

## **GFP and CAP Basics Webinar Script – Amber Barber**

**30 April 2010**

### **WELCOME**

Thank you all for joining us. My name is Amber Barber. I am from the OSD Property and Equipment Policy Office, and I will be hosting the Webinar today. The goal of today's session is to address some of the basics of contract property management. During this Webinar, I will provide information on Government Furnished Property and Contractor Acquired Property, more commonly known as GFP and CAP. I will also cover some processes and responsibilities associated with these topics.

### **GROUND RULES**

Before we begin, I need to address a couple administrative items. This presentation will last approximately one hour. During this hour, I am sure you will have questions. You can type questions at any time using the question pod, and I will address them during the Q and A breaks. We have a team of subject matter experts available to aid in answering questions. No question is too small, and we will answer all of your questions while time permits. There will be a transcript of all questions asked (with answers), including those we may not have time to answer during the session, on our website. A PDF version of this Webinar will also be available. Please turn your volume up and let the presentation team know if you have problems with the audio; You can use the question pod for this. If you want, you can maximize the presentation pod; just toggle the Full Screen button. If you have any technical issues during this session, please use the question pod.

### **AGENDA**

Here is an overview of what we will cover today. First, we will go over some background and basic definitions. Then, I will talk about some general life cycle phases of government property. In each phase, I will address the associated business processes, as well as some important roles and responsibilities.

Again, please feel free to ask questions throughout the presentation by using the question pod.

### **WHY ARE WE HERE TODAY?**

First, let me provide you with some background and context for today's session. A core goal of the Property and Equipment Policy Office is to assist services and agencies to achieve an unqualified audit opinion. This is also a major priority for the Department, as achieving an unqualified audit opinion builds credibility and demonstrates that we are prudently managing our financial resources. Audit reports have been critical of the Department's control of and accountability for property. Much of this criticism has focused on the tracking of Government Furnished Property.

We are moving towards an unqualified audit opinion by focusing on property management and accountability. The Department's Existence and Completeness Initiative, or E&C, validates our property accountability practices, and helps measure our progress. Under E&C, Components must demonstrate two key indicators: existence, or that all accountable property in DoD systems of record exists and their records match actual physical assets, as well as completeness, meaning that all accountable property is identified and accurately recorded in a DoD system of record. A major area of focus has been Military

Equipment. In the future, we will leverage our experience and lessons learned toward other groups of property, like GFP. The E&C work provides controls over GFP that will move us significantly closer to an unqualified audit opinion for General Property.

Although the Department is making progress to improve property management, there is still work to be done. Achieving and sustaining full audit readiness for government equipment is possible, but will require substantial effort. Through strong accountability, the Department can achieve a clean audit opinion, and provide quality information to leaders to support acquisition decisions.

Today's webinar is part of this broad effort, and is intended to improve your knowledge of relevant policies, business processes and people. The P&E Policy Office is sponsoring an upcoming continuous learning course to expand on this webinar and provide a deeper dive into procurement, accountability, and disposition requirements. The Defense Acquisition University will host this course, and it is set for release in Summer 2010.

## **GOVERNMENT PROPERTY DEFINITION**

Now, let's move on to some general definitions. Government property includes all property that is owned by or leased to the government. It includes personal property and real property. Personal property covers equipment and systems, spares and supplies, while real property includes facilities, structures, and land.

Government property provided to contractors is known as Government Furnished Property, or GFP. GFP is further described as either Government Furnished Equipment or Government Furnished Material, depending on the nature of the property. It is important to make this distinction because the records required and the accounting treatments differ for equipment and material.

## **EQUIPMENT AND GOVERNMENT FURNISHED EQUIPMENT**

Equipment that the Government provides to a contractor to support performance of a contract is called GFE. The broad definition of equipment is all property that is functionally complete for its intended purpose, durable and non-expendable. Generally, equipment has an expected service life of two years or more, and is not intended for sale. Equipment does not lose its identity or become part of another article when used; it is a fully complete end product. GFE is simply equipment furnished by the government to a contractor for the performance of a contract. Examples of GFE include lathes, radar systems for testing purposes, heavy machinery, Special Tooling, or Special Test Equipment. GFE is not consumed or expended by the contractor during the performance of a contract.

Equipment should be recorded in the Government's APSR by a Government employee prior to being furnished as GFE.

A point of clarification: The Federal Acquisition Regulation, or FAR, removed the official definition of GFE. Despite this official change, we still need to make the distinction for our discussion today. For future reference, it is just GFP as defined in the FAR.

## **MATERIAL AND GOVERNMENT FURNISHED MATERIAL**

Material owned by the Government and furnished to a Contractor for specific contract purposes is Government Furnished Material. An easy way to distinguish material from equipment is to think of material as an ingredient. When you mix many ingredients together, you create an end product. Just like

an ingredient, material loses its individual identity within the final product. Usually, material is destined for consumption.

Unlike GFE, GFM is consumed, attached, or expended by the contractor during the performance of a contract. Because of this, there is no expectation that material will ever be returned, except as a part of an end item. Examples of Material and GFM include titanium and aircraft engines, as well as nuts, bolts, washers, screws, and other consumable items.

Title to GFM remains with the Government. DODM 4140.01-M provides the most guidance for the treatment of material.

### **CONTRACTOR ACQUIRED PROPERTY (CAP)**

In addition to GFP, contractors acquire equipment and material to use on Government contracts. In general, the contractor owns assets acquired under fixed price contracts. For Cost Type contracts, however, equipment and material acquired belongs to the government. In these Cost Type contracts, any property acquired, fabricated or otherwise provided by the contractor for use in contract performance qualifies as CAP.

The government retains title to, or owns, CAP, and the contractor uses CAP. If the Government did not reimburse the contractor for the cost of the needed item, then the contractor would own it.

CAP has an interesting relationship with GFP. When the contractor delivers CAP to the government, that CAP is then considered GFP. Property originally acquired as CAP is only “CAP” for one contract.

Furthermore, property accountability personnel are responsible for establishing accountable property records when CAP is delivered, usually via Contract Line Items, or CLINs. Efforts are under way to automate the receipt of this information so property personnel can immediately access necessary data elements.

### **ACCOUNTABILITY/ACCOUNTING/ACCOUNTABLE**

For all these property types, there are three important concepts to keep in mind: accountability, accounting, and accountable. These concepts describe our responsibilities, as well as the tools necessary to fulfill these responsibilities. Accountability looks at the big picture. Accountability covers the processes, systems, records, and methodologies necessary for effective management of personal property.

Accounting focuses on recording financial transactions that involve property. The financial accounting system identifies the dollar value of property in summary terms.

Accountable is what we are. DoD describes this as an obligation accepted by a person for keeping accurate records to ensure control of property, documents or funds. This obligation refers to the fiduciary responsibilities necessary to protect the public interest. It does not, however, necessarily impose personal liability upon an organization or person.

To summarize, we develop policies, procedures and internal controls to maintain property accountability. Our accounting practices support accountability. By maintaining accurate accountable property records, we are accountable.

*Now, I will pause and take some questions.*

### **LIFE-CYCLE EVENTS**

Now, I will go over four general phases in the life-cycle of Government Property. These phases are not intended to be exhaustive; I have selected four general phases for the purpose of today's session. First, the government must determine the need for the item. Then comes the acquisition process, followed by accountability and maintenance. Finally, the last phase entails the reutilization and disposition of the property. After I go over the details of each phase, I will describe the responsibilities of the key individuals involved.

## **DETERMINATION OF NEED**

During the Determination of Need phase, the government must decide whether an item is really needed. Can the mission be accomplished without the item? A determination of need should include a rationale for acquisition of assets. It should also consider alternatives to new procurement and life cycle costs. The Program Manager plays a key role in all of this. He or she analyzes the situation, and makes determinations on how best to proceed. Ultimately, the Program Manager develops the Acquisition Strategy. The activities during the Determination of Need phase create the foundation for the Acquisition phase. The regulations listed on the screen provide more detail on these processes.

## **ACQUISITION**

Once the need has been established, the government must begin the acquisition process. This is where a determination to provide property to a contractor should be made, as well as the best type of contract. Typically, contractors are required to furnish all property necessary to perform Government contracts. There are times, however, when the Government must provide property to a contractor. If so, the Contracting Officer or the Program Manager must follow the guidance in FAR Part 45.

Contracting Officers can provide property to contractors only when it is clearly demonstrated that doing so is in the government's best interest. This means that the overall benefit significantly outweighs the increased cost of administration, including ultimate property disposal. This also means that providing the property does not substantially increase the Government's assumption of risk, and that government requirements cannot otherwise be met. The government will also likely provide property when the government is the only provider of a specific material needed for a contract, or the government maintains a large inventory of the desired material. The contractor's inability or unwillingness to supply its own resources, however, is not sufficient reason for the government to furnish the property.

CAP comes into play when contractors provide necessary items on a cost reimbursement contract. CAP keeps a project flowing; it allows the contractor to make reasonable purchases within the scope of the contract. CAP should not be managed in a government accountable property system until it is delivered to the government.

The Contracting Officer is a key player during this phase. The Contracting Officer has the authority to enter into, administer, and/or terminate contracts and make related determinations and findings. Other core CO responsibilities include overseeing the terms and conditions of the contract, and ensuring the contractor satisfies contract requirements.

A Contracting Officer can appoint a Contracting Officer's Representative, or COR. This individual can also be referred to as the Contracting Officer's Technical Representative, or COTR. The primary role of the COTR is to serve as the technical liaison between the contractor and the contracting officer. It is important to remember that a COTR is not authorized to make any commitments or changes that affect price, quality, quantity, delivery, or other terms and conditions of the contract.

The Program Manager also plays a key role during Acquisition. The PM is accountable for accomplishing program objectives. He or she has full authority for fulfilling the requirements of the contract with the client. The PM is responsible for credible cost, schedule, and performance reporting.

*Now, I will pause and take some questions.*

## **LIFE-CYCLE SYSTEMS**

The government uses various systems to track and manage property throughout the life cycle phases. I will now give an overview of three major systems: first, the IUID Registry, then the APSR, and finally, WAWF. After I explain these systems, I will discuss how they all work together.

### **IUID**

IUID is a property identification registry. This registry replaced the DD 1662 process. Items are distinguished from one another by a Unique Item Identifier, or a UII. The UII is housed in the IUID registry, and captures important data for valuation and tracking of items. The UII is permanent, and is only assigned to a single item. For more information on UII, please refer to the links on the screen.

IUID is applicable to items valued at more than \$5,000, as well as serially-managed, mission essential, controlled inventory, and permanent identification needed items. If the Government is providing property, coordination is necessary to identify UIIs of actual GFP. During the acquisition phase, the Contracting Officer will release requests and process proposals maintaining GFP identity. The Contracting Officer will also ensure that CLIN language clearly identifies GFP by UII. If actual GFP items are unknown at the time of award, the contract can be modified later when the UIIs have been identified.

### **APSR**

An Accountable Property System of Record, or an APSR, is a system used to control and manage accountable property records. Government personnel must create and maintain records for GE and GFE in an APSR. One important feature of an APSR is its ability to report financial data to a DoD Component's specific financial system. An APSR must maintain an audit trail, and should meet the requirements listed in DoDI 5000.64.

### **WAWF**

WAWF is another system used throughout the life cycle phases. It is a secure, Web-based system for electronic invoicing, receipt and acceptance. WAWF enables electronic form submission of Invoices, government inspection, and acceptance documents to support the DoD's goal of moving to a paperless acquisition process.

WAWF also provides the capability to electronically capture and submit information in support of the shipment and the receipt of GFP by the DoD and Vendor activities. This functionality provides all requiring activities, property managers, financial managers, and contractors the capability to access up-to-date information on a need-to-know basis. A range of property management professionals utilize WAWF; if the Electronic Invoicing Mandate Clause DFARS 252.232-7003 appears in the contract, WAWF should be used for electronic submissions.

Both government agencies and contractor organizations employ key personnel to conduct WAWF activities. On the government side, each agency utilizes a Group Administrator, or GAM. Each GAM is responsible for managing and activating WAWF users. For contractors, The Electronic Business Point of Contact, or the EBPOC, serves as the POC for the government's electronic commerce concerns.

## **LIFE-CYCLE SYSTEMS WORKING TOGETHER**

These systems work together to enable electronic exchange of information and accuracy in record-keeping. In the past, Contractors were required to report any Government Property to the government using the DD Form 1662. With the implementation of IUID Policy, Contractors are now required to use IUID in reporting GFP, as well as transmit information through WAWF. Government personnel must create and maintain records for all GFP with an APSR. The APSR and the IUID Registry are closely linked: an accountable record can list the UII, and the IUID Registry contains some data from the APSR. Use of the IUID Registry, however, does not replace the need for an official record in the APSR.

WAWF can be used to add UIIs to the IUID Registry for new acquisitions. UIIs for legacy property cannot be added using WAWF, but they can be added via the Direct Submission Method.

*We will now take a quick break to answer some more questions.*

## **ACCOUNTABILITY & MAINTENANCE**

Now, let's return to the life cycle phases. Following Acquisition comes the Accountability and Maintenance phase.

During this phase, property accountability personnel will identify and provide any previously unidentified UIIs to the Contracting Officer, as well as acknowledge receipt of GFP by the Contractor. They will also transfer Government Property to the Contractor through WAWF, and monitor WAWF for other property transactions. Property accountability personnel should also update the APSR to reflect property furnished to a contractor.

The Government must maintain accountable records of the equipment furnished to a contractor. The contractors are required to maintain the equipment in their possession, and keep accurate property records, as required by FAR 52.245-1.

The Government can audit the contractor's property management system as frequently as conditions warrant. The contractor must make property records available to the Government, and maintain an adequate property management system that satisfies FAR requirements. If the Government determines that the contractor's property management practices are inadequate, the Contractor must take all necessary corrective action.

The Property Administrator, or PA, is the individual who would initiate a review of the contractor's property management system. The PA is responsible for administering contract requirements and obligations related to Government property in the possession of a Contractor. Other PA responsibilities include acting as a liaison between the contractor and the Contracting Officer and ensuring the contractor promptly reports excess Government property.

In connection with government property, An Accountable Property Officer, or APO, is appointed to establish and maintain a government organization's accountable property records, systems, and/or financial records. The APO must also ensure the designation of Property Custodians for equipment, maintain a complete audit trail of all transactions, and establish and maintain associated internal controls.

## **REUTILIZATION & DISPOSITION**

When property is no longer required by the Contractor to support the contract, the property must be reported as excess to the Government. The legal and regulatory requirements shown on the screen prohibit a Contractor from disposing of Contractor Inventory on a DoD contract without Government approval. Contractor Inventory covers any property, including GFP, in the possession of a contractor which exceeds the amount needed to complete the contract. It also includes any property that the Government has the option to take delivery of before completion of the work due to changes in specifications or contract termination.

FAR part 45 outlines the government's responsibility during this phase.

As you can see on the right side of your screen, there are several forms used during reutilization and disposition. In the PDF version of this Webinar, you can click on each form to access more information.

The Plant Clearance Officer, or the PLCO, oversees the disposal process. Contractors follow the guidance in DFARS 245.6, and are normally given the task of property disposal. Through the Plant Clearance Automated Reutilization Screening System, or PCARSS, Contractors can electronically notify a PLCO that excess property is available. The PLCO processes the information so that authorized screeners can search the PCARSS database for items they need. The PLCO must provide disposition instructions to the Contractor according to specific timelines, and failure to do so may result in the Government being charged property storage fees.

A list of the PLCO's duties and responsibilities should appear on your screen. These can also be found in DFARS 245.7002.

*Now that we have covered all four life cycle phases, let's take some more questions.*

## **REVIEW**

Ladies and gentlemen, we are in the home stretch. To tie everything together, I will summarize the key points of today's presentation, and then we have a quick poll to get your feedback. I will also continue taking your questions during this time, so keep them coming.

To review, we covered the basic property definitions, looked at four basic points in the property life cycle, and talked about what happens and who is involved. The four general phases are Determination of Need, Acquisition, Accountability and Maintenance, and Reutilization and Disposition. In the Determination of Need, as well as the Acquisition phase, the Program Manager and the Contracting Officer play key roles by developing rationales for purchases and facilitating property acquisition. In the Accountability and Maintenance Phase, the APO and the PA work together to ensure proper record-keeping and appropriate contract execution; the APO establishes and maintains the organization's accountable property records, while the PA administers contract requirements and obligations related to Government property in the possession of a Contractor. Finally, during the Reutilization and Disposition Phase, the PLCO oversees the property disposal process by providing guidance to contractors.

Throughout these phases, it is important to keep in mind the concepts of accountability, accounting and accountable. Accountability covers the processes, systems, records and methodologies necessary for effective property management, while accounting focuses on recording financial transactions involving property. Accountable describes the obligation to protect the public interest by ensuring appropriate property management.

Taken all together, the information from today's course should help you communicate with the appropriate individuals, and comply with applicable regulations. Understanding the life cycle phases, as well as the roles and responsibilities of key players, should enable you to fulfill your individual property management responsibilities.

## **CONCLUSION**

My contact information should now appear on your screen. Please contact me with any questions related to the material covered today. I hope you now have a better understanding of GFP and CAP, as well as the related processes and roles.

You should now see some polling questions. Your feedback will help us improve for future webinars. I will leave these questions open for a few minutes while continuing to get your questions answered through the chat area. Thank you again for joining me today.