



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

3 FEB 2014

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (ACQUISITION,
LOGISTICS AND TECHNOLOGY)
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,
DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)
COMMANDER, UNITED STATES SPECIAL OPERATIONS
COMMAND (ATTN: ACQUISITION EXECUTIVE)
COMMANDER, UNITED STATES TRANSPORTATION
COMMAND (ATTN: ACQUISITION EXECUTIVE)
DEPUTY ASSISTANT SECRETARY OF THE ARMY
(PROCUREMENT)
DEPUTY ASSISTANT SECRETARY OF THE NAVY
(ACQUISITION AND PROCUREMENT)
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING)
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Implementation Status of Government Furnished Property Baseline Establishment

Reference: (a) USD(AT&L) memorandum, "Standard Equipment Data Elements for Government
Furnished Property Baseline Establishment," dated January 7, 2012.

Per the direction of the Under Secretary of Defense for Acquisition, Technology, and Logistics memorandum dated January 7, 2012 (reference (a), attached), each tasked organization was expected to submit financial improvement plans (FIPs) for establishing accountability over Government furnished property (GFP). This was a milestone in the GFP corrective action plan and was achieved in a timely fashion by several Components.

My office has reviewed all FIP submissions and has tracked your progress through Financial Improvement and Audit Readiness meetings and the GFP working group. As Senior Official in Charge of the GFP material weakness on equipment accountability, I remain concerned about the progress we are making toward resolving this weakness. The Director, Defense Procurement and Acquisition Policy (DPAP) as GFP policy functional owner shares my concerns. High-level interaction is necessary to ensure these complex accountability and audit readiness goals are met.

Accordingly, I request each financially reporting Component brief us on milestones achieved, changes in milestones, and overall progress toward establishing accountability of GFP. This will be accomplished through individual sessions with each senior official or officials responsible for GFP accountability. These sessions will be convened at the earliest convenience

of all senior officials involved and should be conducted by no later than March 28, 2014. The GFP action officers will be briefed on the expectations, content, attendees, format, scheduling and other pertinent information at the quarterly GFP working group meeting as chaired by DPAP, Program Development and Implementation.

My point of contact is Mr. Steve Tkac, Deputy Director for Property and Equipment Policy, at Stephen.H.Tkac.civ@mail.mil or 703 697-0586.



Nancy L. Spruill
Director
Acquisition Resources and Analysis

Attachments:
As stated

cc:
Deputy Chief Financial Officer
Assistant Secretary of the Army (Financial Management and Comptroller)
Assistant Secretary of the Navy (Financial Management and Comptroller)
Assistant Secretary of the Air Force (Financial Management and Comptroller)
Assistant Secretary of Defense for Logistics and Materiel Readiness
Director, Defense Procurement and Acquisition Policy
Director, Financial Improvement and Audit Readiness



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

JAN 07 2012

MEMORANDUM FOR SERVICE ACQUISITION EXECUTIVES
ASSISTANT SECRETARY OF DEFENSE FOR NUCLEAR,
CHEMICAL, AND BIOLOGICAL DEFENSE PROGRAMS
ASSISTANT SECRETARY OF DEFENSE FOR SPECIAL
OPERATIONS AND LOW INTENSITY CONFLICT AND
INTERDEPENDENT CAPABILITIES
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES
DEPUTY CHIEF FINANCIAL OFFICER

SUBJECT: Standard Equipment Data Elements for Government Furnished Property Baseline
Establishment

It has come to my attention that a number of Department of Defense (DoD) contractors have been inundated by various data requests concerning Government-furnished property (GFP) as the Department works toward its goal of audit readiness by FY 2017. As the Department improves its GFP accountability, we must be cognizant of the impact internal requirements have on our industry partners. In response to this and the Department's need for consistent, quality data, it is necessary to address this issue with a standardized business process focused on equipment provided as GFP, addressed throughout as Government-furnished equipment (GFE).

To ensure standard business processes are followed, a methodology for establishing a validated GFE baseline has been developed for use by all Components. The attachment, "Methodology for Establishing a Validated GFE Baseline," includes the standard minimum data elements required for an accountable equipment record per DoD Instruction 5000.64, "Accountability and Management of DoD Equipment and Other Accountable Property," and can also be found online (http://www.acq.osd.mil/pepolicy/accountability/accountability_GFP.html). The data elements also satisfy the requirements placed upon contractors via the Federal Acquisition Regulation 52.245-1, "Government Property," and Defense Federal Acquisition Regulation Supplement 252.211-7007, "Reporting of Government-Furnished Equipment in the DoD Item Unique Identification Registry," as well as the required and optional data fields contained in the DoD Item Unique Identification (IUID) Registry.

These standard data elements are aligned to the corresponding data fields in the IUID Registry, providing the Department with a reference for information retrieval and assisting in the use of readily available data to populate accountable property systems of record, in accordance with DoD Instruction 5000.64. The execution of the business process will require coordination with the organization responsible for contract administration, appropriate program offices, and accountable property officers and managers.

If a Component determines that additional data elements are required for their respective needs beyond established contractual terms, they must then be prepared to fund and contractually authorize these additional requirements through a contract data requirements list.

Within 90 days of the date of this memorandum, each Component's Financial Improvement Plan (FIP) should include a detailed project plan for implementing the standard methodology for establishing a validated GFE baseline. Implementation of the project plan and the FIP supports Under Secretary of Defense for Acquisition, Logistics and Technology and Under Secretary of Defense (Comptroller) priorities for Existence and Completeness, and further provides the Department with the means to demonstrate accountability for DoD equipment, regardless of location or custodianship. Our fiduciary responsibilities to the taxpayers extend beyond auditable records to encompass all aspects of the property life cycle. This is an important first step toward rectifying our identified material weakness over GFP and reflects our further commitment to reaching the congressional and Secretary of Defense goal of an auditable Department.

My point of contact for this memo is Mr. Steve Tkac, Property and Equipment Policy, at 703-699-0153 or steve.tkac@osd.mil.



Alan F. Estevez
Acting

Attachment:
As stated

Cc:
Assistant Secretary of the Army (Financial Management and Comptroller)
Assistant Secretary of the Navy (Financial Management and Comptroller)
Assistant Secretary of the Air Force (Financial Management and Comptroller)
Assistant Secretary of Defense for Logistics and Materiel Readiness
Director, Force Structure, Requirements, Resources and Strategic Assessments,
J-8, United States Special Operations Command
Director, Defense Procurement and Acquisition Policy

Methodology for Establishing a Validated GFE Baseline

I. Objective

To provide guidance on developing and validating with reasonable assurance a baseline for legacy Government-furnished equipment (GFE), to include special tools (ST) and special test equipment (STE). Accountability is demonstrated by asset records existing in the respective Accountable Property System of Record (APSR). This methodology is compliant with existing Department of Defense (DoD) guidance and Federal Acquisition Regulations; such as Federal Acquisition Regulation (FAR) 45, Defense Federal Acquisition Regulation Supplement (DFARS) Procedures, Guidance and Information (PGI) 245, and Department of Defense Instruction (DoDI) 5000.64. As a result of this effort, assets will be itemized in the contract and a contract modification executed to demonstrate both parties' agreement that the assets are: (1) owned by the Government and (2) given to and received by the contractor and currently in the contractor's possession. The executed contract modification listing the equipment furnished to the contractor will provide sufficient documentation establishing the Component's rights and ownership to the assets, which should withstand audit scrutiny.

II. Background

Due to DoD policy updates enhancing oversight and accountability requirements of Components to properly document and account for assets, particularly GFE, Components have been challenged with bringing their processes and records into compliance. Components must maintain documentation of property provided to contractors (reference DoDI 5000.64). Without proper documentation and accountability, legal complications can arise, such as title/ownership issues, abandonment, storage costs, and disposal concerns. Lack of accountability and insufficient documentation for GFE assets impacts the Department's ability to achieve audit readiness. A significant component for establishing the appropriate documentation is to gain visibility into the Government-owned assets in the possession of contractors (i.e., establish a baseline of legacy GFE assets). Many of these legacy assets were purchased as contractor acquired property (CAP) and transferred to subsequent contracts without the Government taking a formal acceptance action or creating substantiating records (reference DFARS PGI 245). This methodology is designed to establish the Government's formal acceptance, provide supporting documentation (as required) and follow the recently published DFARS PGI 245 to identify and attach to the contract an itemized listing of GFE, as well as establish appropriate accountable property records in an APSR for those items which never had such created.

CAP is not subject to this methodology, unless the property in question has been transferred from the acquiring contract to a second contract for use. Transferring CAP to a new contract constitutes a delivery and acceptance action, thereby changing the status from CAP to GFP.

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III. Methodology

Detailed below is the proposed methodology and actions for validating the itemization of GFE and storing the details in a central repository available to Components and contractors.

- 1. Develop Project Plan and timeline**
 - Develop action steps to be completed by Project Team.
 - Incorporate Component level milestones into the Financial Improvement Plan, as appropriate; ensure sub-Component level plans align with Component goals.
 - Establish timing for contractors to prepare their detail listings and import/load data into Item Unique Identification (IUID) Registry.
 - Establish timeframe allowing cognizant Contract Administration Office (CAO) to analyze data, determine subsequent validation procedures, and execute these procedures.

- 2. Convene Quarterly DoD, CAO, Contractor GFP Working Group**
 - Assumption: this project does not exceed the scope of contract terms.
 - There is no new work, no new requirements above and beyond the terms in the contract for the contractors.
 - This project is consistent with FAR and DFARS regulations.
 - Organize a working group comprised of key contractors, contracting personnel, CAO, and Components.
 - Develop details on the process used to generate detailed GFE asset listings.
 - Develop/finalize process for loading data into registry.
 - Working Group to identify all contracts expiring within specified timeframe. GFE on these contracts will not be part of the validation effort at this time. Contract close-out reconciliation process will be used to validate these assets.

- 3. Coordinate with Component/Administrative Contracting Officers (ACO) to request contractors to validate and report GFE assets to the IUID Registry**
 - The Office of the Secretary of Defense for Acquisitions, Technology and Logistics has developed a reference chart to establish the data elements required to be reported to the IUID Registry, are available in the IUID Registry, and are required to minimally establish an accountable property record. This chart is located at Appendix B.

- 4. Develop internal metrics to track progress**
 - Metrics to measure contractor progress with validating, updating IUID registry to answer the question, “have they completed their effort?”
 - Coordinate metrics/scorecard reporting to the Quarterly GFP Working Group that measures Component’s progress with reconciling IUID registry data with APSR.

- 5. CAO analyzes data and prioritizes by Contractors/Commercial and Government Entity (CAGE) Codes**
 - CAO to use a risk-based approach to stratifying contractors and their subsequent data.
 - This risk-based approach will use the current analysis rating of the contractor’s property management system. Consistent with DFARS

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245.105, a system may be: adequate, inadequate, approved, or disapproved. New contractors with a “pending” status are not addressed below, as the likelihood of legacy GFE is negligible.

- For contractors where the Property Management System Analysis (PMSA) results are adequate/approved and the Risk Assessment is “LOW”:
 - No additional validation techniques will be required.
 - Once reasonable assurance of the accuracy of the listing is determined, Components can begin reconciling details with their APSRs and creating the required attachments to the contract and modifying the contract.
 - Components should accept these detailed records at face value.
- For contractors where the PMSA results are inadequate/disapproved and their Risk Assessment is “HIGH”:
 - CAO should review the current status of their corrective action plan and its effect on the Property Management System to provide “reasonable assurance.”
 - If CAO determines the corrective action plan provides reasonable assurance that the asset listing is accurate, then after completion and implementation of the corrective action plan, sampling techniques should be used to validate the accuracy of the asset listing. Once reasonable assurance of the accuracy of the listing is determined, Components may begin reconciling details with their APSRs and creating the required attachments to the contract and modifying the contract.
 - If CAO determines the corrective action plan does not provide reasonable assurance, then the Component should coordinate and conduct a wall-to-wall inventory to verify 100 percent of the asset listing.
- For contractors with a PMSA result showing inadequate/disapproved , and a Risk Assessment of “MODERATE”:
 - CAO should review the current status of the corrective action plan.
 - If CAO determines that plan is effective at providing reasonable assurance the asset listing is accurate, then no additional validation techniques are required. Once reasonable assurance of the accuracy of the listing is determined, Components may begin reconciling details with their APSRs and creating the required attachments to the contract and modifying the contract.
 - If CAO determines the corrective action plan is not effective at this point, CAO should use sampling techniques to audit the accuracy of the detailed asset listing. Once reasonable assurance of the accuracy of the listing is determined, Components may begin reconciling the data with their APSR, creating the required attachments and modifying the contract.

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- 6. CAO performs subsequent validation techniques for specific contractor/CAGE codes**
 - A risk-based assessment will be used to determine which contractor and CAGE code will be subject to additional validation procedures.
 - Typically, sampling techniques will be used for contractors with inadequate/disapproved PMSA results and a “MODERATE” risk assessment.
 - For contractors with inadequate/disapproved PMSA results and “HIGH” risk assessment, a wall-to-wall inventory approach will be used and performed by the Component.
 - CAO will coordinate the additional validation procedures with the contractor in accordance with the FAR and current contract terms.

- 7. Components perform Contract Modification to identify GFE to contract**
 - Analyze data obtained from the IUID Registry and compare to accountable contract.
 - Initiate contract modification as required.
 - Components will ensure the equipment is itemized using the appropriate attachment as instructed by PGI 245.201-71.

- 8. Components update/reconcile APSR with validated data**
 - Obtain assets by contract number from the IUID registry.
 - IUID registry has a query function that will enable this. Also, the IUID registry helpdesk is able to assist the Components with data retrieval.
 - Components should use this opportunity to examine interface possibilities between the APSR and the registry or other enterprise systems for future business processes (reference DoDI 5000.64).
 - GFE assets listed in the APSR and not in the registry should be reconciled by:
 - Performing due diligence actions (research for reutilization, disposal, etc.)
 - Disposal action (e.g. the contractor properly disposed of the asset 2 years ago): if supporting documentation is available, obtain a copy.
 - Loss, theft, damaged, or destroyed (LTDD) item: if supporting documentation is available, obtain a copy.
 - Documentation of APSR reconciliation should be maintained, the contract updated (as required), and electronically maintained with the asset record (as capabilities permit).

- 9. Components execute current FAR, DFARS, and DoD guidance for sustainment**
 - Sustainment of legacy asset documentation does not negate the need for a clear way forward. The process which has allowed the Department to establish this baseline is a part of the appropriate business practices that must be implemented to ensure total accountability over contract property. This methodology is designed to address a specific accountability gap.
 - It is the responsibility of the Department to ensure that as new policies, business rules, and other management guidance are developed and implemented to improve

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our fiduciary controls and allow for a more efficient Department. Components must ensure their acquisition processes align with Federal and Department guidance, with significant focus placed upon:

- FAR 45.102
- DFARS PGI 245.103
- DoDI 5000.64
- Components must also address any process gaps discovered during the execution of this business process and publish updated or new guidance accordingly. Sustainment cannot occur if identified weaknesses are not addressed.

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Appendix A. Reference Links

- Federal Acquisition Regulation (FAR) Part 45
 - <https://www.acquisition.gov/far/html/FARTOCP45.html>
- FAR 52.245-1, Government Property clause
 - https://www.acquisition.gov/far/html/52_245.html
- Defense Federal Acquisition Regulation Supplement (DFARS)
 - <http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/dfars/dfars245.htm>
 - http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/dfars/Dfars252_000.htm#P1652_93487
- DFARS Procedures, Guidance, and Information (PGI)
 - http://www.acq.osd.mil/dpap/dars/pgi/pgi_htm/PGI245_1.htm
 - http://www.acq.osd.mil/dpap/dars/pgi/pgi_htm/245_2.htm
 - http://www.acq.osd.mil/dpap/dars/pgi/pgi_htm/PGI245_4.htm
- DoD Instruction 5000.64, Accountability and Management of DoD Equipment and Other Accountable Property
 - <http://www.dtic.mil/whs/directives/corres/pdf/500064p.pdf>
- Financial Improvement and Audit Readiness (FIAR) Plan, May 2010
 - Financial Improvement Plan (FIP) guidance, Appendix I – FIP Preparation and Submission Instructions
 - http://comptroller.defense.gov/fiar/documents/FIAR_Guidance_2010.pdf

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Appendix B. Data Elements

IUID Registry - Adding a GFP item	FAR 52.245-1	DFARS 252.211-7007	DoDI 5000.64	Registry Format	Max Size	Registry Definition
Acquisition Contract						
~ Acquisition Contract Number		Contract Number	*Posting reference	Text	25	<ul style="list-style-type: none"> • Up to 25 alphanumeric characters • Cannot contain the letters "I" and "O" • Position 7-8 must be numeric • Position 9 must be alpha
~ Acquisition Contract Number Type (Mandatory if Acquisition Contract Number is provided)				Text	N/A	Choose from drop down menu
~ Prime Contractor Identifier			*Custodial organization	Text	9	<ul style="list-style-type: none"> • 5 digits and alphanumeric OR • 9 digits and numeric
CLIN						
~ CLIN/SLIN/ELIN				Text		Alphanumeric, but cannot contain the letters "I" and "O"
~ Acceptance Date			*Transaction date	MM-DD-YYYY		
~ Acceptance Location Code				Text	6	Valid DoDAAC
" Acquisition Cost	Acquisition Cost	Acquisition Cost	Value at Full Cost or Original Acq. Cost	Text	18	Numeric value, with appropriate decimal, and without the currency symbol.
~ Currency Code						
~ Unit of Measure	Unit of Measure	Unit of Measure	Unit of Measure	Text	N/A	Select from drop down menu
GFP Custody						
" Custodial Contract Number	Accountable Contract Number	Contract Number	*Posting reference	Text		<ul style="list-style-type: none"> • Must be alphanumeric • Cannot contain the letters "I" and "O" • Position 7-8 must be numeric • Position 9 must

Methodology for Establishing a Validated GFE Baseline

IIID Registry - Adding a GFP item	FAR 52.245-1	DFARS 252.211-7007	DoDI 5000.64	Registry Format	Max Size	Registry Definition
						be alpha
~ Custodial Contract Number Type				Text		Drop Down Menu
CAGE Code DODAAC DUNS (one of the 3 is required)		CAGE Code	**Multiple applications	Text	5	Alphanumeric
~ Sent Date		Sent (Shipped) Date	*Transaction date	MM-DD-YYYY		
~ Received Date		Received (Shipped) Date	*Transaction date	MM-DD-YYYY		
~ Category code		Category Code ("E" for Equipment)	*General ledger classification	Text	1	Choices are "E" or "M"
~ Status code		Status Code	*Status (i.e. Furnished to Contractor)	Text	1	Choices are "K" or "G"
IIID						
~ UII Type				Text	4	6 types of UII
~ UII	UII	UII	UII			
~ Description	Name and Description	Name and Description	Name and Description	Text	no limit	
~ Ship-to Location Code	Location	Location	Location	Text		Valid DoDAAC
~ Issuing Agency Code				Text		
~ Enterprise Identifier			*Owner (Original)	Text	9	If Issuing Agency: •D, must be 5 alphanumeric digits •LD, must be 6 alphanumeric digits •UN, must be 9 numeric digits
~ Original Part Number	Part Number	Part Number	Part Number	Text		
~ Current Part Number		Current Part Number (if different from the original part number)		Text		
~ Current Part Number Effective Date		Current Part Number Effective Date		MM-DD-YYYY		
~ Serial Number			*UII or IIID	Text		Numeric

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IUID Registry - Adding a GFP item	FAR 52.245-1	DFARS 252.211-7007	DoDI 5000.64	Registry Format	Max Size	Registry Definition
~ Batch/Lot			Equivalent			
~ Manufacturer Code	Manufacturer	Manufacturer		Text	2	Manufacturer Codes: <ul style="list-style-type: none"> • UN • LH • LD • LB • D • 0,1,2,3,4,5,6,7,8, or 9
~ Manufacturer ID	Manufacturer	Manufacturer		Text	9	If Manufacturer Code: <ul style="list-style-type: none"> • D, must be 5 alphanumeric digits • LD, must be 6 alphanumeric digits • UN, must be 9 numeric digits
~ Warranty Indicator						
Marks						
“ Medium		Mark Record		Text	14	
“ Effective Date		Mark Record		MM-DD-YYYY		
“ Marker Code		Mark Record		Text	2	Marker Codes: <ul style="list-style-type: none"> • UN • LH • LD • LB • D • 0,1,2,3,4,5,6,7,8, or 9
“ Marker ID		Mark Record		Text	9	If Marker Code: <ul style="list-style-type: none"> • D, must be 5 alphanumeric digits • LD, must be 6 alphanumeric digits • UN, must be 9 numeric digits
“ Set		Mark Record				Drop Down Menu: Set 1 - Set 9
~ Bagged/Tagged				check box		
Special Tooling or Special Test Equipment						

Methodology for Establishing a Validated GFE Baseline

IUID Registry - Adding a GFP item	FAR 52.245-1	DFARS 252.211-7007	DoDI 5000.64	Registry Format	Max Size	Registry Definition
" Effective Date				MM-DD-YYYY		
" Status				Text		Must Be One of Following: <ul style="list-style-type: none"> • Not Special Tooling or Test Equipment • STE • ST
Other						
	Model Number	Model Number	Model Number			
	NSN	NSN	NSN			
	Quantity Received	Quantity Received	Quantity			
			Current Condition			
			Useful Life			
	Posting Reference	Posting Reference	Posting Reference			
	Transaction Date	Transaction Date	Transaction Type & Date			
	Date Placed in Service		Date Placed in Service			
	Disposition	Disposition	*Status			
		Concatenated UII	*UII or IUID Equivalent			
		Parent UII	*UII or IUID Equivalent			
~ Indicates the data field is optional			* Indicates derived relationship through definition comparison as opposed to verbatim element match			
" Indicates the data field is required			**Multiple application elements may serve to fulfill two or more requirements within APSR			