THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

SEP 23 2005

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF THE DEFENSE AGENCIES

SUBJECT: Policy Forecast for Property Management and Accountability

Secretary Rumsfeld has made business transformation a priority, and as such, the Department remains committed to the business and process reforms necessary to sustain it as a world-class operation. One area where I believe we can better optimize our resources and improve the economy and efficiency of our business operations is in how we account for and manage our military equipment and our administrative property, *i.e., personal property*, as defined in DoD Instruction 5000.64, Defense Property Accountability. Clearly, the Department is making great strides in improving the management of its real property holdings. Similar rigor, however, is necessary for the billions of dollars of personal property with which we are also entrusted. Indeed, a greater emphasis on the *management* of personal property will provide the foundation necessary for obtaining and sustaining an unqualified "clean" audit opinion, as well as:

- increasing operational efficiency and mission performance;
- enabling sound investment decision-making and cost control due to greater financial and physical accountability;
- mitigating/eliminating fraud, waste, and abuse; and
- resolving material weaknesses.

A fully integrated DoD-wide reform effort specific to personal property management and accountability can only be accomplished if we comprehensively examine our *policies, processes, systems, and people*. To that purpose, and as directed in my predecessor's memorandum of May 12, 2005, "Subject: Policy Update for Item

Unique Identification of Tangible Personal Property, including Government Property in the Possession of Contractors", the Property and Equipment Policy (P&EP) Office is spearheading a personal property concept of operations that will provide a framework for how the Department's personal property assets (to include assets in the hands of contractors) are accounted for, managed, and controlled.

This effort will be coordinated with the DoD Unique Identification (UID) Program Office, Deputy Under Secretary for Defense (Logistics and Material Readiness), and the Deputy Under Secretary of Defense (Installations and Environment), as appropriate. I envision this effort as complementing current efforts aimed at securing a clean audit opinion for property valuation, for it is aimed at the larger context, that being the processes, systems, records and methodologies necessary for effective management of Government property: from property acquisition and receipt, through stewardship, custody, and use, until formally relieved of responsibility by authorized means.

I am personally committed to making our property management programs the best they can be, and I am asking for the same commitment from each of you. Practicing outstanding stewardship of our resources requires that we each make accountability and control of our personal property a priority. This not only prevents mismanagement and abuse of the property entrusted to us by the taxpayer, but secures our financial integrity, and supports our national defense mission.

Consistent with this objective, the P&EP Office will accomplish the initiatives identified in the attached. My point of contact for this issue is Sarah Ball who can be reached at 703-604-6350 x 110 or via e-mail at: sarah.ball@osd.mil.

Kenneth J. Krieg

Attachment:
As stated

cc:
DEPUTY UNDER SECRETARY OF DEFENSE (LOGISTICS AND MATERIEL READINESS)
DIRECTOR, ACQUISITION RESOURCES AND ANALYSIS
DIRECTOR, DEFENSE PROCUREMENT AND ACQUISITION POLICY
DIRECTOR, DEFENSE SYSTEMS
DIRECTOR, INTEROPERABILITY
DIRECTOR, DEFENSE RESEARCH AND ENGINEERING
DIRECTOR, SMALL AND DISADVANTAGED BUSINESS UTILIZATION
COMMANDER SPECIAL OPERATIONS COMMAND

Personal Property Accountability and Management

The Deputy Director, Property and Equipment Policy Office will:

Develop a Personal Property Concept of Operations. In coordination with the DoD Components, this effort will include an assessment of personal property management and accountability practices, enterprise-wide, with a focus on *policies, processes, systems, and people*. This effort will provide a framework for personal property accountability and management, to include the introduction of enterprise-wide performance measures and the use of principle-based standards that allow for conformity when necessary, and flexibility, when needed, to achieve best value for the Government. A draft concept of operations will be completed by October 2005.

The principles guiding the personal property concept of operations are:

- 41 Code of Federal Regulation (CFR), Parts 101 and 102, and 48 CFR, Part 45, in conjunction with DoD Instruction 5000.64, Defense Property Accountability, govern DoD personal property accountability and management, ensuring proper and safe utilization and disposal of government owned assets.

- The operational capabilities of DoD military equipment and administrative property can ultimately only be sustained through the effective and efficient administration and maintenance of its property accountability and control systems.

- Accountability is to be maintained in one *accountable system of record* at a time, with the *custodial portal* for all DoD personal property assets being the UID Registry. The UID Registry will integrate item data across DoD, Federal and industry asset management systems, and maintain master item UID data - updated with key events.

- DoD Property is in fact *"the people's property"*, and, as such, is to be managed and controlled in a highly efficient manner. DoD property personnel, therefore, are to be sufficiently equipped, enabled, and empowered to perform their property management duties.

Lead a Personal Property Workforce Study. A key element of the personal property concept of operations is the comprehensive identification and analysis of those individuals involved in managing the Department's assets. DoD policy is to maintain a fully proficient acquisition, technology, and logistics workforce that is flexible and highly skilled across a range of management, technical, and business disciplines. The objective of the study is to identify specific needs for the development and advancement of the

current and future "property management" workforce. The study is expected to be completed in late Fiscal Year 2005.

Conduct an Analysis of Alternatives (AoA) for Defense Property Accountability System (DPAS) Replacement. Another key element of the personal property concept of operations is the examination of the Department's alternatives for modernizing DPAS. Research will primarily revolve around a number of alternatives, including:

1. Web-enabling DPAS functionality; upgrading existing capabilities
2. Replacing DPAS with a commercial-off-the-shelf (COTS) application
3. Replacing DPAS with modified COTS, i.e., adopting a "best of breed" Federal property management system/enterprise management solution tailored to DoD requirements
4. Leveraging planned ERP solutions for personal property accountability/fixed asset functionality

The due date for this AoA is March 2006.