

DOD Needs to Enforce Its Own RFID Mandate, Says Inspector General

Many suppliers and contracting officers are failing to comply with the U.S. Defense Department's directive for applying passive RFID tags to certain shipments, according to a recent investigation by the DOD's inspector general.

By Mary Catherine O'Connor

Oct. 7, 2008—If it wants to reap a return from its \$12.2 million investment in passive RFID technology for improved supply chain visibility, the [U.S. Department of Defense's Defense Logistics Agency](#) (DLA) needs to get its contracting officers and suppliers to improve compliance with the department's RFID mandate, according to a recent [report](#) issued by the DOD's [Office of Inspector General](#).

In 2003, the DOD first announced plans to have its suppliers RFID-tag their goods (see [U.S. Military Clarifies RFID Mandate](#)). The department then formally adopted rules by early 2007 (see [DOD Finalizes RFID Regulations](#)), requiring contractors to affix passive EPC RFID tags to cases and pallets of materiel they ship to DLA-operated distribution depots.

The report is based on an audit conducted by personnel from the Office of the Inspector General at four RFID-enabled DLA distribution depots, between December 2007 and January 2008. The depots were located in Susquehanna, Pa.; San Joaquin and San Diego, Calif.; and Corpus Christi, Texas. According to the report, the Susquehanna and San Joaquin depots were selected because they receive the largest amount of supplies, and because they were the first depots required to use passive RFID. The San Diego and Corpus Christi sites were chosen because they are collocated with a Navy and an Army depot, respectively.

During the audit, a total of 327 shipments, sent by suppliers to the four depots, were inspected. Of these, 220 were sent through supply contracts that, pursuant to the DOD mandate, should have included a clause requiring the suppliers to apply RFID tags to the shipments and furnish their destination depots with advance shipment notices listing the tags' encoded ID numbers. But 23 (10 percent) of these 220 supply contracts did not include the RFID clause. This means the contracting officers who issued the contracts failed to add it.

From this group, the report also breaks down the number of Air Force, Army, Navy and DLA contracting officers who did not include the RFID clause in new contracts, as required. Nearly 80 percent of the Army and nearly 20 percent of the Navy contracts failed to contain the requisite clause, while compliance among DLA contract officers was better, with only 10 percent of contracts lacking the clause. (The auditors reviewed only one Air Force contract, which did not require it.)

When auditors examined the shipments of the 127 suppliers whose contracts did contain the RFID clause, they found that 84 of those suppliers (43 percent) failed to apply passive RFID tags to their shipments, as stipulated in their contracts. Of the 327 shipments sampled by the inspector general's staff, 144 (35 percent) were sent without an advance shipment notice, forcing depot personnel to manually acknowledge and accept a supply item in the DLA's shipping system, thereby eliminating the efficiency of the passive RFID technology

in the DOD supply chain.

A draft of the report was issued to key officers in the DLA on Aug. 1, 2008, as well as to the Air Force, Army, Navy and Office of the Under Secretary of Defense, in order to collect comments on its findings and recommendations for remedying compliance problems. The final report included the following recommendations:

- The DLA's director and the DOD's deputy undersecretary for logistics and materiel readiness—in coordination with the Army's assistant secretary for acquisition, logistics and technology; the Navy's assistant secretary for research, development and acquisition; and the Air Force's deputy assistant secretary for contracting—should devise a set of consequences for contracting officers failing to comply with RFID requirements. These should include setting metrics and conducting reviews with those officers. The inspector general also urged the DLA to "issue policy requiring that contracting officers be formally trained in RFID; and identify penalties for noncompliant suppliers."
- The operations within the depot operations should include better training and reviewing to ensure RFID shipments are properly handled.
- Depot managers should establish a means of reviewing, reporting and resolving any problems linked to the execution of the RFID-tagging mandate.

In response to the recommendation that additional reviews be instituted to ensure contract officers' compliance, respondents from the Under Secretary of Defense Office and the Defense Logistics Agency wrote that a system-generated check for appropriate contracting clauses would be too burdensome, and that such checks already existed as part of the DLA's and other military agencies' existing contracting review processes. As far as training is concerned, they noted, it is already offered as part of an instructional course that contracting officers are required to take.

In rebuttal, the inspector general requested that officers responding to the report provide recommendations for how often the contractor reviews should take place going forward, as well as the types of metrics that should be established to measure the officers' compliance with the RFID mandate.

RELATED_ARTICLES The full comments made by the responding officials are published in the report, which also includes a directive to these individuals to clarify their original responses and/or contribute final comments on the Inspector General's findings by Oct. 29, 2008.

The full report (number D-2008-135) can be downloaded from the [DOD Office of the Inspector General's Web site](#).

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