DEPARTMENT OF THE NAVY

NAVAL SEA SYSTEMS COMMAND, WASHINGTON NAVY YARD, DC 20376-4065
NAVAL AIR SYSTEMS COMMAND, PATUXENT RIVER, MD 20670-1547
NAVAL SUPPLY SYSTEMS COMMAND, MECHANICSBURG, PA 17055-0791
SPACE AND NAVAL WARFARE SYSTEMS COMMAND, SAN DIEGO, CA 92110-3127

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JOINT LETTER

From: Commander, Naval Sea Systems Command
Commander, Naval Air Systems Command
Commander, Naval Supply Systems Command
Commander, Space and Naval Warfare Systems Command

Ref: (a) NAVSEA/NAVSUP INST 4441.7B/4441.29 of 10 Dec 92
(b) SUPSHIP Operations Manual (SOM), Change A of Apr 01
(c) Fleet Modernization Program (FMP) Manual Rev 2, of Jun 02

Encl: (1) Organization Charts

Subj: VIRTUAL SYSCOM MEMORANDUM OF AGREEMENT (MOA) REGARDING SUPERVISORS OF SHIPBUILDING (SUPSHIP) SUPPORT

1. Background: In August 2002 NAVSEA identified a number of reengineering initiatives for their SUPSHIP activities. This MOA outlines the strategic direction and requirements for one of those initiatives, to realign SUPSHIP material management functions to NAVSUP. The goal is to realign functions appropriately among systems commands and specifically reduce material management costs while maintaining or improving the level of support to SUPSHIP customers.

2. Applicability: This MOA applies to NAVSEA and its SUPSHIP activities and the NAVSUP enterprise. Elements in this MOA are agreed to by NAVSEA and NAVSUP and are to be documented in NAVSUP's Strategic Plan and supported by NAVSUP's Assistant Chiefs of Staff (ACOSs) for Acquisition and Industrial Support. Signature of this MOA formally initiates action to execute transfer of SUPSHIP material management functions to NAVSUP

effective this date. All civilian personnel transfers will be completed after 1 October 2003 based upon continuing NAVSUP Transformation actions underway. Civilian personnel may be temporarily reassigned via cross-claimancy detail to NAVSUP any time after signature of this MOA.

3. Responsibilities and Requirements:

a. NAVSEA will:

(1) Upon execution of this MOA, reassign employees and the positions they encumber, and transfer vacant civilian positions identified in enclosure (1) with commensurate Full-Time-Equivalent (FTE) engaged in the performance of SUPSHIP material management functions, regardless of whether it results from a transfer of function or transfer of work.

(2) Compensate NAVSUP for the level of effort transferred (labor and non-labor). Compensation will be in the form of a reimbursable for FY 04 and budget-based transfer for FY 05 and out. The specified positions associated with these functions are identified in enclosure (1). Reimbursable and transfer amounts will be on a baseline consisting of the total number of encumbered FTE transferred plus all vacancies created by attrition during CY 03 (from 1 January 2003). Reimbursable savings of 5 percent in FY 04 (FTE NTE 148), with additional targets of 5 percent in FY 05 (FTE NTE 140), 10 percent in FY 06 (FTE NTE 125), and 10 percent in FY 07 (FTE NTE 109) will apply.

(3) Reimburse and transfer non-labor costs for travel, training, general supplies and awards for transferred personnel per the annual per employee General and Administrative (G and A) rate allocated to SUPSHIP. Additionally, reimburse and transfer the cost of NMCI seats for all transferred personnel.

b. NAVSUP will:

(1) Upon execution of this MOA, accept employees and vacant civilian positions identified in enclosure (1) with commensurate FTE engaged in the performance of SUPSHIP material management functions, regardless of whether it results from a transfer of function or transfer of work.

(2) Execute an enterprise approach to ensure the performance standards defined by references (a) through (c) are met. This includes any ILS elements per contract specifications, and individual Contract Data Requirements List (CDRLs) to meet customer requirements. Additional performance requirements will be negotiated and approved by both NAVSEA and NAVSUP and will be documented in local agreements.

c. NAVSEA and NAVSUP agree upon the following:

(1) Transfer, per Navy guidance, the following functions:

-- Supply/Material Management
-- Inventory Management
-- Warehousing
-- Simplified Acquisition/Small Purchase
-- Physical Distribution/Transportation
-- Credit Card Buying
-- Expediting
-- Provisioning
-- Kitting
-- Outfitting

Certain functions closely aligned with the above material management functions may remain or transfer based on local requirements subject to NAVSEA, NAVSUP approval.

(2) Local MOAs at each SUPSHIP activity will detail specific performance requirements of the partnership and provide guidance pertaining to credit card purchases. Local agreements will be developed jointly with SUPSHIP and FISC input and signed by cognizant SUPSHIP and/or RMC, and FISC commanding officers after NAVSEA, NAVSUP Headquarters, ACOS for Acquisition and Industrial Support, and PEO approval. All local MOAs will be signed with copies forwarded to NAVSEA and NAVSUP prior to 1 October 2003. Any future realignments of specific functions within the NAVSUP enterprise will be subject to NAVSEA, NAVSUP Headquarters and PEO approval and documented in separate local MOAs.

(3) NAVSUP is responsible and accountable for execution of SUPSHIP material management functions to the requirements and references stated above and in local agreements. NAVSUP has

authority, as NAVSEA's agent for material support, to effect changes in material management processes as necessary. This authority includes coordination of regional FISCs colocated with SUPSHIP activities as well as NAVSUP support provided for remote SUPSHIP activities.

(4) Partnership performance in meeting the requirements listed above will be reviewed at least semiannually, jointly by NAVSEA and NAVSUP to include all stakeholders and the respective SUPSHIP material process owners. Update to the stated performance requirements will be accomplished as required from this input as well as from other joint SEA-SUP coordination semiannually and local MOAs will be revised accordingly.

(5) For military, the FISC SUPSHIP site director or OIC will receive Fitness Reports from the FISC commanding officer (primary), and SUPSHIP commanders (ADDU). For civilians, the FISC SUPSHIP site director's performance appraisal will be prepared by the local FISC commanding officer with input from the SUPSHIP commanding officer.

(6) Nuclear material management functions will transfer from SUPSHIP Newport News and SUPSHIP Groton to NAVICP-Mechanicsburg, PA, Code 87. NAVSEA will reimburse for NAVSEA 08 authorized SUPSHIP billets, and NAVICP's Code 87 will manage the SUPSHIP nuclear material management functions per a separate MOA among NAVICP, SUPSHIP Newport News, SUPSHIP Groton, and FISC Norfolk. Compensation will be in the form of a reimbursable for FY 04 and budget-based transfer for FY 05 and out.

4. Execution: SUPSHIP and NAVSUP enterprise leads are responsible for the execution of all performance objectives applicable to the SUPSHIP functions or work transferred. This MOA will remain in effect from the date of signature and will be reviewed at least semiannually after the transition period to include review of local MOAs.

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For the Virtual SYSCOM:

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