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THE FUNDAMENTALS OF WAREHOUSING

A BACK TO THE BASICS REVIEW
FOR LEADERS IN PRACTICE



ALSO IN THIS ISSUE

A Brief History of the National Property Management Association

Optimizing the Supply Chain

The Origin and Evolution of Operation ID

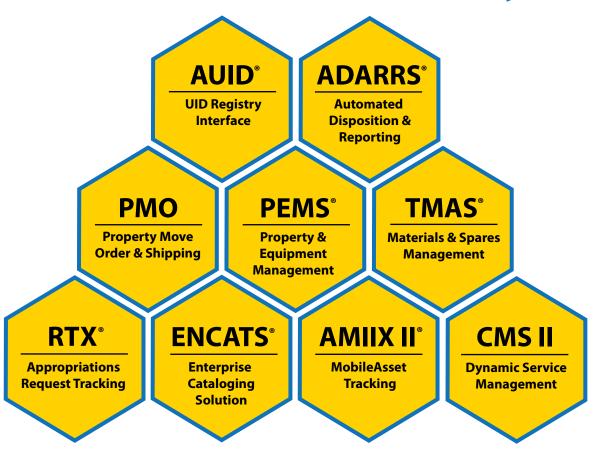
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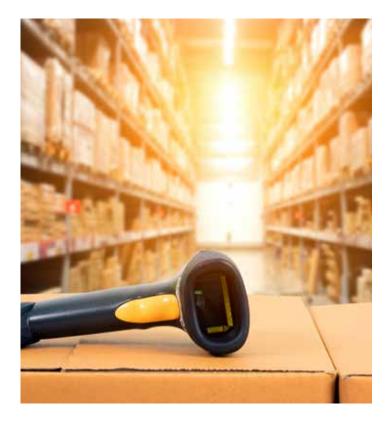
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COVER STORY



TO COUNT IS HUMAN, TO STORE IS DIVINE; THE FUNDAMENTALS OF WAREHOUSING A BACK TO THE BASICS REVIEW FOR LEADERS IN PRACTICE

BY DR. JOHN E. BETTERSON JR., OHIO VALLEY CHAPTER

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By the time you read this, 2019 will be well under way- Happy New Year!

A new year is always a time for a new beginning, and I'd like to start this year off by challenging you to do or learn something new to further your career this year. It's easy to fall into a cycle of doing the same things the same ways while the months and years go quickly by.

This year, challenge yourself to break up the routine. Maybe this is the year you further your education by pursuing a new college degree. Perhaps you decide to burnish your property/asset management credentials by achieving the next level of Property or Fleet certification. Perhaps you can strengthen your professional skills by taking an NPMA Educational course or attending the Fall, Spring, or National Educational Seminars. Maybe it's as simple as using your NPMA professional network to reach out to another member for advice on handling a complex situation or implementing best practices. Or perhaps, if the time is right, maybe this is the year you make the jump to a new career opportunity in Property/Asset Management, either within your current organization or with a new one.

All of these benefits and more are at your fingertips as a member of NPMA. Whether you take advantage of our certification program, our courses and seminars, our Special Interest Groups, or our career postings, NPMA is here to help advance your career.



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THE INVESTMENT OF TIME



Time is a curious thing. In our youth we have all the time in the world and as we get older we don't have enough time. We attempt to manage or save time. We even try to save daylight! Time "flies" or "drags." There is the "right" time and the "wrong" time. There is too much time or not enough time. Time decreases or increases the value of things such as something being either "old" or "antique." Financially we discuss the "time value of money." Time, like money, seems to become more valuable the less we have.

Then we have Einstein who discussed time, the "fourth dimension," in terms of relativity and its connection to space in the time-space continuum. Later we learn about black holes and time, theorizing about time "standing still" and even the possibility of past, present and future combined into one black hole horizon event.

Time on Earth is a gift given to all equally, hour by hour. In our relative picosecond of time in this planet Earth's history, we ask "How should I spend my time?" Spending major time in minor things may not be the best long term investment. The movie "Groundhog Day" portrays a person caught in a seemingly eternal time loop, waking up repeatedly to the same day. This person decided to learn during each of the repeating days until he mastered certain things and could successfully help others. Not a bad idea.

Let's invest our time currency wisely in improving ourselves, our relationships, and our organizations. We are all traveling in the same space-time continuum together. While doing so, let's apply to the various facets of our lives the words of Dr. Martin Luther King, Jr. "The time is always right to do what is right."

In answer to our request for articles on the basics, we lead off this issue with "To Count is Human, To Store is Divine; The Fundamentals of Warehousing - A Back to the Basics Review for Leaders in Practice" by Dr. John E. Betterson Jr.; followed by "A Brief History of the National Property Management Association"; "Optimizing the Supply Chain per Descriptive and Normative Modeling" by David L. Ladouceur, CPPM; and "The Origin and Evolution of Operation ID - A strategy to help police solve crime" by Jon Shelness.

Ladies and Gentlemen, we present Issue 31-1 of The Property Professional.



OMB EXPANDS DEFINITION OF HIGH-VALUE ASSETS

An article in *FCW* by Chase Gunter stated that the Office of Management and Budget (OMB) is making sure all agencies develop plans to protect their most sensitive and valuable cybersecurity assets and designate an agency-level office or team to secure them.

It builds on recent Department of Homeland Security (DHS) guidance for agencies to update their lists of high-value assets, and it comes as watchdogs continue to report on agencies that need stronger protections around those assets.

OMB also directed the General Services Administration (GSA) to coordinate with DHS and OMB in procuring security services, gaining feedback on acquisition improvements and standardizing language agencies can reference when writing or modifying contracts for high-value asset assessments.

The full article can be found at https://fcw.com/articles/2018/12/11/omb-high-value-asset-gunter.aspx



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SPECIAL INTEREST GROUPS (SIGS)

Got QUESTIONS?

SIG HIGHLIGHT -

ASK AWAY!

NPMA Colleagues,

The special interest group is a forum for you to post and field questions. It is a neutral ground meant for any and all questions or concerns. Even if you already have an established direction, but want some additional feedback, please do post. One way we can continue to improve our processes/procedures is by asking questions! The next time you have a question, look to your SIG colleagues to help provide direction!

If you have any ideas on improvements to the SIG sites/pages or thoughts on how to make them better, please reach out to me!



Cheers, Scott Ray, CPPM National Director of SIGs scottray@stanford.edu





Join NPMA SIGs to be part of a professional community that advances knowledge, as well as leadership, and provides the tools, resources, and opportunities to enhance and support your professional performance. www.npma.org/SIGs

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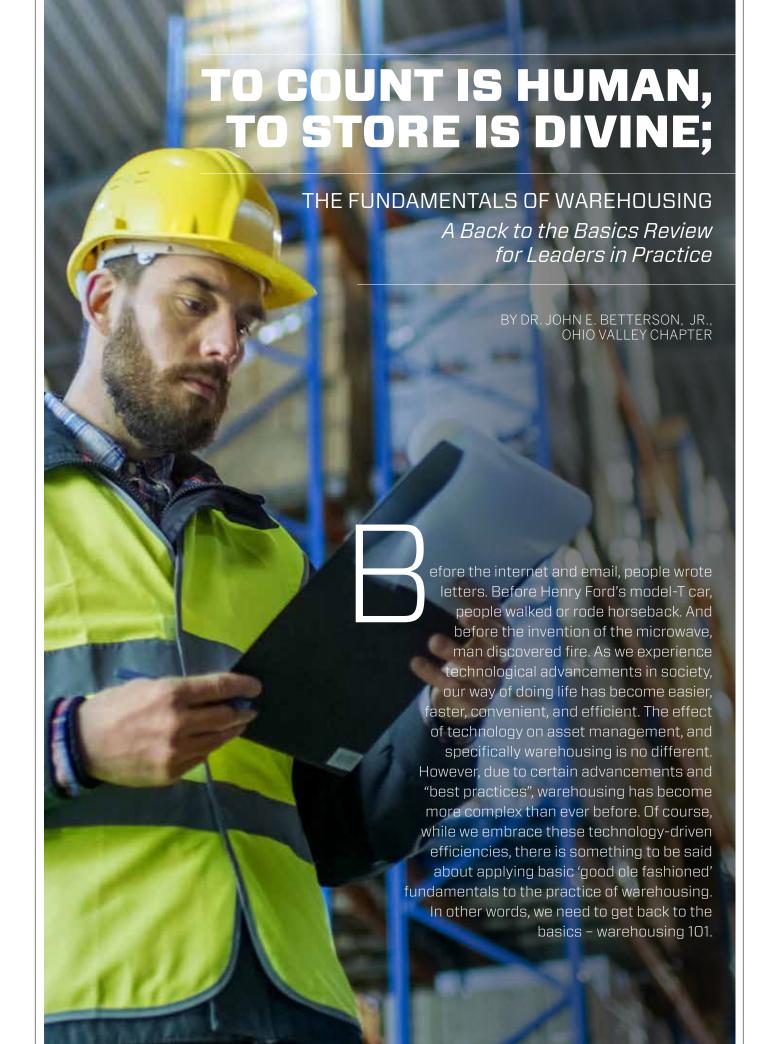
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Stan Dunn, CPPM



To function in today's fast paced industry, leaders in property management hire, develop, and train practitioners to operate in a number of ways. Some practitioners are trained to procure products remotely, some are hired to build systems and others learn to use scanners. In my opinion, true asset management fundamentalists store property in warehouses. On the topic of storage, experts believe that there is an insufficient amount of warehousing literature on the functions of a warehouse." They concluded that the subject of warehouse performance has been grossly overlooked in the research literature. Bartholdi & Hackman suggests that "warehouses are the points in the supply chain where product pauses, however briefly, and is touched. This consumes both space and time both of which are an expense."iii Historically, managing storage space involved two fundamental questions: how much should we store? And, when should we let it go? They went on to note that by performing a few simple calculations, storage managers can come up with reasonable solutions.

Today, questions on where items should be stored and what specific line items should be available to stock are paramount to a successful supply chain. "Little is known about the overall technicality and efficiency of warehouses. Lacking a general understanding of warehouse technical efficiency and the associated causal factors limits industry's ability to identify the best opportunities for improving warehouse performance."

Put another way, supply chain practitioners have yet to furnish an answer for all the logistical challenges supply managers deal with every day. This article briefly examines several aspects of equipment storage as it relates to the current storage model used in today's industry. We will discuss (a) reasons to store property, (b) why we store property at all, (c) outsourcing storage to third party logistics (3PLs), (d) equipment life cycle (e) and utilizing existing yard space.

(a) REASONS TO STORE PROPERTY

Companies and firms store property for a myriad of reasons. Some of those reasons include but are not limited to: long term storage of goods, safekeeping and protection of assets, and a need to establish temporary holding space for the fulfillment of customer orders. The conventional wisdom at one point seemed to be the larger the footprint and inventory, the easier it becomes to meet customer demand. Hence, the birth of Walmart & SAMS clubs who now rank as one of the world's top leaders in supply chain warehouse operations. Today, warehouse operations and space management coupled with a focus on environmental responsibility has altogether shifted the approach to warehouse management. According to Marchant & Baker warehouses are mainly viewed today in terms of flow, movement, the rapid fulfillment of customer orders, and valuebased services. Giant grey buildings and local facilities have given way to distribution centers and regional operations. Firms are more concerned with establishing and implementing a just-intime model and automated systems rather than inventory and spreadsheets. Gone are the days of square footage from a real estate perspective. Lean has become the model that most firms in the industry have come to adopt and respect. However, I submit

to you that even with this reality, basic property warehousing practices should be considered a mainstay to any successful supply-chain operation.

(b) WHY STORE ANYTHING AT ALL?

Industry experts have long wrestled with the following question – why have a warehouse at all? Bartholdi & Hackman maintains that warehouses require significant overhead costs such as labor, operating capital and warehouse management systems, not to mention certain fixed costs associated with the transportation of product or equipment.vi "Just-in-time (JIT) systems have evolved from a few selected implementations in the automobile industry into a widespread business practice. Early understanding of JIT models indicated that JIT can reduce inventory in the production system through the elimination of wasteful activities."vii In the case of a company's desire to operate a long-term storage program, it is difficult for supply management practitioners to utilize the JIT approach for that model best supports frequently moving stock as opposed to long and short-term temporary storage models. To justify the practice or find ways to improve processes, companies will use methodologies like Lean Six Sigma and deploy cost benefit analysis to answer the storage question and determine the best way forward. Supply chain factors and indices abound, but without relevant data leaders struggle to answer the questions of when, how & why items should be stored at all.

(c) OUTSOURCING STORAGE TO THIRD PARTY LOGISTICS (3PL) OPERATION

As a remedy for limited storage space some companies use 3PL capabilities to support their storage needs. Moving to a 3PL operation involves additional operating costs in terms of overhead and manpower. When considering the use of a 3PL operation, industry leaders in the Supply Chain Management discipline suggest the following:

Basic factors for considering 3PL operations:

- Location Is the Warehouse centrally & conveniently located?
- Value Added Services Is the provider just storing pallets, or do you also require picking and packing services? Is the provider conducting inventories?
- Stocking and Pulling What kind of handling fees are charged to bring the pallet into the facility? Are there any loading charges associated with the service?
- Terms Can you lease a certain number of pallet positions over time to reduce cost? Are you obligated contractually?
- Volume How many storage positions do you require?
- Warehouse conditions Is the facility easily accessible to both you and potential customers? Is the facility secure?

Potential baseline cost estimates:

- Warehouse lease for 1 year approximately \$4 \$7 per sq. foot
- Operational expenses (utilities, taxes, etc.) \$2 \$3 per sq. foot annually
- Leasing forklifts \$750 to \$1,000 per month per truck
- Average hourly wage between \$30 \$40 per hour



COVER STORY



Researching Cost Models for 3PLs

For the purposes of this research I personally reached out to 20 different 3PL operations in the greater Cleveland area. Only a handful of companies responded to our request and were willing to share their warehouse storage capacity and capabilities. The following is a breakdown of the storage packages from those companies:

Facility/ Name of 3PL	Cost per Square Footage	Facility Charges	Transportation Costs	Handling Fees	Additional Labor Costs	Company Location
FIRM A	80 cents	Zero Overhead Cost	Contract Flat Rate	Contract Flat Rate	Contract Flat Rate	Sandusky, OH
FIRM B	77 cents	\$223,920 Annually	\$550.00	\$400 per Truck	\$30 Man Hours	Chilicothe, OH
FIRM C	45 cents	\$129,600 Annually	\$610.98	\$4.50 per Pallet	\$0.00	Hebron, KY
FIRM D	\$0.00	No Facility Available	\$1,717.00	\$0.00	\$875 per Day/ Mileage	Arkansas
FIRM E	33 Cents	\$95,040 Annually	\$1326.90	\$39.00	\$21.00	Chattanooga, TN
FIRM F	63 Cents	\$181,440 Annually	\$685.00	\$0.00	\$30 Man Hours	Toledo, OH
FIRM G	39 Cents	\$112,320 Annually	\$1,100.00	\$55 Man Hours	\$23 Man Hours + \$8 Fee	Fort Wayne, IN

COVER STORY

(d) EQUIPMENT LIFECYCLE

Enough can never be said about the importance of a sound equipment lifecycle program. While logisticians spend countless hours trying to re-configure existing stock items in response to a lack of storage space, they sometimes overlook a vital part of asset management as it pertains to equipment lifecycle. Several things need to happen when equipment reaches the end of its lifecycle. First, confirm the equipment has indeed reached its expired shelf-life; second, get rid of it. Oftentimes, the answer to additional storage space may be linked to an effective (or ineffective) equipment lifecycle program.



(e) UTILIZING EXISTING YARD SPACE

Finding the appropriate space to store property is not without its challenges. As facility space across many agencies becomes more difficult to secure, producing strategies to effectively house existing equipment remains at the forefront of the asset management agenda. Automation in asset management has proven to be effective within the supply-chain industry yielding significant cost savings and inventory accuracy. Technological advances in warehouse automation include but are not limited to: bar coding, Radio Frequency Identification (RFID), viii Vendor Managed Inventory (VMI), and Warehouse Management System databases.ix

Motorola, Inc. discusses the advantages of utilizing yard space, viewing it as a "virtual outdoor extension of the warehouse." They explain how mobilization of the yard can significantly increase asset management effectiveness with one important caveat: the yard must be connected to other business processes. If it isn't, the yard will begin to operate as a "silo". The "silo" effect can deteriorate your automation efforts and compromise your overall business effectiveness.x

When all is said and done, asset management warehousing can be a daunting yet rewarding task. As asset management practitioners who live and operate in today's fast paced & highly advanced industry, we should never overlook the opportunity

to slow down and consider the basics, nor should we ever compromise the fundamentals of basic warehouse practices to accommodate the complexities of the market place and customer demand. I'm reminded of an old Aesop fable that sort of hints to the notion of slowing down and getting back to the basics. The fable that I am referring to is the "Tortoise and the Hare" and much like the lesson we all learned from that famous Aesop fable, no matter how fast, quick, or savvy your operation might be, the basic principle is this: slow and steady always wins the race. Let's get back to the basics!

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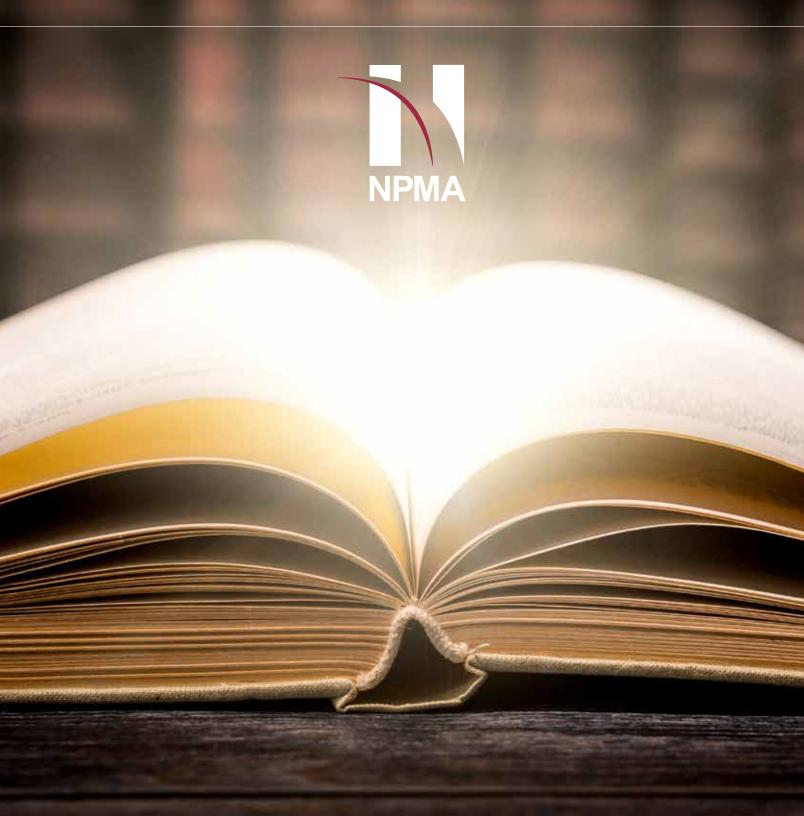
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Dr. John Betterson currently serves as the Supply & Equipment Management Officer for the NASA Glenn Research Center in Cleveland, Ohio. He is an active member of the National Property Management Association (NPMA), currently serving as vice chair for the NASA & Contractors special interest group. A retired Air Force veteran with over 19 years of leadership in logistics management, Dr. Betterson serves as an adjunct professor at several universities in the areas of property, asset and operations management and holds numerous leadership roles within his community. Dr. Betterson holds a doctorate in strategic leadership from Regent University's School of Business and Leadership, a Masters in Science and Administration from Central Michigan University, a Bachelor's degree in business administration from Mount Olive College (NC) and an associate degree in logistics management from Air University Maxwell Air Force Base.

ABRIEF HISTORY OF NATIONAL PROPERTY MANAGEMENT ASSOCIATION



In about 18 months, the National Property Management Association (NPMA) will be celebrating its 50th anniversary as a professional association. Many of our members have been around for only about 10 years or so and are not familiar with the history of the NPMA. While doing some research on NPMA history, I came across this short article from 34 years ago that provides some historical information on how the NPMA was established. It is provided once again with only a few minor edits and updates. Over the next several issues, you will see information on the history of the certification program, the transformation of the NPMA magazine, the NPMA awards program and other important changes within the NPMA that have occurred during the first 50 years.

The National Property Management Association (NPMA) was formed on March 13, 1970, in Dallas, Texas by the merger of the Property Administration Association (PAA East) and the National Industrial Property Management Association (NIPMA West). This merger created for the first time a nationally unified membership of both government and industry employees whose prime interest was the efficient and effective management of property.

PROPERTY ADMINISTRATION ASSOCIATION (PAA)

PAA was organized in 1961 as an established industry group with John Erwin (Jack) Griffiths as President. A second chapter was organized on Long Island in 1962. Upon this solid foundation, the organization continued to grow to its stature of seven very active chapters located throughout the eastern United States. They had

approximately 700 members located in Central Florida, Delaware Valley, Long Island, New England, North Jersey and Rocket City. Past Presidents included Jack Griffiths, Clarence Knoll, Henry Bach and Frank Reese.

One of the important milestones of the PAA was reached in 1962 when the concept of an annual meeting was originated. Despite a woeful lack funds, the first PAA National Meeting was



"Jack" Griffiths

held in March at the then new Americana Hotel in New York City. Speakers included Marty Reinstein and Carl Davis. Each year since that time, an annual meeting has been held, with the eighth annual meeting being held at the Hotel New Yorker located on 8th Ave. in New York City on April 24-25, 1969. Seminar '70, held in Dallas Texas, would have been the PAA's ninth meeting, #9 under the old concept, rather than the first meeting for the newly formed NPMA.

THE NATIONAL INDUSTRIAL PROPERTY MANAGEMENT ASSOCIATION (NIPMA)

At some point in 1963 a small group of property-oriented men



Eloy Barrios

on the west coast joined together to form an organization to be known as the National Industrial Property Management Association, NIPMA. A meeting was held in the home of Eloy Barrios in June 1963, and those who attended were Bud Ford from INSMAT, Ed Wemslik from Marquart, Gil Fife from the Air Force and Bob Clancy from Hughes. This same group held a second meeting in July 1963 and

Dick Gafarian from the Air Force attended that meeting, where they agreed to go ahead and allow three months for preparation of their first organizational meeting. Then, in September, the first meeting was held at the Chase Hyatt House in Los Angeles. Two hundred fifty invitations written on PAA letterhead had been sent out, and 98 people attended to decide whether they would become part of PAA or form a separate organization.

On April 9, 1970 the North Texas chapter held its charter meeting. A unanimous vote was cast to become the first chapter in the newly formed NPMA. Acceptance of the chapter was formally made at Seminar '70. On December 15, 1970 there were 48 active members.

NPMA was incorporated in the state of New Jersey on May 26, 1971. The agreement of the merger between NIPMA and PAA was signed on January 1, 1972.

THE NATIONAL PROPERTY MANAGEMENT ASSOCIATION (NPMA)

From this small beginning, the NPMA has grown to 56 chapters which include 4 international chapters, Qatar, Red Sea, Victory and Yorkshire, with a total association membership of over 3,400 individuals and an annual operating budget of over \$1.8M. The membership is currently drawn from government (both state and federal); private industry, representing small business upward to major multinational corporations with worldwide operations; universities including major research organizations and hospital facilities. The technical coverage of property and asset management has expanded beyond the association's early focus on Government contract property to offer a knowledge base on commercial property, University property under grants and cooperative agreements, fleet management, Hospital and medical assets, legal issues related to property management and the use of voluntary consensus standards created by ASTM International (www.astm.org/) and ISO (www.iso.org/home.html).

The NPMA is organized and chartered to accomplish the following:

- Promote NPMA is the leading membership association for personal Property and Asset Management professionals.
- 2. Advance the profession of Property and Asset Management through leadership in education, standards, compliance and certifications.
- 3. Further education in Property and Asset Management and provide opportunities to elevate professional standards and enhance individual performance through certification.
- 4. Promote standardized policies and procedures for Property and Asset Management throughout government, industry and commercial enterprise.
- 5. Develop effective solutions to the problems encountered resulting in cost savings and cost avoidance throughout the Property and Asset Management life cycle.
- 6. Foster efficient government/industry business relationships and standards in the application of Property and Asset Management.

NOTE: This article on the history of how the NPMA was formed in 1970 first appeared in the 1984 spring issue of the NPMA magazine. It was not attributed to a specific author but has been edited and updated with the help of Jessica Dzara, CPPM CF; William Franklin, CPPM; Dr. Doug Goetz, CPPM CF; Tara Miller, CPPM CF; and Ed Winters, CPPM CF.

BIG MACHINES IN A SENSOR-FILLED WORLD: ANALYTICS & DATA AT CATERPILLAR



The allure of efficiency is driving traditionally low-tech sectors to tap equipment manufacturers that can outline a more connected world.

Naomi Eide reported for **CIODIVE** that jobsites are traditionally low tech, but ready access to sensor-based technology and digital solutions is spurring a broad shift to more digital operations and innovative ways of working.

At Caterpillar Inc., investments in connectivity and data management tie directly into using analytics and the ability to derive insight for business units, customers and dealers.

Each asset has a number of computers and sensors, which relay different data points about a machine, such as:

- · How it is being used
- · Where it's located
- · How the operator is using the machine
- · What different activities it's performing
- · Data about safety risks
- · When the machine is scheduled for maintenance

Understanding how a machine operates in the field shapes strategies around safety and efficiency. Caterpillar monitors fatigue, a "big risk" in the field, said Morgan Vawter, Chief Analytics Director at Caterpillar Inc.

The full article can be found at www.ciodive.com/news/big-machines-in-a-sensor-filled-world-analytics-and-data-at-caterpillar/543896/

REP. KELLY INTRODUCES BILL TO SECURE GOVERNMENT IOT DEVICES

Rep. Robin Kelly, D-III., will introduce new legislation this week to "address cyber vulnerabilities created by the adoption of Internet-connected devices," and specifically cyber threats of internet of things (IoT) devices owned and used by the Federal government.

The new legislation, which was initially released as a discussion draft in August 2017, would mandate that basic cybersecurity standards be "baked into" government-purchased IoT devices. If this sounds like déjà vu, Kelly's legislation is fairly similar to a piece of legislation introduced and championed by Sen. Mark Warner, D-Va., in June. The key differences are how the two pieces of legislation define IoT devices, and that Kelly's bill "further empowers agency CIOs with additional waiver powers."

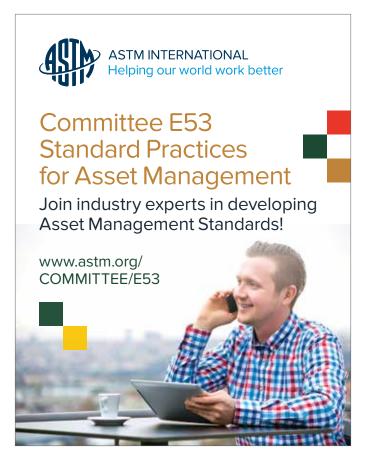
Jonathan Zittrain, professor of law and computer science at Harvard University, further stressed the Federal government's ability to shape the wider IoT marketplace for the better.

"[This bill] leverages Federal purchasing power to create pro-security market pressure and, equally important, serves as a model for the implementation of similar standards elsewhere," he said. "The bill commits to engaging with academic and private-sector security experts to help craft specific agency guidelines. Casting a wide net during the advisory phase will both yield better policy and, if done fully, meaningfully enfranchise non-governmental partners."

The full story can be found at www.meritalk.com/ articles/rep-kelly-introduces-bill-to-secure-governmentiot-devices/







2019 NPMA AWARDS SUBMISSION DATES & NEWS

The NPMA Awards Committee has set the deadline of April 30, 2019 for the 2019 NPMA Awards Submission and Selection Process. See a list of all awards below. *NEW THIS YEAR*, NPMA will award cash prizes to Chapters whose member achieves the following recognitions in 2019:

NPMA AWARDS

Jack E Griffiths Property Person of the Year (PPY).......\$500
Regional Property Person of the Year......\$200 each region
Andy C. Anderson Lifetime Achievement Award (LA)......\$500
Carl Iannacone Tribute Award (CIT).......\$300
Rookie of the Year (RY)...........\$300
Innovations in Fleet Management (IFM)........\$300
Chapter of the Year (COY) (Small, Medium, Large - Top 3 in each)......\$200-\$500

Although there are no monetary awards for Federal Property Person of the Year or Outstanding Member, we strongly encourage submissions for qualified candidates by the April 30, 2019 deadline.

For an awards overview, visit https://www.npma.org/page/awardsprogram



If you have any questions about NPMA awards, please contact Brian Thompson at awards@npma.org



The efficiency and effectiveness of supply chain networks typically rely on facility location decisions. While these decisions can make a crucial difference in the success or failure of a company, i choosing where you will operate, where you will draw your materials, and how you will bring your product to market begins with a good business model. A business model is a graphical representation of who you are and how you plan to get things done. While many business models exist, there are two main types that business planners or entrepreneurs use to gain a competitive advantage. The two main business models are descriptive models and normative models.

A descriptive business model graphically displays how the business operates. It describes the organizational structure, levels of authority and responsibility, communication, business systems, and processes and procedures. In his book titled *An Inquiry into the Nature and*

Causes of the Wealth of Nations, Adam Smith discussed in painstaking detail the importance of specialization and division of labor during the manufacturing process of a pin. iii Likewise, in his book titled The Cost of Manufacturers and the Administration of Workshops, Public and Private, Henry Metcalfe warned against "word of mouth" methods or the dependence on "tribal knowledge" when discussing the importance of well written processes and procedures for determining direct labor and material costs.iv Furthermore, in his book titled General and Industrial Management, Henri Fayol discussed five functions of management that included fourteen principals. On the division of work, he said: "The division of work is the course of tasks assigned to, and completed by, a group of workers in order to increase efficiency." Likewise, regarding authority and responsibility he said: "Authority is the right to give orders and obtain obedience, and responsibility

is the corollary of authority." In his book titled Notes on the theory of Organization, Luther Gulick said that the work of the chief executive involves seven distinct elements that include planning, organizing, staffing, directing, coordinating, reporting, and budgeting (POSDCORB).vi Today, coordination is achieved through written processes and procedures, meetings, emails, and information technology communication systems such as Enterprise Resource Planning (ERP). And finally, Frederick Winslow Taylor, the renowned father of scientific management, discussed the importance of metrics as they applied to finding the "one best way."vii Today, quality management systems have rapidly entered the bloodstream of almost every manufacturer. While these principles may be from times long ago, their importance still applies.

While talking about descriptive business models, Robert J. Trent discusses four



pillars of supply chain excellence that include human resources, organizational design, information technology, and organizational measurement. In terms of human resources, he echoes Adam Smith whereby he says "having the right people with the right skill set is the first step towards supply chain excellence."viii For example, if you want to find skilled automobile manufacturers go to Detroit, or if you want to find skilled grape growers go to the Napa Valley. In terms of organizational design, he echoes Smith, Metcalfe, Taylor, Fayol, and Gulick all in the same breath when he says that "it refers to the process of assessing and selecting the structure and formal system of communication, division of labor, coordination, control, authority, and responsibility required to achieve company and supply chain wide-goals and objectives." Regarding real-time and shared information technology, he says "regardless of the platform or software

used, supply chains systems should capture and share across functional groups and organizational boundaries." Finally, in terms of establishing the right measures and measurement systems, he says "the objectives are to first support fact based decision making, and secondly to communicate requirements among other team members to promote continuous improvement."

Unlike descriptive business models, a normative business model does not describe organizational structure, processes, or procedures. Instead, it focuses on how it can do better. Rather than describing how a business operates, a normative business model offers prescriptions. According to Ronald Kimmons, there are six components to most normative business models.* The first component is the value proposition where the business asks what product or service is in demand. Secondly, the business must consider where it can best bring its product

or service to market. For example, while there may be a demand for fur coats and wool socks in some places in the world, trying to sell them in Florida may not be the best option. The third component deals with the value chain structure where the business focuses on its relationship between its suppliers and customers; i.e., how much value it can create and capture itself. The fourth component focuses on revenue generation that considers subscriptions, direct sales, and leasing. The fifth component focuses on teaming with other companies in order to bundle products and services. For example, the bundling of Ballpark® Franks and Frito-Lay® potato chips is always a big hit that results in a high amount of sales at sporting events. Finally, the sixth component of the normative business model naturally focuses on ways the business can outmaneuver or outsell the competition.



While descriptive and normative business models are entirely two different approaches that are designed to represent how the business operates or should operate, neither approach is Labor costs can also be managed in several ways: from seeking out inexpensive labor markets to finding more efficient and effective ways to perform work to creating process and procedures that are tied to



completely effective without considering the other. After all, just as you adjust your tie or fix your fly before you walk out the door, businesses also need to look in the mirror before they act. This is particularly true regarding choosing a good location and making the most use of it. Optimizing location and capacity decisions are important aspects of supply chain management in order to achieve maximize overall profitability. As revenue comes from the sale of products and services, material, labor, and general and administrative (G&A) costs all impact profitability.

Material costs can be managed in a couple of different ways from negotiating low prices with suppliers to managing inventory and transportation. Businesses that are able to negotiate lower material cost better than their competitors automatically have a great start towards achieving a competitive advantage.xii

However, while this is painfully obvious, once the competitive advantage is known each competitor will ultimately follow suit and thus create an even playing field. The second aspect about managing material costs involves material management practices within the business or operation facility. Here, companies should strive to take advantage of the best Material Resource Planning (MRP) systems available in order to carry inventory only as needed. After all, excess inventory ultimately carries costs that could otherwise be used for other investments.

performance metrics and job performance appraisals. Businesses that are better able to find cheap labor often achieve a competitive advantage from the start.

However, the quality of labor is also often tied to its costs. For example, if you're being sued you don't necessarily want to seek out the cheapest attorney. On an international scale, businesses must also consider local laws and customs when involving foreign labor.xv Adam Smith and Frederick Winslow Taylor wrote extensively about the importance of efficiency and effectiveness and how it is achieved through specialization and division of labor. Likewise, well written processes and procedures that set standards that can be measured and take the guess work or "rule of thumb" out of performance should never be ignored.xvi As Henri Fayol once remarked, "the right person for the right job, no more and no less."xvii Finally, Earned Value Management (EVM) helps project managers to measure project performance. It is a systematic project management process used to find variances in projects based on the comparison of worked performed and work planned.xviii

General and administrative costs as they impact profitability can also be managed in several ways from choosing the right location to managing utilities to maintaining equipment. G&A expenses are expenditures related to the day-today operations of a business. General and administrative expenses pertain to operations that can be directly related to the production of any goods or services, including rent, utilities, and material handling.xix As previously discussed, when considering rents or property taxes, setting up a business in Manhattan, New York is far more expensive than Little Rock, Arkansas. Likewise, just as families can curb expenses through simple conservation strategies, such as turning off lights or limiting their use of water, many businesses can do the same through an effective facility management program. Plant, property, and equipment (PP&E) costs are not only the second largest expense after labor, PP&E costs can also be managed through an effective facility management program.xx Just like personal automobiles, the life cycle of a company's plant equipment can be prolonged indefinitely when properly maintained and accounted for. Optimizing available warehouses using inventory or warehouse management systems reduces needed space and relevant costs.xxi Finally, material handling and transportation costs should also be considered, as moving products across town, across country, or across the ocean can cut deep into profitability. In effect, reducing G&A is important because it is all tied to the company's direct labor costs.

In summary, the efficiency and effectiveness of supply chain networks typically rely on facility location decisions. While these decisions can make a crucial difference in the success or failure of a company,xxii choosing where you will operate, where you will draw your materials, and how you will bring your product to market requires a good business model. The two main business models are descriptive models and normative models. While descriptive business model graphically displays how the business operates and the normative model makes prescriptions, they complement each other. One of the keys to effective supply chain management is choosing a good location and making the most use of it. Factors to be considered include material, labor, and G&A costs. Managing these costs is the key to achieving maximum profitability.

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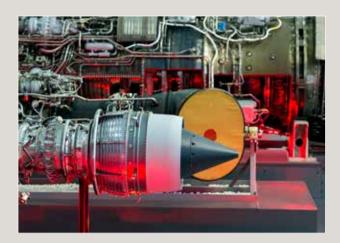
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David Ladouceur, CPPM, is a retired Marine Corps Supply and Fiscal Officer. Since retiring from the Marine Corps in 2006, he has worked as a Logistics Analyst / Government Property Manager for CACI, Lockheed Martin, and now Teledyne Scientific & Imaging. David has a B.A. from the University of California at Los Angeles (UCLA), a M.A. from Troy University, and is currently pursuing his Doctorate in Business Administration with Colorado Technical University. David is the recipient of NPMA's Best Article of the Year for his article titled "A Historical and Conceptual Framework for Putting Accountability back into Property" (2017) and Best Article of the Year for "Management of Fixed Assets" in the Defense Industry" (2018). He is a Certified Professional Property Manager (CPPM) and proctors exams for aspiring Property Professionals. David lives and works near Thousand Oaks, California and enjoys surfing Malibu's Ventura County Line on the weekends.

DAYS OF CANNIBALIZING MILITARY AIRCRAFTS FOR SPARE PARTS COMING TO AN END



National Defense magazine reported that since their advent in the 19th century, interchangeable parts have allowed manufacturers to efficiently produce products in quantity and for lower costs. And after a product leaves the manufacturer's assembly line, such parts make repairs significantly easier than handmade or custom-fitted parts ever allowed.

Interchangeable parts are undoubtedly a fundamental building block of success in industrial manufacturing.

But today, as mechanized products evolve into an element of a more integrated complex system, changing out a failing part for an identical interchangeable part may not be as straightforward as it has been in the past. In defense, especially, as state-of-the-art weapon systems advance to include architecture that exploits automated self-healing recovery and artificial intelligence, swapping out parts may no longer be possible without jeopardizing the delicate relationships among linked components and subsystems within the greater system.

As tomorrow's complex systems embrace intelligent technology and develop greater ability to sense and adjust to internal and external variations for mission success, we must move away from a component focus and instead acknowledge the holistic nature of larger Al-embedded systems.

The complete article, written by John C. Johnson, can be found at http://www.nationaldefensemagazine. org/articles/2018/11/20/maintainers-cannibalizing-interchangeable-parts-to-end

Connection CORNER

BRINGING CHAPTERS TOGETHER



Connection corner is a new column in *The Property Professional* designed for Chapters to share information with the membership. In our first edition, we interviewed Chapter President, Niki Milsaps, from the Saguaro Chapter in Phoenix, AZ. The Saguaro Chapter is a large chapter in the Western Region with 63 active members.



NIKI MILSAPS Saguaro Chapter President

TPP: What Industries make up your chapter membership?

NM: Our Chapter members are primarily Government Contractors and State Government.

TPP: What type of meetings does your Chapter hold?

NM: Saguaro has 10 meetings a year, meetings are not held in July or August. Prior to 2018 we met in person every month (at a restaurant or contractor's facility). In 2018, we adopted the GoTo Meeting format and changed to lunch time which has increased meeting attendance by 15%. Because several of our members did not want to lose the human contact aspect of getting together, it was decided to have two lunch meetings (June & December) and eight GoTo Meetings annually. It made me happy to see that the chapter wanted to keep getting together for a lunch meeting, and not switch to only online

TPP: How does your chapter drive participation?

NM: As President, I have been more communicative as I feel that had been lost in prior years. I feel like this has been noticed by the chapter as it has been mentioned that communication is better

TPP: How does your chapter promote property awareness?

NM: Currently there is no focus on property awareness outside of March activities, this is something we can improve upon for 2019.

TPP: Does your Chapter participate in community service activity?

NM: Yes, we do! 2018 is our second year of supporting 'A New Leaf' which is a recognized leader in crisis and family services. At Christmas, our chapter members buy gift cards for groceries, pj's for the kids, and other requested items and we visit the site and make the donation. Also, this year we will be participating in 'Wreaths Across America' which is an organization that lays holiday wreaths on the grave sites of veterans.

TPP: Tell us something unique / interesting about your chapter?

NM: The most unique thing about the Saguaro Chapter is our members. I have been a part of this chapter since 1995 and have known a good part of the Government Property community in the Phoenix area. Our members are long-time, dedicated property professionals that strive for the betterment of our systems and communication. I have never met a more supportive group of individuals and am pleased to represent them.

TPP: What advice would you give to a new Chapter Officer?

NM: Be persistent, don't give up when trying to improve the way the chapter runs. Sometimes it can be daunting, but keep going!

Share Your Story

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Email Kim Saeger, VP of Marketing & Communications at vpmarketing@npma.org today!



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THE ORIGIN AND EVOLUTION OF OPERATION D

A STRATEGY TO HELP POLICE SOLVE CRIME

By Jon Shelness, North Star Chapter



Operation ID, developed by the police but little known by the public, has very humble beginnings dating back to a time before mainframe computers and modern enterprise asset management systems. It goes back to a time when records were kept on index cards in tiny drawers, on sheets of paper in filing cabinets and in ledgers stored on book shelves.i

Mass production requires a new police response

In the early 1960s, the consumer electronics movement was in its infancy. Transistor radios were becoming popular and FM radio was just beginning to spread. In this period of mass production, identical items were assigned unique serial numbers for quality control purposes. If there was a problem with one item, it was likely the entire batch could be defective. Millions upon millions of identical consumer electronic items were flying off production lines and the only thing separating one from the other was a unique serial number. Those serial numbers provided an additional benefit in helping police solve crime.

The simple and elegant Operation **ID** strategy

In response to the escalating numbers of burglaries and thefts of portable electronics, the Operation ID method was developed by law enforcement professionals in 1963 and rolled out nationally in 1979. The strategy was designed for individuals, families and small businesses. The strategy was simple then and has changed little to this day:

- 1. Mark property with a universal identifier
- 2. Record serial numbers
- 3. Post warning signs

By the time Operation ID was released in 1979 as a national response to property crimes, by the U.S. Department of Justice, 378 studies at a cost of \$100 million (in 2018 money) had been conducted. Upon its release, Operation ID was endorsed by the International Association of Chiefs of Police, the National Sheriffs Association, the FBI and others.ⁱⁱ Many law enforcement agencies continue to stand by the strategy. The National Sheriffs Association still promotes the original strategyiii as does the NYPD. iv If citizens would just adopt the Operation ID strategy, the police would have a potent tool for solving property crimes. According to Wake Forest

University Police:

"Operation ID is a nationwide program designed to discourage burglary and theft of valuables. It also provides a way for you to easily identify stolen property, and increases law enforcement's chances of recovery and conviction.

Most burglars steal valuables for resale. But if you mark all items with permanent identification numbers, the burglar may be unable to sell them. If a criminal knows all your valuables are marked, he or she will look for easier and more profitable victims."v

Serial numbers are the key

According to Wikipedia, "Serial numbers are a deterrent against theft and counterfeit products, as they can be recorded; and stolen or otherwise irregular goods can be identified."vi This is at the heart of why large institutions go to so much trouble to mark and register property — it's a tragedy that so few individuals, homeowners and small businesses don't mark theirs.

The consumer etching tool

Mass produced etching/engraving tools high-speed devices with high-strength steel or industrial diamond tips — were developed in the early '60s. Etching tools can be used by consumers to easily mark items too hard to mark by hand. Police immediately saw a use for these etching tools and encouraged citizens to mark property with an identifier, so lost and stolen property could be easily identified and returned to the rightful owner. But the police worried about using a person's name, address and phone number in case a stolen item would fall into the hands of violent criminals or other predators.

Finding a universal identifier

Recording serial numbers on a piece of paper and keeping them in a filing cabinet was simple enough, but Operation ID also requires that property be marked. In the 1960s, many states used Social Security numbers as driver's license numbers. This was considered secure information as the internet had not yet been developed. So, the police recommended citizens etch their Social Security numbers into their personal belongings which only the police could access at the time. In later years, the universal identifier became a driver's license number combined with the twoletter state abbreviation. Today, we look at both of these solutions as highly insecure.

Property crimes are not solved, or reported

Looking at the FBI's 2010 Uniform Crime Reporting Program, when it comes to residential and small business burglaries and thefts, 90% of crimes are never solved. vii This is likely because citizens have not taken the critical step of recording serial numbers. The widespread use of alarms and security cameras has reduced burglaries and thefts only slightly. The police are really only interested in one thing: they want serial numbers to identify stolen items, but they've done a poor job of communicating this. The problem is that most people don't have these records and don't fully grasp why the police need them. The miniaturized enterprise asset management (mEAM) strategy is designed to make capturing the information the police need at the consumer level easy and online.

Miniaturized enterprise asset management (mEAM)

Every large contractor, corporation, university, government and hospital knows the importance of having unique universal identifiers tied to its company name. For large institutions with EAM systems in place, there are policies and procedures for what to do in the event of a crime. The police typically want the make, model and serial numbers of stolen items, and it's a snap for asset managers to access and deliver the pertinent information to law enforcement professionals very quickly, but not so with the general public.

With the advent of the internet, entrepreneurs began experimenting with ways to miniaturize enterprise asset management. In Europe there has been tremendous interest in figuring out ways to utilize the internet to create universal identifiers that are secure and globally accessible. There is so much interest that the Loss Prevention Certification Boardviii issued two standards for the fledgling industry. One set of rules guiding database security and communication safetyix and the other setting out standards for asset marking systems.x

But according to consultant and retired police officer, Calvin Beckford, mEAM hasn't caught on in Britain either.xi



Serial numbers can track stolen items

Law enforcement professionals trace stolen property by entering the serial numbers into the FBI's National Crime Information Center (NCIC) clearinghouse. xii Today, this happens on laptops mounted right inside squad cars. Pawn shops check the massive NCIC for stolen property, and police recover huge caches of stolen property when they execute search warrants. Every serial

management strategy.

There are even a few instances where large enterprises don't want to use their own asset tags to identify portable electronic items used in public, such as laptops, because it is a security risk. With a third-party mEAM system, the odds of recovery increase while not revealing the name of the rightful owner.

Today, third-party mEAM systems that use the underlying Operation ID approach have advanced the state of the art of the

number of recovered property is checked against the NCIC. When items are not listed in the NCIC, pawn shops can unknowingly resell stolen items and police warehouses fill up with untraceable items.

Who mEAM helps

Very small businesses wanting to break into government contracting can do so with a mEAM system. This is a valuable opportunity for veteran-owned, women-owned and minority-owned small businesses looking for an edge in the government contracting arena. Also, large contractors often use subcontractors that could benefit from a smaller asset original strategy developed back in 1963. mEAM systems work by providing a low-cost and reliable burglary deterrent and lost and found for individuals, homeowners and small businesses. This is because they get the same powerful tool large enterprises routinely have access to but in miniaturized form.

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ABOUT THE AUTHOR

cjis/ncic

John Shelness is from Des Moines, lowa. He has a criminal justice and social work background, most recently having worked with court-ordered youth since 2003. In 2016, doing graduate research on neighborhood associations and Neighborhood Watch, he learned of the Operation ID strategy. Seeing an opportunity, he developed and launched a startup that advances the state of the art called MyPropertyID at MyPropertyIDRegistry.com

ASK THE FXPFRT

BY YOUR NPMA 'EXPERT' PANEL



DEAR EXPERT PANEL.

I am not a Government Contractor and therefore I do not follow the FAR but found your organization and I have a technical question. My company is looking at different Physical Inventory requirements – and in the past we have performed a wall to wall annual Physical Inventory. Is there a better way to do this?

FROM, LOST COUNT

DEAR LOST COUNT.

WOW! I find it interesting that in this day and age you are still doing a wall to wall annual physical inventory. That may and probably is NOT the most effective use of your resources. So, let me provide some background and then provide some guidance.

Yes, historically, the most common form of Physical Inventory was a closed store, wall to wall physical inventory. When I was a young boy my mom would take me to a department store shopping for clothes - every once in a while, we would arrive at the store and there would be the sign - "Closed for Inventory." I was grateful, but they lost a sale! This wall to wall physical inventory entailed shutting down operations and counting everything. Not very efficient and very expensive!

Today, there are many other forms of physical inventory methodologies available. I would first refer you to an ASTM International (www.astm.org) voluntary consensus standard (VCS) -ASTM 2132-17 entitled "Standard Practice for Inventory Verification: Electronic and Physical Inventory of Assets." This VCS provides excellent process guidance for application beyond the traditional physical inventory practice but includes the contemporary process of electronic methodologies.

Another Federal Government source has an excellent discussion of Physical Inventories entitled "Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property" located at www.gao.gov/new.items/d02447g. pdf. And though this is a Government document - it takes a very broad view of the process – not just what the Government would want.

I would also encourage you to look at the NPMA Webpage under Publications. Here are a few references that you may find helpful:

- The Property Professional, Volume 25, Issue 4 - was devoted to Physical Inventory, cdn.ymaws.com/www. npma.org/resource/resmgr/Property_ Professional_/25-4_Final.pdf
- There are numerous other articles regarding physical inventories in the NPMA Archives located at - www. npma.org/page/PhysicalInvArchives.

You already mentioned that your company performed a wall to wall annual physical inventory. And you asked it there are processes other than a wall to wall physical inventory. ABSOLUTELY! Rather than a closed stores inventory (Assumed because you said it was a wall to wall inventory), you could use an open stores approach. You could use a "Cyclic" methodology, i.e., counting/verifying on a cycle basis versus once a year. You could also do a sampling inventory, or a stratified inventory (As every item in your possession may not have the same criticality). And an inventory methodology becoming more popular is that of an "inventory by exception or a transaction based inventory." And though you are not a Government contractor you may find it interesting that the Department of Defense has, for its assets, the allowance of this process in DODI 5000.64. Section

4.12 has some good discussion of DoD's physical inventory requirements that you may find interesting. You may find this document at www.esd.whs.mil/Portals/54/ Documents/DD/issuances/dodi/500064p.pdf.

Hope this helps – and best wishes on your Property and Asset Management journey!

FROM, YOUR EXPERT PANEL

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DO YOU HAVE A BURNING **QUESTION** for our panel of experts? We want to hear from you. Email hq@npma.org to submit

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DISPOSAL OF GOVERNMENT PROPERTY

MARCH 13-15 // WASHINGTON, D.C.

Disposal of property and materials is a significant issue with all companies and government agencies. No one wants to dedicate resources to dispose of property that is no longer needed by the organization. Additionally, in recent years, laws and regulations governing the disposition of property and materials have increased and changed significantly. This class covers all aspects of property disposal, including regulations and methods to use for donations, excessing and disposal.

PROPERTY MANAGEMENT SYSTEM ANALYSIS, SELF-ASSESSMENT AND SUBCONTRACTOR SURVEILLANCE

APRIL 1-5 // SAN FRANCISCO, CA

Dr. Goetz will offer a comprehensive intensive four-and-a-half day course covering the critical aspects of Contract Property Management System Audit, Self-Assessment and Subcontractor Audit based upon FAR and DFARS requirements as well as Auditing Standards.

GOVERNMENT PROPERTY BASICS

APRIL 5-9 // DENVER, CO

When it comes to managing assets, understanding the complexities of government regulations is a vital first step. This five-day course presents a detailed analysis of life cycle asset management in government property systems. In addition to the fundamentals of property management and the regulatory requirements of property management, this course includes an overview of the Federal Acquisition Regulations (FAR) and other appropriate regulations used in federal government procurement of supplies and services. The course is essential if you work in property management, supply-chain, logistics, quality assurance, contract management, procurement, subcontract administration, program management or internal auditing.

FLEET MANAGEMENT – CERTIFIED FLEET SPECIALIST

APRIL 6-8 // WASHINGTON, D.C.

The NPMA, in partnership with Mercury Associates, is proud to offer the first Certification for the Federal Fleet Manager. The Certified Federal Fleet Specialist (CFFS) level training is designed for persons who have basic Fleet Management responsibilities or dual roles such as the vehicle control officer. Course subjects include Basic Fleet Management, Fleet Information Management: Regulations, Systems and Data, and Optimizing the Fleet. Certification testing will be performed during the 3-day course.

FLEET MANAGEMENT - CERTIFIED FEDERAL **FLEET ADMINISTRATOR**

APRIL 6-8 // WASHINGTON, D.C.

The NPMA, in partnership with Mercury Associates, is proud to offer the first Certification for the Federal Fleet Manager. The Certified Federal Fleet Administrator (CFFA) level training is designed for persons who have successfully completed the Certified Fleet Specialist training.

Course subjects include: Fuel Management, Leased Fleet Management, Asset Management, and Disposal Management. Certification testing will be performed during the 3-day course.

FLEET MANAGEMENT - CERTIFIED FEDERAL **FLEET MANAGER**

APRIL 6-8 // WASHINGTON, D.C.

The NPMA, in partnership with Mercury Associates, is proud to offer the first Certification for the Federal Fleet Manager. The Certified Federal Fleet Manager (CFFM) level training is designed for persons who have successfully completed the Certified Federal Fleet Specialist (CFFS) and Certified Federal Fleet Administrator (CFFA) training. Certification testing will be performed during the 3-day course.



Visit www.npma.org to register

NPMA CERTIFICATION REVIEWS & TESTING

The NPMA Certification Program is designed to elevate professional standards and enhance individual performance for those who demonstrate a high level of competence that is essential to the practice of property management. If you have made a commitment to a career in property management, you should consider obtaining your NPMA certification. Join a distinguished group of peers worldwide who have chosen to attain this high level of excellence.

For information about NPMA certification, visit the website at www.npma.org/pages/certification

CPPS CERTIFICATION REVIEW & TESTING / **FUNDAMENTALS OF PERSONAL PROPERTY** MANAGEMENT

MARCH 20-22 // PHOENIX. AZ APRIL 7-9 // DENVER. CO

CPPA CERTIFICATION REVIEW & TESTING / INTERMEDIATE PROPERTY MANAGEMENT **STUDIES**

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APRIL 9 // DENVER. CO

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