

A-LM-184-001/JS-001

SPECIAL INSTRUCTIONS FOR:

REPAIR AND OVERHAUL CONTRACTORS

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Please always refer to the ADM (MAT) Website for the updated version of this publication.

Link [here](#)

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RECORD OF CHANGES

| DATE OF CHANGE | CHAPTER & PARAGRAPH |
|----------------|---|
| 17/01/2019 | Major revamp of entire manual |
| 06/05/2019 | 1.2 Supply Accounts, 1.3 Spares, 2.0 Receipts, 15.0 Reports & minor changes |
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FOREWORD

DISTRIBUTION AUTHORITY

1. This instruction is distributed on the authority of the Assistant Deputy Minister (Materiel) ADM (Mat). It must be distributed to Repair and Overhaul (R&O) (in and out of country) Contractors through the applicable National Defence Quality Assurance Region (NDQAR) and the Procurement Authority/Contract Authority. This manual will provide a more detailed explanation for the Logistical Statement of Work (LOGSOW) that is included in all R&O contracts. The LOGSOW must be read in conjunction with this manual for detailed explanations.

SCOPE

2. This publication contains special instructions, materiel management guidance and procedures for all in and out of country civilian Contractors engaged in Repair and Overhaul (including refit) on behalf of the Department of National Defence (DND). In addition, the information contained herein can be used for DND R&O facilities, where applicable.

3. Materiel Management (MM) instructions can be found in this document for all Repair and Overhaul contracts including ISS (In Support Service) Contracts. Where applicable and for further MM instruction you will be referred to the [A-LM-007-100/AG-001, Supply Administration Manual \(SAM\)](#). In the case of discrepancy regarding MM instruction, the [A-LM-007-100/AG-001, SAM](#) takes precedence. For procurement instruction, refer to the [A-PP-005-000/AG-002, Procurement Administration Manual \(PAM\)](#).

4. Any clarification or amplification of instructions in this publication must be provided by the Procurement Authority (PA) through the supporting NDQAR for in country/OCRS for out of country or the Contract Authority identified in the contract.

5. This is a procedural document that reflects policies and procedures in effect at any given point in time. The intent is for this document to be used by Contractors in the performance of their day-to-day business. Contractors must adhere to all subsequent amendments of the procedures, policies or practices within this set of instructions.

6. If a contractor considers that an amendment has financial or contractual implications, which are disadvantageous, the Contractor may address these concerns with the Contract Authority for resolution (waiver, amendment or renegotiations) for the duration of the existing contract.

7. If contractors do not have access to the various links or need more information/clarification, they must request assistance. For in country contractors they must request information from the supporting NDQAR and out of country contractors must request information from the PA/Contract Authority.

LOGISTICS STATEMENT OF WORK (LOG SOW)

8. There is one common logistics statement of work designed and available to scope the work for a potential Contractor. The LOG SOW is a mandatory part of the contract, costed and also subject to negotiation. The LOG SOW is to be used primarily as a guide for R&O Contracts. It is paramount that the LOG SOW be utilized with minimal changes for reasons of procurement standardization and departmental accountability. However, changes are permissible where there is a need to clarify specific requirements that would apply to equipment/weapon systems undergoing procurement and contract action. The intent is that the LOG SOW informs the Contractor of the work required by the Crown, and provides the Contractor with procedures and detailed instruction to manage government owned materiel in contractor custody (GOCC).

9. The LOG SOW must entail detailed materiel management information for In and Out of Country repair contracts, Major Equipment and Accountable Advance Spares if applicable, and must be read in conjunction with this instruction manual. Should instructions in this publication differ from the terms and conditions of a contract, the contract must take precedence.

CONTEXT

10. Unless otherwise indicated, the term R&O covers repair, overhauls, or refits.

11. In this publication, the term “CAF unit” is used in its broadest sense to mean any Canadian Armed Forces (CAF) base, station, unit, supply depot or any other DND organization.

12. The term “NDQAR” (National Defence Quality Assurance Region), is the Headquarters of a field representative of the Director Quality Assurance (DQA) who is authorized to act on behalf of DQA.

13. “OCRS” (Out of Country Repair Section) supports all out of country repair facilities and is located in both supply depots. The supply depots are 25 CFSD Montreal and 7 CFSD Edmonton.

14. Materiel Management consists of materiel acquisition and support from procurement through to disposal, e.g. issues, receipts, discrepancies, warehousing, stocktaking, etc.

CHANNELS OF COMMUNICATION

15. The Contract Authority (CA) named in the contract is responsible for all contractual matters, including contract pricing. Therefore, any questions having contractual implications are normally addressed to the Contract Authority; however the contract and its supplementary documents allow direct communication between the Contractor and TA/PA on all matters relative to the performance of the work.

16. The NDQAR at the Contractor’s facility are the official DND representatives responsible for DND interests at civilian Contractors; therefore, all direct communication for in country contracts involving DND must be transmitted through the supporting NDQAR. For out of country contracts, the Contractor is to deal with the Procurement Authority/Contract Authority.

17. In order to ensure that DND’s interests are protected, the supporting NDQAR reserves the right to exercise surveillance over all aspects of the Contractors supply operations and carry out performance checks on the Contractor’s materiel management system and materiel verifications (spot checks) when required.

18. Training for Contractors is mandatory prior to receiving access to DRMIS. The DRMIS NDQAR Supply Course is offered through DQA. The Supply Manager course as well as the Repair and Overhaul for Procurement course are all available to Contractors. Contractor access to DRMIS must only be granted to personnel that have successfully completed the DRMIS NDQAR Supply Course. Online courses including DRMIS Basics and Stocktaking are also available for Contractors.

19. The supporting NDQAR in conjunction with DSCO reserves the right to revoke access to DRMIS due to non-compliance.

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1.0 OVERVIEW OF PUBLICATION

1. This section will describe the system of record for use by DND ([DRMIS](#)). It will explain the various Supply Accounts/Plants/ Storage Locations (SLOCs) that all Contractors must use and the different types of spares involved.

1.1 SYSTEM OF RECORD

DRMIS [Defence Resource Management Information System \(DRMIS\)](#)

1. DRMIS provides total asset visibility of all Canadian Forces (CF) materiel, whether it is in use, in stock, or on a repair line. As a fundamental policy, all supply transactions and movement of materiel must be visible and traceable. All goods movements must be supported by appropriate computer transactions.

2. The Contractors' responsibilities related to management of the accounts in DRMIS are explained and outlined below. Contractors having access to DRMIS must process required transactions as instructed in this publication. The supporting NDQAR for in country or OCRS for out of country, must assist those Contractors with no DRMIS access and must provide detailed instruction, guidance and training on DRMIS transaction processing and on DRMIS account management to all Contractors. The supporting NDQAR in conjunction with DSCO reserves the right to revoke access to DRMIS due to non-compliance.

3. Contractors requiring access to DRMIS must obtain a PKI (Public Key Infrastructure) card in accordance with the recently implemented Two-Factor Authentication. In order to obtain a PKI card, Contractors must contact their supporting Local Registration Authority (LRA). As necessary, have local IT support staff install PKI readers on affected computers and laptops. New users shall test their PKI cards and readers, including their password, to ensure that the solution is operational. Issues are to be reported to the users' PKI Local Registration Authority (LRA) in their unit, or a PKI LRA close-by in accordance with the [PKI LRA List](#), and where necessary reported through your local DWAN first line support through the [EITSM Self-Service Portal](#).

4. Contractors requiring access to DRMIS must also request access through the following generic mailbox: MAT.CATDCCell-CelluleSIDRG@forces.gc.ca.

1.2 SUPPLY ACCOUNTS

(RMA (Repairable Materiel Account))

1. An RMA is an account that must be allocated to the Contractor to hold the authorized materiel for repair that is approved on the contract. The RMA is represented within the system by a three alpha character format followed by a number "1" e.g. "WAL1". There must be two storage locations (SLOC) allocated. One being a Serviceable storage location and the other being an Unserviceable Storage Location.

(CRPA (Contractor Repair Parts Account))

2. A CRPA is a [DRMIS](#) provisioning account (_P) with a Serviceable and an Unserviceable storage location. It records all managed spare parts pre-propositioned within that CRPA Plant/Serviceable Storage Location. The spares are located at the Contractor's repair facility and are to be used to assist on the repair of the repairable items contracted out for repair. These spares are called Contract Issue Spares (CIS) because they are DND spares issued to the Contractor in order to affect the repair or overhaul of DND equipment.

(SLOCs (Storage Locations))

3. SLOCs (Storage Locations) are used to manage and warehouse National Spares as per [Section 8.2](#).

1.3 SPARES

(CIS (Contract Issue Spares))

1. CIS are government owned materiel issued to R&O Contractor facilities for incorporation into DND equipment undergoing repair, overhaul and modification. This materiel is catalogued and is in DND inventory. This inventory must be managed in a Contractor Repair Parts Account (CRPA). Catalogued serviceable spare parts salvaged by the Contractors on NDHQ authority are included. Prior to approval of the CIS being issued to a Contractor the Procurement Authority must ensure:

- a. All spare parts issued to a Contractor as part of CIS must be catalogued and must be visible in the system of record ([DRMIS](#)) for National Defence.
- b. DND stocked inventory is to be used prior to Contractors procuring commercially. There are exceptions to this rule and the Procurement Authority has to authorize this procurement and justify why DND stocked inventory is not being used first. For instance, there may be spares reserved for other operations and may not be available to use as CIS or it may be more economical for DND to allow commercial procurement.
- c. DND is prepared to accept the scheduled risk consequential to the late delivery of CIS from DND supporting facilities (CFSD).

GFOS (Government Furnished Overhaul Spares)

2. GFOS consist of:

- a. Non-catalogued spares that are provided to a R&O Contractor from AAS held by another Contractor
- b. Non-catalogued spares provided to a contractor as a result of procurement action by PSPC (Public Services and Procurement Canada) with the US Government
- c. Non-catalogued spare parts that are salvaged by the Contractor, on NDHQ or NDQAR authority, from DND materiel undergoing repair, overhaul, re-life or modification.

3. All GFOS must be catalogued and brought on charge in DRMIS for total asset visibility. Refer to [Section 8.2.5](#) for more information on GFOS.

AAS (Accountable Advance Spares)

4. AAS are spares purchased by the Contractor using DND funds, in order to support DND equipment on the repair line. The authority to purchase AAS is granted by a contract that outlines maximum cash levels and the circumstances under which AAS may be purchased. Refer to [Section 8.2.6](#) for more information on AAS. All AAS must be catalogued and visible in DRMIS.

GFE/GFI

5. Government Furnished Equipment (GFE) is government owned equipment provided by DND to a Contractor, on a loan agreement, to be used during the contract period and returned in essentially the same condition (subject to fair wear & tear) at the end of the contract. The equipment included in GFE is any equipment used in the production process, such as machine tools, special production tooling, tooling, ground handling equipment, and any other items or equipment that are considered to be in the best interest of DND. It can include any equipment used in testing process, such as prototypes, sealed samples, models, and any other items or equipment. All GFE is to be catalogued and brought on charge in DRMIS.

6. The equipment not normally included in GFE is: materiel to be consumed or used in the manufacture or maintenance process, or materiel that will be used for any purpose that would prevent it being returned in substantially the same condition as when loaned, subject to fair wear and tear.

7. Government Furnished Information (GFI) is any information that DND will provide, on a loan agreement, to the Contractor to enable contract fulfillment. This normally includes items such as DND specifications, NATO (North Atlantic Treaty Organization) codification requirements, and Technical Data Packages (TDP).

8. GFE/GFI clauses must be included in original contract; otherwise a contract amendment will be required. Refer to the Supply Support Section in [Section 8.4.1](#) and [Annex F](#) for more information on the loan of GFE/GFI.

1.4 EXTENT OF WORK/TYPES OF EQUIPMENT

1. This section outlines the extent of work and the different types of equipment repair. The Contractor must repair or overhaul only those items for which they receive authorization. This authority is in accordance with the Selection Notice and Priority Summary (SNAPS), Stores Removal Request (SRR), an approved Repairable Materiel Request (RMR) for a Repairable Materiel Account (RMA) or Task Authorization/DND 626. For more information on DND 626, refer to [Section 7.1](#).

2. The different types of DND equipment to be repaired are categorized as either:
 - a. **Selected Equipment:** “A” accountable equipment/components that have received authorization for repair or overhaul and appear on the Selection Notice and Priority Summary (SNAPS) for a Repair Materiel Account (RMA).
 - b. **Non Selected Equipment:** “A” Accountable equipment that has received authorization on an approved Repairable Materiel Request (RMR), an approved Stores Removal Request (SRR) or a DND 626 (Task Authorization).
 - c. **Major Equipment:** “M for vehicles” (replace “A” Class) equipment which, in themselves, fulfil prime operational functions and which do not lose their identity or become integral parts of other equipment or installations, e.g., ships, tanks, aircraft, engines, etc.
 - d. **Repair of sub-components and accessories:** Repair the component as per [Annex A](#) and if item is not selected raise an RMR as per [Annex P](#). A component or accessory received as part of the major equipment and having a repair potential, is to be repaired as part of the major equipment by the Contractor without any replacement from DND. The following are exceptions to this replacement procedure:
 - i. The component or the accessory is Beyond Economical Repair (BER) and is conditioned as scrap
 - ii. The contract to repair or overhaul the major equipment does not include the particular component or accessory as part of the contract pricing arrangement
 - iii. The component is selected to a different repair facility
 - iv. The particular component or accessory is categorized as Repairable Reserve (RR) or has been designated surplus to requirements.

3. When the contract calls for the major equipment to be overhauled, a separate Statement of Work is required. The Contractor must monitor and ensure that the total costs of the overhaul remain within the approved Maximum Repair Cost (MRC). Any repairable component that is removed for the major equipment that is on the Contractor’s SNAPS list must be subject to selected process as per [Section 1.2](#).

4. The Contractor must ensure that storage and maintenance facilities provide sufficient protection to DND materiel to minimize the risk of:
 - a. Unauthorized use;
 - b. Theft or misappropriation;
 - c. The elements including special handling requirements for sensitive and shelf-life items;
 - d. An excess of dust and dirt;
 - e. A possible breach of security; and
 - f. Animal droppings and infestation.

1.5 REPAIR & OVERHAUL (IN AND OUT OF COUNTRY) PROCESS

1. Refer to [Annex B](#) for step by step Process Flowchart. The process flowchart will provide guidance to Contractors and key players in the end to end repair and overhaul process.

2.0 RECEIPTS

1. The Contractor is responsible for the receipt, identification, inspection and distribution of all incoming materiel, as well as, the processing of receipt documentation.

2. Upon receipt of DND equipment for repair, the Contractor must:
 - a. Identify the equipment and ensure they are authorized to repair (SNAPS, RMR,SRR, DND 626, EPM Fax or Email);
 - b. Open a separate internal work order for each repairable “E” tracked item. For remaining items, a work order is created for each line item reflected by the shipping paperwork;
 - c. Carry out a physical check to ensure that the item is complete and in accordance with the accompanying vouchers;

- d. Complete receipt documentation, including any adjustment transactions or work order number;
- e. Carry out a physical check to ensure that the item is complete according to any Materiel Authorization Document (MA) checklists in DRMIS. MA documents can be found in DRMIS by individual Materiel Master Records (MMR). The most current copy of MA documentation can be obtained by the LCMM through the supporting NDQAR;
- f. Action warranty materiel. (If warranty repair required refer to [Section 9.0](#)); and
- g. If item is Major Equipment (M Class), verify the completeness of the equipment against the appropriate check list and process IAW [Annex O](#).

3. A [DRMIS](#) Receipt and Work order must be raised within 48 working hours of delivery to plant (see sub para (a) below for Major Equipment exemption). The in country contractor with no DRMIS access must contact the supporting NDQAR advising that the item has been received for repair and obtain the DND Work Order(s). For out of country contracts, OCRS in the supporting depot must raise the DND Work Order(s). A separate DND Work Order must be opened for each repairable “E” tracked item. The turnaround time begins once the DND Work Order is created. The exception to this is when the work is contracted out to an In-Service Support provider responsible for R&O. The part must be sent to the Contractor and remain on charge in DRMIS until such a time as it is issued out to the sub-contractor/OEM. For in country contracts, the supporting NDQAR must raise the DND work order and issue the parts out of stock to commence the work order process.

- a. A DRMIS receipt of Major (M Class) equipment must be completed within 48 hours of delivery to plant and the subsequent DRMIS Work order opened no later than 5 days after DRMIS receipt. The Contractor, within 5 days after DRMIS receipt must check the completeness of the major equipment against the appropriate check lists and the consignor’s issue voucher, and report any discrepancy to the consignor with an information copy to the supporting NDQAR and the Procurement Authority. The Contractor must notify their supporting NDQAR, by email stating the applicable Stock Transport Order/Vehicle Movement Order (QTO/EMO/BMO) message, type and model, CFR, serial number(s)/EMR and date of receipt.

4. If the required information is missing or insufficient to proceed with the repair, the Contractor must send an email notifying the supporting NDQAR for in country /OCRS for out of country. The supporting NDQAR/OCRS must then raise an e-mail to the unit responsible and request the necessary information be forwarded through the supporting NDQAR/OCRS. The supporting NDQAR/OCRS must complete all hastening action in dealing with the unit responsible.

5. For those items where the basis of payment is other than firm fixed price and based upon available information or inspection of the item, the Contractor must determine the extent of work required, prepare a cost estimate, and if cost to repair is below the Maximum Repair Cost (MRC), proceed with the repair. Whenever the cost to repair threatens to exceed the MRC, the Contractor must request authority using a SNOM (Selection Notice Observation Message) to proceed with the repair in accordance with [Annex D](#).

6. Where it is impossible to determine the cost to repair, the Contractor may be granted authority by the PA to strip the equipment so as to assess its repair or overhaul potential and to estimate the cost. Unless otherwise specified, and regardless of the value of the equipment, the cost of the work involved in estimating repair is chargeable to the item whether or not it is subsequently repaired.

7. Upon receipt of DND “non-selected” equipment, the Contractor has no authority to repair and the item must be referred to the Procurement Authority using a SNOM/email including all pertinent information. See template for SNOM in [Annex D](#). A [DRMIS](#) Work Order has to be initiated if repair is authorized.

8. Refer to [SAM chapter 4.1](#) for more materiel management detail on receipts.

2.1 SELECTION NOTICE OBSERVATION MESSAGE (SNOM)

1. The SNOM is used by Contractors to report any observation for:

- a. MRC exceeded on SNAPS;
- b. Forecast exceeded/suspended on SNAPS;
- c. Item under repair found Beyond Economical Repair (BER); and
- d. MMRs received at the repair facility that are not authorized for repair:

2. In country and out of country Contractors submit their observations to the PA; Out of country Contractors submit their observations to the PA, who must pass it to the appropriate LCMM for action. Following PA approval on the LCMM's action, the SNOM is forwarded to the SM who then actions the SNOM accordingly and forwards the approved SNOM email to the supporting NDQAR/Contractor.

3. Refer to [Annex D](#) for SNOM template. It is understood that a SNOM can be in an email with all the pertinent information enclosed in the SNOM template

2.2 DISCREPANCIES IN SHIPMENTS

1. Discrepancies are reported to the supporting NDQAR and they are to contact the consignor. A discrepancy in shipment can consist of any of the following:

- a. Quantity;
- b. Serial/Equipment Number;
- c. Substitute materiel;
- d. Improper Packaging;
- e. Condition (and/or identification of the materiel received)

2. The Contractor must contact their supporting NDQAR for in country and the OCSR for out of country to report and action discrepancies in shipments. If the discrepant item is one of the commodities listed in paragraph 3, the supporting NDQAR for in country or OCSR for out of country must be contacted within 24 hours. The supporting NDQAR or OCSR must then ensure Controlled Goods loss procedures are followed and the loss is reported to CTAT office within 48 hours of discrepancy.

3. Commodity:

- a. Weapons, Ammunition, Explosive Ordnance, Self-Contained Weapons Systems, and Guided Missiles;
- b. Classified Equipment including Crypto and accountable COMSEC Materiel;
- c. Deficient Controlled Goods as defined in DAOD 3003-0; and
- d. Night Vision Devices (NVD).

2.3 INITIAL INSPECTION OF REPAIRABLE MATERIEL

1. Where it is impossible to determine the cost to repair, the Contractor may be granted authority by the Procurement Authority (PA) to strip the equipment so as to assess its repair or overhaul potential and to estimate the costs. Unless otherwise specified, and regardless of the value of the equipment, the cost of the work involved in estimating repair is chargeable to the item whether or not it is subsequently repaired.

2.4 HAZARDOUS MATERIEL AND CONTROLLED GOODS

2.4.1 HAZMAT

1. Due diligence must be exercised when carrying out duties and responsibilities that are associated with HAZMAT. In exercising due diligence, the Contractor has a duty to:

- a. Know and obey federal laws and regulations on handling HAZMAT;
- b. Respect provincial laws and municipal bylaws where appropriate;
- c. Exercise caution;
- d. Prepare for risks that a reasonable person would foresee; and
- e. Respond to risks and incidents as soon as practicable.

2. For further information on Hazardous Materiel, refer to [SAM chapter 9.9](#)

2.4.2 Controlled Goods

1. For Controlled Goods, the aim is to identify the legislation governing the materiel management of controlled goods and highlight the mechanisms and reporting requirements that have been put in place to ensure departmental compliance with governmental policies.

2. In general, controlled goods are goods designed or modified for a military or strategic purpose and consist of munitions (Group 2), strategic goods and technology, including goods covered by

the *International Traffic in Arms Regulations* of the United States (item 5504) and missile technology (Group 6). Controlled goods include controlled technology.

3. For further information on Controlled Goods, refer to [SAM chapter 9.6](#)

3.0 WORK CONTROL

1. The Contractor must ensure that the repair of all DND equipment is controlled by an internal serial numbered work order. Upon completion of work, the work order must contain the following:

- a. a contract serial number against which all costs incurred are chargeable;
- b. the MMR, description, quantity and serial number, if any, of item repaired;
- c. cross reference to all Supply Documents. This includes receipts, issues and returns, including scrap activity, finalization of repair, inspection, and final acceptance;
- d. reference to the applicable technical data;
- e. details of the work performed;
- f. a list of all the parts, by part number and description, found unserviceable and requiring repair or overhaul, ensuring that the repair scheme is referenced;
- g. a list of parts used in repair, identifying the type of stores from which they were issued (e.g. CIS, GFOS, or AAS);
- h. repair cost estimate; and
- i. the identity of the person opening the work order.

2. The Prime Contractor must provide to the supporting NDQAR for in country and OCRS for out of country, and amend as necessary, a list of Contractor personnel authorized to open internal work orders. An internal work order must be opened for each repairable “E” tracked item (refer to [Section 8.5.10](#) for definition.)

3.1 COMPLETION OF WORK

1. On completion of Repair or Overhaul, the Contractor must transfer the materiel from unserviceable Storage Location or Work Order to the serviceable Storage Location.

2. The “Contractor Certification” ([Annex U](#)) must be stamped on the Supply Document and the DND 2227 and signed.

3. Once the DND 2227 is signed and stamped on completion of work by the Contractor it is sent to the supporting NDQAR with the [DRMIS](#) job ticket (DRMIS Work order printout) and they finalize the closure of the work order process and the shipping process. The Contractor must keep a copy for audit purposes. An additional copy of the DND2227 (signed and stamped) is required to be attached with the item in the shipment. For Contractors with DRMIS access, they are not required to send the DND 2227 to the supporting NDQAR but are still required to have a copy filed for audit purposes.

4. The DND 2227 is the supply document used by all Contractors when performing supply related transactions. Contractors can use their own templates, provided all of the same information appears on their template as the DND 2227.

3.2 STOP REPAIR ACTION

1. Upon receipt of an updated SNAPS indicating Stop Repair Action, the Contractor must action the Repairable as per the Instructions supplied. This applies to all stoppage of repairs for:

- a. SRD (Stop Repair Delete: when an MMR is removed from SNAPS and repair line is closed);
- b. SRT (Stop Repair Transfer: when an MMR is removed from SNAPS and new repair line is opened); and
- c. Repairable Reserve (00RR) MMR is not removed from SNAPS and repair line is suspended.

2. The Contractor/supporting NDQAR for in country and the OCRS for out of country must identify all outstanding Work Orders. If the Contractor is authorized by the PA to finish the repair work against the outstanding Work Orders, he must complete these Work Orders.

3. If the Contractor is not authorized by the PA to finish the repair work against the outstanding Work Orders, he must close the Work Orders, and return the unserviceable items as per SNAPS.

4. In the case that work was authorized and the Contractor was advised to stop, the Contractor must be paid for the work done up to that point.

4.0 SELECTION NOTICE AND PRIORITY SUMMARY (SNAPS)

1. The Contractor must notify the PA using a SNOM ([Annex D](#)) when the receipt for a selected repairable line item exceeds the current (fiscal) year forecast (CYF) in the SNAPS report. The CYF is the quantity of items the Contractor is authorized to repair from the 1st of April to the 31st March. The Contractor must not repair the line item until written approval is received from the PA and the SNAPS forecast is amended.

2. The SNAPS is a report found in the DRMIS BI Portal application and is designed to show all MMRs which are selected for repair to that RMA/SLOC, the Maximum Repair Cost (MRC) and the 24-month forecast. The information on the SNAPS plus the R&O contract provides the Contractor with the authority to repair.

3. The supporting NDQAR must distribute the SNAPS for in country repair facilities at least, once a month or when changes to the document have occurred. The applicable PA must provide the out of country repair facility with a SNAPS report at least, once a month or when changes to the document have occurred.. The Contractor must be advised of the selection of a new MMR item or of changes to the current SNAPS as soon as possible, via email.

4. An MMR annotated with a repair priority code (RPC) “routine” or higher on the SNAPS are to be repaired in accordance with their “Priority” unless otherwise advised. MMRs annotated Repairable Reserve (RR) must not be repaired unless the repair is already in progress. RR items awaiting repairs must be returned to regional depot.

5. If R&O Contractors need to make observations on information contained in the SNAPS, they are to submit their observations to the PA using the Selection Notice Observation Message (SNOM). See [Section 2.1](#) for more information on the SNOM.

6. The Contractor is responsible for scheduling work. Within these categories, the principle of “First in-First out” (FIFO) must apply. To assist in this scheduling, DND must provide each Contractor with a copy of the SNAPS report that lists the Repair Priority of each item on the selection list. The Repair Priority Codes (RPCs) are as follows:

- C: Critical 0 – 3 Months of Serviceable assets available
- U: Urgent 3 – 6 Months of Serviceable assets available
- R: Routine 6 – 24 Months of Serviceable assets available
- P: Pending 24+ Months of Serviceable assets available

5.0 COST CONTROL

1. The Contractor must monitor the cost of each repair to ensure that total repair costs remain within approved limits. Appropriate management control procedures must be in place and records maintained. These control procedures and records must be available for review or audit on request.

2. While undergoing repair, total cost must be monitored to determine whether or not to continue the repair. The terminology associated with cost often varies among different organizations even though the intent may be the same.

3. In circumstances where the final cost of repair will exceed the MRC, Contractors are required to cease repair and report complete details to the PA using the SNOM and informing the supporting NDQAR for in country/OCRS for out of country. The SNOM must provide full disclosure of all costs where the final cost will exceed the MRC without prior authorization. DND will not pay costs which exceed the MRC without prior authorization.

5.1 DEFINITIONS

1. To ensure better understanding, the following terms are to be used when dealing with DND equipment:

- a. Cost Control: the use of management devices in the performance of any necessary operation so that pre-established objectives of quality, quantity and time may be attained at the lowest possible outlay for goods and services. Such devices include a bill of materiel,

- instructions, standard of performance, competent supervision, cost limits on items and operations, studies, interim reports, and decisions based on these reports;
- b. Average Repair Cost: true cost pro-rated over the number of items produced in a time period;
 - c. True Cost of Repair: the total cost of repair or overhaul in plant or by subcontract including all labour charges, overhead, and all materiel spares costs, sub-contracting and shipping (by spares type with their applicable profit mark-ups or embodiment fees);
 - d. Maximum Repair Cost (MRC): the MRC is a standard established by DND to guard against the possibility of an item being repaired at a cost that exceeds its replacement value to DND. The MRC is the maximum amount including all labour, sub-contracting and shipping, materiel costs and administration fees that the Contractor or DND repair facility is authorized to spend to repair an item. It is not the cost DND necessarily intends to pay for all repairs.

6.0 COSTING RECORDS

1. The Contractor must prepare forms and maintain records which must provide:
 - a. a cost listing, by serial number if applicable, of each item or job lot going through the repair line;
 - b. details of the extent of work carried out, in-process inspections completed and materiel embodied at any stage of the repair process;
 - c. the average cost of repair or overhaul, by MMR;
 - d. the total repair cost for a MMR, by work order.
2. This data must be provided as requested by the Procurement Authority for out of country contracts and/or the supporting NDQAR for in country contracts.

6.1 INVOICES/CLAIMS FOR PAYMENTS (applicable to AAS)

1. The Contractor must submit monthly invoices for AAS, but only after receipt and acceptance of the materiel and inspection in accordance with the CGCS quality assurance code (QAC) in the event that a certificate of conformance or test data is required.
2. For purchased AA spare parts, the invoice/claim must be supported by supplier's invoices. For manufactured AA spare parts, invoices must reflect the item price in accordance with the contract. In support of invoices, the Contractor must provide the following information:
 - a. The total value of AAS inventory as last reported, held in support of the repair and overhaul work for which this contract was issued (opening inventory);
 - b. The total value of AAS received into inventory during the previous month (receipts), supported by actual invoices;
 - c. The total value of AAS removed from inventory for embodiment or transfer during the previous month (issues);
 - d. The total value of inventory remaining at month end (closing inventory – book value);
 - e. The total value of outstanding AAS commitments (open purchase orders) against this contract; and
 - f. The balance of uncommitted funds remaining in the contract.
3. Upon expiration of contract, the Contractor must provide a listing of outstanding purchase orders to the PA with a copy to the supporting NDQAR. Only those purchase orders listed will be accepted for payment. This list of outstanding purchase orders is to identify the supplier, cost and estimated delivery date. The Contractor must deliver the listing to the PA within 30 days of contract expiry.
4. In the event that the responsibility of repairing and overhauling equipment has been transferred to another Contractor, the new Contractor must not procure AA spare parts until available stocks and usage data have been received from the former Contractor and have been taken into account.

7.0 ENGINEERING & MAINTENANCE SERVICES

1. If DND supplied parts are urgently required to affect delivery of repairable components and are not immediately available from DND, then minor repair may be carried out to the unserviceable part by the Contractor, as approved by the PA who must advise the supporting NDQAR accordingly.

7.1 DND 626 TASK AUTHORIZATION

1. DND 626 Task Authorization is not a procurement instrument nor a DND contract. It is an administrative process which has been negotiated as part of an existing contract which allows “as and when requested” work to be performed by the Contractor, as per [PAM chapter 3.3.2.2](#).

7.2 MOBILE REPAIR PARTY (MRP)

1. A Mobile Repair Party is an individual or group of individuals who perform repair work away from a Contractor’s plant and regional area. There are two types of MRPs:

- a. Scheduled MRP: PA must follow DND 626 Task Authorization process;
- b. Unscheduled, Immediate Operational Requirement (IOR), extraordinary and exceptional MRP: this MRP happens under exceptional and extraordinary circumstances and requires an immediate response from DND.

2. If requested, the Contractor must submit two (2) copies of a monthly progress report covering MRP activities to the Procurement Authority. The level of detail and format must be stipulated in the individual DND 626 tasking should such a report deemed to be necessary.

3. Refer to [PAM chapter 3.3.2.4](#) for more information on MRPs.

7.3 EQUIPMENT TURN AROUND TIME (TAT)

1. Unless specifically identified within the contract, equipment turn-around-time (TAT) to a serviceable state must be achieved in 90 calendar days. TAT is defined as the period of time from date of receipt to date item is reported serviceable. Repair priority is governed by the SNAPS. The principle of first-in/first-out (FIFO) must be observed whenever possible.

7.4 PRIORITY REPAIR REQUEST (PRR)

1. A Priority Repair Request (PRR) is a direction to the Contractor to repair an item on a priority basis. These requests originate from NDHQ from one of the EPM staff which include a Supply Manager or a LCMM. They are communicated to the supporting NDQAR for in country/OCRS for out of country by e-mail. The SM forwards the information to the Contractor for action. A sample copy of a PRR format is illustrated in [Annex E](#).

2. On receipt of a PRR, the Contractor must determine whether DND’s required delivery date (RDD) can be met. If not, the Contractor is required to provide to the appropriate Supply Manager at NDHQ and the consignee designated on the PRR format with a realistic estimated delivery date (EDD). The format of the e-mail/fax to be forwarded by the Contractor is illustrated in [Annex E](#) using the PRR format. Correspondence in response to PRRs is the Contractor’s responsibility.

3. Unless otherwise specified in accordance with the contract, overtime may be authorized by applicable EPM through the supporting NDQAR. However, overtime must not be authorized to clear any backlog resulting from unsatisfactory Contractor performance.

4. On completion of repairs or overhaul, either the supporting NDQAR or the Contractor must return repairable item. The Contractor must then prepare the items for shipment to the consignee as instructed in the PRR. The supporting NDQAR/Contractor must notify PA/SM and LCMM via email of shipping details.

7.5 SPECIAL INVESTIGATIONS & TECHNICAL STUDIES (SITs)

1. When authorized by the Procurement Authority via a Task Authorization/DND 626, the Contractor must open a work order to undertake special investigation and technical studies and must provide relevant data to these investigations as and when required.

2. The scope of work normally covered under special investigation and technical studies is to cater for equipment not meeting fit, form and function specification standards or due to repetitive failures. This excludes studies or investigations which have or will have fleet fitment application.

7.6 TECHNICAL INVESTIGATIONS & ENGINEERING STUDIES (TIES)

1. When authorized by the PA, via a Task Authorization/DND 626, the Contractor must undertake technical investigations and engineering studies.
2. TIES include studies undertaken by an R&O Contractor to analyze failure modes, develop repair schemes, develop improved processes for repair, investigate localized stress or corrosion, and to develop improved methods for managing and/or controlling R&O activities.
3. This activity includes the provision of system and maintenance support and management services. It includes the requirement analysis and planning to ensure current reliability availability of specifications can be met, the scheduling of maintenance, the identification of spares and support, as well as the development of policies and maintenance procedures. It includes the contract management activities as well as the validation/acceptance of deliverables when maintenance activity is contracted.

7.7 TERMINATION OF CONTRACT

1. When an R&O contract is not extended, or cancelled by mutual consent or terminated for convenience or by default, the Procurement Authority must form a Contract close-out planning team to provide the Contractor with instruction for the completion of the work already on the repair line and to provide instruction and to coordinate the transfer of government owned equipment. The DQA/R&O staff must be included in the close out team. The following must be considered for the close-out plan:
 - a. Repairable materiel in the custody of the Contractor;
 - b. Spares in the custody of the Contractor;
 - c. Tooling and test equipment on loan;
 - d. Publications and other documents;
 - e. Perform 100 % stocktaking;
 - f. Set Max/Min to zero (stop automated replenishment) and change MRP setting to non-replenishment;
 - g. Clear all pending [DRMIS](#) transactions;
 - h. Issues spares and repairable to new repair Contractor Plant/SLOC or depot as per the PA directions; and
 - i. Supporting NDQAR for in country/OCRS for out of country to provide all stock on hand/dues and pending transaction reports.

8.0 SUPPLY SUPPORT/SUSTAINMENT SUPPORT

1. The following paragraphs will provide detail on various facets of supply and sustainment support for R&O contracts and In Service Support contracts. This direction applies to all Contractors managing government owned materiel (GOCC).

8.1 TRANSACTION DOCUMENTATION

1. The DND 2227 is the supply document used by all Contractors when performing supply related transactions. Contractors can use their own templates, provided all of the same information appears on their template as the DND 2227.
2. The Contractor's Document Control Group (DCG) facilities must file and retain auditable transaction documentations by applicable Storage location/account either by MMR or by Requisition Number.
3. Items that cannot be requisitioned through [DRMIS](#) because of special circumstances are to be submitted to the supporting NDQAR for in country/OCRS for out of country for furtherance to the SM. A QD DIR can be accessed in [DRMIS](#). The QD template can be found in [Annex G](#). Items in this category are items governed by special instructions or specifically authorized for off-line management IM advisory code.
4. When a requisition requires amending or cancelling, the Contractor/supporting NDQAR/OCRS clerk must process an IW32 or ME52N. To inquire about a requisition Contractor/supporting NDQAR/OCRS clerk must use IW33 or ME53N.

8.2 CONTRACTOR SUPPLY ACCOUNTING

1. Prime Contractors will be provided an RMA and CRPA for holding spare parts for repair and overhaul of DND materiel. Total National holdings are not to be held on an RMA or CRPA Storage Location. This is not the purpose of an RMA and CRPA. See definitions of RMA and CRPA below.

2. Through the Contract Manager, a Storage Location for government owned materiel can be requested via the MA&S Service Desk in accordance with [SAM chapter 2.1](#). A storage location holding government owned materiel must have a unique naming convention in order to identify where all government owned materiel are being held outside of DND, in industry.

8.2.1 RMA

1. When a Prime Contractor is awarded a contract for the repair or overhaul of DND materiel, a Storage Location (SLOC)/Repairable Materiel Account (RMA) code must be allocated to the Prime Contractor and represented within the system by a three Alpha SLOC character format followed by a Number "1" e.g. "WAL1". It must have a Serviceable and Non-Serviceable Storage Location (SLOC). All pre-authorized repairable materiel shipped to that Contractor must be identified and documented on the Selection Notice and Priority Summary (SNAPS) for the associated RMA. This is known as "selected" materiel.

2. In many circumstances, a Contractor will need spare parts from DND. These spare parts are called Contract Issue Spares (CIS), GFOS or AAS and the contract must specify what spares are to be used. To account for the CIS, the Contractor must be allocated a Contractor Repair Parts Account (CRPA). Account structure can be found in [Annex H](#).

8.2.2 CRPA

1. CRPA accounts are used to hold Contract Issued Spares (CIS). CIS are government owned materiel issued to Contractors exclusively for use on the repair line in support of DND equipment. DND must authorize Contractors to use or request CIS when spare parts are catalogued, and managed in [DRMIS](#).

8.2.3 CIS (Contract Issued Spares)

1. Contract Issued Spares are also catalogued salvaged parts from R&O activities.

2. Prior to approval of the CIS being issued to a Contractor, the PA must ensure:

- a. Initial Max and Min levels are set by DQA R&O (where applicable) on the authority of the PA for MMR's held on a CRPA. Subsequent amendments to levels must be actioned by the supporting NDQAR/Contractor upon PA approval,
- b. DND stocked inventory is to be used prior to Contractors procuring commercially. There are exceptions to this rule and the PA has to authorize this procurement and justify why DND stocked inventory is not being used first. For instance, there may be spares reserved for other operations and may not be available to use as CIS or it may be more economical for DND to allow commercial procurement, contract furnished materiel (CFM),
- c. DND is prepared to accept the schedule risk consequential to the late delivery of CIS from DND supporting facilities. Deviations to the foregoing may be acceptable in the following circumstances and if authorized by the Contract Authority:
 - i. Urgent operational requirements may justify the use DND inventory even though the spare part would normally be obtained by the Contractor through other means.
 - ii. Safety considerations may require the use of DND inventory.

8.2.3.1 CIS Materiel Received Off Contract/Procurement

1. Receipts of CIS materiel from a purchase order that was generated by normal spare parts demands or pushed by the Supply Managers directly to the Contractors must be performed by the Contractor with DRMIS access or supporting NDQAR.

8.2.3.2 Shortage of Contract Issue Spares

1. When [DRMIS](#) cannot satisfy a requisition for a consumable (C) MMR CIS, and the lack of this spare has a negative impact on the repair line, the PA may exceptionally authorize the spare to be procured using AAS funding, if available. Sufficient quantities may be procured to satisfy

the Contractor's requirement up to the time when [DRMIS](#) may again satisfy the requisition(s). Items obtained through AAS funding are to be treated as normal AAS. The consumption of the spares obtained through AAS funding must be annotated on the Manual Consumption Work Order Form. In the event that a surplus was purchased because of economic order quantities, the remaining stock must immediately be converted to CIS and brought on charge using the un-forecasted receipt process, cross referencing the original purchase order used to procure the items.

8.2.3.3 Ordering/Receiving Catalogued CIS in DRMIS

1. To order CIS in [DRMIS](#) the Contractor originates a requisition using Work orders as detailed in the [DRMIS](#) process model. When parts are required to replenish stock in the CRPA warehouse the max/min levels will automatically replenish the CRPA. If no max/min levels are set, parts can be manually replenished through [DRMIS](#) spare parts demand process. For all HPR requirements, input a requisition with a priority code 1 with a RDD date within 1 to 6 days.

2. For all other non HPR requirements see Priority Code List:

- a. Priority Code 1 Operational Critical RDD of 1 to 6 days
- b. Priority Code 2 Essential RDD of 7 to 14 days
- c. Priority Code 3 Routine RDD of 15 to 30 days
- d. Priority Code 4 System Replenishment Redistribution RDD system default to 30 days

8.2.4 PROCUREMENT OF NATIONAL SPARES BY INDUSTRY (ISS)

1. For procurement of National materiel carried out by industry, the procurement process must be followed in accordance with [PAM Chapter 3](#). All National materiel held by Contractors must be brought on charge to their storage location as previously mentioned in [Section 8.2](#).

8.2.5 GFOS (GOVERNMENT FURNISHED OVERHAUL SPARES)

1. Government Furnished Overhaul Spares (GFOS) are non-catalogued spare parts that are salvaged by the Contractor, on the PA's (for out of country)/supporting NDQAR's (for in country) authority, from DND materiel undergoing repair, overhaul, re-life or modification. GFOS must be accounted for by the Contractor electronically or a manual stock record system.

2. GFOS salvaged by Contractor or received from external sources and initially entering the system are to be brought on as an un-forecasted receipt by the Contractor using the CRPA Serviceable Storage Location. A DND 2227 must support this transaction. The DND 2227 must be signed and approved prior to processing the transaction

3. The Contractor is responsible for accounting of the GFOS to the repair operation, maintaining custody of the item and disposing of the item. See Disposal Model at [Annex R](#) for step by step instruction. The Technical Authority is responsible to provide all disposal instructions IAW the [SAM chapter 8.1](#). If the Contractor does not have access to the link they are to contact their supporting NDQAR for assistance.

4. The Contractor establishes a price for the GFOS item. Price will reflect contract price or book value. The Procurement Authority is the final authority on the pricing.

5. If a GFOS item needs to be repaired so it can be utilized in the repair of a main catalogued item (repairable), a work order must be opened against the main catalogued item, and all catalogued components must be issued into this work order thus ensuring the cost of the GFOS repair must be charged against the repair of the main catalogued item. Refer to [Annex A](#).

6. The Contractor is responsible for maintaining stock records for both repairable and serviceable GFOS. The Contractor does not establish max and min levels. GFOS stock must be reduced to the lowest level possible.

7. There is a continuing need to guard against the build-up of catalogued materiel in GFOS inventory. The Contractor must establish and maintain a stock control (inventory control) section for GFOS.

8. All catalogued MMRs found in GFOS stores, must be converted to CIS and brought on charge to the CRPA using the step by step process in [Annex T](#) for stock adjustment with a DND 2227 to support the transaction.

9. It is possible to have the same line items in both GFOS and AAS stores so the Contractor must ensure that serviceable GFOS are used first and the records are cross referenced.

10. The Contractor must determine which items of GFOS are no longer fit for use by DND.

Examples of such materiel are:

- a. Batch considered contaminated;
- b. Items rendered unusable because of corrosion attributable to factors beyond the control of the Contractor or Complete inability to establish serviceability at a viable cost, etc.;
- c. Items that fail to meet the quality assurance standards;
- d. Materiel unfit for use because of unserviceable conditions; and
- e. Shelf life expired.

11. For the items listed above, the Contractor must remove these items from stock and prepare a DND 2227 to correct their stock record accordingly.

8.2.6 AAS (ACCOUNTABLE ADVANCE SPARES)

1. AAS are spares purchased by the Contractor using DND funds, in order to support DND equipment on the repair line. The authority to purchase AAS is granted through a contract that outlines maximum cash levels and the circumstances under which AAS may be purchased.

2. The purpose of the AAS is to ensure the repair of DND materiel is not jeopardized by a lack of spare parts.

3. The circumstances under which AAS may be purchased are:

- a. One time procurement;
- b. Only to be used to repair something that is on the repair line; and
- c. An un-forecasted part that is not available from DND, due to a lead time of over 12 months or is not stocked in DND and is required in order to meet the repair turnaround time as stated in the contract.

4. The Contractor is responsible for accounting of the AAS to the repair operation, maintaining custody of the item and disposing of the item. See Disposal Model at [Annex R](#) for step by step instruction. The Technical authority is responsible to provide all disposal instructions IAW the [SAM chapter 8.1](#).

5. The Contractor must order AA spare parts only during the period covered by this contract. The Contractor must be responsible for establishing provisioning of AAS based on, but not limited to:

- a. Repair forecasts;
- b. Estimated and actual consumption;
- c. The manufacturer's list of recommended spares;
- d. The supplier's lead time; and
- e. Economic order quantities.

6. DND will not pay costs nor embodiment fees for AAS which are obsolete or surplus as a result of inadequate Contractor materiel management (i.e. AAS purchased in excess of requirements, AAS purchased which do not meet the limitations of the contract, etc.)

7. AAS transferred between repair facilities on the approval of EPM must be brought on charge (if catalogued) or reported on the GFOS inventory list (if not catalogued) There is a continuing need to guard against the build-up of catalogued materiel in AAS inventory. The Contractor must establish and maintain a stock control (inventory control) section for AAS.

8.3 MANAGEMENT OF GOVERNMENT OWNED SPARES

1. Spares must be used in the following order or as specified in the contract:

- a. Government Furnished Overhaul Spares (GFOS);
- b. Contract Issue Spares (CIS);
- c. Accountable Advance Spares (AAS); and

2. All government owned materiel must be brought on charge to ensure total asset visibility by DND.

8.4 SPARES REVIEW

1. The Contractor must carry out a review of CIS, AAS (must be done on a yearly basis), and GFOS every two years to determine if holdings of any particular item:
 - a. exceeds the economic stock retention level. The level is normally equal to an estimated four (4) months stock;
 - b. have become surplus to requirements as a result of a modification, disposal, obsolescence or transfer of the major equipment;
 - c. are no longer fit for use in the R&O of DND equipment;
 - d. if AAS/GFOS is catalogued then transfer to CIS.
2. The Contractor is responsible for accounting of the spares to the repair operation, maintaining custody of the item and disposing of the item. See Disposal Model at [Annex R](#) for step by step instruction. The Technical Authority is responsible to provide all disposal instructions IAW the [SAM chapter 8.1](#).
3. The Contractor must ensure that there is a continuing safeguard against the build-up of AAS inventory, in accordance with [Section 8.2.6](#). The Contractor must determine if stock holdings include any item which:
 - a. has become surplus to requirement as a result of removal of the end item from the SNAPS;
 - b. has become redundant because of modification, change notice, product improvement etc.;
 - c. is held in excess of usage requirements; or
 - d. is a catalogued item which should have been transferred to CIS.

8.4.1 LOANS

1. The Contractor must submit to the PA all requests for GFE (government furnished equipment)/GFI (government furnished information.) After careful review of the Loan Agreement form, the PA, in consultation with the Life Cycle Materiel Manager (LCMM), must determine if the loan is supported or not based on the criteria listed below.
2. If the loan is supported, the PA must submit a loan request to DQA Loan section. DND will loan GFE/GFI to a Contractor only when it is considered to be in the interest of DND to do so, under the conditions that:
 - a. The equipment is available and loaning it will not jeopardize DND operations; and
 - b. Loaned equipment may be recalled at any time that DND requires it without penalty.
3. Contract must have GFE/GFI Clause (government property clause accepted also.) If not, the amendment must be done prior to any loans related transactions being completed. The Loan Agreement must be signed prior to any loans related transactions being completed. Some delays may occur and are to be expected i.e. signatures, SLOC creations, stock availability.
4. The PA is responsible to assist Contractors with their application and to maintain a record of loans for each applicable Contractor:
 - a. No stock movement (Issues & Returns) is to be done without going through the PA and DQA Loans first;
 - b. Contractors must not submit requests directly to DQA Loans; they must go through the PA every time;
 - c. Contractors are not allowed to process any loans transactions. Only the Loan section in DQA is authorized to do any transactions against loan accounts.
5. Contractor responsibilities:
 - a. Account for DND supplied equipment;
 - b. Hold equipment in a secure area; and
 - c. Carry out 100% stocktaking at least every two years; or
 - i. More often on the items that require more control (3 or 6 months); or
 - ii. On closing down of the activity; or
 - iii. On termination of the applicable Contract(s); or
 - iv. Any event or series of events, which, in the opinion of DND, warrants such action.
6. When the loaned materiel is no longer required or upon termination of the loan, the Contractor will:

- a. Arrange for the return of the equipment to DND through the PA, in writing, in accordance with the terms and conditions stipulated in the contract and/or the loan agreement; and
 - b. Provide a copy of the advice to the supporting NDQAR. The advice must include:
 - i. Description of the items;
 - ii. Identification number/Stock Code; and
 - iii. Condition/Serviceability of the item;
 - c. Check the equipment for condition and quantity, and prepare it for return accompanied with a CF 942 (with the help of the supporting NDQAR, if necessary);
7. If the loan is not supported, the PA must inform the Contractor and provide justification. DND does not normally loan equipment to a Contractor if it:
- a. Would seriously disrupt military training and operations;
 - b. Could be subject to misuse or depreciation;
 - c. Necessitates unwarranted expenditure of defence funds such as but not limited to cost associated to transportation, materiel handling, packaging, etc.;
 - d. Is reasonably available from commercial sources or other facilities; or
 - e. Creates an unfair advantage for any Contractor.

8.5 STOCKTAKING

1. The PA working with the supporting NDQAR for in country/OCRS for out of country must initiate and have the Contractor carry out a one hundred percent (100%) manual stocktaking. The stocktaking will include all storage locations in place for RMAs, and CRPAs, CIS, GFOS, AAS, National Spares accounts and Loan Accounts. All of these accounted must be counted at a minimum of once every two years or as indicated by Cycle Count Indicator, in accordance with [SAM chapter 4.3](#). The PA is responsible to monitor all stocktaking activity for in and out of country RMAs working with the supporting NDQAR for in country RMAs and OCRS in both depots for out of country RMAs. Refer to [Annex L](#) for step by step Process.

2. In the event of discrepancies between the DRMIS and the Contractor's records, DRMIS is the source record. DGMSSC is responsible for conducting random stock verifications of government owned materiel and equipment as part of its mandate and in support of OAG audits. In order to carry out these stock verifications the Contractor must provide DGMSSC personnel with access to the government owned materiel and equipment being held.

8.5.1 STOCKTAKING PROCESS

- a. Verify stock integrity. This is measured by comparing government owned materiel held under the Contractor's responsibility with all records and documentation;
- b. Adjust the associated records or documents according to the materiel held;
- c. Investigate discrepancies; and, if required,
- d. Action write-off reports in accordance with [SAM chapter 4.4](#).

8.5.2 CONTRACTOR RESPONSIBILITIES

1. Refer to [Annex L](#) for the step by step process for carrying out stocktaking at a Contractor facility. The supporting NDQAR must assist in the stocktaking process for Contractor facilities.

2. The Contractor is responsible to:

- a. Identify any discrepancies in stockholdings versus stock records;
- b. Initiate and complete stocktaking IAW the stocktaking plan;
 - i. Some repairable items, because of their materiel types may require stocktaking on a more frequent basis. (Refer to [Annex I](#));
- c. Contact the supporting NDQAR to adjust stock records ensuring that the quantity on stock records is reconciled with the quantity on hand;
- d. Investigate discrepancies as requested by supporting NDQAR;
- e. Conduct investigative stocktaking upon DND's request;
- f. Verify serial numbers; and
- g. Hold all transactions from the cut-off date until completion of the stocktaking. Local coordination will be required to ensure which transactions were not processed by the cut-off date because of mail delays, machine downtime, etc. in order for them to include these transactions when doing the stocktaking and reconciliation.

8.5.3 INVESTIGATIVE STOCKTAKING

1. The Contractor must initiate an investigative stocktaking no later than 48 hours after a discrepancy is found or reported, or is suspected either for a single or a range of MMRs or part numbers.
2. The Contractor must investigate discrepancies identified by the supporting NDQAR or the out of country Repair Section (OCRS), and if such discrepancies are not resolved, notify the supporting NDQAR/OCRS for further action. The supporting NDQAR/OCRS must determine the action to be taken to adjust the quantities and to report overages or deficiencies using a write-off report, or request reimbursement from the Contractor for shortages, depending on the circumstances.
3. In instances where the stocktaking indicates that the Contractor's inventory management system is inadequate, DND must request that improvements be implemented. Failure to rectify these problems over a period of time may result in cancellation of the contract with cause.
4. The Contract Authority must receive all DND requests for financial recovery or other action against the Contractor.

8.5.4 STOCKTAKING PLAN

1. The Contractor will be responsible to prepare and submit to the PA and the supporting NDQAR/OCRS, a two-year stocktaking plan no later than two (2) months after contract award and every year thereafter, on or before the first of March.
2. The stocktaking plan must provide information on the Contractor's planned stocktaking schedule for the next two year period, calculated from the time responsibility of GOCC has been assumed. The Contractor must ensure that 100% of the government owned materiel is planned to undergo stocktaking at least one time during this two year period or more frequently as dictated at [Annex I](#). The Stocktaking Plan template is attached at [Annex J](#).
3. The Contractor must distribute a copy of the Stocktaking Plan to the Procurement Authority and the supporting NDQAR/OCRS for review and concurrence. The Contractor must not initiate any 100% stocktaking unless PA approval has been given. Once the approval has been given, the supporting NDQAR/OCRS must provide further directions on using the applicable reports to provide visibility of materiel into Work Orders.
4. Changes to the stocktaking plan must be submitted to the PA, through the supporting NDQAR/OCRS, for approval.

8.5.5 SCHEDULED STOCKTAKING NOTICE

1. Two weeks prior to the planned stocktaking start date, the Contractor must send a Stocktaking Notice to the supporting NDQAR/OCRS, advising of the scheduled stocktaking. The Stocktaking Notice must also direct the supporting NDQAR/OCRS to produce Count Sheets for the materiel maintained and held in the (serviceable and unserviceable storage locations) for the RMA, CRPA and, Loan storage location.
2. The Stocktaking Notice submitted to the supporting NDQAR/OCRS must include the following:
 - a. Storage location (Serviceable or unserviceable);
 - b. Date the first stock count must be completed; (must be 15 days, refer to [Section 8.5.7](#));
 - c. Range of MMRs to be counted.
3. If the materiel is not on charge (GFOS or AAS) in DRMIS the Contractor must also include the following details with the Stocktaking Notice:
 - a. Date information extracted;
 - b. Account Type (GFOS, AAS, Loans);
 - c. MMR;
 - d. Part Number;
 - e. Description;
 - f. Unit of Issue;
 - g. Unit Price;
 - h. Qty. (held in Contractor accounting system);
 - i. Inventory Category Code;
 - j. Location; and

- k. Serial Number if directed by supporting NDQAR/OCRS.
4. Stock movements and stock transactions that could affect computer or manual record balances must be stopped or reduced to the minimum from the time the count sheets are produced by DRMIS until the count sheets are populated and confirmed; or any other system used by the Contractor to manage its inventory. If during the stocktaking, stock transactions that affect computer or manual record balances cannot be stopped, the Contractor is required to keep track of all transactions on a separate register.

8.5.6 COUNT SHEETS

1. One day prior to the start date reported on the Stocktaking Notice the Contractor must receive count sheets from the supporting NDQAR/OCRS for inventory recorded in DRMIS. For those repair facilities with access to DRMIS they can print their own count sheets.
2. For GFOS and AAS (inventory not recorded in [DRMIS](#)) the Contractor must produce count sheets using their own system. The Contractor must provide a copy of the count sheets to the supporting NDQAR/OCRS. The count sheets must, at a minimum, contain the following:
 - a. MMR and/or Part Number;
 - b. Description;
 - c. Stock location;
 - d. Condition/Status recorded; and
 - e. Qty. counted (to be filled out on materiel count)

8.5.7 STOCK COUNT

1. The Contractor must carry out the first stock count of all materiel and report quantity on first count sheets within fifteen days. Materiel found not listed on the count sheets must be identified and reported on a separate count sheet.
2. The Contractor must submit a copy of each completed first stock count sheets to the supporting NDQAR/OCRS. Refer to [Annex K](#) for count sheet template.

8.5.8 REPORT AND RESOLVE STOCKTAKING DISCREPANCIES

8.5.8.1 For inventory recorded in DRMIS

1. The supporting NDQAR/OCRS is responsible for entering the stocktaking counts into the system of record. They must confirm all the counts, in accordance with the count sheets. For discrepancies, the supporting NDQAR/OCRS must submit to the Contractor a list of all MMRs and identify the materiel requiring a second count. If necessary, this process can be repeated for a third count which is physically performed by the supporting NDQAR/OCRS at the Contractor's location(s).

8.5.8.2 Third Count Investigations

1. For in country Contractors, the investigation will include an onsite visit from the supporting NDQAR to review supply related Contractor records and carry out physical stock checks. This may be carried out by the PA or a delegated DND representative for out of country Contractors.

8.5.8.3 For inventory not recorded in DRMIS

1. The Contractor must compare the count results with the actual quantities recorded in the Contractor's local system, immediately adjust their records and advise the supporting NDQAR/OCRS if there are any discrepancies via email. The supporting NDQAR/OCRS must notify the latter to proceed in identifying the materiel that requires a second count.
2. The Contractor is responsible to:
 - a. Provide an explanation/justification for each discrepancy;
 - b. List referenced documents, referenced computer transactions, corrective actions taken and where possible, the reasons for surpluses or deficiencies;
 - c. Adjust, when possible, computer balances or inventory control cards when the discrepancy is the result of an error that can be corrected locally; and
 - d. Prepare a Supply Document when a stock balance requires adjustment for approval by the supporting NDQAR/OCRS.
3. Once all investigations have been completed for each discrepancy found at the first count, the Contractor must submit to the supporting NDQAR/OCRS, a Stocktaking Investigation Report within one month. The report must contain the following information:

- a. Inventory materiel type;
 - b. MMR/Part Number;
 - c. Description;
 - d. Unit price (Use average price method for AAS);
 - e. Stock balance before stocktaking (First Count);
 - f. Stock quantity counted (First Count);
 - g. Stock quantity adjusted;
 - h. Stock balance after adjustment;
 - i. Stock balance before (Second count);
 - j. Stock counted (Second count);
 - k. Stock quantity adjusted (if required); and
 - l. Corrective actions, reference transaction and justification.
4. Prices for deficiencies and surpluses must be entered and extended. Netting is not authorized.
 5. The Contractor must prepare a Stocktaking Summary Report for each MRP area, template in [Annex N](#).
 6. The supporting NDQAR on behalf of the Contractor must submit the original copy of the Write-off Report CF 152 and the Stocktaking Summary Report to the R&O Support cell for vetting prior to R&O Support cell forwarding to PA.

8.5.9 STOCKTAKING OF AAS AND GFOS

1. Contractors and their sub-Contractors must use the following procedures for AAS and GFOS stocktaking:

- a. Post all transactions to the Inventory Control Card (Non-Catalogued) (ICC) prior to stocktaking as per [Annex Q](#);
- b. List the part number and description of each line item on the count sheets normally used. The quantity on the ICCs must not be transcribed to the count sheet at this time;
- c. Ensure issues from stock are not discontinued unless it is essential to do so;
- d. Quarantine all receipts of spares and suspend posting action for a maximum period of four working days from the time of receipt;
- e. Conduct a physical count and show the quantity counted in one column of the count sheets. The person counting the stock must add to the list items found in stock for which there is no entry on the count sheets;
- f. Enter the quantity on the ICC's the appropriate column of the count sheets after the physical count takes place;
- g. Check for issues, receipts, etc., when quantities do not agree. Re-count the items if quantities still do not agree;
- h. Compare the quantity shown as "actual count" and the quantity on stock records and the discrepancies indicated on Form CF 152;
- i. Forward the CF 152 and any adjusting vouchers to the supporting NDQAR/OCRS under a covering letter;
- j. Identify surplus and obsolete items for disposal, in accordance with the contract; and
- k. Ensure that items with a MMR are identified for transfer to the CRPA warehouse.

8.5.10 VERIFICATION/STOCKTAKING OF CONTROLLED EQUIPMENT

1. The Contractor must conduct a physical verification/stocktaking of all controlled equipment:

- a. Semi-annually:
 - i. Classified Equipment – Stock Classification "E" e.g. Vehicles, Night Vision Devices, GPS, Radios etc. and IM Advisory Code "1P" (item is Classified); and
 - ii. Classified Cryptographic Equipment – ST "E" and IM Advisory Code "1Q" (Classified Crypto Materiel).
- b. Quarterly:
 - i. Small Arms (SA) – Stock Classification "E" and NSG "10" and "99"; and
 - ii. Self-Contained Weapon Systems – ST "A" and NSG "13" & "14"

2. The Contractor must submit an itemized listing of all controlled equipment to the Procurement Authority within Forty five (45) calendar days of completion of the Stocktaking/Verification. The Contractor must provide an info copy to DQA at the same time.

3. Upon a discrepancy being found with controlled equipment, the Contractor must notify the supporting NDQAR immediately.

8.5.11 WRITE OFF REPORT - CF 152

1. For in country contracts, the supporting NDQAR on behalf of the Contractor must perform all adjustment transactions, then raise and submit the original copy of the CF 152 including the Stocktaking Summary Report to the R&O Support cell for vetting and furtherance to applicable EPMs. The supporting NDQAR must include a covering letter with their submission. For out of country contracts, the OCRS on behalf of the Contractor must perform all adjustment transaction then raise and submit the original copy of the CF 152 including the stocktaking summary report to the R&O support cell for vetting and furtherance to applicable EPMs. Refer to [Annex L](#) for step by step Process. If no adjustments are needed, then no summary report is required.

8.6 EMBODIMENT FEES

1. Embodiment fees or materiel handling fees for AA spares must be negotiated by PSPC and must be charged against the specific R&O work.

2. On normal transfer or issue of items (spares) between AAS, CIS or GFOS accounts, any embodiment fees must only be paid once and only upon actual embodiment. Supply accounting records for DND materiel must be maintained separate from other company records.

3. On bulk transfer/disposal of items in CIS, GFOS or AAS accounts, embodiment fees, if applicable, are subject to a separate PSPC negotiated rate.

8.7 WAREHOUSING

1. The Contractor must be responsible for:

- a. Designating, allocating and preparing a storage area in the plant to accommodate GOCC materiel;
- b. Segregating GOCC materiel by type, with either a manual or automated accounting procedure; and
- c. Ensuring that GOCC materiel are afforded optimum protection in case of strike or lock-out action.

2. Proper Warehousing, IAW with [SAM chapter 1.3](#), includes making maximum use of indoor and outdoor space, manpower, mechanical handling equipment and storage aids. This produces efficiency, accessibility, visual access of stocktaking, and safety.

3. The supporting NDQAR reserves the right to exercise surveillance over all aspects of the Contractors supply operations and carry out performance checks on the Contractor's materiel management system and materiel verifications (spot checks) when required, as stated in [Foreword - paragraph 17](#).

8.8 LOSS OR DAMAGE TO DND MATERIEL

1. The Contractor must report to the supporting NDQAR/OCRS all instances of loss or damage to GOCC materiel within two (2) working days of confirmation of its discovery. If the discrepant item is one of the commodities listed below the supporting NDQAR/OCRS must be contacted immediately. The supporting NDQAR/OCRS must then take immediate reporting action.

2. Controlled Goods/CTAT (Controlled Technology Access Transfer) include:

- a. Weapons, Ammunition, Explosive Ordnance, Self-Contained Weapons Systems and Guided Missiles;
- b. Classified Equipment including Crypto and accountable COMSEC Materiel;
- c. Deficient Controlled Goods as defined in DAOD 3003-0 and
- d. Night Vision Devices (NVD)

3. The Contractor may be authorized to make repairs to government owned equipment on loan. All requests must be forwarded to the Procurement Authority for approval. If the Contractor is authorized to repair damaged DND materiel, he must notify the supporting NDQAR/OCRS before any repair commences to enable adequate quality assurance of the repair.

8.9 SCRAP - CUSTODY & DISPOSAL

1. The Contractor must safeguard, control, and dispose of the scrap materiel in accordance with [SAM chapter 8.1](#). For all instructions pertaining to disposal, the supporting NDQAR for in country/the PA for out of country must ensure the Contractor has a copy of [SAM chapter 8.1](#).

2. See [Annex R](#) for step by step instruction in conjunction with the above publications.

8.9.1 DISPOSAL OF SCRAP OR WASTE MATERIEL RESULTING FROM PSPC COST REIMBURSABLE CONTRACTS

1. Contractors are responsible to the supporting NDQAR for the safeguard, control and disposal of scrap and waste materiel generated by or resulting from their operation of PSPC contracts. The Contractors are also responsible for all subcontractors or suppliers whose operations will result in scrap and/or waste materiel.

2. Authority to Sell Contractors, subcontractors and suppliers are authorized by GC Surplus to sell scrap or waste materiel and credit the proceeds to the contract(s) or to overhead in accordance with specific or general instructions issued by PSPC. A report is to be completed monthly and submitted to the supporting NDQAR warehouse account. A copy is to be retained on the PA's file for PSPC audit purposes.

3. Whole or partial components, assemblies, castings or forgings which may become surplus due to overrun, design or specification changes or rejection on inspection are to be reported to the PSPC Directorate concerned.

4. Scrap and Waste Materiel resulting from overhaul and repair contracts covering reconditioning, refitting, modification, change of design or specification or reduction to spares of miscellaneous equipment and certified as "Scrap" by a DND Technical Representative or a Technical Inspector of the Contractor approved by DND must be disposed of by the Contractor as noted above.

5. Major items or equipment such as airframe components, engines, boats, tools, jigs, fixtures, etc. are not subject to this procedure.

8.10 PACKAGING

1. Packaging is a coordinated system of preparing materiel for safe, secure, efficient and effective handling, transport, distribution, storage, consumption, reuse or disposal in accordance with [SAM chapter 4.5](#).

2. The Contractor is required to assure maximum life, utility and performance of materiel through the prevention of deterioration by properly packaging the materiel.

3. The contract must provide the Contractors with specific packaging instructions detailed in D-LM-008-001/SF001 Method of Packaging, which include:

- a. Method of packaging;
- b. Level of packaging detailed and the use of Reusable Container; and
- c. Quality assurance.

4. Specification for marking for storage and shipment are detailed in D-LM-008-002/SF-001 Specification for marking for storage and shipment. Unless specified in the contracts, each item must be packed individually and marking must apply for each individual pack as well as for intermediate container.

5. For information on packaging Small Arms Weapons, refer to D-LM-008-027/SF-001.

6. For information on packaging Classified Materiel, refer to D-LM-008-038/SF-001.

7. DSCO 5 (Director Supply Chain Operations – Military Packaging) is responsible for providing subject matter expertise and assistance with respect to the interpretation and application of military packaging and package marking specifications.

8.11 REUSABLE CONTAINERS

1. DND materiel (spares), subject to continuing repair and/or overhaul, are normally packed in reusable containers. When a Serviceable item is removed and replaced with an unserviceable item destined for the R&O line, reusable containers should be used. A dedicated reusable

container should never be empty and R&O facilities should always receive the materiel in a reusable container. Refer to [SAM chapter 4.5](#) for management of reusable containers.

2. Methods of testing and quality assurance provisions are specified in D-LM-008-001/SF-001. Marking must be in accordance with the following markings are to apply to all individual pack and intermediate containers:

- a. PSPC Contract Number;
- b. DND Work Order (for individual pack only);
- c. DND Purchase Order;
- d. MMR/Stock Code;
- e. Description;
- f. Manufacturer's Part number;
- g. Unit of measure and Qty. per pack or per intermediate containers;
- h. Serial Number(s);
- i. EMR (if applicable);
- j. Repair or Overhaul date;
- k. Method and Level of protection;
- l. Reusable container (if applicable);
- m. Dangerous good marking (if applicable);
- n. Special marking for nature of item (if applicable); and
- o. Handling and Special Shipping instruction (if applicable).

3. Individual reusable containers must be used and provided as per directed in this contract. The Contractor may be required to inspect, repair or repaint reusable container.

4. Before application of required markings on reusable container, all non-applicable markings will be removed.

5. All CIS, AAS, GFOS are to be preserved, package and marked IAW D-LM-008-036/SF-000 minimum requirements for manufacturer standard pack. They must remain packed with a reusable container where provided,

6. Methods of testing and quality assurance provisions are specified in D-LM-008-001/SF-001.

7. Refer to [SAM chapter 4.5](#) for management of reusable containers.

8.12 TRANSPORTATION

1. If Contractors are required to return equipment back to DND, they must follow the terms and conditions of the contract in place. When it comes to transportation of R&O from the Contractor, two terms are used in the contract to establish responsibilities. Uniform Commercial Codes (UCC) Free on Board (FOB) Plant or Incoterms 2000/2010 Free Carrier (FCA, insert named place of delivery). In either case, the Contractor must contact the appropriate Inbound Logistics (IL) (ILEA Germany, ILLUK England, ILQA Montreal, ILAA Halifax, ILCA Toronto and ILHQ Ottawa) for transportation and customs clearance as required.

2. The contract must be very specific as to which IL the Contractor must contact by the insertion of clauses such as [D0035C](#).

3. Once an item is repaired and returned to the storage location via an IW8W, follow the process as outlined in [Annex B](#).

8.12.1 SHIPMENT IDENTIFICATION

1. The Contractor is responsible for the preparation of the shipment, while the appropriate IL is responsible for the preparation of the shipping documentation:

- a. Consignment Authorization and Receipt Form (CARF) Refer to [A-LM-158-004/AG-001](#) for sample;
- b. Waybill Straight Bill of Lading (WSBL) Refer to [A-LM-158-004/AG-001](#) for sample; and
- c. Shipping Label - Refer to [A-LM-158-004/AG-001](#) for sample.

2. The completed documentation must then be forwarded to the Contractor. A copy of the CARF and WSBL must be given to the carrier and a copy of the label must be attached to the item being shipped.

8.12.2. MODE OF SHIPMENT

1. When the contract stipulates FOB Point or FCA, the Contractor must call or email the proper IL with all the information pertaining to the shipment for direction on the carrier to be used. At no time is the Contractor to select or change the carrier stipulated on the WSBL provided by the Transportation Agent (TA). Shipments are to be transported in accordance with Chapter 2 & Chapter 5 of the [A-LM-158-004/AG-001](#).

8.12.3 LOSS OF DAMAGE IN TRANSIT

1. Depending on the type of contract being used Duty Delivery Paid (DDP) or used Duty Delivery Unpaid (DDU), the Contractor is responsible for all shipping related activities including claims procedures for loss or damages.

2. If the contract is FCA, then the DND is responsible for all shipping related activities including claims procedures for loss or damages in accordance with Chapter 12 of the [A-LM-158-004/AG-001](#).

3. When DND materiel is lost or damaged in transit, the responsibility for tracing action is determined as follows:

- a. For partial loss or damage, the Destination Transportation Agent (DTA), or the consignee when applicable, is responsible for requesting the carrier (commercial or DND) to take tracing action and advise on the findings; or
- b. For a total loss, the Origin Transportation Agent (OTA), or consignor when applicable, is responsible for requesting the carrier (commercial or DND) to take tracing action and advise on the findings.

8.12.4 GENERAL CLAIMS PROCEDURES

1. All shipments must be checked carefully for discrepancies against the shipping documents both at the time of shipment and on receipt.

2. Claims and tracing action for loss or damage must be made against the carrier without delay. Claims must be processed in a manner that will support any legal action thought necessary by NDHQ/D Law/C. The TA must undertake an investigation with the responsible carrier(s) in all cases of in transit loss or damage of DND materiel.

3. The consignor, or the consignee when applicable, is responsible for:

- a. investigating the discrepancy through the supply system;
- b. evaluating and pricing the loss or damage in accordance with supply instructions and providing the appropriate TA with the correct documentation; and
- c. finalizing the discrepancy IAW [SAM chapter 4.4](#).

4. The DTA or OTA when applicable, is responsible for:

- a. notifying the carrier of loss or damage;
- b. initiating tracing action;
- c. investigating the loss or damage with the carrier; and
- d. initiating the claim against the carrier.

5. The appropriate comptroller/accounting officer is responsible for:

- a. local recovery from carriers for loss or damage; and
- b. referral of unsettled claims to NDHQ in accordance with financial instructions.

6. Responsibilities concerning loss or damage must be assumed by the consignor or consignee as applicable for DND shipments where an OTA or DTA has not been involved.

8.12.5 DOCUMENTATION AND RECORDS

1. Contractors are required to maintain records of all shipments. A Transportation Control Number (TCN) located on the CARF and WSBL must be issued for each shipment by the appropriate IL.

- a. SAMPLE LOSS/DAMAGE REPORT can be found in: [A-LM-158-004/AG-001](#) Chapter 12 Annex B12, page 12B-1
- b. SAMPLE LETTER OF A NOTICE OF INTENT TO CLAIM can be found in: [A-LM-158-004/AG-001](#) Ch. 12 Annex C12, page 12C-1

2. DND is responsible for clearing Customs of all DND materiel consigned to R&O Contractors. If a Contractor sub-contracts to an out of country location, the Contractor is responsible for the

preparation of all the necessary customs documentations. Customs Brokers must not be utilized unless specifically authorized by the Procurement Authority.

9.0 WARRANTY CONSIDERATION

1. This chapter establishes the procedures to be followed by a Contractor upon receipt of equipment or materiel returned by DND for warranty consideration as a result of being repaired. If equipment or materiel is returned in error to the wrong Contractor, the Contractor must quarantine the equipment or materiel and advise EPMs by message giving all pertinent data (through the supporting NDQAR for in country/PA for out of country).
2. Normally, equipment or materiel returned by DND for warranty consideration is forwarded in an unserviceable condition as a result of an Unsatisfactory Condition Report (UCR) or a Pre-Installation Failure (PIF). Equipment returned need not be the result of a UCR or PIF. However, some form of unserviceable report, i.e. message/letter must accompany the equipment. If a report is not received, the Contractor must quarantine the equipment and hasten the consignee for the report. If no response is received within five days, the Contractor must request guidance from the supporting NDQAR/PA.
3. The intent in returning equipment or materiel for warranty consideration is to have the item(s) repaired at no cost to DND or to seek a method of correcting a fault that could cause failure to similar equipment or materiel.
4. As warranty problems will differ with each Contractor and with each category or type of equipment or materiel, the Warranty Review Board (WRB) must become entirely familiar with the various contractual obligations covering the type of equipment or materiel involved. Regarding equipment that was repaired, overhauled or modified by the Contractor, the following terms must apply:
 - a. Warranty of twelve months must apply to all equipment or materiel in accordance with applicable General Conditions of the contract, unless otherwise stated in the terms of the contract;
 - b. If the failure occurs after the warranty period has elapsed from the date of acceptance of said equipment or materiel by DND, normal repair or overhaul procedures will apply. This provision applies regardless of whether the materiel has been in stock or has been in use during the specified time limits of the warranty, unless the warranty specifies other standards, i.e., 12 months from installation.

9.1 WARRANTY REVIEW BOARD

1. Each time an item is received by the Contractor for warranty consideration and there is a dispute as to responsibility, a WRB must be established and must consist of at least the following:
 - a. Applicable NDQAR/PA;
 - b. Contractor's quality control manager or delegated representative; and
 - c. Contractor's project manager for R&O contracts or delegated representative

9.1.1 LIABILITY

1. Determination of the financial responsibility or liability is a function of the WRB as follows:
 - a. The Contractor accepts full responsibility for costs to repair or overhaul under the warranty provision of the contract; or
 - b. DND accepts full responsibility for all costs to repair or overhaul; or
 - c. The Contractor and DND agree to share responsibility for the costs to repair or overhaul the unserviceable equipment or materiel.
2. When the WRB cannot agree, the repair or overhaul is not to be delayed. The Contractor will be requested to carry out the necessary work and costs that are to be segregated and charged to a suspense account by arrangement with the Contract Authority. Such costs can be properly identified, and to ensure that they are not improperly claimed by the Contractor pending determination of the liability. The Contractor is to consult with the Contract Authority, and the supporting NDQAR must refer the matter to EPMs/EPs and include pertinent data and recommendations.

9.1.2 ACCOUNTING

1. Upon receipt of equipment or materiel for warranty consideration, the Contractor is to raise a work order containing the usual information and the following:
 - a. The serial number of the item; and
 - b. The following clause stamped or typed on all copies of the work order.
2. This item must be inspected and dismantled to determine the liability for repair under warranty. Pending a decision regarding liability from the WRB, all costs must be segregated into a suspense account in accordance with arrangements approved by the Contract Authority. If the Contractor accepts responsibility under the warranty provisions of the contract, the work order is to be annotated "Costs recovered under the warranty provisions applicable to contract serial number."
3. When the Contractor accepts full responsibility for costs to repair or overhaul under the warranty provision of the contract, the work order must be annotated accordingly.
4. If the WRB decides that DND must bear all repair or overhaul costs, the original work order is to be amended by the Contractor and submitted to the PA for approval through their supporting NDQAR. The work order must include the contract serial number against which costs must be charged; and a description of the work to be undertaken
5. If the WRB decides that repair or overhaul is to be carried out on a cost-sharing basis, the original work order must be amended by the Contractor and submitted to the PA for approval through their supporting NDQAR. The amended work order must include the following information:
 - a. Contract serial number against which costs must be charged;
 - b. A description of the work to be undertaken;
 - c. The cost-sharing arrangements; and
 - d. The following phrase "after investigation, partial costs as determined by the contracting officer and the Contractor".
6. If the WRB cannot agree on financial liability, the original work order must be amended by the Contractor and submitted to the PA for approval through their supporting NDQAR. In this case only, the following statement is to be annotated on the amended work order: "DND and the Contractor cannot agree on the warranty liability. Work is not to be delayed pending final decision."
7. Costs of repair or overhaul will be paid by DND and subject to negotiations between the Contractor and the Crown.
8. Documentation: The Contractor must maintain a record of each warranty consideration.

10.0 CONTRACTOR USE OF DND EQUIPMENT AND PUBLICATIONS

1. The Contractor must not use DND publications, tools, test-equipment, or jigs and fixtures for commercial work without the written consent of DND. In instances where DND has provided such consent, the Contract Authority must negotiate suitable compensation for DND. All requests must be directed to the Procurement Authority through the Contract Authority.

11.0 PUBLICATIONS

1. The Contractor must document requirements for publications and submit to the PA. The Contractor must develop procedures to control all DND publications in their possession and be responsible for amending all DND publications in his custody. The record of amendments must be maintained as indicated in the applicable area of each publication.
2. Unless otherwise specified, publications may be copied or have extracts taken from them. As these copies/extracts are not subject to follow-up amendment action, they are not valid for use as a reference document and must be stamped "FOR INFORMATION ONLY". Contractors must ensure that any classified documents are provided with the appropriate security, consistent with the provisions of A-SJ-100-001/AS-000.
3. The Contractor must respond to any request for "verification of publication holdings" which may be requested periodically by DND. DND must, upon request from the Contractor, supply the necessary forms and certain stationery. However, because of the limited use of certain forms,

it is neither practical nor economical to provision for and stock all forms. Therefore, where appropriate, forms are to be reproduced locally by the Contractors.

4. Publications and forms provided to Contractors must be issued, without charge, by DND.

11.1 AVAILABILITY OF PUBLICATIONS

1. Upon the selection of work, the Contractor must provide the PA with a list of all DND publications obtained from the Contract Authority prior to signing the contract. The Contractor must request assistance from the PA in determining additional requirements in the CFSS Procedures (based upon current holdings and contract requirements), DND specifications, pamphlets, technical orders, drawings, etc. The Contractor must request the required publications from the PA. It is customary, on transfer of work from one Contractor to another, to include the pertinent publications as part of and government owned materiel or equipment being transferred. Transfer of responsibility for the control of the publications may also be required at that time.

2. The factors to be considered in preparing a list of required publications are:

- a. Estimated use;
- b. Plant location;
- c. Possibility of sharing publications;
- d. Possibility of obtaining information via telephone form a central data or information center;
- e. Possibility of satisfying requirements by limited distribution only.

3. The Contractor must request publications in writing from the PA, and once the request is approved, must raise a Supply Document DND 2227. Contractors must acknowledge receipt of publications by signing the accompanying documents. The process for loan of publications to a Contractor and be found at [Enterprise Process 54](#).

11.2 DISPOSAL OF PUBLICATIONS

1. When a publication is no longer needed, the Contractor must request disposal instructions from the PA and take action as directed. In cases where the publication is returned to stock or transferred to another user, the Contractor is to ensure that all the amendments are included or that a deficiency listing (and explanations) accompanies the publication(s).

2. Forms that have been superseded or cancelled and DND have ordered destroyed, are to be disposed of by the Contractor. No certification is necessary and, since the forms are not on charge, there is no requirement to raise disposal vouchers.

3. Unused current forms and stationery considered surplus to requirements are to be returned to the issuing agency.

4. If DND office supplies such as DND stamps, seals, labels, markings, etc. are surplus to requirements, they are to be returned to the issuing agency.

12.0 OFFICE SERVICES

1. The Contractor must perform the secretarial and clerical work necessary to carry out the terms of this contract with respect to the preparation, filing and transmission of all forms, reports and correspondence, relating to the movement, accounting, storage, repair, overhaul, quality control and investigation of materiel covered by this contract. The provision of these office services must be deemed to be work as defined in PSPC clause (1) of 2035 General Conditions – Higher Complexity – Services.

13.0 MINUTES OF MEETINGS

1. When minutes of meetings are required, the Contractor must be responsible for taking them and preparing them in a format approved by the Procurement Authority. The Contractor must submit the minutes to the Contract Authority or the Procurement Authority as directed at the meeting, within ten (10) working days following the meeting.

14.0 PLANT SHUTDOWN/VACATION PERIOD

1. During plant shutdown and/or vacation periods, the Contractor must ensure that adequate facilities/personnel are available to ensure the satisfaction of High Priority Requirements (HPRs). If Contractor personnel are not on site during shutdown, a list of names and home phone numbers of those Contractor personnel to be contacted during plant closure must be provided to the supporting NDQAR for in country/OCRS for out of country. It is the Contractor's responsibility to ensure that personnel are available to satisfy PRR requirements once identified.

15.0 REPORTS

15.1 MATERIEL MANAGEMENT REPORTS

1. The following reports are available from the supporting NDQAR:

- a. SNAPS: This report shows all MMRs authorized for repair within a Plant/SLOC with reference to a specific contract;
- b. MMBE: Stock Overview: Company Code/ Plant/ Storage Location/ Batch: This is a query that can be used to view all Stock on hand;
- c. MM03: Display Materiel (Initial Screen): This query can be used to view all management data against a MMR; and
- d. ZSUPSTRIP: Supply Strip Report: This query can be used to view all Stock on Hand for an entire MRP area.

15.2 MRP PROGRESS REPORTS

1. The Contractor must submit one (1) copy of the monthly progress report covering Mobile Repair Party (MRP) activities in accordance with PSPC Form (7139) to the Procurement Authority, and one (1) copy to the supporting NDQAR. This monthly progress report can be an email report using an approved format by the Procurement Authority.

2. The report must include the Contractor detailed fault findings, description of work conducted and completed, recommendations, cost breakdown by category including person hours by trade, travel expenses and living expenses.

15.3 TECHNICAL INVESTIGATION AND ENGINEERING STUDIES (TIES) REPORTS

1. Technical Investigations and Engineering Studies may only be authorized by the Procurement Authority. The Contractor must complete a Technical Investigation Report as stipulated under a DND 626 on an as required basis when so directed.

15.4 ANNUAL GOVERNMENT OWNED INVENTORY REPORT

1. The Contractor must report annually to the PA on the value of all non-catalogued Accountable Advance Spares (AAS) and Government Furnished Overhaul Spares (GFOS) inventory held on March 31. [Annex M](#) provides reporting requirements. The mandate as of March 2017 is to ensure that all government owned materiel is brought on charge.

ANNEX A REPAIR OF COMPONENTS/ACCESSORIES

PROCESS FLOWCHART



Annex A - EP04
Unservicable Repairal

ANNEX B IN / OUT OF COUNTRY REPAIR PROCESS FLOWCHART



Annex B - EP 04
Repair & Overhaul E

ANNEX C SNAPS (Selection Notice and Priority Summary) Report



Annex C - SNAPS
TEMPLATE.pdf

ANNEX D SNOM (Selection Notice Observation Message)



Annex D -
SNOM.pdf

ANNEX E PRIORITY REPAIR REQUEST- (PRR)



Annex E - PRR.pdf

ANNEX F GFE/GFI ISSUE TO A LOAN ACCOUNT LOAN AGREEMENT



Annex F - EP 54
Issue GFI.pdf



Annex F - EP 54
Issue to a Loan via C

ANNEX G QD MESSAGE FORMAT DIR



Annex G - QD
Message.pdf

ANNEX H RMA ACCOUNT DESIGN



Annex H - RMA
Account design.pdf

ANNEX I STOCKTAKING SECURITY REQUIREMENTS FOR MATERIEL TYPES



Annex I - Material
Type.pdf

ANNEX J STOCKTAKING PLAN



Annex J -
Stocktaking Plan - A

ANNEX K DRMIS STOCKTAKING COUNT SHEETS



Annex K - DRMIS
STOCKTAKING COUN

ANNEX L STOCKTAKING PROCESS MODEL



Annex L - Physical
Inventory.pdf

ANNEX M GOVERNMENT OWNED INVENTORY REPORTING REQUIREMENTS



Annex M - DND
Owned Inventory Hc

ANNEX N STOCKTAKING SUMMARY REPORT



Annex N -
Stocktaking Summa

ANNEX O EMO TO R&O FACILITY



Annex O - EMO to
R&O Facility.pdf

ANNEX P RMR TEMPLATE



Annex P - RMR
Template.pdf

ANNEX Q INVENTORY CONTROL CARD (Non Catalogued)



Annex Q - Inventory
Control Card (Non-C

ANNEX R DISPOSAL AT R&O FACILITIES



Annex R - EP 18
Disposal.pdf

ANNEX S PROCUREMENT AUTHORITY LIST



Annex S - PAL.pdf

ANNEX T RECEIPT (UNFORECASTED) OF GOVERNMENT OWNED MATERIEL (GOM) AT INDUSTRY



Annex T - Receipt of unforecasted GOM :

ANNEX U CONTRACTOR CERTIFICATION



ANNEX U - Contractor Certificat

GLOSSARY

Adjustment: Any amendment necessitated by a posting error, duplication, lack of supporting documentation, etc. These transactions are effected by raising certificate vouchers, i.e., certificate issue vouchers (CIVs) or certificate receipt vouchers (CRVs). The amount of variation permitted by an adjustment clause in the contract, which generally permits a change upward or downward in the price or obligations, in case certain events transpire.

Beyond Economical Repair (BER): A condition classification code assigned to unserviceable equipment which, as the result of the application of financial criteria, is considered uneconomical to repair.

Boat Movement Order (BMO): Authorization to move a boat.

Canadian Forces Ammunition Depot (CFAD): these depots are responsible for warehousing and stocking ammunition. We have four ammunition depots located in Rocky Point BC, Bedford NS, Dundurn SK and Angus ON.

Canadian Forces Supply Depot (CFSD): The Supply depots in the CF are: 7 CFSD Edmonton and 25 CFSD Montreal. These depots are responsible for warehousing and stocking supplies of materiel for distribution to bases and stations. The Coastal depots responsible for Naval Units are located in CFB Halifax and CFQ Esquimalt.

Canadian Forces Technical Order (CFTO): Publications and other information media, which provide technical direction and information on the design, installation, operation, maintenance, inspection and modification of CF equipment.

Contract Authority (CA): Contract Authority is the authority, delegated by the MND, to persons occupying specific DND/CAF positions or fulfilling specific organizational functions to enter into and sign contractual documents on behalf of the department. (Extracted from Financial Administration Principles, section of CAF A-FN-100-002/AG-006) These delegated DND contract authorities are shown in the Delegation of Authorities Matrix, Columns 15-24. Contract Authority is identified in the contract and contracts out for goods and services valued greater than \$5K.

Current Year Forecast: The current year forecast is also the maximum quantity the Contractor is authorized to receive and repair unless there is an amendment to the SNAPS or CYF

Cut-off date: A date after which no further inventory/computer transactions that effect balances are carried out for receipts and issues. After the cut-off day, all inventory/computer balances are to remain unchanged while a physical stocktaking count is being carried out and finalized. Once the physical stocktaking is finalized, all counted stock balances must be compared to the computer balances reported on the cut-off date.

Department of National Defence (DND): is a Canadian Government Department responsible for defending Canada's interests and values at home and abroad. The Department of National Defense exists to aid the minister in carrying out his responsibilities within the Defence Portfolio, and provides a civilian support system for the [Canadian Armed Forces](#).

Director Materiel Policy and Procedures (DMPP): is accountable for establishing and maintaining an integrated MA&S policy, standards and business process framework across the Department and the CF. The functional scope of the organization's accountabilities is extremely broad. It includes: project management, procurement and contracting, engineering and maintenance, materiel management, and intellectual property

Director Quality Assurance, Repair and Overhaul (DQA R&O): Director Quality Assurance (DQA) has a Repair & Overhaul (R&O) entity which is responsible for managing [DRMIS](#) R&O activities for ADM(Mat) Equipment Program Management/Equipment Program Services (EPM/EPS) Supply Managers within the NICP, and Procurement Authorities associated with Repair and Overhaul contracts. There are 18 NDQARs across Canada.

Director Supply Chain Operations (DSCO): provides materiel acquisition and support (MA&S) leadership in Performance Management, Compliance & Oversight, Technical Data Services and Cataloguing, as well as, enabling capabilities for the execution of an effective, efficient and accountable Supply Chain.

Disposal: The removal of materiel either in a whole state or as residual scrap from a Contractor's facility by trade-in, by destruction on site or by vouchering to one or more of the other R&O

Contractors or to other DND establishments.

Equipment: Major items of materiel that are not expendable except through depreciation or wear and tear and which, although they may be fixed or positioned in prescribed places, do not lose their identity or become integral parts of other equipment and installations. Items in this category are normally susceptible to running maintenance. Equipment items are usually procured, issued and replaced on the basis of planned departmental capital acquisition programs, for example, aircraft vehicles, vessels, boats, workshop machinery, electronics systems.

Equipment Master Record (EMR): The equipment master record contains information on a piece of equipment. It is used to record maintenance history, monitor maintenance costs, track movement of equipment, collect and evaluate data over a long period of time.

Government Owned Contractor Custody (GOCC) Materiel: Materiel owned by DND in contractor's custody.

Government Owned Materiel: Materiel owned by DND or another Government agency.

Government Quality Assurance: The process by which the appropriate national authorities establish confidence that the contractual requirements relating to quality are met.

Inventory Control Card: A manual or electronic record of stock used for materiel management and audit purposes and to include transactions such as issues, receipts and stock adjustments.

Issues: The release of materiel pursuant to a properly authorized requisition or instruction.

Loan: The agreement to allow a third party to use an asset, whether or not a consideration is involved, without transferring the title of that asset.

LOGSOW: The LOGSOW is a mandatory part of the contract, costed and also subject to negotiation. The LOGSOW is a generic format that is provided to the Procurement Authority, who tailors it specific to meet the requirements of individual contracts. The intent is that the SOW informs the Contractor of the work required by the crown, and provides the Contractor with procedures/instruction as to how to carry out the work. The LOG SOW must entail information and conditions for In and Out of Country repair contracts, Major Equipment and Accountable Advance Spares and must be read in conjunction with this instruction manual.

Maintenance: All action taken to retain materiel in a serviceable condition or to restore it to serviceable condition. It includes inspection, testing, servicing, calibration, classification as to serviceability, repair, rebuilding and reclamation.

Manual Stocktaking: A 100% physical count done by hand, worked by hand of all items held on AAS, GFOS, CRPA, RMA/RRMA and loan accounts, but not by means of automated equipment.

Materiel: All movable assets, excluding money and records, acquired by Her Majesty in right of Canada. All public property, other than real property, immovable and money, provided for the Canadian Forces or for any other purpose under the National Defence Act.

Materiel Master Record (MMR): A data record containing all the basic information required to manage a materiel. This data is sorted according to various criteria including data of a descriptive nature (such as size, dimension and weight) and data with a control function (such as materiel type and industry sector). In addition to this data, which can be directly maintained by the user, it also contains data that is automatically updated by the system (such as stock levels).

Maximum Repair Cost (MRC): The Maximum Repair Cost (MRC) is a standard established by DND to guard against the possibility of an item being repaired at a cost that exceeds its replacement value to DND. The MRC is the maximum amount including all labour, materiel costs, Sub-contracting work, shipping and administration fees that the Contractor or DND repair facility is authorized to spend to repair an item. It is not the cost DND necessarily intends to pay for all repairs.

Minor Repair: Repair, which permits quick return to serviceability without extensive disassembly and that can be accomplished with few tools and little or no equipment.

Next Year Forecast (NYF): The Next Year Forecast is the maximum quantity the Contractor is authorized to receive in the next year and repair unless there is an amendment to the SNAPS or NYF.

Out of Country Repair Section (OCRS): This section is responsible to track/process/account for all repairable materiel shipped to an R&O facility outside Canada. The OCRS are located in

Montreal and Edmonton Depots (25 or 7 CFSD).

Packaging: Application or use of appropriate wrappings, cushioning materiel, interior containers and identification up to but not including shipping containers.

Packing: The application or use of shipping containers and the assembling or consolidation of items or packages therein, together with necessary blocking, bracing, cushioning, weather proofing, exterior strapping, and consignee address markings.

Plant: Is a place where either materiels are produced, or goods and services are provided. Primary functions are as a reporting object and for inventory valuation. For example, at DND, Plants are defined as Air Force: Plant 2000, Army: Plant 0002 Depots 3201

Pre-Installation Failure (PIF): It is failure of new, newly repaired or overhauled equipment (R&O) which:

- Is found defective on receipt from DND inventory
- Has failed during pre-installation testing; or
- Has failed during initial installation trials.

Procurement Authority (PA): The Procurement Authority is the Procurement/Contracting Officer/Clerk or RC Manager/Administrator who is delegated responsibility for some or all parts of the procurement process.

Quality Assurance: A system of activities whose purpose is to provide assurance that the quality control is in fact being done effectively. For a specific product or service, this involves verification, audits and the evaluation of the quality factors that affect the specification, production, inspection and distribution.

Quartermaster Transfer Order (QTO): Authorization to move an aircraft or major assembly

Receipts: Equipment spares or materiel received into an account.

Reconciliation: A method of correcting inaccurate balances in the system of record for DND.

Recovery: Action taken to repossess materiel or to financially reimburse the Crown, in whole or in part, for the loss of or damage to materiel.

Repair(able) Equipment: "A" accountable equipment's/components that have received authorization for repair or overhaul IAW the Selection Notice and Priority Summary (SNAPS) for a Repair Materiel Account (RMA), or on approved Repairable Materiel Request (RMR) from the appropriate EPMs through R&O cell in DQA.

Repair and Overhaul:

a. Repair: The maintenance of an item of equipment in order to return it to a serviceable condition.

b. Overhaul: The complete restoration of an item of equipment entailing replacement of both worn and damaged parts or parts whose service life has expired.

In general, repair normally involves the correction of specific defects. Overhaul is normally carried out after the expiry of the service life.

Repairable Reserve (RR): Refers to repairable equipment retained in stored reserve for future requirements or pending the availability of repair facilities or disposal authorization.

Serviceable Condition: The condition of an equipment which allows it to be used, shipped or held in stores without being subjected to any limitations not applicable to new equipment.

Shelf Life: The length of time an item of supply can be stored under specified environmental conditions and continue to remain suitable for its intended use.

Shortage: In the stocktaking process, shortage is the quantity of materiel disclosed by count as being less than the quantity indicated on associated records.

Stop Repair Delete (SRD): A notice to a R&O facility, to stop all R&O of equipment because there is no longer a need to maintain a repair pipeline, e.g., an item which will be repairable at base level only or an item which can be procured at a cost lower than the cost of repair.

Stop Repair Transfer (SRT): A notice to an R&O facility, to complete R&O of equipment currently in process and to re-route all subsequent equipment received to the new R&O facility selected for the work. This notification always carries the obligation on the part of the unsuccessful R&O facility to transfer the applicable spares.

Storage Location: For inventory purposes, a Storage Location identifies where parts or other inventory are stored for each unit (physically or virtually).

Stores Removal Request: SRR is used by the SM to instruct personnel at a plant/storage location to move stock to a repair facility for repair, testing, modification, or re-work.

Supply Manager: A person who manages an inventory of materiel at the National Inventory Control Point (NICP).

Surplus: In the stocktaking process, surplus is the quantity of materiel disclosed by count as being more than the quantity indicated on associated records.

Transaction Code: SAP Transaction code is a short cut key attached to a screen. Instead of using SAP easy access menu we can also navigate to a particular screen in SAP by entering the transaction code (T-code for short) in the command field of the standard toolbar.

Turnaround Time: For R&O purposes; the average number of calendar days it takes for a Contractor to repair an item. Turnaround time is measured from the time the item arrives at the Contractor to the time the repair is completed.

Unsatisfactory Condition Report (UCR): (Used by all environments) The electronic UCR captures Trouble Reporting data from Operations personnel, Qualified User Operators, Maintenance and Support Staff, specialist authorities, LCMM's and technical authorities in a structured relational database that is easily portable to other external systems and makes them visible and accountable to the Customer.

Work Order: A customer uses a work order to indicate work required for maintenance tasks, plan the execution of tasks, and monitor work in progress.

Write-off: The formal documentation process to record the disposition of assets. It applies to all assets purchased or acquired by the Crown. Appropriate documentation regarding the disposal or loss of assets is required to adjust the inventory record and to support information provided to Public Accounts.