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SECNAVINST 4440.33
DASN (A&LM)
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SECNAV INSTRUCTION 4440.33

From: Secretary of the Navy

Subj: SPONSOR-OWNED MATERIAL, GOVERNMENT-OWNED MATERIAL AND
PLANT AND PROJECT STOCK MANAGEMENT

Ref: (a) DoD 4140.1-R, Supply Chain Materiel Management
Regulation, 23 May 2003
(b) SECNAVINST 7320.10A
(c) DoD 7000.14-R, DoD Financial Management Regulations
(FMR)
(d) Chief Financial Officer Act
(e) Federal Acquisition Regulation (FAR), Part 45
Government Property
(f) NAVSUP P-723 Inventory Integrity Procedures
(g) Acting Undersecretary of Defense for Acquisition,
Technology and Logistics (USD (AT&L)) Memorandum,
Policy for Unique Identification (UID) of Tangible
Items - New Equipment, Major Modifications, and
Reprocurements of Equipment and Spares, 29 July 2003
(h) Acting Undersecretary of Defense for Acquisition,
Technology and Logistics (USD (AT&L)) Memorandum,
Update to Policy for Unique Identification (UID) of
Tangible Items, 03 September 2004
(i) Acting USD (AT&L) Memorandum, Policy for Unique
Identification (UID) of Tangible Personal Property
Legacy Items in Inventory and Operational Use,
Including Government Furnished Property (GFP), 23
December 2004
(j) USD (AT&L) Memorandum, Policy Update for Item Unique
Identification of Tangible Personal Property,
Including Government Property in the Possession of
Contractors, 12 May 2005
(k) USD (AT&L) Memorandum, Policy Update for Item Unique
Identification (IUID) of Tangible Personal Property,
06 February 2007
(l) Department of Defense (DoD) Standard Practice
Identification Marking of U.S. Military Property,
MIL-STD-130N, 17 December 2007

- (m) Office of the Principal Deputy USD (AT&L), Department of Defense Guide to Uniquely Identifying Items, Version 2.0, 1 October 2008
- (n) DoD Instruction 5000.64, Accountability and Management of DoD-Owned Equipment and other Accountable Property, 02 November 2006
- (o) DoD Directive 8320.03, Unique Identification (UID) Standards for a Net-Centric Department of Defense
- (p) DoD Instruction 8320.04, Item Unique Identification (IUID) Standards for Tangible Personal Property, 16 June 2008

1. Purpose. To establish Navy Sponsor-Owned Material (SOM), Government-Owned Material (GOM) and plant and project stock management policy in accordance with references (a) through (p). This instruction is issued in coordination with the Office of the Deputy Chief of Naval Operations for Fleet Readiness and Logistics (CNO (N4)).

2. Scope

a. This instruction applies to all Naval activities reporting to the Assistant Secretary of the Navy (Research, Development and Acquisition) that procure, hold and/or manage material and equipment, including Special Tooling and Special Test Equipment (ST/STE), for the Department of the Navy.

b. Naval activities affected by this instruction include but are not limited to Program Executive Offices (PEOs), Hardware Systems Commands (HSCs), field activities, In-Service Engineering Agencies, and SOM/GOM/plant and project stock holding activities of the HSCs and/or PEOs.

c. This instruction refers to material held at government and contractor sites to include Government Furnished Material (GFM) or Contractor Acquired Material (CAM) that the Navy has either funded a contractor to acquire or has provided directly to a commercial entity, i.e., property in possession of contractor and Government-Furnished Equipment (GFE). Reference (e) applies.

d. This instruction does not apply to general use consumables (e.g., office supplies).

e. This instruction takes precedence over local instructions in cases of conflict; however, it does not exempt any command or person from the responsibility to comply with local instructions.

f. The proper financial accounting treatment/classification for reporting of assets on financial statements is not included in this instruction. Guidance is provided in reference (c).

g. Exceptions. The following material is excluded from the provisions of this instruction:

(1) Material under the cognizance of the Deputy Commander for Nuclear Propulsion, Naval Sea Systems Command (NAVSEA 08).

(2) Material under the cognizance of the Director, Strategic Systems Programs Office.

(3) Contingency support equipment and material maintained by or on behalf of the Naval Facilities Engineering Command in support of the Navy Expeditionary Combat Command and other Navy expeditionary forces ashore and stratified against CNO-approved requirements as documented in a unit table of allowance.

3. Definitions

a. Government-Owned Material (GOM). GFM or CAM that the Navy either paid for or provided directly to a commercial entity and to which it holds title. For purposes of this instruction, GOM is also considered to include material procured by Naval shipyards for ship repair. GOM includes, but is not limited to, Government-furnished property, GFE, and ST/STE. GOM is also considered to include material procured by the Navy for repair or installation.

b. Holding Activity. Any government or contractor site that has custody of material based upon a written agreement, contract or lease agreement with a Program Manager (PM).

c. Item Unique Identification (IUID). A Department of Defense (DoD) program that enables improved access to information about DoD possessions to make acquisition, repair,

and deployment of items faster and more efficient. It is a system globally and unambiguously distinguishing one object from another, allowing the Department of Defense to track identical items individually throughout their lifecycles.

d. IUID Registry. The central repository for IUID information and serves as an acquisition gateway to identify what the item is; how and when it was acquired; the initial value of the item; current custody (service or contractor); and how it is marked. Additional item-related information is also captured and stored.

e. Material Held for Use. SOM assigned to production jobs or other projects being performed at an activity that are scheduled to begin within 24 months.

f. Material Excess, Unserviceable and Obsolete (E, U&O). Excess SOM awaiting disposition. This category includes, but is not limited to, items existing for 24 months without an issue, or those associated with requirements not reviewed or validated annually.

g. Material Held for Future Use. SOM stored at an activity not related to the station's direct production workload of jobs scheduled to start within 24 months. "Material Held for Future Use" can occasionally include long lead time material held for a future job action in excess of 24 months. Material held in this category includes, but is not limited to, material resulting from:

- (1) Economic order quantity buys.
- (2) Life of type buys.
- (3) Diminishing manufacturing sources and material shortage buys.
- (4) Foreign Military Sales (FMS).
- (5) Material procured, staged, kitted and transshipped for projects at Naval shipyards or installation sites.

(6) Material removed from decommissioned vessels determined by the PM to be required to support remaining Fleet assets.

(7) Not ready for issue material held for repair through performance based logistics contracts/agreements with Naval Inventory Control Point.

h. ST. ST is comprised of jigs, dies, fixtures, molds, patterns, taps, gauges, other equipment and manufacturing aids, all components of these items, and replacement of these items, 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.

i. STE. STE is equipment that is either a single or multipurpose integrated test unit engineered, designed, fabricated, or modified to accomplish special purpose testing in performing a contract. It consists of items or assemblies of equipment including standard or general purpose items or components that are interconnected and interdependent so as to become a new functional entity for special testing purposes.

j. SOM/Plant and Project Stock. For the purposes of this instruction, the terms "SOM" and "plant and project stock" are synonymous. SOM encompasses parts or equipment acquired and owned by PMs and/or PEOs for production, installation, test, maintenance, and/or in-service support of a program's life-cycle mission consistent with mission charters. SOM and plant and project stock usage may entail, but is not limited to, such tasks as: item fabrication, assembly, test, manufacture, development, repair or research and development. Part-numbered and local/national stock-numbered assets, whether consumable or repairable items, are included.

k. Unique Item Identifier (UII). The UII is defined in two separate contexts:

(1) DoD UII Data Set. A UII is a set of data elements marked on an item that is globally unique and unambiguous. For items that are serialized within the enterprise identifier, the UII data set includes the data elements of enterprise identifier and a unique serial number (construct #1). For items that are

serialized within the part, lot or batch number within the enterprise identifier, the UII data set includes the data elements of enterprise identifier, the original part, lot or batch number, and the serial number (construct #2).

(2) Use. The generic term UII has evolved through usage to mean the concatenated UII as a common database key without regard to the data set construct being used. In this context, the term "UII" may be used to designate UII constructs #1 and #2, or the DoD recognized equivalents of global individual asset identifier, global returnable asset identifier, vehicle identification number, or electronic serial number (for cell phones only).

4. Background

a. Recent Government Accountability Office, DoD Inspector General, Naval Audit Service (NAS) and Naval Inspector General (NIG) reports document the need for improved management, control and financial and physical accountability of SOM/GOM, and plant and project stock. While progress has been made, continued emphasis must be placed on minimizing the on-hand quantity, documenting its value in Navy financial statements and ensuring its integration with other Navy and DoD resources.

b. To meet financial accounting, NAS and NIG requirements, and implement provisions of the Chief Financial Officers (CFO) Act, SOM/GOM must be recorded, visible and accessible.

c. Compliance with the CFO Act and incorporation of NAS and NIG recommendations in controlling SOM/GOM will enhance the logistics information necessary to deliver material support for the war fighter at the minimum cost.

5. Policy. This instruction requires that HSCs, PEOs, and PMS:

a. Minimize on-hand SOM/GOM inventory by:

(1) Ensuring the acquisition profile for a program/system meets the demand profile for the life of the program/system, in accordance with best value life-cycle cost analysis, including associated holding costs.

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

(3) Disposing E, U&O material that cannot be otherwise used via redistribution in accordance with applicable rules and regulations.

b. Maintain accountability (i.e., accurately identify, classify, record, and report) and maximize visibility and accessibility of all SOM/GOM stock within currently available automated business management systems, and evolve to the future integrated business management system of record, Navy Enterprise Resource Planning, ERP.

c. Plan for and implement IUID requirements in accordance with references (g) through (p).

6. Responsibilities. In accordance with paragraph 6 above, the following responsibilities are assigned for the management and control of SOM/GOM/project and plant stock, to include ST and STE:

a. Deputy Assistant Secretary of the Navy for Acquisition and Logistics Management (DASN A&LM) will:

(1) In coordination with Deputy Chief of Naval Operations (Supply, Ordnance and Logistics Operations Division) (OPNAV (N41)), hold annual reviews, beginning in March 2009, with the HSCs and PEOs to discuss all pertinent information, including causative factors, regarding SOM retained past 24 months.

(2) Develop and issue guidance for IUID, as appropriate.

b. OPNAV (N41) will:

(1) In coordination with DASN (A&LM), hold annual reviews, beginning in March 2009, with the HSCs and PEOs to discuss all pertinent information, including causative factors, regarding SOM retained past 24 months.

(2) Develop, in conjunction with DASN (A&LM), Service-level solutions and implementation strategies for Office of the Secretary of Defense mandated IUID requirements.

c. HSCs will:

(1) Ensure adherence to the requirements in this instruction by all PMs and SOM holding activities under their cognizance.

(2) Incorporate IUID into existing business management systems or provide interface to existing IUID management systems to ensure compliance with the requirements of references (g) through (p).

(3) Use existing business management systems to ensure 100 percent visibility and maximum accessibility of SOM/GOM.

(4) Coordinate with responsible PEO/PM to incorporate functionality necessary to achieve 100 percent accountability, visibility and accessibility of SOM/GOM data in existing and future integrated business management systems of record and provide this data to Navy and Joint stakeholders worldwide with due consideration to information assurance and information security restrictions.

(5) Review annually, beginning in March 2009, with DASN (A&LM) and OPNAV (N41), and in conjunction with applicable PEOs, all pertinent information, including causative factors, regarding SOM retained past 24 months.

(6) Verify on a semi-annual basis, in May and November, that SOM managed by PMs under its cognizance is properly assigned to "Material Held for Use", "Material E, U&O" and "Material Held for Future Use" categories in accordance with approved program documentation.

(7) Maintain and provide to DASN (A&LM) and OPNAV (N41) a quarterly report, due in October, January, April and July detailing, at a minimum, the current total dollar value of SOM/GOM on-hand and the document number, National Stock Number (NSN), quantity, any existing UIIs, unit price and extended price for each Fleet end-use requirement filled, and all disposal items.

NOTE: Dollar value used for the current total dollar value of material will be based on the cost accounting method employed at the PEO for valuing material inventory.

(8) Ensure verification of SOM/GOM on-hand quantities and associated dollar value, using annual inventories and random spot checks, for all SOM/GOM including stock managed by other activities. This information will be used to adjust the quantities and values reflected in the business management system of record.

(9) Implement IUID requirements for new procurements, legacy items, financial, property accountability, acquisition, supply, maintenance, and logistics systems as required.

(10) Use the UII or DoD IUID-approved equivalents in all unique item tracking, serial number tracking and serialized item management programs.

(11) Populate the DoD IUID Registry for capture of UIIs and their pedigree data in accordance with the list of pedigree data requirements, and update the IUID Registry with key transaction events in accordance with data requirements maintained at the Defense Procurement, Acquisition Policy and Strategic Sourcing Web site, (<http://www.acq.osd.mil/dpap/pdi/uid/index.html>).

d. PEOs will:

(1) Ensure adherence to the requirements in this instruction by all PMs under their cognizance.

(2) Incorporate IUID into existing business management systems or provide interface to existing IUID management systems to ensure compliance with the requirements of references (g) through (p).

(3) Use existing business management systems to ensure 100 percent visibility and maximum accessibility of SOM/GOM.

(4) Review annually, beginning in March 2009, with DASN (A&LM) and OPNAV (N41), and in conjunction with applicable HSC, all pertinent information, including causative factors, regarding SOM retained past 24 months.

(5) Verify on a semi-annual basis, in May and November, that SOM managed by PMs under its cognizance is properly assigned to "Material Held for Use," "Material E, U&O" and "Material Held for Future Use" categories in accordance with approved program documentation.

(6) Maintain and provide the cognizant HSC with the current total dollar value of SOM/GOM on-hand and the document number, NSN, quantity, any existing UIIs, unit price, extended price and any other information required by the HSC for each Fleet end-use requirement filled, and all disposal items on a quarterly basis.

NOTE: Dollar value used for the current total dollar value of material will be based on the cost accounting method employed at the PEO for valuing material inventory.

(7) Ensure verification of SOM/GOM on-hand quantities and associated dollar value, using annual inventories and random spot checks, for all SOM/GOM including stock managed by other activities. This information will be used to adjust the quantities and values reflected in the business management system of record.

(8) Implement IUID requirements for new procurements, legacy items, financial, property accountability, acquisition, supply, maintenance, and logistics systems as required.

(9) Use the UII or DoD IUID-approved equivalents in all unique item tracking, serial number tracking and serialized item management programs.

(10) Populate the DoD IUID Registry for capture of UIIs and their pedigree data in accordance with the list of pedigree data requirements, and update the IUID Registry with key transaction events in accordance with data requirements maintained at the Defense Procurement, Acquisition Policy and Strategic Sourcing Web site, (<http://www.acq.osd.mil/dpap/pdi/uid/index.html>).

e. PMs will:

(1) Use existing business management systems to ensure 100 percent visibility and maximum accessibility of SOM/GOM.

Incorporate IUID into existing business management systems or provide interface to existing IUID management systems to ensure compliance with the requirements of references (g) through (p).

(2) In coordination with PEOs and HSCs, and in conjunction with the applicable holding activity, properly categorize, track and monitor all SOM/GOM held at Naval activities, commercial sites, and/or other SOM/GOM holding activities.

(3) With the exception of SOM categorized as "Material Held for Use," identify the ready for issue stock-numbered parts by pedigree data, including a UII when available, and designate those parts that are available for issue to satisfy Fleet end-use requirements.

(4) Make available for Fleet end-use requirements all material except SOM categorized as "Material Held for Use" and such SOM and GOM as are authorized for exception on a per asset basis, identified by UII when available, by the applicable PEO and HSC.

(5) Not require compensation for SOM designated as "Material E, U&O" and "Material Held for Future Use" that is released to satisfy a Fleet end-use requirement.

NOTE: "Material Held for Future Use" can occasionally include long lead time material held for a future job action in excess of 24 months. When this condition applies to material requisitioned for a Fleet end-use requirement, it will be treated as if it was "Material Held for Use" and compensation is required.

(6) Make available for Fleet end-use requirements designated as "Not Operationally Ready - Supply," "Anticipated Not Operationally Ready - Supply," "Not Mission Capable - Supply," or "Partially Mission Capable - Supply" all material categorized as "Material Held for Use" when the production lead time would support replacement of the material without impact to approved program schedules.

(7) Require compensation for material issued under the conditions listed in subparagraph 7e(6) above. Compensation may be in the form of a funds transfer or a payback requisition.

(8) Coordinate with PEOs and HSCs to redistribute or dispose of "Material E, U&O" within 180 days of record establishment transition to this category in the following order of precedence:

(a) Application to other specific program requirement shortfalls.

(b) Offer to supply system/transfer to redistribution site as free issue material to fill Fleet requirements.

(c) Offer to FMS programs.

(d) Transfer to the local Defense Reutilization and Marketing Office.

(9) Ensure verification of SOM/GOM on-hand quantities and associated dollar value, using annual inventories and random spot checks. This information will be used to adjust the quantities and values reflected in the business management system of record.

(10) Report annually, under a signed, dated memorandum to the applicable PEO and HSC, all SOM retained past the 24-month benchmark without an issue for use. To provide an adequate level of data fidelity, this report may further sub-categorize material as required by the PEO and HSC.

(11) Ensure that requisitioned material is segregated, properly packaged and shipped to an appropriate distribution point for further transfer to the requisitioning activity. Ensure IUID requirements are included in program requirements submitted for consideration to the planning, programming, budgeting and execution process.

(12) Implement IUID requirements for new procurements, legacy items, financial, property accountability, acquisition, supply, maintenance, and logistics systems, as required.

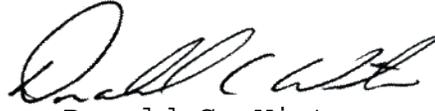
(13) Use the UII or DoD IUID-approved equivalents in all unique item tracking, serial number tracking and serialized item management programs.

(14) Populate the DoD IUID Registry for capture of UIIs and their pedigree data in accordance with the list of pedigree data requirements, and update the IUID Registry with key transaction events in accordance with data requirements maintained at the Defense Procurement, Acquisition Policy and Strategic Sourcing Web site, (<http://www.acq.osd.mil/dpap/pdi/uid/index.html>).

(15) Notify HSCs of conflicts between this instruction and local guidance and assist the HSCs in resolving these conflicts with the appropriate office.

7. Records Management. Records created as a result of this instruction, regardless of media and format, shall be managed in accordance with SECNAV Manual 5210.1.

8. Reports. Reporting requirements contained in para 7c(7) are exempt from information collection control by SECNAV Manual 5214.1 and require no report control symbols.



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