

## **Sustainment/Disposal: (1) Review final inventory**

Task 1 of 7 for Sustainment/Disposal. Other Tasks: (2) Ascertain updates to the Accountable Property System of Record (APSR); (3) Assist with shipments; (4) Administer FAR 45.6; (5) Coordinate Demil, (6) Certify completion; (7) Distribute history.

**DEFINITION:** The CO may request administrative support from the Industrial Property Management Specialist (IPMS) according to FAR 42.302 (a) (3) Post-award orientation, (27) Property Administration (FAR Part 45) and (28) ...disposal of contractor inventory (45.6); as well as to support (30) Requests for Government property and (65) Close-out [Ref. 4.804-5 (a)(5) Plant clearance report/(6) Property clearance,] and only when authorized 42.302 (b)(11) Support the preparation of evaluations of contractor performance (FAR 42.15). The IPMS must display the specialized knowledge, skill and ability described in this section for the administration of the contractor's property management system

### *Purpose and Outcomes (Terminal Learning Objectives)*

1. Access potential assignments for timely review; summarize contract receipt & review (CRR) IAW Agency guidance
2. Recognize appropriate assignments and how to notify team leader & members, stakeholders and contractor of acceptance, including support property administration for alternate locations of prime or sub
3. Utilize appropriate electronic tools to input acceptance data

### **GENERAL INFORMATION/NARRATIVE:**

### **DEFENSE ACQUISITION GUIDEBOOK, POLICIES, DIRECTIVES, REGULATIONS, LAWS:**

Post-award: FAR Subpart 52.245-1 Government Property (b) *Property management*.

(1) The Contractor shall have a system to manage (control, use, preserve, protect, repair and maintain) Government property in its possession. The system shall be adequate to satisfy the requirements of this clause. In doing so, the Contractor shall initiate and maintain the processes, systems, procedures, records, and methodologies necessary for effective control of Government property, consistent with voluntary consensus standards and/or industry-leading practices and standards (1) *Communication*. All communications under this clause shall be in writing.

DCMA Guidebook Section 1

### **BEST PRACTICES, LESSONS LEARNED, STORIES, GUIDES, HANDBOOKS, TEMPLATES, EXAMPLES, TOOL:**

Suggestions and contributions are requested

### **COMMUNITIES OF PRACTICE:**

Government Property

### **TRAINING RESOURCES:**

TBD

### **RELATED ARTICLES:**

Suggestions and contributions are requested

## **Pre-Award Support: (1) Assist to Construct a Business Case for Property**

Task 1 of 3 for Pre-Award Stage. Other tasks: (2) Support Solicitation; (3) Support Source Selection

**DEFINITION:** The CO may request administrative support from the Industrial Property Management Specialist (IPMS) for a pre-award survey according to FAR 42.302 (a) (32) and FAR 9.104-1(e) in order to ascertain that a prospective contractor is responsive to the general standards that are necessary for a property system. The IPMS must be able to recognize the need for a property system based on the business case that justifies the provision of property, to understand the acquisition objective (for example, expedited schedule, reduced cost, or performance specifications), and display the specialized knowledge, skill and ability defined in this section to mitigate the risks associated with the use of property to achieve the acquisition objectives

### *Purpose and Outcomes (Terminal Learning Objectives)*

1. Describe the basis to provide property IAW FAR 45.102
2. Understand how property helps to achieve an acquisition objective
3. Describe steps to ensure risks don't outweigh benefits, include life-cycle costs

### **GENERAL INFORMATION/NARRATIVE:**

1. Describe the basis to provide property IAW FAR 45.102

Ideally, contract performance relies totally on the contractor's capabilities. It is the Government's policy for the contractor to independently facilitate the delivery of end items. However, it's not unusual for the Government to take exception to this policy for the following reasons:

- (A) Economy – the provision of property lowers the acquisition cost
- (B) Standardization – precise replication must be supported
- (C) Security – ownership has an impact on control for national security
- (D) Schedule – The use of a Government supply chain will expedite delivery
- (E) Scarcity – The Government is the most reliable source of supply
- (F) Capability – Ownership of manufacturing equipment sustains an industrial base
- (G) Contract type – Provisions for property reduce risk for a more favorable contract type or terms

Although the Program Manager initiates the review to determine how property may meet acquisition objectives, the IPMS may provide valuable information. An experienced IPMS can also mitigate risks associated with Government property.

(Knowledge check – Recognize the 7 basic reasons to provide property)

A possible scenario is offered as an illustration of why the Government may need to take an exception for a contractor to receive material, equipment, special tools, and special test equipment for the Government to meet a specific acquisition objective:

An upgrade to the display for a polygraph could benefit from a new microchip. The existing signal processor produces data that requires a 1-year internship before the results can be interpreted. New technology can produce data that is readable with only 3 month's training; a university developed the microchip. The existing circuit board could be upgraded with the new technology.

The IPMS discusses each of the reasons provided in PGI 245 with the Program Manager and notes the following for the business case:

Could property realize a significant cost reduction?

(A) Economy – The components to support on-going production of the existing model are in stock. Use of stock items cuts 50% of the material costs.

Is there a unique standard for the deliverable item that Government property should support?

(B) Standards – a tech manual is needed for use and for delivery with each unit. The manuals have a stock number; they are tangible assets rather than information.

Are there concerns for security that necessitate Government control?

(C) Security – Tests require access to equipment on an installation. Installation property will not be in the possession or control of the Contractor. Also, related data and software will be made available; however, these are not tangible assets. No transfer of accountability here, only terms in the contract to provide access.

Would the provision of property impact the performance schedule?

(D) Schedule – If the Bill of Materials are kitted by a Government supplier, production time can be reduced by 30%. The kitted materials can be inspected to ensure production is not delayed by shortages.

Are there items that the contractor could not reasonably obtain from a non-Government source?

(E) Scarcity - Special shipping containers for the delicate unit are only available from the Government. Without these fitted containers, the unit is at risk of irreparable damage.

Does the Government need to retain equipment for future production?

(F) Capability – Special Tooling (ST) will be needed to ensure the tamper-free qualities of the unit for on-going requirements. Also, the first article used for T&E will become a deliverable to use as a model, accounted for as ST. The Government will retain title to these items.

Can Government property improve the terms of the contract?

(G) Contract type – Provision of the specific amount of gold will minimize the fluctuation in cost. If gold isn't provided the contractor will not agree to a fixed price. The contractor may agree to accommodate the production project if terms establish that lab equipment acquired IAW FAR 52.245-1 Alt II will transfer to the university.

Element 1-Benefits justify taking the exception for the contractor to be provided property to facilitate the delivery.

(Knowledge check – (a) Given sample acquisition plans, select the scenarios that clearly show the benefit of property over a requirement for the contractor to provide all necessary items; (b) fill in the blanks to complete the PGI 245 format for items to be provided, using a data bank that includes codes and other data elements to complete the property record)

2. Understand how property helps to achieve an acquisition objective

In addition to support of Program Manager's decision to provide property, the IPMS can assist to identify associated costs by addressing such questions as: Will the listed items incur costs for delivery, maintenance, or disposal? Does the contractor have an efficient system for care and accountability of the listed items? Details of these issues are addressed in the following tasks.

Element 2-Facts establish that benefits outweigh the costs of administration. Obligations to meet standards of accountability for both the Government and the contractor are prescribed by FAR 45 and FAR 52.245-1, along with related clauses and terms of the contract.

The contractor must provide an adequate plan for property management to be considered responsive to a solicitation that provides property in accordance with FAR 9.104-1.

The life-cycle includes all actions related to the delivery, maintenance, visibility, security, and final disposal. Depending on specific circumstances, the cost of shipping and handling can be significant. Likewise, maintenance may require specialized equipment for calibration or other preventative care to ensure property retains its usefulness. Items may also require increased administrative effort to retain visibility, to ensure limited access, or for final disposal to eliminate any hazards to the

environment or national security. These expenses need to be recognized and budgeted to avoid delay, or possible worst case anti-deficiency issues.

The IPMS may work with other team members to ensure that property has an optimal service life and return on the investment. For example, an industrial specialist may recognize that equipment is available on a non-interference basis for other work, or that property should be reported excess at the time a process is completed. Either rent-free use for other Government work, or rent for a fee for non-Government work can add to the return on the investment in the property that is provided.

[Knowledge check – recognize members of the acquisition team that might help to plan the procurement of the desired list of property (Transportation/Quality Specialist), to recognize any property characteristics that require special attention(Safety Specialist/Engineer), or to ensure the highest possible return (Industrial Specialist)]

### 3. Describe steps to ensure risks don't outweigh benefits, include life-cycle costs

After Government property and associated costs are recognized, the IPMS can assist to analyze any risks that the provision of property introduces.

Element 3 – Risk is the final aspect to address before a conclusion is reached for the business case to fully support the provision of property. The Government owns tangible assets worth over a Trillion dollars. If any insurer could write a policy, the premiums would be a greater expense than the actual historic losses realized, so the Government is normally “self insured” and any purchase of insurance by a contractor must be pre-approved to be reimbursed IAW FAR 31. In lieu of insurance, risks are mitigated by training in Knowledge, Skills, and Abilities (KSAs) specific to mitigating the risk of property loss and related issues that could prevent the Government from realizing the full potential return on an investment in property.

The first step to analyze the risk associated with property is to determine which of the 15 processes listed below may apply. A full **risk analysis** is prepared after contract award, and that section provides more elaborate guidance. During pre-award a general overview considers:

- 1) Management – Is new guidance or training needed for the care of the listed items?
- 2) Acquisition – Are terms clear to procure items from appropriate supply sources?
- 3) Receiving – Could inadequate inspections overlook any critical discrepancies?
- 4) Identification – Could property be lost due to inadequate marks or tracking methods?
- 5) Records – Are data elements clear for accountability and reporting requirements?
- 6) Storage – How capable is the contractor to ensure property can be preserved pending use?
- 7) Movement – Could location changes increase the risk of loss?
- 8) Physical Inventory – What type and frequency of verification is needed?
- 9) Reports – What requirements to communicate data are necessary?
- 10) Consumption – Is there a need to account for the rate that material is issued?
- 11) Utilization – Could property be used improperly, or left dormant?
- 12) Maintenance – Should routine actions be scheduled and is the contractor equipped?
- 13) Subcontractor control – Will property transfer under a subcontract?
- 14) Disposal – Is the final clearance of all property planned and funded?
- 15) Close-out – What issues related to property could hinder contract close-out?

After risks are recognized, the plan to mitigate the chance of loss or misuse can be summarized. Past performance and prior contractor experience with similar items may raise alerts. A delegation to DCMA may be suggested as the most effective method of surveillance of the contractor's property management system. A summary of Elements 1 through 3 is the final outcome, the conclusion of the business case. The list of property is to be provided in the prescribed format as an attachment.

(Knowledge Check – Given a sample acquisition plan and a list of property to be provided, determine the processes that need property management to achieve desired outcomes.)

Element 4 - Conclusion: Consider all other elements and summarize why there is no viable alternative to the provision of property in order to achieve the objective of the acquisition plan with the highest degree of efficiency. Summarize the risks that need to be mitigated to realize the benefits of property without the detriment of lost value.

#### **DEFENSE ACQUISITION GUIDEBOOK, POLICIES, DIRECTIVES, REGULATIONS, LAWS:**

PGI 245

Pre-award: FAR Subpart 9.104-1 General standards.

To be determined responsible, a prospective contractor must...

(e) Have the necessary ... property control systems,

#### **BEST PRACTICES, LESSONS LEARNED, STORIES, GUIDES, HANDBOOKS, TEMPLATES, EXAMPLES, TOOL:**

DCMA Property Center or the IPMS at a buying Command may be contacted by the PM or PCO during the pre-award process to support the preparation of a solicitation that provides property

#### **COMMUNITIES OF PRACTICE:**

Government Property

#### **TRAINING RESOURCES:**

TBD

#### **RELATED ARTICLES:**

Suggestions and contributions are requested

## Development through Deployment: (1) Review & Accept Assignments

Task 1 of 10 for the Development through Deployment stage. Other Tasks: (2) Establish Property Admin Records, (3) Report Contract Deficiencies, (4) Construct a Risk Analysis, (5) Establish Property Audit Objectives (6) Plan a PMSA, (7) Conduct PMSA, (8) Respond to Reports of Property Loss, (9) Monitor unscheduled processes, (10) Dispose of property that is no longer required for performance—*Refer to Sustainment/Disposal, Task (7) Administer FAR 45.6.*

**DEFINITION:** The CO may request administrative support from the Industrial Property Management Specialist (IPMS) according to FAR 42.302 (a) (3) Post-award orientation, (27) Property Administration (FAR Part 45) and (28) ...disposal of contractor inventory (45.6); as well as to support (30) Requests for Government property and (65) Close-out [Ref. 4.804-5 (a)(5) Plant clearance report/(6) Property clearance,] and only when authorized 42.302 (b)(11) Support the preparation of evaluations of contractor performance (FAR 42.15). The IPMS must display the specialized knowledge, skill and ability described in this section for the administration of the contractor's property management system.

### *Purpose and Outcomes (Terminal Learning Objectives)*

1. Access potential assignments for timely review; summarize contract receipt & review (CRR)
2. Recognize appropriate assignments and provide notification of acceptance
3. Utilize appropriate tools to record acceptance data, such as DPADS

### **GENERAL INFORMATION/NARRATIVE:**

1. Access potential assignments for timely review; summarize contract receipt & review (CRR)

Potential assignments may identify provisions of property by various terms, which are searchable in most electronic formats. The Property Clause may be omitted in error, so scanning the entire document is advised. Key words such as "material," "equipment," or "tool" provide for a more thorough search than "property" alone. Once any one of these terms is found, the full context must be comprehended to ascertain whether the contractor will actually have Government property in his possession or control, along with the location and conditions for use.

The goal of Contract Receipt and Review (CRR) is to ensure that the Contracting Officer (KO) has adequate oversight of property while provided to the contractor for stewardship. A trained Industrial Property Management Specialist (IPMS) can recognize how elaborate the contractor's Property Management System must be to provide appropriate control for the type of property provided. When the property is to be provided to alternative locations outside the primary IPMS's area, oversight must be coordinated by the prime for support according to geographical assignments.

During CRR, the IPMS must make note of unclear terms regarding authorization to acquire property, or to authorize use on a non-interference basis. Ensure the appropriate clauses, terms and property list are complete, or take notes to support a Contract Deficiency Report (CDR), which is Task 2 of this section. Prior to submitting a CDR, it's advisable to ensure that the recipient of the CDR recognizes the IPMS as a collaborative team member through acceptance of a delegation, prior to receipt of an automated report.

The IPMS needs to recognize the parts of a contract that can provide terms relevant to property management. The basic understanding of how a contract is constructed in the Government format is provided in CON100 "Shaping Smart Business Arrangements" and is available for review by selecting the "Browse" function at the DAU homepage link to Training. CON100 is a prerequisite course to the IND (1103 series) courses. Particular attention is recommended to ensure a solid understanding of the CON100 material covered in the following sections:

- 9) Identify contract types and methods of procurement
- 10) Identify the elements of a contract
- 14) Identify contract types
- 15) Identify business strategies and conditions to manage risks

2. Recognize appropriate assignments and provide notification of acceptance

The following is provided from the DCMA Guidebook – Sections 1, 2, and 3:

1. Review Contract. Property Administrators (unless otherwise stated, Property Administrator (PA) means the assigned Industrial Property Management Specialist) shall:

1.1. Review each new contract (as routed by Electronic Document Workflow (EDW) or obtained manually) to determine if property administration is required. Assignments shall be in accordance with paragraph 3, Accept/Assign Contracts. See Workload Acceptance Instruction and EDW pages.

1.2. Ensure contracts contain the appropriate terms and conditions, including those necessary and appropriate for proper control of sensitive property (as defined in FAR 45.101), physical inventory performance, demilitarization, disposition requirements, and:

1.2.1. Potentially or obviously inappropriate instances of Government- furnished or contractor acquired property such as common office equipment and general purpose equipment.

1.2.2. Contracts where the deliverable end-item is to be delivered/accepted in-place (FOB origin).

1.2.3. Property furnished by means of commercial contracting methods (FAR Part 12).

1.2.4. Contract period of performance dates, to plan for expeditious property disposition and contract close-out.

1.2.5. Contracts to be performed in overseas or contingency environments, which may contain unique in-theater contractual and technical requirements, country-to-country agreements or treaties (DFARS 225.301 and PGI 225.7401).

1.2.6. Specific or unusual property disposition requirements.

1.3. Ensure buying commands coordinate their requests for property administration with the Joint Theater Support Contracting Command for contracts performed in Iraq and Afghanistan.

1.4. Ensure workload acceptance, including support to non-DoD organizations, e.g., NASA, is accomplished in accordance with the Workload Acceptance Instruction (DFARS 242.202).

2. Report Contract Deficiency. The PA shall report to the Electronic Document Access (EDA) Contract Deficiency Report (CDR) process those contracts lacking appropriate terms and conditions relevant to the property expected to be furnished or acquired. See Contract Receipt and Review Instruction, paragraph 2.5.

2.1. When creating an EDA-CDR, the assigned Administrative Contracting Officer (ACO) shall be identified as the reviewing official. All EDA-CDRs shall be sent to the assigned ACO for validation/approval.

2.2. If use of EDA is not appropriate (special programs) or unavailable (overseas or remote locations), PAs shall notify the ACO directly.

3. Accept/Assign Contracts. The PA shall accept/assign the following contract types/conditions for property administration:

3.1. Fixed-price contracts where property will be furnished to the contractor.

3.2. Cost reimbursement contracts (except when it is clear that no property will be furnished or acquired. For example, contracts involving only engineering services, research/study contracts).

3.3. Time and Materials Contracts.

3.4. Purchase orders (identified as P, M, W, or V in the 9th position of the procurement instrument identification number) with property furnished for repair, maintenance, overhaul, or modification with a total acquisition value exceeding the DoD simplified acquisition threshold and otherwise meeting the requirements of FAR 45.107(d).

3.5. Delivery orders awarded under Basic Ordering Agreements (BOAs) (FAR Part 16.703), Basic Agreements (BA) (FAR Part 16.702) or Blanket Purchase Agreements (BPA) where property is to be furnished or acquired. BOAs and BPAs are typically identified by the letter "G" or "A," respectively, occupying the ninth position of the Procurement Instrument Identification Number (PIIN). PAs shall not accept fixed price task orders issued under indefinite delivery contracts (IDCs) unless specific provisions within the basic IDC and order authorize the furnishing or acquisition of property and the property remains accountable under that task order. IDCs are typically identified by the letter "D" occupying the ninth position of the PIIN. See Contract Receipt and Review Instruction, paragraph 2.4.3.3.

3.6. Letter contracts ([FAR 16.603-2](#)). Letter contracts are typically (though not always) awarded as cost-reimbursement contracts, with specific contract type/pricing arrangements definitized at a later date.

3.7. Non-Procurement Instruments (Grants, Cooperative Agreements, Other Transactions). See [Contract Receipt and Review Instruction, paragraph 1.1.2.4.4](#).

Once CRR establishes that IPMS oversight is needed and assignment is accepted, the IPMS must provide contact information to those who may need to address any concerns relevant to property. These stakeholders include: (a) the team leader (ACO, if delegated by the KO), (b) appropriate contract administration team members, (c) the contractor and (d) any other stakeholders that may be affected, including the DRMO if the disposal plan includes turn in to the DLA Disposal Services. Sample introductory letters and phone formats are available on the CoP. Both the roles of the Property Administrator and the Plant Clearance Officer are included in the IPMS' CRR, for all contract property locations.

3. Utilize appropriate tools to record acceptance data, such as DPADS

Whether routed by Electronic Document Workflow (EDW) or obtained manually, the review should ensure that an assignment is accepted for administration to be conducted within prescribed timeframes, according to the risk associated with the property account. For DCMA, assignments shall be in accordance with the DCMA Guidebook, paragraph 3, Accept/Assign Contracts. See [Workload Acceptance Instruction](#) and [EDW](#) pages. Ensure workload acceptance, including support to non-DoD organizations, e.g., NASA, is accomplished in accordance with the [Workload Acceptance Instruction \(DFARS 242.202\)](#).

DCMA standards provide for an introductory letter within 30 days of an assignment, and 45 days from the receipt of a contractor's written procedures to send feedback. The documentation of a procedures review must support that all pertinent information is adequate, or include recommended changes. For DCMA the property administration file is established in EDW. Additional Agency guidance shall be incorporated here, as resources become available.

Ensure contracts contain the appropriate terms and conditions, including those necessary and appropriate for life-cycle control of sensitive property (as defined in [FAR 45.101](#)), physical inventory performance, or disposition, including any demilitarization requirements. Note the period of performance and possible extensions to plan disposition and contract close-out.

Questions regarding apparently inappropriate contract terms should be addressed through the team leader, such as the provision of general purpose equipment, or the delivery of end items to remain in the contractor's control.

Research conditions for overseas or contingency environments, which may contain unique in-theater contractual and technical requirements, country-to-country agreements or treaties ([DFARS 225.301](#) and [PGI 225.7401](#)).

Ensure buying commands coordinate their requests for property administration with the Joint Theater Support Contracting Command for contracts performed in Iraq and Afghanistan.

Refer to tasks in Part 1 - Pre-award to understand how the IPMS supports a **Business Case, Solicitation, and Source Selection** to ensure that the provision of property is appropriate and has the best return over its service life, which often extends beyond the contract life cycle.

### **DEFENSE ACQUISITION GUIDEBOOK, POLICIES, DIRECTIVES, REGULATIONS, LAWS:**

Post-award: FAR Subpart 52.245-1 Government Property (b) *Property management*.

(1) The Contractor shall have a system to manage (control, use, preserve, protect, repair and maintain) Government property in its possession. The system shall be adequate to satisfy the requirements of this clause. In doing so, the Contractor shall initiate and maintain the processes, systems, procedures, records, and methodologies necessary for effective control of Government property, consistent with voluntary consensus standards and/or industry-leading practices and standards (1) *Communication*. All communications under this clause shall be in writing.

### **BEST PRACTICES, LESSONS LEARNED, STORIES, GUIDES, HANDBOOKS, TEMPLATES, EXAMPLES, TOOL:**

Contributions will be appreciated for an acceptance letter, a request for procedures, and any pertinent material.

### **COMMUNITIES OF PRACTICE:**

Government Property

**TRAINING RESOURCES:**

TBD

**RELATED ARTICLES:**

Contributions will be appreciated.

**BEST PRACTICES, LESSONS LEARNED, STORIES, GUIDES, HANDBOOKS, TEMPLATES, EXAMPLES,**

**TOOL:**

Suggestions and contributions are requested

**COMMUNITIES OF PRACTICE:**

Government Property

**TRAINING RESOURCES:**

TBD

**RELATED ARTICLES:**

Suggestions and contributions are requested

## **Sustainment/Disposal: (1) Review final inventory**

Task 1 of 7 for Sustainment/Disposal. Other Tasks: (2) Ascertain updates to the Accountable Property System of Record; (3) Assist with shipments; (4) Administer FAR 45.6; (5) Coordinate Demil, (6) Certify completion; (7) Distribute history

**DEFINITION:** The CO may request administrative support from the Industrial Property Management Specialist (IPMS) according to FAR 42.302 (27) Property Administration (FAR Part 45); (28) ...disposal of contractor inventory (45.6); (65) Close-out [Ref. 4.804-5 (a)(5) Plant clearance report/(6) Property clearance,] and if authorized 42.302 (b)(11) Support the preparation of evaluations of contractor performance (FAR 42.15). The IPMS should display the specialized knowledge, skill and ability described in this section.

### *Purpose and Outcomes (Terminal Learning Objectives)*

4. Review schedule for final inventory according to contractor procedures
5. Finalize Disposal Plan with stakeholders, item managers, internal screeners
6. Oversee contractor's process for reconciliation and postings of inventory adjustments

### **GENERAL INFORMATION/NARRATIVE:**

1. Review schedule for final inventory according to contractor procedures

The IPMS is responsible to initiate a final inventory review 3 to 6-months period prior to a contract close-out date, in order to support a zero balance of contract property. A contract cannot be closed while Government property remains accountable, and arrangements to clear property must comply with laws, regulations and guidance.

With rare exception, a final physical inventory of all Government property is recommended to ensure all contract property has a disposal plan in place to reach a zero balance, and to resolve any issues related to inventory discrepancies. One exception would be if a business case supports the transfer of all property for on-going work.

The timeframe for the provision of disposal directions and conclusion of disposal actions may exceed 180 days, so the risk of delayed close-out increases when the process isn't initiate 6 months prior to a contract close-out date. The date provided in the contract can be confirmed by the ACO to be advised if there are modifications.

Skillful IPMS will plan the "final" physical inventory to coincide with routine inventory schedules to minimize the inventory effort. For example, the prior year's inventory may be designated as the "final" inventory for disposal planning purposes, if the next routine inventory doesn't allow 6 months for planning purposes.

Ensure that the inventory is adequate to support updates to the Accountable Property System of Record. All stewardship records maintained by a contractor must be correlated to the official Government property record of the owning agency, who is first to provide input to the disposal plan for items with potential reuse.

2. Finalize Disposal Plan with stakeholders, item managers, internal screeners

Even if stewardship records provide real-time information, there may be an Item Manager that should be researched to discover a need for reutilization that's outside the purview of the owning agency. Valuable assets may be disposed of due to limited screening visibility, unless the plan includes the Item Manager and other leads.

To facilitate a thorough screening, the physical inventory should ensure that alternate names are cross-referenced to the extent feasible. For example, the word 'display' should be referenced to 'monitor.' The property should be available without restrictions, or those restrictions should be clearly noted.

The final inventory must include items that are in remote or alternate locations, particularly if property has been provided to overseas or contingency environments. The disposal plan may contain unique in-theater contractual and technical requirements, country-to-country agreements or treaties ([DFARS 225.301](#) and [PGI 225.7401](#)).

The experienced IPMS can ensure the best return on the investment in property, considering all initiatives and policies, such as transfer to educational institutions under E.O. 12999 and the transfer of equipment acquired by research institutions under FAR 52.245-2.

**DEFENSE ACQUISITION GUIDEBOOK, POLICIES, DIRECTIVES, REGULATIONS, LAWS:**

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**BEST PRACTICES, LESSONS LEARNED, STORIES, GUIDES, HANDBOOKS, TEMPLATES, EXAMPLES, TOOL:**

Contributions and suggestions are requested

“What about the Containers?”

Demil Manual

Physical Inventory Worksheet Sample

Consideration of Cost Avoidance (storage, handling) through a backup plan for donation, with the stories of DC Furniture clearance and the Subcontractor Antenna, and request for more examples of cost avoidance

“AAP” questions

Address the following:

- Will disposal actions require funds?  
Yes [ ] No [ ]  
Reimbursement for hazardous waste disposal or demilitarization [Manual 4160] requires contractual coverage. Alternatives may be available, such as a trade-off to use the contractor’s routine hazardous waste process in exchange for reduced disposal time. Guidance from the contract should be reflected in the property plan.
- Will residual property have a scrap value to credit to the overhead account [ ] or to be paid by check to the “US Treasury” [ ]?  
The scrap procedure should plan for the highest return, such as separating brass from mixed metal.
- Will hard drives require degaussing?  
Yes [ ] No [ ]  
When the need to sanitize hard drives is addressed in the plan, the process can be streamlined to make computers available for donation or sale without delay.

**COMMUNITIES OF PRACTICE:**

Government Property

**TRAINING RESOURCES:**

CLM – Physical Inventories

**RELATED ARTICLES:**

Contributions will be appreciated

“Disposal Planning”

## **Sustainment/Disposal: (2) Ascertain updates to the Accountable Property System of Record (APSR)**

Task 2 of 7 for Sustainment/Disposal, other Tasks: (1) Review final inventory, (3) Assist with shipments, (4) Administer FAR 45.6, (5) Coordinate Demil, (6) Certify completion, (7) Distribute history

**DEFINITION:** The CO may request administrative support from the Industrial Property Management Specialist (IPMS) according to FAR 42.302 (27) Property Administration (FAR Part 45); (28) ...disposal of contractor inventory (45.6); (65) Close-out [Ref. 4.804-5 (a)(5) Plant clearance report/(6) Property clearance,] and if authorized 42.302 (b)(11) Support the preparation of evaluations of contractor performance (FAR 42.15). The IPMS should display the specialized knowledge, skill and ability described in this section.

### *Purpose and Outcomes (Terminal Learning Objectives)*

1. Monitor disposal actions and postings to both stewardship records and APSR
2. Establish a plan to communicate the final zero balance of the contract property account

### **GENERAL INFORMATION/NARRATIVE:**

1. Monitor disposal actions and postings to stewardship records and APSR

Whether the APSR is updated through the IUID Registry, CAV or other means, the contractor's procedures should ensure that postings shall be reflected in the APSR for all required data elements

2. Establish a plan to communicate the final zero balance of the contract property account

All contractual directions to return property should be confirmed. When the plan may incur costs for handling, such as hazardous waste or demilitarization, the estimated cost should be communicated to the owning agency. The costs of packing and shipment are the responsibility of the recipient, if other than the owning agency, including for donations.

The IPMS is obligated to support the Government APO for an auditable account of property that had been provided to a contractor. The IPMS-PA/PLCO must ensure that the APSR reflects disposal data; for example, a requirement may exist to record if an item was transferred to a research institution or sold as scrap. Also, a method to retrieve certificates of demil, end use or other compliance documents should be provided to the official record keeper.

### **DEFENSE ACQUISITION GUIDEBOOK, POLICIES, DIRECTIVES, REGULATIONS, LAWS:**

Post-award: FAR Subpart 52.245-1 Government Property (b) *Property management*.

(1) The Contractor shall have a system to manage (control, use, preserve, protect, repair and maintain) Government property in its possession. The system shall be adequate to satisfy the requirements of this clause. In doing so, the Contractor shall initiate and maintain the processes, systems, procedures, records, and methodologies necessary for effective control of Government property, consistent with voluntary consensus standards and/or industry-leading practices and standards (1) *Communication*. All communications under this clause shall be in writing.

### **BEST PRACTICES, LESSONS LEARNED, STORIES, GUIDES, HANDBOOKS, TEMPLATES, EXAMPLES, TOOL:**

Contributions and suggestions are requested  
Sample PA-Contractor letter to ascertain actions are completed  
Sample Audit of Final Inventory Updates

### **COMMUNITIES OF PRACTICE:**

Government Property

### **TRAINING RESOURCES:**

TBD

### **RELATED ARTICLES:**

Contributions will be appreciated

## **Development through Deployment: (2) Establish Property Administration Records**

Task 2 of 10 for the Development through Deployment stage. Other Tasks: (1) Review & Accept Assignments, (3) Report Contract Deficiencies, (4) Construct a Risk Analysis, (5) Establish Property Audit Objectives (6) Plan a PMSA, (7) Conduct PMSA, (8) Respond to Reports of Property Loss, (9) Monitor unscheduled processes, (10) Dispose of property that is no longer required for performance—*Refer to Sustainment/Disposal, Task (7) Administer FAR 45.6.*

**DEFINITION:** The CO may request administrative support from the Industrial Property Management Specialist (IPMS) according to FAR 42.302 (a) (3) Post-award orientation, (27) Property Administration (FAR Part 45) and (28) ...disposal of contractor inventory (45.6); as well as to support (30) Requests for Government property and (65) Close-out [Ref. 4.804-5 (a)(5) Plant clearance report/(6) Property clearance,] and only when authorized 42.302 (b)(11) Support the preparation of evaluations of contractor performance (FAR 42.15). The IPMS must display the specialized knowledge, skill and ability described in this section for the administration of the contractor's property management system.

### ***Purpose and Outcomes (Terminal Learning Objectives)***

7. Establish a standardized working Contract Property File
8. Maintain information management tools to support data calls
9. Establish scheduled events to prepare for target dates, and prepare file to document follow-up actions

### **GENERAL INFORMATION/NARRATIVE:**

Standardization pertains to all tasks of the Industrial Property Management Specialist (IPMS). Due to the continuous need to communicate in an auditable manner, accountability is best supported by structuring files in a standard format. A sample will be provided once consensus is reached on the CoP. The working file kept by an IPMS should make the following items available: Contractor information, including alternate locations; Stakeholder & Team Member Information, Contract Excerpts, Acceptance, CDRs & Notes (completion date, physical inventory plan, disposal plan); Pertinent History, Property List, Procedures (request letter, review summary), PMSA Documents, Loss Report List, Disposal Plan/Actions, Correspondence

Files must be maintained to eliminate outdated procedures, and organized to support communications up to the completion of a contract assignment. Unofficial correspondence, such the IPMS individual TDY hotel preference may support transfer of an assignment; however, such information belongs in a separate unofficial folder.

The following instruction is provided from the DCMA Guidebook Sections 4 and 5:

4. Establish Electronic Files. The PA shall establish the following electronic files within EDW. Hard copy files are permissible to the extent EDW is not appropriate (classified contracts) or unavailable (overseas or remote locations).

4.1. Contractor property Master File. This is a "CAGE-level" or "Contractor-level" file, separate from contracts awarded under the CAGE code. See Contract Receipt and Review Instruction, paragraph 1.4.2. The following documentation, at a minimum, is required for each assigned contractor:

- Risk assessments, including reviews of past risk assessments
- Documentation as to the appropriate level of oversight assigned to each contractor, as determined through an annual risk assessment
- Determinations as to why processes or elements were waived or determined to be not applicable (also include within the Property Management System Analysis (PMSA) summary)
- Physical inventory report letters and documentation of adjustments/relief of responsibility
- Records of site visits
- Support property administration delegations and acceptances, PMSA summary reports or memoranda of record from the supporting PA
- Copies of audits and inspections performed by other activities, e.g., Defense Contract Audit Agency, Defense Security Service (DSS)
- Copies of contractor's current property management system procedures (if practical)
- Copies of pertinent contractor internal audits
- Results of investigations and/or special reviews
- General correspondence
- Other documentation common to all contracts

4.2. Contract File. The following documentation, at a minimum, is required for each assigned/accepted contract:

- All correspondence related to the contract
- Other contract specific documentation such as outside audits, etc.

4.3. Property Management System Analysis File. This is a “CAGE-level” or “Contractor-level” file, separate from contracts awarded under the CAGE code. See Contract Receipt and Review Instruction, paragraph 1.4.2. The following documentation, at a minimum, is required for each PMSA:

- Documentation as to appropriate level of oversight as determined by the risk assessment
- All correspondence
- PMSA summary report, including memoranda of record for results of Limited PMSAs
- Support documentation such as work papers, sampling plan and narratives relating to any deficiencies and other support documentation to the extent practicable
- Sampling plan to support PMSA findings and conclusions
- Current Defense Property Administration Data System (DPADS) Function B (Property Control System Data) report for the CAGE/Contractor; or System for Integrated Contract Management (SICM) screen shots
- Current DPADS Function C (Government Property in the Custody of Contractors) report for the CAGE/Contractor or SICM screen shots
- Internal memoranda, e.g., to Contracting Officers, functional specialists
- List of attendees attending conferences such as entrance/exit conferences

5. Assign New Contractors. Within 30 days of contract assignment, the PA shall:

5.1. Send new contractors a letter of introduction advising them of their contractual responsibilities. The letter shall request a copy of their property management procedures and the names of appropriate points of contact.

5.2. Submit a post award orientation recommendation (if warranted) to the ACO, including the rationale and recommended type of orientation. See Contract Receipt and Review Instruction, paragraph 3.

5.3. Review the contractor’s policies and procedures within 45 days of receipt. If the procedures are initially inadequate, the PA may allow new contractors a reasonable amount of time, not greater than 45 days from the initial receipt of the procedures, to provide new procedures adequate to meet contractual requirements. See paragraph 10, Conduct PMSA.

5.4. If after 45 days the procedures remain inadequate, the PA shall:

5.4.1. Inform the contractor of the deficiency.

5.4.2. Follow the steps outlined in paragraph 13.

5.4.3. Schedule PMSA in accordance with paragraph 8.

5.4.4. Update “Function B – Property Control System Data” (see <http://mocasbb.dema.mil>).

#### **DEFENSE ACQUISITION GUIDEBOOK, POLICIES, DIRECTIVES, REGULATIONS, LAWS:**

Post-award: FAR Subpart 52.245-1 Government Property (b) Property management.

(1) The Contractor shall have ... procedures, records, and methodologies necessary for effective control of Government property, consistent with voluntary consensus standards and/or industry-leading practices and standards (I) *Communication*. All communications under this clause shall be in writing.

DCMA Guidebook

#### **BEST PRACTICES, LESSONS LEARNED, STORIES, GUIDES, HANDBOOKS, TEMPLATES, EXAMPLES, TOOL:**

Contributions and suggestions are requested

#### **COMMUNITIES OF PRACTICE:**

Government Property

**TRAINING RESOURCES:**

TBD

**RELATED ARTICLES:**

Contributions and suggestions are requested

## **Development through Deployment: (2) Establish Property Administration Records**

Task 2 of 10 for the Development through Deployment stage. Other Tasks: (1) Review & Accept Assignments, (3) Report Contract Deficiencies, (4) Construct a Risk Analysis, (5) Establish Property Audit Objectives (6) Plan a PMSA, (7) Conduct PMSA, (8) Respond to Reports of Property Loss, (9) Monitor unscheduled processes, (10) Dispose of property that is no longer required for performance—*Refer to Sustainment/Disposal, Task (7) Administer FAR 45.6.*

**DEFINITION:** The CO may request administrative support from the Industrial Property Management Specialist (IPMS) according to FAR 42.302 (a) (3) Post-award orientation, (27) Property Administration (FAR Part 45) and (28) ...disposal of contractor inventory (45.6); as well as to support (30) Requests for Government property and (65) Close-out [Ref. 4.804-5 (a)(5) Plant clearance report/(6) Property clearance,] and only when authorized 42.302 (b)(11) Support the preparation of evaluations of contractor performance (FAR 42.15). The IPMS must display the specialized knowledge, skill and ability described in this section for the administration of the contractor's property management system.

### ***Purpose and Outcomes (Terminal Learning Objectives)***

10. Establish a standardized working Contract Property File
11. Maintain information management tools to support data calls
12. Establish scheduled events to prepare for target dates, and prepare file to document follow-up actions

### **GENERAL INFORMATION/NARRATIVE:**

Standardization pertains to all tasks of the Industrial Property Management Specialist (IPMS). Due to the continuous need to communicate in an auditable manner, accountability is best supported by structuring files in a standard format. A sample will be provided once consensus is reached on the CoP. The working file kept by an IPMS should make the following items available: Contractor information, including alternate locations; Stakeholder & Team Member Information, Contract Excerpts, Acceptance, CDRs & Notes (completion date, physical inventory plan, disposal plan); Pertinent History, Property List, Procedures (request letter, review summary), PMSA Documents, Loss Report List, Disposal Plan/Actions, Correspondence

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- Records of site visits
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- Copies of audits and inspections performed by other activities, e.g., Defense Contract Audit Agency, Defense Security Service (DSS)
- Copies of contractor's current property management system procedures (if practical)
- Copies of pertinent contractor internal audits
- Results of investigations and/or special reviews
- General correspondence
- Other documentation common to all contracts

4.2. Contract File. The following documentation, at a minimum, is required for each assigned/accepted contract:

- All correspondence related to the contract
- Other contract specific documentation such as outside audits, etc.

4.3. Property Management System Analysis File. This is a “CAGE-level” or “Contractor-level” file, separate from contracts awarded under the CAGE code. See Contract Receipt and Review Instruction, paragraph 1.4.2. The following documentation, at a minimum, is required for each PMSA:

- Documentation as to appropriate level of oversight as determined by the risk assessment
- All correspondence
- PMSA summary report, including memoranda of record for results of Limited PMSAs
- Support documentation such as work papers, sampling plan and narratives relating to any deficiencies and other support documentation to the extent practicable
- Sampling plan to support PMSA findings and conclusions
- Current Defense Property Administration Data System (DPADS) Function B (Property Control System Data) report for the CAGE/Contractor; or System for Integrated Contract Management (SICM) screen shots
- Current DPADS Function C (Government Property in the Custody of Contractors) report for the CAGE/Contractor or SICM screen shots
- Internal memoranda, e.g., to Contracting Officers, functional specialists
- List of attendees attending conferences such as entrance/exit conferences

5. Assign New Contractors. Within 30 days of contract assignment, the PA shall:

5.1. Send new contractors a letter of introduction advising them of their contractual responsibilities. The letter shall request a copy of their property management procedures and the names of appropriate points of contact.

5.2. Submit a post award orientation recommendation (if warranted) to the ACO, including the rationale and recommended type of orientation. See Contract Receipt and Review Instruction, paragraph 3.

5.3. Review the contractor’s policies and procedures within 45 days of receipt. If the procedures are initially inadequate, the PA may allow new contractors a reasonable amount of time, not greater than 45 days from the initial receipt of the procedures, to provide new procedures adequate to meet contractual requirements. See paragraph 10, Conduct PMSA.

5.4. If after 45 days the procedures remain inadequate, the PA shall:

5.4.1. Inform the contractor of the deficiency.

5.4.2. Follow the steps outlined in paragraph 13.

5.4.3. Schedule PMSA in accordance with paragraph 8.

5.4.4. Update “Function B – Property Control System Data” (see <http://mocasbb.dema.mil>).

#### **DEFENSE ACQUISITION GUIDEBOOK, POLICIES, DIRECTIVES, REGULATIONS, LAWS:**

Post-award: FAR Subpart 52.245-1 Government Property (b) Property management.

(1) The Contractor shall have ... procedures, records, and methodologies necessary for effective control of Government property, consistent with voluntary consensus standards and/or industry-leading practices and standards (I) *Communication*. All communications under this clause shall be in writing.

DCMA Guidebook

#### **BEST PRACTICES, LESSONS LEARNED, STORIES, GUIDES, HANDBOOKS, TEMPLATES, EXAMPLES, TOOL:**

Contributions and suggestions are requested

#### **COMMUNITIES OF PRACTICE:**

Government Property

**TRAINING RESOURCES:**

TBD

**RELATED ARTICLES:**

Contributions and suggestions are requested

### **Sustainment/Disposal: (3) Assist with shipments**

Task 3 of 7 for Sustainment/Disposal, other Tasks: (1) Review final inventory, (2) Ascertain updates to the Accountable Property System of Record, (4) Administer FAR 45.6, (5) Coordinate Demil, (6) Certify completion, (7) Distribute history

**DEFINITION:** The CO may request administrative support from the Industrial Property Management Specialist (IPMS) according to FAR 42.302 (27) Property Administration (FAR Part 45); (28) ...disposal of contractor inventory (45.6); (65) Close-out [Ref. 4.804-5 (a)(5) Plant clearance report/(6) Property clearance,] and if authorized 42.302 (b)(11) Support the preparation of evaluations of contractor performance (FAR 42.15). The IPMS should display the specialized knowledge, skill and ability described in this section.

#### *Purpose and Outcomes (Terminal Learning Objectives)*

1. Review shipping request and transfer documentation
2. Coordinate inspection of packaging and marking
3. Monitor the shipment and confirm the receipt was without any discrepancy

#### **GENERAL INFORMATION/NARRATIVE:**

1. Review shipping request and transfer documentation

The IPMS should work with the Transportation Specialist to assist the contractor in the preparation of requests for a Government Bill of Lading (GBL) along with the DD 1149 Transfer document to support Government-directed shipments of Government property

2. Coordinate inspection of packing and marking

When Government property is to be prepared for shipment by the contractor, the IPMS should ensure that appropriate steps are taken to protect the property during shipment. The markings on the package must be in accordance with specific directions.

Coordinate with Transportation to ensure requests for a GBL are acceptable, for example, measurements must be in inches.

3. Monitor the shipment and confirmation the receipt was without discrepancy

Documentation for the shipment must be retained for adequate tracking. Also, the carrier may require a value to be declared for the shipment, even when there is no additional cost for insurance. The contractor must provide a method to establish that the delivery has been received without any discrepancy in order to close their stewardship records. If necessary, the contractor is required to support the resolution of loss.

#### **DEFENSE ACQUISITION GUIDEBOOK, POLICIES, DIRECTIVES, REGULATIONS, LAWS:**

Post-award: FAR Subpart 52.245-1 Government Property (b) *Property management*.

(1) The Contractor shall have a system to manage (control, use, preserve, protect, repair and maintain) Government property in its possession. The system shall be adequate to satisfy the requirements of this clause. In doing so, the Contractor shall initiate and maintain the processes, systems, procedures, records, and methodologies necessary for effective control of Government property, consistent with voluntary consensus standards and/or industry-leading practices and standards (1) *Communication*. All communications under this clause shall be in writing.

#### **BEST PRACTICES, LESSONS LEARNED, STORIES, GUIDES, HANDBOOKS, TEMPLATES, EXAMPLES.**

##### **TOOL:**

Contributions and suggestions are requested

Request for GBL sample:

<http://www.uscg.mil/pssuStLouis/Commercial%20Government%20Bill%20of%20Lading%20Request%20Form.pdf>

SF1103

DD1149

#### **COMMUNITIES OF PRACTICE:**

Government Property

**TRAINING RESOURCES:**

TBD

**RELATED ARTICLES:**

Contributions will be appreciated

## Development through Deployment: (3) Report Contract Deficiencies

Task 3 of 10 for the Development through Deployment stage; other tasks: (1) Review the Contract, (2) Establish Property Admin Records, (4) Construct a Risk Analysis, (5) Establish Property Audit Objectives (6) Plan a PMSA, (7) Conduct PMSA, (8) Respond to Reports of Property Loss, (9) Monitor unscheduled processes, (10) Dispose of property that is no longer required for performance—*Refer to Sustainment/Disposal, Task (7) Administer FAR 45.6.*

**DEFINITION:** The CO may request administrative support from the Industrial Property Management Specialist (IPMS) according to FAR 42.302 (a) (3) Post-award orientation, (27) Property Administration (FAR Part 45) and (28) ...disposal of contractor inventory (45.6); as well as to support (30) Requests for Government property and (65) Close-out [Ref. 4.804-5 (a)(5) Plant clearance report/(6) Property clearance,] and only when authorized 42.302 (b)(11) Support the preparation of evaluations of contractor performance (FAR 42.15). The IPMS must display the specialized knowledge, skill and ability described in this section for the administration of the contractor's property management system.

### *Purpose and Outcomes (Terminal Learning Objectives)*

1. Access potential assignments for timely review; summarize contract receipt & review (CRR) IAW Agency guidance
2. Recognize appropriate assignments and how to notify team leader & members, stakeholders and contractor of acceptance, including support property administration for alternate locations of prime or sub
3. Utilize appropriate electronic tools to input acceptance data

### **GENERAL INFORMATION/NARRATIVE:**

Search the contract for unclear terms regarding authorization to acquire property or to use property on a non-interference basis. Ensure the appropriate clauses, terms and property list are clear, referring to notes taken during the CRR during acceptance of the assignment.

From the DCMA Guidebook, Section 2:

Report Contract Deficiency. The PA shall report to the Electronic Document Access (EDA) Contract Deficiency Report (CDR) process those contracts lacking appropriate terms and conditions relevant to the property expected to be furnished or acquired. See Contract Receipt and Review Instruction, paragraph 2.5.

2.1. When creating an EDA-CDR, the assigned Administrative Contracting Officer (ACO) shall be identified as the reviewing official. All EDA-CDRs shall be sent to the assigned ACO for validation/approval.

2.2. If use of EDA is not appropriate (special programs) or unavailable (overseas or remote locations), PAs shall notify the ACO directly.

Ensure contracts contain the appropriate terms and conditions, including those necessary and appropriate for life-cycle control of sensitive property (as defined in FAR 45.101), physical inventory performance, demilitarization, disposition requirements.

Questions regarding apparently inappropriate instances of Government- furnished or contractor acquired property such as common office equipment and general purpose equipment should be addressed through the team leader, including identification of end items that will be delivered in place, commercial contracting (FAR Part 12.)

When appropriate, research unique in-theater contractual and technical requirements, country-to-country agreements or treaties (DFARS 225.301 and PGI 225.7401).

Ensure buying commands coordinate their requests for property administration with the Joint Theater Support Contracting Command for contracts performed in Iraq and Afghanistan.

All contracts that provide property should include the basic property clause FAR 52.245-1, which is accompanied by 52.245-9 for potential non-interference use. [https://www.acquisition.gov/far/html/52\\_245.html](https://www.acquisition.gov/far/html/52_245.html)

FAR 52.245-2 applies when a contractor will perform tasks on an installation that could make use of otherwise dormant Government property, which has no reasonable prospect for other use, and no expected profit that would justify the effort involved with marketing the property for sale. In that case, those items should be listed for the contractor to accept them on an "As-is" "Where-is" basis with the condition that the contractor shall remove those items at the end of the contract. During the

contract, the items are authorized for use; however, the contractor is responsible for any loss or damage. Procedures are required to describe the method to support a zero balance on the contract property account for those items.

Funds for research may acquire property under Alt II for non-profit educational or research institutions to identify items for transfer of title under specific conditions and agreements.

<https://www.acquisition.gov/far/html/Subpart%2045.1.html#wp1023576>

When property has characteristics that require specific Agency regulatory guidance to be added, the information may be found in the Statement of Work.

Whenever a CDR is prepared, the IPMS shall reference the basis for the finding of a discrepancy and at least one recommended remedy that is supported by a citation of law, policy or guidance. Communication through the official channels, electronic or otherwise, may be augmented by a concise message to team members whose work may be affected to confirm that the primary method of distribution has up-to-date contact information and to support communication if necessary.

#### **DEFENSE ACQUISITION GUIDEBOOK, POLICIES, DIRECTIVES, REGULATIONS, LAWS:**

TBD

#### **BEST PRACTICES, LESSONS LEARNED, STORIES, GUIDES, HANDBOOKS, TEMPLATES, EXAMPLES, TOOL:**

In case the contract doesn't appear to contain appropriate clauses, the Contract Formation Questionnaire found in the section on Support Solicitation may prove useful.

#### **COMMUNITIES OF PRACTICE:**

Government Property

#### **TRAINING RESOURCES:**

TBD

#### **RELATED ARTICLES:**

Suggestions and contributions are requested

## **Pre-Award Support: (3) Support Source Selection**

Task 3 of 3 for the Pre-Award Stage, other Topics: (1) Assist to Construct a Business Case, (2) Support Solicitation

**DEFINITION:** The CO may request administrative support from the Industrial Property Management Specialist (IPMS) in a pre-award survey according to FAR 42.302 (a) (32) and FAR 9.104-1(e) in order to ascertain that the property plan submitted by prospective contractor is responsive. The specialized knowledge, skill and ability defined in this section help the IPMS to recognize and support the acquisition objective (for example, expedited schedule, reduced cost, or performance specifications) by the provision of property with no undue risk.

### ***Purpose and Outcomes (Terminal Learning Objectives)***

1. Assess contractor ability, as appropriate for the associated risk
2. Evaluate the Property Plan, as appropriate for the associated risk

### **GENERAL INFORMATION/NARRATIVE:**

An assessment of contractor ability needs to be accomplished, as appropriate for the associated risk. Property system audits have revealed that losses often occur due to a contractor's lack of awareness of laws, policy and guidance regarding the type of property that the Government provided. A contractor is required to include a Property Plan in response to a solicitation that has property provisions; a modification that introduces stewardship responsibilities also requires the review of a plan to protect the Government's interests.

Regulatory guidance in FAR Subpart 9.104-1, General standards, states: "To be determined responsible, a prospective contractor must... (e) Have the necessary ... property control systems... When property is provided without ensuring an adequate plan is in place, the property may be subjected to an undue risk of loss, and Government audits would hold the Contracting Officer (KO) accountable. The IPMS provides specialized support to the KO by a review of the contractor's property plan to be sure all aspects of types of property and conditions of contract performance are addressed.

The IPMS must be competent to identify areas where a contractor needs to recognize stewardship responsibility for the property that is to be provided. The performance of each contract presents unique opportunities for error, such as a failure to provide proper storage. The IPMS can point to resources for various solutions that the contractor may incorporate for an adequate plan. For example, receipt of hazardous material may require training. An IPMS may participate in a pre-award conference to discuss areas where property control experience or the ability to develop necessary skills need to be exhibited.

In many cases the contractor manages their own property in a manner that would provide adequate care for customer-owned property, as well. However, unique Government property may present a need for additional management skills for security or visibility. The IPMS can provide the minimal standards that must be met for the contractor to be considered responsive.

(Knowledge check - Given excerpts from a statement of work and a list of property to be provided, work with a team to identify the processes that must be included in the contractor's plan,.)

2. Evaluate the Property Plan, as appropriate for the associated risk

The IPMS can ascertain how capable the contractor is to manage property responsibilities through a review of the proposed property management plan. A detailed plan is not required until the post-award stage; however, methods described for property control should exhibit the contractor's awareness of the leading practices or standards. The IPMS may need time to research recent developments in a particular area due to continuous improvements.

The particular conditions for each contract determine the Government's risk. Various factors, such as environmental or national security hazards can increase the need for tight control of Government property, as much as the replacement cost. While retaining a focus on the acquisition objectives, the IPMS can support the provision of property in an auditable manner, if the KO requests support.

(Knowledge check – Given a contracting scenario and examples of practices and standards, review a contractor's plan with team members to see whether methods of property control reflect an Industry Leading Practice and a Voluntary Consensus

Standard. Prepare a summary for the CO that communicates findings to determine whether a prospective contractor is responsive, or what issues need to be addressed)

**DEFENSE ACQUISITION GUIDEBOOK, POLICIES, DIRECTIVES, REGULATIONS, LAWS:**

Pre-award: FAR Subpart 9.104-1 General standards.

To be determined responsible, a prospective contractor must...

(e) Have the necessary ... property control systems...

**BEST PRACTICES, LESSONS LEARNED, STORIES, GUIDES, HANDBOOKS, TEMPLATES, EXAMPLES, TOOL:**

Recommended resources will be appreciated

**COMMUNITIES OF PRACTICE:**

Government Property

**TRAINING RESOURCES:**

TBD

**RELATED ARTICLES:**

Recommended resources are requested

## **Sustainment/Disposal: (4) Administer FAR 45.6**

Task 4 of 7 for Sustainment/Disposal, other Tasks: (1) Review final inventory (2) Ascertain updates to the Accountable Property System of Record (APSR); (3) Assist with shipments; (4) Administer FAR 45.6; (5) Coordinate Demil, (6) Certify completion; (7) Distribute history

**DEFINITION:** The CO may request administrative support from the Industrial Property Management Specialist (IPMS) according to FAR 42.302 (27) Property Administration (FAR Part 45); (28) ...disposal of contractor inventory (45.6); (65) Close-out [Ref. 4.804-5 (a)(5) Plant clearance report/(6) Property clearance,] and if authorized 42.302 (b)(11) Support the preparation of evaluations of contractor performance (FAR 42.15). The IPMS should display the specialized knowledge, skill and ability described in this section.

### *Purpose and Outcomes (Terminal Learning Objectives)*

1. For items with no authorized directions for disposal, initiate input to the Plant Clearance Automated Reutilization and Screening System (PCARSS)
2. Open cases for acceptable contractor inventory lists, or provide guidance to resubmit
3. Provide directions according to prescribed timeframes and methods
4. Monitor authorized disposition actions; document completion of actions and close file

### **GENERAL INFORMATION/NARRATIVE:**

1. For items with no authorized directions for disposal, initiate input to the Plant Clearance Automated Reutilization and Screening System (PCARSS)

The directions for PCARSS, as well as templates and regulatory guidance are found at the link for PCARSS on the DCMA homepage: [www.DCMA.mil](http://www.DCMA.mil)

2. Open cases for acceptable contractor inventory lists, or provide guidance to resubmit

When the physical location is outside the geographical area of the prime contractor's Plant Clearance Officer (PLCO), the list is to be referred for acceptance by the regional PLCO. If a list is submitted in error to the PLCO who is not assigned to the Prime Contractor location, the list must be traceable to the prime contract.

Whether routed by PCARSS or obtained manually, the review of contractor inventory the IPMS is responsible to conduct screening within the prescribed timeframes. The skillful IPMS establishes a disposal plan to recognize the potential for items to be marketed or donated so that procedures are in place to guide those actions without delay.

A contractor may need guidance to conduct a sale, or to notify eligible recipients of donations. For example a list of local K-12 schools that may request educational equipment under E.O. 12999 can be prepared for notification when those items become available.

Procedures need to address any conditions for overseas or contingency environments, which may be affected by unique requirements, country-to-country agreements or treaties ([DFARS 225.301](#) and [PGI 225.7401](#)). In some cases, abandonment may be restricted.

Obvious discrepancies, including inadequate descriptions that will not support screening, can make a list unacceptable prior to opening a Plant Clearance Case. The verification of descriptions and condition may require assistance from technical team members. Unless the PLCO documents that the contractor meets the criteria to waive verification, the completed survey form belongs in the case file.

If the findings of the verification affect the screening process, the contractor may be required to plan a corrective action, which may include resubmitting a withdrawn case. If possible, the PLCO will make note of the corrections and continue the screening cycle for the existing case.

3. Provide directions according to prescribed timeframes and methods

The IPMS / PLCO must remain responsible to preserve the potential value of the property under the time constraints of the prescribed process. The Community of Practice, team members, and the contractor, may provide assistance to ensure that the most beneficial and efficient method of disposal is determined.

#### 4. Monitor authorized disposition actions; document completion of actions and close file

The IPMS-PLCO must provide directions in writing and include a target date for completion. The PLCO should allow enough time to follow-up if the set date isn't reached, to add clarification or assistance when needed. Sample letters of direction can be found on the CoP under the titles found in the "Best Practices, ...Examples" section below.

Actions require documentation to support updates to close the file, and the property record should reference the Plant Clearance Case. A DD 1149 may be used when other electronic transfer documentation is not available. The transfer information includes the active contract and location, the authorization, and the recipient's contact information (requestor, purchaser, depot, or recycler.) Demil certificates, tracking documents for shipments, and other necessary documents should also be scanned to complete the case file.

### **DEFENSE ACQUISITION GUIDEBOOK, POLICIES, DIRECTIVES, REGULATIONS, LAWS:**

Post-award: FAR Subpart 52.245-1 Government Property (b) *Property management*.

(1) The Contractor shall have a system to manage (control, use, preserve, protect, repair and maintain) Government property in its possession. The system shall be adequate to satisfy the requirements of this clause. In doing so, the Contractor shall initiate and maintain the processes, systems, procedures, records, and methodologies necessary for effective control of Government property, consistent with voluntary consensus standards and/or industry-leading practices and standards (1) *Communication*. All communications under this clause shall be in writing.

### **GENERAL INFORMATION/NARRATIVE:**

The Life-Cycle Sustainment Plan (LCSP) may include a strategy for final disposal. However, a plan to remove residual Government property is often overlooked. Steps to support final disposal include recognition of items that would be suitable for restock, determination of where demilitarization should be accomplished if necessary, and even how to design specialized tools or test equipment to use common components to the extent possible in order to minimize the effort to reclaim/destroy unique characteristics. Plans for the disposal of production scrap can also ensure the greatest return through efficient reclamation. A lack of planning can delay contract closeout, especially if the residual property has security or environmental concerns to be addressed.

### **DEFENSE ACQUISITION GUIDEBOOK, POLICIES, DIRECTIVES, REGULATIONS, LAWS:**

FAR 45.6, DoDI 5000.02, DAG 5.1.2.2

### **BEST PRACTICES, LESSONS LEARNED, STORIES, GUIDES, HANDBOOKS, TEMPLATES, EXAMPLES, TOOL:**

Practical assistance with disposal planning may be requested at any time during the contract lifecycle from an Industrial Property Management Specialists (IPMS), who may be part of the ACO team or delegated by a request for Property-only support.

The on-line disposal tool, Plant Clearance Automated Reutilization and Screening System (PCARSS) is required for DoD Contractors to report excess that has no contractual direction for final disposal.

<http://www.dema.mil/ITCSO/cbt/PCARSS/index.cfm>

Demil Manual-DoD 4160.21-M-1 <http://www.dtic.mil/whs/directives/corres/pdf/416021m.pdf>, Related publications: <http://www.drms.dla.mil/publications/>, Special requirements: <http://www.dla.mil/dlaps/dod/416021m/Chap4.pdf>, DLA Disposal Svcs: <https://www.drms.dla.mil/sitemap.shtml>

### **BEST PRACTICES, LESSONS LEARNED, STORIES, GUIDES, HANDBOOKS, TEMPLATES, EXAMPLES, TOOL:**

**Letter samples requested:**

Disposal – According to Contract direction  
Disposal – Transfer Coordination  
Disposal – Donation under E.O. 12999  
Disposal – Turn-in to DRMO  
Disposal – Formal Sale  
Disposal – Negotiated Sale  
Disposal – Demil and abandon; Demil and sell as scrap  
Disposal – Informal, Competitive Bids  
Disposal – Abandonment  
Form links and samples requested:  
DD 1140  
Demil Certificate for items verified by witness  
Demil Certificate for items verified by evidence  
Tracking document for shipment  
End use certificate  
Scrap Warranty

**Lesson learned:** An early evaluation of predictable disposal options supports efficient performance, as evidenced by a Contractor in Norfolk who repaired ship parts, until his workspace was too full of items that were Beyond Economical Repair (BER). A plan might have been in place to dispose of BER GFP, based on the available storage space and the marketable amount of scrap brass, to avoid such a predicament. Three local scrap dealers provided bids to recycle the brass in accordance with FAR 45.6, and the removal had a return of around \$30,000 to the Government.

**COMMUNITIES OF PRACTICE:**

Government Property

**TRAINING RESOURCES:**

TBD

## Development through Deployment: (4) Construct a Risk Analysis

Task 4 of 10 for the Development through Deployment stage; other tasks: (1) Review the Contract, (2) Establish Property Admin Records, (3) Report Contract Deficiencies, (5) Establish Property Audit Objectives (6) Plan a PMSA; (7) Conduct PMSA, (8) Respond to Reports of Property Loss, (9) Monitor unscheduled processes, (10) Dispose of property that is no longer required for performance –Refer to Section 3: Task (7) Administer FAR 45.6.

**DEFINITION:** The CO may request administrative support from the Industrial Property Management Specialist (IPMS) according to FAR 42.302 (a) (3) Post-award orientation, (27) Property Administration (FAR Part 45) and (28) ...disposal of contractor inventory (45.6); as well as to support (30) Requests for Government property and (65) Close-out [Ref. 4.804-5 (a)(5) Plant clearance report/(6) Property clearance,] and only when authorized 42.302 (b)(11) Support the preparation of evaluations of contractor performance (FAR 42.15). The IPMS must display the specialized knowledge, skill and ability described in this section for the administration of the contractor's property management system.

### *Purpose and Outcomes (Terminal Learning Objectives)*

13. Recognize the risks of achieving contract objectives, specific to the provision of property
14. Identify the processes that must be controlled to mitigate the risks
15. Analyze the level of risk and the appropriate plan/methods to mitigate the risk

### **GENERAL INFORMATION/NARRATIVE:**

Risks of property loss are introduced to some extent whenever property is provided under a contract. The IPMS is tasked to identify and mitigate risk through the administration of contractual terms and conditions, which include the Government's right to conduct reviews of the contractor's stewardship. A quote from Aristotle addresses the need for oversight to avoid the loss of property that is not personally owned, "All men have greater regard for what is their own, than for what they possess in common with others."

**6. Identify Contractor Future Performance Risk (Risk Identification).** The PA shall:

**6.1.** Consider the current status of the contractor's property management system, previous PMSA results, potential program impact due to property type or criticality (see paragraph 10.3.5.), past performance, prior experience with the contractor, contractor procedural changes, other audit findings, past deficiencies and corrective actions, results of pre-award and post-award conferences, and any other sources of reliance. Dollar values or amounts of property in a contractor's possession are not meaningful factors for determining performance risk.

6.2. Assess the likelihood or probability of unfavorable future events ("what could go wrong?").

6.3. Estimate the consequence or impact of those events ("what is the potential impact on the Government?").

**6.4. Assign Risk Rating. The PA shall assign risk ratings (high, moderate, low) based on the following criteria:**

6.4.1. High Risk.

6.4.1.1. Criteria. High Risk means that the contractor's system was deemed inadequate due to significant or systemic deficiencies. Significant deficiencies can include, but are not limited to contractor processes that are chaotic, undocumented and inconsistent; findings of fraud, waste and abuse; safety or national security concerns; cost, schedule, performance issues; and compromise or potential compromise of contract terms and conditions. High risk contractors include those with a pattern of questionable, inconsistent, chaotic or ad-hoc processes and practices, shoddy or non-existent procedures, and poor internal controls.

6.4.2. Moderate Risk.

6.4.2.1. Criteria: Moderate Risk means that, although the contractor's property management system is in an adequate status, new or changing conditions pose a degree of uncertainty or potential threat to future performance. Moderate Risk contractors can include inexperienced contractors furnished with or acquiring property for the first time; contractors without fully developed procedures and systems; contractors who have deployed or who are in the process of deploying a new property management system, or those with new management teams. Moderate Risk contractors can also include those contractors (including former High Risk contractors) who have completed all corrective actions, but do not yet meet low risk criteria.

### 6.4.3. Low Risk.

6.4.3.1. Criteria: Low Risk means that the contractor's auditable processes are consistent with all contract terms and conditions, are embedded within the organization and supported throughout all levels of management. Low risk can also mean that the contractor focuses continually on improving its processes through both incremental and technological improvements. The system is well-managed, effective and efficient; processes produce consistent positive results; cost, schedule, performance or other contractual requirements are not in danger of being compromised, and there are adequate internal controls and no known deficiency.

Let's reflect a moment on earlier topics. If the pre-award review established a clear list of property and a plan, then risks can be recognized and contractual guidance can steer the effort to mitigate them. No assumptions can be made that the contractor will take actions that are not addressed in writing.

Clear terms and auditable processes enforce the performance of actions that reduce the risk of property loss or misuse. The CO or his delegate will assess the contractor's plan prior to receipt of GFP/CAP. After contract award, the CO or his delegate schedules an analysis of the contractor's property system within the first few months of performance.

Managerial personnel are required to attend the in-brief and out-brief; property system reviews are important events of the contract life-cycle. Other specialists that will participate in the review of relevant processes, such as Safety Specialist to review the storage of hazardous items, should also attend.

Property risk management is organized by process outcomes. The processes that apply in most cases are: Management, Receiving, Records, Use and Close-out. All processes are defined in this topic; the contractor's written plan only needs to address what is applicable. Descriptions of property processes follow:

(1) Management: The risks associated with management include excessive administrative costs and a failure to train custodial personnel. Those who signed the contract or who direct operations at a site are responsible for implementation of property control procedures. FAR def of Mngr per.

An up-to-date organization chart that identifies the responsible personnel for all property processes belongs in the plan. Efficient management requires research of existing Voluntary Consensus Standards or Industry Leading Practices (VCS or ILP) that apply to the types of property involved.

To mitigate these risks, the CO can coordinate focused discussions with management and specialists who keep apprised of developing standards and practices.

(2) Acquisition: Contractual coverage must exist for all GFP/CAP. When the contract property account doesn't match the contractor's stewardship records, modifications may be needed. For new acquisitions, consider warranties. Guidance for the acquisition of hazardous items is found in FAR 23.3. Agencies can prescribe additional procedures in the SOW, especially for arms and explosives. There's a risk that unauthorized acquisitions can be added through the requisition process.

This risk is reduced by front-loading the system to show items authorized by the contract and the status of those acquisitions. For property that the Government has title to, the Contracting Officer (KO) or Administrative Contracting Officer (ACO) relies on the IPMS for operational audits to mitigate risks associated with property management, and on DCAA to determine what internal and external audits are needed to ensure sound financial accountability. If operational audits bring evidence of overcharges for material, the IPMS will notify the KO/ACO to coordinate a review by DCAA to determine whether the unreasonable amount will be disallowed.

Note: Acquisition of some materials, like parts of weapon systems, may be authorized through Government sources, such as the MILitary Standard Requisitioning and Issuing Procedures (MILSTRIP) and the related MIL Standard Transaction Reporting and Accounting Procedures (MILSTRAP.) More information about MILSTRIP/MILSTRAP is found in 4000.25-2-M <http://www.dla.mil/j-6/dlms0/elibrary/manuals/milstrap/default.asp>. Also, the Government may acquire material directly from a manufacturer at a reduced cost due to economical buys for several contracts at once. Excess property may be available for the cost of shipping to any agency with access the "Plant Clearance Automated Reutilization and Screening System (PCARSS)

(3) Receiving: An inspector must verify, sign and date an incoming document that notes any discrepancies, such as shortages or damage. A copy of the receiving document must support the input to the property record. Obvious damage to packaging should be acknowledged by the delivery person, or it may be prudent to refuse the delivery. When feasible, special commercial packaging for delicate items can be retained to return property at the end of the contract. The Government may provide GFP

that requires the contractor to make it usable; ownership is not affected by the contractor's payment for repairs. The contractor has a right to inspect the property before it's added to the contract to be provided "As Is." There's a risk that discrepancies will go unnoticed.

If the procedures provide an inspection stamp or other format to complete, sign and date a receiving report, this risk is reduced.

(4) Identification: Depending on specific requirements and existing markings on the GFP/CAP, the contractor is responsible to ensure that identification will track the property through the life cycle, using a tag, etched marking, or any prescribed method to establish and maintain visibility for tracking, accountability, and improved efficiency for each item over its lifecycle. Additional serialized tags may support a contractor's record-keeping. In addition to "US Property", contract specifications may include Unique Identifiers (UID) to be applied to the deliverable items (See DFARS 252.211-7003) for inspection by the Quality Assurance Specialist. Guidance for Serialized Item Management is provided in DFARS 211.274 and 252.211-7003 and by the DPAP UID Office. Contractor compliance to UID registry requirements must be addressed in the property system plan. There's a risk that Contract Property will be misdirected or overlooked due to poor markings.

- DFARS 211.274-2. Policy
    - All delivered items for which the Government's unit acquisition cost is \$5,000 or more
    - Items less than \$5,000 when identified by the requiring activity
      - Serially managed , mission essential, controlled inventory
  - Exceptions
    - To support a contingency operation
    - To facilitate defense against or recovery from NBC or radiological attack; or
    - A D&F concludes that it is more cost effective for Govt to mark
  - DFARS 252.211-7003 (the clause)
    - The contractor shall deliver all items under a contract line, subline, or exhibit line item
- DFARS 204.71 Uniform Contract Line Item Numbering (PGI)

Since the birth of the "barcode" in 1971 for use in the food industry, technology enables marks that identify each item to a registry to provide a description, ownership and other data to recognize any characteristics that support proper use.

Dissemination of clear directions from the SOW to responsible personnel reduces risk.

(5) Records: In all cases, the contractor is responsible to maintain an auditable stewardship account for all GFP/CAP, including at subcontractor locations. At a minimum, records must have a description that is adequate for all property control processes, including the FSC if the property will have screening for disposal, and other auditable transactions, such as maintenance. In the event of misdirected shipments, a separate list of discrepant property is kept pending a resolution; not to be confused with the contract property account. The contractor's Material Management Accounting System (MMAS) may be included in the review of records (DFARS 252.242-7004). There's a risk that an inadequate account can delay production.

Internal audits can verify that recorded data is an accurate reflection of stock levels, as well as an adequate means to locate all assets without delay.

(6) Movement: If property could be lost or damaged in transit, handling methods must provide adequate care. It is possible that a contractor may relocate Government property to a subcontractor site that increases risks and reduces accessibility, unless there are terms to restrict the relocation of property. There's a risk property will be lost or damaged during inadequate transfer processes.

This risk is reduced by a review by an Industrial Specialist to see if processes invite incidents of loss or damage due to the transfer of assets. Proper handling techniques, such as carts vs. hand-carrying and tracking methods, such as transit documents, should be described in the procedures. Most property losses involved movement.

(7) Storage: Except in cases where property will be in continuous use until disposal, proper storage must make dormant items accessible for use or disposal in a manner that preserves their value. Security and environmental control must be addressed.

All storage areas should be examined by a site visit to determine if factors such as leaks or unrestricted access present an undue risk of deterioration or theft.

(8) Utilization: There's a risk that Contract Property will be used without permission, or held without a future requirement. Unauthorized use, including cannibalization, can result in fines, imprisonment, or both, under 18 U.S.C. 641. A contractor may ask the CO to authorize use of GFP/CAP for a rental fee or other terms, on a non-interference basis under an active contract. The Government may terminate the right to use GFP/CAP at any time. (FAR 52.245-9 and, for IR&D, 45.303.) The application of the "Use and Charges" clause, FAR52.245-9 usually requires support from a Property Specialist. The Head of the Activity

must approve commercial use that exceeds 25% of the total use. Rental benefits must outweigh risks. DFARS 245.302 provides guidance to authorize rental with foreign entities.

This risk is reduced by recognition of the potential to use Contract Property on other work, as well as to determine the stage when property should be reported as excess.

(9) Physical Inventories: Unless there's a zero probability of variances between records and actual GFP/CAP on-hand, verification must be planned. Reconciliation of any discrepancies found in the inventory must be noted as *Inventory Adjustments* or "IA" on the records before a shortage impacts performance. Efficient methods can minimize administrative costs or disruption. Overages and shortages need to be reported for acceptance of the adjustments.

Clear descriptions on records that match identifiers on the property enable personnel with less technical skill to conduct an inventory. Alternative methods should be analyzed to justify the cost of the method used, such as scanning barcodes.

(10) Reports: Risks relevant to reports include misinformation or a lack of data to support property control initiatives, and cost-creep for unnecessary administrative efforts. Reports may be interactive, as in the Contract Asset Visibility (CAV) system, or prepared on a schedule to monitor specific actions. Further, the method of communication, such as web-based "e-tools," should be clarified. Distribution must be efficient to avoid costs. Scheduled reports, such as internal audits or inventory results, belong in the plan; unscheduled reports such as notifications of loss, and reports of excess GFP/CAP, should have a clear model to follow if needed. NOTE: Recent guidance defines that "Loss of Government property" occurs when there is a reduced value of the property account. Loss includes items not found after a reasonable search, theft, and incidents of damage that can or cannot be economically repaired. This excludes inventory adjustments, unreasonable consumption, defects, destructive testing, obsolescence, wear or defects. A report of loss accounts for the item's acquisition value on the account and must be submitted using the e-tool "LTDD of Government Property" accessed from the DCMA home page.

Only those reports that provide meaningful data should be required to avoid cost creep.

(11) Consumption: Unless the terms of the contract remove any risk of overcharges for material, the rate of consumption is subject to review. If the rate of issuing material appears unreasonable, the PA will notify the CO to determine if costs should be disallowed. The "Notice of Intent to Disallow Costs" is found at FAR 42.801. Whenever possible, fixed price terms minimize the risk of overcharges for material consumption.

The quantity required plus a reasonable spoilage amount should be segregated to plan for a zero balance of material in stock at the end of contract performance.

(12) Maintenance: Unless the property is maintenance-free, the contractor must plan to both sustain property value and minimize down-time. The contractor shall document compliance with recommendations or practices without direct reimbursement. Also, inspections must inform the CO when unscheduled maintenance can extend the service life. Funds must be approved by the CO prior to "capital type" repair. The risk exists that performance will be delayed and value lost. Unless property was provided "as is" the resolution of down-time and repairs may involve an equitable adjustment.

This risk is minimized when personnel with technical knowledge of the asset plan the maintenance. The best "Industrial Leading Practices" should be researched.

(13) Subcontractor Control: Unless all GFP/CAP remains in the custody of the prime contractor, risks may increase with custodians who are not directly responsible to the Government. The prime must notify each subcontractor of property control responsibilities and may advise that the prime contractor will protect the Government's interests in a claim. The Government has the right to view property during reasonable hours; however, the Prime must coordinate in cases where the Government has no "privity of contract."

A clear statement to be incorporated in subcontracts must communicate stewardship accountability, responsibility and liability. Wordage belongs in written procedures.

(14) Disposal: The responsibility for disposal directions may be delegated to the PLCO on the prime ACO team, who will request support for alternate locations. Disposal risks include missed opportunities for reutilization and unexpected costs to comply with regulations and laws. Disposal of leased property depends on who signed the lease agreement. Government-leased property is covered by FAR 52.245-1; however, a lease agreement initiated by the contractor is not. The contractor must account for the cost of a lease, but the terms of agreement are between leaser and lessee. Under 52.245-2 installation property shall be removed from the installation at the contractor expense.

Disposal plans ensure the most efficient actions will bring the account to a zero balance.

**(15) Close-out:** A final zero balance must be certified with a statement that all equitable adjustments, rental agreements, liability issues with the prime or sub, and any other matter related to the account are closed. Supporting documents are to be retained for a set time after official contract closure. Delays may result in expired funds and other missed objectives.

Skill and experience must be applied to predict how property may have an adverse impact on the cost, performance, or schedule of an acquisition. Many problems can be avoided by focused discussions during pre-award review. Subsequently, detailed procedures must guide the implementation of adequate control in an auditable manner.

Government and contractors have a part in an effective property system; both serve all stakeholders. When property is not available, the objective that justified its provision cannot be met, and alternatives can be costly. Collaborative efforts can avoid excessive oversight, repair, replacement, or fines for unauthorized use.

When the responsibility to minimize the risk of property loss or misuse is not delegated, the CO must perform all the functions of the PA. These functions may not be delegated to associates who do not have the training to recognize the risks associated with property control. Training in the analysis of risks and how to differentiate between a “risk” and an “issue” is provided in continuous learning module CLM017: Risk Management [http://icatalog.dau.mil/onlinecatalog/courses.aspx?crs\\_id=235](http://icatalog.dau.mil/onlinecatalog/courses.aspx?crs_id=235)

The Government is usually self-insured to avoid the expense of policies that would cover the property owned on all accounts. Only when there is evidence that the contractor’s failed to make an acceptable effort to avoid loss, the CO may revoke the Government’s assumption of risk by a notice in the manner prescribed by the FAR. Then, the contractor can be held liable, and must consider insurance costs. All the efforts made relevant to property control impact the success of final close-out for both the Government and the contractor.

#### **DEFENSE ACQUISITION GUIDEBOOK, POLICIES, DIRECTIVES, REGULATIONS, LAWS:**

Post-award: FAR Subpart 52.245-1 Government Property (b) *Property management*.

(1) The Contractor shall have a system to manage (control, use, preserve, protect, repair and maintain) Government property in its possession. The system shall be adequate to satisfy the requirements of this clause. In doing so, the Contractor shall initiate and maintain the processes, systems, procedures, records, and methodologies necessary for effective control of Government property, consistent with voluntary consensus standards and/or industry-leading practices and standards (1) *Communication*. All communications under this clause shall be in writing.

DCMA Guidebook Section 1

#### **BEST PRACTICES, LESSONS LEARNED, STORIES, GUIDES, HANDBOOKS, TEMPLATES, EXAMPLES, TOOL:**

Suggestions and contributions are requested

#### **COMMUNITIES OF PRACTICE:**

Government Property

#### **TRAINING RESOURCES:**

TBD

#### **RELATED ARTICLES:**

Suggestions and contributions are requested

## **Sustainment/Disposal: (5) Coordinate Demil**

Task 5 of 7 for Sustainment/Disposal, other Tasks: (1) Review final inventory (2) Ascertain updates to the Accountable Property System of Record (APSR); (3) Assist with shipments; (4) Administer FAR 45.6, (5) Coordinate Demil, (6) Certify completion; (7) Distribute history

**DEFINITION:** The CO may request administrative support from the Industrial Property Management Specialist (IPMS) according to FAR 42.302 (28) ...disposal of contractor inventory (45.6). The IPMS should display the specialized knowledge, skill and ability described in this section.

### *Purpose and Outcomes (Terminal Learning Objectives)*

1. Establish demil requirement
2. Analyze most efficient method to accomplish demil
3. Coordinate and document demil action with contractor and Government representatives

### **GENERAL INFORMATION/NARRATIVE:**

#### 1. Establish demil requirement

When the IPMS-PLCO has any doubts about the need to take a demil action that impacts the time or cost of disposal, the item manager or other technical support should be consulted. There may be corrections to the demil code that need to be updated,

#### 2. Analyze most efficient method to accomplish demil

The IPMS-PLCO must use caution to direct the demilitarization of items that are designated to have detailed instructions provided by the Item Manager; these items may have severe safety risks, such as capacitors or springs to be handled with extreme caution.

If expertise for a demil action is not found locally, experienced property managers may be contacted through the Property CoP to help determine the most efficient process to be demil various items before unnecessary efforts are made. For example, some items may be safely destroyed by crushing, such as circuit boards. If available, some items can be run over without any harm to a vehicle or forklift, while other items must be cut with torches or exploded. Still other items may need to be melted to eliminate characteristics that could be reverse-engineered.

Depending on the methods available at the contractor's facility, the PLCO may require competitive bids to accomplish the demil action. The contractor may receive an equitable adjustment or reimbursement depending on the disposal plan that has prior approval from the Contracting Officer.

#### 3. Coordinate and document demil action with contractor and Government representatives

The person who accomplishes the demil action must sign the document after the action is completed. Both contractor and Government representatives should sign at the time of the action, when both are present. When the action needs to be verified after the fact, the contractor shall provide adequate evidence for the Government representative to sign as a witness that demilitarization has been completed.

The evidence must be clearly identifiable to the tracked item of property. Evidence may in the form of photos, pieces, or video media, such as the visual documentation of property taken to a range and exploded. All related safety issues should be considered, using the support of a Safety specialist when appropriate. Whenever possible to reduce the cost and effort, plans for demilitarization should destroy similar items at the same time.

### **DEFENSE ACQUISITION GUIDEBOOK, POLICIES, DIRECTIVES, REGULATIONS, LAWS:**

Post-award: FAR Subpart 52.245-1 Government Property (b) *Property management.*

(1) The Contractor shall have a system to manage (control, use, preserve, protect, repair and maintain) Government property in its possession. The system shall be adequate to satisfy the requirements of this clause. In doing so, the Contractor shall

initiate and maintain the processes, systems, procedures, records, and methodologies necessary for effective control of Government property, consistent with voluntary consensus standards and/or industry-leading practices and standards (l) *Communication*. All communications under this clause shall be in writing.

**BEST PRACTICES, LESSONS LEARNED, STORIES, GUIDES, HANDBOOKS, TEMPLATES, EXAMPLES, TOOL:**

DoD DEMIL Manual is currently being revised IAW DoDI 5025.01.

DEMIL.: The act of eliminating the functional capabilities and inherent military design features from DoD personal property. Methods and degree range from removal and destruction of critical features to total destruction by cutting, crushing, shredding, melting, burning, etc. DEMIL is required to prevent property from being used for its originally intended purpose and to prevent the release of inherent design information that could be used against the United States. DEMIL applies to DoD personal property in both serviceable and unserviceable condition." DEMIL Instruction DoDI 4160.28

There is a distinction between the common use of the term "scrap" from the FAR 2.101 definition and the definition that the DEMIL program relies on from DoDI 2030.08. FAR scrap has not already been transformed into basic material content. The focus of FAR 2.101 scrap is on the potential resale value. Given the perspective of the Demil program, it is critical to note that an unfriendly entity may see value other than base metal content to reengineer or reconstitute an item for ulterior purposes.

The DoDI 2030.08 definition of scrap specifies an item must not even be recognizable USML/CCL items:

"E2.1.10. Scrap. Recyclable, waste and discarded materials derived from items that have been rendered useless beyond repair, rehabilitation, or restoration such that the item's original identity, utility, form, fit and function have been destroyed. Items can be classified as scrap if processed by cutting, tearing, crushing, mangling, shredding, or melting. Intact or recognizable USML/CCL items, components, and parts are not "scrap." See also section 102-36.40 of the Federal Property Management Regulation (Reference (q))."

In the broad sense, "Sensitive" includes any of the following characteristics:

"property potentially dangerous to the public safety or security if stolen, lost, or misplace, or that shall be subject to exceptional physical security protection, control, and accountability such as classified property, weapons, ammunition, explosives, controlled substances, radioactive materials, hazardous materials or wastes or precious metals"

DEMIL required property is, essentially, sensitive property per the above definition. Since all sensitive property does not require demilitarization to eliminate the concern associated with handling, the specific characteristics that apply to the demil program must be used in the context of eliminating the functional capabilities and inherent military design features from DoD personal property.

Clarification of demil requirements for items with NSNs may be obtained from The DoD DEMIL Program Manager (DDPM), who works in concert with the DoD DEMIL Coding Management Office (DDCMO). For items with an NSN, questions may be addressed to the Item Manager; or the Government logistics/engineering personnel within the Acquisition Program Manager organization.

<https://demil.osd.mil/documents/DDPM%20Guidance%20DEMIL%20coding.pdf>

Demil is a regulation and not a law, though loosely termed "Administrative Law." It supports the Arms Export Control Act (AECA) which was codified in several sections of 22 USC (See: [http://www.pmdtc.state.gov/regulations\\_laws/aeca.html](http://www.pmdtc.state.gov/regulations_laws/aeca.html))

Demil is authorized under the Emergency Powers Act, Presidential authorities. For detail, see:

[http://www.bis.doc.gov/policiesandregulations/legal\\_authority.pdf](http://www.bis.doc.gov/policiesandregulations/legal_authority.pdf) "Implementation of Trade Security Controls (TSC) for Transfers of DoD U.S. Munitions List (USML) and Commerce Control List (CCL) Personal Property to Parties Outside DoD Control." Official DoD sites for issuances, posted <http://www.dtic.mil/whs/directives/corres/ins1.html> FYI

The Defense Demilitarization Manual, DoD 4160.21-M-1 will be canceled by a revised DoDM 4160.ad, Volumes 1-3

The Program Manager is responsible to address costs during Lifecycle Planning to avoid a deficiency. Subsequent coordination of the Demil action may involve a QAS to accomplish and document the action has been completed. The IPMS is responsible to ensure proper coordination and documentation

**COMMUNITIES OF PRACTICE:**

Government Property

**TRAINING RESOURCES:**

TBD

**RELATED ARTICLES:**

Contributions will be appreciated.

## Development through Deployment: (5) Establish Property Audit Objectives

Task 5 of 10 for the Development through Deployment stage; other tasks: (1) Review the Contract, (2) Establish Property Admin Records, (3) Report Contract Deficiencies, (4) Construct a Risk Analysis (6) Plan a PMSA; (7) Conduct PMSA, (8) Respond to Reports of Property Loss, (9) Monitor unscheduled processes, (10) Dispose of property that is no longer required for performance –Refer to Section 3: Task (7) Administer FAR 45.6.

**DEFINITION:** The CO may request administrative support from the Industrial Property Management Specialist (IPMS) according to FAR 42.302 (a) (3) Post-award orientation, (27) Property Administration (FAR Part 45) and (28) ...disposal of contractor inventory (45.6); as well as to support (30) Requests for Government property and (65) Close-out [Ref. 4.804-5 (a)(5) Plant clearance report/(6) Property clearance,] and only when authorized 42.302 (b)(11) Support the preparation of evaluations of contractor performance (FAR 42.15). The IPMS must display the specialized knowledge, skill and ability described in this section for the administration of the contractor's property management system.

### *Purpose and Outcomes (Terminal Learning Objectives)*

16. Recognize the risks of achieving contract objectives, specific to the provision of property
17. Identify the processes that must be controlled to mitigate the risks
18. Analyze the level of risk and the appropriate plan/methods to mitigate the risk

### **GENERAL INFORMATION/NARRATIVE:**

Risks of property loss are introduced to some extent whenever property is provided under a contract. The IPMS is tasked to identify and mitigate risk through the administration of contractual terms and conditions, which include the Government's right to conduct reviews of the contractor's stewardship. A quote from Aristotle addresses the need for oversight to avoid the loss of property that is not personally owned, "All men have greater regard for what is their own, than for what they possess in common with others."

Let's reflect a moment on earlier topics. If the pre-award review established a clear list of property and a plan, then risks can be recognized and contractual guidance can steer the effort to mitigate them. No assumptions can be made that the contractor will take actions that are not addressed in writing.

Clear terms and auditable processes enforce the performance of actions that reduce the risk of property loss or misuse. The CO or his delegate will assess the contractor's plan prior to receipt of GFP/CAP. After contract award, the CO or his delegate schedules an analysis of the contractor's property system within the first few months of performance.

Managerial personnel are required to attend the in-brief and out-brief; property system reviews are important events of the contract life-cycle. Other specialists that will participate in the review of relevant processes, such Safety Specialist to review the storage of hazardous items, should also attend.

Property risk management is organized by process outcomes. The processes that apply in most cases are: Management, Receiving, Records, Use and Close-out. All processes are defined in this topic; the contractor's written plan only needs to address what is applicable. Descriptions of property processes follow:

**(1) Management:** The risks associated with management include excessive administrative costs and a failure to train custodial personnel. Those who signed the contract or who direct operations at a site are responsible for implementation of property control procedures. **FAR def of Mngr per.**

An up-to-date organization chart that identifies the responsible personnel for all property processes belongs in the plan. Efficient management requires research of existing Voluntary Consensus Standards or Industry Leading Practices (VCS or ILP) that apply to the types of property involved.

To mitigate these risks, the CO can coordinate focused discussions with management and specialists who keep apprised of developing standards and practices.

**(2) Acquisition:** Contractual coverage must exist for all GFP/CAP. When the contract property account doesn't match the contractor's stewardship records, modifications may be needed. For new acquisitions, consider warranties. Guidance for the acquisition of hazardous items is found in FAR 23.3. Agencies can prescribe additional procedures in the SOW, especially for arms and explosives. There's a risk that unauthorized acquisitions can be added through the requisition process.

This risk is reduced by front-loading the system to show items authorized by the contract and the status of those acquisitions. For property that the Government has title to, the Contracting Officer (KO) or Administrative Contracting Officer (ACO) relies on the IPMS for operational audits to mitigate risks associated with property management, and on DCAA to determine what internal and external audits are needed to ensure sound financial accountability. If operational audits bring evidence of overcharges for material, the IPMS will notify the KO/ACO to coordinate a review by DCAA to determine whether the unreasonable amount will be disallowed.

Note: Acquisition of some materials, like parts of weapon systems, may be authorized through Government sources, such as the MILitary Standard Requisitioning and Issuing Procedures (MILSTRIP) and the related MIL Standard Transaction Reporting and Accounting Procedures (MILSTRAP.) More information about MILSTRIP/MILSTRAP is found in 4000.25-2-M <http://www.dla.mil/j-6/dlmsso/elibrary/manuals/milstrap/default.asp> . Also, the Government may acquire material directly from a manufacturer at a reduced cost due to economical buys for several contracts at once. Excess property may be available for the cost of shipping to any agency with access the "Plant Clearance Automated Reutilization and Screening System (PCARSS)

(3) Receiving: An inspector must verify, sign and date an incoming document that notes any discrepancies, such as shortages or damage. A copy of the receiving document must support the input to the property record. Obvious damage to packaging should be acknowledged by the delivery person, or it may be prudent to refuse the delivery. When feasible, special commercial packaging for delicate items can be retained to return property at the end of the contract. The Government may provide GFP that requires the contractor to make it usable; ownership is not affected by the contractor's payment for repairs. The contractor has a right to inspect the property before it's added to the contract to be provided "As Is." There's a risk that discrepancies will go unnoticed.

If the procedures provide an inspection stamp or other format to complete, sign and date a receiving report, this risk is reduced.

(4) Identification: Depending on specific requirements and existing markings on the GFP/CAP, the contractor is responsible to ensure that identification will track the property through the life cycle, using a tag, etched marking, or any prescribed method to establish and maintain visibility for tracking, accountability, and improved efficiency for each item over its lifecycle. Additional serialized tags may support a contractor's record-keeping. In addition to "US Property", contract specifications may include Unique Identifiers (UID) to be applied to the deliverable items (See DFARS 252.211-7003) for inspection by the Quality Assurance Specialist. Guidance for Serialized Item Management is provided in DFARS 211.274 and 252.211-7003 and by the DPAP UID Office. Contractor compliance to UID registry requirements must be addressed in the property system plan. There's a risk that Contract Property will be misdirected or overlooked due to poor markings.

- DFARS 211.274-2. Policy
    - All delivered items for which the Government's unit acquisition cost is \$5,000 or more
    - Items less than \$5,000 when identified by the requiring activity
      - Serially managed , mission essential, controlled inventory
  - Exceptions
    - To support a contingency operation
    - To facilitate defense against or recovery from NBC or radiological attack; or
    - A D&F concludes that it is more cost effective for Govt to mark
  - DFARS 252.211-7003 (the clause)
    - The contractor shall deliver all items under a contract line, subline, or exhibit line item
- DFARS 204.71 Uniform Contract Line Item Numbering (PGI)

Since the birth of the "barcode" in 1971 for use in the food industry, technology enables marks that identify each item to a registry to provide a description, ownership and other data to recognize any characteristics that support proper use.

Dissemination of clear directions from the SOW to responsible personnel reduces risk.

(5) Records: In all cases, the contractor is responsible to maintain an auditable stewardship account for all GFP/CAP, including at subcontractor locations. At a minimum, records must have a description that is adequate for all property control processes, including the FSC if the property will have screening for disposal, and other auditable transactions, such as maintenance. In the event of misdirected shipments, a separate list of discrepant property is kept pending a resolution; not to be confused with the contract property account. The contractor's Material Management Accounting System (MMAS) may be included in the review of records (DFARS 252.242-7004). There's a risk that an inadequate account can delay production.

Internal audits can verify that recorded data is an accurate reflection of stock levels, as well as an adequate means to locate all assets without delay.

(6) Movement: If property could be lost or damaged in transit, handling methods must provide adequate care. It is possible that a contractor may relocate Government property to a subcontractor site that increases risks and reduces accessibility, unless there are terms to restrict the relocation of property. There's a risk property will be lost or damaged during inadequate transfer processes.

This risk is reduced by a review by an Industrial Specialist to see if processes invite incidents of loss or damage due to the transfer of assets. Proper handling techniques, such as carts vs. hand-carrying and tracking methods, such as transit documents, should be described in the procedures. Most property losses involved movement.

(7) Storage: Except in cases where property will be in continuous use until disposal, proper storage must make dormant items accessible for use or disposal in a manner that preserves their value. Security and environmental control must be addressed.

All storage areas should be examined by a site visit to determine if factors such as leaks or unrestricted access present an undue risk of deterioration or theft.

(8) Utilization: There's a risk that Contract Property will be used without permission, or held without a future requirement. Unauthorized use, including cannibalization, can result in fines, imprisonment, or both, under 18 U.S.C. 641. A contractor may ask the CO to authorize use of GFP/CAP for a rental fee or other terms, on a non-interference basis under an active contract. The Government may terminate the right to use GFP/CAP at any time. (FAR 52.245-9 and, for IR&D, 45.303.) The application of the "Use and Charges" clause, FAR52.245-9 usually requires support from a Property Specialist. The Head of the Activity must approve commercial use that exceeds 25% of the total use. Rental benefits must outweigh risks. DFARS 245.302 provides guidance to authorize rental with foreign entities.

This risk is reduced by recognition of the potential to use Contract Property on other work, as well as to determine the stage when property should be reported as excess.

(9) Physical Inventories: Unless there's a zero probability of variances between records and actual GFP/CAP on-hand, verification must be planned. Reconciliation of any discrepancies found in the inventory must be noted as *Inventory Adjustments* or "IA" on the records before a shortage impacts performance. Efficient methods can minimize administrative costs or disruption. Overages and shortages need to be reported for acceptance of the adjustments.

Clear descriptions on records that match identifiers on the property enable personnel with less technical skill to conduct an inventory. Alternative methods should be analyzed to justify the cost of the method used, such as scanning barcodes.

(10) Reports: Risks relevant to reports include misinformation or a lack of data to support property control initiatives, and cost-creep for unnecessary administrative efforts. Reports may be interactive, as in the Contract Asset Visibility (CAV) system, or prepared on a schedule to monitor specific actions. Further, the method of communication, such as web-based "e-tools," should be clarified. Distribution must be efficient to avoid costs. Scheduled reports, such as internal audits or inventory results, belong in the plan; unscheduled reports such as notifications of loss, and reports of excess GFP/CAP, should have a clear model to follow if needed. NOTE: Recent guidance defines that "Loss of Government property" occurs when there is a reduced value of the property account. Loss includes items not found after a reasonable search, theft, and incidents of damage that can or cannot be economically repaired. This excludes inventory adjustments, unreasonable consumption, defects, destructive testing, obsolescence, wear or defects. A report of loss accounts for the item's acquisition value on the account and must be submitted using the e-tool "LTDD of Government Property" accessed from the DCMA home page.

Only those reports that provide meaningful data should be required to avoid cost creep.

(11) Consumption: Unless the terms of the contract remove any risk of overcharges for material, the rate of consumption is subject to review. If the rate of issuing material appears unreasonable, the PA will notify the CO to determine if costs should be disallowed. The "Notice of Intent to Disallow Costs" is found at FAR 42.801. Whenever possible, fixed price terms minimize the risk of overcharges for material consumption.

The quantity required plus a reasonable spoilage amount should be segregated to plan for a zero balance of material in stock at the end of contract performance.

(12) Maintenance: Unless the property is maintenance-free, the contractor must plan to both sustain property value and minimize down-time. The contractor shall document compliance with recommendations or practices without direct reimbursement. Also, inspections must inform the CO when unscheduled maintenance can extend the service life. Funds must be approved by the CO prior to "capital type" repair. The risk exists that performance will be delayed and value lost. Unless property was provided "as is" the resolution of down-time and repairs may involve an equitable adjustment.

This risk is minimized when personnel with technical knowledge of the asset plan the maintenance. The best “Industrial Leading Practices” should be researched.

(13) Subcontractor Control: Unless all GFP/CAP remains in the custody of the prime contractor, risks may increase with custodians who are not directly responsible to the Government. The prime must notify each subcontractor of property control responsibilities and may advise that the prime contractor will protect the Government’s interests in a claim. The Government has the right to view property during reasonable hours; however, the Prime must coordinate in cases where the Government has no “privity of contract.”

A clear statement to be incorporated in subcontracts must communicate stewardship accountability, responsibility and liability. Wordage belongs in written procedures.

(14) Disposal: The responsibility for disposal directions may be delegated to the PLCO on the prime ACO team, who will request support for alternate locations. Disposal risks include missed opportunities for reutilization and unexpected costs to comply with regulations and laws. Disposal of leased property depends on who signed the lease agreement. Government-leased property is covered by FAR 52.245-1; however, a lease agreement initiated by the contractor is not. The contractor must account for the cost of a lease, but the terms of agreement are between leaser and lessee. Under 52.245-2 installation property shall be removed from the installation at the contractor expense.

Disposal plans ensure the most efficient actions will bring the account to a zero balance.

(15) Close-out: A final zero balance must be certified with a statement that all equitable adjustments, rental agreements, liability issues with the prime or sub, and any other matter related to the account are closed. Supporting documents are to be retained for a set time after official contract closure. Delays may result in expired funds and other missed objectives.

Skill and experience must be applied to predict how property may have an adverse impact on the cost, performance, or schedule of an acquisition. Many problems can be avoided by focused discussions during pre-award review. Subsequently, detailed procedures must guide the implementation of adequate control in an auditable manner.

Government and contractors have a part in an effective property system; both serve all stakeholders. When property is not available, the objective that justified its provision cannot be met, and alternatives can be costly. Collaborative efforts can avoid excessive oversight, repair, replacement, or fines for unauthorized use.

When the responsibility to minimize the risk of property loss or misuse is not delegated, the CO must perform all the functions of the PA. These functions may not be delegated to associates who do not have the training to recognize the risks associated with property control. Training in the analysis of risks and how to differentiate between a “risk” and an “issue” is provided in continuous learning module CLM017: Risk Management [http://icatalog.dau.mil/onlinecatalog/courses.aspx?crs\\_id=235](http://icatalog.dau.mil/onlinecatalog/courses.aspx?crs_id=235)

The Government is usually self-insured to avoid the expense of policies that would cover the property owned on all accounts. Only when there is evidence that the contractor’s failed to make an acceptable effort to avoid loss, the CO may revoke the Government’s assumption of risk by a notice in the manner prescribed by the FAR. Then, the contractor can be held liable, and must consider insurance costs. All the efforts made relevant to property control impact the success of final close-out for both the Government and the contractor.

## **DEFENSE ACQUISITION GUIDEBOOK, POLICIES, DIRECTIVES, REGULATIONS, LAWS:**

Post-award: FAR Subpart 52.245-1 Government Property (b) *Property management*.

(1) The Contractor shall have a system to manage (control, use, preserve, protect, repair and maintain) Government property in its possession. The system shall be adequate to satisfy the requirements of this clause. In doing so, the Contractor shall initiate and maintain the processes, systems, procedures, records, and methodologies necessary for effective control of Government property, consistent with voluntary consensus standards and/or industry-leading practices and standards (1) *Communication*. All communications under this clause shall be in writing.

DCMA Guidebook Section 1

## **BEST PRACTICES, LESSONS LEARNED, STORIES, GUIDES, HANDBOOKS, TEMPLATES, EXAMPLES, TOOL:**

Suggestions and contributions are requested

**COMMUNITIES OF PRACTICE:**

Government Property

**TRAINING RESOURCES:**

TBD

**RELATED ARTICLES:**

Suggestions and contributions are requested

## **Sustainment/Disposal: (6) Certify completion of all Property Activity**

Task 6 of 7 for Sustainment/Disposal, other Tasks: (1) Review final inventory (2) Ascertain updates to the Accountable Property System of Record (APSR); (3) Assist with shipments; (4) Administer FAR 45.6, (5) Coordinate Demil, (6) Certify completion; (7) Distribute history

**DEFINITION:** The CO may request administrative support from the Industrial Property Management Specialist (IPMS) according to FAR 42.302 (27) Property Administration (FAR Part 45); (28) ...disposal of contractor inventory (45.6); (65) Close-out [Ref. 4.804-5 (a)(5) Plant clearance report/(6) Property clearance,] and if authorized 42.302 (b)(11) Support the preparation of evaluations of contractor performance (FAR 42.15). The IPMS should display the specialized knowledge, skill and ability described in this section.

### *Purpose and Outcomes (Terminal Learning Objectives)*

1. Review the assignment for all tasks to be completed and documented
2. Coordinate input from all sources, including the contractor's alternate locations (prime or sub) to support a zero balance on the contract property account and notification was distributed to update associated APSR records to reflect the removal from the contractor's custody
3. Ensure that a comprehensive summary of activity shows that any payable accounts are closed, such as rental or liability payments, along with the closure of related issues.
4. Record the final status of the contractor's property system is recorded with the official close-out of the property administration assignment.

### **GENERAL INFORMATION/NARRATIVE:**

1. Review the contract assignment for all tasks to be completed and documented

The delegation for property may include specific reports, such as NASA's 1018, or to return or transfer property.

2. Coordinate input from all sources, including the contractor's alternate locations (prime or sub) to support a zero balance on the contract property account

Validate contractor reports of completion of property tasks and distribute information to support stakeholder files, and ensure that information is provided so that the associated APSR records can reflect the removal of property from the contractor's custody

3. Ensure that a comprehensive summary of activity shows that any payable accounts are closed, such as rental or liability payments, along with the closure of related issues, such as property loss investigations.

Open action items on file and in on-line systems, including E-tools applications for PCARSS and LTDD should show closure of all items related to the contract being closed. It's prudent to let team members who have collaborated on actions be aware that the final review is under way, in case there are any comments to be added. A letter to the contractor should identify open actions and request any additional open issues. If there are no known further actions, or request an affirmation from the contractor that there are no outstanding issues.

4. Record the final status of the contractor's property system is recorded with the official close-out of the property administration assignment

Only if requested, there may be a need for the IPMS to provide an evaluation for contractor past performance. In any case, the contractor's procedures and general information should be retained if it is considered to have potential value to support future assignments.

### **DEFENSE ACQUISITION GUIDEBOOK, POLICIES, DIRECTIVES, REGULATIONS, LAWS:**

Post-award: FAR Subpart 52.245-1 Government Property (b) *Property management*.

(1) The Contractor shall have a system to manage (control, use, preserve, protect, repair and maintain) Government property in its possession. The system shall be adequate to satisfy the requirements of this clause. In doing so, the Contractor shall initiate and maintain the processes, systems, procedures, records, and methodologies necessary for effective control of

Government property, consistent with voluntary consensus standards and/or industry-leading practices and standards (1) *Communication*. All communications under this clause shall be in writing.

DCMA Guidebook Section 1

**BEST PRACTICES, LESSONS LEARNED, STORIES, GUIDES, HANDBOOKS, TEMPLATES, EXAMPLES, TOOL:**

Suggestions and contributions are requested

**COMMUNITIES OF PRACTICE:**

Government Property

**TRAINING RESOURCES:**

TBD

**RELATED ARTICLES:**

Suggestions and contributions are requested

## Development through Deployment: (6) Plan a PMSA

Task 6 of 10 for the Development through Deployment stage; other tasks: (1) Review the Contract, (2) Establish Property Admin Records, (3) Report Contract Deficiencies, (4) Construct a Risk Analysis, (5) Establish Property Audit Objectives, (7) Conduct PMSA, (8) Respond to Reports of Property Loss, (9) Monitor unscheduled processes, (10) Dispose of property that is no longer required for performance –Refer to Section 3: Task (7) Administer FAR 45.6.

**DEFINITION:** The CO may request administrative support from the Industrial Property Management Specialist (IPMS) according to FAR 42.302 (a) (3) Post-award orientation, (27) Property Administration (FAR Part 45) and (28) ...disposal of contractor inventory (45.6); as well as to support (30) Requests for Government property and (65) Close-out [Ref. 4.804-5 (a)(5) Plant clearance report/(6) Property clearance,] and only when authorized 42.302 (b)(11) Support the preparation of evaluations of contractor performance (FAR 42.15). The IPMS must display the specialized knowledge, skill and ability described in this section for the administration of the contractor's property management system.

### *Purpose and Outcomes (Terminal Learning Objectives)*

1. Recognize the risks of achieving contract objectives, specific to the provision of property
2. Identify the processes that must be controlled to mitigate the risks
3. Analyze the level of risk and the appropriate plan/methods to mitigate the risk

### **GENERAL INFORMATION/NARRATIVE:**

The PMSA plan should be a direct reflection of the audit objectives established with those who will receive the audit report. There is no justification to conduct routine oversight that doesn't communicate with a stake holder who will use the information to base a decision. The IPMS is responsible to establish communication with the ACO to plan a PMSA that will provide the necessary information to accept the adequacy of the contractor's property control methods, or to determine that there are corrective action plans. Under no circumstances should a PMSA be completed for distribution to the file only. Further, it is necessary to include the ACO in the PMSA planning stage to comply with the requirements of FAR 42.402 -- Visits to Contractors' Facilities, which states:

Government personnel...shall provide the cognizant CAO with the following information, sufficiently in advance to permit the CAO to make necessary arrangements. Such notification is for the purpose of eliminating duplicative reviews, requests, investigations, and audits relating to the contract administration functions in [Subpart 42.3](#) delegated to CAO's and shall, as a minimum, include the following (see also paragraph (b) of this section):

- (1) Visitors' names, official positions, and security clearances.
- (2) Date and duration of visit.
- (3) Name and address of contractor and personnel to be contacted.
- (4) Contract number, program involved, and purpose of visit.
- (5) If desired, visitors to a contractor's plant may request that a representative of the CAO accompany them. In any event, the CAO has final authority to decide whether a representative shall accompany a visitor.

(b) If the visit will result in reviewing, auditing, or obtaining any information from the contractor relating to contract administration functions, the prospective visitor shall identify the information in sufficient detail so as to permit the CAO, after consultation with the contractor and the cognizant audit office, to determine whether such information, adequate to fulfill the requirement, has recently been reviewed by or is available within the Government. If so, the CAO will discourage the visit and refer the prospective visitor to the Government office where such information is located. Where the office is the CAO, such information will be immediately forwarded or otherwise made available to the requestor.

The DCMA Guidebook provides the following in Sections 6, 7, 8 and 9:

6. Identify Contractor Future Performance Risk (Risk Identification). The PA shall:

6.1. Consider the current status of the contractor's property management system, previous PMSA results, potential program impact due to property type or criticality (see paragraph 10.3.5.), past performance, prior experience with the contractor,

contractor procedural changes, other audit findings, past deficiencies and corrective actions, results of pre-award and post-award conferences, and any other sources of reliance. Dollar values or amounts of property in a contractor's possession are not meaningful factors for determining performance risk.

6.2. Assess the likelihood or probability of unfavorable future events ("what could go wrong?").

6.3. Estimate the consequence or impact of those events ("what is the potential impact on the Government?").

6.4. Assign Risk Rating. The PA shall assign risk ratings (high, moderate, low) based on the following criteria:

6.4.1. High Risk.

6.4.1.1. Criteria. High Risk means that the contractor's system was deemed inadequate due to significant or systemic deficiencies. Significant deficiencies can include, but are not limited to contractor processes that are chaotic, undocumented and inconsistent; findings of fraud, waste and abuse; safety or national security concerns; cost, schedule, performance issues; and compromise or potential compromise of contract terms and conditions. High risk contractors include those with a pattern of questionable, inconsistent, chaotic or ad-hoc processes and practices, shoddy or non-existent procedures, and poor internal controls.

6.4.2. Moderate Risk.

6.4.2.1. Criteria: Moderate Risk means that, although the contractor's property management system is in an adequate status, new or changing conditions pose a degree of uncertainty or potential threat to future performance. Moderate Risk contractors can include inexperienced contractors furnished with or acquiring property for the first time; contractors without fully developed procedures and systems; contractors who have deployed or who are in the process of deploying a new property management system, or those with new management teams. Moderate Risk contractors can also include those contractors (including former High Risk contractors) who have completed all corrective actions, but do not yet meet low risk criteria.

6.4.3. Low Risk.

6.4.3.1. Criteria: Low Risk means that the contractor's auditable processes are consistent with all contract terms and conditions, are embedded within the organization and supported throughout all levels of management. Low risk can also mean that the contractor focuses continually on improving its processes through both incremental and technological improvements. The system is well-managed, effective and efficient; processes produce consistent positive results; cost, schedule, performance or other contractual requirements are not in danger of being compromised, and there are adequate internal controls and no known deficiencies.

7. Determine PMSA Type. The PA shall

7.1. Consider all of the sources of reliance available in order to make an informed decision as to the type and scope of testing necessary for a given PMSA.

7.2. Determine the appropriate PMSA type as follows:

7.2.1. Standard PMSAs require entrance and exit conferences, detailed tests, and formal examination and evaluation of the contractor's property management system. See paragraph 10, Conduct Standard PMSA.

7.2.2. Limited PMSAs require informal "desk audits." Unlike Standard PMSAs, which involve formal testing and evaluation, Limited PMSAs rely on contractor responses to a series of questions covering each required element of the contractor's property management system. See paragraph 10.4, Conduct Limited PMSA.

8. Schedule PMSA. The PA shall:

8.1. Schedule the PMSA by October 31 of each fiscal year, based on the following:

8.1.1. High Risk. A Standard PMSA at least annually until such time as the contractor improves to at least the moderate risk level and the PA determines that the overall status of the contractor's system justifies a reduced level of oversight.

8.1.2. Moderate Risk. A Standard, Limited PMSA or site visit as frequently as conditions warrant.

8.1.3. Low Risk. A Limited PMSA or site visit as frequently as conditions warrant, but at least once every three years.

9. Record PMSA Schedule. The PA shall record the PMSA schedule in Defense Property Administration Data System (DPADS).

**DEFENSE ACQUISITION GUIDEBOOK, POLICIES, DIRECTIVES, REGULATIONS, LAWS:**

42.402 -- Visits to Contractors' Facilities

(a) Government personnel planning to visit a contractor's facility in connection with one or more Government contracts shall provide the cognizant CAO with the following information, sufficiently in advance to permit the CAO to make necessary arrangements. Such notification is for the purpose of eliminating duplicative reviews, requests, investigations, and audits relating to the contract administration functions in [Subpart 42.3](#) delegated to CAO's and shall, as a minimum, include the following (see also paragraph (b) of this section):

(1) Visitors' names, official positions, and security clearances.

(2) Date and duration of visit.

(3) Name and address of contractor and personnel to be contacted.

(4) Contract number, program involved, and purpose of visit.

(5) If desired, visitors to a contractor's plant may request that a representative of the CAO accompany them. In any event, the CAO has final authority to decide whether a representative shall accompany a visitor.

(b) If the visit will result in reviewing, auditing, or obtaining any information from the contractor relating to contract administration functions, the prospective visitor shall identify the information in sufficient detail so as to permit the CAO, after consultation with the contractor and the cognizant audit office, to determine whether such information, adequate to fulfill the requirement, has recently been reviewed by or is available within the Government. If so, the CAO will discourage the visit and refer the prospective visitor to the Government office where such information is located. Where the office is the CAO, such information will be immediately forwarded or otherwise made available to the requestor.

**BEST PRACTICES, LESSONS LEARNED, STORIES, GUIDES, HANDBOOKS, TEMPLATES, EXAMPLES, TOOL:**

Suggestions and contributions are requested

**COMMUNITIES OF PRACTICE:**

Government Property

**TRAINING RESOURCES:**

TBD

**RELATED ARTICLES:**

Suggestions and contributions are requested

## **Development through Deployment: (7) Conduct a PMSA**

Task 7 of 10 for the Development through Deployment stage; other tasks: (1) Review the Contract, (2) Establish Property Admin Records, (3) Report Contract Deficiencies, (4) Construct a Risk Analysis, (5) Establish Property Audit Objectives, (6) Plan a PMSA, (8) Respond to Reports of Property Loss, (9) Monitor unscheduled processes, (10) Dispose of property that is no longer required

**DEFINITION:** The CO may request administrative support from the Industrial Property Management Specialist (IPMS) according to FAR 42.302 (a) (3) Post-award orientation, (27) Property Administration (FAR Part 45) and (28) ...disposal of contractor inventory (45.6); as well as to support (30) Requests for Government property and (65) Close-out [Ref. 4.804-5 (a)(5) Plant clearance report/(6) Property clearance,] and only when authorized 42.302 (b)(11) Support the preparation of evaluations of contractor performance (FAR 42.15). The IPMS must display the specialized knowledge, skill and ability described in this section for the administration of the contractor's property management system.

### *Purpose and Outcomes (Terminal Learning Objectives)*

19. Conduct an in-Brief
20. Accumulate data
21. Analyze data
22. Identify strengths and weaknesses
23. Conduct an out-brief and distribute a PMSA summary

### **GENERAL INFORMATION/NARRATIVE:**

The IPMS' single most important contribution is the Property Management System Audit (PMSA). The property entrusted to the contractor's stewardship under terms that relieve the contractor of property loss, except on rare occasions. When the IPMS provides evidence of an undue risk of loss, the KO/ACO can revise terms to make the contractor responsible to restore the value lost. The PMSA provides documentation in a manner consistent with the Generally Accepted Government Auditing Standards (GAGAS) to support the KO/ACO's determination that an undue risk necessitates the withdrawal of terms that limit the contractor's liability.

The IPMS would be prudent to read the GAGAS document found at <http://www.gao.gov/new.items/d10853g.pdf> with the exception of portions that are specific to audits other than a Performance Audit. A GAGAS compliance statement should be included in the PMSA summary, yet cannot be stated unless the IPMS adheres to the high ethical and professional standards of any Government auditing activity.

#### 1. Conduct an in-Brief

The In-Brief is more than a technicality; here, the IPMS sets the tone of the audit. As the IPMS presents the audit objectives, those involved in establishing the objectives, who will receive the report of findings, should be recognized. The intent of the audit is to ascertain that the contractor has achieved, or is able to achieve the appropriate standards of control to remain stewards of Government property with limited liability for loss. Since the impact of the audit affects the terms of the contract with regard to contractor liability, both managerial personnel and employees who will coordinate the retrieval of data should attend. An attendance list and summary is required; the PMSA In-brief is an officially documented meeting.

An hour should allow enough time to present an overview of each process that will be reviewed, and how the method of review was determined during the PMSA planning stage. The meeting typically takes place immediately prior to the onset of the review, so the groundwork must be done prior to the in-brief. The conclusion of the in-brief should reassure all concerned (ALCON) that the plan is workable and that the results will be shared continually in an attitude of cooperation. If any findings indicate that a corrective action may be needed, those findings will be communicated without delay to ALCON for the prompt preparation of a response. Both Government and Contractor team members should appreciate the opportunity for continuous improvement that the audit will provide.

#### 2. Accumulate data

The use of statistical random sampling reduces the effort to view data elements for non-sensitive line items that exceed 18. For example 10,000 lines require 43 samples, for a 97% confidence level when random sampling is employed. Depending on the risk, a 90% confidence level may be used. The IPMS must support that the data was accumulated without bias from a lot size

that reflects the characteristics that are the subject of the audit objective. One way to ensure objectivity is to place all line items in one random list, add a column that counts the lines, and use the statistical sample tool found at [www.Randomizer.org](http://www.Randomizer.org) to generate two lists of the correct amount of random numbers to select the samples. Retain a printout of the screen to support the use of these numbers to identify line items that will be examined. When characteristics involve sensitive items, a 100% sampling may be necessary. A sample size chart is provided under the heading for tools below. Appropriate worksheets should be prepared to insert the data in a manner that will support a checklist and notes after the data is prepared to be analyzed. The accumulation of data is totally objective; no notes are needed unless there is a problem encountered in the effort to locate the data associated with the random sample. In that case, ALCON should be noted and a determination agreed upon and noted to continue the audit with a revised plan. To the extent possible, stay with the planned sequence and time for the review of each process to minimize unexpected demands or intrusion on the contractor's personnel and routine.

### 3. Analyze data

Every audit activity introduces opportunities for lessons to be learned. The skill of the IPMS as a communicator must be displayed to encourage discussion without fear of reprisal. The IPMS needs to apply insights, yet not reach any conclusions about any apparent discrepancies until the specific conditions of the contract are understood. A finding should be recognized by ALCON when it is objective and appropriate. Any disagreements over the finding of a need for corrective action must be noted in the summary of findings. Technical support should be sought from team members or resources that stakeholders may make available for areas that need clarification, such as how to test a storage area for appropriate environmental control, or maintenance plans for items that require calibration. The plan should allow for adequate time to ensure the analysis is thorough and well documented.

### 4. Identify strengths and weaknesses

The skillful IPMS prepares the findings of an analysis in a manner continues to build appreciation for the opportunity that the audit presents for improvements, as well as to commend areas that achieved compliance. If any area is identified as weak, the standard used to assess the weakness needs to be examined to ensure that achievement of that standard is relevant and that the risk presented justifies the recommended corrective action. The audit objectives must remain in focus at all times. It is the contractor's responsibility to respond to a finding of a systemic weakness; however, the findings must be presented with well-supported documentation by the IPMS and enough discussion to ensure that the problem is understood.

### 5. Conduct an out-brief and distribute a PMSA summary

The tentative date of the PMSA out-brief should be updated as necessary to allow ALCON to receive the final review. Although there may be a follow-on analysis, the scheduled PMSA reaches a conclusion with an out brief, as planned. If there are findings that will require a corrective action, provide a concise summary in the conclusion. The next step is a separate audit activity; not to be confused with the achievement of the audit objectives for the PMSA that has been concluded. In this manner, the IPMS can encourage a forward-looking momentum. Under any circumstances the contractor should receive appreciation for their best effort to accommodate the planned PMSA.

Sections 10-14 of the DCMA Guide provide the following instructions:

#### 10. Conduct PMSA. For new contractors, i.e., contractors never before administered by DCMA, the PA shall:

10.1. Conduct a PMSA (Standard or Limited, as appropriate) within 12 months from the date the new contractor received or acquired the property. If sensitive property is involved, PAs shall perform a PMSA within 6 months from the date the new contractor received or acquired the sensitive property.

10.2. Conduct all other PMSAs by the date scheduled. PAs may revise or extend the date scheduled based on individual circumstances. However, PMSAs going beyond the fiscal year require Property Division Director approval (if under the cognizance of the Property Division). PMSAs under DCMAI require OCONUS Contract Management Office (CMO) approval; PMSAs under DCMAS require CMO Contracts Director approval.

10.3. Standard PMSAs. Only applicable (those that apply to a given PMSA) and relevant processes need to be reviewed. However, each applicable process shall be tested at least once every three years. The PA shall:

10.3.1. Notify the contractor in-writing (pre-notice) at least 30 days prior to starting the PMSA; provide a copy to the ACO.

10.3.2. Review (plan) the contractor's written procedures. This review is essential as it provides a sense of the contractor's operation. In general, procedures that are well designed, up-to-date, with strong internal controls will generally produce consistent results. In contrast, contractor procedures that have been obviously neglected can forecast inadequate findings.

10.3.3. Ensure that contractor procedures assign responsibilities and describe the methods for performing prescribed tasks; address property management related terms and conditions; have adequate management control measures such as statistical process controls that define and manage normal process variation (as applicable).

10.3.4. Perform process risk assessment (do) of the process outcomes identified in FAR 52.245-1, Government Property, and any other applicable property-related contract terms and conditions.

10.3.5. Perform annual on-site reviews of records, storage, utilization and physical inventories processes (at a minimum) if sensitive property is involved. Less frequent reviews or reviews not performed on-site (for contract closeout purposes for example) require the approval of the PA's supervisor.

10.3.6. Isolate and analyze root causes, determine relationships to other risks, and express in terms of probability and consequences. This includes both qualitative and quantitative analyses.

10.3.7. Perform (check) sufficient testing of the following process outcomes as applicable:

- Acquisition {hyperlink}
- Receiving {hyperlink}
- Records {hyperlink}
- Physical Inventory {hyperlink}
- Subcontractor Control {hyperlink}
- Utilization {hyperlink}
- Storage {hyperlink}
- Consumption {hyperlink}
- Maintenance {hyperlink}
- Disposition/Contract Close-out {hyperlink}
- Scrap Processing {hyperlink}
- Reports {hyperlink}

10.3.8. Validate (act) the alignment and consistency of the results of testing against the contractor's written procedures.

10.4. Limited PMSA. The PA shall:

10.4.1. Develop a series of questions covering each required element of the contractor's property management system; interview the contractor to determine whether the contractor is complying with the contract terms and conditions.

10.4.2. Validate/evaluate the results of the interview by obtaining samples of relevant documents such as receiving reports.

10.4.3. Document in a memorandum for the record:

- The list of the questions that were developed for each required element of the contractor's property management system; and the contractor's responses
- Documentation to support the adequacy and accuracy of the contractor's response
- Rationale for adequacy or inadequacy determinations for each required element of the contractor's property management system

10.4.4. Conduct a Standard PMSA if the Limited analysis reveals potential deficiencies. In lieu of a Standard PMSA, however, the PA may conduct a site visit to resolve the issue(s).

10.4.5. Manage deficiencies in the same manner as Standard Analyses Managerial personnel are required to attend the in-brief and out-brief; property system reviews are important events of the contract life-cycle. Other specialists that will participate in the review of relevant processes, such Safety Specialist to review the storage of hazardous items, should also attend.

## 11. Establish Sampling Plan.

11.2. Statistical Sampling. Sampling is a tool that supports, not supplants, the PA's judgment. Provided the number of transactions or records is large enough to allow a statistically valid sample to be obtained, random sampling is the preferred surveillance method, because it is an efficient way to obtain an unbiased, comprehensive evaluation of contractor performance. In all cases, populations should encompass the maximum number of items possible within a process segment that have common characteristics. The PA shall:

11.2.1. Develop a sampling plan appropriate for testing the contractor's system based on the following:

11.2.1.1. 97% confidence level (defects of 3 percent or more, if they exist 97% of the time). 97% confidence levels may be used for transaction testing of processes requiring a high degree of accuracy.

11.2.1.2. 95% confidence level (defects of 5 percent or more, if they exist, 95 percent of the time). 95% confidence levels may be used for transaction testing of processes requiring a moderate to high degree of accuracy.

11.2.1.3. 90% confidence level (defects of 10 percent or more, if they exist, 90 percent of the time). 90% confidence levels are suitable for transaction testing of most contractor property management processes.

11.2.1.4. Less than 90% confidence level. Though rarely used, confidence levels of less than 90% may be appropriate for clearly low risk processes. The sample size generator at <http://www.raosoft.com/samplesize.html> may be used for this purpose.

11.2.1.5. Judgment sampling: the process by which a number of items or areas are selected from the population for analysis without meeting the random selection and sample size criteria. Judgment sampling is useful for process segments that do not lend themselves to any other methods of sampling. For example, when reviewing the contractor's operation from a property to records ("floor to book") perspective.

11.2.1.6. Purposive sampling: the process by which known, suspected or reported conditions of a critical or substantial nature are used to select areas, items or actions for review to determine their potential adverse impact.

11.2.2. Document the plan in the PMSA work papers.

11.2.3. Draw samples as follows:

11.2.3.1. For transactional processes, the population shall consist of the universe of total transactions occurring in the past year (365 days) days (in other words, 365 days prior to the start of the PMSA) or since the prior PMSA, whichever is less, in order to obtain a sufficient number of samples.

11.2.3.2. For non-transactional processes, the population shall consist of the total number non-transactional attributes. In the case of storage (which is not transaction based), for example, the population would consist of all storage sites.

11.2.4. Analyze defects from both a quantitative and qualitative perspective, i.e., the significance and/or materiality of the defects (notwithstanding that established statistical sampling tables provide acceptance and rejection rates for set populations).

12. Conduct Entrance Conference. For Standard PMSAs, the PA shall:

12.1. Inform the contractor of the scope of review and the timeline for completion.

12.2. Establish with the contractor a mutual understanding of sampling procedures to be used. However, no prior commitment should be made regarding sample reliability.

12.3. Discuss the status of any unresolved deficiencies, contractor proposed changes to the property management system, deficiencies identified by the contractor through self-assessments or other internal reviews, and any and all related corrective actions.

13. Identify, Assess, and Resolve Contractor Deficiencies. The PA shall:

13.1. Assess the significance of any deficiencies identified during the PMSA or from other reviews and audits; determine if the deficiencies are significant and/or systemic.

13.2. Notify the contractor of any deficiency (FAR 45.105(b)) in writing as soon as the deficiency is discovered; bring significant/systemic deficiencies to the attention of the contractor's managerial personnel (as defined in FAR 45.101).

13.3. Request the contractor provide a corrective action plan and a schedule for its completion; the corrective action plan shall include a root cause analysis of each deficiency,

13.4. Allow the contractor a reasonable amount of time to complete all corrective actions. Contractors requiring more than 60 days (from the date of the system status letter, see paragraph 15) to complete all corrective actions require Property Team Leader approval (for PMSAs under the cognizance of the Property Division). PMSAs under DCMAI require OCONUS Contract Management Office (CMO) approval. PMSAs under DCMAS require CMO Contracts Director approval.

13.5. Ensure contractor corrective actions are meaningful and adequate.

13.6. Provide copies of all correspondence to the ACO and, if appropriate, the Procuring Contracting Officer and requiring activity/program manager.

13.7. Ensure PMSA documentation provides a clear understanding of the work performed and its conclusions.

13.8. Revise/reaffirm contractor risk rating.

14. Conduct Exit Conference. For Standard PMSAs, the PA shall:

14.1. Conduct an exit conference to inform the contractor of the results of the review.

14.2. Invite Contractor managerial personnel and the ACO to exit conferences concerning significant deficiencies. If disposition issues are involved, PAs shall invite the Plant Clearance Officer (PLCO).

14.3. Note actions already taken by the contractor, if any, to resolve or correct deficiencies.

14.4. Document the results of the exit conference in the PMSA file.

15. Prepare and Send a System Status Letter. Upon completion of the PMSA, formally notify the contractor of the findings and conclusions (adequate or inadequate). For Standard PMSAs, PAs shall send the system status letter within 10 days of the exit conference.

16. Revise/Reaffirm Contractor Risk Rating. The PA shall revise or reaffirm, as appropriate, the contractor's risk rating—within 10 days of completing the PMSA.

18. Update MOCAS/DPADS. Within 10 days of completing the PMSA, the PA shall update "Function B – Property Control System Data" and "Function C – Government Property in Custody of Contractor Data (see <http://mocasbb.dema.mil/MOCAS>), including the date completed, system status, inadequate processes, next scheduled review, current quantities and dollar values and current risk rating, i.e., High/Moderate/Low. PAs assigned to DCMAI or DCMAS that do not use MOCAS shall use manual logs or records to document completion of the PMSA.

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Property risk management is organized by process outcomes in this section, under the task (5) Establish Property Audit Objectives. The PMSA is conducted to examine the data to support an objective analysis of the applicable processes for all contracts at the contractor's facility. The processes that apply in most cases are: Management, Receiving, Records, Use and Close-out. The contractor's written plan only needs to address what is applicable.

### **DEFENSE ACQUISITION GUIDEBOOK, POLICIES, DIRECTIVES, REGULATIONS, LAWS:**

Post-award: FAR Subpart 52.245-1 Government Property (b) *Property management*.

(1) The Contractor shall have a system to manage (control, use, preserve, protect, repair and maintain) Government property in its possession. The system shall be adequate to satisfy the requirements of this clause. In doing so, the Contractor shall initiate and maintain the processes, systems, procedures, records, and methodologies necessary for effective control of

Government property, consistent with voluntary consensus standards and/or industry-leading practices and standards (1)  
*Communication.* All communications under this clause shall be in writing.

DCMA Guidebook Section 1

## APPENDIX B 2 95% CONFIDENCE DOUBLE SAMPLING PLAN

**(95% confidence of rejecting lots having 10% or more defects)**

Lot Range	Sample Size 1	Accept if Defects in Sample 1 Are	Reject if Defects in Sample 1 Are	Continue with Sample 2 if Defects in Sample 1 Are	Sample Size 2	Accept if sum of Defects in Samples 1 and 2 Equals or is Less Than	Reject if Sum of Defects in Samples 1 and 2 Equals or Exceeds
1-22	All	0	1	-	-	-	-
23-50	22	0	1	-	-	-	-
51-90	25	0	2	1	25	1	2
91-150	30	0	3	1 or 2	30	2	3
151-400	37	0	4	1,2 or 3	37	3	4
401-10,000	39	0	4	1,2 or 3	39	3	4
10,001-35,000	45	0	5	1,2,3 or 4	45	4	5
35,001-100,000	52	0	6	1,2,3,4, or 5	52	5	6
100,000 +	58	0	7	1,2,3,4,5, or 6	58	6	7

**APPENDIX B 3**  
**97% CONFIDENCE DOUBLE SAMPLING PLAN**

**(97% confidence of rejecting lots having 10% or more defects)**

<b>Lot Range</b>	<b>Sample Size 1</b>	<b>Accept if Defects in Sample 1 Are</b>	<b>Reject if Defects in Sample 1 Are</b>	<b>Continue with Sample 2 if Defects in Sample 1 Are</b>	<b>Sample Size 2</b>	<b>Accept if sum of Defects in Samples 1 and 2 Equals or is Less Than</b>	<b>Reject if Sum of Defects in Samples 1 and 2 Equals or Exceeds</b>
1-25	All	0	1	-	-	-	-
26-50	25	0	1	-	-	-	-
51-90	28	0	2	1	28	1	2
91-150	33	0	3	1 or 2	33	2	3
151-400	41	0	4	1,2 or 3	41	3	4
401-10,000	43	0	4	1,2 or 3	43	3	4
10,001-35,000	50	0	5	1,2,3 or 4	50	4	5
35,000-100,000	56	0	6	1,2,3,4, or 5	56	5	6
100,00 +	63	0	7	1,2,3,4,5, or 6	63	6	7

**BEST PRACTICES, LESSONS LEARNED, STORIES, GUIDES, HANDBOOKS, TEMPLATES, EXAMPLES, TOOL:**

Suggestions and contributions are requested

**COMMUNITIES OF PRACTICE:**

Government Property

**TRAINING RESOURCES:**

TBD

**RELATED ARTICLES:**

Suggestions and contributions are requested

## **Sustainment/Disposal: (7) Distribute history**

Task 7 of 7 for Sustainment/Disposal, other Tasks: (1) Review final inventory (2) Ascertain updates to the Accountable Property System of Record (APSR); (3) Assist with shipments; (4) Administer FAR 45.6; (5) Coordinate Demil, (6) Certify completion

**DEFINITION:** The CO may request administrative support from the Industrial Property Management Specialist (IPMS) according to FAR 42.302 (65) Close-out [Ref. 4.804-5 (a)(5) Plant clearance report/(6) Property clearance,] and if authorized 42.302 (b)(11) Support the preparation of evaluations of contractor performance (FAR 42.15). The IPMS should display the specialized knowledge, skill and ability described in this section.

### *Purpose and Outcomes (Terminal Learning Objectives)*

1. Deliver the Property Contract File to the ACO
2. Advise stakeholders of how property information can be retrieved

### **GENERAL INFORMATION/NARRATIVE:**

1. Deliver the Property Contract File to the ACO

The documentation pertinent to the IPMS contribution to contract administration is official information to be incorporated in the contract file by the ACO, or CO if it were a property-only delegation. The format should reflect the standards for the Agency.

2. Advise stakeholders of how property information can be retrieved

A notification to the stakeholders is advised to bring the assignment to a professional conclusion. Customer feedback should also be requested to support continuous improvement.

### **DEFENSE ACQUISITION GUIDEBOOK, POLICIES, DIRECTIVES, REGULATIONS, LAWS:**

Close-out

### **BEST PRACTICES, LESSONS LEARNED, STORIES, GUIDES, HANDBOOKS, TEMPLATES, EXAMPLES, TOOL:**

Requested

### **COMMUNITIES OF PRACTICE:**

Government Property

### **TRAINING RESOURCES:**

TBD

### **RELATED ARTICLES:**

Contributions will be appreciated.

## **Development through Deployment: (8) Respond to Reports of Property Loss**

Task 8 of 10 for the Development through Deployment stage; other tasks: (1) Review the Contract, (2) Establish Property Admin Records, (3) Report Contract Deficiencies, (4) Construct a Risk Analysis (5) Establish Property Audit Objectives (6) Plan a PMSA; (7) Conduct PMSA, (9) Monitor unscheduled processes, (10) Dispose of property that is no longer required

**DEFINITION:** The CO may request administrative support from the Industrial Property Management Specialist (IPMS) according to FAR 42.302 (a) (3) Post-award orientation, (27) Property Administration (FAR Part 45) and (28) ...disposal of contractor inventory (45.6); as well as to support (30) Requests for Government property and (65) Close-out [Ref. 4.804-5 (a)(5) Plant clearance report/(6) Property clearance,] and only when authorized 42.302 (b)(11) Support the preparation of evaluations of contractor performance (FAR 42.15). The IPMS must display the specialized knowledge, skill and ability described in this section for the administration of the contractor's property management system

### *Purpose and Outcomes (Terminal Learning Objectives)*

24. Establish communication with the contractor that ensures prompt reporting of incidents of loss
25. Follow prescribed methods to receive notification of a loss and to open an LTDD case
26. Conduct an investigation, including corrective action plan, and determine liability; close case
27. Maintain data in a manner that supports recognition of a trend

### **GENERAL INFORMATION/NARRATIVE:**

The IPMS is responsible to mitigate the risk of recurrence of loss. When a loss occurs, a report is required as soon as the facts are known. The initial report may be a one-line email notification, until the remaining facts can be researched. Any delay in reporting an incident may result in avoidable losses due to a lack of protection of the property involved, for example if an item is stolen due to a security breach. An official electronic report is required, whether or not there was an initial notification of the incident.

The official repository of data for reports of loss is found by a link to the LTDD e-tool application found on the DCMA home page. The IPMS ensures the information is clear, complete and accurate by conducting an investigation. A skilled IPMS can determine factors that contributed to the circumstances of the loss. When those factors can be influenced by improved property control, or when the impact of the loss could be lessened, a recommendation will be made.

For example, if an environment necessitates that cell phones are provided to contractor employs who provide services, but those cell phones are frequently stolen, the model of the phone may be changed to a less costly model without any adverse impact on contract performance. In many cases, a change in procedures or additional training can prevent or minimize the risk of a similar incident in the future. Although the contract terms usually limit the contractor's liability, an investigation contributes to the establishment of the best possible property management system.

The IPMS has a limited time frame of 30 days to keep an investigation open without explaining the delay. The case is closed with an official determination that is based on the terms in effect at the time of the incident. Unless those terms provided that the contractor may be held liable for the value of the property lost, a letter will be provided by the IPMS that the contractor can use to support an adjustment of all records related to the property involved. If repair or replacement of the item is required, which would be appropriate for an active property record, funding for the property needs to be coordinated through the ACO. The associated property records need to reference the LTDD case for accountability, including the Accountable Property System of Record (ASPR). A history of losses should be maintained to identify trends, and any lessons learned should be shared to the extent that similar risks may be minimized for the future.

1. Establish communication with the contractor that ensures prompt reporting of incidents of loss

The IPMS is responsible to ensure the contractor has clear procedures that are understood by all custodians of property, so that any incident of loss will be reported without delay. The contractor may assign a few employees to have access to the LTDD e-tool on the behalf of all other property custodians. A failure to prepare prompt and accurate reports of loss is an indicator of a systemic weakness in the process of property management. Also, if losses are not reported at subcontractor locations, the prime is responsible to ensure reports are submitted.

2. Follow prescribed methods to receive notification of a loss and to open an LTDD case

The official notification of an incident of loss is submitted through the DCMA LTDD e-tool. The IPMS will receive an automated notice that an item has been added to the in-basket for action. Email and other electronic copies of documentation can be uploaded using the browse function of the e-tool. When support property administration is needed, the prime will forward the case for acceptance by the IPMS in the geographical area of the incident.

### 3. Conduct an investigation, including corrective action plan, and determine liability; close case

The IPMS must gather information, recognize the factors involved, and consider methods that could reduce the risk of a similar incident. If appropriate the incident may initiate a plan for a PMSA of the process involved; for example, damage caused by a lack of preventative maintenance could prompt a review of the contractor's process to schedule and document routine maintenance.

### 4. Maintain data in a manner that supports recognition of a trend

The IPMS should retain a summary of the types of incidents that occur during a contract's performance to analyze any indications of a trend. Additionally, when a corrective action plan is found to have an impact on reducing a risk, the lesson learned should be shared with anyone who may benefit from the insight gained.

The DCMA Guidebook provides the following information in Sections 19, 20, and 21:

#### 19. Ensure Contractor Reporting of Property Loss (this includes property losses occurring under [DFARS 252.228-7001](#) Ground-and-Flight Risk). The PA shall:

19.1. Ensure the contractor reports property losses to the Lost, Theft, Damaged and Destroyed (LTDD) eTool, as applicable, including the "contractor narrative" section the information required of [FAR 52.245-1\(f\)](#) (vi) (B) (1) through (13). This is a separate requirement from any Service reporting required under the Aircraft Mishap Notifications Instruction ([DCMA INST 8210.2](#)) and [DoDI 6055.7](#), Mishap Investigation, Reporting, and Recordkeeping. **Where MOCAS is not used or unavailable (DCMAI or DCMAS), PAs shall use manual logs or records** containing the same data required by DCMA eTools.

#### 20. Determine Contractor Responsibility and Liability for Property Loss. **The PA shall**, within 90 days of receiving the contractor's report, either manually or electronically via the LTDD eTool application:

20.1. Review applicable contract terms and conditions.

20.2. Determine if the loss was the result of purposeful destructive testing, obsolescence, fair wear and tear or manufacturing defects.

20.3. Assess whether the loss involves inventory adjustments of nonsensitive consumable materials due to normal and reasonable process variation.

20.4. Follow the steps outlined in paragraph 13 (if determined that the loss was caused by deficiencies in the contractor's property management system).

20.5. Report the incident to DSS and DCMAC-X (if the lost property contains or potentially contains classified or sensitive data).

20.6. Ensure the contractor updates the DoD Item Unique Identification Registry as required by [DFARS 252.211-7007](#).

20.7. Initiate a Course of Action. **Consistent with the authority set forth in the PA's [Certificate of Appointment](#)**, and based upon the findings and conclusions resulting from the actions described in paragraphs 20.1 through 20.4, the PA shall either:

20.7.1. Relieve the contractor of responsibility ([FAR 45.105\(d\)](#)) or

20.7.2. Recommend to the ACO that the contractor:

- be held responsible and liable for the item's unit acquisition cost (in full or in part);
- repair or replace the property or,

- provide other such consideration as may be appropriate to the circumstances.

21. Hold Contractor Responsible and Liable. The ACO may hold contractors liable for property loss when:

21.1 The property loss results from willful misconduct or lack-of-good faith on the part of contractor's managerial personnel (FAR 52.245-1(h)(1)(ii)),

21.2. The Government's assumption of risk for property loss was previously withdrawn (FAR 45.104(b)),

21.3. Otherwise authorized in accordance with contract terms and conditions,

21.4. The loss is covered by insurance or the contractor is otherwise reimbursed.

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### **DEFENSE ACQUISITION GUIDEBOOK, POLICIES, DIRECTIVES, REGULATIONS, LAWS:**

Post-award: FAR Subpart 52.245-1 Government Property (b) *Property management*.

(1) The Contractor shall have a system to manage (control, use, preserve, protect, repair and maintain) Government property in its possession. The system shall be adequate to satisfy the requirements of this clause. In doing so, the Contractor shall initiate and maintain the processes, systems, procedures, records, and methodologies necessary for effective control of Government property, consistent with voluntary consensus standards and/or industry-leading practices and standards (1) *Communication*. All communications under this clause shall be in writing.

DCMA Guidebook Section 1

### **BEST PRACTICES, LESSONS LEARNED, STORIES, GUIDES, HANDBOOKS, TEMPLATES, EXAMPLES, TOOL:**

Suggestions and contributions are requested

### **COMMUNITIES OF PRACTICE:**

Government Property

### **TRAINING RESOURCES:**

TBD

### **RELATED ARTICLES:**

Suggestions and contributions are requested

## **Development through Deployment: (9) Monitor unscheduled processes**

Task 9 of 10 for the Development through Deployment stage; other tasks: (1) Review the Contract, (2) Establish Property Admin Records, (3) Report Contract Deficiencies, (4) Construct a Risk Analysis (5) Establish Property Audit Objectives (6) Plan a PMSA; (7) Conduct PMSA, (8) Respond to Reports of Property Loss, (10) Dispose of property that is no longer required

**DEFINITION:** The CO may request administrative support from the Industrial Property Management Specialist (IPMS) according to FAR 42.302 (a) (3) Post-award orientation, (27) Property Administration (FAR Part 45) and (28) ...disposal of contractor inventory (45.6); as well as to support (30) Requests for Government property and (65) Close-out [Ref. 4.804-5 (a)(5) Plant clearance report/(6) Property clearance,] and only when authorized 42.302 (b)(11) Support the preparation of evaluations of contractor performance (FAR 42.15). The IPMS must display the specialized knowledge, skill and ability described in this section for the administration of the contractor's property management system

### *Purpose and Outcomes (Terminal Learning Objectives)*

1. Maintain contact with assigned contractors
2. Update the property administration record
3. Keep ALCON apprised of changes, issues, or plans

### **GENERAL INFORMATION/NARRATIVE:**

The contractor's stewardship of property involves dynamic processes throughout contract performance. Additionally, continuous improvements to standard processes and new Policy, Guidance and Instruction should be communicated by the IPMS either by phone or written communication. For example, information learned at a conference may be applicable to a contractor's property system.

1. Maintain contact with assigned contractors

By remaining available between scheduled audits, the contractor may be reminded to review items that could be reported excess, or to raise questions to the IPMS that might wait until the next scheduled meeting.

2. Update the property administration record

The IPMS should be prepared for data calls from associates that rely on the IPMS for contractor contact information, accurate counts of workload data, the value of property accountable to a contract, and other property-related data, which is often retrieved from a data base. Supporting documents should reflect the date and source of the information.

3. Keep ALCON apprised of changes, issues, or plans

Any unscheduled site visit still needs to be coordinated according to FAR guidance for Site Visits. This includes follow-up visits for corrective actions and investigations of loss. All official business is a team activity in support of the Contracting Office's acquisition objectives.

The DCMA Guidebook provides the following instruction in Section 17:

17. Monitor Contractor Corrective Actions. The PA shall periodically follow up to ensure the contractor corrects any identified deficiencies and otherwise adheres to their corrective action plan.

17.1. Once the contractor completes all corrective actions (and notifies the PA in writing), the PA shall perform a re-analysis of the applicable processes (those processes found to be inadequate based on the PAs original analysis and determination) to ensure that the contractor's corrective actions are implemented and working as intended.

17.2. In the event additional deficiencies are found during the re-analysis, PAs shall follow the requirements of paragraph 13.

17.3. To the extent that re-analysis requires additional transactional testing, the re-analysis should take place only after sufficient transactions are available.

17.4. If the contractor fails to correct deficiencies in a reasonable amount of time, PAs shall notify the ACO. The ACO shall take necessary and appropriate action consistent with FAR 45.105 (b) (1) and (2).

**DEFENSE ACQUISITION GUIDEBOOK, POLICIES, DIRECTIVES, REGULATIONS, LAWS:**

Post-award: FAR Subpart 52.245-1 Government Property (b) *Property management*.

(1) The Contractor shall have a system to manage (control, use, preserve, protect, repair and maintain) Government property in its possession. The system shall be adequate to satisfy the requirements of this clause. In doing so, the Contractor shall initiate and maintain the processes, systems, procedures, records, and methodologies necessary for effective control of Government property, consistent with voluntary consensus standards and/or industry-leading practices and standards (1) *Communication*. All communications under this clause shall be in writing.

DCMA Guidebook Section 1

**BEST PRACTICES, LESSONS LEARNED, STORIES, GUIDES, HANDBOOKS, TEMPLATES, EXAMPLES, TOOL:**

Suggestions and contributions are requested

**COMMUNITIES OF PRACTICE:**

Government Property

**TRAINING RESOURCES:**

TBD

**RELATED ARTICLES:**

Suggestions and contributions are requested

## **Development through Deployment: (10) Dispose of property that is no longer required**

Task 10 of 10 for the Development through Deployment stage; other tasks: (1) Review the Contract, (2) Establish Property Admin Records, (3) Report Contract Deficiencies, (4) Construct a Risk Analysis (5) Establish Property Audit Objectives (6) Plan a PMSA; (7) Conduct PMSA, (8) Respond to Reports of Property Loss, (9) Monitor unscheduled processes,

**DEFINITION:** The CO may request administrative support from the Industrial Property Management Specialist (IPMS) according to FAR 42.302 (a) (3) Post-award orientation, (27) Property Administration (FAR Part 45) and (28) ...disposal of contractor inventory (45.6); as well as to support (30) Requests for Government property and (65) Close-out [Ref. 4.804-5 (a)(5) Plant clearance report/(6) Property clearance,] and only when authorized 42.302 (b)(11) Support the preparation of evaluations of contractor performance (FAR 42.15). The IPMS must display the specialized knowledge, skill and ability described in this section for the administration of the contractor's property management system

### *Purpose and Outcomes (Terminal Learning Objectives)*

1. Access potential assignments for timely review; summarize contract receipt & review (CRR) IAW Agency guidance
2. Recognize appropriate assignments and how to notify team leader & members, stakeholders and contractor of acceptance, including support property administration for alternate locations of prime or sub
3. Utilize appropriate electronic tools to input acceptance data

### **GENERAL INFORMATION/NARRATIVE:**

The details that pertain to disposal actions are found in Section 3-Sustainment and Disposal; however, it's imperative that a disposal plan recognize items that will no longer become excess during contract performance. The risks introduced by the retention of dormant property include:

- 1) Unnecessary administration costs for accountability, visibility, physical inventories, and warehousing
- 2) Potential costs for replacement when existing property was available for use
- 3) Increased risk of loss or damage to property that is moved to a dormant storage area
- 4) Reduced probability of optimal disposal determination due to expediting clearance to support close-out

The disposition of Government property may be planned for a contractor to execute guidance; it's not an inherently Governmental function. The property clause and contract provisions guide closure of the contractor's stewardship. The process begins any time that Government property is no longer required. Effective property management systems provide for prompt reporting by the contractor in accordance with FAR 52.245-1. Dormant property should be reviewed and its continued retention justified. Government property must first be screened against other Government contracts for further use, and in some instances such as material against all of the contractor's work, See DFARS 252.242-7004 – the Material Management Accounting System.

In accordance with FAR 45.106, Government property shall be transferred only to a contract when there is an established requirement. This shall be accomplished through contract modification as required by FAR 45.106. The contractor's property control system shall provide visibility for reutilization of excess up to the time of final disposition.

PA's Responsibility for Property Disposition.

The PA shall ensure that the contractor's Property Management System and processes cover the identification and disclosure of excess Government property.

The PA shall ensure that the contract the contractor follows contractual instructions.

For excess contractor acquired property the contractor shall comply with the requirements of the Government property clause, FAR 52.245-1(j), and attempt to return the excess contractor acquired property to their suppliers or purchase or retain at cost.

For Excess Government furnished property the contractor shall comply with the requirements of the Government property clause, FAR 52.245-1(j), and submit inventory disposal schedules in the specified time frames as set forth in the Government property clause, FAR 52.245-1(j).

Contractors may be authorized to use an “approved scrap procedure” (see FAR 52.245-1(j)). This procedure, particularly the sales aspect thereof, shall be reviewed by the plant clearance officer and if adequate determined to be acceptable by the PA, as part of the contractor's overall property management system. See Chapter 3, Section1, for further discussion of the “approved scrap procedure.”

Special Disposal Requirements. Special direction for the disposal of sensitive property and other types of property may be included in the contract by the CO. This may be necessary due to the potential harm that may be rendered by some types of Sensitive property, etc.

Use of the Defense Reutilization Marketing Services. Generally contractors are required to perform the actual disposition of Government property following the direction of the Government Plant Clearance Officer. In certain instances it may be more efficacious for the Government to direct the use of the DRMS. In such situations the contract shall specify this requirement and to ensure proper processing of excess contractor inventory through the DRMS versus the normal plant clearance process.

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Suggestions and contributions are requested

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Government Property

### **TRAINING RESOURCES:**

TBD

### **RELATED ARTICLES:**

Suggestions and contributions are requested