

Vice Chief of the Defence Staff



Vice-chef d'état-major de la Défense

MEMORANDUM

7331-7109 (VCDS)

22 Mar 90

ADM(Per)

SPECIAL RULING  
NPF ACCOUNTING SERVICES

Ref: 7331-71-9 ADM(Per) 28 Feb 90

The change to CFP 110 requested at the ref is approved.

A handwritten signature in black ink, appearing to read 'C.M. Thomas'.

C.M. Thomas  
VAdm  
992-6333

CABINET DU SMA (PER)  
RECEIVED DESPATCH  
REÇU ENVOYER

MAR 1990

ADM (PER) OFFICE

(See 19182)

MEMORANDUM

7331-71-9 TD 9182 (ADM(Per))

28 Feb 90

NDHQ - CDS / VCD / SEC  
QGMN - CED / VCED / SLG  
General Office  
Bureau d'administration

82/2

referred passé a	DATE	by par
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VCDS

REQUEST FOR SPECIAL RULING  
AMENDMENT TO A-PS-110-001/AG-002  
NPF ACCOUNTING SERVICES

- Refs:
- A. A-PS-110-001/AG-002
  - B. NPF Board of Directors meeting - 28 Jul 89
  - C. 7331-51-2 (DCESR 3-2) 23 Jan 90 (enclosed)

BACKGROUND

1. In accordance with guidelines contained in A-PS-110-001/AG-002, approved by DMC and accepted by Treasury Board Secretariat the following is the appropriate division of responsibility for the provision of NPF accounting services:

- a. "From Public Resources - The cost of NPF accounting services to provide the Base Commander with the information required for the administration and control of NPF resources.
- b. From NPF Resources - The cost of NPF accounting services required to provide management information required by managers of NPF activities or outlets".

2. For ease of administration and control, in applying these guidelines the policy provides that a limited portion of the personnel required, telephone services, and furniture and equipment to the appropriate scale is a public responsibility. All other personnel, and all furniture and equipment above scale is an NPF responsibility. Under this policy, with the increased requirement for computerized systems, NPF is bearing a very substantial and disproportionate share of the cost, unforeseen at the time the policy was established.

3. Ref A makes provision for submission of proposed amendments to the policy to the VCDS who will exercise his judgement by giving rulings or by submitting major policy decisions to DMC.

AIM

4. The purpose of this memorandum is to seek approval of an amendment to the policy for provision of non-public funds accounting services whereby the public would pay a more equitable share of the increasing costs.

DISCUSSION

5. While the division of responsibility was reasonable when it was established in 1973, increased requirements and more sophisticated accounting practices have greatly increased the overall cost of providing accounting services over the years. Most notable, is the use of computers in the accounting process. In order to keep pace with current practices, and meet increasing workload, a computerized system (ABACIS) was introduced in phases starting in 1979. To date, with all bases having a system, more than \$2,300K NPF have been used to provide the hardware and software, with an annual charge of \$200K for maintenance. The NPF Board of Directors has approved at reference B a necessary upgrade to this system at a further estimated cost of \$4M spread over a four year period starting in 1989/90, with an annual maintenance charge of approximately \$400K. As all the above costs have been considered to be overscale they have been and will continue to be borne by NPF. At the same time, the public share of the cost has remained static because the number of personnel is fixed and basic scales of equipment and furniture are unchanged.

6. One of the major shortcomings of the present system is the lack of an electronic system to transmit accounting and management information to CHQ and NDHQ. This information would permit analysis, identification of trends, establishment of standards, and development of new programs and program updates. In addition the communication system would be used for the provision of direct assistance to accounting personnel at bases, for problem solving. All information is required on a timely basis for the effective management and control of all aspects of NPF, messes, base fund and CANEX.

7. The info provided by NDHQ/DCEsr staff (see reference C) indicates that the initial costs of establishing an electronic communication system through the IDN, that is the costs associated with the connection of ABACIS to the IDN are estimated at \$294,700, spread over a three-year period. The ongoing monthly costs once

all bases have been integrated in the system will amount to approximately \$3,000. Should Commercial Packet Switching Services be used, the initial costs are estimated at \$8,740; the monthly ongoing costs, however, could exceed \$10,000, including access to the packet switching network, network usage and long distance charges. Notwithstanding the significantly higher initial costs of the IDN system, its lower ongoing costs make it financially more attractive than its commercial counterpart. For this reason, and the fact that IDN is a DND controlled system, it is the preferred option for the provision of the communications network required for ABACIS.

8. From information available, the relative proportion of public and NPF paid personnel performing the accounting function has changed significantly over the years with fewer public positions provided and a higher number of NPF paid personnel. While the primary purpose for a computerized system is to meet the control requirements of base commanders, CHQ and NDHQ staff officers and CANEX management, it will at the same time meet the management information requirements of CANEX, Base Fund and mess administrators. In view of the fact that NPF has purchased and maintained the hardware and software in the past and has similar plans for the upgrade, and that telecommunications services are a recognized public responsibility, a division of responsibility on this basis would be easy to administer and the proportionate cost would appear appropriate.

#### CONCLUSIONS

9. It is concluded that:
- a. the division of responsibility for NPF accounting services established in 1973 no longer reflects current circumstances and requirements;
  - b. NPF in paying the hardware and software costs as well as maintenance costs of required NPF accounting services is currently paying significantly more than its fair share of the increased costs; and
  - c. having the public pay electronic communication costs would restore a more reasonable balance to the cost of providing NPF accounting services.

RECOMMENDATIONS

10. In order to have the public absorb the electronic communication costs and consequently have the authority to utilize the IDN system, it is recommended that approval be given to add the following paragraph after para 92 of ref A:

"The initial and ongoing costs of an electronic communication system to transmit accounting and management information shall be provided at public expense for:

- a. NPF accounting offices;
- b. offices of personnel filling publicly established positions in mess and CANEX management; and
- c. offices of all staff, whether publicly or NPF paid, on the establishment of DGPS and CANEX Head Office at NDHQ".

*J.A. Fox*  
J.A. Fox  
LGen  
ADM(Per)  
992-7582

Enclosures: