



A Procurement Technical
Assistance Center (PTAC)

ACQUISITION HOUR WEBINAR

GOVERNMENT PROPERTY MANAGEMENT FOR FEDERAL CONTRACTORS AND SUBCONTRACTORS

August 2, 2017



WEBINAR ETIQUETTE

- Please
 - When logging into go-to-meeting, enter the name that you have registered with
 - Put your phone or computer on mute
 - Use the Chat option to ask your question(s): We will read them and our guest speaker will provide an answer to the group
- Thank you!

ABOUT WPI

SUPPORTING THE MISSION

Assist businesses in creating,
development and growing their sales,
revenue and jobs through Federal, state
and local government contracts.

SERVICES OFFERED BY WPI

- FREE Bid Matching Services
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- Locating Local, State and Federal Opportunities
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- Training in use of Government websites and tools
- Assistance with System for Award Management (SAM) Registration
- Assisting in Market Research Process
- Development of Market Profile
- Small Business Subcontracting Plans Development, Outreach and Reporting
- Small Group Training
- Outreach and training with Local, State and Federal agencies
- Assist with Pre and Post Award Functions
- Assistance with Agency Specific Contracting Requirements
- Assistance with Contracting Regulations and Requirements, including FAR, DFAR, CFR
- Assistance with GSA Schedule Preparation and Administration
- Assistance with Local, State and Federal Certifications, including:
 - Service Disabled & Veteran Owned Small Business, HUBZone, Woman Owned Small Business, 8(a) Business Development Program
 - State
 - Local
 - DBE
- Bid review and Submission Assistance
- Proposal review and Submission Assistance
- Capabilities Statement and Related Government Marketing Material Development
- Assistance in Locating and Developing Teaming Partners and Subcontractors
- Updated Government Market Information

JULY DLA "THE LINK" ISSUES AVAILABLE ONLINE

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UPCOMING EVENTS

AUGUST 2 2017
ACQUISITION HOUR: GOVERNMENT PROPERTY MANAGEMENT FOR FEDERAL CONTRACTORS AND SUBCONTRACTORS

AUGUST 2 2017
HOW TO DO BUSINESS WITH THE DEPARTMENT OF VETERANS AFFAIRS
IRON MOUNTAIN, MI »

AUGUST 3 2017
HOW TO DO BUSINESS WITH THE DEPARTMENT OF VETERANS AFFAIRS
APPLETON, WI »

AUGUST 16 2017
ACQUISITION HOUR: CYBER SECURITY FOR CURRENT AND PROSPECTIVE DOD CONTRACTORS AND SUBCONTRACTORS

SEPTEMBER 19 2017
ACQUISITION HOUR: SELLING TO THE STATE OF WISCONSIN AND LOCAL GOVERNMENTS

CURRENT OPPORTUNITIES (4)

WHAT WE WILL COVER TODAY

- Definitions of Government Property
- The FAR Clauses and the FAR supplements
- The Property Management System
- Subcontractors – what to know

DEFINITIONS OF GOVERNMENT PROPERTY

THE DEFINITIONS OF GOVERNMENT PROPERTY (GP)

“Government property” means all property owned or leased by the Government. Government property includes both Government-furnished property and contractor-acquired property. Government property includes material, equipment, special tooling, special test equipment, and real property. Government property does not include intellectual property and software.

FAR45.101

THE DEFINITIONS OF GOVERNMENT PROPERTY (GP)

- Types of GP
 - Equipment
 - Material
 - Special Tooling
 - Special Test Equipment
 - Real Property

THE DEFINITIONS OF GOVERNMENT PROPERTY (GP)



Government Property

Government Furnished Property

Contractor Acquired Property

THE GOVERNMENT FURNISHED PROPERTY

Government Furnished Property (GFP) “Government-furnished property” means property in the possession of, or directly acquired by, the Government and subsequently furnished to the contractor for performance of a contract. Government-furnished property includes, but is not limited to, spares and property furnished for repair, maintenance, overhaul, or modification.

Government-furnished property also includes contractor-acquired property if the contractor-acquired property is a deliverable under a cost contract when accepted by the Government for continued use under the contract.

THE GOVERNMENT FURNISHED PROPERTY

- Title to GFP ALWAYS Vests in the Government
 - FAR 45.401
 - FAR 52.245-1

CONTRACTOR ACQUIRED PROPERTY

Contractor Acquired Property (CAP) “means property acquired or otherwise provided by the contractor for performing a contract and to which the government has title”.

CONTRACTOR ACQUIRED PROPERTY

- Title for CAP... IT DEPENDS!
 - FIXED PRICE CONTRACTS (45.402)
 - ONLY THE DELIVERY END ITEM
 - COST REIMBURSEMENT CONTRACTS (52.245-1(e))
 - Government has TITLE to ALL property the contractor acquires IF:
 - It is
 - Reasonable
 - Allowable
 - Allowable
 - It is charged as a Direct Item of cost
 - In accordance with the contractor's disclosure statement

THE FAR CLAUSES AND THE FAR SUPPLEMENTS

REGULATORY LANDSCAPE

- Federal Acquisition Regulation
 - Part 45-Government's Policy
 - 52.245-1 Government Property and its alternates I & II
 - 52.245-2 Government Property Installation Operation Services
 - 52.245-9 Use and Charges

52.245-1

- (a) Definitions
- (b) Property Management
- (c) Use of Government Property
- (d) Government-furnished Property
- (e) Title to Government Property
- (f) Contractor Plans and Systems
- (g) System Analysis
- (h) Contractor Liability for Government Property
- (i) Equitable Adjustment
- (j) Contractor Inventory Disposal
- (k) Abandonment of Government Property
- (l) Communications
- (m) Contracts Outside The United States

52.245-1

- Christian doctrine:
- the Christian doctrine permits the incorporation by operation of law of mandatory contract clauses which express a significant or deeply ingrained strand of public procurement policy

- 52.245-1 Mandatory or not Mandatory?
- In solicitation and contract for all cost type, T&M, and in labor hour and fixed-price when the Government will provide property*

*for more info see:

http://www.ago.noaa.gov/acquisition/docs/government_property_christian_doctrine.pdf

52.245-1 ALT I

- Substitute the following to (h) (1)
- (h)(1) The Contractor assumes the risk of, and shall be responsible for, any loss of Government property upon its delivery to the Contractor as Government-furnished property. However, the Contractor is not responsible for reasonable wear and tear to Government property or for Government property properly consumed in performing this contract.

52.245-1 ALT II

- Substitute (e) (3): Title under Cost-Reimbursement or Time-and-Material Contracts or Cost-Reimbursable contract line items under Fixed-Price contracts.
- (i) Title to all property purchased by the Contractor for which the Contractor is entitled to be reimbursed as a direct item of cost under this contract shall pass to and vest in the Government upon the vendor's delivery of such property. (...)
- For
- (e)(3) Title to property (and other tangible personal property) purchased with funds available for research and having a unit acquisition cost of less than \$5,000 shall vest in the Contractor upon acquisition or as soon thereafter as feasible; provided that the Contractor obtained the Contracting Officer's approval before each acquisition. Title to property purchased with funds available for research and having a unit acquisition cost of \$5,000 or more shall vest as set forth in this contract. (...)

52.245-1 ALT II

Alternate II to the Government Property clause, FAR 52.245-1, is used in contracts with nonprofit organizations and provides for the vesting of title to the nonprofit in accordance with statutory allowance.

52.245-2

- Insert the clause WITH 52.245-1 according to 45.107:
- in fixed-price service contracts to be performed on a Government installation when Government furnished property will be provided for initial provisioning ONLY and the Government is not responsible for repair or replacement.

52.245-2

(a) This Government Property listed in paragraph (e) of this clause is furnished to the Contractor in an “as-is, where is” condition. The Government makes no warranty regarding the suitability for use of the Government property specified in this contract. The Contractor shall be afforded the opportunity to inspect the Government property as specified in the solicitation.

52.245-2

(b) The Government bears no responsibility for repair or replacement of any lost Government property. If any or all of the Government property is lost or becomes no longer usable, the Contractor shall be responsible for replacement of the property at Contractor expense. The Contractor shall have title to all replacement property and shall continue to be responsible for contract performance.

52.245-2

(c) Unless the Contracting Officer determines otherwise, the Government abandons all rights and title to unserviceable and scrap property resulting from contract performance. Upon notification to the Contracting Officer, the Contractor shall remove such property from the Government premises and dispose of it at Contractor expense.

52.245-2

- (d) Except as provided in this clause, Government property furnished under this contract shall be governed by the Government Property clause of this contract.
- (e) Government property provided under this clause:

52.245-2

- Used only:
 - With FIXED price contracts
 - When it is to be performed on Government installations
 - Where Government-furnished property is to be provided for INITIAL PROVISIONING ONLY
 - Where the Government is NOT responsible for repair or replacement of the Government-furnished property

52.245-2

- Not Used
 - With Cost Reimbursement contracts
 - When NOT performed on a Government installation
 - Where the Government IS responsible for repair or replacement of the Government- furnished property

52.245-9

- Use and Charges
- The contracting officer SHALL insert the clause at 52.245-9, Use and Charges, in solicitations and contracts when the clause at 52.245-1 is included.

52.245-9

- (b) Use of Government property. The Contractor may use the Government property without charge in the performance of—
 - (1) Contracts with the Government that specifically authorize such use without charge;
 - (2) Subcontracts of any tier under Government prime contracts if the Contracting Officer having cognizance of the prime contract—
 - (i) Approves a subcontract specifically authorizing such use; or
 - (ii) Otherwise authorizes such use in writing; and
 - (3) Other work, if the Contracting Officer specifically authorizes in writing use without charge for such work.

52.245-9

- (c) Rental. If granted written permission by the Contracting Officer, or if it is specifically provided for in the Schedule, the Contractor may use the Government property (except material) for a rental fee for work other than that provided in paragraph (b) of this clause. Authorizing such use of the Government property does not waive any rights of the Government to terminate the Contractor's right to use the Government property. The rental fee shall be determined in accordance with the following paragraphs.
 - Material is consumed not rented
 - All other GP can be rented

52.245-9

- (d) General
 - The ACO is the Go to person
 - What is needed to ask for authorization:
 - What Property
 - For how long
 - Estimated rental charge
 - To not anticipate approval
 - Rental shall not interfere with Primary use

52.245-9

- (e) Rental charge
 - 3 methods
 - Appraisal method
 - Formula method
 - Alternative method (contractor proposed)
- (f) Rental payments
 - Treasurer of the U.S
- (g) Use revocation (Government can revoke at any time)
- (h) Unauthorized use (Fines, imprisonment)

52.245-9

- Addresses the authorized use of Government
- Property in the contractor's possession
- Addresses the calculation of rental charges when necessary, which may be applied pre-award or post-award
- Provides reference to the collection of any rent and the statutory penalties that may be invoked for unauthorized use of GP

52.245-9

- Application
- Anytime FAR 52.245-1 (Government Property clause) is applied in the solicitation or contract, then FAR 52.245-9 **MUST ALSO BE INCORPORATED** into the contract

THE FAR SUPPLEMENTS

DFARS

AGAR

AIDAR

CAR

DEARS

DIARS

DOLAR

DOSAR

DTAR

EDAR

EPAAR

FEBAR

GSAM

HHSAR

HSAR

HUDAR

IAAR

JAR

LIFAR

NFS

NRCAR

TAR

VAAR

THE FAR SUPPLEMENTS

- Many agencies have issued supplementation to the FAR government Property Requirements.
- Read your contract
- Know the supplements

DFAR

- Six DoD-specific clauses related to Government Property found in DFARS:

- 252.211-7007
- 252.245-7000
- 252.245-7001
- 252.245-7002
- 252.245-7003
- 252.245-7004

FIVE DFARS GOVERNMENT PROPERTY CLAUSES THAT ARE LINKED TO THE FAR 52.245-1

252.245-7001 : Tagging, Labeling and Marking of GFP

252.245-7002 : Reporting Loss of Government Property

252.245-7003 : Contractor Property Management System Administration

252.245-7004 : Reporting, Reutilization and Disposal

252.211-7007 : Reporting of Government Furnished Property

If FAR 52.245-1 is used in the contract, then all five of these DFARS must be used

ONE ADDITIONAL DFARS GOVERNMENT PROPERTY CLAUSE

252.245-7000, Government-Furnished Mapping, Charting and Geodesy Property

Use the clause, in solicitations and contracts when mapping, charting, and geodesy property is to be furnished

this clause does NOT require the concurrent inclusion of FAR 52.245-1 and 52.245-9

THE PROPERTY MANAGEMENT SYSTEM

WHAT DOES FAR 52.245-1 SAY?

- 52.245-1(b)
 - The Contractor SHALL have a system of internal controls to manage (control, use, preserve, protect, repair and maintain) Government property in its possession.
- 52.245-1 (f) (1)
 - Contractors SHALL establish and implement property management plans, systems, and procedures at the contract, program, site or entity level to enable the following outcomes:
- 52.245-1 (g) Systems analysis.
 - (1) The Government shall have access to the contractor's premises and all Government property, at reasonable times, for the purposes of reviewing, inspecting and evaluating the Contractor's property management plan(s), systems, procedures, records, and supporting documentation that pertains to Government property. This access includes all site locations and, with the Contractor's consent, all subcontractor premises. (...)

THE PROPERTY MANAGEMENT SYSTEM

- The Property Management System is MANDATORY
- Its design and implementation is left to the contractor :
 - The Contractor may employ the following:
 - Customary Commercial Practices –Voluntary Consensus Standards
 - Industry Leading Practices and Standards
- The System will be Audited by DCMA to determine if it is adequate/inadequate

THE PROPERTY MANAGEMENT SYSTEM

The System is comprised of written policies, procedures, operational guidelines and related records as well as the management information system that facilitate performing those functions. Within these documents the roles and responsibilities of each participant in a process are defined *

*Fundamental of Property Management – NPMA

SYSTEM REQUIREMENTS 52.245-1

- Paragraph (f) & (j) – Specific system requirements
- with some freedoms
- (f) Contractor plans and systems
 - Plans and systems at the contract, program, site or entity level that reflect their efforts to obtain best value (freedom)
 - Addresses 14 outcomes/processes
- (j) Contractor Inventory Disposal
 - Addresses 1 outcome/process (restrictive)

THE PROPERTY MANAGEMENT SYSTEM

Must include the 15 REQUIRED outcome

- Acquisition
- Receipt
- Identification
- Records
- Physical Inventory
- Subcontractor control
- Reports
- Relief of Stewardship
- Utilization
- Consumption
- Movement
- Storage
- Maintenance
- Disposal
- Property closeout

THE PROPERTY MANAGEMENT SYSTEM

- ACQUISITION PROCESS
- A contractual requirement that contractors have a process for managing the acquisition of property that IS or BECOMES Government property
 - Government Furnished Property (Government always has title)
 - Contractor Acquired Property (It depends!)

THE PROPERTY MANAGEMENT SYSTEM

FAR 52.241-1 (f) The contractor shall document that all property was acquired consistent with its engineering, production, planning and material control operation

THE PROPERTY MANAGEMENT SYSTEM

- 3 main concerns
 - Who has Title
 - Classification (Material, ST, STE, Equipment (real property may only be acquired as authorized by law))
 - Reasonableness of quantities acquired (Far part 31.201-3)

52.245-1

- 52.245-1(e)
 - What & WHEN the Government has/takes title to
 - 1. All GFP – no matter what
 - 2. For CAP it depends:
 - Under fixed price type contracts: The government owns the Deliverable End Item
 - Under cost Type contracts the government has title to all property the contractor acquires if:
 - Reasonable
 - Allocable
 - Allowable
 - It is charged as direct item of cost
 - In accordance with the contractor's disclosure statement

THE PROPERTY MANAGEMENT SYSTEM

- RECEIVING PROCESS:
- FAR 52.245-1(f) The contractor shall RECEIVE Government Property, record the information necessary to meet the record requirement (...) and manage any discrepancies incident to shipment (...)

THE PROPERTY MANAGEMENT SYSTEM

- Receiving process:
- Includes
 - Notification (to receiving department of Due in assets)
 - Physical Delivery and Initial inspection (no obvious or visible damages and quantity matches the transportation document)
 - Discrepancies (identification and resolution)
 - Reconciliation (Against the Due In record)
 - Receiving Reports (must be documented! DD form 250, DD form 1149, freight bill, Bill of lading, packing list etc...)
 - Release of Assets (from receiving organization, for quality or technical acceptance)
 - Inspection (The procedure should outline the inspection responsibility and indicate the type of GP that require further technical inspection/test)
 - Distribution of assets (to appropriate storage area, stockroom or release for use as authorized by contract terms)

THE PROPERTY MANAGEMENT SYSTEM

- IDENTIFICATION PROCESS
- FAR 52.245-1(f) The contractor shall receive Government Property, record the information necessary to meet the record requirement (...) IDENTIFY as government owned in a manner appropriate to the type of property (e.g, stamp, tag, mark or other identification) and manage any discrepancies incident to shipment

THE PROPERTY MANAGEMENT SYSTEM

- Identification process:
- 2 requirements:
 - Indication of government ownership (Classification)
 - Stamp, tag, mark etc... S/N where appropriate
 - The Physical EVIDENCE that a piece of described property exists and is the very same item that is described or asserted (Identity)

THE PROPERTY MANAGEMENT SYSTEM

- Identification methods are numerous
 - Bar coding
 - Stamping
 - Marking
 - Etching
 - Network Pinging
 - Radio Frequency Identification (RFID)
- Selection of the methods is determined by several criteria (type of assets, data collection, environment, Ease of reading, size of the tag, surface of application, cost...)

THE PROPERTY MANAGEMENT SYSTEM

- RECORD PROCESS
- Record and the maintaining of records are applicable to EVERY process set forth by the Government property clause

THE PROPERTY MANAGEMENT SYSTEM

- Record process:
- FAR 52.245-1(f) (1)(iii) Records of Government property.
 - The Contractor shall create and maintain records of all Government property accountable to the contract, including Government-furnished and Contractor-acquired property.

THE PROPERTY MANAGEMENT SYSTEM

- Record process:
- The clause includes the data that are needed:
 1. The name, part number and description, National Stock Number (if needed for additional item identification tracking and/or disposition) and other data elements as necessary and required in accordance with the terms and conditions of the contract.
 2. Quantity received (or fabricated), issued, and balance-on-hand.
 3. Unit acquisition cost.
 4. Unique-item identifier or equivalent (if available and necessary for individual item tracking).
 5. Unit of measure.
 6. Accountable contract number or equivalent code designation.
 7. Location.
 8. Disposition.
 9. Posting reference and date of transaction.
 10. Date placed in service (if required in accordance with the terms and conditions of the contract).

THE PROPERTY MANAGEMENT SYSTEM

- FAR 52.245-1 (g) Systems analysis.
- (1) The Government shall have access to the contractor's premises and all Government property, at reasonable times, for the purposes of reviewing, inspecting and evaluating the Contractor's property management plan(s), systems, procedures, records, and supporting documentation that pertains to Government property. This access includes all site locations and, with the Contractor's consent, all subcontractor premises.
- (2) **Records of Government property shall be readily available** to authorized Government personnel and shall be appropriately safeguarded.

THE PROPERTY MANAGEMENT SYSTEM

- Record retention: FAR 4.7
- Policy 4.703
- Financial and Cost Accounting: 4.705-1
- Acquisition and Supply records: 4.705-3

THE PROPERTY MANAGEMENT SYSTEM

- PHYSICAL INVENTORY
- 52.245-1(f)(1)(iv):Physical inventory. The Contractor shall periodically perform, record, and disclose PHYSICAL INVENTORY results. A final physical inventory shall be performed upon contract completion or termination. The Property Administrator may waive this final inventory requirement, depending on the circumstances (e.g., overall reliability of the Contractor's system or the property is to be transferred to a follow-on contract).

THE PROPERTY MANAGEMENT SYSTEM

- It is the contractor's responsibility to establish the process, the methods and methodologies to accomplish this process in accordance with and using Industry Leading practices and voluntary consensus standards (VCS)

THE PROPERTY MANAGEMENT SYSTEM

- ASTM Standard E2132-01(2007), "Standard Practice for Physical Inventory of Durable, Moveable Property," ASTM International, West Conshohocken, PA.

THE PROPERTY MANAGEMENT SYSTEM

- Type of Physical Inventory
 - Wall to wall
 - Closed store
 - Open store
 - Cyclic
 - Sampling
 - ...

THE PROPERTY MANAGEMENT SYSTEM

- The contractor establishes
 - The type and Frequency of the PI based on
 - Contractor's practices
 - Type of GP
 - Use of GP
 - \$ Value
 - Sensitivity
 - Reliability of Contractor's PMS
 - Provide written procedures describing the process and outcomes

THE PROPERTY MANAGEMENT SYSTEM

- FAR 52.245-1(f) (vi) Reports. The Contractor shall have a process to create and provide reports of discrepancies, loss of Government property, PHYSICAL INVENTORY results, audits and self-assessments, corrective actions, and other property related reports as directed by the Contracting Officer.

THE PROPERTY MANAGEMENT SYSTEM

- Discrepancies
- Usual standards
 - High 0% discrepancies
 - Low 10%
 - Standard 1/2 % - 5%
- Ratio can affect the Risk Assessment placed on the contractor and subsequent audit frequency
- Impact the determination of compliance of the PMS which may impact Liability

THE PROPERTY MANAGEMENT SYSTEM

- STORAGE
- FAR 52.245-1(f)(1)(viii) Utilizing Government property.
- (A) The Contractor shall utilize, consume, move, and STORE Government Property only as authorized under this contract. The Contractor shall promptly disclose and report Government property in its possession that is excess to contract performance.
- (B) Unless otherwise authorized in this contract or by the Property Administrator the Contractor shall not commingle Government material with material not owned by the Government.

THE PROPERTY MANAGEMENT SYSTEM

- Storage:
- Proper Identification of storage locations
- Items separation
- In-Storage Maintenance
- Efficient movement of items
- Locating the items when needed

THE PROPERTY MANAGEMENT SYSTEM

- Storage:
- Covered or open
 - Covered storage
 - General Purpose
 - Controlled humidity
 - Refrigerated
 - Flammable storage
 - Shed
 - Transitory shelter
 - Non Covered
 - Improved
 - Unimproved

THE PROPERTY MANAGEMENT SYSTEM

- Storage:
- Commingling
 - Where an item when placed with or next to another like item LOSES its ability to be IDENTIFIED as to OWNERSHIP
- Collocated
 - Where an item when placed with or next to another like item RETAINS its ability to be IDENTIFIED as to OWNERSHIP

THE PROPERTY MANAGEMENT SYSTEM

- MOVEMENT
- FAR 52.245-1(f) (1) (viii) Utilizing Government property.
- (A) The Contractor shall utilize, consume, MOVE, and store Government Property only as authorized under this contract. The Contractor shall promptly disclose and report Government property in its possession that is excess to contract performance.
- (B) Unless otherwise authorized in this contract or by the Property Administrator the Contractor shall not commingle Government material with material not owned by the Government.

THE PROPERTY MANAGEMENT SYSTEM

- The process of Movement includes
 - Local (onsite from one location to another)
 - Off-site (authorization to move, documentation, user responsibility, property record updated...)
 - Records (must be annotated, change of custodians?, time frame for return?...)
 - Property Movement documents (Move tickets, travelers, hand receipts...)
 - Packaging (if need to meet certain requirement regarding transport of goods)
 - Shipping (from a geographic area to another, Must be authorized, documented)
 - Hazardous Material/Waste (governed by 49 CFR)

THE PROPERTY MANAGEMENT SYSTEM

- UTILIZATION
- 52.245-1 (f) (1) (viii) Utilizing Government property.
- (A) The Contractor shall UTILIZE, consume, move, and store Government Property only AS AUTHORIZED under this contract. The Contractor shall promptly DISCLOSE and REPORT Government property in its possession that is excess to contract performance.

THE PROPERTY MANAGEMENT SYSTEM

- GP is generally authorized for use on the contract under which it is accountable.
- Contractor are generally NOT authorized to use GP for any other use, Government or Commercial.
- The contractor must obtain WRITTEN APPROVAL from the CO having cognizance over the property prior to use

THE PROPERTY MANAGEMENT SYSTEM

- A word about Excess Property:
- Contractor must have a process to identify GP in excess to contractual requirement (Measure and record USE)
- GP that has no current usage or activity should be reviewed to initiate disposal action or justify retention.

THE PROPERTY MANAGEMENT SYSTEM

- CONSUMPTION PROCESS
- 52.245-1 (f) (1) (viii) Utilizing Government property.
- (A) The Contractor shall utilize, CONSUME, move, and store Government Property only AS AUTHORIZED under this contract. The Contractor shall promptly DISCLOSE and REPORT Government property in its possession that is excess to contract performance.

THE PROPERTY MANAGEMENT SYSTEM

- Consumption is MATERIAL ONLY
- The process consist in 4 elements:
 - Issuance of material in reasonable and proper quantity
 - Actual usage of material
 - Return of any unused portion to stock
 - Part or components removed or recovered from repairs, rework, testing etc... those parts are returned to stock with the prospect of future use or disposition

THE PROPERTY MANAGEMENT SYSTEM

- REPORTING PROCESS
- 52.245-1 (f) (1) (vi) Reports
- The Contractor shall have a process to create and provide reports of discrepancies, loss of Government property, physical inventory results, audits and self-assessments, corrective actions, and other property related reports as directed by the Contracting Officer.

THE PROPERTY MANAGEMENT SYSTEM

- Many different reports
 - Discrepancies (see receiving process)
 - Loss Theft Damage or Destruction (sometimes Automated DOD: PCCARS - 52.245-1(f) (1) (vi) (B) contains the guidelines regarding the required Data)
 - Physical Inventory results (reporting all overages and shortages)
 - Audits and Self Assessments (when findings are significant)
 - Correctives actions, Plans (Reporting change in the PMS system)
 - Other property related reports as directed by the CO
 - Any other contractually required reports

THE PROPERTY MANAGEMENT SYSTEM

- MAINTENANCE PROCESS
- 52.245-1 (b) Property management.
- (1) The Contractor shall have a system of internal controls to manage (control, use, preserve, protect, repair and MAINTAIN) Government property in its possession. (...)


THE PROPERTY MANAGEMENT SYSTEM

- The Maintenance process
 - General Maintenance: Routine day by day maintenance that is required for efficient and economical operation of GP (Includes inspecting, cleaning, adjusting, calibrating...)
 - Preventive Maintenance: part of the General Maintenance requirement

THE PROPERTY MANAGEMENT SYSTEM

- The Maintenance process
 - General and preventive maintenance are to be performed by the contractor as part of its SOP. The costs of this maintenance program are generally included in the cost of contract as a overhead charge.
 - The government generally does not pay additional expenses for general or preventive Maintenance of GP.

THE PROPERTY MANAGEMENT SYSTEM

- *Relief of stewardship responsibility and liability.*  LTDD
- 52.245-1 (f) (1)(vii) Relief of stewardship responsibility and liability. The Contractor shall have a process to enable the prompt recognition, investigation, disclosure and reporting of loss of Government property, including losses that occur at subcontractor or alternate site locations.

THE PROPERTY MANAGEMENT SYSTEM

- Relief of stewardship responsibility and liability.
- Generally the contractor is NOT held liable for LTDD under:
 - Cost reimbursement contracts
 - Time and material contracts
 - Labor Hour contracts
 - Fixed-price contracts awarded on the basis of submission of certified cost or pricing data.

THE PROPERTY MANAGEMENT SYSTEM

- Relief of stewardship responsibility and liability.
- Generally the contractor IS held liable for LTDD under:
- Fixed price contracts for which THERE IS an exception at FAR 15.403-1

THE PROPERTY MANAGEMENT SYSTEM

- 2 forms of liability:
 - Limited Risk of Loss provision (52.245-1 (h))
 - Full Risk of Loss provision (52.245-1 alternate I)

THE PROPERTY MANAGEMENT SYSTEM

- 2 forms of liability:
 - Full Risk of loss provision (52.245-1 alternate I)
 - Liable to ANY Loss, Theft Damage or Destruction EXCEPT reasonable wear and tear or reasonable and proper consumption
 - How much liable?: Intrinsic value to define the QUANTUM (replacement cost, repair cost, salvage cost or scrap cost depending on the type of loss and government future need of the GP)

THE PROPERTY MANAGEMENT SYSTEM

- 2 forms of liability:
 - Limited Risk of loss provision (52.245-1 (h))
 - 1) Unless otherwise provided for in the contract, the Contractor shall not be liable for loss of Government property furnished or acquired under this contract, except when any one of the following applies:
 - Risk cover by Insurance (Must be specified in the contract)
 - Willful misconduct, lack of good faith by the MANAGERIAL PERSONNEL (Importance of definitions)
 - WITHDRAWAL of the Government assumption of risk (PMS is inadequate – ACO authority must be in writing)

THE PROPERTY MANAGEMENT SYSTEM

- DISPOSITION

THE PROPERTY MANAGEMENT SYSTEM

- Normally all disposition directs are issued through:
 - The contract
 - There may be specific disposition directions provided within the terms and conditions of the contracts. If there are no specific directions within the contract then the GP clause 52.245-1 provides guidance
- The PCO, Plant Clearance Officer is the authorized representative that may issue disposition directions

THE PROPERTY MANAGEMENT SYSTEM

52.245-1 (j) provide guidance for disposition

THE PROPERTY MANAGEMENT SYSTEM

- Steps in the Disposition process:
 - Documentation / notification of excess property
 - Pick up
 - Storage
 - Review for usability
 - Reutilization
 - Recycling
 - Methods of Disposal
 - Trade-ins / exchange sales
 - Donation/Destruction/Retirement

THE PROPERTY MANAGEMENT SYSTEM

- CONTRACT CLOSEOUT
- 52.245-1 (f)(1)(x) Property closeout.
- The Contractor shall promptly perform and report to the Property Administrator contract property closeout, to include reporting, investigating and securing closure of all loss of Government property cases; physically inventorying all property upon termination or completion of this contract; and disposing of items at the time they are determined to be excess to contractual needs.

THE PROPERTY MANAGEMENT SYSTEM

- Contract Closeout
 - The Contractor Property Management organization are notified
 - Perform a final Physical Inventory of GP
 - Ensure that property transfer to other government contracts are accomplished based upon firm contract requirements that exist on the gaining contract
 - Monitor the actions of the contractor in returning excess GP inventoried but not referred to the PCO

THE PROPERTY MANAGEMENT SYSTEM

- Contract Closeout
 - Advised the cognizant PCO of any residual property requiring disposal
 - Ensure that excess property is promptly reported on the inventory schedule to the PCO
 - Ensure that the contractor promptly takes all required actions to complete property management responsibilities and close out record
 - Require the contractor to submit a zero balance of GP accountable to the contract
 - Ensure that the processing of all liability actions by the property administrator or the Contracting Officer are completed

SUBCONTRACTORS – WHAT TO KNOW

SUBCONTRACTORS

- As a subcontractor, you will not see the **CLAUSE** but the **REQUIREMENTS** of the clause.
- A property management system
- Liability
- Usage
- ...

SUBCONTRACTORS

- FAR 52.245-1(f)
- (v) Subcontract Control -
- (A) The Contractor shall award subcontracts that clearly identify items to be provided and the extent of any restrictions or limitations for fabricated items. The Contractor shall ensure appropriate flow down of contract terms and conditions (e.g., extent of liability for loss of Government property).
- (B) The Contractor shall assure its subcontracts are properly administered and reviews are periodically performed to determine the adequacy of the subcontractor's property management system:
AUDIT

SUBCONTRACTORS

- FAR 52.245-1(f)
- (v) Subcontract Control -
- Full or limited risk of loss?
 - If the contract has the alternate 1: then the FULL RISK OF LOSS must be flown down.

SUBCONTRACTORS

- FAR 52.245-1(f)
- (v) Subcontract Control -
- Full or limited risk of loss?
 - If the limited risk of loss is in the contract, the prime must make a conscious decision as to whether flow down the limited or full risk of loss
 - Example: Large quantity of GP? High Dollar value...

SUBCONTRACTORS

- More info:
- http://c.ymcdn.com/sites/npma.site-ym.com/resource/resmgr/ControlArch/Goetz_Digital_25-2.pdf

SUBCONTRACTORS

- Communication:
 - Contractor: ensure that the rules that your company establishes are known and applied
 - Subcontractor: Know what requirements of the clause are flown down to you

FINAL WORDS

There are many benefits to be gained by an organization that has an effective and efficient property management function. Certain of these, such as return on investment and reutilization of excess property, have a direct and measurable financial impact. Others, such as compliance with both internal and external procedures and regulations, have an indirect, but no less important value to the organization.*

*Fundamentals of Personal Property Management

UPDATE – GAO STUDY AND RECOMMENDATION

- DOD Excess Property:
- Enhanced Controls Needed for Access to Excess Controlled Property
- <https://www.gao.gov/products/GAO-17-532>

RESOURCES:

- FAR: <https://www.acquisition.gov/?q=browsefar>
- Air Force FAR: <http://farsite.hill.af.mil/>
- National Property Management Association:
www.npma.org
- Wisconsin Procurement Institute
Phone: 414-270-3600 www.wispro.org

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- August 16, 2017 – **Cyber Security for Current and Prospective DOD Contractors and Subcontractors** – [CLICK HERE](#) for additional information – presented by Marc Violante – Wisconsin Procurement Institute (WPI)
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QUESTIONS?

SURVEY



CONTINUING PROFESSIONAL EDUCATION



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