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DoD Manual for the Performance of Contract Property Administration

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December 1991

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THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, DC 20301-8000

December 31, 1991

FOREWORD

This Manual is issued under the authority of DoD Instruction 4161.2, "Acquisition, Management, and Disposal of Government-owned Contract Property," December 31, 1991. It provides uniform policies and procedures for accomplishing the contract property administration requirements of Federal Acquisition Regulation (FAR), Part 45, "Government Property," and Defense Federal Acquisition Regulation Supplement (DFARS), Part 245, "Government Property," current editions. This Manual applies to the Office of the Secretary of Defense; the Military Departments; the Defense Agencies; and the DoD Field Activities (hereafter referred to collectively as "the DoD Components").

This Manual's policies, procedures, and guidance relate to and are consistent with the FAR and the DFARS. A software program developed by the Air Force Institute of Technology (AFIT) may be used with this Manual for statistical sampling, instead of the hard copy sample tables in the Manual. This AFIT computer diskette is public property and DoD personnel may obtain copies through the headquarters of the DoD Components' Contract Property Administration offices.

This Manual is effective immediately and is mandatory for use by all DoD Components. The DoD Components shall limit supplemental instructions to unique requirements. This Manual cancels and replaces DFARS Supplement #3, which will be removed from the Defense Acquisition Regulation (DAR) System.

Implementing instructions and any proposed changes to this Manual shall be sent through channels to:

Assistant Secretary of Defense (Production and Logistics)
Attn: Government Contract Property Policy, Room 2A318
The Pentagon, Washington, DC 20301-8000

The DoD Components may obtain copies of this Manual through their own publications channels. Other Federal Agencies and the public may obtain copies from the Department of Commerce, National Technical Information Service, 5285 Port Royal Road., Springfield, VA 22161.

Colin McMillan
Colin McMillan

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REFERENCES

- (a) Federal Acquisition Regulation (FAR), December 1990
- (b) Department of Defense Federal Acquisition Regulation Supplement (DFARS), November 1988
- (c) Joint Service Regulation, AR 55-38, NAVSUPINST 4610.33C, AFR 75-18, MCO P4610-19D, and DLAR 4500.15, "Reporting of Transportation Discrepancies in Shipments," April 15, 1985
- (d) Joint Service Regulation, DLAR 4140.55, AR 735-11-2, SECNAVINST 4355.18, AFR 400-54, MCO 4430-3E, "Reporting of Item and Packaging Discrepancies," October 1, 1986
- (e) DLAH 4105.4, "DoD Directory of Contract Administration Services Components," July 1990
- (f) DoD Instruction 4140.48, "Control and Access to DoD Material Inventories Required by Defense Contracts," March 6, 1984
- (g) DoD 7950.1-M, "Defense Automation Resources Management Manual," September 1988, as authorized by DoD Directive 7950.1, September 29, 1980
- (h) DoD 5100.76-M, "Physical Security of Sensitive Conventional Arms, Ammunition and Explosives at Contractor Facilities," February 1983, as authorized by DoD Directive 5100.76 February 10, 1981
- (i) DoD 4145.26-M, "Contractor's Safety Manual for Ammunition and Explosives," March 1986, as authorized by DoD Instruction 4145.26, July 19, 1985
- (j) DoD 4000.25-1-M, "Military Standard Requisition and Issue Procedures," May 1, 1987.
- (k) National Aeronautics and Space Administration Federal Acquisition Regulation Supplement

DEFINITIONS

1. ACCESSORY ITEM. See FAR 45.501.
2. ACQUISITION. See FAR 2.1.
3. AGENCY. See FAR 9.403.
4. AGENCY-PECULIAR PROPERTY. See FAR 45.301.
5. ALTERNATE LOCATION. Another location of the prime contractor differing from its primary place of performance either geographically or organizationally.
6. ARMS, AMMUNITION, AND EXPLOSIVES. See DFARS 223.7001.
7. ASSIST WORK AUTHORIZATION. See Interorganizational Transfer.
8. AUTOMATIC DATA PROCESSING EQUIPMENT. See FAR 31.001.
9. AUXILIARY ITEM. See FAR 45.501.
10. AWARD FEE. See FAR 16.404-2.
11. BAILMENT. A delivery of Government property to a contractor for a specified purpose normally related to a prime contract. Bailed property is usually returned to the Government when no longer required by the contractor. Bailment does not include sale, donation, lease, the furnishing of property to a contractor under facilities contracts, or the furnishing of property for consumption or for incorporation in such a manner as to lose its identity in an end product delivered to the Government.
12. BAILMENT AGREEMENT. A contractual arrangement that accomplishes the actual bailment of Government property and contains all of the information concerning the bailment. Included are an adequate description of the property, the purpose of the bailment, use of the property, authorization for modifications that may be made to the property, the period of the bailment, the place from or to which the property is to be delivered or returned, maintenance requirement, if any, and any other provisions considered necessary.
13. BASIC ORDERING AGREEMENT. See FAR 16.703.
14. BENCH STOCK. Low cost, high usage, nonsensitive consumable material issued to work areas for contract performance. Quantities of such stock shall not exceed that amount that would normally be consumed within a 30 day period, or as established in the contractor's approved property control system.

15. BILL OF MATERIAL. See DFARS 210.001.
16. BLANKET PURCHASE AGREEMENT. See FAR 13.201.
17. CAGE CODE. A unique number identifying the Commercial and Government Entity.
18. CALIBRATION. See DFARS 246.101.
19. CAPITAL TYPE REHABILITATION. Work that is clearly above and beyond normal recurring maintenance, such as major repairs, replacement, and rehabilitation of deteriorated property.
20. CHANGE ORDER. See FAR 43.101.
21. COMMON ITEM. See FAR 45.601.
22. CONFIDENCE LEVEL. A measure of how well the sample represents the status of a lot. A 90 percent confidence level means that a sample will be an accurate representation 90 out of a 100 times.
23. CONTRACT. See FAR 2.1.
24. CONTRACT ADMINISTRATION OFFICE. See FAR 2.1 and DFARS 204.670-2.
25. CONTRACTING OFFICER. See FAR 2.1.
26. CONTRACTOR. See FAR 9.403 and 44.100.
27. CONTRACTOR-ACQUIRED MATERIAL. Material that is acquired for the Government by the contractor. Title is vested by the provisions contained in FAR 52.245-2 or 52.245-5.
28. CONTRACTOR-ACQUIRED PROPERTY. See FAR 45.101.
29. CONTRACTOR INVENTORY. See FAR 45.601.
30. CONTROLLED SUBSTANCES. See DFARS 245.601.
31. CORRECTIVE MAINTENANCE. Maintenance required to return property to such condition that it may be effectively utilized for its designated purpose.
32. COST CONTRACT. See FAR 16.302.
33. COST-PLUS-AWARD-FEE CONTRACT. See FAR 16.404-2.

34. COST-PLUS-FIXED-FEE CONTRACT. See FAR 16.306.
35. COST-PLUS-INCENTIVE-FEE CONTRACT. See FAR 16.404-1.
36. COST REIMBURSEMENT CONTRACT. See FAR 16.301-1.
37. CRITERION. An evaluative item of a property system function subject to analysis by the appropriate method.
38. CUSTODIAL RECORDS. See FAR 45.501.
39. DEFECT. A condition in which a functional segment, a sample item or sample item element of a contractor's property control system contains one or more deficiencies.
40. DEMILITARIZATION. See DFARS 245.601.
41. DISCREPANCIES INCIDENT TO SHIPMENT. See FAR 45.501.
42. DoDAAC. Department of Defense Address Activity Code. A unique number incorporated into a MILSTRIP document number, used by any activity requisitioning through the DoD supply system.
43. DoDAAD. Department of Defense Address Activity Directory. A listing of DoDAACs.
44. ELEMENT DEFECT. A single sample item element of data that is either erroneous or omitted as part of a criterion.
45. ENCOURAGED. See Qualifier.
46. EXCESS PROPERTY. Property no longer required in the performance of the contract for which it was acquired.
47. FACILITIES. See FAR 45.301.
48. FACILITIES CONTRACT. See FAR 45.301.
49. FIRM-FIXED-PRICE CONTRACT. See FAR 16.202.
50. FIXED-PRICE-INCENTIVE CONTRACT. See FAR 16.403.
51. GOVERNMENT-FURNISHED MATERIAL. Material owned by the Government and furnished to a contractor for utilization for specific contract purposes. Title to all material furnished by the Government will remain in the Government.

52. GOVERNMENT-FURNISHED PROPERTY. See FAR 45.101.
53. GOVERNMENT PROPERTY. See FAR 45.101.
54. HAZARDOUS MATERIAL. Any used or unused personal property, including scrap and waste, that is ignitable, corrosive, reactive, or toxic because of its quantity, concentration, or physical, chemical, or infectious characteristics. The property can be in a solid, liquid, semiliquid, or contained gas form and may cause or significantly contribute to an increase in mortality or serious illness, or pose a substantial present or potential hazard to human health or the environment when improperly treated, stored, transported, disposed of, or otherwise managed.
55. HAZARDOUS WASTE. Any used or unused hazardous material that has no known utility and, therefore, must be discarded. This includes hazardous material not otherwise disposed of through plant clearance that the contractor has been authorized by the Plant Clearance Officer to dispose of as a hazardous waste.
56. INDIVIDUAL ITEM RECORD. See FAR 45.501.
57. INDUSTRIAL PLANT EQUIPMENT. See DFARS 245.301.
58. INDUSTRIAL PREPAREDNESS PLANNING. See DFARS 208.0-3.
59. INSPECTION. See FAR 45.101.
60. INTERDIVISIONAL WORK AUTHORIZATION. See Interorganizational Transfer.
61. INTERORGANIZATIONAL TRANSFER. Those materials, supplies, and services that are, or will be, transferred to a performing division from other divisions, subsidiaries, or affiliates under the control of the same parent entity as the performing division. IOTs are also referred to as Interdivisional Work Authorization (IDWA) or Assist Work Authorization (AWA).
62. INVENTORY CONTROL POINT. An organizational unit or activity within the DoD supply system that is assigned primary responsibility for material management for a group of items, either for a particular service or for the Department of Defense as a whole. Material management includes cataloging direction, requisition computation, procurement direction, distribution management, disposal direction, and generally rebuild direction.
63. ITEM DEFECT. A reviewed sample item containing single or multiple element discrepancies having significant impact.

64. ITEM MANAGER. An individual within the organization of an inventory control point or other such organization assigned the management responsibility for one or more specific items of material.

65. JUDGMENT SAMPLING. The process by which a number of items or areas are selected from the population for analysis without meeting the random selection and sample size criteria in Appendix D.

66. LACK OF GOOD FAITH. Failure to honestly carry out a duty including gross neglect or disregard of the terms of the Government property clause or of appropriate directions from the PA.

67. LEASE. Grant or rights by a lessor to a lessee to possess and use real or personal property for a period of time in exchange for rent or other consideration.

68. LINE ITEM. See FAR 45.60.

69. LOT. An aggregation of documents, records, articles, or actions selected for review due to common characteristics. Also referred to as universe or population. For evaluation of the lot, all characteristics for which a lot is tested must be common to all units within the lot.

70. MANAGEMENT CONTROL ACTIVITY. DoD Component-designated activity that initially receives and controls requisitions for Government-furnished material supplied from the wholesale DoD supply system to support defense contracts or requirements.

71. MANAGERIAL PERSONNEL. Includes the contractor's directors, officers, and any of the contractor's managers, superintendents, or equivalent representatives who have supervision or direction of all or substantially all of the contractor's business, all or substantially all of the contractor's operation at any one plant or separate location at which the contract is being performed, or a separate and complete major industrial operation connected with performing the contract.

72. MASTER GOVERNMENT-FURNISHED EQUIPMENT LIST. A listing of Government-furnished equipment to be furnished a contractor in support of a particular weapon system. The listing identifies Government-furnished equipment by quantity and nomenclature for the production of one fully configured fly away aircraft. The listings are developed each fiscal year, through Government and/or Contractor negotiations, and are specific to a type, model, and series of production aircraft.

73. MATERIAL. See FAR 45.301.

74. MATERIAL REQUIREMENTS LIST. A type of bill of material used in material requirements planning systems.

75. MATERIAL REQUIREMENTS PLANNING. A purchasing system that provides for the efficient acquisition of materials by analyzing, timing, and combining purchases required for all work performed by a contractor.
76. MATERIAL MANAGEMENT AND ACCOUNTING SYSTEM. See DFARS 242.7202 and 242.7203.
77. MAY. See FAR 2.101.
78. MILITARY STANDARD REQUISITIONING AND ISSUE PROCEDURE. A requisitioning and issue procedure for use by the Military departments and contractors authorized by the terms of a contract to requisition or move Government material to supply control cognizance. MILSTRIP is a system with uniform codes and punchcard formats designed to provide standard procedures of requisitioning, receiving, and returning Government material and to permit the maximum use of automatic data processing equipment.
79. MIN-MAX. A system of maintaining stock control levels of material by establishing maximum stock levels and minimum reorder points, determined by the contractor based on production schedule requirements plus pipeline time.
80. NATIONAL STOCK NUMBER. A thirteen-digit catalog code consisting of a four digit Federal supply class code and a nine digit national item identification number.
81. NONSEVERABLE. See FAR 45.301.
82. OFF-THE-SHELF ITEM. See FAR 46.101.
83. OPERATOR MAINTENANCE. Maintenance tasks of a minor nature, including preventive maintenance, performed by equipment operators at the most convenient time; i.e., before, during, and after operations..
84. OTHER PLANT EQUIPMENT. See DFARS 245.301.
85. PLANT CLEARANCE. See FAR 45.601.
86. PLANT CLEARANCE OFFICER. See FAR 45.601.
87. PLANT EQUIPMENT. See FAR 45.101.
88. POPULATION. An aggregation of documents, records, assets, or actions selected for review due to common characteristics. See Lot.
89. PREAWARD SURVEY. See FAR 9.101.

90. PRECIOUS METALS. See FAR 45.601.
91. PREVENTIVE MAINTENANCE. See FAR 45.509-1(b).
92. PRIME CONTRACTOR. See DFARS 246.770.1.
93. PRIVITY OF CONTRACT. The contractual relationship that exists between two parties; i.e., Government and prime contractor, or prime contractor and subcontractor.
94. PROCEDURES. A detailed written description of the contractor's operation for the control, use, and care of property while in the contractor's possession. It should identify individuals or components of the contractor's organization having specified and delineated functions and authorities for property management, precisely what must be done by whom. It should provide coverage for each element of control that applies to the type and use of the property provided under the contract. Suspense controls should exist for time-phased obligations, submission of reports, time-scheduled maintenance, and/or physical inventory.
95. PRODUCTION SCRAP. See DFARS 245.601.
96. PRODUCTION SPECIAL TEST EQUIPMENT. See DFARS 215.873.
97. PRODUCTION SPECIAL TOOLING. See DFARS 215.873.
98. PROGRESS PAYMENT INVENTORY. That property acquired by the contractor to which the Government has a vested interest solely through FAR 52.232-16, the Progress Payment Clause provisions.
99. PROPERTY. See FAR 45.101.
100. PROPERTY ADMINISTRATOR. See FAR 45.501.
101. PROPERTY CONTROL SYSTEM. The system that identifies a contractor's internal management program encompassing the protection, preservation, accounting for, and control of property from its acquisition through disposition.
102. PROPERTY RECORDS. Records that are construed to include all documents reflecting the status of property and are not restricted to stock record cards or other forms used as an inventory record.
103. PROPERTY SYSTEM FUNCTION. A major portion of a contractor's property control system; e.g., property management, acquisition, receiving, identification, records, movement, storage, physical inventories, reports, consumption, utilization, maintenance, subcontractor and/or alternate location control, disposition, and contract close out.

104. PROPERTY SYSTEM FUNCTIONAL SEGMENT. A portion of a property system function of property control that may be separately identified and contains similar properties, procedures, and conditions of control that can be isolated for purpose of analysis.

105. PURPOSFUL SAMPLING. The process by which known, suspected, or reported conditions of a critical or substantial nature are used to select areas, items, or actions for review to determine the possible adverse systemic impact. It is closely related to judgment sampling in that a purely random sample is not drawn.

106. QUALIFIERS.

a. ENCOURAGED. Used where it is recommended an action be taken but not imperative. Factors affecting whether the action is to be taken or not may include:

1. PA is not in residence.
2. Time Constraints or workload.
3. Non-applicability of the item being reviewed.

b. MAY. See FAR 2.101.

c. SHALL. See FAR 2.101.

107. QUALITY ASSURANCE REPRESENTATIVE. See DLAH 8200.1, AR 702-4-1, AFP 74-17

108. REAL PROPERTY. See FAR 45.101.

109. REPAIRABLE ITEM. An unserviceable item that can be reconditioned or economically repaired for reuse.

110. RESIDUAL VALUE. See FAR 31.001.

111. RISK. A measure of those instances where a sample will not be an accurate representation of the lot. For example, a sampling plan having a 90 percent confidence level means that a sample will not be an accurate representation of the lot 10 out of 100 times.

112. RISK OF LOSS. Liability or responsibility for bearing the cost of loss, damage or destruction of Government property.

113. SALVAGE. See FAR 45.501.

114. SAMPLE. A number of items; e.g., documents, records, articles, or actions, selected from a lot for a review in order to draw inferences regarding and generalizable to the status of the lot.

115. SAMPLE ITEM. A single document, record, article or action from the sample.

116. SAMPLE ITEM ELEMENT. A single element from a sample item subject to evaluation; e.g., name or nomenclature, description, National Stock Number, quantity received, quantity issued, balance on hand, etc.

117. SCRAP. See FAR 45.501.

118. SELF INSURANCE. See FAR 31.001.

119. SENSITIVE PROPERTY. Property for which the theft, loss, or misplacement could be potentially dangerous to the public safety or community security, and which must be subject to exceptional physical security, protection, control, and accountability. The following types of property should be designated as "sensitive" in the contractor's property management system:

a. Weapons such as carbines, grenade launchers, rocket launchers, machine guns, pistols, recoilless weapons, revolvers, rifles, or shotguns.

b. Ammunition for the above weapons.

c. Explosives including demolition material; e.g., detonators, charges, blasting caps, firing devices, fuses, primers, timers., grenades, mines (hand placed), and explosive waste developed from the manufacture of the foregoing.

d. Narcotics and dangerous drugs.

e. Radioactive Material. Any item or material that is, in itself, radioactive or that is contaminated with radioactive material giving readings in excess of background radiation as measured on an instrument designed specifically for the type of radiation being emitted.

f. Hazardous Material. Any used or unused personal property, including scrap and waste, that is ignitable, corrosive, reactive, or toxic because of its quantity, concentration, or physical, chemical, or infectious characteristics. The property can be in a solid, liquid, semiliquid, or contained gas form and may cause or significantly contribute to an increase in mortality or serious illness, or pose a substantial present or potential hazard to human health or the environment when improperly treated, stored, transported, disposed of, or otherwise managed.

g. Hazardous Waste. Any material that is a solid waste, as defined under the Resource Conservation and Recovery Act (RCRA), and has also been classified as hazardous in conformity with the provisions of RCRA. The Environmental Protection Agency (EPA) criteria for hazardous waste classification are specified in 40 CFR 261 and will be used to decide whether to deal with a solid waste as hazardous. Also, EPA approved state hazardous waste programs may identify additional solid wastes as hazardous. These State designations will also be complied with.

h. Precious Metals. Uncommon and highly valuable metals characterized by their superior resistance to corrosion and oxidation.

i. Any other item designated by a Defense Agency to be sensitive.

120. SERVICEABLE OR USABLE PROPERTY. See FAR 45.601 and DFARS 245.601.

121. SHALL. See Qualifiers. See FAR 2.101

122. SOURCE DOCUMENT. A document that serves as a basis for posting information to the records of property to provide an auditable record of all transactions, evidencing acquisition, receipt, consumption, utilization, maintenance, physical inventory, and disposition; e.g., purchase or fabrication order, receiving report, stores requisition, record of equipment usage, record of maintenance performed, inventory ticket, and shipping documentation.

123. SPECIAL TEST EQUIPMENT. See FAR 45.101.

124. SPECIAL TOOLING. See FAR 45.101.

125. STATISTICAL SAMPLING. A technique by which evaluation of attributes or transactions, or facts or conditions obtained from randomly selected samples forms the basis for determining the degree to which an entire lot conforms to standards.

126. STOCK RECORD. See FAR 45.501.

127. STRATIFICATION. A method of establishing a dollar threshold for the purpose of physical inventory of material; e.g., material under \$25.00, items between \$25.01 and \$99.99, and all items \$100 and above as the upper and lower limits by which property is stratified.

128. SUBCONTRACT. See FAR 44.101.

129. SUBCONTRACTOR. See FAR 44.101.

130. SUPPLIES. See FAR 2.101.

131. SUPPORTING PROPERTY ADMINISTRATION. Performance of specific property administration functions by another Contract Administration Office (CAO) as requested by the assigned CAO, or the contracting office retaining contract administration responsibility.

132. SURPLUS PROPERTY. See FAR 45.601.

133. SYSTEM ANALYSIS. An analysis of all applicable functions of a contractor's property control system for the purpose of obtaining overall knowledge of the contractor's performance in complying with the approved property control system and contractual obligations as they pertain to property.

134. SYSTEMIC. Pertaining to, affecting, or found throughout a contractor's overall property control system.

135. TERMINATION INVENTORY. See FAR 45.601.

136. TIME-AND-MATERIALS CONTRACT. See FAR 16.601.

137. UNALLOWABLE COST. See FAR 31.001.

138. WILLFUL MISCONDUCT. Either a deliberate act or failure to act that causes or results in Loss, Damage or Destruction to Government property.

139. WORK-IN-PROCESS. See FAR 45.501.

ABBREVIATIONS AND/OR ACRONYMS

AA&E	Arms, Ammunition, and Explosives
ACO	Administrative Contracting Officer
ADPE	Automated Data Processing Equipment
APP	Agency-Peculiar Property
ASBCA	Armed Services Board of Contract Appeals
AWA	Assist Work Authorization
CAM	Contractor-Acquired Material
CAO	Contract Administration Office
CAP	Contractor-Acquired Property
CNA	Certificate of Non-Availability
CO	Contracting Officer
CRAG	Contractor Risk Assessment Guide Program
CRE	Centrally Reportable Equipment
CTR	Capital Type Rehabilitation
DARIC	Defense Automation Resources Information Center
DFARS	DOD Federal Acquisition Regulation Supplement
DIPEC	Defense Industrial Plant Equipment Center
DIS	Defense Investigative Service
DoD	Department of Defense
DODAAC	DOD Activity Address Code
DODAAD	DOD Activity Address Directory
FAR	Federal Acquisition Regulation
FBI	Federal Bureau of Investigation
FFP	Firm-Fixed Price
FIFO	First-in, First-out
FPI	Fixed Price Incentive
FSC	Federal Supply Class
GAO	General Accounting Office
GBL	Government Bill of Lading
GCAHB	Grant and Cooperative Agreement Handbook
GFM	Government-Furnished Material
GFP	Government-Furnished Property
GP	Government Property
GSA	General Services Administration
IDWA	Interdivisional Work Authorization
IG	Inspector General

ABBREVIATIONS AND/OR ACRONYMS (Continued)

IPE	Industrial Plant Equipment
IPMS	Industrial Property Management Specialist
IOT	Interorganizational Transfer
LDD	Loss, Damage, and Destruction
MCA	Management Control Activity
MDR	Material Deficiency Report
MGFEL	Master Government Furnished Equipment List
MMAS	Material Management and Accounting System
MILSTRIP	Military Standard Requisitioning and Issue Procedure
NASA	National Aeronautics and Space Administration
NEMS	NASA Equipment Management System
NEVS	NASA Equipment Visibility System
NFS	NASA FAR Supplement
OM	Operator Maintenance
O&R	Overhaul and Repair
OMR	Overhaul, Maintenance, and Repair
OPE	Other Plant Equipment
OSD	Office of the Secretary of Defense
PA	Property Administrator
PCO	Procuring Contracting Officer
PE	Plant Equipment
PEP	Plant Equipment Package
PLCO	Plant Clearance Officer
PM	Preventive Maintenance
PO	Purchase Order
PR	Purchase Request
QAR	Quality Assurance Representative
QDR	Quality Deficiency Report
R&D	Research and Development
RoD	Report of Discrepancy
RTTST	Right to title Special Tooling
SPA	Support Property Administration
ST	Special Tooling
STE	Special Test Equipment
TDR	Transportation Discrepancy Report

CHAPTER 1

GENERAL INFORMATION

A. PURPOSE

1. This Manual sets forth instructions to ensure uniformity and consistency in the administration of contract provisions relating to Government property in the possession of contractors. It also provides direction for Property Administrators (PAs) to perform other specific responsibilities. This Manual is applicable to all DoD personnel having responsibilities in this area. It prescribes procedures and techniques to:

- a. Meet management data requirements of the Government.
- b. Ensure performance of property management to protect the interests of the Government at a minimum cost through a uniform DoD contract property administration program.

2. The scope of the program shall be determined by the complexity of the contractor's property control system, the amount of Government property, and other conditions revealed by review of the contracts and correlation of their provisions with the property control system.

3. Management of Government property must be based on the objective of maximizing return on investment in property. It must consider the types and amounts of property, program criticality, an assessment of areas of greatest risk to the Government, and past contractor performance. It must also minimize the administrative burden for the Government and contractor. Use of commercially established property management practices are encouraged unless they are in conflict with contractual requirements or create an unacceptable risk to the Government.

4. It is the Government's policy to rely upon Government contractors to be accountable for and maintain official records of Government property in their possession. Contractor records are essential for contract property management. Maintenance of duplicate records by the Government is discouraged as it is costly and creates significant administrative burden for both the Government and contractor to reconcile records. The efficacy of contractor records and other aspects of contractor property control systems will be reviewed through Government-conducted property system analyses with augmentation by contractor audit personnel when determined appropriate by the Government. The PA is responsible for the adequacy of these Government reviews. The extent of documentation needed is to be determined by the PA as long as it can be demonstrated that evaluation methods are effective in identifying and resolving significant problems. System analyses documentation is secondary in importance to the quality of technical aspects of the reviews. PAs are cautioned to avoid compromise of other responsibilities for the sake of cosmetic improvements in

systems analyses documentation.

5. It is the Government's objective to clearly establish contractor requirements for management of Government property. The Government encourages contractor internal audits and systems analyses to identify the need for and to implement improved property management practices. The PA shall consider the extent and effectiveness of these reviews in determining the extent of Government review.

6. All facets of Government property management require the highest degree of ethical standards to be applied by both Government and contractor personnel. Contractors are encouraged to develop and implement policies and procedures addressing ethics in Government property management. Questionable and unethical property practices must be immediately reported through appropriate management levels and disciplinary action taken.

7. The primary responsibility of the PA is to administer the provisions of Government contracts that deal with Government property. As such, Government property personnel must also emphasize providing support and assistance to contracting officers, program offices and logisticians, as well as direction to contractors.

B. OBJECTIVES OF PROPERTY ADMINISTRATION. The primary objective of the property administration function is to attain efficient, economic, and uniform management of all Government property required for the performance of contracts. The function is mainly to administer the terms of contract provisions that specify the contractor's obligations to acquire, control, use, care for, report, and dispose of Government property, and to advise contracting activities and other DoD officials of the known level of efficiency of the contractor's management of Government property.

C. DUTIES AND RESPONSIBILITIES OF THE PROPERTY ADMINISTRATOR. The PA shall be responsible for:

1. Administering contract provisions, requirements, and obligations relating to Government property in the possession of contractors. General clauses include the FAR 52.245 clauses.

2. Participating in pre-award surveys and postaward reviews.

3. Reviewing contracts assigned for property administration to assure that property is identified in the contract and that general and special contract provisions dealing with property are included, when applicable.

4. Ensuring that contractor property organizations are aware of and understand applicable provisions of Government contracts dealing with property including FAR 45.5.

5. Establishing contract property control data files.

6. Providing the contracting officer with recommendations concerning contractor liability for loss, damage, or destruction (L,D and D) of property on the basis of contract terms and conditions.

7. Granting relief of responsibility for L,D and D of Government property on the basis of contract terms and conditions when authorized through the PA's certificate of appointment.

8. Performing functions as prescribed by FAR 45.5.

9. Developing and applying a property systems analysis program to assess the effectiveness of contractor Government property management systems.

10. Evaluating the contractor's property management system; approving the system or recommending disapproval where systems create an unacceptable risk of loss, damage, or destruction of property.

11. Advising the Contracting Officer (CO) and other affected Government managers regarding the contractor's noncompliance with approved procedures, contractual requirements, and other significant problem areas.

12. Notifying the CO in the event of excessive acquisition by the contractor and recommending cost disallowance, or other appropriate remedy.

13. Performing program or agency-oriented reviews of property acquisition, control, management, use, and disposition as dictated by contracting conditions where applicable.

14. Supporting and assisting contractor's management, contracting officers, program managers, and other functions in resolution of property administration matters.

15. Reviewing Government-furnished material for receipt and reconciliation in accordance with FAR 45.5 and the reports provided by the Management Control Activity (MCA) in accordance with DoD Instruction 4140.48.

16. Providing guidance, counsel, and direction to Government and contractor managers and technicians related to regulatory and contractual requirements for management of Government property.

17. Ensuring that the contractor promptly reports excess Government property for disposition in accordance with contract provisions.

18. Supporting the assigned Plant Clearance Officer to ensure prompt and proper disposition of contractor inventory.

19. Obtaining and reviewing contractually required reports of property for all assigned contracts.

20. Preparing and submitting other reports prescribed by higher headquarters.

21. Requesting supporting property administration.

22. Performing supporting property administration.

23. Recognizing the functions of other Government personnel having cognizance of property, and obtaining their assistance when required. (These functions include, but are not limited to, contract administration, plant clearance, contract audit, quality assurance, engineering, pricing, subcontracting, production, transportation, and other technical areas. Assistance and advice on matters involving analyses of the contractor's accounting records, financial aspects of contractor property reports, and on any other appropriate financial audit matters shall be obtained from the Defense Contract Audit Agency auditor, through the CO.)

D. PROPERTY ADMINISTRATOR ROLE IN THE CONTRACT ADMINISTRATION MISSION. The role of the PA is to support the contract administration function. The PA is an authorized representative of the CO regarding the contractual and technical aspects of Government property. The PA is part of the contract administration team that includes the CO, Price Analyst, Industrial Specialist, Transportation Specialist and Quality Assurance Representative (QAR). As a team member, the PA must establish effective communications with these other functional elements.

E. APPOINTMENT OF PROPERTY ADMINISTRATORS. The PA acts on behalf of the CO and is appointed in writing by a "Certificate of Appointment" in accordance with agency directions. Direction for appointment of PAs is provided in DFARS 245.7001. Specific procedures for appointment and the issuance of a certificate of appointment shall be established by the individual agencies.

CHAPTER 2

CONTRACTUAL ELEMENTS OF THE PROPERTY ADMINISTRATION PROCESS

A. INTRODUCTION

1. PAs have a variety of responsibilities to ensure that Government property in the possession of Government contractors is properly managed. The most critical and basic of these responsibilities is the administration of specific contract provisions relating to Government property. Most other responsibilities, including property system analyses, are intended to support this primary responsibility.

2. PAs are responsible for having a thorough understanding of all contract provisions pertaining to Government property. These include:

a. The contract clauses in FAR 52.245 and DFARS 252.245, and other applicable clauses, as well as any special contract provisions.

b. The requirements of FAR Part 45, DFARS 245, and as supplemented by agency-unique regulations.

3. The PA is responsible for the enforcement of those provisions in the FAR, DFARS, and agency supplements that are binding upon the contractor either through incorporation by reference of an appropriate Government property clause, or by direct incorporation in the contract.

4. The Government property clauses at FAR 52.245-2, 52.245-5, and other clauses in FAR 52.245, are the most important for PAs to understand and properly administer. They establish the title, property control, risk of loss, and disposition provisions that generally apply to all Government property. Clauses, such as FAR 52.232-16, 52.249-2, 52.249-6, 52.252-1, etc., may impact the control of other property accountable to Government contracts at various times. The PA shall be familiar with the implications of these clauses and their application where appropriate.

5. PAs must be similarly familiar with special contract requirements relating to Government property. These include the amount of authorized Government-furnished property (GFP), contractor acquired property (CAP) specified as a line item, authorized use of Military Standard Requisitioning and Issue Procedures (MILSTRIP) for ordering Government property, warranty provisions, and other special provisions.

B. INITIATION OF PROPERTY ADMINISTRATION

1. Control of Assignments. The Contract Administration Office (CAO) shall establish and maintain a Contract Assignment Control Register, or automated equivalent, for each contractor, showing:

- a. Contractor's name and address.
- b. Procurement instrument identification (PII)(contract) number.
- c. Type of contract.
- d. Name of the assigned PA and date of assignment.
- e. Date of completion or recision of the contract, or reassignment of the PA.

2. Contract Review. The PA shall review each contract providing for Government property to estimate the property administration effort that must be applied. The analysis shall be sufficient to determine the types and amounts of Government property to be provided, the administrative effort required, and the management controls necessary for ensuring compliance with contract requirements and development of an appropriate property management plan.

3. Establishment of Contract Property Control Data Files

a. A Property Summary Data Record shall be established by the PA containing as a minimum the following information:

- (1) Contractor's name and address.
- (2) Contract number.
- (3) Type of contract and applicable property clauses, including special or nonstandard clauses, pertaining to Government property.
- (4) Date of final review and date of execution and transmittal of the DD Form 1593, "Contract Administration Completion Record," or automated equivalent.
- (5) Supporting property administration assignments.
- (6) Name(s) of the PA(s).

b. The PA shall establish a Contract Property Control Data File that shall include as a minimum:

(1) Property Summary Data Record

(2) Copy of the contract or extract of provisions thereof pertinent to property administration, including modification(s) and change orders, relating to Government property, and comparable data regarding any subcontracts involving Government property.

(3) Record of property system analyses performed, deficiencies disclosed, and corrective actions taken.

(4) Record of final review and execution of the PA's statement of closure of the contract property account.

(5) Other pertinent correspondence and documents, including, as applicable, inventory adjustments, investigations, recommendations, and liability determinations.

(6) Records concerning supporting property administration delegations, assist actions involving special reviews, and other applicable reviews at subcontractor plants.

(7) Records of inspection and audits pertaining to the pertinent contract that are performed by other activities.

(8) Reports relating to Government property prepared by the contractor pursuant to the contracts.

c. When a contractor is performing multiple Government contracts, records and other data relating to more than one contract shall be maintained in a general property management file for the contractor.

d. In instances where an improper clause pertaining to Government property is incorporated within the contract, or the appropriate Government property clause is omitted, action shall be taken to resolve the matter with the CO; e.g., issue a "Contract Data Package Recommendation/ Deficiency Report" (DD Form 1716) or letter.

e. Property reported to have been received by the contractor without contractual coverage shall be documented in a suspense file by the PA, pending investigation and resolution.

f. When the PA determines that property is accountable to a contract but property administration has not been delegated, the PA shall determine if contract administration has been delegated. If contract administration has been delegated, the PA shall initiate property administration and establish a Property Control Data File, unless

specifically excluded by the CAO delegation. Where contract administration has not been delegated, the PA shall coordinate with the CO for resolution.

C. ADMINISTRATION OF PROPERTY RELATED CONTRACT PROVISIONS. The PA is directed to FAR 45.106 for discussion on the use of the various Government property clauses. The text of these clauses is found in FAR 52.245 and the corresponding DFARS. It is imperative that PAs become familiar, knowledgeable and conversant with these clauses and their application.

D. TITLE TO GOVERNMENT PROPERTY

1. Material

a. Title to all material furnished by the Government remains with the Government.

b. Title to material acquired by the contractor is governed by various contract clauses. The title provisions of FAR 52.245-5 contain two provisions about passage of title of materials to the Government for contractor-acquired materials on cost-reimbursement type contracts.

(1) When material is purchased by the contractor, the cost of which is reimbursed as a direct item of cost under the contract, title passes to and vests in the Government on delivery of such material by the vendor.

(2) Title to other material, the cost of which is reimbursable to the contractor, shall pass to and vest in the Government upon:

(a) issuance of the property for use in contract performance,

(b) commencement of processing of the property or use in contract performance, or

(c) reimbursement of the cost of the property by the Government, whichever occurs first.

(3) The title provisions of FAR 52.245-2 provide that the Government may similarly take title to materials acquired on fixed-price contracts, but only if the contract contains specific provisions for the Government to reimburse the contractor for materials as a direct item of cost under the contract.

2. Agency-Peculiar Property. APP is generally Government furnished where title remains with the Government.

3. Special Test Equipment (STE). Acquisition of STE under cost-type contracts. The Government acquires title to all STE purchased or fabricated by the contractor because this acquisition is reimbursable to the contractor. The title to STE shall vest with the Government at the time of acquisition or acceptance according to Government property clauses (52.245-2/5) and STE clause (52.245-18).

4. Special Tooling. The following are methods by which title to special tooling may be acquired and the differences in contractual requirements that apply to each method of acquisition:

a. Special tooling that is provided as GFP, acquired or manufactured by the contractor under a cost-type contract or acquired for the Government as a line item under a fixed-price contract, is Government property. This special tooling is subject to the provisions of the applicable Government property clauses.

b. The Government may reserve the right to take title to other special tooling acquired or fabricated on fixed-price contracts by incorporation of the special tooling clause (FAR 52.245-17) in the contract. This special tooling is often referred to as right-to-title special tooling. It is recognized that the Government has a vested interest in this tooling and may acquire title to the tooling at a later date to maintain production, support, or spare parts capability for a program. Normally, the Government should avoid taking title to this right-to-title special tooling if it is no longer required by the accountable contract and the Government has not identified a firm or probable requirement for the special tooling. If the Government takes title to this special tooling, it will generally increase the Government's liability and administrative burden associated with Government ownership.

c. Special tooling may also be acquired or manufactured by a contractor for the performance of a fixed-price contract that does not contain the special tooling clause and does not specify that special tooling is to be acquired for the Government. When this occurs, the Government has no rights to the tooling.

d. Production Special Tooling. In these cases, special contract provisions may provide the Government the option to take title to production special tooling acquired by the contractor. The PA shall follow the directions in the special clause on title and control.

5. Facilities. Facilities may be either Government-furnished or contractor-acquired. The facilities contract clauses, FAR 52.245-7, -10, and -11 set forth the title provisions. Facilities may also be acquired on contracts other than facilities contracts. In this instance, the title provisions in the Government property clause included in that instant contract will prevail.

E. LIABILITY FOR LOSS, DAMAGE, OR DESTRUCTION OF GOVERNMENT PROPERTY

1. Scope. This section provides policy and guidance to the PA, and other Government and contractor personnel regarding loss, damage, or destruction (LDD) of Government property provided to contractors.

2. General. Definitions:

a. "Lack of Good Faith." Failure to honestly carry out a duty including gross neglect or disregard of the terms of the Government property clause or of appropriate directions from the PA. Examples are a failure to establish and maintain proper training and supervision of employees, or failure to apply adequate controls to ensure compliance with contract terms.

b. "Willful Misconduct." Includes either a deliberate act or failure to act that causes or results in loss, damage, or destruction to Government property.

c. "Managerial Personnel." Includes the contractor's directors, officers, and any of the contractor's managers, superintendents, or equivalent representatives who have supervision or direction of:

(1) All or substantially all of the contractor's business.

(2) All or substantially all of the contractor's operation at any one plant or separate location at which the contract is being performed, or (3) A separate and complete major industrial operation connected with performing this contract. This usually refers to the top person in charge of a plant location and is normally the chief executive officer or a vice president or general manager.

3. Policy. DoD policy generally provides for the Government to act as a self insurer of Government property provided under certain contractual arrangements. This is largely due to DoD studies that have concluded it is more economical for the Government to be a self insurer than to allow a contractor to purchase insurance as an allowable cost (direct or indirect) under a contract. The studies estimated the extent of cost savings to the Government by comparing the cost of a commercial insurance policy to the amount of property losses plus the cost of employing Industrial Property Management Specialists (IPMSs). This means that one of the PA's roles is to represent the Government's interests as a self insurer by determining, through surveillance of the contractor's property control system, whether the contractor is an acceptable insurance risk. However, there are certain situations in which the Government is not a self insurer. An example of this would be under fixed price contracts awarded through full and open competition (See FAR 52.245-2(g)). In such cases, the contractor is liable for all LDD of Government property with the exceptions of reasonable wear and tear to Government property or for Government property properly consumed in performing the contract.

4. Contractor Requirements.

a. FAR 45.504 requires the contractor to promptly investigate and report all cases of loss, damage, or destruction of Government property to the PA. The PA shall assure that the contractor's procedures and property control system provide for:

(1) Internal reporting of any LDD to the responsible contractor property control organization.

(2) Investigation of such LDD in accordance with the Government property clauses and FAR 45.504.

(3) Prompt reporting by the responsible contractor organization to the PA, in accordance with FAR 45.504(b) and FAR 45.508-2.

(4) Additional reporting may be imposed by specific agency requirements for other types of property, including precious metals, explosives, firearms, hazardous materials, controlled substances, etc.

b. The following information should be requested from the contractor, where applicable, for each case of LDD of Government property:

(1) Date of incident.

(2) Description of property including National Stock Number or applicable Part Number or Identification number.

(3) Contract number.

(4) Acquisition cost.

(5) Full narrative of the incident, location, etc.

(6) Cause and corrective action taken or to be taken to prevent recurrence.

(7) Estimated scrap proceeds (when applicable).

(8) Repair direct labor and material costs (when applicable).

(9) Estimated cost to replace (when applicable).

(10) Copies of supporting documentation.

(11) The contract provision under which relief of responsibility is sought.

(12) Date of report.

(13) Statement that no insurance costs or other means of covering LDD of Government property were charged to the contract, if applicable.

(14) Statement that, in the event the contractor was or will be reimbursed or compensated for LDD of Government property; e.g., reimbursement by a subcontractor, the Government shall receive equitable reimbursement.

5. PA Requirements

a. Investigation. It is the PA's responsibility to investigate the circumstances of LDD of Government property and review the risk of loss and other contract provisions to determine which party assumes the risk of loss. When the Government assumes the risk of loss, investigations, in some circumstances, may be limited to verifying whether the contractor's report of LDD is accurate. Extensive investigations should only be performed when dollar amounts, nature of the property, and circumstances of the incident warrant it. The assistance of other CAO technical personnel should be requested when appropriate. Where the PA's investigation reveals that the loss or damage was caused by deficiencies in the contractor's property control system, the PA will ensure that:

- (1) The deficiencies are well documented.
- (2) The contractor is notified of the deficiencies.
- (3) Appropriate corrective actions are implemented.

If the contractor fails to correct deficiencies in its property control system within a reasonable period of time, the PA must then advise the CO to initiate action under FAR 45.104(c).

b. Records. Each PA shall maintain LDD records that include, as a minimum, the following:

- (1) A log or register of all events of LDD.
- (2) A copy of the contractor's loss report.
- (3) PA investigative report that summarizes the circumstances, causal factors, trends, contract provisions, and recommendation.
- (4) Final resolution.

6. Determining Contractor Liability

a. Full Risk-of-Loss Provision. This provision is contained in the FAR 52.245-2 Government Property Clause. It specifies that the contractor is liable for any loss of or damage to Government property provided under the contract except for reasonable wear and tear or for consumption in performing the contract.

b. Limited Risk-of-Loss Provision. This provision is contained in the FAR 52.245-2 (ALT I), 52.245-5 Government Property Clauses and the Liability for Facilities Clause, 52.245-8. One of the circumstances for which the contractor is liable for loss of or damage to Government property is if it is the result of "willful misconduct" or "lack of good faith" on the part of contractor "managerial personnel." Additional circumstances for which the contractor is liable for loss of or damage to Government property would be if it is the result of a risk required to be insured, or a risk that was in fact insured, or where the contractor was responsible under another contract clause. It is important to note that this provision also specifies that when a contractor has failed to establish and maintain an acceptable system for the management of Government property in accordance with the above clauses, and has been notified by certified mail of withdrawal of system approval by the CO, it shall be conclusively presumed that such failure was due to "willful misconduct" or "lack of good faith" on the part of contractor "managerial personnel." Under an approved property control system, the burden of proof rests with the Government to prove that the LDD of Government property resulted from willful misconduct or lack of good faith on the part of the contractor's top level managerial personnel. However, under a property management system in which approval has been withdrawn, the burden of proof shifts to the contractor who must prove that the LDD of Government property was not connected with any deficiency that caused withdrawal of system approval, or that the loss occurred before withdrawal of system approval. Similarly, under a property management system in which approval has been withheld due to deficiencies discovered in the initial evaluation, the burden of proof rests with the contractor to prove that the LDD of Government property was not connected with any deficiency that caused initial approval of the property control system to be withheld.

c. Risk of Loss Assumed by the Government. If authorized through the PA's Certificate of Appointment the PA may take direct action as described below if the Government has assumed the risk of loss. The contractor must identify the circumstances that led to the incident, and the provisions under the contract through which risk of loss was assumed. If the PA determines that the LDD of Government property constitute risks assumed by the Government, the PA shall notify the contractor in writing, that the risk of loss is the responsibility of the Government. A copy of the documentation and notification to the contractor shall be retained in the Contract Property Control Data File for the contract. An informational copy shall be provided to the CO. Additional reporting may be prescribed by agencies.

d. Recommending Liability. If the PA concludes that the contractor should be

liable, a fully documented and detailed case file including the PA's recommendation will be forwarded to the CO for review and determination. The file shall contain the following:

- (1) A statement of facts as supported by the investigation.
- (2) Recommendations as to the contractor's liability and the amount thereof.
- (3) Recommendations as to actions to be taken with regard to third party liability, if appropriate.
- (4) Requirements for disposition, repair, replacement of the damaged property.
- (5) Other pertinent comments.

A copy of the CO's determination shall be furnished to the contractor, to the PA, and a copy shall be retained in the files of the CO. The PA's copy shall be filed in the Contract Property Control Data File for the contract when all pertinent actions, such as compensation to the Government or repair or replacement of the property, have been completed. In the event that the contractor acknowledges liability, the PA will notify the CO in writing requesting a decision as to course of action required for equitable settlement.

e. Quantification of Liability. When the contractor is liable for LDD of Government property, the PA is responsible for providing the CO a recommended amount for which the contractor should be held liable. Historically, the maximum amount that the Government could recover was the asset's original acquisition cost. Generally, the Government can recover the market value of the item. However, depending on the circumstances replacement value or value to the Government may be recovered. In a case where the PA determines that the lost, damaged, or destroyed item would have had no reasonable prospect of continued use by the Government, the contractor would only be liable for the sales or scrap value the Government would have received if the item had been properly processed through plant clearance.

f. Special Contract Provisions. The contracting officer may insert nonstandard risk-of-loss provisions in the contract where the Government does not assume the risk of loss for Government property provided under the contract. Therefore, nonstandard risk-of-loss provisions shall be thoroughly reviewed by the PA before a determination of liability is made by the CO. In such cases, the CO should obtain legal assistance before determining liability.

F. OTHER CONTRACTUAL ACTIONS

1. In addition to the nonacceptance or disapproval of the contractor's property control system, the PA may recommend to the CO the following:

a. Suspension or Reduction of Progress Payments under Fixed-Price Contracts. If deficiencies affecting Government property identified by the PA have a known or perceived impact on fixed-price contract performance, the PA shall report the condition to the CO for possible reduction of progress payments, if appropriate.

b. Disallowance or Suspension of Reimbursement of Costs Under Cost Type Contracts. When the PA believes there may be grounds for disallowance of costs under cost type contracts, the PA's recommendation and supporting documentation to suspend reimbursement or disallow costs on the contracts shall be forwarded to the CO for a decision.

c. Award Fee Determinations. The criteria in the contract for determining the amount of award fee is sufficiently flexible so that unsatisfactory conditions in the contractor's property control system may be a factor for reducing the amount of the award fee. The PA may take the following steps affecting the amount of award fee:

(1) Prepare and document the proposed action, including brief descriptions of each action previously taken to resolve problem areas.

(2) Forward the proposed action to the CO for incorporation into their recommendations to the Award Review Board.

G. CLOSE OUT OF PROPERTY ADMINISTRATION

1. Final Review and Closing of Contracts for Property Administration.

a. When informed that disposition of Government property under a contract has been completed, the PA shall perform a final review which shall determine whether:

(1) Disposition of Government property has been properly accomplished and documented.

(2) Adjustment documents, including request of the contractor for relief from responsibility, have been processed and completed.

(3) Proceeds from disposals or other property transactions, including adjustments, have been properly credited to the contract or paid to the Government as directed by the contracting officer.

(4) All questions regarding title to property fabricated or acquired under the contract have been resolved and appropriately documented.

(5) The close out DD Form 1662, "DoD Property in the Custody of

Contractors," or comparable document prescribed for non-DoD agencies (e.g., NASA 1018), has been prepared and submitted to the PA.

(6) The Contract Property Control Data File is complete and ready for closure.

b. When final review pursuant to paragraph G.1.a., above, reveals that property related actions for contracts are complete, the PA shall sign or process a "Contract Administration Completion Record" (DD Form 1593), or automated equivalent, and attest that:

(1) All Government property provided under the contract has been properly accounted for.

(2) There are no unresolved questions related to contractor liability for Government property and/or title to property acquired or fabricated under the terms of the contract.

(3) The PA has accomplished all pertinent duties and responsibilities as required by the FAR, the contract, and this manual.

c. The completed DD Form 1593 or automated equivalent shall be provided to the CO and the Property Summary Data Record shall be so annotated.

2. PA Interface with Other Contract Administration Personnel During Contract Closure.

a. The PA shall interface with the CO, and other technical personnel, as required, during contract closure to assure that all Government property accountable to the contract is promptly transferred to other contracts or otherwise disposed of.

b. Closure of property records is required before final contract closeout and may be completed significantly before contract closeout.

3. Premature Closeout of Contracts. The PA shall take action to have any prematurely closed contract reopened by the cognizant CO. When this is impractical, a suspense file shall be maintained for that contract by the PA to ensure that all property is properly disposed of without creating an undue risk to the Government.

CHAPTER 3

TECHNICAL ELEMENTS OF THE PROPERTY ADMINISTRATION PROCESS

A. SCOPE. This chapter provides policy and guidance for PAs in performing the technical elements of the property administration process.

B. GENERAL

1. Material. Material is defined in FAR 45.301. Material is further subdivided into Government-furnished material (GFM) and Contractor-acquired material (CAM).

a. GFM is material which is owned by the Government and furnished to a contractor for utilization for specific contract purposes.

b. CAM is material acquired for the Government by the contractor.

c. Material management is the process of providing the required quantity and quality of material needed for contract performance, at the required time and place, with the minimum overall investment. Material control includes planning of material requirements, initiating transfers, requisitioning of GFM, ordering materials and parts from vendors, ordering fabrication of parts, receiving and incoming inspection, recordkeeping of materials on hand to determine when and what to reorder, and the storing and issuing of raw materials and component parts. It pertains to research and development operations as well as production. Management of material is essential to effective contract performance.

2. Agency-Peculiar Property (APP). APP is defined in FAR 45.301 and DFARS 245.301.

a. Special reusable containers for transportation or storage of end items, equipment, or materials will normally be controlled as APP. Containers for storage or transportation of special tooling and special test equipment are generally considered as an accessory to the special tool or special test equipment.

b. Items returned for rework or repair under warranty provisions of Government contracts will be controlled as APP until repaired or replaced and returned to the Government.

c. Items returned as exhibits on material deficiency reports (MDRs) or quality discrepancy reports (QDRs) shall be controlled in accordance with agency procedures.

3. Special Test Equipment (STE). STE is defined in FAR 45.101. STE units or assemblies generally consist of interconnected special or general purpose electrical, hydraulic, pneumatic, mechanical, or other items. This arrangement causes the individual items to become a unified assembly used in the performance of special testing. Unless otherwise specifically provided by terms of a contract, STE includes all dedicated components of any STE assembly. General purpose plant equipment used for common tests on products do not qualify as STE.

4. Special Tooling (ST).

a. ST is defined in FAR 45.101. Management of special tooling includes the specific areas of acquisition, identification, control, maintenance, and disposition. The area of special tooling also involves nonstandard clauses that impact and affect Government title and ownership. PAs should become thoroughly familiar with the requirements and controls to be exerted over special tooling.

b. Contractor's Procedures. The contractor's procedures concerning storage, movement, and maintenance of special tooling must be complete and adequate to protect the Government's interests. When the management of special tooling will not provide adequate control of tooling, significant losses of tooling may occur and costly work delays could result. An effective move order system is essential to maintain the integrity of the location system. The contractor's system must also provide for proper maintenance and preservation of the tooling, depending on the nature of the items.

5. Facilities. Definitions of facilities, and facilities contracts are found at FAR 45.301. The definition of a facilities project is found at DFARS 245.301. Facilities consist of plant equipment and real property (see FAR 45.101). DOD further subdivides plant equipment as Industrial Plant Equipment (IPE) and Other Plant Equipment (OPE) (See DFARS 245.301). PAs should be thoroughly familiar with the basic Government regulations and directives applicable to the management of facilities. PAs are also involved in the preparation and submission of various accounting reports to procurement activities and higher headquarters for administrative and budgetary control purposes.

a. Control of IPE can be enhanced by reconciliation between contractor records and records maintained by the Defense Industrial Plant Equipment Center (DIPEC). DIPEC publishes a computer printout report by DoD activity showing what IPE they have on record. This printout can be requested from DIPEC/OAC, 2163 Airways Blvd., Memphis TN 38114-5051.

b. The DIPEC Handbook (DLAM 4215.1, AR 700-43, NAVSUP PUB 5009, and AFM 78-9) shall be used for guidance and direction in completing any DIPEC required forms or reporting.

C. POLICY ON PROVIDING GOVERNMENT PROPERTY

1. Policy on Providing Material. See FAR 45.303-1.
2. Policy for Providing Agency-Peculiar Property. See FAR 45.310.

a. APP is ordinarily furnished under a facilities, supply or service contract but may be furnished under a contract, lease, or bailment agreement.

b. A bailment consists of the delivery of Government property to a contractor for a specific purpose normally related to a prime contract. Bailed property is usually returned to the Government when no longer required by the contractor. Bailment does not include sale, donation, lease, the furnishing of property to a contractor under facilities contracts, or the furnishing of property for consumption or for incorporation in such a manner as to lose its identity in an end product delivered to the Government. A bailment agreement is a contractual agreement that accomplishes the actual bailment of Government property and contains all of the information concerning the bailment. Included are an adequate description of the property, the purpose of the bailment, the use of the property, authorization for modifications that may be made to the property, the period of the bailment, the place from and/or to which the property is to be delivered and/or returned, maintenance requirements, if any, and any other provisions considered necessary.

c. Under 10 U.S.C. 2667, APP, generally major weapon systems, may also be leased to contractors when it is determined that the property is not, for the period of the lease, needed for public use; is not excess property; and the lease will promote the national defense or be in the public interest. It is the Government's policy that leases of military property (Agency-peculiar) will not be made when a counterpart exists on the commercial market. Leases of Government property are awarded to contractors for use as a standard or model for testing their end item, to establish compatibility, commercial sales, Independent Research and Development (IR&D) or for Government improvement and/or developmental programs. The lease shall include all the provisions necessary to describe the property, the purpose of the lease, use of the property, period of the lease, maintenance requirements, inspections upon receipt and return, and other controls deemed necessary.

3. Policy for Providing Special Test Equipment. See FAR 45.307.
4. Policy for Providing Special Tooling. See FAR 45.306.

5. Policy for Providing Facilities. See FAR 45.302. The Government's policy on providing facilities is that contractors shall furnish all facilities required to perform Government contracts. There are very specific policy exceptions, set forth in FAR 45.302-1, where facilities may be furnished to a contractor or a contractor may be authorized to acquire facilities. For example, general purpose plant equipment may be furnished to a contractor for use as a component of STE, or the contractor may be operating a Government-owned

plant on a cost reimbursement basis where the contractor is directed to acquire an item of facilities for the Government. As a general policy, facilities shall be provided to a contractor only under a facilities contract. Exceptions to this policy are set forth in FAR 45.302-3. If facilities are provided under a contract other than a facilities contract as set forth in FAR 45.302-3, they will be managed in the same manner as prescribed in this chapter. Conversely, other types of property are normally provided to a contractor under a supply or services type contract but may also be provided under a facilities contract. Contractors are not allowed profit or fee on the acquisition of facility items, as set forth in FAR 45.302-2.

a. FAR 45.301 describes the three forms of facilities contracts:

(1) Facilities acquisition contracts that provide for the acquisition, construction, and installation of facilities.

(2) Facilities use contracts that provide for the use, maintenance, accountability, and disposition of facilities.

(3) Consolidated facilities contracts that cover both forms described above in (1) and (2) above.

b. PAs should read and become familiar with all facilities contract clauses, FAR 52.245-7, 8, 9, 10, and 11. Specific attention should be given to clauses applicable to location of facilities, use and rental charges, maintenance, property control, liability for facilities, notice of use, disposition, and facilities equipment modernization. A facilities contract may also include appropriate provisions for maintenance and storage of Government facilities in standby or layaway status such as a Plant Equipment Package (PEP). Such provisions include specifications for the care and maintenance of the property appropriate for its intended use and may be the same as, or different from, the standard maintenance provisions of the FAR clauses. Facilities contracts normally cover a period of 5 years and may be extended when conditions warrant renewal of such contracts. The facilities to be acquired by the contractor at Government expense and furnished by the Government will be described in the schedule attached to the contract. The authorization for use of such facilities will also be identified by a related procurement contract under the definitions provision of the FAR clauses. This is referred to as the primary purpose for which facilities are provided. Upon completion of the primary purpose, facilities should be declared excess unless a new primary purpose is established, justified, and approved by the Government.

c. Approvals for Facility Projects. See DFARS 245.302-70.

6. Policy on DOD Provided Motor Vehicles. See FAR 45.304. When contractors are furnished motor vehicles, the terms of the contract that authorized the vehicles should be carefully reviewed to ensure it includes how the vehicles are to be maintained and identified. As a minimum, the contract should reference guidance contained in DoD 4500.36-R, Management, Acquisition, and Use of Motor Vehicles. If the contract does not provide

appropriate instructions for exercising management control of the utilization, operation, maintenance, and recordkeeping of vehicles, the CO should be notified and requested to incorporate in the contract the requirements of DoD 4500.36-R.

D. CONTRACTOR MANAGEMENT OF GOVERNMENT PROPERTY

1. The contractor's management personnel are required to establish and maintain a property control system for the control, use, maintenance, repair, protection, and preservation of Government property in accordance with sound business practice, the applicable provisions of FAR 45.5, and other contractually imposed requirements.

2. The property management activity established by the contractor's management personnel is usually tasked with the establishment and maintenance of the system. This involves establishment of the procedures, performing or coordinating property administration tasks, and controlling the system. This may include internal review, self-audit, or audit of other activities within the company that perform property administration tasks and that affect Government property control.

3. Placement of this activity within the organization is critical to the system's effectiveness. Company organization structures differ widely, but placement will facilitate or effectively curtail efficient property management. Analysis of the contractor's system may reveal that the organizational placement of the property administration function has impacted the establishment or maintenance of the system, or has prevented reporting and/or resolution of deficiencies. Effective placement will facilitate communications between other company activities and upper management.

E. ACQUISITION OF GOVERNMENT PROPERTY

1. Material.

a. Determination of Material Requirements. The material control system is closely related to several other functions in the manufacturing process. Engineering organizations provide technical data in the form of drawings, bills of material, and material specifications. Production planning initiates production orders for fabrication of component parts and materials. Material control manages availability of parts and materials necessary for contract performance. To adequately evaluate and understand the contractor's property control system, the PA must be thoroughly familiar with the operation and function of each of these organizational units.

b. Methods of Acquisition. There are two basic methods of providing material to a contractor. The Government may furnish the material (GFM) or the Government may authorize the contractor to acquire material for the Government (CAM). The following paragraphs reflect the basic means of acquisition by the two methods, and the differences in contractual requirements that apply to each.

(1) GFM. There are two subcategories of GFM, Government Source Material and Transferred Material.

(a) Government Source Material.

1 "Government Directed" (Pushed) material may be provided to a contractor according to specific contract terms and provisions. No request from the contractor is required to obtain delivery of the items. This may be either Military Standard Requisitioning and Issue Procedure (MILSTRIP) (Pushed) or contract source where the Government performs all the tasks associated with furnishing this material.

2 "Contractor Requisitioned" Government material is provided to a contractor when the contractor requests the material in accordance with the contract terms. The form of the request will be dictated by contract, utilizing the MILSTRIP system, that includes electronic transmission of orders (requisitions), requisitioning by telephone, mailed requisitions, or formatted messages (teletype).

3 The PA must be fully aware of the contractor's authority to requisition GFM and be similarly aware of the GFM that is authorized for each Government contract. The PA must ensure that the contractor's property control system requisitions only those items and quantities of GFM authorized and fully accounts for those assets. The PA must also assure that GFM delivered from the Government is received, controlled, and consumed in accordance with the contract provisions. In the event that the contractor receives items or quantities of GFM that are not contractually authorized, it must be reported in accordance with FAR 45.502(g). The PA shall encourage contractors to advise the CO of such discrepancies and request disposition instructions or contractual authorization for retention.

(b) "Transferred" Government material means that the Government has authorized the accountability of material to be transferred to a contract from another contract or Government source. When beneficial to the Government, and when consideration has been received, for fixed price gaining contracts usually in the form of a reduction in the contract price, the Government may authorize a transfer from one contract to another; the material provided to the gaining contract is considered to be Government-furnished material (GFM). When COs give verbal approval for transfer, the approvals must be confirmed by the COs in writing, as required by the Government property clauses under changes in Government-furnished property. These written approvals should be in the form of appropriate contract modifications. In situations where the PA finds that contracts have not been modified, the facts should be provided to the CO for action. The practice of verbal approvals is discouraged, and should only be implemented due to the exigency of the situation. Written follow-up shall be provided.

(2) Contractor-Acquired Material.

(a) Cost-type and time-and-materials contracts allow the contractor to acquire material for the Government as a direct charge to the contract. Title vests with the Government through the provisions of the Government property clause FAR 52.245-5(c). Fixed-price type contracts may provide for the contractor to acquire material for the Government as a direct charge to the contract when specifically listed as a line item in the contract. Title vests with the Government through the provisions of the Government property clause FAR 52.245-2(c). The method the contractor selects to acquire material for the Government is based upon several factors (determination of items needed, schedules of production or delivery, source identification, and quantities required).

(b) The first source for acquiring material should be an internal review of available in-house assets that are excess to other requirements. These materials are made available to meet new requirements through internal material transfer practices. Such transfers must be carefully monitored to ensure that they are authorized and properly accomplished.

1 Credit-Debit System. The preferred method of transfer is a credit-debit system for contractor-acquired material where the losing contract is credited for the cost of the material and the gaining contract is debited for the costs. This supports the FAR 31.205-26 policy that material costs should be borne by the contract that consumes material when materials are required for specific contracts. Note that this system applies only to contractor-acquired material. It does not apply to Government furnished material.

2 Transfer of Material through Contract Modification. CAM material may be transferred to a contract when authority to receive such property as GFM is in the schedule or specifications of the gaining contract, or when such items are a suitable substitute for material described in the schedule or specifications of the gaining contract or if the contract contains provisions for unilateral increase in the amount of material furnished by the Government. Transfers should be accomplished according to instructions in the gaining contract or, in the absence of complete instructions in the contract, documentation pertaining to the transfer should be forwarded to the CO for equitable adjustment of the gaining contract and any other required action. Transfers should not be accomplished unless authorized in the receiving contract and no longer required on the losing contract. The Government should receive consideration whenever CAM is so transferred if not, the Government may pay more than it should and the contractor stands to receive a competitive advantage. Upon transfer CAM becomes GFM.

3 Benefits of a Credit-Debit system over Contract Modification transfers.

a Credit-Debit systems charge material costs to the contract that benefits by the transfer which meets the intent of FAR 31.205-26. In contrast, Contract

Modification transfers incur costs against one contract or program for property ultimately used on another contract or program. This could constitute a violation of the Anti-Deficiency Act. Credit-Debit system does not require contractual modifications as they are internal contractor accounting transactions.

b Contract Modification transfers require modification to the gaining contract to authorize the property to be provided as GFM and to ensure that the Government receives consideration for the property. If this is not done properly, the Government may pay more than it should and contractors may receive a competitive advantage for materials provided as GFM.

c When material is to be transferred to Government contracts with no other Government property, Contract Modification transfers require that a Government property clause be added to those contracts. This action would be unnecessary if a Credit-Debit system transfer was used. Contract Modification transfers frequently increase Government administrative burden and complicate the risk of loss provisions when material is transferred to fixed-price contracts. Credit-Debit system transfers retain the risk-of-loss provisions that apply to other material acquisitions for the contract.

d Credit-Debit system transfers facilitate future transfers to later contracts since excess contractor-acquired materials can be retained at cost by the contractor for other uses in accordance with FAR 45.6. However, once the assets become GFM through a Contract Modification transfer, future transfers or contractor retention requires specific Government approval.

4 Contractor Procedures. Contractor procedures should include controls over all types of transfers. Procedures should include provisions that transfers are reviewed and approved at an appropriate level of contractor management. The review should validate necessity and authority on the gaining contract and assure that the transfer will not adversely impact the losing contract. The review should also ensure that approvals are obtained where required. Contractor procedures should also provide controls to:

a Ensure that all quantities and items being transferred are required in the receiving contract.

b Ensure that, for Credit-Debit system transfers of contractor-acquired material all costs pertaining to such material, including general and administrative, are withdrawn and transferred with the material, and costs for such material are allowable on the contract to which transferred.

c Ensure that proper accountability for property is maintained during the transfer process.

5 Coordination of Transfer Practices. PAs shall coordinate

property transfer procedures with the CO since they are involved with cost and contractual aspects of the transfer process.

(c) If excess assets are not available, other methods of acquisition apply. Material is commonly acquired by the contractor through the company's purchasing system. Material control organizations initiate purchase requisitions for consolidated material requirements which are submitted to the contractor's purchasing function for purchase. Purchases are made from vendors or suppliers by use of a purchase order; material transfer documents are used to transfer material from the contractor's own stock to Government stock for use on the contract; or petty cash vouchers may be used for very small, infrequent purchases. The system must include the necessary controls to assure that quantities purchased are reasonable according to contract type and scope, that documentation is adequate and consistent, and that acquisition actions are performed in a timely manner. Prime considerations are efficiency and overall economy as well as direct cost.

(d) When the contractor has the capability of manufacturing parts or materials internally, material requirements may be satisfied through fabrication orders. These include orders within the plant or alternate locations of the company, or may include other corporate divisions.

(e) When the purchase order is for material for more than one contract, the quantity which is being acquired for each contract should be specified in the purchase order or supporting documentation. Material acquired through such orders is also considered to be a direct purchase by the contractor and is to be controlled as Government-owned property upon delivery by the vendor.

(f) MILSTRIP material may be considered either contractor-acquired material or contractor owned material when "cash sales" have been authorized in accordance with agency directions.

2. Agency-Peculiar Property. APP is generally furnished to the contractor through provisions in the contract, bailment agreement, or lease. It may also be created through the manufacture or fabrication as related peculiar support equipment that is not readily available as a commercial item.

3. Special Test Equipment. The STE clause, FAR 52.245-18, requires the contractor to prepare and submit to the CO a notice of intent to acquire or fabricate items of STE. Failure on the part of the CO to respond to the contractor's notice of intent within 30 days allows the contractor to acquire or fabricate the equipment or components subject to any other applicable provisions of the contract. Within 30 days from the date of receipt of the contractor's notice, the CO should ensure the following actions have been completed:

a. Review proposed STE items and coordinate with the PA and other appropriate technical personnel, as required, to determine the necessity and classification as special.

b. On DoD contracts, screen requirements for availability of computer equipment per DFARS 245.302-72 and 270.602.

c. For NASA contracts, agency screening and return of a NASA certificate of nonavailability using a DD Form 1419, "DoD Industrial Plant Equipment Requisition," or equivalent, is required if the special test equipment or components qualify as centrally reportable equipment (CRE) as defined in the NASA FAR Supplement.

d. Ensure any funding problems have been resolved.

e. Notify the contractor:

(1) Of the Government's approval of the proposed acquisition or fabrication,
or

(2) That the equipment will be furnished by the Government, or

(3) Of the Government's disapproval of the proposed STE.

f. STE Cost Allocations. See FAR 31.205-40.

4. Special Tooling. There are various methods by which a contractor may acquire special tooling. It may be furnished to a contractor as GFP, or it may be acquired, fabricated or manufactured by the contractor during contract performance and the Government may either have title or the option or right to title to this special tooling. See FAR 45.306.

a. Special Tooling Containers. Specially designed and fabricated reusable containers for special tooling should be considered as special tools and accountability maintained either jointly with the tool or independently when:

(1) Container design and fabrication costs are charged to special tooling accounts.

(2) The container is dedicated to the storage, movement, shipment, or protection of specific special tools.

b. For NASA contracts, agency screening and return of a NASA certificate of nonavailability using a DD Form 1419, or equivalent, is required if the special tooling or components thereof qualify as CRE, as defined in the NASA FAR Supplement.

5. Facilities.

a. Government-Furnished Facilities. All facilities to be provided a contractor as Government-furnished property shall be described in the facilities contract schedule, specifications or attachments to the contract. In addition, facilities may be added to a contract through the use of a contract modification.

b. Contractor-Acquired Facilities. All Government facilities to be acquired by a contractor shall be described in the facilities contract schedule, or as otherwise authorized. Prior to the acquisition of any item of facilities the contractor shall comply with the notification requirements found in the Cost Reimbursement Subcontracts clause, FAR 52.244-2. Contracting Officer consent is required prior to the acquisition of all facilities not stated in the schedule. Prior to acquiring IPE having an item acquisition cost of \$10,000 or more, the contractor shall submit a DoD Industrial Plant Equipment Requisition (DD Form 1419) to DIPEC to ascertain whether existing Government-owned IPE is available for redistribution. In addition, NASA requires a DD Form 1419, or equivalent, to be submitted to NASA for agency screening for all facilities items that qualify as CRE as defined in the NASA FAR Supplement. NASA will assign a Certificate of Nonavailability (CNA) number if the item is not available. The PA shall assure that the contractor prepares a DoD property record (DD Form 1342) subsequent to the acquisition and submits it to NASA citing the CNA number.

(1) *If the item is not available, the DD Form 1419 will be returned by DIPEC to the cognizant CAO for transmittal to the contractor as authorization to procure the facilities item. Although the PA is not specifically tasked to obtain a certification signature on the DD Forms 1419 and 1342, the PA shall ensure such certifications are provided and the completed document is maintained in the contractor's official contract files, preferably in a historical file for each item of IPE.*

c. Requests for contract transfers involving reclassification of general purpose components of STE acquired under supply contracts; e.g., any transfer or acquisition of an additional facilities item not covered by an approved contract schedule or specification must be treated as an increase of Government property to the contract. This requires prior approval of the CO.

d. PAs may also be involved in the acquisition of real property which includes expansion or capital-type rehabilitation (CTR) projects. Such projects require completion of "Transfer and Acceptance of Military Real Property" (DD Form 1354) by the operating contractor at a Government-owned plant as part of the final inspection and acceptance of completed expansion and CTR projects.

e. Facilities Supporting Contractors at DOD Installations.

(1) FAR 45.302-3 states that facilities may be provided under other than a

facilities contract when the contract is for the performance of work within an establishment or installation operated by the Government. Accordingly, facilities provided to contractors to support work at DoD installations may be provided under, and be accountable to, a supply or service-type contract.

(2) Use of a contract other than a facilities contract for providing facilities does not negate the necessity for obtaining facilities project approval, when applicable. These approvals should be obtained by the procuring activity before the issuance of any contractual commitments relative to providing facilities items. See DFARS 245.302-70.

f. Proper Classification.

(1) Support equipment requirements may include several categories of property (special test equipment, general purpose test equipment, industrial facilities, construction equipment, etc.). To ensure proper identification and subsequent project approval processing for any facilities items, it is appropriate that all proposed support equipment requirements be subject to review by a technical specialist before submission to the program office to ensure that the equipment is properly classified. Items identified as facilities should then be referred to the appropriate facilities procuring activity for project approval, or processed in accordance with agency directions.

(2) All facilities items in possession of contractors at alternate locations of the prime contractor that have not been properly reported in accordance with FAR 45.505-14 and DFARS 245.505-14 due to misclassification will be brought to the attention of the prime PA for corrective action. The prime PA should review the items in question and take appropriate action with the contractor to have the records and reporting procedures corrected.

F. RECEIPT OF GOVERNMENT PROPERTY

1. General. This section covers the contractor's receiving procedures and practices whereby Government property is initially placed in the control or custody of the contractor. It is at this point that the contractor becomes accountable and responsible, and the PA must ensure that the contractor's procedures provide for proper documentation on receiving, actions pursuant to discrepancies, inspection, identification, calibration, movement to storage or using areas, and control of misdirected shipments. Most of the specific functions under receiving are common to all classes of property; however, the PA will have to determine the difference in requirements among the receiving functions for various types of property.

2. Control. Receiving Process - Contractors employ numerous methods and systems for controlling the receipt of property. The receiving process may consist of the following steps: notification to receiving department of due-in assets, physical delivery and initial inspection of the property, reconciliation of assets received against due-in records and preparation of receiving documents, release of assets from receiving organization, quality or technical acceptance inspection as required, identification as required, and distribution of

assets and documentation. Resolution of discrepancies may occur at any time in this process.

a. Notification to Receiving Department of due-in assets. Receiving departments may be provided a copy of the originating purchase orders, MILSTRIP requisitions, and other requisitioning data that reflect the items and quantities ordered and/or due-in. The documents and due-in data are provided for comparison with items physically received, as well as for proper in-processing to accounting records.

b. Physical delivery and initial inspection of the property. Upon delivery an inspection is conducted to ascertain that there is no obvious or visible damage and the quantity of pallets, boxes or containers agrees with the transportation document. Before acceptance of the shipment, the carrier's signature will be obtained to acknowledge any discrepancies. A "Transportation Discrepancy Report" (TDR), SF 361, will be prepared to report discrepant conditions disclosed as a result of the inspection, when appropriate. The authorized use of the SF 361 is addressed in the "Joint" service and agency regulation, AR 55-38, NAVSUPINST 4610.33C, AFR 75-18, MCO P4610.19D, and DLAR 4500.15. Contractors must also take action to resolve discrepancies incident to receipt of contractor acquired property.

c. Reconciliation of assets received. For contractor's using due-in records, the assets received will be reconciled against the due-in record. If a Government supply source discrepancy is noted at this time, a "Report of Discrepancy" (ROD), SF 364, is initiated. The SF 364 is addressed in the "Joint" service regulation, DLAR 4140.55, AR 735-11-2, SECNAVINST 4355.18, AFR 400-54, and MCO 4430-3E. Receiving reports are prepared at this time in a manner that clearly indicates the quantity and condition of the property at time of receipt and any discrepancies noted, including overages, shortages, incorrect item(s), misdirected shipments, and/or damage disclosed during the receiving operation. Documentation attached to the report may include freight bill, bill of lading, packing list, Government shipping document (DD Forms 250, "Material Inspection and Receiving Report"; DD Form 1149, "Requisition and Invoice/Shipping Document"; or DD Form 1348, "DoD Single Line Item Requisition System Document (Manual)") and discrepancy report(s).

d. Release of assets from receiving organization. After the receiving department prepares and processes appropriate documentation, the assets are generally released for quality or technical acceptance inspection, storage, or use as required.

e. Quality or technical acceptance inspection as required. The Receiving Department or other contractor activity designated the quality control responsibility may be responsible for a more stringent inspection. The contractor's procedures should clearly outline the inspection responsibilities and indicate the types of Government property that require further technical inspection, operational or acceptance test, and/or calibration before completion of final acceptance and transfer to storage, stockroom, or release for use authorized by contract terms.

f. Identification as required. Designated personnel must determine whether assignment of a Government property tag is required. Tagging requirements are dependent upon the type of Government property. Government property that will not be consumed, or otherwise lose its identity through incorporation into a larger end item or deliverable item, shall be tagged. Government property will be appropriately tagged or marked pursuant to FAR 45.506 requirements, during or immediately after completion of the receiving process. The specific coding, numbering sequence, or identification to be employed must be clearly set forth in the contractor's procedures.

g. Distribution of assets. Upon completion of any required quality inspection, acceptance testing, and/or physical identification, the asset is delivered to the appropriate storage area, stockroom, or released for use as authorized by contract terms.

h. Distribution of documentation. Concurrent with the distribution of assets, the associated receiving documentation is distributed. This distribution may include a copy retained in Receiving Department files, one or more copies to purchasing, a copy to the department to which the asset is delivered, and a copy to the Accounting Department for use as a voucher for invoices. At least one copy should accompany the shipment, and it is good practice to provide two, one of which is signed by the receiver and returned to the Receiving Department. It is most important that a copy be provided to the inventory control activity so that stock records can be accurately posted. Individual agency directives may provide additional distribution requirements.

3. Discrepant Shipments

a. Transportation Discrepancies. When transportation discrepancies are noted, including those requiring preparation of the SF 361, the PA should assure the matter is referred to the cognizant Transportation and Packaging Specialist or the responsible contractor organization.

b. Receiving Discrepancies

(1) FAR 45.502-2 requires the contractor to take all actions necessary in adjusting shortages, overages, or damages in shipment of contractor acquired property from a vendor or supplier except as described below. When receiving discrepancies involve Government-furnished property or assets shipped via Government Bills of Lading (GBLs), discrepancies will be reported on an a Report of Discrepancy (ROD), SF 364, by the appropriate Government representative.

(2) The contractor will prepare a report and forward for processing in accordance with established contractor procedures. These procedures will be part of the contractor's property control system for receiving approved by the PA. This should include providing a completed copy of the report to the PA for informational purposes along with its normal distribution.

c. Misdirected Shipments. The contractor must initiate actions required to report, resolve, and dispose of misdirected shipments. SF 361 or 364 will be prepared as applicable, by the appropriate Government representative.

4. PA Responsibilities for Discrepant Shipments.

a. The PA's review of contractor receiving procedures must ensure that such procedures denote a clear distinction between all types of discrepancies incident to shipments and/or receipts of Government property. These may include Government supply source via GBL or parcel post shipments, contractor and/or vendor to contractor shipments by means of Commercial Bills of Lading, Freight Way Bills, etc.

b. When the PA has questions or concerns related to the SF 364 that are not adequately addressed by the contractor, the circumstances may be discussed with the Government quality assurance, transportation, manufacturing, and engineering personnel for advice on other discrepant conditions which may be present.

c. When the contractor is unable to obtain disposition instructions for misdirected shipments, the PA will be contacted and will provide assistance as necessary.

5. Subsidiary Receiving Areas. Subsidiary receiving areas in outlying locations are usually responsible for performing the same functions as the main receiving areas and should be required to submit necessary documentation to the latter. The PA's review of contractor receiving operations shall include local "subsidiary" receiving operations under the direct control of the contractor. Subsidiary contractor operations shall be required, by operation of the contractor's procedures, to maintain the same level of in processing accounting controls required of the primary receiving area.

6. Specialized Receipt of Government Property. Some contractors maintain separate receiving areas that specialize in the receipt, inspection, identification, and release of Government property. The majority of such property, which is shipped from Government supply sources, is consigned to the contractor on Government shipping documents and bills of lading.

7. Other.

a. NASA Requirements. For all equipment received under NASA contracts that meets NASA criteria as controlled equipment, the contractor is required, in accordance with NFS 18-45.505-670, to submit a DD Form 1342, or equivalent, to the NASA representative designated in the NASA Property Administration Delegation Special Instructions within 15 days after receipt. For controlled equipment shipped by NASA to the contractor as GFP, the NASA Equipment Management System (NEMS) generates the DD Form 1342. The NEMS coordinator for the NASA installation sends the DD Form 1342 to the contractor at the time of shipment of the GFP. The contractor is required to add the zip code location of the

property, and any identification number assigned by the contractor, and return a copy of the DD Form 1342 to the individual designated in the NASA Property Administration Delegation Special Instructions.

b. In-house Fabricated Items. Normally, ST, STE, or other items fabricated in-house do not go through receiving. Care should be taken to ensure that these items are recorded on accountable records in accordance with the contractor's established procedures.

G. IDENTIFICATION OF GOVERNMENT PROPERTY

Government-owned property shall be identified, marked and recorded during the contractor's receiving process. The requirements of FAR 45.506 apply in most cases except for the exemptions given in that section. Proper identification serves to ensure the Government's assets are not confused with contractor-owned property and used for unauthorized purposes. The identification number is assigned by the contractor unless provided by the Government. In addition, it shall be marked on the property, where marking is not impractical, and referenced on support documentation for inventory control purposes.

H. RECORDS OF GOVERNMENT PROPERTY

1. General. Property records systems, whether manual or automated, must contain the prescribed data elements as set forth by FAR 45.505 and any other data elements required by specific contract provisions. Normally, the contractor's property control records are the official Government property records established and maintained to account for and control all Government property, including Government-furnished and contractor-acquired property.

2. Material

a. As materials and parts are received, they are either placed in stock or issued directly to the user. Documents reflecting receipt of purchased parts and materials are used as a basis for posting material records. Documents indicating completion of fabricated parts, as well as documents indicating issue or turn in of material, also serve as a basis for posting the material records. Transaction documents (evidence of receipt, inventory adjustments, debits and credits) to a contract property account are assigned voucher numbers or equivalent posting reference numbers. Vouchered documents include, but are not limited to, DD Form 1149, "Requisition and Invoice/Shipping Document"; DD Form 250, "Material Inspection and Receiving Report"; and DD Form 1348-1, "DOD Single Line Item Release/Receipt Document." Also included are those documents used in the contractor's purchasing system, such as the receiving report, material transfer document, petty cash document, and fabrication document.

b. Bench stock shall be limited to low dollar, non-sensitive, high usage consumable material and is normally found at the using location. Quantities at the using

location shall not exceed amounts that would normally be consumed within 30 days, or as established in the contractor's approved property control system.

c. Contractors may be authorized in writing by the PA to use a "Receipt and Issue" system in accordance with FAR 45.505-3(d) when there is a clear benefit to the Government. This system is appropriate when material acquired by the contractor or furnished by the Government is issued for immediate consumption. This is an alternate method of recordkeeping instead of perpetual inventory records. When this system is authorized, the contractor is required to maintain a file of appropriately cross referenced documents evidencing receipt and issue for immediate consumption of this material. These documents may consist of purchase requisitions, purchase orders, receiving documents, and issue slips. To justify the use of this material the PA may review the supporting documents (blueprint, drawing, etc.) that generated the purchase requisition as well as conduct discussions with the appropriate contractor personnel. The PA may elect to restrict the application of a receipt and issue system to specific contracts.

d. Custodial items issued from tool cribs, office stock rooms, uniform rooms, and the like shall have control records maintained that include essential data to accomplish effective control. Issues to contractor personnel will be covered by tool chits, uniform slips, or other mechanisms designed to assure return or the ability to locate items which are to be returned. New items are not to be issued without return of worn-out items unless suitable explanation is provided.

3. Agency-Peculiar Property.

a. Contractors are required to establish control over APP and maintain records in accordance with FAR 45.505-1 and 45.505-13, where applicable.

b. In accordance with FAR 45.310(c), special direction for the control, security, and maintenance of APP may be included in the contract by the contracting officer.

4. Special Test Equipment. The contractor is required to establish and maintain records of Government-owned special test equipment in accordance with FAR 45.505-1 and 45.505-4. The accuracy of these records is important for the proper control, utilization, and disposition of special test equipment. Records must clearly identify general purpose components that are readily removable. These items shall be identified on the item record. In addition, these items must be clearly reflected on inventory schedules in conjunction with plant clearance of STE.

5. Special Tooling. The contractor is required to establish and maintain records of Government-owned special tooling in accordance with FAR 45.505-1 and 45.505-4. The accuracy of these records is important for the proper control, utilization, and disposition of special tooling. Special emphasis should be placed on in-house fabricated tools to ensure that fabrication is properly documented and that the tooling is incorporated within the accountable

inventory control and financial records.

6. Facilities. The minimum requirements for establishing contractor records on Government facilities are set forth in FAR 45.505-5 (plant equipment) and FAR 45.505-7 (real property). The PA should ensure that historical files on centrally reportable IPE are established and maintained as prescribed by DFARS 245.505-6. For NASA centrally reportable equipment a DoD Property Record (DD Form 1342 or equivalent) shall be prepared in accordance with NASA PR B-311.

I. MOVEMENT OF GOVERNMENT PROPERTY

1. Material

a. Movement must be controlled through some type of documentation so that records may be updated to show changes in quantities and location. Various types of documents are used as authority for moving material and for recording movement thereof. Examples of proper documentation are receiving reports, issue documents, turn-in documents, move tickets, and shipping documents.

b. Movement of material requires use of a variety of material handling equipment such as conveyors, fork lifts, cranes, elevators, hoists, positioning equipment, motor vehicles, railroad cars and aircraft. A variety of containers and supports are used to carry in-process or finished materials, parts, assemblies, or products through all phases of the manufacturing cycle. Training is necessary for all personnel involved in the movement and handling of materials and equipment. Practices shall be used that will minimize or are designed to prevent possible damage to property and injury to personnel.

2. APP. The contractor's procedures covering movement of APP should be established, when applicable, to provide for adequate controls while such property is moved from one location to another and stored pending reutilization or disposal. In accordance with FAR 45.310(c), when APP requires special handling or safeguards the contracting officer shall provide special instructions for security, etc.

3. Special Test Equipment. The contractor is contractually required by incorporation of FAR 45.5 in a contract to control and protect all Government property. This includes controlling and protecting all STE by ensuring proper movement practices.

4. Special Tooling. The contractor's procedures concerning movement of special tooling must be complete and adequate to protect the Government's interests. When the management of special tooling will not provide adequate control of tooling, significant losses of tooling may occur and costly work delays could result. An effective move order system is essential to maintain the integrity of the location system.

5. Facilities. The contractor's procedures covering movement of facilities, of a moveable nature, should be established to provide for adequate controls while such property is moved from one location to another and stored pending reutilization or disposal. The PA shall ensure that proper documentation is promptly processed to update the official Government property records.

J. STORAGE OF GOVERNMENT PROPERTY

1. General. Storage of Government property requires establishing controls that permit ready location and identification. Proper protection of Government property in storage includes but is not limited to security from pilferage; adequate prevention of handling damage; protection against water flows, insects and rodents, or from deterioration by dust, temperature, and humidity. Special controls shall be provided for sensitive property, shelf life items, classified property, and other similar situations. Storage layout and housekeeping are other important factors in the proper storage of Government property.

2. Segregation or commingling of materials

a. Commingling is the process by which materials that are common to multiple contractor projects or contracts are stored in a single location. Normally, commingling consists of storing both Government and contractor material in the same room or building, and specifically identifying the material as to ownership by physical segregation of marked bin box, shelf, or package. FAR 45.507 provides criteria for PAs to authorize in writing commingling of materials. The disadvantage in commingling lies in that the property may lose its identity as Government property. Convenience and apparent ease for the contractor alone will not be considered to be advantageous to the Government. There must be clear benefit to the Government. The PA's determination as to whether commingling is advantageous to the Government should include consideration of the following:

(1) Whether it is practical and economical to combine Government and contractor property in the manufacturing or processing operation.

(2) Whether issue, use, and identification controls are adequate to prevent loss in excess of that which might be reasonable under conditions of segregation.

(3) Whether procedures exist for the equitable apportionment of inventory loss.

b. A MMAS differs in its allowance of commingling. See Chapter 5 for MMAS information.

K. PHYSICAL INVENTORIES OF GOVERNMENT PROPERTY

1. General. It is standard industry practice for a contractor to periodically physically inventory company assets for the purposes of material management and production control. The Government requires the contractor to do likewise for Government property in the contractor's possession. The PA has the authority and the responsibility to approve the contractor's physical inventory practices and procedures in accordance with FAR 45.508.

2. Inventory Requirements

a. Frequency of Inventories. Contractors may have various inventory frequencies for different types of property as authorized in 45.508.

(1) Contractors normally accomplish physical inventory of material on an annual or semiannual basis. This is imperative to ensure that the quantity on hand is known and recorded, especially for the purchasing organization and the requirements planning organization to prevent over procurement or work stoppage due to material shortages. However, inventorying all the line items (100 percent) of material is a very time consuming and seldom cost effective method of checking for discrepancies within the contractor's material control system. Two alternative methods are currently in use in commercial practice: statistical sampling and stratification.

(a) Statistical sampling is a method that will reduce costs, yet not increase the Government's risk significantly. In approving the contractor's use of a sampling-type inventory, the PA should examine the contractor's plan to ensure that it does not exceed the risk the Government is willing to accept, and that it provides for use of valid sampling techniques. If the contractor's sample indicates that they have dropped below the approved error rate, they will have to perform a complete inventory and correct the deficiency in the system.

(b) Stratification is appropriate where the contractor does not have specific controls, such as physical inventory, for their own material for items under a certain dollar value. More specifically, the contractor does not physically inventory material that falls below a set dollar value, for example, below \$10.00, or \$25.00, or at some pre-established level. This does not relieve the contractor of responsibility for record keeping but does allow the contractor to expend the greatest amount of time and effort on the high dollar value items. For example, the contractor may be authorized to use a stratified physical inventory process whereby material under \$25.00 is not inventoried, items between the dollar value of \$25.01 and \$99.99 are statistically sampled, and all items above \$100 are inventoried 100 percent. The contractor may be authorized by the PA to stratify material by dollar value for the purposes of physical inventory. This determination should be based on the contractor providing supporting rationale for this type of inventory and the PA's assessment of reliability of the contractor's system.

(c) A combination of stratification and statistical sampling may be useful and could be done by authorizing the contractor to perform statistical sampling of low value items and a complete inventory of high value items. Decisions as to types or methods of inventory must be determined at each location. Criteria for separating low value items from high value items is a matter of judgment and should be based on the PA's knowledge and confidence of the contractor's operation. If inventory methods can be cost-effective without requiring the Government to assume an unreasonable risk, this method should be authorized in accordance with the PA's authority to approve the type of inventory that the contractor will perform (FAR 45.508).

(2) Physical inventory of nonconsumable assets (ST, STE, Facilities, etc.) should be based on the contractor's established practices; the type, use, and amount of Government property involved; the monetary value of the property; and the reliability of the contractor's property control system.

b. Types of Inventories. The contractor's method of accomplishing the physical inventory must be detailed in the procedures portion of their property control system. The two primary means of performing an inventory are periodic and cyclical.

(1) A periodic inventory is taken at predetermined intervals, usually accomplished in a short period of time, on a wall-to-wall basis. The interval between inventories may be semiannual, annual, biennial, and so forth, but must be based on the contractual considerations such as type, amount, value, and usage of Government property and the established practices and reliability of the contractor's property control system.

(2) An inventory by exception is taken on a continuous basis with a fixed beginning and ending inventory cycle. This type of inventory uses move orders, calibration checks, and other situations where the items are "touched" by disinterested parties. However, when these situations occur, the inventory must comply with all contractual provisions. Toward the end of this cycle, a periodic inventory must be performed on items not already inventoried during the inventory period.

(3) An ABC inventory stratifies the property to be inventoried either by criticality or dollar value as these items are likely to be controlled more tightly than others. For example, those items with high dollar values are financially more important than those with low dollar values. All items may be placed in at least three categories: A, B, and C. Class A items, the most critical, are counted, for example, perhaps six times a year; class C items, the least critical, are counted less frequently. Consideration should also be given to other situations such as items that have a long lead time, items subject to pilferage, and critical or sensitive items.

c. Approval Requirements. The PA approves the contractor's inventory practices as part of the property control system. In all cases the requirements of FAR 45.508 must be met for a system to be acceptable. These requirements include:

(1) Personnel who perform the inventory shall not be the same individuals who maintain the property records or have custody of the property unless the contractor's operation is too small to do otherwise. Movers, calibration technicians, or maintenance personnel are all eligible to perform the inventory if they do not fall into the above category. Often, contractors will hire a separate company, such as special service firms, to do the inventory. This has proven to be a very effective method. In addition, it is recognized that some contractors are using current technologies such as bar coding, electronic reading, recording, and reporting to facilitate the accomplishment and completion of inventories.

(2) Under a manual system, the property inventoried is generally tagged or marked in a manner that readily indicates that the item has been inventoried. The tags used should be designed to last through the inventory cycle. The tags used are often color-coded or have the current year identified.

(3) If the PA approves an inventory by exception method, move orders, maintenance cards, or calibration checks can be used for inventory purposes during the inventory cycle. The move orders, calibration checks, or maintenance cards must clearly describe the item to include the property control number and any other identification so that these documents can be reconciled with the official property records.

d. Property in the Possession of a Subcontractor. Contractors are required to periodically inventory all Government property and shall cause subcontractors to do likewise. The contractor's property control system shall include procedures necessary to accomplish this action. The prime contractor will use the subcontractor's records if the subcontractor has a Government Approved Property Control System for controlling property under other prime contracts, unless otherwise directed by the PA (See FAR 45.505(a)).

e. Physical Inventory Upon Completion or Termination. In accordance with FAR 45.508-1, contractors are required to perform and cause each subcontractor to perform a physical inventory, adequate for disposal purposes, of all Government property. The inventory may be waived by the PA when the property is authorized for use on a follow-on contract if past contract performance has established the adequacy of property controls and an acceptable degree of inventory discrepancies. In addition, the contractor provides a statement indicating that record balances have been transferred in lieu of preparing a formal inventory list and that the contractor accepts responsibility and accountability for those balances under the terms of the follow-on contract.

f. Other Inventories. As contractually authorized, the PA may require inventories upon notification by the contractor or discovery by the PA of LDD of Government property.

3. Accomplishing the Inventory. The PA shall review the contractor's property control system to ensure that, where applicable, the following actions are performed:

a. Preparation for Inventory. Before conducting the inventory, the contractor shall specify the method to be used, identify all locations where Government property is stored or used, schedule start and stop dates, and notify users as to commencement or performance of the inventory.

b. Performing the Inventory. All property inventoried must be sighted, recorded, reported, and reconciled with the property records. The physical inventory should be taken from the floor without knowledge of the record balances. The purpose of this action is twofold. It prevents a bias on the part of the counter due to foreknowledge of the record balance as well as it will determine if any property has been received and not included in the property records.

c. Recording the Inventory. Upon completion of the inventory, all pertinent records will be annotated as to the accomplishment of the inventory and the actual physical count recorded. Results shall be compared between the actual physical count and the balances recorded in the contractor's property control records.

d. Reconciling the Inventory. The contractor shall reconcile those items where there exists a discrepancy between the actual physical count obtained during the inventory and the "balance on hand" last posted to the record. Reconciliation normally consists of a number of different actions, some of which may include: reviewing the physical counts accomplished during the inventory for miscounts, correcting miscounts due to weighing, and reviewing the records for possible posting errors, consisting of either incorrect or incomplete entries. Most contractors conduct investigations to reconcile all variances, regardless of the dollar value. This could mean that more money is being spent checking variances than the line items are actually worth. When the contractor is performing a complete inventory of all material, the PA should consider authorizing the contractor to conduct a variance analysis only on those line items in which the variance exceeds minimum dollar value; for example, \$10.00, \$15.00, etc. This approval should not be used in conjunction with a sampling-type inventory, since the two combined will increase the Government's risk.

e. Reporting the Inventory. The contractor, through established management channels, will promptly furnish the PA the results of the inventory in accordance with FAR 45.508-2. The time frames for reporting results shall be established in the contractor's property control system. This report will include:

(1) A listing that identifies all discrepancies.

(2) A signed statement that the physical inventory of all, or a part, was completed on a certain date.

(3) A statement that the official property records are in agreement with the physical inventory, except for the discrepancies reported.

(4) Inventory results on a quantitative and monetary basis by category of property, if requested by the CO in accordance with FAR 45.508-3.

f. Adjustment of Records. All inventory discrepancies reported by the contractor will be evaluated by the PA to determine actual losses of Government property. Differences caused by record errors or offsetting overages and shortages of similar items are not construed to be actual losses to the Government. Inventory adjustments necessitated by posting errors will include appropriate cross-reference to the error in the official property records. The PA shall make a liability determination for material adjustments to records arising from the results of physical inventories in accordance with the applicable Government property clauses. The PA may elect to make a single liability determination to address all material losses or determine if individual items or categories, e.g., sensitive items, high dollar items, or pilferable items require separate review and determination. Losses or shortages involving special tooling, special test equipment, facilities or agency-peculiar property shall not be listed on Inventory Adjustment Vouchers. All such occurrences shall be reported to the PA for a determination of liability in accordance with the applicable Government property clauses. Physical inventory adjustments for facilities, special tooling, and special test equipment, including found assets once reported lost and removed from the official property records, shall be posted to the official property records.

L. REPORTS OF GOVERNMENT PROPERTY

1. General. Management of reports includes the review of the document(s) for accuracy, completeness, and timeliness of submission, as well as the contractor's system for obtaining and compiling the data reported.

2. Reports of DoD Property in the Custody of Contractors (DD Form 1662).

a. The contractor is responsible for preparing appropriate reports as prescribed in FAR 45.505-14 and DFARS 245.505-14 for all DoD contracts. DFARS 245.505-14 prescribes the use of DD Form 1662 (DoD Property in the Custody of Contractors). This report shall include all DoD-owned Government property in the contractor's possession, including property accountable to a prime contract but is located at a subcontractor's plant and/or alternate location.

b. The data reported is as of September 30 each year. In addition, the contractor must report zero balances on contracts accountable for DoD property when they close. The report may be submitted using DD Form 1662 or an equivalent substitute approved by the PA. The form is self-explanatory and contains the instructions and required codes on the reverse side. The contractor is required to furnish the prepared report, in duplicate, to the PA no later than October 31 each year. The PA will forward the reports to the appropriate DoD office in accordance with agency directives.

3. PA Responsibilities

a. The PA is primarily responsible for ensuring that the contractor's property control system, including both written procedures and practices, provides for the reasonably accurate preparation, contractor validation, and timely submission of the DD Form 1662. When there are indications of cost and quantity data errors, the PA shall request DCAA assistance, through the CO, to perform detailed analysis and determine the extent of the deficiencies. In reviewing the contractor's report preparation process, the PA will consider the following criteria to ensure that the contractor's policies and procedures provide for the accurate preparation, validation, and timely submission of DD Form 1662:

(1) Responsibility for reports data compilation, preparation, contractor validation, and timely submission is assigned to specific contractor functions.

(2) Sources of report information are clearly defined, accurate, and current.

(3) Appropriate audit or other method is employed by the contractor to verify report accuracy and completeness.

(4) Controls are maintained to identify:

(a) Contracts subject to report requirements.

(b) Specific report requirements.

(c) Required submission dates for reports.

(5) Procedures provide adequate lead time for orderly compilation of data and report submissions.

(6) Reports are distributed according to contractual requirements.

(7) Exclusion of items to which the Government has acquired a lien or title solely as a result of advance, progress, or partial payments.

(8) Completed end items accepted by the Government and retained by the contractor, as well as items returned for repair under warranty, shall be reported as agency peculiar (military) property.

(9) Inclusion of Government property in the possession of vendors, subcontractors, or alternate sites shall be consolidated under the prime contract and submitted on a single DD Form 1662.

(10) Compilation of accurate addition and deletion figures. Addition and deletion figures are not merely the difference between the beginning and ending balances.

(a) Additions

1 Purchase, fabrication, and transfer of facilities, special tooling, and special test equipment.

2 When the Government takes title to special tooling under FAR 52.245-17.

3 Physical inventory adjustments for facilities, special tooling, and special test equipment including found assets once reported lost and removed from the official property records.

(b) Deletions:

1 Lost or destroyed items.

2 Items disposed of through plant clearance or transferred to another contract.

b. In addition, the PA shall perform the following reviews in conjunction with the contractor's annual submission of reports:

(1) The PA shall compare the property contract assignment listing with the contractor's submittal to assure that a DD Form 1662 is submitted for each contract having Government property, including those that have become zero balance during the report period. The PA shall only accept DD Forms 1662 for contracts that the PA has prime property administration responsibility. If the contract reflected on the DD Form 1662 is for support property administration, remind the contractor that the data should be sent to the prime contractor for consolidation with prime contract data.

(2) Balances on hand at the end of the previous reporting period must equal the balances at the beginning of the current reporting period for those categories of property requiring this information.

(3) Finally, it is essential that all other pertinent information, such as contract purpose, is included on each DD Form 1662, since all data is used by a variety of organizations including Office of the Secretary of Defense (OSD), General Accounting Office (GAO), Department of Defense Inspector General (DoD IG), and Congress.

4. Property Status Reports

a. Various agencies require particular status reports (e.g., repair status, GFM reports, etc.). The PA shall review the contractor's reports for their accuracy and to ensure that all are submitted as required in the contract or other DoD requirement.

b. The Government may provide reports about Government property to the PA for reconciliation or verification. The PA shall comply with these requests in a timely fashion.

5. Other Reports. Other reports may be required by non-DoD agencies. These reports may include NASA Form 1018 or Department of Energy Form 4300.3. These and other Government property reports will be submitted in accordance with contract terms and requirements.

M. CONSUMPTION OF MATERIALS

1. Consumption. Consumption is the process of incorporating material into an end item or otherwise consuming it in the performance of the contract. Consumption analyses have long been recognized as one of the most complex aspects of property administration. The need for effective consumption analyses is highlighted by congressional and other allegations of inadequate controls of GFM. The consumption process consists of four parts:

a. The first part consists of the issuance of material in reasonable and proper quantities for the work being performed. Issuance can generally be controlled through an effective system that ensures materials are issued only for authorized requirements and to authorized personnel. Additional factors to be considered by the PA are: shelf life; first in, first out (FIFO); lotting; serially numbered items; parts mortality; attrition; and sensitive or hazardous control considerations.

b. The second part consists of the actual usage, incorporation, or expenditure of material into a higher assembly, end item, or through testing. It may also include the attachment or incorporation of material into an item of Government property.

c. The third consists of the return of any unused portions of the material to stock and its annotation on perpetual inventory control and financial records or re-establishment of the records, with the appropriate supporting documentation.

d. The fourth part consists of parts or components that are removed or recovered from repair, rework, testing, or cannibalization. These parts are returned to stores with the prospect of future use or disposal, dependent upon their condition (e.g., reparable status, shelf life, life expectancy, scrap or salvage, etc.).

2. Determination of Unreasonable Consumption. As a general rule, material consumption should be considered to be unreasonable when consumption exceeds amounts supported by bills of material, material requirement lists, or similar material planning documents (including reasonable mortality or attrition rates). In the event of unreasonable consumption, a determination by the CO of the contractor's liability is required by FAR 45.503(a)(5). The PA should require the contractor to report and investigate instances of potential unreasonable consumption in a manner similar to LDD property. The PA shall encourage contractors to perform a consumption analysis as part of the investigation. PAs must be aware that contract liability provisions for LDD of Government property do not generally apply to unreasonable consumption unless it is caused by LDD. As such, the contractor may be liable for unreasonable consumption of material even though the Government property control system is in an approved status.

3. Remedies for Unreasonable Consumption. Unreasonable consumption of Government materials is not considered "loss, damage or destruction" under the risk-of-loss provisions. In cost type contracts where unreasonable consumption is found, the PA will forward the case to the CO recommending cost disallowance action under the FAR cost principles. If unreasonable consumption is found in a fixed-price contract, the PA will forward the case to the CO for determination as to whether or not consideration should be sought from the contractor. In fixed price contracts where unreasonable consumption of GFM is found, the CO shall determine whether or not consideration should be requested. Unreasonable consumption under MMAS is addressed in Chapter 5.

N. UTILIZATION OF GOVERNMENT PROPERTY

1. General

a. Use of Government Property. The contractor should use Government property for authorized purposes only and have a system to determine if Government property is excess to their contractual needs. There must be a contractual requirement for all Government property in the possession of the contractor. Unless a contract provides authorization to use Government property in the offeror's possession, offerors wishing to use such property in performance of a contract must obtain written approval for use from the CO having cognizance over the property.

b. Rental of Government Property. It is the responsibility of the Contracting Officer to ensure the collection of any rent due the Government from the contractor in accordance with the Use and Charges Clause (FAR 52.245-9). In addition to ensuring that Government property is being used for the purposes authorized by the contract, the contractor's utilization system must also provide a basis for determining and allocating rental charges in accordance with FAR 45.403 and 45.509-2. In this connection, the CO may call upon the PA and/or other technical specialists, to verify the adequacy of the contractor's written statement of use in accordance with FAR 45.407 and 52.245-9 and utilization records established under FAR 45.509-2. Upon the request of the CO, the PA and/or other technical

specialists shall prepare and furnish a statement to the CO on the adequacy of the contractor's procedures for controlling, recording, and reporting usage in accordance with the contract requirements. The statement will describe any variances between the utilization records and the statement of use in the following areas:

- (1) Unauthorized use.
- (2) Authorized use on a rental basis.
- (3) Use on independent research and development (IR&D) programs.
- (4) Authorized and actual use of Government property.
- (5) Age of Government property.

(6) Cost of Government property (including any variances between the contractor's statement and the property control records involving transportation, installation, rebuilding or modernization, special tooling, or accessories costs).

c. Unauthorized Use of Government Property. It is the PA's responsibility to advise the CO of any known unauthorized use of Government property. In the event the contractor uses any Government property without authorization, the contractor may be liable for rental, without credit, for such items for each month or part of a month in which such unauthorized use occurs. The only exception is that the concerned agency head may, in writing, waive the contractor's liability for such unauthorized use if the agency head determines that without such a waiver a gross inequity would result.

d. Identification of Excess. Government property that has no activity over a specified period of time should be reviewed periodically and its need for continued retention justified. This system must be responsive to contract modification, completion, termination, reduced production rates, and engineering changes. The PA shall ensure the contractor's property control system establishes timeframes for these reviews. The cost of retention of inactive Government property must be compared to the potential for future need and possible replacement cost. Significant program changes in the contract may affect the continued use and retention of Government property. Examples of such changes are production cutbacks, partial terminations, primary purpose or product change, program adjustment, or contract completion or termination.

2. Facilities. The primary use of facilities is related to a specific contract and its use will normally expire upon completion thereof unless a new purpose is established, justified, and approved by the CO. The use of facilities for other than primary use may be authorized under FAR 45.4; however, such incidental use must not interfere with or extend the primary use authorization. Both primary and incidental use of facilities for Government work are generally authorized by the CO on a rent-free basis. Conversely, facilities may be

authorized for use by a contractor for commercial purposes in accordance with the requirements of FAR 45.402, 45.403 and 45.407. In such instances, a rental rate shall be computed in a manner prescribed by the Use and Charges Clause, FAR 52.245-9.

a. In view of the above stated policies, the contractor is contractually responsible for ensuring that all Government-owned facilities are effectively used. In addition, the contractor has a contractual obligation to promptly report all Government property in excess of the amounts needed to complete full performance under the contracts providing or authorizing its use. To accomplish this, the contractor has the responsibility to establish and maintain an adequate utilization management program. Contractor's procedures shall include an acceptable method of accumulating utilization data in sufficient detail to provide visibility as to the extent and manner of use of all Government-owned facilities. Although contractor systems will vary in type and complexity, each type will provide certain basic management data. All contractor utilization systems must provide written procedures for each type or group of property. Procedures for plant equipment with an acquisition cost of \$5,000 or more must include the requirements found in FAR 45.509-2.

(1) Establishment of a minimum level of utilization. Such standards should indicate when management analysis will be accomplished by the contractor for retention justification. The utilization percentage or standard may vary for different items or grouping of items, depending on circumstances of use.

(2) Provide for the recording of authorized use and the actual use of the facilities.

(3) Definition of terms such as utilization, available hours, idle time, operating time, and minimum level of utilization.

(4) A method of collecting utilization data and for reporting equipment availability and usage. As a minimum, equipment utilization reports should include PE item, group, or category identification, location of equipment, minimum level of utilization, actual hours used, and basis of usage rate.

(5) Procedure or method for evaluating data and taking appropriate action when required for justifying retention of equipment that has fallen below the established minimum level of use or changing the minimum level of use or other standard.

(6) Provide for prompt reporting to the CC of all plant equipment (PE) for which retention is not justified.

b. The PA will ensure that the contractor develops and maintains such a program in accordance with FAR 45.509-2. This will be accomplished by an evaluation of the contractor's utilization system(s) and analysis of the system's output. Before performing a system evaluation, the PA will ensure the contractor has developed an acceptable utilization

procedure for PE as required by FAR 45.509-2. The contractor's procedures for use shall be referred to the appropriate technical personnel for evaluation and advice.

c. The following represents the specific responsibilities of the PA in performing an evaluation of the contractor's utilization system:

(1) Approving the contractor's utilization program.

(2) Establishing with the contractor, mutually agreeable usage criteria on items, types, or groups of Government-owned PE. Coordinate contractor's procedures with the appropriate technical personnel for technical analysis and advice as to acceptance or changes required to meet minimum acceptable standards of use.

(3) Performing analysis of the utilization system's output to ensure economical and efficient usage of Government-owned plant equipment.

(4) Initiating reviews when it is determined that such property is not being economically and efficiently used or taking corrective action that may result in:

(a) Adjustment of the usage criteria.

(b) Reallocation of excess PE between contractor's programs through CO direction.

(c) Justification for retention based on programmed or projected workload, contractual changes, or other reasons acceptable to the PA.

(d) Declaration of the Government-owned PE as excess.

(e) Correction of deficiencies in the contractor's utilization systems.

O. MAINTENANCE OF GOVERNMENT PROPERTY.

1. General. The applicable Government property clauses and special contract provisions require contractors to establish and maintain a program for the maintenance, repair, protection, and preservation of Government property (i.e., Facilities, ST, STE, and APP) in accordance with sound industrial practice and the applicable provisions of FAR 45.5.

2. Maintenance Program. The contractor's maintenance program should be tailored to efficiently initiate, control, perform, and document maintenance functions for Government property provided under the terms of the contract. Facilities contracts require a more extensive maintenance plan. This plan becomes the contractor's normal maintenance obligation. The plan will include procedures and maintenance instructions that communicate

company standards and techniques to operational and maintenance personnel. The program should provide for:

a. Preventive Maintenance, FAR 45.509-1(b). The PM program should include the recurrent day-to-day scheduled systematic first level care of property, such as lubrication, adjustment, servicing, and inspection. It should also include normal parts replacement required to forestall excessive wear, repair, malfunction, or deterioration of production or non-production facilities to ensure effective use for their designated purpose, capacity and/or production rate. Procedures and/or instructions should be based on:

- (1) Specific and/or optimum maintenance requirements for each item of equipment or real property.
- (2) Manufacturer's recommendations, Government instructions or technical manuals/publications.
- (3) Plant experience (peculiar operating conditions).
- (4) Engineering analysis (age and condition).
- (5) Tolerance requirements.
- (6) Safety considerations.

PM should be scheduled and performed in accordance with required frequencies (i.e., weekly, monthly, semiannually, or annually). Work orders and/or instructions for PM should assign responsibility and include a checklist identifying detailed tasks (i.e., points that must be inspected, lubricated, adjusted, and material required). When PM is performed by equipment operators, procedures shall identify tasks, checklists, frequencies, recording requirements, and provide for reporting deficiencies when corrective maintenance is required. The objectives of PM are to sustain the service life of equipment, maintain safety, ensure optimum performance level, reduce emergency repairs and equipment downtime, and lower cost.

b. Corrective Maintenance. The contractor's program should provide for the reporting, initiating, and performance of maintenance outside the scope of PM, but within the contractor's normal maintenance obligation. Any work that is outside of the normal maintenance obligation, such as capital-type rehabilitation (CTR), requires CO authorization. Procedures should include instructions for the following:

- (1) Disclosure and/or reporting of deficiencies by operational personnel.
- (2) Disclosure of deficiencies through PM and/or inspections.

(3) Initiating work orders with detailed assignment, guidance, and fixed responsibility.

(4) Ensuring deficiencies have been corrected.

(5) Recording work accomplished.

(6) Reporting the need for CTR.

(7) Identifying and reporting the need for replacement.

c. Maintenance Management. The contractor's maintenance operation may be centralized to facilitate an efficient and effective maintenance program. Procedures should address all management control functions, lines of authority, and responsibility. Maintenance control functions include:

(1) Planning (knowing what work must be done and how it will be accomplished).

(2) Estimating (establishing cost of work to be performed).

(3) Scheduling work (coordinating specific work with man-hours, material, and equipment operational time).

(4) Initiating work orders (PM and corrective, controlling work flow).

(5) Controlling maintenance performance.

(6) Ensuring field reporting (completed work orders returned noting work accomplished and providing remarks on equipment status).

(7) Work order status (suspense on complete or open orders).

(8) Backlog (planned work yet to be scheduled).

(9) Records (complete historical data on each item of property; i.e., all maintenance efforts, cost, accumulative cost (parts and labor), repetitive failures).

(10) Maintenance analysis.

(11) Reporting (The ability to provide reports on all the above).

d. Maintenance Requirements by Property Type.

(1) APP. APP shall be maintained in accordance with the contractor's maintenance program. Special contract terms and conditions may require a higher level of maintenance or special maintenance provisions. The PA shall review contracts for any special provisions. Maintenance for APP must be accomplished in accordance with Government technical publications or manuals, where applicable, or other appropriate technical sources, including manufacturer's maintenance manuals, where available. Both scheduled and non-scheduled maintenance may be required. PAs should be aware that in some instances APP may, by its nature, require maintenance to be performed by the Government instead of the contractor.

(2) STE. Maintenance of STE shall be included in the maintenance program and is primarily limited to periodic calibration. Contractor calibration systems are generally reviewed by the Quality Assurance Technical Representative. STE maintenance consists of preventive, corrective, and calibration as required by the manufacturer's recommendations or other appropriate technical standards. The PA should be assured that the maintenance or calibration is performed according to schedule, and records of preventive maintenance, calibration, and corrective actions are adequate and accurate. The calibration review should include a thorough review of the maintenance history, whether manual or automated. Updated calibration stickers usually show the next required inspection date. The PA shall review the contractor's procedures for a step-by-step implementation of calibration program control.

(3) ST. The contractor's maintenance program shall include provisions that will ensure the proper maintenance and preservation of ST. Factors that should be considered are proper preservation of tools before going into long-term storage, particularly proper protection of critical surfaces, and proper calibration and tolerance checks before putting tools back into service.

(4) Facilities. The contractor's responsibilities for maintenance of Government-owned real property and plant equipment are described in FAR 45.509-1, Contractor's Maintenance Program and the appropriate Government property and Facilities clauses. The Facilities contract clauses (FAR 52.245-7 & 11) require the establishment of a maintenance program that, when approved by the PA, may be the contractor's normal maintenance program. Any work that exceeds the requirements of the normal maintenance program shall be considered to be CTR. The contractor's maintenance program shall provide for:

- (a) Disclosure of need for and the performance of preventive maintenance.
- (b) Disclosure of need for and reporting of CTR.
- (c) Recording of work performed under the contractor's maintenance program.

e. PA Responsibilities. The PA will ensure the contractor develops and maintains a maintenance program in accordance with contract provisions, FAR 45.509-1, and the applicable Government property clauses. To accomplish an adequate evaluation of the maintenance program, appropriate technical staff personnel should review the contractor's procedures and provide recommendations or comments. The PA will approve the contractor's maintenance program when evaluation reflects compliance with contract requirements.

P. SUBCONTRACTOR AND ALTERNATE LOCATION PROPERTY MANAGEMENT

1. General. It is recognized that Government property may be in the possession or under the control of a subcontractor or at alternate locations of the prime contractor. The contractor is responsible and accountable for all Government property in the possession of subcontractors or at its alternate locations. The PA is responsible for ensuring that the prime contractor includes appropriate provisions in its subcontracts providing for Government property and is performing adequate surveillance of its subcontractor's property control systems. In addition, the PA is responsible for determining the extent of support property administration necessary to ensure that the best interests of the Government are adequately protected.

2. Contractor Requirements

a. Maintaining Official Records of Government Property.

(1) FAR 45.505 requires the prime contractor to use the records created and maintained by a subcontractor with an approved property control system for Government property provided under its own prime contracts, unless the PA directs otherwise. A common industry practice has been for the prime contractor to maintain the official property records while relying upon the subcontractor's records as secondary locator records.

(2) The PA's approval of the contractor's determination as to who should create and maintain the official property records will be based on, but not limited to the following criteria:

(a) Type, quantity, and dollar value of property in the subcontractor's possession.

(b) Type of subcontract and risk of loss provision contained therein.

(c) Established policies, precedence, and past performance of the contractor and subcontractor.

(d) Extent and effectiveness of the prime contractor's subcontractor surveillance program.

(e) Prime contractor's willingness to accept the findings of the supporting PA.

(f) Other pertinent information.

(3) The PA's approval or disapproval and rationale must be fully documented in the contract file.

b. Flowdown of Contractor Requirements

(1) The PA must ensure that the contractor's procedures adequately address the methods by which flowdown of contractor requirements are accomplished. Subcontracts and/or purchase orders (PO) that provide Government property to subcontractors must be reviewed to verify that they adequately describe the Government property being furnished by or acquired for the Government, and that the contract requirements are flowed down:

(a) By reference (for larger subcontractors knowledgeable of FAR provisions), or

(b) Incorporated in full text (for smaller subcontractors with limited knowledge of or access to FAR provisions), whichever is appropriate.

(2) In particular, FAR 45.502(d) requires a contractor who provides Government property to a subcontractor for the performance of a subcontract, to insert the provisions of FAR 45.5 in the subcontract.

(3) Under fixed price contracts containing the "All" risk of loss provisions, found at FAR 52.245-2 (g), prime contractors are liable for all loss, damage or destruction of Government property with the exception of reasonable wear and tear or proper consumption as determined by the PA. If Government property is provided by the prime to a subcontractor the prime is ultimately responsible. If a prime has Government property accountable under a contract containing the "Limited risk of loss" provisions, FAR 52.245-2 (ALT. I), 52.245-5 or 52.245-8, and the contractor provides that Government property to the possession and control of a subcontractor, the transfer shall not affect the liability of the prime for loss, damage or destruction of Government property. Under the "Limited risk of loss" provisions it is the Government's policy that the prime require the subcontractor to assume the risk of and be responsible for any loss or destruction of, or damage to, the Government property while in the subcontractor's possession or control, with the exception of reasonable wear and tear or reasonable and proper consumption. However, the prime contractor may, with the Contracting Officer's prior written approval, flow down the "limited risk-of-loss provision" of the Government property clause. To make this determination, the Contracting Officer shall consider the applicable criteria listed in FAR 45.103 before allowing the flow-down of the "Limited risk of loss provisions."

(4) If the prime contract contains the FAR 52.245-17 Special Tooling (ST) clause, the contractor shall include in any subcontract involving the acquisition or fabrication

of ST, where the full cost of ST is to be charged to the subcontract, provisions to obtain Government rights comparable to the rights of the Government under the prime contract (unless the contractor and Contracting Officer agree that such rights are not of substantial interest to the Government).

(5) If the prime contract contains the FAR 52.245-18 Special Test Equipment (STE) clause, the contractor shall insert the STE clause or equivalent provisions in any subcontract that provides for the acquisition or fabrication of STE or components for the Government.

c. Contractor Surveillance of Subcontractors

(1) The PA shall review the contractor's procedures and practices for performing surveillance of subcontractor property control systems to ensure that they provide for:

(a) Scheduled and completed surveillance.

(b) The scope, frequency, and techniques used to perform the surveillance.

(c) Adequate surveillance documentation describing:

1 Subcontractor name and address, date(s) of survey, and person(s) contacted during the survey.

2 Types, quantities, and dollar value of property involved.

3 Method(s) of performing the survey (sampling, observation and judgment, discussions with key contractor personnel, review of procedures, etc.).

4 Evaluation criteria used to perform the survey.

5 Conclusions including disclosure, follow-up, and final resolution of deficiencies.

(2) Extent of Surveillance. The scope, frequency, and techniques the contractor uses to perform surveillance of his subcontractors should be based on applicable criteria listed in subparagraph P.2.a.(2)(a) through (c) above:

(a) For subcontractors with small amounts of Government property, the extent of prime contractor surveillance may be limited to a letter ascertaining the status of the Government property that was provided under the subcontract. However, unless the PA determines otherwise, certification letters must not be the sole method of surveillance.

Periodic on-site surveys may be necessary to verify that the items are being adequately protected and used for purposes authorized by the contract.

(b) For subcontractors with larger amounts of Government property, on-site surveillance visits by contractor personnel knowledgeable of Government property control contract requirements are essential.

3. Support Property Administration

a. Support Property Administration Criteria

(1) The PA has the responsibility to determine when Support Property Administration (SPA) will be in the Government's best interest. Since the contractor is responsible for managing its subcontracts, the PA should be primarily concerned with the contractor's program for subcontractor control. Thus, the PA will normally not request SPA unless one of the conditions in FAR 42.204(b) or (c) exist.

(2) When one of the conditions in FAR 42.204 (b) or (c) exists, the PA shall consider applicable criteria in subparagraph P.2.a.(2) above.

(3) Since the contractor's contract costs or prices are normally based on direct charges or overhead rates that include the cost of performing surveillance of subcontractors, it is recommended that the PA coordinate with the CO before requesting SPA. The CO may determine that consideration should be sought depending upon the amount of overhead costs the contractor will save by having the Government perform the contractor's required surveillance of his subcontractors.

(4) Support property administration delegations should be reviewed and updated during the preparation for a system analysis for changes, additions, or deletions.

b. Contractor's Permission and Concurrence

(1) When the PA determines that SPA is appropriate, the PA will ascertain whether the contractor will accept the findings of a supporting PA. Legally, the PA must have the permission of the contractor before a supporting PA may be allowed to enter the subcontractor's facility to perform surveillance. The basis for this requirement is that the contractor is the party having a direct contractual relationship with the Government. There is no such relationship, or as it is commonly phrased "privity of contract," between the Government and the subcontractor.

(2) The contractor may request and accept the findings of a supporting PA instead of performing its own surveillance. In instances where the contractor does not consent to SPA, the contractor shall perform necessary reviews and surveillance, and document all actions and findings in accordance with FAR 45.502(d). This situation is more

likely to involve small subcontractors with limited Government subcontracts who prefer to deal only with those with whom they have a direct contractual relationship. However, if the same subcontractor has Government prime contracts, there is nothing to preclude the PA from requesting occasional assistance from the cognizant PA in order to ascertain the overall status of the subcontractor's property control system. If the information from the cognizant PA reveals deficiencies in the subcontractor's system, the PA will ascertain whether the prime contractor had knowledge of the deficiencies and whether appropriate corrective actions have been implemented.

(3) Often, prime contractors insert provisions in their subcontracts allowing Government personnel to audit the subcontractor's property control system during subcontract performance.

(4) When the contractor will accept the findings of a supporting PA, the PA will obtain a statement in writing to that effect and prepare a request for SPA.

(5) The PA does not require the contractor's permission to request SPA if Government property is at the contractor's alternate locations, since the system is covered under the provisions of the prime contract.

c. Procedures for Requesting Support Property Administration

(1) When the PA has determined that SPA is necessary and that the contractor will accept the findings of a supporting PA, the PA will consult DLAH 4105.4, Directory of Contract Administration Services Components, to determine the cognizant CAO.

(2) Wherever possible, requests for SPA will be combined with those for support administration in other functional areas. The PA shall consult with other components of the CAO and ascertain whether other functions are to be delegated. In the event more than one function is to be delegated, a request will be prepared by the PA and forwarded to the CO for consolidation with the other functional requests. When other support contract administration functions are not required, the PA will make an individual request.

(3) In many cases, a determination as to whether SPA is necessary cannot be made by the PA until such time that subcontracts have been placed by the contractor, and the dollar amount and type of property located at the subcontractor's facility is known. This requires the PA to request from the contractor a list of all Government property by dollar amount and type located at subcontractor and contractor alternate locations. The information is needed in order for the PA to make SPA determinations such as whether to request SPA and to ensure that existing SPA reflects current requirements.

(4) The request for SPA shall include the following minimum information:

(a) The name and address of the prime contractor.

(b) The prime contract number.

(c) The name and address of the subcontractor or the contractor's alternate location where the property is to be located.

(d) A list of property to be furnished and/or a statement as to whether property will be acquired by the subcontractor.

(e) A copy of the subcontract, purchase order, and any subsequent change orders under which the property will be furnished or acquired by the subcontractor.

(f) The specific extent of support required such as:

1 Prompt reporting of loss, damage or destruction of Government property.

2 Forwarding copies of deficiency and system summary reports.

3 Performing special emphasis surveillance, etc.

(g) Any limitations of the delegation; for example:

1 Approval of the property control system at the contractor alternate location (in this case, the supporting PA will only be requested to perform the surveillance and forward the findings and status to the prime PA).

2 Relieving the contractor of responsibility for LDD of Government property at the contractor alternate location (in this case, the requestor will ask only that the supporting PA investigate and make a recommendation to the prime PA).

3 Other responsibilities that the PA may wish to retain.

(5) Ideally, requests for SPA should be formulated with the coordination of the cognizant CAO to enable the supporting CAO to plan for efficient support to the requesting CAO. Prior coordination provides both CAOs the opportunity to discuss and agree upon the extent of support required and any limitations thereof.

(6) The requesting CAO is responsible for distributing copies of contract modifications pertaining to Government property at the subcontractor's facility to the supporting CAO as soon as possible.

(7) When preparing SPA requests on subcontracts and purchase orders where performance is on a military installation, the services are responsible for administering their contracts.

d. Accepting Requests for Support Property Administration. When an SPA request is received, it shall include all the pertinent information required to properly administer the contract and specifically outline the extent of support required. If the request is not complete, the supporting CAO shall request clarification and inclusion of pertinent documents from the prime PA before accepting the assignment. Acceptance of SPA shall be accomplished promptly after receipt of an acceptable request. It is important that the supporting PA keep the prime PA informed of pertinent issues or deficiencies in the contractor's property management system. A support property administration delegation need not be accepted if the request is incomplete.

e. Contractor Possession of Government Property Not Delegated for Support Property Administration. The PA should be alert for cases where assigned contractors come into possession of Government property not accountable to subcontracts or purchase orders that the PA is administering. In cases where a contractor receives Government property from a prime contractor for performance under a subcontract, the PA shall request from the prime CAO as to whether they desire support property administration to be performed. If support property administration is to be delegated, a formal request shall be prepared by the Prime PA. If support property administration is not delegated the PA at the subcontractor location shall not include the property accountable under the subcontract or purchase order in their system analysis. (See privity of contract, subparagraph P.3.b.(1) above)

f. Other Prime Contractor Relationships. The PA should be familiar with and aware of the numerous and varied internal controls and relationships established with and between prime contractors and their other working groups, divisions, and organizational entities. The prime contractor must clearly define for the PA whether the work being done is under a subcontract or under an interorganizational transfer or at an alternate location. If the PA is unable to ascertain the contractual relationship between organizations, the PA shall request clarification from the prime contractor. Below are a number of commonly used categories of relationships.

(1) Alternate Locations. The PA will ensure that contractor procedures provide for the control of Government property at alternate locations of the prime. It is essential that the PA be aware of the quantity and types of Government property at alternate locations, the type of record system utilized, and the degree of autonomy of the alternate location property management organization. Contractor concurrence is not required for the PA to access the alternate location.

(2) Military Installations. The PA shall assure that SPA on a military installation is accomplished in accordance with DFARS 242.270.

(3) Interorganizational Transfers (IOT). An IOT is also known as an Interdivisional Work Authorization (IDWA) or an Assist Work Authorization (AWA). An IOT is simply a work order issued by the contractor to one of its corporate divisions. IOTs are usually issued when the contractor lacks the required technical expertise or manufacturing capability to perform a particular task. Government property provided for use in the performance of an IOT is subject to the provisions of the Government property clause contained in the prime contract. The PA should be aware of the existence of IOTs and should ensure that contractor records accurately reflect the status of all property provided under an IOT. Contractor concurrence may not be required for the PA to access the other location depending upon the contractor's organizational structure.

g. Enforcement of Subcontractor Control Requirements

(1) Contractors who fail to flowdown the required property control provisions to subcontractors run the risk of having this segment of their property control system evaluated as unsatisfactory. For instance, a contractor who flows down the "limited risk-of-loss" provision of a Government property clause without Contracting Officer approval and subsequently fails to insert the "regular risk-of-loss provision" may have this segment of their property control system evaluated as unsatisfactory and then subsequently have their property control system approval withdrawn, thereby shifting the risk-of-loss to the prime contractor for any losses, damage, or destruction of Government property provided to the subcontractor under the subcontract. In addition, Contracting Officers may consider not granting the contractor "consent to subcontract" on future subcontracts until the contractor completes appropriate corrective actions.

(2) Similarly, the unsatisfactory rating and possible withdrawal of approval of the contractor's property control system and not granting "consent to subcontract" are options for the CO to consider when the contractor fails to perform an adequate level of surveillance of a subcontractor's property control system. This is important especially when there are large dollar values of Government property involved and/or the "limited-risk-of-loss" provision is flowed down to the subcontractor. The contractor's procedures should provide for appropriate levels of subcontractor property control system surveillance.

h. Property Administration Files. The PA shall maintain a file of both incoming and outgoing delegations that are to be made part of the official contract file. An SPA log containing brief summary information for quick reference may be useful. As a minimum, SPA files should consist of:

- (1) A copy of the original SPA request.
- (2) Support documentation pertinent to the original request.
- (3) Subsequent documentation related to the SPA delegation.

Q. DISPOSITION OF GOVERNMENT PROPERTY

1. General. The applicable Government property clauses and special contract provisions set forth the requirements for final accounting and disposition of Government property. The disposition process begins with identifying Government property that is excess to its contract requirements. Effective property control systems provide for disclosing excesses as they occur. Government property shall be promptly reported by the contractor for disposition in accordance with FAR 45.6, other contractual requirements, or direction from the CO. Government property that has had no activity over a specified period of time should be reviewed and its need justified. Once inactive Government property has been determined to be excess to the contract for which acquired, it should be screened against other in-house contracts for further use. Government property shall be transferred to follow on contracts only where the receiving contract authorizes such a transfer, either originally or through contract modification, and a contractual requirement has been established. The contractor's property control system shall provide for reutilization visibility of excess while the disposition process is going on, up to the time final disposal actually takes place.

2. APP. Special direction for the disposal of APP may be included in the contract by the CO. This may be necessary due to the potential harm that may be rendered by some types of APP; e.g., arms, ammunition, and explosives.

3. ST. Special tooling subject to the special tooling clause. The special tooling clause includes special provisions for reporting and dispositioning right-to-title special tooling when it becomes excess to contract requirements. The PA shall interface and assist the CO to assure proper and timely reporting and subsequent disposal of the right-to-title special tooling.

4. Facilities. The DLA Joint Services Manual (DLAM 4215.1, AR 700-43, NAVSUP PUB 5009, and AFM 78-9, Management of Defense-Owned Industrial Plant Equipment (IPE)) provides detailed procedures for idle declarations of IPE and screening for reallocation by DIPEC. Agencies may require internal screening before DIPEC reporting.

R. CLOSURE OF CONTRACTS FOR PROPERTY ADMINISTRATION

1. General. Upon completion or termination of a contract, the PA shall:

a. Ensure that contractor property management organizations are internally notified of the pending and actual completion of contract performance so that closure of property issues can be initiated.

b. Require the contractor to perform a physical inventory of Government property adequate for disposal purposes, unless waived, as set forth in with FAR 45.508-1. If waived, the PA shall obtain from the contractor a written statement indicating that record balances have been transferred and that the contractor accepts responsibility and

accountability for those balances where property is transferred to a follow on contract.

c. Ensure that property transfers to other Government contracts are accomplished based upon firm contract requirements.

d. Monitor the actions of the contractor in returning excess Government property not referred to the Plant Clearance Officer.

e. Advise the cognizant Plant Clearance Officer of the existence at a contractor's plant of residual property requiring disposal.

f. Ensure that excess property is promptly reported on inventory schedules to the Plant Clearance Officer.

g. Ensure that the contractor promptly takes all required actions to complete property management responsibilities and close out records.

h. Require the contractor to submit a DD Form 1662 or comparable document prescribed for non-DoD agencies (e.g., NASA 1018), to reflect a zero balance of Government property accountable to the contract.

i. Ensure that the processing of all liability actions by the PA or CO are completed.

S. INFORMATION REQUIREMENTS

The reports mentioned in this chapter have been licensed under Report Control Symbol DD-P7L(A)1087 and Office of Management and Budget Control Number 0704-0246.

CHAPTER 4

SYSTEMS ANALYSIS ELEMENTS OF THE PROPERTY ADMINISTRATION PROCESS

A. PROPERTY CONTROL SYSTEM ANALYSES

1. General

a. Contractors are required to establish and maintain an adequate property control system to control, protect, preserve and maintain all Government property as required by the Government property clauses. This property control system normally shall comply with the requirements of FAR 45.5, DFARS 45.5, agency-specific, requirements and any other contractually specified requirements. There are exceptions where a contractor need not control the Government property in its possession in accordance with FAR 45.5. Exceptions are found in FAR 45.105(b) by using the Government property clause at FAR 52.245-1. Another exception where contractors need not control Government property in accordance with FAR 45.5 is found in the clause at FAR 52.245-4.

b. The property control system established and maintained by the contractor normally consists of written property control procedures, and the application and/or compliance with those procedures. It is normal industry practice to provide for the control of property by means of written procedures that communicate company standards, techniques, and instructions to operational personnel. These procedures provide the PA with the yardstick by which the contractor's application and/or compliance shall be evaluated. The PA shall evaluate the contractor's written procedures and the application and/or compliance thereof.

c. The analysis of a contractor's property control system during contract performance is a critical responsibility assigned the PA. It is through this analysis that the PA determines whether the contractor is effectively and efficiently complying with the terms and conditions of the contract, regulatory requirements, and other special requirements contractually imposed by the procuring activity. The system analysis may reveal unsatisfactory conditions. These unsatisfactory conditions may in turn lead to the disapproval of the contractor's property control system and a subsequent increase in the contractor's liability for any loss, damage or destruction of Government property.

d. The PA has available many tools that may be used to evaluate and analyze the contractor's property control system. These tools consist not only of the statistical methodologies available but the judgement and expertise that the PA develops through experience. To effectively evaluate the contractor's property control system, the PA must be familiar with the contractor's operation, types and amounts of property, the complexity of the contractor's system, previous experience regarding the adequacy of control, and the

reliability of the contractor's system.

2. Property System Status. A contractor's property control system may exist in one of four different statuses. These consist of Presubmission, Nonacceptance and/or Withheld, Approved, and Disapproved and/or Withdrawn Status.

a. Presubmission status exists when a contractor's property control system has neither been formally nonaccepted, approved, or disapproved.

b. Nonacceptance and/or Withheld status exists when a contractor who has never had an approved property control system submits a procedure to the PA, deficiencies exist and are not corrected. The CO, based upon the PA's recommendation, formally notifies the contractor of the nonacceptance of the property control system. This may also occur when a contractor fails to submit a written procedure in accordance with the Government property clauses.

c. Approved status exists when the contractor has a property control system approved by the PA.

d. Disapproved and/or Withdrawn status exists when the contractor previously had an approved property control system but the PA was unsuccessful at obtaining contractor correction of deficiencies; the CO, based upon the PA's recommendation, has formally notified the contractor of the disapproval and/or withdrawal of the property control system.

3. Levels of Property Control System Analyses. Completion of property control system analyses may require detailed tests, examinations, and evaluations over an extended period of time. However, an analysis of a contractor's property control system involving only small dollar amounts of property and simple property control methods may often be accomplished without plant visits or extensive testing by the PA. To more efficiently and effectively assign resources, property control system analyses may take one of two forms: Standard or Limited Analyses.

a. Standard analyses normally take place at a contractor's place of operation over an extended period of time involving complex property control systems. This analysis usually covers all applicable functions with detailed workpapers generated, summaries provided, and formalized conclusions drawn as to the condition of the contractor's operations. The depth and detail of review and analysis are far greater for a standard system analysis than for a limited system analysis.

b. Limited analyses may be applied to contractors with property control systems that involve small dollar amounts or quantities of Government property. Limited analyses should be accomplished without plant visits except that the PA shall visit contractor's operations no more than once every 3 years when designated for limited analyses, unless the PA is aware of problems that exist that may require increasing the frequency of visits. When

limited analyses of the contractor's property control system is considered adequate to protect the interest of the Government, a written determination to that effect shall be prepared by the PA and placed in the Contract Property Control Data file. The PA shall consider previous analyses experience, contractor's personnel, and the complexity and reliability of contractor's property system, before determining whether limited analyses shall be performed.

(1) Limited analyses may be applied when Government property under one or more contracts consists of no more than \$500,000 exclusive of reparable on overhaul and maintenance contracts.

(2) Limited analyses shall not be applied when sensitive property is in the possession of the contractor.

4. Frequency of Property Control System Analyses

a. A contractor's property control system may be subject to analyses as frequently as conditions warrant. These analyses may take place at any time during contract performance, upon contract completion or termination, or at any time thereafter during the period that the contractor is required to retain such records.

b. A system analysis shall be conducted at least once each fiscal year to obtain knowledge of the contractor's system of property control. Unless individual Agency policy dictates otherwise, the PA may choose, due to the reliability of the contractor's property control systems, to perform the analysis using one of the following methods:

(1) Biennial analysis for contractors who have initially demonstrated 3 consecutive years of satisfactory property control system performance and continue satisfactory system performance. An unsatisfactory system analysis will result in demonstration of 3 consecutive years of satisfactory property control system performance prior to reinstating biennial system analysis, or

(2) Waive review of selected functions or functional segments as evidenced by, but not limited to, the following factors:

(a) Satisfactory compliance with the applicable Government regulations and contractual requirements over an extended period of time, and/or

(b) Stability of the quantity of Government property in the contractor's possession.

(c) PA's first hand knowledge of the contractor's property control system.

c. In no instance shall any applicable function or functional segment be reviewed any less often than once every 2 years. Schedules may be modified to reflect changes in the property control system analyses.

5. Planning of Property Control System Analyses

a. A system analysis plan shall be developed for each contractor's plant covering the property control system used in connection with Government contracts. The plan shall provide for analyses and shall be augmented to cover responsibilities imposed by new contracts, changing conditions, or marginal performance.

b. The PA must develop and determine in the system analyses plan which functions, functional segments and criterion (see Appendix A) of the contractor's property system warrant examination. Only those functions and functional segments applicable to the contractor, the types of property accountable, and the activities involved need be subject to review. Those functions not applicable shall not be reviewed. Limited dollar amounts and activity, types of property, complexity of the contractor's system, risk to the Government, and previous experience regarding the adequacy of contractor controls are factors the PA may consider in determining the extent and scope of the system analysis plan. Before the initiation of any system analysis, the PA shall establish a system analysis plan which shall provide, as a minimum:

(1) Listing of the functions, functional segments, and criteria identifying those items that are applicable, not applicable, or deferred.

(2) Listing of the estimated line items of property by type.

(3) Record of the evaluation of procedures portion of the approved property control system applicable to the functions to be examined, and noting of any portions thereof that should be reviewed with operating personnel for possible updating.

(4) Survey files shall contain sufficient narrative and documentation reflecting rational for deferring accomplishment of the functions or functional segments.

6. Scheduling of Property Control System (PCS) Analyses

a. At the beginning of each fiscal year, the PA shall prepare a schedule showing the names of the contractors and the projected dates on which each system analysis shall take place. In the case of PAs assigned to one contractor; e.g., resident versus itinerant, this schedule shall consist of the function and/or functional segment and the projected dates on which that function's analysis shall take place.

b. When the survey involves CAS elements other than Property Administration, the PA shall coordinate the planning and scheduling with the other elements. The PA will

share available, pertinent information when planning and scheduling with other involved CAS elements.

c. At major contractors, surveys of major functions such as utilization and maintenance may have to be scheduled over the entire year. When a contractor's system involves the use of substantial quantities of equipment and/or tooling, it may be necessary to conduct surveys of the functions of utilization and maintenance on a continual basis.

7. Initial Contact With New Contractors. Normally, the initial contact by the Contract Administration Office with a contractor is through a pre-award survey, postaward conference or postaward letter. (See FAR 42.5). When a conference is held, the PA shall assure suitable discussion of property administration responsibilities and any items of special interest or impact on the contractor, such as known deficiencies, a disapproved or withheld property control system, or the absence of a property control system. When a conference is not held, the PA, upon assignment of a contract for property administration, shall forward a letter to the contractor:

a. Inviting attention to the contractor's responsibilities regarding Government property under the contract, including any specialized controls, and the extent of his liability for loss, damage, or destruction of Government property during any period in which the contractor's property control system does not have the written approval of the PA.

b. Requesting the name of the contractor's representative(s) to contact for review and discussion of the proposed property control system.

c. Requesting that written procedures be provided for evaluation which comply with FAR 45.5 and other applicable regulations and contractual requirements.

d. Arranging an entrance interview with the contractor to discuss these items.

8. Initial Evaluation of the Contractor's Property Control System

a. Initial Evaluation of Contractor Procedures. PAs are required to review contractor procedures for the proper management of Government property. Procedures for the control of Government property must identify the nature of the action(s) to be taken and the type(s) of property involved, assign responsibilities and acceptable timeframes for those actions, and describe the methods for performing the prescribed tasks. An effective guide in evaluating the contractor's property control procedures is to compare the type(s) of property and control requirements by using the applicable functions in this Manual. Broad statements such as, "It is the company policy to protect Government property" are of little value in providing contractor's operating personnel with instructions for receipt and issue of materials, maintenance to be performed on certain types of equipment, or the control or utilization of property to ensure it is used only for authorized purposes.

b. Following assignment of an initial contract, and upon submission of the written procedures, the PA shall review the procedures portion of the contractor's property control system to determine:

(1) Areas in the proposed procedures which fail to comply with FAR 45.5 and other contract requirements.

(2) Essential controls not provided by the proposed procedures.

(3) Areas in the proposed procedures requiring physical observation or verification.

(4) Subcontractors or secondary locations of prime contractor performance, and the need for physical observation or verification of property controls at those locations.

This initial evaluation may take place at either the PA's office or at the contractor's place of operation.

c. Procedures for Contractors with Limited Amounts of Property. Though it is normal industry practice to provide for the control of property through the use of written procedures, a contractor with few employees may not have a need for written procedures for effective management of Government property. In such cases, the PA shall evaluate the adequacy of the contractor's system on the basis of the contractor's explanation of his or her controls and observation of the application thereof. The PA shall prepare a brief written description of the applicable procedures for inclusion in the Contract Property Control Data File, as well as providing the contractor a copy. In this instance, the contractor's signature shall be obtained signifying his concurrence with the PA's written description. If the contractor will not concur with the written description, the contractor shall be required to independently prepare a written property control procedure.

d. Initial Evaluation of Application of Contractor Procedures. PAs shall evaluate the application of the contractor's procedures to ensure they meet the criteria for property control established and required by FAR 45.5 and other contract requirements, as appropriate. Normally, this requires the PA to visit the contractor's place of operation to determine that the application of the property control system provides adequate controls for the Government property to be furnished or acquired. The PA shall make any necessary tests of the contractor's application and compliance with the procedures. The choice of methods to be used to obtain the information necessary for approval of a contractor's property control system is a matter of judgement by the PA. Test examinations, analysis, and verification in specific functions may be necessary to ensure the reliability of the final evaluation and conclusions as to the acceptability of controls for all functions and the system as a whole.

9. Evaluation of a Contractor's Existing Property Control System. When a

contractor's property control system has previously been approved and a new contract requires the expansion of existing controls or the establishment of addition controls, the review should normally be limited to the new contract requirements. If the system is adequate, the PA shall record this fact on the property summary data record for the contract. Notification to the contractor is not required. However, if the PA determines that the contractor's property control system does not adequately meet the new contract requirements, the contractor shall be notified in writing of the required changes and shall be requested to revise the procedures within a reasonable period of time.

10. Performance of Property Control System Analyses

a. Notification of System Analyses. The PA shall notify the contractor in writing of the planned dates for the system analyses no later than 30 days before the commencement of the review. A system analysis may be rescheduled if the review will adversely impact the contractor. The PA shall ensure that this rescheduling does not delay performance of the review past the end of the fiscal year.

b. Entrance Interview. An entrance interview shall be held with contractor managerial personnel to inform the contractor of the scheduled system analysis, timeframe for performance, functions subject to review, and other pertinent items; e.g., previously disclosed deficiencies, new contractual requirements, etc. PAs are encouraged to discuss proposed criteria with contractors in advance of system analysis and to provide contractors with a list of criteria to be used.

c. Conducting Property System Analyses. Property system analyses shall be conducted in a manner to assure efficient use of Government and contractor resources. Related property control criteria shall be jointly analyzed during the review. Property system analyses shall include reviews comparing "records to property" and "property to records." PAs shall determine property control criteria to be used in conjunction with scheduled property systems analyses. See Section C. of this chapter for specific direction by property category and function.

11. Correction of Unsatisfactory Conditions

a. Identification of Deficiencies. When element or item defects are identified during the system analysis, PAs shall take the following actions:

- (1) Determine whether the defects are isolated or are systemic in nature.
- (2) Assess the known or perceived impact of defects.
- (3) Determine the cause of the defects, where possible.
- (4) Notify the responsible contractor management personnel of the defects.

and request corrective action.

b. Resolving Identified Defects. Minor or isolated property defects that can be corrected during the performance of the analyses should be resolved at the lowest possible management level with verbal or limited written contact. Systemic defects must be formally documented and reported to an appropriate level of contractor management. If these defects create a significant risk-of-loss, damage, or destruction of Government property, notify the contractor that failure to immediately correct the defects constitutes the basis for property system disapproval which potentially increases the contractor's liability. The PA shall followup to ensure that corrective actions are taken.

c. Notification to the Contractor of Deficiencies. The PA shall forward to the contractor a listing of the deficiencies found during the evaluation of the property control system. The PA shall state within this notification, if obtained during the exit interview, agreement by the contractor to correct the deficiencies. The period of time for corrective action shall normally be established at 90 days. This time frame may vary, either increased or decreased, dependent upon the complexity and nature of the corrective action(s) required and the impact of the deficiencies involved.

d. Resolution of Differences. When the PA is not successful in obtaining compliance with recommendations for corrective actions, the PA shall advise the CO by memorandum that shall include:

(1) A specific, concise documented statement of open problems.

(2) An assessment of the impact of the defects.

(3) A statement of the contractor's positions.

(4) Recommendations for action including disapproval and/or withdrawal of the property control system, where appropriate. For further guidance, see Chapter 3 of this Manual, Evaluation and Approval of Contractor's Property Control System, and FAR 45.104.

12. Exit Conference with the Contractor. Upon completion of the system analysis, the PA shall conduct an exit conference with the contractor's managerial personnel to discuss the overall results of the system analysis. In addition, this conference must also address any function or functional segment in which the adequacy of controls, procedures, or the application thereof was found to be unsatisfactory. The PA shall advise the contractor where corrective action is required. Agreement should be reached during the exit conference as to the corrective measures necessary.

13. Letter of Approval for the Contractor's Property Control System. When the contractor's property control system is acceptable, the PA shall, in accordance with FAR

45.104(b) and 45.502(a), so advise the contractor in writing approving the property control system. This letter is only provided at the initial approval of the contractor's property control system or reapproval after the contractor's property control system has been disapproved or withdrawn.

14. Nonacceptance or Disapproval of a Contractor's Property Control System

a. The PA must be aware that the only Government representative who has the authority to not accept or disapprove a contractor's property control system is the CO. (See FAR 45.104) The PA does not have this authority. The nonacceptance or disapproval of a contractor's property control system is a most serious action with far reaching implications. As the CO is responsible for the overall performance of the contractor and their relationship with the Government, this authority is not delegated to the PA through the Certificate of Appointment.

b. PA's Responsibilities Under a Disapproved and/or Withdrawn System. During a period of system disapproval, the PA shall continuously review contractor management of Government property to determine instances where the contractor shall be held liable for property loss or damage. Property system reapproval is contingent upon the contractor satisfactorily correcting outstanding defects. Special attention will be given to ensuring that any LDD occurring during a period of property system disapproval is identified before reapproval. Priority emphasis will be given to reexamination and testing of the property system functions, functional segments, and criteria where defects have previously been found before system reapproval.

15. Record of System Analysis. As each function is analyzed, the acceptability of the procedures and application shall be appropriately noted or commented on as the basis for the record of system analysis. Upon completing the analysis of the contractor's property control system, the PA shall prepare a written report. This report shall contain a listing of the participating contractor and Government personnel, the PA's findings to support approval of the system, requirement for corrective action prior to such approval, or referral to the CO in cases where the PA is unable to obtain correction of the unsatisfactory condition(s).

16. Summary of Findings

a. At the conclusion of each property system analysis, the PA shall prepare a written summary of findings to support continued approval of the system and/or defects identified and their impact on system approval. System analysis summaries shall be executive-level documents written to concisely communicate property issues to levels of management unfamiliar with property technical terms. Summaries must be written to clearly convey the results of property system analyses in general terms. A formal record shall be prepared by the PA in the following format:

(1) Introduction: Provide contractor's name and address, period of system

analysis, and types of property involved, and applicable procedures.

(2) **Methods Used:** Summarize methods used in performing the review.

(3) **Conclusions:** State defects identified and conclusions reached.

(4) **Actions taken by the contractor and remaining actions, if any, necessary to correct defects.**

b. In the case of a satisfactory limited analysis, the PA shall not prepare a formal summary record. For limited analyses, the file shall be documented to indicate the extent and results of the review. In all other cases, a summary of the system analysis shall be forwarded to the contractor. In those instances where defects exist, the contractor shall be advised of any defects and requested to correct them within prescribed periods. The contractor shall also be advised that failure to correct the defects may result in disapproval of its property control system.

c. For standard analyses, the PA shall prepare a letter transmitting the system analysis summary to the contractor, noting whether the contractor is rated satisfactory or unsatisfactory for system analysis purposes. For limited analyses not requiring a formal summary, the PA shall prepare a letter notifying the contractor of their satisfactory or unsatisfactory rating for system analysis purposes.

d. Distribution of Summary. A copy of the property system analysis summary shall be retained in Contract Property Control Data File, and whenever unresolved defects have been disclosed, a copy of the summary shall be provided to the CO. When the nature of the defects has significant impact on individual contracts or programs, the Procuring Contracting Officer shall also be advised in writing. A copy of the Property Control System Analysis Summary shall be forwarded to all delegating offices; e.g., Support Property Administration Delegations, NASA (see NASA Delegation Instructions), etc.

e. Property Control System Analysis Case File. A case file shall be established for each system analysis performed containing the survey plan, work papers, and the summary. This file will also include all correspondence of discussions, actions, and followup to obtain correction of any unsatisfactory condition. The case file shall be maintained in the Contract Property Control Data File or the Contractor's General File.

B. SAMPLING

1. General. Sampling is a tool to support the PA's judgement; it does not supplant that judgement. Moreover, use of sampling methods and the results thereof shall be subject to judgment and determination by the PA. The PA must be aware that, when large quantities of documents and actions must be reviewed, sampling is more efficient and economical than 100 percent inspection. Sampling is an effective method for reviewing or analyzing a system

whereby an accurate snapshot in time may be obtained. There are times when the PA through observation and judgement may see or become aware of deficiencies in a contractor's property control system that do not lend themselves to analysis through statistical methodologies. Therefore, the PA must be skilled in various audit methods in order to protect the Government's interest.

2. Types of Sampling

a. There are numerous approaches to sampling that are determined by the different fields from which they emerge. The two major approaches are quantitative and qualitative. Statistical sampling comes out of the quantitative methods approach. Judgement and purposeful sampling come out of the qualitative methods approach. It should be noted by the PA that both of these approaches have their own strengths and weaknesses. The PA should be familiar with which approach best suits the function, functional segment, and criterion undergoing analysis.

b. When using a sampling plan, the Government's risk shall not exceed 10% (a 90% confidence level) excepting slight variations due to changes in population sizes. Appendix B contains sampling plans for use in achieving this 90% confidence level. Using this sampling plan the Government will discover defects of 10% or more, if they exist, 90% of the time.

c. CLASS I. Statistical Sampling is the process by which a number of items are selected from the population for analysis so that the sample is representative of the entire population from which it was selected. Statistical sampling is useful where large numbers of items are subject to review and where it is not cost-effective to review all items. This sample allows the PA to review a small number of randomly selected items of a particular functional segment and reach a judgement as to the acceptability of the entire functional segment. Appendix B sets forth the population ranges and sample sizes required for a double sampling plan. Random numbers may be generated either through the use of Appendix C or any other available random number table or computer program designed for such a purpose. Other random selection techniques may be applied (i.e., selecting every thirtieth item) provided they are defined beforehand in the property administration survey plan.

d. CLASS II. Judgment Sampling is the process by which a number of items or areas are selected from the population for analysis without meeting the random selection and sample size criteria in Appendix B. Judgment sampling is useful for functional segments that do not lend themselves to any other methods of sampling; i.e., reviewing the contractor's operation from a floor to records analysis.

e. CLASS III. Purposeful Sampling.

(1) Purposeful sampling is the process by which known, suspected, or reported conditions of a critical or substantial nature are used to select areas, items, or

actions for review to determine the possible adverse systemic impact. It is especially critical, when using purposeful sampling, that items being researched have the potential for significant systemic impact. When the PA determines the potential exists for systemic impact, conditions or items shall be reviewed to determine whether or not a systemic deficiency exists. Conditions or items which have defects but do not impact the system should be reviewed using other methodologies; e.g., Statistical or judgment sampling.

(2) Purposeful sampling is closely related to judgment sampling in that a purely random sample is not drawn. This process is particularly useful for resident PAs who have established a first-hand perspective of the contractor's operations. The use of purposeful sampling presupposes that the PA is aware of an substantial adverse condition within the contractor's property control system that has been disclosed through some other review, occurrence, discussion with or notification by other functional Government area, e.g., Quality Assurance, Production, etc., or contractor operation. Using the information the PA shall purposefully seek out other similar conditions. As this sampling is purposeful, the random number tables in Appendix C would not be used.

3. Selection of Population.

a. The population should encompass the maximum number of items possible within a functional segment that have common characteristics. These characteristics may be categorized by functions, types of property, actions or transactions occurring within the functional segment, or other requirements subject to evaluation. Care should be exercised, however, to ensure that the items in the population have common characteristics and that the same control elements of the property control system apply. Populations selected may be used for the examination of characteristics for more than one function or functional segment; e.g., items selected under the function of acquisition may be used to examine criteria under the functions of receiving.

b. Transactional functions are those functions where a population may be obtained using items selected due to their transactional timeframes. For example, the function of acquisition may be tested by selecting as the population all purchase orders that have been initiated within the past year; the function of receiving may be tested by selecting as the population all receiving reports generated during the past year, etc.

c. Nontransactional functions are those functions where items may not readily be selected due to the lack of transactional timeframes. In such cases, a population may be obtained by estimating or obtaining the entire population. For example, the function of storage does not have transactions but rather the PA reviews the actual storage areas for housekeeping, etc. Therefore, the population consists of all storage sites.

d. In selecting the population for analysis, the PA shall use the following procedure (except that the procedure shall be optional when limited surveillance will be performed):

(1) The PA shall select the function, functional segment, and criterion to be evaluated.

(2) The PA shall estimate the population for those items that have common characteristics to encompass the maximum number of items possible within a functional segment. This population may be obtained from either:

(a) Those items that lend themselves to transactional analysis that have occurred during a set time frame of either 1 year immediately preceding the date of review, or since the last survey, whichever is less.

(b) All items in a contractor's possession, areas of control, or types of property without regard to timeframe in those cases where a timeframe based sample would be impractical.

4. Selection of Random Numbers

a. Using the population obtained, the PA shall determine into which population range it lies. The PA shall then determine the required sample size from column 2 of Appendix B. This indicates the number of items that must be selected from either the random number tables (Appendix C) or equivalent random number generating method.

b. Numbers selected from either Appendix C, or equivalent, shall be arranged in numerical order.

c. In addition, a second set of sample numbers may be drawn at the this time. This set of numbers is for use in the event there are defects uncovered in the first sample that require additional review in accordance with the rejection rates in Appendix B.

5. Selection of a Sample.

a. If the items in the population to be examined are already consecutively numbered, such as on computer generated lists, the items having the numbers corresponding to those obtained from the random table become the sample items. Where items are not consecutively numbered, the items, to make up the sample, should be obtained by counting the items until each of the sample numbers are reached. Each item corresponding to a sample number becomes a sample item.

b. These items shall be recorded on the appropriate worksheet(s), as determined by each agency, and then subject to the appropriate analysis and evaluation required for each function, functional segment, and the applicable criteria.

6. Evaluation of Sample. The evaluation of a sample and the determinations and findings obtained from that evaluation have implications for future actions on the part of the

contractor and the Government. The actions on the part of the PA may include recommending disapproval of the contractor's property control system, negative pre-award surveys and possible impact on the award of future contracts should corrective actions not be taken by the contractor.

a. The PA shall objectively evaluate the sample for item and element defects that impact the system. Defects that are minor, for example those that do not affect the contractor's system of control of Government property but are more clerical in nature, should not be the basis for finding the sample item, criteria, or functional segment unsatisfactory. Multiple defects may be sufficient to lead the PA to determine that they impact the contractor's system of control to such an extent that the criterion, functional segment, or function may be unsatisfactory.

b. Appendix B sets forth acceptance and rejection rates for the various population and sample sizes dependent upon the number of defects found within a given function, functional segment, or criterion. The PA shall use these rates for the acceptance or rejection of populations selected as functions, functional segments, or criteria. The following decisions shall be made by the PA:

(1) If no defects are found in the first sample, the functional segment or criterion shall be evaluated as satisfactory. (See Column 3, Appendix B.)

(2) If the number of item defects found in the first sample is equal to the number of defects found in column 4 of Appendix B, where the defects are not of a systemic nature the functional segment may be evaluated as satisfactory.

(3) If the number of item defects found in the first sample is equal to the number of defects found in column 4 of Appendix B, where the defects are of a systemic nature, the functional segment shall be evaluated as unsatisfactory.

(4) If the number of item defects found in the first sample is equal to the number of defects found in column 5 of Appendix B, the PA shall use the second sample selected in paragraph B.4.c., above. If the total number of defects found in both sample 1 and sample 2 equals or is less than the number specified in column 7 of Appendix B, the functional segment shall be evaluated as satisfactory.

(5) If the total number of defects found in both sample 1 and sample 2 equals or is more than the number specified in column 8 of Appendix B where the defects are not of a systemic nature, the functional segment may be evaluated as satisfactory.

(6) If the total number of defects found in both sample 1 and sample 2 equals or is more than the number specified in column 8 of Appendix B where the defects are of a systemic nature, the functional segment shall be evaluated as unsatisfactory.

c. The impact of system defects disclosed during the course of a system analysis, upon the overall system rating, shall be in accordance with agency direction.

C. SYSTEMS ANALYSIS TECHNIQUES BY PROPERTY FUNCTION

1. Introduction. The PA is responsible for assuring that the contractor is adequately controlling, protecting, preserving, maintaining, using, and reporting Government property in accordance with the contract, FAR 45.5, and other contractually imposed requirements and directions as well as complying with their approved property control system. To accomplish this action, the PA shall use the Functions, Functional Segments and Criteria in Appendix A of this Manual in the evaluation of the contractor's property control system during a system analysis. The PA must exercise judgement in the selection of the Functions, Functional Segments, and Criteria to be reviewed and analyzed during a System Analysis as not all Functions, Functional Segments, and Criteria may be applicable. This may be due to the type of property in the possession of the contractor, the authorities provided the contractor (e.g., no contracts authorizing the acquisition of CAP or GFP), subcontracting practices, or the types of controls instituted over the Government property in the possession of the contractor (e.g., "Receipt and Issue" versus perpetual inventory records). The following factors should be considered, along with agency direction, to ensure adequate coverage of requirements peculiar to particular classes of property and property system elements.

2. Testing Property Management. The PA is responsible for ensuring that the contractor establishes and maintains an approved property control system. The basic objective is to determine the effectiveness of the contractor's property management system and the possible systemic impact of any deficiencies identified. An additional objective of this review is to provide a management overview identifying causal factors that may contribute to deficiencies in other functions and functional segments. Subjective evaluations may include outlining the scope of the system analysis performed, summarizing the functions and functional segments reviewed, and examination of any deficiencies identified for possible trends. Lack of training provided to the contractor's personnel, ineffective communication between organizational elements, failure to be responsive to identified deficiencies, failure to establish current and adequate procedures, or failure to provide adequate protection for Government property to prevent LDD are examples of trends that may have an adverse impact on the contractor's property control system. When the contractor is participating in a self audit program, such as the Contractor Risk Assessment Guide (CRAG) program periodic internal audits are scheduled by the contractor and should be performed in accordance with this schedule. Deficiencies disclosed through these types of internal audits should be disclosed to the PA and corrective actions taken, by the contractor, to correct and prevent reoccurrence of the disclosed problems. Where deficiencies were disclosed through the contractor's internal audit and not corrected, the PA shall notify the contractor and request prompt correction.

3. Testing Acquisition

a. General. The primary objective of conducting a system analysis on the acquisition of Government property is to ensure that only those items and quantities authorized by contract terms and conditions are acquired or fabricated and to ensure the validity of the property classifications. To meet this objective, the PA's analysis shall include a review of the actual procurement and fabrication documents, including material requisitions, purchase orders, contract transfer documents, petty cash documents, fabrication orders, or engineering change proposals, as applicable. These documents may serve as the population for selection of the sample to be analyzed. The PA should also review the cost vouchers submitted to the CO for payment to obtain information regarding the dollar value of direct charges for property against the contracts to ensure that reviews encompass all property charges to the contract. Another objective is to determine if contractor acquisitions involve excessive quantities resulting in unnecessary costs and increased storage and handling charges. Examination of the items acquired is necessary to determine if the property is appropriate for direct charge under the contract and reasonably required in the performance of the scope of work. Examination of manufacturing order quantities is also necessary to determine if excessive quantities of parts or assemblies (taking into consideration minimum buys, bulk purchases, mortality, economic order or manufacturing quantities, etc.), were manufactured.

b. Acquisition of Special Test Equipment. The PA shall review the acquisition of STE to assure that the contractor has submitted the required notice of intent as specified in the Special Test Equipment Clause (FAR 52.245-18). Attention to the proper classification of STE is of primary importance to prevent the misclassification and acquisition of general purpose test equipment as Special Test Equipment.

c. Acquisition of Facilities. The PA shall review the acquisition of facilities to ensure that only those items authorized by the contract or CO were acquired. The PA shall review DIPEC or other screening requirements (e.g., DARIC, NASA, etc.) to ensure that items were not acquired when Government assets were available.

d. Supplemental Material Acquisition Reviews. PAs are encouraged to perform a supplemental material acquisition review on all production contracts completed since the last analysis when the following conditions are present:

- (1) GFM or CAM are accountable;
- (2) a bill of material, Material Requirements Lists, or Master Production Schedule exists; and,
- (3) there are limited engineering changes.

These reviews will be performed by comparing the bill of material to the total quantity acquired and the total quantity acquired to the bill of material to ensure that material is not in excess of the total bill of material requirements, after allowing for a spoilage factor,

engineering changes, etc. PAs may recommend to the CO that excessive acquisition costs be disallowed and/or possible disapproval of the contractor's property control system. Where excessive GFM is identified, the PA shall notify the MCA(s) for corrective action.

4. Testing Receiving

a. Receiving Process. The PA's responsibilities, as part of the system analysis program, includes a review of the contractor's receiving system to ensure that the system specifies:

(1) Physical inspection of the shipping containers for evidence of obvious damage, comparison of incoming receipts with due-in records to determine if the correct item and/or quantity was received, and immediate notification to shipper (driver) of obvious damage disclosed during the initial receiving of Government property.

(2) Special handling instructions regarding the acceptance inspection and/or test requirements, sensitive property; i.e., precious metals, explosives, corrosive chemicals, etc., and special storage requirements.

(3) Documentation supporting receipt. The PA must ensure that procedures require the receiving documents be maintained, distributed, and contain the entries necessary for the protection of the Government's interest. The PA should examine receiving reports and/or Government shipping documents (DD Form 1149, "Requisition and Invoice/Shipping Document"; DD Form 250, "Material Inspection and Receiving Report"; DD Form 1348-1, "DoD Single Line Item Release/Receipt Document"; and MCA reports). The population may be determined from the contractor's receiving dock log, MCA reports for GFM, property number register for equipment, and fabrication records, where applicable.

5. Testing Identification. The PA is responsible for ensuring that the contractor has established proper procedures for the identification, marking, and recording of Government property upon receipt or fabrication, unless exempted by FAR 45.506. The basic objective is to determine the effectiveness of the contractor's system in identifying Government property. A thorough analysis would validate that the assigned numbers are recorded on all applicable documents, as well as marked on the particular pieces of property. The PA shall use as the population all property records. Testing of this function may be accomplished during the testing of other functional segments.

6. Testing Records. The PA is responsible for ensuring that the contractor has established proper records for all Government property. The basic objective is to determine the effectiveness of the contractor's system of records for accountability of Government property in accordance with FAR 45.5 and other applicable contract requirements. In conducting reviews of the records function, the PA should examine the contractor's accountable records and support documentation by physical verification. The following guidance is provided to aid the PA in selecting appropriate documents for establishing a

population and selecting samples:

a. The population for the function of records may be obtained from the following: stock records (whether manual or automated, for all classes of Government property, except for material accountable under a receipt and issue system), receipt and issue files, historical records, fabrication records, custodial records, warranty item records, and scrap and salvage records.

b. Samples from these populations shall be reviewed for proper postings of receipts, issues, returns, inventories, adjustments, and disposition, in an accurate, complete and timely fashion. Documentation should be available to support all entries. These support documents may consist of receiving reports, requisition slips, issue documents, inventory adjustment vouchers, transfer documents, shipping documents, etc. Verification of the actual physical property (location, description, quantity, etc.) is required as part of this review. In addition to the records to property review, the PA shall perform a property to records review to ensure that records have been established and the locator system is adequate.

7. Testing Movement. The PA is responsible for ensuring that the contractor has established a proper method of movement for all Government property. The basic objective is to determine if Government property is moved under the proper authority, with appropriate documentation, adequate protection is provided during movement, location changes are promptly posted to the records, and any losses or damage occurring during movement are promptly reported to the PA. The population for the function may be drawn from all issue slips, shipping tickets, location change orders, custodial transfer documents, maintenance work orders, and other similar documents. The testing of movement may also be accomplished during the testing of other functional segments.

8. Testing Storage. The PA is responsible for ensuring that the contractor has established a proper method of storage for all Government property. The basic objective is to determine the effectiveness of the storage function on the control, protection, and preservation of the Government property in storage. This function is normally reviewed by visual inspection of the areas where Government property is stored. Visual inspection of these areas may also be accomplished during the testing of other functional segments. Subjective evaluation may include reviewing the housekeeping, access, packaging, and preservation of the Government property located in the storage areas. For example, the storage areas are clean and organized, access is limited to authorized personnel, and items are treated for short term or long term preservation. Objective evaluation may include reviewing the physical security of the Government property located either in inside storage or outside storage, if required. For example, for outside storage of Government property there is adequate lighting, fencing, or control of access to those locations to prevent theft of Government property. In addition, items stored outside are not prone to rust or deterioration and may be better suited to inside storage. Certain types of Government property, such as arms, ammunition, and explosives, may require more stringent storage requirements. Where necessary, the review of these storage areas should be coordinated with the appropriate

Government technical representatives; e.g., Quality Assurance, Safety, or Security.

9. Testing of Physical Inventories

a. The PA is responsible for ensuring that the contractor has scheduled and performed physical inventories of Government property in accordance with the contractor's approved property control system. The basic objective is to determine the effectiveness of the physical inventory function about physically locating and counting Government property, comparing the results to the records, posting the findings and adjustments, and reporting the adjustments to the PA.

b. The PA has the option of performing analyses of the contractor's physical inventories either during the performance of the inventory or subsequent to its completion. In either case, the tests shall evidence physical counts of selected items without knowledge of record balances, verification of the entries on count slips, comparisons with records, preparation of documents necessary for any adjustments required, approval of adjustments, and the referral of lists of all recorded adjustments to the PA. Populations and their respective samples may be drawn from records of Government property or from physical inventory documentation such as count slips, inventory tickets, computer printouts, or similar items. Subjective evaluations may include a review of the techniques employed by the contractor to accomplish the physical inventory; e.g., ensuring the inventory was accomplished and completed as scheduled, ensuring the inventory was not performed by the individual(s) responsible for keeping the records, and inventories are performed at contract completion, when required.

c. Property to Records. The PA may select a judgmental sample of all types of Government property from the contractor's working areas; e.g., manufacturing areas, fabrication areas, storage areas, etc. to ensure that the physical inventory has been performed and recorded.

10. Testing Reports Preparation. The PA is responsible for ensuring that the contractor has established a proper method of preparation and submission of reports that reflect the status of Government property, as required by contract or regulation. The basic objective is to determine the accuracy, completeness, and timeliness of submission. Evaluation may include reviewing such reports as the DD Form 1662 (DOD Property in the Custody of Contractors), NASA 1018, and other reports as required by contract terms and requirements, e.g., repair status, GFM reports, etc. Chapter 3, section L, of this Manual provides specific guidance on the property control system requirements concerning the DD Form 1662.

11. Testing Consumption of Materials

a. The purpose of consumption analyses is to determine that materials are consumed commensurate with contract requirements, with reasonable allowances for scrap and spoilage and not diverted to other work. The PA shall evaluate consumption consistent

with the contractor's environment, be that production; overhaul, modification, and repair; or research and development (R & D). Consumption may be tested using the Consumption Analysis Worksheet (Appendix D), or automated equivalent.

b. Reasonableness of consumption in an R&D environment requires a somewhat different approach since bills of material are not normally available. The quantity issued for use must be determined by examining the issue or movement documentation. The decision on whether the consumption was reasonable depends primarily on judgment supported by sufficient investigation to reach a decision. When the quantity issued is relatively small, indicating immediate use, then there is little possibility of unreasonable consumption. However, where a larger quantity is issued, the possibility of unreasonable consumption may exist. Additional discussion with Government technical personnel may be used to confirm the conclusions. The adequacy of the physical controls should also be considered as this is a factor that may have a bearing on the possibility of unauthorized use or pilferage.

c. A consumption analysis should be performed outside of the system analysis when the PA has identified symptoms of unreasonable consumption. These conditions are most readily visible when it is determined that the contractor has exhausted the stock of materials before contract completion or has acquired quantities that exceed planned material requirements. When these conditions are identified, consumption analyses should quantify the extent of the problem and identify causal factors. When the survey discloses consumption of Government material that is considered unreasonable by the PA, action shall be initiated to determine the liability of the contractor for the unreasonable consumption.

d. The Consumption Analysis Worksheet (Appendix D) has been developed to be used as a tool in performing these analyses. The worksheet format provides latitude to the user, and all elements do not apply to all materials being reviewed. The format may be adapted by the PA for analyses on R & D, production, or overhaul and repair contracts.

e. Consumption analysis reviews can be extremely complicated and the format may require modification to address certain conditions. As such, it is not considered mandatory as long as adequate consumption analysis techniques are applied when required. Each PA is responsible for the adequacy of consumption analyses and for providing sufficient training to industrial property management specialists to ensure that reviews are properly performed.

12. Testing Utilization. The PA is responsible for ensuring that the contractor has used Government property in accordance with contractual authorization and the contractor's approved property control system. The basic objective is to determine if the contractor is using the Government property for the purposes and time authorized. The population should be selected from all Government property records (excluding material), stratified by property type with common utilization characteristics. For example, ST and STE may be grouped as one population for sampling purposes. All IPE may be grouped as one population due to its common utilization requirements. The PA must use sound judgment in determining the

groupings selected for testing the utilization function. The PA should be particularly concerned with any unauthorized use, use in excess of allowable time on non-Government work, proper recording of actual use, and failure to maintain the required utilization records.

a. Agency Peculiar Property (APP), Special Test Equipment (STE) and Special Tooling (ST). The contractor should use APP, STE, and ST for authorized purposes only, and have a system to determine if this property is excess to the contractor's needs. There must be a contractual requirement for each item in the possession of the contractor. The PA should perform utilization evaluations to ensure the proper utilization and declaration of excess. There is no formula for determining a minimum level of use for these items as they are specialized in nature, and are needed for a specific use. PAs should be aware that the utilization levels of these items may be affected by the purpose of the contract (overhaul and maintenance versus production), the type of testing the item was used for (continuous versus final acceptance), and lastly the reason the property was provided; e.g., as a model or for configuration standards.

b. Facilities. The PA is responsible for performing a review of the utilization of facilities but this review may be delegated to other appropriate technical representatives. The PA should ensure that facilities are used only as authorized. The PA should be particularly concerned with the authorized limits of non-Government usage as set forth in FAR 45.407 and as approved by the CO. In addition, the PA should be aware that non-Government use that exceeds 25% of the time available for use requires advance approval of the head of the agency.

c. PAs should conduct reviews as part of the system analysis program of vehicular equipment provided to the contractor in support of contract performance. Such reviews should be made to ensure that Government-owned vehicular equipment is in an economical operating condition and is still justified for retention by the contractor, and meets the requirements of DoD 4500.36-R.

13. Testing Maintenance. The PA is responsible for ensuring that the contractor has established a proper method of maintaining Government property. All property shall be reviewed to ensure that all required maintenance is scheduled and performed. The population for analysis may be selected from all items that require maintenance as part of their normal operation or stratified by property type requiring varying levels of maintenance actions. Maintenance actions and records shall be reviewed to determine that they have been performed and recorded in accordance with the maintenance portion of the contractor's approved property control system. Also, maintenance and repair records shall be analyzed to determine the cause of breakdown to ascertain the possibility of inadequate preventive or routine maintenance. This function may be reviewed by technical specialists other than the PA.

14. Testing Subcontract Control. The PA is responsible for ensuring that the prime contractor has established adequate control over its subcontractors who have been provided

Government property. This may take place either through the prime contractor performing surveillance of its subcontractors or through the prime contractor electing to rely upon the Government's surveillance through the operation of a support property administration delegation. The PA should be aware of all subcontracts, purchase orders, IDWAs, IOTs, etc., that contain or provide Government property to a subcontractor. The population for analysis may be predicated on these documents. Areas within the subcontract function that are of critical concern are:

- a. The flowdown of proper clauses and provisions; e.g., the requirements of FAR 45.5, the liability requirements, the ST and STE clause requirements, where applicable.
- b. The required approvals by the CO for incorporation and flowdown of the limited risk of loss provisions, and the administration of the risk of loss provisions on behalf of the Government for any instances of LDD of Government property in the possession of the subcontractor.
- c. The adequacy of the contractor's system of surveillance incorporated in its property control system and applied throughout the life of the subcontract, etc.

15. Testing Disposition

- a. The PA is responsible for determining if the contractor has a system for disclosure of excess Government property and effecting its timely disposition. The basic objective is to determine the effectiveness of the disposition function on screening, identifying, submitting inventory schedules to the proper Government representatives, and obtaining the proper authority for disposal of excess Government property.
- b. This function is normally reviewed by selecting as a population all disposal records including plant clearance cases, transfers, scrap tickets, GFM return documents, and other appropriate documents. These records should include a file containing proof of in-house screening and a copy of the inventory schedule or other appropriate documents. In addition, the contractor's records shall have written authority for disposal and a copy of the disposal document to provide a complete audit trail. When appropriate, the PA should ensure that the contractor has a system for properly crediting the Government with the proceeds realized from the sales of assets.
- c. When plant clearance is performed in residence, portions of the disposition function analysis may be performed by the Plant Clearance Officer (PLCO) instead of the PA. This is predicated upon their continuous visibility of the disposition process. In any case, the PA should interface with the PLCO to obtain information related to system effectiveness that is visible from the plant clearance perspective.
- d. Testing authority for disposition. The PA must determine that disposition of Government property is based on contractual or other Contracting Officer authorizations.

When all property has been dispositioned through plant clearance, the PA may select samples from inventory schedules or other plant clearance documentation for this analysis. However, when multiple disposition methods are utilized; i.e., transfers, returns to supply sources, plant clearance, etc., the PA should select samples from inventory records reflecting disposition to determine that all actions taken were properly authorized. This analysis is appropriate in conjunction with the contract closure task. If the disposal action was unauthorized, the contractor should investigate and report the incident for determination of liability or other remedy before relief of responsibility.

16. Testing Contract Close-Out

a. The PA is responsible for ensuring that the contractor has a method to ensure that all contract close-out actions related to property are completed. The basic objective is to determine the timeliness and effectiveness of the contractor property close-out function.

b. This function may be analyzed during the PA's final review of contractor close-out actions, or the PA may test all contractor close-out actions over a period of time. Subjective evaluation may include reviewing the timeliness of submission of contractor close-out reports, accuracy of reports, the adequacy of the contractor's method for tracking contracts nearing completion, and the timely initiation of appropriate actions to close-out affected contracts. Objective evaluations may include verifying that the contractor has obtained all required authorizations for property transfer, completed directed disposition actions, ensured completion of liability determinations, and submitted all required reports, including a close-out DD Form 1662.

c. When no contract close-out actions have been initiated or completed since the last analysis, the PA may only address the tracking of contracts nearing completion. Where no contract close-out actions have been reported, the PA should review for any contracts that have been completed but not reported for close-out.

Chapter 5

SPECIAL TOPICS RELATED TO THE PROPERTY ADMINISTRATION PROCESS

A. PROPERTY ADMINISTRATOR SUPPORT TO PROGRAM MANAGERS AND LOGISTICS PERSONNEL

1. Scope. This section provides policy and guidance to the PA and other Government personnel regarding the role of the PA at procuring activities.

a. Industrial Property Management Specialists (IPMS) should be designated at procuring contracting activities to assist Contracting Officers (COs) in the preparation and negotiation of contracts. They should participate in source selection and preaward surveys whenever a program will involve significant amounts of Government property. Once contracts are awarded, IPMSs should maintain liaison with PAs having cognizance for contractor locations and coordinate property administration issues.

b. IPMS support to COs, program managers, and Government logisticians is critical in ensuring that contract provisions associated with both program and system-related Government property to be provided to or acquired by contractors are properly implemented and administered.

c. When IPMSs are not available at contracting activities, PAs at contractor locations should resolve property issues directly with the CO or other established point of contact. It is vital that effective communication be established and maintained between IPMSs at program offices and PAs at contractor locations throughout the course of any major program to provide the basis for identification and resolution of Government property issues.

d. Effective coordination between PAs and IPMSs is critical whenever contracts provide Government-furnished property from Government depots, other contractors, or other sources. PAs must be fully aware of the types and amounts of authorized Government furnished property and the method of providing the property to the contractor. Whenever contractor acquisition of Government property through MILSTRIP procedures is authorized, PAs must ensure that only authorized property and quantities are being ordered by contractors and that correct MILSTRIP procedures are being used. Similarly, PAs must determine if delays are being experienced in the receipt of property required for contract performance. Contact must be maintained with program or depot logistical personnel for this purpose.

e. On major programs involving Government property, PAs should have direct interface with program personnel. Acquisition, utilization, and disposition of property may be reviewed on a program basis.

f. As programs near completion, PAs and IPMSs must plan for and coordinate the close out of property related issues. They must ensure that property is promptly reported for plant clearance once it is excess to contract requirements or ensure that other disposal provisions of the contract are complied with. The PLCO is responsible for screening, sales, and other disposal techniques to be used. However, the PA and IPMS must remain aware of the status of the disposal process and provide support as required to ensure timely and effective disposal of Government property at contract completion.

B. MANAGEMENT CONTROL ACTIVITY

1. Scope. This section provides policy and guidance for PAs in administering the DoD Instruction Number 4140.48 dated 6 March 1986, Subject: Control of Access to DoD Material Inventories Required by Defense Contracts.

2. Definition. Management Control Activity (MCA). DoD Component-designated activities that initially receive and control requisitions for GFM supplied from the wholesale DoD Supply system to support defense contracts or requirements.

3. Purpose. DoD Instruction 4140.48 provides policy, procedures, and responsibilities for authorizing access to DoD material inventories under defense contracts by controlling individual requisitions for Government-furnished material; and informing the CAO of material shipments to contractors under their cognizance.

4. Management Control Activity. Each DoD Component authorizing the use of GFM by contractors shall establish one or more MCA to maintain control over all contractor access to the DoD supply system.

a. Each MCA shall establish a system that:

(1) Causes all contractor initiated requisitions and/or DoD-initiated requisitions, which are coded for direct shipment to a contractor, to flow through the MCA for validation and approval.

(2) Restricts contractor access to specific predetermined items or classes of material authorized, to include maximum quantity, by insuring that requisition validity and authority are consistent with the terms of an existing contract.

(3) Rejects contractor requisitions that do not comply with the requirements of an existing contract. DoD supply sources will reject contractor initiated and/or DoD requisitions which are coded for direct shipment to a contractor for GFM that have not passed through and been approved by an MCA.

(4) Passes approved requisitions to the appropriate DoD source for supply

action.

b. MCAs will establish a management reporting system that:

(1) Maintains a contract, requisition, and shipment status history file that serves as a record of GFM transactions.

(2) Provides DoD CAOs a status report that reflects the shipments of GFM to contractors or to DoD activities for subsequent shipment to contractors and of the GFM requisitions that were rejected.

(3) Alternative to subparagraph B.4.b.(2) above, provides DoD CAOs a status report that reflects the discrepancies between shipments for contractors and receipts by those contractors or interim DoD activities and the GFM requisitions rejected.

5. PA Responsibilities. PAs shall use the GFM status reports provided by the MCAs, or other activity, to verify receipt of GFM or reconcile discrepancies between shipments and receipts during reviews in accordance with this Manual and agency direction.

6. Information Requirements. A GFM Status Report should be provided by the MCAs, or other activity, to DoD CAOs administering contracts. The report should be prepared quarterly for the reporting periods ending June 30, September 30, December 31 and March 31. The report shall provide the following information:

a. Shipment of GFM to Contractors.

b. Requisitions Rejected.

c. Shipment of GFM to Contractor For Which Receipt Is Unknown.

C. MATERIAL MANAGEMENT AND ACCOUNTING SYSTEM

1. Scope. This section provides policy and guidance for PAs in providing support to COs for performance of DFARS prescribed responsibilities related to contractor MMAS.

2. Definition. MMAS means the contractor's system(s) for planning, controlling, and accounting for the acquisition, use, and disposition of material. MMASs may be manual or automated and they may be integrated with planning, engineering, estimating, purchasing, inventory, and/or accounting systems, etc., or they may be essentially stand-alone systems.

3. Policy. MMAS policy is prescribed by DFARS 242.7203.

4. General

a. DFARS 242.72 establishes requirements to protect the Government's interests in materials when the contractor has established an MMAS system. These interests include Government materials subject to FAR Subpart 45.5, as well as a financial interest in materials financed through Government progress payments.

b. MMAS provisions require careful coordination, communication, and understanding among the CO staff, the contractor, and the DCAA auditor. The PA, as an authorized representative of the Contracting Officer, with specialized knowledge of inventory control practices, should be a key member of the CO staff in support of MMAS requirements.

c. MMAS systems are unique in that they authorize contractors to physically commingle materials for which costs are charged or allocated to fixed-price, cost-reimbursement, and commercial contracts. The PA must, therefore, ensure that MMAS systems do not place the Government at undue risks related to material losses, or unauthorized diversion of Government assets to other work of the contractor.

d. An MMAS system does not apply to Government-furnished material, other than those items acquired through a "cash sales" program.

5. Physical Inventories Prescribed for MMAS Systems. DFARS 242-7206(b)(5) requires adequate levels of record accuracy, including reconciliation through physical inventories. Although the nature and extent of these inventories are not prescribed, physical inventory requirements, including methods and frequency, should be based on the extent of risk posed to the Government, as described in DFARS 242.7208. PAs must ensure that both the records and physical inventories of Government-owned materials within an MMAS system comply with the contractual requirements of FAR 45.5. For all MMAS materials, PAs should assist the CO to determine if the contractor has complied with the physical inventory requirements of DFARS 242.7206(b)(5).

6. System Evaluation. DFARS 242.7208 prescribes an MMAS system evaluation to be conducted at least every 3 years except where the CO, in consultation with the auditor, determines that past experience and a current vulnerability assessment of the contractor discloses low risk. Where the Government is at high risk, more frequent evaluations are authorized.

7. PA Participation in MMAS System Evaluations

a. PAs should participate in MMAS evaluations as scheduled by the CO to provide technical input on system requirements related to inventory control. PAs shall ensure that contractors maintain an adequate audit trail of property-related actions for Government-owned and progress payments materials, when requested by the CO, accountable to an MMAS system from acquisition through disposition. Use existing system analyses techniques for this purpose, but include MMAS materials in the review during the MMAS

system evaluation. Property functions to address include acquisition, records, physical inventories, consumption, and disposition.

b. MMAS evaluations should include consideration of the specific inventory control issues related to standards prescribed by DFARS 242.7206. These include:

(1) Ensuring that the contractor has adequate procedures and policies to address the property control elements of MMAS requirements. (See DFARS 242.7206(b)(1).)

(2) Determining if contractor internal audits of MMAS adequately address property issues. (See DFARS 242.7206(b)(10).)

(3) Ensuring that material acquisitions of MMAS inventories are based on valid material requirements planning documents such as bills of material, material requirements lists, or comparable documents. (See DFARS 242.7206(b)(2).)

(4) Ensuring that contractors maintain an adequate audit trail and records of property transactions involving MMAS assets. Transactions involving Government-owned material must comply with the requirements of FAR 45.5. (See DFARS 242.7206(b)(4).)

(5) Assisting the CO to determine the adequacy of contractor procedures and practices for transfers of parts. Ensuring that transfers are authorized and that the Government is not placed at undue risk associated with the transfer process. (See DFARS 242.7206(b)(6).)

(6) Ensuring that contractor procedures for loan and/or payback of MMAS assets conform to sound inventory control practices. As a minimum, the PA should ensure that a ledger or comparable record is maintained of all loan and/or payback transactions to ensure that Government financial and other interests are fully protected. (See DFARS 242.7206(b)(7)(ii).)

(7) Ensuring that systems provide for operational exceptions such as identifying excess and/or residual inventory as soon as it is known and initiating proper disposition action based on contract requirements and other factors. (See DFARS 242.7206(b)(3).)

D. PROGRESS PAYMENTS INVENTORY

1. Scope. This section provides information to the PA on the contractual provisions concerning Progress Payments Inventory. FAR 45.000 and 45.502(c)(2) state that progress payment inventory is exempt from FAR 45 requirements. The PA's involvement is limited to supporting requests for assistance from the Contracting Officer.

2. General. Progress payment inventory is that property acquired by the contractor to which the Government has a vested interest solely through FAR 52.232-16 progress payment clause provisions. The progress payment clause and FAR Part 32 provide policy and direction related to progress payment inventory. The intent of these provisions is to prevent overpayment of progress payments and to recoup progress payments allocable to lost or damaged property. The contractor is required to maintain an accounting system and controls adequate for the proper administration of the progress payment clause requirements. FAR 45.502(c)(2) specifically exempts progress payment inventory from FAR 45.5 property control requirements. However, the progress payment clause establishes property control requirements pertaining to progress payment inventory. These property control requirements may be administered by the PA, if requested by the CO.

3. Purpose and Intent of Progress Payments. Progress payments are provided as a means of financing contract performance and reducing financial burden on contractors. Since material and other contract costs are financed through the progress payments, the Government obtains title to the property until such time as contract requirements have been complied with and the progress payments are considered liquidated. Various courts have ruled differently as to whether the Government obtains clear "Title" or just a "security" or "collateral" interest i.e., a lien. The Government's position is that title and not merely a lien is obtained. However, in those cases where a court rules that only a lien is obtained in the event of contractor default, either through bankruptcy or termination the security interest protects the Government's investment in the property and provides a basis for recovery of the inventory. Unfortunately, in these cases, the Government may have to wait its turn with other creditors and/or financiers for a chance to recover the property to which it claims title.

4. Administration of Progress Payment Inventory Provisions

a. Although progress payment inventory is not subject to FAR 45.5, the contractor is required to adequately control this property. Special property reviews of progress payment inventory shall be performed at the request of the CO.

b. Reviews of firm fixed-price contracts should be on an exception basis when the Government has reason to believe that progress payment inventory is being managed in a way that places the Government at significant risk.

c. PAs may also become involved when there is progress payments inventory remaining on terminated contracts or when the contractor has filed for bankruptcy. This involvement shall be at the CO's direction. The degree of involvement shall be determined at the agency level.

E. ADMINISTRATION OF SPECIAL TOOLING CLAUSE PROVISIONS

1. PA Responsibilities for Administration of FAR 52.245-17 Provisions.

a. The provisions of FAR 52.245-17, Special Tooling clause, provide the Government a method by which it may acquire a "Right to Title" to special tooling which the contractor may acquire in support of a Government contract. The clause also serves to identify tooling needed to support Government post production logistical requirements. Close coordination is needed between the buying activity, DoD logistical functions, contractors, and CAOs to coordinate implementation of the Special Tooling clause and management of tooling subject to the clause.

b. The clause is intended to be incorporated within contracts where the Government has identified a significant potential for Government use of tooling following completion of the production phase for a DoD program. For example, tooling for an aircraft production contract may be required for fabrication of spare parts or other repair effort after the production phase is complete. Where significant logistical provisioning for a DoD program is anticipated, incorporation of the FAR 52.245-17 clause is generally appropriate.

c. Conversely, when there is little potential use for special tooling after contract completion, or the use of the tooling is limited to its original contractor, incorporation of the special tooling clause is generally not appropriate. Buying activities and logistical functions must work closely together to consider the cost and potential benefits of incorporation of the special tooling clause.

d. The Special Tooling clause, FAR 52.245-17, applies only to tools acquired by the contractor for contracts containing the clause. Under the clause the Government has the option to take title to this ST as set forth in the clause. Generally, the PA is not involved with the control of "Right to Title" special tooling (RTTST) as this tooling is not subject to the requirements of FAR 45.5. The Government has a recognized interest in tooling subject to the Special Tooling Clause although the contractor has title to this RTTST until such time as the Government takes title at the direction of the CO. The PA may, at the request of the CO, become a participant in this process as a technical advisor to both Government and contractor personnel in special tooling management issues.

e. Tooling subject to the special tooling clause is not subject to FAR 45.5 and therefore is not generally included in the PA's System Analysis. Generally, contracts containing the Special Tooling clause, as the only Government property clause, are not picked up for property administration assignment by the PA. For contracts containing the Special Tooling clause, the PA may be requested to assist the CO in the administration of inventory control and reporting requirements of the clause. The PA, at the CO's request, may be responsible for the following actions:

- (1) Ensuring that special tooling acquired for contract performance is required

and does not include property misclassified as special tooling.

(2) Ensuring that existing tooling is transferred to Government contracts only when a contractual requirement exists within the gaining contract.

(3) Ensuring that the contractor develops and maintains data and records prescribed by the clause.

(4) Ensuring that special tooling is properly maintained.

(5) Ensuring that special tooling is used only as authorized.

(6) Ensuring that contractual provisions are incorporated in subcontracts, when appropriate, and enforced by the prime contractor.

(7) Ensuring that listings of special tooling are properly and accurately prepared and distributed by the contractor as prescribed by the Special Tooling Clause.

(8) Ensuring that the contractor promptly identifies and reports special tooling that is excess to contractual requirements.

(9) Providing support to COs and logisticians to coordinate retention planning of tools.

(10) Providing support, as required, to the disposition process of Special Tooling Clause assets. Although disposition of this tooling is not subject to the provisions of FAR 45.6, the CO or other Government representative must initiate screening, shipment, and other disposition actions in accordance with provisions of the clause.

F. AUTOMATED DATA PROCESSING EQUIPMENT

1. **Scope.** This section provides policy and guidance for PAs in administering their responsibilities on the acquisition, control, maintenance, utilization, reporting and disposition of Government-owned or leased automated data processing equipment (ADPE) provided to contractors for the performance of Government contracts.

2. **General.** ADPE is defined in FAR 31.001. ADPE is generally categorized as plant equipment (See FAR 45.101) but may be classified under other categories dependent upon its use, purpose, or application.

3. **Policy.** It is the policy of the DoD that ADPE will not be acquired from commercial sources until it is determined that the requirements cannot be met through the ADPE Reutilization or Automated Resources Sharing Programs at a cost savings to the Government. The Defense Automation Resources Information Center (DARIC) under the

Defense Logistics Agency (DLA) has been established to serve as the focal point for the DoD ADPE Reutilization or Automated Resources Sharing Programs. ADPE will not be procured, exchanged, sold, transferred, or disposed of without prior clearance through DARIC. To assist in the identification of ADPE, DoD 7950.1-M contains an appendix of noun names of the most common types of ADPE that are reportable for ADPE reutilization screening.

4. Acquisition. When a DoD contractor has a requirement for computer equipment exclusively for use as facilities, special test equipment, plant equipment or material, under one or more Government contracts, the contractor shall submit a DD Form 1851 with documentation attached as required by DFARS 270.604 to the CO with a copy to PA. Before submission to the CO for approval to purchase, the CO shall forward the approved requirements to the Director, Defense Automation Resources Information Center (ATTN: DARIC-R), Cameron Station, Alexandria VA 22304-6100 in accordance with the Defense Automation Resources Management Manual, DoD 7950.1-M. The provisions of on-line screening for possible reutilization of ADPE are applicable regardless of the manner of acquisition or dollar amount. ADPE with an acquisition cost of \$25,000 and above shall be screened using DD Form 1851, or through the remote on-line screening process.

a. Acquisitions must be approved in accordance with DFARS 270.601 in the following situations:

(1) If a contractor acquires ADPE for the account of or if title to the ADPE will pass to the Government.

(2) If a contractor leases ADPE, and the lease will not be for the account of the Government or title will not pass to the Government, and the total cost is to be allocated to one or more Government contracts requiring the determination or negotiation of costs.

b. Acquisitions must be approved in accordance with DFARS 270.603 if a contractor leases ADPE with an annual cost in excess of \$500,000, and more than 50% of the cost is allocated to Government contracts requiring the negotiation or determination of costs.

c. When leased ADPE is used on a Government contract and the total cost is charged to the Government under cost reimbursable contracts, the Government shall have the initial option to use any purchase credits or benefits earned through rental payments. The CAO shall ensure that this provision is in the lease agreement as required by DFARS 270.606.

d. Acquisition of ADPE acquired as facilities must meet the requirements in FAR 45.302-1.

5. Utilization. The contractor shall use ADPE for authorized purposes only. The

contractors's procedures shall include an acceptable method of accumulating utilization data in sufficient detail to determine the extent and manner of use of all ADPE, classified as plant equipment valued at \$5,000 or more. The prior written permission of the CO is required for any non-Government use of ADPE in accordance with DFARS 270.605. This approval may be granted if the requirements of FAR 45.407 are met and no additional costs are incurred by the Government.

6. Disposition. Excess ADPE and associated spare parts in the possession of contractors, whether leased or Government-owned, will be reported in accordance with DFARS 270.14 and DoD 7950.1-M. The CO or his designated representative, which may be the PA or the PLCO, is responsible for ensuring that the contractor identifies and reports all ADPE, regardless of Federal Supply Class (FSC) in which it was originally provided or property category (facilities, STE, material, etc.), that is projected to become excess to the contract.

G. GOVERNMENT-OWNED REUSABLE CONTAINERS

1. General. Government-owned reusable containers may consist of four major types: serialized special design, nonserialized special design, common design, and special tooling or special test equipment containers. Areas that require surveillance while in the possession of the contractor are acquisition, receipt, storage, movement, recording, reporting, inventory control, utilization, maintenance, and disposition.

2. Receipt of Reusable Containers. Contractors with reusable containers in their possession, whether acquired and/or fabricated by the contractor for the Government or provided by the Government, must receive and record the property in accordance with their approved property control system. The contractor may order Government-owned reusable containers from inventory control points when authorized by the contract by initiating appropriate MILSTRIP requisitions. The receiving process will require that the container quantity, part numbers, and serial numbers are verified whether received on a packing sheet, Government bill of lading, DD Form 1149, or DD Form 1348. During the receiving process, the containers must be inspected for damage in the presence of the carrier. Before releasing the carrier, the contractor receiving inspection employee should annotate discrepancies if there are any found, and obtain the driver's signature on the freight bill.

3. Classification and Control of Reusable Containers. Government-owned end items returned to the contractor under contract for overhaul, modification, or repair may be shipped to the contractor in specially designed and fabricated containers. These containers shall be classified as agency peculiar property, and are subject to the requirements of FAR 45.5. Specially designed and fabricated reusable containers for special tooling should be considered as special tools and accountability maintained either jointly with the tool or independently when the container design and fabrication costs are charged to special tooling accounts. Another factor to consider is whether the container is dedicated to the storage, movement, shipment, and protection of specific tools. Often a special tooling container

consists of wooden or fiber boxes and formed protective foam, and should be identified as part of the special tooling set or unit. The container should have an identification tag and number that identifies it to the specific special tooling set. The container identification number, as well as container description, must be a part of the tooling records for the set or unit.

4. Physical Inventory of Reusable Containers. Contractors should physically inventory all reusable containers in their possession in accordance with their approved property control system or as specified in the contract.

5. LDD of Reusable Containers. LDD of Government-owned reusable containers should be reported at time of discovery as any other type of Government property; however, in some cases, there may be a contract provision for the repair of damaged reusable containers at the Government's expense.

H. SENSITIVE PROPERTY

1. Scope. This section provides policy and guidance for PAs in administering contract requirements relating to sensitive property (See DFARS part 223).

2. Definition. Sensitive property is property for which the theft, loss, or misplacement could be potentially dangerous to the public safety or community security, and which must be subjected to exceptional physical security, protection, control, and accountability. The following types of property shall be designated as "sensitive" in the contractor's property management system:

a. Weapons such as carbines, grenade launchers, rocket launchers, machine guns, pistols, recoilless weapons, revolvers, rifles, or shotguns.

b. Ammunition for the above weapons.

c. Explosives including demolition material (e.g., detonators, charges, blasting caps, firing devices, fuses, primers, timers), grenades, mines, and explosive waste developed from the manufacture of the foregoing.

d. Narcotics and dangerous drugs.

e. Radioactive Material. Any item or material that is, in itself, radioactive or that is contaminated with radioactive material giving readings in excess of background radiation as measured on an instrument designed specifically for the type of radiation being emitted.

f. Hazardous Material. Any used or unused personal property, including scrap and waste, that is ignitable, corrosive, reactive, or toxic because of its quantity,

concentration, or physical, chemical, or infectious characteristics. The property can be a solid, liquid, semiliquid, or contained gas form and may cause or significantly contribute to an increase in mortality or serious illness, or pose a substantial present or potential hazard to human health or the environment when improperly treated, stored, transported, disposed of or otherwise managed.

g. Hazardous Waste. Any material that is a solid waste as defined under the Resource Conservation and Recovery Act (RCRA) and has also been classified as hazardous in conformity with the provisions of RCRA. The Environmental Protection Agency (EPA) criteria for hazardous waste classification are specified in 40 CFR 261 and will be used to decide whether to deal with a solid waste as hazardous. Also, EPA-approved State hazardous waste programs may identify additional solid wastes as hazardous. These State designations will also be complied with.

h. Precious Metals. Uncommon and highly valuable metals characterized by their superior resistance to corrosion and oxidation. Included within the scope of this definition are silver, gold, and the platinum group metals - platinum, palladium, iridium, osmium, rhodium, and ruthenium.

i. Any other item designated by a Defense Agency or component to be sensitive.

3. GENERAL

a. Contractors' Procedures

(1) The contractor's procedures on property designated as sensitive must be specific and detailed particularly with regard to in-process control, protection, physical security, periodic inventories, and the immediate reporting and thorough investigation of inventory shortages or losses. Procedures should also be in sufficient detail to reflect receipt, accountability, storage, and movement within the plant and disposition of sensitive property.

(2) The contractor's procedures shall require that they report the theft or loss of arms, ammunition, and explosives (AA&E) (as described above) immediately by telephone or personal contact to the PA and the Defense Investigative Service (DIS), ATTN: Director for Industrial Security and also confirm the theft or loss of AA&E in writing as soon as possible. Information on the theft of AA&E shall also be provided to the local Federal Bureau of Investigation (FBI) Office, Bureau of Alcohol, Tobacco and Firearms, and the local police, as appropriate. Other sensitive item losses shall be reported by the contractor immediately by telephone or personal contact to the PA and confirmed in writing. The PA will advise all CAO concerned elements. Criminal violations shall be reported in accordance with Agency directives.

b. Records of Sensitive Property. Records of property designated sensitive shall be identified by an appropriate method (e.g., marking, stamping, color coding), so that such records may be readily distinguished from the records of nonsensitive items. In the case of weapons, all serial numbers shall be recorded on the stock record or automated equivalent. The unit of measure of narcotics, dangerous drugs, or radioactive material shall be in the smallest measurable units (grains, drams, milligrams).

c. Inventory of Sensitive Property. Physical inventories of property designated "sensitive" shall be performed as frequently as necessary, but in no case less often than annually, to obtain continuous control and agreement between physical inventories and record balances. Periodic inventory practices employed for non-sensitive property (e.g., cyclic) shall not be considered adequate for sensitive property.

d. System Analysis

(1) When sensitive property is involved, the initial analysis shall be performed expeditiously following assignment of the contract for property administration.

(2) Parts of the contractor's property control system involving sensitive property, as defined above, shall be reviewed as frequently as necessary to ensure adequate control.

(3) PAs shall maintain close contact with the cognizant DIS Industrial Security Office to ensure AA&E contractors are receiving physical security inspections as required by DoD 5100.76-M, Physical Security of Sensitive Conventional Arms, Ammunition and Explosives at Contractor Facilities, and DoD 4145.26-M, Contractor's Safety Manual for Ammunition and Explosives. In addition, PAs should exchange respective system analysis summaries performed at AA&E contractors with DIS to enhance overall property management at these locations. Also, when corrective actions are required as a result of the analysis and inspection by DIS, PAs, through the CO, shall advise the DIS Industrial Security Office of completed corrective actions. Physical security surveys of sensitive items conducted by DIS are limited to AA&E, and shall be considered separate from the system analysis required by this manual.

e. Final Review and Closing. FAR 4.8 establishes the standard closing time for physically complete contracts. The contractor's actions should result in expeditious processing and completion of all Government property matters under the contract. Close out actions involving AA&E will require a plant visit. The signed determination shall describe the type of reviews performed and findings. Upon close out of AA&E contracts, a copy of the DD Form 1593, "Contract Administration Completion Record," or automated equivalent, will be forwarded to the cognizant DIS Security Office.

I. PROPERTY AT NON-PROFIT CONTRACTORS

1. Scope. This section provides policy and guidance for PAs in administering the contract requirements relating to contracts at non-profit companies that incorporate the clauses FAR 52.245-2 (Alternate II) and 52.245-5 (Alternate I) in accordance with 45.106(b)(3) and 45.106(f)(2).

2. General

a. Care must be taken to insure non-profit provisions are allowed only when the contracts incorporate the non-profit clauses FAR 52.245-2 (Alternate II) and 52.245-5 (Alternate I) in accordance with FAR 45.106. Non-profit contractors are not subject to multicontract cost and material control systems (see FAR 45.505-3(f)). Non-profit contractors have special requirements for the material management accounting systems (see DFARS 242.7204).

b. In regard to property administration, the contractor's procedures and the system survey are essentially the same as for profit contractors. Major differences apply to various record requirements in FAR 45.5 and the title provisions in the clauses referenced above.

3. Title

a. For equipment purchased with funds available for research and having an acquisition cost of less than \$5000, title will vest in the contractor provided the contractor obtained the CO's approval for the acquisition. This approval must be obtained before each acquisition. When approval is obtained, title vests in the contractor upon acquisition.

b. Title to contractor-acquired equipment with an acquisition cost of more than \$5000 vests as set forth in the contract. In other words, unless the contract specifically provides otherwise, title to equipment with an acquisition cost of \$5000 or more vests in the Government.

c. All equipment to which title is vested in the contractor under these provisions shall be listed in a report to the CO within 10 days following the end of the calendar quarter during which it was vested.

4. Records

a. When the non-profit clauses are incorporated, the use of receipt and issue records for material is accepted as adequate property control records. The provisions in FAR 45.505-3(e) for non-profit indicate that material is issued directly "so as to be considered consumed under the contract." Therefore, reviews under the survey categories of acquisition or consumption for indication of acquisitions of excessive quantity, allocability,

and diversions to other use are critical. As with any other contractor, the results of misclassification of equipment as material can lead to a serious lack of accountability.

b. Records of special tooling may consist of Government invoices, contractor purchase documents, or other documentation evidencing acquisition or issue, FAR 45.505-4(c). Records of transportation and installation cost of plant equipment do not apply, FAR 45.505-11.

5. Subcontractor Control. Due to the nature of non-profit contracts special attention must be applied to the contractor's system for subcontractor control. The subcontractors may not be entitled to the non-profit clauses due to the profit status of their company and/or the nature of their subcontract. In addition, FAR 45.505-2 requires unit prices be maintained for Government property at secondary sites and subcontractors of non-profit contractors. When non-profit contractors perform surveillance of subcontractors when the non-profit clauses are not incorporated, the non-profit contractor must be aware of the different requirements.

J. MILITARY STANDARD REQUISITION AND ISSUE PROCEDURE

1. Scope. This section provides policy and guidance for PAs in administering contract provisions relating to MILSTRIP actions.

2. General. Military Standard Requisition and Issue Procedure (MILSTRIP), as the name implies, is a requisitioning and issue procedure for use by military departments and contractors authorized by the terms of the contract to requisition or move Government material. MILSTRIP is a system using uniform codes and punch card formats designed to provide standard procedures of requisitioning, determining order status and receipt time frames, and returning Government material. This system is designed to permit the maximum use of automated data processing equipment to perform these tasks.

a. The procedures, forms, and instructions for the requisitioning and returning of Government Furnished Material (GFM) are prescribed for use by contractors when authorized by the terms of the contract pursuant to FAR Part 51 and 52.251-1.

b. DoD 4000.25-1-M, Military Standard Requisition and Issue Procedures provides policies, procedures, forms, and instructions for use by contractors in the requisitioning of GFM and the return of such material when directed by the cognizant military department in accordance with the MILSTRIP system.

c. Supplemental instructions to facilitate contractors in the preparation of GFM requisitions and return documents may be provided in a separate appendix to each applicable contract authorizing use of the MILSTRIP system.

d. When contractors are authorized to acquire property through use of the

MILSTRIP system, the PA and IPMS at buying activities must be fully aware of the specialized requirements of the authorization. The CO must provide:

(1) A DoD Activity Address Code (DoDAAC) from the appropriate DoD service point listed in Section 1 of the Introduction to the DoD Activity Address Directory (DoDAAD).

(2) The contract number(s) involved.

(3) The period of the authorization.

(4) The description (by Federal Supply Classes, National Stock Numbers or part numbers), and quantity and/or limits of Government property.

(5) Special codes such as routing identifiers, priorities authorized, advice, billing, and fund codes.

e. Contracts authorizing MILSTRIP may stipulate procedures and additional data requirements for acquisition, receiving, records, utilization, maintenance, physical inventories, disposition, and reports.

3. PA Responsibilities

a. The PA shall review the contractor's property control system to ensure that there is sufficient control over the access and use of the MILSTRIP system. When performing the initial review of the contract for assignment, the PA must determine if a change to the contractor's system will be required for compliance with the special contract requirements and DoD 4000.25-1-M. The PA should review MILSTRIP requisitions in accordance with Appendix A of the above cited Manual.

b. Generally, contractors are responsible for the preparation of requisitions through the MILSTRIP system. The Government may be responsible for the preparation of MILSTRIP documents when the GFM will be "pushed" to the contractor. There may also be times, specifically when dealing with smaller contractors, when the PA may be required to assist the contractor in requesting Government property using the MILSTRIP system. To facilitate this assistance, the PA should be familiar with the requirements of DoD 4000.25-1-M. If difficulty is encountered in obtaining the contractually specified Government property through the MILSTRIP system, the PA should contact the CO for clarification and assistance.

K. NASA PROPERTY

NASA LETTER OF CONTRACT ADMINISTRATION DELEGATION, SPECIAL INSTRUCTIONS. PROPERTY ADMINISTRATION (February 1989)

1. NASA property administration requirements generally correspond to the Department of Defense's. The differences, that are highlighted below, will require the PA's special attention.

a. Ensure all Centrally Reportable Equipment (CRE) is reported on DD Forms 1342, or equivalent, to the NASA installation NASA Equipment Management System (NEMS) Coordinator upon receipt, when condition or use status of equipment changes, and again when no longer required or being actively used (NASA FAR Supplement <NFS> 18-45.505-670). CRE is plant equipment, special test equipment (including components), special tooling, and non-flight space property (including ground support equipment) generally commercially available whether used as a separate item or as a component of a system, having an acquisition cost of \$1000 or more, and identifiable by a manufacturer and model number. Also, ensure the contractor's procedures provide for annual verification and update of NEMS listings provided annually by NASA as of June 30th. Check for compliance during system surveys of the records or reporting function. For CRE reported idle, the NEMS Coordinator will acknowledge receipt of DD Forms 1342 within 30 days of receipt and will initiate NASA screening or advise the submitter otherwise.

b. NASA does not delegate approval authority for equipment procurements to the administrative contracting officer (NFS 18-42.202). Ensure the contractor's procedures provide that such requests are forwarded to the NASA contracting officer. Ensure the contractor's procedures provide for NEMS to be screened, using DD Forms 1419, or equivalent format for non-DIPEC equipment, before any contractor acquisition or fabrication of CRE, unless for incorporation into flight-qualified or flight-monitoring deliverable end items (NFS 18-52.245-70). Check for compliance during system surveys of the acquisition function.

c. Include samples of both contractor-acquired (and subcontractor-acquired, if applicable) and Government-furnished materials in the acquisition portion of system surveys. When applicable, include sample of supplies ordered from Government sources using Activity Address Codes.

d. Ensure the contractor's inventory procedures provide for a reconciliation of inventory results within 30 days after completion of the inventory (NFS 18-45.508).

e. If the clause NFS 18-52.245-73, FINANCIAL REPORTING OF GOVERNMENT-OWNED/CONTRACTOR-HELD PROPERTY is in the contract, ensure the contractor prepares and submits NASA Form 1018, Report of Government-Owned/Contractor-Held Property, by July 31 to the organization cited in the clause and that

the data (particularly in "Additions" columns) is reasonable based on the last system survey (NFS 18-45.505 and 18-52.245-73). Negative reports are also required by that clause.

f. Ensure all cases of LDD of NASA property are promptly investigated, adequately documented, and reported to the contract administration office. Ensure discoveries of unrecorded property, as well as losses, are investigated, documented, and reported to identify both the causes and necessary actions to prevent recurrence of the discrepancies (FAR 45.502 (f) and (h), 45.504 (b), and NFS 18-45.508).

g. Ensure the contractor's procedures provide for separately tagging (identifying) removable and/or reusable components of STE (FAR 45.506c). Ensure the contractor does not categorize as STE any plant equipment used for general plant testing purposes (FAR 45.101 (a) and 52.245-18). Include enough floor-to-records samples in system surveys to ensure proper tagging and recording of NASA property.

h. Exchange and/or sale authority for replacement of nonexcess personal property is extended to NASA contractors (NFS 18-17.7100). Ensure contractor's procedures provide for obtaining prior CO approval and for subsequently reporting any exchange and/or sale transactions to the NASA installation Property Disposal Officer (PDO) and the individual listed in block 5 of the form.

2. Provide the following data and/or documents to the individual listed in block 5 of the form:

a. One copy of each Summary of Property Control System Survey performed for this contractor.

b. Notification of all granting of relief of responsibility for LDD property under this contract.

c. One copy of DD Form 1593, "Contract Administration Completion Record," or equivalent, for final payment purposes. Also, ensure contractor submits a "Final" NASA Form 1018 (i.e., all ending balances are zero) when disposition of all reportable property is complete.

These delegation instructions may not be altered without prior coordination with the Director, Supply and Equipment Management Division, NASA Headquarters in accordance with NFS 18-45.7203.

GRANT PROPERTY ADMINISTRATION AND PLANT CLEARANCE (February 1989)
All other functions are withheld.

1. NASA property administration and plant clearance requirements for research grants generally correspond to the Department of Defense's. The differences, that are highlighted

below, will require the PA's special attention:

a. The Grantee shall maintain property records and otherwise manage nonexpendable personal property used in the performance of this grant in accordance with the provisions of Paragraph 509 of the NASA Grant and Cooperative Agreement Handbook (GCAHB). Check for compliance during system surveys of the records function.

b. Ensure Grantee submits annually an inventory listing of Government-owned property under this grant with a copy of the contract to the Grants Officer listed in block 5 of the form. Such listings shall be as of June 30, and shall be submitted by July 31 as required in the GCAHB, Paragraph 408 (f).

c. Ensure all cases of loss, damage, or theft of NASA property are promptly investigated, adequately documented, and reported to the Grants Officer (GCAHB, Paragraph 509 (b) (4)). Ensure discoveries of unrecorded property, as well as losses, are investigated, documented, and reported to identify both the causes and necessary actions to prevent recurrence of the discrepancies.

d. Upon completion of the grant or when the property is no longer required, the Grantee shall submit a final inventory to the individual listed in Block 5 of the form for disposition instructions. Under no circumstances will Government property be disposed of without instructions from NASA.

e. Ensure all NASA identifications are removed or obliterated prior to disposition of property other than by return to NASA or reutilization on other NASA programs and/or contracts and/or grants.

f. NASA does not delegate approval authority for property acquisitions beyond those in the approved proposal budget (GCAHB, paragraph 408). Ensure that Grantee procedures provide that such requests are forwarded to the NASA Grants Officer. Check for compliance during system surveys of the acquisition function. Also, please note that NASA policy is to not furnish Grantees property acquired from Government excess listings.

g. Ensure Grantee acknowledges receipt of all Government-furnished equipment, providing the zip code of the property's physical location, if different from the shipping address, and any identifying tag number assigned by the Grantee.

2. Provide the following data and/or documents to the individual listed in Block 5 of the form:

a. One copy of each system survey summary performed for this Grantee.

b. Notification of all granting of relief of responsibility for LDD property under this grant.

c. A letter stating that all required property actions in Paragraph 514 of the GCAHB have been completed.

APPENDIX A

FUNCTIONS, FUNCTIONAL SEGMENTS, AND CRITERIA

CLASS I - STATISTICAL SAMPLING

CLASS II - JUDGMENT SAMPLING

CLASS III - PURPOSEFUL SAMPLING

NOTE: A Class II sampling may be changed to a Class I sampling by the PA dependant upon the circumstances and situations affecting the analysis. Functional segments need be reviewed only where applicable.

FUNCTION 1: PROPERTY MANAGEMENT. The process of maintaining an adequate Property Control System for Government-Property; reporting LDD; and the process of contractor internal self audit.

FUNCTIONAL SEGMENT: MANAGEMENT

Criteria

1. Contractor written policies and procedures provide for effective property control of each type of Government asset in its possession. II
2. Contractor procedures are maintained in an up to date status that meet contractual requirements, with changes submitted to PA for review, and are readily available to personnel accountable for or otherwise responsible for Government property. II
3. Contractor prepares and implements a plan of corrective action and furnishes the plan to the PA promptly after notification of a system deficiency or incident of LDD, where applicable. II
4. Contractor provides immediate interim protection of Government property in response to identified deficiencies until permanent measures are taken. II

FUNCTIONAL SEGMENT: REPORTING OF LOSS, DAMAGE, AND DESTRUCTION

Criteria

1. Contractor promptly identifies, investigates, and reports incidents involving L,D, and D of Government property to the PA and other appropriate authorities, as required. II
2. Contractor promptly furnishes all necessary data to substantiate requests for relief of responsibility. II

FUNCTIONAL SEGMENT: CONTRACTOR AUDITS OF GOVERNMENT PROPERTY

Criteria

1. Contractor performs audits of property management issues in accordance with company policy and promptly initiates corrective actions when audits disclose deficiencies. II
2. Contractor audit function coordinates review plans and results with the PA to preclude duplication of effort and enhance problem resolution. II

FUNCTION 2: ACQUISITION. The process of acquiring Government property either through requisition or transfer from Government sources or through purchase, including those made from contractor stores.

FUNCTIONAL SEGMENT: ACQUISITION AUTHORITY

Criteria

1. Contractual provisions and requirements related to Government property are flowed down to appropriate contractor property acquisition organizations. II
2. Contract authority exists for acquisition of facilities and special test equipment. I
3. Material transfers between contracts are adequately documented. I
4. CO consent or approval is obtained when required. I

FUNCTIONAL SEGMENT: CATEGORIZATION OF PROPERTY

Criterion

Categorization of property is correctly determined before acquisition or fabrication. I

FUNCTIONAL SEGMENT: REQUIREMENTS COMPUTATIONS

Criterion

Requirements for property must be supported by bills of materials, materials requirement lists, or similar technical planning documents that include spoilage or loss estimates, attrition, and mortality rates. I

FUNCTIONAL SEGMENT: ORDERING PRACTICES

Criteria

1. Acquisition documents include detailed and accurate description of assets to be acquired and contract or equivalent code designator. I
2. Items and quantities requisitioned, purchased, or fabricated are reasonable, contractually authorized, based on firm requirements, and are not available from existing stocks. I
3. Economic ordering practices are properly applied, when applicable. I
4. Orders are processed in a timely manner to minimize emergency acquisitions or requisitions. I
5. On-order assets are monitored until assets are received. I
6. On-order assets are cancelled or amended, to the extent possible, when requirements are changed by contract modification, engineering change, terminations, production schedule revision, receipt of "pushed" items, etc. I
7. Distribution, cancellation, and change of purchase requisitions are properly controlled. I

FUNCTIONAL SEGMENT: MILSTRIP ACQUISITIONS

Criteria

1. Requisition documents are properly prepared and processed including routing identifiers, fund code, priority designator, etc. I
2. Status file is maintained, supply status monitored, and appropriate action taken when required. I
3. Requests are submitted in a timely manner to minimize use of emergency priorities. I

FUNCTION 3: RECEIVING. The process of Government property initially entering into a contractor's custody.

FUNCTIONAL SEGMENT: RECEIVING PROCESS

Criteria

1. Property is promptly examined upon arrival to determine quantity received, determine condition, and identify transit-related discrepancies. I
2. Carrier's representative signature is obtained when shortages or other transit related discrepancies are identified at time of delivery. II
3. Receiving reports are promptly prepared that document items and quantities received, condition, shipping data, date received, etc. I
4. Items received are reconciled against requisition documents, purchase orders, packing lists or related documents to ensure accountability for all items, attachments, and accessories. I
5. Item received by contractors for rework, processing, or repair under terms of contract warranty provisions are identified and documented during the receiving process. I
6. Completed receiving reports are promptly distributed to designated inventory control points, accounting functions, etc., to ensure full accountability is established. I
7. Incoming property is provided adequate protection and storage during the receiving process. I

8. Returnable and reusable containers are properly controlled and accounted for. I

FUNCTIONAL SEGMENT: DISCREPANCIES INCIDENT TO SHIPMENT

Criteria

1. Misdirected shipments and other discrepant property is adequately segregated and controlled pending receipt of disposition instructions. II
2. Causes of discrepancies are investigated and documented. II
3. Contractor initiates appropriate discrepancy reports and notifies the PA and/or Government transportation officer. I

FUNCTION 4: IDENTIFICATION. The process of properly identifying Government property.

FUNCTIONAL SEGMENT: IDENTIFICATION PROCESS

Criteria

1. Assets are labeled, tagged, or otherwise identified in a manner approved by the PA promptly upon fabrication or receipt. I
2. General purpose components of special test equipment are identified in a manner to facilitate removal and reutilization. I

FUNCTION 5: RECORDS. The official accountable records maintained by a contractor to show status and to control all Government property furnished to or otherwise acquired by the Contractor.

FUNCTIONAL SEGMENT: ALL RECORDS OF GOVERNMENT PROPERTY

Criteria

1. Property control records conform to FAR or other contractual requirements and are accurately maintained for all Government property at the contractor primary and alternate locations as well as subcontractor locations. I
2. Support documentation used for posting entries provides complete, current, and auditable data. I

- | | |
|---|----|
| 3. Transactions, including location changes, are promptly posted. | I |
| 4. Records are established for all assets purchased, fabricated, furnished by the Government, parts removed or recovered, or transferred from other work of the contractor. | I |
| 5. Sensitive property is accurately reflected on inventory control records. | I |
| 6. Inventory control records are closed by means of proper posting entry, adequately supported by documentation. | II |

FUNCTIONAL SEGMENT: MATERIAL RECORDS

Criteria

- | | |
|---|---|
| 1. Stock levels and reorder points are reflected on records, where applicable, are reasonably sound, and are consistent with contract provisions. | I |
| 2. Receipt and issue records are maintained as authorized by the PA. | I |
| 3. Records required by MMAS provisions are properly maintained. | I |

FUNCTIONAL SEGMENT: INDUSTRIAL PLANT EQUIPMENT RECORDS

Criterion

- | | |
|--|---|
| DD Forms 1342, DoD Property Record, are prepared and submitted in a timely manner for each item identified as industrial plant equipment including updates to report status changes. | I |
|--|---|

FUNCTIONAL SEGMENT: WARRANTY ITEM RECORDS

Criterion

- | | |
|--|---|
| Accountable records are established for items returned to the contractor for rework, processing, or repair under warranty. | I |
|--|---|

FUNCTIONAL SEGMENT: CUSTODIAL RECORDS

Criterion

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|--|---|
| Custodial records are established for items issued from tool cribs, guard force, protective clothing, and other items issued to individuals for use in their work. | I |
|--|---|

FUNCTION 6: MOVEMENT. The process of moving all types of Government property. It includes movement from one point to another within a contractor's facility, movement between facilities, for any purpose, and protection during movement.

FUNCTIONAL SEGMENT: MATERIAL HANDLING

Criteria

- | | |
|---|----|
| 1. Item is moved under proper authority, supported by approved documentation; i.e., issue slips, shipping ticket, location change order, etc. | I |
| 2. Adequate protection is provided during movement, such as packing, covering, skidding, property handling equipment, procedures, techniques, and safety precautions. | II |

FUNCTION 7: STORAGE. The process of storing all types of Government property.

FUNCTIONAL SEGMENT: STORAGE AREAS

Criteria

- | | |
|--|----|
| 1. Housekeeping is adequate. | II |
| 2. Government property is segregated from contractor property, when required. | II |
| 3. Adequate physical security and protection are provided for assets in both inside and outside storage. | II |
| 4. Access to property in storage is limited to authorized personnel. | II |
| 5. Assets in storage are properly packaged and preserved, when required. | II |

FUNCTIONAL SEGMENT: SPECIAL STORAGE AREAS

Criteria

- | | |
|---|----|
| 1. Additional physical security and protection are provided for sensitive items. | II |
| 2. Special controls and inspections are provided for items in storage subject to corrosion, humidity, temperature, age controls, etc. | II |

FUNCTION 8: PHYSICAL INVENTORIES. The process of physically locating and counting Government property and comparing it to records of such property, including the posting of findings and adjustments and the reporting of adjustments to the PA.

FUNCTIONAL SEGMENT: PERFORMANCE

Criteria

- | | |
|---|----|
| 1. Physical inventories are performed in accordance with schedules and procedures approved by the PA including those prescribed by MMAS requirements. | II |
| 2. Physical inventories are conducted by personnel other than those maintaining records or having custody of property. | II |
| 3. Property inventoried is properly sighted and counted, either manually or electronically. | I |
| 4. Physical inventories, adequate for disposal purposes, are performed promptly upon contract completion or termination unless waived by the PA. | II |

FUNCTIONAL SEGMENT: RECORDING

Criteria

- | | |
|--|---|
| 1. Inventory is posted to accountable record within reasonable period. | I |
| 2. Posting to accountable record is completed, accurately showing date and quantity, and clearly identified as an inventory entry. | I |

FUNCTIONAL SEGMENT: MATERIAL RECORDS ADJUSTMENTS

Criteria

- | | |
|---|---|
| 1. Material quantity adjustments are promptly posted to accountable records. | I |
| 2. Adjustments are complete on date and quantity and are clearly identified as inventory adjustments. | I |

FUNCTIONAL SEGMENT: REPORTING INVENTORY FINDINGS

Criterion

Results of physical inventories, including all adjustments and L, D and D identified as a result of physical inventories, are promptly reported to the PA. I

FUNCTION 9: REPORTS. The preparation and submission of reports reflecting the status of Government property as required by contract or regulation.

FUNCTIONAL SEGMENT: ACCURACY AND COMPLETENESS

Criteria

1. Responsibility for reports preparation is clearly assigned to specific function(s). II
2. Source(s) of data are clearly defined, accurate, and current. II
3. Appropriate audit or other method is employed by the contractor to verify report accuracy and completeness. II

FUNCTIONAL SEGMENT: REPORT SUBMISSION

Criteria

1. Controls are maintained to identify: II
 - a. Contracts subject to reports requirements.
 - b. Specific reports required.
 - c. Required submission dates for reports.
2. Procedures provide adequate lead time for orderly compilation of data and report submission. II
3. Reports are distributed according to contractual requirements. II

FUNCTION 10: CONSUMPTION. The process of incorporating Government property, of the material or agency peculiar classification, into an end item or otherwise consuming it in performance of a contract.

FUNCTIONAL SEGMENT: REASONABLENESS OF CONSUMPTION

Criteria

- | | |
|--|----|
| 1. Items are consumed only as authorized by the contract unless otherwise approved by the CO. | I |
| 2. Quantities consumed are reasonable when compared to requirements such as bill of material, material requirements lists, established scrap rates, etc. | I |
| 3. Issue documentation maintains an audit trail reflecting that items are properly consumed. | I |
| 4. Issue documentation is properly authorized and prepared. | I |
| 5. Assets are issued "first-in first-out" for age sensitive materials. | II |
| 6. Contractor investigates, analyzes, and reports instances of consumption above planned usage rates as property losses. | II |

FUNCTIONAL SEGMENT: IDENTIFICATION OF EXCESS

Criteria

- | | |
|---|----|
| 1. Using areas identify and return material to stores that is not required for current work. | II |
| 2. Degree of use or contractual authorization justifies retention. | I |
| 3. Continuous screening is accomplished using approved criteria to identify excess assets that is responsive to engineering changes, contract modifications, completions, terminations, or inactive assets. | II |
| 4. Reporting of excess is promptly initiated for all property excess of the amount needed to complete full performance under the contracts providing it or authorizing its use. | II |

FUNCTION 11: UTILIZATION. The process of using facilities, special tooling, special test equipment, and agency-peculiar property for the purpose for which furnished or acquired.

FUNCTIONAL SEGMENT: AUTHORIZED USE

Criteria

1. Items are used only as authorized by the contract unless otherwise approved by the CO. I
2. Methods are established for determining and allocating rental charges, when required. II

FUNCTIONAL SEGMENT: IDENTIFICATION OF EXCESS

Criteria

1. Degree of utilization or contractual authorization justifies retention. I
2. Continuous screening is accomplished using approved criteria to identify excess assets that is responsive to engineering changes, contract modifications, completions, terminations, or inactive assets. II
3. Reporting of excess is promptly initiated for all property excess of the amount needed to complete full performance under the contracts providing it or authorizing its use. II

FUNCTION 12: MAINTENANCE. The process of providing the amount of care necessary to obtain a high quality of production and the most useful service life of Government property.

FUNCTIONAL SEGMENT: PREVENTIVE MAINTENANCE

Criteria

1. Contractor obtains and complies with current technical publications for maintenance of Government property, when applicable. I
2. Item is scheduled for periodic maintenance (including technical publication compliance), when appropriate. I

- | | |
|--|----|
| 3. Inspection and/or periodic maintenance is performed according to the schedule in the contractor's approved property control system. | I |
| 4. Unscheduled maintenance requirements are performed in an expeditious manner. | II |
| 5. Records of preventive maintenance and corrective actions are adequate and accurate. | I |

**FUNCTIONAL SEGMENT: CAPITAL-TYPE REHABILITATION
(INCLUDING REAL PROPERTY)**

Criteria

- | | |
|---|---|
| 1. Inspection is scheduled to determine need for major repair, replacement, or other rehabilitation. | I |
| 2. Inspection is performed as scheduled and results are reported including the need for major repair, asset replacement, or CTR. | I |
| 3. CO approval is obtained to modify, cannibalize, or repair Government property other than repairs authorized by contract requirement or through the approved maintenance program. | I |
| 4. Rehabilitation is properly accomplished, when authorized. | I |

FUNCTION 13: SUBCONTRACTOR CONTROL. The process of prime contractor control over subcontractors on Government property.

FUNCTIONAL SEGMENT: PRIME CONTRACTOR RESPONSIBILITIES

Criteria

- | | |
|---|----|
| 1. Subcontract reflects assets to be provided and flowdown of contract requirements including adequate instructions on subcontractor responsibilities. | I |
| 2. CO approval has been obtained for each subcontract that will relieve the subcontractor of the risk of loss of Government property and the Government must receive consideration when appropriate. | I |
| 3. When the prime contractor uses subcontractor records as its official records of Government property, and the subcontractor has a system approved by the Government, the prime contractor has implemented a system to maintain visibility | II |

of property at subcontractor locations.

- | | |
|---|----|
| 4. The prime contractor has established an adequate system analysis program to assess the adequacy of records, control, protection, preservation, and maintenance of Government property in the possession of subcontractors unless supporting property administration has been obtained. | II |
| 5. The prime contractor properly administers the risk of loss and other provisions of subcontracts related to Government property. | II |

FUNCTION 14: DISPOSITION. The process of disclosing excess, requesting disposition instructions, and effecting disposal of Government property.

FUNCTIONAL SEGMENT: DISCLOSURE OF EXCESS

Criteria

- | | |
|--|---|
| 1. In-house screening of excess assets is accomplished at contract completion or when determined to be excess, to identify possible uses on other contracts or other work of the contractor. | I |
| 2. <i>Items determined excess</i> are promptly reported to the Government. | I |
| 3. Declaration as excess is complete and accurate. | I |

FUNCTIONAL SEGMENT: DISPOSAL

Criteria

- | | |
|---|---|
| 1. There is proper authority for disposition. | I |
| 2. Disposition is accomplished in compliance with FAR 45.6 or other specific contract provision. | I |
| 3. Item was disposed of within a reasonable time period after disposal authority was received. | I |
| 4. Identification tag is removed from item before disposal, when appropriate. | I |
| 5. Documentation of disposition is complete and reflects authority, disposal action, date of disposal, and is posted to record. | I |

- | | |
|---|---|
| 6. When appropriate, proceeds from sale of assets have been credited to the Government. | I |
|---|---|

FUNCTIONAL SEGMENT: APPROVED SCRAP PROCEDURE

Criteria

- | | |
|---|---|
| 1. Contractor complies with provisions of approved scrap procedure. | I |
| 2. Proceeds from scrap sales have been properly credited. | I |

FUNCTION 15: CONTRACT PROPERTY CLOSE-OUT. The process of properly closing out the property element of a contract.

FUNCTIONAL SEGMENT: RELIEF FROM RESPONSIBILITY

Criteria

- | | |
|---|---|
| 1. Contractual authorization or CO approval is obtained to transfer Government property from a completed contract when identified for use on other contracts or for retention of idle assets (except for contractor's purchase or retention at cost of contractor-acquired property). | I |
| 2. Inventory adjustments, liability determinations, and other property issues are resolved before contract close-out. | I |

FUNCTIONAL SEGMENT: FINAL CONTRACT REVIEW

Criteria

- | | |
|--|----|
| 1. Contractor property management organizations are aware of contracts approaching completion. | II |
| 2. Lists of special tooling subject to the special tooling clause are provided to the Government for disposition purposes. | I |
| 3. Prescribed reports required for completed contracts are properly submitted. | I |
| 4. The contractor notifies the PA promptly when all pending actions on property-related matters are completed. | I |

APPENDIX B **DOUBLE SAMPLING PLAN**

**(90% confidence of rejecting lots
having 10% or more defectives)**

Lot Range	Sample Size 1	Accept if Defects in Sample 1 Are	Reject if Defects in Sample 1 Are	Continue with Sample 2 if Defects in Sample 1 Are	Sample Size 2	Accept if sum of Defects in Samples 1 and 2 Equals or is Less Than	Reject if Sum of Defects in Samples 1 and 2 Equals or Exceeds
1-18	All	0	1	-	-	-	-
19-50	18	0	1	-	-	-	-
51-90	21	0	2	1	21	1	2
91-150	25	0	3	1 or 2	25	2	3
151-400	32	0	4	1, 2 or 3	32	3	4
401-10,000	34	0	4	1, 2, or 3	34	3	4
10,001-35,000	40	0	5	1, 2, 3 or 4	40	4	5
35,001-100,000	46	0	6	1, 2, 3, 4, or 5	46	5	6
100,000 +	52	0	7	1, 2, 3, 4, 5, or 6	52	6	7

APPENDIX C TABLE OF RANDOM NUMBERS

LINE	COL.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1		10480	15011	01536	02011	81647	91846	69179	14194	62590	36207	20969	99570	91291	90700
2		22368	48573	25595	85393	89198	89198	27982	53402	93865	34095	20969	99570	91291	90700
3		24130	48360	25277	97265	76393	64809	15179	24830	49340	32081	30680	19655	39615	99505
4		42167	93093	06243	61680	07856	16376	39440	53537	71341	57004	00849	74917	83348	58629
5		37570	39975	81837	16656	06121	91782	60468	81305	49684	60872	14110	06927	97758	16379
6		77921	08907	11008	42751	27756	53498	18602	70859	90855	15053	21916	81825	01263	54613
7		99562	72905	56420	69994	98972	31016	71194	18738	44013	48840	63213	21089	44394	42880
8		98301	91977	05463	07972	18876	20822	94595	58889	89014	80045	18425	84903	10634	12932
9		89579	14342	63661	10281	17453	18103	94595	84378	25331	12566	56678	44947	42508	32307
10		85475	38857	63342	53988	53060	59533	38867	62300	08158	17983	16439	11458	05585	56941
11		28918	68578	88231	33276	70997	79936	56865	05859	90106	31595	01547	85590	18593	64952
12		63553	40961	48235	03427	49266	69445	18863	72895	52180	20847	12234	90511	91610	78188
13		09429	93969	52636	92737	88974	33468	36320	17617	30015	08272	84115	27156	33703	90322
14		10365	61129	87529	85689	48237	52267	67889	93394	01511	26358	85104	20285	30613	74952
15		07119	97336	71048	08178	77233	13916	47564	81056	97735	85977	29372	74461	28551	90707
16		51085	12765	51821	51259	77452	16308	60756	92144	49442	53900	70980	63990	75601	40719
17		02368	21382	52404	60268	89268	19885	55222	44819	01188	65255	64835	44919	05944	55157
18		01011	54092	33362	94904	31273	04146	18594	29952	71585	85030	51132	01915	92747	64951
19		52162	53916	46369	58586	23216	14513	83149	98736	23495	64350	94738	17752	35156	35749
20		07056	97628	33787	08998	42698	06891	76888	13602	51851	46104	88916	19509	25625	58104
21		48663	91245	85828	14346	09172	30168	60729	04734	59193	22178	30421	61666	99904	32812
22		54164	58492	22421	74103	47070	25306	76468	26384	58151	06846	21524	15227	96909	44592
23		32639	32363	05597	24200	13383	38005	94342	28728	35806	06912	10712	64161	18296	22851
24		29334	27001	87637	87308	58731	00256	45834	15398	46557	41135	10367	07684	36188	18510
25		02488	33062	28834	07351	19731	92420	60952	61280	50001	87958	32586	86679	50720	94953
26		81525	72295	04839	96423	24878	82651	66566	14778	76797	14780	13300	87074	79666	95725
27		28676	20591	68086	28432	48901	20649	89768	81536	88645	12859	92259	57102	80428	25280
28		00742	57392	39064	66432	84673	40027	32832	61362	98947	96067	64584	64584	96096	98253
29		05366	04213	25669	28422	44407	44048	37937	63904	45766	68134	75470	66520	34893	90449
30		81921	26418	64117	94305	26766	25840	39972	22209	71500	64568	91402	42416	07844	69618
31		00582	04711	87917	77341	42206	35126	74087	99547	81817	42807	43808	78655	62028	76630
32		08725	88684	82797	58170	86324	88072	76222	38086	84837	93161	76038	65855	77919	88006
33		69011	65795	95876	55293	18988	27354	26575	08625	40801	59920	29841	80150	12777	48501
34		25976	57948	29888	88604	67917	48708	18912	82271	65424	69774	33611	54262	85863	03547
35		09763	83473	73577	12908	30883	18317	28290	35797	05998	41068	34952	37888	38817	88050
36		91587	42595	27958	30134	04024	86385	29880	99730	55536	84855	29080	09250	79656	73211
37		17955	58349	90999	49127	20044	59931	08115	20542	18059	02008	73708	83517	36103	42791
38		48503	18584	18845	49618	02304	51038	20655	58727	28168	15475	58442	53389	20562	87338
39		92157	89634	94824	78171	84610	62834	09922	25417	44137	48413	25555	21246	35509	20468
40		14577	62765	35605	81283	39667	47358	58973	56307	61607	49518	89886	20103	77490	18062
41		98427	07523	33382	64270	01638	92477	66869	98420	04880	45585	48565	04102	46880	45709
42		34914	63976	68720	82765	34476	17032	94579	40836	32427	70002	70863	88863	77775	69348
43		70060	28277	39475	44473	23219	53416	98970	25832	69975	94884	19661	72828	00102	68784
44		53976	54914	08990	67245	68350	82948	11398	42878	80287	88267	47363	46834	06541	97809
45		78072	28515	40980	07391	58745	25774	22987	80059	39911	96189	41151	14222	60697	59583
46		90725	52210	83974	29992	68831	38057	50490	83765	55957	14361	31720	57375	56228	41546
47		64384	67412	33339	31926	14883	24413	59744	92351	97473	89286	35331	04110	23726	51900
48		08962	00358	31662	25388	81642	34072	81249	35648	58091	89352	48373	45578	78547	81788
49		95012	88379	93526	70765	10582	04542	74463	54328	02249	14777	28865	14777	62730	92277
50		15664	10493	20492	38391	91132	21999	59516	81652	27195	48223	48751	22923	32261	85853

APPENDIX C TABLE OF RANDOM NUMBERS (CONTINUED)

LINE	COL.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
51	16408	81899	04153	53381	79401	21438	83035	92350	36893	31238	59649	91754	72772	02338	
52	16629	81953	05520	91962	04739	13092	97862	24822	94730	06496	35090	04822	86774	98289	
53	73115	35101	47498	87637	71013	17060	88824	71013	20286	23183	72924	35165	43040		
54	57491	16703	23187	48323	45021	33132	12544	41035	80780	45393	44812	12515	98931	91202	
55	30405	83946	23792	14422	15059	45799	22716	19792	09983	74353	68668	30429	70735	25499	
56	18831	35006	85900	98275	32388	52390	18815	69298	82732	38480	73817	32523	41981	44437	
57	96773	20206	42559	78985	05300	22164	24369	54224	35083	19687	11052	91491	60383	19746	
58	38935	64207	14349	86523	44133	08697	00897	35552	35970	19124	63318	29886	03387	59846	
59	31824	76384	17403	53363	44167	84486	64758	75366	76554	31601	12614	33072	60332	92325	
60	78919	19474	23632	27889	47914	02584	37680	20801	72152	39339	34806	08930	85001	87820	
61	03931	33309	57047	74211	63445	17361	62825	39908	05607	91284	68833	25570	38818	46920	
62	74428	33278	43972	10119	89817	15865	52872	73823	73144	58662	88970	74492	51805	89378	
63	09066	00903	20795	95452	92648	45454	09852	88815	16583	51125	79375	97596	18296	68092	
64	42238	12426	87025	14267	20979	04508	64535	31355	80684	29472	47689	05974	52468	16834	
65	18153	08002	26504	41744	81959	85642	74240	56302	00033	67107	77510	70825	28725	34191	
66	21457	40742	29820	90783	29400	21840	15035	34537	33310	06116	95240	15957	16572	06004	
67	21581	57802	02050	89728	17937	37821	47075	42080	97403	48826	68995	43805	33386	21597	
68	55812	78095	83197	37322	05810	24813	86902	60397	16489	03264	88525	42786	05289	92532	
69	44857	68999	99324	51281	93454	60563	79312	93454	68876	25471	93911	25680	12862	73572	
70	91340	84979	48949	81973	37949	81023	43997	15263	80644	43942	89203	71795	99533	50501	
71	91227	21199	31935	27022	84087	05482	35216	14486	28891	68607	41867	14951	91896	85065	
72	50001	38140	66321	19824	72163	09538	12151	06878	91903	18749	34405	58087	82790	70925	
73	65390	05224	72958	28809	81408	39147	25549	48542	42627	45233	57202	94817	23772	07896	
74	27504	98131	83944	41575	10573	08619	64482	73923	36152	05184	94142	25299	84367	34825	
75	37169	94951	39117	89632	00959	16497	65536	49071	39782	17095	02330	74301	00275	48280	
76	11508	70225	51111	38351	19444	66499	71945	05422	13442	78675	84081	66938	93654	59894	
77	37449	30362	06094	54690	10452	53115	62757	95348	78662	11163	81651	50245	34971	52924	
78	46515	70331	85922	38329	57015	15765	17889	46349	81073	66345	49108	81073	49108	79860	
79	30808	81223	42416	58353	21532	30502	32305	86482	05174	07901	54339	58861	74818	48842	
80	83798	84995	46583	09785	44160	78128	83991	42865	92520	83531	80377	35909	81250	54238	
81	82486	84846	99254	67632	43218	50076	21361	64816	51202	88124	41870	52889	51275	83556	
82	21885	32908	92431	09080	64297	51874	64126	62570	26123	05155	59194	52799	28225	85762	
83	80336	98782	07408	53458	13564	59089	28445	29789	65205	41001	12535	12133	14845	23541	
84	43937	48891	24010	25560	80355	33941	25786	54990	71899	15475	95434	98227	21824	19585	
85	97856	83175	89303	18275	07100	92063	21942	18611	47348	20203	18534	03862	78095	50136	
86	03299	01221	05418	38982	55758	92237	28759	88367	21216	98442	08303	58813	91511	75928	
87	79828	06486	03574	17688	07785	76020	79824	25851	83325	88428	85076	72811	22717	50585	
88	85636	88335	47539	03129	65651	11977	02510	28113	99447	68845	34327	15152	55230	93448	
89	18039	14367	61337	08177	12143	46609	32989	74014	00533	35398	58408	13261	47908		
90	08362	15656	60627	38478	65648	16764	53412	09013	07632	41574	17639	82163	60859	75567	
91	79556	29088	04142	16268	15387	12856	66227	38358	22478	73373	88732	09443	82568	05250	
92	92508	82674	27072	32534	17075	27698	98204	33863	11951	34648	88022	56148	34925	57031	
93	23982	25835	40055	67006	12293	02753	14827	23235	35071	99704	37543	11801	35503	85171	
94	09815	98306	05908	97901	28395	14188	00821	80703	70426	75647	76310	88717	37890	40129	
95	59037	33300	28895	62247	69927	76123	50842	43834	86654	70959	79725	93872	28117	19233	
96	42488	78077	69882	61657	34136	79180	97528	43092	04098	73571	80799	76536	71255	64239	
97	46764	88273	83023	93017	31204	38892	40202	35275	53203	55543	16098	16098	47825	88884	
98	03237	45430	55417	63282	90816	17349	88298	90183	36800	78406	08216	95787	42379	90730	
99	86591	81482	52667	81582	14972	90053	89534	78036	49199	43716	97548	04379	46370	28672	
100	38534	01715	94964	87288	65680	43772	39560	12918	88537	62738	19636	51132	25739	58947	

APPENDIX C TABLE OF RANDOM NUMBERS (CONTINUED)

LINE	COL.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
101		13284	16834	74151	92027	24670	36665	00770	22678	02179	51602	07270	78517	97275	45960
102		21224	00370	30420	03883	94648	89428	41583	17564	27395	63904	41548	48197	82277	24120
103		99052	47887	81085	54933	66279	80432	65793	83287	34142	13241	30590	97760	35848	91883
104		00199	50953	98603	38452	87890	94821	69721	57484	67501	77638	44331	11257	71131	11059
105		60578	06483	28733	37867	07936	98710	98539	21786	31237	80612	44488	97819	70401	95419
106		91240	18312	17441	01929	18163	69201	31211	54288	39296	37318	65724	90401	79017	62077
107		97458	14229	12063	59811	32249	90466	33216	19358	02591	54263	86449	01912	07436	50813
108		35249	38646	34475	72417	60514	69257	12489	51924	86871	92446	36807	11458	30440	52639
109		38980	46600	11759	11900	46743	27860	77940	39298	97038	95145	32378	68038	89351	37005
110		10750	52745	38749	83785	58959	53731	89295	59062	39404	13198	59960	70408	29812	83128
111		36247	27850	73958	20673	37800	63835	71051	84724	52492	22342	78071	17456	96104	18327
112		70994	66966	99744	72438	01174	42159	11392	20724	54322	38923	70009	23233	65438	59685
113		99838	94702	11463	18148	81386	80431	90828	52506	02016	85151	88598	47821	00265	82525
114		72055	15774	43857	99805	10419	76939	25993	03544	21560	83471	43989	90770	22965	44247
115		24038	95541	85788	55835	38835	59399	13790	35112	01324	39520	78210	22467	83275	32286
116		74978	14631	35908	28221	39470	91548	12954	30166	09073	75887	36782	00288	97121	57676
117		35553	71628	70189	26436	63407	91178	90348	55359	80392	41012	36270	77786	89578	21059
118		35676	12797	51434	82976	42010	26344	92920	92155	58907	54844	58581	95331	78629	73344
119		74815	87523	72985	23183	02446	63594	98924	20833	58842	85961	07648	70184	34994	67662
120		45248	98048	65173	50969	91060	89994	36036	32819	68559	99221	49475	50558	34698	71800
121		76509	47089	86378	41979	11910	49872	88575	97868	32466	10083	54728	81872	58975	30761
122		19689	90332	04315	21358	97248	11188	39062	63312	52490	07349	73178	33692	72862	57362
123		42751	35318	97513	62537	54955	80159	00337	80778	27507	95478	21252	12746	73554	97775
124		11946	22881	45045	13984	57517	58419	58045	44067	50716	58840	45557	98345	33271	53464
125		96518	48868	20996	11090	48396	57177	83867	86484	14342	21545	46717	72384	88954	55580
126		35728	58643	78669	84822	39098	30883	72505	92285	23107	60278	08622	48760	44294	07672
127		39737	42750	48968	70536	84864	64952	38404	94317	65042	13589	01855	79044	19308	83623
128		97025	68492	58177	04049	80312	48028	26408	43591	75528	65341	48044	95495	81256	53214
129		62814	08075	09788	58350	76787	51591	54509	49295	85830	58860	30883	89680	98142	18354
130		25578	22950	15227	83291	41737	79599	96191	71845	86899	70694	24290	01551	80092	82118
131		88763	89576	88991	49862	46704	83362	58625	00481	73323	91427	15264	08969	57046	54149
132		17900	00813	64361	60725	88974	61005	99709	30866	28451	11528	44323	34778	60342	60388
133		71944	60227	83551	71109	05624	43836	58754	58754	32116	63403	35404	57146	10909	07346
134		54684	93891	85132	84399	29182	44324	14491	55228	76793	34107	30374	48429	51376	08559
135		25946	27623	11258	85204	52832	50980	22273	05554	99521	73791	85744	29276	70326	60251
136		01353	39318	44981	44972	91786	90262	58073	06806	51826	18893	83448	31915	97764	75091
137		99083	88191	27862	99113	57174	35571	99884	13951	71057	53961	64418	74909	07322	80960
138		52021	45406	37945	75234	24327	86978	22644	87779	23753	99926	63898	54888	18051	96314
139		78755	47744	43776	83098	03225	14281	83637	55984	13399	52212	58781	14905	46502	04472
140		25282	69106	16257	80686	22610	43609	12224	25643	89884	31149	85423	34371	70873	70873
141		11959	94202	02743	86847	79725	51811	12998	76844	05320	54236	53891	70226	38632	84476
142		11644	13792	98190	01424	30078	28197	55583	05197	47714	68440	22018	79204	08862	94451
143		06307	97912	88110	59812	95448	43344	31262	88880	13040	16458	42483	89416	42482	33939
144		76285	75714	89585	99296	52640	48518	55486	90754	88932	19937	57119	23251	55619	23678
145		55322	07598	39600	60866	63007	20007	86819	84164	61131	81429	60676	42807	78286	29015
146		78017	90828	90220	92503	83375	26886	74399	30885	89567	29169	72816	53357	15428	88932
147		44768	43342	20896	26331	43140	69744	82928	24988	94237	46138	77426	39039	55596	12655
148		25100	19336	14805	86803	51680	97678	24281	02464	86563	60669	71674	76842	47642	47642
149		83612	46823	62878	85197	07824	91392	58317	37726	84628	42221	10288	20692	15699	29167
150		41347	81866	82981	80413	71020	83958	0241	33322	66036	98712	46795	18308	28413	05417

APPENDIX C TABLE OF RANDOM NUMBERS (CONTINUED)

LINE	COL.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
151		38128	51178	75096	13609	16110	73533	42564	59870	29399	67834	91055	89917	51096	89011
152		60950	00455	73254	96067	50717	13878	03216	78274	65863	37011	91263	33914	91363	49326
153		90524	17320	29632	96118	75792	25326	22940	24904	80523	39293	91374	55597	97567	38914
154		49897	18278	67160	39408	43577	59550	40523	59550	40523	59550	02019	14790	02852	08919
155		18494	99209	81060	19488	65596	55787	47939	91225	98768	43688	00438	05548	09443	82897
156		85373	72984	30171	37741	70203	94094	87261	30056	58124	70133	18936	02138	59372	09075
157		40653	12843	04213	70925	95360	55774	76439	61768	52817	81151	52188	31940	54273	49032
158		51638	22238	56344	44587	82321	50317	74541	07719	25472	41602	77318	15145	57515	07633
159		69742	93303	62578	83575	30337	07488	51941	84316	42097	49692	28616	29101	03013	73449
160		58012	74072	67488	74580	47992	69492	58624	17106	47538	13452	22620	24260	40155	74716
161		18348	19855	42887	08279	43206	47077	42637	45606	00011	20662	14642	49984	94509	56380
162		58614	09193	58064	29086	44385	45740	70752	05663	49081	26960	57454	99264	24142	74848
163		75688	29630	39210	52897	62748	72658	98059	67202	72789	01869	13496	14663	87645	89713
164		13941	77802	69101	70061	35460	34576	15412	81304	56757	35498	94830	75521	00603	97701
165		98656	86420	96475	86458	54433	96419	55417	41375	76866	19008	66877	35934	59801	00497
166		03363	82042	15942	14549	39324	87084	19069	67590	11097	68570	22591	85232	85915	91499
167		70366	08390	69155	25496	13240	91407	10954	49160	07379	34444	94567	66035	38918	65708
168		47870	36605	12927	16043	53257	93796	52721	73120	48025	76074	95605	67422	41646	14557
169		79504	77606	22761	30518	28373	73898	30550	76684	77386	32276	04890	81667	64798	66276
170		48967	74841	50923	15339	37755	21788	40162	89561	69199	42257	11647	47603	48779	97907
171		14558	50769	38444	59030	87516	48193	02945	00922	48109	04724	21263	20892	92955	90251
172		10440	25057	01132	38611	28135	68089	10954	10097	54243	06460	50856	65435	79377	53890
173		32293	29938	68653	10497	99919	48587	77701	99119	93165	67788	17638	23097	21468	36992
174		10640	21875	72462	77981	58550	55989	87310	89643	45124	00349	25748	00844	96831	30851
175		47615	23169	39571	56972	20628	21788	51736	33133	72696	32605	41568	76148	91544	21121
176		18948	11128	71624	72754	49084	96303	27830	45817	67867	18082	87453	17226	72904	71474
177		21258	61092	66634	70335	92448	83432	49608	66520	66520	06442	59664	20420	39201	69549
178		15072	48853	15178	30730	47481	48490	41436	25015	49932	20474	53821	51015	79841	32405
179		89154	57412	09858	65871	70855	71479	63520	31357	58868	06729	34455	70885	04184	25250
180		08759	61089	23706	32994	35426	36666	63988	98844	37533	08269	27021	45866	22835	78451
181		87323	57839	61114	62192	47547	58023	64630	34886	98777	75442	95592	06141	45096	73117
182		09255	13986	84834	20764	72206	85393	34548	93439	88730	61805	78955	18952	46436	58740
183		38304	74712	00374	10107	85061	69228	81969	92216	03568	39630	81869	52824	50337	27954
184		15884	87429	86612	47367	10242	44800	12080	44309	46629	55105	66793	93173	00480	13311
185		18745	32031	36303	08134	33925	03004	59929	95418	04917	57596	24878	81733	92834	84454
186		72934	40086	88292	65728	38300	42323	64088	98373	48971	09049	59943	36538	05976	82116
187		17626	02944	20910	57662	80181	38579	24580	90529	52303	50436	29401	57824	86039	81062
188		27117	61399	50967	41399	16663	15634	15634	79717	94696	52543	25543	97989	63306	90946
189		93995	18878	90012	83645	85701	85289	62283	88331	00389	72571	15210	20769	44686	96176
190		67392	89421	09623	80725	62620	84162	87368	29560	00519	84545	08004	24526	41252	14521
191		04910	12261	37566	80016	21245	69377	50420	85658	55263	88667	78770	04533	14513	18099
192		81453	28283	79929	59838	23875	13245	46808	74124	74703	35769	95588	21014	37078	39170
193		19480	57990	48539	23703	15537	48895	07881	74539	74539	85277	90799	58789	96257	02708
194		21456	13162	74808	81011	55512	07481	93551	72189	76281	91206	89941	15132	37738	59284
195		89408	20912	46189	76376	25538	07212	20748	12831	57166	35026	16817	79121	18929	40828
196		09866	07414	55977	16419	01101	69343	13306	94302	80703	57910	36933	57771	42546	03003
197		86541	24681	23421	13521	20000	94917	07423	57523	97234	63951	42876	46829	09781	58160
198		10414	08883	08205	72222	57167	07802	07480	69507	10600	08856	07695	44472	64272	27040
199		49942	08883	41479	58982	56288	42853	92186	20632	62045	78812	36895	51851	83534	10869
200		23995	68882	42291	23374	24299	27024	67480	94703	40937	16961	26053	78749	46704	21983

APPENDIX C TABLE OF RANDOM NUMBERS (CONTINUED)

LINE	COL.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
201	78994	36244	02873	25475	84953	61793	50243	63423	69309	80308	49977	18075	43227	08266	
202	04909	58495	70866	93830	34880	73059	08823	80257	44193	08337	47655	75832	29209	41954	
203	48582	73570	33004	51795	86477	48736	60480	70345	37322	19987	67143	41129	89514	46892	
204	29242	89792	88634	60285	07190	07795	85941	85941	43096	43096	31173	43730	48505	17958	
205	68104	81338	97090	20801	78940	20228	22803	98070	10251	62711	66200	74330	13820	18966	
206	17156	02182	82504	19880	93747	80910	78280	25136	62018	62919	73801	57195	83457	70597	
207	50711	94769	07171	02103	49057	98775	37997	18325	88281	81091	97889	79977	04544	72963	
208	39448	52409	75095	77120	39729	03205	08313	43545	43786	70443	41350	73369	42405	80516	
209	75628	82728	76916	72857	58992	32756	01154	84890	04707	17489	89346	88851	97433	89491	
210	01020	55151	36132	51971	32155	60735	64867	35424	25257	93844	39928	52519	34368	02114	
211	08337	89989	24250	08618	86798	25889	52880	57375	52815	43539	18072	44270	27309	56535	
212	78929	47229	19706	30094	68430	98749	22081	52584	90431	40323	35208	40323	87505	10227	
213	39708	30641	21267	58501	95182	72442	21445	17276	90344	33199	02522	97883	09515	65930	
214	89836	55817	58747	75195	08818	83043	47403	58268	52830	75573	91088	41118	27195	40850	
215	25903	61370	86081	54076	67442	52964	23823	02716	28786	06121	29860	55285	67086	57574	
216	71345	03422	01015	88025	19703	77313	04555	83425	46763	95315	23150	15116	18017	42730	
217	61454	82283	14647	08473	34124	10740	40839	05620	62418	73374	92577	06755	21956	56272	
218	80376	08909	30470	40200	48558	61742	11643	92121	22294	26648	69676	48198	00331	85186	
219	45144	54373	05505	90074	24783	88299	20900	15144	28508	53770	76431	23861	71208	80894	
220	12181	88527	58852	51175	11534	87218	04878	85584	78485	82182	03412	13217	14313	70593	
221	62936	58120	73957	35989	21598	47287	38384	08778	38036	30140	89117	32054	44803	61849	
222	31588	96796	43888	12811	01714	77286	55078	24890	84716	77732	35363	85525	17015	56344	
223	20787	96048	84728	17612	38450	43618	30829	34356	05294	34236	36929	36922	46995	65765	
224	45803	00745	04635	43079	52724	14262	05750	89373	79088	38088	65082	92504	80545	03090	
225	31806	64782	34027	56734	09365	20088	93559	78384	98219	61747	98111	86985	33233	29812	
226	10452	33074	76718	99556	18028	00013	78411	95107	10786	44886	44612	06830	27848	87597	
227	37016	84833	87301	50848	91288	74888	73631	57387	08632	04782	39328	34826	07403	60916	
228	80725	97885	25409	37498	00816	99262	14471	10232	08935	21695	07540	98447	20743	92472	
229	07380	74438	82120	17890	40863	55757	13492	68294	87170	49468	40184	13374	23021	17006	
230	71821	57688	58258	47702	74724	89419	08025	68519	95188	54788	32989	34374	05780	17506	
231	03468	13283	23917	20417	11315	52805	33072	07723	87876	75258	22709	99869	11609	48666	
232	12882	32931	97367	34822	53775	91874	76549	37635	91118	31082	89441	70357	18864	78168	
233	52182	30841	44888	17833	94563	23082	95725	38463	03805	48189	46359	37401	73407	61817	
234	58881	72529	86083	73570	80890	68125	40436	31303	79330	58083	34862	00540	31734	75535	
235	74952	43041	58869	15877	78598	43520	97521	83248	52173	17636	77106	01044	22990	74874	
236	18752	43693	32867	53017	22681	39810	03786	02622	78287	24503	73518	76545	89088	08369	
237	61691	04844	43111	28325	82319	65589	86049	98498	48941	81427	44447	70357	18864	15525	
238	40187	83948	38947	60207	70887	38843	60807	15328	09528	12717	84278	04463	12188	35358	
239	18436	87281	71684	74859	78501	93458	95714	92518	10883	75817	78841	25315	74041	71554	
240	39143	84893	14806	13543	09821	68301	68301	52140	03976	48795	60266	99592	68334	18790	
241	82244	67549	76491	09761	74494	81307	64222	80592	67270	38593	18094	95095	08649	25047	
242	55847	96155	42878	23708	97999	40131	52360	90390	73108	40475	07787	35238	50990	50990	
243	94095	95970	07828	25991	37584	58966	88623	83454	48481	97707	12479	25041	40585	18313	
244	11751	84989	25521	44087	07511	89576	30122	87542	54825	03274	02785	57162	40312	76127	
245	89902	08995	27821	11758	64989	61902	32121	28165	21326	97375	44801	68977	08232	06807	
246	21850	25352	25558	92181	23592	43294	10479	37879	21825	11453	29584	70087	09471	16219	
247	75850	40892	25185	55908	82339	88958	91717	15756	78817	35541	01177	08869	10543	57652	
248	29848	22086	42581	85877	20251	38641	86069	48066	48066	14456	69371	18292	39377	39377	
249	82740	26443	42734	25518	82827	35825	90288	32911	79868	52859	01475	83321	24991	80102	
250	38842	42092	52075	83928	42975	71500	88216	01350	92846	84792	87455	06842	22422	77378	

APPENDIX C TABLE OF RANDOM NUMBERS (CONTINUED)

LINE	COL.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
251		89439	26726	15563	94972	78739	04419	60523	31022	23728	37647	16476	11170	68376	56874
252		43427	25412	25587	21276	44426	71369	29010	45337	90245	92053	41447	14897	18753	68291
253		58575	81958	51846	67781	67781	95137	88430	86962	31812	72759	12759	06427	40337	50115
254		61988	71246	24246	23487	78635	92006	33212	26516	33122	89362	72399	88244	33922	80800
255		73891	47025	40937	71907	26827	98865	38882	25763	26662	91441	89357	87803	61521	80800
256		40838	73894	40854	15937	55293	95033	31736	75068	91314	75293	04895	39355	54837	57203
257		98053	43567	17292	86908	71364	06089	92394	73691	57883	09883	35643	79309	53449	95334
258		59774	29138	48933	39836	99596	59050	25419	04130	54632	17223	94804	22973	97731	98476
259		09765	07548	63043	57982	81449	13652	94420	74460	46707	94303	85523	96244	70995	10742
260		38991	64502	24770	29209	82909	66610	84418	66214	26001	76685	69117	72446	79783	22305
261		25822	27100	56128	62145	82388	45197	97609	83942	01120	71717	32858	58679	97165	02810
262		31664	74120	66231	82306	71784	33177	17681	18963	07216	49288	43185	62797	00735	27085
263		81171	75639	60863	49562	28846	81581	10249	23190	53440	32357	16472	99013	24328	93670
264		69874	52803	28544	51589	56090	44588	42995	92311	57915	13308	13719	15833	38744	56085
265		27948	51107	05761	02159	53911	01952	59273	39647	29908	29908	49075	23061	07795	95047
266		69407	69736	75375	31488	87528	84234	76462	13628	21286	13736	67478	45818	27867	93049
267		29418	03091	06364	13151	40863	43633	87954	69800	24773	62596	52476	60831	50503	94116
268		38222	31231	79415	44558	62490	26836	49882	16307	98535	44822	99574	58487	85020	68881
269		94720	83796	93251	03588	62494	29140	14152	37044	90398	92042	35099	31640	98753	44409
270		45275	16852	02284	41361	73733	61486	33189	08907	41159	08147	15472	33250	17361	78361
271		97260	08552	82626	42915	45847	87401	13339	53850	34931	00602	75307	99708	77863	04924
272		01990	65259	60684	78175	43827	45211	86287	78190	02431	86251	74970	50246	23975	80697
273		24833	42314	81192	50253	65716	59076	92006	65676	89231	85261	15760	73706	69426	01979
274		98071	52677	74920	74461	52266	26867	68284	31612	40335	28865	98949	64492	96905	29184
275		34101	79442	89403	48541	13010	16596	72001	38548	76305	22119	82688	84017	44111	40302
276		77186	93967	25918	66403	73837	73445	86663	15929	08237	05647	18765	70444	58670	95967
277		23114	05481	42335	51396	60823	22860	50459	05429	35227	92599	24136	13126	22099	52388
278		59988	49944	41038	99977	16148	41119	15148	19511	90142	85604	16147	63445	60523	10480
279		11852	42254	82304	05588	75165	20179	94198	25700	33473	59554	30974	69973	57629	38550
280		59892	87922	58299	01700	07003	97507	69260	53348	88947	27517	80159	01899	46890	53850
281		42116	88593	22828	41422	18176	03250	86079	85467	32052	56922	96804	51060	33157	83948
282		39863	61401	21471	42702	70598	53144	27087	05581	57759	51394	98873	45825	61069	78783
283		53942	72009	98296	88908	56857	87114	21483	28879	20480	57309	95552	09826	79928	17141
284		25996	78108	98476	36397	89457	19577	65877	48002	61938	25032	09190	74832	36925	82686
285		91108	26450	14451	50328	29084	32332	08635	25192	31337	20249	95073	93800	70022	99968
286		37133	88924	27845	13024	90687	23726	11212	30414	42185	49224	46560	80447	24334	74866
287		13982	25736	10087	16782	02564	77316	79316	38684	20552	44402	85153	94526	41256	41256
288		26863	36187	81688	25005	46677	75851	73938	73044	05132	61204	90394	90296	03182	36672
289		62572	08275	18313	24936	81680	53829	40412	01479	58488	94984	85341	93414	07135	43446
290		65925	95455	08383	24843	72962	08172	37824	07587	40698	34984	50166	74756	77033	41501
291		97978	74876	08942	48919	51592	71196	48534	18955	23759	95648	03148	10646	15660	88520
292		01914	42524	67820	47985	91773	85914	85914	16736	02084	16736	39198	89897	62485	61938
293		68565	44811	39238	70394	78565	33539	56310	40809	63204	14479	19635	97299	66947	58010
294		54370	31672	03893	32423	54082	68375	63308	00016	28407	88287	22874	57545	72585	01604
295		79954	89001	23881	46951	69084	33477	87968	15639	82409	36804	52112	27102	87334	87334
296		55479	01059	44259	58975	06795	80930	28443	44898	77561	51123	34405	31376	06238	15973
297		38114	70330	42157	86699	46212	74892	92803	91306	50558	57280	50639	20663	71370	61487
298		29768	83452	66202	02488	72704	70814	70814	53616	39050	30355	15340	97298	41793	35185
299		31771	70640	34779	41831	33456	53194	19602	74194	61154	51774	78822	73794	54182	45264
300		77522	87188	83577	99067	23235	48662	31503	54829	54723	13177	15387	28073	62915	88415

APPENDIX C

TABLE OF RANDOM NUMBERS

(CONTINUED)

LINE	COL.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
301		64670	10396	82981	58320	71478	08143	48294	42631	45464	58092	14197	12271	98179	87812
302		25771	02205	73984	28436	88192	11470	11775	67385	66380	59884	93673	29948	66302	82227
303		27551	13537	54984	88406	88326	33993	92324	13249	32771	60400	70762	08343	78456	90068
304		91224	22417	44820	26199	57541	87558	45835	28461	54835	47512	44369	47512	49508	02811
305		75179	64320	71523	67668	38683	09674	27645	76240	47587	01677	38342	85598	12482	30749
306		64654	91085	65818	03313	39273	46384	66677	14148	87552	36383	87435	21072	63866	74644
307		98059	81123	67832	04102	66168	78200	67466	46043	65406	22834	08620	17509	51424	25187
308		38765	63585	18810	95805	11414	58096	00295	82626	42683	44518	12209	83245	53771	95469
309		01921	03584	71754	10213	80383	13473	94129	62199	59411	48782	51149	51149	87146	40129
310		16211	93671	27704	66778	96307	06732	63750	04191	40003	51653	54228	14916	05361	08884
311		70632	88076	61527	56123	48514	53935	86784	42351	67586	07432	61499	01773	97463	58815
312		22332	94285	67827	95815	00394	75271	98385	53697	77441	50592	77441	88505	87971	16331
313		81333	45985	64171	84367	15052	37965	03122	81914	69381	70034	92563	61804	58326	97895
314		39333	47453	68174	04546	10594	64271	61026	39471	55981	18628	67943	35588	37209	34061
315		29195	20825	50878	80273	26285	90070	79586	12449	77293	38577	59192	03658	90056	83145
316		74420	84037	08960	25109	08821	60143	34485	19257	29417	72713	72326	41572	41553	46946
317		22763	18508	24866	13177	07484	51730	48813	95718	28560	11332	74272	59189	53167	13133
318		72919	54818	40618	33287	78491	53604	66742	66742	97777	64468	98224	45485	17257	31561
319		92385	42402	15922	90033	21565	31647	22288	75892	20592	84620	58679	24587	83517	55327
320		85431	19657	97246	46118	71222	82744	67892	71755	10785	00344	19641	96279	18716	13895
321		40778	12451	14921	51484	45331	75822	46859	66828	35803	27645	76095	41535	25508	53066
322		89033	48592	60637	85231	08778	86813	47819	19218	89671	56104	77661	05816	85216	62064
323		29830	34899	85457	19548	83355	52479	77801	01596	48890	56104	66733	40830	58611	59181
324		22832	47422	08073	10107	46772	92299	42975	86376	27889	52944	07900	75918	51398	87598
325		75159	14809	11930	83531	51239	86298	72661	63015	98804	98491	99565	42801	71816	84000
326		98390	08217	52676	09263	82885	30451	25742	41105	74711	42007	02082	93025	86841	28952
327		88622	80897	08902	10887	91379	30068	84289	45020	92459	03831	08531	63496	98230	42884
328		93393	95901	41179	72129	72502	91097	09488	84896	37720	68104	73817	67626	16221	63527
329		53122	66033	38229	51879	29925	45574	53938	72801	64067	76328	28941	43645	37181	95329
330		43251	11941	86631	93264	53433	70281	55000	24550	74731	32855	25399	95743	85393	20261
331		16613	24901	34886	75002	55163	68300	20070	38953	39378	71191	84510	47599	93608	24379
332		12010	80852	92603	70393	17989	95755	14672	58786	41966	02883	94163	36156	54203	94138
333		85528	97879	27814	08219	02908	71582	31439	00380	72264	87245	85903	42298	28061	81089
334		32590	55079	33556	83169	92087	77939	53792	78795	58159	86394	41749	91623	07874	16630
335		92934	30650	16449	15805	61551	38889	59179	85485	18537	70496	98694	19796	76804	03673
336		80614	10150	09389	61892	79477	14522	40270	45744	29582	29717	39590	10223	43049	78775
337		82398	12034	90764	52872	22265	50592	42505	80560	38213	18917	10015	03887	62589	15851
338		02222	48811	05145	67916	15184	02836	59078	57773	21259	88090	56705	85556	04487	95954
339		08690	31785	61684	61322	24149	21471	23328	03093	31266	14840	38703	01640	07874	16630
340		61187	73697	66168	12885	73191	89432	65414	41886	75811	35708	43208	58193	04727	31037
341		12324	61149	85843	64999	83738	46871	25408	69313	54455	04917	35047	09951	72776	84697
342		47635	42279	98620	70677	52386	50904	94003	03931	42090	28179	98028	47728	45696	74176
343		70965	00390	08878	15373	70276	71889	86953	37931	23286	20508	40100	22466	37323	35429
344		58764	15262	98814	54548	00042	19721	78869	85937	36639	29135	12633	57225	89588	74178
345		07429	05609	31207	50254	66369	07714	92268	64898	32823	60722	46233	05646	57472	98304
346		15885	28659	54952	53217	76898	88931	25786	55912	85269	29212	84976	08888	94332	58528
347		64208	53232	99459	43605	04553	48451	68154	49436	49891	65524	65133	55183	76765	26066
348		17952	73276	52567	48469	64266	24220	55498	97458	98437	26033	39026	17377	43519	27425
349		60531	43217	39989	38815	97195	76928	87688	98010	90189	12522	00675	01995	82781	95130
350		76692	39599	43254	88110	88053	88727	14187	98623	84225	78440	67082	37425	40559	16838

APPENDIX D

CONSUMPTION ANALYSIS WORKSHEET AND INSTRUCTIONS

CONTRACT NUMBER: _____

ASSEMBLY AND/OR PART NUMBER: _____

NOMENCLATURE: _____

SECTION A - PLANNED MATERIAL REQUIREMENTS

1. Quantity of Part Number Required per the Next Higher Assembly _____ *
2. Quantity of the Next Higher Assembly Required by the Contract:
(Use best estimate and/or MRL for overhaul and repair contracts) _____
3. Determine the Net Quantity Required (Line 1 X Line 2) _____ *
4. Planned Mortality and/or Scrap and/or Attrition and/or
Usage Variance Factor (Percent) _____ % *
5. Projected Mortality Quantity (Line 3 X Line 4) _____ *
6. Total Projected Requirements (Line 3 + Line 5 for production contracts) _____

(Use historical data, if available, for overhaul and repair contracts when a bill of material or material requirements list is not available)

SECTION B - QUANTITY ACQUIRED

7. Quantity Received or Transferred for Use on Contract _____
8. Quantity on Order Due In _____
9. Quantity Projected for Future Acquisition Under the Contract _____
10. Quantity Rejected or Pending Material Review Board _____
11. Quantity Transferred from Contract _____
12. Net Quantity Acquired (Lines 7 + 8 + 9 - 10 - 11) _____

SECTION C - CONSUMPTION

13. Quantity Consumed Within the Next Higher Assembly
(including scrap) _____
14. Number of Higher Assemblies Produced and/or Repaired to Date
for the Contract _____
15. Actual Consumption Rate per Higher Assembly
(Line 13 divided by Line 14) _____

* Items 1, 3, 4, 5, & 17 MAY NOT BE APPLICABLE TO OVERHAUL AND/OR REPAIR CONTRACTS WHEN A BILL OF MATERIALS OR MRL IS NOT AVAILABLE.

SECTION D - EXTENT OF EXCESSIVE ACQUISITION AND/OR CONSUMPTION

16. Projected Requirements for Contract Based on Current
Consumption Rate (Line 2 X Line 15) _____
17. Quantity authorized by DD Form 610, when applicable _____ *
18. Quantity Acquired That Exceeds Authorization or Projected Requirements
(Line 12 - Line 17 for DD 610 items) (Line 12 - Line 6 for others)
(If less than 1, enter N/A) _____
19. Actual or Projected Excessive Acquisition Due to Variance Between
Planned and Actual Consumption (line 6 - Line 16)
(Note: Negative Number Indicates Possible Over Consumption
that must be separately explained but not used to compute Line 21) _____
20. Quantity in Line 18 and 19 which is Justified (Such as inventory
losses for which the contractor is not liable) (Provide explanation) _____ #
21. Unjustified Actual or Projected Excessive Acquisition
(Line 18 + 19 - 20) _____
22. Projected Dollar Impact (Line 21 X Unit Price of Item) _____

Item 20 should consider pushed GFM in excess of quantities authorized by DD Form 610.

SIGNATURE OF EVALUATOR

DATE

INSTRUCTIONS FOR USING THE CONSUMPTION ANALYSIS WORKSHEET

1. The Consumption Analysis Worksheet is intended to provide a standardized technique for determining the reasonableness of consumption of Government Furnished Materials (GFM) and Contractor Acquired Materials (CAM) that are subject to a Government property clause.
2. It is recognized that consumption analyses are more effective on production efforts where the consumption rates are projected and can be analyzed than on other contracts. For example, on research and development (R&D) contracts, consumption analyses are often highly subjective since material requirements are primarily developed based on engineering estimates. On overhaul and repair (O&R) contracts, materials are consumed as needed, thus making the materials requirements planning process susceptible to error. The consumption analysis worksheet is based on data generally available and required for production contracts. Several data elements do not apply or must be subjectively developed for nonproduction effort.
3. The worksheet will identify and document cases in which quantities of GFM have been acquired in excess of their contractual authorization. In addition, the worksheet identifies variances in consumption rates for both GFM and contractor-acquired materials that could indicate either excessive acquisition or consumption. Obviously, the ultimate determination of over consumption is consumption of all planned materials before completion of contract effort. Similarly, the extent of possible over acquisition is difficult to quantify until the contract reaches completion. Analyses are prone to error until accurate consumption rates can be determined. Thus, analyses during the start up portion of a contract must be considered as preliminary at best, and possibly inaccurate, at worst.

4. Instructions for completion of the worksheet:

a. Section A of the worksheet (Planned Material Requirements) is intended to document the quantity of an item of material that the contractor projects will be needed to complete a contract. For production contracts, bills of material are the primary source of information pertaining to requirements planning. For R&D or O&R contracts, estimates must be made based on engineering judgment, material requirements lists, past history, or other available information.

Step 1 of the worksheet documents the quantity of the item of material that is planned for incorporation into the next higher assembly. This is based on bill of material data in most cases. In the event that an item of material is used on two or more higher assemblies, Sections A and C of the worksheet must be completed for each higher assembly that uses the part on the contract. Step 1 may apply to some nonproduction contracts based on engineering estimates or past history.

Step 2 is the quantity of the next higher assembly required for the contract. Once again, this is most meaningful on production contracts where the manufacturing requirements are fully defined. Engineering estimates or material requirements lists may exist for R&D contracts, and

historical data may provide the best source of this information for O&R contracts.

Step 3 is simply the multiplication of the quantities from steps one and two to determine material requirements without consideration of scrap or mortality factors. This step will not apply to all R&D or O&R contracts.

Step 4 provides for acquisition of additional materials based on projected scrap factors. These should be developed based on past historical data, when available. The evaluator should question scrap factors that appear excessive. This factor should be entered on the form as a percent of net requirements.

Step 5 computes the amount of materials that are projected based on the scrap and/or mortality factor from line 4. This quantity must be added to the net requirements in determining total material requirements.

Step 6 provides an estimate of total material requirements for the item being reviewed based on quantity required per higher assembly, number of higher assemblies, and projected scrap rates. It is the sum of items 3 and 5. For R&D or O&R contracts without firm material requirements, use the best available estimate of material requirements for the contract. When desired, include "est" to denote the fact that a highly subjective number has been used.

b. Section B of the worksheet (Quantity Acquired) provides a summary of past, present, and projected acquisitions for the item being reviewed. Obviously, excessive acquisition is more readily visible during the latter part of a contract than early in the contract when quantities to be acquired are subject to revision.

Step 7 is the quantity of the item being checked that has been received or transferred to the contract from other contracts. Include all quantities, whether ultimately accepted, rejected, or transferred out.

Step 8 is the quantity on order that has not yet been received.

Step 9 is the quantity planned for future orders to satisfy contract requirements. This is needed to project total acquisitions for the contract.

Step 10 provides a means of identifying quantities of an item that are rejected or pending review. This information is especially valuable to highlight quality problems associated with delivery of GFM. If GFM does not meet specifications, then the CO must initiate action to repair or replace the faulty materials.

Step 11 shows the quantity of the item transferred from the contract for use on other contracts. This is one obvious method of reducing the impact of acquisitions found to be excessive. If records show large quantities of materials ultimately transferred from the contract, the evaluator should determine the cause for the high rate and ensure that Government contracts are not

routinely used as the mechanism to acquire materials actually intended for other contract efforts.

Step 12 is the net quantity of materials acquired to date or projected for acquisition against the contract. It is the sum of lines 7, 8, and 9 minus lines 10 and 11. If the quantity acquired exceeds total projected requirements (line 6), then the potential for excessive acquisition exists. However, consumption rates must be considered before making conclusions in this area.

c. Section C (Consumption) provides a mechanism for comparison of planned against actual consumption data. This produces a revised projection of material requirements for the contract.

Step 13 is the quantity of material consumed within the next higher assembly. This quantity may be available from manufacturing records, or it may be necessary to total the issue documents for the materials being reviewed and reduce this amount by the stock of the materials in the production area that have not been used. Quantity scrapped should be included in this figure.

Step 14 is the number of higher assemblies produced or repaired to date for the contract. This data will generally be obtained from production records.

Step 15 is the actual consumption rate for the item being checked which is determined by dividing the quantity consumed (line 13) by the number of higher assemblies produced (line 14).

Step 16 is a projection of contract requirements based on actual consumption rates. It is computed by multiplying the consumption rate per higher assembly (line 15) by the total number of higher assemblies required for the contract (line 2). If it is significantly different from the original planned requirements (line 6), then the potential for excessive acquisition or over consumption is indicated.

d. Section D (Extent of Excessive Acquisition and/or Consumption) is the mechanism for concluding whether or not excessive acquisition or consumption is indicated. Once again, data is more conclusive on contracts nearing completion than on contracts starting up. However, the worksheet provides a mechanism for conclusions based on the best available information.

Step 17 is included to readily identify quantities of GFM that exceed contractual authorizations. This step is the quantity of the item being checked that is authorized by the DD Form 610 (The Department of Defense Government Furnished Equipment Requirement Schedule). This line obviously does not apply to contractor-acquired materials.

Step 18 is a simple comparison of quantities acquired (line 12) against quantities authorized by DD Form 610 (line 17) or against projected requirements for other items (line 6). Obviously, if acquisition exceeds authorization or planned requirements, further explanation is needed. The reasons for these situations need to be fully identified and documented. If neither of these

conditions exists, enter "N/A" on line 18.

Step 19 compares actual consumption rates against projected rates to identify possible excessive acquisition or over consumption. When reliable consumption rates are available, significant variances between planned and actual consumption rates are indicators of potential for excessive acquisition (positive number in line 19), or for over consumption (negative number in line 19). The contractor should be tracking consumption rates and reducing projected requirements where the planned rates are found to be overstated. If consumption rates are not available so state. This may be the case during the initial part of contract performance. If line 19 is negative, provide a separate explanation of the nature or potential for over consumption and any actions that are required to correct the condition. However, do not use a negative number in Line 19 to compute Line 21.

Step 20 provides the evaluator the opportunity to identify mitigating factors and to consider whether the data collected is conclusive or inconclusive. If data is inconclusive, and the contractor is able to justify its position, the evaluator should reduce the quantity of potential over acquisition from lines 18 or 19. If line 19 suggests over consumption (negative value), which the evaluator feels is justified or inconclusive, enter "see remarks" in line 20 and provide a separate explanation.

Step 21 summarizes the extent of excessive acquisition that is considered to be conclusive by the evaluator.

Step 22 projects the dollar impact of unjustified excessive acquisition.

APPENDIX E

INSTRUCTIONS FOR THE USE, COMPLETION, AND DISTRIBUTION OF DD FORM 1149, "REQUISITION AND INVOICE/SHIPPING DOCUMENT"

1. Use. The DD Form 1149 may be used for the following purposes (unless otherwise approved by the PA, CO, or contract):

- a. Return of Government Furnished Property (GFP) except for material obtained through the Military Standard-Requisitioning and Issue Procedures (MILSTRIP) and Real Property. MILSTRIP material may be returned on DD Form 1348-1, as prescribed by DoD Manual 4000.25-1-M. Real Property will be transferred on DD Form 1354.
- b. Shipment of Industrial Plant Equipment (IPE) controlled by the Defense Industrial Plant Equipment Center (DIPEC), Memphis, Tenn. (Use DD Form 1149 issued by DIPEC.)
- c. Internal transfer of Government property accountability from one contract to another, with proper authorization; e.g., contract modification.
- d. Shipment of Government Property to other contractors and subcontractors. DD Form 1149 may also be used for shipments to secondary locations of the prime contractor.

2. Preparation and Completion of DD Form 1149

- a. The following information will be reflected in each appropriate block:
 - (1) From - Consignor (including contract number under which shipment is made).
 - (2) To - Consignee - Enter complete name. Do not abbreviate or use letter symbols.
 - (3) Ship to - Mark for - as indicated in the shipping instructions. Indicate contract number under which consignee will receive shipment, if furnished with shipping instruction.
 - (4) Accounting and Funding Data - Cite applicable data if specified in the shipping or other instructions. For Item 4 leave blank in all other cases. Items 4a through 4i shall be completed in all instances.
 - (4a) Item No. - Numerical sequence of items being shipped or transferred.
 - (4b) National Stock Number, Description and Coding of Material and/or Services - enter data listed in applicable Federal catalogs. Use Manufacturer's part number and description if item is not listed in Federal catalogs and so indicate in the description. If

applicable, include in this block a listing of all attachments and accessories.

(4c) Unit of issue - as appropriate.

(4d) Quantity requested - enter quantity requisitioned by consignee, if appropriate. If not applicable, leave blank.

(4e) Supply action - enter quantity being shipped or transferred.

(4f) Type container - carton, wooden or metal box, skid, etc.

(4g) Container Numbers. - Number each container if more than one and indicate in this block the container numbers in which the particular item is located.

(4h) Unit price - cost of each individual item - Use estimate when cost is not available.

(4i) Total cost - Unit price multiplied by the total number of the applicable item shipped.

(5), (6), (7) and (8) (Requisition date, number, requirement and priority) - Leave blank unless such data are included in the shipping instructions.

(9) Authority or purpose - cite document, contract modification, or other Government directive which authorized shipment or transfer.

(10) Signature - leave blank

(11a) Voucher number and date - enter number assigned by the shipping contractor or consignor to identify this shipping document and to credit his property account.

(11b) Indicate date the voucher number was assigned.

(12) Date shipped - enter date items are picked up by carrier. For in-place transfers, enter date transaction is completed.

(13) Mode of shipment - enter type of carrier used - railroad, commercial or Government truck, pick-up, commercial or Government aircraft.

(14) Bill of Lading number - enter the commercial or Government bill of lading number on which shipment is accomplished.

(15) Air Movement Designator or Port Reference No. - enter data when applicable.

(16) Transportation via MSTTS Chargeable to - Cite appropriate funds for these items as called for in shipping instructions. Leave blank if not applicable.

(17) Special handling - enter special handling requirement specified in the shipping instructions or required by the nature of the items shipped. i.e. "fragile," "do not drop," etc.

(18) Recapitulation of shipment - enter appropriate data only when shipments are of such magnitude and complexity that this information will be helpful in controlling shipment. This block may be left blank at the discretion of the Consignor.

(19) Receipt data - for use by consignee.

b. QAR verification. When appropriate, the QAR will place a verification stamp or signature in block 4b following the last line item entered. DD Form 1149C, "Requisition and Invoice/Shipping Document (Continuation sheet)" will be used if more than one page is required for a single shipment.

3. Distribution

a. The DD Form 1149, as a minimum, will be distributed as follows:

Original - To Consignee w/shipment

1 Copy - Consignor

1 Copy - Mailed to consignee as advance copy

1 Copy - Attached to original copy of Bill of Lading

1 Copy - Attached to Transportation Office copy of GBL

1 Copy - Carrier

1 Copy - Quality Assurance Representative (QAR)

1 Copy - Plant Clearance Officer (PLCO)(if applicable)

1 Copy - Property Administrator (if required for information purposes)

b. Distribution should be reflected in the body of DD Form 1149 or 1149-1.

c. Classified shipments and documents will be marked and handled in accordance with existing security regulations.