

Acquisition Hour

# Government Property Management for Federal Contractors and Subcontractors

April 15 | 11:00 am - Noon

Presented by:

Ben Blanc, Wisconsin Procurement Institute





*Assisting Wisconsin businesses compete in the government marketplace.*

## **WPI is Wisconsin's APEX ACCELERATOR**

The APEX Accelerators program, under management of the Department of Defense (DOD) Office of Small Business Programs (OSBP), plays a critical role in the Department's efforts to identify and engage with a wide range of businesses entering and participating in the defense supply-chain. The program provides the education and training that all businesses need to participate to become capable of participating in DOD and other government contracts.

## **WPI provides services and training to all of Wisconsin's 72 counties**

- Individual counseling at our offices, client's facility or virtually
- Small group training – webinars and workshops including Acquisition Hours, Cyber Fridays, Evening FAR sessions, Federal Market Insights and Local Government Sales Opportunities
- Conferences the Governors Marketplace, The Contracting Academy (TCA), WEDCs Small Business Academy, Wisconsin Federal Contractor Forum [DC and in-state], Government Opportunities Business Conference GOBC) with WI military bases, End of Year Federal Contractor Update, Annual DOD Contract Management Update, and more.....

[www.wispro.org](http://www.wispro.org)

# WPI OFFICE LOCATIONS

- **MILWAUKEE**

- *Technology Innovation Center*

- **MADISON**

- *FEED Kitchens*
- *Dane County Latino Chamber of Commerce*
- *Wisconsin Manufacturing Extension Partnership (WMEP)*
- *Madison Area Technical College (MATC)*

- **CAMP DOUGLAS**

- *Juneau County Economic Development Corporation (JCEDC)*

- **EAU CLAIRE**

- *Western Dairyland*

- **FOND DU LAC**

- *Envision Greater Fond du Lac*

- **GREEN BAY**

- *NWTC Startup Hub*

- **LACROSSE**

- *Veterans in Professions*

- **MANITOWOC**

- *Progress Lakeshore*

- **OSHKOSH**

- *Greater Oshkosh Economic Development Corporation*

- **SUPERIOR**

- *Small Business Dev Center; UW Superior*





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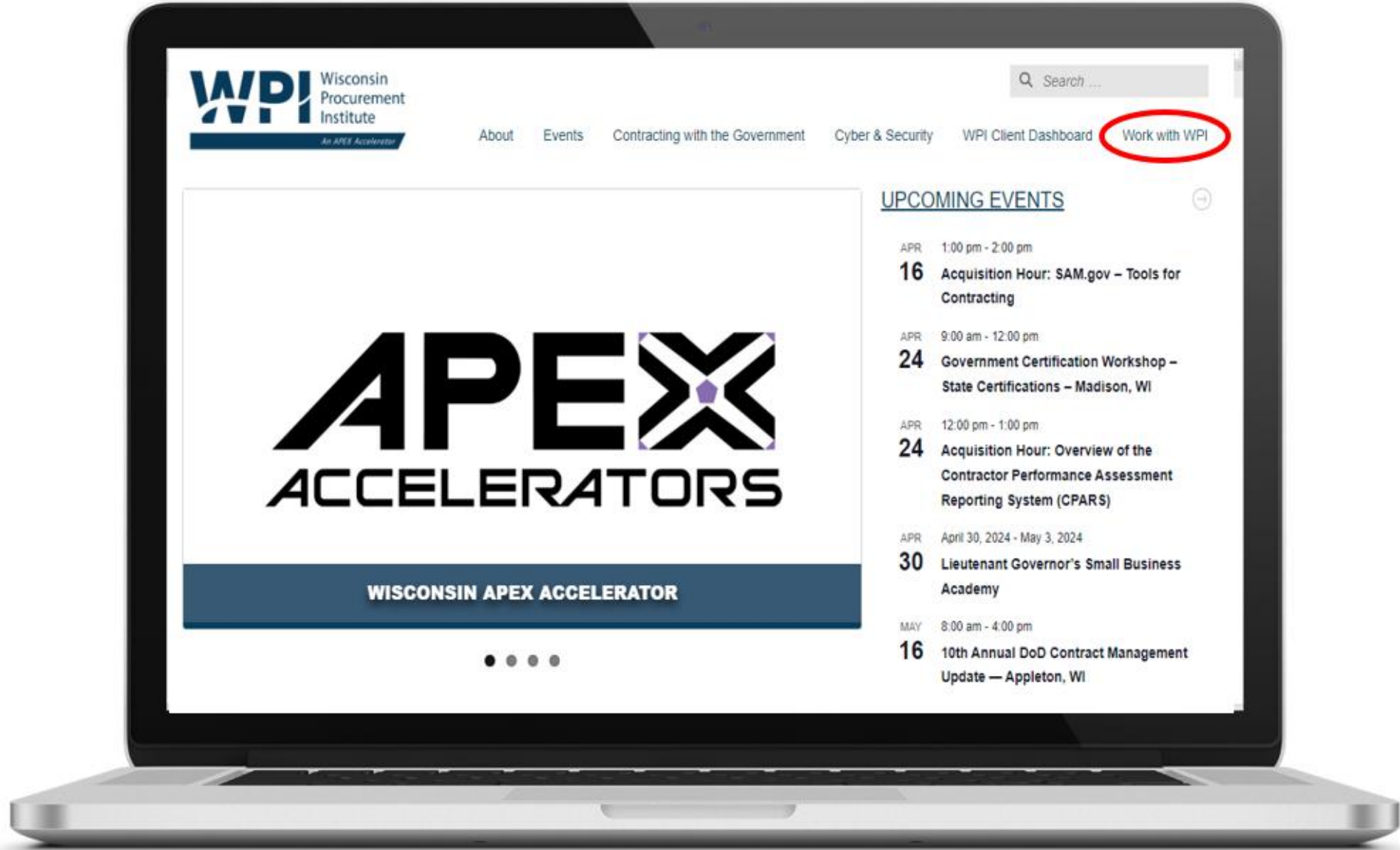
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**What will we  
learn today**

# 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

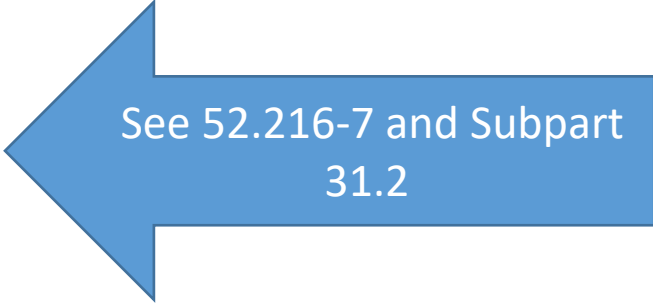
# CONTRACTOR ACQUIRED PROPERTY

**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
      - Allocable
    - It is charged as a Direct Item of cost
    - In accordance with the contractor's disclosure statement

If a deliverable item is to be retained by the contractor for use after inspection and acceptance by the Government, it shall be made accountable to the contract through a contract modification listing the item as Government-furnished property.



See 52.216-7 and Subpart  
31.2

# 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 (last modified Jan 2017)
  - 52.245-2 Government Property Installation Operation Services (April 2012)
  - 52.245-9 Use and Charges (April 2012)

# 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:

[https://cdn.ymaws.com/www.npma.org/resource/dynamic/forums/20210207\\_213311\\_20104.pdf](https://cdn.ymaws.com/www.npma.org/resource/dynamic/forums/20210207_213311_20104.pdf)

# 52.245-1 ALT I

- Substitute the following to (h) (1)
- (h)(1) The Contractor shall be responsible for, and shall be delivery to the Government property upon its property reasonably available to the Contractor is not responsible for Government property or for Government property properly consumed in performing this contract.

**Used ONLY with FIXED PRICE contracts that DO NOT require the submission of certified cost and pricing data see FAR 15.403**

# 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 Procurement Regulation 52.245-1, is used in contracts with no other alternate for the vesting of title. This alternate provides statutory allowance for performance with

**Universities and scientific research organizations**

# 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
  - Do 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

# DFARS

• Six DoD-specific clauses for Government Property found in DFARS:

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



REPLACED  
IN 2024

# DFARS

On April 27, 2023, the DoD proposed 88 FR 25600 in the Federal Register (DFARS Case 2020-Do29), seeking to consolidate DFARS contract property management clauses.

The result became a published rule, effective January 22, 2024.

The new clause is DFARS 252.245-7005, Management and Reporting of Government Property.

# DFARS 252.245-7005

- 252.211-7007 , Reporting of Government-Furnished Property - combines
- 252.245-7000 Government-Furnished Mapping, Charting and Geodesy Property – Stays in Place
- 252.245-7001 Tagging, Labeling, and Marking of Government- furnished Property - removed
- 252.245-7002 Reporting Loss of Government Property - combines
- 252.245-7003 Contractor Property Management System Administration - Stays in Place
- 252.245-7004, Reporting, Reutilization, and Disposal –combines
- Marking of serially managed reparables – Add
- Reporting consumption events for serially-managed GFP items incorporated into higher- level components/assemblies - Add

# DFARS NEW LANDSCAPE

- 252.245-7000 Government-Furnished Mapping, Charting and Geodesy Property – Stays in Place
- 252.245-7003 Contractor Property Management System Administration - Stays in Place & updated January 2025
- 252.245-7005 Management and Reporting of Government Property.

# 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

# CHANGES TO 252.245-7003

The updates to DFARS clause 252.245-7003, "Contractor Property Management System Administration," effective January 17, 2025, primarily focused on defining and addressing material weaknesses in contractor property management systems

Definitions: The term "material weakness" was defined to mean a deficiency or combination of deficiencies in the internal control over information in contractor business systems, such that there is a reasonable possibility that a material misstatement of such information will not be prevented, or detected and corrected, on a timely basis.

System Criteria: The contractor's property management system must comply with the criteria outlined in FAR 52.245-1, specifically paragraphs (b) and (f).

Material Weaknesses: The process for identifying, responding to, and correcting material weaknesses was detailed. This includes the contracting officer's initial determination, the contractor's response, and the final determination.

# 252.245-7005

- Reporting Government property.
- Records of Government property
- Marking, reporting, and UII registration of GFP requirements.
- Disposing of Government property
- Demilitarization, mutilation, and destruction
- Classified Contractor inventory
- Inherently dangerous Contractor inventory
- Disposal of scrap
- Sale of surplus Contractor inventory
- Restrictions on purchase or retention of Contractor inventor
- Proceeds from sales of surplus property

# 252.245-7005

Usually in contracts containing 52.245-1

Some FAR Part 12 contracts may not contain FAR 52.245-1.

If the amount of GFP (includes reparables) is less than the simplified acquisition threshold (FAR 45.107), then the base property clause is not a requirement. FAR Part 12 Service Contracts can be awarded without this new DFARS 252.245-7005 clause. In this case, no reporting requirement exists

# 252.245-7005 (B) (1)

(1) The Contractor shall use the Government Furnished Property (GFP) module of the Procurement Integrated Enterprise Environment (PIEE) to—

(i) Report receipt of GFP;

(ii) Report the transfer of GFP to another DoD contract;

(iii) Report the shipment of GFP to the Government or to a contractor. The GFP module generates the electronic equivalent of the DD Form 1149, DD Form 1348-1, or other required shipping documents;

(iv) Report when serially-managed items of GFP are incorporated into a higher-level component, assembly, or end item;

(v) Report the loss of Government property in accordance with paragraph (f)(1)(vii) of the FAR 52.245-1 clause of this contract;

(vi) Complete the plant clearance inventory schedule in accordance with paragraph (j)(2) of the FAR 52.245-1 clause of this contract, unless disposition instructions are otherwise included in this contract. The GFP module generates the electronic equivalent of the Standard Form (SF) 1428, Inventory Disposal Schedule; and (vii) Submit a request to buy back or to convert to GFP items of Contractor-acquired property.

# THE GFP MODULE

**PIEE**  
7.0.0 Procurement Integrated Enterprise Environment

My Account Administration Help User : Vendor Tester Logout

Last Successful Logon Date: 2025/04/14 09:10:17 UTC

Welcome to the Procurement Integrated Enterprise Environment

**Award**

- Solicitation

**Post Award Admin**

- CCM Contracting Communication Module
- EDA Electronic Data Access

**Payment**

- WAWF Wide Area Workflow
- myInvoice

**Property Management**

- GFP Government Furnished Property
- IUID IUID Registry

**Operational Support**

- PCM Purpose Code Management

**Other**

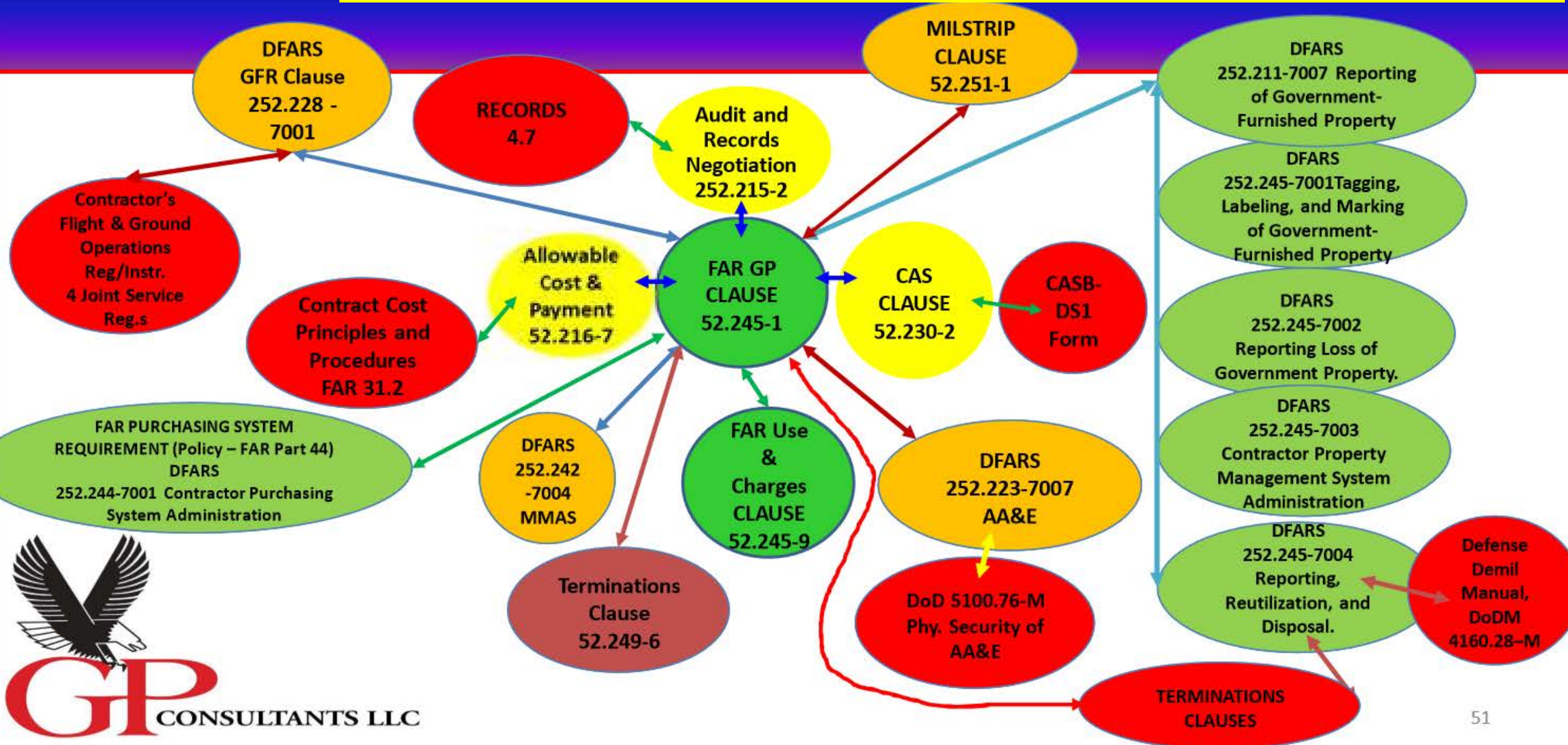
- WBT Web Based Training

# THE GFP MODULE

- The GFP application in PIEE allows users to manage and report Government Furnished, and in some cases, Contractor Acquired Property.
- GFP Attachments are created by DoD users to identify GFP that the contractor is authorized to have under that contract.
- Property Transfer Documents are created to track shipment and receipt of Government Property.
- Property Loss and Plant Clearance provide communication between contractors and DoD to process dispositioning instructions.
- Item Management enables contractors to report updates to GFP items in their custody.
- <https://dodprocurementtoolbox.com/site-pages/general-gfp-information>
- [GFP Training - Overview | PIEE](#)

# COMPLIANCE –

DR. DOUGLAS N. GOETZ: IS THERE MORE TO GOVERNMENT PROPERTY THAN THE GOVERNMENT PROPERTY CLAUSE? – 59<sup>TH</sup> SEMINAR ON GOVERNMENT CONTRACTS – SEPT 9<sup>TH</sup>, 2020



# 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 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.
- (A) Property records shall enable a current, auditable record of ALL TRANSACTIONS (...)

# 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 Physical Inventory 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 which is stored with or next to another like item **LOSES** its ability to be **IDENTIFIED** as to **OWNERSHIP**
- Collocation
  - Where a item is stored with or next to another like item **RETAINS** its ability to be **IDENTIFIED** as to **OWNERSHIP**

**YOU SHALL NOT COMMINGLE!**

# 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 Title 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: Plant Clearance Automated Reutilization Screening System - 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 an 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

- DFARS 252.245-7005
- (b)(5) When Government property is in the possession of subcontractors, the Contractor shall ensure that reporting is accomplished using the data elements required in paragraph (c) of this clause
  - - USE of GFP Module

# 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

# Upcoming Events

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# Acquisition Hour

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The Acquisition Hour webinar series covers a range of topics from market entry, sales growth, small business certifications, compliance, and more. Attendees receive 1 CPE credit for attending.

- **April 15** – Government Property Management for Federal Contractors and Subcontractors
- **May 13** – The 8(a) Business Development Program
- **May 27** - Certification Programs for Women and Veteran Owned Businesses

**...More information and registrations at [wispro.org/events](https://wispro.org/events)**

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# Cyber Friday

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Cyber Friday is a series of one-hour webinars focusing on critical topics for DOD contractors and subcontractors in cyber security, data security, and CMMC. Attendees receive 1 CPE credit for attending.

- ~~• **March 28** – CMMC: Federal Cybersecurity Requirements – Who Must Comply?~~
- **April 25** – CMMC: Maintaining Your CMMC Certification

**...More information and registrations at [wispro.org/events](https://wispro.org/events)**

# Upcoming Events



**May 14**

*Winning Government Business: Navigating Compliance  
Risks to Drive Strategic Advantage*  
Milwaukee, WI



**May 15**

*11th Annual DOD Contract Management Update*  
Milwaukee, WI

**...More information and registrations at [wispro.org/events](http://wispro.org/events)**

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