



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS, AIR FORCE MATERIEL COMMAND
WRIGHT-PATTERSON AIR FORCE BASE OHIO

64-10, Part 40
Broughton
2 Sep 99

MEMORANDUM FOR SEE DISTRIBUTION

28 JUL 1999

FROM: HQ AFMC/LG
4375 Chidlaw Road, Suite 6
Wright-Patterson AFB OH 45433-5006

SUBJECT: Contract Depot Maintenance Activity Group (DMAG) Government Furnished Material (GFM) Policy

1. This memorandum is to reiterate Air Force and DoD policy regarding GFM as outlined in AFMCI 21-113.3.6, HQ AFMC/LG memo dated 1 Jul 97 (Attachment 1) and the Office of the Assistant Secretary of Defense memo dated 14 Jun 93 (Attachment 2). Air Force/DoD policy states that contractors will furnish all material required for the performance of government contracts; however, the government can furnish material to a contractor when it is determined to be in the best interest of the government.
2. The decision to use GFM can only be made if the required material is available in the supply system. Bench stock material should never be allowed for use as GFM as it can be easily obtained by the contractor. Other applicable reasons for use of GFM are as follows:
 - a. Economy: If the government has material available in the supply system that can be used instead of paying the contractor to acquire it, GFM can be used. If the contractor has GFM from a previous contract, it should be used. Keep in mind that the government must pay the contractor to track and report GFM as well as monitor the contractors use of GFM.
 - b. Expediting of production: The GFM is not to be used unless the contractor cannot meet the production schedule without it. The GFM is also to be used to meet a surge requirement if it can be immediately obtained from the supply system.
 - c. Standardization: Use of GFM may be authorized to maintain configuration control of items being repaired when requested by the Equipment Specialist (ES) or Engineer.
 - d. Other appropriate circumstances: GFM may be authorized in a situation where a sole source contractor will not bid without allowance of GFM on the contract. The Procurement Contract Officer (PCO) should provide this documentation in the contract file. It is imperative that the determination be made that no other sources are qualified to bid before allowing GFM in this circumstance.
3. The decision to authorize GFM is to be made by the Contract Repair Team (CRT). At minimum, the CRT is to consist of the Production Management Specialist seller, the Material Manager, and the PCO. Once the decision to use GFM is made, the following procedures are to be strictly followed to document the GFM decision in the contract file:
 - a. The purchase request (PR) will include proper justification (see paragraph 2) for authorizing GFM to a contractor.

b. This justification will be signed by the Equipment Specialist and retained in the PR package.

c. Materials authorized as GFM will also be identified by NSN, Material Management Aggregation code (MMAC), nomenclature, and quantity in an attachment to the contract appendix "B" and included in the PR package.

d. G009 must be established with the contractor and used to track GFM.

4. Authorizing the contractor to use Contractor Acquired Property (CAP) instead of using GFM is becoming a standard practice. The practice is incorrect. It should be understood that CAP is a subset to GFM and is not to be authorized unless GFM is authorized on the contract. CAP is then only used if GFM is not available. Under no circumstance is CAP to be used as a stand alone business practice. On contracts where GFM is authorized, provisions for CAP should be made up front in the contract as well. This will eliminate the necessity of negotiating to use CAP later, should it be required.

5. The seller PMS bears the responsibility of establishing an accurate requisitioning system. The PMS must take action to establish the NSNs and authorized quantities in the D034A system and the Federal Stock Class (FSC)/(MMAC) in the H075C system. The ability to prevent the contractor from requisitioning unauthorized material depends upon proper identification of authorized material (NSN/FSC/MMAC) in H075C, D034A and the contract appendix "B".

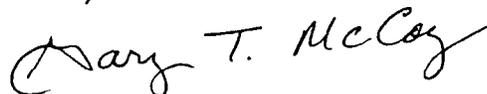
6. All requests for waiver of the GFM process will be sent through the Product Directorate and approved by LG and CD prior to being forwarded to the Assistant Deputy, Assistant Secretary of Defense for Material and Resource Management Policy, ASASD (Logistics) MRM through HQ AFMC/LGI. However, D200 should be kept current by the ES which will reduce the work necessary when GFM is authorized.

7. The policy outlined in this memo will be incorporated into AFMCI 21-113.

8. Our point of contact for this effort is Mr. Eric Garner, HQ AFMC/LGPA, DSN 674-0027.

FOR THE COMMANDER

V/R



GARY T. MCCOY, Colonel, USAF
Deputy Director of Logistics

Attachments:

1. HQ AFMC LG Memo 1 Jul 97
2. Office of the Assistant Secretary of Defense Memo, 14 Jun 93

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Control of Access to DoD Material Required by Defense Contractors

1. General

- a. This section establishes policies and responsibilities for authorizing access to DoD material inventories under Defense contracts.
- b. Use DoD 4000.25-1-M, "Military Standard Requisitioning and Issue Procedures," May 1, 1987, as amended, to provide DoD material to a contractor when, for reasons of significant economy, standardization, or expedited production, or when it is otherwise in the Government's best interest.
- c. Document and consider a decision to provide, or not to provide, DoD material to a contractor as a part of the maintenance and supply support elements of integrated logistics support planning.
- d. Give special attention to stock levels above the approved acquisition objective (AAO).

2. Procedures

- a. Each DoD Component, authorizing the use of DoD material by contractors, shall establish one or more management control activities (MCAs) to maintain control over all requisitions submitted to the DoD wholesale supply system by contractors and by DoD Component activities when such DoD Component activity requisitions indicate shipment to a contractor. The MCA shall implement procedures specified in DoD 4000.25-1-M and shall establish a system which:
 - (1) Validates and approves all contractor initiated requisitions and DoD initiated material requisitions which are coded for direct shipment to a contractor.
 - (2) Restrict contractor access to specific predetermined items and quantities of those items by ensuring requisition validity, adequate authority, and consistency with the terms of the existing contract.
 - (3) Rejects contractor and DoD initiated material requisitions that do not comply with the requirements of an existing contract.
 - (4) Passes approved requisitions to the appropriate DoD source of supply for supply action.
 - (5) Maintain a continuing record of the quantity of each item authorized as government property provided to contractors by individual contracts and to decrement the quantity authorized by the appropriate amount each time a requisition for the items is validated for issue.
 - (6) Causes DoD supply sources to provide notification of shipment of DoD material to the MCA which validated the requisition for comparison of DoD material shipment notification with validation records to verify that no shipment has been made without a corresponding record of validation.
- b. DoD supply sources shall refer requisitions for DoD material provided to contractors that have not passed through, and been approved by, an MCA back to the cognizant MCA for review and appropriate action.
- c. MCA shall establish a management reporting system that :

- (1) Maintains a contract, requisition, and shipment status history file that serves as an auditable record of transactions involving DoD material provided to contractors.
 - (2) Provides the DoD contract administration offices (CAOs) a status report showing all shipments of DoD material to contractors and to DoD activities for subsequent shipment to contractors as well as material requisitions that were rejected.
- d. Information Requirements. Each MCA shall prepare the DoD material status report required by subparagraph 2.c.(2) above for the quarterly reporting periods ending March 31, June 30, September 30, and December 31, using DD Form 2543. Provide the report to the cognizant DoD CAOs. Report Control Symbol DD-P&L(Q)1575 applies.

3. Responsibilities:

- a. The Deputy Assistant Secretary of Defense for Logistics shall develop policy for and monitor the control of access to DoD inventories.
- b. The Heads of DoD Components shall implement the policy in this regulation and shall:
 - (1) Establish all required MCAs.
 - (2) Execute all procedures specified in DoD 4000.25-1-M.
 - (3) Refer all requests for waivers from the policy specified in this memorandum to the Assistant Secretary of Defense for Material and Resource Management Policy ADASD (Logistics) MRM.
- c. The Director, Defense Logistics Management Standards Office (HQ Defense Logistics Agency, Attn: CAIL/DLMSOI), shall develop and maintain procedures supporting the policies cited in this memorandum to control contractor access to DoD material inventories

NOTE: This document was retyped from the original. The original was not clearly legible and necessitated the retyping.