DEPARTMENT OF DEFENSE
NAVAL INVENTORY CONTROL POINT, MECHANICSBURG, PA 17055-0788
DEFENSE LOGISTICS AGENCY, FT BELVOIR, VA 22060

IN REPLY TO

DLA
4400
Ser 01/07

NAVICP
4400
Ser 87/031

MAY 01 2006

PERFORMANCE BASED AGREEMENT (PBA)
BETWEEN
DEFENSE LOGISTICS AGENCY (DLA)
AND
NAVAL INVENTORY CONTROL POINT, MECHANICSBURG (NAVICP-M)

Subj: DLA/NAVICP-M PBA FOR SUPPORT OF NAVAL NUCLEAR REACTOR PROGRAM (NRP) (WEAPONS SYSTEM DESIGNATOR CODE (WSDC) 21N)

Ref: (a) NAVSUP/NAVSEA Working Agreement of 10 May 96
(b) DLA/NAVICP Memorandum Of Agreement (MOA) for NRP Program Support of 11 Aug 00

Encl: (1) List of Definitions in PBA

1. Introduction. This PBA outlines a supply chain management framework for DLA and NAVICP-M performance in a collaborative planning partnership to support NRP customer requirements. This PBA will define specified DLA and NAVICP-M mutually agreed upon support requirements and measure how effectively those requirements are being met.

2. Background. The Navy has consistently identified the NRP program as its top priority weapon system. The safe and reliable operation of the many nuclear reactors that power Navy ships and submarines is of vital importance to our country's national defense. Reference (a) provides detailed procedures and delineates responsibilities for support of NRP requirements assigned to NAVICP, Mechanicsburg.

DLA recognizes the importance of this critical program and the necessity for extraordinary measures to ensure required support levels are maintained. Reference (b) established specific DLA and NAVICP-M requirements and responsibilities to ensure program success and required significant changes to DLA standard operating procedures.

3. Purpose. The purpose of this PBA is to ensure required high caliber support is maintained during the transition to, and ultimately within, the Business Systems Modernization (BSM) environment. This will be accomplished via a collaborative partnership between DLA and NAVICP-M. All parties will work together to identify best business practices and process improvements to facilitate the transition. DLA will incorporate these factors into BSM processes, as necessary and required, and use them to optimize logistics and material support to the NRP.

Requirements in this PBA include:

(A) Ensuring specific overall material support levels are maintained for the program
(B) Material required dates for Outfitting, KALT and other programmed maintenance are supported
(C) Metrics are developed and provided that clearly communicate the status of program support

4. This agreement supersedes reference (b). This policy will be followed for management of all NSNs coded to WSDC 21N and will take precedence over any other policy that may conflict.

5. Discussion. This PBA is divided into responsibilities, material support requirements, and Standard Operating Procedure (SOP) agreements.

(A) Responsibilities:

DLA will:

- Provide overall material support to the NRP at a level that equals or exceeds 95% Material Availability (MA).
- Ensure all NSNs identified by NAVICP are properly coded to WSDC 21N in all applicable files and managed in accordance with policies spelled out in the PBA.
- Incorporate these requirements, and all others listed below, into their standard operating procedures.
- Provide supply chain management briefings, as requested.
- Provide monthly Key Performance Indicators (KPIs) and metrics that measure and monitor NRP material support. Establish future KPIs and metrics as necessary to further define material support.

NAVICP-M will:

- Ensure proper identification of required NSNs to DLA for registration to WSDC 21N.
- Initiate and perform a quarterly reconciliation of DLA 21N records and the NRP Standard Logistics database to ensure accurate registration.
- Provide forecasted requirements and demand planning information.
- Provide outfitting schedules.
- Provide timely and accurate responses to all Form 339s and maintain an average turnaround time of 35 days, or less, from receipt at NAVICP-M.
- Monitor DLA compliance regarding Form 339 responses (i.e., are they doing what we asked/instructed).

(B) Material Support Requirements: Material Support Requirement measures will include transition metrics and KPIs explained below, as well as DLA Monthly Report Requirements indicated under SOP paragraph (13).

(1) *Metrics*

DLA's transformation to an enterprise resource planning system requires modification of the current support measurement performance indicators. DLA will continue to use the existing metrics of Supply Availability and Backorder Reductions during the transition. As the enterprise resource system is rolled out on a phased schedule, performance will be measured on the following transition metrics:

- Material Availability (MA)
- Stock Availability (STA)
- Customer Orders
- Unfilled Orders (Backorders)
    - On hand
    - Aged
    - Issue Priority Group (IPG) 1

(2) *Enterprise Key Performance Indicators (KPI)*

When DLA's enterprise resource planning system reaches full operating capability (September 06), performance will be measured using the following enterprise KPIs:

- Material Availability (MA)
- Stock Availability (STA)
- Demand Plan Accuracy

While it has been mutually agreed upon that MA will have a 95% requirement, DLA and NAVICP-M will work toward establishing goals for each of the remaining new KPIs.

(C) SOP Agreements:

(1) **Material Availability (MA)**: Each DLA Supply Chain (SC) owner (Defense Supply Center Columbus (DSCC) Commander: Land/Maritime; Defense Supply Center Philadelphia (DSCP) Commander: Construction and Equipment (C&E), Clothing and Textile (C&T), Medical, Subsistence; Defense Supply Center Richmond (DSCR) Commander: Aviation) will ensure nuclear reactor plant repair parts and equipment coded to WSDC 21N are maintained at an overall minimum of 95% MA. DLA will establish a standard procedure for all SCs to identify and resolve potential MA degraders before they become an issue.

(2) **Acquisition Advice Code (AAC)**: All items will be coded as "Stocked" with an AAC of "D" or "Z" as appropriate, unless otherwise coordinated with NAVICP-M, Code 87. Exceptions to this policy may include, but are not limited to, shelf life issues and Planned Direct Vendor Delivery (DVD) items.

(3) **Planned Direct Vendor Delivery (DVD) Items**: All NSNs supported by a Planned DVD contract should reflect a Customer Direct AAC of "H" and typically list an Item Category Group code of BANS, for identification and tracking purposes. The AAC and Item Category Group code can be found in the SAP Material Master (material master and quality report or sales org 2 tab). IAW DoD Supply Chain Materiel Management Regulation (DoD 4140.1-R), deliveries must meet or be lower than 2, 5 and 10 days for IPG I, II, and III sales orders (requisitions) respectively. DLA will provide a monthly report to NAVICP-M, Code 87 identifying filled reqns (those accounted for via the invoicing process) stratified by age for IPGs I, II and III.

(4) **Stocking**: DLA will ensure material is readily available at levels to adequately support fleet requirements as identified by NAVICP-M, Code 87 via Supply Support Requests (SSRs), Special Program Requirements (SPRs), Collaborative Planning, outfitting shortage lists or other means as necessary.

(5) **Collaboration:** All items registered to WSDC 21N will not be standardized, replaced, simplified, changed or coded terminal without *prior concurrence* from NAVICP-M, Code 87 (HX). This includes Unit of Issue (U/I), Shelf Life (S/L), and MIL-SPEC changes. DLA will obtain concurrence via appropriate communication vehicles, i.e., Request for Engineering Support (Form 339), Cataloging Change Request (Form 1685) and/or Item Reductions Studies (IRS). NOTE: U/I and S/L changes will be forwarded to NAVICP-M, via Defense Logistic Information Service (DLIS) using a Cataloging Change Request (Form 1685).

(6) **Individual Repair Parts Ordering Data (IRPOD):** DLA will ensure all items with an existing IRPOD are procured in accordance with the IRPOD requirements.

DLA agrees to:

- Provide one standard process/policy for all SCs.
- Assign focal points for Acquisition and Product Assurance personnel at each Defense Supply Center (DSC).
- Ensure focal points receive necessary training from NAVICP-M, Code 87.
- Ensure focal points, with assistance from NAVICP-M, Code 87, develop and maintain a check list for each discipline.
- Focal points will train and provide support to the production units at each DSC and maintain a current list of IRPOD trained specialists.
- Focal points will ensure new employees receive IRPOD training.
- Contract Officer will sign off on all purchase orders (contracts).
- Retain IRPOD contract folders for three years from date of delivery.

NAVICP-M, Code 87 will:

- Provide initial and follow-on training to DLA personnel as needed.
- Provide technical assistance when necessary.
- Provide a BI-monthly revised Individual Repair Part Issue List (IRPIL) to each DSC.
- Perform periodic contract review audits at their discretion.

(7) **Procurement Quality Review:** DLA will provide access to NAVICP-M, Code 87, for NRP related awards (purchase orders, delivery orders, etc.) via the Internet. DLA will ensure the data contained on their web sites is current.

(8) **Quality Deficiency Reports (QDRS):** NAVICP-M, Code 87, will coordinate with DLA in the processing and disposition of all NRP related 9 Cog QDR's regardless who submitted the document (Service or Agency) via Product Data Reporting and Evaluation Program (PDREP).

(9) **Source Restricted Items:** Any item identified to DLA as a source restricted item by NAVICP-M, Code 87, will be coded with an Acquisition Method Suffix Code (AMSC) of "C" and procured based on the Commercial and Government Entity (CAGE) code and part number provided. NAVICP-M, Code 87, will provide initial identity of source restricted items via Supply Support Requests (SSR). DLA will be responsible for procuring from approved sources. In addition, NAVICP-M, Code 87, will review source restricted items quarterly and provide any additions, deletions or changes to DLA. DLA will establish a quarterly procedure/review process to ensure the AMSC of "C" hasn't been altered or changed for these items.

(10) **Emergency Spot Buys:** All applicable DLA Directorates of Supply Operations (DSOs) will designate buyers dedicated to processing all NRP outfitting emergency spot buy requests within specified timeframes necessary to meet NAVSEA 100% outfitting requirements.

(11) **DLA NRP Personnel:** Employ dedicated Integrated Supplier Teams (ISTs) at each Center and within each Supply Chain Owner's area of responsibility: Land/Maritime, Aviation, and C&T/C&E/Medical/Subsistence. These ISTs will be responsible for the day to day management of NRP items, and will consist of Supply Planners, Acquisition Specialists, and Product Assurance Specialists. Each DLA Directorate of Supply Operations will identify and provide appropriate Supply Chain POCs (SCPOCs) for NRP customer support. Each DLA Directorate of Customer Operations will provide appropriate POCs (Customer Account Specialists (CASs) and Demand Planners) for their respective demand chain. These individuals will be responsible for receiving and responding to NRP related questions and requests.

(12) **NAVICP-M, Code 87 Core Team:** Code 87 will maintain a team dedicated to supporting DLA efforts regarding NRP. This team will endeavor to provide demand forecasts based on past demand adjusted for the future, support efforts to improve material forecasting capabilities, and provide comprehensive technical assistance on NRP coded items.

(13) **DLA Monthly Report:** DLA will provide a monthly report (no later than the 5th working day of each month for MA by SC Owner and by the 15th of each month for the remaining metrics/KPIs) tailored specifically for WSDC 21N that address the following support areas:

a) MA by SC Owner (include total NSNs, total DLA Direct (stocked) NSNs, total demand, and total unfilled orders (backorders) established)
b) Detailed explanation when MA falls below 95% requirement (i.e., delinquent purchase orders (contracts), discrepant material, unexpected demand surge, etc.)
c) Unfilled Orders (Backorders) (BB/BZ/BV) stratified by age, with a breakout of IPG I sales orders (requisitions)
d) NSNs assigned AAC "J" with planned corrective actions
e) Zero on hand in the following categories:
   - NSNs with no due-in
   - NSNs with purchase requests only
   - NSNs with purchase orders (contracts) only
   - NSNs with purchase orders (contracts) and purchase requisitions (PRs)
f) Administrative Lead Time (ALT) for all open Purchase Requisitions (PRs), stratified by Age
g) NSNs with delinquent purchase orders (contracts) (30 days after Contractor Delivery Date (CDD))
h) Terminal NSNs with identity of appropriate collaboration submitted (339, IRS, etc.) to NAVICP-M, Code 87 for technical review.
i) Open DLA 339's stratified by age
j) List of canceled REQNs (if "CS" provide Maximum Release Quantity (MRQ))

(14) **Defense Inactive Item Program (DIIP) Exclusions:** All DLA DSOs will exclude 21N coded items from the DIIP process as well as all other disposal programs.

(15) **Deferred Sales Orders (Requisitions):** DLA will make every effort *not* to place WSDC 21N sales orders (requisitions), in "BD" status (deferred). On the **rare** occasions when it is necessary to defer a sales order (requisition), DLA will monitor these items monthly and provide NAVICP-M, Code 87, current status via the DLA monthly report.

6. Term. Upon signing by the principles, on this date, the PBA becomes effective. It shall be reviewed and amended, if required, at the request of, and with the joint agreement of both parties.

Date 14 APRIL 2006

M. S. ROESNER
RADM, SC, USN
Commander,
Naval Inventory Control Point
Naval Supply Systems Command

Date 1 May 2006

C. M. LILLI
RDML, SC, USN
Commander,
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Land and Maritime Supply Chain Owner

DEFINITIONS

Acquisition Advice Code (AAC): A code denoting how, as distinguished from where, and under what restrictions an item will be acquired.

Business Systems Modernization (BSM): BSM is a strategy to replace the Defense Logistic Agency's (DLA) main supply system, and its extension systems, with expanded enterprise computing environment commercial-off-the-shelf (COTS) software packages. The strategy will result in a new Agency-wide computing architecture, which will enable DLA to reengineer its logistics processes to reflect best commercial business practices.

Customer Orders/Sales Orders: The BSM term for an order for a particular product from a customer. Legacy Term: Requisition

Defense Inactive Item Program (DIIP): A program used to identify and purge items from the Defense Supply System that are no longer required.

Deferred Requisitions (BD): Requisition is delayed due to manual review.

Direct Vendor Delivery (DVD): Item procured and on contract for direct shipment to consignee.

Form 1685: Cataloging Change Request

Form 339s: Request for Engineering Support

Individual Repair Part Issue List (IRPIL): A list that identifies current IRPOD packages and the IRPOD package that is used for repair part procurement.

Individual Repair Parts Ordering Data (IRPOD): A document that contains or references all technical requirements necessary to describe a repair part completely for procurement purposes and helps assure that parts procured will conform to all requirements for operation in the parent component or equipment.

Item Reduction Studies (IRS): Standardization proposals which designate a common NSN for like items of supply are submitted via the Item Reduction Study.

Key Performance Indicators (KPIs): Key Performance Indicators measure supply chain performance and customer service, as well as those processes determined to have a large impact on performance and service: forecasting, production planning and inventory management. KPIs are specific, measurable, actionable, relevant and timely process performance indicators. Metrics support KPIs. Each of the four BSM processes have key performance indicators which will measure the BSM process progress.

Material Availability (MA): Material availability is a first pass fill rate which decrements if the order is not filled when DLA first receives it. Decrements include stock status of BB, BV, and BZ.

Purchase Order (PO): Defines purchases from a vendor at a particular place and time. Legacy Terms: Delivery Order, Purchase Order, Contract/Call

Quality Deficiency Reports (QDRs): Used by DOD components to identify and purge nonconforming material from inventory and to provide information to contracting offices, contractors, and customers.

Special Program Requirements (SPRs): SPR procedures provide the means for customers to advise DLA of unusual requirements, which DLA cannot anticipate, based on past demands. This is a method of forecasting when planned repair programs, initial issue, rebuild, modification, and other project nonrecurring requirements are known. SPRs are unfunded by the service and can be submitted from 3 months to 3 years in advance of known need date.

Supply Availability (SA): Measurement of material availability of stocked items.

Stock Availability (STA): % of orders shipped on time…includes both material availability (MA) as well as how efficient ICP, vendors/suppliers and DDC are at processing customer orders.

Supply Support Requests (SSRs): A document submitted by a user or potential user of a consumable item of supply to an

Integrated Material Manager (IMM) to obtain integrated material management support.

Weapons System Designator Code (WSDC): A three-position code that the DLA HQ assigns to all weapon systems in a program.