Load COSAL/Initial Shipboard Non-tactical ADP Program (SNAP) database.
- l. Monitor updates to the SNAP database using the Automated Shore Interface (ASI) process for all equipment installed in the ship after Load COSAL.
- m. Provide technical expertise to assist process improvement efforts as needed.

**1.10.7 Outfitting Support Activity (OSA).** The Fleet and Industrial Supply Center (FISC) Puget Sound has been designated as the OSA and the sole allotment holder for the SCN outfitting account. The OSA will:

- a. Execute funding from allotments provided by NAVSEA 04L4 for outfitting material.
- b. Process valid GFM requisitions into the supply system.
- c. Procure new GFM allowance items not available in the supply system.
- d. Monitor the outfitting process and provide reports on the status of funding.
- e. Provide requisition, procurement and material status for GFM allowance items through ORCAS/ACTS.
- f. Conduct Database Reconciliation (DBR) of CDMD-OA files.
- g. Control and account for SCN outfitting funds.
- h. Expedite material delivery.
- i. Execute local procurement of all "CP" (Rejected - source of supply is local), "C8" (Rejected - vendor will not accept quantity specified) and "CW" (Rejected - item not available) status items.
- j. Monitor Required Delivery Dates (RDDs).
- k. Monitor automated follow-up of all categories of material through delivery.
- l. Pass requisitions to the Naval Sea Logistics Center (NAVSEALOGCEN) for screening of the Push to Pull Program, Fleet MAMs Validation Program, OSIs, Realtime Reutilization Asset Management (RRAM) system and HIVAL Review.
- m. Process Proofs of Receipt (XQDE).

**1.10.8 Naval Inventory Control Point (NAVICP).** NAVICP will:

- a. Receive provisioning data identifying the internal configuration of systems/equipment from the Technical Support Activities (TSAs).
- b. Conduct provisioning in concert with In-Service Engineering Agents (ISEAs) for approved equipment.
- c. Establish material support dates.
- d. Develop and distribute allowance documentation, i.e., Incremental/Load COSALs, ASIs, etc.
- e. Update the Weapons System File (WSF).
- f. Provide total life cycle weapon system program and supply support management.
- g. Receive configuration inputs from the CDMD-OA identifying the specific systems/equipment being installed on specific ships.

**1.10.9 Fitting Out Activity (FOA).** The Shipbuilder has been designated as the FOA and will:

- a. Order or manufacture CFM requirements identified in allowance products and specifications.
- b. Assemble, store, and place on board all GFM/CFM identified in the Incremental Stock Number Sequence List (ISNSL)/COSAL/SNAP database and all other allowance lists and ship specifications.
- c. Receive and inspect all GFM requisitioned through the OSA.
- d. Establish and maintain CFM/GFM asset records for all repair parts and equipage on hand or on order.
- e. Pre-bin all GF and CF material, ensuring that all material has been inspected for condition of material, correct identification, type of material (shelf life, hazardous, etc.), quantity, and packaging requirements.
- f. Transfer all material to designated spaces on board the ship, based on the outfitting plan.

**1.10.10 Fitting Out & Supply Support Assistance Center (FOSSAC).**

FOSSAC provides Naval forces and federal agencies outfitting logistics, logistics support services, detailed engineering cost analysis and worldwide support services. When requested, the Fitting Out and Supply Assistance Team (FOSAT) of FOSSAC will:

- a. Assist Prospective Commanding Officers (PCOs) and Prospective Supply Officers (PSOs) in establishing the supply departments of U. S. Navy new construction ships. Ensure supply departments are set up and ready in all aspects of supply operations as required by the Naval Supply Afloat Procedures, NAVSUP P-485 and Type Commanders' directives

and/or instructions. Work as a team with the SPM and the Supervisors of Shipbuilding to ensure NAVSEA/NAVSUP supply readiness objectives and milestones are attained at ship delivery. Ensure that the supply department is ready to support the mission of the ship.

b. Provide supply and logistics support services to Program Executive Office, Expeditionary Warfare (PMS325) and the Military Sealift Command (MSC) for New Construction and Conversion programs in all areas of logistics and supply support. Work as a team with the SPM, MSC logistics personnel and the Supervisors of Shipbuilding to ensure supply readiness objectives and milestones are attained at ship delivery. Scope includes but is not limited to the review and quality assurance of electronic allowance development, related programmatic databases and automated allowance, inventory and configuration data management programs that are unique to MSC ship applications. Execute and perform specific tasks as directed by PEO, Expeditionary Warfare (PMS325) and MSC.

c. Conduct Quality Assurance (QA) of ISNSL and Load COSAL when required or directed by the SPM. Review other logistics documents during the pre-commissioning period.

d. Participates in pre-delivery inventory audits of SRI in accordance with Joint NAVSEAINST 4441.7B/NAVSUPINST 4441.29 resulting in the acceptance/rejection of storerooms.

e. Provide inventory and financial management assistance in support of Shipboard Uniform Automated Data Processing System (SUADPS), SNAP or Relation Supply Program and Supply Financial Management (SFM).

f. Provide afloat inventory management assistance.

g. Ensure material and administrative supply readiness objectives are achieved at ship delivery.

h. Provide input data to NAVICP for development and maintenance of the Baseline GUCL for new construction lead ships in accordance with NAVICPINST 4441.165C.

i. Conduct Relational Supply database validation after onboard installation by SPAWAR.

**1.10.11 Naval Sea Logistics Center (NAVSEALOGCEN).** NAVSEALOGCEN provides support to NAVSEA (04L4) Outfitting and Material Support Division and serves as the central coordinating activity for a number of outfitting programs and processes. NAVSEALOGCEN will:

a. Determine the funding impact of proposed allowance changes.

b. Monitor major reprovisioning or allowance change actions that will involve charges to outfitting accounts; and provide applicable management reports as required.

c. Administer the Push to Pull and the HIVAL Review Programs.

d. Receive Allowance Change Requests (ACRs) and Fleet COSAL Feedback Reports (FCFBRs) and process them out to the cognizant TSAs.

- e. Administer the Automated COSAL Improvement Program (ACIP).

1.10.12 In-Service Engineering Agents/Technical Support Activities (ISEAs/TSAs). ISEAs/TSAs serve as HSC engineering and technical representatives on assigned systems and equipment. The ISEA and TSA functions may reside within the same activity, but the responsibilities associated with each function are separate and distinct.

- a. ISEAs will:

- (1) Initiate and update PSD and PARTS when directed by the HSC program manager.
- (2) Design alterations/modifications for assigned equipment and perform repair and maintenance on the actual hardware.
- (3) Receive push material listings from the PARMS for new equipment installations under the Push to Pull Program
- (4) Develop push material listings from any alterations under the Push to Pull Program
- (5) Validate push material listings and pass the data to the Push to Pull Program at NAVSEALOGCEN.
- (6) Develop and validate MAMS listings for assigned equipment.

- b. TSAs will:

- (1) Conduct provisioning or reprovisioning for assigned equipment in concert with NAVICP.
- (2) Review and approve allowance change actions pertaining to assigned systems/equipment.
- (3) Receive and review PTD for contract compliance, engineering accuracy, and technical adequacy.
- (4) Accept or reject PTD packages.
- (5) Verify or complete the technical coding for accepted PTD packages to allow NAVICP to proceed with Allowance Parts List (APL) development.

1.10.13 Precommissioning Unit/Ship's Force for Conversion/Overhaul.  
The Precommissioning Units/Ship's Force for Conversion/Overhaul will:

- a. In accordance with the guidelines discussed in Section 1.5 (h) of this manual, submit requests for additional standard pre-commissioning support allowance items to the NSA for procurement, as required.

- b. Identify critical shortages prior to ship delivery to the NSA for expediting.

c. Ensure the departure shortage list of GFM contains valid supply status for each item.

d. Expedite and follow-up on all GFM not on board prior to departure.

e. Cancel material requisitions, as required, a responsibility authorized upon ship delivery to the active fleet.

f. Submit ACRs to the NSA as required.

1.10.14 Naval Medical Logistics Command (NAVMEDLOGCOM). The Naval Medical Logistics Command is the medical logistics manager and is responsible for all matters concerning the AMAL and the ADAL.

1.11 Outfitting Process Overview. This section describes the processes associated with the outfitting functional elements. Figure 1-1 provides an overview of some of the key elements and players and the interaction of the major activities.

#### 1.11.1 Identification of Requirements

##### a. The Project Directive (PD)

(1) The PD, or Ship Project Directive (SPD) is the official instrument the PEO/SPM uses to authorize and direct accomplishment of the planned project effort. It authorizes the PARMS to initiate actions necessary to accomplish the tasks specified in the PD at a total cost not to exceed the funds negotiated and cited therein.

(2) The PD consists of a transmittal page and three basic parts for issuance to all involved PARMS. Part I (Management Direction) specifies objectives and requirements, assigns responsibilities, establishes current project content, configuration and schedules, authorizes use of resources other than funds, and outlines special reporting requirements. Part II (Funding and Quantity Direction) provides task descriptions and/or identification of deliverables at the funded level, funding information, and other applicable accounting data, as required for proper control of tasks specified in Part I. Part III (Schedule) provides configuration identification and delivery dates for all listed goods and services.

(3) The PD (Part II) quantifies requirements in units and dollars. Part II is a financial document used to pass funds to a PARM, and to provide planning, guidance, and direction for the use of those funds. PDS transfer funds and 31 U.S.C. 1517 responsibility to the receiving activity. The 31 U.S.C 1517 responsibility prohibits any willful or negligent action by the funds recipient that will cause over obligation or over expenditure of the funds allotted.

(4) The PD, Part II (Funding) and Part III (Schedule), as negotiated and agreed to by the PARMS, must not be confused with Schedule A and the other schedules contained in the shipbuilding contracts. The various schedules of the shipbuilding contracts are lists of government furnished items, both equipment and material (GFE and GFM), that the government is contractually obligated to provide to the contractor for the performance of the contract. Parts II and III

contain listings of material and services to be provided by the recipient PARMS in support of the ship project.

b. Programming

(1) Within the Department of Defense (DOD) Planning, Programming and Budgeting System (PPBS), programming is the process of assessing and making decisions on the amount and phasing of future spending for new proposed programs and programs carried over from a previous fiscal year. The requirements identified during programming include costs for spares, repair parts, equipage and other items identified in paragraph 1.5 and represent out-year requirements beyond the budget years.

(2) PSD is a key source of information necessary for programming spares and repair parts costs and scheduling requirements. Once an equipment acquisition program has been approved and entered into the Future Year Defense Program (FYDP), the HSC acquisition manager prepares PSD in accordance with NAVSUPINST 4420.36 (SERIES) as the basis for identifying interim, initial and follow-on secondary item spares funding requirements. PSD includes procurement data and other information required for logistics support planning. PSD is the vehicle by which the HSC hardware PM and the NAVICP-M PM agree on a Material Support Date (MSD). The MSD is the date when the Navy Supply System picks up support responsibility for the hardware on the PSD. Of particular importance is the planned schedule for equipment installation on ships and at shore activities. NAVICP-M uses PSD as the major source to develop the NWCf Buy-In budget and obtain funding for initial On Board Repair Parts (OBRPs) and system stock requirements. The Navy Supply System uses PSD sheets to justify the funding requirements for laying in spare parts material that will be requisitioned by the outfitting activity of a ship under construction. PARTS is the official repository for all PSD.

c. Budgeting

(1) General Description of Budget Formulation. The Navy Outfitting budget formulation phase of the PPBS cycle begins in early May each year immediately following completion of Program Objective Memorandum (POM) development. NAVSEA budgets that contain requests for outfitting funds in the outfitting account undergo review at several levels, including NAVSEA review and a joint OPNAV and Comptroller of the Navy (NAVCOMPT) review. A principal purpose of these reviews is to ensure a balanced total program within the fiscal constraints and guidance of NAVCOMPT.

Coordination continues throughout the budget review process. In addition, SYSCOM equipment acquisition managers, OPNAV program sponsors, logistics program assessment sponsors, and the SCN budget sponsors also participate in outfitting account budget reviews. Budgets are subsequently refined or realigned during Office of the Secretary of Defense (OSD) and Congressional submissions.

(2) The SCN Appropriation Structure and Application. The SCN appropriation finances the construction of new ships and conversion of existing ships and is divided into five budget activities, each of which relates to a general class of ships. Each budget activity is

further divided into projects which are the equivalent of each procurement (P-1 Exhibit) line item for which funds have been budgeted. Budget activities of the SCN appropriation are as follows:

(a) Budget Activity 1, Fleet Ballistic Missile Ships, e.g., ballistic missile submarines, tenders and cargo ships.

(b) Budget Activity 2, Other Warships, e.g., aircraft carriers, cruisers, destroyers and attack submarines.

(c) Budget Activity 3, Amphibious Ships, e.g., amphibious assault ships, dock landing ships and tank landing ships.

(d) Budget Activity 4, Mine Warfare and Patrol Ships, e.g., minesweepers, gunboats and patrol craft.

(e) Budget Activity 5, Auxiliaries and Craft, and prior year program costs, e.g., ammunition ships, store ships, surveying ships, replenishment oilers, tugs, tenders, landing craft, barges. Initial outfitting, post delivery and first destination transportation are financed in this activity.

Shipbuilding and conversion projects take years to complete, involve many separate actions throughout the process, and require obligation of funds over the entire shipbuilding cycle. The annual apportionment provides availability of funds for SCN ship programs. Since control of an annual increment does not control the total cost of a ship, the attention of review authorities outside of NAVSEA is focused primarily on total ship costs rather than on annual apportionment. Each annual outfitting material budget line has an availability of 60 months, but can be administratively extended beyond five years upon approval of OPNAV (N82). An outfitting budget line item is further subject to the OWLD established by NAVCOMPT.

(3) Budget Estimates. Budget estimates are developed on a ship by ship basis by the SPM. They are based on annual requirements for obligations and commitments received from: PARMs, other systems commands, ship subsystem managers within NAVSEA, and equipment/service managers who receive specific assignments from the SPMs or from PARMs. Estimates are also received from performing activities such as contractors, shipyards, ordnance plants, or other government activities. Estimates are reviewed and consolidated by the NAVSEA Comptroller and approved by COMNAVSEASYSKOM. Outfitting estimates are also reviewed and approved by NAVSEA 04L4. The budget request is submitted by the CNO to NAVCOMPT. After review, the request is forwarded to OSD and the Office of Management and Budget (OMB) for review and approval. Figure 1-2 illustrates the budget development process.

SPMs maintain Outfitting Cost Phasing Sheets for forecasting platform level outfitting funding requirements based on experience from outfitting similar ships. The requirements include GFE as well as CFE needs. From time to time, PSD sheets are compared with Phasing Sheet information to ensure that the funds forecasted by the PSD sheets are in agreement with the anticipated expense in outfitting the ship.

NAVSEA 04L4 uses Outfitting Cost Phasing Sheets to identify and budget for the SCN outfitting spares funds required to buy-out initial OBRPs identified in the Incremental COSAL process. Throughout the new construction period, NAVSEA 04L4 meets quarterly with each SPM to review outfitting requirements. The review process includes a detailed study of the proposed timing and composition of the various allowance products and the associated budget requirements for each platform. This information is contained in the Phasing Sheets. Allowance products in the Phasing Sheets include Incremental and Load COSALs, GUCLs, AAPs/ACRs, and lists for General Purpose Electronic Test Equipment (GPETE), medical/dental, and other outfitting items. The timing of the allowance products is critical from a budget standpoint, serving as the driver for the submission of SCN outfitting requisitions.

Phasing Sheets are maintained in and produced from the NAVSEA 04L4 SCN Budget Planning System (BPS). They are NAVSEA 04L4's key tool for financial management control and budget execution oversight of SCN outfitting funds. Phasing Sheets are used to ensure funding is planned, programmed, and provided to the SPMs to support the outfitting requirements of the major new construction events of crew embarkation, builder and sea trials, light-off assessments, ship commissioning and delivery, PSA, certifications, and fitting out of ship technical publications.

(4) Ship Cost Adjustment (SCA) Review. All SCN cost estimates for ships in currently active programs are reviewed annually to determine what adjustments may be necessary to bring the programs into balance. The SPMs develop proposed ship cost adjustments based on information obtained from PARMS, equipment/service managers, and performing activities. These proposals are reviewed and summarized in NAVSEA and forwarded to CNO with appropriate recommendations. NAVSEA, based on CNO decisions, distributes a detailed report of ship cost estimates to NAVCOMPT and to all interested parties.

The final report provides a baseline for the apportionment request and succeeding year's budget submission.

d. Provisioning. Provisioning is the process that results in the specific identification of a piece of equipment and the determination of the material required to support the Navy's maintenance philosophy for that equipment. The technical data required for the provisioning process is provided by PTD. This data may range from a Statement of Prior Submission (SPS) to a complete package of data consisting of provisioning lists, supporting drawings, and other documentation. The purchase order or contract between the shipbuilder and the vendor, to procure the equipment, specifies PTD preparation and submission requirements.

e. Allowance Development. NAVICP is the Navy Allowance Development Activity for all configuration items installed in the Fleet and selected shore activities. NAVICP develops an APL or AEL and stores it in Level C of the WSF. Allowance computation data for each APL or AEL are also contained in Level C to provide the means for computing allowance quantities of supply support at the equipment, system or ship level. The specific ship's configuration data (such as APLs and AELs, service application data for each component/equipment

and quantity within the service application, maintenance level assigned to the ship and equipment Mission Criticality Code (MCC) is identified and reported in Level A of the WSF. This is accomplished through CDMD-OA, or other configuration status accounting procedures.

When Level C and Level A data for a specific Unit Identification Code (UIC) are merged, the allowance generation process begins. An allowance list is then computed using various computational methods such as Readiness Based Sparing (RBS), Fleet Logistics Support Improvement Program (FLSIP) .5 Plus, and Modified-FLSIP (MOD-FLSIP). An allowance list in the form of an ISNSL is published incrementally during the shipbuilding period and as the ship's Load COSAL at approximately 8-10 months prior to ship delivery. The COSAL is the primary authorizing document listing equipment, components, repair parts, consumables, equipage, and test and support equipment required by an individual ship to perform its operational mission. For contractor furnished repair parts and equipage, the COSAL is the buying document.

#### f. Allowance Documents

(1) ISNSLs. ISNSLs are the preliminary allowance documents produced from the WSF and its related records. The production of ISNSLs is the end result of a series of complex, interrelated, and sequential actions. The ship is designed and equipment requirements are identified. These requirements are then provisioned and technical and configuration data are loaded into CDMD-OA. The WSF is updated and the ISNSL is produced using this accumulated data. The primary purpose of the ISNSL is to facilitate the efficient procurement of government and contractor furnished SRI and OSI material requirements by providing a computed allowance based on the ship's configuration at specified times during the construction cycle. This is accomplished by incrementally computing allowances to advise the shipbuilding contractor and the government of the range and depth of parts required to support a ship's configuration at designated points in time. Producing incremental statistics helps to evaluate the outfitting readiness at that particular point in time.

(2) Load COSAL. The Load COSAL is the primary allowance authorization document produced as the ship nears its delivery date. It lists equipment, components, repair parts, and consumables required for a ship to perform its operational mission. The range and depth of repair parts and consumables are computed to sustain the ship for 90 days. Paragraph 2.3 provides a more detailed explanation of the COSAL.

#### 1.11.2 Funding

a. Availability. The budget request submitted to the Congress for each fiscal year under the SCN appropriation is for a multiple year appropriation to remain available for obligation for five (5) fiscal years. Each fiscal year appropriation enacted is separate and discrete, is available for 60 months for obligation purposes, and upon expiration is available for obligation adjustments/expenditures to process for an additional 60 months. If a valid bill shows up after the ten-year timeframe, the charge must be processed against current year funds available for the same purpose.

b. Apportionments and Allocations. An apportionment of funds is made by OMB in response to the submitted request. For each fiscal year account which is available for obligation, the apportionment is in a lump sum to cover the estimated requirements for obligation during the fiscal year. The apportionment is made available to the Secretary of the Navy (SECNAV) through the Office of the Secretary of Defense (SECDEF) and is subject to any restrictions imposed by Office of the Assistant Secretary of Defense (OASD) (Comptroller).

(1) The allocation made by NAVCOMPT to the Vice CNO, the responsible office for SCN, is passed in its entirety to NAVSEA via a Program/Fund Allocation (NAVCOMPT Form 2058). Funds are sub-allocated by fiscal year and budget activity.

(2) Funds allocated to NAVSEA are held by the NAVSEA Comptroller who advises the project managers of the dollar limitation for each P-1 line item using an Advice of Project Funds (NAVMAT Form 7132/1). A SPM office for each ship type is established in the ship construction budget. Funding actions originated by the SPM are issued and certified for funds availability by the NAVSEA Comptroller.

c. SCN Funding Limitations. The obligation of SCN funds for projects is limited as follows:

(1) Administrative: Initial outfitting projects are programmed and budgeted as annual requirements, depending on lead-times, over the ship's construction period. The funds appropriated for initial outfitting projects must be obligated within 24 months. However, obligations may not occur after the OWLD which is established as 11 months following Completion of Fitting Out (CFO).

(2) Extensions. The 24-month limitation date for outfitting projects may be extended if authorized by the Chief of Naval Operations. The overall obligation and work limiting date of 11 months following CFO can be extended only if the circumstances warrant and approval is granted by the Comptroller of the Navy. Requests for extensions are submitted to the Comptroller of the Navy.

(3) Five-Year Limitation. The budget request submitted to the Congress for each fiscal year under the SCN appropriation is for a multiple-year appropriation to remain available for obligation for 5 fiscal years. Each fiscal year appropriation enacted is separate and discrete. Following the period of availability for incurring new obligations, the account remains available for use for 5 years for effecting authorized obligation adjustments and payments in accordance with authorized obligation adjustments and payments in accordance with NAVCOMPTINST 7040.37

(4) Initial outfitting includes only authorized ship allowances as defined no later than the last day of the month in which the PSA is completed. Also, only authorized allowances obligated within 11 months (15 months for SSBNs) after completion of fitting out are eligible for funding under SCN. Requirements must be submitted to the OSA in sufficient time to allow funds to be obligated prior to the OWLD.

**1.11.3 Ordering.** Authorized outfitting account users are the designated NOP ordering activities. These activities are:

- a. NSAs.
- b. New construction ships post delivery but prior to expiration of OWLD.
- c. NAVMEDLOGCOM for AMAL/ADAL items.
- d. Activities authorized by the SPM to procure SPETERL material.

NOP ordering activities are responsible for preparing and submitting requisitions for outfitting material and the monitoring/follow-up of requisitions until material is received. NOP Ordering Procedures for completing these functional requirements are contained in Chapter 3.

**1.11.4 Requisition Processing.** FISC Puget Sound (FISCPS) is the central processing point for NAVSEA outfitting requisitions and the allotment holder for the SCN outfitting account. NOP ordering activities will submit outfitting requisitions to FISCPS for processing, with the exception of activities authorized to order SPETERL material and local purchases by OSA/NSAs/NAVMEDLOGCOM. Requisition Processing Procedures are contained in Chapter 3.

**1.11.5 Requisition Review.** Requisition review is an integral part of requisition processing. NAVSEALOGCEN is the designated review activity for selected SCN outfitting requisitions. Outfitting requisitions that meet review criteria are forwarded to NAVSEALOGCEN by the OSA. Chapter 3 describes selected requisition review procedures.

**1.11.6 Requisition Monitoring/Follow-up and Material Tracking.** Material ordered by the OSA is monitored and tracked by ORCAS/ACTS. ORCAS/ACTS is a real-time on-line integrated supply and financial system which (1) processes outfitting requisitions, incoming status, customer follow-ups and (2) provides customer status, financial management, and management reports. ORCAS/ACTS also provides financial information to the NAVSEA account manager and the capability to recoup funds from supply system cancellations and from expenditures that are less than the obligation. In the past, processing of COSAL outfitting requisitions was divided among several different supply centers. With ORCAS/ACTS, NAVSEA funded COSAL requisitions are centrally processed at one OSA, FISCPS.

**1.11.7 Receiving, Inspecting, Binning/Staging and Loading on Board.** Consistent with policies prescribed by NAVSUP and the Type Commander (TYCOM), SCN outfitting functional elements are generally accomplished by the ordering activities. Procedures regarding these functional elements are included in the Outfitting Operations Plan and NAVSUP Manual P-485 and are not addressed elsewhere in this manual.

# Navy Outfitting Program Process Overview (SCN)

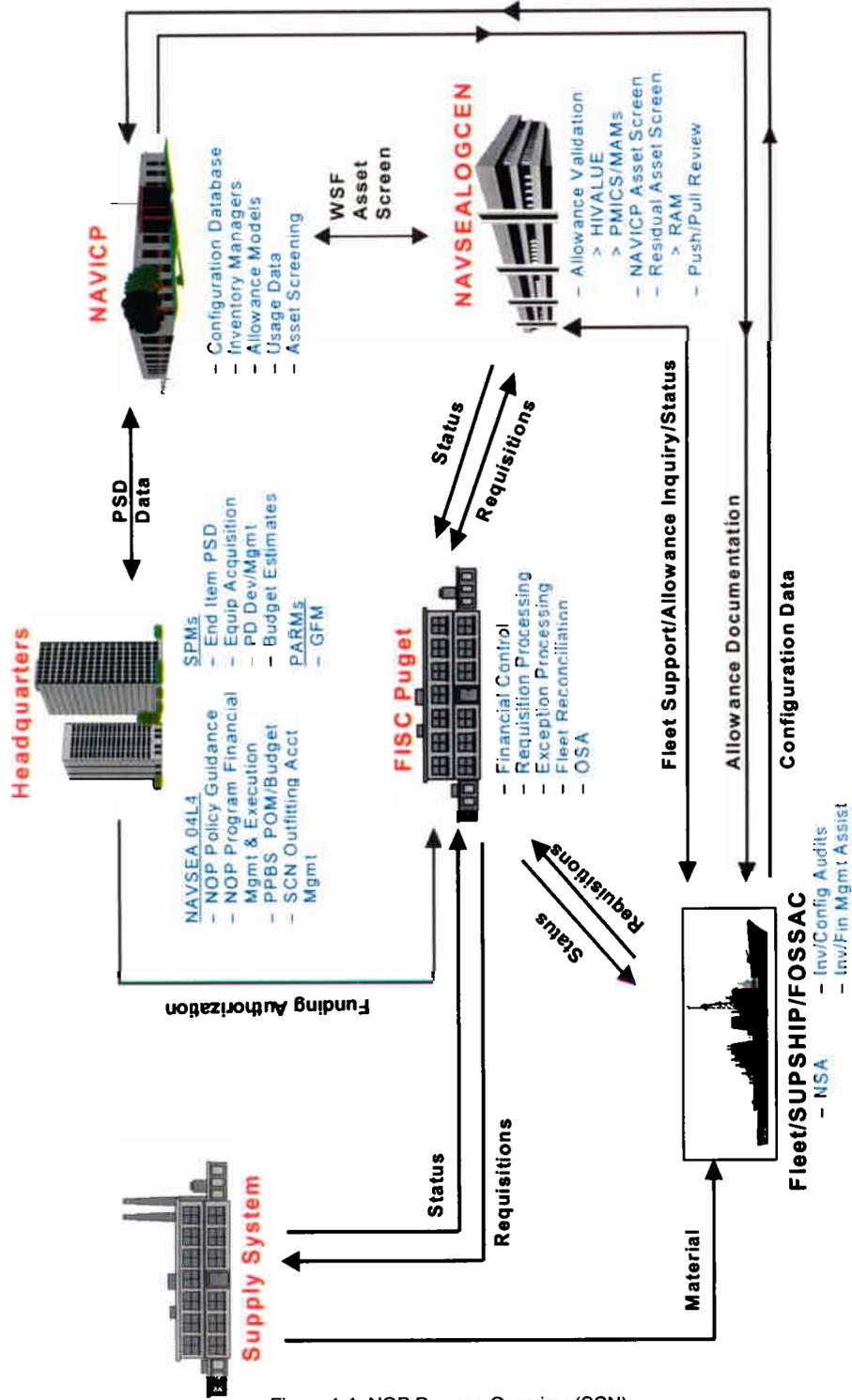


Figure 1-1 NOP Process Overview (SCN)

# SCN Budget Development

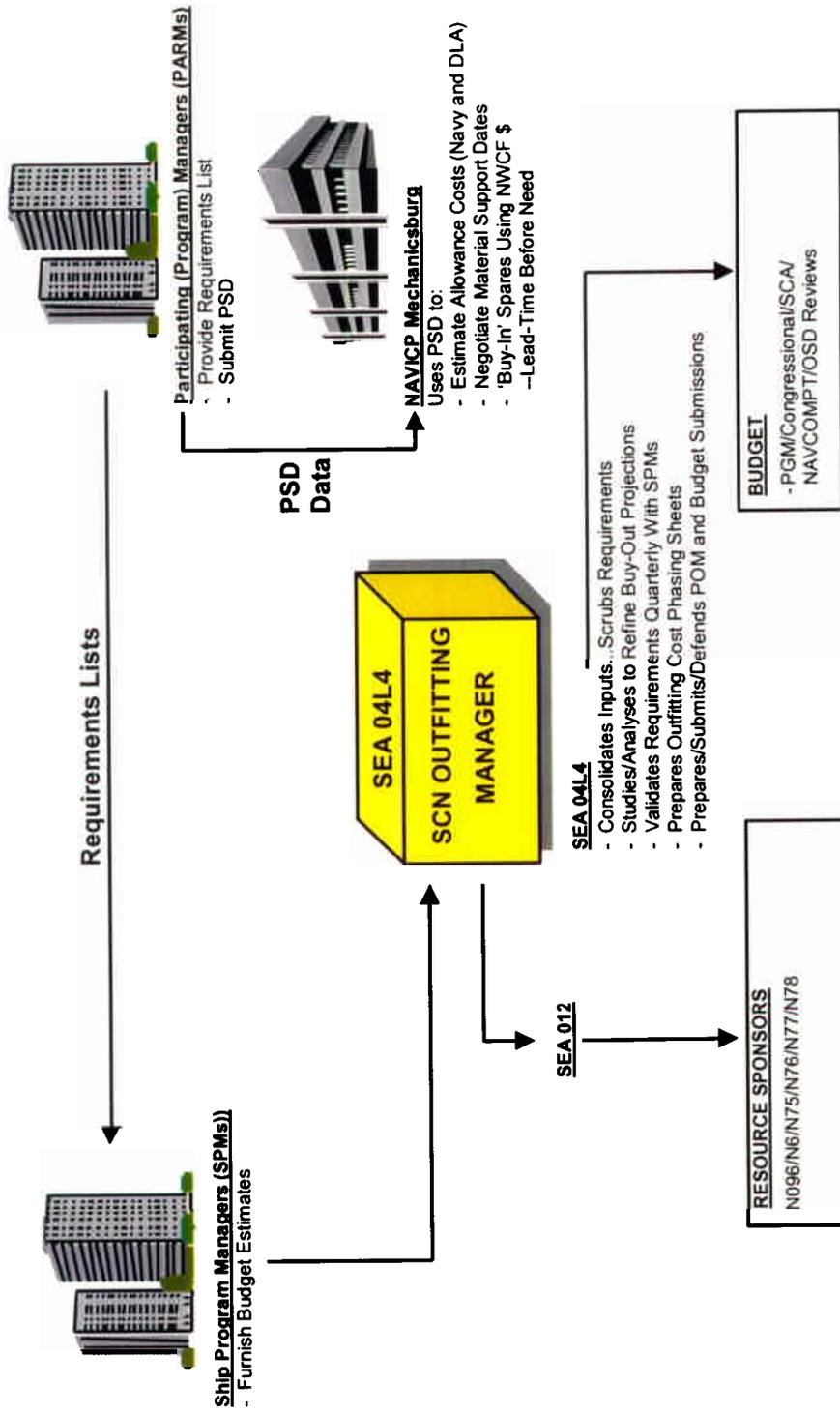


Figure 1-2 SCN Budget Development

# SCN Budget Execution

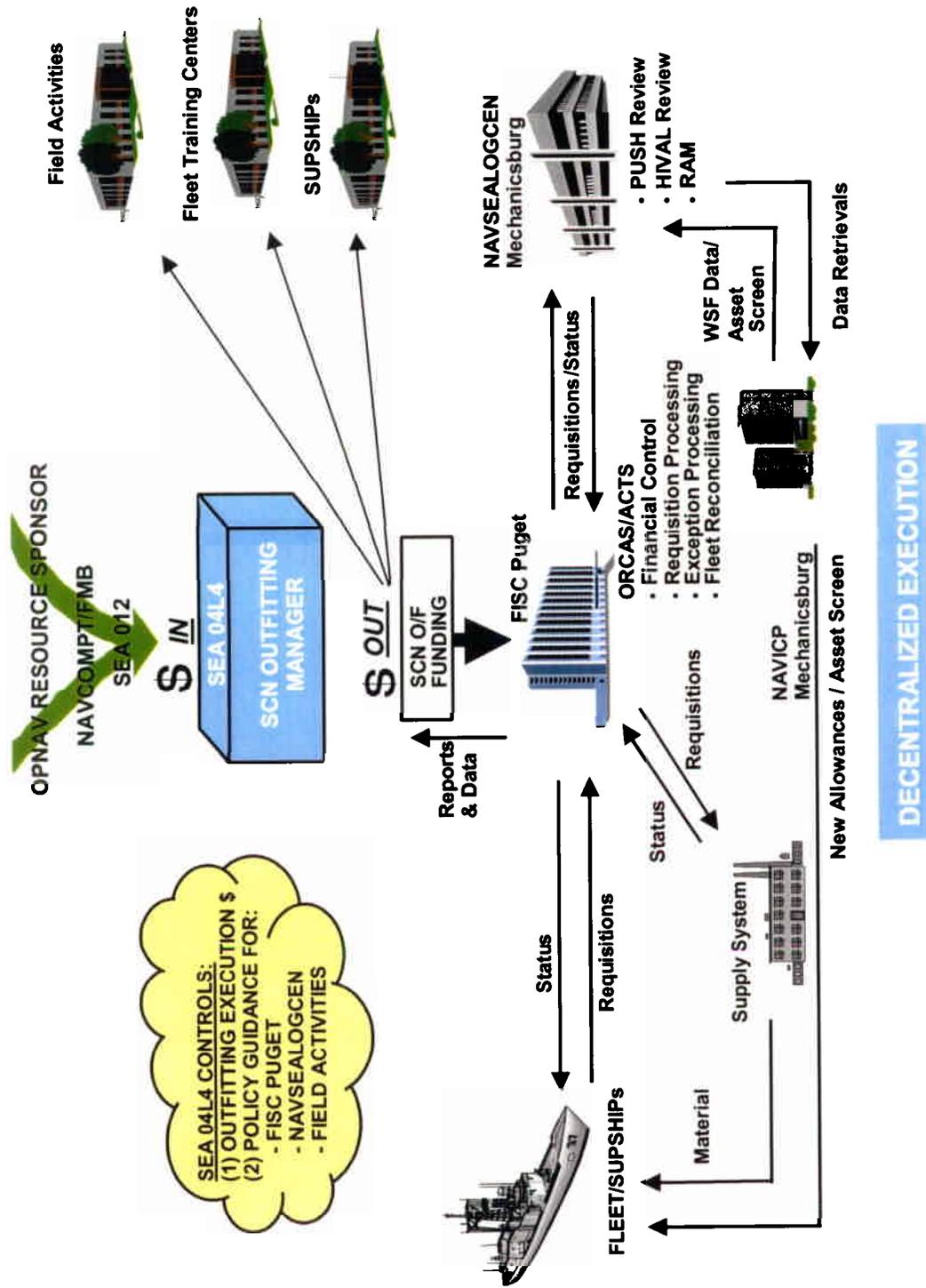


Figure 1-3 SCN Budget Execution