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AN INDEPENDENT ANALYSIS OF THE VARIOUS
PROPERTY ADMINISTRATION TECHNIQUES
EMPLOYED THROUGHOUT THE DEPARTMENT OF
DEFENSE CONTRACT ADMINISTRATION FUNCTION

THESIS

Corby Lenar Clark
Captain, USAF

AFIT/GLM/LSM/87S-14

DEPARTMENT OF THE AIR FORCE

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Wright-Patterson Air Force Base, Ohio

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ADMINISTRATION TECHNIQUES EMPLOYED THROUGHOUT THE DEPARTMENT
OF DEFENSE CONTRACT ADMINISTRATION FUNCTION

THESIS

Presented to the Faculty of the School of Systems and Logistics
of the Air Force Institute of Technology

Air University

In Partial Fulfillment of the
Requirements for the Degree of
Master of Science in Logistics Management

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Captain, USAF

September 1987

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Abstract

This research presents an independent analysis of the relative strengths, weaknesses, and cost effectiveness of the various property administration techniques employed throughout the Department of Defense. Conducted in three phases, Phase I of this research presents an extensive review of recent literature/correspondence and regulatory guidance regarding government property administration. Phase II consisted of the conduct of two written surveys which provide demographic data, data with respect to property administration office structure/workloads, and the opinions of property administration personnel concerning the relative strengths and weaknesses of their respective programs. Phase III consisted of the conduct of structured interviews which provide property administration personnel's perceptions as to the effectiveness of current regulations, the adequacy of buying activity staffing of property issues, and suggestions for the improvement of property administration.

This research concludes that there is inadequate consideration of property issues upon contract inception, that there are personnel issues within property administration which need to be resolved, and that the regulations which address government property are in need of

→ maintenance to reflect the modern property environment. (Revised)

Presented are both short term and long term recommendations for establishing the optimum method of performing DoD property administration as outlined by the Federal Acquisition Regulation.

AN INDEPENDENT ANALYSIS OF THE VARIOUS PROPERTY
ADMINISTRATION TECHNIQUES EMPLOYED THROUGHOUT THE DEPARTMENT
OF DEFENSE CONTRACT ADMINISTRATION FUNCTION

I. Introduction

Background

Part 45 of the Federal Acquisition Regulation (FAR), entitled "Government Property", prescribes policies and procedures for providing Government property to contractors, contractors' use and management of Government property, and reporting, redistributing, and disposing of contractor inventory (1:45-1). It prescribes, as general policy, that contractors furnish all property required for the performance of Government contracts except in those cases where it can be determined to be in the best interest of the government, for reasons of economy, standardization, or security. The FAR further prescribes that in the event such a determination is made and contractors possess Government property:

agencies shall -

- (a) Eliminate to the maximum practical extent any competitive advantage that might arise from using such property;
- (b) Require contractors to use Government property to the maximum practical extent in performing Government contracts;
- (c) Permit the property to be used only when authorized;

- (d) Charge appropriate rentals when the property is authorized for use on other than a rent-free basis;
- (e) Require contractors to be responsible and accountable for, and keep the Government's official records of Government property in their possession or control (but see 45.101);
- (f) Require contractors to review and provide justification for retaining Government property not currently in use; and
- (g) Ensure maximum practical reutilization of contractor inventory (see 45.601) within the Government (1:45-1).

The above, in essence, represents the primary objectives of Property Administration within the contracting arena.

Defense Federal Acquisition Regulation Supplement (SUP) 3, entitled "Property Administration", carries this a step further in that it prescribes procedures and techniques to

- (i) meet management data requirements of the Government, and
- (ii) to assure performance of property control to protect the interests of the Government at a minimum cost through a uniform Department of Defense (DOD) property administration program (2:S3-1). Most importantly, SUP 3 prescribes the responsibilities of the property administrator (PA), as follows:

The property administrator shall evaluate the contractor's management and control of Government property and ascertain whether the contractor is effectively complying with the contract and FAR provisions. These responsibilities include:

- (i) developing and applying a system survey program for each contractor under his cognizance;
- (ii) evaluating the contractor's property control system and approving or recommending disapproval of the system;

(iii) advising the administrative contracting officer as to the contractor's noncompliance with approved procedures and other significant problem areas which he cannot resolve whether this information is obtained through a formal system survey or through other means and recommending appropriate action, which may include disapproval;

(iv) resolution of property administration matters as necessary with the contractor's management, personnel from Government Procurement and logistics activities, and representatives of the Defense Contract Audit Agency (DCAA) and of other Government agencies; and

(v) recognition of the functions of other Government personnel having cognizance of Government property, and obtaining their assistance when required (2:S3-1,2).

General Issue

The Blue Ribbon Commission on Defense Management was established by President Reagan in response to a series of "horror stories" surrounding defense procurement. Its charter, was to "study the issues surrounding defense management and organization, and report its findings and recommendations (3:xi)". David Packard, Chairman of the Commission, states in the foreword of the Final Report:

"...I believe the importance of revitalizing defense management has become ever more apparent. The paramount purpose of the Commission's work has been to identify and develop solutions for those structural problems - and to ease the stifling burdens of regulation, reporting, and oversight - that have long limited the success of the many people in government and industry on whose talents and dedication the nation's defense depends (3:xi)."

This research effort took a similar approach to the field of Property Administration. As keepers of the public trust, which all government personnel working in the contracting arena are, how much effort should we expend in

the avoidance of "horror stories"? Are we chasing pennies with dollars? How do we balance "providing for the common defense" with "promoting the general welfare"? What can we do to improve our operations in the field of Property Administration?

This issue can best be summarized by the following passage from an article written by Douglas N. Goetz, Course Director for Air Force Institute of Technology Property Courses:

"The Government in their [sic] procurement practices is a monopsony and therefore the rules of free trade do not apply. Because of this the Government is making an effort to try to equalize the procurement environment with that of the commercial sector. To accomplish this there will be greater regulatory involvement. We will, no doubt, see more and more regulation as the Government attempts to reform its procurement practices. I would hope that these reforms have a positive effect upon the Property Field. It is a growing, dynamic, ever increasing area that must establish its rightful place in the Contracting arena. Now is the time for us to achieve our rightful place - through training, knowledge, experience, dedication and professionalism (4:7,8)."

Problem Statement

The Federal Acquisition Regulation (FAR) specifies property administration requirements applicable to all agencies responsible for the administration of government contracts. What occurs, however, is that agency implementation of these property administration requirements varies significantly from agency to agency. This study undertook an independent analysis of the relative strengths,

weaknesses, and cost effectiveness of the various property administration techniques employed at these various agencies.

Objectives of This Study

The objectives of this study originate in paragraph 4 of a statement of work created by the Air Force Contract Management Division, Kirtland AFB, New Mexico which follows:

4.1 The contractor shall visit Air Force and DLA (CAS) staff and field personnel to perform reviews and document findings and recommendations.

4.2 The contractor shall analyze the procedures and implementing instructions of each agency identified in para 4.1 to determine the strengths and weaknesses within each agency.

4.3 The contractor shall analyze property and plant clearance workload of each agency and determine effectiveness of manpower resource allocation.

4.4 The contractor shall assess the amount of interface between the property administrator and plant clearance officer with other government personnel and determine if the level of interface is sufficient to perform job responsibilities.

4.5 The contractor shall assess the impact of the size of the contractor, the types and amounts of government property in its possession, and the complexity of the contractor's property control system in determining the most effective and financially feasible method of performing property management.

4.6 Using the data collected and analyzed from paragraphs 4.1 through 4.5, the contractor shall recommend the optimum method of performing the property administration/plant clearance responsibilities required by the FAR and DFARS (5:1,2).

This statement of work was originally sent to the Air Force Business Research Management Center, Wright-Patterson

AFB, Ohio for the purpose of initializing a contract action to perform this task.

Research Questions

This study will examine property administration at the various Army, Air Force, Defense Logistics Agency, and Navy contract administration agencies. The following questions will be investigated:

1. What implementation guidance has been issued at the headquarters/regional levels to fulfill FAR requirements for property administration and what has been the impact? Are the field offices following this implementation guidance? Are the FAR requirements reasonable, and if so, are they being met?

2. How are the various contract administration offices structured to perform their property administration responsibilities? Is there sufficient manning? Is there overmanning? Is there qualified manning?

3. To what extent is property administration automated? Has software been developed which may be suitable for DOD wide application? Has the large infusion of microcomputers enhanced property administration?

4. How many of the difficulties experienced within the property administration function are the result of the ineffectiveness of other functional areas within contract administration? In particular, are buying activities adequately addressing property issues prior to the issuance

of government contracts containing provisions for government property? What is the amount of interface between property administration and the other functional areas of contract administration?

5. What do Property Administrators see as their major responsibility? What do property administration personnel see as strengths/weaknesses of their programs? What would they do to improve their program?

Terms Explained

Government property, according to FAR Part 45, is "all property owned by or leased to the Government or acquired by the Government under the terms of the contract". It includes Government-furnished property and Contractor Acquired Property. It is further divided into five categories: Material, Special Tooling, Special Test Equipment, Facilities, and Agency Peculiar Property. The category Facilities is further divided into two subcategories: Real Property and Plant Equipment. Finally, in the DoD FAR Supplement, there are two sub-classifications of Plant Equipment: Industrial Plant Equipment(IPE) and Other Plant Equipment(OPE). The FAR definitions of these and other relevant terms are listed in Appendix A.

In order to proceed with clarity, the following definitions as they relate to property administration are offered for the purpose of this research effort:

1. Efficiency can be defined as achieving "the largest result for a given application of resources (6:5)". From a property administration viewpoint, the result which is sought is the surveillance of contractors' property systems. Of importance here are both the quantity and quality of such surveillance in relation to the accomplishment of property administration objectives. In essence then, efficiency, from a property administration standpoint, is equal to the quantity and quality of surveillance divided by the number of personnel. The question which arises, is how do we measure the quantity and quality of this surveillance?

2. Effectiveness, in the military, relates to the degree of achievement of established goals and objectives. An organization or system is effective if it performs as needed. In some cases, effectiveness is an either-or situation; either the organization achieves success or it doesn't. In other cases, degrees of effectiveness can be measured. In a multiple-goal situation, the overall effectiveness of the organization cannot be established without considering the relative importance, value, or worth of each individual goal (6:4).

The latter is clearly the case of property administration. In essence then, effectiveness, from a property administration standpoint, relates to how well an organization achieves the goals established in FAR Part 45, weighted for their relative importance.

3. Cost effectiveness represents the effectiveness of an organization in relation to its costs. In essence, it is a measure of efficiency.

4. Structure, for the purposes of this research effort, relates closely to demographic data - i.e. the

number and grade levels of assigned personnel, the number of contractors and contracts serviced, where the office fits within the overall hierarchy, and the physical location of the office in relation to the contractor and the property. Of essence here is the general systems theory concept that "structure drives behavior."

Organization of the Remainder of This Study

Chapter II presents a brief review of completed research, regulatory guidance, and high-level correspondence within the property administration field. Chapter III outlines the methodology employed to perform this study. Chapter IV presents and analyzes the results of the data collection. Chapter V summarizes this research effort by drawing general conclusions, presenting both short and long term recommendations, and describing potential areas for further study.

II. Review of the Literature

Chapter Overview

This chapter presents a brief review of completed research, regulatory guidance, and high-level correspondence within the property administration field. Because property, as a field, has not received the attention of some other areas within the contract administration arena, completed research was extremely difficult to find. The researcher believes that a review of this literature along with the examination of the current federal regulations and recent high level correspondence relating to property reflects an adequate general knowledge base from which to conduct this effort.

Previous Research Efforts

Five previous studies relating to property administration were reviewed to 1) develop an understanding of current problems within property administration and the methodologies used to approach these problems; 2) ensure that this study did not duplicate previous efforts; and 3) further define the problem area this research effort was to address. Presented below, organized by research effort, are the objectives, methodologies, conclusions and recommendations of the aforementioned studies.

Accountability of Government Furnished Equipment (GFE). Major J.A. Mangual validated three factors, listed below, identified in a June 1986 report of the General Accounting

Office (GAO) as attributing to DoD's failure to successfully implement a 1970's initiated GFE phase-down program.

1. Exception clauses of the Federal Acquisition Regulation (FAR), which set forth requirements for providing GFE to government contractors, are too broad.
2. Government contractors generally lack incentive to provide their own equipment, especially when the government continues to furnish it.
3. DoD and the services have provided insufficient guidance to their procurement officials and program managers on when equipment for service contractors should be government or contractor financed (7:2-3).

The methodology used by Mangual was similar to, although not nearly as extensive as, that employed in this research effort and discussed in the next chapter. The GAO-listed factors were determined to be valid through a review of government policy on accounting for Government Furnished Property (GFP), an identification of current procedures used by DoD to account for GFP and an examination of the DoD response to the GAO.

As background information, Mangual provided the following as the objectives of DoD's phase-down program. These objectives are listed here as the researcher feels that they remain valid with respect to DoD's stated policy on providing property to contractors, discussed in Chapter I:

1. A reduction in the government's cost for managing and maintaining equipment.
2. The purchase of more modern equipment by government contractors.

3. Greater revenues for states and localities since contractor-owned equipment would become part of the state and local tax base.

4. A more economic and effective use of equipment because of increased management flexibility to use the equipment for both commercial and defense work (7:1-2).

Government Furnished Property: Management and Accounting. Lt. Commander Moore assessed property management in DoD contract administration activities in 1986. Utilizing telephone and on-site interviews coupled with a comprehensive review of historical literature and an analysis of existing regulations, Lt. Commander Moore concludes that there is insufficient risk for the contractor, low organizational visibility for property management and a critical shortage of staffing. As the result, Moore recommends: 1) Balancing the sharing of risk between Government and contractor through a removal of the requirement to show "willful misconduct" or a "lack of good faith" on the part of management in cases of loss and damage to Government Property in the hands of contractors, and 2) reorganizing the property administration function as a major department in the contract administration organization with the Chief Property Administrator having direct input to the organizational commander (8:73-74).

Should the Navy Establish a Centralized Office for the Management of Government-Furnished Property? The principal objective of this study, as the title suggests, was to determine if property administration within the Navy would

improve with the establishment of a centralized Navy property office. This property office would serve as a focal point for both policy and technical matters.

The methodology used by Mitchell is again similar to that employed in this study. Data was collected through a search of pertinent literature and through the use of interviews, both telephone and personal, at both the field and headquarters levels. As the result of his study, Mitchell presented four conclusions as follows:

1. The property administration function is not properly assigned within the NAVPROs and SUPSHIPS.
2. The GS 1103 Industrial Property Management Specialist Series is undermanned, undertrained, and experiences high personnel turnover.
3. There is a lack of written procedural guidance for property administrators.
4. The role and responsibilities of the Navy Government Property Council are not understood by the property administrators in the NAVPROs/SUPSHIPS.
5. There is little property management, technical or professional guidance provided by headquarters above the NAVPRO/SUPSHIP level (9:101-104).

Based upon these conclusions, Mitchell made the following recommendations, and in one case, an alternate recommendation:

1. The property administration function in all NAVPROs/SUPSHIPS should be reassigned to the contracting division/department.

Alternative: Property administration be made a separate division/department on equal level with the materiel or contracting divisions/departments.

2. High level management attention should be directed at the GS 1103 Series.

3. The Navy should develop its own property administration manual.

4. The Navy should make a concerted effort to publicize to all property administrators the Navy Government Property Council's charter and goals.

5. The Navy should establish one centralized office to act as a property focal point responsible for providing policy guidance/implementation and technical/professional guidance to Navy property administrators (9:105-109).

Contractor Furnished Equipment (CFE) versus Government Furnished Equipment (GFE). Lowe, reviewing methods of providing components/subsystems for government contracts, identified four objectives to his study as follows:

1. Identify factors influencing the decision to use either the CFE or GFE option for subsystem/components in system procurements.
2. Develop a model to assist in the decision process of choosing the appropriate acquisition approach.
3. Identify decision aiding techniques for analysis of cost and other factors under uncertainty.
4. Recommend a CFE vs. GFE decision methodology for use by DARCOM (10:3).

Data was collected through a review of recent CFE/GFE approach decisions and interviews of program management personnel. As background, Lowe performed a comparative analysis of CFE versus GFE. In conclusion, he developed a model of the overall concept of CFE/GFE acquisition approach, the intent of which is to rationalize the decision making process whereby it is determined to be in the best interest of the government to provide certain properties to contractors.

Management Cost Elements for Contractor Furnished Equipment and Government Furnished Equipment. Dillard and Inscoe set out to 1) identify and define the relevant and practical, government and contractor cost elements to be considered in the GFE versus CFE selection process, and 2) assess current use of these elements during this process. Dillard and Inscoe utilized a survey approach in that they developed a list of cost elements upon the basis of their review of the literature and then questioned current CFE/GFE decision makers as to their use of same. As the result of their research effort, the authors conclude that CFE/GFE management cost analysis is generally inadequate and that the immediate development of an objective management cost analysis procedure is precluded by the absence of data relating to the majority of cost elements (11:55).

Federal Regulations Pertaining to Property

Current regulations pertaining to property administration were reviewed to 1) develop an understanding of both collective and respective guidance which has been issued to property administrators; 2) familiarize the researcher with the vagaries of property administration; 3) assist in the development of the structured interview/ written surveys, and 4) help to further define the problem area this research was to address. Specific regulations to be reviewed were garnered through discussions with the thesis reader and a review of the current textbook for

property administration courses at the Air Force Institute of Technology.

Federal Acquisition Regulation (FAR) Part 45. As reported in Chapter I, Part 45 of the FAR entitled "Government Property" prescribes policies and procedures relating to government property. In essence, FAR Part 45 is the property administrator's "Bible". It is FAR Part 45 which defines, across the various services, all relationships whereby properties are provided to contractors through its instructions to contracting officers as to appropriate clauses for insertion into DoD contracts and property administrators as to responsibilities in administering these clauses. The actual clauses are listed in Part 52 of the FAR.

Department of Defense Federal Acquisition Regulation (DFARS). Supplement 3 (SUP 3). Also discussed in Chapter I, Supplement 3 was issued 1 October 1975 "for the guidance of Department of Defense personnel engaged in the administration of contract provisions relating to Government property in the possession of contractors (2:S3-100)." It should be noted that in the transition from the Armed Services Procurement Regulation to the Defense Acquisition Regulation to the Federal Acquisition Regulation, this supplement has not been updated. Its main objective is to assure uniformity in DoD property administration. It addresses the responsibilities of property administrators as they relate to initiation of property administration;

evaluation and approval of contractor's property control systems; surveillance required during contract performance; loss and damage to government property in the possession of contractors; government property at alternate locations and requests for supporting property administration; contact closeout and contractor utilization of Government Industrial Plant Equipment. Whereas FAR Part 45 is the property administrators "Bible", SUP 3 contains the "Ten Commandants". This is true in both a figurative and a literal sense. Annex 1 to the Supplement lists and defines ten categories or major segments of a Contractor's Property Control System as follows:

1. Acquisition: The process of acquiring Government property through requisition or transfer from Government sources or through purchase, including those made from contractor stores.
2. Receiving: The process of Government property initially entering into a contractor's custody.
3. Records: The official accounting and subsidiary records maintained by a contractor to show status and to control all Government property furnished to him or otherwise acquired by him.
4. Storage and Movement: The process of storing and moving all types of Government property includes movement from one point to another, for any purpose, and protection during movement and storage.
5. Consumption: The process of incorporating Government owned property into an end item or otherwise consuming it in performance of a contract.
6. Utilization: The process of utilizing equipment, special tooling, special test equipment, bailed items, and material for the purpose for which furnished or acquired.

7. Maintenance: The process of providing the amount of care necessary to obtain a high quality of production and the most useful life of Government property.

8. Physical Inventories: The process of physically locating and counting Government property and comparing it to records of such property, includes the posting of findings and adjustments and the reporting of adjustments to the property administrator.

9. Subcontract control: The process of prime-contractor control over subcontractor with respect to Government property.

10. Disposition: The process of requesting disposition instructions and effecting disposal of Government property (2:S3-23 through S3-28).

It is Supplement 3 which universally addresses the mechanics of property administration.

High-level Correspondence

Current high-level correspondence such as General Accounting Office (GAO) reports and interservice memorandums were reviewed to 1) develop an understanding of current problems within property administration and the methodologies used to approach these problems; 2) ascertain current trends or pending changes within the property field; and 3) further define the problem area this research effort was to address. Specific correspondence which was reviewed was identified in part through a review of previous studies as is the case with the June 86 GAO report and through discussions with the thesis reader and property administration personnel.

United States General Accounting Office, Report to the Secretary of Defense, "GOVERNMENT EQUIPMENT. Defense Should

Further Reduce the Amount It Furnishes to Contractors". A review of this correspondence confirmed Mangual's reporting of the GAO's determination of factors attributing to DoD's failure to successfully implement a GFE phase-down policy. Also confirmed were the four DoD objectives of this phase-down policy.

The GAO report, however, also identified two additional factors affecting the amount of government equipment in the possession of contractors. The first of these factors is reported as DoD's failure to sell its plants and equipment to the private sector. The report estimates that approximately 32% of an estimated \$8.4 billion worth of GFE is located at government owned contractor operated plants. The second factor is reported as inadequate oversight by DoD personnel at both the field and headquarters level. At the field level, the GAO reports that defense personnel have delegated their oversight and review responsibilities to such an extent that contractors have a free hand in determining the quantity and types of equipment to be acquired, retained, or disposed of. As the result, the GAO reports, equipment is being obtained from commercial sources rather than from existing government stocks, thereby increasing weapon system costs and GFE inventories. At the headquarters level, the GAO reports that there is no centralized management office. Instead, such management is vested in an understaffed Government Property Council which operates on only an "ad hoc" basis with no real authority.

In addition, the report indicates that the council does not have needed information to manage GFE effectively, such as how much GFE is required annually or how much GFE is being disposed of. This problem, they report, also exists at the services level. On the bright side, the report indicates that DoD is developing a database for use by program and property managers to manage GFE effectively (12:3-5).

The methodology used by the GAO in this study was centered on obtaining overall statistics, reports, and data on GFE from contractors, examining how DoD has implemented overall government and Defense policies relating to government property in the hands of contractors. More specifically, the GAO took a case study approach of twenty-five randomly selected contractors ranging from large to small, production to research and development. At each contractor location, responsible government and contractor officials were interviewed to ascertain how the contractors acquired, used, retained, disposed of, and accounted for GFE.

Under Secretary of Defense for Acquisition (USDA).
Memorandum for the Secretaries of the Military Departments,
25 Nov 1986. This memorandum entitled "Government Property in the Possession of Defense Contractors", was written in response to the June 86 GAO report. The purpose of the memo was to provide policy guidance intended to 1) assist DoD in disposing of obsolete and non-essential government property inclusive of that which is in storage; 2) reduce the amount

of property in the possession of contractors; and 3) bring to a halt the continual increase of new property going to contractors. Potential actions required to accomplish these objectives, according to the memo, range from enforcement of existing policies to revision of the FAR.

The memo addresses and makes recommendations with respect to industrial facilities, incentives for contractor investment, special tooling/special test equipment, material, property rollovers/transfers, property provided to service contractors, limiting storage of government property, and disposal. Also addressed are some general management areas.

The major thrust of the memo is the enforcement of current DoD policies with respect to government property with the following exceptions listed under "General Management Areas:"

1. Unallowable profit/fee - The GAO and DoD/IG have found examples where contractors have received a profit when acquiring equipment for the government's account. Industrial facilities are normally to be provided on a cost reimbursable no-fee facilities contract. The FAR policy of providing facilities on a no-fee facilities contract must be followed by DoD components. All DoD components will identify any profits or fees that have been paid to contractors on a facilities contract. The DoD components will also identify general purpose plant equipment that has been acquired by contractors on other than a facilities contract and determine if such equipment should have been furnished under a no-fee facilities contract. Action should be taken to recover any improper profits or fees on open contracts whenever this can be accomplished legally.

2. Financial Accounting System - The establishment of Financial Accounting Systems for government-owned property shall be fully implemented in accordance with the individual milestones established for each DoD

component by the ASD Comptroller but no later than October 1989. Your personal attention may be necessary to insure the milestones for meeting these dates are accomplished. Congress has been informed of the specific dates that the Services and DLA will implement their financial accounting systems for Government property.

3. DoD Property Accountability Report (DD Form 1662) - DoD components shall take all necessary actions to ensure that the revised FAR 45.505-14 industrial property report is fully operational by October 1987. This will require the application of necessary personnel and computer resources. This revised information system will provide accountability data that are not currently available, will complement the financial accounting system and shall be used by all DoD components to assist in the enforcement of defense property policies.

4. Personnel - The performance appraisal agreements of personnel having significant property management responsibilities shall include appropriate evaluation standards. It appears that the property function has been given a relatively low priority for personnel resources. The DoD components are directed to realign existing resources as necessary to provide for adequate staffing. In addition, property personnel should be provided training to enhance their management and technical skills. Within three months the ASD(A&L) should be advised of your current and projected staffing levels for managing defense-owned government property in the possession of contractors. This should include the designation of a focal point within your office that has overall management responsibility for government property in the possession of contractors (13:5).

Chapter Summary

This review of the literature has provided an excellent background for the remainder of this study and indicated that further research is needed. In addition, knowledge of the methodologies employed in previous studies have assisted in the development of the approach taken in this effort. Finally, this review of the literature has provided the

researcher with sufficient background as to the responsibilities of property administration to develop and conduct the data collection instruments discussed in the next chapter.

III. Methodology

Introduction

The objective of this chapter is to outline the methodology used to perform an independent analysis of the relative strengths, weaknesses, and cost effectiveness of the various property administration techniques employed throughout the Department of Defense. The research objective was accomplished through a survey approach and through the use of a structured interview. This chapter describes the development of these instruments, the sample population from which data were collected, the techniques used in analyzing the data, and the limitations of this research effort.

Research Design

The research design was composed of three phases. Phase I was an extensive review of recent literature regarding Government property administration and a review of related subject areas. The primary source materials that were used in this literature review included previous research documents, the regulatory and policy guidance of the various DoD agencies responsible for property administration, and current textbooks and readings utilized in contracting management courses taught at the Air Force Institute of Technology. Research in Phase I focused on a familiarization of what comprises property administration and on the current status of property administration.

Research in Phase I, reported above in Chapter II, served as the foundation for the development of the structured interview and written survey.

Phase II of the research was the conduct of two written surveys entitled "Property Administration Questionnaire", Forms A and B. Form A (Appendix B) was designed for field level activities and intended to collect demographic data; to foster an understanding of the structures of the various property administration activities; and to solicit the opinions of property administration practitioners on their responsibilities as Property Administrators, the strengths/weaknesses of their respective programs, and the effectiveness of current regulatory/policy guidance. Form B (Appendix C) was designed for headquarters level activities and, although it requested demographic data, was primarily intended to solicit their opinions on the strengths/weaknesses of their respective programs and the effectiveness of current regulatory/policy guidance.

Phase III of the research was the conduct of personal structured interviews. The structured interview (Appendix D) was designed for field level activities and intended to solicit the opinions of Property Administration practitioners on their responsibilities as Property Administrators, the strengths/weaknesses of their respective programs, and the effectiveness of current regulatory/policy guidance. The most important aspect of this phase of the research was the interviewer's first hand

observance of the working conditions and environment in which the various Property Administrators operate to include tours of various plants and the interviewer's being able to personally observe the properties in question.

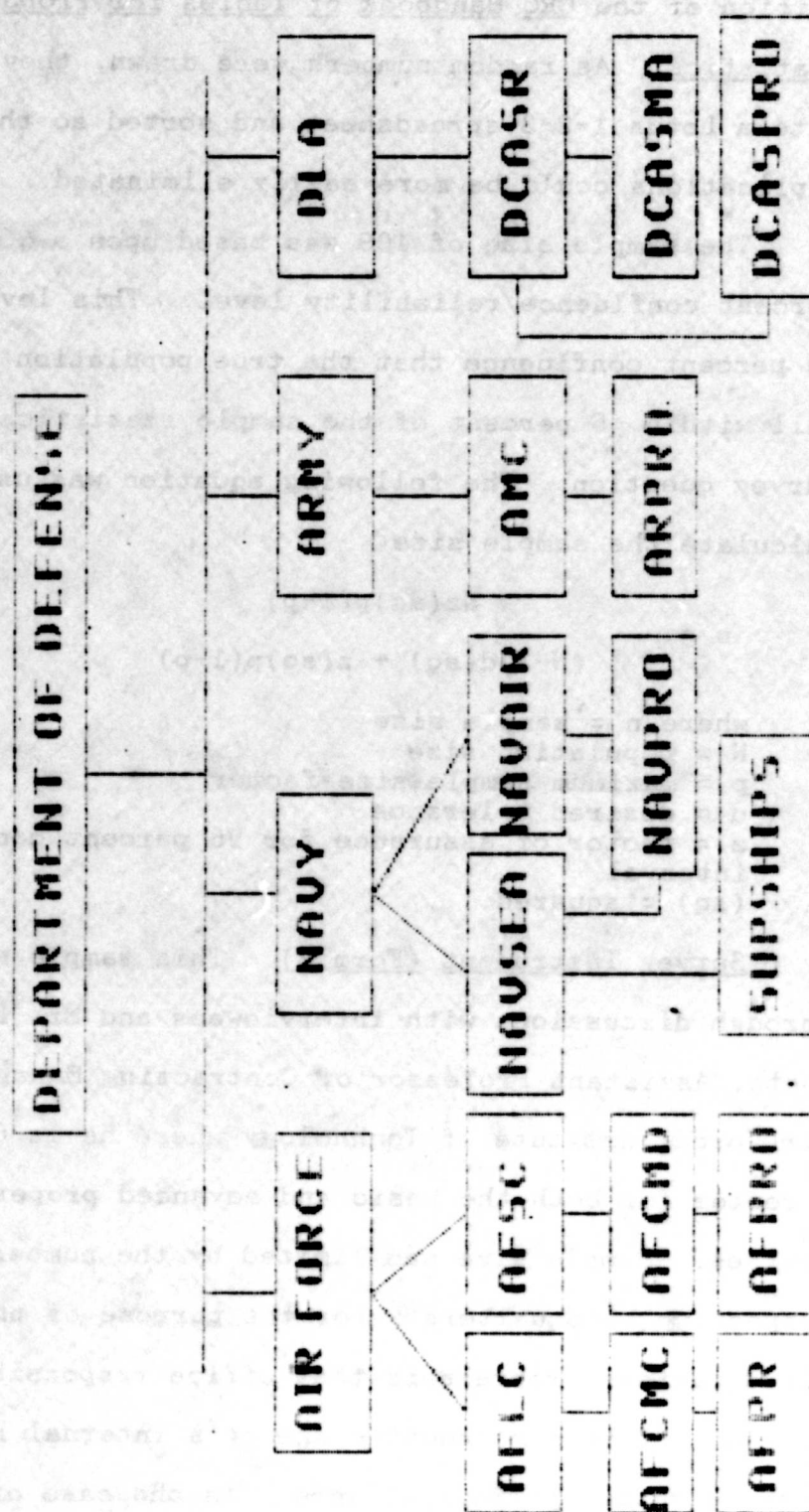
Sample and Population

The universe of consideration consists of all Department of Defense contract administration agencies having responsibilities in the property administration area. In particular, this study examined agencies within the Defense Logistics Agency (DLA) and the Departments of the Air Force, Army, and Navy (Figure 1). The population consists of the various Property Administration subsections (i.e. - branches, divisions, etc.) of the various DoD contract administration agencies. There were three samples taken from this population. The first was a completely random sample, taken for the purpose of the field level written survey instrument. The second and third were samples of convenience for the purpose of the headquarters level written survey instrument and the structured interview.

Sample Plan

Survey Instrument (Form A). The DoD Directory of Contract Administration Services Components, DoD 4105.59-H, contains a numerical listing of DoD contract administration agencies. These agencies were numbered and a sample was generated using the random sample table found in the Second

FIGURE 1



Edition of the CRC Handbook of Tables for Probability and Statistics. As random numbers were drawn, they were loaded into a Lotus 1-2-3 spreadsheet and sorted so that duplications could be more easily eliminated.

The sample size of 109 was based upon a 95 percent ± 5 percent confidence/reliability level. This level provides 95 percent confidence that the true population parameters fall within ± 5 percent of the sample statistics of each survey question. The following equation was used to calculate the sample size:

$$n = \frac{Nz(sq)p(1-p)}{(N-1)d(sq) + z(sq)p(1-p)}$$

where n = sample size
N = population size
p = maximum sample size factor
d = desired tolerance
z = factor of assurance for 95 percent confidence interval
(sq) = squared.

Survey Instrument (Form B). This sample was generated through discussions with interviewees and Mr. Douglas N. Goetz, Assistant Professor of Contracting Management at the Air Force Institute of Technology where he is Course Director for both the basic and advanced property management courses. Sample size was limited by the number of respective headquarters. For the purpose of this study, "headquarters" represents that office responsible for the issuance of that respective agency's internal Property Administration policy/guidance. In the case of the Army where there was no central focal point, written surveys were

sent to the respective operating commands of the interviewees.

Structured Interview

Description of Sample. To provide answers for the research questions of this study, personnel at 16 different contract administration offices were interviewed. Appendix E contains a list of the various offices visited and the date on which the visits occurred. The names of individual interviewees are withheld in accordance with this research effort's policy of non-attribution of responses.

Although a sample size of 16 is small compared to the total number of contract administration offices in the Department of Defense, this size was considered to be sufficiently large enough to provide reliable answers to the research question and to fulfill the objectives of the study.

Due to constraints of time this sample was non-random, chosen on the basis of convenience. The criteria used for selection were 1) proximity to Wright-Patterson AFB, Ohio; 2) proximity to other DoD agencies allowing for multiple interviews per trip; and 3) that an equal number of samples were taken per component - i.e. DLA, Navy, AF, USA.

The sample size of 16 was selected due to the time restrictions of this thesis effort and the limited number of Army Program Offices (ARPRO's). It was felt that a population of this size was sufficiently large to be representative of the entire population.

Interview Procedure. Interviews were conducted with Property Administrators and Industrial Property Management Specialists on an informal basis and lasted from two to five hours. The approach which the interviewer stressed was that of a management consultant seeking better ways to perform the property administration function as opposed to that of an Inspector General seeking instances of non-compliance. Interviewees were assured of non-attribution in order to encourage candidness in their responses.

The Structured Interview, Appendix D, was used as a guide for the interviews. To prevent the interviewer from guiding the interviewee's responses along those of previous interviews, the order in which the questions were asked varied from interview to interview. Another factor here was that in a few cases, the interviewees' response to one question flowed naturally into another question and served as an excellent transition. The structured interview was designed to provide a common basis for the purpose of the interviews but was not intended to be so restrictive that it hindered the free flow of thoughts between interviewer and interviewee.

Validity

Due to the time restrictions of this thesis effort, the use of pilot tests was not feasible. The validity of the written survey and the structured interview relied heavily upon the judgment of the research team and the survey

approval process. Addressing the structured interview specifically, problems encountered in its administration varied based upon the flow of the respective interviews and were corrected on location. As an example, it was quickly discovered that having Question 4 of the structured interview, which addresses means to improve the interviewee's property administration program, directly following Question 3 which addresses weak points of the program, encouraged redundancy in the responses.

Limitations of This Study

This subject is not easily quantifiable and is generally qualitative in nature. This implies the use of nominal and ordinal data, limiting this effort to descriptive statistics only. Another limitation is that there is no way to isolate confounding variables. It is difficult to separate differences in the effectiveness of property administration techniques from general management effectiveness.

Analysis of the Data

Due to the qualitative nature of this study, analysis of the data is limited to descriptive statistics. The results of the structured interviews and responses to the written surveys were examined to identify trends and anomalies in the data. To assist in this effort, applicable responses to Property Administration Questionnaire Form A were codified and loaded into a Lotus 1-2-3 spread sheet.

The rationale for using a spread sheet was that, in the absence of the more powerful statistical software available, it would speed any necessary calculations, allow for graphic representation, and demonstrate the potential of microcomputers to foster an understanding of survey results.

IV. Findings & Analysis

Chapter Overview

This chapter provides the results of the data collection conducted by structured interview and Property Administration Questionnaires Form A and Form B. As these were the three principal means whereby data were collected, this chapter will be broken down into these three principal areas. The information presented in this chapter summarizes key threads found within the collected data and does not purport to describe the entire database which was generated.

Structured Interview

The Structured Interview, Appendix D, consisted of nine investigative questions geared towards answering the research questions listed in Chapter I. What follow are brief descriptions of the responses to each question and an analysis of what these responses indicate to include comparing and contrasting the individual services.

Investigative Question number 1 sought to ascertain exactly what it is that property administrators feel their major goals or responsibilities are. Known were the DAR/FAR prescriptions/edicts; what this question sought to determine was whether or not there was a match. The overall indication, based upon the high percentage of "textbook answers" received to this question is that the overall goals and responsibilities outlined in FAR Part 45 and Supplement 3 remain those of the individual property administrators.

There were reported, however, cases where other organizational goals and responsibilities interfered or conflicted with those of property administration as elicited by FAR. One respondent felt that upper management's opinion of the PA function was that of an additional duty. Several other respondents reported that their duties and responsibilities as supervisors prevented them from getting out on the plant floor and doing the things a property administrator should be doing.

Another factor behind this particular question was the researcher's desire to categorize or classify property administration. Several respondents referred to their major responsibility as an auditing role. Others pictured their role as more of an educational role, both internal due to highly inexperienced personnel and external in their dealings with the other members of the contract administration team and the contractor. But for the most part, respondents indicated the ultimate classification as a public servant protecting the taxpayer's best interest - the natural result of being a representative of the Contracting Officer.

Responses were for the most part consistent across the various services. Air Force respondents seemed the most philosophical, describing themselves as auditors and educators, whereas Army and DLA responses seemed more task oriented. Navy responses were 100% "textbook" responses.

Investigative Question number 2 sought to ascertain the strong points of the respective property administration programs. What is it that makes for an effective property administration program? Unlike Investigative Question number 1, the researcher did not anticipate "textbook" responses. What was discovered, however, were typical responses which one might expect when investigating the strong points of any organization. Prime examples of these types of textbook responses, provided by respondents were:

1. Good working relationships, both internal and external;
2. Dedicated and conscientious, well trained workers;
3. Good upper management/higher headquarters support;
4. Good internal management and a well conceived division of labor;
5. High morale; and
6. A strong informal network and just getting the job done.

Examples of other strong points provided by respondents, peculiar to property administration were:

1. Property administrators having a physical presence in contractors' plants;
2. Property administrators having a good knowledge of the Contractor's Property Control System;
3. Property administrators consistently recommending holding the contractor liable for loss/damage of Government property in their possession;
4. Property administrators having direct computer access to property records;
5. Property administrators having the opportunity to comment on property related proposals prior to contract incorporation;

6. Property administrators helping the contractors to improve their property systems;
7. Property administrators having flexibility in scheduling allowing for an element of surprise; and
8. Property administrators performing strict evaluations of contractor's corrective action plans thereby forcing effective corrective actions versus "band-aid" fixes.

"Textbook" responses were for the most part consistent across the various services. There were, however, some responses which appear to be peculiar within particular services. As an example, no DCAS respondents reported having upper management attention on the part of contractors. As an additional example, only Air Force respondents reported as advantages generally having good higher headquarters support; specifically having higher headquarters property administration guidance as an excellent management tool; and specifically having Property Administration as its own division. The referenced guidance is the Integrated Contractor Assessment Program (ICAP) which is described as a strong point by one Air Force respondent as it goes deeper than DFARS Supplement 3 and forces the contractors to train their people while still maintaining property administrator discretion. This is as opposed to merely "filling a square" type surveying. By having property administration as its own division, respondents felt that they got better attention and better respect from both the contractor and from contract administration office counterparts.

Investigative Question number 3 sought to ascertain the weak points of the respective property administration programs. What are the impediments to effective property administration? Again, as with Investigative Question number 2, "textbook" responses were typical responses which one might expect when investigating the weak points of any organization. Some prime examples are insufficient manning, unqualified personnel, poor division of labor, poor communication, high backlog, and a lack of management support and/or poorly conceived requirements, special reports, and general micro-management which interfere with performance.

Examples of other weak points provided by respondents, peculiar to property administration were:

1. Instances where government property is transferred from contract to contract without the conducting of inventories;
2. Instances where property administrators could not get Administrative Contracting Officer (ACO) backing either due to the ACO's lack of understanding or having greater priorities;
3. Instances where Principal Contracting Officers (PCOs) are not following property dictates again either due to a lack of understanding or having greater priorities;
4. Instances where contractors are allowed to acquire property on behalf of the government without obtaining ACO consent;
5. Instances where PCOs authorize new buys of certain properties as opposed to reutilizing already existing stores; and
6. Instances of difficulties with the split use of tooling by more than one PCO.

Each of the above instances has an enormous potential to become "horror stories" in that the potential for waste is high, yet the scenarios are simple enough to be easily exploited by the news media.

Respondents' identification of Contracting Officers, both Administrative and Principal as weak points in their property administration programs was universal across the various services. This fact is not surprising, in that PCOs and ACOs create the currents through which the property administrator must swim.

According to one respondent, 90% of the time ACOs do not know how to deal with property issues. The same respondent discussed how property administrators work with certain "threats", which are nothing without ACO backing. This and other respondents felt that property administrators, in general, do not have enough clout with the contractor to effectively administer the property clauses. One respondent described how their office had been granted no signature authority.

Another respondent criticized PCOs for indecision with respect to property issues. This respondent discussed how PCOs are dependent upon the contractor to know whether or not a certain tool is needed on any given contract. This fact did not disturb this respondent, although situations where PCOs remain dependent upon a contractor are a thing to be avoided. What did disturb the respondent was that after

the PCOs obtained this information they failed to make a final decision within a reasonable time frame, often waiving the Government's rights.

Cases of PCOs transferring government property from one contract to another without conducting inventories were identified by respondents in the Air Force and Navy. One respondent described PCO rationale for this as a desire to not pay contractors for their performance of inventories despite the contractual requirement to do so. Time was also discussed as a factor; PCOs were thought to be more concerned with schedule than property accountability. Another respondent described this as "horse trading" which can only be considered acceptable as long as adequate consideration is received. Adequate consideration, however, must be sufficient enough to cover all of the hidden costs.

Training deficiencies were another impediment to effective property administration described by respondents across the various services. Respondents described a general difficulty in getting training slots, a lack of flexibility with respect to getting schools across job series, and trainees having to wait an average of two years before going to the Basic Property Course. This places an additional supervisory responsibility upon property administration personnel and partly explains another universal response where interviewees described supervisory responsibilities as impediments to their performing as property administrators.

The final, universal comment provided by respondents addressed difficulties filling GS-1103, Industrial Property positions. Respondents described property administration as a "revolving door" with people staying in property long enough to qualify for positions in other areas within contract administration. Respondents described low grade structures within the property field and the perception that property administration is a dead end career field as the prime reasons. It should be noted that respondents described defense contractors as having similar difficulties with filling their property positions.

Some other general comments received, with no apparent correlation between services were:

1. Too many visitors and inspectors coming to the plants who are unknowledgeable with respect to property;
2. No centralized office for higher level guidance (Non Air Force response);
3. No property manual;
4. Nonstandard treatment of property administration across the various services;
5. Nonavailability of computers and a lack of computer related training; and
6. Property Administrators getting "acclimated" to the system and losing their desire to make changes.

The latter response evolved around the concept of it being more difficult to criticize people with whom a work relationship has been established. A second respondent described situations where inquiries were responded to

verbally when written correspondence would have been more appropriate.

Investigative Question number 4 sought to ascertain corrective actions to the weak points identified in Investigative Question number 3. As expected, there was a lot of repetition in the interviewees' responses to these two questions. The most obvious and most popular of these comments sought authorization for more personnel and more training. Some other comments provided by respondents in answer to this question were:

1. Take steps to reduce paperwork;
2. Authorize higher grade levels, matching responsibility with grade;
3. Instill high level interest in the property administration field;
4. Become proactive with respect to property administration as opposed to reactive;
5. Instill better coordination within contract administration offices;
6. Develop some form of intern program possibly utilizing property clerks;
7. Require contracting types to take property courses; and
8. Develop the capability to directly access, by computer, property records.

Examples of other recommendations for improvement provided by respondents which more specifically address property were:

1. Establish a qualified command level focus at the Defense Acquisition Regulation (DAR) council level;

2. Rewrite the Federal Acquisition Regulation (FAR) to reflect the modern property environment;
3. Establish cost of living adjustments for property administration personnel in high cost of living areas;
4. Enforce property policy at the PCO level and insure that contracts are better screened prior to issuance; and
5. Force more responsibility upon the contractor.

The latter came from one respondent who felt as though they, as property administrators, were performing tasks which the contractor should be doing. This same respondent identified that, in essence, he was the contractor's suspense system and urged better training for contractors.

One particular response which was unique to DLA respondents revolved around the need to conduct re-surveys. Two of the four DLA respondents commented that a greater degree of flexibility in schedule making and more latitude with respect to the conduct of re-surveys would improve their property administration programs. Discussed were DLA property administration requirements above and beyond FAR requirements and the need for any such requirements to be closely scrutinized.

Another area discussed, by respondents in the Navy and DLA, was the area of surge requirements. One respondent described how Defense Industrial Plant Equipment Center (DIPEC) plant equipment packages are slated for more than one location in the event of surge. This respondent even went as far as to suggest the elimination of DIPEC as one way to improve property administration. The other

respondent discussed a need for centralized management of surge requirements due to conflicts between individual surge requirements of the individual services. Another factor to consider, according to the first respondent, is labor. According to this respondent, plant equipment packages are scheduled to be sent to plants where there is not the available labor to operate them. In some cases, this equipment requires skilled labor which is simply not available. Respondent advises that someone look into labor availability as it relates to surge capability. These comments would seem most pertinent in that the desire to have a surge capability remains one of the most important reasons for government ownership of property.

Some other general areas discussed in response to this investigative question were:

1. A suggestion to make property its own division from one Navy respondent;
2. A suggestion that someone examine property control's relationship to overhead;
3. A suggestion that someone examine the mechanism whereby property administration slots are funded with reference to a unit manning document by program; and
4. A need to examine support property administration delegation and geographic coverage.

Investigative Question number 5 sought property administration personnel perceptions as to the wisdom of requiring the contractor to maintain the official records of government property. This question evolved from a suggestion that the government regain this function.

Whereas some respondents described the contractor's maintenance of the property records as both a good and bad situation and felt that it would be better if the government kept them, no respondent felt strongly enough about it to deny the practicality of the current system. It was universally agreed upon across the various services that for the government to begin maintenance of the records would require additional personnel. In light of the fact that most respondents felt that they were already short of bodies, the belief that it would be impractical for the government to maintain the records is not surprising.

One respondent described, as an advantage to the present system, the fact that the contractor can move people to needed areas much easier than the government could do so. This respondent used an analogy of moving. A contractor, according to this respondent, can simply throw a "moving party" whereas the government would have to go through a formalized bid process. On the other hand, one respondent felt that the use of the clause which relieves the contractor from the responsibility to maintain the records is a thing to be avoided.

Investigative Question number 6 sought to ascertain any needed improvements to the regulations governing property administration. As expected, there was again repetition between responses received to this question and responses to Investigative Question number 4 which sought improvements in

general. For the most part, respondents felt that some change is needed. This is not surprising in light of the magnitude of activities which these regulations cover. In general, respondents felt that the regulations were too vague in various areas and required too much interpretation. Many respondents recognized, however, that such a regulation must, of necessity, be written in general terms as it is not possible to anticipate every situation and administrators need a degree of latitude. This latitude, on the other hand, poses a difficulty to trainees who are seeking to learn the "right way" to perform their duties and to contractors who cannot afford what one respondent referred to as a "kennel of lawyers".

It was generally felt by respondents that DFARS Supplement 3 is in need of revision. One respondent described it as good in concept but in need of revision within various functional areas. This same respondent suggested that there were a few new categories which could be added through an expansion of the existing categories. Another respondent discussed a need for more emphasis placed on the SUP3 categories of subcontractor control and consumption, the latter of which was witnessed in responses to Investigative Question number 9.

One specific area, addressed universally by respondents across the various services, was loss and damage of government property in the possession of contractors. Respondents overwhelmingly discussed a need to strengthen

the language of the loss and damage clauses by flowing the liability to lower levels of management and decreasing the requirement to prove gross neglect. One respondent described how there is a basic conflict of interest in that a property administrator who proves gross neglect is stepping on his own toes. Where was the property administrator while the contractor was being grossly derelict in his property control responsibilities? This same respondent advised taking a closer look at property lost at vendors. Most of the contractor's purchase orders, this respondent reported, require subcontractors to carry insurance on any such properties. Any losses for which the prime is reimbursed should certainly flow to the government. Another respondent suggested that the contractual language be strengthened so as to require the contractor to perform some form of internal analysis of loss and damage to government property which would look for trends and require corrective actions. Another respondent recommended that we continue to disallow insurance yet make the contractors partially responsible for any loss and damage. One respondent went as far as to say that either the clauses should be strengthened or we should disregard loss and damage totally. According to this respondent, we are going to relieve the contractor of liability 99% of the time - why then should Property Administrators spend their limited time

investigating loss and damage when they could be instead conducting surveys.

Another area of concern described across the various services was in the definitions of the various categories of government property. Several respondents felt that the categories needed to be expanded to reflect present realities. In particular, respondents described difficulties in categorizing computer software. In some cases, according to respondents, such software is carried as data, and in other cases it is carried as special test equipment. In either case, software is a growing area which needs to be addressed. One respondent described the regulations as written with steel mills in mind and not being appropriate for high-tech and R & D industries.

Some other general areas discussed by respondents as being in need of attention were:

1. The definition of major versus minor deficiencies of a contractor's property system;
2. The administrative burdens placed upon small business Research & Development firms as the result of their use of government property;
3. Clear specification of exactly how we want government property reported - either by category, line item, or dollar value and possibly to the extent of prescribing a standard format;
4. The area of hazardous material and dangerous properties in relationship to federal requirements of the Environmental Protection Agency;
5. The area of responsibility for the collection of rental charges;
6. Requirements for the screening of special test equipment components valued at over \$10,000;

7. The advisability of a new clause whereby the government will pay for 50% of the tooling which is yet to adequately address right to title;

8. The possibility of allowing for selective disapproval within the contractor's property control system; and

9. The area of limited surveillance and the counting of reparables in a determination of whether thresholds have been surpassed.

Another area of concern discussed across the various services concerned the conducting of physical inventories. One DLA respondent discussed a conflict between the requirements of FAR and DLA guidance. The FAR, according to this respondent, requires only periodic inventories with the property administrator and contractor determining the schedule. DLA, on the other hand, requires that physical inventories be conducted on a yearly basis. Other respondents felt that the conduct of physical inventories was left too much to judgement - a fact which would seem to be supported by the number of respondents who discussed the failure to conduct inventories prior to transfer from contract to contract as a weak point in their property administration programs.

Investigative Question number 7 sought to ascertain whether property administrators felt their organizations were adequately structured and manned to perform their property administration responsibilities. As expected, respondents who identified insufficient manning as a weak point of their program (a majority) responded in the

negative. Some general comments repeated by respondents in response to this question were:

1. It is difficult to perform as both a manager/supervisor and a property administrator;
2. There is a need for a centralized focal point in the property arena;
3. There exists in some instances an uneven division of labor;
4. Inspectors examining property administration are unknowledgeable with respect to property;
5. There exist problems with the assignment of training slots; and
6. Property Administrators do not have enough clout.

One area discussed by respondents across the various services was the advantage of having property administration as its own separate division. Air Force respondents, where property administration is a separate division, described the advantage of being a distinct division with respect to the influence and the respect it bestows upon property administration personnel. One DLA respondent described problems with the flow of information down to the branch level and felt that property as its own division would end part of that. Most respondents described how it would give them more influence with contractors, assist in competing for limited resources within the contract administration office, and serve to justify additional grade authorizations providing some form of upward mobility. One respondent described a case where additional personnel were authorized to fill manning deficiencies within property administration

but became additional personnel for another division.

The disadvantage, according to one Air Force respondent, is that as a division they must perform some administrative activities which they would not be required to do as a branch. The prime example this respondent suggested was having to submit and defend a budget. Another Air Force respondent, somewhat along these lines, discussed the need for the Directorate at headquarters to be of an equal grade as the other Directorates.

Another area of concern provided by respondents with respect to structure was in the area of support property administration, delegation, and the determination of resident property administration. One respondent, in particular, suggested that someone take a closer look at the threshold(s) used to determine whether a resident property administrator will be assigned. This respondent was of the opinion that contractors structure their operations to remain below this threshold and avoid the closer scrutiny which a resident property administrator can afford.

Investigative Question number 8 sought respondents' opinion on how well property issues are addressed by buying activities. As anticipated, respondents who described Principal Contracting Officers as a weak point to their property administration programs felt that property issues were inadequately staffed. In addition, some respondents who previously had not identified buying office activities as a weak point did so now.

In response to this question, respondents again described:

1. Instances of transferring property from contract to contract without conducting inventories;
2. PCOs' reliance upon contractors as to what properties to provide on any given contract;
3. PCO indecision with respect to excess property and reluctance to allow for disposition due to possible use of the property later; and
4. A general lack of understanding of property issues at the buying activities.

Respondents reported instances of buying activities either failing to include, or including inappropriate, property clauses; instances of the government providing too much property; instances where contractors were receiving defective property; and instances of providing the wrong types of property for a given situation. With respect to the latter, one respondent described an instance where typewriters were provided as Automated Data Processing Equipment.

Several respondents discussed reasons for buying activities' failure to adequately address property issues. In general, respondents felt that the buying offices had too much workload and were undermanned. In the making of necessary tradeoffs, property issues take a low priority. Consequently, contracts are issued which later require modification and again increase buying activity workload. Contract boilerplating was also described as a cause. Another respondent described instances where PCOs and

contractors make deals without bringing property into the loop. A final respondent described turnover in the Systems Program Offices as a problem. As buyers get familiar with the various property issues, they transfer out. This specifically applies to military personnel, according to the respondent.

The recommended solution provided by respondents across the various services was the involvement of property personnel early in the contracting process. According to one respondent, property decisions are for the most part made by manufacturing personnel. Buying offices, according to another respondent, should have a property function. Very few respondents reported having a system whereby contracts containing government property were reviewed prior to their signing. Instead, most respondents reported providing written feedback to buying activities following their initial review. Opinions as to the effectiveness of this written feedback varied from it being very effective as this documentation became part of the contract file to it being ineffective because the same errors keep occurring. Respondents did report that they get the opportunity to participate in pre-award surveys. The main concern in such instances, however, is whether or not the contractor has an approved property system and not the specific property to be provided and why. In general, respondents spoke of a need for the contract administration team to work closer together and to communicate.

Investigative Question number 9 sought to ascertain how property administrators performed their consumption analysis responsibilities as outlined under Department of Defense Federal Acquisition Regulation Supplement 3. The rationale for selecting this particular category was that the researcher felt it had the greatest potential for automation from a property administration viewpoint. Of additional interest was the injection of government property into contractor Materials Resource Planning Systems and the government's tracking of same.

In general, respondents described consumption as a very tough area to survey. As noted earlier, respondents felt that regulatory guidance in this area was weak. One respondent described it as having two uneducated property administration types look at a system composed by PhDs. Other respondents described difficulties in this area due to having to account for scrap and loss and damage. How much of the contractor's consumption was the result of such activities? In general, respondents described their efforts in this area as: ensuring that contractors are not ordering too much; looking at past issues to see if they were requisitioned in an orderly fashion; and tracking such issues through to their incorporation into the final item.

Essentially, respondents indicated that they are for the most part dependent upon information in the contract to determine what is reasonable. The problem is that if these items were not properly addressed during the formation of

the contract, then property administrators may merely be validating that contractors are remaining within parameters which have built-in overconsumption. Navy respondents described predetermined standards which exist for precious metals against which property administrators can check contractor issues. The problem, according to one respondent, is that the average property administrator does not know how to read blueprints, schematics, or drawings. According to this respondent, either property administrators should receive such training or the information needed to successfully accomplish consumption surveys must be provided to them.

Another issue brought up in response to this question was that of contractor abuse of the government priority system. Respondents described instances of contractors' use of higher priorities than authorized under their respective contracts. By using higher priorities, contractors are in essence consuming more of the government's resources than authorized. As another obscure means whereby contractors can overconsume, one respondent described contractor use of government materials to perform fault isolation on repair contracts. As a short cut, instead of completely testing an item which comes in for repair and ascertaining what caused a certain part to fail, the contractor will merely replace the part (often Government furnished). When that "burns out" the contractor will identify a problem, re-replace the

part and see if that works. Respondent rightly reported how it is difficult to perform a consumption survey under such circumstances.

Summary of the Interviews. These interviews have been instrumental in answering the research questions identified in Chapter I. They serve as the foundation for the qualitative aspects of this study. All personnel interviewed expressed a supreme desire to advance the field of property administration and hoped that their comments would be of assistance in that effort.

Property Administration Questionnaire - Form A

Property Administration Questionnaire, Form A, consisted of two parts. Part I consisted of 9 questions and requested demographic information about the education, training, experience, current job and pay grade of respondents. Part II requested information regarding specific aspects of the respondent's property administration program with the focus being on the various structures, procedures, and techniques employed. Appendix B contains a copy of the questionnaire.

Forty-two written responses were received in response to this survey, one of which was a no response. In addition, three telephonic "no responses" were received for a variety of reasons ranging from an extreme shortage of personnel to the total delegation of property administration at the respective contract administration office. Including these no responses, the overall response rate was 41.8%.

Written responses were received from nine out of eighteen Air Force, twenty-three out of sixty-four Defense Logistics Agency, and nine out of 25 Navy property administration personnel. None of the three Army personnel to whom surveys were sent responded.

Those questions requesting quantitative information such as years in federal service, years in present position, number of line items and dollar value of government property, average hours per week spent interfacing with other various personnel and agencies, average hours per week performing various property administration tasks, and the number of property administration personnel in a given office and their pay grades were loaded into a LOTUS 1-2-3 spread sheet for analysis. In addition, qualitative information was codified and entered in the spreadsheet to analyze the various distributions of responses. Table 1 lists the overall averages and the various averages of the independent services. Figures 2 through 26 are graphical representations of some of these averages and some of the qualitative responses described above.

TABLE 1
RESPONSE AVERAGES - FORM A

PART I			PART II		
Question	3	4	5	1a	1b
AF AVG:	17.83	7.89	2.33	81776.13	0.78
DLA AVG	18.91	12.72	2.52	64098.61	0.56
NAVY AVG	24.94	10.56	2.56	45789.29	0.75
TOTAL AVG	20.43	11.36	2.43	66515.91	0.68
PART II					
Question	2a	2b	3a	3b-12	
AF AVG:	\$540,059,240	0.78	4.89	1.63	
DLA AVG	\$272,065,461	0.53	3.14	1.10	
NAVY AVG	\$193,882,537	0.75	3.00	1.00	
TOTAL AVG	\$333,114,861	0.66	3.59	1.33	
PART II					
Question	3b-11	3b-09	3b-07	3b-05	^3b-other
AF AVG:	1.56	1.33	0.75	0.86	0.00
DLA AVG	1.82	1.63	1.33	1.00	1.00
NAVY AVG	1.83	2.00	1.00	0.50	1.00
TOTAL AVG	1.81	1.72	1.14	0.92	1.00
PART II					
Question	5	6a	6b	6c	6d
AF AVG:	162.38	61.29	69.29	1.25	19.83
DLA AVG	437.59	132.19	83.36	5.08	14.70
NAVY AVG	120.67	70.38	26.33	5.00	0.60
TOTAL AVG	315.97	106.94	68.26	4.31	13.87
PART II					
Question	7a	7b	7c	8a	8b
AF AVG:	0.89	0.00	0.00	0.00	0.00
DLA AVG	35.16	465.54	39.31	6.63	0.23
NAVY AVG	6.00	58.25	25.13	13.00	0.50
TOTAL AVG	20.28	310.38	33.90	8.75	0.33
PART II					
Question	9	10a	12	13	14
AF AVG:	9.00	0.56	2048.67	13.00	51.13
DLA AVG	155.82	0.70	783.73	16.00	19.79
NAVY AVG	37.38	0.11	1090.29	22.33	37.00
TOTAL AVG	105.95	0.55	1172.89	18.38	31.38

TABLE 1 (CONT.)

PART II Question	15a	15b	15c	15d	15e
AF AVG:	1.36	4.75	0.70	0.91	3.38
DLA AVG	1.46	4.34	0.63	0.52	2.76
NAVY AVG	2.43	8.33	1.00	0.39	3.33
TOTAL AVG	1.67	5.46	0.73	0.58	3.09

PART II Question	15f	15g	15h	15i	15j
AF AVG:	1.50	0.57	0.21	0.71	14.13
DLA AVG	0.43	0.28	0.40	0.67	17.74
NAVY AVG	1.63	0.78	0.25	3.22	17.33
TOTAL AVG	0.93	0.46	0.34	1.33	17.36

PART II Question	15k	15l	15m	15n	15o
AF AVG:	0.84	0.81	0.80	8.38	2.00
DLA AVG	1.33	0.55	0.31	3.50	1.26
NAVY AVG	1.13	0.63	0.50	15.39	3.67
TOTAL AVG	1.22	0.64	0.47	7.33	2.04

PART II Question	15p	16a	16b	16c	16d
AF AVG:	4.00	4.25	2.13	4.50	2.13
DLA AVG	3.80	5.22	3.08	3.23	4.70
NAVY AVG	4.50	3.00	4.63	0.63	2.00
TOTAL AVG	4.11	4.68	3.30	3.03	3.69

PART II Question	16e	16f	16g	38	39
AF AVG:	2.07	1.00	2.78	21.50	210.00
DLA AVG	3.43	7.29	0.74	31.67	176.60
NAVY AVG	3.00	4.75	0.67	27.97	136.67
TOTAL AVG	3.17	5.84	0.78	24.54	191.76

NOTE:

1. Questions 1b and 2b are a yes/no response. The closer the average is to 1.0, the more yes responses were received.

Figure 2. Figure 2, entitled Respondent Pay Grades, displays the pay grades reported by the various respondents. The majority of respondents were GS-11s and GS-12s. One respondent reported being at the GS-03 level, and was with the Air Force.

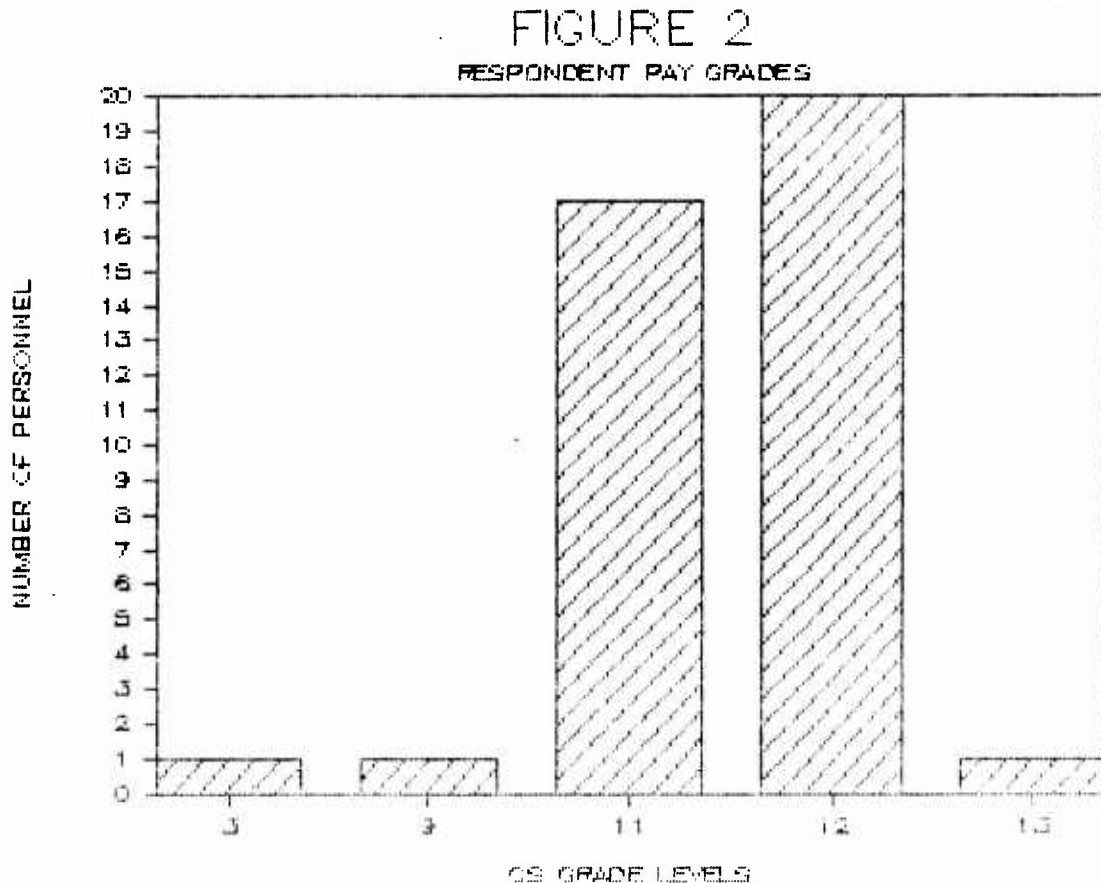


Figure 3. Figure 3, entitled Education Levels, displays the distribution of responses to question 8 of the survey. The x-axis corresponds to the responses listed in the questionnaire, ranging from grade school (1) to doctoral level (8). The majority of respondents reported education

levels of (3) and (4) which represent "some college" and "Bachelor's Degree" respectively.

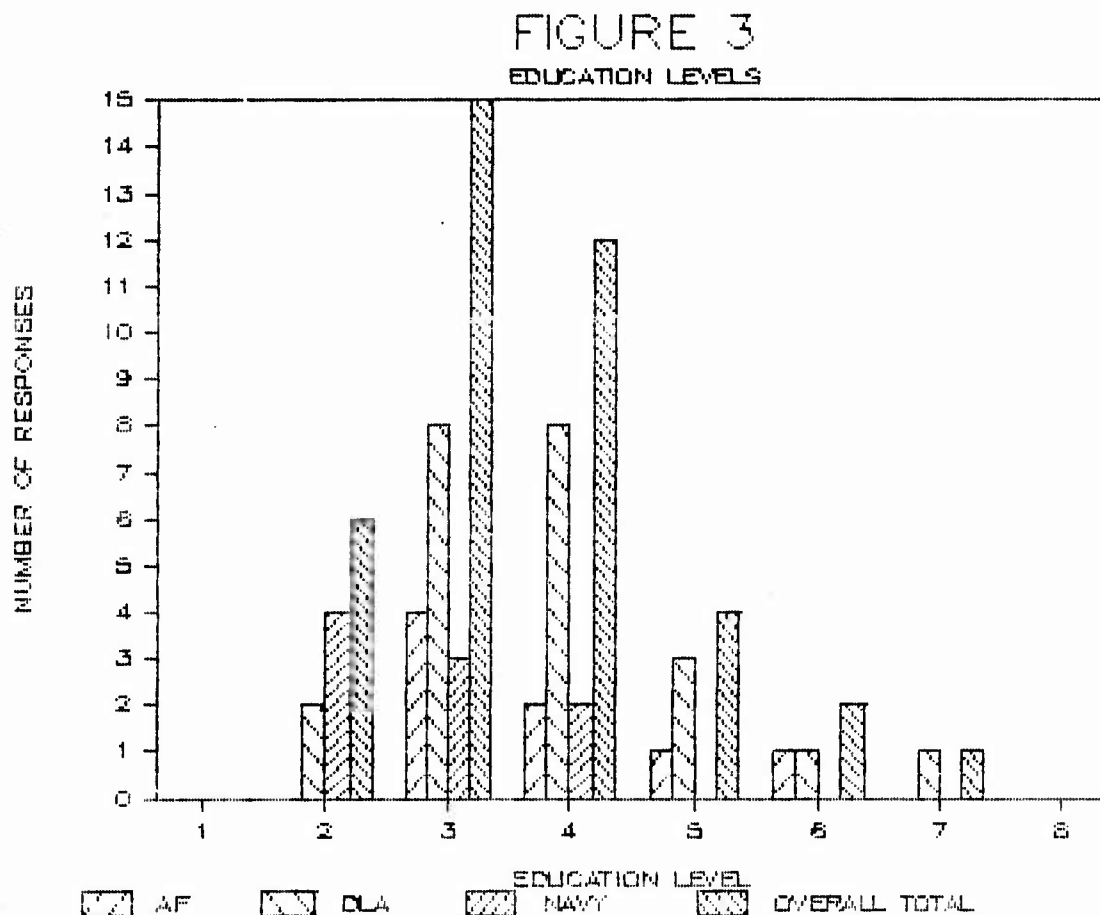


Figure 4. Figure 4, entitled Experience Levels, displays the averages of respondents' reported number of years in the property field and number of years in federal service. The averages are further broken down by service for purposes of comparison. On the surface it would appear that the Air Force has the lowest experience level; however,

it must be noted that this figure includes the GS-03 respondent who obviously does not have a lot of experience.

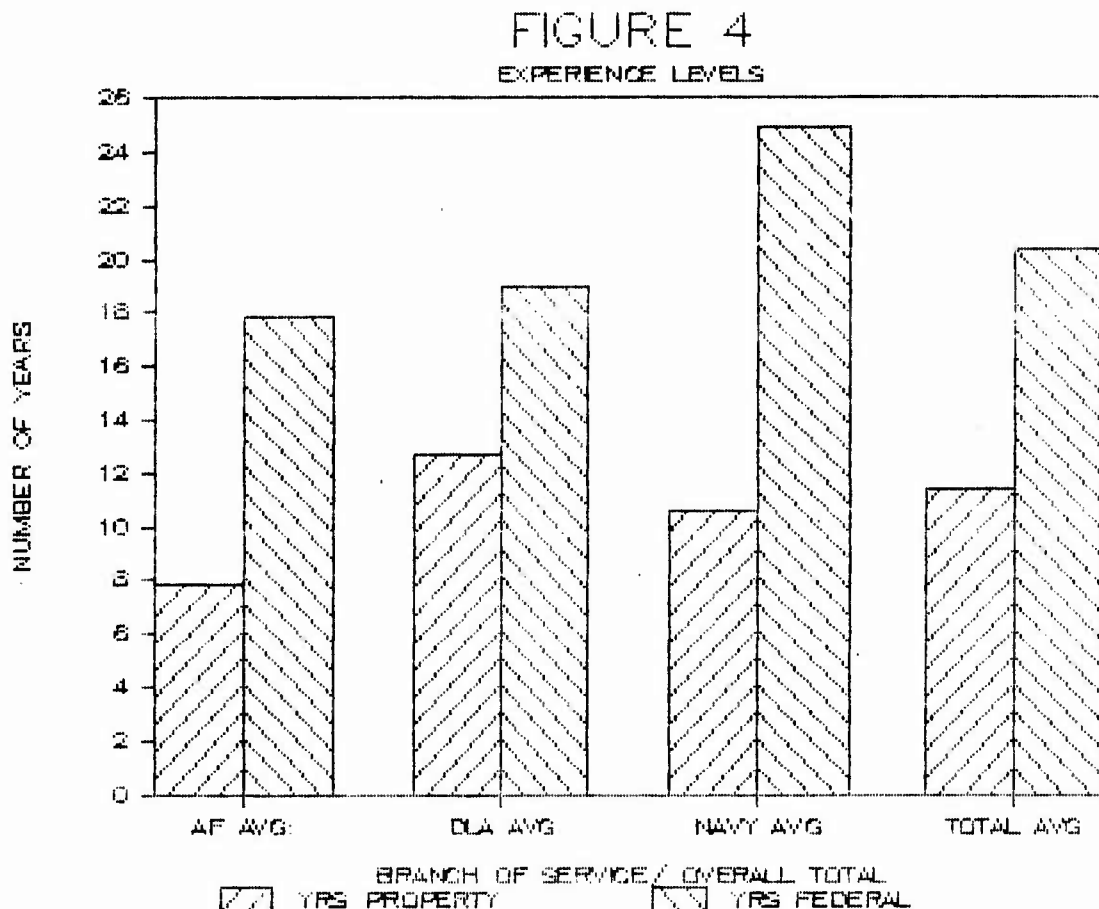


Figure 5. Figure 5, entitled Line Items of Government Property, displays the averages of respondents' reported number of line items of government property for which they are responsible. Again the averages are broken down by service for comparison purposes. The overall average of the respondents was approximately 66,500 line items of government property per contract administration office.

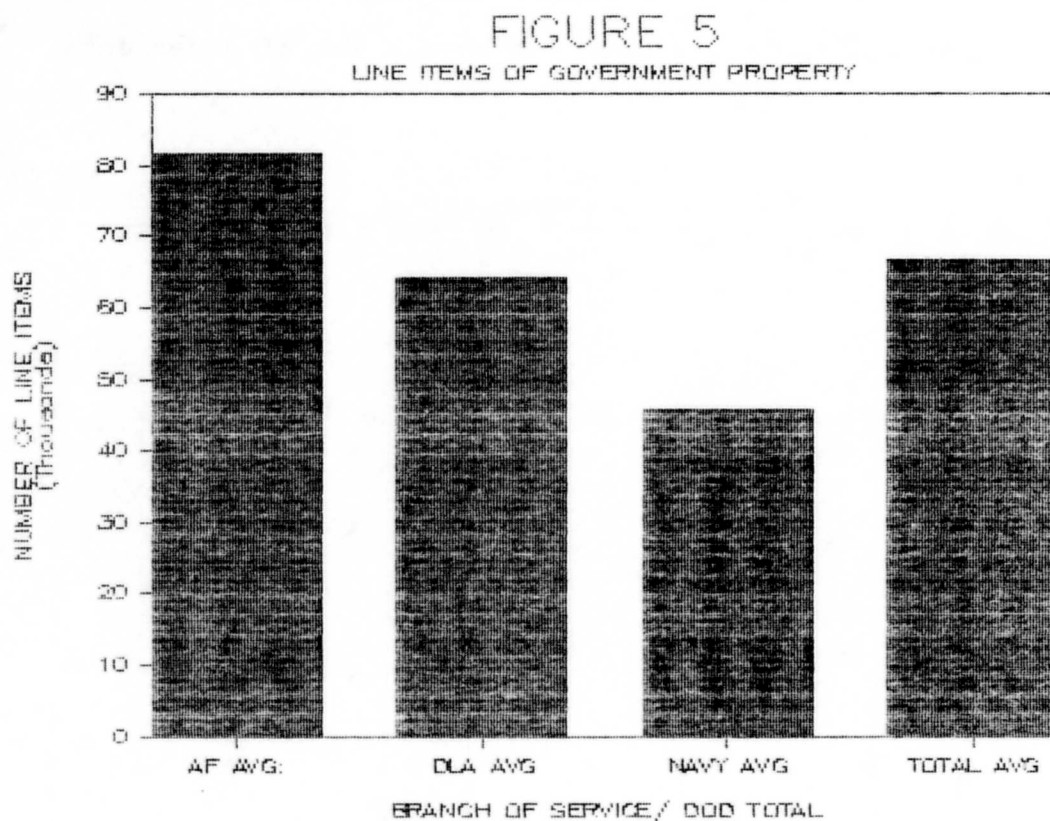


Figure 6. Figure 6, entitled Dollar Value of Government Property, displays the averages of respondents' reported dollar value of government property for which they are responsible. Again broken down by service, the Air Force reported the highest average.

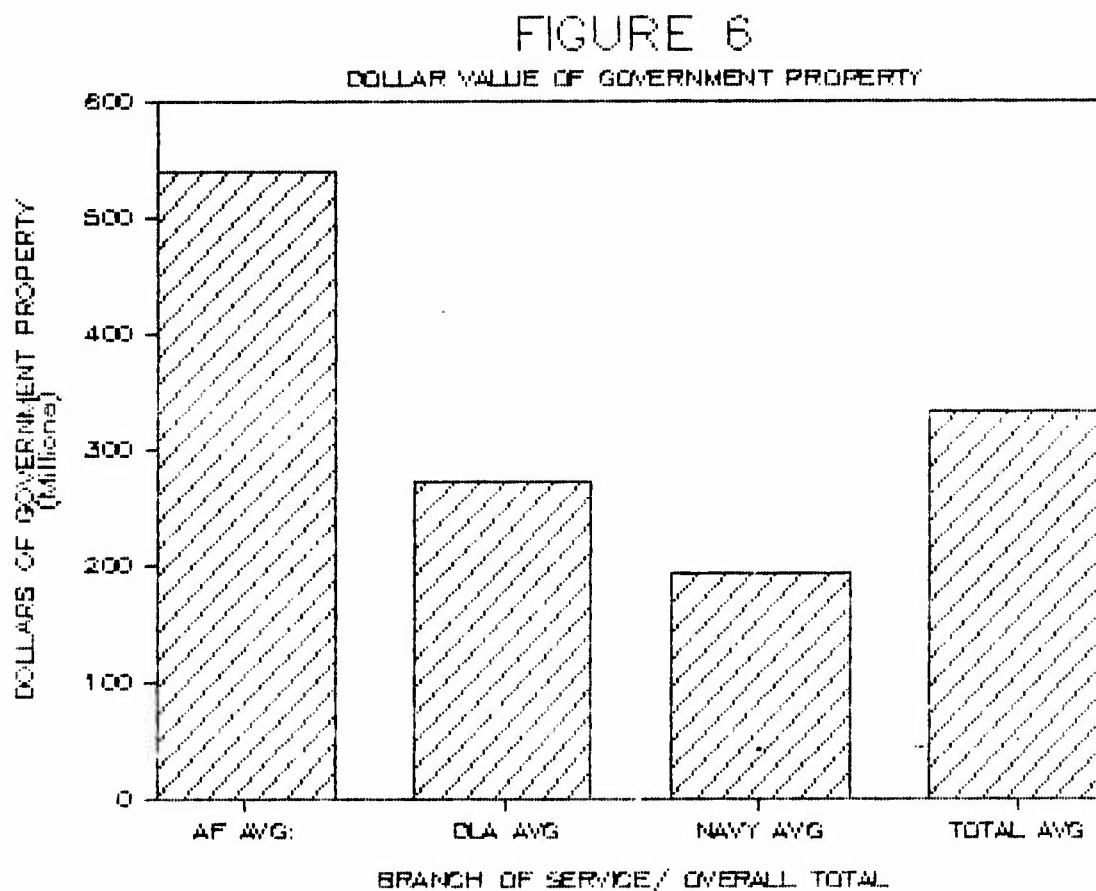


Figure 7. Figure 7, entitled Number of PA Personnel, displays the averages of respondents' reported number of property administration personnel, broken down by service. The Air Force again reported the highest average.

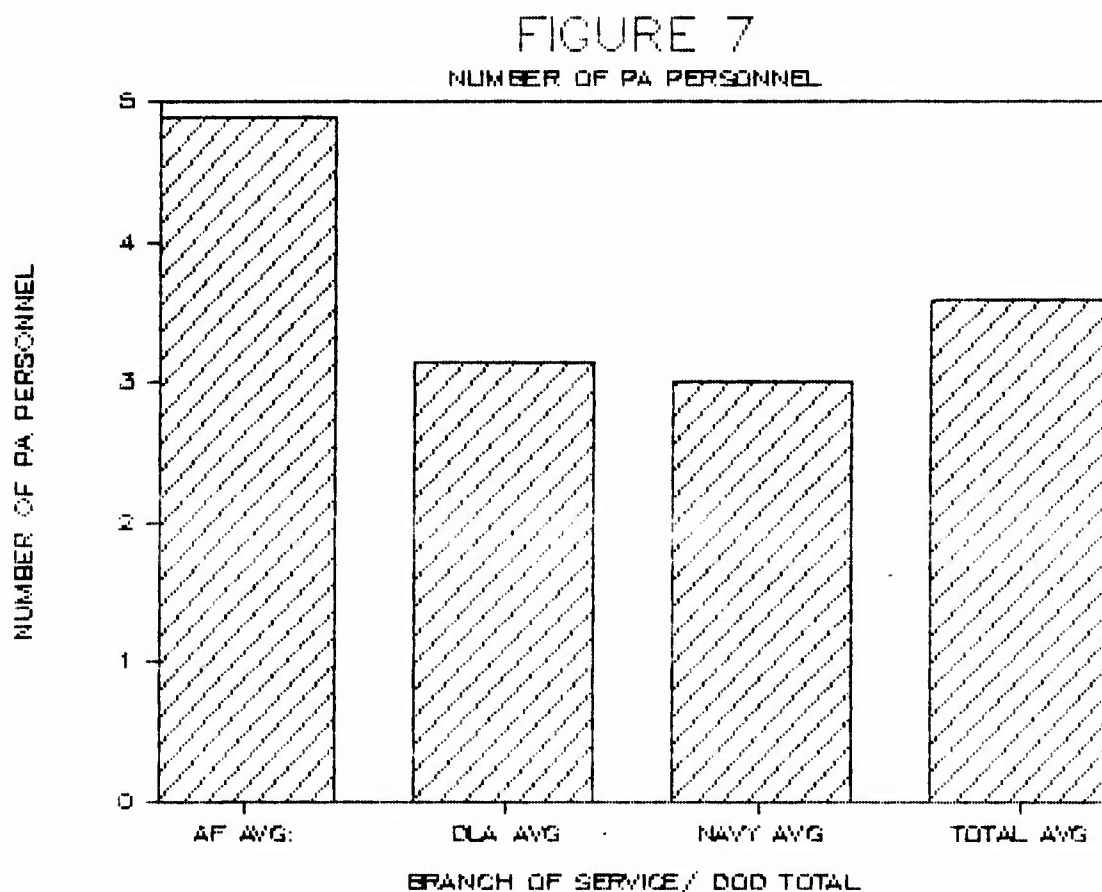


Figure 8. Figure 8, entitled Grade Distributions, displays respondents' reporting of the number and grade levels of property administration personnel in the various offices. The majority of respondents described offices consisting of GS-09s, GS-11s, and GS-12s. A disturbing note is the low number of GS-07s reported which may explain why respondents report great difficulty in finding journeyman level property administration personnel.

FIGURE 8
GRADE DISTRIBUTIONS

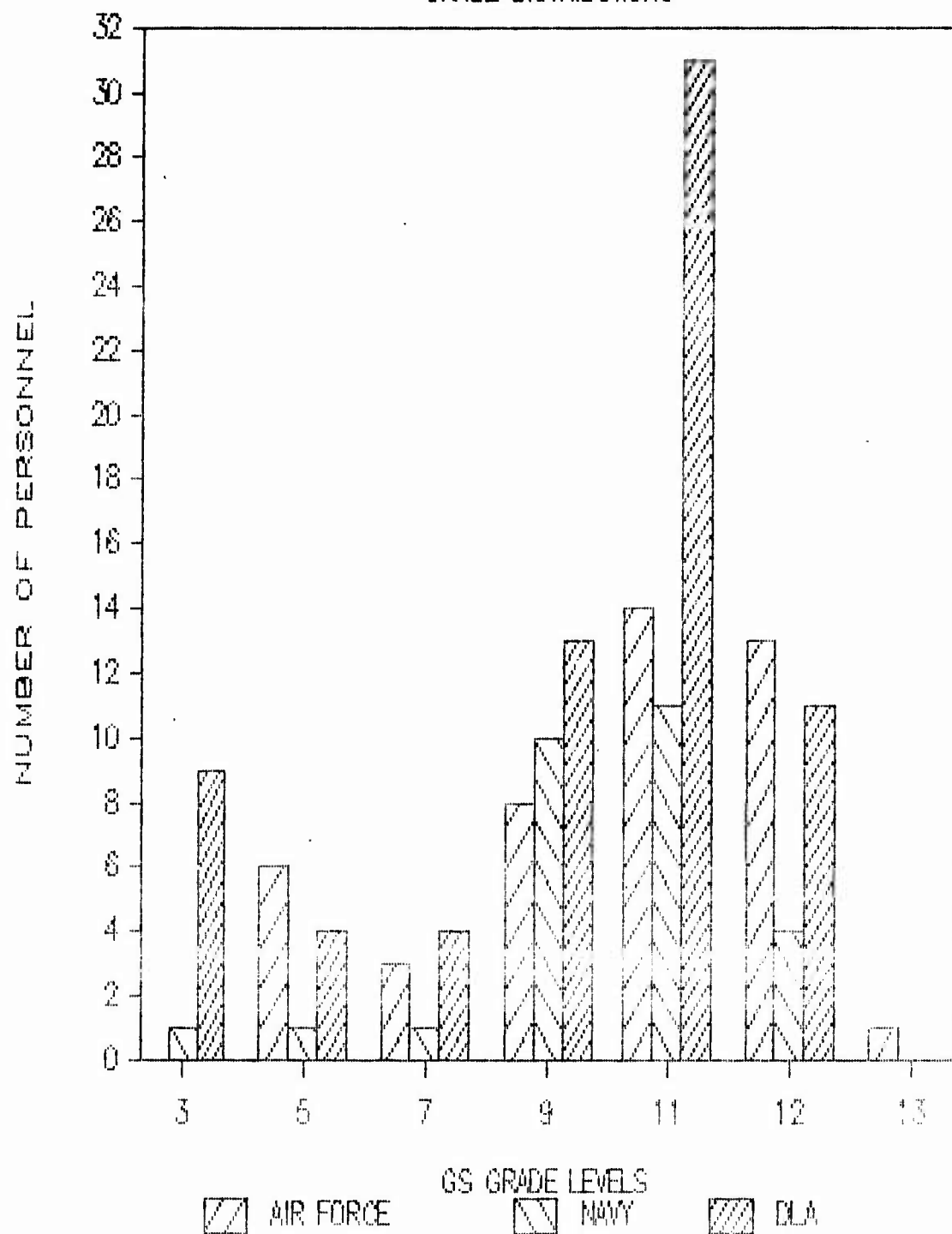


Figure 9. Figure 9, entitled Average Number of Contracts, displays the averages of respondents' reported number of contracts for which their office is responsible. Broken down by service, it is by no means surprising that DLA reports the highest number of contracts.

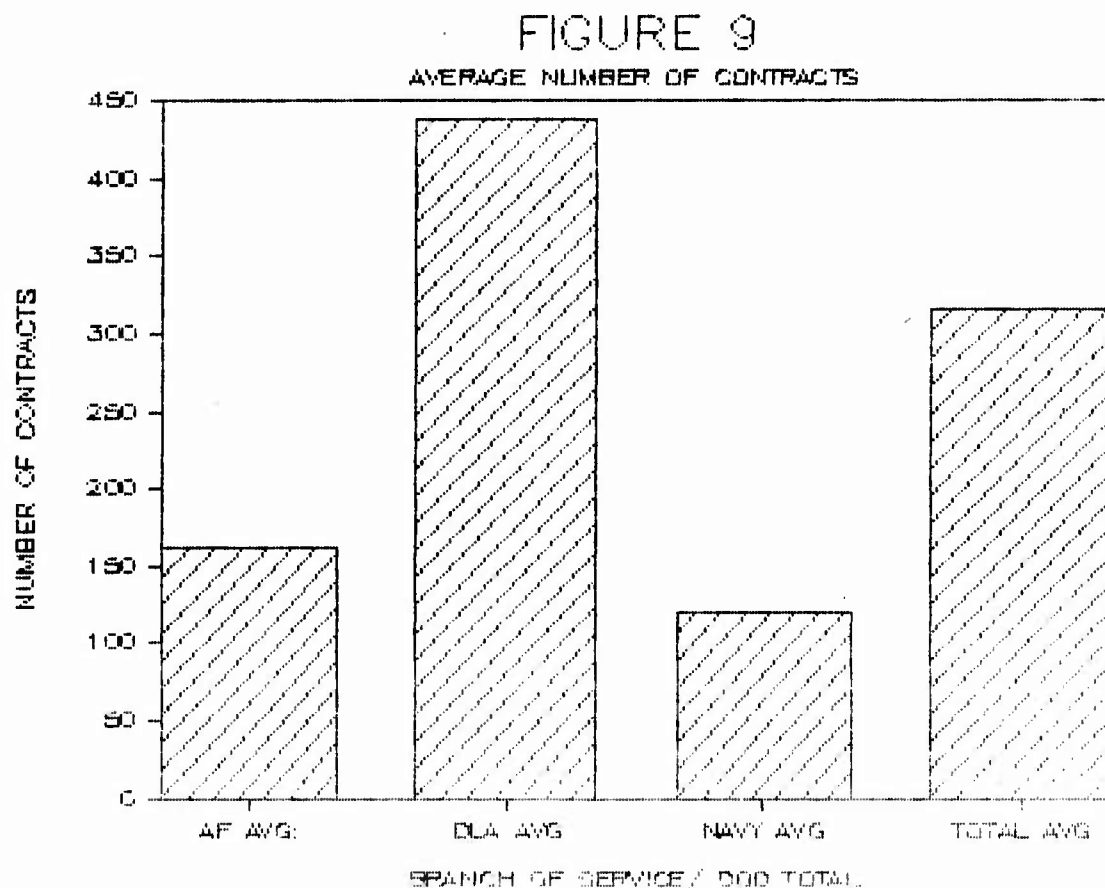


Figure 10. Figure 10, entitled Types of Contracts, displays respondents' reporting of the number and types of contracts for which they are responsible.

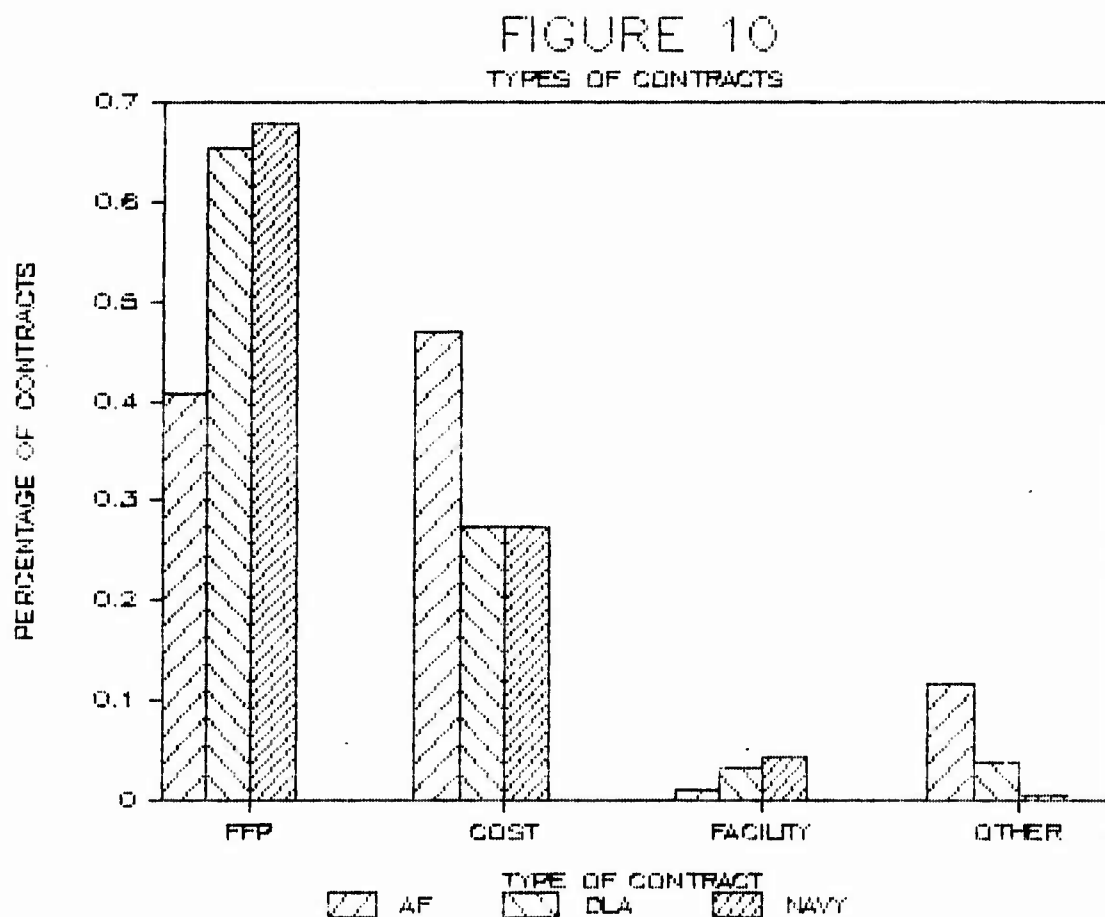


Figure 11. Figure 11, entitled Average Line Items per PA, displays the averages of respondents' reported number of line items for which they are responsible divided by the number of personnel in their office. The overall average of the respondents was approximately 20,000 line items of government property per property administration person.

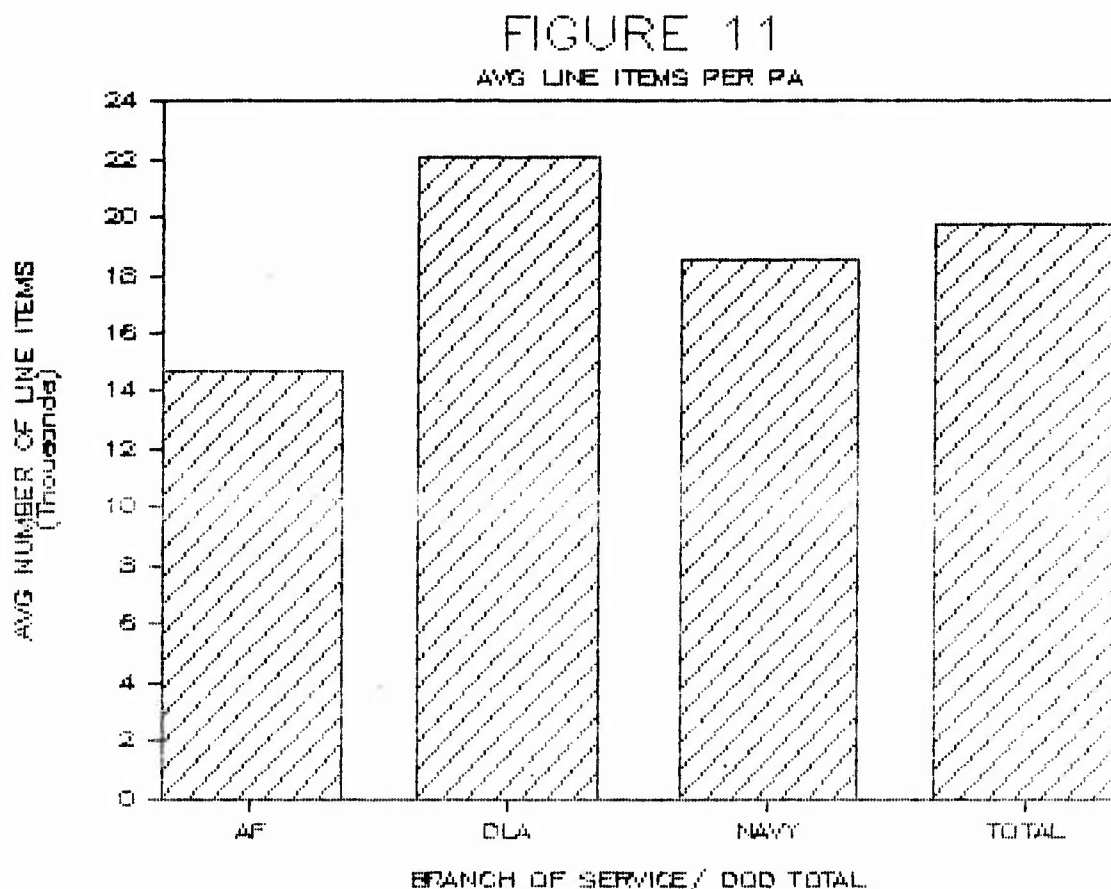


Figure 12. Figure 12, entitled Average Dollar Value Per PA, displays the averages of respondents' reported dollar value of government property for which they are responsible divided by the number of personnel. The overall average of the respondents was approximately \$100M per property administration person.

Figure 13. Figure 13, entitled Average Contracts Per PA, displays the averages of respondents reported number of contracts divided by the number of personnel. The overall average was approximately 95 contracts per person, with DIA far exceeding the other services.

FIGURE 12

AVG DOLLAR VALUE PER PA

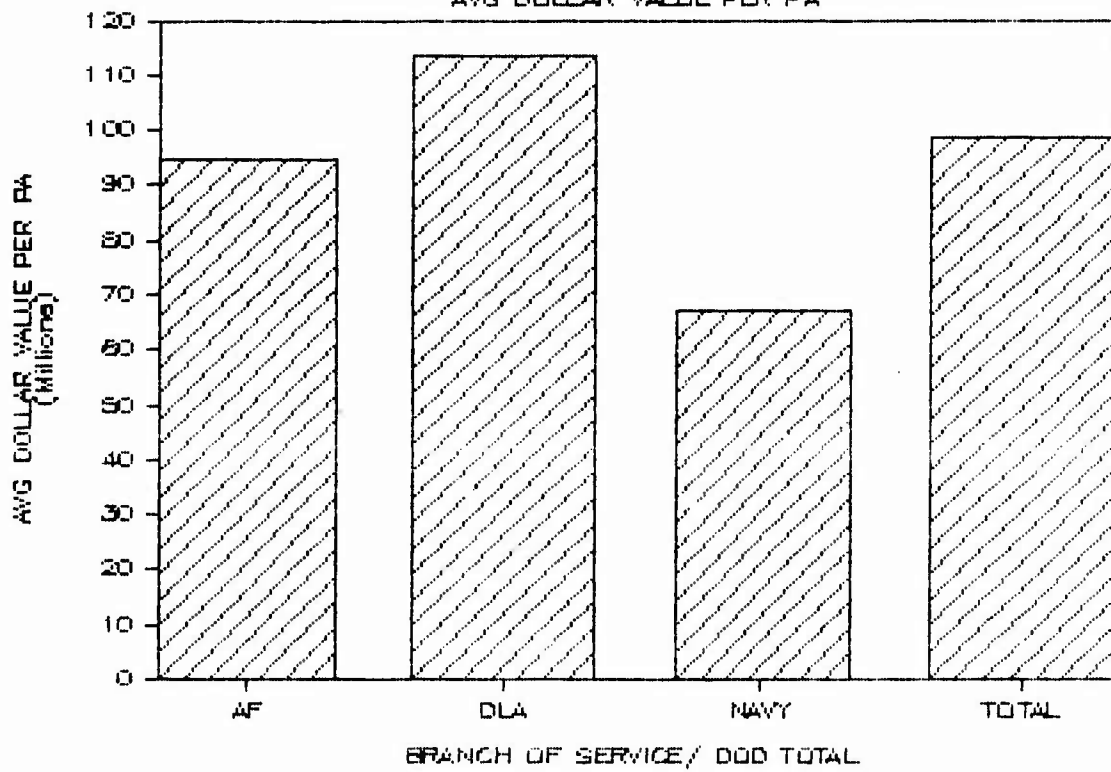


FIGURE 13

AVG CONTRACTS PER PA

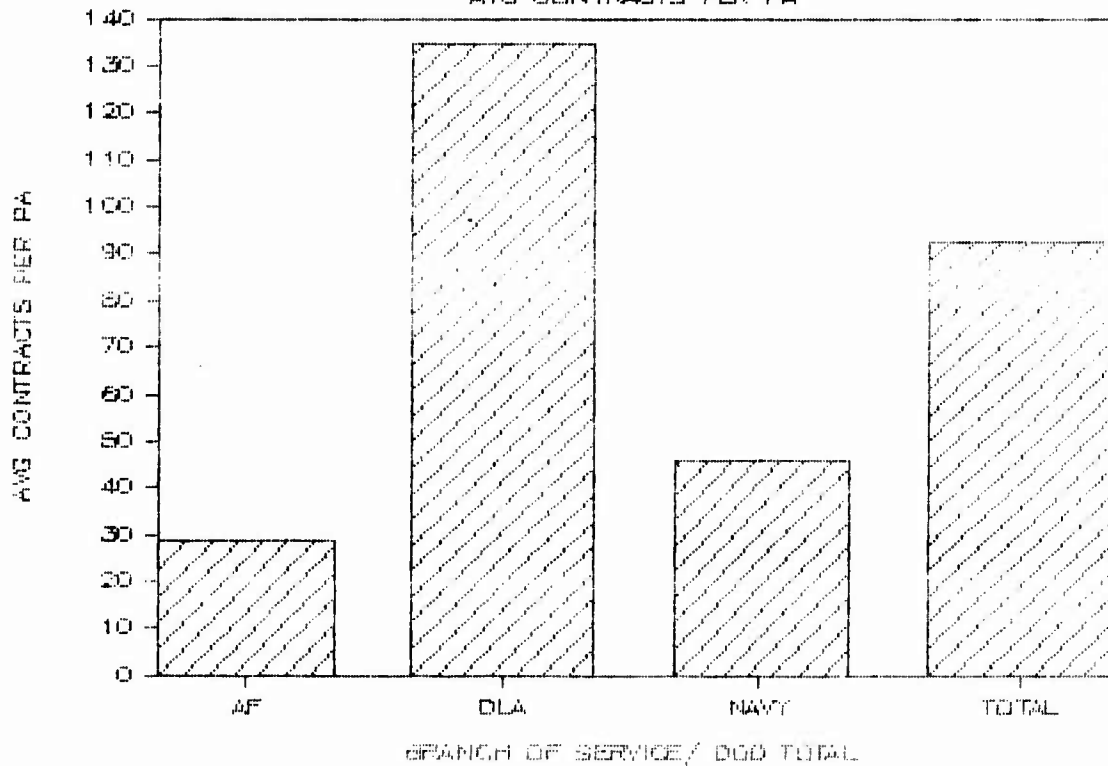
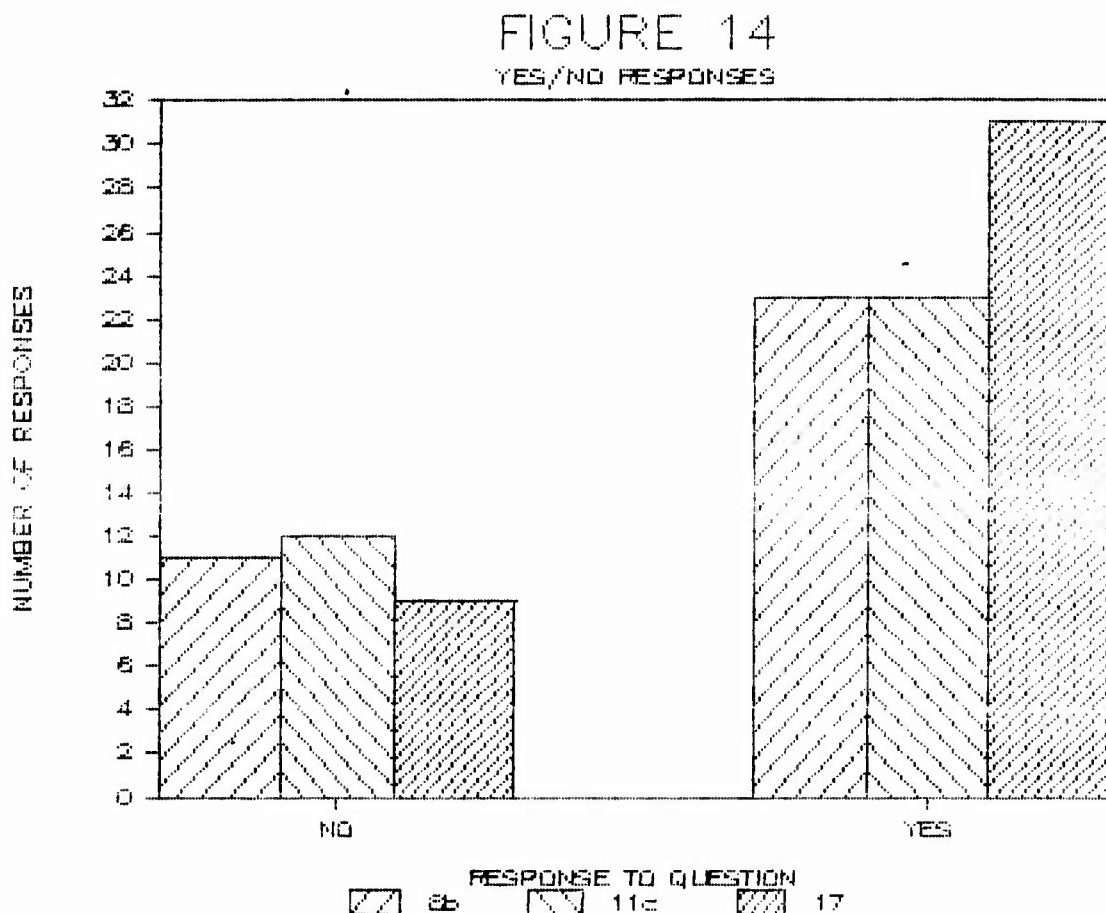


Figure 14. Figure 14, entitled Yes/No responses, displayed respondents' answers to questions 8b, 11c, and 17. Question 8b sought to determine if respondents knew exactly the number of personnel employed by their respective contractors in their control of government property. Question 11c sought to determine if respondents knew exactly what percentage of total property fell within what they had previously identified as the majority category of property in the contractor's possession. Question 17 asked if the respondents had a computer available for their use. Thirty-one respondents reported that they did possess computers.



Figures 15 and 16. Figures 15 and 16, entitled Average Hours Per Activity, display the averages of respondents' estimates as to the length of time required to perform certain activities. Figure 15 displays, across the various services, the average hours to complete the initial approval of a contractor's property control system. Figure 16 shows, likewise, the average hours required to complete limited surveys and create property administration plans.

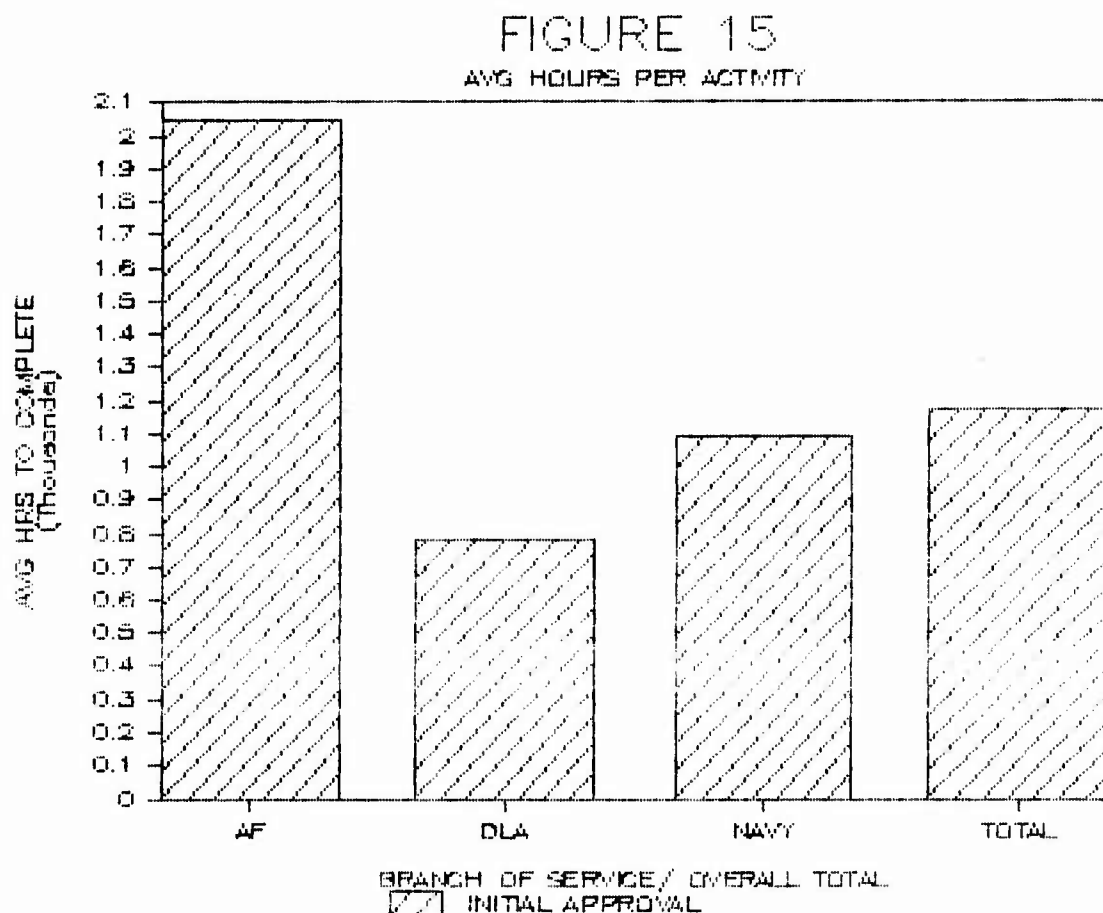
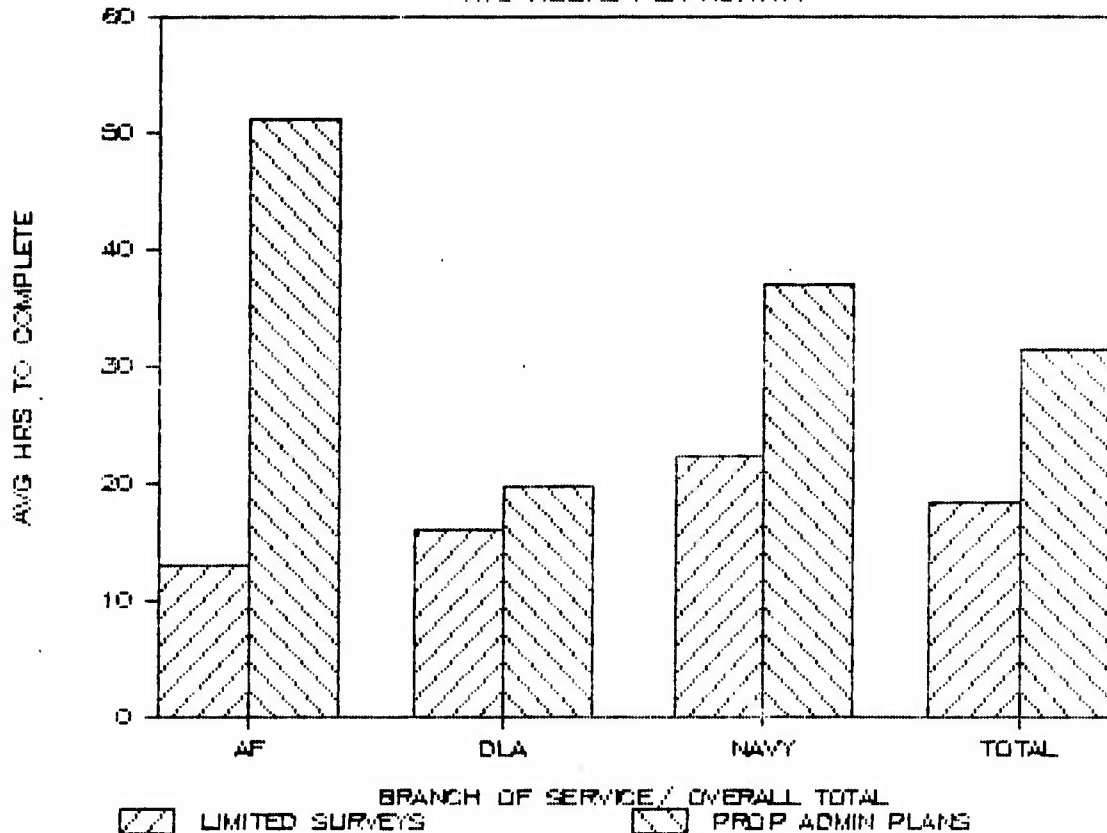


FIGURE 16

AVG HOURS PER ACTIVITY



Figures 17 through 21. Figures 17 through 21, entitled Average Hours Per Week Interface, display the averages of respondents' estimates as to the number of hours per week spent interfacing various other functional areas within the contract administration arena. Not surprisingly, the majority of respondents reported that the majority of their time was spent interfacing with contractors.

FIGURE 17

AVG HRS/WK INTERFACE



FIGURE 18

AVG HRS/WK INTERFACE

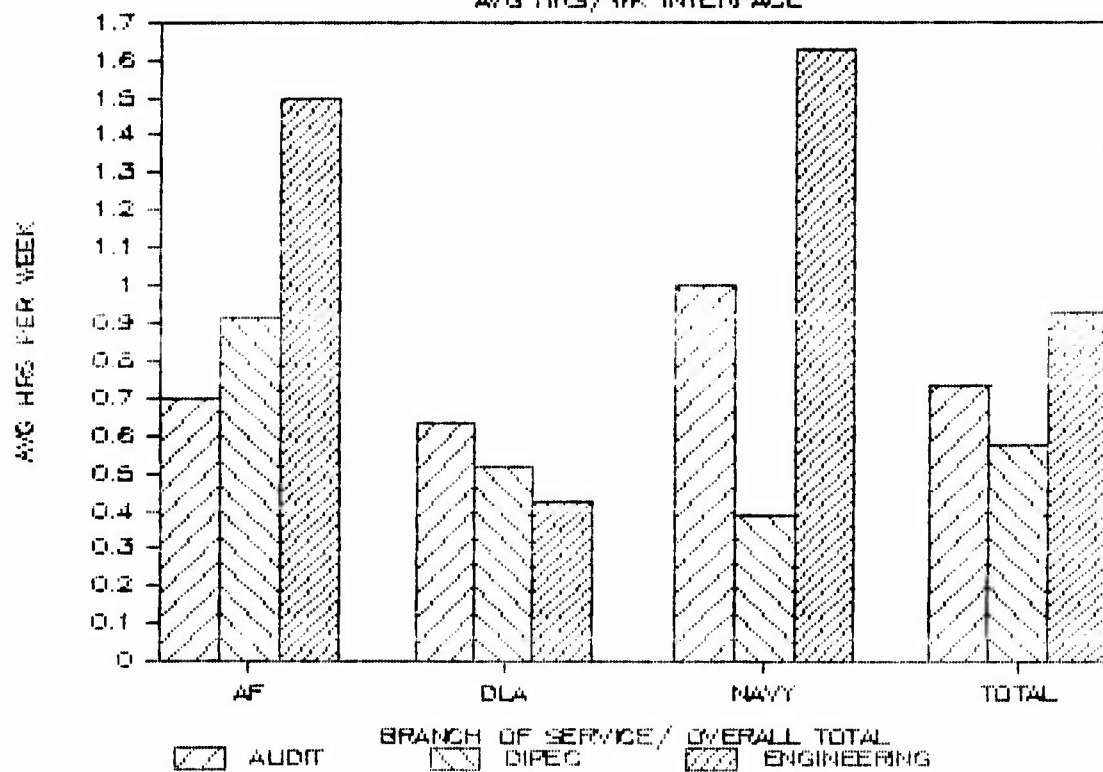


FIGURE 19

AVG HRS/WK INTERFACE

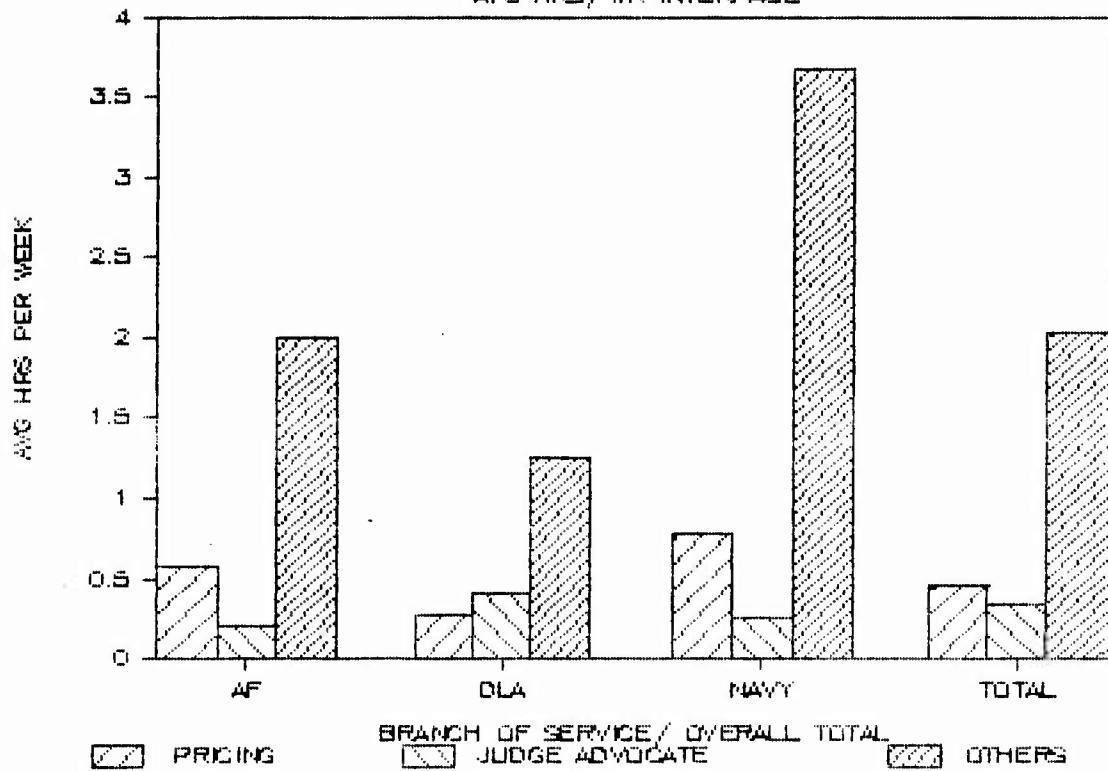


FIGURE 20

AVG HRS/WK INTERFACE

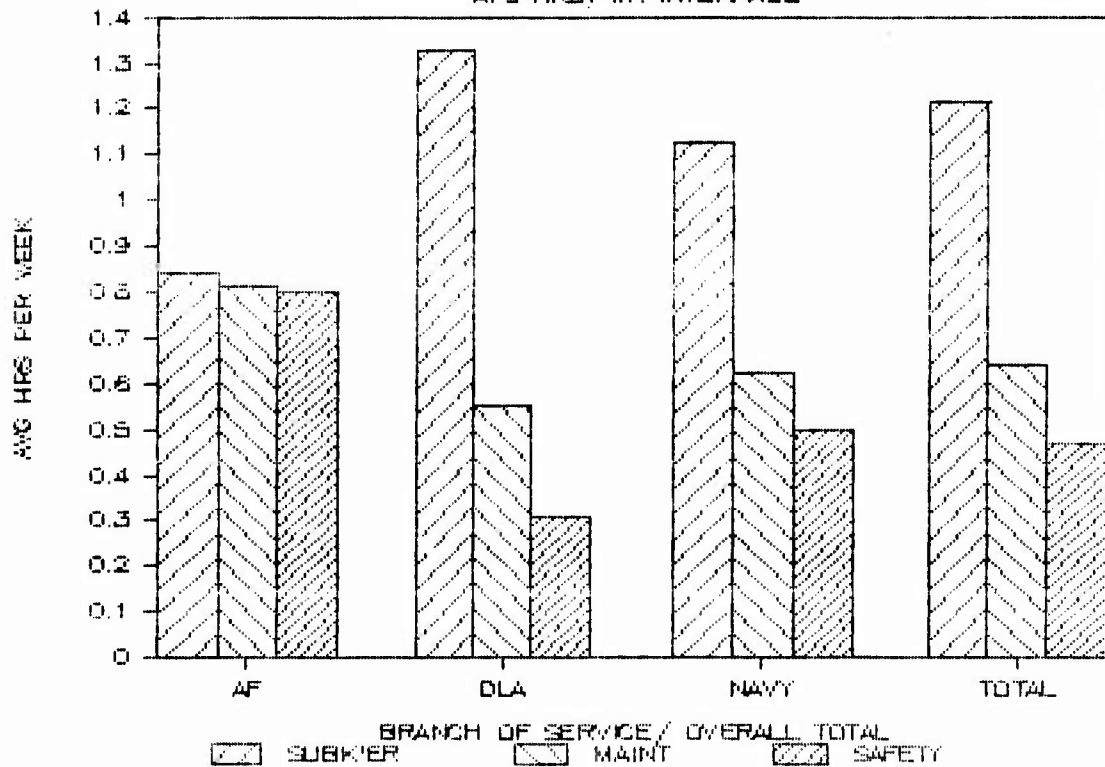
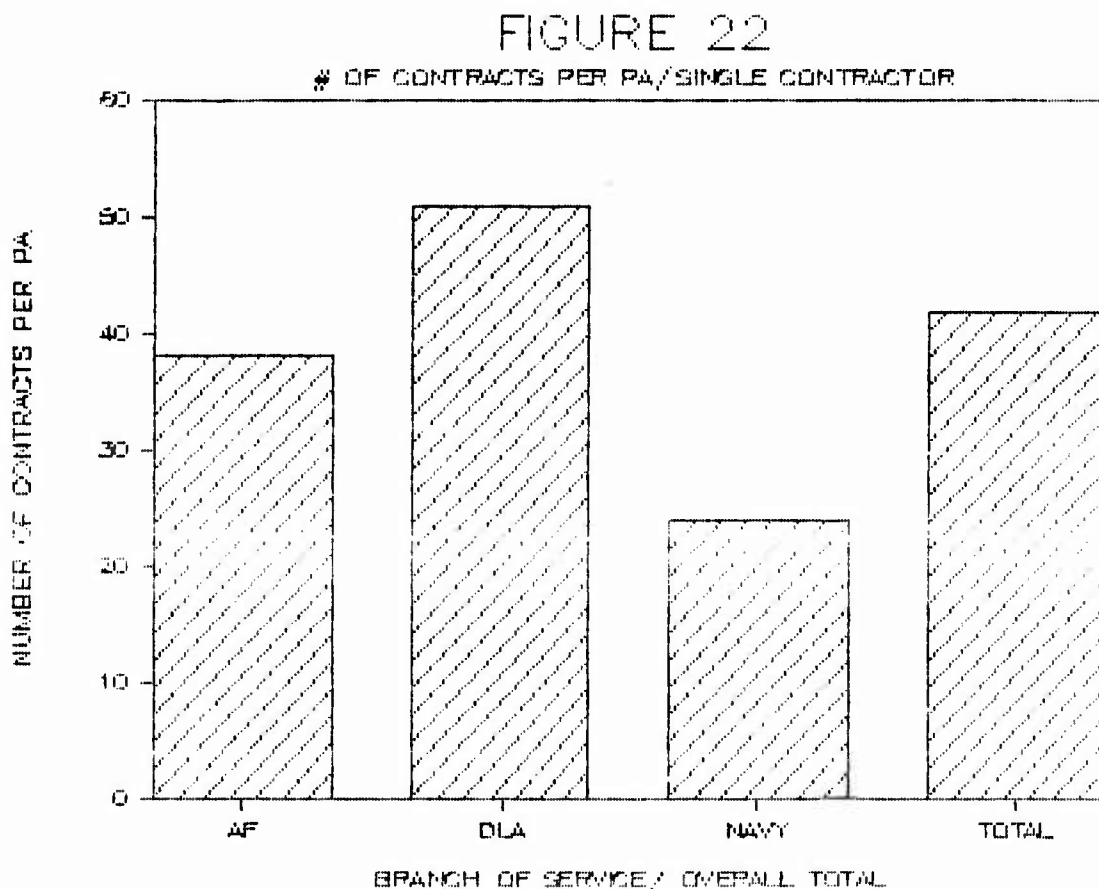


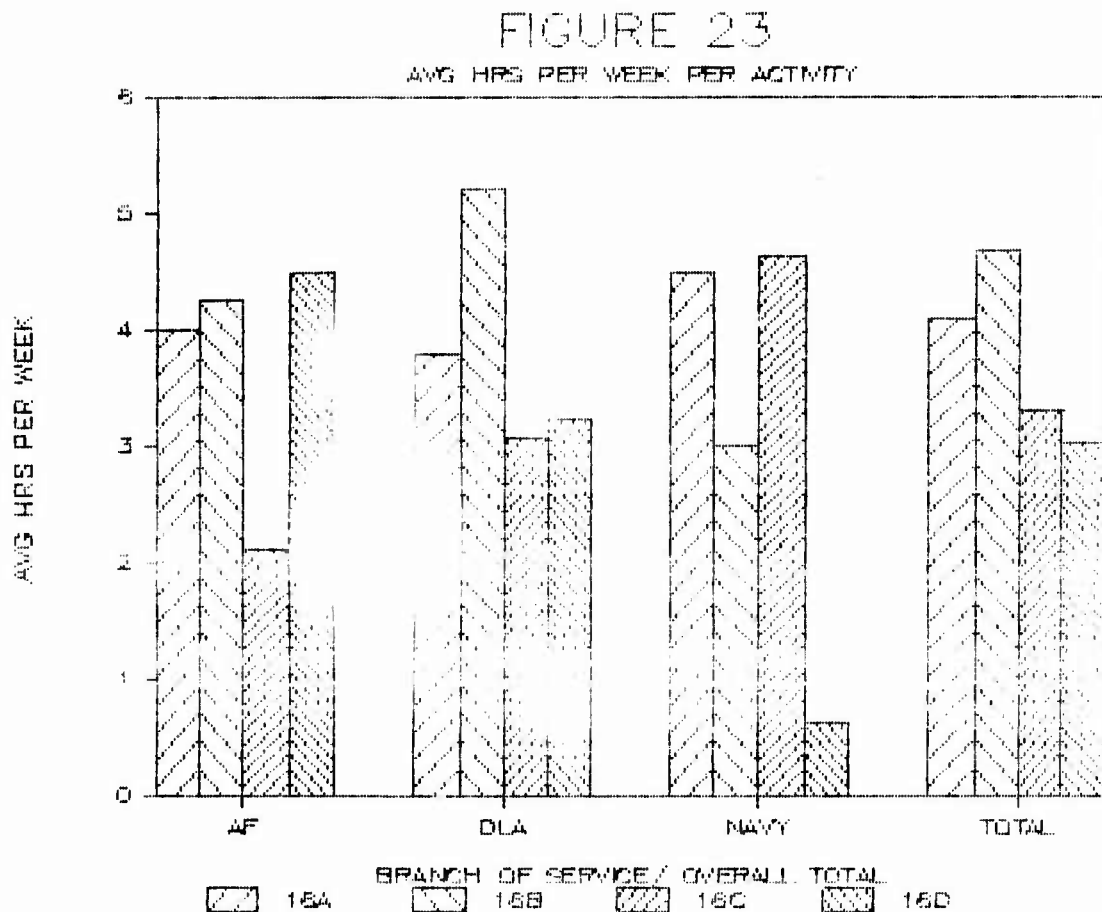
FIGURE 21
AVG HRS/WK INTERFACE



Figure 22. Figure 22, entitled Number of Contracts Per PA/Single Contractor, displays the averages of respondents' reporting of the number of contracts their office is responsible for divided by the number of personnel at that office and given that they are only responsible for one contractor. Not surprisingly, the number of contracts per property administration person was smaller across the various services than in those instances where a contract administration office was responsible for multiple contractors.



Figures 23 and 24. Figures 23 and 24, entitled Average Hours Per Week Per Activity, display the averages of respondents' estimates of the hours per week spent on given activities as listed in Questions 16a through 16g. These activities covered such activities as investigating lost, damaged or destroyed government property; coordinating with buying activities, analyzing consumption of materials; and opening and closing contracts for property administration.



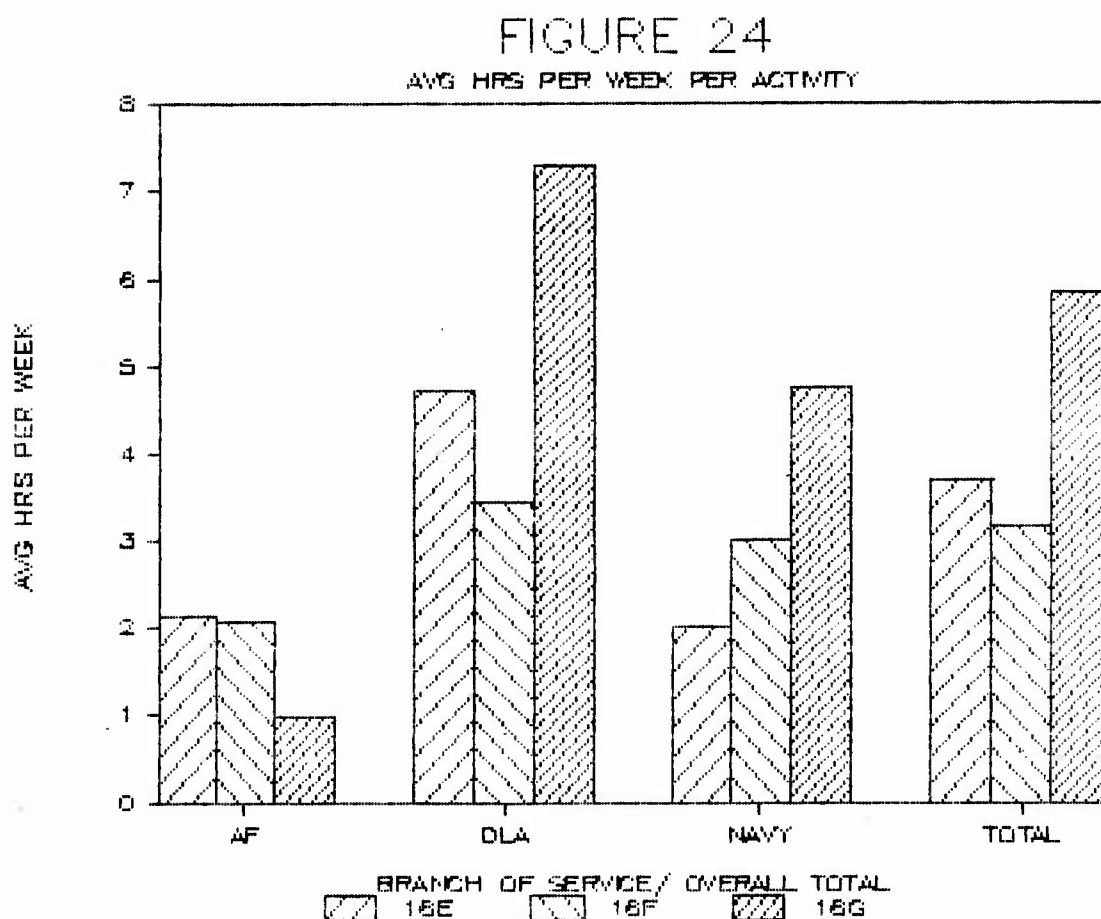


Figure 25. Figure 25 displays respondents' answers to questions 34, 35, and 36 which asked if they felt that the FAR/DFARS were adequate, if they felt their overall organization was adequately structured and staffed, and if they felt that property issues were adequately staffed by buying offices, respectively. The majority of respondents replied that yes they felt the FAR was adequate but no to their structure and staffing and no to buying office staffing of property issues. With regards to question 34, responses were often qualified to the extent that they felt

Supplement 3 needed revision. Another common response was that the regulations were fine if they would be enforced.

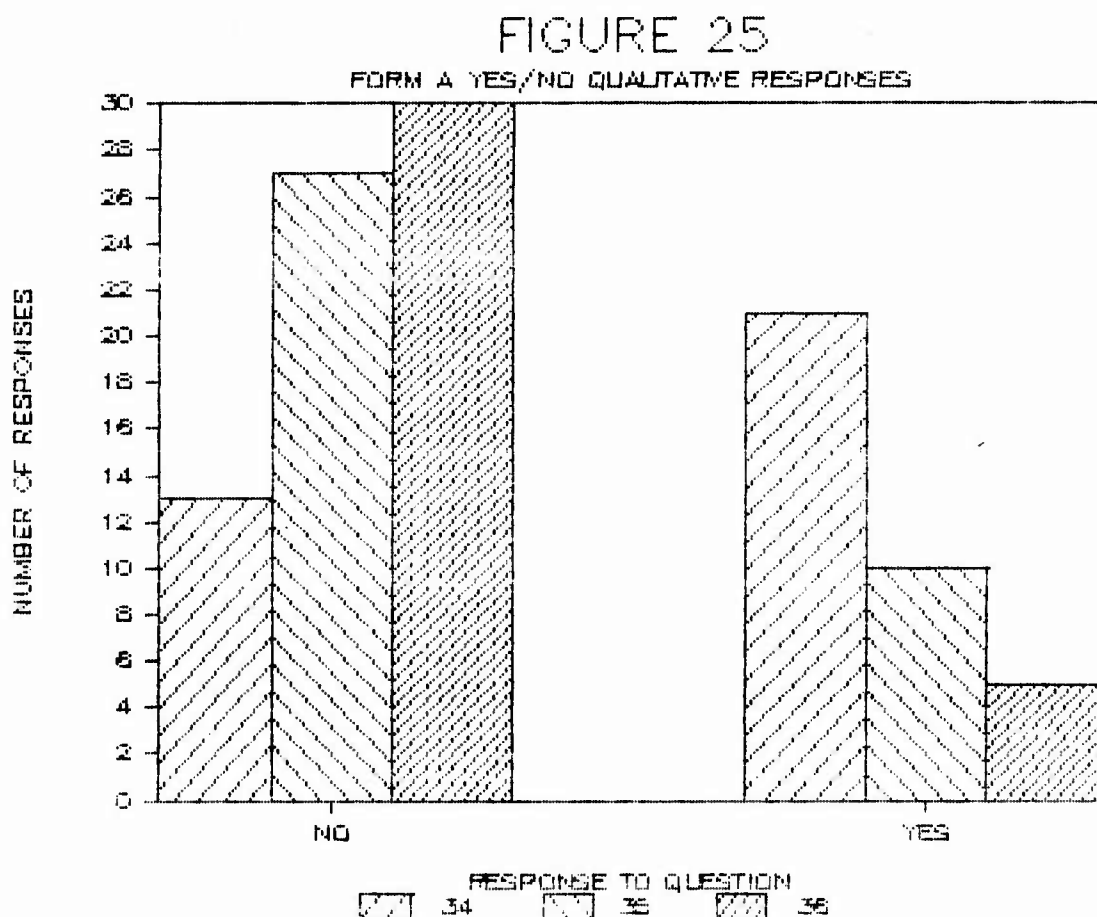
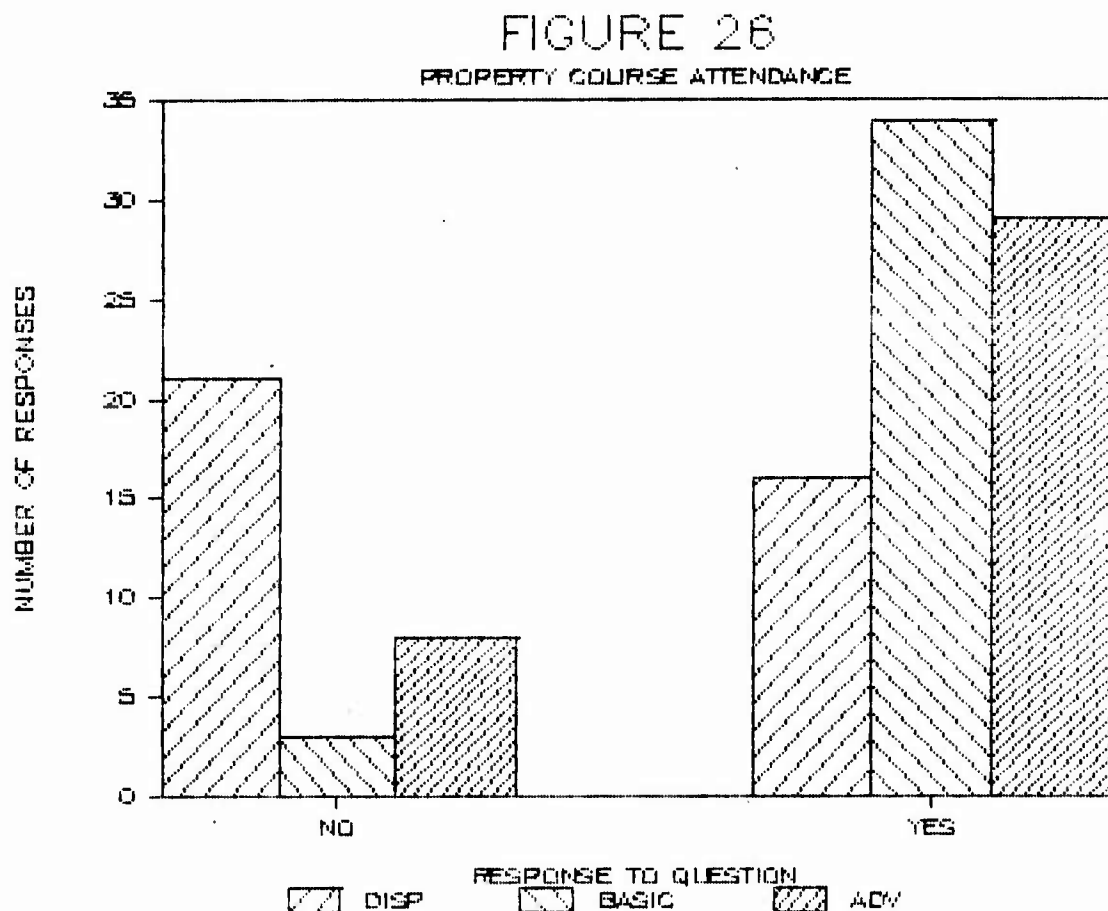


Figure 26. Figure 26, entitled Property Course Attendance, examined respondents' attendance at the Basic and Advanced Property Administration Courses at the Air Force Institute of Technology (AFIT) and the Property Disposal Course at the Army Logistics Management School. The majority of respondents had attended the courses at AFIT

while the responses were just about evenly split on the Army course but tending towards nonattendance.



Limitations. The following limitations of this analysis should be noted. Although the compilation of quantitative data was the main intent of this written survey, statistical testing of a difference in the means of the individual services is outside the scope of this qualitative study. This is especially true in light of the low response rate. It is felt, however, that although statistical inferences

cannot be drawn, this information is useful in depicting the various structures employed throughout the property arena. In addition, as the compilation of qualitative data was the main intent of the Structured Interview and Property Administration Questionnaire (Form B), the qualitative data received in response to this survey instrument were merely screened and compared for any significant differences from the other data collection instruments. These qualitative responses mirrored those received via the structured interview, and although in some cases their responses were more eloquent, it is not feasible to report them here. Suffice it to say that all responses were considered and form the basis of understanding from which general conclusions and recommendations were drawn.

Property Administration Questionnaire - Form B

Description of Sample. Questionnaires were sent to those agencies indicated by interviewees of the various services as those bodies responsible for providing property administration policy/guidance to their respective offices. In the case of the Army where there was no central focal point, questionnaires were sent to the respective command headquarters of the interviewees. Overall response rate was 66.66%, with four responses received from six surveys mailed.

Structure of the Questionnaire. The questionnaire was broken down into two parts. Part I requested demographic

information. Part II solicited respondents' opinions on the strengths/weaknesses of their respective programs and on the effectiveness of current regulatory/policy guidance.

Part I. The major intent of this written survey was to collect qualitative data from the respective headquarters with respect to the research questions discussed in Chapter I. Demographic information was requested to identify the respondents and to provide information relating to the structure of the various "headquarters" of the respective property administration functions. Part I consisted of nine questions, the responses to which are described below.

Question 1. Question 1 requested the Branch of Service. Three responses were received from Army offices and one response was received from DLA. This becomes particularly significant in the evaluation of the qualitative responses received in Part II as there were no Army respondents to Property Administration Questionnaire Form A.

Question 2. Question 2 requested military rank or civilian grade. Responses were received from two GS-12s, one GS-14, and one GM-15.

Question 3. Question 3 requested total number of years of federal service. Responses averaged 26.5 years and ranged from 22 years to 32 years.

Question 4. Question 4 requested the total number of years within Property Administration. Responses averaged

10 years but ranged from 3 years to 20 years.

Question 5. Question 5 requested total number of years in present position. Seventy-five percent of the respondents have been in their present position from 2 to 5 years. The remaining respondent has been in his current position from 11 to 15 years.

Question 6. Question 6 requested present position title and Series number. Seventy-five percent of the respondents were 1103 series, Industrial Property Management Specialists. The remaining respondent was within the 1150 series, Industrial Specialist.

Question 7. Question 7 requested position title and Series number held just prior to the present position. Responses were varied with one respondent coming from active military duty, two respondents coming from within the 1103 series, and the final one coming from 1150 series. One respondent stated he was in the 1102 series, Contracting, in his second preceding position.

Question 8. Question 8 requested the highest level of formal education and the field of study. One respondent had two years of undergraduate studies, two respondents had business related college degrees, and one respondent possessed a Masters Degree in Industrial Management.

Question 9. Question 9 requested that the respondents list any training, schools, or correspondence courses taken which they felt had a direct relationship to their present position. The question was further broken

down into four subparts: civilian college courses; correspondence courses; professional military schools; and other.

Civilian college courses. Only one respondent listed schools under this category. Listed was Quaker City School of Aeronautics. Length of time was listed at two years. It should be noted that this was the one respondent who did not possess a bachelors degree.

Correspondence Courses. Two respondents specifically listed courses as follows in Table 2.

TABLE 2

Correspondence Courses

<u>RESPONDENT</u>	<u>NAME OF COURSE</u>	<u>APPROX LENGTH, WEEKS</u>
1	Basic Procurement (ALMC)	92 hrs
1	Procurement Law (JAG school)	72 hrs
2	Equal Employment Opportunity	1 week

A third respondent listed nothing under this subpart while the fourth had stapled under this subpart a list of completed courses. It is the researcher's interpretation, based upon his personal knowledge of the courses listed, that the majority of them do not represent correspondence courses. For the sake of convenience, all of these courses were listed in Table 3.

Professional Military Schools. All respondents specifically listed courses as follows in Table 3.

Other (Professional Seminars, General Services Administration, National Contract Management Association,

National Property Management Association, etc). Three respondents specifically listed information under this subpart as follows in Table 4.

TABLE 3

Professional Military Schools

<u>RESPONDENT(s)</u>	<u>NAME OF COURSE</u>
1,4	Production Mgt I
1,4	Production Mgt II
1	Industry Financial Mgt
1,3,4	Government Contract Law
1,2	Defense Cost & Price Analysis
1,4	Mgt of Defense Acquisition Contracts
1	Contract Performance Measurements
1,4	Advanced Mgt Defense Acquisition Contracts
1	Defense Contract Negotiation
1,3	Advanced Contract Administration
1	Defense Acquisition & Contracting Exec Seminar
1	National Security Management (ICAF)
1	Training With Industry
2,4	Basic Property (AFIT)
2,4	Advanced Property (AFIT)
2,3,4	Property Disposal (ALMC)
4	Contract Administration (AFIT)
4	Commercial Activity Review Process
4	Spare Parts Breakout

TABLE 4

Other Training Sources

<u>RESPONDENT</u>	<u>NAME OF COURSE</u>
1	Professional Designation in Contract Mgt - (AFIT/NCMA)
2	Industrial Plant Equipment Management - (DIPEC, 36hrs)
3	NPMA Seminar
3	Priorities & Allocation Seminar
3	NCMA Seminar

Part II. Part II consisted of seven investigative questions, the responses to which are described below.

Question 1. Investigative Question number 1 sought to ascertain the strong points of the respective property administration programs. What is it that makes for an effective property administration program? An outstanding thread throughout the responses was the concept of initiatives and innovation as expressed through the establishment of new regulations. The comments of two respondents were especially noteworthy. One respondent made a strong case for standardization whereas the other stressed how high level interest had forced much of the aforementioned innovation. Listed below are a paraphrased recital of the first and a direct quote of the other:

Army Property Administration is predominantly limited to 26 Govt Owned Contractor Operated Ammunition plants, resulting in a fairly standardized management program. The exceptions are additional cognizance of 2 tank plants and 3 helicopter plants. With a relatively small organization such as this, it is easier to manage. Additionally, a new regulation is being developed which will provide standardized policy and guidance to the field (14:4).

Emphasis on control of GFM in the hands of contractors. In response to GAO/IG criticisms several years ago, we established several initiatives aimed at OM&R contractors. We established a formal on-site program at high dollar GFM contractors, added survey characteristics, beefed up survey requirements. These initiatives continue today. The inquisitors still find problems - but that's the business they are in (15:4).

Question 2. Investigative Question number 2 sought to ascertain the weak points of the respective property administration programs. What are the impediments to

effective property administration? Table 5 is a summary of the responses received to this question. The predominant threads in the responses were a lack of high level interest/understanding and insufficient resources. Some of the lengthier responses, indicated in the table by an '*', are paraphrased below:

Good consumption analysis is the key to spotlighting excess GFM, the subject of recent GAO/IG reviews. Respondent is developing a model technique to provide to PAs. Respondent also hopes to get this subject addressed more predominantly in the AFIT property courses.

Staffing standards - there are currently no numerical standards as staffing indicators (i.e. - number of contracts per PA, number of contractors per PA, \$ value of property per PA). Respondent has requested the establishment of such standards, but they are yet to be developed. In the meantime, local commanders are reluctant to request additional resources without these numerical indicators that show workload increases (15:5).

TABLE 5

Responses to Investigative Question 2

<u>RESPONDENT(s)</u>	<u>GENERAL COMMENT</u>
1,2,4	Lack of high level attention/interest
1	Lack of training and experience
2,4	Insufficient Resources
2	Insufficient TDY funds
2	Lack of training funds
2	Lack of computer hardware
2	Lack of computer software
2	Lack of computer training
2	Political influence overriding prescribed regulatory guidance
2	"Wheelers and Dealers" that take short cuts and leave you with a 'can of worms'
3 *	Poor consumption analysis
3 *	No staffing standards
4	Low grade structure

Question 3. Investigative Question 3 sought to ascertain corrective actions to the weak points identified in Investigative Question number 2. For the most part, responses to this question went along the same lines as the weaknesses listed in Table 5. One respondent felt that Property Administration should be placed on the same level as Production and Quality. Another respondent felt that his writing of a regulation will provide improvement. Prior to this, according to this respondent, there was no formal guidance other than the FAR/DFARS. The comments of a third respondent are quoted below:

Property Administration has to be a real commitment by everybody in the Procurement Team. Under todays standards 99% of the people do not realize how they interface with Government Property. i.e:

- A. Who determines the GFP?
- B. Is the GFP available?
- C. Have GFP funds been provided?
- D. Has CFP vs GFP been properly evaluated?
- E. Is GFP properly covered by contract?
- F. Is the Prop Admin provided sufficient info to administer?
- G. How does the GFP get from the Government Depot to the Contractor?
- H. Does anyone completely understand the "Logistics" of MILSTRIP?
- I. Transportation (16:6)?

Question 4. Investigative Question 4 sought respondents' perceptions as to the wisdom of requiring the contractor to maintain the official records of government property. Three out of the four respondents felt that contractors should continue to maintain Government Property

records. All respondents felt that for the Government to take over this responsibility would require additional resources. Paraphrased below are some of the comments provided by respondents:

This policy should continue as is. PAs kept the official records back in the 50's. There are few left who would have any knowledge as to the resources which would be required but I assume they were significant. A detailed cost-benefit analysis should be conducted prior to any Government decision to return to that policy (15:7).

The question is do we have a 'fox in the hen house.' I doubt it. I think the contractor can keep the property records more efficiently and at less cost than if the Government established organizations to keep the records.

I would recommend that the frequency of DD Form 1662 (FAR 45.505-14) be increased to perhaps quarterly versus annually (14:7).

Since sound industrial practice would dictate that the contractor maintain records anyway, it would not make sense to duplicate that effort. If, however, it could be shown to make economic sense, I think the Government maintaining records would establish a clearer accountability and audit trail (17:7).

The philosophy that the contractors will maintain accurate records is faulty! Contractors do not have the same interests as the Government. The standards that they work to are more liberal than those that the government expects.

The government cannot replace the contractor, however, the government cannot totally rely upon the contractor. Property Accountability is going to have to be a combination of both systems to be truly accurate or the laws governing government accountability must allow flexibility to disregard low dollar items.

Maintaining detailed Government records will require additional personnel at both the PCO and ACO levels (16:7).

Question 5. Investigative Question 5 sought to ascertain any needed improvements to the regulations governing property administration. The responses to this

question varied significantly. Most noteworthy were some of the specific recommendations for change. Paraphrased below are some of the comments provided by respondents and their specific recommendations:

The FAR does not necessarily have to be overhauled - maybe tweaked. Any problems that arise are generally due to the lack of emphasis being placed on the requirement to assure that the contractor's property procedures are adequate and the depth of the survey that a Property Administrator is able to accomplish (14:8).

The authority of the Property Administrator has been diluted to such a level that he is pretty much ineffective. Actions by Program Managers tend to frustrate or undermine the PA.

Penalties against the contractor for failure to comply are needed. Authority of Property Administrators should be re-established so that other government personnel will not/cannot subvert this authority (16:8).

I think the FAR/DFARS give sufficient guidance to both contractors and PAs. The question becomes - "How much in resources do we want to commit?" Do we want to be assured that there will be no deficiencies or are we satisfied to assure a reasonable level of surveillance as opposed to the cost of absolute control (15:8)?

A copy of every relief of liability action should be sent to the PCO, not just the ACO. In addition, all proceeds of sale should be applied to the work being performed. And finally, condition codes reflected on Inventory Schedules do not completely describe the actual condition of the property (17:8).

Question 6. Investigative Question 6 sought to ascertain whether respondents felt their organizations were adequately structured and manned to perform their property administration responsibilities. All respondents felt that their organization did not have sufficient manning. Responses on structure varied and did not present any

predominant threads. Paraphrased below are some of the comments provided by respondents:

Definitely not! DoD management basically treats Property Accountability as a non-productive function. Staffing is unrealistic (CAO & PCO). Training is inadequate (PA & others)

Property personnel are on the end of a string which is jerked up and down. They generally have little influence in the contracting decisions.

Project 60 decimated the Property Management career field and if drastic changes are not made it will become a dead end field with a truly uninterested group of poorly trained, frustrated people, struggling to do their jobs (16:9).

No. This command approached one billion dollars of government property in the possession of defense contractors at any one time. There are three Industrial Property Management Specialists to perform this function (17:9).

Question 7. Investigative Question 7 sought respondents' opinion on how well property issues are addressed by buying activities. All respondents replied that they did not feel that property issues were adequately staffed by buying offices. Paraphrased below are some of the comments provided by respondents:

No. The services are preparing policy and procedures directed at implementing the Under Secretary of Defense memo. This should result in a team effort when property (GFM) procedures are made. Depending upon the dollar, level these decisions may require Service Acquisition Executive approval (14:10).

Definitely Not! Government Property is being provided for all the wrong reasons. The people who make these determinations are not Procurement types. There is a lack of logistic/economic analysis and generally no documentation to substantiate their decisions. The usual practice is: Contractor - tell us (the Govt) what you want and we will get it for you.

Listed as areas often overlooked: funding; availability of GFP; existence of GFP; source of supply; logistics capabilities - You want what when!; contractual coverage; consideration from contractor;

competitive advantage; not obtaining required higher level approval (16:10).

Probably not. GAO has, pointed out in the past, and continues to point out, that Government property in the hands of contractors increases at an alarming rate considering the Government's stated policy that contractors are to provide all materials necessary in the performance of the contract. Buying offices have probably not been required to adhere stringently to that policy. The memorandum written by Under Secretary of Defense Godwin may change this (15:10).

V. Summary, Conclusions and Recommendations

Introduction

The objective of this chapter is to summarize the findings of the research effort; provide some general conclusions; present recommendations, both short and long term; and discuss areas for further study.

Summary of the Research

Using the methodology outlined in Chapter III this study has conducted an independent analysis of the relative strengths, weaknesses, and cost effectiveness of property administration techniques employed at the various contract administration offices throughout the Department of Defense. The general purpose of this effort was to seek improved methods for performing the property administration function. Through an identification of DoD's strengths and weaknesses, with respect to property administration, it is hoped that activities can be undertaken to build upon our strengths and eliminate our weaknesses.

Answers to the Research Questions

Assuming that those personnel directly involved within a given area are best suited to judge its status, the answers to the research questions were found in the testimony of property administration personnel.

Research Question 1. Implementation Guidance was examined during Phase I of this research effort. During

Phase II, the opinions of property administration personnel were sought as to the adequacy and impact of the FAR/DFARS guidance. The responses indicate that the guidance is in need of updating. Regulations require maintenance, a mechanism whereby they can be adapted to an ever changing environment. As the government has evolved through three generations of acquisition guidance its guidance with respect to property administration has remained for the most part constant. Even through the extensive effort required in the evolution from the Defense Acquisition Regulation to the Federal Acquisition Regulation property administration guidance has stood unchanged. Especially acute is the case of Supplement 3. Considering the ongoing proliferation of computer technology and resultant changes within both record keeping and manufacturing processes, it is difficult to believe that this guidance has remained sufficient to its task. This research indicates this disbelief to be well founded. It further indicates that a strong factor in this has been a lack of high-level attention as witnessed by the Government's failure to maintain property administration regulations.

This is not to say that the entire regulations with respect to property administration are without merit. But regulations, as with laws, depend as much upon enforcement as upon concept. This research has indicated many instances where policy guidance is not being enforced. But whereas this research question set out to assess the activities in

the field, the indication is that the major lack of enforcement is seen within buying activities.

Research Question 2. Data with respect to the structure of those areas responsible for property administration within the contract administration offices were obtained through personal observation during the structured interview and through the administration of the written survey (Form A). This research indicates that sufficient manning does not exist and that it is extremely difficult to find and retain qualified journeyman level property administration personnel. Also indicated is the general belief amongst respondents that property administration could be enhanced through its obtaining of division status. Property Administrators expressed the belief that although their job is just as important as the jobs of the other functional areas within contract administration, property administration is the "stepchild" of the organization. Achieving division status is seen as a means of counteracting this perception. However, this research indicates that entire divisions can serve as "stepchildren" as witnessed by the responses of property administration personnel within the Air Force.

Research Question 3. Data concerning the extent to which property administration is automated was obtained through personal observation during the structured interview and through the administration of the written survey (Form A). In general, and in consideration of the state of the

art with respect to computers, this research indicates that the automation of property administration is for the most part nonexistent. Besides word processing, the only uses of computers noted within property administration were the use of spreadsheets to generate random numbers, the use of terminals to pull government property records directly from the contractor's computer system as opposed to requiring contractor support, and limited use for record keeping and report generation purposes. The full potential of the microcomputers which are today flooding government offices, with no particular uses in mind, is yet to be realized in the property arena.

Research Question 4. Data were collected with respect to property administration personnel's perceptions of buying office staffing of property issues through the structured interview and written surveys. This research indicates that property issues are not being adequately addressed by the buying activities. Discovered were numerous instances where the actions of these buying offices, and in particular Principal Contracting Officers, led to situations where government dollars were being wasted. In addition, this research indicates that support from Administrative Contracting Officers is lacking.

Research Question 5. Data were collected with respect to Research Question number 5 through the structured interview and written surveys. This research indicates that the Property Administrators overwhelming responsibility is

to conduct surveys, find deficiencies with respect to what one respondent referred to as "reasonableness of property", and take steps to ensure that the contractor implements corrective action - thereby protecting the tax payer's best interests. The strengths and weaknesses discovered by this effort are to a large extent, strictly management related. Beyond that, an effective property administration program requires that property administration personnel have a "presence" at contractor locations of government property. This "presence" is defined by both the wording of government contracts and the requirements of whatever regulations are incorporated. The need for the physical presence of property administration personnel can be reduced if better care is taken in this wording.

General Conclusions From the Research

Based on the information obtained through the review of the literature, the conducting of the structured interview, and the application of the written surveys, the following conclusions can be drawn from this research effort.

Conclusion 1. There is inadequate consideration of property issues during the most critical stage of the entire process, that is during contract formation. It is at that point that the legal framework around which government property exists is established. First and foremost, it must be remembered that the providing of government property to defense contractors for their use in providing the

government with needed goods and services is a contractual relationship. Property Administrators act as representatives of the Contracting Officer with respect to property and are given the responsibility to see that the government's interests are protected. A problem, uncovered through this effort, lies in the fact that property administrators have not been granted all of the authority needed to carry out this responsibility.

It is a well known management fundamental that responsibility without authority can lead to frustration when the actions needed to carry out one's responsibilities remain at another's discretion. This is clearly the case with the relationship between Property Administrators and Contracting Officers. Many of the actions necessary for effective property administration remain at the discretion of contracting personnel in their formation and administration of the contracts through which properties are provided. Their failure to exercise due care is an impediment to effective property administration.

Conclusion 2. There are personnel issues within the property administration field that are in need of attention. The perception that property administration is a "dead-end" field and the "step child" of contract administration fosters, for the most part, an unstable work force. High office turnover and a general difficulty in finding qualified personnel to fill property positions generate low experience levels and an increased need for training.

Several respondents reported having positions vacant for up to two years. A lack of upward mobility within the property field due to the relatively small number of managerial positions as compared to other branches/divisions supports a revolving door. Contractor hiring of property administration personnel also contributes to this problem. There is an extreme need for some form of intern program; however, as one respondent put it, you cannot have an intern program without qualified personnel to maintain it. Further increasing the need for experience is the fact that property administration is highly judgemental.

Conclusion 3. The property related regulations are in need of revision. Armed Services Procurement Regulation, Supplement 3 (SUP3), was written in 1975 and has not been changed, other than for minor items, while the government has moved from the Defense Acquisition Regulation to the Federal Acquisition Regulation (FAR), a major revision. In consideration of the science and technical advancements since 1975, the particular functional areas specified in SUP3 and the definitions and categories of property in the FAR are surely in need of updating. In addition, in light of the recent "horror stories", the government must take a serious look at the potential for poor public relations resultant from mishaps in property administration. The area of hazardous materials must be looked at in conjunction with current environmental protection regulations. A final area in need of attention is the area of loss and damage to

government property in the hands of contractors, if nothing more than a reaffirmation of current policy and the providing of more specific instructions covering the Property Administrator's role in these instances. There currently exists little standardization in the handling of loss and damage across property administration activities.

Recommendations

The following recommendations, based on the findings of this research effort and the subsequent conclusions drawn, are offered to deal with apparent deficiencies within the DoD Property Administration function.

Short term

1. DoD needs to establish a method of quantifying, through the establishment of standards, property administration workload requirements. This has been done in other functional areas of contract administration. These standards are needed to properly assign appropriate grade levels given the level of responsibility and assist in the delegation of support property administration.

2. The role of contracting personnel, with respect to "property reasonableness" needs to be examined and steps taken to enforce property policy. Decisions to provide property to contractors for the performance of government contracts need to be examined from a cost/benefit perspective. Property personnel should be afforded an

opportunity to review contracts during the contract review process. Contracting personnel need to be better educated with respect to property, possibly even to the extent of their attending Property courses. In the very least, a checklist for contract review of property issues should be developed.

Long Term. DoD has made slow progress in getting out of the property business. Given that it is still DoD's policy that contractors should furnish all property required for the performance of government contracts without valid exception and given further the assumption that we wish to minimize such exceptions, then eventually we should look at phasing out the 1103 series. In the mean time, we need to take active steps to get out of the business of providing property to contractors.

1. Provide for a more critical review of exceptions whereby it is determined to be in the Government's best interest to provide certain properties. This review should include confirmation that such action is indeed in the Government's best interest and an estimate of the amount of consideration the government should receive. For such a review to be effective, property administration personnel, as well as manufacturing personnel, would of necessity be involved. The bottom line is better information, up front, to PCOs and program managers.

2. Place more stringent liability upon the contractor for loss and damage to government property in his

possession while maintaining the policy that insurance for same is a non - allowable cost. This policy would 1) discourage contractors from seeking government property needlessly; 2) discourage contractors from maintaining "excess" property with hopes of gaining a competitive advantage; 3) encourage contractors to be careful with government property; and 4) encourage contractors to acquire their own property. The latter could be further enhanced through recognition on the part of government of the increased risk being taken by such a contractor and by rewarding such efforts accordingly. In addition, the government would have to guarantee production quantities sufficient to return their investment. It is quite possible that this would force the government to buy its weapon systems in economic quantities.

Encouraging contractors to provide their own equipment also ties in quite nicely with the Technology Modernization and Industrial Modernization Incentive Programs. Initially, our weapons systems may cost more, but as more and more efficient equipment is utilized these costs should come down as productivity increases.

Recognizing, however, that DoD will never be able to get completely out of the property business, the question becomes how to structure the remaining providing of property to contractors and the administration of same. In essence, the contractual requirement for contractors to control government property in its possession is a service function

under the systems acquisition process. This researcher proposes to provide and administer such properties under a service contract type arrangement under the auspices of AFR 400-28. Proposed is the writing of a single contract covering all government properties in the possession of the contractor irrespective of any single contract. The contractor would be free to use this property in any way he saw fit, with only efficiency in mind. Their only requirement would be written notification to the PCO of each individual contract to assure adequate receipt of consideration and written notification to the property contract ACO whose duties are described later. The contractor would also be required to report commercial uses of this property. It should be noted that the administration of such contracts under the Inspection of Services clause would afford the property contract ACO more flexibility with respect to contractor deficiencies.

Steps that would be required. Some required steps necessary to implement this recommendation follow:

Step 1. Develop a Statement of Work (SOW) outlining the tasks associated with the control of government property. Of essence here is the placement of as many property administration functions as is feasible upon the contractor. From this SOW and somewhat along the basis of Supplement 3, a Quality Assurance Plan could be developed and statistical samples taken along the lines dictated under

AFR 400-28. Personnel from the functional area most closely related to a given category under the Supplement would perform as Non Technical Evaluators or Quality Assurance Evaluators reporting any discrepancies to the property contract ACO.

Step 2. Develop an incentive arrangement placing emphasis on certain areas of the contractor's performance under the property contract. For example, the government would like to see high utilization of any of its property in the hands of the contractor. The higher the utilization, the higher should be the consideration received by PCOs on the individual contracts. As another example, plant disposition could be incentivized such that any receipts above an estimated market value could be shared. And finally, any cases where the contractor tries to take undue advantage must be disincentivized. The use of government property upon commercial efforts or in cases where the government is specifically paying the contractor to provide his own would be, in the language of 400-28, a "zero defect" item carrying stiff penalties. In essence, this establishes a lower threshold for determining the contractor deficient. In an odd sort of way, we are removing property control from an overhead activity and attaching a specific dollar value to it. At the same time, we are contracting out portions of the property administration function.

Step 3. Develop a subpart under the 1102 series such as 1102P. Personnel assigned to this subseries will be

Property Specialists within Contract Administration. They will serve as ACO's and QAEs on property contracts and get involved with procurements in the early stages. This will prevent a lot of property related problems before they occur and provide PCOs with information as to adequate consideration for the proposed government property. As an aside, under the auspices of the property contract, contractors would be required to provide regular inputs to a central data base, accessible by the PCOs and Program Managers of the various services which would not only list, but also schedule, the availability of various Government property.

Other Comments. Prime contractors could be encouraged to provide property for subcontractors. This would help the government in its attempts to expand the industrial base. Contractors would, through the fee arrangement, be paid to maintain a surge capability. In addition, 1102Ps could also be dedicated to working component breakout issues and assessing the impact of delays in Government Property.

Areas Recommended for Further Study

Listed below are some recommendations for further study in the area of effective property administration:

1. An examination of the costs associated with providing property to contractors in the performance of government contracts. What is property control's relationship to overhead? How much do the property control

requirements which we levy upon contractors cost the government? What does it cost the government to administer property in the hands of contractors?

2. An examination of the government's method of accounting for government property. Is there a better way to record a value for such properties than acquisition costs which can practically be worked and maintained. In cases where the contractor is held liable for loss and damage, what value should the government recoup?

3. An examination of the government's role as self insurer. In particular, could the government benefit from the establishment of a Federal Insurance Corporation such as that used in agriculture.

4. An examination of microcomputer applications in property administration. An example might be the use of LOTUS 1-2-3 spreadsheets for consumption analysis. Can templates be established which would provide step by step instructions for property administration personnel. In particular, is there an alternate way, utilizing statistical techniques and state of the art computer equipment, to attain a 90% confidence interval in the surveillance of contractor compliance with contractual requirements with respect to property?

Final Thoughts

It is hoped that this research effort will assist the Department of Defense in its efforts to establish more

effective property administration. This effort was not intended to replace the original study which was contemplated, but to supplement it. It is hoped that this effort can serve as guidance for further research efforts.

Appendix A: Federal Acquisition Regulation Definitions
of Property Terms.

PROPERTY-- All property both real and personal. It includes facilities, material, special tooling, special test equipment, and agency-peculiar property.

MATERIAL-- Property that may be incorporated into or attached to a deliverable end item or that may be consumed or expended in performing a contract. It includes assemblies, components, parts, raw and processed materials, and small tools and supplies that may be consumed in normal use in performing a contract.

SPECIAL TOOLING-- Jigs, dies, fixtures, molds, patterns, taps, gauges, other equipment and manufacturing aids, all components of these items, and replacement of these items, which are of such a specialized nature that without substantial modification or alteration their use is limited to the development or production of particular supplies or parts thereof or to the performance of particular services. It does not include material, special test equipment, facilities (except foundations and similar improvements necessary for installing special tooling), general or special machine tools, or similar capital items.

SPECIAL TEST EQUIPMENT-- Either single or multipurpose integrated test units engineered, designed, fabricated, or modified to accomplish special purpose testing in performing a contract. It consists of items or assemblies of equipment that are interconnected and interdependent so as to become a

new functional entity for special testing purposes. It does not include material, special tooling, facilities (except foundations and similar improvements necessary for installing special test equipment), and plant equipment items used for general plant testing purposes.

FACILITIES-- When used in other than a facilities contract, means property used for production, maintenance, research, development, or testing. It includes plant equipment and real property. It does not include material, special test equipment, special tooling, or agency-peculiar property. When used in a facilities contract, the term includes all property provided under that contract.

AGENCY-PECULIAR PROPERTY-- As used in DoD, means military property and includes end items and integral components of military weapons systems, along with the related peculiar support equipment which is not readily available as a commercial item.

REAL PROPERTY-- Land and rights in land, ground improvements, utility distribution systems, and buildings and other structures. It does not include foundations and other work necessary for installing special tooling, special test equipment, or plant equipment.

PLANT EQUIPMENT-- Personal property of a capital nature (including equipment, machine tools, test equipment, furniture, vehicles, and accessory and auxiliary items) for use in manufacturing supplies, in performing services, or

for any administrative or general plant purpose. It does not include special tooling or special test equipment.

INDUSTRIAL PLANT EQUIPMENT (IPE)-- That part of plant equipment with an acquisition cost of \$5,000 or more; used for the purpose of cutting, abrading, grinding, shaping, forming, joining, testing, measuring, heating, treating, or otherwise altering the physical, electrical or chemical properties of materials, components or end items entailed in manufacturing, maintenance, supply, processing, assembly, or research and development operations; and IPE is further identified by noun name in the following Joint DoD

Handbooks:

INDEX OF INDUSTRIAL PLANT EQUIPMENT HANDBOOKS

OTHER PLANT EQUIPMENT (OPE)-- That part of plant equipment, regardless of dollar value, which is used in or in conjunction with the manufacture of components or end items relative to maintenance, supply, processing, assembly or research and development operations, but excluding items categorized as IPE.

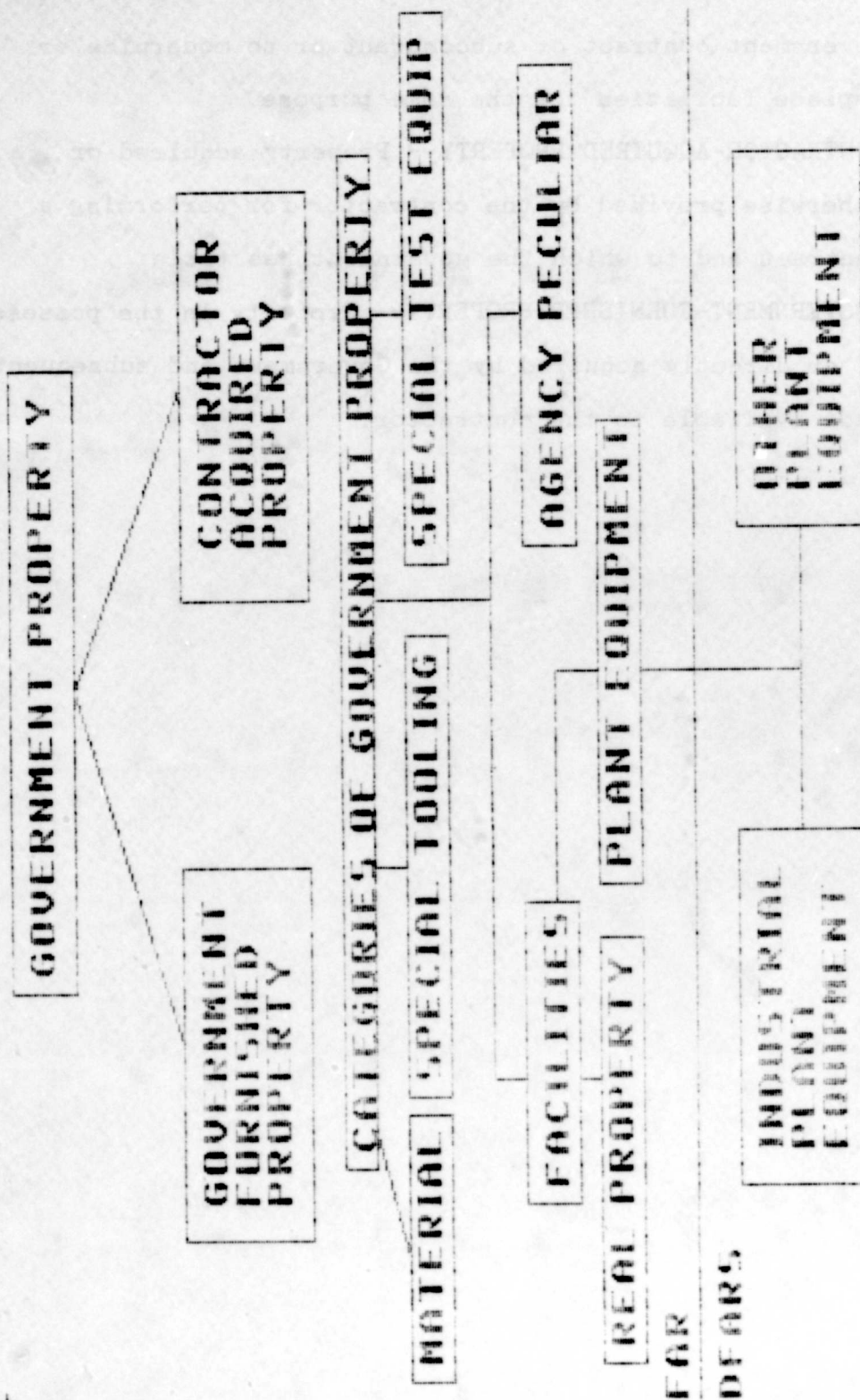
FACILITIES CONTRACT-- A contract under which Government facilities are provided to a contractor or subcontractor by the Government for use in connection with performing one or more related contracts for supplies or services. It is used occasionally to provide special tooling or special test equipment.

FACILITIES PROJECT-- An undertaking by the Government to provide facilities to a contractor for the performance of a

Government contract or subcontract or to modernize or replace facilities for the same purpose.

CONTRACTOR-ACQUIRED PROPERTY-- Property acquired or otherwise provided by the contractor for performing a contract and to which the government has title.

GOVERNMENT-FURNISHED PROPERTY-- Property in the possession of or directly acquired by the Government and subsequently made available to the contractor.



Appendix B: Property Administration Questionnaire
Form A (USAF SCN 87-60)

Introduction

This questionnaire is in two parts. Part I requests information about your education, training, experience, current job, and organization. No information about your name, social security number, or other identifying data is requested. Other personal data such as rank, pay grade, or years of federal service are requested for the purpose of compiling demographic data. Part II contains questions regarding specific aspects of the Property Administration function within your agency. The focus will be on the various structures, procedures, and techniques which you employ.

This questionnaire is designed to be completed with minimum time and effort. Please answer all questions, your personal answers are important to the success of the study. When you have completed the questionnaire, please return it via the enclosed envelope. Your participation in this survey will have a direct impact on changes that may be made in the performance of your job.

Part I

Please fill in the blank or circle the letter indicating your answers to the following questions. If additional space is required, please use a blank sheet of paper and identify by question number:

1. What branch of service do you work for?

A. Air Force

1. AFPRO

2. Other (specify) _____

B. Army

1. ARPRO

2. Other (specify) _____

C. Defense Logistics Agency

1. DCASR

2. DCASMA

3. DCASPRO

4. Other (specify) _____

D. Navy

1. SUPSHIP

2. NAVPRO

3. Other (specify) _____

2. What is your military rank or civilian grade? _____

3. Total number of years of federal service you have? _____

4. Total number of years in Property Administration? _____

5. Please indicate below, the total number of years you have been in your present position?

A. Under 2

B. 2 - 5

C. 6 - 10

D. 11 - 15

E. 16 - 20

F. Over 20

6. What is your present position title and Series number?

(GS-1103, etc) _____

7. What position title and series (GS-1102, 1150, etc) did you hold just prior to your present position?

8. Please indicate below, the highest level of formal education you have attained. Indicate your major field of study in the space provided to the right of the appropriate level.

- A. Grade School
- B. High School Graduate
- C. Some College
- D. Bachelor's Degree _____
- E. Some Post-Graduate study _____
- F. Master's Degree _____
- G. Master's Degree, plus additional hours _____
- H. Doctoral Degree _____

9. Please indicate below, all training, schools, or courses you have received from the following sources which you feel have a direct relationship to your present position. Do not include training that is unrelated.

<u>Training Sources</u>	<u>Name of Course, School, etc.</u>	<u>Approx. Length, Weeks</u>
A. Civilian	_____	_____
College	_____	_____
Courses	_____	_____
B. Correspondence	_____	_____
Courses	_____	_____
(ECI)	_____	_____
	_____	_____
	_____	_____

C. Professional
Military
Schools
(AFIT, ALMC,
AMETA, etc.)

D. Other (Professional
Seminars, GSA, NCMA,
NPMA, etc.)

10. Please use the space below to briefly describe your present position in your own words:

Part II

1. (a) How many line items of government property is your office responsible for? _____

(b) Is this an approximation/ estimation? Yes or No

2. (a) What is the dollar value of the government property in the hands of the contractor(s) which your office administers?

(b) Is this an approximation/ estimation? Yes or No

3. (a) How many Property Administration personnel are assigned to your office? _____

(b) What are their pay grades?

<u>Grade</u>	<u>Number of Personnel</u>
GS-13	
GS-12	
GS-11	
GS-09	
GS-07	
GS-05	
Other (please specify)	

4. (a) Do you have any authorized manning positions which are currently unfunded (i.e - 'deferred slots') and if so, how many?

(b) Does your office employ any temporary help, and if so, how many? _____

5. For Property Administration, how many contracts is your office responsible for?

6. (a) How many of your contracts are fixed price?

(b) How many of your contracts are cost reimbursement?

(c) How many of your contracts are facility contracts?

(d) How many other types of contracts do you administer?

7. (a) How many separate contractors does your office interface with? (If your answer is 1, go to question #10.)

(b) How many separate contracts are you responsible for?

(c) How many separate contractors do you interface with?

8. (a) How many Property Control personnel does the contractor with the largest dollar value of government property employ?

(b) Is this an approximation? Yes or No

9. How many separate contracts, each containing provisions for government furnished property, does the contractor with the largest dollar value of government property have possession of?

10. (a) Is Property Administration the sole function of your particular office? _____

(b) If not, what other function(s) are you responsible for?

11. (a) Please indicate below, the category in which the majority of Government Property you administer is found:

- A. Material
- B. Special Tooling
- C. Special Test Equipment
- D. Facilities
- E. Agency Peculiar

(b) What percentage of the total Government Property that your office administers does the property found in this category represent? _____

(c) Is this an approximation? _____

12. How many hours, on average, does it take your office to perform an assessment of a contractor's Property Control System in order to initially approve or recommend disapproval (DFARS SUP. 3-302.1)? _____

13. How many hours, on average, does it take your office to perform a limited system survey (DFARS SUP. 3-402.1)?

14. How many hours, on average, does it take your office to create a Property Administration Plan (DFARS SUP. 3-401)?

15. How many hours per week, on average, do you interact with the following type personnel?

- A. Procuring Contracting Officer _____
- B. Administrative Contracting Officer _____
- C. Contract Audit _____
- D. Defense Industrial Plant Equipment Center _____
- E. Quality Assurance _____

- F. Engineering _____
- G. Pricing _____
- H. Judge Advocate (legal assistance) _____
- I. Transportation _____
- J. Contractor _____
- K. Subcontractors _____
- L. Maintenance _____
- M. Safety _____
- N. Plant Clearance Officer _____
- O. Others (please specify) _____

16. How many hours per week, on average, do you perform the following activities?

- A. Investigating lost, damaged or destroyed government property? _____
- B. Resolving contractor property control deficiencies? _____
- C. Final review and closing of contracts? _____
- D. Coordinating with buying activities? _____
- E. Analyzing consumption of materials? _____
- F. Opening contracts for Property Administration? _____
- G. Closing contracts for Property Administration? _____
- H. Other (please specify) _____

17. Does your office utilize any form of computer systems in the performance of its property administration function? _____

18. Please indicate below, for what primary purpose your office employs computers:

- A. Word Processing
- B. Spread Sheet Analysis
- C. Decision Support (Linear Regression, Learning Curves)
- D. Statistical Analysis/ Sampling
- E. Other (please specify) _____

19. What make of computer(s) does your office employ?

20. Does your office have the ability to interface with other computers via modem, and if so, to who's computer do you link?

21. Please list any major software packages which your office utilizes in the performance of property administration:

22. If your office does not currently employ computer technology, are there any plans in the making to do so? _____

23. Does your contractor(s) utilize any form of computer systems in the performance of its property administration function?

Yes or No

24. Please indicate below, for what primary purpose with respect to Property Administration the contractor(s) employs computers:

A. Word Processing

B. Spread Sheet Analysis

C. Decision Support (Linear Regression, Learning Curves)

D. Statistical Analysis (Sampling)

E. Inventory Management & Control

F. Other (please specify) _____

25. What make of computer(s) does the contractor employ?

26. Does the contractor have the ability to interface with other computers via modem, and if so, to who's computer do they link?

27. Please list any major software packages which the contractor or contractors you administer utilize in the performance of property control:

28. Was any of the above software either created or acquired by a contractor operating under a cost-reimbursement contract, and if so, what is its approximate value? _____

29. If the contractor does not currently employ computer technology, in the control of government property, are there any plans in the making to do so? _____

30. What do you feel are the strong points of your Property Administration Program?

31. What do you feel are the weak points of your Property Administration Program?

32. What would you do to improve your Property Administration Program?

33. What do you feel the Government's policy should be on contractors' maintaining our records of Government Property?

34. Do you feel that the Federal Acquisition Regulation adequately prescribes a system which can effectively manage and account for Government Property? If not, what changes do you think need to be made to the FAR/DFARS to make them more effective?

35. Do you feel that your overall organization is adequately structured and staffed to perform its Property Administration function?

36. Do you feel that Government Property issues are adequately staffed by buying offices prior to their decision to provide certain properties to contractors?

THIS SECTION ONLY APPLIES TO THOSE AGENCIES WHO ADMINISTER
ONLY ONE CONTRACTOR

37. (a) How many Property Administration personnel does the contractor employ? _____

(b) Is this an approximation? Yes or No

38. (a) What percentage of the total government property your office administers is the result of a component break out?

39. How many separate contracts are you responsible for?

Appendix C: Property Administration Questionnaire
Form B (USAF SCN 87-60)

Introduction

This questionnaire is in two parts. Part I requests information about your education, training, experience, current job, and organization. No information about your name, social security number, or other identifying data is requested. Other personal data such as rank, pay grade, or years of federal service are requested for the purpose of compiling demographic data. Part II contains questions regarding specific aspects of the Property Administration function within your agency. The focus will be on the various structures, procedures, and techniques which you employ.

This questionnaire is designed to be completed with minimum time and effort. Please answer all questions, your personal answers are important to the success of the study. When you have completed the questionnaire, please return it via the enclosed envelope. Your participation in this survey will have a direct impact on changes that may be made in the performance of Property Administration throughout the Department of Defense.

Part I

Please fill in the blank or circle the letter indicating your answers to the following questions. If additional space is required, please use a blank sheet of paper and identify by question number:

1. What branch of service do you work for?

- A. Air Force
- B. Army
- C. Defense Logistics Agency
- D. Navy

2. What is your military rank or civilian grade? _____

3. Total number of years of federal service you have? _____

4. Total number of years in Property Administration? _____

5. Please indicate below, the total number of years you have been in your present position?

- A. Under 2
- B. 2 - 5
- C. 6 - 10
- D. 11 - 15
- E. 16 - 20
- F. Over 20

6. What is your present position title and Series number?

(GS-1103, etc) _____

7. What position title and series (GS-1102, 1150, etc) did you hold just prior to your present position?

8. Please indicate below, the highest level of formal education you have attained. Indicate your major field of study in the space provided to the right of the appropriate level.

- A. Grade School _____
- B. High School Graduate _____
- C. Some College _____
- D. Bachelor's Degree _____
- E. Some Post-Graduate study _____
- F. Master's Degree _____
- G. Master's Degree, plus additional hours _____
- H. Doctoral Degree _____

9. Please indicate below, all training, schools, or courses you have received from the following sources which you feel have a direct relationship to your present position. Do not include training that is unrelated.

<u>Training Sources</u>	<u>Name of Course, School, etc.</u>	<u>Approx. Length, Weeks</u>
A. Civilian College Courses	_____	_____
	_____	_____
	_____	_____
B. Correspondence Courses (ECI)	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
C. Professional Military Schools (AFIT, ALMC, AMETA, etc.)	_____	_____
	_____	_____
	_____	_____
D. Other (Professional Seminars, GSA, NCMA, NPMA, etc.)	_____	_____
	_____	_____
	_____	_____
	_____	_____

Part II

1. What do you feel are the strong points of your Property Administration Program?
2. What do you feel are the weak points of your Property Administration Program?
3. What would you do to improve your Property Administration Program?
4. What do you feel the Government's policy should be on the contractors' maintaining our records of Government Property?
5. Do you feel that the Federal Acquisition Regulation adequately prescribes a system which can effectively manage and account for Government Property? If not, what changes do you think need to be made to the FAR/DFARS to make them more effective?
6. Do you feel that your overall organization is adequately structured and staffed to perform its Property Administration function?
7. Do you feel that Government Property issues are adequately staffed by buying offices prior to their decision to provide certain properties to contractors?

Appendix D: Structured Interview

1. How would you describe your present position ? What do you consider to be your major responsibility?
2. What do you feel are the strong points of your Property Administration Program?
3. What do you feel are the weak points of your Property Administration Program?
4. What would you do to improve your Property Administration Program?
5. What do you feel the Government's policy should be on the contractors' maintaining our records of Government Property?
6. Do you feel that the Federal Acquisition Regulation adequately prescribes a system which can effectively manage and account for Government Property? If not, what changes do you think need to be made to the FAR/DFARS to make them more effective?
7. Do you feel that your overall organization is adequately structured and staffed to perform its Property Administration function?
8. Do you feel that Government Property issues are adequately staffed by buying offices prior to their decision to provide certain properties to contractors?
9. How does your office ascertain that the contractor's consumption of government material is reasonable?

Appendix E: Schedule of Interviews

<u>DATE(S)</u>	<u>LOCATION</u>
1. 08 May 87	NAVPRO McDonnell Douglas Corp. St Louis, Mo.
2. 15 May 87	CG USA Tank Automotive Cmd Detroit Arsenal Tank Plant Warren, Mi.
3. 22 May 87	AFPRO Westinghouse Electric Corp. Baltimore, MD
4. 29 May 87	ARPRO Boeing Vertol Co. Div Philadelphia, Pa.
5. 15 Jun 87	NAVPRO General Dynamics Pomona, CA
6. 16 Jun 87	ARPRO McDonnell Douglas Helicopters Culver City, CA
7. 17 Jun 87	AFPRO TRW Redondo Beach, CA
8. 18 Jun 87	AFPRO Martin-Marietta Denver Denver, Co.
9. 19 Jun 87	DCASMA Denver Englewood, Co.
10. 22 Jun 87	NAVPRO LTV Aerospace and Defense Dallas, Tx.
11. 23 Jun 87	ARPRO Bell Helicopter Textron Ft. Worth, Tx.
12. 24 Jun 87	AFPRO General Dynamics Ft. Worth, Tx.
13. 26 Jun 87	DCASMA Dallas Dallas, Tx.
14. 29 Jun 87	DCASMA San Antonio San Antonio, Tx.
15. 06 Jul 87	NAVPRO General Electric Co. Lynn, Ma.
16. 07 Jul 87	DCASMA Boston Boston, Ma.

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15. Respondent Number 2, "Property Administration Questionnaire, Form B". School of Systems and Logistics, Air Force Institute of Technology (AU), Wright-Patterson AFB OH, July 1987.
16. Respondent Number 3, "Property Administration Questionnaire, Form B". School of Systems and Logistics, Air Force Institute of Technology (AU), Wright-Patterson AFB OH, July 1987.
17. Respondent Number 1, "Property Administration Questionnaire, Form B". School of Systems and Logistics, Air Force Institute of Technology (AU), Wright-Patterson AFB OH, July 1987.

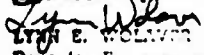
VITA

Captain Corby Lenar Clark was born on [REDACTED] in Chicago, Illinois. He graduated from Rich Central High School in Olympia Fields, Illinois in 1977. In September 1977, he enlisted in the Reserve Officer Training Corps and was assigned to Detachment 380, Michigan State University. In June 1981, he received a Bachelor of Arts Degree in Materials & Logistics Management and was commissioned in the United States Air Force. Captain Clark was then assigned to the 27th Tactical Fighter Wing, Cannon AFB, N.M., where he served as Chief, Supplies Branch of the Contracting Division. Captain Clark was then assigned to Ankara Air Station, Turkey where he served as Administrative Contracting Officer on the Turkey Base Maintenance Contract and as Deputy Director for Contracting, HQ/TUSLOG. In May 1986, upon the completion of his overseas tour, Captain Clark entered AFIT.

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This research presents an independent analysis of the relative strengths, weaknesses, and cost effectiveness of the various property administration techniques employed throughout the Department of Defense. Conducted in three phases, Phase I of this research presents an extensive review of recent literature/correspondence and regulatory guidance regarding government property administration. Phase II consisted of the conduct of two written surveys which provide demographic data, data with respect to property administration office structure/workloads, and the opinions of property administration personnel concerning the relative strengths and weaknesses of their respective programs. Phase III consisted of the conduct of structured interviews which provide property administration personnel's perceptions as to the effectiveness of current regulations, the adequacy of buying activity staffing of property issues, and suggestions for the improvement of property administration.

This research concludes that there is inadequate consideration of property issues upon contract inception, that there are personnel issues within property administration which need to be resolved, and that the regulations which address government property are in need of maintenance to reflect the modern property environment. Presented are both short term and long term recommendations for establishing the optimum method of performing DoD property administration as outlined by the Federal Acquisition Regulation.