

DEPARTMENT OF DEFENSE**Defense Acquisition Regulations System****48 CFR Parts 211 and 252**

RIN 0750-AG83

Defense Federal Acquisition Regulation Supplement: Reporting of Government-Furnished Property (DFARS Case 2012-D001)

AGENCIES: Defense Acquisition Regulations System, Department of Defense (DoD).

ACTION: Proposed rule and notice of public meeting.

SUMMARY: DoD is proposing to amend the Defense Federal Acquisition Regulation Supplement (DFARS) to revise and expand reporting requirements for Government-furnished property to include items uniquely and non-uniquely identified and clarify policy for contractor access to Government supply sources.

DATES: *Public Meeting:* DoD is hosting a public meeting to discuss the proposed rule on November 17, 2011, at 1 p.m. EST.

Submission of Comments: Comments on the proposed rule should be submitted in writing to the address shown below on or before December 19, 2011, to be considered in the formation of the final rule.

ADDRESSES: *Public Meeting:* The public meeting will be held in the Defense Acquisition Regulations Council (DARC) Conference Room, 241 18th Street South, Suite 200A, Arlington, VA 22202-3409.

Submission of Comments: You may submit comments, identified by DFARS Case 2012-D001, using any of the following methods:

- *Regulations.gov:* <http://www.regulations.gov>. Submit comments via the Federal eRulemaking portal by entering "DFARS Case 2012-D001" under the heading "Enter keyword or ID" and selecting "Search." Select the link "Submit a Comment" that corresponds with "DFARS Case 2012-D001." Follow the instructions provided at the "Submit a Comment" screen. Please include your name, company name (if any), and "DFARS Case 2012-D001" on your attached document.

- *E-mail:* dfars@osd.mil. Include DFARS Case 2012-D001 in the subject line of the message.

- *Fax:* 703-602-0350.

- *Mail:* Defense Acquisition Regulations System, Attn: Meredith Murphy, OUSD(AT&L)DPAP/DARS,

Room 3B855, 3060 Defense Pentagon, Washington, DC 20301-3060.

Comments received generally will be posted without change to <http://www.regulations.gov>, including any personal information provided. To confirm receipt of your comment(s), please check <http://www.regulations.gov>, approximately

two to three days after submission to verify posting (except allow 30 days for posting of comments submitted by mail).

FOR FURTHER INFORMATION CONTACT: Ms. Meredith Murphy, telephone 703-602-1302.

SUPPLEMENTARY INFORMATION:**I. Background**

DoD published a proposed rule under DFARS Case 2009-D043 at 75 FR 80426 on December 22, 2010. The due date for public comments under DFARS Case 2009-D043 was extended from February 22, 2011, to April 8, 2011, by 76 FR 9527 on February 18, 2011. DoD has closed that case into this new case, DFARS Case 2012-D001, but will address the comments received in response to that case in this **Federal Register** notice for DFARS Case 2012-D001. This proposed rule would require contractors to report serially managed Government-furnished property to the DoD Item Unique Identification (IUID) Registry. Current DFARS policy requires contractors to report to the DoD IUID Registry property that is classified as equipment, special tooling, and special test equipment items valued at \$5,000 or more, and items valued at less than \$5,000 when required in accordance with contract terms and conditions. This proposed rule would also rename and revise the clause at DFARS 252.211-7007, Reporting of Government-Furnished Equipment in the IUID Registry, accordingly, and make the clause applicable to commercial-item procurements. DFARS clause 252.251-7000, Ordering from Government Supply Sources, is also proposed for revision to require electronic receipts of property obtained from a Government supply source.

Public Meeting Registration: Individuals wishing to attend the public meeting should register at least one week in advance to ensure adequate room accommodations and to facilitate admittance into the meeting. Registrants will be given priority if room constraints require limits on attendance. Attendees are encouraged to arrive at least 15 minutes early. To register, please go to—http://www.acq.osd.mil/dpap/dars/government_furnished_property.html and submit the following information:

- (1) Company or organization name.
- (2) Full names of persons attending.
- (3) Identity if desiring to speak (limit to a 10-minute presentation per company or organization).

- (4) Last four digits of social security number for each person attending (non-Federal employees only).

Send questions about registration or the submission of comments to the e-mail address at the Web site previously identified. Please cite "Public meeting, DFARS Case 2012-D001" in the subject line of the e-mail.

Attendees should bring a valid picture ID for in-processing. From the entrance to Suite 200A, they will be directed to the DARC Conference Room. If an attendee's name is not on the list provided in advance of the meeting, the attendee will still be allowed into the meeting, if seating is available.

Special Accommodations: The public meeting site is physically accessible to people with disabilities. Requests for sign language interpretation or other auxiliary aids should be directed to Ms. Meredith Murphy, telephone 703-602-1302, at least 10 working days prior to the meeting.

Presentations: If you wish to make a presentation, please submit a copy of your presentation to the Web site identified in this section or to facsimile 703-602-0350, no later than November 3, 2011. Please cite "Public Meeting, DFARS Case 2012-D001" in all correspondence related to this public meeting. The submitted presentations will be the only record of the public meeting. If you intend to have your presentation considered as a public comment for the formation of a final rule, the presentation must be submitted separately as a written comment as instructed below.

II. Discussion and Analysis of the Public Comments

Comments were received from five respondents in response to the proposed rule under DFARS case 2009-D043. DoD reviewed the public comments in the formation of the proposed rule. This notice also addresses comments received at the public meeting held on March 18, 2011. Members of industry, DoD, and other Government agencies attended the public meeting. The following concerns were discussed at the public meeting:

The attendees' primary issues concerned the potential systems changes that they think may be necessary to accommodate the requirements of the rule; the perceived lack of DoD business rules associated with the Government-furnished property reporting requirements; and a

lack of sufficient information, in general, on the system requirements associated with the GFP module of DoD's IUID Registry.

Based on the public comments received and the concerns discussed at the public meeting, the following clarifications to the DFARS are included in this proposed rule:

- Reporting of supply condition codes is required only for the reporting of reparable.
- Contractor reporting of Government-furnished property may occur as transactions occur or as otherwise stated in the contractor's property management procedure.
- Material released to work in process need not be reported.
- Unless tracked as an individual item, material shall be reported to the registry in the same unit of pack, *e.g.*, original manufacturer's package, box, or container, as it was received or otherwise acquired.
- Residual material that is not serially managed, *e.g.*, contractor inventory in partially opened original manufacturer's package, box, or containers, need not be reported, but should be disposed of in accordance with contract terms and conditions.

A discussion of the specific comments and the changes made as a result of those comments are provided herein. The comments were grouped into five categories by subject matter so that they could be addressed consistently. Comments on compliance with the Executive orders on Regulatory Planning and Review and Improving Regulation and Regulatory Review, the analysis of the Regulatory Flexibility Act, and the Paperwork Reduction Act are addressed in those sections of this notice.

A. Reporting

1. Reporting of All Government-Furnished Property

Comment: One respondent indicated that eliminating the \$5,000 floor for property reporting would add hundreds of thousands of items to reporting requirements. Referencing paragraph (b)(2) of the clause at DFARS 252.211-7007 ("All GFP without an existing UII assigned shall be reported to the GFP Hub"), the respondent recommended deleting this language or at least clarifying it by stating "All accountable GFP" because the proposed rule would have the effect of requiring reporting of "materials, consumables, etc."

Response: The goal of this rule is to establish enterprisewide visibility of Government property. While there may be some few additional property items

subject to reporting, the intent of the rule is to move away from strict reporting by dollar value alone and toward reporting designed to increase traceability. The result would standardize and simplify reporting overall. The rule draws clear distinctions between types of tracking requirements, *i.e.*, property items are either individually tracked or are otherwise managed in bulk. In this proposed rule, DoD has clarified the reporting requirement and added definitions to eliminate confusion.

2. Reporting of Material Released to Manufacturing Engineering

Comment: A respondent expressed concern that the reutilization of equipment might be negatively impacted by use of the clause at DFARS 252.211-7007. The respondent stated that, if the reporting requirements become too cumbersome, they will serve as a disincentive to contractors to request excess property out of the Plant Clearance Automated Reutilization and Reporting System (PCARSS) or from other excess lists.

Response: DoD does not anticipate the outcome described by the respondent. Further, the reutilization requirements are currently in the existing contract clause.

3. Reporting of Material to the Registry in Same Unit of Pack as Acquired

Comment: One respondent said it did not know whether the proposed definitions in paragraph (a) of the clause at 252.211-7007 meant installing items in higher assemblies or how it should handle Government-furnished property that is assembled with contractor-acquired property and subsequently delivered or placed back in inventory until needed. The respondent also stated that it concurred with the management of all items at the end item.

Response: DoD has not proposed new policy regarding installation of Government property or contractor-acquired property into higher assemblies. The additional definitions included in the proposed rule clarify that there is no policy change.

4. Reporting of Non-Serially Managed Residual Material

Comment: One respondent recommended that consumables, expendables, and sunk costs should be considered, defined, and a determination made as to what is included or excluded from this rule.

Response: The proposed rule draws clear distinctions among the requirements for tracking items — property items are either individually

tracked, *i.e.*, serially managed, or otherwise managed in bulk, *i.e.*, non-serially managed. Paragraph (g)(2) of the clause 252.211-7007 addresses serially managed consumed or expended items and paragraph (h) addresses non-serially managed residual material.

5. Reporting of Supply Condition Codes Only for Reparables

Comment: One respondent stated that contractors need to understand how reporting of supply condition codes is going to be required and who will be the authoritative source for condition coding. The respondent asked if this information could be found on Government shipping documents, and, if not, what business rule would be applied if the supply condition code was not supplied. The respondent pointed out that the definitions of the various supply condition codes are already listed in 245.606-5 and recommended that the definitions be deleted from the clause at 252.211-7007. The same respondent asked that the DFARS include "Condition Code (S)," applicable to the property management process and required for PCARSS processing. In addition, the respondent recommended changing the definition of "unit of issue" to "unit of measure," in order to be consistent with FAR 52.245-1.

Response: DoD has added a reference to Appendix 2 of DoD 4000.25-2, Military Standard Transaction Reporting and Accounting Procedures manual, along with a hyperlink to the URL. It is not necessary to add condition code "S." Such codes are needed only for reparable items; this is not a change from current practice. The proposed rule has been revised to make that clear. DoD has revised the definition of "unit of issue" to add "unit of measure."

6. Frequency of Reporting

Comment: The reporting requirements in the clause at DFARS 252.211-7007 are, according to one respondent, transactionally based and would require a daily upload to the GFP Hub. The respondent offered several alternatives to daily updates and noted that requiring daily updates would not take into account current approved practices.

Response: The frequency of reporting should be consistent with a contractor's property management procedures; DoD has not proposed creating differences from current reporting requirements in the clause at DFARS 252.211-7007. The proposed rule under 2009-D043 did not require contractors to provide daily uploads, and this proposed rule makes it clear that reporting requirements are based on transactions as they occur.

There is no requirement to report Government-furnished material consumed under receipt-and-issue processes, issued to the floor, or otherwise consumed.

7. Disclaimer

Comment: One respondent asked whether contractors could include a disclaimer that protects them once data is submitted and which would relieve the contractor of responsibility in the event of manipulation or theft.

Response: No disclaimer is needed. Agencies are required to ensure the authentication and confidentiality of data commensurate with the risk and magnitude of the harm from loss, misuse, or unauthorized access to, or modification of, the information (see FAR 4.502(c)). The data submissions that would be required if the proposed rule is implemented do not differ in context from those now submitted by contractors under the clauses at 252.211-7007, Reporting of Government-Furnished Equipment in the DoD Item Unique Identification (IUID) Registry, and 252.245-7002, Reporting Loss of Government Property, or electronic invoicing through wide area workflow.

8. Marking Requirements

Comment: DFARS 211.274-6(c)(2) reads: "Require the contractor to mark major end items under the terms and conditions of the contract." One respondent stated that this paragraph is redundant to DFARS 211.274-6(c)(1) and should be deleted. The respondent also requested DoD to "(c)larify that these items are already marked and in the IUID Registry and that this effort is to acknowledge receipt * * *" and so state.

Response: Subsection 211.274-6 is entitled "Contract clauses," and it contains only clause prescriptions. 211.274-6(c) prescribes the use of the clause at 252.211-7008, "Use of Government-Assigned Serial Numbers," which is not the subject of this proposed rule. Therefore, the respondent's comment is out of scope.

B. Property Tracking Systems

Comment: One respondent submitted multiple comments on the introduction of the "GFP Hub" at DFARS 252.211-7007(a) and expressed concern that it was premature because of the lack of experience with it in industry and its unproven benefits. Similar issues were raised by a second respondent at the public meeting. The respondents asked that clear business rules be developed for the GFP Hub before it becomes a requirement for contractor use. The

respondents thought that the introduction of the GFP Hub would require the reporting of additional data fields and material that was irrelevant to operation and financial reporting and that the requirement for receipt notification of MILSTRIP items at 252.211-7007 was a new requirement. In addition, the first respondent suggested that including hyperlinks in regulations was improper without regulatory review. A respondent also noted that the U.S. Army is moving to establish the Defense Property Accountability System (DPAS) as its property accounting system of record, and the Army requires GFP to be recorded in DPAS as well.

Response: The Department of the Army has decided to use DPAS as its accountable property system of record. DoD's goal is to remedy Government Accountability Office (GAO)-identified gaps in enterprisewide visibility. The data provided, if the proposed rule is implemented, will establish enterprisewide visibility of DoD items and will be available to users in the logistics, financial, and property accountability arenas. This visibility will facilitate reutilization and preclude the simultaneous acquisition and disposal of needed items. The data currently generated in non-standardized reports at the program level does not have DoD enterprisewide visibility, which is the basic objective of the proposed rule. It is not DoD's intention to apply the final rule on this matter to existing programs; thus, it will not require duplicate records.

Further, consistent with DoD policy, the activity furnishing the property, not the contractor, would normally ensure that the items to be furnished are entered into the registry. Each DoD component is responsible for populating the DoD IUID Registry in order to capture Unique Item Identifiers (UIIs) and their pedigree data (reference DoDI 8320.4). A final rule would provide for electronic receipt notification, which is consistent with ASTM standard E2605-08, Standard Practice for Receiving Property, and which the respondent's member companies have supported.

In this proposed rule, the use of the term "GFP Hub" has been eliminated, and DoD has clarified that the IUID Registry contains a GFP module that is an essential element of the IUID Registry for items of Government property that do not have a UID assigned. Contractors already report Government-furnished property to the IUID Registry. Therefore, separate interfaces with the IUID Registry will not be needed. DoD fielded changes to Wide Area Workflow on July 10, 2011. Changes to the IUID Registry

were made on July 24, 2011. These new functionalities have been made available to industry so that it might gain experience with the capabilities and provide input on future enhancements. Further, DoD has provided industry with copies of the business rules associated with this proposed rule.

The proposed rule will not result in duplicate or triplicate reporting. Moreover, Government-furnished property data assembled at the contract level and reported via a Contract Data Requirements List (CDRL) would not provide DoD with enterprisewide visibility of items, which is a focus of the proposed rule. The requirements of the proposed rule would enable the eventual elimination of the Commercial Asset Visibility (CAV) system—a client server system, with several hundred iterations, each requiring its own unique property reporting methodology. Elimination of the CAV system will result in significant cost savings for both DoD and industry.

Several important clarifications have been made in this proposed rule. Specifically, reporting requirements for non-serially managed items are different from those for serially managed items; property items are either individually tracked, *i.e.*, serially managed, or otherwise managed in bulk, *i.e.*, non-serially managed. Non-serially managed material should be reported to the IUID Registry in the same unit of pack, *e.g.*, box, container, as acquired. Reporting supply condition codes is required solely for reparable. Material released to work in progress need not be reported. (See paragraphs (f) through (h) of the clause at 252.211-7007, Reporting of Government-Furnished Property.) Also, contractors will be required to report Government property only as transactions occur or as otherwise established in the contractor's own property management procedures. (See paragraph (i) of the clause at 252.211-7007, Reporting of Government-Furnished Property.) Dollar thresholds are not appropriate because they create needless variation. For example, controlled and sensitive items cannot be managed by dollar thresholds.

With regard to use of hyperlinks in the regulations, hyperlinks are used judiciously and where their use makes sense.

C. Costs

Comment: A respondent indicated that "(t)he Government should keep in mind that fixed-price contracts that require this level of detailed part management will require equitable adjustments to comply."

Response: The Government does not intend to incorporate the property management rules in this proposed rule into existing contracts. Therefore, there should be no equitable adjustments associated with the application of these amended rules into the DFARS.

Comment: One respondent indicated a need for more information so that contractors understand what to identify as acquisition cost on items received. The same respondent requested a definition for “full cost” as that term is used in the definition of IUID Registry at 252.211–7007(a).

Response: The unit acquisition cost for Government-furnished property items is the value assigned by the Government in accordance with FAR 45.201. Establishing these types of costs is not a contractor responsibility. The term “full cost,” in the context of the definition of the “IUID Registry” in the proposed rule, refers to the Government’s unit acquisition cost, defined under 252.211–7003.

Comment: One respondent recommended adding a Contract Data Requirements List (CDRL) to contracts for material position reports because of the affordability issues associated with this requirement. The respondent commented that this might be driven by the elimination of the DD 1662 and that contractors would need to double staff for duplicate recordkeeping and reconciling systems. Another respondent noted that paragraph 2–8 of Army Regulation (AR) 710–2, dated March 28, 2008, establishes recording of items with a unit cost over \$5,000. The respondent stated that requiring contractors to tag all items under \$5,000 will increase resources and costs required to record property formally at this lower threshold.

Response: The proposed rule is not driven by the elimination of the DD form 1662. The Government is not requiring contractors to develop or maintain two databases. Further, data assembled at the contract level via a CDRL would not provide the Department with enterprisewide information, a major objective of this proposed rule. With regard to the second comment, DoD requires reporting based on the level of traceability, not the dollar value. This requirement has been clarified in this proposed rule.

D. Limitation to Cost-Reimbursement Contracts or Line Items

Comment: One respondent asked why use of the clause at 252.211–7003, when usage is based on the delivery of contractor-acquired property, is limited

to cost reimbursement contracts (211.274–6(a)(1)(ii).

Response: The clause prescription is limited to cost-reimbursement contracts or cost-reimbursement line items that may result in the delivery of contractor-acquired property because the concept of contractor-acquired property does not apply to other types of contracts.

E. Editorial Comments

Eight editorial changes were suggested. The editorial changes have been accommodated in the proposed rule.

III. Executive Orders 12866 and 13563

Executive Orders (E.O.s) 12866 and 13563 direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). E.O. 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility. This is a significant regulatory action and, therefore, was subject to review under section 6(b) of E.O. 12866, Regulatory Planning and Review, dated September 30, 1993. This rule is not a major rule under 5 U.S.C. 804.

Comment: One respondent expressed the opinion that the proposed rule under DFARS case 2009–D043 did not meet the intent and criteria of the Executive orders on regulatory planning and review.

Response: E.O. 12866, Regulatory Planning and Review (of September 30, 1993, as amended by E.O. 13258 of February 26, 2002, and E.O. 13422, of January 18, 2007) was followed on January 18, 2011, by the new E.O. 13563, Improving Regulation and Regulatory Review. These E.O.s require that the regulatory system must promote economic growth and competitiveness, allow for public participation, promote predictability, and ensure that regulations are easy to understand. Regulations should impose the least burden consistent with obtaining regulatory objectives and agencies must determine that the benefits justify the costs. The proposed rule published under DFARS case 2009–D043, was reviewed by the Office of Information and Regulatory Affairs prior to publication as are all rules published in the **Federal Register**. The Office of Information and Regulatory Affairs found the proposed rule to be in

compliance with these Executive Orders and cleared the rule for publication.

IV. Regulatory Flexibility Act

An initial regulatory flexibility analysis was prepared consistent with the Regulatory Flexibility Act, 5 U.S.C. 601, *et seq.*, and is summarized as follows:

The objective of this proposed rule is to improve the accountability and control of DoD assets. This rule proposes to amend the DFARS to revise and expand reporting requirements for Government-furnished property (GFP) to include GFP that is both uniquely and non-uniquely identified and clarifies policy for contractor access to Government supply sources.

The clause at DFARS 252.211–7007, Reporting of Government-Furnished Property, requires contractors to identify and report GFP with existing unique-item identification to the DoD IUID Registry; and all GFP without an existing unique-item identification is required to be reported to the GFP module within the IUID Registry.

DoD is unable to estimate the number of small entities to which this rule applies, and no responses were received from small entities to DoD’s request for comments. However, ten comments were received from an industry association and are summarized and addressed in the following paragraphs.

Comment: One respondent expressed concern that significant additional costs would be associated with the changes proposed. The respondent was concerned that reporting to the IUID Registry would require contractors to double count Government property already accounted for in other ways, resulting in duplicate recordkeeping requirements. New costs of compliance should probably be doubled, stated the respondent.

Response: Property items reported to the IUID Registry will have enterprise-wide visibility, which enhances DoD’s ability to reutilize items. As the IUID Registry becomes available, other property accountability requirements will be rescinded, a goal strongly endorsed by the Government Accountability Office (GAO) and DoDI 5000.64 and ASTM E53 2279 (both of which were cited by the respondent).

The data provided if the proposed rule is implemented will establish enterprisewide visibility of DoD property and will be available to users in the logistics, financial, and property accountability arenas. This visibility contributes to the warfighter in a variety of ways, such as facilitating reutilization and precluding the simultaneous

acquisition and disposal of needed items.

V. Paperwork Reduction Act

The Paperwork Reduction Act (Pub. L. 96-511) applies because the rule imposes information collection requirements that require the approval of the Office of Management and Budget under 44 U.S.C. chapter 35. The information collection requirements under the proposed rule were formerly approved by the Office of Management and Budget under clearance number 0704-0246, DFARS part 245, Government Property. The requirements of this proposed rule will have only a marginal impact, and they are not expected to change the overall burden hours (45,980 hours) approved under clearance number 0704-0246. The rule proposes to remove the mandatory \$5,000 unit acquisition cost dollar threshold for reporting. This will not significantly impact items valued at less than \$5,000 in unit acquisition cost as they were also previously required to be reported if they were serially managed, mission essential, sensitive, or controlled inventory. While this rule proposes to add reporting of Government-furnished material and reparable, this additional requirement would be offset by the potential for eventual elimination of DoD's Commercial Asset Visibility (CAV) system. As background, the CAV system is a client-server software application used at Government and commercial repair sites to monitor and track the progress of repair components through the repair process. There are presently over 900 separate applications of CAV, all of which can be eliminated, given the new reporting constructs contained within this proposed rule. This would result in greater efficiency and considerable cost savings to both Government and industry.

Eight comments were received on the paperwork burden proposed by the proposed rule under DFARS case 2009-D043. They are summarized and addressed in the following paragraphs.

Comment: One respondent said that it was not evident what additional paperwork will be required.

Response: DoD anticipates that there will not be any added paperwork. The currently required paperwork (OMB Clearance Number 0704-0246) will be modified, *i.e.*, revised, but will not increase or decrease in total amount from the current requirement, so that the reporting required for DoD complies with the revised reporting requirements under the current FAR Government-property regulations. Further, property reporting required by the current

DFARS clause at 252.211-7007, and property reporting that would be required under this proposed rule, are Web-enabled and electronic in nature.

Comment: There were several questions about details of the reporting required in the IUID registry.

Response: DoD anticipates that these questions will be overcome by events as industry becomes familiar with the IUID updates that became available on July 24, 2011.

Comment: Two respondents expressed concern that elimination of the \$5,000 threshold had the potential to result in substantial additional reporting, with each contracting officer setting his or her own rules and thresholds for individual contracts.

Response: DoD's goal is to eliminate the establishment of reporting requirements by an individual contracting officer or program manager and establish the IUID Registry as the standard. This would greatly increase consistency and allay the respondents' concerns.

List of Subjects in 48 CFR Parts 211 and 252

Government procurement.

Mary Overstreet,

Editor, Defense Acquisition Regulations System.

Therefore, 48 CFR parts 211 and 252 are proposed to be amended as follows:

1. The authority citation for 48 CFR parts 211 and 252 continues to read as follows:

Authority: 41 U.S.C. 1303 and 48 CFR chapter 1.

PART 211—DESCRIBING AGENCY NEEDS

2. Amend section 211.274-2 by revising paragraph (b)(2)(ii) to read as follows:

211.274-2 Policy for unique item identification.

* * * * *

(b) * * *

(2) * * *

(ii) The DoD Unique Identification Policy Office must receive a copy of the determination and findings required by paragraph (b)(2)(i) of this subsection. Send the copy in accordance with the procedures at PGI 211.274-2(b).

3. Revise section 211.274-4 to read as follows:

211.274-4 Policy for reporting of Government-furnished property.

(a) It is DoD policy that all Government-furnished property be recorded in the DoD Item Unique Identification (IUID) Registry, as defined

in the clause at 252.211-7007, Reporting of Government-Furnished Property.

(b) The following items are not required to be reported:

(1) Contractor-acquired property, as defined in FAR part 45, that will not be delivered to, or accepted by, the Government (see PGI 245.402-71).

(2) Property under any statutory leasing authority.

(3) Property to which the Government has acquired a lien or title solely because of partial, advance, progress, or performance-based payments.

(4) Intellectual property or software.

(5) Real property.

(6) Material released for work in process.

4. Amend section 211.274-6 by revising paragraphs (a)(1)(ii) and (b) to read as follows:

211.274-6 Contract clauses.

(a)(1) * * *

(ii) Are cost-reimbursement contracts that may result in the delivery of contractor-acquired property (see requirements at PGI 245.402-71).

* * * * *

(b) Use the clause at 252.211-7007, Reporting of Government-Furnished Property, in solicitations and contracts that contain the clause at—

(1) FAR 52.245-1, Government Property; or

(2) FAR 52.245-2, Government Property Installation Operation Services.

* * * * *

PART 252—SOLICITATION PROVISIONS AND CONTRACT CLAUSES

5. Revise section 252.211-7007 to read as follows:

252.211-7007 Reporting of Government-Furnished Property.

As prescribed in 211.274-6(b), use the following clause:

Reporting of Government-Furnished Property. ((Date))

(a) *Definitions.* As used in this clause—
Commercial and Government entity (CAGE) code means—

(i) A code assigned by the Defense Logistics Information Service (DLIS) to identify a commercial or Government entity; or

(ii) A code assigned by a member of the North Atlantic Treaty Organization that DLIS records and maintains in the CAGE master file. This type of code is known as an "NCAGE code."

Government-furnished property (GFP) means 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 includes, but is not limited to, spares and property furnished for repair, maintenance, overhaul, or modification. Government property also includes contractor-acquired property if the Contractor-acquired property is a deliverable under a cost contract when accepted by the Government for continued use under the contract.

Item means a single hardware article or a single unit formed by a grouping of subassemblies, components, or constituent parts.

IUID Registry means the DoD data repository that receives input from both industry and Government sources and provides storage of, and access to, data that identifies and describes tangible Government personal property. The IUID Registry is—

(i) The authoritative source of Government unit acquisition cost for items with unique item identification (see DFARS 252.211-7003) that were acquired after January 1, 2004;

(ii) The master data source for Government-furnished property; and

(iii) An authoritative source for establishing the acquisition cost of end-item equipment.

National stock number (NSN) means a 13-digit stock number used to identify items of supply. It consists of a 4-digit Federal Supply Code and a 9-digit National Item Identification Number.

Nomenclature means—

(i) The combination of a Government-assigned type designation and an approved item name;

(ii) Names assigned to kinds and groups of products; or

(iii) Formal designations assigned to products by customer or supplier (such as model number or model type, design differentiation, or specific design series or configuration).

Part or identifying number (PIN) means the identifier assigned by the original design activity, or by the controlling nationally recognized standard, that uniquely identifies (relative to that design activity) a specific item.

Reparable means an item, typically in unserviceable condition, furnished to the Contractor for maintenance, repair, modification, or overhaul.

Serially managed item means an item designated by DoD to be uniquely tracked, controlled, or managed in maintenance, repair, and/or supply systems by means of its serial number.

Special test equipment means either single or multipurpose integrated test units engineered, designed, fabricated, or modified to accomplish special purpose testing in performing a contract. It consists of items or assemblies of equipment including foundations and similar improvements necessary for installing special test equipment, and standard or general purpose items or components that are interconnected and interdependent so as to become a new functional entity for special testing purposes. Special test equipment does not include material, special tooling, real property, or equipment items used for general testing purposes, or property that with relatively

minor expense can be made suitable for general purpose use.

Special tooling means jigs, dies, fixtures, molds, patterns, taps, gauges, and all components of these items, including foundations and similar improvements necessary for installing special tooling, and 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. Special tooling does not include material, special test equipment, real property, equipment, machine tools, or similar capital items.

Supply condition code means a classification of materiel in terms of readiness for issue and use or to identify action underway to change the status of materiel (see http://www2.dla.mil/j-dlmsso/eLibrary/Manuals/dlmsso_pubs.asp).

Unique item identifier (UII) means a set of data elements permanently marked on an item that is globally unique and unambiguous and never changes, in order to provide traceability of the item throughout its total life cycle. The term includes a concatenated UII, as defined in the clause at 252.211-7003(a), or a DoD recognized unique identification equivalent.

Unit acquisition cost means—

(i) For Government-furnished equipment, the dollar value assigned by the Government and assigned in the contract; and

(ii) For Contractor-acquired property, the cost derived from the Contractor's records that reflect consistently applied generally accepted accounting principles.

Unit of issue or *unit of measure* means the physical measurement of count or quantity (such as each, dozen, gallon, or kilogram) in which an item is procured, stored, and released.

(b) *Requirement for reporting of Government-furnished property (GFP) to the DoD Item Unique Identification (IUID) Registry.* Except as provided in paragraph (c) of this clause, the Contractor shall report Government-furnished property to the DoD IUID Registry.

(c) *Exceptions.* Paragraph (b) of this clause does not apply to—

(1) Contractor-acquired property that has not been delivered to, and accepted by, the Government;

(2) Property under any statutory leasing authority;

(3) Property to which the Government has acquired a lien or title solely because of partial, advance, progress, or performance-based payments;

(4) Intellectual property or software;

(5) Real property; or

(6) Material released for work in process.

(d) When required by contract terms and conditions, the Contractor shall assign a UII to each item of GFP, including those items previously reported to the IUID Registry. Upon UII assignment and reporting, the Contractor shall update the property record in the IUID Registry.

(e) *Procedures for establishing UIIs.* To permit reporting of virtual UIIs to the DoD IUID Registry, the Contractor's property management system shall enable the

following data elements in addition to those required by paragraph (f)(1)(iii)(A) of the clause at FAR 52.245-1:

(1) Parent UII.

(2) Category code, if applicable ("ST" for special tooling, "STE" for special test equipment).

(3) Appropriate supply condition code, required only for reporting of reparable, per Appendix 2 of DoD 4000.25-2-M, Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP) Manual (see http://www2.dla.mil/j-6/dlmsso/eLibrary/Manuals/dlmsso_pubs.asp).

(4) Commercial and Government Entity (CAGE) code on the accountable contract.

(5) Mark record.

(i) Bagged or tagged code (for items too small to individually tag or mark).

(ii) Contents (the type of information recorded on the item, e.g., item internal control number).

(iii) Effective date (date the mark is applied).

(iv) Added or removed code/flag.

(v) Marker code (designates which code is used in the marker identifier, e.g., D = CAGE, UN = DUNS, LD = DODAAC).

(vi) Marker identifier, e.g., Contractor's CAGE code or DUNS number.

(vii) Medium code; how the data is recorded, e.g., barcode, contact memory button.

(viii) Value, e.g., actual text or data string that is recorded in its human-readable form.

(ix) Set (used to group marks when multiple sets exist).

(f) *Procedures for reporting of Government-furnished property to the IUID Registry.*

Except as provided in paragraph (c) of this clause, the Contractor shall establish and report to the IUID Registry the information required by FAR clause 52.245-1, paragraphs (e) and (f)(1)(iii), in accordance with the data submission procedures at http://www.acq.osd.mil/dpap/pdi/iuid/data_submission_information.html. Unless tracked as an individual item, material shall be reported to the registry in the same unit of pack, e.g., original manufacturer's package, box, or container, as it was received or otherwise acquired.

(g) *Procedures for updating the DoD IUID Registry.* The Contractor shall update the DoD IUID Registry at <https://www.bpn.gov/iuid> for changes in status, mark, custody, condition code (for reparable only), or disposition of items that are—

(1) Delivered or shipped from the Contractor's plant, under Government instructions, except when shipment is to a subcontractor or other location of the Contractor;

(2) Serially managed items, consumed or expended, reasonably and properly, or otherwise accounted for, in the performance of the contract as determined by the Government property administrator, including reasonable inventory adjustments;

(3) Disposed of; or

(4) Transferred to a follow-on or other contract.

(h) The Contractor need not report non-serially managed residual material, i.e., Contractor inventory in partially opened

original manufacturer's package, box, or containers, but should dispose of such material in accordance with contract terms and conditions.

(i) The Contractor shall make updates as transactions occur or as otherwise stated in the Contractor's property management procedure.

(End of clause)

6. Amend section 252.251-7000 by removing the clause date "(NOV 2004)" and adding in its place "(DATE)", revising introductory text of paragraph (c), redesignating paragraphs (d) and (e)

as paragraphs (e) and (f), and adding new paragraph (d) to read as follows:

252.251-7000 Ordering from Government supply sources.

* * * * *

(c) When placing orders for Government stock on a reimbursable basis, the Contractor shall—

* * * * *

(d) When placing orders for Government stock on a non-reimbursable basis, the Contractor shall—

(1) Comply with the requirements of the Contracting Officer's authorization.

(2) When using electronic transactions to submit requisitions on a non-reimbursable basis only, place orders by authorizing contract number using the Defense Logistics Management System (DLMS) Supplement to Federal Implementation Convention 511R, Requisition; and acknowledge receipts by authorizing contract number using the DLMS Supplement 527R, Receipt, Inquiry, Response and Material Receipt Acknowledgement.

* * * * *

[FR Doc. 2011-27062 Filed 10-18-11; 8:45 am]

BILLING CODE 5001-06-P