

Supply Chest

January 2003

Ready, Resourceful, Responsive!

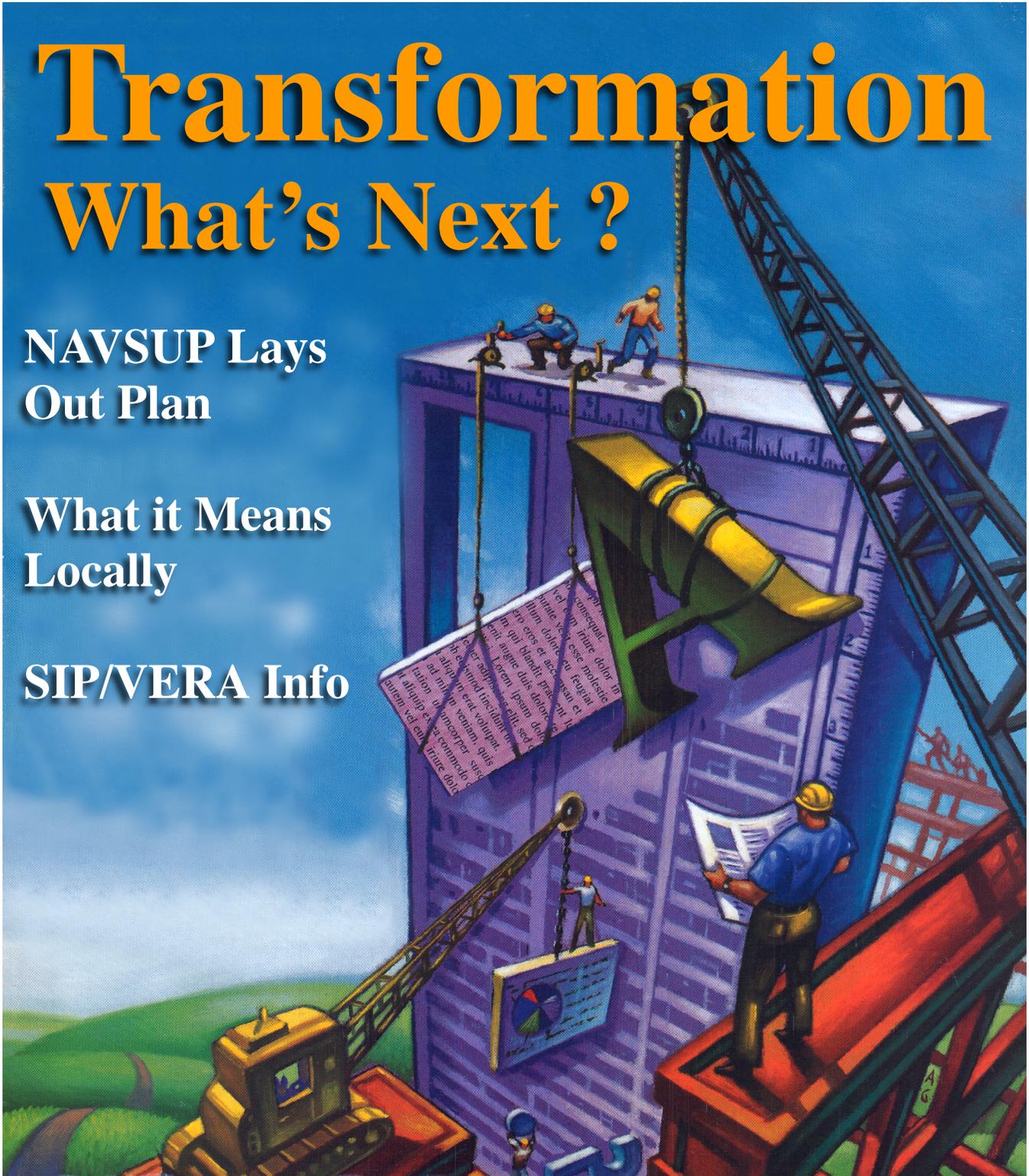
Special Edition II

Transformation What's Next ?

**NAVSUP Lays
Out Plan**

**What it Means
Locally**

SIP/VERA Info





Rear Admiral Justin D. McCarthy,
Commander, Naval Supply Systems Command

For the past three months, NAVSUP has been intensely examining transformational ideas that will enable us to reduce our costs at least an additional 10 percent below the current program of record, while sustaining our ability to accomplish our mission. This effort was fostered in response to the CNO's Seapower-21 vision (specifically that segment related to sea enterprise) and in response to our Navy's need for additional recapitalization funds. Throughout this period of examination, a series of enterprise-wide teams have conducted structural, functional, and customer alignment reviews that led to specific recommendations linked to cost saving opportunities. Over the past month, those recommendations have been discussed with segments of our customer base and senior Navy leadership, and reviewed on a local level by our field activities. A final review was conducted and decisions made to proceed as outlined in this message.

Structural alignment: Our review identified several opportunities to downsize through consolida-

Transformation - The Plan

tion and elimination of redundancies.

A. Headquarters activities that layer capabilities already being performed in the field are being downsized or eliminated and responsibility passed to the lowest level in the chain capable of performing that function.

B. FISC San Diego will be designated the lead FISC and assigned responsibility to drive common policies and practices across all FISCs, and broker workload as appropriate to maximize productivity and efficiency in our waterfront support operations. In recognition of the expanded responsibilities of this position, authority is being requested to establish a Supply Corps flag billet at FISC San Diego, to be offset by the disestablishment of the NAVSUP headquarters Vice Commander billet.

C. The Fitting Out Supply and Support Assistance Center (FOS-SAC) will be disestablished and its functions transferred to other existing NAVSUP field activities.

D. The Naval Petroleum Office (NAVPET), the Naval Transportation Support Center (NAVTRANS) and the Naval Ammunition Logistics Center (NALC) will be consolidated into a single command tentatively named the Naval Operational Logistics Support Center (NOLSC). The headquarters of this new command is intended to be located in Norfolk to align the command with both the Fleet Forces Command and the Joint Forces Command with which it will maintain close relations. The three functional subcomponents of NOLSC (petroleum management,

transportation management and ammunition management) will continue to function in their current locations as divisions of this new command. Establishment of NOLSC will enable the centralization of overhead functions previously resident in three commands and provide a central point of contact for operational logistics support issues impacting NAVSUP activities.

Customer alignment: Our review revealed that although we were closely aligned with some of our primary customer categories, with others the alignment was very weak. We have therefore developed a matrix structure that will clearly place responsibility for enterprise-wide customer support coordination in one senior manager. That individual will become the responsible and accountable agent to coordinate NAVSUP support to their assigned customer category. The following customer alignment assignments are being executed.

A. CO NAVICP will function as Assistant Chief of Staff for Acquisition Support, Industrial Support, and International Logistics Support. As such, he will be the principal point of contact for support to PEO and weapon system program managers for acquisition support, the hardware SYSCOMs, and organic industrial activities for industrial support, and our foreign military sales customers for international logistics support.

B. Commander NEXCOM will function as Assistant Chief of Staff for Navy Family Support. As such, he will coordinate support in the quality of life areas of Navy Exchange and Navy Lodge operations,

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uniforming, mail, food service, ships stores, disbursing, and household goods.

C. The lead FISC Commander will function as Assistant Chief of Staff for Regional Commander Support. As such he will be the NAVSUP primary interface with Regional Commanders and the OPNAV N46 staff.

D. The NOLSC Commander will function as Assistant Chief of Staff for Operational Commander Support. As such he will be NAVSUP's primary POC for deployed operations support, operational planning and joint operations interface.

E. The Commander NAVSUP will function as Assistant Chief of Staff for Operating Forces Support. As such, he will be the primary interface in coordinating support for the outfitting, training, and equipping of operating forces while in the IDTC cycle.

Functional alignment: Our review revealed a number of opportunities for consolidation and/or streamlining. These opportunities are focused in four primary areas:

A. Inventory management: We will accelerate wholesale cog migration, introduce provisioning and technical efficiencies, selectively consolidate some of our weapons teams, accelerate our shift to a national inventory management strategy, and explore the accelerated expansion of the advanced planning system developed as part of our ERP pilot.

B. Contracting: We will shift to a more efficient, coordinated and focused contracting office network by placing the lead FISC in charge of brokering workload between our field contracting offices, while

allowing the field offices to focus on production work. This networked arrangement will reduce the number of individual contracts we have to write and better leverage the buying power of our enterprise-wide contracting workload. We also expect to see reduced layers of overhead, more standardized operating procedures and policies across all contracting offices, improved utilization of e-business capabilities and optimal use of the specialized contracting expertise resident in many of our sites.

C. Informational technology: We will shift from the dispersed format under which we operate today, to a centralized process under the control of the Navy Supply Information Systems Activity (NAVSISA), paralleling the kind of IT structures prevalent in private industry. Under this new structure we will eliminate redundant processes, more efficiently manage our hardware assets, centralize control over software development (including what today are largely dispersed Web development activities), and leverage the Navy Integrated Call Center as our centralized help desk.

D. Financial management: We will consolidate the majority of our field financial management capability at the ACOS level, eliminating the need for full service financial capabilities at each site. Under this new structure, we will leave a residual capability at the local level to continue the essential functions that must be performed locally and to close out prior year financial records. We expect these actions to significantly reduce layering and position financial control in the hands of those responsible for the

delivery of our products to our customers.

NAVSUP is now in the process of implementing the above Transformation initiatives. In some cases actions will be taken immediately, such as the standup of the ACOS structures in commands that currently exist. In the case of actions requiring the establishment / disestablishment of commands, approval authority is being sought to allow implementation of these changes effective October 1, 2003. In the interim, we will be developing the plans and obtaining approval to proceed with offering voluntary retirements and separation incentives to our people to begin the downsizing process. It is expected that the actions outlined above together with the associated downsizing will be accomplished during FY2003 and FY2004.

The actions outlined above represent a substantive first step in our transformation efforts. As we proceed with implementation, we will continue to seek additional transformational opportunities, both internally within NAVSUP and externally in partnership with our customers and suppliers. Our objectives throughout remain straightforward: maintain our ability to accomplish our mission in supporting our customers, aggressively seek opportunities to improve our processes and gain efficiencies which lead to reduced costs while continuing to work closely with our people to successfully navigate our way through the transition process. We are committed to all three of these objectives.



Transformation- How it impacts FISC Norfolk



*By Capt. L. V. Heckelman
Commanding Officer*

As you are all aware, we have been engaged in a claimancy-wide transformation initiative for about the past ninety days now. We have been providing information as it becomes available through a variety of means and will continue to do so. I hope you all have seen the first Special Issue of the *Supply Chest* on Transformation and my two letters from the commanding officer. There is also information available on our Intranet site, Inside FISC. I would like to address the transformation effort as it relates a little more specifically to FISC Norfolk.

As you recall, NAVSUP is looking at ways to better structure and align the organization to most effectively and efficiently deliver combat capability through logistics to the Navy. This transformation initiative will also contribute to the Navy's efforts to reduce operating costs by \$10 billion annually in order to help modernize our ships and aircraft. In order to do this Rear Admiral McCarthy took a three-pronged approach, looking at the NAVSUP enterprise transformation

in terms of structural alignment, customer alignment and functional alignment. There were team leaders and teams assigned for each, who were then given about 45 days to flush out some initial thinking and brainstorming to develop those resulting ideas into recommendations. At the October 28 NAVSUP Corporate Board Meeting, these team leaders briefed the results of their Transformation Team efforts. Over the last several weeks, field activities were given the opportunity to reclaim and clarify these recommendations. After that opportunity and with some revisions based on the reclaims, RADM McCarthy accepted the recommended transformation initiatives. I'll describe the impact of these decisions on us here at FISC.

From a **STRUCTURAL** standpoint, the Lead FISC concept proposal has been approved by NAVSUP and FISC San Diego has been designated as the Lead FISC. A one star admiral will be the dual-hatted Commanding Officer of the Lead FISC and FISC San Diego. Among many things, the Lead FISC will be the advocate for all FISCs to the Navy, will implement best business practices across all the FISCs, will seek to optimize the Industrial Support Chain, will standardize LSC/MPC operations, and will monitor performance. The Lead FISC CO will also be the Assistant Chief of Staff for Regional Commander support. In that role he or she will standardize regional support efficiencies, become the OPNAV 46 advocate, and be the Regional Commander touch point. FISC policy components formerly in NAVSUP 04 and 02 will be re-aligned from headquarters to the

Lead FISC to facilitate the standardization and process efficiencies. As a field FISC, we will become a customer-focused storefront.

The second way in which we looked at transformation was by **CUSTOMER GROUP or CUSTOMER ALIGNMENT**. Our review revealed that although we were closely aligned with some of our primary customer categories, with others the alignment was very weak. A matrix structure has been developed that will clearly place responsibility for enterprise-wide customer support coordination in one senior manager... in an Assistant Chief of Staff role. That individual will become the responsible and accountable agent to coordinate NAVSUP support to their assigned customer category. CO NAVICP will function as the ACOS for Acquisition Support, Industrial Support and International Logistics Support. Commander NEXCOM will function as the ACOS for Navy Family Support. The lead FISC Commander will function as the ACOS for Regional Commander Support. The Naval Operational Logistics Support Center will function as the ACOS for Operational Commander Support and Commander, NAVSUP will function as the ACOS for Operating Forces Support.

Finally, we looked at our entire enterprise in terms of **FUNCTION**, and here we specifically looked at the areas of Information Technology, Inventory Management, Financial Management and Contracting. I'll address each of these areas separately.

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First, INFORMATION TECHNOLOGY

In this area there was a small efficiency reduction as it applies to strict IT type support. However under this initiative, there will be a centralization of Information Management/Information Technology at the Navy Supply Information Systems Activity, or NAVSISA, formerly FMSO. This means all systems design, development, implementation, integration, production support, and data base administration will be accomplished through a consolidated organization at NAVSISA. NAVSISA will have a detachment at each of the claimancy commands. Included in the consolidation were all computer systems analysts and functional analysts that support application processing. All IT project management will reside at NAVSISA. This will involve a transfer of resources from FISC Norfolk to NAVSISA, but not relocation. There are many more details to be worked out in this area and when there is more definitive information available, I will share it with you.

Second, INVENTORY MANAGEMENT

This team reviewed inventory management throughout the claimancy. From a FISC perspective, the team recommended removal of all Inventory Management/Inventory Accuracy positions from the Retail Supply A-76 Study with a subsequent 40 percent reduction, 30 percent for the A-76 and a 10 percent efficiency reduction. Implementation of this recommendation will be enabled by the acceleration of wholesale COG migration to the ICP, introduction of provisioning and technical efficiencies, and acceleration of our shift to the national

inventory management strategy, Single National Inventory.

Third, CONTRACTING

All FISC field contracting offices will come under the oversight of an Acquisition Executive located at the Lead FISC. This Acquisition Executive will broker workload and promote standardized operating procedures and policies across all offices. We will also be asked to review our customers and processes for internal efficiencies translating to better buying power at the enterprise level. Under this concept, field offices will be able to concentrate on production, overhead will be reduced, and e-business capabilities will be improved. Currently the FISC Norfolk Acquisition Group is looking hard at how to restructure to accommodate these contracting efficiency reductions.

Finally, FINANCIAL MANAGEMENT

Under the Lead FISC concept, the Lead FISC will have the formal Comptroller function for all the FISCs. There will be residual capability at each activity to continue essential functions and close out prior year records. Generally speaking, under Transformation, financial capability will reside at the ACOS level. This will significantly reduce layering as well as position financial control in the hands of those who will be responsible for the delivery of our products to our customers, in our case, this is the Lead FISC CO/ACOS for Regional Commander Support.

This is a recap of the Transformation impact at FISC Norfolk. We are looking at an overall efficiency reduction of 10 percent across these functional areas. Clearly the largest impact is in our contracting and

comptroller functional areas. With this in mind the first step is to offer the impacted commands a SIP/VERA (Separation Incentive Payment - - max of \$25,000 less taxes / Voluntary Early Retirement Authority - - 25 years service required... less 2 percent for every year under age 55) opportunity. NAVSUP has requested VERA authority from DOD. The window opened December 16 and will close January 24, 2003. The VERA will be offered to all GS/GM employees, all series and all grades. We have received no authority to offer SIP/VERA to Wage Grade employees. Employees may choose to leave our rolls anytime between 17 December 2002 and 3 July 2003. I encourage all of you to take this offer seriously. At this time we are not authorized to open any other SIP/VERA associated with Transformation. I intend to approve as many requests as I possibly can. We will look at each one carefully. The unions have been notified and will continue to stay engaged as we move through this process. The results of this offering will determine the next steps in our transformation effort here at FISC Norfolk, and when the impact is known, we'll get that word out to everyone.

Communication is always important... but even more so as we begin to implement this significant transformation so please take advantage of the various methods we have to communicate to each other. I want this to be a dialogue. If you have any questions, please use all the methods available to raise your questions to your supervisors, department directors, the ED, me or use the "ASK THE FRONT OFFICE" Email box set up for this very purpose on the FISC Norfolk intranet, INSIDEFISC.

Voluntary Separation Incentive Pay (VSIP)

WHAT IS IT?

VSIPs (also known as buyouts) are lump sum payments of up to \$25,000 paid to permanent employees who voluntarily resign or retire. Buyouts may be targeted at employees in specific grades, series, or locations to help avoid reductions-in-force or minimize involuntary separations due to reduction-in-force (RIF), base closure, transfer of function, reorganization or other similar action. VSIP can not be used with Discontinued Service Retirements since these retirements are involuntary actions. DOD VSIP authority is established in Title 5, United States Code, Section 5597, Separation Pay. The authority is effective through September 30, 2005 (Section 1103, Public Law 106-398, National Defense Authorization Act for Fiscal Year 2001).

WHEN ARE BUYOUTS OFFERED?

Generally in DOD, activities must offer buyouts to their employees at least 30 days before they issue RIF notices.

WHO IS ELIGIBLE FOR A BUYOUT?

Employees are eligible for VSIP provided they are (1) U.S. citizens, an exception exists for non-US. citizens employed under the Panama Canal Employment System, (2) eligible for either voluntary early retirement, optional retirement or resignation; (3) serving under an appointment without time limitation and (4) have been continuously employed by the Federal Government for at least 12 months. Re-employed annuitants are not eligible for a buyout.

ARE EMPLOYEES RECEIVING SPECIAL SALARY RATES ELIGIBLE FOR BUYOUTS?

Yes, employees being paid under special salary rates or employed under a Direct Hire Authority are eligible for buyouts provided an equal number of special salary rate or direct hire positions are eliminated.

CAN AN EMPLOYEE WHO DECLINES A TOF RECEIVE A VSIP?

Employees who decline an offer of a position due to a Transfer of Function (TOF) are not eligible for a VSIP. The rationale for this determination is that it is contrary to the intent of the law to pay an incentive to an employee to leave Federal service when he/she has declined an offer of continued equivalent employment, even if that employment is outside of the commuting area. Further, an employee who declines to transfer with his or her position as a result of a TOF cannot be offered a VSIP to create a vacancy to place another employee scheduled for involuntary separation who is willing to move with the transferring function. The rationale for this determination is that once an employee declines an offer to transfer, either through the canvass or TOF letter, the employee relinquishes ownership over that position and the Navy is free to offer it to an employee willing to transfer to the new duty location. The employee declining the transfer will be separated through adverse action, not RIF procedures.

CAN ANY ELIGIBLE EMPLOYEE RECEIVE A VSIP?

VSIP is not automatic for employees. Approval of VSIP applications is contingent upon management's ability to identify how civilian reductions can be minimized and cost savings achieved through the use of VSIP authority. These decisions will be made locally. Approval of an incentive is limited to situations that clearly show it is cost effective and will avoid or minimize the need for involuntary separations related to workforce reductions.

WHAT CONDITIONS MUST THE PERMANENT EMPLOYEE MEET TO RETIRE/RESIGN?

(Refer to tables)

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CSRS			
Optional		VERA	
Age	Service	Age	Service
62	5 Years	50	20 Years
60	20 Years	Any	25 Years
55	30 Years		

FERS			
Optional		VERA	
Age	Service	Age	Service
62	5 Years	50	20 Years
60	20 Years	Any	25 Years
MRA*	30 Years		
MRA*	10 Years		

* Under FERS, employees can retire as soon as they reach the Minimum Retirement Age (MRA) and have 10 years of service. The MRA varies according to the employee's year of birth. Refer to the MRA chart below to determine MRA.

If year of Birth is	The Minimum Retirement Age is	If Year of Birth is	The Minimum Retirement Age is
Before 1948	55 years	1965	56 years and 2 months
1948	55 years and 2 month	1966	56 years and 4 months
1949	55 years and 4 months	1967	56 years and 6 months
1950	55 years and 6 months	1968	56 years and 8 months
1951	55 years and 8 months	1969	56 years and 10 months
1952	55 years and 10 months	1970 and after	57
1953-1964	56 years		

Voluntary Resignation: An employee, regardless of the retirement system under which he/she is covered, may resign at any time.

WHAT HAPPENS IF THE NUMBER OF APPLICANTS EXCEEDS BUYOUT OFFERS?

If the number of eligible VSIP applicants exceeds the number of offers available, applicants with the earliest (most senior) service computation date (SCD) for leave purposes within each series and grade will be considered for approval. Veteran's preference and tenure are not considered in this process.

WHO APPROVES VSIP?

The Assistant Secretary of the Navy re-delegated VSIP authority to Major Claimants and Individual Activities.

WHAT IS THE INCENTIVE AMOUNT?

The separation incentive is the lesser of:

a. \$25,000.00 or

b. An amount equal to the payment you would be entitled to receive under the severance pay formula; i.e., (1) one week's pay at the rate of basic pay received immediately before separation for each year of civilian service up to and including 10 years, and 2 weeks basic pay at the rate for each year of civilian service beyond 10 years, and (2) an age adjustment allowance for each year by which your age exceed 40 years, at the time of separation. Incentive pay cannot exceed 1 year's salary at the rate of pay immediately preceding separation.

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Additional information is found in the Field Advisory Service Reference Guide 824-PT-24, <http://www.cpms.osd.mil/fas/pay/ref/vsip.html> for calculating voluntary separation incentive pay.

HOW IS THE SEPARATION INCENTIVE PAID?

The incentive may be paid in a lump sum or you may now also elect to receive your separation pay incentive, if approved, in installment payments. Bi-weekly payments consist of equal amounts at a rate selected by the employee and may not extend beyond one year from the date of separation. You may also elect to receive one half of your buyout six months following your separation and the remaining half six months later. Any severance pay you may have previously received must be deducted from the total severance pay calculation.

ARE THERE ANY RESTRICTIONS ASSOCIATED WITH THE RECEIPT OF VSIP?

Yes, there are restrictions on re-employment and requirements to repay the VSIP if reemployed. A Department of Defense (DOD) employee who receives separation incentive pay cannot be re-employed by any DOD installation in any capacity for a period of 12 months from the effective date of that employee's separation. The appropriate component assistant secretary or equivalent may approve exceptions on a case-by-case basis. **All** employees accepting separation incentives are **ineligible** for registration in the DOD Automated Stopper and Referral System. Employees who are paid a separation incentive and who accept reemployment with the Federal government (including non-appropriated fund activities or employment under a personal service contract) within 5 years after the separation must repay the separation pay to the Defense agency that paid it. Repayment can be waived only if the individual possesses unique abilities and is the only qualified applicant available for the position being filled.

WHAT CONSTITUTES A PERSONAL SERVICES CONTRACT FOR REPAYMENT PURPOSES?

The following is an excerpt from Title 48, Code of Federal Regulations, Section 37.104 that defines and describes personal services contracts.

(c)(1) An employer-employee relationship under a service contract occurs when, as a result of the contract's terms or the manner of its administration during performance, contractor personnel are subject to the relatively continuous supervision and control of a Government officer or employee. However, giving an order for a specific article or service, with the right to reject the finished product or result, is not the type of supervision or control that converts an individual who is an independent contractor (such as a contractor employee) into a Government employee.

(d) The following descriptive elements should be used as a guide in assessing whether or not a proposed contract is personal in nature:

- (1) Performance on site.
 - (2) Principal tools and equipment furnished by the Government.
 - (3) Services are applied directly to the integral effort of agencies or an organizational subpart in furtherance of assigned function or mission.
 - (4) Comparable services, meeting comparable needs, are performed in the same or similar agencies using civil service personnel.
 - (5) The need for the type of service provided can reasonably be expected to last beyond one year.
 - (6) The inherent nature of the service, or the manner in which it is provided reasonably requires directly or indirectly, Government direction or supervision of contractor employees.
-