DEPARTMENT OF THE NAVY
NAVAL SEA SYSTEMS COMMAND
WASHINGTON, DC 20362-5101

IN REPLY REFER TO
NAVSEAINST 4341.3 CH-1
OPR 901
23 Feb 90

NAVSEA INSTRUCTION 4341.3 CHANGE TRANSMITTAL 1

From: Commander, Naval Sea Systems Command

Subj: UNIT PRICING OF GOVERNMENT FURNISHED MATERIAL (GFM)

Encl: (1) Revised page 1

1. Purpose. To add a sentence to paragraph 2 of the basic instruction which will exempt the Deputy Commander for Nuclear Propulsion (SEA 08) from having to comply with the basic instruction.

2. Action. Addressees are requested to replace pages 1 and 2 with enclosure (1).

W. A. TARBELL
Deputy Commander for
Acquisition, Planning
and Appraisal

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IN REPLY REFER TO

NAVSEAINST 4341.3
OPR 901
3 Jan 90

NAVSEA INSTRUCTION 4341.3

From: Commander, Naval Sea Systems Command

Subj: UNIT PRICING OF GOVERNMENT FURNISHED MATERIAL (GFM)

Ref: (a) Federal Acquisition Regulation (FAR) Subpart 45.5

1. Purpose. To establish policy and procedures for pricing Government Furnished Material (GFM) provided to shipbuilders.

2. Scope. This instruction applies to NAVSEA Headquarters and Supervisors of Shipbuilding, Conversion and Repair. The provisions of this instruction apply to all NAVSEA contracts wherein GFM is provided to a shipbuilder.

3. Definitions

a. Government Furnished Material (GFM). Property provided by the Government for the purpose of being incorporated into or attached to a deliverable end item or that will be consumed or expended in performing the contract. This material is provided at no cost to the shipbuilder and is not included in the shipbuilder's contract price.

b. Unit Price. The total cost of each Schedule A line item of material, which is identified in the Ship Project Directive (SPD), shall constitute the unit price. It is recognized that this figure may contain cost for technical manuals, design efforts, etc.

4. Background

a. Reference (a) requires that the contractor's property control system provide annually the total acquisition cost of Government property for which the contractor is accountable under each contract, contain the unit price for each item of Government property, and that the contractor's property control records constitute the Government's official property records unless an exception has been authorized. Reference (a) further states that the Government shall determine and furnish to the contractor the unit price of Government furnished property.

b. DOD and Navy regulations require that the shipping document (DD Form 250 or DD Form 1149) provide the unit price of the Government furnished item. However, for various reasons,

material shipped to the shipbuilder as GFM does not always have the unit price of the material included in the shipping document. As a result, the shipbuilder is unable to maintain accurate property control records for the Government. The lack of unit prices also severely limits the ability of the Contract Administration Offices' (CAOs) to accurately monitor and report dollar value of excess material reported by contractors.

c. The Assistant Secretaries of the Navy (Shipbuilding and Logistics and Financial Management) have expressed concern over the absence of unit pricing data on GFM provided to the shipbuilder. The lack of unit price data not only prevents the shipbuilders from maintaining accounts of the value of GFM in their possession, as required by reference (a), but also has a serious impact on Department of the Navy efforts to meet the requirement to establish and implement accounting procedures for tracking the total value of Navy assets.

d. Congress, the Government Accounting Office (GAO), and Navy auditors have criticized the Navy's inability to have both visibility and accountability for Navy assets in the hands of contractors.

5. Policy

a. To ensure that material and financial accountability is maintained over GFM provided under NAVSEA contracts.

b. That Ship Acquisition Program Managers (SHAPMS) determine and furnish to the Supervisor of Shipbuilding (SUPSHIP) the unit price of Government furnished material provided under NAVSEA shipbuilding contracts.

c. That SUPSHIPs provide to the shipbuilder, upon request, the unit price of GFM provided under their cognizant NAVSEA shipbuilding contracts.

d. That Material Inspection and Receiving Reports (DD Form 250) continue to require the unit price of GFM.

6. Action

a. The Deputy Commander for Acquisition, Planning and Appraisal (SEA 90)

(1) Act as the principal point of contact for the Command on GFM unit pricing policies.

(2) Establish NAVSEA policy with respect to GFM unit prices.

(3) Monitor the implementation of GFM policy to ensure that unit prices are being provided to the shipbuilder for incorporation in annual property control records, so that NAVSEA assets may be properly accounted for.

b. The Deputy Commander for Surface Combatants; Deputy Commander for Submarines; Deputy Commander for Amphibious, Auxiliary, Mine and Sealift Ships; and Program Manager, SEAWOLF Submarine Acquisition Program

(1) Direct and oversee the implementation of the GFM unit pricing policies set forth herein.

(2) Provide Schedule A unit price information to the Property Administrator in the Contract Administration Office of the cognizant SUPSHIP. The initial list(s) shall be provided to the cognizant SUPSHIP by 15 February 1990. Lists for new shipbuilding programs shall be provided by 15 February of the year following contract award. The total cost of each line item of material which is identified in the SPD shall constitute the unit price. The format for providing this data is left to the discretion of the SHAPM, dependent upon their internal information system, but should contain at a minimum the following:

(a) Schedule A item number

(b) System nomenclature

(c) Current SPD unit price (total system price as indicated on SPD divided by quantity equals unit price of system)

(d) Ship type and hull number

(3) Mark all unit price lists "Business Sensitive - For Official Use Only."

(4) Provide an annual update of the unit price list with updated SPD unit level prices. SPD unit prices should be provided directly to the SUPSHIP Property Administrator not later than 15 February of each year.

(5) Provide to the cognizant SUPSHIP Property Administrator a NAVSEA point of contact (for each unit price list) to be contacted in the event questions arise in regard to the pricing information.

(6) Require in SPDs, or by other appropriate means, that unit pricing data for all GFM be provided on shipping documentation.

(7) Require in SPDs, or by other appropriate means, that material suppliers external to the Command (e.g., Space and Naval Warfare Systems Command, NAVSEA Shipbuilding Support Office, Naval Air Systems Command, etc.) as well as internal to the Command provide copies of material contracts (Schedules A and B only) to the SHAPM so that the most current cost of GFM for the annual 15 February listing can be maintained.

(8) Advise SEA 90 of lessons learned relative to GFM unit pricing policies.

c. The Deputy Commander for Ship Design and Engineering, and Deputy Commander for Weapons and Combat Systems. Provide to the applicable SHAPM copies of material contracts (Sections A and B only) so that the SHAPM can maintain the most current cost of GFM for the annual 15 February listing.

d. The Supervisors of Shipbuilding (SUPSHIPs)

(1) Maintain a file of unit pricing lists.

(2) Provide unit price information to the shipbuilder upon request. The information is "business sensitive"; therefore, the unit level price should be provided to the contractor only after receipt of all components and piece parts that comprise the system, as identified on the Schedule A, and contractor notification that unit prices were not contained on the shipping documents. Notification need not be in writing.

e. The Deputy Commander for Contracts (SEA 02). Ensure that the current unit pricing clause, which requires the contractor to include in the applicable shipping documents the unit prices of all hardware items delivered under the contract, is included in every contract calling for the delivery of hardware.

f. The NAVSEA Office of Council (SEA 00L). Review solicitations to ensure that the unit pricing clause is included in all hardware contracts.

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(See next page)

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