THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

MAY 12 2005

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Policy Update for Item Unique Identification of Tangible Personal Property, Including Government Property in the Possession of Contractors

This memorandum updates the Item Unique Identification (IUID) policy and implementation guidelines, as detailed in Attachment 1; establishes requirements for applying IUID to DoD property in the possession of contractors (PIPC); and provides policy for furnishing Government property, in general.

The DoD has identified PIPC as a financial statement weakness and is developing policy and processes to improve accountability, accuracy and reliability. Reducing the proliferation of government furnished property will help mitigate this material weakness. In accordance with the Federal Acquisition Regulation (FAR) Subpart 45.3, Secretaries of the Military Departments and the Directors of Defense Agencies should ensure that property is furnished to contractors only when it is in the DoD's best interest; that the overall benefit to the procurement significantly outweighs the increased cost of administration, including property disposal; and that the Government risk is not substantially greater than if property were not furnished.

I request that the Secretaries of the Military Departments and the Directors of Defense Agencies direct all program and item managers who are accountable for PIPC to plan for and expand their IUID implementation to PIPC for more efficient management of this property and, in coordination with the UID Program Office, develop interfaces with the IUID Registry and component specific property systems. The following principles for property management apply:

- Property should only be accountable in one property accountability system at a time;
- Acquisition value will be recorded and updated in the IUID Registry; enabling the elimination of the DD Form 1662, DoD Property in the Custody of Contractors;
- The IUID Registry will –
  - Not be a property accountability system; but will provide the audit trail of property in current and previous accountability systems
  - Maintain master IUID data, and

- Be updated with key transaction events; pointing to the current and previous property accountability system(s) but not maintaining detailed transactional data.

In addition, effective January 1, 2006, all new solicitations and contracts that include Government Furnished Property (GFP), must comply with the IUID requirements. The transition period for GFP on existing contracts to an electronic capability in the IUID Registry is June 2005 through September 2006 (Attachment 2). I have directed the Director, Defense Procurement and Acquisition Policy, to ensure that Wide Area Work Flow and the IUID Registry are enhanced to create a joint electronic management and tracking capability for PIPC.

Effective immediately, all acquisition milestone reviews shall address implementation of the IUID policy, including Government PIPC. This policy also applies to PIPC accountable on existing contracts, including all legacy programs or items that will be phased out (unlike the policy dated December 23, 2004 addressing property in inventory and operational channels, which exempted programs or items that will be phased out of inventory by December 31, 2010). Milestone Decision Authorities should review program plans for inclusion of all new deliverable items, embedded items, government property, and legacy items that meet the IUID criteria, as specified in the Defense Federal Acquisition Regulation Supplement (DFARS) Subpart 211.274, Unique Item Identification and Valuation, and the memorandum, entitled "Policy for Unique Identification of Tangible Personal Property Legacy Items in Inventory and Operational Use, Including Government Furnished Property," dated December 23, 2004.

I request that the Deputy Under Secretary of Defense (Logistics and Materiel Readiness) ensure existing logistics policies direct the application, event tracking, and reporting of IUID data, including the integration of this policy with serialized item management. IUID is essential to the establishment of asset accountability, including reliable valuation of this property

I also request that the Military Departments and Defense Logistics Agency Component Acquisition Executives (CAEs) develop and submit plans to modernize or develop infrastructure and modify Automated Information Systems (AIS) to incorporate the capability to use IUID for management of property and to enhance acquisition and logistics processes. The plans must be submitted to the respective Milestone Decision Authorities and the UID Program Office, by January 1, 2006.

I have asked the Director, Defense Procurement and Acquisition Policy to execute an alternate DFARS clause, under deviation authority, to extend the FY 2005 reporting date for the DD Form 1662 to May 31, 2006. I anticipate this deviation will be published by August 1, 2005, and the Defense Contract Management Agency (DCMA) will notify contractors of this change. Contractors who elect to voluntarily submit the master IUID data for

Government PIPC into the IUID Registry by May 31, 2006, must notify DCMA in writing no later than September 1, 2005. The Director, Defense Contract Management Agency, through Administrative Contracting Officers, will have the authority to execute block changes and incorporate the alternate DFARS clause.

I am encouraged by the number of contractors proactively working with customers to achieve IUID compliance. I am also pleased that approximately 43 percent of the companies who have submitted data to the IUID Registry are small businesses. In April, small businesses accounted for 26 percent of the registry records. I also applaud the efforts of CH-47 and the Joint Direct Attack Munition (JDAM) programs. CH-47 will add over 3,000 embedded records to the IUID Registry upon deployment of the legacy capability.

Current IUID information and the latest version of the DoD Guide to Uniquely Identifying Items are available at: http://www.acq.osd.mil/dpap/UID/. Policy questions or comments may be addressed to Ms. Lydia Dawson by telephone at (703) 695-1098 or by email at lydia.dawson@osd.mil.

Michael W. Wynne

Attachments:
As stated

DISTRIBUTION:
SECRETARIES OF THE MILITARY DEPARTMENTS
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DIRECTOR, SMALL AND DISADVANTAGED BUSINESS UTILIZATION

IUID Policy Updates

Final DFARS Rule

The final DFARS Rule, Unique Item Identification and Valuation (Case 2003-D081) was published in the Federal Register on April 22, 2005.

Milestone Criteria

The following milestone criteria shall apply to DoD IUID program reviews. IUID Program Plans must –

- Apply to all programs that result in the delivery of items to the Department of Defense;
- Incorporate IUID requirements for all new end items meeting the IUID criteria;
- Incorporate the capability to use IUID in all new Automated Information Systems (AIS) used for the management of property;
- Support Performance Based Logistics (PBL) objectives for total asset visibility, life cycle inventory management, and serialized item management;
- Be consistent with financial accounting and property management objectives;
- Integrate IUID in configuration and document management;
- Address organic manufacturing;
- Incorporate IUID requirements for all embedded items that meet the IUID criteria, including all serially managed embedded items;
- Address IUID requirements for legacy items, to include –
    - Retrofit plans for 2010 completion for in-service items,
    - Inventory items and embedded items, and
    - Impact to Automated Information Systems (AIS);
- Address Automated Identification Technology (AIT) infrastructure requirements, to include –
    - Maintenance and supply support,
    - Organic manufacturing, and
    - Deployable assets;
- Address compatibility with automated information systems, to include –
    - Program-specific information, and
    - Cross-program/cross-service information systems.

Attachment 1

Part Number Changes

Once assigned to an item, the Unique Item Identifier (UII) must remain unchanged for the life of the item. This rule applies to fully compliant UIIs, DoD recognized IUID equivalents, and virtual UIIs. If a Class I or Class II engineering change is made to an item that causes the original part number assigned to that item to change, the IUID Registry will be updated to reflect the Current Part Number and its new Current Acquisition Value, as required.

Military Standard (MIL STD) 130L, Change 1 References to IUID Policy and Guidance

The DoD IUID policy memoranda and the DoD Guide to Uniquely Identifying Items form a part of MIL STD 130L, Change 1, only to the extent that such policies and guidance are specified directly in MIL STD 130L, Change 1. References to IUID policies and related implementation guides are intended to provide the user of MIL STD 130L, Change 1, with significant insight for meeting the requirements on IUID. The referencing of these documents in MIL STD 130L, Change 1, does not make all their provisions contract requirements.

IUID Program Plans

The December 23, 2004 policy update required all non-ACAT 1D programs to submit their IUID program plans to their respective Milestone Decision Authorities by January 2006. In addition, a copy of the program plan must be concurrently submitted to the UID Program Office.

Legacy Data

The required and optional legacy data elements have been identified and defined[1]. The UID Program Manager has added the following data elements to the IUID Registry to support the identification of legacy items:

- Custody (changed from Government Property)
- Category Code (equipment or material)

Data submission approaches have been defined and the IUID Registry will be available to accept IUID legacy data by June 2005. The IUID Registry is capable of accepting data voluntarily submitted, even though it may not be contractually required.

[1] The complete list of data element definitions will be published in June 2005 concurrent with the detailed instructions for electronic submission of Government Property in the Possession of Contractors into the IUID Registry.

Serialization Strategy

The contractor assigning the Unique Item Identifier (UII), shall determine whether to serialize within the enterprise identifier or to serialize within the part, lot or batch number when implementing IUID for existing items, or newly serialized items on existing contracts, that meet the DoD requirements for unique identification.

Block Contract Changes

The procedures outlined below should be followed by any DoD contractor unable to fully comply with the DFARS IUID marking requirement.

Within 60 days from the effective contract award date, the contractor will submit an alternative implementation plan to its cognizant DoD contracting officer (for additional guidance and content details refer to the UID website at: http://www.acq.osd.mil/dpap/UID). Where the Defense Contract Management Agency (DCMA) or Supervisor of Shipbuilding has administration, the cognizant contracting officer is the Administrative Contracting Officer (ACO).

The plan will be forwarded to its major customers for concurrence by the cognizant contracting officer. The timeframe for customer review and written notification of concurrence back to the contracting officer will not exceed 160 days. Where DCMA has cognizance, the implementation plans will be sent to Ms. Joan Sherwood at DCMA Headquarters, joan.sherwood@dcma.mil.

Upon receipt of written concurrence with the plan, from DCMA, the cognizant contracting officer will incorporate the terms of the approved plan into affected contracts using a block change modification.

In the interim, prior to approval of the plan, the cognizant procuring or administrative contracting officer may incorporate the proposed implementation plan, to include the schedule for completion of IUID marking capability, into new contract awards or existing contracts as a further clarification of DFARS 252.211-7003.

The following terms of reference shall apply to tangible Item Unique Identification (IUID)

In addition to the definitions in the final DFARS Rule, Unique Item Identification and Valuation (Case 2003-D081), the evolving policy is the basis for the following clarifications:

- **Unique Item Identifier (UII).** The UII is defined in two separate contexts:

  a. DoD UII Data Set. A UII is a set of machine-readable 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 IUID equivalents of Global Individual Asset Identifier (GIAI), Global Returnable Asset Identifier (GRAI), Vehicle Identification Number (VIN), or Electronic Serial Number ((ESN), for cell phones only).

- **Concatenated Unique Item Identifier (UII).** A concatenated UII is constructed with specific data linked together as a continuous string, as follows:

  a. For items that are serialized within the enterprise identifier, the UII data elements in order of the issuing agency code, enterprise identifier, and unique serial number within the enterprise identifier (Construct #1).

  b. For items that are serialized within the original part, lot or batch number, the UII data elements in order of the issuing agency code; enterprise identifier; original part, lot or batch number; and serial number within the original part, lot or batch number (Construct #2).

  c. For DoD recognized IUID equivalents, the value of the equivalent data string, as constructed by the rules governing the equivalents' structure.

- **Compliant Unique Item Identifier (UII).** For DoD purposes, a compliant UII is either a Construct #1, Construct #2, Global Individual Asset Identifier (GIAI), Global Returnable Asset Identifier (GRAI), Vehicle Identification Number (VIN), or Electronic Serial Number ((ESN), for cell phones only), whose machine-

readable data elements are encoded in a data matrix in the ISO/IEC 15434 syntax with ISO/IEC 15418 semantics.

- **Virtual Unique Item Identifier (UII).** Virtual UIIs may be used for DoD-owned legacy personal property items or PIPC. Some items may have the requisite data elements necessary to construct a UII already marked on them; however, these data elements are physically placed in a marking medium that is not DoD UII compliant, i.e., the marking medium is not the data matrix symbology encoded with ISO/IEC 15434 syntax and ISO/IEC 15418 semantics. In these cases, the UII data elements for such an item can be recorded in the IUID Registry, even though the marks containing the data elements are not DoD UII compliant. The virtual UII shall be assigned and managed through use of the following business rules:

  - An item shall have an existing innate serialized identity and meet the criteria for item unique identification. Contractors in possession of Government property may use the asset identification number they use to track the item as the innate serialized identity.

  - The innate serialized identity data (e.g., enterprise designation; part, lot or batch number; serial number; or property control number) is affixed to the item (e.g., contact memory button, linear bar code, two-dimensional bar code, human readable data plate, etc).

  - The enterprise identifier of the enterprise that assigns the virtual UII for the item shall be used in conjunction with the existing innate serialized identity data (e.g., manufacturer; part, lot or batch number; serial number; or property control number) to establish a virtual UII[2] The enterprise assigning the virtual UII shall: (a) validate the accuracy of the innate serialized identity data for items to guarantee uniqueness of the virtual UIIs to be assigned, and (b) assure that using the innate serialized identity data on items from different manufacturers does not create a duplicate UII[3].

  - The enterprise that has responsibility of Government property shall use its enterprise identifier for the assignment of virtual UIIs to the Government property in its possession, even though the Government property may be

[2] As an alternative, an enterprise identifier other than that of the enterprise assigning the virtual UII may be used provided there is a written agreement between the two parties to document the arrangement.
[3] The enterprise assigning the unique identifier may wish to consider appending a prefix to the item's current serialization construct in order to minimize this issue.

physically located at different facilities of the enterprise or at the enterprise's subcontractor facilities.

- The assigned virtual UII must become the permanent UII used for a physical compliant UII mark using the mandatory DoD requirement of the two-dimensional data matrix symbol encoded with ISO/IEC 15434 syntax and ISO/IEC 15418 semantics.

The Guidelines for the Virtual Unique Identifier (UII), Version 1.0, December 27, 2004 are available on the UID website, http://www.acq.osd.mil/dpap/UID/.

IUID Policy for Tangible Personal Property, including Government Property In the Possession of Contractors (PIPC)

This policy applies to tangible personal property; defined as property of any kind or any interest therein, except real property, i.e., equipment and material as defined below.

Electronic Government PIPC

Development of one central DoD electronic Government PIPC capability as an integral function of the IUID Registry will be evolutionary, with increasing functionality and integration incorporated at each phase. Effective in June 2005, the function of the IUID Registry will expand to provide storage of and access to data that identifies and describes DoD PIPC. The transition of GFP to the DoD electronic PIPC capability will be accomplished in phases, beginning with equipment PIPC. Remaining PIPC, classified as material, will be transitioned as transactions are migrated to Wide Area Workflow as a PIPC gateway. Contractor Acquired Property (CAP) will only be added to the IUID Registry if DoD takes custody of the property. Beginning in Fiscal Year (FY) 2007, it is the intent that all PIPC acquisition valuation data will be obtained from the IUID Registry. All legacy data systems in use by the Military Departments and DoD Components, as well as all future data systems, must accommodate IUID as the basis for integrated management of assets, including DoD PIPC, and facilitate the correlation and sharing of information in a net-centric environment. The IUID Registry will provide the central enterprise-wide DoD capability for electronic management of PIPC. Transition to electronic management of DoD PIPC will provide information to ensure accurate stewardship and accountability of Government PIPC. The use of electronic forms and processing of transactions and approvals will reduce paper processes.

Wide Area Workflow Development Plan

Development of the Initial Operating Capability (IOC) for electronic Government PIPC management will include modification of Wide Area Workflow (WAWF) as an alternative to capturing property transfers. Modification of WAWF will be accomplished in three (3) phases, as follows:

Phase 1 will provide the initial on-line capability and include shipment and receipt of property as it moves between DoD and contractors. New contractor and government roles will be added to WAWF to enable this functionality. Phase 1 will assume that required approvals and contract modifications for the transfer of Government PIPC have occurred outside of WAWF prior to the creation of a WAWF transaction.

Attachment 2

- Phase 2 will integrate the capability to connect component property accountability systems to the IUID Registry.
- Phase 3 will enhance the integrated capability for industry to requisition from DoD sources.

Later phases will incorporate government program office approval processes and contracting office interfaces.

Elimination of the DD Form 1662, DoD Property in the Custody of Contractors

Current efforts are underway to publish a new DFARS Rule for Unique Identification of Government Property In the Possession of Contractors (PIPC) by June 2006. Effective with the publication of the new DFARS Rule, the submission of all Government property in the possession of contractors into the IUID Registry will be mandatory, for all qualifying items. The target date to eliminate the DD Form 1662 is September 30, 2006.

The DoD UID Program Office and the Deputy Director, Property and Equipment Policy, with concurrence from the Deputy Under Secretary of Defense, Installations and Environment, as needed, will develop additional rules for valuation and property administration to address general personal property, real estate, military equipment, and other categories of property that are not included in the new definitions of Government PIPC.

The UID Program Office will also develop policy for unique identification of ancillary items produced, acquired or otherwise provided by the contractor for performing a contract and to which the Government has title. Unique identification of ancillary items will only be required if the Government subsequently takes custody of those items. Custody as defined by Department of Defense Instruction (DODI) 5000.64 is the physical possession of property. Until a custody event occurs, no CAP will be entered in the IUID Registry. The policy is expected by September 2005.

Transition from DD Form 1662, DoD Property in the Custody of Contractors to Electronic Submission of Government PIPC

Beginning in June 2005, the IUID Registry will be capable of receiving legacy data using XML. The voluntary submission of required Government PIPC into the IUID Registry must be completed no later than May 31, 2006. The detailed guidance for electronic submission of the master IUID data for Government PIPC into the IUID Registry, to include the mandatory and optional data elements, the data submission alternatives and format, will be published by June 2005 on the UID website.

Contractors who do not elect to voluntarily submit the IUID data for Government PIPC into the registry by the May 31, 2006 deadline are required to submit their annual DD Form 1662, DoD Property in the Custody of Contractors, in accordance with their contractual requirements. Voluntary submission of item level data into the IUID Registry by May 31, 2006 will only be required for Government Furnished Equipment (GFE), and will be optional for reparables and serialized Government Furnished Material (GFM.).

Discrepancy Handling

The DoD UID Program Office, with concurrence from the Deputy Under Secretary of Defense, Logistics and Materiel Readiness, and the Director, Defense Procurement and Acquisition Policy, as needed, will develop and publish procedures for reconciling discrepancies associated with the UII, by September 2005. Discrepancies include any finding that the UII, DoD recognized IUID equivalent, or virtual UII assigned to an item is inconsistent with the associated physical mark.

Definitions

Government Property means all property owned by or leased to the Government or acquired by the Government under the terms of the contract. It includes both Government Furnished Property (GFP) and Contractor Acquired Property (CAP).

Government Furnished Property (GFP) is defined as property that is held by, or directly acquired by, the Government and then subsequently furnished to the contractor for performance of a contract.

Contractor Acquired Property (CAP) means property acquired or otherwise provided by the contractor for performing a contract and to which the Government has title.

Government Property In the Possession of Contractors (PIPC) is defined as tangible personal property that is held by, or controlled by, the contractor for performance of a contract. Government PIPC includes -

- Equipment – A tangible article of personal property that is a single item or a single unit formed by a grouping of subassemblies, components, or constituent parts that is durable, nonexpendable, and needed for the performance of a contract. Equipment generally has an expected life of one year or more, and does not ordinarily lose its identity or become a component part of another article when put into use.
- Material - Property that may be incorporated into or attached to a deliverable end item or that may be consumed or expended during the performance of a contract. It includes assemblies, components, parts, raw and processed materials, and small

tools and supplies that lose their individual identity through incorporation into an end-item.

IUID Integration Projects

The UID Program Office has initiated several projects to identify integration solutions with existing legacy systems, as follows:

- Defense Medical Logistics Support System
- Small Arms Community, including Homeland Security
- Joint Aviation Maintenance Data (including T-700 Engine)
- DCMA – WAWF Integration with Plant Clearance Automated Reutilization Screening System plus Loss, Damaged and Destroyed System