



INTRODUCTION

Welcome to the UID Quarterly Fall 2006 Edition, brought to you by A2B Tracking Solutions as an educational service. In this issue we focus on some answers to real-world questions and concerns faced by contractors and custodians of Government property. As requirements unfold and contractors become more knowledgeable UID adoption is gaining momentum.

What you'll find in this issue:

UID Success - We interview bar code guru David Collins, president of Data Capture Institute, who is frequently found "in the trenches" these days, consulting with large contractors on complex UID compliance roll-outs.

Opinion - Ms. Lydia Dawson, Procurement Analyst, USD(AT&L)/DPAP/PDI is our featured guest columnist this

month. Many of you know Lydia as a property specialist in the UID Program Office. Her article Elimination of the DD Form 1662: Stepping through the transition process! is a must-read for anyone concerned with GFP.

UID Solutions - A2B presents Which Item Is It? This set of guidelines helps contractors who produce end item deliverables but may also be custodians of government furnished and legacy property discern which items to mark in each category.

Vendor's Corner - Monode Marking, an A2B Value Partner, gives suggestions for the decision-making process, for those considering self-integration of UID.

News From A2B Tracking - Read what we've been doing during the last quarter and where you will see us in the coming months.

UID SUCCESS:

An Interview with Bar Code Pioneer David Collins

David Collins, president of Data Capture Institute, is considered by many to be the "father of the bar code industry." Mr. Collins led the original bar code project, KarTrack, for Sylvania in 1969 and went on to found Computer Identics Corp, the first company to manufacture bar code scanners. Over the years Collins and his team have overseen thousands of bar code installations around the world. He was a member of the UID integrated product team (IPT) and is uniquely qualified to respond, as a consultant, to the questions and concerns of large, multi-national companies as they grapple with UID implementation. We think you will enjoy his technical and historical perspective.

Q: What makes UID implementation different from other bar code and data capture control systems?



A: The DoD UID Program is the latest in a series of initiatives led by influential organizations that have decided to employ automatic identification technology to streamline their operations. The rail industry in the 60s, the grocery industry in the 70s, the package delivery carriers in the 80s, and the national retailers in the 90s all turned to their stakeholders to

participate in bar code marking for cooperative efficiencies.

Yet the UID Program is different. This difference has three principal dimensions – scope, complexity of marking choices, and backtracking to include legacy items. For scope, there are over 40,000 contractors to the military who have or soon will be given a contractual UID requirement. For complexity, these contractors have a choice of as many as 14 ways to implement the UID

initiative. For backfilling into legacy inventory, the Services have 90,000,000 items to locate and mark as vital steps toward the program goals.

Q: Is there a pattern to the questions that arise when you meet with those charged with implementing UID?

A: Remember, there are three communities charged with compliance to the UID mandate: custodians of legacy equipment; those responsibility for reporting property-in-possession; and contractors who manufacture or assemble end items for delivery. I guess the answer then is no!

Q: Do companies understand the UID big picture, or are they looking at it as a must-do, quick fix to getting DoD contracts?

A: When presented with the obligation, contractors to the DoD have the same first reaction – we'll do what the contract requires but we don't see the benefit in it to us.

For 20 years Data Capture Institute has advised over 1,000 clients in designing and gaining advantage from the use of automatic data capture. Our first goal with UID clients is to find how to best blend the new UID marking, tracking and reporting tools into the contractor's traditional workflow. Our second goal is to find a way to add this capability to the contractor in a way that gives them benefits in internal control and reporting that exceed the cost of compliance. Achieving both these goals usually astonishes the new UID practitioner.

Q: What seem to be the biggest hurdles companies are facing?

A: Frankly, the first hurdle is psychological. They see a set of guideline documents that seem to resemble the tax code in length and complexity. They are "lean" manufacturers or system suppliers and first need some handholding and a layman's UID explanation. To deal with that, we have a kick-off meeting involving all contractor personnel who are involved with contract fulfillment including the program manager, contracts office, production manager, manufacturing engineer, IT support, shipping/ receiving manager, and quality engineering. This can be done around a conference table with some staff attending by conference call.

Q: What are some typical challenges companies have faced in their UID response and how long does it take to work these solutions out?

A: The challenges most contractors who are new to UID see are these:

- * What item construct should I use?

- * What marking method should I use?
- * What deliverables should I apply UID to?
- * Should I push down marking to my subs, or create the mark on my site?
- * How do I deal with drop-shipped items from subs?
- * How do I send UID data to the IUID registry? Is the WAWF the same registry?
- * What do I do if I make a mistake in UID registration?
- * I have items I have to ship Friday, is that possible?

One interesting area of discussion arises with clients who have popular commercial items such as telecommunications or network equipment. Here, the UID policy and marking requirement may literally apply to only ten or fifteen percent of their orders. They must consider whether to mark all products with the IUID data matrix label, or segregate DoD equipment and only mark those items where the contract requirements are in place. Increasingly the trend we see is for manufacturers to mark all commercial industrial equipment with the UID label and construct, even when it's required on just a small percent of shipments. Once the UID mark is designed into a nameplate, the cost to include the mark is so small that it becomes more costly to segregate government orders than to apply the mark to all.

Surprisingly, a day or two of on-site meetings and facility touring can lay most client questions to rest. In the more complex situations, we provide phone meeting follow-up and we review label designs, even providing first label or nameplate deliverable inspection. Further detailed questions may come to us for several more months before our support role ends with UID clients.

Q: You are often described as a bar code pioneer and you've been described as a data collection visionary. Does UID have a future outside the government? Will it be around 10 years from now?

A: The government, by this UID policy, has leapfrogged the private sector in defining and mandating a valuable IT application. The interconnection of financial reporting and modern data collection technology has been stalled at revenue collection (think supermarket check-out) and inventory management for 20 years. Now, through the UID mandate, balance sheet certification by unique asset accountability is just around the corner and will become best practice for public company accounting within the next five years. Sarbanes-Oxley requires financial report certification without proposing a method to accomplish it. UID in the private sector will become that method.

Q: One last question: We grapple with adequate ROI data to support UID in this early stage. Given the immense cost savings and economic efficiencies of automatic data collection during your 40-year career, is it valid to apply that data to the rollout of UID? In other words, what would you like to tell those who say there is not yet adequate ROI data to support UID?

A: Thirty years ago our economy determined that it was important to bar code and trace a sixty-cent can of peas.

OPINION:

Elimination of the DD Form 1662: Stepping through the transition process!

By Lydia Dawson, Procurement Analyst, USD(AT&L)/DPAP/PDI

A Good Idea That Is No Longer Adequate

In the past, contractors reported Government property annually using the Department of Defense Form 1662 (DD 1662), DoD Property in the Custody of Contractors, as prescribed by DFARS 252.245-7001 and 245.505-14(a). The DD 1662 is the result of Congressional hearings (and at least one Government Accountability Office report) critical of DoD being “unaware” of the amount of government property in the hands of its contractors. However, the DD 1662 and the process it supports do not provide the necessary internal controls for financial management.

The DD 1662 process does not enable a capability that is both in compliance with the Federal Financial Management Systems Requirement and in support of efforts to obtain and sustain a clean financial opinion, as required by the 1990 CFO Act. Therefore, a system solution has been developed, and is continuing to be refined, that will allow the capture and reporting of item data related to applicable government property in the contractors’ possession utilizing the DoD IUID Registry. It is important to note that the elimination of the DD 1662 does not in any way impact the contractors’ requirement to maintain records of government property, as prescribed by FAR 45 and DFARS 245.

Addressing the DD 1662 Limitations

The elimination of the DD 1662 and the migration toward an electronic record capability began October 1, 2005 with the call to “transition” existing DoD contracts with government property. If you only equate transition with a requirement to implement a series of changes, you are probably only focusing on the effort and the force needed to effect the change. I would urge you to think beyond the change process itself and consider the purpose and enabled functionality. The DD 1662 transition is the first phase in advancing toward a more progressive property

The UID directive asks suppliers to the DoD to bar code a \$5000 component embedded in a \$1 million system. I think the question answers itself.

Every retail and industrial application of bar code marking and event recording has paid for itself ten times over in the past. Have you ever read an article about an enterprising dropping automatic ID for the benefits of clipboard recording? Until you do, it’s safe to assume that the ROI at the DoD macro level will produce the same value magnifier.



management capability. However, since every worthwhile journey begins with the first step, let’s step through the transition process.

Transition – Step One

The DD 1662 is a contractor reporting requirement, so it stands to reason that the onus is on the contractor for the transition. It begins by

establishing a baseline to serve as a reference point for comparison purposes once the transition is completed. The fiscal year-end DD 1662 report provides a known value and quantity for nine categories of property, and it serves as the baseline. However, not all property on the DD 1662 will require entry into the IUID Registry, therefore, it is advisable for contractors to collect the data elements required to support the upload for applicable government property items to the IUID Registry when generating the year-end DD 1662 report.

Transition – Step Two

Next, the contractor must submit the data for applicable government property items into the IUID Registry. Detailed instructions regarding what items require unique identification, what data elements are mandatory or optional, and various alternatives for submitting the data to the IUID Registry are available on the UID website at www.acq.osd.mil/dpap/uid. The guidance provides several “suggestions” which are meant to encourage contractors to leverage existing identification and reporting capabilities, wherever possible, to satisfy the requirements. Reports can also be generated from the IUID Registry to verify that the data has been correctly submitted, prior to proceeding to the third step in the transition process.

Transition – Step Three

Because the DD 1662 requirement is specified in contract language, the contract must be modified as part of the transition process. The guidance recommends that steps one and two be completed by the end of May so that the

written request and reconciliation report can be submitted to the cognizant DoD contracting officer to validate and execute the modification or block change to the contract. During FY 2006, however, transition requests were submitted after May and contract changes were still able to be executed in time. The point is that ample time must be provided to allow for the necessary review, validation and administration of the change, particularly for requests that span many contracts and include an extensive amount of government property items.

Purposeful Reporting Requirements

So now you have a modified contract that will say, in effect, that the substitute reporting requirement for government property, as currently provided for in DFARS 252.245-7001, is to utilize the IUID Registry and the Unique Item Identifier (UII). “Use it for what?” you may ask. Although the transition is complete, the data that has been entered into the IUID Registry must be updated for changes. In general, those changes include property receipts, disposals, transfers, and deliveries, or in other words, actions that result in government items moving into and out of the prime contractor’s stewardship responsibility. In addition, the records must be updated for significant changes to the item, for example, when a part-number changes or perhaps when a mark is added or removed.

These updates become the new reporting requirement, and they are only mandatory for items in the IUID Registry. Updates can be done as they occur or, at a minimum, semi-annually by March 31 and September 30 each year. This means that the contractor will no longer have the intensive yearly activity focused on consolidating and submitting summary reports for all the government property in their custody on a contract-by-contract basis.

Currently, contractors have until the end of October to submit their annual reports for property that was in their custody through September 30 of the previous fiscal year. The government has an additional 30 days, until the end of November, to verify that the data has been submitted. This totals sixty days devoted to verifying information that is potentially out of date before the report is even submitted. This transition will provide more timely and accurate information on government property that is in the possession of contractors.

A Conduit to Full IUID Compliance

One final point needs to be made. You may have noticed that I really haven’t said much about marking the items. Most government property on existing contracts that will be converted to DoD item unique identification as part of the transition process can be “virtually” uniquely identified. If you are unfamiliar with the concept of “virtual item unique identification” there is a guide, also available on the website above, that will walk you through the specifics of when it is applicable and how it is assigned. Basically, a virtual UII is not a physical UII, in the context of a 2D compliant mark. It allows the contractor to submit the information the DoD needs to the IUID Registry without placing an immediate burden on the contractor to physically mark a UII on all of the government items in their possession. The virtual guide will discuss the rules for trigger events that do require marking to occur.

Preparing now for the transition makes sense as the requirements will soon be mandatory for all DoD contracts with government furnished property. More importantly, as information becomes more reliable, so do the business decisions that rely on that information, for both the government and its suppliers.

UID SOLUTIONS:

Which UID Is It? Guidelines For Identifying Item Categories



As we all know, the UID mandate clearly identifies which items are to be identified and marked with a UID. The Department of Defense (DoD) instructions for property accountability require the following:

Items will require item unique identification, or a DoD recognized unique identification equivalent, for all property items delivered to the Government under contract or in inventory or use if one or more of the following criteria apply:

(1) All items for which the Government’s unit acquisition cost is \$5,000 or more;

(2) Items for which the Government’s unit acquisition cost is less than \$5,000, when identified by the requiring activity as DoD serially managed, mission essential or controlled inventory;

(3) When the Government’s unit acquisition cost is less than \$5,000 and the requiring activity determines that permanent identification is required;

(4) Regardless of value, (i) any DoD serially managed subassembly, component, or part embedded within an item and, (ii) the parent item (as defined in DFARS 252.211-7003(a)) that contains the embedded subassembly, component or part.

Items categorized under Criteria 1 are fairly easy to identify, since they will typically be called out in the Contract. Items covered by Criteria 3 and 4 are again fairly straightforward,

though there is room for interpretation. But like end item deliverables (EID) they will be called out specifically, either by the activity center or, as in the case of embedded items, as a clause in the contract. It is those items that fall under Criteria 2 that are more difficult to identify.

DoD Guidelines Define Serialization as Follows:

“When the DoD elects to serially manage an item it becomes “DoD serially managed.” This means it is a tangible item used by DoD, which is designated by a DoD or Service Item Manager to be uniquely tracked, controlled or managed, in maintenance, repair and/or supply, by means of its serial number. DoD serially managed items require Ulls. Serial numbers may be unique within a product or company, but Ulls are globally unique. This permits an item to be uniquely distinguishable in different databases.

A broad variety of items fall into the DoD serially managed category through programs for serial number tracking, serialized item management and unique item tracking. Examples of DoD serially managed items may include repairable items down to and including the sub-component repairable unit level. It may also include life-limited, time-controlled items and items requiring records (e.g., logbooks, aeronautical equipment service records, etc.) as well as items that require technical directive tracking at the part level.

As a contractor, if you are dealing exclusively with one type of property, then your task is relatively simple. However, more often than not you may be dealing with all of the different types of property, EID, GFP and Legacy. You may be delivering new items to the DoD directly, providing a service using government property and equipment, providing repair and maintenance and managing existing

inventory. Since the registry requires different information depending on the type of item being initially registered it's important for you to identify what type of property you are registering. But how does one determine the class of property? Here are some rules of thumb that can be applied to help you in the decision process.

What Class of Property Are You Registering?

If an item is acquired as part of an acquisition contract and it meets the \$5000 threshold or is part of embedding, it will be initially registered as an end item deliverable or new procurement. Besides being explicitly called out in the contract, the underlying rule of thumb is this: If the item unit cost is greater than \$5000 and it is reported on a DD250 or Combined Receipt Acceptance report through WAWF it will be registered as an end item deliverable.

Items provided directly to the contractor from the government under a specific contract will typically be initially registered as GFP. However, contractors who have government items in their possession, either because they manage DoD inventory, provide a maintenance and repair facility, or stock spare parts need to differentiate between GFP and Legacy items. In those cases the general rule of thumb is this: Any item that would be reported on a DD1662 form is considered GFP. Other items not reported on the DD1662, but stored in inventory and provided as replacement or repair items, or items that are housed in a DoD owned facility would be initially registered as Legacy items.

While these guidelines can help you identify the types of items you must register, the final decision is driven by your contract and guidance from your PMO.

VENDOR'S CORNER:

By Bob Crazythunder, Monode Marking

One of the first decisions you have to make when implementing UID locally is whether you will be your own integrator. For complex implementations, this can be a daunting task full of potential program and technical risk. UID implementations tend to be complex, meaning they involve people, processes, data systems, procedures, technical interfaces, equipment operating systems, and “strange” new marking technologies. Combine that with a few complicated-looking policies and rules, and it may be a good investment to engage a company that has proven implementations with the type of technology and equipment that you need.



The UID vendor field is growing and organizations needing to implement have an increasing number of candidate companies to choose from. How do you reduce business risk and choose a company to help you with your project? A few metrics about technology providers may help with your decision.

First, is the company an OEM? Being an OEM implies ownership of intellectual property associated with part marking equipment and systems and connotes a measure of stability, longevity and commitment in the industry. This reduces risk and also suggests that the supplier will be available (still in business) in the mid- to long- range for follow-on support, maintenance, warranty support, technology upgrades, and so on.

Other metrics should include the following questions: How long has the company been in business? Does the company have a significant existent customer base? Does the company sell and support a range of technologies? (If they only support one or two, then that is the direction they will steer you.) Is the company a supplier already? Does the company have a track record of successful integrations? Does the company provide ancillary labor services such as on- or off-site engineering support and

marking services? Does the company provide meaningful training, including certification? Does the company provide, as a normal course of business, post installation support such as help desk services and factory-base warranties one or two years after purchase?

The answers to these company characteristics will help guide you to an informed decision about whether you will act as your own integrator and, if not, who to hire to help.

NEWS FROM A2B TRACKING:

A2B Tracking Names Metalcraft First Value Partner Excellence Award Winner

PORTSMOUTH, RI (September 7, 2006) A2B Tracking Solutions, Inc, the leading provider of unique identification (UID) compliance products and outsourced services, has announced the creation of the Value Partner Excellence Award. The award will be presented periodically to an A2B Value Partner best exemplifying excellence in the following areas: UID application knowledge, UID product knowledge, responsiveness and customer service. The A2B sales voted Metalcraft of Mason City, Iowa as the first recipient of the award.

We hope to meet you at the following event:



A2B Tracking Solutions Inc. will be exhibiting in booth #38 at the February 21-22 UID Forum in San Diego, CA. TM

Are you in a quandary about implementing UID?

A visit to the UID Solution Builder, http://www.uidsolutions.com/m/_general/solutionbuilder.asp will answer many of your questions.