

NAVAL SUPPLY SYSTEMS COMMAND

BUSINESS CASE ANALYSIS GUIDEBOOK

FOR

FLEET & INDUSTRIAL SUPPLY CENTER
PARTNERSHIPS

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ACRONYMS

ABC	Activity Based Cost	NAVCOMPT	Navy Comptroller
ACWT	Average Customer Wait Time	NAVSUP	Naval Supply Systems Command
AIS	Automated Information System	NBTS	Navy Budget Tracking System
ATAC	Advanced Traceability And Control	NIS	Not in Stock
BA	Budget Activity	NPGS	Navy PostGraduate School
BCA	Business Case Analysis	NSN	National Stock Number
BRAC	Base Realignment and Closure	O&MN	Operations and Maintenance, Navy
BSC	Billet Sequence Code	OCONUS	Outside the Continental United States
BSO	Budget Submitting Office	OOTW	Operations Other Than War
CDA	Central Design Activity	P & P	Packing and Preservation
CIM	Corporate Information Management	PALT	Procurement Action Lead Time
CIVPERS	Civilian Personnel	PC	Personal Computer
CONOPS	Concept of Operations	PCS	Permanent Change of Station
DBOF	Defense Business Operating Fund	PEB	Pre-Expended Bin
DoD	Department of Defense	POA&M	Plan Of Action and Milestones
DON	Department of the Navy	POE	Point Of Entry
E/S	End Strength	POL	Petroleum, Oil, and Lubricants
FECA	Federal Compensation Act	PSICP	Program Support Inventory Control Poin
FISC	Fleet and Industrial Supply Center	RDD	Required Delivery Date
FMS	Foreign Military Sales	RDT&E	Research, Development, Test and Evaluation
FTE	Full Time Equivalent	ROD	Report Of Discrepancy
FY	Fiscal Year	RSS	Ready Service Store
G & A	General and Administrative	RTC	Recruit Training Center
HAZMAT	Hazardous Material	UADPS	Uniform Automatic Data Processing System
HRO	Human Resource Office	USN	United States Navy
ICP	Inventory Control Point		
ILSMIS	Integrated Logistics Support Management Information System		
IPG	Issue Priority Group		
LOX	Liquid Oxygen		
MHE	Material Handling Equipment		
MILCON	Military Construction		
MOA	Memorandum of Agreement		
MTIS	Mandatory Turn-In to Shore		

I. INTRODUCTION

For the past several years drastic reductions in annual budgets have been putting pressure on all organizations within the Department of Defense (DoD) to find ways to preserve the warfighting force structures within the individual services essential to supporting the national military strategy. Much of this effort has been focused on reducing the costs of the service and support side of the business in order to maintain warfighting capability. In response to the fiscal realities, the Department of the Navy (DON) has been actively encouraging Navy logistics and support organizations to find ways to streamline, downsize, and otherwise reduce the costs of their infrastructure and operations. The Navy Supply Systems Command (NAVSUP) strategy for responding to this initiative is to establish a process of consolidating Navy logistics activities on a regional basis through a system of partnerships between NAVSUP Fleet and Industrial Supply Centers and other Navy organizations engaged in similar logistics activities to FISC activities. Each proposed partnership must make sense from a business and organizational perspective, as well as demonstrate actual savings to the NAVY in terms of reduced costs of operations. It is anticipated that many opportunities for proposing FISC partnerships will present themselves over the foreseeable future.

The purpose of this Business Case Analysis (BCA) Guidebook is to describe a standardized approach to the processes and methodologies for performing financial analyses of prospective business partnership arrangements between Fleet and Industrial Supply Centers (FISCs) and other Navy and DoD organizations engaged in business activities common to the FISCs' business areas. This will make it easier to compare the merits of partnerships as well as provide a reference for how to deal with the specific issues that should be addressed in a FISC partnership proposal.

I.A. TYPES OF FINANCIAL ANALYSES

Financial Analysis is an important tool available to decision makers to assist them in evaluating alternative approaches to the allocation of scarce resources and in developing solutions to business problems. It provides a structured and systematic methodology for analyzing the financial consequences of business decisions. The general methodology can be tailored to fit particular circumstances, and in that respect is known by a number of different titles such as Cost-Benefit Analysis, Economic

Analysis, Cost Analysis, Functional Economic Analysis, Business Case Analysis, etc. The title, "Business Case Analysis," is commonly used as an all purpose term for all forms of financial analyses. All of them have a common set of elements that apply in all circumstances varying only in the degree of their application to the analysis of particular problems. These common set of elements are: (i) problem definition, which includes establishing an objective for the analysis; stating the assumptions which frame the analysis; and, as appropriate, laying out alternative solutions to the problem being analyzed; (ii) a data collection phase which identifies the data needed to meet the objective of the analysis; a method of classifying the data in terms of the types of data required (cost, workload, performance, etc.); and a data collection plan which specifically addresses the data to "fill in the blanks" of the identification and classification studies; (iii) an evaluation phase analyzing the data to address the objective of the cost study and to develop findings which specifically relate the data to the objective; and (iv) a report or briefing which presents the conclusions and recommendations of the cost study.

Within the Department of Defense (DoD), financial analysis of business areas can generally be classified into one of three categories: Cost Analysis, Cost-Benefit Analysis, or Functional Economic Analysis. The differences between the three categories are found in the problem definition, types of data considered, and in the depth and complexity of the analysis. These differences can be summarized as follows:

1. Cost Analysis. Requires a simple statement of the problem and desired outcome of the analysis; well defined global assumptions that clearly bound the scope of the analysis; a single preferred solution to be analyzed in comparison to the status quo; a preponderance of the data based on hard documented and verifiable sources; and a straightforward presentation of the data in constant year dollars comparing costs of the status quo alternative to the costs of the preferred solution.

2. Cost-Benefit Analysis. Requires a formal requirements analysis usually presented in a Mission Needs Statement; both global and alternative assumptions that introduce greater complexity in the analysis of the problem; consideration of multiple alternative solutions; more flexibility allowed in the use of extrapolated data in the development of future costs and benefits of alternative solutions; may require sensitivity analysis to test assumptions and constraints; and the presentation of findings in terms of constant dollars, current year dollars, and net present value.

3. Functional Economic Analysis. Requires a formal requirements analysis; development of all feasible alternative solutions; activity/process analysis; construction of an Activity Based Cost (ABC) model; calculation of full costs and benefits of all alternative solutions; comparison of alternatives through multiple financial measures such as net present value, benefit-cost ratio, amortization rates, etc.; mandatory

sensitivity analysis of all key parameters; an analysis of risk through the development of risk adjusted cash flow projections; and the presentation of results comparing all feasible alternatives to the recommended solution.

In general, the financial analysis technique that best supports the development of NAVSUP-FISC business partnership proposals is the basic Cost Analysis. The problem under consideration is the approach to downsizing, streamlining, and otherwise reducing the costs of Navy logistics support infrastructure while continuing to provide the same or higher quality logistics support services to Navy logistics customers. The NAVSUP strategy for attacking this problem is to offer other Navy commands the opportunity to partner with NAVSUP FISCs in those product areas that are core to FISC business, thereby gaining the efficiencies in operations and cost reductions that FISCs can bring to the partnerships. The purpose of the Cost Analysis in these scenarios is to determine whether or not there are indeed savings to be realized in any prospective partnership proposal through a FISC assumption of operational responsibility for a prospective partner's business operations. The alternatives are: 1. The status quo of not making a partnership bid and, 2. Making a positive bid to enter into a partnership arrangement with a potential partner. This Guidebook will focus solely on describing the mechanics of performing a Cost Analysis within the specific context of analyzing the financial consequences of prospective NAVSUP-FISC partnership proposals. It is not intended to be an all purpose guide to performing cost analysis of the financial consequences of generalized business problems.

I.B. BCA RESPONSIBILITIES

There are two principal phases to a FISC partnership BCA. The first phase is the preliminary investigation and examination of the elements of a potential partnership to determine if there is a good "business fit" and reasonable expectation of realizing cost reductions or savings to warrant the commissioning of a full scale BCA . The second phase is the actual performance of the BCA itself that is accomplished by a team of functional experts with an appointed team leader responsible for organizing and directing the work of the BCA Team in performing the cost analysis of a prospective partnership proposal. The first phase is generally the responsibility of either the NAVSUP staff or the FISC staff, depending on where the initiative for the partnership proposal begins. The second phase is clearly the responsibility of the BCA Team Leader. Both phases must be accomplished well to insure the best chance for a successful BCA. The BCA Team Leader is normally appointed or designated after phase one is complete. But since it will be the BCA Team Leader who will ultimately be held responsible for the quality of the analysis and its recommendations, it is

important that the Team Leader have a good understanding of the kind of work that should have been accomplished in phase one in support of the BCA. The Team Leader must assess the quality and completeness of phase one actions and be prepared to seek additional information or clarification to insure that the proper foundation for the conduct of the analysis has been laid.

Section II of this Guidebook will discuss the areas that should be accomplished in phase one in developing FISC partnership proposals. Section III will develop the specific steps and methodologies for conducting a cost analysis of a FISC partnership proposal.

II. DEVELOPING PARTNERSHIP PROPOSALS

A decision to proceed with developing a bid proposing a partnership arrangement with a prospective partner involves a commitment to expend scarce and valuable resources (time, manpower, and dollars). So it is prudent to perform a preliminary analysis to determine if there is a good “business fit” between the products and services provided by the prospective partner and the products and services offered by the FISC, and if there appears to be reasonable potential for the FISC to generate efficiencies and cost savings for the partnership. This implies a good understanding of the mission, goals, objectives, and core competencies of NAVSUP and its FISCs, as well as a sufficient base of knowledge about the business areas and processes of a prospective partner in order to make an informed judgment on whether or not to proceed with a BCA. This section outlines the staff work that should be accomplished in laying the foundation for the BCA. The final product of this staff work will be a Charter that provides guidance and direction for the BCA Team for the conduct of the BCA.

II.A. NAVSUP/FISC STRATEGIC PLAN, GOALS, AND OBJECTIVES

NAVSUP’s mission is to provide our Naval Forces quality supplies and services. This is accomplished with the following vision statements:

- We are a principal source of readiness for our Naval Forces.
- We are exceptional business managers.
- We deliver the professional capabilities of a diverse team to provide information, material, services and quality of life our Naval Forces need.
- We have established strategic partnerships to the advantage of the Navy.
- We fully coordinate our plans and policies with our customers.

To support this mission, NAVSUP’s Strategic Plan describes the long range mission, key issues, objectives, outcomes and vision to keep pace with the only constant in today’s fiscal and national security environment - “CHANGE.” This requires commitment to the NAVSUP mission and flexible, yet unyielding support to the customer. The Strategic Plan charts the course to improve performance and reduce

costs in key business areas over the next several years. The Plan lays out fifteen key issues with specific objectives and measurable outcomes.

- 1.** Improvement of Quality of Life services in the Navy through NAVSUP's support services organization.
- 2.** To improve our ability to ensure full, equitable and simple financing of Fleet and Industrial Supply Center/Inventory Control Point (FISC/ICP) products and services, define and implement for FY96 a strategy for: uniform cost identification, categorization, method of recovery, and surcharge.
- 3.** Execute a claimancy downsizing for FY97-99 that enables a 13 percent reduction in personnel in addition to the claimancy's 50 percent reduction through FY96.
- 4.** Define and implement NAVSUP's strategy to support the special mission and functions for the Fleet and Industrial Supply Centers (FISCs) Outside the Continental United States (OCONUS).
- 5.** Establish mechanisms to offset potential negative impacts of Headquarters relocation outside of the National Capitol Region and other claimancy realignments.
- 6.** Standardize supply business processes.
- 7.** Implement acquisition reform legislation and other NAVSUP streamlining initiatives and provide appropriate implementation guidance.
- 8.** Develop, articulate, and implement an inventory strategy to achieve the best balance between affordability and readiness.
- 9.** Define Automated Information Systems strategy to support Corporate Information Management (CIM) (strategic) systems, legacy (strategic) systems, non-CIM (tactical) systems and base level computing.
- 10.** Achieve Fleet and Industrial Supply Center (FISC) Partnerships which benefit the Navy.
- 11.** Define strategy for communicating NAVSUP process change, mission, plans, capabilities, and accomplishments to stakeholders, including claimancy, customers and decision-makers.
- 12.** Examine, in the context of advantage to the United States Navy (USN), NAVSUP's business opportunity and responsibility in Foreign Military Sales(FMS) life cycle support.
- 13.** Improve Program Support Inventory Control Point (PSICP) performance at Team Inventory Control Point (ICP).
- 14.** Fleet contingency operations support
 - Review and validate NAVSUP's role in logistics support for Operations Other Than War (OOTW).
 - Use of Supply Corps reserves in support of NAVSUP's mission and mobilization planning.
- 15.** Provide rules and tools for regional maintenance/industrial support.

The FISC Operations Guide describes the specific FISC goals and objectives that support the overall NAVSUP Strategic Plan. FISC product lines and business processes are defined and discussed in detail to include system support requirements, financing mechanisms, measures of effectiveness, etc. The mission of each FISC is to become the Provider of Choice to all Navy customers within the FISC's region of responsibility for the FISC product lines and services as follows:

- **Material Management:** The establishment and execution of policies and plans needed to support customer material requirements.
- **Procurement:** The outside acquisition of goods and services.
- **Technical Support:** The screening of customer requirements for NSN, substitute availability, source of supply, and hazardous material content.
- **HAZMAT:** Providing hazardous material management and re-use services.
- **Transportation:** Providing regional transportation services
- **Household Goods:** Processing, moving, and storing personal property related to PCS.
- **Fuel:** Receiving, storing, testing, transporting, and delivering POL products.
- **Supply Support Consultation:** Offering supply management solutions to enhance supply processes and reduce regional logistics costs.

These product lines and services will have different meanings to different customers and partnership proposals should be tailored to reflect the needs of specific customers. The potential customer base for FISC partnership agreements have been segregated into four target market segments as follows:

- **Fleet Support**
- **Industrial**
- **Regional Maintenance**
- **Bases/Activities**

Appendix A contains a more comprehensive treatment of the kinds of issues/concerns for each FISC product line or service that are most likely to be of interest to potential partnership customers in each market segment.

II.B. UNDERSTANDING PROSPECTIVE PARTNERS

The preliminary analysis of a potential partner's business areas must develop sufficient information about that business to make an assessment as to whether or not to proceed with the development of a partnership proposal. Following are a representative sample of the kinds of issues and questions the staff must research in producing this assessment:

- Examine the products and services provided by the potential partner. Is there a match with FISC products and services? Is there an opportunity for follow-on partnering?
- Analyze the potential partner's customer base to insure compatibility with FISC goals and objectives. Does the partnership achieve the FISC's payback goals?
- Develop an estimate of the potential partner's business volume such as size, types, and value of inventories managed; number of procurement actions supported; the geographical distribution of the customer base, etc. Does the prospective partner operate in a stable environment?
- What kinds of automated system support does the potential partner employ? Are they compatible with FISC automated systems such as UADPS-U2? If not, estimate the level of difficulty and cost of developing system interfaces.
- Describe the potential partner's functional business processes that support his products and services with a view as to whether or not FISC business processes can be easily substituted. Is there potential for improvements through the application of FISC management procedures that will lower costs of operations?
- Outline the potential partner's performance standards for the products and services provided. Do the standards meet customer needs and expectations? If not, why not? Are the standards unnecessarily too demanding and exceed customer needs, resulting in higher operations costs? Can the FISC perform to the same or better standards?
- Identify and describe any non-objective or non-quantifiable factors that may have an impact on the development of a successful partnership proposal. Is

the potential partner a “willing” player in the partnership, i.e., is the proposal being solicited by the potential partner? Or will the proposal be an unsolicited bid by the FISC to the potential partner? Are there outside forces bearing on the proposal such as BRAC? Is the proposal the result of a “grass roots” initiative from field level activities? Or is it a headquarters developed and directed initiative?

- Decide on the level of effort required to achieve partnership and the expected BCA outcome. Does the prospective partner currently have the personnel resources and skills necessary to perform the function and will they transfer to the FISC under FTE guidelines? Is the time required to conduct the BCA and achieve partnership acceptable?
- Does the partnership fit in with the Regional Maintenance Concept? Are FISC departments ready to partner?

The above list of issues and questions are not by any means inclusive of all the parameters of interest that should be investigated by the staff in assessing both the nature of the prospective partner’s business and the environment in which the proposal will be offered and received. Each partnership proposal will be different and the BCA staff must take the time necessary to perform the research and develop the questions and answers that will generate a thorough understanding of the potential partner’s business areas and processes. What is at stake in this step of the process is the credibility of the FISC proposal. Implicit in the act of offering a proposal to partner and assume responsibility for the partner’s business processes, is an assumption that the FISC understands the partner’s business processes at least as well or better than the partner. The cost analysis must support that assumption if the proposal is to have credibility. The development of that credibility begins here in the assessment stage.

II.C. FRAMING THE PROPOSAL

When the preliminary research supports a decision to proceed with the development of a partnership proposal to present to a prospective partner, the next step is to examine the financial consequences of a partnership arrangement. This begins by commissioning a Business Case Analysis Team who will be tasked to do the work of performing the financial cost analysis to determine if there is a sound financial basis for supporting a partnership bid. The staff must develop the template or

framework within which the BCA Team will operate in conducting its analysis. Developing this BCA Charter is perhaps the most important single step in the development of a successful BCA, and if not completed correctly will almost certainly result in a flawed analysis.

As a minimum a BCA charter should include instructions to the BCA Team in the following areas:

1. **BCA Mission.** A clear statement of the mission of the BCA Team. The mission statement should describe the problem that the partnership proposal is designed to solve, the role that the BCA plays in the solution to the problem, and the form of the BCA recommendation.
2. **BCA Team Composition.** The Charter designates a BCA Team Leader and team members and the functional expertise they represent. It is highly desirable to have on the team someone with expert functional experience in each product line or service area that is included in the partnership proposal. It is not necessary to identify specific individuals at this point, but it is necessary to clearly define the areas of functional expertise that must be represented by the team members and the organization that has the lead responsibility for producing the BCA. Ideally this team should be composed of people from both the FISC and the potential partner. This becomes even more important if dealing with a “reluctant” potential partner. Here the operative term is “partnership,” and the desired outcome is building trust and confidence between the parties.
3. **BCA Objective.** Every BCA has as its primary objective the production of a comprehensive cost analysis to **assist** the potential partner(s) from a purely dollars and cents point of view, in deciding on whether or not a partnership will save dollars or cost dollars, and thus whether to proceed with a bid to enter into a business partnership (Bid/No-Bid Decision). However, a partnership proposal decision often involves more factors than just the financial impact. Questions of “host-tenant” relationships, partnership implementation procedures, allocation of personnel hiring authority, coordination for third party support (e.g., CDAs), etc., must all be addressed in the consummation and execution of a successful partnership agreement. A well designed and executed BCA will normally contain within it sufficient analysis and information to address such issues in an implementation agreement (typically a Memorandum of Agreement (MOA)). To the extent that preliminary staff research can identify such potential implementation issues, it is acceptable to include them in the charter as secondary objectives for the purpose of more clearly defining the issues and collecting data to support the development of potential solutions when the MOA is negotiated. However, it should not be the objective of the BCA Team to solve

implementation issues during the conduct of the BCA. That task should be left to the partnership parties to negotiate in the drafting of the MOA.

4. **Bounding the BCA.** This section of the Charter must clearly define the limits or the boundaries of the financial analysis. This is accomplished by a clear definition of the business functions/processes/organizations that are the targets of the partnership proposal. All known assumptions and constraints that will limit the BCA Team in the conduct of the analysis and development of alternative solutions to issues that arise during the conduct of the analysis must be enumerated. A good place to begin identifying these assumptions and constraints is through a thorough review of higher headquarters policies that establish rules, methods, and procedures for the business areas that are contained within the partnership proposal. Following are a few examples and the potential impact of such assumptions and constraints taken from an actual FISC partnership BCA:

- Workload levels will remain relatively constant at the level determined as of 13 June 1994 for the next three years. (Assumption). *Simplifies the analysis, but introduces a certain level of risk into the findings and recommendation.*
- The FISC will not assume responsibility for collection and disposal of hazardous waste material. (Constraint). *Maybe the FISC could perform this function more efficiently than the partner and reduce the costs of the process?*
- The partner will retain operational and management responsibility for all ordnance items. (Constraint). *Not one of the core business product lines in which the FISC has expertise.*
- Base operating support services currently provided to the partner's business areas will continue to be provided at the same levels on a non-reimbursable basis under FISC management. (Assumption). *What happens if base activities providing the support services take further budget cuts in the out years and have to increase rates? Who absorbs the increase?*
- Performance levels under FISC management must be equal to or greater than current status quo performance levels. (Constraint) *Maybe current performance levels are set unnecessarily high? Customers may be willing to accept slightly lower performance for a significant reduction in prices.*

It is impossible to account for all the possible assumptions and constraints that may affect a FISC partnership proposal. Each case will be different. This part of the Charter must strike a balance between constraining the analysis to the point that it

would be difficult or impossible to produce a meaningful recommendation, and giving the BCA Team the flexibility to develop creative and innovative solutions to problems and issues that surface during the course of the BCA. At the very least, the BCA Team Leader should be given the authority to request relief from mandated assumptions and constraints if he/she can demonstrate the feasibility of an alternative proposal and the benefit to the partnership.

5. **Schedule of Events.** This section of the Charter should lay out the timeline for conducting the BCA. It begins by designating a formal start date; requirements and dates for progress reports; staff consultations, and interim briefings; and it ends with the identification of a formal ending date which usually coincides with the delivery of the final BCA Report and final staff briefing. It must also include a desired outline of the format of the final “decision briefing” that the BCA Team Leader will present at the conclusion of the BCA. This outline will provide the BCA Team Leader with a good foundation for producing a tightly focused briefing that summarizes the results of the BCA analysis.

III. PERFORMING A FISC PARTNERSHIP BCA

This section identifies and discusses the specific activities that must be performed during the conduct of a FISC Partnership BCA. It focuses on describing how each activity contributes to the development of the analysis and how all the activities taken as a whole relate to each other. Specific detailed instruction on how to perform certain highly technical functions such as designing systems of multidimensional, interconnected computer spreadsheets for capturing and displaying data is beyond the scope of this Guidebook and the reader should consult the appropriate technical reference sources for additional information as needed.

III.A. THE BCA PROCESS

Before proceeding to the task of describing the “nuts and bolts” of performing cost analysis, it is worthwhile at this juncture to discuss several general points about the BCA process. These should be understood and internalized by each member of the BCA Team, but most especially by the Team Leader:

1. Define what is meant by a “successful BCA”. A successful BCA is one that produces a completely objective and unbiased analysis of the financial consequences of the proposed partnership. Findings and conclusions should be based on hard data (facts) that are traceable and auditable whenever possible; assumptions and constraints are realistic and pass the “reasonableness” test; and the analysis supporting the conclusions and recommendations must be based on sound financial principles. The success of the BCA is defined by the honesty of the appraisal, and does not depend on whether or not the analysis produces a cost savings for the partnership proposal.

2. Every BCA is unique in that each will have its own set of constraints, assumptions, environment, etc. The BCA Charter will not answer all the questions that will arise in the course of the analysis and neither will the guidance provided in this guidebook. All this guidebook can do is to provide some sound advice on how to proceed and a process framework for conducting the analysis. It will not substitute for good judgment in recognizing when it will be necessary to tailor the method to fit

particular circumstances. That task is the responsibility of the Commanding Officers and their BCA Team Leader.

3. The underlying purpose of a BCA is to evaluate the financial soundness of a proposed solution to a problem with a financial analysis that will supply the decision maker with one important piece of information that will be considered together with other factors that bear on the decision. As mentioned earlier, the solution is a proposed FISC business partnership, and the problem being solved is how to streamline and reduce the costs of Navy logistics infrastructure while continuing to produce the same or better high quality logistics support to Navy customers. If the analysis indeed produces a conclusion that cost reductions or “savings” can be achieved by the FISC partnership, the analyst must insure that such savings are in fact actual real savings to the Navy as a whole, i.e., reduce the expenditure of appropriated dollars regardless of the source or “ownership” of those dollars. The analyst must avoid the development of “shadow” savings that are often produced by suboptimizing operations within the partnership context by causing functions/activities and their attendant costs to be transferred to other Navy organizations/activities outside the partnership. The analysis must pass the tests of:

- the NAVSUP Comptroller’s scrutiny,
- an evaluation by the partner’s Comptroller, and,
- the Navy Comptroller’s independent audit.

4. The final point to emphasize is to be constantly aware of the fact that if left to itself, a BCA can extend almost indefinitely collecting and refining data, performing and refining analyses, developing and revising assumptions, etc., in search of the “perfect” solution. It is the job of the BCA Team Leader to exercise control and discipline in guiding the team through the process and recognizing when the analysis can support solid answers to the following questions:

- Is the proposed partnership concept of operations technically feasible and acceptable to the potential partner?
- Is the data supporting the analysis based on facts and reasonable, unbiased assumptions that can be independently verified and audited?
- Is the BCA recommendation based on sound financial analysis that has captured and considered all substantive cost elements that impact the proposed partnership?

When the team leader can answer “Yes” to the above questions with confidence, the analysis is finished and the work of the team should be directed to producing the

final report and decision briefing for the presentation of conclusions and recommendations to the decision making authority.

III.B. BCA METHODOLOGY

Most financial analyses can be described as a four phase process within which there can be identified as many as eleven distinct activities. This process is described below for a FISC partnership proposal:

PHASE I: Definition

Step 1. Define the problem to be analyzed or solved.

Step 2. Formulate assumptions and constraints.

Step 3. Identify potential alternative solutions or approaches for analysis. Select a preferred alternative for the partnership proposal.

PHASE II. Data Collection

Step 4. Create a data collection plan.

- Identify and classify by type of required data elements, i.e., workload, cost, etc.
- Create data collection procedures and forms.
- Design and construct spreadsheet architecture for archiving, manipulation, and presentation of business case data.

Step 5. Collect data and populate the spreadsheet database.

- Workload data. This is data that quantifies the amount of work that is performed in each business area.
- Performance data. This is data that quantifies how efficiently work actually is accomplished.

- Cost data. This is data that captures the total cost of operating a business area.
- Performance standards data. This is data that describes minimum acceptable levels of the efficiency of work performed. It includes customer requirements as well as internal measures of performance.

Step 6. Analyze data for consistency and any obvious anomalies. Revalidate with the source if required.

PHASE III: Evaluation and Analysis

Step 7. Compare cost of status quo to partnership proposal.

Step 8. Perform sensitivity/risk analysis (if required).

PHASE IV: Presentation of Results

Step 9. Construct summary level tables and graphs of the data.

Step 10. Write the BCA Report.

Step 11. Build and present the top level decision briefing.

The process has been described above in sequential steps in order to clearly identify each of the specific activities that must be accomplished during the course of a complete FISC partnership BCA. The actual conduct of a BCA, however, never follows such a neat, sequential series of steps such that, for example, once Step 3 is completed and the analysis has moved on to Step 4 and beyond, that Step 3 is never revisited again. In reality, a BCA is an iterative process that is constantly looping back to previously accomplished activities to revise assumptions, recast the preferred solution, collect new data, etc. Figure 1 below is a graphic representation of how the process actually behaves.

Note that Steps 2 & 3 and Steps 7 & 8 are so closely interdependent that they are usually performed as a simultaneous activity. At each iteration of the process, the Team Leader and members must review the three questions from the preceding section. (Additionally, although performed simultaneously, they must be addressed separately in the report).

- Is the proposed partnership concept of operations technically feasible and acceptable to the potential partner?

- Is the data supporting the analysis based on facts and reasonable, unbiased assumptions that can be independently verified and audited?
- Is the BCA recommendation based on sound financial analysis that has captured and considered all relevant cost elements that impact the proposed partnership?

FISC Partnership BCA Methodology

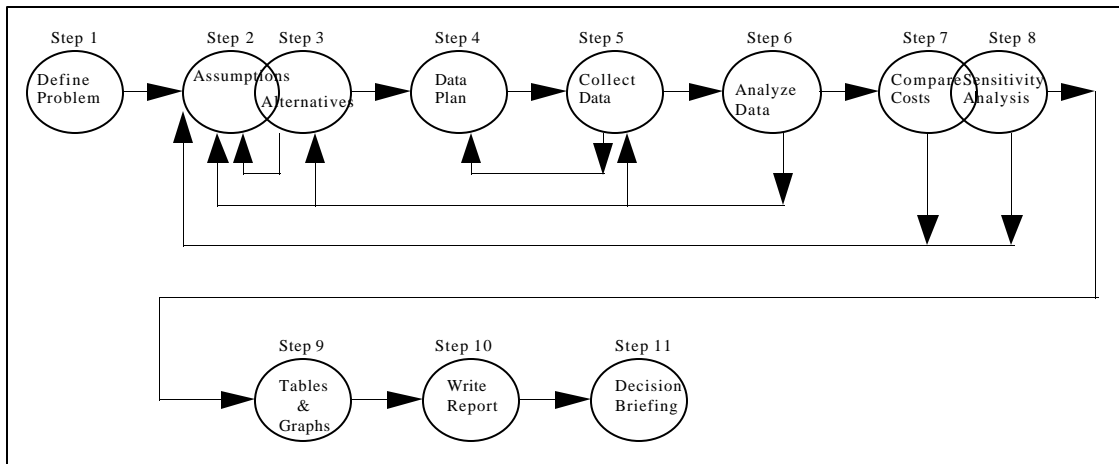


FIGURE 1.

III.C. APPLYING THE METHODOLOGY

This section will present a more detailed discussion of each of the activities described in Figure 1 as they apply to performing a FISC partnership BCA.

Step 1: Defining the Task. Before beginning the BCA the Team Leader must insure that all members of the team have a clear and common understanding of the mission and objectives of the analysis. This begins with a review of the BCA Charter paying particular attention to any pre-determined assumptions and constraints that establish the boundaries of the analysis. If the Charter was a thoroughly researched and well written document, then this step should not be too difficult or time consuming. However, this is not always the case. Assumptions and constraints may not be stated clearly, or appear to be unrealistic or unnecessary. The team may feel that

key issues that should have been addressed in the Charter were left out. This is the time for the Team Leader to raise these issues with the BCA Charter authority to seek further explanation, clarification or definition of the boundaries. If there are provisions in the Charter that the team feels will unnecessarily confine the analysis by ruling out of bounds attractive, technically feasible alternatives that show promise of producing cost savings, then these provisions must be challenged early and relief requested. If this step is correctly performed, the analysis will begin with focused direction and organized effort. If it is not, the chances of wasting time and resources pursuing unacceptable alternatives and data, or producing a flawed analysis is greatly increased.

Steps 2 & 3: Formulating Assumptions & Constraints and Selecting a Preferred Alternative. Steps 2 and 3 have been combined for discussion because they are so closely intertwined that, in practice, they are generally accomplished as one activity.

Team members must know the difference between facts and assumptions, and assumptions and constraints. Facts are information about the BCA environment that can be supported through verifiable data or direct observation. Fact: *The Agency obligated \$10 million in FY92 for support contracts. (Verified through the Agency Comptroller's FY92 Contract Obligations Report).*

Assumptions are statements describing an estimate of the future condition of the environment when facts about the environment are not available. They deal with uncertainty. Assumption: *The Agency budget requirements for facilities maintenance and repair funding will not exceed \$2 million per year over the next three years.* This is an educated guess or estimate of future requirements and needs to be realistic and reasonable. If maintenance and repair expenditures for the past several years have exceeded \$3 million per year, the assumption is probably not valid and needs to be revised. On the other hand, maybe agency facilities were completely renovated for that \$3 million per year for the last two years and the expectation of reduced maintenance and repair requirements for the next few years is a reasonable and valid assumption. The point is that assumptions must have some basis that can be evaluated. They must be founded on a reasoned and logically developed rationale that a "reasonable" person would agree is a realistic or fair prediction of the future.

Constraints are factors external to the environment in which the BCA is conducted. They represent barriers or fences beyond the control of the BCA Team and establish boundaries within which the analysis must be performed. Most constraints derive from organizational policies, procedures, regulations, business rules, etc. But like assumptions, constraints must also be realistic and reasonable. Constraint: *The partnership proposal must demonstrate at least 30% reduction in costs over the prospective partner's current annual budget of \$10 million.* Suppose the BCA preferred alternative

generates only 25% in cost reductions. What does this mean? Will the BCA be rejected because the proposal will only generate \$2.5 million in savings instead of \$3 million? Would higher level headquarters relax the constraint? Perhaps. There may be other factors bearing on the issue not known to the BCA Team Leader, but most likely not. In any event, this would seem to be an excellent constraint for the Team Leader to challenge. On the surface, it would not seem to pass the reasonableness test.

Selecting a “preferred alternative” deserves clarification. The cost analysis in the BCA will evaluate and compare two alternatives: The first is maintaining the status quo under the prospective partner’s management, i.e., the alternative of not entering into a partnership with the FISC. This alternative is analyzed and costed out. It is generally referred to as the “baseline” case. The second alternative is the case where the FISC’s proposal is presumed to be accepted and a partnership agreement concluded which provides for the FISC to assume management responsibility for the partner’s business areas under some FISC proposed Concept of Operations (CONOPS) (FISC business rules, methods, policies, procedures, systems, etc.) The proposed CONOPS forms the basis for the partnership proposal. It is developed during the analysis by the BCA team, which will probably be faced with choices on how the FISC will manage the partner’s business.

Why does the Team have to make choices? Why not just use the FISC’s current established CONOPS? In an ideal world this would probably be the correct approach as it would not require the FISC to make any adjustments in its business processes. In the real world this is almost never the case. Differences in business practices, automated systems, performance requirements, etc., will almost always require compromises and choices to be made on how business will be managed under a partnership- at least initially. From among those choices then, will be chosen those that best fulfill all the parameters of the proposed partnership in terms of meeting business area functional requirements, agreed on performance standards, customer requirements, adhering to boundary constraints and assumptions, etc. Those choices together form the “preferred alternative” for the FISC proposed CONOPS that is costed out to compare against the baseline case.

This process of developing assumptions and selecting a preferred alternative for the proposed CONOPS is the heart of the analysis. It is not an easy process, and it is precisely the reason why it is so necessary to insure that the BCA Team members are highly knowledgeable, experienced, functional experts for the business areas they represent. This part of the BCA will require a thorough process analysis of the prospective partner’s business activities and CONOPS. The team then begins the process of examining compromises and testing choices from the business rules of both parties. Each alternative and assumption must be re-examined and tested for validity and either modified or discarded as required.

Step 4: Create a Data Collection Plan. Data required to perform an analysis of a FISC partnership proposal can be classified into four general areas:

1. Workload: This is data that describes how much work is performed by each business area, or the work output of a function. It is normally expressed in terms of total numbers of actions accomplished in a given time period, or allocation of responsibility per employee, etc.; e.g., total number of requisitions filled per year, total number of procurement actions accomplished per year, number of material item records per inventory manager, etc.
2. Performance: This is data that describes how efficiently each business area accomplishes its work. It is normally expressed in terms of a rate, percentage, or time to complete an action, i.e., number of requisitions filled per hour, percent of warehouse refusals, average time to process a purchase order, etc.
3. Cost: Relatively self-explanatory. The analyst will be interested, however, in stratifying the costs of a business area into cost categories and the individual elements of expense within each cost category for operating that business area; e.g., recurring, non-recurring, personnel, material, facilities, etc.
4. Standards: This is data that describes the minimum level of acceptable performance in accomplishing work. It is normally expressed as a desired rate of work output, or some measure of response to customer requirements; e.g., average customer wait time, percent of on time deliveries, maximum PALT of 10 days, etc.

The BCA Team must decide what kinds of data they require in each of the above categories; where the sources are that can be used to supply the data; and the level of detail required to support the analysis. Then they must devise a plan, or approach, for collecting the raw data and transforming it into useful information. Typically this involves designing both a paper form for capturing the data in a Data Call package that is sent to the prospective partner to complete, and a system of integrated computer spreadsheets into which the data are input for manipulation into useful output. This output generally takes the form of tables and graphs to display information in support of the BCA analysis.

The process begins with thinking and/or brainstorming about the data that will be required in each category and devising a scheme for organizing and stratifying the data elements into collection forms that are clear and easy to understand and complete,

and a spreadsheet architecture that imitates as much as possible the design of the data collection form to simplify the task of transferring the data from the collection forms into the spreadsheet and reduce the chance of introducing errors. Using Cost Data as an example, the following discusses one approach:

Identify the cost data required.

- Types of Costs: **Recurring** and **Non-recurring**. Recurring costs are the day-to-day costs incurred in running a business that are paid on a periodic basis. They are sometimes referred to as operations costs or operations & maintenance costs. Non-recurring costs are costs that are only paid once. They are sometimes referred to as start-up costs, one-time costs, investment costs, or initiative costs.

- Categories and sub-categories of Costs: **Personnel**. Civilian personnel, military personnel, contract personnel, etc. **Material**. Expendable material, accountable minor equipment, investment equipment, etc. **Facilities**. Rent, lease, depreciation, utilities, minor construction, maintenance & repair, etc. **Automated Information Systems (AIS)**. Hardware, software, communications, data subscriptions, etc. **Contract Services**. **Indirect**. **General & Administrative (G&A)**.

Organize and stratify the cost data elements. One useful way to begin this process is to display the data elements in a numbered indented list.

1. Recurring
2. Non-recurring
 1. Personnel
 1. Civilian
 2. Military
 3. Contractor
 1. Salaries
 2. Training
 3. Travel
 2. Material
 1. Consumable supplies
 1. Office administration
 2. Shop consumables
 2. Accountable minor equipment
 3. Investment equipment
 3. Facilities
 1. Rent, lease, depreciation

2. Utilities
3. Maintenance and repair

In the above example, there are four levels of cost data stratification which makes it easy to use a four digit number scheme corresponding to the four levels of stratification to uniquely identify each individual data element. For example, **2133** refers to non-recurring, personnel, contractor, travel costs, and **1212** means recurring shop material costs for consumable supplies. If a cost category only has three layers of stratification, then the fourth digit becomes zero. So that in this example, the cost element for recurring facility utilities becomes **1320**.

Such a scheme becomes very useful in the computer spreadsheet design because it makes it very easy to sort and array the database in a variety of ways for display of information. Figure 2 below is an example of a possible spreadsheet architecture for three cost categories and four business areas.

SAMPLE SPREADSHEET ARCHITECTURE (Excel 5.0)

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
2	RECURRING								PARTNERSHIP BUSINESS AREAS					
3	COST DATA													
4						Cost			Material	Technical	HAZMAT	Customer		Cost Element
5						Elements			Management	Support	Management	Service		Totals
6	Personnel													
7	1	1	1	1		Civilian Salaries								
8	1	1	1	2		Civilian Training								
9	1	1	1	3		Civilian Travel								
10	1	1	2	1		Military Salaries								
11	1	1	2	2		Military Training								
12	1	1	2	3		Military Travel								
13														
14	Material													
15	1	2	1	1		Office Supplies								
16	1	2	1	2		Shop Supplies								
17	1	2	2	0		Minor Equipment								
18	1	2	3	0		Investment Equipment								
19														
20	Facilities													
21	1	3	1	0		Rent, Lease, etc.								
22	1	3	2	0		Utilities								
23	1	3	3	0		Maint & Repair								
24														
25						SUBTOTALS								
26						RECURRING								
27														
28	AIS													
29	1	4	1	0		Hardware								
30	1	4	2	0		Software								
31	1	4	3	0		Communications								
32	1	4	4	0		Data Subscriptions								
33														
34	NON-RECURRING													
35	COST DATA													
36														
37	Personnel													
38	2	1	1	1		Civilian Salaries								
39	2	1	1	2		Civilian Training								
40	2	1	1	3		Civilian Travel								
41	2	1	2	1		Military Salaries								
42	2	1	2	2		Military Training								
43	2	1	2	3		Military Travel								
44														
45	Material													
46	2	2	1	1		Office Supplies								
47	2	2	1	2		Shop Supplies								
48	2	2	2	0		Minor Equipment								
49	2	2	3	0		Investment Equipment								
50														
51	Facilities													
52	2	3	1	0		Rent, Lease, etc.								
53	2	3	2	0		Utilities								

FIGURE 2.

Note that all cost elements are applied to every business area. The purpose is to establish a standard set of cost elements that apply globally for the entire analysis. If a particular cost element does not apply to a given business area, then the entry for that element would be \$0.00.

The cost collection section of the Data Call forms package that is sent to the prospective partners business areas for initial data collection must be organized along the same design as the spreadsheet. However, there should be sufficient definition and explanation of each data element to make it clear to the recipient exactly what costs are being sought. Finally, there must be a separate set of forms for each business area that is providing data.

Each of the other three classes of data (workload, performance, and standards) must be treated in a similar fashion as cost data. Brainstorm the data elements needed in each category; design the spreadsheet architecture for archiving the data; and design the data collection forms for collecting the data to complement the spreadsheet design. Include definitions and clarifying text as required. The package of Data Collection forms must have a distinct section for each class of data that is being collected.

Step 5: Collect Data. Collecting data is a time consuming process and can also be a very expensive process if not properly orchestrated. There are a number of different ways that the actual collection of data could be managed. The method chosen must be selected to fit the needs of the particular analysis. The goal of the team should be to maximize the accuracy and completeness of the data collected while minimizing the time and expense of collecting it. One method that has been used with good results is as follows:

- Provide the Data Collection package to the prospective partner in advance of the BCA Team's visit to the partner's place of business. This will allow personnel an opportunity to study the requirements and become familiar with the data. This must be accomplished about two to three weeks prior to the on-site visit.
- Perform the visit to the prospective partner's business site(s) and collect the data forms. While on site, make a preliminary assessment of the quality of the data and conduct face to face interviews with business area key personnel to clear up any obvious errors or omissions, etc.
- Return to home office and transfer data into the computer spreadsheet database. Analyze data for anomalies and reverify with the source as required. This can usually be accomplished by telephone, message, or fax. If a second on-site visit is required specifically for the purpose of validating data or collecting new or missing data, this is a good indication that the data collection plan was probably not designed very well and/or executed poorly.

Finally, before leaving this discussion of data collection planning, it is worth making the point that the BCA Team must either include a member who is very proficient at designing and using complex systems of interconnected spreadsheets, or have access to a specialist who can provide this service. The design of such a system of spreadsheets can be a very complex task when the analysis has to account for a multidimensional presentation of data. The set of cost elements will represent one dimension, and the set of product lines or business areas will represent a second dimension. The two dimensional case is relatively uncomplicated and easily managed.

But if multiple sites are part of the analysis, this introduces a third dimension. And if data must be considered over multiple years (as with multi-year investment costs), a fourth dimension is added. Now the problem of aggregating data into information and choosing from the many possible combinations for displaying and presenting the information for maximum effect becomes considerably more difficult.

Step 6: Analyzing the Data. This step involves displaying the collected data into tables and graphs for comparison to look for unusual trends and deviations from established patterns, or inconsistencies in relationships between data elements that should correlate. Again, this process requires experienced functional experts who understand the data under review; can recognize potential anomalies or inconsistencies; know the right questions to ask; and can distinguish good answers from bad ones. As an example, Figure 3 is a table depicting workload data from five sites taken from a recent FISC partnership BCA, and a sample of the kinds of questions that were asked about the data.

WORKLOAD CATEGORIES	Site 1	Site 2	Site 3	Site 4	Site 5	Totals
Customer Service Actions (Technical Screening, Cataloguing, & MILSTRIP Orders)	41,498	60,189	56,576	28,488	36,534	223,285
Material Management (Item Record Details)	6,155	14,727	4,287	5,274	5,351	35,794
Physical Inventory (Total Items in Inventory)	6,155	17,058	5,274	5,351	3,507	37,345
Small Purchase Actions	25,653	24,991	12,538	8,285	27,447	98,914
Receiving Actions	28,409	71,595	24,000	14,986	23,970	162,960
Receipt Control	26,930	71,595	30,000	18,732	35,526	182,783
Warehousing Actions (Numbers of Stowages and Issues)	31,330	37,794	45,952	35,733	20,400	171,209

- 1. Site 2 manages 14,727 item records with a physical inventory of 17,058 items vs. Site 3 with 4,287 item records managed and an inventory of 5,274 items. Yet Site 3 has more than 2000 issues than Site 2. Why?*
- 2. Shouldn't receipts processed through Receipt Control closely match receipts through Receiving? They match exactly at Site 2, but vary widely at Sites 3 and 5. Why? Also, the likelihood of an exact match occurring as it seems at Site 2 is highly improbable.*
- 3. Site 5 has the smallest number of item records and physical inventory items, but processes the largest number of small purchase actions. Why?*
- 4. The number of physical inventory items and the number of item records managed at Site 1 match identically. The chances of this happening naturally is extremely remote. Is there an error in the data?*

FIGURE 3.

In the actual BCA, some of the suspected anomalies in the above data disappeared because they were caused and easily explained by differences in customer requirements and types of inventories managed by the various sites. However, a number of the data elements did in fact contain significant errors that required correction. The analysis would have been flawed had those corrections not been made.

Rigorous analysis and revalidation of data serves two critical purposes which are essential to the credibility of the BCA:

- First, it increases the accuracy and integrity of the database, and
- Second, it develops the supporting rationale for data that appears questionable on the surface, but is in fact accurate. This develops credibility for the analysis.

Steps 7 & 8: During the course of the analysis, the raw data that is collected will be manipulated into tables and graphs for comparison and analysis. The analyst must be careful about making comparisons between data elements that may not be affected by a common set of assumptions and/or constraints. Examples of this can occur anytime the analysis must make assumptions about future workload levels, inflation rates, customer expectations, work performance efficiency, technology enhancements, etc. When those kinds of assumptions must be made, care should be taken to apply them equally to both the baseline case and the partnership proposal whenever possible. And when not possible, a clear declaration of the differences must be included in the analysis and highlighted in the BCA Report. In complex BCAs with multidimensional data sets to consider, some thought must be given to how to array and present the data to impart maximum information in an unbiased manner. As an example, we will consider a sample BCA of a FISC proposal that involves three business areas, three categories of cost data, at four business sites. The proposal will be for a three year period based on cost projections in constant dollars.

- Business Areas: Receiving, Warehousing, and Local Delivery.
- Cost Categories: Recurring for personnel, materials, and facilities.
- Business Sites: Site 1, Site 2, Site 3, and Site 4.
- Proposal Life: FY95, FY96, and FY97.

Figures 4 and 5 are examples of sets of tables of how one might choose to display aggregated data for comparison and presentation. The baseline case in Figure 4 is fairly straight forward requiring only a two dimensional display for a single year (the baseline year). However, when comparing the baseline case with the FISC

Proposal, two more dimensions are brought into the equation. Figure 5 demonstrates some possible options.

BASELINE COSTS BY BUSINESS AREA & SITE (FY94)

BUSINESS AREAS	Site 1	Site 2	Site 3	Site 4	Totals
Receiving	\$35,000	\$66,000	\$24,000	\$32,000	\$157,000
Warehousing	\$15,000	\$28,000	\$36,000	\$18,000	\$97,000
Local Delivery	\$45,000	\$53,000	\$37,000	\$42,000	\$177,000
Business Area Totals	\$95,000	\$147,000	\$97,000	\$92,000	\$431,000

Table 1.

BASELINE COSTS BY COST CATEGORIES & SITE (FY94)

BUSINESS SITES	Personnel	Materials	Facilities	Totals
Site 1	\$56,000	\$21,000	\$18,000	\$95,000
Site 2	\$84,000	\$26,000	\$37,000	\$147,000
Site 3	\$52,000	\$23,000	\$22,000	\$97,000
Site 4	\$44,000	\$31,000	\$17,000	\$92,000
Site Totals	\$236,000	\$101,000	\$94,000	\$431,000

Table 2.

FIGURE 4.

FIGURE 5.

Sensitivity analysis should not normally be required for a FISC partnership BCA. This technique is designed to test the validity of assumptions about which there is sufficient uncertainty as to present a high probability of affecting the outcome of the analysis, as in the case of financial analyses evaluating multiple alternatives where an

uncertain assumption might change the selection of a recommended alternative. In those cases the assumption is allowed to generate data at the upper and lower bounds of its confidence interval to test whether or not the recommendation supported by the basic assumption would be changed by modifying the values of the financial data that are based on the assumption. The output of a FISC partnership BCA involves a recommendation to either accept the status quo baseline case, or adopt the FISC partnership proposal. In this type of analysis, assumptions should be applied with equal consideration to both sides of the analysis -- status quo vs. partnership. Variances in future costs generated by variability in assumptions would normally only affect the absolute values of the financial analyses of the two cases while maintaining the same relative differences in those values.

Steps 9 to 11: Presentation of Results. By the time the BCA has reached this stage the analysis is complete. But the work is not done until the results have been presented in the BCA written report and the decision briefing delivered to the sponsoring authority. A well executed BCA is of little value if the conclusions and recommendation together with the supporting rationale are not communicated with clarity and brevity but, at the same time, in sufficient detail to allow an independent review of the methodology, analysis, findings, and recommendation. The written report provides the detail while the decision brief presents the key findings from the report in a tightly focused presentation to allow decision makers to take action on the BCAs recommendation. The next section will present a suggested outline for the BCA report with a description of what should be included in each section.

The normal tendency in decision briefings is to try and present too much detail and thus get bogged down in the minutia of the analysis. Each BCA is different and the decision briefing will be tailored to the character of the BCA **and** the particular requirements of the decision maker receiving the briefing. However, there are several general principles that should be helpful in all scenarios:

- **Timing:** Keep the main presentation focused and to the point. A good rule of thumb is not more than 15 to 20 minutes. Questions and discussion quickly consume the briefer's time, so schedule a time block for the briefing period to accommodate interaction between the briefer and the audience. A good planning factor is to allow twice as much time for questions and discussion as the main presentation. So, as an example, plan to block one hour for a 20 minute planned presentation.
- **Content:** The content of the briefing should have been described in the Charter. The Charter authority has the best information about the needs and special requirements of the decision maker who will be receiving the briefing. If

this guidance is not included in the Charter, then recommend the BCA Team leader request guidance. However, in the absence of any particular instructions the briefing should cover the principle areas of the BCA that lead to the recommendation. This should be able to be accomplished in about 10 to 15 slides. The following sequence of slides is an example of how such a briefing might be organized:

TOPIC	# OF SLIDES	CONTENT
Charter	1	Covers the mission and objectives of the BCA
Scope	1 - 2	Covers the product lines/business areas and the boundaries of the BCA.
Assumptions	1 - 2	Describes principal assumptions/constraints.
Methodology	1 - 2	Describes the types of data collected and the analysis process.
Status Quo	2 - 3	Describes status quo CONOPS and baseline costs.
Proposal	2 - 3	Describes FISC proposal (CONOPS and costs).
Summary	1	Compares status quo costs to proposal costs and displays the difference (either cost savings or loss).
Recommendation	1	Bid or No-bid based solely on financial results.
10 - 15		TOTAL NUMBER OF SLIDES

Q&A: The BCA Team must attempt to anticipate all the questions that may be asked by the decision maker and have back-up slides ready with the answers/data. This simple process is sometimes the single convincing element that firmly establishes the credibility of the analysis. It demonstrates to the decision maker that the team has not just collected data and organized it into charts and graphs, but has engaged in critical analysis and thought about the issues and problems that may have been encountered during the project.

III.D. WRITING THE REPORT

The most important point to be stressed in this section is **not to leave the task of writing the report to the end of the project.** A BCA project may require several months

to accomplish. Data and information will be collected by all members of the team, each with their own particular focus on some aspect of the analysis. Information acquired early in the project can be lost if not properly accounted for and archived. Don't rely on memory. Take copious notes and make sure they are available to everyone on the team, and not hiding in some team member's personal notebook. In many respects, a BCA is just like writing a research thesis or report. A good researcher develops a system for collecting, organizing, and storing data and information that has a possible bearing on the outcome of the research study. And so it should be also for a well designed BCA. One useful technique for organizing and storing collected data and information is to produce a draft outline for the BCA report early in the project and build a filing system for data and information based on the outline. Following is an example of one possible outline with an expanded description of the content where appropriate:

FISC Partnership BCA Report

FRONT MATTER

Title Page

Table of Contents

List of Acronyms

Executive Summary

1. INTRODUCTION

1.1 Purpose. A clear short statement of what this report is supposed to do; i.e., present the results and recommendations of the financial analysis of a FISC proposal to establish a partnership between a FISC and a Proposed Partner.

1.2 Background. A short description of the environment in which the proposal is being offered and why it is being offered. Also a brief description about the organization and business of each of the parties to the proposed partnership is appropriate.

1.3 Concept of Operations. This describes the proposed policies, methods, processes, procedures, and business rules the FISC intends to employ in managing the partnership business areas.

1.4. Scope. Describes the business areas that are included in the proposal and also any that are specifically excluded.

1.5. Objectives. Taken directly from the Charter.

1.6. Assumptions and Constraints. Includes those taken directly from the Charter as well as any developed by the team during the conduct of the analysis.

1.7. References. Self-explanatory.

2. FUNCTIONAL REQUIREMENTS

This section describes in detail the prospective partners current CONOPS and special requirements that must be met by a successful proposal. It also describes those portions of the FISC's overall CONOPS that have relevancy to the proposal and any restrictions to deviations from that CONOPS that bound the FISC proposal.

2.1. Overview.

2.2. Requirements.

2.2.1. Proposed Partner.

2.2.2. NAVSUP/FISC

3. FUNCTIONAL ANALYSIS

This is the section that describes in detail the specifics of the proposal and the results of the cost analyses of both the baseline status quo and the partnership proposal.

3.1. BCA Methodology. Describes in detail how the analysis was conducted; i.e., types of data identified; how it was collected; and sources. Did the team make on-site visits to observe business practices and processes? How were assumptions developed and costed?, etc.

3.2. Baseline Cost Analysis. Presents results of the analysis by business area and cost element of the proposed partner's baseline business costs.

3.3. FISC Proposal Cost Analysis. Do the same for the FISC proposal.

3.3.1. Concept of Operations. Describes in detail how the FISC expects to manage the business areas in partnership with the proposed partner.

3.3.2. Implementation Strategy. Self-explanatory.

3.3.3. Benefits. Discuss how this partnership arrangement will benefit both partners and the Navy as a whole.

3.4. Comparison of Status Quo vs. FISC Proposal. Presentation and discussion of summary cost tables from both sides of the analysis by business area and cost element.

4. RECOMMENDATION

Presentation of aggregated costs of the overall costs of operation of the partners business vs. the FISC proposal displaying differences in the costs. Recommendation should be to either make a bid to partner if a cost savings can be demonstrated, or not to make a bid if the analysis demonstrates the partnership will cost more than the status quo.

APPENDICES As required, but as a minimum, all of the collected data contained in the spreadsheets.

APPENDIX A:

PRODUCT LINES AND MARKET SEGMENTS

This appendix describes each of the FISC core Product Lines (Business Areas) and how they relate to potential partnerships in each of the market segments targeted for partnerships by NAVSUP.

MATERIAL MANAGEMENT: The establishment and execution of policies and plans needed to support customer material requirements. This includes forecasting, planning and budgeting, and execution and control. For CONUS FISCs this includes consumer level Inventory Management and for OUTCONUS FISCs it includes aspects of Physical Distribution.

Industrial: Point of Entry (POE) volume, consumer level inventory & positioning, consumer level warehousing and delivery, replenishment & local purchase, repairables management, MTIS, P&P, DMAT, ATAC, Kitting, and Focus Stores (RSS, Pre-Expended Bin (PEB) and shops stores management).

Regional Maintenance: POE, consumer level inventory & positioning, consumer level warehousing and delivery, replenishment & local purchase, repairables management, P&P, DMAT, ATAC, Kitting, and Focus Stores (RSS, PEB and shop stores management).

Fleet Support: MTIS, P&P, ATAC (if not DLA). Includes Storage Operations, NAVXPRESS, and Receiving/Open Purchase receipt processing for OCONUS.

Bases/Activities: POE, consumer level inventory and positioning, consumer level warehousing and delivery, replenishment & local purchase, MTIS, Ready Service Store (RSS). Includes Storage Operations, NAVXPRESS, and Receiving/Open Purchase receipt processing for OCONUS.

PROCUREMENT: The outside acquisition of customer's goods and services. This includes sourcing, procurement, and cost control (by developing, alternative sources of supply, standardization, and substitutes).

Industrial: Sourcing & qualifying, suppliers in terms of quality, pricing, and delivery; negotiations, contract award, administration, modifications.

Regional Maintenance: Sourcing & qualifying suppliers in terms of quality, pricing, and delivery; negotiations, contract award, administration, modifications.

Fleet Support: Sourcing & qualifying suppliers in terms of quality, pricing, and delivery; negotiations, contract award, and development and maintenance of systems

in support of cost reductions, forecasting, planning and budgeting, and execution and control.

Bases/Activities: Sourcing & qualifying suppliers in terms of quality, pricing, and delivery; negotiations, contract award, and development and maintenance of systems in support of cost reductions, forecasting, planning and budgeting, and execution and control.

TECHNICAL SUPPORT: The screening of customer requirements for NSN, substitute availability, source of supply, and hazardous material content. This includes review and research, coordination with inventory management and procurement, and maintenance of complete database libraries.

Industrial: Screening and review of part numbers, notification of possible defective inventory, processing information to replenish or procure material for the customer.

Regional Maintenance: Screening, and review of part numbers, notification of possible defective inventory, processing information to replenish or procure material for the customer.

Fleet Support: Screening, and review of part numbers, notification of possible defective inventory, processing information to replenish or procure material for the customer.

Bases/Activities: Screening and review of part numbers, notification of possible defective inventory, processing information to replenish or procure material for the customer and control.

HAZMAT: Hazardous Material management and re-use services. This includes inventory management, reuse operations, and excess brokering.

Industrial: Screening and review of requirements, inventory, and issue.

Regional Maintenance: Screening and review of requirements, inventory, breakbulk, issue and returns.

Fleet Support: Screening and review of requirements, inventory, break-bulk, issue and returns.

Bases/Activities: Screening and review of requirements, inventory, break-bulk, issue and returns.

TRANSPORTATION: The regional movement of customer resources and assets. This includes the receiving, handling, transport and delivery of material.

Industrial: Pick-up, receiving, sorting, break-bulk and labeling, transport, delivery and unloading of materials.

Regional Maintenance: Pick-up, receiving, sorting, break-bulk and labeling, transport, delivery and unloading, of materials.

Fleet Support: Pick-up, receiving, sorting, break-bulk and labeling, transport, delivery and unloading of materials.

Bases/Activities: Pick-up, receiving, sorting, break-bulk and labeling, transport, delivery and unloading of materials.

HOUSEHOLD GOODS: The processing, movement, and storage of personal property related to PCS. This includes inbound, outbound and claims processing.

Industrial: N/A

Regional Maintenance: N/A

Fleet Support: N/A

Bases/Activities: Receipt, storage, delivery of inbound shipments, counseling and scheduling of outbound shipments, claims processing, and maintenance of qualified vendors for all service members.

FUEL: The receiving, storage, testing, transport, and delivery of POL products. This includes the receiving, storage, testing, transport and delivery of material and waste products.

Industrial: Issue and recovery of fuel products in support of overhauls.

Regional Maintenance: Issue and recovery of fuel products in support of overhauls.

Fleet Support: Issue and recovery of fuel products in support of Fleet Operations.

Bases/Activities: Issue and recovery of fuel products in support of Base Operations.

SUPPLY SUPPORT CONSULTATION: Supply management solutions to enhance supply processes and reduce logistics costs. This includes the senior logistic executives: line personnel directly in support of procurement, inventory management, transportation, fuel; and staff support involved in financial management, planning, and personnel management. This includes aspects of business analysis, market analysis, system development, and system implementation.

Industrial: Probably limited to line services.

Regional Maintenance: May require all areas.

Fleet Support: Probably limited to executive and line services

Bases/Activities: May require all areas.

APPENDIX B: FISC PARTNERSHIP DATA ELEMENTS (WORKLOAD AND PERFORMANCE)

The purpose of this appendix is to provide an expanded list of parameters across all four classes of data to assist analysts in identifying and selecting data elements most appropriate to the development of FISC partnership BCAs. This list of potential data elements is not exhaustive. Technical experts should be used to fully develop an understanding of the proposed partnership products and services.

WORKLOAD DATA

MATERIAL MANAGEMENT: Analysis may require data on the following:

- Number of requisitions
- Requisition priority mix
- Required 24-hour availability
- Number of line items
- Stratification of issues for line items
- Number of line items with FISC commonality
- Number of shelf life line items
- Mandatory on-hand positions required
- Number of line items requiring local purchase
- Number of non-standard line items
- Number of line items requiring special storage and handling (i.e., refrigerated, classified)
- Number of expected turn-ins
- Condition of expected turn-ins
- Cubic foot warehouse requirement
- Inventory holding costs
- Customer unique requirements
- Existing Excess Inventory

PROCUREMENT: Analysis may require data on the following:

- Number of requisitions
- Priority mix
- Required delivery dates
- Procurement complexity

- Procurement size
- Maturity of products and technical stability
- Availability of qualified suppliers
- Clarity of requirements
- Length of contract life
- Number of change orders
- Number of modifications

TECHNICAL SUPPORT: Analysis may require data on the following:

- Number of requisitions
- Priority mix
- Complexity of systems supported
- Condition code of turn-ins
- Age of inventory
- Age of systems supported
- System technical stability
- Availability of technical manual
- Technician skill levels

HAZMAT: Analysis may require data on the following:

- Number of requisitions
- Priority mix
- Unique size or unit issue requirements
- Numbers of line items
- Substitutability of products
- Number of customers in region
- Degree of hazard
- Frequency of issues
- Availability of conforming storage
- Past HAZWASTE expenditure
- Transportation requirements
- Days stock required
- Availability of MSDS

TRANSPORTATION: Analysis may require data on the following:

- Mail volume
- Number of retrograde items
- Size of items shipped
- Breakability of items shipped
- Distance items must be shipped
- Urgency of shipments

- Frequency of delivery/pick-up required
- Delivery window size and availability
- Break-bulk requirements
- Re-packaging requirements
- Material handling capability
- Number of delivery/pickup sites

HOUSEHOLD GOODS: Analysis may require data on the following:

- Number of shipments
- Inbound/outbound balance
- Number of claims
- Availability of qualified suppliers
- Average weight (i.e., Officers at NPGS, or E1 at RTC).
- Number of shipments requiring long-term storage
- Number of shipments requiring short-term storage

FUEL: Analysis may require data on the following:

- Expected operational levels
- Number of products issued in bulk
- Types of products required (i.e., JP5, LOX, etc.)
- Vehicle support availability
- Volume of oily water and waste oil recovery
- Testing requirements
- Bioremediation requirements
- Consulting requirements
- Number of personnel onboard
- Range and depth of skills overlap (i.e., how large is their planning or comptroller staff)

PERFORMANCE DATA

MATERIAL MANAGEMENT

- % on time delivery (RDD)
- Inventory Accuracy Rate
- POE Effectiveness
- NET Effectiveness
- Response Time
- Average Customer Wait Time
- RODs as a % of issues
- Backorder Management of Non-standard items
 - * % of issues to & from non-preferred customers

PROCUREMENT

- PALT
- RDD
- % w/i PALT goals
- % on-time PALT
- % late PALT
- Technical screening accuracy

TECHNICAL SUPPORT

- Price savings from substitutes
- Turnaround time
- Success rates for identifying, conversion, & sourcing item

HAZMAT MANAGEMENT

- % Material Availability
- Material savings by providing non-standard unit of issues
- Waste stream reductions
- Response time for pick up and delivery
- % reutilization
- Conformance to environmental requirements
- Providing data that customers need for their reporting requirements

TRANSPORTATION

- Frequency of delivery
- Proof of delivery
- On-time performance with regard to RDD
- On-time performance with regard to schedule of delivery
- Driver & vehicle usage

- Cost reductions
- Quality of product delivered with regard to material, documentation, misrouting

HOUSEHOLD GOODS

- Average Customer Wait Time
- % Customers seen on time
- Number of claims
- Amount of claims
- Pickups/Deliveries delayed
- % Inspector visits during packout

FUEL

- On-time delivery
- Conformance to environmental requirements
- Providing data that customers need for their reporting requirements
- Response time

SUPPLY SUPPORT CONSULTATION

- Level of performance
- Consistency

APPENDIX C:

ADDITIONAL PARTNERING DOCUMENTATION

After completion of the BCA, additional documentation may be required to implement the partnership. This documentation may include a Memorandum of Agreement (MOA), Functional Transfer, an implementation Plan of Actions and Milestones (POA&M), and matrices to provide oversight of partnership success. A properly prepared BCA will provide sufficient supporting data to complete these documents. All documents should be prepared concurrently and reference each other in a complete package for presentation to all parties in the partnership.

A. Memorandum of Agreement (Attachment 1): The MOA may consist of the following sections:

1. **Background:** Brief reference to the partnership proposal and objectives.
2. **Policy:** Lists the partnership purpose and effected activities.
3. **Duration of Agreement:** Includes partnership effective and re-evaluation dates, and partnership length and renewal intentions.
4. **Functions to be Performed:** Detailed listing of products to be provided by the FISC in the partnership.
5. **Non-reimbursable Services:** Addresses the responsibilities of each party, including, but not limited to automated data processing and base operating support.
6. **Material Inventory:** Addresses the disposition of existing, excess, deficient, and pipeline inventory; as well as applicable requirements to support smooth transition of inventory management transfer.
7. **Funding:** Addresses the reimbursable costs of labor and non-labor for each year of the partnership's duration, as well as any peculiar initiative costs meriting mention, such as personnel downsizing costs.

8. Funding Mechanism: Addresses the method to effect the transfer of funds as listed in the previous section.
9. Personnel: Specifies the number and timing of military and civilian position transfers, and discusses other personnel, labor representation, and existing liability issues. Detailed FTE transfer documentation will be prepared separately.
10. Performance: References the workload levels and performance standards expected and analyzed during the conduct of the BCA.
11. Implementation: Briefly reference the implementation POA&M, including only major milestones.
12. Implementation Oversight: Addresses the joint partnership management responsibilities, including mechanism to adjust the MOA by mutual agreement should circumstances warrant. Reference the matrices developed to validate partnership success and auditable savings.

B. Functional Transfer (Attachment 2): It is essential that all functional transfers be properly documented and staffed through channels for timely processing into the budgeting cycle. If the BCA recommends personnel transfers between claimancies, the FISC will need to prepare an Full-Time Equivalent (FTE) transfer request to accomplish this action. NAVSUP Instruction 5000.5G of 27 Oct 1989 contains guidance to prepare the transfer. Further assistance for preparing a transfer may be obtained from the NAVSUP Comptroller. In addition, SECNAVINST 12351.5E of 4 March 1993 sets forth the requirements for approval and notification of civilian reduction-in-force, **transfer of function**, and furlough actions. Included in this is the requirement and procedures for submitting a Fact and Justification (F&J) sheet, as required. Enclosure (1) to SECNAVINST 12351.5E provides a simple, fill-in-the-blank F&J. Basically, actions involving 50 or more civilian employees require Assistant Secretary of the Navy (Manpower & Reserve Affairs) (ASN (M&RA)) approval. Authority for actions involving 49 or less, cumulative on a fiscal year per activity, have been delegated to Echelon 2 Commanders under the Chief of Naval Operations.

C. Implementation Plan of Actions and Milestones: The partnership will benefit from a well-prepared, detailed implementation POA&M. Project management is an outstanding method to develop this plan and Microsoft Project is a commonly used DoD program to create and monitor the POA&M.

Optimum use of this program can only be achieved with forethought during the crucial initial design. FISC planning offices should be capable at project development.

Specific responsibilities and dates should be detailed in the POA&M for all actions required to implement the partnership.

D. Oversight Matrices: The BCA begins with an “as-is” analysis followed by a “to-be” objective. Therefore, the BCA will establish a baseline of performance measures and costs, which will be compared to expected improvements and savings to indicate the advantages of the partnership. To assist the oversight function and provide auditable results of the partnership’s success, the joint management team should develop metrics to track the partnership performance.

When developing metrics, partners should maintain a corporate perspective. Autonomous objectives may compete and ignore the synergies that are indicated by regional or larger metrics. Metrics may require a larger perspective, for instance measuring regional reductions in inventory or processing times.

A common partnership pitfall is that metrics, although tracked, are often reviewed too infrequently or their indications ignored. The implementation oversight team should endeavor to incorporate proven quality control measurement tools (such as upper and lower control limits) as supporting documentation to the summary matrices.

Oversight matrices are illustrated below:

WORKLOAD REVIEW	
1.	Assumptions Review and Confirmation
2.	MOA Review and Validation

This review should include all the assumptions from the BCA, including workload volumes.

PERFORMANCE REVIEW		
List of Performance Agreements by Site	Performance Goal Met?	Performance Goal Not Met
Site One Agreement		
Site Two Agreement		

This review should be based on analysis of conformance to metrics established by the MOA. Analysis incorporates continuous review of Total Quality Measurement techniques.

COST REVIEW					
Product Line	Baseline	Expected Cost	Actual Cost	Standard Met?	Assumption Valid?
Product Line One					
Product Line Two					
Product Line Three					
Product Line Four					

This review should be based on each product line as analyzed in the BCA.

ATTACHMENT 1

MEMORANDUM OF AGREEMENT TEMPLATE

MEMORANDUM OF AGREEMENT
FLEET AND INDUSTRIAL SUPPLY CENTER _____
AND
_____ (PARTNERING ACTIVITY)

1. BACKGROUND:

By letter dated _____, _____ (Activity) agreed to accept a FISC _____ Business Case Analysis (BCA) to partner with it for the performance of supply functions (or other areas) by FISC _____. The objective of the partnership is to reduce cost and increase effectiveness through consolidation and standardization of material, procurement, and hazardous material minimization procedures and practices. The decision to partner will result in an estimated ____ year savings of \$ _____ to the _____ (activity).

2. POLICY:

This MOA sets forth the guiding principles to establish the partnership between FISC _____ and _____ (activity) to perform supply functions (or other areas).

3. DURATION OF AGREEMENT:

This MOA covers an implementation phase lasting _____ years, with continuing operation thereafter until terminated by one of the parties. A review of the workload and funding will be made on _____ (day, month, year) and annually thereafter to determine the terms of the continuation of the agreement. This MOA will be in effect from the date both parties sign the agreement and may be extended or canceled by agreement between both parties.

4. FUNCTIONS TO BE PERFORMED:

Supply functions (or other areas) to be performed by FISC _____ on a reimbursable basis from _____ (activity) are as follows:

- Material Management to include:
 - receipt control
 - receiving
 - customer service
- packing and preservation
- warehousing
- local delivery
- procurement
- hazardous material
- fuel management
- automated management information systems
- supporting/related administrative functions

These functions are described in detail in NAVSUP Pub 601.

5. NON-REIMBURSABLE SERVICES:

The following services will be provided by _____ (activity) to FISC _____ on a non-reimbursable basis:

- ILSMIS Support (includes CDA support and hardware support). ILSMIS updates/changes will be directed by _____ (activity) to an established configuration management board. Hardware support will include maintenance of the central processing unit and local area networks. Terminals and/or Personal Computers sufficient to perform existing workload will be provided by _____ (activity) with maintenance and replacement provided by FISC _____. Maintenance contracts in place for FY__ service on terminals and/or PCs will be paid for by _____ (activity).
- Base operating support (includes facilities/utilities). _____ (activity) will provide and maintain adequate facilities, utilities, vehicles, and material handling equipment (MHE) to support the supply function at the activity. Minor property sufficient to perform existing functions will be transferred and maintained by FISC _____. The facilities, utilities and equipment provided will only be used by FISC _____ for _____ (activity) support. Any other use of the facilities, utilities, or equipment must be approved by _____ (activity). Base operating support will be reviewed and adjusted annually based on site specific workload.

6. MATERIAL INVENTORY:

Current _____ (activity) material inventory balances will be reduced through issue to fill customer requisitions. FISC _____ will secure demand information to ensure required levels of inventory are available and maintained by the FISC to support _____ (activity) at the time that material support is obtained from FISC inventories. Shop Store inventory will be maintained on ILSMIS until such time that the FISC UADPS-II system can accommodate it. The timing of _____ (activity) material draw down will be mutually agreed upon to ensure uninterrupted supply support. Disposition of residual _____ (activity) inventories at the time of material support transfer is a _____ (activity) responsibility. In the interim FISCs will attempt to utilize _____ (activity) inventory for other regional support as a way to reduce potential _____ (activity) excess inventory.

7. FUNDING:

This agreement is a firm fixed price agreement for FY __ / __ / __ based on FY__ workload as estimated in the table below. Funding for the outyears will be determined during the review of the agreement. These estimates are subject to verification in actual funding documents. Funding and manpower is subject to pro-rating dependent upon dates of transfer of respective supply departments to FISC _____.

(\$000)

COST CATEGORY	LABOR	FISC LABOR	NON LABOR	TOTALS
YEAR 1	5950 (170 E/S) (TBD FTE)	420	3040	9410
YEAR 2	5657 (157 E/S) (157 FTE)	430	2600	8687
YEAR 3	4941 (133 E/S) (133 FTE)	225	2450	7616

8. FUNDING MECHANISM:

Annual funding will be provided by _____ (activity) to FISC _____ on a reimbursable basis for the performance of the agreed upon functions for the duration of this agreement. Any negotiations with _____ (activity) customers for reimbursement

for direct core workload performed by FISC _____ is a _____ (activity) responsibility. Level of service will be dependent upon direct funding availability.

9. PERSONNEL:

Upon execution of this MOA, _____ (activity) will transfer to FISC _____ (number of) civilian positions and commensurate workyears into Full-Time-Equivalent (FTE) positions engaged in the performance of supply functions. FY__ and FY__ civilian manpower budgeted E/S and FTE to be transferred are shown in the table in paragraph 7. This also includes those identified as excess due to realignment. The specified positions associated with these functions will be identified by the servicing Human Resources Office (HRO). FISC _____ will prepare a functional transfer letter to align the agreed upon civilian resources. Transfer of personnel will be taken on or before __ __ __ (day, month, year) and as soon as practicable based on negotiations and pre-existing agreements between activity Commanding Officers and their respective labor unions.

_____ (activity) will fulfill all statutory bargaining obligations with any labor organization holding exclusive recognition in the affected organizations prior to the realignment. Subsequently, servicing HROs of _____ (activity) will issue letters notifying all personnel (except those under notice of separation) of the realignment and of their opportunity for continued employment with FISC _____.

Upon transfer to FISC _____, civilian personnel support for transferred _____ (activity) positions will be provided by the FISCs' servicing HROs. Servicing HROs will forward civilian personnel records for all employees transferred to the servicing FISC HRO upon realignment.

Funding for all liabilities associated with the transferred positions, e.g., Federal Compensation Act (FECA) payments, will be provided by _____ (activity) for FY__ and the outyears.

10. PERFORMANCE:

The approximate workload to be performed and performance goals to be attained are as shown in enclosure (1). FISC _____ will provide _____ (activity) with copies of all performance related reports required by regulation (e.g., Inventory control effectiveness, Inventory accuracy, and monthly contracting summary of actions \$25,000 or less).

11. IMPLEMENTATION:

This MOA will be executed in three phases over a 24 month period. Phase 1 will be an assimilation of current functions by FISC _____; phase 2 begins an additional 12 months later and is an integration of functions by FISC _____; and phase 3, a process improvement phase begins an additional 12 months later. This MOA will be implemented by FISC _____ and _____ (activity) in accordance with locally developed Plans Of Action and Milestones (POA&Ms). Local implementation may include supplemental details and information as required.

12. IMPLEMENTATION OVERSIGHT:

FISC _____ and _____ (activity) will establish a Board with broad management oversight to review the partnership and the MOA at least annually. The Board will be chaired jointly by FISC _____/ _____ (activity) and will evaluate the effectiveness of the MOA including cost, workload, and performance criteria established in the MOA to FISC _____ and _____ (activity) Commanding Officers.

SIGNATURES:

FISC

ACTIVITY

PERFORMANCE GOALS

FUNCTION	WORKLOAD	STANDARD
Small Purchase	98,914 (Buys)	17 Day PALT
Customer Service	223,285 (Reqns)	1 Work Day
Inventory	37,345 (NSNs)	GMA/Inventory Accuracy
Physical Distribution	171,209 (Issue/Stow)	IPG I - 1 Day IPG II/III - 3 Work Days
Receipt Processing	163,078 (Receipts)	3-4 Work Days - Category Dependent
HAZMAT	\$3,750K (Material)	Material/Waste Cost Reduction

Enclosure (1)

ATTACHMENT 2

FUNCTIONAL TRANSFER LETTER TEMPLATE

4000
ABCD/0123
32 JAN 1994

From: Commanding Officer, Fleet and Industrial Supply Center, _____
To: Commander, Naval Supply Systems Command (SUP 01)

Via: (1) Partner Activity
(2) Partners Major Claimant

Subj: FUNCTIONAL TRANSFER

Encl: (1) Functional Transfer Exhibit

1. On __ __ (day, month) 1995, Fleet and Industrial Supply Center, _____ and _____ (activity) intend to partner in _____ (functional area(s)). Request approval for the functional transfer of _____ functions and personnel from _____ (activity) to FISC _____.
2. This partnership is targeted to enhance geographic _____ (function) support to both activities. It is anticipated the partnership will improve _____'s (activity) competitive and financial posture through _____ (function) efficiencies.
3. Enclosure (1) provides requisite data on actual end strength to be transferred for appropriate NAVCOMPT end strength adjustment. FY95 and outyear operating costs for the transferred functions will be reimbursed to FISC _____ by _____ (activity). No direct funding transfer is required.
4. Point of contact is _____, phone _____, DSN _____.

SIGNATURE

Copy to:
NCB-1
NCB-6
CNO (N41)

FUNCTIONAL TRANSFER EXHIBIT

- Issue #:** To be provided by NAVCOMPT in accordance with guidance. Gaining command (Budget Submitting Office - BSO) is assigned lead coordination responsibility. The issue number is also required in the functional transfer automated submission.
- Title:** Transfer of _____ (activity) _____ (functions) to FISC _____.
- From:** Gaining BSO
- Appn:** Appropriation identification, as applicable. List each appropriation separately, e.g., 97X4930 or 17X1804 Specific appropriation coding structures for data elements on this page are contained in the Navy Budget Tracking System (NBTS) Budget Titles and Coding Structures Handbook.
- BA:** Budget Activity. List each budget activity separately.
- BLI:** Budget Line Item identification as follows:
- O&M - Budget Line Item or Activity Group code
 - Procurement - line item
 - RDT&E - include program element/project
 - MILCON - include project/location
 - Family Housing - include project/location
 - Defense Business Operating Fund (DBOF) - include business area, activity, e.g., DBOF -NA1E or 70BA
- E/S:** End Strength, e.g., 80 Civilian (See attachment A)
1 Military (BSC 05005)
- WY:** Civilian Workyears
- Pers Type:** Military (identify Officer/Enlisted). Civilian (Identify type hire), e.g., Civilian (U.S. Direct Hire), e.g., Military (USN)
- D/R:** Direct/Reimbursable, e.g., Reimbursable
FY: Fiscal Year (as applicable), e.g., 95
CIVPERS (\$000): Civilian personnel related funding only, e.g., \$1,319 or \$761 (60 ES On-board 12 June - 30 Sep)

FY: Fiscal Year (as applicable), e.g., 95.

CIVPERS (\$000): Civilian Personnel related funding only, e.g., \$761

Total (\$000): Total funding, including CIVPERS dollars, e.g., \$761

To: Losing BSO. Following entries same definitions as above.

Appn: e.g., 97X4930 or 17X1804

BA: Budget Activity

BLI: e.g., DBOF - NS1S or NB1B

E/S: e.g., 80 civilian (See attachment A); 1 Military (BSC 05005)

Pers Type: e.g., Civilian (U.S. Direct Hire); Military (USN)

D/R: e.g., Reimbursable

FY: e.g., 95

CIVPERS (\$000): e.g., \$1,319

Total (\$000): e.g., \$1,319

Total (\$000): Total funding, including CIVPERS dollars, e.g., \$761