



OFFICE OF THE UNDER SECRETARY OF DEFENSE  
(ACQUISITION, TECHNOLOGY AND LOGISTICS)

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# MILITARY EQUIPMENT VALUATION: Why?

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## THE PROBLEM

### Two Material Weaknesses:

- **Asset Visibility – UID**
  - acquisition, logistics, and financial systems cannot identify, track, or account for assets
- **Asset Valuation -- MEV**
  - the cost of military equipment and government furnished property is not recorded properly in DoD property or accounting systems



# MEV – What and Why

## ■ What is Military Equipment Valuation?

- A process to implement the 2003 federal accounting standard which requires that military equipment (including modifications and upgrades) must be properly valued, capitalized, and depreciated

## ■ Why is it important?

### -- ***To provide reliable and accurate information to decision makers***

- Acquisition and current value of all assets
- Integrated system of accounting and accountability
- Supports the JCIDs process

### -- ***To increase perception of integrity among the public***

- We should be able to do what every business in America can do – value our assets and track the net book value

### -- ***Oh, and it's the law and policy***

- Chief Financial Officers Act of 1990
- Federal Financial Management Improvement Act of 1996
- President's Management Agenda
- Secretary of Defense Memorandum



## MEV – How?

- New business rules
  - Financial Management Regulation (what to value and how to value it)
  - Federal Acquisition Regulation (what to do with government property in the hands of contractors)
- Valuation of end items
  - Current: Bureau of Economic Analysis estimates
  - Near Term: Baseline valuations using budget data
  - Mid-Term: System of systems
  - Long-Term: Business Management Modernization Program

# Baseline Valuation

- **Process Overview**

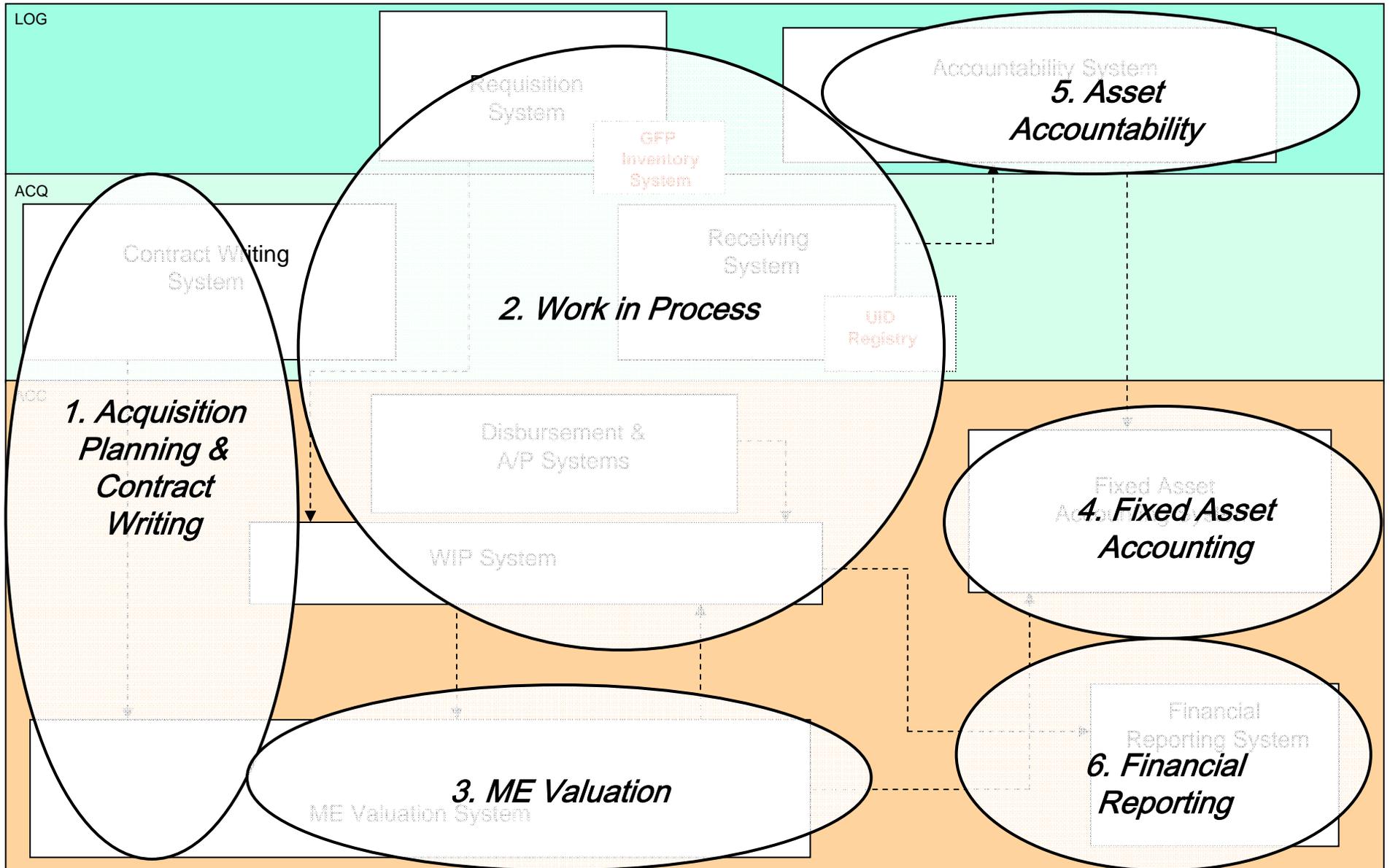
- Conduct internal research on programs
- Meet face-to-face with each program office (typically by center/PMO)
- Collect data and prepare initial valuation model for each program
- Review valuation with program office (face-to-face de-brief)

- **Goals/Metrics:**

- Complete 100% of known Air Force program valuations by 9/30/05
- Complete 95% of known Army, Navy/USMC, and ODAs program valuations by 9/30/05 (universe not to exceed 1,000 programs)
- Complete 100% of initial valuations for known programs by 12/31/05

Data as of 11/12/04	Army	Navy/USMC	Air Force	SOCOM	Total
<b>Universe</b>	322	313	275	41	951
<b>Complete FY02</b>	1	1	1	0	3
<b>Complete FY03</b>	7	12	8	0	27
<b>Complete FY04</b>	119	101	129	1	350
<b>FY05 Goal</b>	168	179	137	40	524
<b>FY06 Goal</b>	27	20	--	--	47

# Process View





## What Does All This Mean To You?

- **We will be contacting you to help us establish a baseline value**
  
- **There will be some process changes**
  - **PMs: Must include valuation template in acquisition strategy**
  - **Contracting Officers: Must write contracts with separate CLINs/SLINs for each asset type**
  - **Industry: Must identify embedded government furnished material with end-item at the same time as acceptance**



## Contact Information

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