



DEPARTMENT OF THE NAVY
SPACE AND NAVAL WARFARE SYSTEMS COMMAND
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SPAWARINST 4440.12
4.3
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SPAWAR INSTRUCTION 4440.12

From: Commander, Space and Naval Warfare Systems Command

Subj: MANAGEMENT OF OPERATING MATERIALS AND SUPPLIES (OM&S),
GOVERNMENT FURNISHED PROPERTY (GFP), CONTRACTOR ACQUIRED
PROPERTY (CAP), PROPERTY, PLANT AND EQUIPMENT (PP&E), AND
INVENTORY

Ref: (a) DOD 7000.14-R, Financial Management Regulation (FMR)
Volume 4, Chapters 4 and 6
(b) SECNAVINST 4440.33, SOM/GOM and Project Stock
(c) DASN (AL&M) Memorandum, Revised Reporting
Requirements for OM&S, 30 June 2010
(d) SECNAVINST 4440.34, IUID
(e) Joint Issuance DLAI 4145.4/AR 740-3/AFJMAN 23-231/
NAVSUPINST 4400.100/MCO 4450.15 Stock Readiness
(f) OPNAVINST 4030.1A, Navy Packaging Program
(g) NAVSUP P-723, Navy Inventory Integrity Procedures
(h) SECNAVINST 7320.10A, Personal Property
(i) DASN (A&LM) Memorandum, CAP, 21 Jan 2010

Encl: (1) DEFINITIONS
(2) FMR GENERAL LEDGER CATEGORIZATION GUIDELINES
(3) GFP AND CAP CATEGORIZATION CHART
(4) GFP AND CAP REPORTING REQUIREMENTS
(5) REASON CODES
(6) LETTER OF DESIGNATION
(7) ANNUAL REVIEW GUIDELINES/MEMORANDUM FOR THE RECORD

1. Purpose. To establish guidelines and assign responsibilities to manage Operating Materials and Supplies (OM&S), Government Furnished Property (GFP), Contractor Acquired Property (CAP), Property, Plant and Equipment (PP&E), and Inventory within Team SPAWAR.

Team SPAWAR consists of the Space and Naval Warfare Systems Command (SPAWARSYSCOM), Program Executive Office Command, Control, Communication, Computers, and Intelligence (PEO C4I), Program Executive Office, Enterprise Information Systems (PEO EIS), and Program Executive Office Space Systems (PEO SS) along

with associated Program Managers, Warfare (PMWs), and field activities, Space and Naval Warfare Systems Center Atlantic (SSC LANT) and Space and Naval Warfare Systems Center Pacific (SSC PAC).

2. Scope. This instruction applies to hardware that is owned/sponsored, managed, procured and/or held by government and commercial activities associated with Team SPAWAR. This includes programs where hardware is held by Team SPAWAR whether the owner/sponsor is internal or external to Team SPAWAR activities.

3. Background. Terminology for identifying and defining physical assets procured and utilized within a program's life cycle and methods of categorizing those assets has historically varied based on sponsor/owner and holding activity. Proper care and handling of assets is essential to ensure stock readiness and availability to the Fleet. Recent Government audit reports and higher level policies identified the need for improved management, control, categorization, care, and financial and physical accountability of OM&S, GFP, PP&E, and Inventory. This instruction will address these issues and enable proper categorization, care, reporting, and reduction of assets within Team SPAWAR. Enclosure (1) provides definitions for terms used within this instruction.

4. Policy. This instruction requires that Team SPAWAR will:

a. Change terms used to identify categories of material and equipment from Sponsor and Government Owned Material (SOM/GOM) to the proper financial accounting terms of OM&S, GFP, CAP, PP&E, and Inventory as defined in reference (a).

b. Assign OM&S with one of the Financial Management Regulation's General Ledger (GL) account categories of Material Held for Use (MHFU), Material Held for Repair (MHFR), Material Held for Future Use (MHFFU), and Excess, Obsolete, and Unserviceable (E,O&U) as defined in references (a) and (b). Require reporting as outlined in reference (c). Enclosure (2) provides GL account guidelines.

c. Require that OM&S material management records be entered and tracked within Team SPAWAR's central Automated Information System (AIS) for OM&S. Items held or repaired directly for and owned by a customer external to SPAWAR (e.g., Fleet, Department of Homeland Security, Air Force, NAVAIR, NAVSEA) are OM&S items

because the activity holding or repairing the item are providing a service rather than holding the item(s) for sale.

d. Require that Government Furnished Property (GFP) records be forwarded by Contracting Officer Representatives (CORs) to SPAWAR 4.0 for centralization. Require that CORs and SPAWAR 4.0 have frequent communication and closely collaborate with the Defense Contract Management Agency (DCMA) and appropriate contractor personnel to obtain additional information and assistance when necessary to properly manage GFP. SPAWAR 4.0 will centralize GFP records and ensure entry of Special Tooling (ST) and Special Test Equipment (STE) into Team SPAWAR's central AIS for GFP. Enclosures (3) and (4) provide GFP information and reporting requirements.

e. Ensure tasking to appropriate activities is sufficient to meet requirements of this policy.

f. Minimize material and equipment while maximizing redistribution of on-hand material to fill Fleet end-use requirements or otherwise disposition items to reduce storage costs as required by reference (b).

g. Assign Reason Codes as defined in enclosure (5) and retention levels required to support program requirements reflected by the Approved Acquisition Objective (AAO) for OM&S. Reason Codes and retention levels will be reviewed and updated during Annual Reviews as required by reference (b).

h. Plan for and implement Item Unique Identification (IUID) in accordance with reference (d).

i. Ensure proper care and transport of material utilizing references (e) and (f). Conduct inventories and provide prompt reporting of property which has been lost, damaged, or destroyed utilizing reference (g).

j. Categorize tangible items held for sale, in the process of production for sale, or which will be consumed in the production of goods for sale or in the provisions of services for a fee as Inventory as defined by reference (a). Activities funded to act as an inventory control point or perform depot repair for an inventory control point such as a Performance Based Logistics - Organic (PBL-O), Mini-Stock Point (MSP) or depot workload are considered Inventory because those items are considered to be held for sale.

k. Properly categorize and track PP&E as defined within reference (a). This includes plant equipment as well as testing/supporting equipment which will not be consumed into an installation but may be used by SPAWAR in the production of other items. Track PP&E as required by SPAWAR 8.0.

l. Comply with the requirements of reference (h) personal property procedures.

m. Do not track Contractor Acquired Property (CAP) within Government property systems in accordance with reference (i).

5. Responsibilities. The following responsibilities are assigned to ensure effective control and management of OM&S, GFP, PP&E, and Inventory:

a. SPAWAR Finance (1.0) shall:

(1) Provide OM&S and PP&E financial policy, guidance, and reporting for Team SPAWAR.

(2) Serve as the central point of contact for the Assistant Secretary of the Navy (Financial Management and Comptroller) on financial reporting requirements for OM&S and PP&E owned and managed by Team SPAWAR.

(3) Collect and consolidate data from SPAWAR field activities to satisfy financial reporting requirements.

b. SPAWAR Contracts (2.0) shall:

(1) Incorporate SPAWAR 4.0 GFP and IUID Training into COR Training efforts.

(2) Document GFP within new contracts and contract modifications, as required. Ensure that contracts and contract modifications specify GFP sub-categories of ST or STE, as applicable. Have frequent communication with DCMA and contractor GFP personnel on GFP requirements and related contractor performance.

(3) Ensure that new contracts and contract modifications containing hardware have a Contract Data Requirements List (CDRL) requiring:

(a) Reporting of GFP by sub-category of Special Tooling (ST) or Special Test Equipment (STE), when applicable,

using enclosure (4) reporting information and template, to the Program or Project Manager (PM)/COR, and SPAWAR 4.0. CAP will not be tracked by Team SPAWAR internally in accordance with reference (i).

(b) Reporting of IUID compliance to the PM/COR and SPAWAR 4.0.

(c) Properly structure contracts to capture categorization of items as PP&E, OM&S, and Inventory per reference (a) as defined by Program Offices.

(4) Assign GFP management and tracking duties and require frequent communication with DCMA and contractor GFP personnel by each COR by incorporating this function into COR Designation Letters and notifying each COR of this requirement.

(5) For existing contracts, require CORs to report and monitor GFP provided to contractors using enclosure (4) instructions and template. CORs shall update records reflecting receipts and shipments in order to provide a transaction history which may be reconciled against contracts and contract modifications. CORs shall provide monthly status reports to SPAWAR 4.0. CORs shall not track CAP in accordance with reference (i).

c. SPAWAR Logistics and Fleet Support (4.0) shall:

(1) As the single logistics point of contact within Team SPAWAR for OM&S, GFP, CAP and Inventory, provide logistics oversight, policy and training and ensure adherence to references (b) through (i) for OM&S, GFP, CAP and Inventory which is owned/sponsored, managed, procured and/or held by Team SPAWAR. Ensure that personnel are aware that CAP will not be tracked internally at SPAWAR in accordance with reference (i).

(2) Serve as central point of contact for internal and external activities on Team SPAWAR logistics matters related to OM&S, GFP, CAP, Inventory, Packaging, Handling, Storage and Transportation (PHS&T), and IUID.

(3) Frequently communicate and collaborate with CORs, DCMA, and contractor GFP personnel to centralize GFP records and ensure entry and tracking of ST and STE into Team SPAWAR's GFP central AIS. Utilize references (g) and (h) to conduct random spot checks and inventories of equipment in synchronization with DCMA.

(4) Develop/collect metrics and collaborate with PEOs and other Team SPAWAR personnel to obtain, consolidate, and provide reports to external activities, including reports to DASN (A&LM) required by references (c) and (d). Provide additional detailed guidance/clarification for reports, as needed.

(5) Collaborate with Team SPAWAR to implement IUID policy. As the Team SPAWAR IUID Champion, review and provide initial approval/signature for IUID plans in accordance with references (b) and (d).

d. SPAWAR Corporate Operations (8.0) shall:

(1) Provide further guidance, as needed, for PP&E under its cognizance.

(2) Incorporate OM&S, GFP, PP&E, and Inventory reviews into command inspection planning, ensuring that activities are compliant with all facets of this instruction.

e. Program Executive Offices (PEOs) within Team SPAWAR shall utilize the Assistant PEO for Logistics (APEO-L) to collaborate with PMs and SPAWAR 4.0 in order to address reporting requirements from DASN (A&LM) and other activities.

f. Program/Project Managers within Team SPAWAR shall:

(1) Identify a single Point of Contact (POC) as the representative for efforts supporting OM&S requirements. The PM and/or this representative will participate in Annual Reviews with the OM&S, GFP, CAP, and Inventory Manager at applicable holding activities who has been established by a letter of designation using the template provided in enclosure (6). Annual Reviews will be conducted and documented using the guidelines and memorandum format contained in enclosure (7).

(2) Identify and properly categorize PP&E, OM&S and Inventory per reference (a) to SPAWAR 2.0 Contracts on Purchase Requests.

(3) Proactively minimize on-hand material/equipment by directing holding activities to retain only levels required to execute the program's mission.

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(4) Provide Fleet activities with free issue material if requested, when possible, by making available for Fleet end-use requirements all material except OM&S categorized as MHFU. Direct re-categorization of material to the proper material category (MHFU, MHFR, MHFFU, E,O&U) on a continuing basis, providing justification for storage using enclosure (5) Reason Codes.

(5) Perform Annual Reviews of OM&S records with holding activities and record changed reason codes and GL accounts using enclosure (5). Provide documentation/justification for holding material past 24 months. When OM&S is received and as long as it is used for current projects which have a requirement under the program's AAO, it shall be categorized as MHFU. After AAO requirements no longer exist, OM&S that is maintained because it is not readily available in the market or because it may be needed in the future must be re-classified as MHFFU. After 24 months, if an item is still in stock, regardless of GL Account, it shall be moved to the category of E,O&U unless documentation/justification is provided demonstrating the requirement to keep it in storage. Once re-categorized to E,O&U, it must be disposed of within 180 days of establishment to the E,O&U category.

(6) Review and validate reports from holding activities provided by SPAWAR 4.0 to support reporting requirements.

(7) Ensure that holding activities redistribute or dispose of E,O&U within 180 days of establishment to this category in the following order of precedence:

(a) Application to other specific program requirement shortfalls.

(b) Offer to supply system or transfer to redistribution sites as free issue material to fill Fleet requirements.

(c) Offer to Foreign Military Sales (FMS) programs.

(d) Transfer to the local Defense Logistics Agency Disposition Services (DLA-DS), formerly known as the Defense Reutilization and Marketing Office (DRMO).

(8) Ensure tracking and management of GFP by CORs as described under paragraph 6.b. in order to centralize data

within SPAWAR 4.0. CAP will not be tracked internally by SPAWAR in accordance with reference (i).

g. Holding activities (including SSC LANT and SSC PAC)
shall:

(1) Provide SPAWAR 4.0 with a Letter of Designation for the OM&S, GFP, CAP, and Inventory Manager from each activity. This person is responsible for implementing the requirements of this instruction within their activity. Enclosure (6) provides a template for the Letter of Designation.

(2) Establish accountable records and maintain in the appropriate AIS; personal property purchased, leased (capital or operating leases as applicable), or otherwise obtained.

(3) Properly categorize and sub-categorize OM&S and PP&E as defined within reference (a) within Purchase Requests. This includes plant equipment as well as testing/supporting equipment which will not be consumed into an installation but may be used in the production of other items. Track PP&E within the AIS required by SPAWAR 8.0.

(4) Track OM&S held or managed by their activity into Team SPAWAR's central OM&S AIS as required by SPAWAR 4.0.

(5) Ensure entry of Inventory (Depot and Performance Based Logistics-Organic (PBL-O)/Mini-Stock Point (MSP)) records into the owner's AIS as stipulated by written agreement. If activities desire to use Team SPAWAR's central AIS to track Inventory, they must request this from the Supply Chain Management Lead within their activity since Inventory has different reporting requirements from OM&S.

(6) Within the appropriate Team SPAWAR AIS, identify the Sponsor/Owner (Program Manager), Department (Department of Defense, Department of Homeland Security, etc.), Service (Navy, Air Force, etc.), applicable SYSCOM, program, value, and original/adjusted project end dates for each item. Indicate whether material is OM&S, PP&E, or Inventory. For GFP items, identify that records are GFP and indicate if they are ST or STE.

(7) Properly classify OM&S by GL account as MHFU, MHFR, MHFFU, or E,O&U in accordance with references (a) and (b) as coordinated with the PM/owner. Minimize OM&S on-hand, dispose of material no longer required, and maximize re-distribution to

the Fleet. Collaborate with SPAWAR 4.0 to ensure reporting is completed in accordance with references (c) and (d), as applicable.

(8) Conduct Annual Reviews on OM&S to justify continued storage past the 24 month benchmark using the Reason Codes defined in enclosure (5). Document completion of Annual Reviews with Memoranda for the Record, using the guidelines and template in enclosure (7), providing electronic copies to SPAWAR 4.0 and the PM/owner or designated representative. The OM&S, GFP, CAP, and Inventory Manager will maintain records demonstrating that reasonable efforts have been made to contact the owner prior to declaring material as excess. Annual review information shall be held for two years. Annual reviews will be conducted for OM&S whether it is owned by affiliated Team SPAWAR PEOs or outside of Team SPAWAR.

(9) For PP&E and OM&S, institute and execute a program for conducting and documenting physical inventories, location surveys, and random spot checks utilizing references (g) and (h) by establishing physical inventory and location survey plans. Location surveys will be conducted for all locations no less than once every three fiscal years however, the frequency may be greater depending upon the type of material or equipment, as stated within references (g) and (h). Activities will maintain no less than a 98% accuracy rate for location surveys regardless of which method is used (location survey or sampling). Copies of inventories, surveys and random spot checks shall be provided to SPAWAR 4.0 and SPAWAR 8.0. Items categorized as Inventory will be managed in accordance with the owner's designated AIS with physical inventories conducted per agreement with the owner. If the owner has not designated an AIS or physical inventory requirements, the Inventory will be managed within Team SPAWAR's central AIS and the holding activity will execute a physical inventory effort in accordance with references (g) and (h). During physical inventories, holding activities shall review elements associated with COSIS and provide familiarization training on COSIS. Holding activities shall document the results of COSIS checks and training within inventory or spot check documentation.

(10) Provide financial reporting to SPAWAR 1.0 and 4.0 on a quarterly basis.

(11) Provide reports when requested by SPAWAR 4.0, to include those required to satisfy requirements of references (c), (d), and other requests for information. SPAWAR 4.0 will

initiate requested reports, collaborate with holding activities and owners and forward to requesting activities.

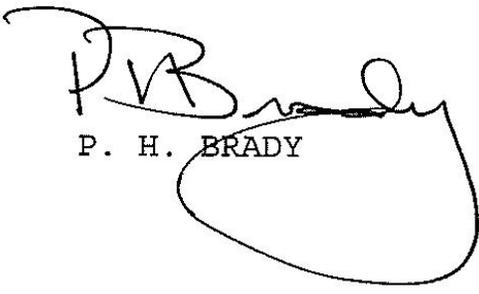
(12) Provide ongoing orientation, familiarization, and training to personnel working with OM&S, GFP, CAP, IUID, and PHS&T (to include COSIS) sufficient to ensure that the requirements of this instruction are met. Entry to the IUID Registry and update requirements of the Registry are defined within enclosure (1) and should be carefully reviewed by each activity to ensure they update the Registry as required and do not update the Registry unnecessarily (e.g., no change is required to the Registry if there is a change of location or custodian).

(13) Work with SPAWAR 2.0 and holding activity CORs to document and track GFP movement to or from a contractor in either basic contracts or contract modifications and provide monthly status reports to SPAWAR 4.0 in order to centralize management of Team SPAWAR GFP records. All records must further categorize GFP into ST or STE, where applicable.

(14) For lost or damaged items, ensure prompt reporting on a Report of Survey (DD Form 200) and process in accordance with reference (g).

(15) Utilizing an automated interface, support the Navy's Total Asset Visibility (TAV) initiative by providing daily updates to an AIS which provides asset availability information to the Fleet such as the Virtual Real-time Reutilization Asset Management (RRAM)/Virtual Sponsor Owned Material (VSOM) AIS.

6. Action. Addressees shall implement the requirements of this instruction upon receipt.


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DEFINITIONS

Approved Acquisition Objective (AAO). Source: DoD 4140.1-R. The quantity of an item authorized for peacetime and wartime requirements to equip and sustain U.S. and Allied Forces, according to current DoD policies and plans. This quantity may be found in acquisition documentation.

Care of Supplies in Storage (COSIS). A program and management system that ensures material is stored and maintained in a ready-for-issue condition. COSIS is also intended to prevent further deterioration of unserviceable material. It is designed to ensure stock readiness, reduce repair turnaround times and address problematic areas and trends. The main goal is to ensure that items have adequate packaging protection to prevent degradation.

Contractor Acquired Property (CAP). Sources: DoDI 5000.64, SECNAVINST 7320.10A, FAR 52.245-1. Property acquired, fabricated, or otherwise provided by the Contractor for performing a contract, and to which the Government has title. Although the Government may have title, CAP has not yet been delivered. CAP that is subsequently delivered to the Government for use on the same or another contract is considered Government Furnished Property. As noted within this instruction, CAP shall not be tracked internally by Team SPAWAR as the business rules for CAP described in DASN (A&LM) Memorandum of 21 Jan 2010 state that while title to CAP passes to the Government when the property is obtained by the contractor, the property will not be recorded on DoD financial statements or in accountability systems until the property is delivered to the Government.

Equipment. Sources: DoDI 5000.64, FAR 52.245-1, SFFAS 6. Personal Property that is functionally complete for its intended purpose, durable, and nonexpendable. Equipment generally has an expected service life of two years or more; is not intended for sale; does not ordinarily lose its identity or become a component part of another article when put into use; has been acquired or constructed with the intention of being used, or being available for use by the entity.

Excess. Derived from: FMR, Volume 4, Chapter 4. Excess inventory or OM&S (serviceable and unserviceable) is the amount of inventory or OM&S above the sum of the Approved Acquisition Objective (AAO) and inventory retained for economic and/or contingency purposes.

Excess, Obsolete, and Unserviceable (E,O&U). This account is used to record the value of items (serviceable and unserviceable) that exceed the amount expected to be used in normal operations and does not meet management's criteria to be held in reserve for future use. Obsolete items include those no longer needed due to changes in technology, laws, or operations or items for which the shelf life cannot be extended. Unserviceable items are physically damaged and cannot be consumed in operation.

Government Furnished Equipment (GFE). Source: FMR Glossary. Property provided to a contractor by DoD. It is used in producing an end product. It is not consumed, but is returned in the same form at the end of the contract. GFE is a sub-category of GFP. GFP is a sub-category of GP.

Government Furnished Material (GFM). Source: FMR, Volume 4, Chapter 4. A sub-category of Government Furnished Property, consists of inventory or Operating Materials and Supplies (OM&S) furnished to a contractor as Government property. GFM is consumed or expended during the performance of a contract. In the case of GFM, the contractor is considered the end-user. When furnished to a contractor, inventory and operating materials and supplies are considered GFM. Source: FMR Glossary. Property provided to a contractor by DoD. It may be incorporated into an end item (a change in form) or may be consumed in the performance of a contract. Source: FAR 52.245-1. Property in the possession of, or directly acquired by, the Government and subsequently furnished to the Contractor for performance of a contract.

Government Furnished Property (GFP). FAR 52.245-1: Property in the possession of, or directly acquired by, the Government and subsequently furnished to the Contractor for performance of a contract.

Holding Activity. Source: SECNAVINST 4440.33. Any government or contractor site that has custody of material based upon an agreement, contract or lease agreement with a Sponsor/Program (or Project) Manager (PM).

Inventory. Source: FMR, Volume 4, Chapter 4. Tangible items held for sale, in the process of production for sale, or which will be consumed in the production of goods for sale or in the provisions of services for a fee.

Item Unique Identification (IUID). Source: SECNAVINST 4440.34. An element of the DoD Unique Identification (UID) program that addresses tangible personal property. It is one technology product in a comprehensive system for marking items delivered to and managed by the Department of Defense with an UUI in accordance with procedures outlined in ISO/IEC 16022, Error Correction Code 200 compliant two-dimensional data matrix. It is a system that globally and unambiguously distinguishes one item from another.

IUID Registry. Source: SECNAVINST 4440.34. The IUID Registry captures, retains, and provides current and historical data regarding uniquely identified tangible items enabling net-centric data discovery, correlation, and collaboration in order to facilitate effective and efficient accountability and control of DoD assets and resources in support of DoD business transformation and warfighter mission fulfillment. The IUID Registry is first updated when an item is marked and reflects pedigree information. It is not updated each time the item moves locations or custodians within a service (e.g., Navy, Air Force, Army, Coast Guard). If an item changes service or moves from a government facility to a contractor's facility, it requires update by the activity performing the shipment. Upon receipt, the government or contractor receiving activity confirms that the updated custody is reflected within the Registry. If an item is disposed of, the disposing activity (e.g., SSC PAC) will update the Registry to reflect the disposal of the item. If an item is modified to a different part number, it also requires update by the modifying activity within the Registry. Requests for additional information on the Registry and IUID should be emailed to the SPAWARSYSCOM Supply Chain Management Team at scm-spawar@navy.mil. The IUID Registry is the central repository of IUID information and serves as an acquisition gateway to identify:

- a. What the item is.
- b. How and when it was acquired.
- c. The initial unit cost of the item.
- d. Whether the item is in the custody of the government or a contractor.
- e. How it is marked.

Material. Source: FAR 52.245-1: Property that may be consumed or expended during the performance of a contract, component parts of a higher assembly, or items that lose their individual identity through incorporation into an end-item. Material does

not include equipment, Special Tooling and Special Test Equipment.

Material Held for Future Use (MHFFU). Material stored at an activity not related to the station's direct production workload of normal business operations, not readily available in the market and there is a remote chance it will eventually be needed. Material held in this category includes, but is not limited to, material resulting from:

- a. Economic order quantity buys.
- b. Life of type buys.
- c. Diminishing Manufacturing Sources and Material Shortage (DMSMS) buys.
- d. Foreign Military Sales (FMS).
- e. Material procured, staged, kitted and transshipped for projects at Naval shipyards or installation sites.
- f. Material removed from decommissioned vessels determined by the PM to be required to support remaining Fleet assets.
- g. Not ready for issue material held for repair through performance based logistics contracts/agreements with Naval Inventory Control Point.

Material Held for Repair (MHFR). Material not in usable condition, but which can be economically repaired. Once repaired, the items will be returned to the appropriate category (Material Held for Use (MHFU) or Material Held for Future Use (MHFFU)).

Material Held for Use (MHFU). Items assigned to production jobs or other projects used in normal business operations.

OM&S, GFP, CAP, and Inventory Manager. Point of Contact within each holding activity responsible for implementing the requirements of this instruction within their activity.

Operating Material and Supplies (OM&S). Tangible personal property to be consumed in normal operations. Excluded are (a) goods that have been acquired for use in constructing real property, (b) stockpile materials, and (c) inventory held for sale. OM&S shall be categorized as (1) held for use, (2) held for future use, or (3) excess, obsolete and unserviceable.

Owner. An owner is an entity, usually either a Program or Project Manager (PM) that provides funding for, and authorizes the procurement or the staging of material. The owner may also be known as the sponsor. Typically, the owner belongs to a

SPAWAR supported Program Executive Office (PEO), however, a PM may also be affiliated with other Naval Hardware Systems Commands or other military branches and agencies outside of DoD.

Packaging, Handling, Storage and Transportation (PHS&T). An element of Integrated Logistics Support which includes resources and procedures to ensure that all equipment and support items are preserved, packaged, packed, marked, handled, transported, and stored properly for short- and long-term requirements. It includes material-handling equipment and packaging, handling and storage requirements, and pre-positioning of material and parts. It also includes preservation and packaging level requirements and storage requirements (for example, sensitive, proprietary, and controlled items). It involves establishment of critical parameters and constraints (e.g., width, length, height, component and system rating, and weight). One consideration under PHS&T is the Care of Supplies in Storage (COSIS).

Performance Based Logistics (PBL) or Mini-Stock Point (MSP). An organic or commercial activity who provides storage and requisition processing of Government owned material. These activities are documented within support agreements (Memoranda of Agreement) and may procure, repair, stock and issue Government owned material. A PBL-O is typically co-located with an In-Service Engineering Agent (ISEA) or maintenance activity for the same equipment in order to leverage the maintenance and expertise of personnel. If managed by a Government activity, PBL's are known as "PBL-Organic" or "PBL-O."

Personal Property. Source: DODI 5000.64. All property (systems/equipment, materials, and supplies) except real property (land and improvements to land, i.e., facilities), and records of the Federal Government.

Physical Inventory. Source: DODI 5000.64 and NAVSUP P-723. The verification of property existence, location, and quantity. Planning, scheduled and unscheduled inventory procedures are detailed in NAVSUP P-723.

Plant Equipment. Source: FAR 52.245-1: Personal property of a capital nature (including equipment, machine tools, test equipment, furniture, vehicles, and accessory and auxiliary items) for use in manufacturing supplies, in performing services, or for any administrative or general plant purpose. It does not include special tooling or special test equipment.

Property, Plant and Equipment (PP&E). Tangible assets with a useful life of two years or more. PP&E is not intended for sale in the normal course of operations. (Sale is defined by SFFAS No. 3 as occurring when the title passes or the goods are delivered.) It is acquired or constructed with the intention of being used or being available for use and excludes OM&S. It is primarily used to produce goods or services, or to support the mission. Plant Equipment is an example of PP&E. "Military equipment" and "General Equipment" are other categories of PP&E. Military Equipment (ME) is categorized as weapon systems that can be used directly by the Armed Forces to carry out battlefield missions. ME examples include combat aircraft, pods, combat ships, support ships, satellites, and combat vehicles. General Equipment (GE) examples include training aircraft, simulators, fire trucks, x-ray machines and crash and salvage equipment.

Reason Code. A one character field that provides the rationale for maintaining material.

Retention Level. Recommended quantity of material to be held as project stock that was determined through either a policy decision or derived mathematically.

Special Test Equipment (STE). Source: FAR 45. STE is equipment that is either a single or multipurpose integrated test unit engineered, designed, fabricated, or modified to accomplish special purpose testing in performing a contract. It consists of items or assemblies of equipment including standard or general purpose items or components that are interconnected and interdependent so as to become a new functional entity for special testing purposes. STE is a sub-category of GFE. GFE is a sub-category of GFP.

Special Tooling (ST). Source: FAR Part 45. ST is comprised of jigs, dies, fixtures, molds, patterns, taps, gauges, other equipment and manufacturing aids, all components of these items, and replacement of these items, which are of such a specialized nature that, without substantial modification or alteration, their use is limited to the development or production of particular supplies or parts thereof, or to the performance of particular services. ST is a sub-category of GFE. GFE is a sub-category of GFP. The difference between ST and STE is that ST is specialized and must have limited use. This means that, without substantial modifications, its use is limited to producing particular supplies or carrying out a specific function. In contrast, STE is a test unit created to accomplish

special purpose testing during contract performance. If it can be modified for general purposes with relatively minor expense, it is not STE.

Unique Item Identifier (UII). Source: SECNAVINST 4440.33. The UII is defined in two separate contexts:

- a. DoD UII Data Set. A UII is a set of data elements marked on an item that is globally unique and unambiguous. For items that are serialized within the enterprise identifier, the UII data set includes the data elements of enterprise identifier and a unique serial number (construct #1). For items that are serialized within the part, lot or batch number within the enterprise identifier, the UII data set includes the data elements of enterprise identifier, the original part, lot or batch number, and the serial number (construct #2).
- b. Use. The generic term UII has evolved through usage to mean the concatenated UII as a common database key without regard to the data set construct being used. In this context, the term "UII" may be used to designate UII constructs #1 and #2, or the DoD recognized equivalents of global individual asset identifier, global returnable asset identifier, vehicle identification number, or electronic serial number (for cell phones only).

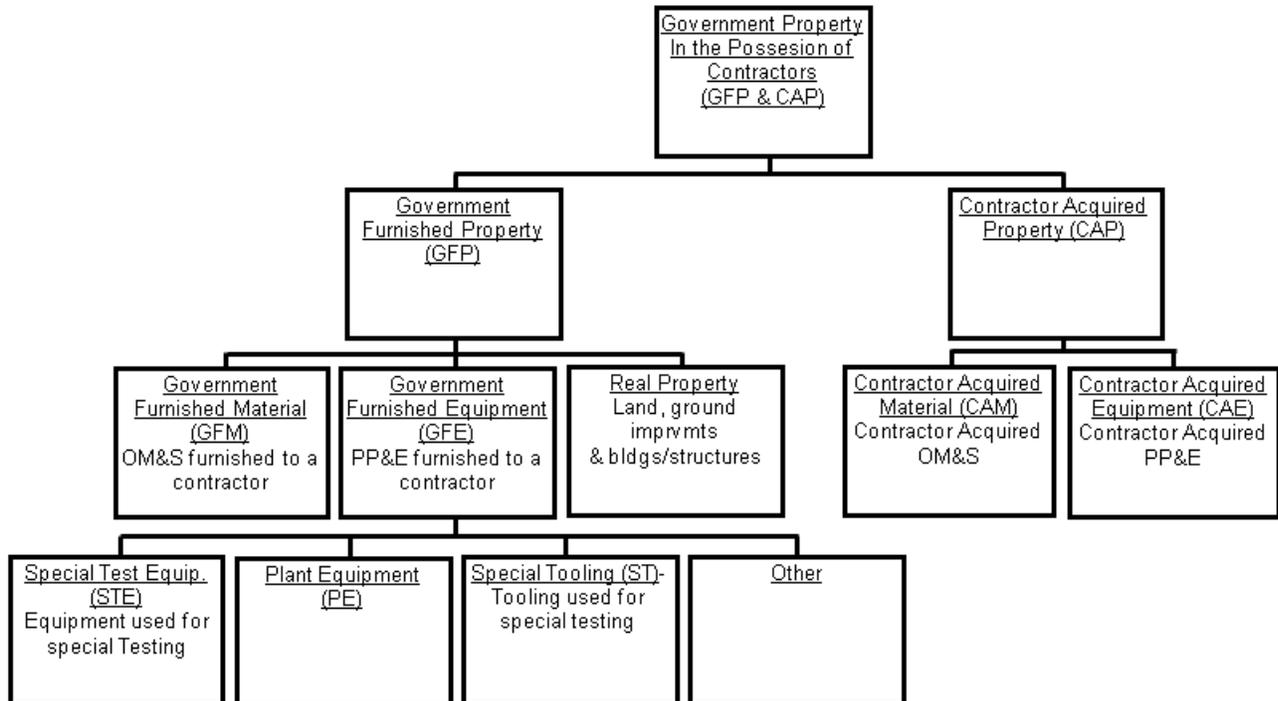
FMR GENERAL LEDGER CATEGORIZATION GUIDELINES

Excerpt from Reference (a) DODINST 7000.14-R, Financial Management Regulation (FMR) Volume 4, Chapter 4, Table 4-2

U.S. Standard General Ledger Account	Supply Condition Codes
<p>1511 Operating Materials and Supplies Held for Use</p>	<p>A Serviceable Issuable Without Qualification B Serviceable Issuable With Qualification C Serviceable Priority Issue D Serviceable Test/Modification</p> <p>Use this account to record amounts for OM&S with condition codes A-D up to the approved acquisition objective (AAO).</p> <p>[Excludes Excess, Economic Retention and Contingency Retention OM&S]</p>
<p>1512 Operating Materials and Supplies Held in Reserve for Future Use</p>	<p>E Unserviceable Repairable (Limited Cost to Restore) J Suspended (In Stock) K Suspended (Returns) L Suspended (In Litigation) Q Suspended (Quality Deficient Exhibits)</p> <p>Use this account to record amounts for OM&S with condition codes A-D, E, J, K, L, and Q. that is above the AAO and is retained for economic or contingency purposes.</p> <p>[Excludes Excess OM&S]</p>
<p>1514 Operating Materials and Supplies Held for Repair (Remanufacturing)</p>	<p>F Unserviceable Repairable G Unserviceable Incomplete M Suspended (In Work) R Suspended (Reclaimed Items, Awaiting Condition Determination)</p> <p>Use this account to record amounts for all OM&S with condition codes F, G, M, and R.</p> <p>[Excludes Excess OM&S]</p>
<p>1513 Operating Materials and Supplies – Excess, Obsolete, or Unserviceable</p>	<p>Use this account to record amounts for OM&S that is NOT reportable in USSGL accounts 1511, 1512, or 1514. The OM&S reported using this account must be valued at its NRV.</p> <p>[Includes Serviceable and Unserviceable Excess OM&S]</p>
<p>Note 1: Condition Code N is for Ammunition Stocks only, which are classified as OM&S. Condition Code V is for Condemned Ammunition.</p> <p>Note 2: Condition Codes do not distinguish War Reserve/Mobilization items from inventory items.</p>	

**GOVERNMENT FURNISHED PROPERTY (GFP) AND
CONTRACTOR ACQUIRED PROPERTY (CAP) CATEGORIZATION CHART**

- CAP is not tracked within Government databases per reference (i) - DASN (A&LM) Memorandum, Contractor Acquired Property (CAP), 21 Jan 2010. Although the Government may have title, CAP has not yet been delivered. CAP that is subsequently delivered to the Government for use on the same or another contract is considered Government Furnished Property.
- GFP records for tangible assets are centralized within SPAWARSYCOM 4.0. CORs will email listings monthly to scm-spawar@navy.mil



The above depiction does not include Government Furnished Information (GFI) or Government Furnished Software. In the event GFI or Government Furnished Software requires tracking, personnel shall report it to SPAWAR 4.0.

GFP AND CAP REPORTING REQUIREMENTS

Initial and subsequent reports shall be provided in Microsoft Excel to SPAWAR 4.0 Supply Chain Management Office. Email to scm-spawar@navy.mil utilizing the template described below and on the next page.

Send requests for the template in Microsoft Excel format or further assistance to scm-spawar@navy.mil

1. SPAWAR will not track CAP internally per DASA (AL&M) Memorandum of 21 Jan 2010.
2. Report GFP for only one contract and delivery order per file.
3. Do not add rows to the excel file.
4. Do not add fields before Field 26. Additional fields may be added after Field Number 26, if desired.
5. Naming convention for each file:
 - 13 digit contract number plus 4 digit Task (or Delivery) Order number (no special characters, dashes, periods, slashes, etc.).
 - Underscore, then 12 digit last name (first 12 digits of the COR's last name) in capital letters.
 - Underscore, then data reported as follows: YYMMDD
 - Sample: N0003904D00010000_SCHMUKATELLI_100816
6. Each line item must contain a dollar value and be traceable back to a part during an inventory audit
7. Required Data Elements/Fields:

ID	DATA ELEMENT / FIELD NAME	DESCRIPTION
1	COR EMAIL ADDRESS	Government Contracting Officers Representative
2	PGM ACRONYM	e.g., DMR, GCCS-M
3	CONTRACT NUMBER AND D.O.#	17 Characters. No special characters. Sample: N0003901D0093NS01. Enter 4 zero's when no task or delivery exists.
4	CONTRACT MOD #	Contract Modification Number that added item to contractor's stock as GFP. If was prime contract, enter zero.
5	CTR NAME	Contractor holding activity.
6	LOCATION	Geographical location (address) and bldg/bin. Sample: San Diego, CA 92110; Old Town; Bldg 3, BIN 246A
7	ACQ METHOD	Purchased, constructed, transferred in, loaned, etc.
8	ST OR STE	If item is a sub-category of GFE, enter "ST" or "STE" (Special Tooling or Special Test Equipment). If not, leave blank.
9	MFR CAGE CODE	Manufacturer's CAGE Code.
10	PART NUMBER	Part Number, usually found on the nameplate or receiving document.
11	SERIAL NUMBER	Serial Number, usually found on the nameplate or receiving document.
12	TRANS DATE	Transaction Date for when item was received or shipped or when it was changed to 'on hand.' Sample: 01/10/2010

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ID	DATA ELEMENT / FIELD NAME	DESCRIPTION
13	QTY RCVD	Quantity in (e.g., received)
14	QTY O/H	Quantity - Balance on hand.
15	QTY ISSUED	Quantity Out (e.g., shipped/issued/consumed/disposed of)
16	VALUE\$	Original acquisition or historical cost.
17	OH SBTLS\$	On Hand Subtotal\$. Equals quantity on hand multiplied by \$value.
18	COG CODE	Cognizance Code. 2-digit alphanumeric code prefixed to the NSN
19	FSC	Part of the NSN, Federal Supply Class.
20	NIIN	Part of the NSN; National Item Identification Number.
21	NOUN NAME/DESCR	Noun Name, Description or Nomenclature.
22	OWNER/SPONSOR (PM)	Accountable owner. Samples: SSC LANT 41354, PMW160, PMS485
23	POSTING REF	e.g., DD1149, DD1348, receiving report number, purchase order, invoice number.
24	UNIT OF ISSUE	Unit of Measure. Sample: EA
25	STATUS/DISPOSITION	For example: active or inactive (retired) staged, stored, in-transit, transferred, excess, awaiting disposal, disposed of.
26	UII	IUID Unique Item Identifier (UII)

REASON CODES

Reason Code	Category
A	<u>Diminishing Manufacturing Sources and Material Shortages (DMSMS)</u> : DMSMS items are held because the commercial sector no longer produces them even though they are still required by the user community. DMSMS items consist of hardware, electronic components, circuit card assemblies or other items, which have a defined Fleet demand, but are no longer procurable. DMSMS items have been set aside in quantities sufficient to support projected Fleet needs.
B	<u>Installation Items</u> : Items used by an installation team to support new system or system upgrade installations and tests and to satisfy subsequent equipment or part failures that occur during the check out process. Installation items may also include upgrade kits or hardware which will be installed on ship or a shore facility at a later date.
C	<u>Lab Support Items</u> : Items required to support laboratory facilities.
D	<u>Research and Development (R&D)</u> : R&D includes items such as Engineering Development Models (EDMs) which are used in a Research and Development programs and not placed into permanent use. These items shall be categorized and managed as Property, Plant and Equipment (PP&E).
E	<u>Non-Navy Equipment</u> : Items held on the basis of a memorandum of agreement with another Service are termed "Non-Navy Equipment." This includes material to support systems and equipment for customers other than Navy.
H	<u>Interim Support</u> : Spares and repair parts used to support installed operational systems before the NAVICP Material Support Date (MSD) has been reached are termed Interim Support material. This category includes Installation and Checkout (INCO) spares, Depot spares and On Board Repair Parts (OBSPs).
I	<u>Foreign Military Sales (FMS)</u> : Project material designated for FMS Programs.

Reason Code	Category
K	<p><u>De-installed assets for reuse</u>: These are items that have been removed from ships, subs and shore sites and are retained for reuse by a specific program.</p>
P	<p><u>Production & Integration (P&I) Material</u>: P&I is material that is used in production and integration efforts within a SPAWAR integration facility where the final product will be installed onboard ships, subs or shore sites.</p>
R	<p><u>Depot maintenance and/or repair</u>: Items used in support of depot maintenance and/or repair. Includes both the end item being repaired as well as components and piece parts used during the depot maintenance/repair process.</p>
X	<p><u>Excess Material</u>: Material that is declared to be in excess of requirements and that is currently available may include the following sub-categories:</p> <p><u>Obsolete Material</u>: has no known users, is in a temporary holding category and in process of being disposed.</p> <p><u>Redistribution Material</u>: includes residual material from operating units or support activities temporarily retained while being made available for screening and use by other DoD components. Documented, service approved procedures govern the management of redistribution material. Centralized visibility will be maintained.</p> <p><u>Unserviceable Material</u>: is physically damaged, condition code H (condemned) material in a temporary holding category; in the process of being disposed.</p>

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LETTER OF DESIGNATION

**Use to document designation of a
holding activity's OM&S, GFP, CAP, and Inventory Manager**

4440
Ser _____
Date _____

From:
To:

Subj: DESIGNATION AS OFFICIAL OPERATING MATERIALS AND SUPPLIES (OM&S),
GOVERNMENT FURNISHED PROPERTY (GFP), CONTRACTOR ACQUIRED PROPERTY
(CAP), AND INVENTORY MANAGER

Ref: (a) SPAWARINST 4440.12, MANAGEMENT OF OM&S, GFP, CAP, PP&E and
Inventory

1. Per reference (a), you are designated [ACTIVITY NAME]'s official OM&S, GFP, CAP, and Inventory Manager which will include oversight of OM&S, GFP and Inventory to include Special Tooling and Special Test Equipment (ST/STE) as defined by reference (a). You will familiarize yourself with policies and procedures of reference (a) and other applicable program elements in the performance of your duties.

2. In your capacity as OM&S, GFP, CAP, and Inventory Manager, you will support the competency aligned organizational National Competency Lead SPAWARSYSCOM 4.3.2 in the area of Supply Chain Management and collaborate with all codes within SPAWARSYSCEN Atlantic, SPAWARSYSCEN Pacific, SPAWARSYSCOM 1.0, 2.0, 8.0, PEO C4I, PEO EIS and PEO Space Systems to accomplish your duties with the goal of standardizing and improving OM&S, GFP, CAP, and Inventory processes and communication within Team SPAWAR.

3. This supersedes any previous such designations and will remain in effect until officially revoked in writing or detachment from this command.

4. Please contact COMSPAWARSYSCOM 4.3.2, Technical Director for Supply Chain Management, Ms. Barbara Hauenstein, if you have questions.

Signature
TYPED NAME
TYPED TITLE

Copy to:
SPAWARSYSCOM 1.0
SPAWARSYSCOM 2.0
SPAWARSYSCOM 4.0 (email to scm-spawar@navy.mil)
SPAWARSYSCOM 8.0
SPAWARSYSCEN Atlantic
SPAWARSYSCEN Pacific
PEO C4I
PEO EIS
PEO SS

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ANNUAL REVIEW GUIDELINES AND MEMORANDUM

1. In accordance with SPAWARINST 4440.12 (Management of OM&S, GFP, CAP, PP&E and Inventory), annually, the PM/owner shall review with holding activity's OM&S, GFP, CAP, and Inventory Manager material categorized as MHFU, MHFR, MHFFU and E,O&U with results documented within a Memorandum for the Record (see attached). Items moved to E,O&U must be disposed of within 180 days of movement to the E,O&U account. The Annual Review is required for all material held by the holding activity regardless of whether or not the owner of the material is a member (e.g., PEO/PM) of Team SPAWAR.

2. Individual items on hand held for 24 months without an issue or at project close will be evaluated as candidates for redistribution or disposal. Items to be retained must be justified by the attached Memorandum for the Record signed and dated by the sponsor, which must also stipulate how much longer each item will be held and provide the remaining Approved Acquisition Objective and retention levels.

3. Information about individual items that should be considered, includes, but is not limited to:

- a. Program application
- b. Annual usage
- c. Quantity on hand
- d. Other program applications
- e. Quantity in each equipment or component
- f. Availability of item in Supply System and market place
- g. Acquisition lead time
- h. Alterations, including Enterprise Change Requests (ECRs), Engineering Change Proposals (ECPs) or Design Change Notices (DCNs) affecting the material
- i. Length of time since last issue
- j. Retention Level
- k. Approved Acquisition Objective
- l. Program End Date

4. Decisions made and recorded within each line items reviewed and summarized within the Memorandum for the Record will include the following information, most of which should have been documented during initial receipt/entry of item:

- a. Owner Department (e.g., Department of Defense, Department of Homeland Security, Department of Justice)
- b. Owner Service (e.g., Air Force, Navy, Army, Marine Corps)
- c. Owner Program or Project Manager (e.g., PEO XXX and PMWXXX, SSC Atlantic)
- d. Owner SYSCOM (e.g., SPAWAR, NAVAIR, NAVSEA)
- e. Program name
- f. Original Approved Acquisition Objective with remaining requirement
- g. Program end date

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- h. Number of line items reviewed
- i. Number of line items moved to GL account E,O&U.
- j. Number of line items retained and moved to GL account MHFU.
- k. Justification (reason code) for retaining items past 24 months without an issue.
- l. Name and signature of Program Manager.

5. Each line item within the appropriate AIS will be annotated with the results and date of each review.

7. Report to scm-spawar@navy.mil and maintain for two years.

ANNUAL REVIEW - MEMORANDUM FOR THE RECORD

4440
Ser XX/XXX
XX XXX XXXX

Subj: OPERATING MATERIALS & SUPPLIES (OM&S) ANNUAL REVIEW

Ref: (a) SPAWARINST 4440.12, MANAGEMENT OF OM&S, GFP, CAP, PP&E and Inventory

1. Per reference (a), an Annual Review was conducted on OM&S owned by [OWNER] between the owner/sponsor and the holding activity (SSC XXX) for the following programs: XXX, XXX-X, XXXX, XXXX, XXXXX.

2. Program Approved Acquisition Objectives.

Program	AAO (original quantity)	AAO (remaining quantity)	Date by when AAO is expected to be reached

3. Decisions made during this Annual Review have been documented within each line item within the SPAWAR OM&S Database and are summarized below:

Program	No. Line Items Held	No. Line Items Reviewed	No. Line Items Retained - moved from GL Account MHFU to MHFFU	*No. Line Items Moved to GL Account E,O&U	Summary of Justifications (Reason Codes)

Items moved to E,O&U must be disposed of within 180 days of movement to that GL account.

Below signatures identify the participants in this Annual Review and certify the necessity to hold material beyond 24 months without an issue:

Holding Activity OM&S, GFP, CAP, and Inventory Manager	Owner	SPAWARSYSCOM 4.0 Supply Chain Management Office
<i>Signature</i>	<i>Signature</i>	<i>Signature</i>
TYPED NAME	TYPED NAME	TYPED NAME

Electronic Copy via email to:
Owner
SPAWARSYSCOM 4.3.2 (scm-spawar@navy.mil)
SSC XXXX (ISEA)