Supply Chain Management in Government - Lessons Learned

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Objective

- During this 2 part interactive session we will explore some of the unique differences for managing supply chains in Government organizations which includes exploring the necessary integration of finance, procurement, materiel management, operations and reporting. In addition, some lessons learned and advancements from the Department of National Defence's approaches to managing supply chains that are increasingly integrated with industry.

Basics

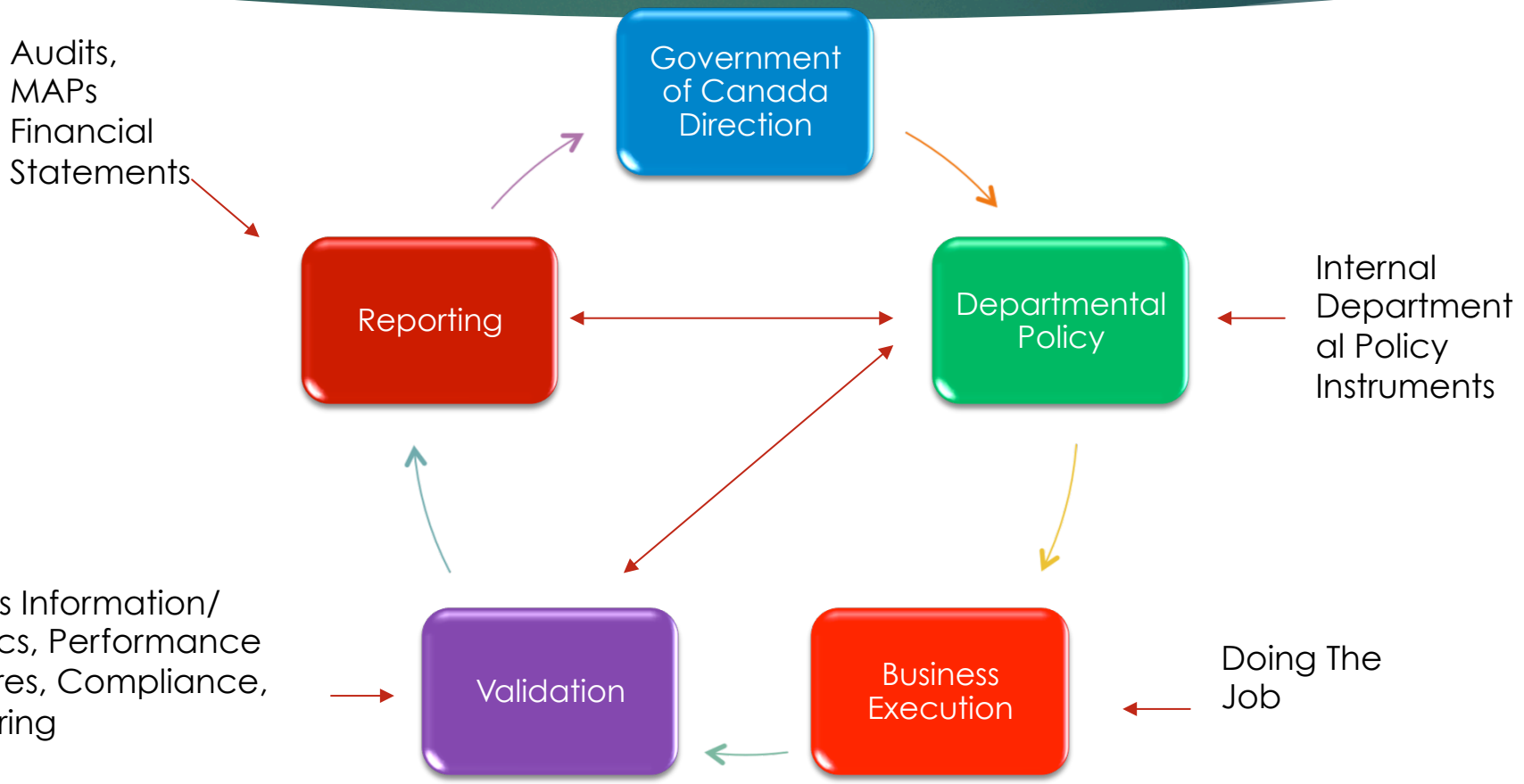
- Supply Chain
  - A supply chain is the end to end network of interlinked entities from raw materiel to finished product, from source to consumer.
- Supply Chain Management
  - Supply Chain Management is all of the activities necessary to maintain a robust, secure flow of goods and services from source to consumer.
  - Uses aspects of industrial engineering, systems engineering, operations management, logistics, procurement, information technology, marketing and HR.
- Government Supply Chain Management
  - All of the activities necessary for the management of materiel to ensure delivery of governmental objectives

Key Differences between Government and Industrial Supply Chains

- Government Supply Chains are:
  - Not profit driven
  - Higher level of scrutiny for fairness and transparency
  - Some have different security requirements
  - Subjected to secondary agendas (economic, social, international, sovereignty)
  - Included as part of the Public Accounts
  - Can be Just in Case, Just in Time and Just Enough
- What are some examples of how this affects managing Government Supply Chains?

Policy and Direction Circle of Life

TBS Policy, Legislation, Mandate Letters, Etc

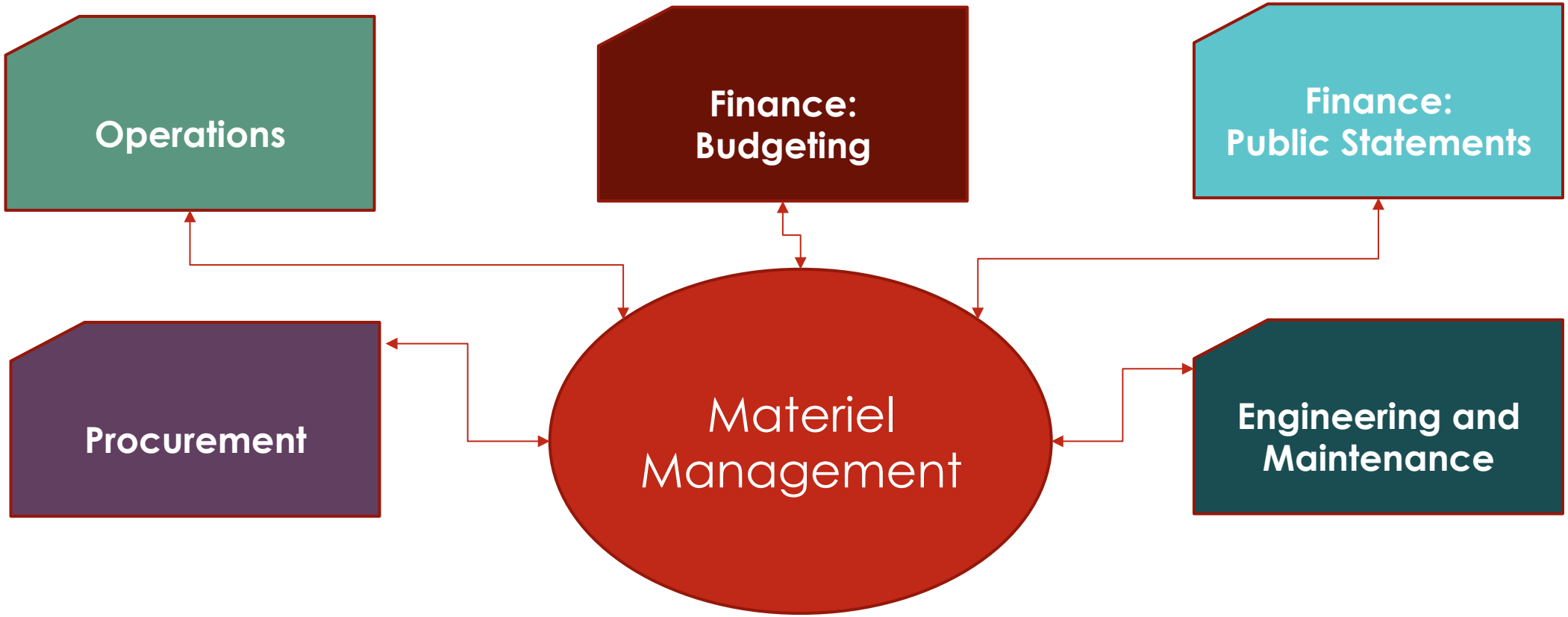


Internal Alignment

- Policies
- Process
- Procedures
- Roles and Authorities
- Training
- Knowledge Management
- Accountability
- Internal Controls
- BI/Reporting
- Compliance
- Monitoring
- System/SAP

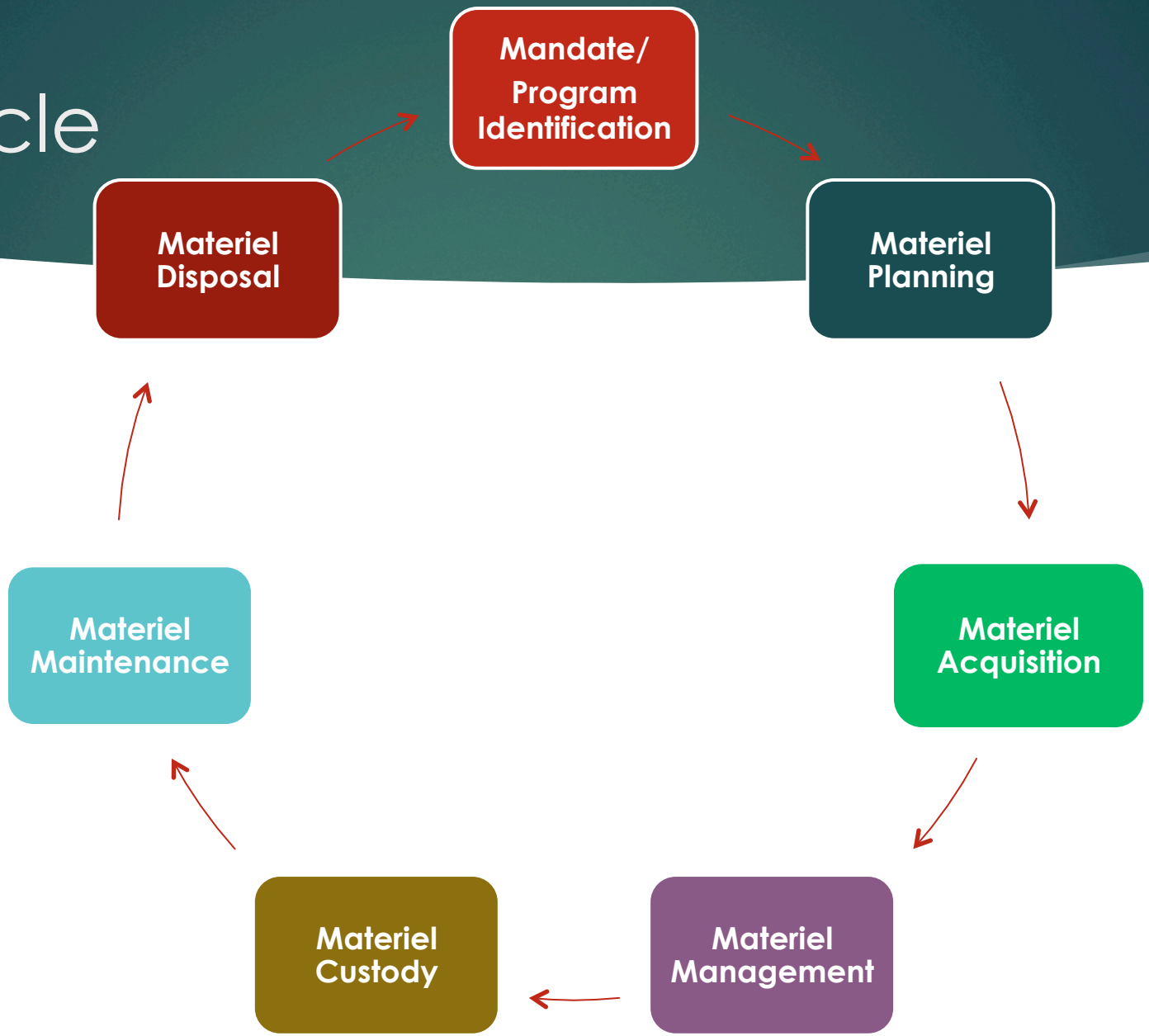
Materiel Management Intersections?

Dynamic Relationships



The Elements in the Materiel Management Life Cycle

Life Cycle


Mandate/ Program Identification
Materiel Planning
Materiel Acquisition
Materiel Management
Materiel Custody
Materiel Maintenance
Materiel Disposal

Elements of Materiel Management

- WHAT AND WHY
- LESSONS LEARNED

Materiel Planning

- Materiel Forecasting and Planning
  - Knowing what you need, how much you need, when you need it and where you need it.
- Determined by your operational requirements
- Affected by your budget, lead times and space

Materiel Planning

- Key Activities:
- Forecasting
  - Aggregate
  - Mitigate
- Planning
  - Plan
  - Execute

Materiel Planning - Lessons Learned

- Poor Planning is expensive due to:
  - Overbuys,
  - fast buys,
  - increased distribution costs,
  - Shelf-life materiel that expires
  - SALY is a dirty acronym
- Good Planning allows you to align necessary business practices

Materiel Acquisition

- Materiel can be acquired through:
  - Procurement and Contracting,
  - Transferring-in,
  - Re-Purposing,
  - Making
  - Other
- Determined by Materiel Planning – knowing your requirements
- Affected by Budgets and Space – how much money you have to spend and how much space you have to put it.

Materiel Acquisition - Lessons Learned

- Acquisition is the first point of failure for Materiel Management
  - Traditionally there has been a lot of emphasis on procurement and associated procurement processes but collectively not enough emphasis on what happens to the stuff that gets bought
  - The processes and communities must be well aligned.
- How you Procure it directly affects how you can receipt materiel into your System of Record and then how you can account for it
  - Well aligned interlinkages between these two activities are critical for success
- Discrepancies
  - Having well designed processes for managing discrepancies in shipment receipts: quantities, price, condition, unit of issue, unknown receipts

Materiel Management

- Materiel Management includes most of the internal processes from receipt of the item until it is ready to be removed from the system, either by consumption or disposal.
- Must demonstrate sound stewardship, value for money and program delivery
- Must be fair, open, transparent and meet due diligence requirements
- Determined by policy and processes, authorities and accountabilities
- Affected by resources

Materiel Management – Lessons Learned 1

- Receipts and Issues
  - Receipts is the process whereby you accept the goods, bring them into your system of record and put them into their storage location
    - It is the first point where your data inaccuracies can create havoc in your system for errors in materiel identification, quantity, price, unit of issue etc
  - Issues is the process whereby you meet a user/customer demand and send goods
    - This is where materiel can get lost, waylaid, loss visibility and accountability
- Lesson Learned – not processing Receipts and Issues correctly impacts your ability to know where your materiel is and what you need to do with it

Materiel Management – Lessons Learned 2

- Stocktaking
  - The process for validating physical holdings against departmental records. It will also inform decision making on accountabilities, controls, operations and security,
    - To ensure materiel control and accountability in the delivery of departmental programs. Information on stocktakings allow departments to improve materiel accountability, ensure materiel is available as required for program delivery, increase security measures as required and support information provided to the public accounts.
- Lesson Learned - Risk based – if quantity exceeds resources to do stocktakings what *defendable* criteria will you use create cyclical or risk based stocktakings
- Lesson Learned - Loss, damage, destruction – what processes do you have to correct your records when stocktakings uncover discrepancies

Materiel Management – Lessons Learned 3

- Distribution
  - The movement of materiel through the supply chain to meet user requirements
  - Establishment of Minimum and Maximum Stock Levels for timely flow of materiel

- Lesson Learned - The system can be designed to handle the ordinary but people must engage during the extraordinary
  - Urgent or emergency requirements change distribution patters
  - Disruptions in distribution patterns (strikes, blocked access etc)

Materiel Management – Lessons Learned 4

- Asset/Materiel Visibility
  - Materiel visibility is knowing what you have, where you have it, in what condition you have it and it's availability for use.
  - There is both a Physical element and a Records element
  - Forms the basis of decision making
    - Affects planning, distribution, stocktaking, disposal etc
- Lesson Learned - Not knowing where your stuff is can lead to an inability to meet the criteria of Sound Stewardship and Program Delivery (and most likely value for money)
- Lesson Learned – Asset Visibility requires the need to have clear markings and labelling to ensure that items in storage can be found quickly to meet user demands.

Materiel Custody Vs Ownership

- Custody rests with the person or organization (hereafter referred to as organization) who has physical control of the materiel. Organizations with custody are responsible for the sound stewardship of the materiel and protecting and/or safeguarding the materiel from loss, damage or theft. The organization may generally do such activities as inspect condition, effect repairs, transport, transact in the Materiel Management System of Record (DRMIS) or warehouse the materiel on behalf of the owner, normally as per conditions within an existing contract.
- Ownership rests with the person or organization (hereafter referred to as organization) who holds legal title to the materiel and retains full economic benefits to that materiel. In simple terms the organization with legal title has the right to store, transport, sell, exchange, donate, transfer, dispose or repurpose the materiel in whatever manner best suits their purposes.

Materiel Custody – Supply Chain Models

	Supply Chain Model	Ownership	Custody
1	Government Owned Government Custody (GOGC) Materiel	Government Department	Government Department
2	Government Owned Contractor Custody (GOCC) Materiel	Government Department	Outside of Government Department
3	Contractor Owned Government Custody (COGC) Materiel	Outside of Government Department	Government Department
4	Services	Outside of Government Department	Outside of Government Department

Materiel Custody - Lessons Learned

- Can affect how you account for and report your materiel – Affects the Public Accounts
- Can cause you to lose track of repairable items
- Affects how you do your composite Materiel Management Regime
  - How do you stock taking at a contractor's location? Is it embedded into the contract so you can have access, reports, etc
  - How do you report losses of materiel? Yours in their custody, theirs in your custody.
  - Cross-border shipping
  - Reporting, valuation, depreciation, hand over points……..

Materiel Maintenance and Repair

- Materiel Maintenance and Repair
  - The internal or external activities to maintain, repair, refurbish, or better repairable and reusable materiel
- Determined by Operations
- Affected by: External Contracts, Internal Capability, Financial Restrictions
- How do you account for the materiel while in repair, awaiting repair, away for repair

Materiel Maintenance and Repair – Lesson Learned

- Having the ability to Tracking Materiel While it is out for Repair
  - Other than a spreadsheet that no one else knows is there….
  - Materiel tracked by individuals and not in your system of record is at risk
- Costing appropriately repairs vs betterments
  - This affects capital Vote 5 vs O&M Vote 1 money
  - This affects how materiel is supposed to be tracked and valued in your system of record
  - This affects how materiel is "consumed" into repairs and if items are in turn returned for repair (repairables)

Disposal

- Disposal is the removal of materiel ***surplus*** to requirements both physically and from your records
- Determined by operations and internal policies and processes
- Affected by time to execute and resources to execute
  - Normally the first activity set aside for other priorities

Disposal – Lessons Learned

- Disposal is Transfer, Sale, Donation, or Conversion to Waste
- Disposal is NOT Loss, Abandonment, Damage or Unintentional Destruction
- Communication between those making the decision, accounting for the decision and executing the decision
- Proper management of Controlled Goods
- Unique Processes for End of Life vs Surplus
  - Disposal is for Surplus items, therefore all remaining holdings will be disposed
  - End of life is for broken items, a requirement still exists but this item can no longer be used for it's intended purpose

Questions