



ACQUISITION
AND SUSTAINMENT

THE UNDER SECRETARY OF DEFENSE
3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

MAY 11 2019

MEMORANDUM FOR UNDER SECRETARIES OF THE MILITARY DEPARTMENTS
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: FY 2019 Audit Priorities: Government Property in Possession of Contractors

The purpose of this memorandum is to provide amplifying guidance regarding procedures for ensuring you have an accurate and complete accountability of government property in the possession of contractors, as directed in the FY 2019 Financial Statement Audit Priorities memorandum issued February 5, 2019 by the Acting Secretary of Defense.

The direction to leverage existing inventory reporting requirements in sustainment contracts for the purpose of establishing a property baseline, refers to the semi-annual reports required by a Contract Data Requirements List (CDRL) identified in Defense Federal Acquisition Supplement, Procedures, Guidance and Information 245.103-73 "Government property under sustainment contracts," published December 28, 2017. There is no reliable method to query contract data to determine if that requirement has been met. Therefore, all sustainment contracts, to include those for performance-based logistics, sustainment support, contractor logistics support, life-cycle product support, and weapon systems product support (see 10 U.S.C. 2337(c)) that require the contractor to hold or manage Government inventory, awarded after December 28, 2017, should be manually checked for the inventory reporting requirements CDRL on sustainment contracts. If the CDRL is found to be missing, requiring activities or program managers (PMs) should take an action to ensure this requirement is added to existing contracts in FY 2019.

Requiring activities or PMs shall also review all planned sustainment contracts that will require the contractor to hold or manage Government inventory and insure that the CDRL requirement is added prior to award.

Once the requiring activity or PM collect the inventory reports for sustainment contracts, they should follow the procedures in the Department of Defense Manual 4140.01 Volume 6, section 6.1 found at the following link: https://www.esd.whs.mil/Portals/54/Documents/DD/issuances/414001m/414001m_vol06.pdf?ver=2018-10-22-095008-500 and ensure that all property is identified to a contract through inclusion on a Government Furnished Property Attachment through the government furnished property (GFP) Module in the Procurement Integrated Enterprise Environment (PIEE) and ensure that those items are added to the component's accountable property system of record.

For all other existing contracts with government property in the possession of contractors, which Federal Acquisition Regulation (FAR) Part 45 defines as GFP, whether covered by FAR 52.245-1 or not, including sustainment contracts awarded prior to December 28, 2017, that do

not have a validated GFP baseline against the component property record, a GFP baseline should be established. The requiring activity or PM should issue a requirement and, if necessary, fund a new CDRL for a GFP Baseline Report, in accordance with the instructions at Attachment 1, to establish a GFP baseline to enable proper accounting and accountability. When that baseline has been established, either as a result of the GFP Baseline Report CDRL or other means, ensure that the transfer and receipt activities are tracked in the GFP Module in PIEE. This baseline does not include contractor acquired property unless those items have been delivered via a line item and accepted as government property.

Once a requiring activity or PM receives the GFP Baseline Report CDRL deliverable, ensure that all property is identified to a contract through inclusion on a Government Furnished Property Attachment through the GFP Module in PIEE and ensure that those items are added to the components accountable property system of record.

For pending new contracts with GFP requirements, all requiring activities or PMs should validate the GFP baseline pre-award and ensure GFP is itemized on the GFP Attachment before award of the contract.

Attachment 1 provides information regarding the new GFP Baseline Report CDRL, submission instructions and points of contact. Attachment 2 provides reporting templates. Attachments 3, 4, and 5 provide additional details. Provide your initial report not later than 30 days of memo signature and your first quarterly progress report not later than 60 days of memo signature.

I expect to include our progress on these efforts as an agenda item at all future Property Functional Council meetings.



Ellen M. Lord

Attachments:
As stated

cc:
DEPUTY CHIEF Management Officer
UNDER SECRETARY OF DEFENSE (COMPTROLLER)
CHIEF OF THE NATIONAL GUARD BUREAU
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE

Attachment 1: REPORTING PROCEDURES

Sustainment Contracts

The following establishes requirements for reporting compliance with the semi-annual reports required by a Contract Data Requirements List (CDRL) identified in DFARS PGI 245.103-73 “Government property under sustainment contracts.”

All sustainment contracts, to include those for performance-based logistics, sustainment support, contractor logistics support, life-cycle product support, and weapon systems product support (see 10 U.S.C. 2337(c)) that require the contractor to hold or manage Government inventory, awarded after December 28, 2017, should be manually checked for the CDRL for inventory reporting requirements on sustainment contracts.

See the Data Item Description DI-ILSS-80727, “Government Furnished Material (GFM) by National Stock Number,” and the instructions for completing the DD Form 1423 Contract Data Requirements List (CDRL) for inventory reporting requirements on sustainment contracts available at <http://dodprocurementtoolbox.com/site-pages/gfp-resources.>

Provide a report, listing all sustainment contracts awarded after December 28, 2017, if they had Government Inventory, whether they have the reporting requirement, and when you added it or when you plan to add it, if it was omitted. Provide the initial report not later than 30 days of memo signature. Provide quarterly reports that update the data linked to the contracts listed in the initial report and add new contracts awarded since that submission, starting not later than 60 days of memo signature. See Attachment 2 for a template.

POC: The primary point of contact is Ms. Jan Mulligan, jan.b.mulligan.civ@mail.mil, (571) 372-5227.

Contracts with Government Furnished Property (GFP)

For all other existing contracts with government property in the possession of contractors, which Federal Acquisition Requirements (FAR) Part 45 defines as government furnished property (GFP), whether covered by FAR 52.245-1 or not, including sustainment contracts awarded prior to December 28, 2017, that do not have a validated GFP baseline against the component property record, a GFP baseline should be established. Program managers or requiring activities should issue a requirement, and if necessary, fund a CDRL for a “Government Furnished Property Baseline Report” to establish a GFP baseline to enable proper accounting and accountability. See Attachment 3 for the Data Item Description DI-MGMT-80441C, GOVERNMENT PROPERTY INVENTORY REPORT, see Attachment 4 for the CDRL Instructions for Government Furnished Property Baseline Report, and see Attachment 5 for the Federal Condition Code document.

The following establishes the requirement for identifying the total number of contracts with Government Furnished Property, the total that have a GFP baseline, the number of contracts that have added the CDRL for “Government Furnished Property Baseline Report” to establish a GFP

Baseline and the number of contracts that have been reconciled with your Accountable Property System of Record (APSR). You will also submit information on new contracts with GFP. For pending new contracts with GFP requirements, all program managers or requiring activities should validate the GFP baseline pre-award and ensure GFP is itemized on the GFP Attachment before award of the contract. Provide the initial report not later than 30 days of memo signature. Provide quarterly reports that update the data linked to the contracts listed in the initial report and add new contracts awarded since that submission, starting not later than 60 days of memo signature. See Attachment 2 for a template.

POC: The primary point of contact is Ms. Carol Vigna, carol.a.vigna.civ@mail.mil, (703)697-4373.

DATA ITEM DESCRIPTION

Title: GOVERNMENT PROPERTY INVENTORY REPORT

Number: DI-MGMT-80441C

AMSC Number: 9865

DTIC Applicable: No

Preparing Activity: MDA

Applicable Forms: None

Approval Date: 20171101

Limitation:

GIDEP Applicable: No

Project Number: MGMT-2017-059

Use/Relationship: This report enables the contractor to periodically provide to the DoD Service/Agency an inventory listing of Government Property (i.e., both Government Furnished Property (GFP) and Contractor Acquired Property (CAP)) in the contractor's possession (to include subcontractors) by contract.

This DID is applicable to all contracts where Government Property will be furnished by the Government (i.e., GFP) or acquired, fabricated, or otherwise provided by a contractor (i.e., CAP) in performance of a contract.

This DID contains the format and content preparation instructions for the data deliverable resulting from the work task described in the solicitation.

This DID supersedes DI-MGMT-80441B.

Requirements:

1. Format. The report shall be electronic .xls or .xlsx compatible.
2. Content. The report shall contain the following columns/data fields:
 - A. Contract Number
 - B. Manufacturer CAGE Code (if known)
 - C. Item Name
 - D. Item Description
 - E. Manufacturer Name
 - F. Manufacturer Part Number
 - G. Manufacturer Model Number
 - H. Material Control Number (MCN) (if applicable)
 - I. Serial Number
 - J. National Stock Number (NSN)
 - K. Quantity
 - L. Unit of Measure
 - M. Unit Acquisition Cost
 - N. Location
 - O. Sub Location (if applicable)
 - P. Unique Item Identifier (as registered in the IUID Registry)
 - Q. Type of Government Property (i.e., Government Furnished Property (GFP) or Contractor Acquired Property (CAP))
 - R. Classification of Government Property (i.e., Communication Security (COMSEC), Equipment (EQP), Material (MAT), Special Test Equipment (STE), or Special Tooling (ST))

DI-MGMT-80441C

- S. Posting Reference
- T. Date of Transaction / Date of Acquisition
- U. Date Placed in Service
- V. Date of Last Physical Inventory
- W. Condition Code

END OF DI-MGMT-80441C

Government Furnished Property Baseline Report

Instructions for completing DD Form 1423 Contract Data Requirements List for inventory baseline reporting requirements for Government Furnished Property (GFP).

Specify contractor reporting data and formats for GFP in the possession of a contractor by contract, excluding contractor acquired property, as follows—

- (i) Item A. CONTRACT LINE ITEM NO. Self-explanatory.**
- (ii) Item B. EXHIBIT. Self-explanatory.**
- (iii) Item C. CATEGORY: Check “Other.”**
- (iv) Item D. SYSTEM/ITEM. Enter name of system/item being acquired or supported that data will support.**
- (v) Item E. CONTRACT/PR NO. Self-explanatory (to be filled in after contract award).**
- (vi) Item F. CONTRACTOR. Self-explanatory (to be filled in after contract award).**
- (vii) Item 1. DATA ITEM NO. See DoD FAR Supplement Subpart 4.71 for proper numbering.**
- (viii) Item 2. TITLE OF DATA ITEM. Enter title as it appears on data acquisition document cited in Item 4, which is: “Government Property Inventory Report.”**
- (ix) Item 3. SUBTITLE. Enter subtitle of data item for further definition of data item. Enter “Government Furnished Property Baseline Report.”**
- (x) Item 4. AUTHORITY. Enter Data Item Description (DID) number “DI-MGMT-80441C.”**
- (xi) Item 5. CONTRACT REFERENCE. Enter reference to tasking in contract that generates requirement for the data item (e.g., Statement of Work paragraph number).**
- (xii) Item 6. REQUIRING OFFICE. Enter technical office responsible for ensuring adequacy of the data item.**
- (xiii) Item 7. DD 250 REQ. Specify requirement for inspection/acceptance of the data item by the Government.**
- (xiv) Item 8. APP CODE. Specify requirement for approval of a draft before preparation of the final data item.**

(xv) Item 9. DIST STATEMENT REQUIRED. For technical data, specify requirement for contractor to mark the appropriate distribution statement on the data (ref. DoD Instruction 5230.24).

(xvi) Item 10. FREQUENCY. Specify number of times data items are to be delivered. Enter "Once."

(xvii) Item 11. AS OF DATE. Specify as-of date of data item report.

(xviii) Item 12. DATE OF FIRST SUBMISSION. Specify when first submittal is required.

(ixx) Item 13. DATE OF SUBSEQUENT SUBMISSION. Enter "None."

(xx) Item 14. DISTRIBUTION. Enter addressees and number of draft/final copies to be delivered to each addressee. Explain reproducible copies in Item 16.

(xxi) Item 15. TOTAL. Enter total number of draft/final copies to be delivered.

(xxii) Item 16. REMARKS. Enter the following tailoring instructions for DI-ILSS-81441C:

(A) General. Delete any reference to Contractor Acquired Property. Abbreviations are not allowed. Acronyms may be used if a term is defined on first usage.

(B) Block 2.B. Change to read: "Manufacturer Commercial and Government Entity (CAGE) Code."

(C) Block 2.E. Delete.

(D) Block 2.H. Delete.

(E) Block 2.N. Delete.

(F) Block 2.O. Delete.

(G) Block 2.Q. Delete.

(H) Block 2.R. Delete.

(I) Block 2.S. Delete.

(J) Block 2.T. Delete.

(K) Block 2.V. Delete.

(L) Block 2. W. Change to Read: "Condition of Property."

AP2.5 APPENDIX 2.5

FEDERAL CONDITION CODES

NUMBER OF CHARACTERS: One

TYPE OF CODE: Alpha/Numeric

EXPLANATION: There are two different and distinct condition codes under the definition of Federal Condition Codes:

- a. Supply condition codes are used to classify materiel in terms of readiness for issue and use or to identify action underway to change the status of materiel.
- b. Disposal condition codes are assigned by the DRMO based on inspection of materiel at time of receipt. A combination of the disposal condition codes, which most accurately describe the materiel physical condition, and the supply condition codes will constitute the Federal condition codes for utilization program screening and review purpose.

SUPPLY CONDITION CODES

NUMBER OF CHARACTERS: One

TYPE OF CODE: Alphabetic

EXPLANATION: Classify materiel in terms of readiness for issue and use or to identify action underway to change the status of materiel. When materiel is determined to be in excess of approved stock levels and/or no longer serviceable, Supply Condition Codes A through H and S will be utilized to reflect materiel condition prior to turn-in to the DRMO.¹

RECORD POSITIONS: 71

<u>CODE</u>	<u>TITLE</u>	<u>EXPLANATION</u>
A	SERVICEABLE (ISSUABLE WITHOUT QUALIFICATION)	New, used, repaired, or reconditioned materiel which is serviceable and issuable to all customers without limitation or restriction. Includes materiel with more than 6 months shelf-life remaining.
B	SERVICEABLE (ISSUABLE WITH QUALIFICATION)	New, used, repaired, or reconditioned materiel which is serviceable and issuable for its intended purpose but which is restricted from issue to specific units, activities, or geographical areas by reason of its limited usefulness or short service life expectancy. Includes materiel with 3 through 6 months shelf-life remaining.
C	SERVICEABLE (PRIORITY ISSUE)	Items which are serviceable and issuable to selected customers, but which must be issued before Supply Condition Codes A and B materiel to avoid loss as a usable asset. Includes materiel with less than 3 months shelf-life remaining.

¹Refer to the DoD 4140.27-M for serviceability timeframes associated with shelf-life items. Supply Condition Codes J through R, and V, will not be used for materiel turn-ins to the DRMO.

<u>CODE</u>	<u>TITLE</u>	<u>EXPLANATION</u>
D	SERVICEABLE (TEST/ MODIFICATION)	Serviceable materiel which requires test, alteration, modification, technical data marking, conversion, or disassembly. This does not include items which must be inspected or tested immediately prior to issue.
E	UNSERVICEABLE (LIMITED RESTORATION)	Materiel which involves only limited expense or effort to restore to serviceable condition and which is accomplished in the SA where the stock is located. May be issued to support ammunition requisitions coded to indicate acceptability of usable condition E stock.
F	UNSERVICEABLE (REPARABLE)	Economically repairable materiel which requires repair, overhaul, or reconditioning; includes repairable items which are radioactively contaminated.
G	UNSERVICEABLE (INCOMPLETE)	Materiel requiring additional parts or components to complete the end time prior to issue.
H	UNSERVICEABLE (CONDEMNED)	Materiel which has been determined to be unserviceable and does not meet repair criteria; includes condemned items which are radioactively contaminated; Type I shelf-life materiel that has passed the expiration date; and Type II shelf-life materiel that has passed expiration date and cannot be extended. (NOTE: Classify obsolete and excess materiel to its proper condition before consigning to the DRMO. Do not classify materiel in Supply Condition H unless it is truly unserviceable and does not meet repair criteria.)
I	NOT ASSIGNED	Reserved for future DoD assignment.
J	SUSPENDED (IN STOCK)	Materiel in stock which has been suspended from issue pending condition classification or analysis, where the true condition is not known. Includes shelf-life Type II materiel that has reached the expiration date pending inspection, test, or restoration.

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DoD 4000.25-2-M

<u>CODE</u>	<u>TITLE</u>	<u>EXPLANATION</u>
K	SUSPENDED (RETURNS)	Materiel returned from customers or users and awaiting condition classification.
L	SUSPENDED (LITIGATION)	Materiel held pending litigation or negotiation with contractors or common carriers.
M	SUSPENDED (IN WORK)	Materiel identified on inventory control record but which has been turned over to a maintenance facility or contractor for processing.
N	SUSPENDED (AMMUNITION SUITABLE FOR EMERGENCY COMBAT USE ONLY)	Ammunition stocks suspended from issue except for emergency combat use.
O	NOT ASSIGNED	Reserved for future DoD assignment.
P	UNSERVICEABLE (RECLAMATION)	Materiel determined to be unserviceable, uneconomically repairable as a result of physical inspection, teardown, or engineering decision. Item contains serviceable components or assemblies to be reclaimed.
Q	SUSPENDED (QUALITY DEFICIENT EXHIBITS)	This code is for intra-Air Force use only. Quality deficient exhibits returned by customers/users as directed by the IMM due to technical deficiencies reported by Quality Deficiency Report. Exhibit requires technical or engineering analysis to determine cause of failure to perform in accordance with specifications.
R	SUSPENDED (RECLAIMED ITEMS, AWAITING CONDITION DETERMINATION)	Assets turned in by reclamation activities which do not have the capability (e.g., skills, manpower, or test equipment) to determine the materiel condition. Actual condition will be determined prior to induction into maintenance activities for repair/modification.

<u>CODE</u>	<u>TITLE</u>	<u>EXPLANATION</u>
S	UNSERVICEABLE (SCRAP)	<p>Material that has no value except for its basic materiel content. No stock will be recorded as on hand in Supply Condition Code S. This code is used only on transactions involving shipments to DRMOs. Materiel will not be transferred to Supply Condition Code S prior to turn-in to DRMOs if materiel is recorded in Supply Condition Codes A through H at the time materiel is determined excess. Materiel identified by NSN will not be identified by this supply condition code.</p>
T, U	NOT ASSIGNED	Reserved for future DoD assignment.
V ²	<i>Unserviceable (waste military munitions)</i>	<p><i>Waste military munitions will be assigned Code V only under the authority of a designated DoD or Service designated disposition authority. The waste munitions must meet criteria of waste munitions under the Environmental Protection Agency Military Munitions Rule Implementation Policy, be safe to store and ship based on DoD Explosive Safety Board/Department of Transportation criteria and have a current serviceability inspection. (NOTE: SCC V assets are not authorized for turn-in to DRMO. The Services are responsible for appropriate disposal of SCC V assets.)</i></p>
W ³ , X, Y, Z	NOT ASSIGNED	Reserved for future DoD assignment.

² ***Joint inter-Component implementation of SCC V is effective August 2003. SCC V may be used on an intra-Service basis immediately.***

³ SCC W is approved for specific use by AMCL 3 (available at: <http://www.dla.mil/j-6/dlmsso/Changes/Default.htm>), but is not yet implemented. SCC W is not available for assignment other than as approved by AMCL 3.

DISPOSAL CONDITION CODES

NUMBER OF CHARACTERS: One

TYPE OF CODE: Numeric

EXPLANATION: Assigned by DRMO to accurately describe the materiel physical condition based on inspection of materiel at time of receipt. **DoD 4160.21-M is the authoritative source for the disposal condition code** portion of the Federal condition code.

<u>CODE</u>	<u>DEFINITION</u>
1	New. Property which is in new condition or unused condition and can be used immediately without modifications or repairs.
4	Usable. Property which shows some wear, but can be used without significant repair.
7	Repairable. Property which is unusable in its current condition but can be economically repaired.
X	Salvage. Property which has value in excess of its basic materiel content but repair or rehabilitation is impractical and/or uneconomical.
S	Scrap. Property which has no value except for its basic materiel content.