



# MILITARY SEALIFT COMMAND

## MSC Engineering Budget Execution

Prepared for Military Sealift Command  
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# Learning Objectives

- The overarching objective of this module is to introduce you to the MSC's policies and practices for executing MSC engineering and M&R budgets
- At the conclusion of this module, you will understand and be able to describe the following:
  - Budget execution and performance management
  - Budget execution
  - Accounting concepts associated with budget execution
  - Budget execution challenges
  - Budget execution reviews
  - Prompt Payment Act
  - Invoice processing
  - Late payments



# Budget Execution and Performance Management

- **Budget execution is an integral part of an organization's overarching performance management process, which is a cyclical process consisting of:**
  - **Strategic planning**
  - **Performance measurement**
  - **Budgeting for results**
  - **Performance review**
- **N7 personnel are responsible for executing annual budgets for their assigned ships, programs, projects, or functional areas**



# Budget Execution

- **Process by which financial or other resources associated with an approved budget are used to achieve the intended purposes and objectives outlined in the budget request**
- **Effective and efficient expenditure of authorized funds is crucial, particularly in light of increasingly constrained federal budgets**
- **Maintenance and repair budget execution responsibilities of N7 engineers are outlined in QMS Procedure N0710-112.00-Q, Maintenance and Repair Budget Execution**



# Accounting Concepts Associated With Budget Execution

- **DOD accounting system consists of processes for capturing, classifying, and reporting financial transactions to provide proper data for resource allocation decisions, and ensure compliance with fiscal law**
- **Certain accounting system concepts are closely interrelated with budget execution functions performed by N7 personnel:**
  - **Commitments**
  - **Obligations**
  - **Expenditures**
  - **Reconciliation**



# Commitments

- **First step in process for spending available funds**
- **Involves administrative reservation of a specific sum of money for future procurement of certain goods or services, or future issuance of orders (e.g., TDY orders)**



# Obligations

- **Second step in process for spending available funds**
- **Involves legal encumbrance of a specific sum of money for a future expenditure via a contracting action or issuance of orders**



# Expenditures

- **Third step in process for spending available funds**
- **Involves receipt of goods or services (in whole or in part), or execution of orders (in whole or in part), followed by approving authority receipting for goods or services against obligation and an accounts payable entry being posted against the obligation**
- **Upon receipt, invoice or voucher is matched with receipt and authorization for payment is forwarded to Defense Finance and Accounting Service (DFAS)**





# Reconciliation

- Final step in process for spending available funds
- Involves de-obligating funds that are no longer required to liquidate a future expenditure



# Budget Execution Challenges

- **Commonly encountered budget development challenges include:**
  - **Emergent requirements**
  - **Emergent priorities**
  - **Requirements creep**
  - **Emergent resource constraints**
  - **Budget marks**



# Budget Execution Reviews

- Per DOD policy, fund holders are required to formally review commitments and obligations during each four-month period ending 31 January, 31 May and 30 September of each fiscal year



# Invoice Processing

- **N7 invoice certification requirements are outlined in QMS Procedure N0710-110.00-Q, Invoice Certification**
- **N8 typically designated as consignee for receiving invoices on behalf of MSC**
- **Invoice receipt by N8 starts the 30-day prompt payment period**
- **Invoice that can be matched to existing receipt(s) in FMS is certified by N8 and forwarded to DFAS for payment**
- **Invoice that cannot be matched to existing receipt(s) in FMS is forwarded to the obligation approving authority (e.g., PM or FD) for review and certification before being forwarded to DFAS for payment**



# Prompt Payment Act (PPA)

- **Requires federal agencies to:**
  - **pay their bills on time,**
  - **take discounts only when payments are made by discount date, and**
  - **pay interest penalties when payments are made late**



# Late Payments

- **Official date for determining contractor eligibility for late payment penalty is date cited on U.S. Treasury check or electronic funds transfer (EFT) providing payment**
  - Interest penalty is paid whenever payment is not made by the expiration of the 30-day prompt payment period
  - Interest due to contractor required to be paid without contractor having to request interest payment



# Let's Review

- **What is the distinction between commitments, obligations, expenditures, and reconciliation?**
- **What are some budget execution challenges?**
- **What is the purpose of the mid-year budget review?**
- **What are the possible consequences of an agency over-obligating or over-expending its budget?**
- **What are the possible consequences of an agency under-obligating or under-expending its budget?**
- **What is the consequence of an agency not paying its bills in a timely manner?**



# Summary

- **During this module, we have discussed:**
  - **Budget execution**
  - **Accounting concepts associated with budget execution**
  - **Budget execution challenges**
  - **Budget execution reviews**
  - **Prompt Payment Act**
  - **Invoice processing**
  - **Late payments**





# Additional Information

- **For a more detailed examination of the preceding subject matter, please refer to:**
  - **COMSCINST 7130.34H, Administration of Military Sealift Command Navy and Transportation Working Capital Fund Budgets**
  - **COMSCINST 4700.1 Military Sealift Command's Technical Authority, Maintenance Philosophy, and Maintenance and Repair Management System (MRMS)**
  - **COMSCINST 7200.9D, Certification of Goods or Services Received**
  - **QMS Procedure N0710-112.00-Q, Maintenance and Repair Budget Execution**
  - **QMS Procedure N0710-110.00-Q, Invoice Certification**
  - **Practical Financial Management – A Handbook for the Defense Department Financial Manager**



# Final Questions





# Revision History

Date	Version	Description	Author
5/14/19	0.0	Draft presentation	Gary Fields
7/10/19	0.1	Revised training module purpose on slide 2	Gary Fields
7/31/19	0.2	Incorporated and verified content is consistent with COMSCINST 4700.1, COMSCINST 7130.34H, COMSCINST 7200.9D, QMS Procedure N0710-112.00-Q, and QMS Procedure N0710-110.00-Q	Gary Fields