

14 FAM 120 SUPPLY-CHAIN MANAGEMENT

*(CT:LOG-98; 06-16-2011)
(Office of Origin: A/LM)*

14 FAM 121 OVERVIEW

(CT:LOG-15; 01-10-2006)

- a. The logical steps of the supply-chain process include identifying a need, making a purchase (of an asset or service) to fulfill that need, managing the service contract, taking ownership of the asset, and moving the asset to the place(s) where it is needed. Coordination of the people and things involved in the supply chain is called **supply-chain management**.
- b. Officials across divisions, offices, bureaus, regions, and industries, are interdependent and must cooperate when making purchases. To illustrate their interdependence, consider the materials-handling phase, which begins before the acquisition phase is complete. The overlap begins when the goods are received and the receiving report is generated and sent to the necessary offices for processing, and ends when the vendor has received payment. Procurement, warehousing, and finance personnel must rely on each other's timely services to complete their respective tasks so that the customer (possibly in another bureau) is well served and the vendor is paid on time.
- c. The Integrated Logistics Management System (ILMS) is the backbone of Department of State supply-chain management. Each supply-chain event, handled within ILMS, relies on separate modules that cater to the specific needs of the users performing a supply-chain task. The name and description of each module is provided in the relevant sections that follow. ILMS is managed by the Office of Program Management in the Office of Logistics Management (A/LM/PMP).

14 FAM 122 REQUIREMENTS DETERMINATION (WHAT TO BUY)

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- a. A purchase requirement begins with a determination of need, and should be submitted well in advance of the fiscal year affected for funding purposes. A genuine need for the property must exist prior to its

purchase, as defined by a need to:

- (1) Establish a new operational capability;
- (2) Improve an existing capability;
- (3) Exploit an opportunity to reduce cost or enhance performance; or
- (4) Preserve a current capability through maintaining or replenishing inventory.

b. Acquisition planning is the procedure for identifying and budgeting for large expenditures. In acquisition planning:

- (1) The planner forms a team, consisting of members responsible for significant aspects of the acquisition (e.g., contracting, legal, fiscal, and technical, personnel). Past acquisitions should serve as a precedent for discussions among team members. An acquisition plan serves to:
 - (a) List potential considerations;
 - (b) Communicate the plan to senior management;
 - (c) Generate stakeholder commitment;
 - (d) Formally record decisions; and
 - (e) Conform to policy and regulation (Federal Acquisition Regulation (FAR) Part 7 and Department of State Acquisition Regulation (DOSAR) Part 607); *and*
- (2) While the practice of acquisition planning can be applied to acquisitions of any cost, it must be used for Department acquisitions of an estimated value that exceeds the simplified acquisition threshold of \$100,000, with the exception of construction acquisitions abroad for the Bureau of Overseas Buildings Operations (OBO). This concept is critical to the Department's ability to accurately formulate, and adhere to, a fiscal year's projected annual budget. The Office of the Procurement Executive (A/OPE) offers links to several sites through their Web site.

c. A supply or service request is subject to an approval process (see 14 FAM Exhibit 221.3). Weighing competing priorities of legitimate needs with fiscal responsibility, the accountable property officer (or delegated alternate) determines whether to approve a request, or reuse property already on hand to satisfy that need. See 14 FAM 200 for further details on requirements determination and acquisitions, or 14 FAH-1 H-200 for property utilization.

d. Several tools are available to help asset managers determine when and how much to order with respect to maintaining expendable and

nonexpendable stock levels of regularly issued items (see 14 FAH-1 H-419). For requirements that fall outside the realm of cyclical replenishment orders (e.g., emergency orders, exceptions, or one-time purchases), the requestor must submit a requisition justifying the need. In general, urgent or unrealistic delivery schedules should be avoided since they restrict competition and increase prices (see FAR 6.302-2).

- e. The Integrated Logistics Management System (ILMS) modules used in needs determination include Ariba, for request and approval procedures (plus other functions in acquisitions) and Asset Management, for tracking asset use rates and determining future needs. **NOTE:** Applications used for tracking expendables are separate from ILMS applications.

14 FAM 123 ACQUISITION (HOW TO BUY)

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- a. Submitting a requisition initiates a series of events. These include the approval process, order placement, confirmation of receipt, and payment to the vendor to close out the purchase file. Various offices have responsibilities in the acquisition process, to include procurement, budget and finance, property management, warehousing, shipping, the requestor, and the vendor. Naturally, the more these individuals communicate and cooperate with one another, fewer setbacks and conflicting priorities are likely to occur.
- b. The Department of State Acquisition Regulation (DOSAR) is issued as Chapter 6 of Title 48, Code of Federal Regulations. The DOSAR implements and supplements the Federal Acquisition Regulation (FAR). See 14 FAM 200 for more details on acquisitions in general, 5 FAM 900 for information technology acquisitions, and 15 FAM for overseas buildings and construction acquisitions. The Office of the Procurement Executive (A/OPE) has several links for procurement planning from the [A/OPE Intranet](#) Web site.
- c. Department of State acquisitions are conducted by post general services office (GSO) procurement sections, regional procurement support offices, the Office of Logistics Management's Office of Acquisitions (A/LM/AQM), and other domestic activities as authorized by A/OPE. On occasion, the procurement may be conducted by another agency, e.g., USAID, as an International Cooperative Administrative Support Services (ICASS) service provider at post. Otherwise, posts and program offices must follow the "State First" requirements of DOSAR 607.103-70 before going to another agency for procurement services. The "State First" requirement includes transfers under the Economy Act, the Clinger-Cohen Act, and any other legal authority. It also includes funds deposited with another agency for subsequent use, where no immediate need has been

identified.

- d. The purchase card program presents an important option for making acquisitions. This worldwide program typically affects smaller purchases (less than \$2,500) though higher amounts may be authorized under the program. Key program administrators (KPAs) in the Office of Logistics Management's Office of Program Management (A/LM/PMP) manage the program for each regional bureau and for domestic offices. A/OPE has program policy information, program manual, and other guidance on its *Intranet* Web site.
- e. Ariba and Procurement Desktop are the Integrated Logistics Management System (ILMS) modules for entering requests, tracking the approval process, placing orders, and approving payment for orders received.

14 FAM 124 MATERIALS HANDLING

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Any activity in which property is shipped, received, moved, stored, issued, or returned, is part of **materials handling**. A warehouse is typically the focal point of these activities, though it is not a necessary component. The asset manager's ability to maintain adequate space and inventory to meet the customers' needs is influenced by the usage rates of stocked goods, all inbound and outbound shipments, lead times, the budget, and seasonal fluctuations. See 14 FAM 300 on distribution and transportation, and 14 FAM 400 on asset management.

14 FAM 124.1 Transportation - Official Supplies and Equipment

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- a. The regulations for transporting official supplies and equipment are rather detailed (see 14 FAM 310) and address a number of different scenarios. Various considerations when determining shipment needs include the following:
 - (1) Point of origin of shipment;
 - (2) Destination of shipment;
 - (3) Shipment mode (e.g., air or sea);
 - (4) Nationality of carrier;
 - (5) Use of consolidation receiving points and Despatch Agents; and
 - (6) Type of property to be shipped (e.g., perishable, temperature-sensitive, time-sensitive, or hazardous material).

- b. The Office of Logistics Management's Office of Logistics Operations (A/LM/OPS) establishes procedures for managing the transportation of supplies and equipment in the Department, domestic field offices, and U.S. missions abroad. A network of consolidated receiving points (CRPs), Despatch Agents, and warehouses, make up this worldwide service.
- c. Procurement Desktop and PeopleSoft Distribution are the Integrated Logistics Management System (ILMS) modules used for distribution management.

14 FAM 124.2 Use of Diplomatic Pouch and Mail

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- a. U.S. postal facilities (which include the military postal system and diplomatic postal system) and international mail are the preferred carriers for handling all Department mail, within the limitations of cost and security regulations. However, a more secure distribution system is needed to protect certain types of mail. The diplomatic pouch provides a range of services including transporting classified and unclassified material, and courier services as required. Certain size, weight, content and labeling restrictions apply, and are supported by visual and x-ray inspections, chemical analyses, and (at times) irradiation; see [14 FAM 700](#) and [14 FAH-4](#).
- b. The Diplomatic Pouch and Mail Division in the Office of Logistics Management's Office of Program Management (A/LM/PMP/DPM) establishes procedures for managing mail and pouch facilities in the Department, domestic field offices, and U.S. missions abroad. Pouch control officers are Department officers assigned (by the Department for domestic operations, or by post management at posts abroad) to control the contents of containers documented as diplomatic pouches. See [14 FAM 700](#) and [14 FAH-4](#) for further details.
- c. Using the Diplomatic Pouch and Mail Division to ship *bulk* items procured for official use is prohibited unless funding is provided to A/LM/PMP/DPM in advance to pay pouch transportation costs. Refer to [14 FAM 723.1](#) for further guidance.
- d. Diplomatic Pouch and Mail *utilizes* the Integrated Logistics Management System ([ILMS](#)) for recording and tracking diplomatic pouch and mail.

14 FAM 124.3 Asset Management

(CT:LOG-98; 06-16-2011)

- a. Asset management encompasses the functions of receiving, storage, replenishment, issuing, tracking, inventory, and disposal of U.S.

Government-owned personal property (see 14 FAM 400 and 14 FAH-1). A database must be maintained for tracking and accountability purposes. Similarly, complete files of receiving reports, outstanding purchase orders, disposal reports, and all issue/return forms, must be kept for a specific period of time as directed by 5 FAM 400 and 5 FAH-4. The disposition schedules are published by A/GIS/IPS.

- b. When storing property, the accountable property officer must implement an efficient and economical warehousing program with written procedures for the handling and storage of property. Special consideration must be given to the following:
 - (1) Secure and/or controlled areas for storing high-value equipment and supplies subject to theft or deterioration;
 - (2) Consolidation of facilities across agencies abroad to maximize use of space and administrative costs;
 - (3) Segregation of flammable, combustible, or hazardous materials from general storage by the use of Universal Laboratories (UL)-listed containers specifically made for that purpose, or constructing fire-rated walls and doors with appropriate fire protection and ventilation;
 - (4) Appropriate storage techniques (e.g., lifts, shelving, rack);
 - (5) Adequate ventilation; and
 - (6) Establishment of overall safety and security procedures.
- c. In general, a physical inventory of accountable property and certain expendable property (e.g., maintenance or medical supplies) must be performed and reconciled annually. The capitalized portion of the accountable property inventory should accurately reflect the unit acquisition cost (e.g., historical cost plus shipping, etc.) for items subject to capitalization requirements. Exceptions include residential furniture, furnishings and equipment in use, and all property at posts with overseas staffing model (OSM) categories 1 and 2. For inventory due dates, see 14 FAM 416 and 14 FAM 419 for posts abroad, and 14 FAM 429 for domestic offices. The Office of Logistics Management's Property Management Branch (A/LM/PMP/BA/PM) monitors these assets across the entire Department.
- d. The Integrated Logistics Management System (ILMS) module used for tracking accountable property through its life cycle, including taking inventories, is *PeopleSoft* Asset Management.

14 FAM 124.4 Repairs

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- a. Once an asset has been acquired, it is prudent to maximize its usable life. To this end, maintenance and repair play a crucial role in prolonging the life of assets already in service, thereby minimizing overall replacement costs. That being said, there is a point where the cost of frequent maintenance exceeds the replacement cost, especially considering the potential inconvenience to the asset's users during maintenance, and replacement is appropriate.
- b. Tracking the maintenance history is mandatory for capitalized property (e.g., vehicles, machinery) and aids in the decision of whether to keep or replace an item. Several factors can come into play to make replacement decisions, including in-house maintenance (how busy are they?), contracted maintenance (surcharges, repeat service due to lack of familiarity or skill), budget cycles, and the expected life of similar items on hand.
- c. The Integrated Logistics Management System (ILMS) module used for tracking maintenance and repairs on accountable property is *PeopleSoft* Asset Management.
- d. See 5 FAM 520, 5 FAM 925, 5 FAM 1040, 12 FAM 600, and 12 FAH-6 for additional information technology (IT) and telecommunications repair requirements.

14 FAM 124.5 Disposal

(CT:LOG-98; 06-16-2011)

- a. Supply-chain management includes the management and custody of real property. In order to keep warehouses and offices from overflowing, however, there is also an inherent necessity to remove property. When an employee deems property to be no longer useful, efficient, contemporary, or desirable, that employee reports it to the general services office for reassignment either to another office or to the warehouse. Bearing that in mind, the top reasons to dispose of property on a regular basis are to:
 - (1) Avoid safety hazards;
 - (2) Get rid of broken or worn-out property;
 - (3) Apply the replacement cycle;
 - (4) Free up valuable space;
 - (5) Save time and money by not having to account for this property on current records; and
 - (6) Have a more accurate picture of one's useable property.
- b. There are several ways to dispose of property, and a specific order in

which each method must be attempted. However, since regional, cultural, and economic circumstances can alter the range of options available, the same formula does not necessarily apply to all situations. It is emphasized that the regulations are very specific about certain types of property (e.g., flags, donations, vehicles), and that they may differ according to the owning agency; see 14 FAM 417, 14 FAH-1 H-710, and 14 FAH-1 H-720, for details.

- c. The Office of Logistics Management's Property Management Branch (A/LM/PMP/BA/PM) provides guidance for the disposal of domestic excess property in the Domestic Excess Property Catalog. The range of options available at posts abroad may be limited, so the general services office (GSO) must determine the best course of action.
- d. The Integrated Logistics Management System (ILMS) module used for disposing of accountable property, and reinstating it if necessary, is *PeopleSoft* Asset Management.
- e. See 5 FAM 1040, 12 FAM 600, and 12 FAH-6 for additional information technology (IT) and *telecommunications* disposal requirements.

14 FAM 125 THROUGH 129 UNASSIGNED