



DEPARTMENT OF THE NAVY

OFFICE OF THE SECRETARY

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SECNAVINST 4440.33A

ASN (RD&A)

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SECNAV INSTRUCTION 4440.33A

From: Secretary of the Navy

Subj: OPERATING MATERIALS AND SUPPLIES - ACCOUNTABILITY
AND MANAGEMENT

Ref: See enclosure (1).

Encl: (1) References
(2) Responsibilities
(3) Exemptions
(4) Accounting Method Waivers
(5) OM&S Logistics & Financial Reporting Requirements
(6) OM&S Logistics Reporting Sample
(7) Glossary and Terms
(8) List of Acronyms

1. Purpose. Under the authority of references (a) and (b), this instruction:

a. Establishes the overarching accountability and management policy for Operating Materials and Supplies (OM&S).

b. Assigns roles and responsibilities within the Department of the Navy (DON) for all DON OM&S (see enclosure (2)).

c. Aligns DON policies for OM&S with Department of Defense (DoD) policies.

d. Establishes a structure for OM&S accountability and management policies to ensure maximum OM&S visibility, management, and traceability resulting in maximum reutilization and disposition of OM&S.

e. Provides a framework for logistics and financial reports supporting total asset visibility and financial compliance (see enclosures (3) through (6)).

f. Establishes standard taxonomy for OM&S in enclosure (7) and provides a list of OM&S related acronyms in enclosure (8).

2. Cancellation. This instruction supersedes in its entirety SECNAVINST 4440.33 dated 11 February 2009.

3. Responsibilities. See enclosure (2).

4. Applicability

a. This instruction applies to the Office of the Secretary of the Navy (SECNAV), the Chief of Naval Operations (CNO), the Commandant of the Marine Corps (CMC), and all U.S. Navy and U.S. Marine Corps entities within the DON.

b. This instruction refers to all OM&S to which the government holds title, regardless of who has custody. OM&S consists of tangible personal property to be consumed in normal operations. A detailed definition and partial list of types of material both held as and specifically excluded from OM&S can be found in enclosure (7).

(1) Per reference (c), OM&S shall be categorized as:

- (a) Material Held for Use
- (b) Material Held in Reserve for Future Use
- (c) Material Held as Excess, Obsolete, and Unserviceable
- (d) Material Held for Repair or Remanufacture

(2) Per enclosure (5), OM&S shall be further characterized as:

- (a) Ordnance
- (b) Uninstalled Aircraft Engines
- (c) Production
- (d) Risk Mitigation
- (e) Spares
- (f) Other

c. Exemptions. See enclosure (3).

5. Policy. This policy governs the accountability and management of OM&S. It is SECNAV policy to:

a. Execute financial management and material management of OM&S per references (b) through (t).

b. Require that the Consumption Method of Accounting shall be applied for all OM&S per paragraph 040201.A of reference (c), unless a written waiver to use the Purchases Method of Accounting is granted by Deputy Assistant Secretary of the Navy, Financial Operations (DASN FO) as required in enclosure (4). Authorization to apply the Purchases Method of Accounting may be requested from DASN FO if OM&S are:

(1) not significant amounts,

(2) in the hands of the end user, or

(3) if it is not cost beneficial to apply the Consumption Method of Accounting.

c. Require that Service-level policies, plans, and strategies for procurement and management of OM&S are in place and reviewed at least every 2 years. Initial Service policies and strategies shall be in place not more than 180 days following signature of this instruction.

d. Efficiently manage spending to satisfy requirements across a program's lifecycle while balancing risk and operational readiness.

e. Minimize costs associated with asset management through improved traceability, accountability, and visibility.

f. Maximize OM&S visibility and accountability to right-size the overall inventory and to support audit readiness.

g. Maximize the use of information technology and automated information systems, i.e., barcode scanners and Item Unique Identification (IUID), and utilize only designated automated information systems with standard, common processes for procurement and management of OM&S. IUID shall be used for OM&S

asset visibility, management, and traceability for qualifying items per references (d) through (f).

h. Track all OM&S in a Government approved Accountable Property System of Record (APSR), with the goal of 100% accountability. Third party property management or accountability systems, such as custodial systems, shall not supersede or replace the government's APSR or the accountable property records maintained by DON as required by reference (g).

i. Conduct physical inventories of all OM&S at least every 3 years per paragraph 11.a(2) of reference (g), or chapter 7 of reference (h), as applicable.

j. Require that all organizations that own OM&S, e.g., hold title to the material, shall report their OM&S as delineated in in enclosures (5) and (6). Compliance with this instruction and the adequacy of metrics collected shall be assessed during periodic data calls and subsequent audits.

6. Records Management. Records created as a result of this instruction, regardless of media and format, shall be managed as required in SECNAV Manual 5210.1 of January 2012.

7. Forms and Reports. SECNAV 4440/1 (10-14), Operating Materials and Supplies Logistics Report is available electronically from Navy Forms Online at: <https://navalforms.documentservices.dla.mil/web/public/home>. The reporting requirements contained in enclosures (2) and (5) are exempt from reports control per SECNAV M-5214.1 of December 2005, Part IV paragraph 7g.



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REFERENCES

- (a) SECNAVINST 5430.7Q Assignment of Responsibilities and Authorities in the Office of the Secretary of the Navy of 21 August 2009
- (b) DoDI 4140.01, DoD Supply Chain Materiel Management Policy of 14 December 2011
- (c) DoD 7000.14-R, DoD Financial Management Regulations
- (d) DoDI 4151.19, Serialized Item Management (SIM) for Life-Cycle Management of Materiel of 9 January 2014
- (e) DoDI 8320.04, Item Unique Identification (IUID) Standards for Tangible Personal Property of 16 June 2008
- (f) SECNAVINST 4440.34, Implementation of Item Unique Identification within the Department of the Navy of 22 December 2009
- (g) DoDI 5000.64, Accountability and Management of DoD Equipment and Other Accountable Property of 19 May 2011
- (h) DLM 4000.25-2 CH-3, Military Standard Transaction Reporting and Accountability Procedures of 19 December 2013
- (i) Office of Management and Budget Circular A-123, Management's Responsibility for Internal Control of 21 December 2004
- (j) Office of Management and Budget Circular A-136, Financial Reporting Requirements of 21 October 2013
- (k) Statement of Federal Financial Accounting Standards 3, Accounting for Inventory and Related Property of 27 October 1993
- (l) SECNAVINST 5400.15C CH-1, Department of the Navy Research and Development, Acquisition, Associated Life-Cycle Management, and Logistics Responsibilities and Accountability of 2 December 2011
- (m) Federal Acquisition Regulation, current edition
- (n) Defense Federal Acquisition Regulation Supplement, current edition
- (o) Chief Financial Officer Act of 1990
- (p) Federal Managers Financial Integrity Act of 1982
- (q) Interpretation of Federal Financial Accounting Standards 7, Items Held for Remanufacture of 16 March 2007
- (r) 48 CFR Federal Acquisition Regulations System
- (s) DoDM 4140.01, DoD Supply Chain Materiel Management Procedures Vol. 1-11 of 10 February 2014
- (t) DoDI 4161.02, Accountability and Management of Government Contract Property of 27 April 2012

RESPONSIBILITIES

1. Deputy Assistant Secretary of the Navy, Expeditionary Programs and Logistics Management (DASN ELM) shall:

a. Provide policy and guidance for material and logistics management of OM&S that is applicable to all organizations within the DON.

b. In conjunction with DASN FO, manage DON-wide OM&S issues and serve as the SECNAV logistics representative on all OM&S related matters.

c. In coordination with DASN FO, establish and co-lead a working group comprised of Service, Program Executive Officer (PEO) and Systems Command (SYSCOM) subject matter experts to address DON OM&S issues and assist with developing and managing Service-level OM&S policies and strategies.

d. Develop reporting requirements and metrics with goals that measure efficient material management of OM&S.

e. Analyze and report results of OM&S logistics data calls submitted per the reporting requirements identified in enclosure (5). Evaluate data and provide feedback to Services recommending changes to policies and/or strategies as appropriate.

f. In coordination with DASN FO, and as described in enclosure (3), adjudicate and respond in writing to requests for exemption from all or any part of this policy. Review approved exemptions at least annually and when governing policies or relevant legislation are changed to ensure continued applicability.

g. In coordination with DASN FO, review, update, and publish changes to this policy not less than every 2 years and when changes to legislation or DoD guidance drive change to this policy.

2. DASN FO shall:

a. Provide policy and guidance for accounting and financial management of OM&S that is applicable to all organizations within the DON.

- b. In conjunction with DASN ELM, manage DON-wide OM&S issues and serve as the SECNAV financial representative on all OM&S related matters.
- c. In coordination with DASN ELM, co-lead a working group comprised of Service, PEO, and SYSCOM subject matter experts to address DON OM&S issues and assist with developing and managing Service-level OM&S policies and strategies.
- d. Develop reporting requirements and metrics with specific goals that measure efficient financial management of OM&S.
- e. Analyze and report results of OM&S financial data calls submitted per the reporting requirements identified in enclosure (5). Evaluate data and provide feedback to Services recommending changes to policies and/or strategies as appropriate.
- f. In coordination with DASN ELM, review, update, and publish changes to this policy not less than every 2 years and when changes to legislation or DoD guidance drive change to this policy.
- g. In coordination with the CNO and the CMC, ensure and periodically test that proper internal controls for OM&S management required in reference (i) are being met.
- h. In coordination with the Defense Finance and Accounting Service, ensure all OM&S is properly reported on the DON Financial Statements as required by reference (j).
- i. Ensure Service and subordinate policies require that all OM&S is managed using the Consumption Method of Accounting unless specific waivers are granted in writing.
- j. In coordination with DASN ELM, adjudicate and respond in writing to all requests for exemption from all or any part of this policy. Review existing, approved exemptions at least annually and when governing policies or relevant legislation are changed to ensure continued applicability.
- k. Evaluate and approve or deny in writing all requests to utilize the Purchases Method of Accounting in lieu of the Consumption Method of Accounting for OM&S per enclosure (4).

1. Approve APSR for the DON and maintain a list of approved government APSRs.

3. CNO and CMC shall:

a. Ensure Service policies that emphasize visibility, accountability, and minimize OM&S while balancing risk and operational readiness are in place and reviewed at least every 2 years. Initial Service policies and strategies shall be in place not more than 180 days following signature of this instruction.

b. Ensure strategies with clear, definite timelines to implement SECNAV and Service policies are in place and reviewed annually.

c. Ensure Service and subordinate policies require that all OM&S is managed using the Consumption Method of Accounting unless specific waivers are granted in writing by DASN FO.

d. Develop Service-unique reporting requirements and metrics with specific goals that measure efficient material and financial management of OM&S.

e. Initiate Service-level OM&S data calls, and analyze and report results submitted per the reporting requirements identified in enclosure (5).

f. Consolidate subordinate responses to DASN ELM and DASN FO data calls and forward reports to DASN ELM and DASN FO as required by enclosure (5). Analyze subordinate responses and make adjustments to Service-level policy and strategy based on that analysis.

g. Designate which approved government APSRs are authorized for financial and material management of OM&S.

h. Ensure resource sponsors resource requirements to enable fully accountable management of OM&S as defined in enclosure (7).

i. Establish Service-wide standard taxonomy and business practices for procuring, managing, reutilizing, and reporting OM&S.

j. Develop guidelines for acquiring and retaining donated and reclaimed OM&S material.

k. Enforce adherence to DoD and SECNAV policies and regulations with respect to procuring, managing, accounting for, and reporting OM&S, including but not limited to, unique item traceability requirements, material in the hands of contractors, and material in the hands of the operating forces.

l. Ensure PEOs, Program Managers, and procuring officials maximize reutilization and procurement efficiencies by reviewing enterprise-wide availability of existing or cataloged material and like items before procuring OM&S.

m. Ensure all activities under Service cognizance that own OM&S, e.g., hold title to the material, review all OM&S categorized as Material Held in Reserve for Future Use not less than annually to validate continued need. Material designated as Material Held in Reserve for Future Use will meet the criteria set forth in paragraph 46 of reference (k).

n. Support periodic testing to ensure proper internal controls for OM&S management required in reference (i) are being met.

o. Support input to the financial management reporting processes as required in reference (j).

p. Ensure records and accountability for OM&S of any value in the custody of contractors are maintained per references (h) and (k) through (n).

4. SYSCOMs, as defined in reference (l), budget submitting offices (BSOs), and direct reporting program managers (DRPMs) shall:

a. Develop BSO, SYSCOM, and DRPM reporting requirements and metrics with specific goals that measure efficient material and financial management of OM&S. These metrics shall include, but not be limited to, performance metrics used during leadership reviews of Program Managers.

b. Ensure the Consumption Method of Accounting is used for all OM&S unless a specific exemption is granted in writing by DASN FO.

c. Establish controls to ensure every OM&S transaction is documented in the designated APSR to support auditability, e.g., all material must be received and issued. Controls shall be in place within 24 months following signature of this instruction.

d. Ensure records and accountability for OM&S of any value in the custody of contractors are maintained in a government approved APSR per reference (g), parts 45 and 52 of reference (m), and subpart 252.211-7007 of reference (n). Value of OM&S shall be calculated at Moving Average Cost (MAC) except for Material Held as Excess, Obsolete, and Unserviceable, which shall be calculated at Net Realizable Value (NRV), per paragraph 040202 of reference (c).

e. Require Program Managers to review enterprise-wide availability of material and like items before procuring OM&S to maximize reutilization.

f. Support periodic testing to ensure proper internal controls for OM&S management required by reference (i) are being met.

g. Coordinate input to the financial management reporting processes as required by reference (j).

h. Consolidate subordinate responses to DASN ELM, DASN FO, or Service data calls and forward to the CNO or the CMC per reporting requirements identified in enclosure (5).

i. Evaluate semiannual summary reports and certification memorandums, per enclosure (6), that are sent to DASN FO and DASN ELM, and recommend adjustments to strategies and policies to Service leads as appropriate.

j. Establish common business practices between PEOs and across program offices.

k. Ensure all activities under their cognizance that own OM&S, e.g., hold title to the material, review all OM&S

categorized as Material Held in Reserve for Future Use not less than annually to validate continued need. Material designated as Material Held in Reserve for Future Use will meet the criteria set forth in paragraph 46 of reference (k).

5. PEOs shall:

a. Ensure OM&S is procured, managed, accounted for, and reported as required in DoD and SECNAV policies and regulations, including but not limited to, unique item traceability requirements, material in the hands of contractors, and material in the hands of the operating forces.

b. Consolidate Program Manager responses to data calls and the reporting requirements of enclosure (5) and forward to SYSCOM and/or BSO.

c. Establish PEO specific goals and metrics that measure efficient material and financial management of OM&S, including but not limited to, performance metrics used during leadership reviews of Program Managers.

d. Require Program Managers to review enterprise-wide availability of material and like items before procuring OM&S to maximize reutilization and procurement efficiency.

e. Support common business practices across Program Offices.

f. Ensure all activities under their cognizance that own OM&S, e.g., hold title to the material, review all OM&S categorized as Material Held in Reserve for Future Use not less than annually to validate continued need.

g. Support periodic testing to ensure proper internal controls for OM&S management required by reference (i) are being met.

h. Support input to the financial management reporting processes required by reference (j).

EXEMPTIONS

1. Requests for relief from all or any part of this policy shall be submitted in writing, through administrative chains of command, to DASN ELM and DASN FO for joint adjudication. Accounting method waivers shall be addressed as described in enclosure (4). Exemptions granted under this policy do not apply to the requirements of any other regulation or policy, including requirements related to financial reporting and auditability.

a. Exemptions to this policy shall be considered if any one of the following conditions exist:

(1) The requestor is exempted by law.

(2) The requestor is subject to another SECNAV or higher level policy that provides equivalent guidance on managing and reporting OM&S through the chain of command.

(3) Reporting as prescribed in enclosure (5) will compromise security requirements levied on classified material or classified programs.

b. Requests shall be signed by a General Officer, Flag Officer, or member of the Senior Executive Service (GO/FO/SES) at the Echelon III level, with written endorsements signed at the Echelons I and II levels prior to submitting to DASN ELM and DASN FO.

c. Once approved, waivers remain in effect until rescinded in writing jointly by DASN ELM and DASN FO or higher authority.

d. Reports shall be submitted as required until written approval of exemption is provided by DASN ELM and DASN FO.

e. Requests for exemption from reporting shall be submitted at least 45 days prior to the scheduled start date of the pertinent reporting cycle, e.g., exemption requested for the logistics reporting submitted 45 days before 15 February, if approved, will exempt requestor from second quarter and subsequent reporting.

f. Exemption requests shall specify from which sections of the policy exemption is desired, e.g., shared visibility,

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logistics reporting, entire policy, etc., citing specific paragraph number(s) where appropriate and a detailed justification for the request.

2. DASN ELM and DASN FO will review existing, approved exemptions at least annually and when technologies, governing policies, or relevant legislation are changed to ensure continued applicability.

ACCOUNTING METHOD WAIVERS

1. The Consumption Method of Accounting shall be applied for all OM&S, unless a written waiver to use the Purchases Method of Accounting is granted by DASN (FO) as described in this enclosure. Once approved, waivers remain in effect until rescinded in writing by DASN FO or higher authority.

2. Authorization to use the Purchases Method of Accounting will be considered if one of the following conditions exist:

- a. OM&S are not significant amounts.
- b. OM&S are in the hands of the end user.
- c. If it is not cost beneficial to apply the Consumption Method of Accounting.

3. Requests to use the Purchases Method of Accounting shall be submitted in writing, through administrative chains of command to DASN FO for adjudication. Requests shall be signed by a GO/FO/SES at the Echelon III level, with written endorsement signed at the Echelons I and II levels prior to submitting to DASN FO. Waivers granted under this policy do not apply to the requirements of any other regulation or policy, especially requirements related to financial reporting and auditability.

a. Requests shall provide detailed justification for using the Purchases Method of Accounting, including which of the three conditions for waiver from paragraph 2 of this enclosure apply. Justifications shall include an estimate of the total number of line items and total value of OM&S (calculated at MAC) for which the Purchases Method of Accounting is being sought, the basis for those estimates, and a comprehensive list of management controls in place to ensure accountability of material. Additionally, if the waiver is being requested citing paragraph 2.c of this enclosure, a cost benefit analysis outlining the estimated cost avoidance if the Purchases Method of Accounting is used shall be included.

b. Until written authorization to use the Purchases Method of Accounting is provided by DASN FO, the Consumption Method of

Accounting shall be used, and applicable reports shall be submitted as required by this instruction.

c. Requests for waivers shall be submitted not later than 45 days prior to the scheduled start date of the pertinent reporting cycle, e.g., waivers requested 45 days before 15 February, if approved, will exempt requestor from second quarter and subsequent reporting.

d. DASN FO will review existing, approved exemptions at least every 3 years and when technologies, governing policies, or relevant legislation are changed to ensure continued applicability.

OM&S LOGISTICS & FINANCIAL REPORTING REQUIREMENTS

1. All organizations that own OM&S, e.g., hold title to the material, are required to report their OM&S under this instruction unless specifically exempted per paragraph 4.c of the policy and enclosure (3).

2. All organizations that own OM&S, e.g., hold title to the material, shall be fully accountable for all reported balances (both quantity and value) of all OM&S owned. Unless specifically noted otherwise, all values shall be calculated at MAC, except Material Held as Excess, Obsolete, and Unserviceable, which shall be calculated at NRV per paragraph 040202 of reference (c). Full accountability, MAC and NRV are defined in enclosure (7).

a. Logistics Reporting:

(1) The CNO and the CMC shall certify accountability and control of their respective OM&S by memorandum to DASN ELM, no later than 45 days after the end of the second and fourth quarters of the fiscal year. The memorandum shall provide summary reports of all OM&S owned by the respective Service, regardless of reporting or management system in use. Substantiating data for these reports shall originate with each organization that owns OM&S, e.g., holds title to the material, at any level and be consolidated through PEO (if applicable), BSO and/or SYSCOM, and Service chains of command. Substantiating data shall be retained as directed by Service policy and shall be made available upon request.

(a) The Certification Memorandum shall include all OM&S owned as of the end of the second and fourth quarters of the fiscal year respectively, for each report.

(b) Reporting entities at all levels of reporting shall utilize the sample in enclosure (6) for their submission.

(2) Required data elements include:

(a) Total number of organizations that own OM&S, e.g., hold title to the material, that have reported vs. total number of organizations that own OM&S, e.g., hold title to the

material, that are assigned this period. Negative responses are required. Note: This metric shall not be consolidated above the BSO level.

(b) Total number of line items, total quantity of items, and total value of OM&S on hand segregated by reporting category (Material Held for Use, Material Held in Reserve for Future Use, Material Held for Repair or Remanufacture, Material Held as Excess, Obsolete, and Unserviceable). These categories are defined in enclosure (7).

(c) Total quantity of items and total value of OM&S categorized as Material Held as Excess, Obsolete, and Unserviceable, for more than 180 days. Either a disposal plan or justification for continuing to hold this material shall be developed and retained as directed by Service policy and shall be made available upon request.

(d) Consolidated list of all systems used to manage, track, and account for OM&S. Includes, but is not limited to, APSRs, material tracking systems, and local spreadsheets or databases.

(e) Total number of line items at the BSO level managed by more than one subordinate reporting entity.

(f) Overall inventory turnover rate for OM&S identified as Material Held for Use for the preceding 24 months. Inventory turnover rate is calculated by dividing value of material issued or consumed by average inventory (beginning inventory plus ending inventory divided by 2). **This metric shall first be reported with the fourth semi-annual report following signature of this policy**, calculated as follows:

1. The inventory reported in the first semi-annual report submitted following signature of this policy shall be used as the first beginning inventory.

2. The inventory reported in the fourth semi-annual report following signature of this instruction shall be used as the first ending inventory.

3. The total value of material consumed during the period between the first and fourth semiannual reports shall be used as the first value of material issued or consumed.

4. Successive reports shall use a rolling 24-month window to calculate beginning inventory, ending inventory, and value of material issued or consumed.

(g) Total number of line items, total quantity of items, and total value of OM&S on hand segregated by reporting category, e.g., Material Held for Use, Material Held in Reserve for Future Use, Material Held for Repair or Remanufacture, Material Held as Excess, Obsolete, and Unserviceable, and further classified in the functional categories (1) through (6) below (refer to Table 1 for example). This metric shall be consolidated no higher than the BSO or SYSCOM level. **Reporting for this metric shall not be required until approved, designated APSRs or OM&S management systems in use are configured to capture the requisite data, or 4 years following signature of this instruction, whichever occurs first.**

1. Ordnance: Ordnance and related material managed in the Ordnance Information System. Ordnance shall be centrally reported at the BSO level.

2. Uninstalled Aircraft Engines: Centrally managed aircraft engines not currently installed in airframes, regardless of material condition. Uninstalled Aircraft Engines shall be centrally reported at the BSO level.

3. Production: Material and supplies, excluding Ordnance and Uninstalled Aircraft Engines, consumed during normal business operations to produce next higher assemblies to meet specific requirements. Includes but is not limited to, shop supplies, raw materials, parts, components, and finished products not yet delivered to existing end items as defined in enclosure (7). If finished products are specifically designated for installation in, or construction of, new end items, the finished products shall be expensed from OM&S and designated as Construction in Progress (CIP).

4. Risk Mitigation: Purchased, reclaimed, or donated material, excluding Ordnance and Uninstalled Aircraft Engines, held for anticipated future use but without specific

requirement. Includes, but is not limited to, Life of Type buys, Diminishing Manufacturing Sources and Material Shortages, and insurance or major shore spares.

5. Spares: Material, excluding Ordnance and Uninstalled Aircraft Engines, purchased to fulfill a specific or modeled requirement, e.g., through the Baseline Assessment Memorandum or Stratification process, held specifically to replace failed like items during normal operations or installations, but not held for sale. Includes, but is not limited to, On Board Repair Parts, Interim Supply Support spares, Installation and Check-Out spares, Maintenance Assistance Modules, Depot Spares, and rotatable pool items.

6. Other: Material that does not fit any of the above categories.

PEO or BSO	MHFU			MHFFU			MHFR			MEOU		
	Total Line Items	Total Qty (ea)	Total Value	Total Line Items	Total Qty (ea)	Total Value	Total Line Items	Total Qty (ea)	Total Value	Total Line Items	Total Qty (ea)	Total Value
Ordnance (BSO level only)												
Uninstalled Aircraft Engines (BSO level only)												
Production												
Risk Mitigation												
Spares												
Other												

Table 1: OM&S Reporting By Category

b. Financial Reporting:

(1) All organizations that own OM&S, e.g., hold title to the material, shall maintain a process to provide financial information for inclusion in the DON financial statements. Through the designated financial reporting process, owners of OM&S shall report financial balances to the Defense Departmental Reporting System (DDRS) on a quarterly basis either via a direct system feed or the Data Collection Module (DCM).

(2) OM&S balances shall be reported as:

(a) Material Held For Use

(b) Material Held in Reserve For Future Use

(c) Material Held For Repair or Remanufacture

(d) Material Held as Excess, Obsolete and
Unserviceable

(3) For Material Held as Excess, Obsolete, and Unserviceable, owners shall report the difference between the value of the OM&S before identification as Material Held as Excess, Obsolete, and Unserviceable, and the estimated NRV.

(4) To facilitate adequate disclosure in the DON financial statements, owners shall report:

(a) The general composition of the OM&S either as Ordnance, Uninstalled Aircraft Engines or Remainder.

(b) Any changes to the methodology used to report OM&S balances. Significant changes warranting disclosure include, but are not limited to:

1. A change in the basis for determining OM&S values.

2. Changes from the prior year's accounting methods, e.g., Purchases Method of Accounting vs. Consumption Method of Accounting.

3. New restrictions on the use of OM&S, changes in classification of OM&S, e.g., assets previously classified as Material Held for Use now classified as Material Held in Reserve for Future Use.

4. Any changes in the criteria used to identify the classification to which the OM&S is assigned.

5. Any changes in criteria defining material as OM&S, e.g., policy changes that add or remove significant blocks of material from OM&S accounting.

OM&S LOGISTICS REPORTING SAMPLE

SECNAV RCS 4440-1 Exp 31 OCT 2017												
OPERATING MATERIALS AND SUPPLIES LOGISTICS REPORT												
1. From:			2. To:			3. Reporting Organization			4. Date:			
<p>I certify all Operating Materials and Supplies (OM&S) under my cognizance are accounted for as required in SECNAVINST 4440.33 and volume 4, chapter 4 of DOD 7000.14-R. I also certify that all OM&S owned have been inventoried commensurate with the requirements set forth in paragraph 11 of DoDI 5000.64 or chapter 7 of DLM 4000.25-2 as appropriate. Supporting documentation shall be made available upon request. With the exception of Excess, Obsolete or Unserviceable (MEOU) or as otherwise noted, all OM&S values are calculated at Moving Average Cost per paragraph 040202 of DOD 7000.14-R. MEOU values are calculated at Net Realizable Value per paragraph 040202 of DOD 7000.14-R.</p> <p>The grand total and functional categories of OM&S under my cognizance are as follows:</p>												
I. OM&S Management and Accountability Systems												
List the information technology system(s) used to manage and account for OM&S.												
II. OM&S Report Summary												
Grand Total of OM&S				OM&S Held for Use				OM&S Held in Reserve for Future Use				
Total Number of Line Items				Total Number of Line Items				Total Number of Line Items				
Total Quantity				Total Quantity				Total Quantity				
Total Dollar Value				Total Dollar Value				Total Dollar Value				
OM&S Held for Repair or Remanufacture						OM&S Excess, Obsolete, and Unserviceable						
Total Number of Line Items						Total Number of Line Items			Total Value Over 180 Days			
Total Quantity						Total Quantity			Quantity Over 180 Days			
Total Dollar Value						Total Dollar Value						
NOTE: Functional categorization is a future reporting element per SECNAVINST 4440.33A paragraph 2.a(2)(g) of enclosure (5).												
III. OM&S Functional Categories												
Click to Remove	MHFU			MHFFU			MHFR			MEOU		
PEO/BSO	Total Line Items	Total Qty (ea)	Total Value	Total Line Items	Total Qty (ea)	Total Value	Total Line Items	Total Qty (ea)	Total Value	Total Line Item	Total Qty (ea)	Total Value
Ordnance (BSO level only)												
Uninstalled Aircraft Engines (BSO level only)												
Production												
Risk Mitigation												
Spares												
Other												
Click to Add PEO/BSO Reporting Block												
IV. Line Items Managed by Multiple Subordinate Entities												
NOTE: Reportable at the BSO Level and Higher ONLY												
Row No.	BSO									Total No. Line Items		+
1												-

V. 24 Month Inventory Turnover Rate - MHFU			
NOTE: Inventory Turnover is a Future Reporting Element per SECNAVINST 4440.33A paragraph 2.a(2) (f) of Enclosure (5)			
Row No.	BSO	Material Turnover Rate	
1			-
VI. Reporting Metrics			
Total Subordinate Organizations that Own, e. g. Hold Title to OM&S:			
Total Subordinate Organizations Reporting (Include Negative Reply or Zero Balance Reports):			
Percentage: _____			
VII. Comments			
Comments and/or Justification (use this section to provide clarifying information, discuss or explain any significant variations since last report or identify mitigating circumstances affecting this report).			
VIII. Point of Contact Information			
First Name	Last Name	Code	
Telephone No.	Email		
IX. Approving Official Signature (GO/FO/SES)			
First Name	Last Name	Title	
Organization	Address	Signature 	

GLOSSARY AND TERMS

1. Accountability. The obligation imposed by law, lawful order, or regulation, accepted by an organization or person for keeping accurate records, to ensure control of property, documents, or funds, with or without physical possession. The obligation, in this context, refers to the fiduciary duties, responsibilities, and obligations necessary for protecting the public interest. However, it does not necessarily impose personal liability upon an organization or person.

2. Accountable Property System of Record (APSRs). Accountability systems consist of computer applications used to manage and account for government property. Often, these systems are referred to as and represent the "official" record keeping system for controlling government property. To be considered an APSR, the system must be able to perform property management functions capturing all life cycle events affecting the property. The APSR must be integrated with the core financial system(s) and must maintain an auditable record of all life cycle events. Individual property records must be maintained for each asset managed in the APSR. For SECNAV, APSRs are approved by DASN FO. Approved APSRs are designated for use at the Service level. A full list of data elements required for approval as an APSR can be found in paragraph 6 of enclosure (3) of reference (g).

3. Construction in Progress (CIP). Material specifically designated for installation in or construction of a new end item (ship, aircraft, spacecraft, submarine, or land vehicle). Because CIP and OM&S represent unique financial reporting treatments, material can be designated as one or the other, but never both, i.e., CIP is specifically excluded from reporting as OM&S and vice versa. Material that qualifies as OM&S that is held without specific designation or is designated for installation in existing end items as a repair, upgrade, or modification shall be classified and reported as OM&S. Undesignated OM&S material subsequently identified for installation in or construction of a new end item shall be transferred from the OM&S account into the CIP account. Upon delivery of the end item, the value of material classified as CIP will be included in the total value of the end item.

Material remaining in the CIP account following final delivery of the end item may be returned to the OM&S account if appropriate.

4. Consume/Consumed/Consumption. For purposes of identifying OM&S, the terms "consume," "consumed" or "consumption" refer to a financial state. An item of supply or material is considered to be consumed when it is used or installed in a next higher assembly such that it no longer has a unique financial value, e.g., the item's value is absorbed into the value of the next higher assembly, it is issued into a Pre Expended Bin status, or it is found missing during inventory. In the case of ordnance, material is also considered consumed when expended. "Consumption," as it is used to classify or account for OM&S, is irrespective of the physical durability or life-span of the item, and is in no way tied to the traditional material management concepts of "consumable" vs. "repairable" items.

5. Consumption Method of Accounting. The cost of material shall be removed from the OM&S asset account, and reported as a program expense in the period it is issued to an end user for consumption in normal operations. For example, material received at a shipyard, fleet readiness center, or research and development laboratory is not considered consumed until the item has been used or consumed in operations to refurbish or repair the vessel or aircraft. More detailed discussion of the Consumption Method of Accounting can be found in paragraphs 040102.D and 040201.A of reference (c).

6. End Item. A final combination of end products, component parts, or materials that is ready for its intended use, e.g., ship, tank, mobile machine shop, aircraft, submarine, aircraft, space craft, land vehicle, "full-up-round" weapon, etc. End items are items to which there is no next higher assembly, i.e., items that do not get installed into another higher assembly.

7. Full Accountability. Full accountability of OM&S requires that supporting documentation is maintained in sufficient detail to permit tracing balances from their source systems to amounts reported in financial statements. The supporting documentation shall demonstrate the inventory validity, existence, completeness, accuracy of physical and financial balances,

valuation and rights of obligations including but not limited to receipts, material on hand validations and documentation recording material condition.

8. Government Property. All property owned or leased by the Government. Government property includes both Government-furnished and contractor-acquired property. More detailed discussions of Government Property and when title passes to the Government can be found in part 52 of reference (m) and subpart 252.211-7007 of reference (n).

9. Inventory Turnover Rate. A measure of the number of times OM&S on hand is used in a specific time period (for this instruction, a 2 year period). The equation for inventory turnover equals the cost of goods used divided by the average inventory. A low turnover rate may point to overstocking. However, in some instances a low rate may be appropriate, such as where significant amounts of OM&S are held for risk mitigation against obsolescence or expected market shortages. Conversely a high turnover rate may indicate inadequate inventory levels, which often can result in stock shortages.

10. Item Unique Identification (IUID). A system of establishing globally unique identifiers within the DoD, which serves to distinguish discrete items from other like and unlike items. Full IUID capability requires items to be marked, automated information technology to read the marks, information systems to be modified to use the mark, and business processes to be re-engineered to utilize the capability.

11. Material Held as Excess, Obsolete, and Unserviceable. "Excess OM&S" are OM&S stocks that exceed the amount expected to be used in normal operations because the amount on hand is more than can be used in the foreseeable future and that do not meet management's criteria to be held in reserve for future use. "Obsolete OM&S" are OM&S that are no longer needed due to changes in technology, laws, customs, or operations. "Unserviceable OM&S" are OM&S that are physically damaged and cannot be consumed in operations. Designation as Material Held as Excess, Obsolete, and Unserviceable indicates that the owner is ready to relinquish title to the property, either by transferring it to another organization for use, transferring it

to the Navy Working Capital Fund (NWCF) to become inventory held for sale, transfer or sale under a Foreign Military Sales agreement, or disposal.

12. Material Held for Repair or Remanufacture. Materials and supplies that are not in usable condition, but can be economically repaired (supply condition codes F, G, M or R). The objective is to rebuild items as an alternative to procuring new items or use as a rotating source of supply. Once rebuilt, the items will be categorized as Material Held for Use or Material Held in Reserve for Future Use as appropriate.

13. Material Held for Use. OM&S in supply condition codes A, B, C, or D to be consumed in normal operations within the next 24 months.

14. Material Held in Reserve for Future Use. OM&S stocks may be maintained because they are not readily available in the market or because there is more than a remote chance that they will eventually be needed, although not necessarily in the normal course of operations, or in excess of 24 months. Material designated as Material Held in Reserve for Future Use will meet the criteria set forth in paragraph 46 of reference (k). Per table 4-2 of reference (c), Material Held in Reserve for Future Use includes all material in supply condition codes E, J, K, L, and Q, as well as material in supply condition codes A through D that is above the approved acquisition objective and is retained for economic or contingency purposes.

15. Moving Average Cost (MAC). MAC is determined each time costs are incurred for a purchase or a reparable item is repaired or remanufactured. MAC is calculated by dividing the cost of total units available at the time (inventory plus current purchase or remanufacturing costs) by the number of total units available at that time. Values for all OM&S, except Material Held as Excess, Obsolete, and Unserviceable, shall be reported at MAC unless otherwise specified.

16. Net Realizable Value (NRV). DoD defines NRV as the estimated amount that can be recovered from selling or disposing of an item less the estimated costs of completion, holding, and disposal. The value of OM&S held as Material Held as Excess, Obsolete, and Unserviceable shall be reported at NRV.

17. Operating Materials and Supplies (OM&S). DoD defines OM&S as tangible personal property to be consumed in normal operations. DON OM&S is comprised of material such as replacement parts, components, assemblies, and residual assets that are to be consumed in normal operations but are not held for sale. OM&S shall be categorized as Material Held for Use, Material Held in Reserve for Future Use, Material Held for Repair or Remanufacture, or Material Held as Excess, Obsolete and Unserviceable.

a. Examples of OM&S include, but are not limited to:

(1) Spare and repair parts and materials that are not part of the NWCF inventory held for sale.

(2) Ordnance, including decoys and targets that have a relatively short expected useful life (excluding nuclear or chemical missiles).

(3) Uninstalled Aircraft Engines and other centrally managed material (non NWCF inventory) regardless of material condition.

(4) Spare attachments to end items (when not attached) that are interchangeable with other parts and are not stand alone end items, e.g., bulldozer blades, towed sonar arrays, servers, routers, or other commercial off-the-shelf information technology material.

(5) Items removed from decommissioned and/or cannibalized vessels or aircraft that are required to support future operating force requirements (non NWCF inventory).

b. Excluded are:

(1) Goods 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 and forfeited property
- (6) Inventory held for sale
- (7) General Plant Property & Equipment (PP&E)
- (8) Construction-in-Progress material
- (9) Material held as or in production for Foreign Military Sales

Note: The term OM&S is distinct and separate from the Accounting Object Class 260 title "Supplies and Materials."

18. Ordnance. For the purposes of this instruction, ordnance and related material managed in the Ordnance Information System.

19. Owner. The command and/or activity that has title to the OM&S. The owner also has reporting responsibility to financial statements and disposition authority. Custodians should report back to the owning activity before disposing an asset.

20. Production. Material and supplies, excluding Ordnance and Uninstalled Aircraft Engines, consumed during normal business operations to produce next higher assemblies to meet specific requirements. Includes, but is not limited to, shop supplies, raw materials, parts, components, and finished products not yet delivered.

21. Purchases Method of Accounting. The Purchases Method of Accounting provides that OM&S be expensed when purchased. Entities shall have a methodology to support making this decision.

a. A waiver may be requested from DASN FO to use the Purchases Method of Accounting for OM&S instead of the Consumption Method of Accounting if OM&S:

- (1) are not significant amounts,
- (2) are in the hands of the end user for use in normal operations,

(3) or it is not cost-beneficial to apply the Consumption Method of Accounting.

b. Authorization to utilize the Purchases Method of Accounting must be granted in writing by DASN FO as described in enclosure (4). More detailed discussion of the Purchases Method of Accounting can be found in paragraphs 040102.S and 040201.B of reference (c).

22. Risk Mitigation. Purchased, reclaimed, or donated material, excluding Ordnance and Uninstalled Aircraft Engines,

held for anticipated future use but without specific requirement. Includes, but is not limited to, Life of Type buys, Diminishing Manufacturing Sources and Material Shortages, and insurance or major shore spares.

23. Spares. Material, excluding Ordnance and Uninstalled Aircraft Engines, purchased to fulfill a specific or modeled requirement, e.g., through the Baseline Assessment Memorandum or Stratification process, held specifically to replace failed like items during normal operations or installations, but not held for sale. Includes, but is not limited to, On Board Repair Parts, Interim Supply Support spares, Installation and Check-Out spares, Maintenance Assistance Modules, depot spares, and rotatable pool items.

24. Title. For the purposes of this instruction, "title" refers to all rights that can be secured and enjoyed under the law. It is frequently synonymous with absolute ownership. Title to property ordinarily signifies that the holder has full and absolute ownership.

25. Uninstalled Aircraft Engines. Centrally managed aircraft engines not currently installed in airframes, regardless of material condition.

LIST OF ACRONYMS

ACRONYM	DEFINITION
APSR	Accountable Property System of Record
BSO	Budget Submitting Office
CIP	Construction In Progress
CMC	Commandant of the Marine Corps
CNO	Chief of Naval Operations
DASN	Deputy Assistant Secretary of the Navy
DASN ELM	Deputy Assistant Secretary of the Navy, Expeditionary Programs and Logistics Management
DASN FO	Deputy Assistant Secretary of the Navy, Financial Operations
DCM	Data Collection Module
DDRS	Defense Departmental Reporting System
DoD	Department of Defense
DON	Department of the Navy
DRPM	Direct Reporting Program Manager
FO	Flag Officer
GFM	Government Furnished Material
GO	General Officer
IUID	Item Unique Identification
MAC	Moving Average Cost
MEOU	Material Held as Excess, Obsolete and Unserviceable
MHFFU	Material Held in Reserve for Future Use
MHFR	Material Held for Repair or Remanufacture
MHFU	Material Held for Use
NRV	Net Realizable Value
NWCF	Navy Working Capital Fund
OM&S	Operating Materials and Supplies
PEO	Program Executive Officer
PP&E	Plant Property and Equipment
SECNAV	Secretary of the Navy
SES	Senior Executive Service
SYSCOM	Systems Command