

Property in the Possession of a Contractor

1. What is property in the possession of a contractor?

Property in the possession of a contractor or “PIPC” is Government-owned property in the custody or stewardship of a contractor—accountable to a Government (DoD) contract.

There are four cohorts of PIPC: 1) Government Furnished Property, 2) Contractor Acquired Property, 3) Progress Payment Inventory, and 4) Real Property.

2. What is Government Furnished Property?

Government furnished property is property that is furnished to a contractor for performance of a Government (DoD) contract. There are two types of Government Furnished Property: 1) Equipment, and 2) Material.

3. What is Government Furnished Equipment?

Government furnished equipment or “GFE” consists of equipment, special tooling, or special test equipment that is provided to a contractor for use on a Government contract. (Reference: Federal Acquisition Regulations, Part 45.

<http://www.arnet.gov/far/current/html/FARTOCP45.html#wp233425>)

4. What is Government Furnished Material?

Government furnished material (GFM) is another form of Government-owned property that is sometimes provided to contractors. Raw titanium for use in ship construction, nuts, bolts, washers, screws and other consumable items are all examples of GFM. Material does not include equipment, special tooling, and special test equipment.

Unlike GFE, GFM is consumed or expended by the contractor during the performance of a contract. The cost of GFM is included in the cost of the contract end-item to be delivered.

Contractors establish and maintain records of GFM in accordance with FAR requirements. (Reference: Federal Acquisition Regulations, Part 45).

5. Are DoD Components required to establish and maintain records of Government furnished equipment?

Yes. DoD Components are required to “*establish records and maintain accountability for property (of any value) furnished to contractors as Government Furnished Property.*” This requirement also includes property that is loaned and/or otherwise provided to outside entities such as Federal agencies, State and local governments, and foreign governments” (Reference DoDI 5000.64). Contractors also keep and maintain records for stewardship purposes in accordance with FAR requirements (Reference: Federal Acquisition Regulations, Part 45). This requirement does not normally extend to GFM as GFM is destined for consumption.

6. What is Contractor Acquired Property?

Contractor acquired property is property that Government contractors acquire under cost-reimbursement contracts—and to which the Government takes title. (Reference: Federal Acquisition Regulations, Part 45. Unlike Government furnished property, contractor acquired property has not been delivered to the Government.

7. What is Progress Payment Inventory?

Progress Payment Inventory is property that Government contractors acquire under certain fixed-price contracts—and to which the Government takes title. (Reference: Federal Acquisition Regulations, Part 31, Contract Cost Principles and Procedures (Reference <http://www.arnet.gov/far/current/html/FARTOCP31.html#wp253693>) Like, contractor acquired property, progress payment inventory also has not been delivered to the Government.

8. Are DoD Components required to establish records and maintain accountability of Contractor Acquired Property and Progress Payment Inventory?

No. This property is not recorded in DoD accountable property systems of record. (Reference: FMR Volume 4, Chapter 6; DoD Contractor Acquired Property Business Rule (December 22, 2007). Why? Because although DoD may have title to such property, delivery, i.e., recognition has not yet taken place. Consistent with SFFAS No. 6, DoD recognizes P&E only upon delivery. Should this property be delivered, i.e., a contract line item established, the property would become Government furnished property to that contract. At that point, DoD Components are then required to establish records (in their accountable property system of record).

9. What about property accountability?

Contractors are required to establish and maintain records of such property in accordance with FAR requirements. (Reference: Federal Acquisition Regulations, Part 45. <http://www.arnet.gov/far/current/html/FARTOCP45.html#wp233425>).

Property accountability is established and maintained through oversight of contractor systems. For Progress Payment Inventory, for example, contractors are required to “*maintain an accounting system and controls adequate for the proper administration of the progress payment clause.*” The accounting system is audited by the Defense Contract Audit Agency. For contractor acquired property, contractors are required to establish and maintain a property management system; oversight, surveillance, and audit of this system is conducted by the agency responsible for contract administration, e.g., DCMA (Reference: Federal Acquisition Regulations, 52.245-1, Government Property Clause).

10. Well then how does the proper financial treatment of PIPC take place?

For Government Furnished Equipment, the property should already be recorded in the accountable property system of record (Reference, DoDI, 5000.64, paragraph 6.6., and so should be reported as if still in the possession of DoD. For contractor acquired property and progress payment inventory, the costs are incorporated into the end-item, as follows:

- For CAP, costs are accumulated in the “Other Assets” account¹ for posting to General PP&E account when construction or manufacturing of the end item to be delivered is completed). For General and Military equipment, acquisition cost is transferred to applicable PP&E account on the date the contract end-item is placed in service—and is then recorded in accountable property system of record.
- For Progress Payment Inventory, costs are accumulated in the “Other Assets” account. For General and Military equipment, “Other Assets” – amounts are liquidated to applicable PP&E account on the date asset is placed in service—end item delivered is recorded in accountable property system of record.

11. Is the DD Form 1662 used for financial reporting purposes?

No. The form is not adequate for such purposes and is being discontinued (Reference OUSD (AT&L) memorandum dated February 3, 2005).

12. Did anything replace the DD Form 1662?

Contractors are required by DFARS 252.211-7007 to report to the DoD IUID Registry Government-furnished equipment in their possession. The registry is an excellent source of information pertaining to contractor held Government furnished equipment—and is the authoritative source for its acquisition value (Reference DoDI 8320.04).

13. What about Real Property?

Questions regarding Real Property should be referred to ODUSD Installations and Environment

AUTHORITATIVE GUIDANCE

- DoD Instruction 5000.64 (Nov. 2, 2006)
- DoD FMR, Volume 4, Chapter 6
- DoD Contractor Acquired Property Business Rule (December 22, 2007)
- Federal Acquisition Regulations, Part 45 and its associated clauses
- DFARS 252.211-7007 – “Reporting Item Unique Identification of Government-furnished Equipment”
- www.acq.osd.mil/me

¹ Except for shipbuilding when applicable