



DEPARTMENT OF THE NAVY
OFFICE OF THE CHIEF OF NAVAL OPERATIONS
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WASHINGTON, DC 20350-2000

OPNAVINST 4440.26A
N4
5 Jun 2012

OPNAV INSTRUCTION 4440.26A

From: Chief of Naval Operations

Subj: OPERATING MATERIALS AND SUPPLIES AND GOVERNMENT FURNISHED
MATERIAL MANAGEMENT

Ref: (a) SECNAVINST 4440.33
(b) Federal Acquisition Regulation (FAR), Part 45
(c) DoD 4140.1-R, DoD Supply Chain Materiel Management
Regulation, May 2003
(d) DoD 7000.14-R, Department of Defense Financial
Management Regulations (FMRS)
(e) OPNAVINST 4442.5A

1. Purpose. To issue policy, procedures, and responsibilities governing management of operating materials and supplies (OM&S) as well as government-furnished material (GFM) in the possession of Navy contractors. This instruction details management of OM&S (formerly known as sponsor owned material) to achieve accountability and visibility of material, and allow the fleet and other authorized customers to requisition material not designated as material held for use (MHFU) or material held for repair. GFM includes material issued from the Department of Defense (DoD) supply system as well as government procured material from vendors, for which custody has been transferred to a contractor to assist in the fulfillment of a contract.

2. Cancellation. OPNAVINST 4440.26.

3. Applicability. This instruction applies to:

a. Navy hardware systems commands (HSCs), program managers (PMs), and other OM&S owning activities.

b. Commands and activities determining requirements for contracts which require GFM provided from DoD sources.

c. Navy management control activities (MCAs).

d. Inventory managers at HSCs and subordinate activities.

4. Definitions

a. Operating Material and Supplies. Consists of tangible personal property to be consumed in normal operations including GFM and contractor acquired material. Excluded are:

(1) goods that have been acquired for use in constructing real property or in assembling equipment to be used by the entity,

(2) stockpile materials,

(3) goods held under price stabilization programs,

(4) foreclosed property,

(5) seized, forfeited property, and inventory,

(6) Government furnished equipment (GFE) and contractor furnished equipment, and

(7) Inventory held for sale.

b. OM&S Material Categories

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

(2) Material Held for Future Use. Items stored at an activity not related to the station's direct production workload of normal business operations, not readily available in the market and with a remote chance that they will eventually be needed. Documentation justifying an excess supply will be developed and maintained for review. Material held in this category includes, but is not limited to, material resulting from:

(a) Economic order quantity buys,

(b) Life of type buys,

(c) Diminishing manufacturing sources and material shortage buys,

(d) Foreign military sales,

(e) Material procured, staged, kitted, and transshipped for projects at naval shipyards or installation sites,

(f) Material removed from decommissioned vessels determined by the PM to be required to support remaining fleet assets,

(g) Not ready for issue material held for repair through performance based logistics contracts and agreements with Naval Supply Systems Command Weapon Systems Support;

(h) Special tooling and special test equipment statutorily mandated to be maintained in inventory by programs throughout a weapon system's entire lifecycle, and

(i) Interim supply support materials procured and held in inventory by programs to support Naval Supply Systems Command requisitions until those items reach their material support date.

(3) Material Excess, Obsolete and Unserviceable (E, O&U). This category includes, but is not limited to, items that exceed the amount expected to be used in normal business operations, and those associated with requirements not reviewed or validated annually. Obsolete OM&S includes stocks no longer needed due to changes in technology, laws, customs or operations. Unserviceable OM&S includes stock that is physically damaged and cannot be economically rebuilt and returned to the MHFU category.

c. Government Furnished Material (GFM). A sub-category of government-furnished property. Consists of inventory or OM&S furnished to a contractor as Government property. GFM is typically consumed or expended during the performance of a contract. In the case of GFM, the contractor is considered the end-user. When furnished to a contractor, inventory and OM&S are considered GFM and governed by references (a), (b) and (c), in place of HSC instructions pertaining to OM&S. GFM includes assemblies, components, parts, raw and processed materials, and

small tools and supplies that may be consumed in normal use during the performance of a contract. It also can include material awaiting load-out, such as items in installation and checkout (INCO) support kits, and items in allowance lists, such as support material lists (SMLs), interim support items lists (ISILs), and coordinated shipboard allowance lists (COSALs). GFM does not include material provided to contractors on a cash sale basis, agency peculiar property, major end items being repaired by commercial contractors for return to the Government, or any property, plant, and equipment as described in volume 4, chapter 6 of reference (d).

d. Management Control Activity (MCA). The MCA is a Department of the Navy (DON) activity, or DoD activity delegated to DON, and or Government property administrators designated in the contract to:

(1) Ensure that GFM requested by the contractor or pushed to them by the government satisfies a valid contractual requirement and is supported by the contract itself. Changes to GFM in custody of a contractor shall be reflected in the contract through a contract modification.

(2) Maintain a database for Government owned and Government maintained material management systems that accounts for GFM provided to contractors.

(3) Ensure that excess GFM material is quickly identified and redistributed appropriately.

e. Requiring Activity (RA). The RA is a DON activity responsible for making and justifying the decision to provide GFM and for identifying and authorizing items of GFM to be provided.

5. Policy

a. OM&S

(1) Decisions affecting Navy logistics functions relating to OM&S management and reporting, per reference (a), fall under the cognizance of the Assistant Secretary of the Navy (Research, Development and Acquisition). HSCs, program

executive offices (PEOs), and Navy Working Capital Fund (NWCF) performing activities shall minimize on-hand OM&S by:

(a) Ensuring program and system acquisition profiles meet their demand profile following the best value life-cycle cost analysis, including associated holding costs.

(b) Maximizing redistribution of on-hand assets and material designated as available for issue, using automatic requisition sourcing where possible, to fill fleet end-use requirements.

(c) Disposing of E, O&U material that cannot be otherwise used via redistribution, per applicable rules and regulations.

(2) HSCs, PEOs and NWCF performing activities shall maintain accountability and maximize visibility and accessibility of all OM&S stock within currently available and planned future automated business management systems.

(3) Decisions affecting Navy logistics functions relating to GFM management and reporting, per reference (c), will be the responsibility of the Deputy Chief of Naval Operations for Fleet Readiness and Logistics (CNO (N4)).

(4) Contractors shall provide all material required for the performance of contracts, except when it is determined that government furnishing of material would achieve significant economy, standardization, expedited production, or when it is otherwise in the government's best interest.

b. GFM

(1) Access to DoD wholesale system inventories may be granted to contractors subject to restrictions specified in reference (c).

(2) GFM in excess of justified requirements is not authorized.

(3) MCA assignment and procedures in reference (c) will be strictly followed.

(4) The following information technology (IT) systems have been designated as an accountable property system of record (APSR) and approved for use in managing GFM:

- (a) Contractor Aviation Material Management System.
- (b) Commercial Asset Visibility - Web based (CAV-WEB).
- (c) Real-Time Outfitting Management Information System (ROMIS).
- (d) Standard Logistics Data Procedures System (SLDP).
- (e) GFM Cost Tracking System.
- (f) Contractor-provided asset visibility system.
- (g) Other systems approved through CNO (N4), using the DON Application and Database Management System (DADMS) and the DoD Information Technology Portfolio Repository (DITPR) as reference.

(5) An accountable property record shall be created in the DoD item unique identification (IUID) registry for all GFM and, at a minimum, the required data elements for each piece of GFM shall be reported to the IUID Registry by contractors.

6. Procedures

a. Requirement Determination. When providing GFM is in the best interest of the Navy, the RA shall follow procedures specified in reference (c). The requirement for GFM will be fully justified, validated, and documented. Navy prepared allowance lists (such as SMLs, ISILs, and COSALs) and support kits (such as INCOs) must satisfy the requirements of reference (c). Listings of approved GFM will be stated within the negotiated contract and identified by either national stock number (NSN), part number (P/N) or contractor and government entity (CAGE) coding (if no NSN exists). The quantity and specified allowance level will also be identified. To assist in determining the advantage in providing GFM, a bill of materials, listing the NSN, P/N or CAGE, and the quantity of each item required to produce the end item being acquired, should be

obtained from the bidding contractors, unless the size or complexity of the contract makes it impractical to do so. This bill of materials listing should be used to query the DoD wholesale supply system to determine if on-hand stock excesses can be used to satisfy production line needs. To assist in requirements determination, the following items must be provided:

(1) For principal end item production, the exact quantity required to satisfy an approved production contract.

(2) For support of GFE, furnished as GFM on end item production contracts, an amount based on expected demand through a single production contract period.

(3) For support of contractor depot repair lines, an amount based on expected depot level repairable inductions during the contract period.

(4) For interim contractor supply support, recommended GFM quantities will be determined by an approved sparing model per reference (e), unless otherwise authorized per appendix 2 of reference (c). Interim allowance quantities should be computed to minimize on-hand quantities at the conclusion of the interim period. Any remaining quantities will be transitioned to the DoD wholesale supply system.

b. Providing GFM. GFM may be either pushed by the Navy to the contractor, or requisitioned (pulled) from the DoD wholesale supply system by the contractor (as approved by the MCA). A system by which the Navy pushes the material is preferred. In instances where it is advantageous to let the contractor requisition GFM from the DoD wholesale supply system, the MCA will screen all requisitions to ensure that quantities requested are within limits negotiated in the applicable contract. When utilizing contractor-provided asset visibility programs for GFM purposes, the contractor will requisition a GFM item and, upon receipt of the asset, will record the receipt transaction in the program database.

c. Bond Room Reports

(1) Upon installation of an approved automated GFM management system, the results of a wall to wall inventory of the contractor's bond room will be reviewed by a Government

official to establish justification and levels of all GFM held. Material that cannot be justified will be processed for redistribution or disposal.

(2) Bond room inventory levels will be validated on a quarterly basis.

(3) Bond room reports will be produced from the government's material management system. As excesses are identified, the owning activity must acknowledge the excess condition and authorize the transfer of assets for redistribution or disposal.

d. Excess Material

(1) As required by reference (a), PEOs will report excess OM&S, as well as ensure excess material is identified and available for reissue to the fleet.

(2) Excess GFM will be processed for reutilization after contract requirements have been fully satisfied. All reutilization actions must follow provisions outlined in references (a) and (b). Material quantities are in excess if they exceed the planned requirements. To prevent the retention of excess GFM, HSCs shall:

(a) Develop methods for processing and reporting the existence of excess GFM, such that they may be screened against system requirements.

(b) Maintain visibility of excess GFM items by NSN, P/N and CAGE, quantity, contract, and location.

(c) Identify excess items that are to be exempt from redistribution. Exemption is authorized if deemed to be in the best interest of the Navy. This decision must be justified in writing and maintained by the office maintaining GFM visibility.

(d) Provide visibility of excess GFM to the other HSCs via approved asset visibility systems, processes and methods.

(e) Assist other HSCs in eliminating excesses quickly and efficiently, and by directing appropriate redistribution or disposal actions.

7. Responsibilities

a. Assistant Secretary of the Navy (Financial Management and Comptroller). Provide guidance and assistance on reimbursement to the HSCs for excess material transferred between them.

b. Logistics Programs and Corporate Operations Division (OPNAV (N41))

(1) Review annually, with Deputy Assistant Secretary of the Navy for Acquisition and Logistics Management (DASN(A&LM)) and PEOs, all pertinent information regarding OM&S categorized as MHFU or E, O&U retained past 180 days.

(2) Act as the Navy's central point of contact and coordination point for all logistics issues concerning GFM.

(3) Provide oversight for all GFM management systems, monitoring the timely correction of deficiencies associated with the management of GFM.

(4) Approve IT systems for use in managing GFM.

c. Navy HSCs and Strategic Systems Programs

(1) Coordinate OM&S reporting for all PMs and OM&S owning activities under their cognizance as required by reference (a).

(2) Ensure adherence to the requirements in this instruction by all PMs and OM&S owning activities under their cognizance.

(3) Use existing business management systems to ensure 100 percent visibility and maximum accessibility of all OM&S.

(4) Coordinate with owners (including PEOs and PMs) and holding activities to achieve 100 percent visibility and accessibility of OM&S data within existing and future business

systems, which will maximize accountability of OM&S with due consideration to information assurance and information security restrictions.

(5) Coordinate verification of OM&S on-hand quantities and associated dollar value, using annual inventories and random activities. This information will be used to adjust the quantities and values reflected in the business management system of record.

(6) Establish a central point of contact for logistics management of GFM.

(7) Implement approved systems to obtain full visibility and control of GFM. Ensure contractors report all GFM to the IUID Registry.

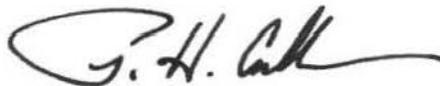
(8) Ensure GFM being managed in the APSR matches that reported by the contractor to the IUID Registry.

(9) Develop a master consolidated listing of excess GFM held by contractors.

(10) Develop procedures to share information on the redistribution of excess GFM.

8. Records Management. Records created as a result of this instruction, regardless of media or format, shall be managed per Secretary of the Navy (SECNAV) Manual 5210.1 of January 2012.

9. Reports Control. Reporting requirements contained within this instruction are exempt from reports control per SECNAV Manual 5214.1 of December 2005.



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