THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

NOV 0 8 2006

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS

SUBJECT: Military Equipment Valuation and Accountability Way Ahead

As we look back at FY 2006, I commend you on the great strides we have made toward closing the systemic weakness for valuation of military equipment. For the first time, we are able to use generated data to present military equipment on financial statements. However, we still have a ways to go to fully comply with Federal accounting standards.

One area that needs attention is that we do not have a systemic, enterprise-wide, headquarters-level ability to account for military equipment assets, which would allow us to assert on military equipment existence. Resolution of this problem requires us to be able to uniquely identify assets, manage those assets over their life cycle, and relate those assets to their financial value. To ensure we have a way forward, I would like each of you to identify the actions that need to be taken to resolve any existence problem and incorporate the actions into an improvement plan specific to military equipment accountability. Guidance on what to include in the plan is attached. These plans are to be submitted to the Property and Equipment Policy Office by December 31, 2006. In addition, please incorporate and track the actions identified in your accountability improvement plan in your Financial Improvement Plan and Financial Improvement and Audit Readiness Plan.

I ask for your commitment toward making accountability and control of all Government-owned assets a priority. Achieving and sustaining full audit readiness for military equipment is possible. My point of contact is Mr. Richard Sylvester at 703-604-6350, extension 121.

Kenneth J. Krieg

cc:
Under Secretary of Defense (Comptroller)
Commander, U.S. Special Operations Command
Inspector General of the Department of Defense

Attachment:
As stated

Plan of Action and Milestones for Military Equipment Accountability Improvement

In accordance with DoD Instruction (DoDI) 5000.64, "Defense Property Accountability," the Heads of the DoD Components shall be accountable for and manage all property acquired, leased, or otherwise obtained, throughout an asset's life cycle -- from initial acquisition and receipt, through operation and use, until formally relieved of accountability by authorized means (e.g., disposal or via a completed evaluation and investigation for lost, damaged, or destroyed property). Additionally, the Instruction reads that accountable property records are to be maintained in a system of record, and are to be maintained current and correct.

The processes, systems, and workforce training necessary to ensure compliance with the Instruction are at the discretion and direction of the Component. Based on Component infrastructure and resource allowances, each Component is to develop a Military Equipment Accountability Improvement Plan specific to accountability and the systems that manage the accountable property records for military equipment. Each Component is to provide their submission to the Property and Equipment Policy Office on or before December 31, 2006.

In accordance with DoDI 5000.64, an accountability system of record (ASR) that will support assertion on existence must meet the three criteria below:

- All equipment assets have an unambiguous, globally used permanent identifier (i.e., a unique item identifier see www.acq.osd.mil/dpap/uid for additional guidance and information).
- All equipment assets are included, valid, and accurate (see www.acq.osd.mil/me for a list of programs by Component).
- All equipment life cycle audit events (asset additions, transfers, retirements) are properly reported and reconciled, and can be traced from one system to the next, i.e., an audit trail exists.

The questions that must be answered in the Military Equipment Accountability Improvement Plan for Components who have accountability systems of record that meet the three criteria above are shown in Table I.

	Table I Military Equipment assets managed within an ASR(s)
1	How do you plan to execute updates to the DoD Item Unique Identification (IUID) Registry? (Include plans for using the DoD Wide Area Work Flow (WAWF) for asset updates.)
2	What software changes are needed to achieve integration, and are the software change requests (SCRs) currently funded?
3	If the SCRs are unfunded, what is the rough order of magnitude to complete this interface?
4	What is the expected effective date of system integration (Component ASR to IUID Registry)?
5	What policy changes are needed to implement the new business processes associated with achieving system integration?
6	When do you estimate the business process changes will be fully in effect?

Components who currently do *not* manage their ME in a system that meets the above definition of an ASR are to, at a minimum, develop a plan that addresses the questions in Table II.

	Table II Military Equipment assets *not* currently managed within an ASR(s)
1	What is required to manage your ME end item assets in an ASR(s), and be in position to initiate IUID Registry integration planning?
2	When do you estimate this will commence?
3	What do you estimate the costs will be?