

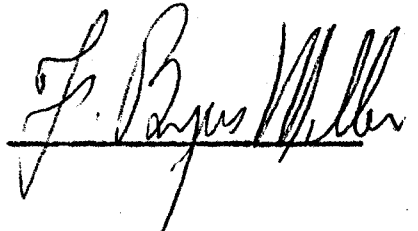
CASE STUDY OF THE FINANCING OF THE OPERATIONS
OF A GOVERNMENT AGENCY
UNDER THE INDUSTRIAL FUND

BY

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A THESIS
SUBMITTED TO THE GRADUATE FACULTY
OF THE UNIVERSITY OF RICHMOND
IN CANDIDACY
FOR THE DEGREE OF
MASTER OF SCIENCE IN BUSINESS ADMINISTRATION

APPROVED BY:

A handwritten signature in cursive script, appearing to read "L. Byers Miller", is written over a horizontal line.

JUNE, 1954

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PREFACE

Savings aggregating millions of dollars annually have been made possible by fundamental improvements of a Government-wide nature and the modernization and streamlining of accounting methods and systems of individual departments and agencies. The impetus for instituting these changes in fiscal procedures was provided in the recommendations of the Hoover Commission as submitted to Congress February 15, 1949.

The pilot installation, or "guinea pig", was the Military Sea Transportation Service, a military agency within the Navy Department to which the author had been assigned as Assistant to the Comptroller after recall to active duty in November 1950. This material is presented in an effort to describe and demonstrate how these fantastic savings have been effected.

The author acknowledges his indebtedness to the officials of the Military Sea Transportation Service and in particular its Comptrollers for their leadership, vision and determination which made the revised fiscal procedures a success. The generosity of these officials

has also made it possible to include within these pages both in text and appendices interesting data which otherwise would not normally be available.

The following civilian and military personnel within the Office of the Comptroller were extremely helpful in the preparation of this manuscript:

W. C. Wiley	Deputy Comptroller MSTS
E. T. McAdams	Head, Accounting Branch
Glenn E. Taylor	Head, Budget Branch
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CHAPTER I

INTRODUCTION

On January 17, 1954, an article, highly critical of prevailing military accounting systems, appeared in the Richmond Times Dispatch. This Associated Press release reported the results of an investigation of financial management in the Department of Defense, Army, Navy and Air Force which had been conducted by a subcommittee of the Senate Armed Forces Committee under the leadership of Senator Flanders, former banker and industrialist. In summary, this report concluded that Congressional directives of 1949 to install adequate and accurate accounting systems had not been complied with; moreover, it was appalling to find the present military accounting system had been jerry-built since the days of George Washington. Some progress had effected some savings but the overall record for the four year period was definitely not satisfactory.¹

Serious weaknesses exist in the internal operations of the

1. Richmond Times Dispatch, January 17, 1954.

Federal Government in the fiscal field. These weaknesses of neither knowing exactly what money is wanted for nor what was accomplished with it penetrate into every governmental transaction. Moreover, the problem is not new. Present fiscal practices date back to their founding father, Alexander Hamilton, who in the 1790's was concerned with annual Government expenditures of only \$4,000,000,000. Subsequent patched-up procedures to account for present day expenditures of approximately \$40,000,000,000 have proved cumbersome and outmoded, even to the point of precluding capable management and dulling individual initiative.

I. HOOVER COMMISSION

Pursuant to Public Law 162, 80th Congress, approved July 7, 1947 the Commission on Organization of the Executive Branch of the Government was created and the Honorable Herbert Hoover was prevailed upon to serve as its Chairman. This unofficially-titled "Hoover Commission" began by defining 24 principal organizational and management problems and assigning special research groups or "task forces" to each. Two of these problems were Budgeting and Accounting.

After lengthy study, the Commission determined that budgetary and accounting procedures being utilized confused Congress and the taxpayers and rendered effective administration almost impossible of attainment. Its recommendations as adopted were designed to assure complete and correct answers to (1) "What is the money wanted for?" and (2) "What do the taxpayers get for it?"²

2. McGraw-Hill Company, Inc., Hoover Commission Report, pp. 33-34.

These recommendations so designed to promote economy and efficiency through the establishment of uniform budgetary and accounting procedures were embodied in Title IV, Sections 401 to 406 inclusive of Public Law 216 - 81st Congress, entitled "National Security Act Amendments of 1949".

II. MILITARY SEA TRANSPORTATION SERVICE

The first large government agency to adopt these radical procedures and changes was the Military Sea Transportation Service, the consolidated shipping agency responsible for providing all ocean transportation of cargo and passengers within the Department of Defense, which on July 1 1951 effected its transition from the appropriation - allotment fiscal basis to the prescribed revolving fund - accrual basis. This agency had been created in 1949 within the Navy Department under the military command of the Chief of Naval Operations but answerable directly to the Assistant Secretary of the Navy on procurement matters. Whereas its operational mission was to provide services for the several military departments, it was not established as a separate government corporation; such as, Tennessee Valley Authority or Reconstruction Finance Corporation.

III. ASSISTANT TO COMPTROLLER

This writer, a Reserve Officer with commercial accounting experience and holder of a certificate as Certified Public Accountant in

the State of Virginia, was recalled to active Naval duty in November 1950 to assist the Comptroller of the Military Sea Transportation Service in devising and installing all fiscal procedures deemed necessary to implement the recommendations of the Hoover Commission. As an Assistant to the Comptroller, this writer participated in the procedural designing and compilation of the Comptroller Handbook and supervised the actual transition at three field installations; New Orleans, Louisiana; San Juan, Puerto Rico; and Balboa, Canal Zone. Subsequently, the task of organizing the Internal Control Branch at Headquarters was undertaken and several field inspection audits were conducted. In these capacities, the workings of the cumbersome allotment system and the custom-built accrual system were observed in detail by this writer.

IV. PURPOSE OF THESIS

This thesis, based upon this writer's actual participation, is written to describe the efforts made by one military agency to comply with Congressional directives and adopt pertinent commercial accounting and budgetary practices and procedures.

CHAPTER II

APPROPRIATION ACCOUNTING

I. CONSTITUTIONAL PROVISIONS

In the national constitution of the United States only brief provision is made concerning expenditures, appropriations, and accounts:

The Congress shall have Power—To raise and support Armies, but no Appropriation of Money to that Use shall be for a longer Term than two years:

No money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law; and a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time.³

In both provisions, the term appropriation is used. An appropriation may be defined as an authorization by the legislative body to make expenditures and incur liabilities for specific purposes.

3. Anderson, William, American Government, p. 738.

II. BUDGET AND ACCOUNTING ACT OF 1921

The Budget and Accounting Act of 1921 created two important fiscal agencies: the Bureau of the Budget and the General Accounting Office. The Budget Bureau is attached to the Treasury Department but assists the President directly in formulation of the annual budget presented to Congress. The General Accounting Office, however, enjoys an independent status. Its head, the Comptroller General, has final say on the validity of expenditures and reports directly to Congress.

Bureau of the Budget. The Bureau of the Budget is responsible for the collection and screening of all departmental expenditure estimates within the Federal Government and preparation of the tentative budget for submission to Congress by the President. In Congress, the Committee on Appropriations conducts extensive investigations after which appropriation bills are prepared. When passed, regular appropriations provide for the necessary expenses of all departments and agencies for the fiscal year beginning July 1st but will be available for two additional years thereafter to cover commitments made during the year under review. Appropriations for specific projects, however, are available until either the project is completed or funds are exhausted.

Once the appropriation acts have been passed and the new fiscal year is imminent, administrative controls over expenditures must be established. Accounts must be set up for each agency or department covered in the appropriation acts, and the funds available entered thereon. Several problems arise immediately. Will each agency spend

its money too quickly and have to come back for a deficiency appropriation before the year is completed? Will the money be used for authorized purposes only? May new unanticipated projects be started?

Allotment control. In order to provide some control over expenditures, the Act of 1921 authorized the Director of the Bureau of the Budget to apportion each agency its funds on a monthly basis and in return receive monthly reports from each agency on its rate of expenditures and other commitments to date to assure its keeping within its apportionments.

Allotment reporting. Each agency or department granted funds must, in turn, take steps to control its budget properly. Its organizational segments must submit requests for funds, or allotments, fully substantiated as to the rate of need; that is, equally by months or quarters, or varying if influenced by seasonal or cyclical fluctuations. All such subsidiary requests are tabulated within the agency and revised to agree with the schedule of availability of funds as decreed by the Director of the Budget. Once approved, each subordinate activity receives a formal notification of funds granted, institutes its own controls over expenditures and commitments and reports monthly the status of expended, obligated and unobligated funds for each allotment under its cognizance.

Comptroller-General. Also provided for in the Act of 1921 was the establishment of the Comptroller-General and the General Accounting Office under him, with the final power to settle accounts and to audit

the books of all branches of the government. To assure his independence, he was to be appointed by the President with Senate approval for a term of fifteen years, removable only by joint resolution of Congress or by impeachment.

CHAPTER III
MILITARY SEA TRANSPORTATION SERVICE

I. ORGANIZATIONAL BACKGROUND

The Military Sea Transportation Service, hereinafter referred to as MSTTS, was activated on 1 October 1949 as an integral part of the United States Navy to provide, control and operate under one authority all of the ocean transportation of cargo and personnel required by the Department of Defense, exclusive of that transported aboard the combatant ships of the Navy. Immediately the operations of the Naval Transportation Service were taken over and the Naval Transportation Service dissolved. The second step was taken on 1 March 1950 when MSTTS replaced the Transportation Corps, Department of the Army in the Zone of the Interior and assumed the shore support functions conducted within the continental limits of the United States. On 1 July 1950 and 1 November 1950, MSTTS assumed responsibility for overseas operations and the transition was complete. The individual transportation services with attendant duplication of ships, manpower, and facilities

had finally surrendered to the economy axe.

The need for such a consolidated shipping agency which could broach departmental barriers had existed for over fifty years during which time separate transportation systems had been fostered to such an extent that at the close of World War II the Army Transportation Service actually operated more ships than the total in the Navy Transport Service and combat ships in the Fleet. The attendant waste and duplication of separate operations were recognized and criticized by Congressional committees shortly after the Spanish-American War but no final decision was reached.

At the close of World War II, during which the rapid expansion of transportation facilities and teamwork cooperation between the Services had spotlighted the necessity of a single shipping agency, the Joint Chiefs of Staff sponsored a series of studies to determine the practicability of assigning the entire ocean transportation function to one agency. Each study came closer to assigning the sole responsibility to the Navy but each solution foundered on the matter of financing so as not to militate against the Navy's appropriations for other operations. There was no provision for cross-servicing between departments and no "pay-as-you-go" principle.

Pertinent Directives. On 2 August 1949 the Secretary of Defense resolved the entire problem; first, by creating MSTS as a single agency and an integral part of the Navy; and secondly, by directing each branch of Service to transfer to MSTS all personnel, facilities,

equipment and funds provided to it for sea transport operation and the providing of logistic support. Reference was made to Section 406, Title IV of Public Law 216, 81st Congress and MSTTS was assigned the first subhead under the Navy Management Fund. MSTTS could now render services, finance itself from this special revolving fund available to the Secretary of the Navy, and then be reimbursed by the military Service concerned.

Geographical Location. MSTTS would be comprised of the headquarters staff in Washington, D. C. with four major area commands located in London, New York, San Francisco, and Yokohama and many subarea and port office commands located around the world.

The organizational chart following this page (Figure 1) clearly depicts the world-wide organization and points up the necessity for eliminating "the central paper mill" accounting and reporting philosophy.

MILITARY SEA TRANSPORTATION SERVICE

COMMAND ORGANIZATION

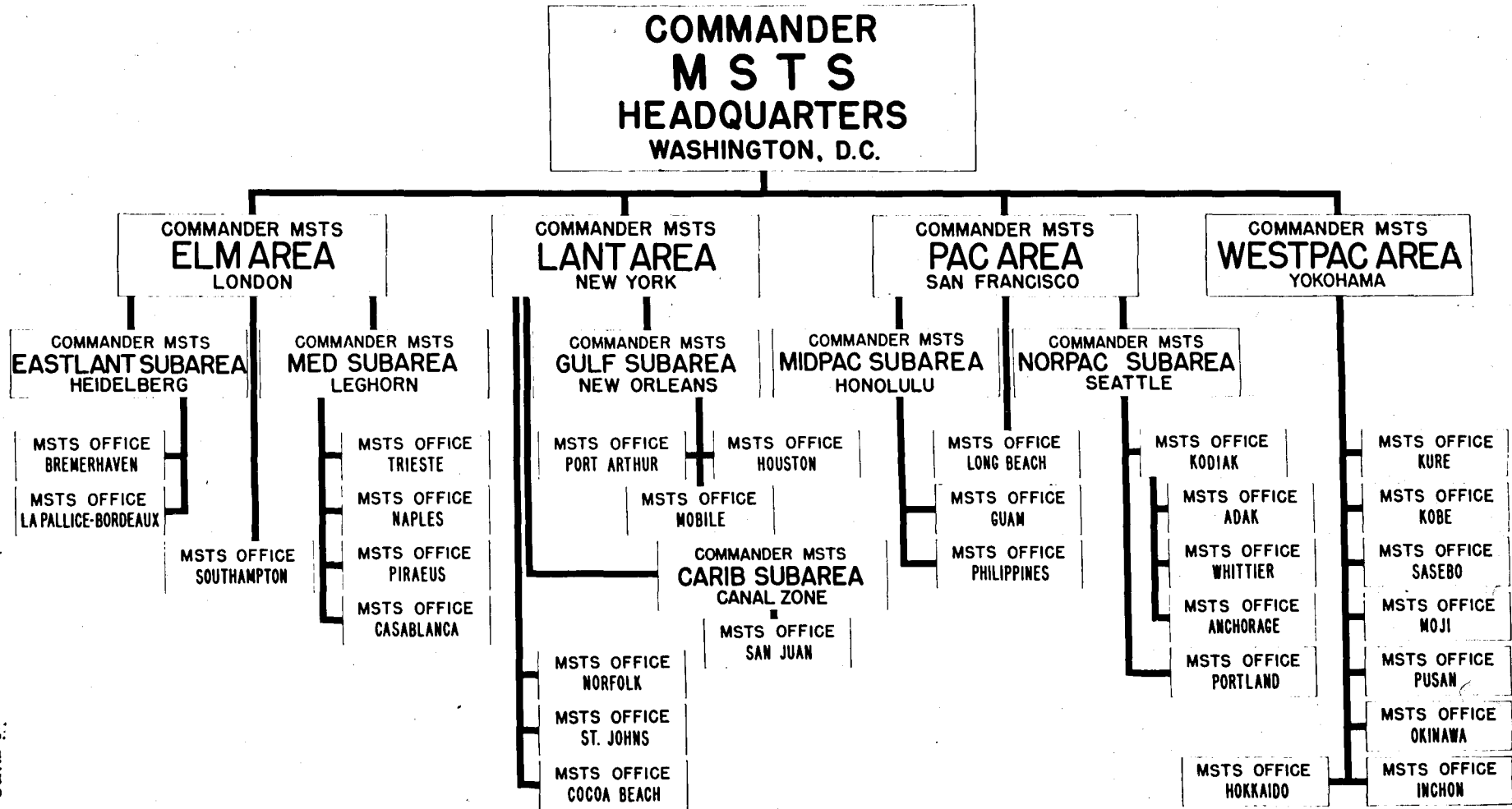


Figure 1

II. EARLY FISCAL PROCEDURES

Navy Management Fund. Upon its inception MSTS was assigned the first subhead issued under the Navy Management Fund and conducted its financial transactions under the Management Fund provisions of Section 406, Title IV of Public Law 216 - 81st Congress. Periodic advances were received by Headquarters MSTS from the Departments of the Army and Navy out of the transportation appropriations granted by Congress. MSTS conducted its business, making charges against these advances and reporting monthly to each Service concerned the disposition of its advance as well as any unused balance on hand.

Allotment Control of Funds. At this early stage authority was not granted MSTS to utilize commercial budgeting and accounting procedures. It was necessary to follow existing practices and grant quarterly allotments to all subordinate commands, requiring a report monthly showing for each allotment the expenditures to date, outstanding obligations, and unobligated balance on hand.

Single Entry Bookkeeping. Each command was placed on a single entry accounting basis. Complete reliance was placed on the filing system in the hopes that documents would not be misplaced. Contra balancing totals for recorded transactions were non-existent.

Navy Regional Accounts Offices. As vouchers were processed within MSTS for payment by outside Navy Regional Accounts Offices, a copy was retained and filed under the cognizant allotment as an obligation. After payment, the Regional Accounts Offices would return one copy of the voucher marked "PAID". This "paid" copy would be matched

with the retained copy, the retained copy destroyed and the "paid" copy segregated to reflect the actual disbursement. Monthly, adding machine tapes would disclose both the disbursements and outstanding obligations for each allotment.

Disadvantages. The disadvantages in such a system were obvious. Lack of corresponding entries made it difficult to assure proper recordation. Payment by outside activities under the cognizance of another technical bureau tended to slow down the payment process and was not conducive to the most favorable public relations. Vouchers were sometimes misdirected and either lost or paid late. "Paid" copies of vouchers similarly were lost and expenditure records understated.

These mechanical disadvantages were further supported by the fallacious philosophy of striving only to stay within an allotment. Each command, once granted an allotment, felt no compunction to economize and return the unused portion to its grantor. Once a command operated so as to return some of its funds, experience had proved it almost impossible to have such portions restored in the future. Consequently, each command would make certain that sufficient commitments were entered into and all funds obligated before the end of the year. Obviously this practice fostered waste.

In the September 1953 issue of the Journal of Accountancy, William E. Katon, Deputy Comptroller of the General Services Administration, the newly created civilian housekeeping agency of the

Federal Government, pointed out that, while not wholly responsible, traditional financial practices of the government had certainly contributed to the waste and improper utilization of property and funds.

At the root of the problem is the practice of appropriating funds on the so-called 'obligation' basis. Stated in its simplest terms, an annual appropriation to an agency consists of a dollar amount which may not be exceeded by the agency in the creation, cumulatively through the year, of legal dollar claims against the government. This annual limitation on creating legal claims against the government - the process commonly called 'obligating funds' - bears little relationship to the annual period in which goods and services acquired by the government in return for such legal claims are (1) received, (2) paid for, or (3) consumed. Thus, as an example, a contract for the purchase of agency supplies may be executed (obligated) against a 1951 appropriation, the supplies may be received by the agency from the contractor in 1952, the agency may pay the contractor for the supplies later in the same year, and the agency may consume the supplies in its operations during 1953.

(...) the appropriation basis neither requires nor encourages the contracting officer into making a positive determination about need for purchases; it requires only that he make the two non-property determinations (1) that sufficient unobligated funds are available for this proposed procurement and (2) if they are, that their obligation for the present contract will not create a shortage later in the fiscal year when unobligated funds may be necessary for other contracts. The ultimate accounting frustration of the obligation concept of fund control is encountered daily in attempting to serve operating officials through financial reporting - the accountant learns that the only accounting 'figure' of interest to and demanded by the operator is the 'unobligated' balance of funds free for future commitment.

Needless to say, this appropriation system has resulted in excessive investment of government funds in inventories and corresponding unnecessary increases in interest, storage, handling, spoilage, and obsolescence expense. Further, critical materials urgently required by our civilian economy and the defense effort might have been lost in the depth of government warehouses. The ineptness of the system has

culminated in the common practice of agency year-end buying - buying at the end of the fiscal year for the sole purpose of obligating the entire appropriation, so that Congress won't get the idea that the agency overestimated its budget and as a result cut that agency's future appropriation requests.⁴

Mr. Katon continued by pointing out the second principal defect of traditional government financial procedure as being the emphasis placed on accounting for cash receipts and disbursements - principally disbursements. Experience had shown that as long as it was assured the money had been expended from the Treasury in accordance with some law, few questions if any were asked as to the need, use, or misuse of any assets so acquired.⁵

These limited concepts of budgeting and accounting had built up over the years a vast disregard among government employees for the value of any asset other than cash. (...) Cost consciousness and stimuli to more efficient and economical operations would not likely be developed in government employees under a financial system which emphasized the legal requirements of fund obligation and disbursement and which ignored the safeguarding of non-cash assets and the charging of costs to the periods benefiting.⁶

Thus, the stage was set for the new concepts of (1) financial assistance to management by a Comptroller in the interpretation of data, (2) performance budgeting, (3) accrual accounting, and (4) operation under a revolving industrial fund; all of which were contained in Title

4. Katon, William E., Journal of Accountancy, September 1953, pp. 317-318.

5. Ibid., p. 318.

6. Ibid., pp. 318-319.

IV of the National Security Act Amendments of 1949 - 81st Congress.

III. NATIONAL SECURITY ACT AMENDMENTS OF 1949

The National Security Act Amendments of 1949, that is, Title IV of Public Law 216 - 81st Congress (Appendix A) were designed to promote economy and efficiency through the establishment of uniform budgetary and fiscal procedures.

Comptroller. Primary emphasis was placed on assistance to management in the interpretation of financial data; hence, the commercial practice of a comptroller advising the President was utilized and the Office of Comptroller of the Department of Defense was established. Ample provision was made for the establishment of Comptrollers in each military department.

Performance Budget. Another concept new to government operation contained in this directive to promote economy and efficiency was the adoption of a performance budget; that is, a budget which will report costs of readily identifiable functional programs and activities and segregate operating and capital expenditures.

Working Capital Funds. Finally, another pertinent provision contained in Title IV, was the authority to establish working capital funds for the purpose of providing working capital for industrial-type and commercial-type agencies providing services common to several departments within the National Military Establishment. Such working capital or industrial funds shall consist of cash on deposit in the Treasury; accounts receivable; stores of supplies, materials, and work

in process; finished goods; and other current assets acquired in the operations of the fund; and subject to all liabilities incurred in such operations. Plant and equipment used in operations of the establishments financed under each fund did not constitute part of the fund.

Such funds would be of a revolving nature; that is, charged with the cost of materials and supplies procured, manufactured, repaired, issued and consumed and of services rendered; and subsequently credited when reimbursed from available appropriations. Further, to facilitate accumulation of costs by functions, it was prescribed that each establishment have a cost accounting system custom-built for its operation. Such a system should observe the accrual basis of accounting and employ the double-entry method of bookkeeping; books and records of account and documents supporting transactions should be retained at the accountable activity preparatory to an "on-site" audit by representatives of the General Accounting Office.⁷

IV. MSTTS COMPTROLLER

Duties and Responsibilities. The Commander of MSTTS assigned duties and responsibilities to the Comptroller of MSTTS consistent with those outlined in Section 401 of the National Security Amendments of 1949. Specifically, these included the formulation and administration of the MSTTS budget; the recordation of financial trans-

7. "National Security Act Amendments of 1949", Title IV, Public Law 216, 81st Congress, Sections 401-406 inclusive.

actions; accounting for such transactions; conduct of internal auditing; rendition of operational, financial, and accounting statistics; and the establishment of tariff rates for the Shipper Services. It was emphasized that the Comptroller was head of a service component of the Command; that accounting was utilitarian in character and as such a means to an end; and that the information generated through the proper execution of Comptroller functions could be of great value as a tool to MSTS in the economical accomplishment of its mission.⁸

Personnel Recruitment. Selected as the first Comptroller was Captain L. C. Peppell, SC-USNR, formerly with the certified public accounting firm of Haskins and Sells as managing partner of its Nevada office, and a veteran of over 30 years combined active and inactive service in the Navy Supply Corps. Immediately, Captain Peppell attempted to staff his Comptroller offices at Washington and at the Field Commands with personnel experienced in commercial budgeting, accounting and supply procedures. Civilians were obtained primarily from commercial practice, Cost Inspection Service and the General Accounting Office, while several Naval officers were recalled to active duty as assistants. All in all, his organization within twelve months included eight Naval officers and many civilians with the desired background.

Industrial Fund Task Force. The two-fold task of carrying on day-to-day operations under the allotment system and planning for con-

8. MSTS Comptroller Handbook, Chapter 4.

templated operations under the Industrial Fund and its commercial procedures necessitated a segregation of personnel. In December 1950, the Comptroller actually divided his staff and set up a "Task Force" whose prime responsibility was to compile a Handbook or Manual which would prescribe all financial operations under the Industrial Fund.

Comptroller Handbook. This task group of six men plus two representatives from the Office of the Comptroller of the Navy visited many Navy Supply and Disbursing activities, Army stevedoring outfits, traveled aboard ship and conferred with many responsible officials in other Bureaus to spread the philosophy of the proposed operation and get a thorough working knowledge of the flow of documents and operational problems of potential suppliers and customers. The results of such efforts were rewarded on May 7, 1951 when Mr. W. J. McNeil, Assistant Secretary of Defense (Comptroller) approved the Manual so compiled and granted MSTs its charter (Appendix B) authorizing it to finance its operations under the Navy Industrial Fund commencing July 1, 1951.

Installation July 1, 1951. The next step was to submit the Manual to each field activity Comptroller for study and review. Then about June 1, 1951, the Task Force of special assistants separated and departed from Washington, D. C. to visit each subordinate Command and assist in indoctrinating personnel to work under the new Manual and plan for an orderly transition on July 1, 1951. The spade work was accomplished during June and the new system was placed in effect with a minimum of conflict. On July 31, 1951 each subordinate Command was

able to submit all desired reports to Headquarters and under the revised format. By September 15, 1951 consolidated financial statements were available for review and interpretation, just exactly thirty days ahead of the reporting schedule followed under the previous system.

The charts following this page were contained in Chapter IV of the Comptroller Handbook and clearly delineated the duties and responsibilities of each organizational component of the Office of Comptroller MSTs. The first chart deals only with Headquarters organization in Washington, D. C. while the second chart is applicable to the Field installations.

OFFICE OF THE COMPTROLLER

The Comptroller is the advisor to the Commander and other officials of MSTS on matters relating to budgeting, finance, accounting, auditing, statistics, tariff rates and business administration and for the technical supervision of the organization and procedures relating thereto. He is responsible for all financial, accounting, cost and statistical reporting for MSTS and for the evaluation and analysis of cost and statistical data. He establishes policies and procedures consistent with basic policies of the Department of the Navy and Department of Defense relating to budgeting, finance, accounting, auditing and other matters under his cognizance. He maintains necessary liaison with comparable functional components in higher echelons on matters under his cognizance.

ASSISTANTS TO COMPTROLLER

Assist Comptroller in a staff and planning capacity, and conduct special studies as assigned. One assistant has the additional duty as Disbursing Officer.

DEPUTY COMPTROLLER

Assists Comptroller in the discharge of Comptroller functions; and acts as the Comptroller in the absence of the Comptroller.

INTERNAL CONTROL DIVISION

Develops and supervises system of internal control; and conducts audits at COMSTS and in the field to insure the accuracy and fidelity of MSTS accounting and reporting.

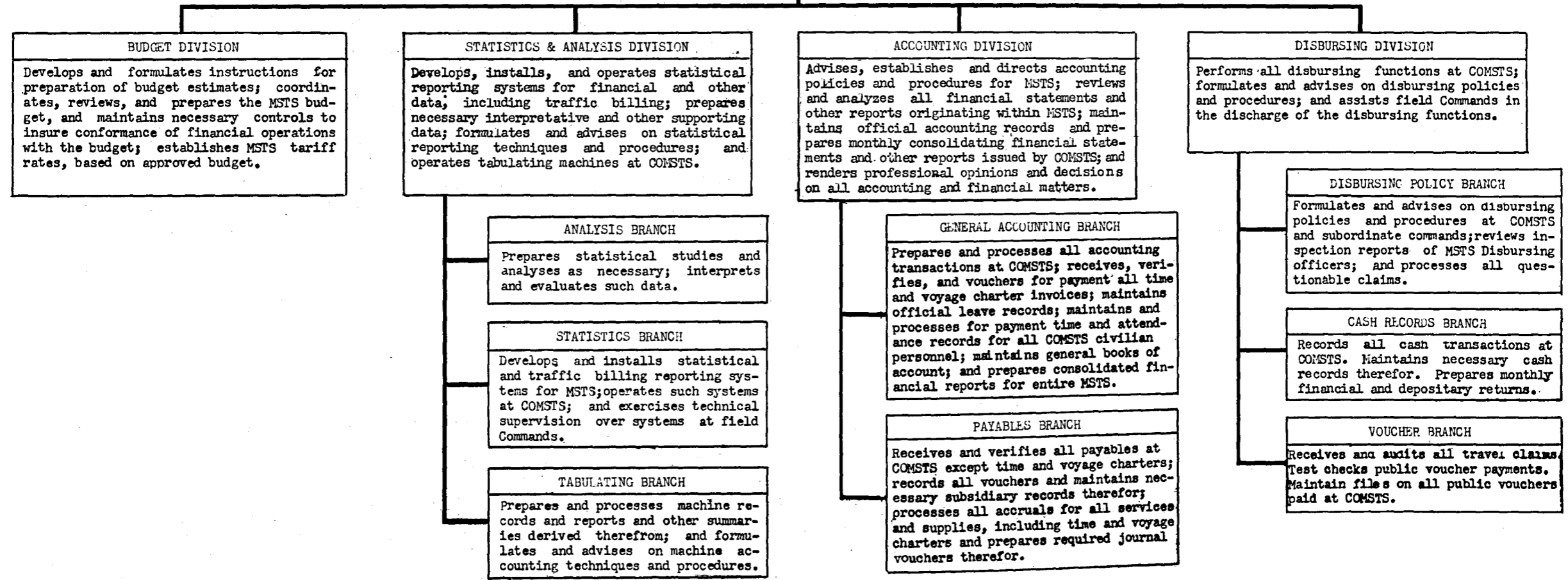
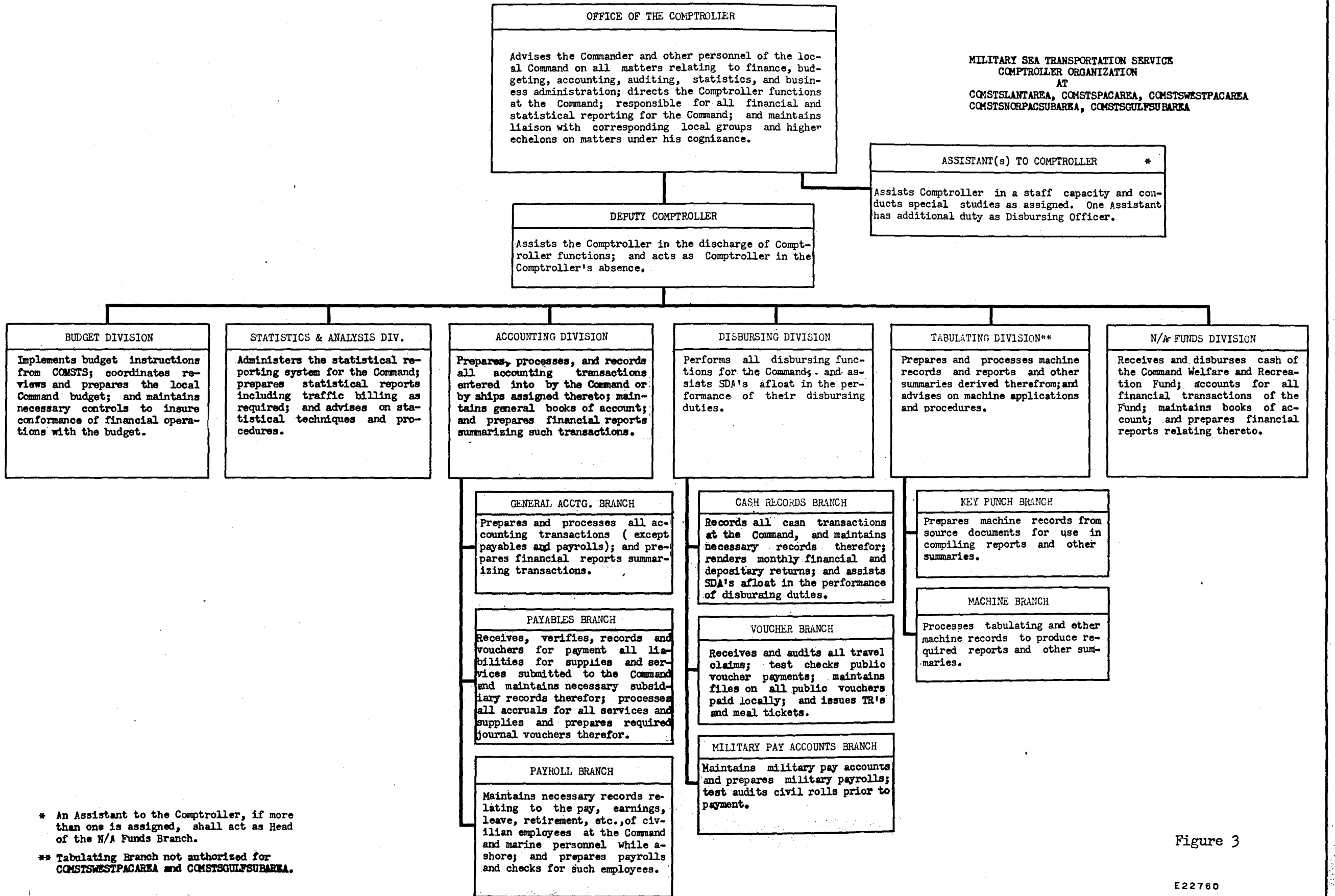


Figure 2
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OFFICE OF THE COMPTROLLER

Advises the Commander and other personnel of the local Command on all matters relating to finance, budgeting, accounting, auditing, statistics, and business administration; directs the Comptroller functions at the Command; responsible for all financial and statistical reporting for the Command; and maintains liaison with corresponding local groups and higher echelons on matters under his cognizance.

**MILITARY SEA TRANSPORTATION SERVICE
COMPTROLLER ORGANIZATION**
AT
COMSTSLANTAREA, COMSTSPACAREA, COMSTSWESTPACAREA
COMSTSNORPACSUBAREA, COMSTSGULFSUBAREA

ASSISTANT(S) TO COMPTROLLER *

Assists Comptroller in a staff capacity and conducts special studies as assigned. One Assistant has additional duty as Disbursing Officer.

DEPUTY COMPTROLLER

Assists the Comptroller in the discharge of Comptroller functions; and acts as Comptroller in the Comptroller's absence.

BUDGET DIVISION

Implements budget instructions from COMSTS; coordinates reviews and prepares the local Command budget; and maintains necessary controls to insure conformance of financial operations with the budget.

STATISTICS & ANALYSIS DIV.

Administers the statistical reporting system for the Command; prepares statistical reports including traffic billing as required; and advises on statistical techniques and procedures.

ACCOUNTING DIVISION

Prepares, processes, and records all accounting transactions entered into by the Command or by ships assigned thereto; maintains general books of account; and prepares financial reports summarizing such transactions.

DISBURSING DIVISION

Performs all disbursing functions for the Command; and assists SDA's afloat in the performance of their disbursing duties.

TABULATING DIVISION**

Prepares and processes machine records and reports and other summaries derived therefrom; and advises on machine applications and procedures.

N/A FUNDS DIVISION

Receives and disburses cash of the Command Welfare and Recreation Fund; accounts for all financial transactions of the Fund; maintains books of account; and prepares financial reports relating thereto.

GENERAL ACCTG. BRANCH

Prepares and processes all accounting transactions (except payables and payrolls); and prepares financial reports summarizing transactions.

PAYABLES BRANCH

Receives, verifies, records and vouchers for payment all liabilities for supplies and services submitted to the Command and maintains necessary subsidiary records therefor; processes all accruals for all services and supplies and prepares required journal vouchers therefor.

PAYROLL BRANCH

Maintains necessary records relating to the pay, earnings, leave, retirement, etc., of civilian employees at the Command and marine personnel while ashore; and prepares payrolls and checks for such employees.

CASH RECORDS BRANCH

Records all cash transactions at the Command, and maintains necessary records therefor; renders monthly financial and depository returns; and assists SDA's afloat in the performance of disbursing duties.

VOUCHER BRANCH

Receives and audits all travel claims; test checks public voucher payments; maintains files on all public vouchers paid locally; and issues TR's and meal tickets.

MILITARY PAY ACCOUNTS BRANCH

Maintains military pay accounts and prepares military payrolls; test audits civil rolls prior to payment.

KEY PUNCH BRANCH

Prepares machine records from source documents for use in compiling reports and other summaries.

MACHINE BRANCH

Processes tabulating and other machine records to produce required reports and other summaries.

* An Assistant to the Comptroller, if more than one is assigned, shall act as Head of the N/A Funds Branch.

** Tabulating Branch not authorized for COMSTSWESTPACAREA and COMSTSGULFSUBAREA.

Figure 3

CHAPTER IV
ACCOUNTING SYSTEM

I. AUTHORITY

The accounting system as prescribed in Article XI of the Charter granted MSTS to operate under the Industrial Fund and as described in Section 8 (b) of Regulations Covering The Operation Of Working - Capital Funds For Industrial- And Commercial-Type Establishments, was tailor-made for MSTS operation. The accrual basis of accounting was employed to insure that income was included in the period in which it was earned and expenses were charged to the period in which the materials or services were received. Double-entry bookkeeping and uniform books of original entry were also provided for.

Costs To Be Financed Under The Industrial Fund. In Article VII of the Charter of Operation of MSTS under the Navy Industrial Fund, the costs which MSTS was authorized to finance were enumerated and included:

the costs of performing services pursuant to its mission, such as, but not necessarily limited to civilian payrolls, traveling expenses of both civilian and military per-

sonnel assigned to Military Sea Transportation Service, materials, supplies, provisions, services of various kinds, charter hire, maintenance repair and alteration of ships and other facilities, activation and inactivation of ships assigned, spare parts, repair parts, spare part sets, ships equipage, and replacements of furniture and equipment required ashore, certain damage claims, and such other usual expenses generally classified as 'operating expenses' not specifically excluded hereinafter.⁹

Costs Not To Be Financed Under The Industrial Fund. Article VIII

of the MSTS charter specifically precluded MSTS from financing:

- (a) New construction and conversion of ships;
- (b) Pay and allowances of military personnel attached to Military Sea Transportation Service;
- (c) Proration of overhead of Bureau or Officers of the Department of the Navy, in connection with services rendered to Military Sea Transportation Service. However, this prohibition does not relate to items of direct expense incurred specifically for the rendition of such services;
- (d) Expenses for official representation (entertainment of foreign officials, etc. incurred in reciprocation);
- (e) Military characteristics of ships, such as armament and amphibious gear;
- (f) Battle damage repairs on MSTS ships.¹⁰

Inasmuch as the Bureau of Naval Personnel actually controlled the assignments of all Naval officers and enlisted men attached to MSTS and had been granted cognizance over the appropriation "Pay and Allowances - Navy", it was felt that MSTS should record the amounts received by its Naval employees out of this special appropriation as a statistical cost only to arrive more nearly at the true cost of operation.

9. MSTS Charter of Operation Under the Navy Industrial Fund, Art. VII.

10. Ibid., Art. VIII.

New construction, conversions, military alterations and battle damage repairs were not deemed to be applicable to the operation of a commercial steamship company. Further, they would be prescribed for military consideration by the Chief of Naval Operations and as a result properly chargeable to the appropriation "Ships and Facilities" under the cognizance of the Bureau of Ships.

Section 5 (j) of the Regulations for operating under the industrial fund provided as follows:

While each industrial establishment shall keep account of the cost of items of real estate, equipment, and other facilities used in its operations or located on its premises, such assets shall not be considered to be held for the account of the industrial fund. Replacements of and additions to such property and equipment shall be financed by appropriated funds and not by the industrial funds,--¹¹

Therefore, depreciation expense would not be recognized as an operating expense but treated as a statistical expense only, similar to the pay and allowances of military personnel.

The concept prevailed that MSTs would be provided a capital unit (ship) fully equipped for passenger or cargo transportation. Replacements, maintenance, and alterations of a non-military nature were operating costs and properly financed under the industrial fund. But since this capital unit (ship) was not held for the fund, no valuation included under Assets, depreciation was excluded from expense.

11. Regulations Covering The Operation of Working-Capital Funds For Industrial and Commercial-Type Establishments (Industrial Funds), Section 5 (j).

In addition, it was recognized that it would be highly impractical, if not impossible, to determine the dollar cost of overhead services rendered by certain Navy Bureaus; such as, the Bureau of Ships in assisting with vessel alterations and the Bureau of Supplies and Accounts in performing their shore support supply functions, storage, etc. These exceptions, or exclusions, would definitely qualify the comparisons made between operating costs of MSTS and commercial steamship companies.

II. CHART OF ACCOUNTS

The chart of accounts, "custom-built" in MSTS to provide readily detailed cost data and to facilitate the preparation of financial and cost reports, contained sufficient classification to produce major reports from the general ledger without analysis or assembly (Appendix C). Detailed analyses required for specialized information, such as maintenance costs by ships and job order costs in MSTS maintenance shops were developed through subsidiary classifications.

The chart included five classifications: asset accounts, liability accounts, proprietary accounts, income accounts, and expense accounts. Although the income and expense classifications were essentially "objective", nevertheless the subdivisions were functional.

Each account was coded with a four digit number determined as follows:

a) First digit for the basic classification

1. asset accounts

2. liability accounts
 3. proprietary accounts
 4. income accounts
 5. expense accounts
- b) Second digit - subdivision of the basic classification, e.g.,
 cash, inventories, deferred charges under Assets or Cargo,
 Passenger or Petroleum under Income.
- c) Third and fourth digits - specific accounts, e. g.,
 Account 1304 - Inventory - Subsistence Stores, Ships
 Account 1305 - Inventory - Propulsion Fuel, Ships
 Account 2101 - Vouchers Payable
 Account 4102 - Cargo Income - Time Charter
 Account 5101 - Operating Expense - MSTS Ships
 Labor, Civilian Marine - Regular Time
 Account 5201 - Time Charter Expense - Cargo
 Account 5301 - Shoreside Expenses
 Salaries and Wages, Classified Regular Time

This chart of accounts was compiled as to titles, numbers and arrangement to facilitate listing in trial balances, the Balance Sheet and Statement of Income and Expenses. Instructions were promulgated that the classification of accounts, admittedly not perfect, must be used uniformly throughout MSTS and the descriptions of charges and credits for each account must be adhered to. Throughout, the system was patterned after that followed by most commercial steamship companies.¹²

One major deviation, however, was what is commonly referred to as "Voyage Accounting"; that is, determining the net profit of each voyage of each ship. This nicety was deemed impractical for three reasons: (1) too complicated and refined to go along with the other proposed radical changes in accounting methods; (2) frequently irregular and militarily-censored voyages to satisfy defense needs; and (3) the size of the MSTS fleet which consisted of 260 nucleus ships and approximately 270 commercial hire vessels as compared, for example, to the fleet of the Lykes Brothers Steamship Company which totalled about 80 vessels.

III. PROCEDURES

Payment Of Invoices. Provision was also made for each MSTS command to process and pay its own bills and not forward them to the Regional Accounts Offices for payment. The Bureau of Supplies and Accounts ordered an accountable Disbursing Officer to each Command to pay such bills. Further, the Secretary of Defense decreed that no activity could cite MSTS funds by means of Standard Form 1080's but instead must submit its bills to MSTS for orderly processing. It was felt that unless MSTS could control its funds, it would be precluded from achieving any degree of control over its expenses.¹³

Processing Of Shipping Documents. Each field activity was responsible for policing, properly documenting, and insuring the

13. Ibid., Chaps. 24 and 25.

prompt receipt and statistical accuracy of source documents to be processed by them. Individual shipping activities had been instructed to forward source documents to specified MSTS field commands immediately upon the departure of the ship from the port area. These statistics had to be completed and forwarded so as to reach Washington, D. C. no later than the 20th calendar day of the month subsequent to the close of the accounting period.

Through the use of IBM facilities, the total lift was determined for each Shipper, the pertinent tariff rate applied and customer bills so computed. This step, plus collection, represented the final stages of the financial cycle under the Industrial Fund.

The Comptroller at Headquarters compared monthly the total of all bills so computed with the actual expenses recorded on the Consolidated Profit and Loss Statement, not so much to note monthly variation, but primarily to detect any trend. The existence of a trend regardless of direction would necessitate a revision of some or all of the tariff rates.¹⁴

IV. MONTHLY FINANCIAL STATEMENTS

Various monthly statements were required of each subordinate, accountable activity consisting of Balance Sheet, Statement of Income and Expense, Statement of Operating Expenses - MSTS Nucleus Ships, Statement of Overhead Expenses and Statement of Maintenance Shop Operations. Special printed peg-board forms were furnished each activity

14. Ibid., Chap. 27.

for these statements to facilitate comparisons and preparation of consolidated statements when received at Headquarters. Such consolidated or individual statements presented accurately and clearly just where MSTs stood; simultaneously accumulating valuable cost data for the cognizant operational divisions.

The consolidated statements and supporting schedules prepared for the Commander of MSTs as of May 31, 1953 including cumulative data for the fiscal year which commenced July 1, 1952 are included on the following pages. These statements in their format and captions demonstrate the adoption of commercial principles.¹⁵

The Balance Sheet, Figure 4, in addition to setting forth the balances in the asset and liability accounts, discloses the cumulative effect of operations on the Corpus of Fund; in fact, in the first year of operation under the Industrial Fund, a slight deficit of \$923,357.39 was incurred. This deficit of 1/10% when related to total operating costs of approximately \$638 million indicates that the tariff rates were as sound as could reasonably be expected.

The Statement of Income and Expense, Figure 5, and analyses provided in Figures 6 and 7 actually set forth the profitability of each type of cargo hauled, calling immediate attention to any "trouble" areas. The Net Profit to Balance Sheet item is closely watched to distinguish between variations of a cyclical nature and those which con-

15. Ibid., Chap. 31.

stitute a trend; that is, each month the fluctuation always of the same type.

Statement of Operating Expenses-MSTS-Nucleus Ships, Figure 8, and Statement of Overhead Expenses, Figure 9, are included to show total expenses by object for the current period and fiscal year to date.

MILITARY SEA TRANSPORTATION SERVICE
BALANCE SHEET
NAVY INDUSTRIAL FUND, ACCOUNT NO. 2
31 MAY 1953

ASSETS

CASH:		
MSTS General Operating Fund		\$107,983,658.61
MSTS Special Operating Funds:		
Bureau of Ships Program	\$ 111,453.23	
Total Special Operating Funds		
(Contra to Cash Advances Received)		\$ 111,453.23
Total Cash		<u>\$108,095,111.84</u>
ACCOUNTS RECEIVABLE:		
Traffic (Schedule 1)	\$160,984,091.14	
Miscellaneous	<u>2,851,013.99</u>	
Total Accounts Receivable		\$163,835,105.13
INVENTORIES:		
MSTS Special Material	\$ 10,219,397.99	
Consumable Supplies, Ships	4,843,022.73	
Subsistence Stores, Ships	3,707,754.19	
Propulsion Fuel, Ships	1,623,763.81	
Bedding, Tableware, etc., Ships	4,412,870.36	
Inventory in Transit	612,300.88	
Total Inventories	<u>\$ 25,419,109.96</u>	
Less-Reserve for Inventory of Consumable		
Supplies Aboard Commissioned Ships	<u>\$ 1,510,862.06</u>	
Remainder		\$ 23,908,247.90
DEFERRED CHARGES TO OPERATIONS:		
Work in Process	\$ 745,326.94	
Ship Activations, Unamortized Portion	2,495,343.42	
Miscellaneous Deferred Charges and		
Prepaid Expenses	<u>413,185.34</u>	
Total Deferred Charges to Operations		<u>\$ 3,653,855.70</u>
 TOTAL		 <u><u>\$299,492,320.57</u></u>

Figure 4

MILITARY SEA TRANSPORTATION SERVICE
BALANCE SHEET
NAVY INDUSTRIAL FUND, ACCOUNT NO. 2
31 MAY 1953

LIABILITIES AND CORPUS

ACCOUNTS PAYABLE:

Vouchers Payable	\$ 18,130,518.26	
S.F. 1080's Payable	2,853,676.42	
Shipping Contracts Payable (Withheld Portion)	3,359,993.60	
Salaries and Wages Payable	13,312,060.16	
Personal Allotments Payable (Employees)	136,501.00	
Social Security Taxes Payable (F.I.C.A.) Employer's Contribution)	89,927.83	
Miscellaneous Accounts Payable	<u>636,793.38</u>	
Total Accounts Payable		\$ 38,519,470.65

ACCRUED LIABILITIES:

Time and Voyage Charters	\$ 51,491,090.23	
Shipping Contracts	12,180,960.35	
Berth Rate Shipments	13,441,300.51	
Contract Tanker Expenses	9,798,446.88	
Contract LST Expenses	1,567,857.91	
Annual Leave, Civilian Employees	4,404,507.29	
Supplies and Services	<u>9,730,086.99</u>	
Total Accrued Liabilities		\$102,614,250.16

CASH ADVANCES RECEIVED:

Bureau of Ships Program	\$ <u>111,453.23</u>	
Total Cash Advances Received		\$ 111,453.23

DEFERRED INCOME

\$ 29,476,893.99

RESERVES:

Maintenance and Overhaul of Ships	\$ 13,424,148.34	
Indemnity Self-Insurance	5,053,333.36	
Inactivation of Ships	<u>3,612,059.95</u>	
Total Reserves		\$ 22,089,541.65
Total Liabilities		<u>\$192,811,609.68</u>

CORPUS OF FUND:

Balance at Inception 1 July 1951:		
Original Governmental Cash Contribution	\$100,000,000.00	
Inventories Capitalized	22,718,947.32	
Total	<u>\$122,718,947.32</u>	
Less-Liabilities Assumed	<u>18,840,844.30</u>	
Remainder		\$103,878,103.02
Net Change from Operations - Previous Year		(923,357.39)
Net Change from Operations - Current Year		3,725,965.26
Total Corpus of Fund		<u>\$106,680,710.89</u>
TOTAL		<u>\$299,492,320.57</u>

Figure 4 (cont'd.)

MILITARY SEA TRANSPORTATION SERVICE
STATEMENT OF INCOME AND EXPENSE

For Operations Under the Navy Industrial Fund,
Account No. 2 for the Period 1 July 1952 to 31 May 1953

Income

Cargo			
Transported	\$367,263,121.86		
Unutilized Traffic			
Reservations	17,004,618.45		
Delay Time	<u>528,685.00</u>		
Total Cargo Income		\$384,796,425.31	
Passenger		127,429,814.56	
Petroleum		126,204,334.07	
Other		<u>303,180.45</u>	
Total Income (See Note)			\$638,733,754.39

Expenses

Cargo	\$367,110,735.10		
Passenger	141,129,907.83		
Petroleum	<u>126,767,146.20</u>		
Total Expenses		\$635,007,789.13	
NET PROFIT TO BALANCE SHEET			\$ <u>3,725,965.26</u>

NOTE:

Income from Tariff Billings	\$656,663,567.74		
Less--Income Deferred:			
Deferred as of 31 May 1953	\$29,476,893.99		
Deferred as of 30 Jun 1952	<u>9,368,683.00</u>		
		<u>20,108,210.99</u>	
Adjusted Income from Traffic Billings	\$636,555,356.75		
Add - Income from sources other than			
Tariff Billings	<u>2,178,397.64</u>		
Adjusted Income 31 May 1953			<u>\$638,733,754.39</u>

MILITARY SEA TRANSPORTATION SERVICE
STATEMENT OF INCOME AND EXPENSE

For Operations Under the Navy Industrial Fund,
Account No. 2 for the Period from 1 July 1952 to 31 May 1953

<u>Description</u>	<u>Income</u>	<u>Expenses</u>	<u>Income Over (Under) Expenses</u>
<u>Cargo Service</u>			
MSTS Nucleus Ships	\$ 54,913,278.82	\$ 45,174,780.63	\$ 9,738,498.19
Time Charter	70,897,398.69	69,213,244.62	1,684,154.07
GAA Ships	86,747,435.80	85,900,516.45	846,919.35
Voyage Charter	4,220,694.75	3,819,603.43	401,091.32
Shipping Contracts	118,553,094.10	121,404,021.79	(2,850,927.69)
Berth Rate	26,289,291.30	35,340,982.35	(9,051,691.05)
Contract LST's	4,914,666.25	5,351,159.08	(436,492.83)
Per Diem Use of Fleet Ships	727,262.15	279,623.93	447,638.22
Unutilized Traffic Reservations	17,004,618.45	* - 0 -	17,004,618.45
Delay Time	528,685.00	528,685.00	
Totals	<u>\$384,796,425.31</u>	<u>\$367,012,617.28</u>	<u>\$ 17,783,808.03</u>
<u>Passenger Service</u>			
MSTS Nucleus Ships	\$123,277,190.37	\$133,478,062.13	\$(10,200,871.76)
Time Charter	1,610,510.69	4,151,994.73	(2,541,484.04)
Shipping Contracts	809,037.50	889,869.21	(80,831.71)
Contract LST's	1,552,436.00	2,246,480.99	(694,044.99)
Per Diem Use of Fleet Ships	180,640.00	83,515.26	97,124.74
Totals	<u>\$127,429,814.56</u>	<u>\$140,849,922.32</u>	<u>\$(13,420,107.76)</u>
<u>Petroleum Service</u>			
MSTS Nucleus Ships	\$ 8,980,213.16	\$ 9,017,162.58	\$ (36,949.42)
Voyage Charter	59,777,910.20	68,085,900.66	(8,307,990.46)
Contract Tankers	57,175,442.91	49,999,000.12	7,176,442.79
Per Diem Use of Fleet Ships	270,767.80	43,186.17	227,581.63
Totals	<u>\$126,204,334.07</u>	<u>\$127,145,249.53</u>	<u>\$(940,915.46)</u>
Total Operations	<u>\$638,430,573.94</u>	<u>\$635,007,789.13</u>	<u>\$ 3,422,784.81</u>
Non Operating Income	<u>\$ 303,180.45</u>	<u>\$ - 0 -</u>	<u>\$ 303,180.45</u>
Total	<u>\$638,733,754.39</u>	<u>\$635,007,789.13</u>	<u>\$ 3,725,965.26</u>

NOTE:

*Expenses incurred under this item are included in operating expenses of the several expense categories listed.

MILITARY SEA TRANSPORTATION SERVICE
STATEMENT OF INCOME AND EXPENSE

For Operations Under the Navy Industrial Fund,
Account No. 2 during the Month of May 1953

<u>Description</u>	<u>Income</u>	<u>Expenses</u>	<u>Income Over (Under) Expenses</u>
<u>Cargo Service</u>			
MSTS Nucleus Ships	\$ 5,130,649.77	\$ 4,522,029.51	\$ 608,620.26
Time Charter	8,355,714.72	9,026,710.03	(670,995.31)
GAA Ships	10,153,500.32	10,030,540.30	122,960.02
Voyage Charter	113,946.50	147,154.87	(33,208.37)
Shipping Contracts	12,914,906.30	12,968,626.30	(53,720.00)
Berth Rate	2,150,259.50	2,972,560.73	(822,301.23)
Contract LST's	689,186.50	637,450.28	51,736.22
Per Diem Use of Fleet Ships	107,960.00	72,728.18	35,231.82
Unutilized Traffic Reservations	- 0 -	- 0 -	- 0 -
Delay Time	39,495.00	39,495.00	- 0 -
Totals	<u>\$39,655,618.61</u>	<u>\$40,417,295.20</u>	<u>\$ (761,676.59)</u>
<u>Passenger Service</u>			
MSTS Nucleus Ships	\$10,790,084.78	\$12,559,159.37	\$(1,769,074.59)
Time Charter	1,820.69	6,281.91	(4,461.22)
Shipping Contracts	47,437.50	86,274.25	(38,836.75)
Contract LST's	246,661.00	190,245.21	56,415.79
Per Diem Use of Fleet Ships	- 0 -	- 0 -	- 0 -
Totals	<u>\$11,086,003.97</u>	<u>\$12,841,960.74</u>	<u>\$(1,755,956.77)</u>
<u>Petroleum Service</u>			
MSTS Nucleus Ships	\$ 604,580.49	\$ 516,804.53	\$ 87,775.96
Voyage Charter	4,647,829.35	4,394,482.48	253,346.87
Contract Tankers	5,226,072.97	4,981,154.59	244,918.38
Per Diem Use of Fleet Ships	16,424.80	5,278.46	11,146.34
Totals	<u>\$10,494,907.61</u>	<u>\$ 9,897,720.06</u>	<u>\$ 597,187.55</u>
Total Operations	<u>\$61,236,530.19</u>	<u>\$63,156,976.00</u>	<u>\$(1,920,445.81)</u>
Non Operating Income	<u>\$ 11,793.48</u>	<u>\$ - 0 -</u>	<u>\$ 11,793.48</u>
Total	<u>\$61,248,323.67</u>	<u>\$63,156,976.00</u>	<u>\$(1,908,652.33)</u>

Figure 7

MILITARY SEA TRANSPORTATION SERVICE
STATEMENT OF OPERATING EXPENSES - MSTS - NUCLEUS SHIPS

Under the Navy Industrial Fund, Account No. 2
 For the month of May 1953 and the Period
 From 1 July 1952 to May 1953

	<u>Current</u> <u>Period</u>	<u>Fiscal Year</u> <u>To Date</u>	<u>%</u>
Labor, Civilian Marine:			
Regular Time	\$ 4,008,157.68	\$ 45,015,452.18	25.352
Overtime	1,372,785.92	16,294,123.19	9.177
Area Bonus	270,843.88	3,197,305.34	1.801
Super Area, Harbor and other Bonuses	181,025.29	1,898,567.00	1.069
Annual, Sick and Military Leave	440,541.72	4,727,092.30	2.662
Total Labor, Civilian Marine	\$ 6,273,354.49	\$ 71,132,540.01	40.061
Employer's Tax FICA - Civilian Marine	\$ 36,437.33	\$ 411,490.39	.232
Travel	22,111.46	245,464.51	.138
Cash in Lieu of Subsistence & Quarters	22,665.00	538,324.31	.303
Subsistence, Ships' Complement	508,201.67	6,041,788.96	3.403
Subsistence, Passengers	1,919,721.94	24,907,883.54	14.028
Propulsion Fuel	1,655,524.34	17,375,710.53	9.786
Consumable Supplies	669,013.00	5,870,069.40	3.306
Bedding, Tableware, Etc.	473,833.60	1,977,953.72	1.114
Medical and Dental Supplies	26,390.25	563,700.31	.317
Transportation and Handling of MSTS Ships Supplies	148,332.28	1,596,834.19	.899
Laundry Supplies and Expenses	41,410.05	602,690.24	.339
Tug Hire	41,332.42	499,907.49	.282
Tolls, Pilotage, Dockage, Garbage, Utilities and other Port Expenses	102,757.09	952,421.58	.536
Ships Equipage	517,921.85	5,272,493.99	2.969
Maintenance and Overhaul Ships	3,163,976.47	29,517,992.96	16.625
Accident and Damage Repairs	223,567.25	2,338,455.03	1.317
Alterations of Ships	329,543.19	2,418,485.59	1.362
Inactivation of Ships	372,829.25	4,109,867.47	2.315
Activation of Ships, Amortized Portion	42,350.00	286,933.33	.162
Miscellaneous	82,973.18	897,860.45	.506
TOTAL OPERATING EXPENSES	<u>\$ 16,674,246.11</u>	<u>\$ 177,558,868.00</u>	<u>100.000</u>

MILITARY SEA TRANSPORTATION SERVICE
STATEMENT OF OVERHEAD EXPENSES

Under the Navy Industrial Fund, Account No. 2
For the month of May 1953 and the Period
From 1 July 1952 to 31 May 1953

	<u>Current Period</u>	<u>Fiscal Year To Date</u>	<u>%</u>
Salaries and Wages, Classified:			
Regular Time	\$ 690,269.96	\$ 7,780,916.91	58.202
Overtime	24,634.59	362,941.92	2.715
Marine Personnel Awaiting Assignment	60,302.54	646,826.35	4.838
Annual, Sick and Military Leave	84,809.24	1,000,720.38	7.485
Salaries and Wages, Unclassified:			
Regular Time	40,982.85	457,199.54	3.420
Overtime	6,249.39	64,004.38	.479
Annual, Sick and Military Leave	15,226.38	173,331.68	1.297
Total Salaries and Wages	\$ 922,474.95	\$10,485,941.16	78.436
Indoctrination and Training - Salaries and Wages	41,694.50	503,621.87	3.767
Employer's Tax, FICA (Civilian Personnel Ashore)	3,104.01	53,882.02	.403
Indoctrination and Training - Other Expenses	10,452.06	51,510.36	.385
Travel Expenses	25,909.54	246,792.01	1.846
Occupancy of Premises	13,057.03	151,333.85	1.132
Equipment Rental	8,021.88	91,534.73	.685
Office Supplies, Stationery & Postage	30,454.62	363,952.67	2.722
Communications	12,617.27	122,033.08	.913
Public Information	553.37	10,978.34	.082
Operation and Replacement of Automotive Equipment	71,977.10	200,105.11	1.497
Operation and Replacement of Operational Equipment	7,265.62	163,982.11	1.227
Damage Claims	- 0 -	137.54	.001
Repair and Replacement of Office Furniture and Equipment	13,065.35	173,651.61	1.299
Repairs to MSTs Special Material in store	3,374.89	26,514.09	.198
COMSTS Technical Unit Expenses	14,818.10	214,162.33	1.602
Other Overhead Expenses	<u>57,732.36</u>	<u>508,667.66</u>	<u>3.805</u>
TOTAL OVERHEAD EXPENSES	<u>\$ 1,236,572.65</u>	<u>\$13,368,800.54</u>	<u>100.000</u>

CHAPTER V

PERFORMANCE BUDGET

I. CORPUS

Establishment Of Corpus. Article XII of this MSTS charter

stated:

Working capital to finance the operations of Military Sea Transportation Service will be provided as follows:

- (a) An allocation of the Navy Industrial Fund to the project cash account of Military Sea Transportation Service in the amount of \$100,000,000.
- (b) Military Sea Transportation Service is authorized to capitalize its inventories of materials and supplies, subsistence stores, fuel oil, etc. ashore and afloat in hand as of the date of commencement of operations under the Navy Industrial Fund, with a concurrent credit to the corpus of the Fund. Because the quantities carried aboard MSTS ships are essentially only the requirements to complete a voyage and replenishment approximates consumption, no adjustments to the cash allocation requested in (a) above is required.
- (c) The annual leave accrued to civilian employees estimated at \$5,400,000 at commencement of operations under Navy Industrial Fund shall be recognized initially as a liability in the accounts of Military Sea Transportation Service.

- (d) The amount of indemnity self-insurance estimated at \$4,000,000 pertaining to Maritime Administration Ships time chartered to Military Sea Transportation Service, at commencement of operations shall be recognized initially as a liability in the accounts of Military Sea Transportation Service.¹⁶

Preservation Of Corpus. Once granted this corpus, MSTS was charged with the responsibility of so conducting its operations and billing its customers therefor as to maintain this fund intact, neither earning a profit nor suffering a loss. This corpus, or revolving fund, was designed to finance operations until such time as collections could be made from the Shipper Services for services rendered. As any business must recover its operating expenses from its customers for the sale of goods or services, so MSTS must recover the cost of its operations through billing its customers; the Army, Navy, and Air Force. Except under extreme circumstances, MSTS would not receive any additional funds from the Treasury.

To obtain the necessary collections in an efficient and equitable manner, a billing system or rate structure was instituted; that is, a price list showing the MSTS charge for each unit of service rendered was established in advance of the performance of the service. It was realized that there was little possibility of actual billings exactly equalling total expenses, but the billing structure would be adjusted only when variations became extreme.

16. MSTS Charter of Operation Under the Navy Industrial Fund, Art. XII.

To maintain its corpus "status quo", the Commander of MSTS directed that funds would be controlled through the medium of an approved budget in lieu of "allotment control" as practiced in agencies financed by regular or annual appropriations. It was felt that:

To control any enterprise careful plans must be laid for the future and those in charge held strictly accountable for the carrying out of those plans. This planning and controlling of future activities is the basic principle of budgetary procedure.¹⁷

II. TARIFF RATES

MSTS Operating Cycle. The following steps epitomize the complete cycle of planned MSTS operations under the Navy Industrial Fund, ignoring the original step of establishing the Fund:

1. MSTS receives from the Services the estimated lift for a given period, segregated by classes.
2. MSTS translates lift estimates into number of ships, charters, personnel and other facilities required to effect the lift.
3. MSTS estimates (budgets) the cost of performing the lift using step 2 data.
4. MSTS distributes the estimated total cost (including proration of overhead) to classes of service to be rendered, i.e., passenger, various dry cargo, and petroleum products.
5. MSTS divides the units of lift into the respective costs of effecting the various classes of lift, thus establishing the tariff rates for subsequent billing purposes.

17. Paton, W. A., Editor, Accountants' Handbook, p. 1137.

6. MSTS publishes its tariff rates to the Services, which they apply to the estimated lift originally submitted to MSTS and determine the aggregate estimated cost of ocean transportation for inclusion in their respective formal budgets.
7. The Services justify and receive approval (or revision) of their budgets, which include ocean transportation through the prescribed normal channels. (MSTS lends such assistance as is requested in the justification of ocean transportation rates).
8. Since any material fluctuation in the funds appropriated in relation to the original budgets will have a marked effect on the lift which can be offered to MSTS, the Services notify MSTS of their requirements revised to coincide with funds available to pay for the services.
9. MSTS reviews its facility and personnel requirements and estimated costs in the light of the information received in step 8.
10. MSTS is offered and effects various classes of lift through the operation of its ships or through commercial charters and by so doing incurs various costs, which are accounted for by following principles, procedures, and methods prescribed hereinafter.
11. At the end of each month COMSTS bills the individual Services at published rates for the lift actually effected, and for certain approved 'penalty' items.
12. The parties at interest execute Standard Form 1080¹⁸ by which MSTS is reimbursed for services rendered.

Budget Preparation. The preparation of this valuable budget document began when each Shipper Service, Army, Navy and Air Force submitted to MSTS the traffic volume which they expected to offer MSTS during the year under consideration. This volume was analyzed by type of

18. MSTS Comptroller Handbook, Chap. 3.

commodity or passenger accommodations, by shipping routes and by appropriations chargeable. MSTS then further segregated this lift data as to the type of ship MSTS would use in meeting the lift requirements; whether MSTS Civil Service or military manned ships would be used, or if commercial time and voyage chartered ships under straight or negotiated commercial tariff rates would be hired.

Based on past experience of the various degrees of utilization of the capacity of MSTS controlled ships, the number of MSTS controlled ships to be operated, the personnel to operate these ships, and the number of personnel for shore-side operations could all be determined.

This information was then transmitted to the Field Commands concerned with the extent of their workload requirements and the number of ships and personnel available clearly defined. The subordinate Commands were requested to review this planning and advise Headquarters of any plans which appeared unrealistic. Furthermore, and most important, they were requested to estimate the cost of operating the ships to be assigned to them, of maintaining their offices ashore, and the cost of hiring the various commercial shipping required. Finally the Field Commands were requested to submit their estimated cost of operating MSTS ships by expense account by individual ship; shoreside expenses by expense account; and commercial shipping costs by type of contract, that is, time charter, voyage charter, berth shipments, etc.

When these estimates were received in Washington, D. C., they were reviewed and consolidated. Then, the lift on each route was

correlated with the estimated cost of moving lift on that route and the MSTS tariff rates were established (Appendix D).

It should be noted that each rate was an average rate for a specified route; each customer paid the same rate for a given commodity regardless of what type carrier was used; and each rate was designed to be self-supporting. However, special projects or irregular voyages necessitated other bases for billing.

Certain surcharges were made which pinpointed inaccurate planning by the Shippers. One was for delay time, which was comparable to commercial demurrage charges. After an agreed-upon time to load or discharge a ship was consumed, additional time in port of that ship was billed to the Shipper on the basis of so much per day for each day of delay. The second surcharge was a penalty on the Shipper for non-generation of traffic. If a Shipper did not offer for movement at least 90% of its estimate this charge was applied for non-utilization of space.

These rates for the various routes and type of services were given to each of the Shipper Services to assist them in preparing and substantiating their requests for appropriations from Congress. The MSTS budget, an informal document, was subject to review by the Navy Comptroller, the Assistant Secretary of Defense (Comptroller) and Bureau of the Budget.

III. BUDGETARY CONTROL

Lump-Sum Budget Grants. Once the planning budget was approved and tariff rates established, each Field Command was given an approved

expense budget on which to operate for a full year. This budget, coming in one lump-sum total, was geared to the planned operations of the cognizant Command, but should the number of ships to be operated or the amount of cargo or passengers to be lifted increase or decrease, the budget would be altered proportionately.

This idea of a single total budget was indeed a radical departure from the allotment juggling under the old system. Each area Commander was permitted to spend as he deemed necessary to effect his mission.¹⁹

Budget Reports. Monthly each subordinate command was required to submit a Budget Report indicating the current status of the command's approved budget. The actual expenses in summary as listed in the financial reports were compared to the budgeted amounts. As long as the Command believed that its position at the end of the year would be as originally budgeted, little attention was paid the peaks or valleys arising each month. The contemplated position at the end of the year was of utmost importance.²⁰

In addition, each command prepared for its own purposes a detailed budget report for each ship and shore organization showing by individual expense account the actual versus the budgeted amounts. This detailed report pinpointed each variation with the person responsible and was instrumental in the Command achieving tight control of its expenses.²¹

19. Ibid., Chap. 5.

20. Ibid.

21. Ibid., Chap. 31.

Under the MSTS budgetary system, administrators were constantly guarding against waste and unnecessary spending and endeavoring to live each month within planned expense. The flexibility afforded area commanders within their lump sum budget served as an added incentive to achieve the most economical operation.

Also, outside agencies were provided a comprehensive review of MSTS operations, a price list for available services, and additional substantiation of appropriation requests to be submitted to Congress.

CHAPTER VI

EVALUATION OF NEW FISCAL PROCEDURES

Overwhelming advantages and tremendous savings have inured to MSTS, its customers and ultimately the American taxpayer through the efforts made by MSTS to adhere to Sections 401-406 of Title IV of the National Security Act Amendments of 1949. Moreover, these favorable results have tended to minimize both the disadvantages and obstacles ever present in this military-civilian, government-commercial shipping operation.

I. FAVORABLE RESULTS

Cost Reductions In MSTS. First and foremost has been the cost consciousness developed at all levels of management within MSTS through utilization of a variable, commercial type, performance budget. The regular detailed comparisons of actual expenses incurred with amounts budgeted have pinpointed the precise areas where excess funds were spent. The prevailing philosophy regarding expenditures has changed so that an actual need must exist and be justified before new

property can be acquired. No more "year-end" buying! Further, achievement of budgetary control has allowed management to substitute good business judgment for minute external financial controls (that is, allotments).

In his address before Navy Post-Graduate students in Comptroller-ship at George Washington University, January 12, 1953, Captain C. G. Warfield (SC) USN current Comptroller, Military Sea Transportation Service presented the chart on the following page, (Figure 10) to illustrate that actual savings had resulted from this new cost-consciousness.

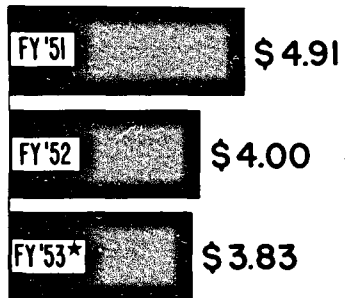
In the Fiscal Year 1951, a thousand ton miles of cargo cost \$4.91; in 1952, \$4.00; and in the first six months of Fiscal Year 1953, \$3.83. Over the same period, a thousand passenger miles cost \$31.81 in 1951; \$19.32 in 1952; and \$19.25 for the first half of 1953. As to petroleum, 1,000 long ton miles cost \$1.65, \$1.84 in 1952, and \$1.97 for the first half of 1953. The increased cost of handling petroleum was definitely related to the increased number of voyage charters required.

Had the Fiscal Year 1952 lift been handled at the 1951 rates, an increase in operational cost of approximately 165 million dollars would have resulted. Also had the traffic of the first six months of Fiscal Year 1953 been moved at the 1952 rates, there would have been an additional cost of approximately 4 million dollars. An analysis indicated definite savings over the 2 1/2 year period of 169 million dollars.²²

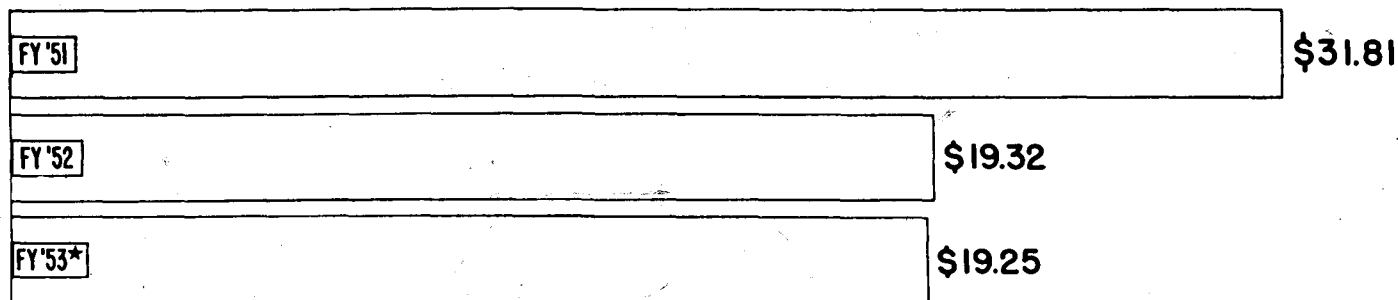
22. Warfield, C. G. Capt., SC-USNR Lecture, "Budgetary Procedures Under the Navy Industrial Fund at MSTs", January 12, 1953.

MSTS TRAFFIC COST PER MILE

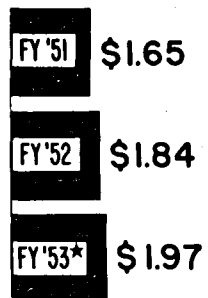
CARGO PER THOUS. M/T MILES



PASSENGER PER THOUS. P/M MILES



PETROLEUM PER THOUS. L/T MILES



	FY 1952	FY 1953*
NET SAVINGS	\$165,000,000	\$ 4,000,000
(OVER PREVIOUS FISCAL YEAR)		

* FIRST HALF FY 1953

The implication here that these fantastic savings resulted entirely from the utilization of these new budgeting and accounting procedures should be qualified so as to recognize the effect of certain operational changes over which MSTS had little or no control. In the year preceding the installation of these new procedures, the rapid expansion necessitated by the outbreak of Korean hostilities had entailed many premium cost inducements to private shippers and suppliers to meet increased war-time requirements. Subsequently, this type of commitment tapered off, operating expenses were lowered and savings were effected.

Certain directives of the Chief of Naval Operations and the Secretary of Defense issued initially to meet the emergency imposed restrictions of a military nature on MSTS. These limitations while necessary in the national interest nevertheless tied up ships and caused expenses to soar. As these directives were subsequently modified and restrictions lessened, economies were effected.

Additional benefits accrued to MSTS from the Army's rotational system of Korean veterans. Not only were MSTS ships fully loaded on outbound trips but they were also fully loaded on return legs. This double utilization indeed was a windfall.

Just what portion of the total savings of 169 million dollars resulted from favorable changes in operating conditions, it is impossible to determine. It is reasonable to assume, however, this portion to be significant.

Cost Consciousness Among Customers. A second important advantage has been the cost-consciousness created among the customers.

It was disclosed in an article entitled "The Big Trim" which appeared in the February 1954 issue of The Readers Digest that:

An idle ship in San Francisco costs \$6,440 per day; in Korea \$8,490 a day. Idle time used to run at the rate of \$54,000,000 a year. Now it's down to \$8,000,000. Generals have quit ordering ships until the exact day they need them.²³

The Shippers exercised greater responsibility and greater restraint in preparing lift estimates and estimated sailing schedules and have become highly critical of MSTS costs.

Improved Accounting. A third advantage lies in the accounting system. Inasmuch as the system was tailor-made to the precise needs of management at all supervisory levels, all effort was expended on presenting useable reports and other data. Less time and fewer personnel were involved than under the allotment system. Briefly, considerably better accounting was accomplished with much less effort.

Better Public Relations. Another important factor has been the salutary effect on the businessmen, private ship-owners, etc. with whom MSTS deals, accomplished through the prompter payment of bills. In the past, many ship operators conducting business on a shoe-string, have been caught in a squeeze through their inability to wait until payment was effected by the Regional Disbursing Offices.

23. Knebel, Fletcher, The Readers Digest, February 1954.

Such situations have practically disappeared.

II. DISADVANTAGES AND OBSTACLES

Inexperienced Personnel. Inexperience concerning commercial methods and procedures of personnel transferred to MSTS from the Army Transportation Corps and Naval Transport Service, plus inability to prevail upon the Civil Service Commission to establish job grade classifications sufficiently high to attract enough capable workers from private industry have slowed to some extent the progress which might have otherwise been enjoyed.

Excluded Costs. Exclusion of certain statistical costs, such as, depreciation, military pay and allowances plus the exemption of a government agency from paying income taxes, meant that getting a rate comparable to published commercial tariffs was all but impossible. The resultant lower rates of MSTS operation have been criticized frequently, even on the floors of Congress, that once again the government is competing with private enterprise.

It should be pointed out that MSTS has not attempted to reconcile its quoted tariff rates with those of commercial shipping companies by statistically computing the effect of these excluded costs on its rates. Therefore, in spite of the existence of certain "extra" costs over which it has no control, it can not be claimed that the low rates of MSTS necessarily point to efficient and economical operation; but only that it costs less under the new system than it did under the old

system. The absence of rates comparable to those of industry constitutes a serious defect in the commercial approach in that a yardstick, or incentive, is lacking.

Military Expediency And Censorship. Military expediency and censorship presented many costly but unavoidable maneuvers and at times rendered reporting impossible. Whereas any reasonable time lag would not disrupt the tariff rate schedule to any extent, it still precluded the assimilation of the best cost data.

Inertia And Conflicting Interests. In a change so radical and far-reaching, it was inevitable that certain "empires" would be destroyed; that resistance both open and hidden would be encountered. In fact, the article in the Times Dispatch on January 17, 1954 on the status of military accounting concluded with:

The subcommittee reported some 'serious resistance on the part of the military' to installing new accounting and control systems, 'unconscious though it may have been'.²⁴

Mr. Katon, in his article on Property Utilization and Accounting in Federal Government, pointed out that today even though a progressive accounting trend within the government has been established progress in its implementation is necessarily slow.

First is the inertia that is born and fostered by that very human trait, resistance to change—Secondly, the problem of contrary interests must be faced, and disposed of to the substantial satisfaction of those interests—. ²⁵

24. Richmond Times Dispatch, Op. cit.

25. Katon, Op. cit., p. 320.

In summary, it is believed that the accrual type accounting system as tailor-made for MSTS operation accomplished the purposes for which established, recognizing that the prescribed exclusions resulted from considerations other than the merits of commercial accounting practices. Accurate cost data has been furnished currently to cognizant operating officials and has enabled them to effectuate their mission more judiciously. Also, uniform terminology, procedures, records and reports have permitted the establishment of criteria within MSTS against which operational performance can be measured.

It is believed that as far as it goes, the MSTS budgeting procedure is sound. First, definite responsibility is clearly assigned to Area Commanders. Second, these responsible officials duly advised by the cognizant operating officials within their organization actually participate in determining the budget estimates for which they will be held accountable. The estimates so determined consist of a fixed element, that is the overhead costs of operating the shore establishment, and a variable element, or operating costs of the ships assigned to the Command. This segregation recognizes the fact that little can be done on overhead expenses should the workload vary whereas ship expenses vary directly as additional ships are assigned or transferred to other Commands. Finally, frequent periodic comparisons of actual and budgeted totals are provided for.

Budgetary control is actually achieved under these procedures. However, this control is based on operating criteria of MSTs alone. Lacking comparability with commercial rates and not having to combat established commercial competition mean that there is no positive incentive applicable to MSTs budget administrators. Instead, the only incentive present is negative and that is tenure in office, where failure to comply means dismissal on grounds of incompetency.

CHAPTER VII
SUMMARY AND CONCLUSIONS

I. SUMMARY

MSTS was the first sizeable Government agency to attempt to finance its operations under the Industrial Fund. Inasmuch as it was a world-wide shipping agency providing cargo and passenger service for several departments within the National Military Establishment, it was deemed to be a commercial-type activity and therefore within the purview of Section 405 of the National Security Act; that is, eligible for classification as an "industrial fund activity".

The commercial accounting and budgeting procedures adopted on July 1, 1951 were custom-built for MSTS operations after exhaustive study and were patterned after the system generally employed in commercial steamship companies. Tariff rates were established and published to the Shippers. Income and expenses were recorded on an accrual basis. Budgetary control was achieved within MSTS through pinpointing the weak areas more currently. More useful and re-

liable financial statements and cost data were prepared for the cognizant operating division. Finally, the criterion of success, its corpus remaining constant, was reflected in the fact that customer billings came within one-tenth of one per cent of matching actual expenses.

II. CONCLUSIONS

DeEmphasis Of Cash Protection. There can now be absolutely no question as to the fact that government fiscal policy has over-emphasized "cash" protection to the exclusion of providing officials in policy-making or agency-managing positions with accurate and complete cost data. In this pilot installation under the Industrial Fund of a composite government-commercial shipping operation, undisputable economies were effected once its management was furnished currently with accurate and complete cost data on which its decisions could be based.

Validity Of Adapting Commercial Fiscal Practices To Government Operation. Not only has MSTs experience relegated the "cash concept" to a supporting role, but it also has established the validity and wisdom of congressional efforts to adapt commercial fiscal practices to government operations. In private industry where profit is the motivating factor, executives deem it of utmost importance to have readily available extensive cost data. Why should government philosophy and "modus operandi" differ when the operation itself is comparable?

Realistic Civil Service Job Standards. A basic assumption in this installation was that an accountant, well-versed in commercial accounting techniques, would be employed at each accountable activity. Seemingly, this point should have caused little concern; however, it soon became apparent that here was a real stumbling block. Experienced personnel were not on hand, and the newness of this commercial philosophy had not been able to surmount the archaic standards set up by the Civil Service Commission for Government Accountants to the point where job-grade classifications were sufficiently high to attract qualified personnel from private industry. The prevailing concept seemed to be that for a job to rate a high paying classification, its incumbent must supervise a large number of lesser grades, thereby tying him down to a host of administrative clerical duties, such as approving leave slips, attendance slips, and preparing periodic performance evaluations and simultaneously limiting his productive or "thinking" time.

This quantitative approach should be considered but it certainly must be secondary, in nature. The Civil Service Commission should revise its standards to give due weight to the knowledge of various techniques required and thereby render attractive a career as a Government Accountant. Thus qualified personnel would always be available to conduct similar operations under the Industrial Fund and at the same time promote uniformity in governmental accounting terminology and interpretations.

Educational Program. Education remains as the foremost weapon with which to combat inertia, contrary interests and hidden-empires. Once agency officials awaken to the fact that economical and efficient performance of activities within their jurisdiction is a reflection of their capabilities as executives, or conversely, that spending one's entire allotment is not necessarily good management, then this inertia will disappear and the interests of the few will be subordinated.

The Joint Accounting Improvement Program, participated in by representatives of all agencies, is attempting to weld together officially the professional accountants scattered throughout the government and to obtain general acceptance of sound accounting principles and standards. Also, the Federal Government Accountants Association, a private social and technical organization, is striving to unite government accountants and advance accounting conventions in government.

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APPENDIX A

TITLE IV OF PUBLIC LAW 216 - 81st CONGRESS ENTITLED,

"NATIONAL SECURITY ACT AMENDMENTS OF 1949"

TITLE IV OF PUBLIC LAW 216 - 81st CONGRESS ENTITLED,
"NATIONAL SECURITY ACT AMENDMENTS OF 1949"

TITLE IV

Promotion of Economy and Efficiency Through Establishment of
Uniform Budgetary and Fiscal Procedures and Organizations.

COMPTROLLER OF DEPARTMENT OF DEFENSE

Sec. 401. (a) There is hereby established in the Department of De-
fense the Comptroller of the Department of Defense, who shall be one
of the Assistant Secretaries of Defense.

(b) The Comptroller shall advise and assist the Secretary of
Defense in performing such budgetary and fiscal functions as may be
required to carry out the powers conferred upon the Secretary of De-
fense by this Act, including but not limited to those specified in
this subsection. Subject to the authority, direction, and control of
the Secretary of Defense, the Comptroller shall -

- (1) supervise and direct the preparation of the budget
estimates of the Department of Defense; and

- (2) establish, and supervise the execution of -
 - (A) principles, policies, and procedures to be followed in connection with organizational and administrative matters relating to -
 - (i) the preparation and execution of the budgets,
 - (ii) fiscal, cost, operating, and capital property accounting,
 - (iii) progress and statistical reporting,
 - (iv) internal audit, and
 - (B) policies and procedures relating to the expenditure and collection of funds administered by the Department of Defense; and
- (3) establish uniform terminologies, classifications, and procedures in all such matters.

MILITARY DEPARTMENT BUDGET AND FISCAL ORGANIZATION -
DEPARTMENTAL COMPTROLLERS

Sec. 402. (a) The Secretary of each military department, subject to the authority, direction, and control of the Secretary of Defense, shall cause budgeting, accounting, progress and statistical reporting, internal audit and administrative organization structure and managerial procedures relating thereto in the department of which he is the head to be organized and conducted in a manner consistent with the operations of the Office of the Comptroller of the Department of Defense.

(b) There is hereby established in each of the three military departments a Comptroller of the Army, a Comptroller of the Navy, or a

Comptroller of the Air Force, as appropriate in the department concerned. There shall, in each Military Department, also be a Deputy Comptroller. Subject to the authority of the respective departmental Secretaries, the comptrollers of the military departments shall be responsible for all budgeting, accounting, progress and statistical reporting, and internal audit in their respective departments and for the administrative organization structure and managerial procedures relating thereto. The Secretaries of the military departments may in their discretion appoint either civilian or military personnel as comptrollers of the military departments. Departmental comptrollers shall be under the direction and supervision of, and directly responsible to, either the Secretary, the Under Secretary, or an Assistant Secretary of the respective military departments; Provided, that nothing herein shall preclude the comptroller from having concurrent responsibility to a Chief of Staff or a Chief of Naval Operations, a Vice Chief of Staff or a Vice Chief of Naval Operations, or a Deputy Chief of Staff or a Deputy Chief of Naval Operations, if the Secretary of the military department concerned should so prescribe. Where the departmental comptroller is not a civilian, the Secretary of the department concerned shall appoint a civilian as Deputy Comptroller.

PERFORMANCE BUDGET

Sec. 403. (a) The budget estimates of the Department of Defense shall be prepared, presented, and justified, where practicable, and authorized programs shall be administered, in such form and manner as the Secretary

of Defense, subject to the authority and direction of the President, may determine so as to account for and report the cost of performance of readily identifiable functional programs and activities, with segregation of operating and capital programs. So far as practicable, the budget estimates and authorized programs of the military departments shall be set forth in readily comparable form and shall follow a uniform pattern.

(b) In order to expedite the conversion from present budget and accounting methods to the cost-of-performance method prescribed in this title, the Secretary of each military department, with the approval of the President and the Secretary of Defense, is authorized and directed, until the end of the second year following the date of enactment of this Act, to make such transfers and adjustments within the military department of which he is the head between appropriations available for obligation by such department in such manner as he deems necessary to cause the obligation and administration of funds and the reports of expenditures to reflect the cost of performance of such programs and activities. Reports of transfers and adjustments made pursuant to the authority of this subsection shall be made currently by the Secretary of Defense to the President and the Congress.

OBLIGATION OF APPROPRIATIONS

Sec. 404. In order to prevent overdrafts and deficiencies in any fiscal year for which appropriations are made, on and after the beginning of the

next fiscal year following the date of enactment of this Act appropriations made to the Department of Defense or to the military departments, and reimbursements thereto, shall be available for obligation and expenditure only after the Secretary of Defense shall approve scheduled rates of obligation or modifications thereof; Provided, that nothing in this section shall affect the right of the Department of Defense to incur such deficiencies as may be now or hereafter authorized by law to be incurred.

WORKING-CAPITAL FUNDS

Sec. 405. (a) In order more effectively to control and account for the cost of programs and work performed in the Department of Defense, the Secretary of Defense is authorized to require the establishment of working-capital funds in the Department of Defense for the purpose of -

- (1) financing inventories of such stores, supplies, materials, and equipment as he may designate; and
- (2) providing working capital for such industrial-type activities, and for such commercial-type activities as provide common services within or among the departments and agencies of the Department of Defense, as he may designate.

(b) The Secretary of the Treasury is authorized and directed to establish on the books of the Treasury Department at the request of the Secretary of Defense the working-capital funds established pursuant to the authority of this section.

(c) Such funds shall be -

- (1) charged, when appropriate, with the cost of stores, supplies, materials, and equipment procured or otherwise acquired, manufactured, repaired, issued, and consumed and of services rendered or work performed, including applicable administrative expenses; and
- (2) reimbursed from available appropriations or otherwise credited for the cost of stores, supplies, materials, or equipment furnished and of services rendered or work performed, including applicable administrative expenses.

Reports of the condition and operations of such funds shall be made annually to the President and to the Congress.

(d) The Secretary of Defense is authorized to provide capital for such working-capital funds by capitalizing inventories on hand and, with the approval of the President, by transfer, until December 31, 1954, from unexpended balances of any appropriations of the military departments not carried to the surplus fund of the Treasury; Provided, that no deficiency shall be incurred in any such appropriation as a result of any such transfer. To the extent that such methods do not, in the determination of the Secretary of Defense, provide adequate amounts of working capital, there is hereby authorized to be appropriated, out of any moneys in the Treasury not appropriated for other purposes, such sums as may be necessary to provide adequate working capital.

(e) Subject to the authority and direction of the Secretary of Defense

the Secretaries of the military departments shall allocate responsibility within their respective military departments for the execution of functions which each military department is authorized by law to perform in such a manner as to effect the most economical and efficient organization and operation of the activities and use of the inventories for which working-capital funds are authorized by this section.

(f) No greater cost shall be incurred by the requisitioning agency for stores, supplies, materials, or equipment drawn from inventories, and for services rendered or work performed by the industrial-type or commercial-type activities for which working-capital funds are authorized by this section, than the amount of appropriations or funds available for such purposes.

(g) The Secretary of Defense is authorized to issue regulations to govern the operation of activities and use of inventories authorized by this section, which regulations may, whenever he determines the measures set forth in this subsection to be required by the needs of the Department of Defense, and when such measures are authorized by law, permit stores, supplies, materials, and equipment to be sold to, and services to be rendered or work performed for, purchasers or users outside the Department of Defense. In such cases, the working-capital funds involved may be reimbursed by charges against appropriate appropriations or by payments received in cash.

(h) The appraised value of all stores, supplies, materials, and equipment returned to such working-capital funds from any department, activity, or agency, may be charged to the working-capital fund concerned

and the proceeds thereof shall be credited to the current appropriations concerned; the amounts so credited shall be available for expenditures for the same purpose as the appropriations credited: Provided, that the provisions of this subsection shall not permit credits to appropriations as the result of capitalization of inventories authorized by subsection (d) of this section.

MANAGEMENT FUNDS

Sec. 406. The Act of July 3, 1942 (56 Stat. 645, c.484), as amended, is hereby further amended to read as follows:

(a) For the purpose of facilitating the economical and efficient conduct of operations in the Department of Defense which are financed by two or more appropriations where the costs of the operations are not susceptible of immediate distribution as charges to such appropriations, there are hereby established the Navy Management Fund, the Army Management Fund, and the Air Force Management Fund, each within, and under the direction of the respective Secretaries of the Departments of the Navy, Army, or Air Force, as the case may be. There are authorized to be appropriated from time to time such funds as may be necessary to accomplish the purpose of the funds.

(b) The corpus of the Navy Management Fund shall consist of the sum of \$1,000,000 heretofore transferred to the Naval Procurement Fund from the Naval Emergency Fund (17X0300), which amount, and all balances in, and obligations against, any accounts in the Naval Procurement Fund, are hereby transferred to the Navy Management Fund; the corpus of the

Army Management Fund shall consist of the sum of \$1,000,000, which shall be transferred thereto from any unobligated balance of any appropriation available to the Department of the Army; the corpus of the Air Force Management Fund shall consist of the sum of \$1,000,000, which shall be transferred thereto from any unobligated balance of any appropriation available to the Department of the Air Force; in each case together with such additional funds as may from time to time be appropriated to any of said funds. Accounts for the individual operations to be financed under the respective management funds shall be established only upon approval by the Secretary of Defense.

(c) Expenditures may be made from said management funds from time to time for material (other than material for stock) and for personal and contractual services under such regulations as may be prescribed by the Secretary of Defense: Provided, (1) that no obligation shall be incurred against any such fund which is not properly chargeable to available funds under an appropriation of the department within which the fund is established or, whenever necessary to effectuate purposes authorized by this Act to funds of another department or agency within the Department of Defense, and (2) that each fund shall be promptly reimbursed from the appropriate appropriations of such department for all expenditures properly chargeable thereto. Nothing herein or in any other provision of law shall be construed to prevent advances by check or warrant, or reimbursements to any of said management funds from appropriations of said departments on the basis of the estimated cost of

a project, such estimated cost to be revised and necessary appropriation adjustments made when adequate data become available.

(d) Except as otherwise provided by law, amounts advanced to the management funds under the provisions of this Act shall be available for obligation only during the fiscal year in which they are advanced: Provided, that nothing contained in this Act shall alter or limit the authorized period of availability of the funds from which such advances are made. Final adjustments of advances in accordance with actual costs shall be effected with the appropriate funds for the fiscal year in which such funds are advanced.

(e) The portion of the Naval Appropriation Act, 1945 (58 Stat. 301, 310), relating to the Naval Procurement Fund is hereby repealed.

APPENDIX B

CHARTER FOR OPERATION

OF

MILITARY SEA TRANSPORTATION SERVICE .

UNDER

NAVY INDUSTRIAL FUND

CHARTER FOR OPERATION OF
MILITARY SEA TRANSPORTATION SERVICE
UNDER NAVY INDUSTRIAL FUND

I AUTHORITY

Military Sea Transportation Service is authorized to finance its operations beginning 1 July 1951 under the Navy Industrial Fund in accordance with Section 405 of the National Security Act of 1947, as amended, and Department of Defense Regulations dated 13 July 1950 covering the operations of working-capital funds for industrial- and commercial-type establishments. This document constitutes the charter of Military Sea Transportation Service in accordance with the provisions of paragraph 4 of the Regulations.

II DIRECTION AND CONTROL

Military Sea Transportation Service has been established as an activity within the Department of the Navy, pursuant to Secretary of Defense directive dated 2 August 1949. As such it has the status of both a command activity and a procuring activity. As a part of the Operating Forces of the Navy, the Military Sea Transportation Service is responsible through its Commander to the Chief of Naval Operations. As a procuring

activity, the Military Sea Transportation Service is responsible through its Commander to the Assistant Secretary of the Navy.

III MISSION

The mission of the Military Sea Transportation Service, pursuant to the aforementioned directive of the Secretary of Defense, is:

- (a) To provide under one authority, the control, operation and administration of sea transportation for personnel and cargo of the Department of Defense (excluding that transported by units of the Fleet) and as authorized or directed for other Government agencies of the United States subject to policies and priorities issued by the Joint Chiefs of Staff;
- (b) To prepare plans for its employment and expansion in time of national emergency based upon the policies and directives of the Joint Chiefs of Staff and appropriate agencies of the Department of Defense and to maintain a basic organization capable of expansion to implement such plans;
- (c) And to consult with the appropriate agencies of the Department of Defense in coordinating execution of approved emergency plans requiring the services, facilities, and personnel of commercial sea carriers and in negotiating therefor.

IV FUNCTIONS AND RESPONSIBILITIES

Pursuant to the aforementioned directive of the Secretary of Defense,

Military Sea Transportation Service is responsible for:

1. The control, operation and administration of government owned vessels assigned, and all other vessels acquired for the purpose of providing a noncombatant carrier service of ocean transportation of personnel and material for the Armed Services, and, as authorized, for all other government agencies of the United States, subject to directives of the Joint Chiefs of Staff and the Chief of Naval Operations.
2. The establishment, control, and administration of organization units ashore, worldwide, necessary for the administration and operation of MSTS. (Existing organizations and facilities of the three Services will be utilized by MSTS as is practicable and necessary and as directed by the Secretary of Defense.)
3. The procurement of vessels outside the MSTS fleet by bare-boat, time and voyage charter, and the procurement of passenger and cargo space in commercial shipping as found necessary.
4. The establishment of an adequate system for reporting requirements for sea transportation of passengers and cargo, and for such other operational information as considered by MSTS to be necessary for the efficient employment of MSTS vessels, and for the chartering of

4. commercial vessels and the procurement of passenger and cargo space in commercial vessels.
5. The administration of priorities for sea transportation of material and personnel of the Armed Services in accordance with the policy established and guidance provided by the Joint Chiefs of Staff.
6. In coordination with pertinent government agencies, the preparation of recommendations for the design, specifications, and equipment of MSTS vessels. In collaboration with pertinent government agencies, the making of studies, analyses and recommendations for the improvement and standardization of sea transport control practices, procedures, reports, forms and coordination of traffic movements.
7. The control and administration of maintenance, repair, and alteration of all government owned vessels assigned to MSTS plus the maintenance and repair of vessels under bareboat charter.
8. The preparation of subsidiary plans for the employment and expansion of MSTS in time of national emergency. These plans will be coordinated with those of the bureaus and offices of the Navy Department, the Shore Establishment and the Operating Forces by the Chief of Naval Operations and integrated with the

8. overall Navy Planning System. In such planning, policies and directives issued by the Joint Chiefs of Staff and the Munitions Board will be used as guidance. The execution of such plans requiring the services, facilities, and personnel of commercial sea carriers, and negotiations therefor is the responsibility of the Commander, MSTS.
9. The development and maintenance, in consonance with applicable policies and procedures, of such cost accounting records and operational statistics as will reflect the degree of efficiency and economy of the operations conducted by MSTS and shows the utilization of funds, manpower and equipment assigned to MSTS. This information will be made available to all interested agencies of the Department of Defense.
10. The determination of the requirements of MSTS with respect to personnel, equipment, material, facilities and services, and advising the Chief of Naval Operations in these matters.
11. The preparation of budgetary and other fiscal requirements of MSTS as coordinated with participating agencies in accordance with directives issued by the Navy Comptroller.

12. The administrative control of funds received by transfer, by reimbursement or received in payment for services rendered in consonance with policies directed by the Secretary of Defense.
13. The approval of stowage plans and their proper implementation. The Armed Service concerned will have representation with MSTS in the preparation of detailed stowage plans affecting the shipments made by that service.
The movement of Armed Services cargo to the side of the vessel is a responsibility of the Department owning the cargo. Stevedoring service will be arranged for by the port command when government port facilities are being utilized. Stevedoring service will be arranged for by the Department owning the cargo when commercial port facilities are used. The responsibility for the implementation and execution of loading and unloading rests with the activity furnishing the stevedoring services. The responsibility of MSTS for cargo begins when the cargo is finally stowed on board and accepted by the commanding officer, and terminates when the cargo is accepted free on board ship at destination.
14. The coordination between the Services and MSTS of the booking of passengers and cargo. The Armed Service concerned will have representation with MSTS in the approval of detailed plans affecting the movement of

14. its personnel and cargo.
15. The control of all passengers on MSTS vessels. By agreement between MSTS and the Armed Service concerned, administrative control may be exercised through Commanders of personnel assigned by the Armed Service concerned. The responsibility of the MSTS begins when the passenger embarks on the vessel and terminates when the passenger disembarks from the vessel.
16. The coordination of MSTS activities with the administration, management and operational control of port facilities. Such harbor tugboats and harbor facilities as are available and are necessary in connection with the operation of vessels will be provided for the use of MSTS through mutual agreements of all Departments concerned and as local conditions permit.
17. Such other functions and responsibilities as may be assigned.

V. SERVICES AND CUSTOMERS

Military Sea Transportation Service, in harmony with its basic mission is authorized to render ocean transportation services to all agencies of the Department of Defense; to other Governmental Departments and other Governmental agencies or instrumentalities, such as, but not necessarily limited to, MDAP, ECA, CRIK, IRO, when the movement of personnel or material is sponsored by one of the agencies of

the Department of Defense or is authorized by higher authority.

VI BASIS OF CHARGING FOR SERVICES

MSTS is authorized to bill each agency to whom services are rendered at least monthly. During the first quarter of Fiscal Year 1952 the monthly billings may be accomplished on the basis of a summary bill arrived at through an equitable allocation of monthly costs against the lift transported in that period. During this period memorandum billings shall be computed by MSTS based on tariff rates and other factors designed to recover its overall cost of rendering the services on the one hand and to assure equitable charges (to the extent deemed practicable) to all users of the services on the other hand. Such tariff rates shall be determined in accordance with principles set forth in the Industrial Fund Regulations except that no surcharges will be made for statistical costs on services billed to agencies outside the Department of Defense, for the time being.

Monthly reports for the months of July and August shall be prepared by MSTS showing a comparison between the billings actually made during each month and the memorandum billing based on tariff rates. Prior to 30 September 1951, a decision will be made by the Assistant Secretary of Defense (Comptroller) with respect to a permanent basis for billing for services rendered.

VII COSTS AUTHORIZED TO BE FINANCED

Military Sea Transportation Service is authorized to finance under the Navy Industrial Fund, the costs of performing services pur-

suant to its mission, such as, but not necessarily limited to civilian payrolls, traveling expenses of both civilian and military personnel assigned to Military Sea Transportation Service, materials, supplies, provisions, services of various kinds, charter hire, maintenance repair and alteration of ships and other facilities, activation and inactivation of ships assigned, spare parts, repair parts, spare part sets, ships equipage and replacements of furniture and equipment required ashore, certain damage claims, and such other usual expenses generally classified as "operating expenses" not specifically excluded hereinafter. (During the Fiscal Year 1952, the proposed alteration program approximating \$34,000,000 for MSTs passenger ships will neither be financed by MSTs nor charged to its operating expenses; this program will be financed by the appropriation specifically provided therefor.)

VIII COSTS NOT AUTHORIZED TO BE FINANCED

Military Sea Transportation Service is not authorized to finance definitively under the Navy Industrial Fund, costs of the following:

- (a) New construction and conversion of ships;
- (b) Pay and allowances of military personnel attached to Military Sea Transportation Service;
- (c) Proration of overhead of Bureau or Officers of the Department of the Navy, in connection with services rendered to Military Sea Transportation Service.

- (c) However, this prohibition does not relate to items of direct expenses incurred specifically for the rendition of such services;
- (d) Expenses for official representation (entertainment of foreign officials, etc., incurred in reciproca-tion);
- (e) Military characteristics of ships, such as armament and amphibious gear;
- (f) Battle damage repairs on MSTTS ships.

Nothing contained herein shall be construed to prohibit Military Sea Transportation Service from financing initially, subject to specific reimbursement, under the Navy Industrial Fund, costs related to the foregoing, when authorized to so do by the Secretary of Defense or the Secretary of the Navy. Such authorization shall be predicated on all of the following conditions:

- (a) Emergency conditions, requiring immediate action in the interest of National Defense;
- (b) The ability of Military Sea Transportation Service to finance such costs out of its Industrial Fund cash balance, without impairing its liquidation of short-term and long-term commitments incurred or to be incurred pursuant to the performance of its mission, and without requesting an increase in its working capital.

- (c) The established ability of the activity, which would normally finance such costs, to reimburse Military Sea Transportation Service from the current year's appropriation or other funds currently available to it, within a reasonable length of time. The determination as to what is a reasonable length of time shall give due consideration to representations of the Military Sea Transportation Service as to the dates on which it will require such reimbursement in part or in entirety to meet its commitments.

IX LONG-TERM CONTRACTS

Military Sea Transportation Service is authorized to enter into contracts including long-term contracts as may be necessary in the best interests of economy and/or National Defense for materials and services provided that the cash requirements to liquidate the contingent liability for undelivered materials or services under such contracts plus other commitments and liabilities will not exceed the total of available cash plus anticipated receipts for the same period.

X COLLECTIONS

Military Sea Transportation Service is authorized to credit the Navy Industrial Fund with collections representing the cost of stores, supplies, materials or equipment furnished and of services rendered or work performed, including applicable administrative expenses, and any other

receipts as may be authorized by law.

XI ACCOUNTING SYSTEM

Military Sea Transportation Service shall employ such financial and accounting methods and procedures as will best serve its needs in the effective handling of its transactions and utilization of accounting data as a guide to good management and in rendering such reports on its financial status and the results of its cost of operations as may be prescribed by the Secretary of Defense and Secretary of the Navy from time to time.

In general, its accounting system shall be a double-entry commercial-type system, maintained on an accrual basis.

XIII WORKING CAPITAL

Working capital to finance the operations of Military Sea Transportation Service will be provided as follows:

- (a) An allocation of the Navy Industrial Fund to the project cash account of Military Sea Transportation Service in the amount of \$100,000,000.
- (b) Military Sea Transportation Service is authorized to capitalize its inventories of materials and supplies, subsistence stores, fuel oil, etc., ashore and afloat, on hand as of the date of commencement of operations under the Navy Industrial Fund, with a concurrent credit to the corpus of the Fund. Because the quantities

- (b) carried aboard MSTs ships are essentially only the requirements to complete a voyage and replenishment approximates consumption, no adjustments to the cash allocation requested in (a) above is required.
- (c) The annual leave accrued to civilian employees estimated at \$5,400,000 at commencement of operations under Navy Industrial Fund shall be recognized initially as a liability in the accounts of Military Sea Transportation Service.
- (d) The amount of indemnity self-insurance estimated at \$4,000,000 pertaining to Maritime Administration ships time chartered to Military Sea Transportation Service, at commencement of operations shall be recognized initially as a liability in the accounts of Military Sea Transportation Service.

The initial allocation of cash will be adjusted subsequently as authorized by the Assistant Secretary of Defense (Comptroller), to meet justified needs.

XIII EXCEPTION TO REGULATIONS AND INSTRUCTIONS COVERING OPERATION UNDER WORKING-CAPITAL FUNDS FOR INDUSTRIAL- AND COMMERCIAL-TYPE ESTABLISHMENTS (INDUSTRIAL FUNDS), APPROVED 13 JULY 1950
Military Sea Transportation Service is authorized to deviate from the requirements of the Regulations as to:

- (a) Paragraphs 5(j) and 7(g) in that acquisitions of ships' equipage and the relatively minor items of furniture and equipment required in its shore activities may be charged to expense.
- (b) Paragraph 7(e)(2) in that the amount to be reimbursed for services performed for other Government departments and instrumentalities need not include proration of military pay and allowances, depreciation and other elements of statistical cost as found in Section VI hereof.

/s/ W. J. McNeil
Assistant Secretary of Defense

Washington, D. C. 7 May 1951

APPENDIX C

CHART OF ACCOUNTS, CHAPTER 9, SECTION 01

OF MSTC COMPTROLLER HANDBOOK

CHART OF ACCOUNTS AND OTHER CODING DATA
CHAPTER 09
SECTION 01 - GENERAL EXPLANATION OF ACCOUNTS
1 - ASSET ACCOUNTS

11 - CASH:

1101 NAVY INDUSTRIAL FUND, MSTS

Charge with amounts of original and any supplemental governmental cash contributions to Navy Industrial Fund, Account No. 2, and with all collections of revenue or miscellaneous receipts from MSTS operations under the Fund.

Credit with the amounts of any reductions of the governmental cash contributions to Navy Industrial Fund, Account No. 2, and with all disbursements in payment of vouchers and S. F. 1080's for operations under the Fund.

Do NOT charge or credit this account with any transactions by Disbursing Officers which affect appropriations other than NIF, Account No. 2.

12 - ACCOUNTS RECEIVABLE:

1201 ACCOUNTS RECEIVABLE - TRAFFIC

Charge with all amounts billed to MSTS customers for lift,

charter, and standby and delay time revenue.

Credit with collections or downward adjustments of above charges.

1209 ACCOUNTS RECEIVABLE - MISCELLANEOUS

Charge with all amounts billed or otherwise collectible by MSTs with respect to any transactions under Navy Industrial Fund, Account No. 2, other than the three types of revenue billings chargeable to Account No. 1201.

Credit with collections or downward adjustments of above charge.

13 - INVENTORIES:

1301 INVENTORY - MSTs SPECIAL MATERIAL

This account shall be used only for materials ashore, as defined below. The consolidated account will be maintained by COMSTS at Washington, D. C. Charges to the account will be made only by COMSTS.

Charge with the value of the initial inventory ashore, upward adjustments thereof, and subsequent procurement of "MSTs Special Material" which is defined in MSTs Technical Material Requisitioning Guide as "machinery, equipment and major components (excluding electronics) under the cognizance of the Commander, Military Sea Transportation Service and which, because of its design or specific use is intended primarily for shipboard use on USS (commissioned) and/or USNS (non-commissioned) ships of the MSTs Fleet; normally an item of perman-

ent shipboard equipment (non-consumables) applicable only to Navy design and commercial design type ships assigned to the MSTS Fleet ..."

Credit with the value of material of this type issued for installation or use aboard ships, surveyed or otherwise disposed of, and with downward adjustments, if any, of the initial inventory.

1303 INVENTORY - CONSUMABLE SUPPLIES, SHIPS

Consumable supplies are defined as those materials of a general nature which are carried aboard ship for use in its operation and for maintenance and which upon issue are consumed in use. The term does not include provisions, bedding, linens, silverware, etc., propulsion fuel or equipage.

Charge with cost of all consumable supplies procured for shipboard inventory.

Charge with inventory aboard commissioned ships at time of assignment to MSTS. (Credit Account 1399).

Credit with 1/12 the amount budgeted annually for consumable supplies expense, or latest estimate of actual usage.

Credit with inventory of commissioned ships at time of transfer from MSTS to the Service Forces. (Charge Account 1399).

Charge or credit with inventory adjustments as required based on annual inventory reports.

1304 INVENTORY - SUBSISTENCE STORES, SHIPS

Charge with the value of food products for the subsistence of personnel received aboard non-commissioned MSTS assigned ships.

Credit with the value of such food products:

- a. issued for use aboard ships;
- b. surveyed;
- c. sold.

Charges and credits shall also be made for the value of inventories of food products aboard MSTs assigned non-commissioned ships transferred from one MSTs Command to another.

1305 INVENTORY - PROPULSION FUEL, SHIPS

Charge with the value of all fuel used for propulsion of ships which is received aboard ships, including the inventory aboard commissioned ships at time of transfer to MSTs.

Credit with the cost of propulsion fuel:

- a. consumed each month;
- b. sold, including inventories on commissioned ships transferred from MSTs to the Service Forces.

Charges and credits shall also be made for the value of inventories of propulsion fuel aboard ships transferred from one MSTs Command to another.

1307 INVENTORY - BEDDING, TABLEWARE, ETC., SHIPS

Charge with cost of dishes, silverware, glassware, utensils, beddings, mattresses, etc., procured for shipboard inventory.

Items such as stewards' and cooks' aprons and coats are similarly chargeable to this account.

Credit with pro-rata share of estimated annual usage of such materials.

Charge or credit as appropriate with adjustments based on annual inventory reports.

1390 INVENTORY IN TRANSIT

Charge with the value of invoices processed for payment either in advance of the physical receipt of material, or when, for some other reason, determination of final charge cannot be made.

Credit with amounts previously charged to this account when data requisite to proper accounting becomes available.

1399 RESERVE FOR INVENTORY OF CONSUMABLE SUPPLIES ABOARD COMMISSIONED SHIPS

Credit this account with the amounts charged to Account 1303 in recording inventory of consumable supplies aboard MSTs commissioned ships at time of assignment to MSTs.

Charge this account with the value of the inventory of consumable supplies aboard commissioned ships at the time of their transfer from MSTs to the Service Forces.

Charge or credit this account with the adjustment necessary to clear herefrom the difference between the amount originally credited hereto with respect to any commissioned ship and the amount charged hereto in closing out the inventory aboard such ship at time of transfer back to the Service Forces. The contra to this type of adjustment shall be to Account 5130, "Consumable Supplies".

14 - CASH ADVANCES:

1401 to 1499 CASH ADVANCES - MISCELLANEOUS

These accounts will be used only by COMSTS, Washington, D. C.

Charge with the amounts of any funds advanced to other activities (e.g., advances such as those made to the Maritime Administration for costs of activating and inactivating ships).

Credit with costs incurred and which are properly payable from such funds, and with the amounts of any refunds of such advances.

15 - DEFERRED CHARGES TO OPERATIONS:

1501 WORK IN PROCESS - MSTTS MAINTENANCE SHOPS

Charge with the cost of labor, services, and materials and supplies consumed in Maintenance Shop operations.

Credit with the cost (labor, materials, and overhead applied) of job orders completed each month.

This account is a controlling account, the balance of which, at the end of each monthly accounting period, should equal the sum of the charges to all incomplete job orders in the MSTTS Maintenance Shops, plus or minus the underdistributed or overdistributed, respectively, shop overhead charges.

1506 SHIP ACTIVATIONS, UNAMORTIZED PORTION

Charge with those costs incurred by MSTTS for activation of ships which: (a) are properly chargeable as such under the terms of the applicable agreement (e.g., activation of Maritime Administration owned cargo ships); or (b) are consistent with the theory that Navy ships, when assigned to MSTTS, are equipped for operation. With the exception

stated below, charges to this account shall include all costs prior to the Readiness - for - Sea date, including: wages and subsistence of the crew; supplies and fuel consumed and other housekeeping costs of the ship during the activation period; and repairs made during this period in addition to the costs strictly associated with cleaning up the ship and machinery.

This account shall not be charged for initial stocks of supplies, subsistence stores or fuel. Such items shall be charged to the appropriate MSTS inventory. Neither shall this account be charged with cost of alterations made coincident with, but not a part of, the activation.

In regard to Commissioned Ships or ships to be commissioned, this account shall not be charged with nor shall MSTS finance:

- a. the cost of items requisitioned to fill deficiencies in allowance lists of equipage,
- b. the cost of initial stocks of consumable supplies and subsistence stores placed aboard ships.

Credit this account with the monthly amortization of costs incurred, not to exceed one twelfth (1/12) of the total cost of each ship's completed activation. Write-off will commence with the first month during which the ship is engaged in income producing operations. Where a vessel so activated is released from MSTS service in less than 12 months, the unamortized portion of activation cost applicable to the particular vessel shall be written-off at time of disposition.

1509 WORK IN PROCESS - REPAIRS TO MSTS SPECIAL MATERIAL,
SYMBOL 'X'

Charge with the cost of the direct material to be inspected, repaired and/or altered to include the cost of labor, services and materials required in connection with the inspection, repair and/or alteration of such direct material, when such work is not performed by MSTS Maintenance Shops.

Credit monthly with the cost of the completed job orders as follows:

- a. Credit with the cost of the direct material to be inspected, repaired and/or altered.
- b. Credit with the cost of labor, services and materials required in connection with the inspection, repair and/or alteration.

1519 MISCELLANEOUS DEFERRED CHARGES AND PREPAID EXPENSES

Charge with costs incurred or paid which are: (1) of amount significant in relation to the monthly operating costs of MSTS; (2) related to either a specific future accounting period or an extended period of time in the future; and are not properly chargeable to another deferred charge account.

Credit with amounts chargeable to expense when and as appropriate under the circumstances pertaining to the particular deferred charge.

19 - INTRA-MSTS CLEARING ACCOUNTS

- 1901 COMSTS
1902 COMSTSLANTAREA

1903 COMSTSELMAREA
 1904 COMSTSPACAREA
 1905 COMSTSWESTPACAREA
 1921 COMSTSGULFSUBAREA
 1922 COMSTSNORPACSUBAREA
 1923 COMSTSMIDPACSUBAREA
 1941 COMSTSOFFICE SAN JUAN
 1942 COMSTSCARIBSUBAREA
 1943 CO MSTSOFFICE BREMERHAVEN
 1944 CO MSTSOFFICE LA PALLICE
 1945 CO MSTSOFFICE KODIAK

The general ledger of each MSTS Command shall contain a clearing account with every other MSTS Command with which business is transacted. These accounts are in the nature of combined accounts receivable and accounts payable.

Charges and credits to these accounts shall be made only on the basis of Intra-MSTS Vouchers, either originated and transmitted to other Commands, or received from other Commands.

Numbers for these accounts shall be assigned by COMSTS. The above numbers have been assigned to date.

2 - LIABILITY ACCOUNTS

21 - ACCOUNTS PAYABLE:

2101 VOUCHERS PAYABLE

Credit with the total of vouchers payable prepared and entered in the Voucher Register each month.

Charge with the total payments on vouchers payable entered in the Record of Cash Disbursements each month.

2102 S. F. 1080'S PAYABLE

Credit and charge respectively, with vouchers payable to other Government agencies and payments of applicable S. F. 1080's,

as currently recorded in and posted from the Voucher Register and the Record of Cash Disbursements, as described under Account 2101.

2103 SHIPPING CONTRACTS PAYABLE (WITHHELD PORTION)

Credit with amounts withheld, in accordance with contract terms, from space charter invoices vouchered for payment and recorded in the Voucher Register.

Charge with amounts subsequently vouchered for payment either to the carrier or to the owner of the cargo in the event of damage thereto. Also, charge with any reduction of MSTTS liability to the carrier resulting from adjustment of transportation charges or claims adjudicated.

2104 SALARIES AND WAGES PAYABLE

Credit with the gross earnings of both classified and unclassified civilian employees ashore at MSTTS subordinate Commands.

Charge with payments of the above mentioned payrolls.

In addition to the foregoing entries:

Credit this account with accruals to record the estimated gross earnings unpaid at the end of each month; and

Charge this account with:

- a. adjustments, as necessary, of the standing accrual with respect to civilian marine payrolls; and
- b. entries to reverse the previous month's accrual of unpaid earnings for all payrolls except the civilian marine payroll.

2105 PERSONAL ALLOTMENTS PAYABLE (EMPLOYEES)

Credit with the total allotment deductions from earnings of civilian marine employees as reported on S. F. 1128's recorded each month.

Charge with payments made to allottees and with payments if any, made to, or for the account of, employees, representing earnings withheld after the effective date of cancellation of an allotment.

2109 SOCIAL SECURITY TAXES PAYABLE (F.I.C.A. - EMPLOYER'S CONTRIBUTION)

Credit with MSTs (employer's) liability for F.I.C.A. tax on salaries and wages due subject employees.

Charge with payments made in liquidation of this liability.

2119 MISCELLANEOUS ACCOUNTS PAYABLE

Credit with accounts payable by MSTs for items or transactions which may not be properly credited to one of the other accounts in the 2100 series (usually these items will represent liabilities which will not be paid for an abnormal length of time).

Charge with payments in liquidation of these accounts.

22 - ACCRUED LIABILITIES:

2201 ACCRUED TIME AND VOYAGE CHARTERS

Credit with the estimated liability, as of the end of each month, remaining unvouchered at the time the Voucher Register is closed for the month.

In the following month, reverse the previous month's

accrual by a charge for the same amount as the credit described above.

2202 ACCRUED SHIPPING CONTRACTS

Credit with the MSTs liability represented by the file of space charter Shipping Orders, issued prior to the end of the month, which remain unvouchered at the time the Voucher Register is closed for the month.

In the following month, reverse the previous month's accrual by a charge for the same amount as the credit described above.

2203 ACCRUED BERTH RATE SHIPMENTS

Credit with the liability, as of the end of each month, determined from the tabulating machine run of cards representing memo Government bills of lading for which the original GBL's have not been received and vouchered.

Reverse this accrual in the following month by an appropriate charge to this account.

2204 ACCRUED CONTRACT TANKER EXPENSE

Credit with monthly estimate of tanker operating expenses and fees.

Charge with payments to contractors, and payments to other Government agencies for fuel, ship repairs, and other items, the issue or performance of which is authorized under the contract without a direct outlay of funds by the contractor.

2205 ACCRUED ANNUAL LEAVE, CIVILIAN EMPLOYEES

Credit with liability to civilian employees for annual leave earned as accrued monthly.

Charge with the value of annual leave taken by employees each month.

Also charge or credit with adjustments as may be required.

2206 ACCRUED SUPPLIES AND SERVICES

Credit with the month-end liability for unvouchered receipts of supplies and services.

Charge with reversal of this credit in the following month.

2210 ACCRUED CONTRACT LST EXPENSES

Credit with monthly estimate of LST operating expenses and fees.

Charge with reversal of the credit in the following month.

23 - CASH ADVANCES RECEIVED:

2301 CASH ADVANCES RECEIVED
to
2399

Credit with funds received in advance for the purpose of defraying costs of projects not normally chargeable to the Navy Industrial Fund.

Charge with expenses incurred by MSTs in connection with such projects, and with the amounts of any refunds of such advances.

Use separate account for each project.

24 - DEFERRED CREDITS:

2401 DEFERRED INCOME

Credit with any amounts of revenue billed in advance of the accounting period in which the revenue is earned.

Charge with amounts transferred to revenue accounts.

29 - RESERVES:

2901 RESERVE FOR INDEMNITY SELF-INSURANCE

This account represents amounts reserved in lieu of commercial war risk hull, protection and indemnity, and such other forms of commercial marine insurance as may be eliminated in the future with respect to ships owned by the Maritime Administration and time chartered by MSTTS. Reserve requirements are established by Chief of Naval Material (Insurance Branch).

Credit with a monthly provision calculated to burden current operations, ratably over the fiscal year, with the required increase for the year in the reserve as estimated by the Chief of Naval Material (Insurance Branch).

Charge with payments for indemnification of losses and any other adjustment to reflect reductions in reserve requirements.

2902 RESERVE FOR INACTIVATION OF SHIPS

Credit monthly with amounts calculated to burden operations, as evenly as practicable over a period of two years from date of commencement of operations by MSTTS, with the estimated cost of inactivating ships subject to inactivation by MSTTS.

Charge with costs incurred for inactivation of ships.

2903 RESERVE FOR MAINTENANCE AND OVERHAUL OF SHIPS

Credit monthly with the pro rata share of estimated costs of voyage repairs and overhaul for the overhaul cycle of the ship (Contra charge to Account 5180).

Credit with any additional amounts as may be authorized by COMSTS (Contra charge to Account 1901).

Credit with amount of adjustment necessary at date of overhaul of each ship so that the reserve of each ship equals actual cost of each ship (Contra charge to Account 5180).

Credit with amount of the reserve balance per books for each ship transferred from another command (Contra charge to appropriate accounts in the 1900 series).

Charge with costs incurred for voyage repairs and overhaul of ships. Charges to this Account must be in agreement with the monthly "Statement of Maintenance, Repair and Overhaul of Ships" by MSTs Maintenance Shop, Naval Shipyard and Private Contractor by cost analysis code. Where Naval Shipyards perform the work and report monthly charges it will be necessary to obtain a breakdown of costs by Cost Analysis Code. Where private shipyards perform the work, an estimate should be obtained as to the work incurred at the end of each month by cost analysis code (with such estimates being adjusted to actual costs in the ensuing month or upon completion of the work). (Contra credit to appropriate account, i.e., to 1101, 1500 series or 2200 series as may be appropriate).

Charge with amount of adjustment necessary at date of overhaul of each ship so that the reserve of each ship equals actual

cost of each ship (Contra credit to Account 5180).

Charge with amount of the reserve per books for each ship transferred to other commands (Contra credit to Accounts in the 1900 series).

3 - PROPRIETARY ACCOUNTS

31 - CORPUS OF FUND AT INCEPTION, 1 JULY 1951:

3101 ORIGINAL GOVERNMENTAL CASH CONTRIBUTION TO FUND

3102 INVENTORIES CAPITALIZED, 1 JULY 1951

3103 LIABILITIES ASSUMED, 1 JULY 1951

The credits to Accounts 3101 and 3102 and the charge to Account 3103, which must be made in connection with recording the original assets and liabilities of the Navy Industrial Fund, Account No. 2, are self-evident from the account titles.

32 - CORPUS OF FUND - CAPITAL CHANGES AFTER 1 JULY 1951:

3201 ADDITIONAL GOVERNMENTAL CASH CONTRIBUTIONS TO FUND

Credit this account with additional cash provided as an increase in the corpus of Navy Industrial Fund, Account No. 2, after 1 July 1951.

Charge this account with any reductions in the authorized cash corpus of the Fund account after 1 July 1951.

33 - CORPUS OF FUND - OPERATIONAL CHANGES AFTER 1 JULY 1951:

3301 EXCESS OF INCOME OVER EXPENSES - PREVIOUS YEARS

After the income and expense accounts for each fiscal year have been closed to Account 3302, the balance of that account shall be closed into this account.

3302 EXCESS OF INCOME OVER EXPENSES - CURRENT YEAR

At the end of each fiscal year, close all operating income and expense accounts into this account. Then close the balance of this account into Account 3301.

4 - INCOME ACCOUNTS

41 - CARGO REVENUE:

4101 CARGO INCOME - MSTs ASSIGNED SHIPS

4102 CARGO INCOME - TIME CHARTER

4103 CARGO INCOME - VOYAGE CHARTER

4104 CARGO INCOME - SHIPPING CONTRACTS

4105 CARGO INCOME - BERTH RATE

4106 CARGO INCOME - CONTRACT LST's

Credit with revenue earned from dry and reefer cargo transported by the appropriate type of services.

4108 CARGO INCOME - PER DIEM USE OF FLEET SHIPS

Credit with revenue earned from dry and reefer cargo transported on Fleet Service Ships assigned to MSTs on a per diem basis, and with revenue earned from such ships when utilized by the shipper services on a per diem basis.

4109 CARGO INCOME - UNUTILIZED TRAFFIC RESERVATIONS

Credit with revenue earned from unutilized cargo traffic reservations of the responsible shipper service.

4110 CARGO INCOME - DELAY TIME

Credit with revenue earned from delay time of dry and reefer cargo ships caused by the shipper services.

42 - PASSENGER REVENUE:

4201 PASSENGER INCOME - MSTTS ASSIGNED SHIPS

4202 PASSENGER INCOME - TIME CHARGER

4203 PASSENGER INCOME - VOYAGE CHARTER

4204 PASSENGER INCOME - SHIPPING CONTRACTS

4206 PASSENGER INCOME - CONTRACT LST'S

Credit with revenue earned from passengers transported by appropriate type services and subsistence and transportation charges collected from passengers.

4208 PASSENGER INCOME - PER DIEM USE OF FLEET SHIPS

Credit with revenue earned from passengers transported on Fleet Service Ships assigned to MSTTS on a per diem basis, with revenue earned from such ships when utilized by the shipper services on a per diem basis and with subsistence collected from passengers.

4209 PASSENGER INCOME - UNUTILIZED TRAFFIC RESERVATIONS

Credit with revenue earned from unutilized passenger traffic reservations by the responsible shipper service.

4210 PASSENGER INCOME - DELAY TIME

Credit with revenue earned from delay time of passenger ships caused by the shipper service.

43 - PETROLEUM REVENUE:

4301 PETROLEUM SERVICE - MSTTS ASSIGNED SHIPS

4302 PETROLEUM SERVICE - TIME CHARTER

4303 PETROLEUM SERVICE - VOYAGE CHARTER

4307 PETROLEUM SERVICE - CONTRACT TANKERS

Credit with revenue earned from bulk petroleum transported by the appropriate type services.

4308 PETROLEUM SERVICE - PER DIEM USE OF FLEET SHIPS

Credit with revenue earned from bulk petroleum transported on Fleet Service Ships assigned on a per diem basis and with revenue earned from such ships when utilized by the shipper services on a per diem basis.

4309 PETROLEUM SERVICE - UNUTILIZED TRAFFIC RESERVATIONS

Credit with revenue earned from unutilized petroleum traffic reservations by the responsible shipper service.

4310 PETROLEUM SERVICE - DELAY TIME

Credit with revenue earned from delay time of tankers caused by the shipper services.

The above accounts are also credited with amounts transferred from Account 2401, as applicable.

45 - OTHER REVENUE:

4501 NON-OPERATING INCOME - MISCELLANEOUS

Credit with miscellaneous income earned including collections for laundry processed by ships' facilities, cash discounts, scrap sales, etc.

5 - OPERATING EXPENSE ACCOUNTS

51 - SHIP OPERATING EXPENSE ACCOUNTS:

5101 LABOR, CIVILIAN MARINE - REGULAR TIME

Charge with compensation earned at basic rates of pay for time worked by civilian marine personnel.

5102 LABOR, CIVILIAN MARINE - OVERTIME

Charge with compensation earned at overtime rates of pay by civilian marine personnel.

Charge with premium pay earned by civilian marine employees for work performed on Navy recognized holidays.

5104 LABOR, CIVILIAN MARINE - AREA BONUS

Charge with compensation earned at established bonus rates for time spent in designated hazardous "bonus areas" by civilian marine personnel.

5105 LABOR, CIVILIAN MARINE - SUPER AREA, HARBOR, AND OTHER BONUSES

Charge with bonus earnings computed in accordance with instructions contained in the Civilian Marine Personnel Instructions.

5108 LABOR, CIVILIAN MARINE - ANNUAL, SICK, AND MILITARY LEAVE

Charge with amounts accrued for annual leave and paid for sick and military leave taken. (See Account 2205).

Charge or credit with the net semi-annual adjustments as necessary.

5115 EMPLOYER'S TAX FICA - CIVILIAN MARINE

Charge with employer's contribution.

5116 TRAVEL

Charge with all costs of travel and expenses in connection therewith, when such travel is performed by MSTTS afloat personnel.

Travel expenses incurred by military personnel under permanent change of duty orders are not payable by the Navy Industrial

Fund and therefore not chargeable to this account.

Expenses in connection with repatriation of marine personnel are chargeable to this account.

5120 CASH IN LIEU OF SUBSISTENCE AND QUARTERS

Charge with all cash payments to civilian marine personnel when cash allowances are authorized in lieu of subsistence and quarters in kind.

5121 SUBSISTENCE, SHIPS' COMPLEMENT

Charge with the cost of rations served to ship's complement as computed from the Ration Records (S&A 45).

5122 SUBSISTENCE, PASSENGERS

Charge with cost of rations served to cabin and troop passengers as computed from the Ration Records (S&A 45). Charge also with the cost of subsistence stores surveyed, as reported on the S&A 45's.

5126 PROPULSION FUEL

Charge with the cost of propulsion fuel consumed, based on monthly report of inventory.

5130 CONSUMABLE SUPPLIES

Charge or credit with inventory adjustments to Account 1303 as required, based upon annual reports of inventory.

5133 BEDDING, TABLEWARE, ETC.

Charge with pro-rata share of estimated annual usage of bedding, tableware, etc.

Charge or credit as appropriate with adjustments to Account 1307, based on annual report of inventory.

5136 MEDICAL AND DENTAL SUPPLIES

Charge with the cost of all medical and dental supplies procured.

5138 TRANSPORTATION AND HANDLING OF MST'S SHIPS SUPPLIES

Charge with expenses incurred in the handling, loading, unloading and transportation of supplies and materials procured for ship's use.

5148 LAUNDRY SUPPLIES AND EXPENSES

Charge with costs of all laundry supplies and services purchased by ships in connection with their operating requirements.

When authorized use is made of ships' facilities in processing laundry for ships' crews and passengers, costs in connection therewith are chargeable to this account.

Collection of prescribed charges for such services will be treated as miscellaneous non-operating income.

5152 TUG HIRE

Charge with costs of tug services rendered to ships in connection with docking, undocking and other movements of ships.

5153 TOLLS, PILOTAGE, DOCKAGE, GARBAGE, UTILITIES AND OTHER PORT EXPENSES

Charge with all port expenses other than tug services incurred for the account of MST'S ships.

In connection with all port charges including tug services, MST'S expense accounts are to be charged only when such services are for the account of MST'S. As a matter of policy, port expenses incurred in carrying out the transportation mission of MST'S are for the

account of MSTs.

Port expenses incurred specifically for the benefit of cargo are for the account of the shipper service, whenever such services fall beyond the scope of the MSTs transportation mission.

In-port movement of ships involving two discharge locations is for the account of MSTs when physical facilities require such movement. As a general rule, this policy is interpreted to provide that MSTs will bear all expenses in connection with movement of ships, except where circumstances clearly indicate a shipper service responsibility.

5171 SHIPS EQUIPAGE

Charge directly with the costs of equipage replacements procured.

Equipage is defined as including items of an equipment nature such as motors, binoculars, navigation equipment, etc., as well as spare parts, repair parts, and spare part sets, which are not normally carried in the supplies inventory of the respective ship departments.

5180 MAINTENANCE AND OVERHAUL OF SHIPS

Charge with monthly pro rata share of budgeted expenses for voyage repairs and annual overhauls as determined for the normal maintenance cycle.

Charge or credit with adjustments as necessary.

5182 ACCIDENT AND DAMAGE REPAIR

Charge with cost of repair of damages to MSTs ships and ships' equipage caused by collision, accident or peril of the sea,

which are properly chargeable to the Navy Industrial Fund.

Charge with amortization of such costs when so directed by COMSTS.

Charge and/or credit with any adjustments incident to repair of such damage.

This account is intended to accumulate expenses of repairing damages suffered by MSTs ships as a result of collision, accident or peril of the sea. When the cost of repairs, under this caption, is estimated to exceed \$2,500.00, advance approval will be obtained from COMSTS before commencement of work.

5185 ALTERATIONS OF SHIPS

Charge directly with expenses incurred in connection with alteration of ships.

It is contemplated that work of this nature payable by the Navy Industrial Fund will involve relatively small amounts. In the event that such alteration is of sufficient magnitude to distort monthly operating costs, accounting instructions will be supplied by COMSTS.

5190 ACTIVATIONS OF SHIPS, AMORTIZED PORTION

Charge with the monthly amortizations of costs of completed activations.

5191 PROVISION FOR INACTIVATIONS OF SHIPS

Charge with the amount reserved monthly for inactivation of MSTs ships.

Charge or credit with adjustments as may be determined.

5199 MISCELLANEOUS

Charge with the cost of supplies and services which are not properly chargeable to the foregoing accounts in the ship operating expense series; for example, water sterilization, charges assessed for inspections and survey by the American Bureau of Shipping, etc.

52 - CHARTER AND SHIP CONTRACT EXPENSES:

5201 TIME CHARTER EXPENSE - CARGO

Charge with costs of hiring commercial cargo ships under time charter agreements. Include the costs of bunker fuel and other materials and supplies issued to the owner-operator of the ship without an outlay of funds by him, when such issues are provided for in the contract.

Charge each month with the accrual for the estimated unvouchered liability and credit in the following month with the reversal of this accrual.

5202 SHIPPING CONTRACT EXPENSES - CARGO

Charge with the cost of transporting cargo on commercial ships under space charter agreements, including the month-end accrual of estimated unvouchered liability. Credit with the reversal of the accrual in the following month.

5203 BERTH RATE EXPENSES - CARGO

Charge with the cost of shipping cargo on commercial ships at berth rates, including a monthly accrual of the estimated unvouchered liability, which shall be reversed in the following month by a credit to this account.

5204 VOYAGE CHARTER EXPENSE - CARGO

Charge with costs of hiring commercial cargo ships under voyage charter agreements. Include the costs of bunker fuel and other materials and supplies issued to the owner-operator of the ship without an outlay of funds by him, when such issues are provided for in the contract.

Charge each month with the accrual for the estimated unvouchered liability and credit in the following month with the reversal of this accrual.

5206 CONTRACT LST EXPENSES - CARGO

Charge with payments made to commercial operators for the operation of these ships and the month-end accrual of the estimated unvouchered liability.

Credit with the reversal of the accrual in the following month.

5208 PER DIEM USE OF FLEET SHIPS - CARGO

Charge with the per diem costs of fleet ships hired by MSTs.

5211 TIME CHARTER EXPENSE - PASSENGER
 5212 SHIPPING CONTRACT EXPENSE - PASSENGER
 5213 VOYAGE CHARTER EXPENSE - PASSENGER
 5214 CONTRACT LST EXPENSE - PASSENGER
 5218 PER DIEM USE OF FLEET SHIPS - PASSENGER
 5221 TIME CHARTER EXPENSE - PETROLEUM
 5222 VOYAGE CHARTER EXPENSE - PETROLEUM

Entries to accounts numbered 5211, 5212, 5213, 5214, 5218, 5221, and 5222 shall be similar to those listed under accounts numbered 5201, 5202, 5204 and 5206 respectively.

5224 CONTRACT TANKERS EXPENSE - PETROLEUM

Charge with the monthly accrual of estimated costs under cost-plus-fixed fee contracts for the operation of MSTs tankers by commercial operators under contracts executed by MSTs. These accruals shall include all costs incident to the operation of the tankers.

5228 PER DIEM USE OF FLEET SHIPS - PETROLEUM

Charge with the per diem costs of fleet ships hired by MSTs.

53 - OVERHEAD EXPENSE ACCOUNTS:

5301 SALARIES AND WAGES, CLASSIFIED - REGULAR TIME

Charge with compensation earned at basic rates of pay for time worked by civilian classified employees.

5302 SALARIES AND WAGES, CLASSIFIED - OVERTIME

Charge with compensation earned at overtime rates of pay by civilian classified employees.

Also charge with premium pay earned by classified employees for work performed on Navy recognized holidays.

5307 SALARIES AND WAGES, MARINE PERSONNEL AWAITING ASSIGNMENT

Charge with the pay of all civilian marine personnel awaiting assignment to a ship (other than civilian marine personnel on annual leave or undergoing indoctrination and training).

5308 SALARIES AND WAGES, CLASSIFIED - ANNUAL, SICK AND MILITARY LEAVE

Charge with amounts accrued for annual leave and paid for sick and military leave taken for civilian classified employees.

Charge or credit with the net semi-annual adjustments to
Account 2205.

5312 SALARIES AND WAGES, UNCLASSIFIED - REGULAR TIME
5313 SALARIES AND WAGES, UNCLASSIFIED - OVERTIME
5318 SALARIES AND WAGES, UNCLASSIFIED - ANNUAL, SICK AND
MILITARY LEAVE

Charge and credit earnings of civilian unclassified employees as described for Accounts 5301, 5302, and 5308.

These accounts shall not be used for those regularly employed in MSTs Maintenance Shops.

5324 INDOCTRINATION AND TRAINING - SALARIES AND WAGES

Charge with salaries and wages incurred in the indoctrination and training of (1) Group IVb employees, (2) Groups I, II, III, and IVa employees, exclusive of MSTs maintenance shop employees, and (3) civilian marine employees, and with the earnings of such employees undergoing indoctrination and training. (For further details, see Chapter 09, Section 02).

Charge with salaries and wages of personnel permanently assigned as instructors or clerks.

5325 EMPLOYER'S TAX, FICA (CIVILIAN PERSONNEL ASHORE)

Charge with employer's (MSTs) contribution.

5326 INDOCTRINATION AND TRAINING - OTHER EXPENSES

Charge with all costs other than salaries and wages incurred in the indoctrination and training of MSTs employees, excluding MSTs maintenance shop employees.

5328 TRAVEL EXPENSES

Charge with travel costs including cost of transporta-

tion requests of all Naval and civilian personnel assigned to MSTs shore activities when traveling under temporary additional duty orders.

Charge with the cost of all travel of shore based civilian personnel including cost of transportation requests.

5330 OCCUPANCY OF PREMISES

Charge with all costs (except salaries or wages of personnel employed by MSTs) incurred in connection with the occupancy of office or other premises rented or made available to MSTs.

5331 EQUIPMENT RENTAL

Charge with rental of equipment and machinery including electric or other accounting and tabulating machines used by MSTs activities, with the exception of equipment, if any, rented for use specifically in MSTs maintenance shops.

5332 OFFICE SUPPLIES, STATIONERY AND POSTAGE

Charge with the cost of:

- a. All office stationery, records, forms, and supplies, both printed and plain.
- b. All minor office equipment such as pen sets, staplers, paper punchers, file baskets, dictionaries.
- c. Franked envelopes and postage stamps
- d. All other miscellaneous materials, supplies and small tools not specifically provided for in other accounts.

5340 COMMUNICATIONS

Charge with the costs of communication.

5356 PUBLIC INFORMATION

Costs incurred and charged to this account for public information must be limited to those which are necessary and proper in connection with the conduct of MSTS business and which are not specifically restricted or prohibited by law. No entertainment costs are chargeable to this or any other account under the Navy Industrial Fund, Account No. 2.

Charge with costs incident to:

- a. Photographic material and supplies when authorized and procured through proper channels, and brochures when required for public information purposes.
- b. Specialized magazines including business papers and trade papers as required for use by public information officers in the preparation of material for public speeches.
- c. Exhibits prepared for purposes of providing information to the public regarding MSTS, providing the exhibits are deemed necessary by the Command and the costs are within the limitations prescribed by statutory regulations regarding floral displays.
- d. Rental of news reels and motion pictures used by public information officers, MSTS, to acquaint the public with the mission of MSTS organization.

5360 OPERATION AND REPLACEMENT OF AUTOMOTIVE EQUIPMENT

Charge with all automotive equipment operating expense, such as gasoline, oil, lubricants, maintenance and repairs to automotive equipments, etc., and the cost of hiring automotive equipment.

Charge with costs of replacement when procurement thereof is approved specifically by COMSTS.

5363 OPERATION AND REPLACEMENT OF OPERATIONAL EQUIPMENT

Charge with the costs of operating small boats and other shore operational equipment. Charges may include gasoline, oils, lubricants, maintenance and repairs, etc. Charge this account also with the costs, if any, of hiring this type of equipment. Do not charge this account with costs of operating intra-theatre ships such as AKL's, YO's, IST's, YTB's and ATA's, even though non-revenue producing.

Charge with the cost of replacement of such equipment.

5364 DAMAGE CLAIMS

Charge with the allowed amounts of damage claims asserted by persons claiming injury to their persons or property in connection with the operation or husbanding of MSTTS ships. Such charges shall be made only when the liability has been recognized and claim allowed after the approval of MSTTS Counsel.

5371 REPAIR AND REPLACEMENT OF OFFICE FURNITURE AND EQUIPMENT

Charge with the cost of repair and maintenance of office furniture and equipment.

Charge with the cost of replacement of such equipment.

Also see Account 5332.

5375 REPAIRS TO MSTS SPECIAL MATERIAL IN STORE

Charge with the cost of labor, services and materials, and for work performed in MSTS Maintenance Shop, the cost of labor, material and overhead, required in connection with the inspection, repair and/or alteration of MSTS Special Material in Store.

5390 COMSTS TECHNICAL UNIT EXPENSES

This account will appear only in the books of COMSTS and COMSTSLANTAREA. It will be used as a suspense account at COMSTSLANTAREA for accumulating the costs of operating the Technical Unit - COMSTSLANTAREA. This account will be cleared monthly by a charge to COMSTS on an Intra-MSTS Voucher.

5399 OTHER OVERHEAD EXPENSES

Charge with all overhead expenses, exclusive of those of MSTS Maintenance Shops, which are not classifiable in the other overhead expense accounts under a logical interpretation of the foregoing definitions.

APPENDIX D

COMSTS LETTER OF 12 OCTOBER 1953

CONTAINING REVISED MSTs TARIFF RATES

DEPARTMENT OF THE NAVY
MILITARY SEA TRANSPORTATION SERVICE
WASHINGTON 25, D. C.

Ser 2519M53
12 October 1953

From: Commander Military Sea Transportation Service
To: Distribution List

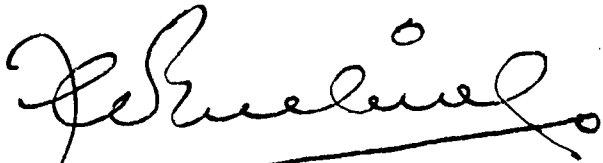
Subj: Revised MSTTS Tariff Rates

Encl: (1) MSTTS Tariff Rates
(2) MSTTS Standard Traffic Area Map

1. The Assistant Secretary of Defense (Comptroller) has authorized the Commander Military Sea Transportation Service to increase the cargo, passenger, and ship per diem tariff rates, effective 1 September 1953.
2. The passenger, dry and reefer cargo tariff rates set forth in enclosure (1) supersede and replace all MSTTS cargo and passenger tariff rates published to date. The petroleum tariff rates have not been changed. They are included in enclosure (1), however, in order to consolidate all rates on three pages. The revised rates, with the exception of the "Special" passenger rates, are effective 1 September 1953. The shipper services' ocean transportation bills for the month of September 1953 will be computed on the basis of these revised tariff rates.
3. The revised "Special" passenger rates are applicable to all passenger embarkations occurring after 31 October 1953.
4. The original MSTTS billing regulations stated "MSTTS will not bill the shipper services for scrap or salvage material moving either between overseas areas or being returned to the U.S., except as directed by the Secretary of Defense." The Assistant Secretary of Defense (Comptroller) has authorized the establishment of a scrap and salvage rate and empty container rate for shipments between overseas areas or being returned to the United States. These new rates are set forth in enclosure (1) and are effective 1 September 1953.
5. The North Atlantic Traffic Area has been modified to provide for standard area to area tariff rates to ports in northern Canada and Greenland. The previous "North Atlantic Area" has been redesignated, and three additional tariff areas established. The revised MSTTS standard tariff areas are outlined in enclosure (2).

Subj: Revised MSTS Tariff Rates

6. The Assistant Secretary of Defense (Comptroller) has authorized COMSTS to charge the respective shipper services on a per diem basis when MSTS ships are maintained in a reduced operational status at the specific request of a using service or services, or by mutual agreement with a using service or services. The ROS per diem charges applicable to each type of MSTS ship are set forth in enclosure (1).



DISTRIBUTION:

SNDL 41B, 41B1.....	25	(MSTS area commanders)
41C, 41C1.....	25	(MSTS sub-area commanders)
41D, 41D1.....	5	(MSTS offices)
31C2.....	3	(MSTS APA transports)
32Q2.....	3	(MSTS AP transports)
ANNEX A TO SNDL, PART 1		
T-100F.....	3	(MSTS civil service manned AP transports)
T-100G.....	3	(MSTS civil service manned APc transports)
ASST SEC DEF (COMP).....	2	
NAVCOMP.....	2	
OCOFT.....	750	
C/S AIR FORCE.....	200	
MAR CORPS.....	15	
COAST GUARD.....	50	
BUAER.....	2	
BUDOCKS.....	2	
BUORD.....	2	
BUPERS.....	75	
BUSANDA.....	300	
BUSHIPS.....	2	
JAG.....	1	
MATS.....	1	
ASPPA.....	2	
QM GEN ARMY.....	20	
OIR.....	2	
GAO.....	10	

ROUTE	PASSENGER				DRY AND REEFER CARGO - PER MEASUREMENT TON					
	SPACE REQUIREMENT		SPECIAL (a)		GENERAL	REEFER	AMMUNITION AND EXPLOSIVES	SPECIAL	PLANES	BULK
	CABIN	TROOP	OFF./CIV.	ENLISTED (b)						
U.S. East Coast - Thule (Normal)	\$ -	\$ -	\$ -	\$ -	\$21.85	\$21.85	\$21.85	\$21.85	\$21.85	\$21.85
U.S. East Coast - Thule (Ice)	-	-	-	-	34.55	34.55	34.55	34.55	34.55	34.55
U.S. East Coast - Pine Tree Sites, EW-8 (Nor.)	-	-	-	-	22.35	22.35	22.35	22.35	22.35	22.35
U.S. East Coast - Pine Tree Sites, EW-8 (Ice)	-	-	-	-	35.55	35.55	35.55	35.55	35.55	35.55
U.S. East Coast - Goose Bay, Harmon, EW-1 (Nor.)	-	-	-	-	17.50	17.50	17.50	17.50	17.50	17.50
U.S. East Coast - Goose Bay, Harmon, EW-1 (Ice)	-	-	-	-	27.85	27.85	27.85	27.85	27.85	27.85
U.S. East Coast - North Atlantic	60.50	22.00	19.80	6.60	8.20	13.20	8.90	9.00	-	-
U.S. East Coast - Europe	165.00	55.00	55.00	22.00	15.20	27.40	18.30	18.00	7.60	9.40
U.S. East Coast - Caribbean	77.00	27.50	27.50	11.00	14.70	15.20	-	11.20	-	-
U.S. East Coast - Mediterranean	176.00	66.00	55.00	22.00	18.00	41.60	21.60	20.30	10.40	11.20
U.S. East Coast - Japan/Korea	-	-	-	-	29.40	-	33.00	31.70	22.80	18.30
U.S. East Coast - Other Far East	-	-	-	-	32.00	-	36.10	34.60	24.90	20.00
U.S. Gulf Coast - Europe	-	-	-	-	16.30	-	20.30	20.00	11.90	-
U.S. Gulf Coast - Caribbean	-	-	-	-	13.40	18.30	14.20	10.70	-	-
U.S. Gulf Coast - Mediterranean	-	-	-	-	18.80	73.10	21.80	20.30	10.70	-
U.S. Gulf Coast - Japan/Korea	-	-	-	-	28.20	-	29.40	30.40	21.80	17.30
U.S. Gulf Coast - Other Far East	-	-	-	-	30.70	-	32.20	33.20	23.90	18.60
U.S. West Coast - Alaska	66.00	22.00	22.00	11.00	-	-	-	-	-	-
U.S. West Coast (Calif.) - Alaska	-	-	-	-	14.20	-	-	14.20	-	-
U.S. West Coast (Wash.-Oreg.) - Alaska	-	-	-	-	11.90	17.30	13.70	13.40	7.40	-
U.S. West Coast - Hawaii	88.00	27.50	27.50	11.00	-	-	-	-	-	-
U.S. West Coast (Calif.) - Hawaii	-	-	-	-	9.10	23.90	9.10	9.10	5.60	-
U.S. West Coast (Wash.-Oreg.) - Hawaii	-	-	-	-	9.10	-	-	9.40	6.10	-
U.S. West Coast - Far East	231.00	82.50	66.00	22.00	-	-	-	-	-	-
U.S. West Coast - Japan/Korea	-	-	-	-	17.30	29.40	19.30	19.80	11.20	11.40
U.S. West Coast - Other Far East	-	-	-	-	20.30	29.40	21.30	22.30	12.20	12.40
U.S. West Coast - Central & South Pacific	165.00	49.50	49.50	22.00	-	-	-	-	-	-
U.S. West Coast - Coastwise	44.00	16.50	16.50	5.50	-	-	-	-	-	-
Inter-Coastal, Continental U.S.	-	-	-	-	-	-	-	-	-	4.60
Japan - Korea	16.50	4.40	5.50	2.20	4.10	7.10	4.60	4.30	2.30	2.80
Japan/Korea - Other Far East	55.00	22.00	16.50	5.50	5.10	9.10	5.80	5.30	3.00	3.30
Alaska - Intra Area	11.00	4.40	3.30	1.10	1.30	2.50	1.50	1.50	.80	1.00
Caribbean - Intra Area	49.50	17.60	16.50	5.50	5.10	9.40	6.10	5.30	3.00	-
Hawaii - Intra Area	13.20	5.50	6.60	2.20	1.80	3.00	2.00	1.80	1.00	1.00
Hawaii - Far East	150.00	60.00	45.00	16.00	-	-	-	-	-	-
Nonstandard Routes - Per Passenger Mile0550	.0154	.0165	.0055	-	-	-	-	-	-
Nonstandard Routes - Per Measurement Ton Mile	-	-	-	-	.005583	.009613	.006090	.005583	.003553	.004060

NOTES:

- Tariff rates apply in either direction.
- Tariff rate for scrap or salvage material moving either between overseas areas or being returned to U.S. shall be \$6.00 per measurement ton. Cost of diversions caused by such movements shall be billed on the basis of per diem tariff rates.
- Tariff rate for empty containers moving either between overseas areas or being returned to U.S. shall be \$4.50 per measurement ton. Cost of diversions caused by such movements shall be billed on the basis of per diem tariff rates.
- Commercial passengers sponsored by the Shipper Services shall pay the comparable commercial rates, plus applicable taxes. Commercial cargo sponsored by the Shipper Services shall be carried at comparable commercial rates.
- Because of the nature of dunnage and cargo handling gear which is being returned to the continental U.S. for reclamation and reuse, the special rate of \$4.50 per measurement ton will be used for movement of such traffic from overseas areas to the United States or between overseas areas.

(a) Effective for all passenger embarkations after 31 October 1953. Children under six years of age (i.e., children who have not had their sixth birthday) will be carried without charge.

(b) Enlisted "Special" rate applicable to all enlisted personnel and their dependents. All other "Special" passengers will be charged the officer/civilian rate.

MILITARY SEA TRANSPORTATION SERVICE

TARIFF RATES - PETROLEUM

EFFECTIVE 1 SEPTEMBER 1953

	BLACK				CLEAN			
	14,000 L/T UP	10,000 TO 13,999 L/T	6,000 TO 9,999 L/T	1 TO 5,999 L/T	14,000 L/T UP	10,000 TO 13,999 L/T	6,000 TO 9,999 L/T	1 TO 5,999 L/T
U.S. East Coast - Thule (Normal)	\$12.45	\$12.45	\$12.45	\$12.45	\$12.45	\$12.45	\$12.45	\$12.45
U.S. East Coast - Thule (Ice)	16.25	16.25	16.25	16.25	16.25	16.25	16.25	16.25
U.S. East Coast - Goose Bay,Harmon,BW-1 (Nor.)	10.45	10.45	10.45	10.45	10.45	10.45	10.45	10.45
U.S. East Coast - Goose Bay,Harmon,BW-1 (Ice)	13.30	13.30	13.30	13.30	13.30	13.30	13.30	13.30
U.S. East Coast - Pine Tree Sites,BW-8 (Nor.)	12.95	12.95	12.95	12.95	12.95	12.95	12.95	12.95
U.S. East Coast - Pine Tree Sites,BW-8 (Ice)	16.75	16.75	16.75	16.75	16.75	16.75	16.75	16.75
U.S. East Coast - North Atlantic	\$4.05	\$ 4.60	\$ 5.65	\$ 6.90	\$ 4.45	\$ 5.05	\$ 6.20	\$ 7.55
U.S. East Coast - Europe	6.05	6.90	8.45	10.25	6.60	7.55	9.25	11.25
U.S. East Coast - Mediterranean	6.60	7.55	9.25	11.25	7.25	8.25	10.10	12.30
U.S. East Coast - Coastwise	2.80	3.20	3.95	4.75	3.10	3.50	4.30	5.20
U.S. Gulf Coast - U.S. West Coast	6.65	7.55	9.25	11.25	7.25	8.25	10.15	12.30
U.S. Gulf Coast - Hawaii	9.50	10.85	13.30	16.15	10.40	11.85	14.55	17.65
U.S. Gulf Coast - Alaska	7.95	9.05	11.10	13.50	8.70	9.90	12.15	14.75
U.S. Gulf Coast - Far East	13.40	15.25	18.70	22.70	15.65	16.65	20.45	24.80
U.S. Gulf Coast - U.S. East Coast	3.70	4.20	5.15	6.25	4.05	4.60	5.60	6.80
U.S. Gulf Coast - North Atlantic	6.50	7.40	9.05	11.00	7.10	8.10	9.90	12.05
U.S. Gulf Coast - Europe	8.15	9.30	11.40	13.85	8.90	10.15	12.50	15.15
U.S. Gulf Coast - Mediterranean	8.75	9.95	12.25	14.85	9.55	10.90	13.35	16.25
U.S. Gulf Coast - Caribbean	3.65	4.15	5.10	6.15	4.00	4.55	5.55	6.75
U.S. Gulf Coast - Intra Area	1.85	2.15	2.60	3.15	2.05	2.30	2.85	3.45
Caribbean - U.S. East Coast	4.50	5.15	6.30	7.65	4.95	5.60	6.90	8.35
Caribbean - Europe	7.00	7.98	9.80	11.90	7.70	8.78	10.78	13.09
Caribbean - Mediterranean	7.40	8.44	10.36	12.58	8.10	9.23	11.34	13.77
Caribbean - Intra Area	2.45	2.80	3.40	4.15	2.65	3.05	3.75	4.55
U.S. West Coast - Alaska	3.90	4.45	5.45	6.60	4.25	4.85	5.95	7.20
U.S. West Coast - Hawaii	4.40	5.00	6.10	7.45	4.80	5.45	6.70	8.10
U.S. West Coast - Far East	8.70	9.95	12.20	14.80	9.55	10.85	13.35	16.20
U.S. West Coast - Other Pacific Areas	7.20	8.20	10.05	12.20	7.85	8.95	11.00	13.35
U.S. West Coast - Coastwise	2.10	2.40	2.90	3.55	2.30	2.60	3.20	3.90
Persian Gulf - Mediterranean	8.20	9.35	11.50	13.95	9.00	10.25	12.55	15.25
Persian Gulf - Europe	10.95	12.50	15.35	18.60	12.00	13.65	16.75	20.35
Persian Gulf - Far East	10.00	11.35	13.95	16.90	10.90	12.40	15.25	18.50
Persian Gulf - Hawaii	14.15	16.10	19.75	24.00	15.45	17.60	21.65	26.25
Hawaii - Intra Mid-Pacific	5.30	6.05	7.40	8.95	5.80	6.60	8.10	9.80
Mediterranean - Intra Area	4.90	5.60	6.85	8.30	5.35	6.10	7.50	9.10
Far East - Intra Area	2.90	3.30	4.05	4.90	3.15	3.60	4.45	5.35
Nonstandard Routes - Per L/T Mile0018	.0020	.0024	.0030	.0020	.0022	.0026	.0033

NOTE:

1. Tariff rates apply in either direction.

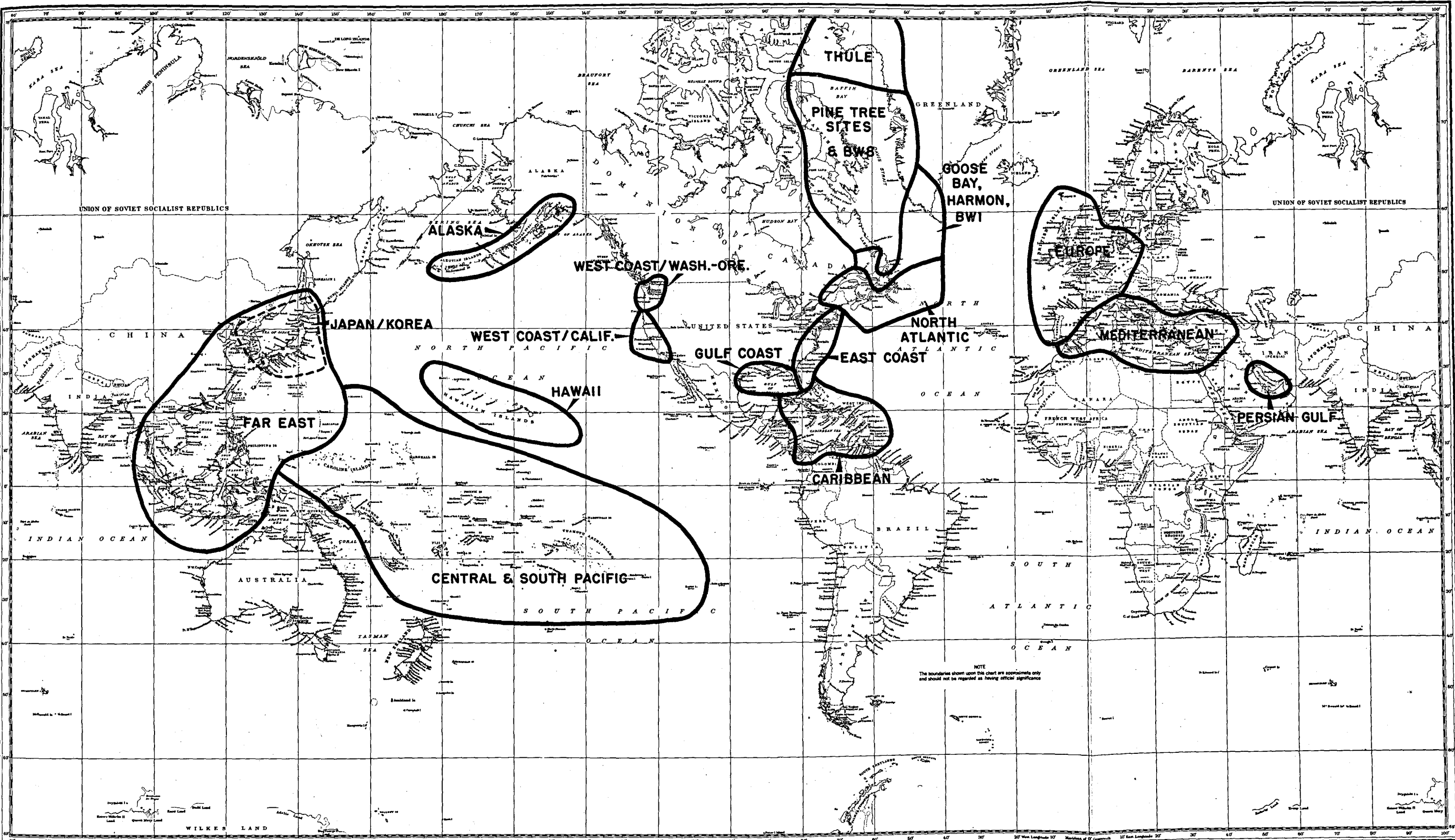
MILITARY SEA TRANSPORTATION SERVICE
PER DIEM TARIFF RATES
EFFECTIVE 1 SEPTEMBER 1953

CARGO SHIPS	NORMAL OPERATIONS	IN KOREAN WATERS	FORCING ICE OPERATIONS	IN REDUCED OPERATIONAL STATUS (ROS)	PASSENGER SHIPS	NORMAL OPERATIONS	IN KOREAN WATERS	FORCING ICE OPERATIONS	IN REDUCED OPERATIONAL STATUS (ROS)
Ch-S-HL	2,945.	3,425.	3,240.	2,050.	P2-S2-R2	9,275.	11,775.	-	2,500.
Ch-S-B5	2,550.	3,175.	2,800.	1,700.	P2-SE2-R1	10,815.	14,075.	-	2,500.
C3-S-A2	3,075.	3,675.	3,380.	-	Ch-S-A1 (Trooper)	9,000.	11,000.	9,900.	2,200.
C2-S-HL (Reefer)	2,915.	3,415.	3,210.	1,950.	Ch-S-A1 (Dependent)	7,245.	9,245.	7,970.	2,200.
C1-M-AV1 (Reefer)	1,850.	2,300.	2,035.	1,200.	Ch-S-A3	9,290.	11,150.	10,220.	2,200.
C1-M-AV1	1,700.	2,125.	1,870.	1,150.	C3-S1-A3	6,450.	8,450.	-	2,100.
C1-A	1,800.	2,495.	1,980.	-	C3-IN-P & C	6,810.	8,810.	-	2,100.
C1-B	1,850.	2,500.	2,035.	-	C2-S1-A1	5,300.	6,800.	-	2,000.
N3-M-A1	2,100.	2,450.	2,310.	1,400.	C1-M-AV1	2,780.	3,480.	3,060	1,000.
RL-M-AV3 (Reefer)	1,950.	2,450.	2,145.	1,200.	VC2-S-AP2	5,225.	5,825.	-	1,700.
VC2-S-AP4	2,545.	3,050.	2,800.	-	P2-S2-R2 (USS)	5,200.	5,200.	-	-
VC2-S-AP3	2,520.	3,050.	2,770.	1,650.	C3-P & C (USS)	2,500.	2,500.	-	-
VC2-S-AP2	2,415.	3,050.	2,655.	1,600.	PETROLEUM SHIPS				
ZEG2-S-C5	1,890.	2,485.	2,080.	1,260.	TI-M-BT2	1,650.	1,975.	1,815.	1,100.
AKL	935.	1,200.	1,030.	600.	TI-M-A2	1,650.	1,975.	1,815.	1,100.
AKL (Redbud)	1,575.	2,190.	1,730.	1,050.	Y0	750.	890.	825.	500.
ATA (Tug)	800.	1,000.	880.	530.	T3-S2-A1 (USS)	2,380.	2,380.	2,380.	-
LGT	300.	500.	330.	-	T3-S-A1 (USS)	2,150.	2,150.	2,150.	-
LSM	1,275.	1,675.	1,400.	850.	T2-A (USS)	2,125.	2,125.	2,125.	-
LST	1,850.	2,375.	2,035.	1,200.	T2-SE-A1	2,900.	3,400.	3,000.	1,500.
LST (Contract)	700.	700.	770.	450.	T2-SE-A2	2,900.	3,400.	3,000.	1,500.
MV	850.	1,175.	935.	-	T2-SE-A3	2,900.	3,400.	3,000.	1,500.
YCV (Barge)	85.	100.	95.	-					
Commercial Tug (COMSTSMIDPACSUBAREA)	2,200.	2,600.	2,420.	-					
Heavy Lift (Foreign)	2,425.	2,925.	2,670.	-					
C2-S-HL (USS)	1,730.	1,730.	1,730.	-					
Sl-S2-BB3 (USS)	3,780.	3,780.	3,780.	-					
AW (USS)	2,835.	2,835.	2,835.	-					
LSD (USS)	780.	780.	780.	-					

NOTE:

1. Per diem tariff rates are charged at all times, except when ships are in programmed alterations or in normal annual overhaul.

MSTS STANDARD TRAFFIC AREAS



NOTE
The boundaries shown upon this chart are approximate only
and should not be regarded as having official significance

APPENDIX E

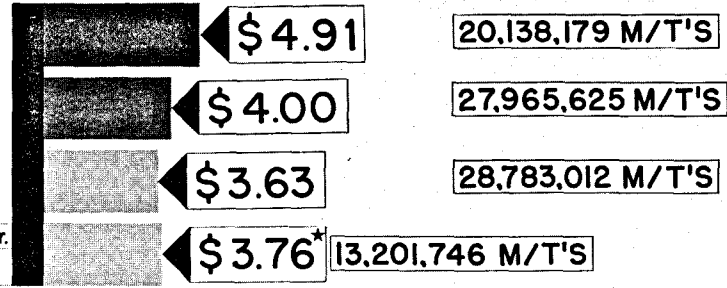
OTHER CHARTS

1. MSTTS TRAFFIC COST PER MILE
FY 1951 - 1st HALF FY 1954
2. PROFIT OR LOSS FY 1953

MSTS TRAFFIC COST PER MILE

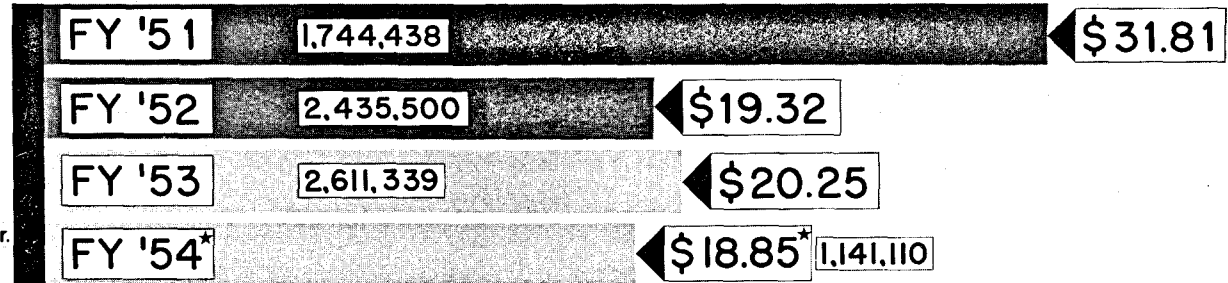
CARGO PER 1,000 M/T MILES

1st Qtr. 2nd Qtr. 3rd Qtr. 4th Qtr.
3.84 3.66



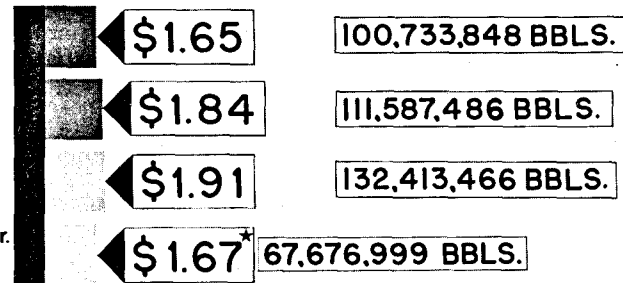
PASSENGER PER 1,000 PASS. MILES

1st Qtr. 2nd Qtr. 3rd Qtr. 4th Qtr.
18.79 18.92



PETROLEUM PER 1,000 L/T MILES

1st Qtr. 2nd Qtr. 3rd Qtr. 4th Qtr.
1.67 1.67



	FY 1952	FY 1953	FY 1954
NET SAVINGS (OVER PREVIOUS FISCAL YEAR)	\$165,000,000	\$28,700,000	

* 1st HALF - FY '54

VITA

VITA

This writer, Cecil Franklin Jones, was born August 8, 1922 in Petersburg, Virginia, the son of Laura B. and B. Frank Jones. Moving to Richmond, Virginia in 1935, the writer attended John Marshall High School, graduating in 1939 and immediately entering the University of Richmond.

Graduation with the degree of Bachelor of Science in Business Administration in 1943 was followed by thirty-four months active Naval service as a Supply Officer, Lieutenant (jg). One year of this tour of duty was spent in residence at the Harvard Graduate School of Business Administration where a certificate signifying completion of one-half of the requirements for an MBA was earned.

After release, writer was added to the faculty of the University of Richmond as an Instructor in Mathematics and later Accounting, in which capacities he served until late 1947. Subsequently, while employed by T. Coleman Andrews & Company, Certified Public Accountants of Richmond, Virginia, writer satisfied the requirements established by the State of Virginia and was awarded a certificate as Certified

Public Accountant, State of Virginia.

After outbreak of Korean hostilities in June 1950, writer was recalled to active duty as an Assistant to the Comptroller of the Military Sea Transportation Service. This tour of duty lasted until February 1953 and permitted writer to participate directly in devising, designing, and installing the commercial budgeting and accounting procedures in this pilot installation.

At present, writer is employed as Auditor at this University.