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NAVAL AIR SYSTEMS COMMAND  
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IN REPLY REFER TO  
NAVAIRINST 4451.2  
AIR-3.5.3  
4 Dec 03

NAVAIR INSTRUCTION 4451.2

From: Commander, Naval Air Systems Command

Subj: MANAGEMENT OF NAVAL AIR SYSTEMS COMMAND SPONSOR  
OWNED MATERIAL

Ref: (a) NAVAIR 1.4 memo 01-01 of 23 May 01 (Foreign Military Sales Reserve Business Rules)  
(b) Department of Defense Financial Management Regulation DoD 7000.14-R, Vol. 4  
(c) Chief Financial Officer's Act of 1990

Encl: (1) NAVAIR Sponsor Owned Material Retention Code/Authority Matrix

1. Purpose. The purpose of this instruction is to assign responsibility and establish policy for the control, management, and accountability of Naval Air Systems Command (NAVAIR) Sponsor Owned Material (SOM). The goal of this policy is to:

- a. accurately record and report SOM inventory including financial reporting requirements;
- b. optimize reutilization and redistribution of SOM through Total Asset Visibility (TAV);  
and
- c. retain only needed levels of SOM to execute the NAVAIR mission.

2. Scope

a. The focus of this instruction is to ensure proper control of NAVAIR SOM, particularly that material, which is not managed in an approved Department of Defense (DoD)/United States Navy (USN) management systems (such as, the Defense Property Accounting System (DPAS) for plant property, or the USN Conventional Ammunition Integrated Management System (CAIMS)).

b. Government Furnished Material (GFM) and Government Furnished Equipment (GFE) are considered SOM, however, they are deemed "expensed" items and are governed by the Federal Acquisition Regulations (FAR, 45.5 and 45.6) and, therefore, excluded from the provisions of this instruction. After contract requirements have been satisfied, any residual GFM or GFE will be processed for reutilization purposes also following the FAR.

3. Background. Proper accountability and inventory control of government property, materials and supplies, including the safeguarding of such assets against waste, loss, unauthorized use and

misappropriation is a matter of public law and public trust. In June 1998, numerous shortcomings were reported regarding the guidance and level of management for controlling SOM at NAVAIR activities (Naval Audit Service (NAVAUDSVC) Report #037-098). In response, this instruction provides policy for the comprehensive management and control of all NAVAIR SOM.

#### 4. Definitions

a. SOM is material or equipment acquired and owned by Program Executive Offices (PEOs) or NAVAIR programs that is in use, held for use, or held for future use in support of a program's life-cycle mission required for production, installation, test, maintenance, and/or in service support. SOM consists of part-numbered (uncatalogued, non-standard) and stock-numbered (federally catalogued) assets, and comprises both consumable and reparable type material.

b. SOM excludes minor plant property, major defense articles, supply system assets, real property, and fleet assets.

c. SOM spans three life cycle phases:

(1) Active is the phase when the SOM is in-use or held-for-use to fulfill program requirements:

(2) Residual is the phase when there is no known existing or future requirement by the acquiring program. At this point, Program Managers (PM) will coordinate their residual SOM with the Total Asset Visibility (TAV) Division (AIR-3.5.3) for potential supply system and fleet reutilization purposes. Foreign Military Sales (FMS) Reserve material is typically obtained from "residual" domestic requirements and, thereafter, retained to support out-of-production and out-of-inventory sales (material in the FMS Reserve are considered an "active" program requirement); and,

(3) Excess is the final stage in the life cycle of NAVAIR SOM. If the TAV Division AIR-3.5.3 confirms there is no potential material reutilization, the PM (or custodian) will declare the material "Excess" and process the material to disposal.

5. Policy. SOM is considered the property of NAVAIR under the control of the acquiring program unless management has transferred via a sale, Memorandum of Agreement (MOA), or other mechanism. Material delivered to the FMS Reserve is designated a NAVAIR asset and is managed per reference (a). SOM will be governed by three management principles:

a. Accurate, timely inventory control of SOM assets is the ability to accurately ascertain the location, identity and condition of material/equipment. Inventory control also includes the capability to determine and retain only required levels of SOM to support a program projected for life-cycle support. Final disposal authority resides with the program owner or his/her designated representative. Sale/redistribution authority for SOM is predicated on an assigned retention code identified in enclosure (1).

b. Accurate Financial Reporting of SOM Assets following references (b) and (c). SOM will be valued based on the classification designated in reference (b). Reference (c) establishes financial and inventory requirements for SOM controlling inventory system(s). SOM valuations will be reported on the appropriate NAVAIR general ledger per the U.S. Standard Ledger methodology. For the most part, NAVAIR SOM is considered Operating Materials and Supplies (OM&S), defined as “uninstalled parts, components and material managed outside the supply system usually with less than 2 years serviceable life, or generally consumed in use.” The moving average cost method of valuation applies.

c. Visibility of SOM Assets is the capability to identify the location and availability of SOM assets including in-transit and in-repair material. SOM that is available for reutilization will have DoD-wide visibility.

6. Responsibilities. The following responsibilities are assigned to ensure the effective management of SOM:

a. PMs are responsible for the proper accountability, safeguarding, inventory control, storage, and management and disposal of SOM under their ownership following this instruction. PMs or the designated custodians will:

(1) Ensure that SOM and associated inventory data systems satisfy the requirements of this instruction.

(2) Within 30 days from the date of this instruction, assign a manager for their respective SOM who is authorized to release material for redistribution/disposal. In addition, identify a point of contact for the commodities under their cognizance listed in enclosure (1). Identify these assignments, and any subsequent changes, to AIR-3.5.3.

(3) Assign retention codes for SOM under their control and custody as required.

(4) Determine and retain only required levels of SOM inventory to execute their mission (e.g., stocking objective). Although SOM is requirement based and not demand-based, SOM inventories will be reviewed at least every 2 years for continued program applicability and residual material will be migrated into the “residual” retention classification for potential reutilization.

(5) Coordinate with the AIR-3.5.3, as appropriate, for inventory management alternatives including data system options. Identify residual material to AIR-3.5.3 for possible reutilization prior to disposal processing.

(6) Ensure that the above management responsibilities are transferred to the custodian for the proper accountability, safeguarding, inventory control, storage, and management of SOM under their custody.

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b. NAVAIR 3.5 is the key process owner for NAVAIR SOM and is responsible for the following:

(1) Develop, coordinate, and maintain command policy for SOM. Develop and coordinate the material objectives/procedures for the inventory control of Reserve SOM, Interim Supply Support (ISS) material, FMS Reserve, Residual Asset Material, and Special Tooling (ST)/Special Test Equipment (STE).

(2) Monitor the management and administration of the SOM program. Establish and submit effectiveness reporting measurements to include annual inventory activity profiles and valuations trends.

(3) Assist PMs with the management, initial inventories, visibility and reutilization of SOM. PMs will assume associated management functions upon completion of initial AIR-3.5.3 inventories.

(4) Coordinate the reutilization of SOM when PMs declare material residual to program needs.

(5) Manage/maintain automated inventory systems for residual SOM, ensuring optimal visibility as appropriate.

(6) Report inventory values for general ledger accounting by fiscal year of all AIR-3.5.3 managed SOM as required by the Accounting Department (AIR-10.2) for incorporation into annual financial statements and other reporting requirements.

(7) Seek innovative, cost effective reutilization solutions for NAVAIR SOM.

(8) Develop command-wide inventory management guidelines for NAVAIR SOM.

(9) Coordinate with the Enterprise Solution Program (ERP) for a long-range ERP solution for TAV.

c. AIR-10.2 will report SOM inventory values from all sources for general ledger accounting in accordance with reference (b) and other applicable regulations. Provide guidance and direction to ensure timely collection of SOM financial data.

d. FMS Reserve Board (AIR 1.4/AIR 3.0F/AIR 3.5) will provide guidance and decisions regarding the policy and procedures governing FMS Reserve material in accordance with reference (a).

e. Naval Air Warfare Center Aircraft Division, Lakehurst (NAVAIRWARCENACDIV LKE), 1.4 is the designated FMS Reserve Program Manager. In addition, they are the assigned receiver for NAVAIR credits resulting from redistribution of reserve SOM assets.

f. Industrial Department (AIR-6.0)/Naval Air Depots (NAVAIRDEPOTs) will assist the programs and AIR-3.5.3 in the implementation of this instruction as required to promote the reutilization of NAVAIR SOM assets.

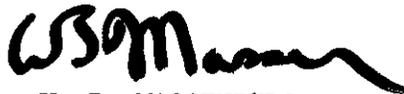
g. Naval Supply Command (NAVSUP) will coordinate with AIR-3.5.3 to ensure a system interface for automated visibility and accessibility of residual SOM assets under the conditions of this instruction.

h. Naval Inventory Control Point, Philadelphia (NAVICP-Phila) will process requisitions against residual SOM in support of fleet/FMS requirements. (Domestic requisitions will be coordinated with NAVICP-03.) Credits will be provided, as appropriate, and usage will be recorded for procurement/backorders/repair offset forecasting. In addition, NAVICP-OF will provide technical material support for the FMS Reserve program per the current NAVAIR-NAVICP Memorandum of Agreement (MOA).

i. NAVICP-Phil (Code 071) is the ST/STE Program Coordinator and, as such, will assist NAVAIR PMs and Assistant Program Manager for Logistics (APMLs) in determining, retaining, and managing ST/STE post-production requirements. NAVICP-Philadelphia 071 is also the central design agent for the electronic Tooling Information Management System (TIMS/eTIMS).

7. Compliance. The Command Evaluation Office (AIR-09) will conduct periodic reviews at NAVAIR activities to ensure proper accountability, control and use of SOM.

8. Review. This instruction will be reviewed annually especially for current decisions and clarifications promulgated by the financial management community. All changes will be forwarded to the Commander, Naval Air Systems Command (COMNAVAIRSYSCOM) for authentication.



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Distribution: NAVAIR Instruction can be found electronically on <https://directives.navair.navy.mil> or locally on <https://mynavair.navair.navy.mil>

## NAVAIR SPONSOR OWNED MATERIAL (SOM) RETENTION CODE/AUTHORITY MATRIX

RETENTION CODE	DEFINITION	RETENTION AUTHORITY	ISSUE PRIORITY GROUP	ISSUE AUTHORITY	SALE AUTHORITY
F	<u>FMS Reserve Material</u> Material retained in order to meet projected FMS support commitments. Reference (c) documents specific procedures for this category of material. Available for redistribution.	PMA's ICW NAVAIR FMS Reserve PM per Inventory Objective	I	NAVAIR FMS Reserve PM in conjunction with Program Manager Air (PMA)s	NAVAIR FMS Reserve PM in conjunction with PMA's
I	<u>Interim Supply Support (ISS)</u> . Material held at NAVAIR ISS facilities in support of programs that have not reached material support date. Not available for redistribution.	Determined by Program business plan and contracts	I	AIR-3.5.3 ISS PM.	Not applicable
M	<u>FMS Reserve Material-Restricted</u> Materials retained under the FMS Reserve, but that have been offered for sale under a current Letter of Offer and Acceptance (LOA) or Pricing and Availability (P&A) proposal. This material is "on hold" until sold, or the LOA/P&A proposal expires. Not available for redistribution.	PMA's per NAVAIR FMS Reserve PM IAW LOA/P&A offer	I	NAVAIR FMS Reserve PM In conjunction with PMA's	NAVAIR FMS Reserve PM in conjunction with PMA's
P	<u>Program Reserve</u> . Material held to satisfy program requirements for such things as research and development, fabrication, training, or testing. Available for redistribution only with proper program approval.	Determined by respective program	I	Program	Determined by respective program
R	<u>Residual Assets</u> . Material held because of sales potential. Available for redistribution.	Determined by NAVAIR-3.5.3	I, II, III	Automatic	Determined by NAVAIR-3.5.3
X	<u>Excess</u> . Material that is no longer required, cannot be reutilized or is held awaiting demilitarization and disposal.	Excess determined by PM.	I, II, III	Automatic	Defense Reutilization and Marketing Service

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Enclosure (1)