



DoD Manual for the Performance of Contract Property Administration

December 1991

Assistant Secretary of Defense
(Production and Logistics)



PRODUCTION AND
LOGISTICS

THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, DC 20301-8000

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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.

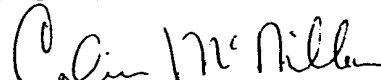

Colin McMillan

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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 Shipment," 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
- (h) [DoD 5100.76-M](#), "Physical Security of Sensitive Conventional Arms, Ammunition and Explosives at Contractor Facilities," February 1983
- (i) [DoD 4145.26-M](#), "Contractor's Safety Manual for Ammunition and Explosives," March 1986
- (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

DL1. DEFINITIONS

DL1.1.1. ACCESSORY ITEM. See FAR 45.501.

DL1.1.2. ACQUISITION. See FAR 2.1.

DL1.1.3. AGENCY. See FAR 9.403.

DL1.1.4. AGENCY-PECULIAR PROPERTY. See FAR 45.301.

DL1.1.5. ALTERNATE LOCATION. Another location of the prime contractor differing from its primary place of performance either geographically or organizationally.

DL1.1.6. ARMS, AMMUNITION, AND EXPLOSIVES. See DFARS 223.7001.

DL1.1.7. ASSIST WORK AUTHORIZATION. See Interorganization Transfer.

DL1.1.8. AUTOMATIC DATA PROCESSING EQUIPMENT. See FAR 31.001.

DL1.1.9. AUXILIARY ITEM. See FAR 45.501.

DL1.1.10. AWARD FEE. See FAR 16.404-2.

DL1.1.11. 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.

DL1.1.12. 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.

DL1.1.13. BASIC ORDERING AGREEMENT. See FAR 16.703.

DL1.1.14. BENCH STOCK. Low cost, high usage, non-sensitive 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.

DL1.1.15. BILL OF MATERIAL. See DFARS 210.001.

DL1.1.16. BLANKET PURCHASE AGREEMENT. See FAR 13.201.

DL1.1.17. CAGE CODE. A unique number identifying the Commercial and Government Entity.

DL1.1.18. CALIBRATION. See DFARS 246.101.

DL1.1.19. CAPITAL TYPE REHABILITATION. Work that is clearly above and beyond normal recurring maintenance, such as major repairs, replacement, and rehabilitation of deteriorated property.

DL1.1.20. CHANGE ORDER. See FAR 43.101.

DL1.1.21. COMMON ITEM. See FAR 45.601.

DL1.1.22. 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.

DL1.1.23. CONTRACT. See FAR 2.1.

DL1.1.24. CONTRACT ADMINISTRATION OFFICE. See FAR 2.1 and DFARS 204.670-2.

DL1.1.25. CONTRACTING OFFICER. See FAR 2.1.

DL1.1.26. CONTRACTOR. See FAR 9.403 and 44.100.

DL1.1.27. 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.

DL1.1.28. CONTRACTOR-ACQUIRED PROPERTY. See FAR 45.101.

DL1.1.29. CONTRACTOR INVENTORY. See FAR 45.601.

- DL1.1.30. CONTROLLED SUBSTANCES. See DFARS 245.601.
- DL1.1.31. CORRECTIVE MAINTENANCE. Maintenance required to return property to such condition that it may be effectively utilized for its designated purpose.
- DL1.1.32. COST CONTRACT. See FAR 16.302.
- DL1.1.33. COST-PLUS-AWARD-FEE CONTRACT. See FAR 16.404-2.
- DL1.1.34. COST-PLUS-FIXED-FEE CONTRACT. See FAR 16.306.
- DL1.1.35. COST-PLUS-INCENTIVE-FEE CONTRACT. See FAR 16.404- 1.
- DL1.1.36. COST REIMBURSEMENT CONTRACT. See FAR 16.301-1.
- DL1.1.37. CRITERION. An evaluative item of a property system function subject to analysis by the appropriate method.
- DL1.1.38. CUSTODIAL RECORDS. See FAR 45.501.
- DL1.1.39. 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.
- DL1.1.40. DEMILITARIZATION. See DFARS 245.601.
- DL1.1.41. DISCREPANCIES INCIDENT TO SHIPMENT. See FAR 45.501.
- DL1.1.42. 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.
- DL1.1.43. DoDAAD. Department of Defense Address Activity Directory. A listing of DoDAACs.
- DL1.1.44. ELEMENT DEFECT. A single sample item element of data that is either erroneous or omitted as part of a criterion.
- DL1.1.45. ENCOURAGE. See Qualifiers.
- DL1.1.46. EXCESS PROPERTY. Property no longer required in the performance of the contract for which it was acquired.

DL1.1.47. FACILITIES. See FAR 45.301.

DL1.1.48. FACILITIES CONTRACT. See FAR 45.301.

DL1.1.49. FIRM-FIXED-PRICE CONTRACT. See FAR 16.202.

DL1.1.50. FIXED-PRICE-INCENTIVE CONTRACT. See FAR 16.403.

DL1.1.51. 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.

DL1.1.52. GOVERNMENT-FURNISHED PROPERTY. See FAR 45.101.

DL1.1.53. GOVERNMENT PROPERTY. See FAR 45.101.

DL1.1.54. 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, semi-liquid, 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.

DL1.1.55. 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.

DL1.1.56. INDIVIDUAL ITEM RECORD. See FAR 45.501.

DL1.1.57. INDUSTRIAL PLANT EQUIPMENT. See DFARS 245.301.

DL1.1.58. INDUSTRIAL PREPAREDNESS PLANNING. See DFARS 208.0-3.

DL1.1.59. INSPECTION. See FAR 45.101.

DL1.1.60. INTERDIVISIONAL WORK AUTHORIZATION. See Interorganizational Transfer.

DL1.1.61. INTERORGANIZATIONAL TRANSFER (IOT). 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).

DL1.1.62. 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.

DL1.1.63. ITEM DEFECT. A reviewed sample item containing single or multiple element discrepancies having significant impact.

DL1.1.64. 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.

DL1.1.65. 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 4.

DL1.1.66. 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 Property Administrator (PA).

DL1.1.67. 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.

DL1.1.68. LINE ITEM. See FAR 45.601.

DL1.1.69. 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.

DL1.1.70. 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.

DL1.1.71. 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.

DL1.1.72. 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.

DL1.1.73. MATERIAL. See FAR 45.301.

DL1.1.74. MATERIAL REQUIREMENTS LIST. A type of bill of material used in material requirements planning systems.

DL1.1.75. 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.

DL1.1.76. MATERIAL MANAGEMENT AND ACCOUNTING SYSTEM. See DFARS 242.7202 and 242.7203.

DL1.1.77. MAY. See FAR 2.101.

DL1.1.78. 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.

DL1.1.79. 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.

DL1.1.80. 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.

DL1.1.81. NONSEVERABLE. See FAR 45.301.

DL1.1.82. OFF-THE-SHELF ITEM. See FAR 46.101.

DL1.1.83. 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.

DL1.1.84. OTHER PLANT EQUIPMENT. See DFARS 245.301.

DL1.1.85. PLANT CLEARANCE. See FAR 45.601.

DL1.1.86. PLANT CLEARANCE OFFICER. See FAR 45.601.

DL1.1.87. PLANT EQUIPMENT. See FAR 45.101.

DL1.1.88. POPULATION. An aggregation of documents, records, assets, or actions selected for review due to common characteristics. See Lot.

DL1.1.89. PRE-AWARD SURVEY. See FAR 9.101.

DL1.1.90. PRECIOUS METALS. See FAR 45.601.

DL1.1.91. PREVENTIVE MAINTENANCE. See FAR 45.509-1(b).

DL1.1.92. PRIME CONTRACTOR. See DFARS 246.770.1.

DL1.1.93. PRIVITY OF CONTRACT. The contractual relationship that exists between two parties; i.e., Government and prime contractor, or prime contractor and subcontractor.

DL1.1.94. 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.

DL1.1.95. PRODUCTION SCRAP. See DFARS 245.601.

DL1.1.96. PRODUCTION SPECIAL TEST EQUIPMENT. See DFARS 215.873.

DL1.1.97. PRODUCTION SPECIAL TOOLING. See DFARS 215.873.

DL1.1.98. 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.

DL1.1.99. PROPERTY. See FAR 45.101.

DL1.1.100. PROPERTY ADMINISTRATOR. See FAR 45.501.

DL1.1.101. 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.

DL1.1.102. 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.

DL1.1.103. 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.

DL1.1.104. 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.

DL1.1.105. PURPOSEFUL 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.

DL1.1.106. QUALIFIERS

DL1.1.106.1. 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:

DL1.1.106.1.1. PA is not in residence.

DL1.1.106.1.2. Time constraints or workload.

DL1.1.106.1.3. Non-applicability of the item being reviewed.

DL1.1.106.2. MAY. See FAR 2.101.

DL1.1.106.3. SHALL. See FAR 2.101.

DL1.1.107. QUALITY ASSURANCE REPRESENTATIVE. See DLAH 8200.1, AR 7002-4-1, AFP 74-17.

DL1.1.108. REAL PROPERTY. See FAR 45.101.

DL1.1.109. REPAIRABLE ITEM. An unserviceable item that can be reconditioned or economically repaired for reuse.

DL1.1.110. RESIDUAL VALUE. See FAR 31.001.

DL1.1.111. 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.

DL1.1.112. RISK OF LOSS. Liability or responsibility for bearing the cost of loss, damage, or destruction of Government property.

DL1.1.113. SALVAGE. See FAR 45.501.

DL1.1.114. 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.

DL1.1.115. SAMPLE ITEM. A single document, record, article or action from the sample.

DL1.1.116. 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.

DL1.1.117. SCRAP. See FAR 45.501.

DL1.1.118. SELF INSURANCE. See FAR 31.001.

DL1.1.119. SENSITIVE. 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:

DL1.1.119.1. Weapons such as carbines, grenade launchers, rocket launchers, machine-guns, pistols, recoilless weapons, revolvers, rifles, or shotguns.

DL1.1.119.2. Ammunition for the above weapons.

DL1.1.119.3. 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.

DL1.1.119.4. Narcotics and dangerous drugs.

DL1.1.119.5. 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.

DL1.1.119.6. 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, semi-liquid, 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.

DL1.1.119.7. 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.

DL1.1.119.8. Precious Metals. Uncommon and highly valuable metals characterized by their superior resistance to corrosion and oxidation.

DL1.1.119.9. Any other item designated by a Defense Agency to be sensitive.

DL1.1.120. SERVICEABLE OR USABLE PROPERTY. See FAR 45.601 and DFARS 245.601.

DL1.1.121. SHALL. See Qualifiers. See FAR 2.101.

DL1.1.122. 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.

DL1.1.123. SPECIAL TEST EQUIPMENT. See FAR 45.101.

DL1.1.124. SPECIAL TOOLING. See FAR 45.101.

DL1.1.125. 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.

DL1.1.126. STOCK RECORD. See FAR 45.501.

DL1.1.127. 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.

DL1.1.128. SUBCONTRACT. See FAR 44.101.

DL1.1.129. SUBCONTRACTOR. See FAR 44.101.

DL1.1.130. SUPPLIES. See FAR 2.101.

DL1.1.131. 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.

DL1.1.132. SURPLUS PROPERTY. See FAR 45.601.

DL1.1.133. 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.

DL1.1.134. SYSTEMIC. Pertaining to, affecting, or found throughout a contractor's overall property control system.

DL1.1.135. TERMINATION INVENTORY. See FAR 45.601.

DL1.1.136. TIME-AND-MATERIALS CONTRACT. See FAR 16.601.

DL1.1.137. UNALLOWABLE COST. See FAR 31.001.

DL1.1.138. WILLFUL MISCONDUCT. Either a deliberate act or failure to act that causes or results in Loss, Damage or Destruction to Government property.

DL1.1.139. WORK-IN-PROCESS. See FAR 45.501.

AL1. ABBREVIATIONS AND/OR ACRONYMS

AL1.1.	<u>AA&E</u>	Arms, Ammunition, and Explosives
AL1.2.	<u>ACO</u>	Administrative Contracting Officer
AL1.3.	<u>ADPE</u>	Automated Data Processing Equipment
AL1.4.	<u>APP</u>	Agency-Peculiar Property
AL1.5.	<u>ASBCA</u>	Armed Services Board of Contract Appeals
AL1.6.	<u>AWA</u>	Assist Work Authorization
AL1.7.	<u>CAM</u>	Contractor-Acquired Material
AL1.8.	<u>CAO</u>	Contract Administrative Office
AL1.9.	<u>CAP</u>	Contractor-Acquired Property
AL1.10.	<u>CNA</u>	Certificate of Non-Availability
AL1.11.	<u>CO</u>	Contracting Officer
AL1.12.	<u>CRAG</u>	Contractor Risk Assessment Guide Program
AL1.13.	<u>CRE</u>	Centrally Reportable Equipment
AL1.14.	<u>CTR</u>	Capital Type Rehabilitation
AL1.15.	<u>DARIC</u>	Defense Automation Resources Information Center
AL1.16.	<u>DFARS</u>	DoD Federal Acquisition Regulation Supplement
AL1.17.	<u>DIPEC</u>	Defense Industrial Plant Equipment Center
AL1.18.	<u>DIS</u>	Defense Investigative Service
AL1.19.	<u>DoD</u>	Department of Defense
AL1.20.	<u>DoDAAC</u>	DoD Activity Address Code
AL1.21.	<u>DoDAAD</u>	DoD Activity Address Directory
AL1.22.	<u>FAR</u>	Federal Acquisition Regulation
AL1.23.	<u>FBI</u>	Federal Bureau of Investigation
AL1.24.	<u>FFP</u>	Firm-Fixed Price
AL1.25.	<u>FIFO</u>	First-in, First-out
AL1.26.	<u>FPI</u>	Fixed-Price Incentive
AL1.27.	<u>FSC</u>	Federal Supply Class
AL1.28.	<u>GAO</u>	General Accounting Office
AL1.29.	<u>GBL</u>	Government Bill of Lading
AL1.30.	<u>GCAHB</u>	Grant and Cooperative Agreement Handbook
AL1.31.	<u>GFM</u>	Government-Furnished Material
AL1.32.	<u>GFP</u>	Government-Furnished Property
AL1.33.	<u>GP</u>	Government Property
AL1.34.	<u>GSA</u>	General Services Administration

AL1.35.	<u>IDWA</u>	Inter-Divisional Work Authorization
AL1.36.	<u>IG</u>	Inspector General
AL1.37.	<u>IPE</u>	Industrial Plant Equipment
AL1.38.	<u>IPMS</u>	Industrial Property Management Specialist
AL1.39.	<u>IOT</u>	Inter-Organizational Transfer
AL1.40.	<u>LDD</u>	Loss, Damage, and Destruction
AL1.41.	<u>MCA</u>	Management Control Activity
AL1.42.	<u>MDR</u>	Material Deficiency Report
AL1.43.	<u>MGFEL</u>	Master Government-Furnished Equipment List
AL1.44.	<u>MMAS</u>	Material Management and Accounting System
AL1.45.	<u>MILSTRIP</u>	Military Standard Requisitioning and Issue Procedure
AL1.46.	<u>NASA</u>	National Aeronautics and Space Administration
AL1.47.	<u>NEMS</u>	NASA Equipment Management System
AL1.48.	<u>NEVS</u>	NASA Equipment Visibility System
AL1.49.	<u>NFS</u>	NASA FAR Supplement
AL1.50.	<u>OM</u>	Operator Maintenance
AL1.51.	<u>O&R</u>	Overhaul and Repair
AL1.52.	<u>OMR</u>	Overhaul, Maintenance, and Repair
AL1.53.	<u>OPE</u>	Other Plant Equipment
AL1.54.	<u>OSD</u>	Office of the Secretary of Defense
AL1.55.	<u>PA</u>	Property Administrator
AL1.56.	<u>PCO</u>	Procuring Contracting Officer
AL1.57.	<u>PE</u>	Plant Equipment
AL1.58.	<u>PEP</u>	Plant Equipment Package
AL1.59.	<u>PLCO</u>	Plant Clearance Officer
AL1.60.	<u>PM</u>	Preventive Maintenance
AL1.61.	<u>PO</u>	Purchase Order
AL1.62.	<u>PR</u>	Purchase Request
AL1.63.	<u>QAR</u>	Quality Assurance Representative
AL1.64.	<u>QDR</u>	Quality Deficiency Report
AL1.65.	<u>R&D</u>	Research and Development
AL1.66.	<u>RoD</u>	Report of Discrepancy
AL1.67.	<u>RTTST</u>	Right to Title Special Tooling
AL1.68.	<u>SPA</u>	Support Property Administration
AL1.69.	<u>ST</u>	Special Tooling
AL1.70.	<u>STE</u>	Special Test Equipment
AL1.71.	<u>TDR</u>	Transportation Discrepancy Report

C1. CHAPTER 1
GENERAL INFORMATION

C1.1. PURPOSE

C1.1.1. 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:

C1.1.1.1. Meet management data requirements of the Government.

C1.1.1.2. Ensure performance of property management to protect the interests of the Government at minimum cost through a uniform DoD contract property administration program.

C1.1.2. 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.

C1.1.3. 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.

C1.1.4. 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.

C1.1.5. 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.

C1.1.6. 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.

C1.1.7. 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.

C1.2. 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.

C1.3. DUTIES AND RESPONSIBILITIES OF THE PROPERTY ADMINISTRATOR

The PA shall be responsible for:

C1.3.1. Administering contract provisions, requirements, and obligations relating to Government property in the possession of contractors. General clauses include the FAR 52.245 clauses.

C1.3.2. Participating in pre-award surveys and post-award reviews.

C1.3.3. 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.

C1.3.4. Ensuring that contractor property organizations are aware of and understand applicable provisions of Government contracts dealing with property including FAR 45.5.

C1.3.5. Establishing contract property control data files.

C1.3.6. Providing the contractor officer with recommendations concerning liability for loss, damage, or destruction (LDD) of property on the basis of contract terms and conditions.

C1.3.7. Granting relief of responsibility for LDD of Government property on the basis of contract terms and conditions when authorized through the PA's certificate of appointment.

C1.3.8. Performing functions as prescribed by FAR 45.5.

C1.3.9. Developing and applying a property systems analysis program to assess the effectiveness of contractor Government property management systems.

C1.3.10. 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.

C1.3.11. 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.

C1.3.12. Notifying the CO in the event of excessive acquisition by the contractor and recommending cost disallowance, or other appropriate remedy.

C1.3.13. Performing program or Agency-oriented reviews of property acquisition, control, management, use, and disposition as dictated by contracting conditions where applicable.

C1.3.14. Supporting and assisting contractor's management, contracting officers, program managers, and other functions in resolution of property administration matters.

C1.3.15. 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.

C1.3.16. Providing guidance, counsel, and direction to Government and contractor managers and technicians related to regulatory and contractual requirements for management of Government property.

C1.3.17. Ensuring that the contractor promptly reports excess Government property for disposition in accordance with contract provisions.

C1.3.18. Supporting the assigned Plant Clearance Officer to ensure prompt and proper disposition of contractor inventory.

C1.3.19. Obtaining and reviewing contractually required reports of property for all assigned contracts.

C1.3.20. Preparing and submitting other reports prescribed by higher headquarters.

C1.3.21. Requesting supporting property administration.

C1.3.22. Performing supporting property administration.

C1.3.23. 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.)

C1.4. 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.

C1.5. 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.

C2. CHAPTER 2

CONTRACTUAL ELEMENTS OF THE PROPERTY ADMINISTRATION PROCESS

C2.1. INTRODUCTION

C2.1.1. 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.

C2.1.2. PAs are responsible for having a thorough understanding of all contract provisions pertaining to Government property. These include:

C2.1.2.1. The contract clauses in FAR 52.245 and DFARS 252.245, and other applicable clauses, as well as any special contract provisions.

C2.1.2.2. The requirements of FAR Part 45, DFARS 245, and as supplemented by agency-unique regulations.

C2.1.2.3. 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.

C2.1.2.4. 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.

C2.1.2.5. 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.

C2.2. INITIATION OF PROPERTY ADMINISTRATION

C2.2.1. Control of Assignments. The Contract Administration Office (CAO) shall establish and maintain a Contract Assignment Control Register, or automated equivalent, for each contractor, showing:

C2.2.1.1. Contractor's name and address.

C2.2.1.2. Procurement instrument identification (PII)(contract) number.

C2.2.1.3. Type of contract.

C2.2.1.4. Name of the assigned PA and date of assignment.

C2.2.1.5. Date of completion or rescission of the contract, or reassignment of the PA.

C2.2.2. 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.

C2.2.3. Establishment of Contract Property Control Data Files

C2.2.3.1. A Property Summary Data Record shall be established by the PA containing as a minimum the following information:

C2.2.3.1.1. Contractor's name and address.

C2.2.3.1.2. Contract number.

C2.2.3.1.3. Type of contract and applicable property clauses, including special or nonstandard clauses, pertaining to Government property.

C2.2.3.1.4. Date of final review and date of execution and transmittal of the DD Form 1593, "Contract Administration Completion Record," or automated equivalent.

C2.2.3.1.5. Supporting property administration assignments.

C2.2.3.1.6. Name(s) of the PA(s).

C2.2.3.2. The PA shall establish a Contract Property Control Data File that shall include as a minimum:

C2.2.3.2.1. Property Summary Data Record.

C2.2.3.2.2. 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.

C2.2.3.2.3. Record of property system analyses performed, deficiencies disclosed, and corrective actions taken.

C2.2.3.2.4. Record of final review and execution of the PA's statement of closure of the contract property account.

C2.2.3.2.5. Other pertinent correspondence and documents, including, as applicable, inventory adjustments, investigations, recommendations, and liability determinations.

C2.2.3.2.6. Records concerning supporting property administration delegations, assist actions involving special reviews, and other applicable reviews at subcontractor plants.

C2.2.3.2.7. Records of inspection and audits pertaining to the pertinent contract that are performed by other activities.

C2.2.3.2.8. Reports relating to Government property prepared by the contractor pursuant to the contracts.

C2.2.3.3. 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.

C2.2.3.4. 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.

C2.2.3.5. 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.

C2.2.3.6. 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.

C2.3. 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.

C2.4. TITLE TO GOVERNMENT PROPERTY

C2.4.1. Material

C2.4.1.1. Title to all material furnished by the Government remains with the Government.

C2.4.1.2. 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.

C2.4.1.2.1. 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.

C2.4.1.2.2. Title to other material, the cost of which is reimbursable to the contractor, shall pass to and vest in the Government upon:

C2.4.1.2.2.1. Issuance of the property for use in contract performance;

C2.4.1.2.2.2. Commencement of processing of the property or use in contract performance; or

C2.4.1.2.2.3. Reimbursement of the cost of the property by the Government, whichever occurs first.

C2.4.1.2.3. 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.

C2.4.2. Agency-Peculiar Property. APP is generally Government furnished where title remains with the Government.

C2.4.3. 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).

C2.4.4. 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:

C2.4.4.1. 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.

C2.4.4.2. 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.

C2.4.4.3. 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.

C2.4.4.4. 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.

C2.4.5. 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.

C2.5. LIABILITY FOR LOSS, DAMAGE, OR DESTRUCTION OF GOVERNMENT PROPERTY

C2.5.1. 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.

C2.5.2. General. Definitions:

C2.5.2.1. "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.

C2.5.2.2. "Willful Misconduct." Includes either a deliberate act or failure to act that causes or results in loss, damage, or destruction to Government property.

C2.5.2.3. "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:

C2.5.2.3.1. All or substantially all of the contractor's business.

C2.5.2.3.2. All or substantially all of the contractor's operation at any one plant or separate location at which the contact is being performed; or

C2.5.2.3.3. 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.

C2.5.3. 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.

C2.5.4. Contractor Requirements

C2.5.4.1. 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 ensure that the contractor's procedures and property control system provide for:

C2.5.4.1.1. Internal reporting of any LDD to the responsible contractor property control organization.

C2.5.4.1.2. Investigation of such LDD in accordance with the Government property clauses and FAR 45.504.

C2.5.4.1.3. Prompt reporting by the responsible contractor organization to the PA, in accordance with FAR 45.504(b) and FAR 45-508-2.

C2.5.4.1.4. Additional reporting may be imposed by specific Agency requirements for other types of property, including precious metals, explosives, firearms, hazardous materials, controlled substances, etc.

C2.5.4.2. The following information should be requested from the contractor, where applicable, for each case of LDD of Government property:

C2.5.4.2.1. Date of incident.

C2.5.4.2.2. Description of property including National Stock Number or applicable Part Number or Identification number.

C2.5.4.2.3. Contract number.

C2.5.4.2.4. Acquisition cost.

C2.5.4.2.5. Full narrative of the incident, location, etc.

C2.5.4.2.6. Cause and corrective action taken or to be taken to prevent recurrence.

C2.5.4.2.7. Estimated scrap proceeds (when applicable).

C2.5.4.2.8. Repair direct-labor and material costs (when applicable).

C2.5.4.2.9. Estimated cost to replace (when applicable).

C2.5.4.2.10. Copies of supporting documentation.

C2.5.4.2.11. The contract provision under which relief of responsibility is sought.

C2.5.4.2.12. Date of report.

C2.5.4.2.13. Statement that no insurance costs or other means of covering LDD of Government property were charged to the contract, if applicable.

C2.5.4.2.14. 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.

C2.5.5. PA Requirements

C2.5.5.1. 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:

C2.5.5.1.1. The deficiencies are well documented.

C2.5.5.1.2. The contractor is notified of the deficiencies.

C2.5.5.1.3. 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).

C2.5.5.2. Records. Each PA shall maintain LDD records that include, as a minimum, the following:

C2.5.5.2.1. A log or register of all events of LDD.

C2.5.5.2.2. A copy of the contractor's loss report.

C2.5.5.2.3. PA investigative report that summarizes the circumstances, causal factors, trends, contract provisions, and recommendation.

C2.5.5.2.4. Final resolution.

C2.5.6. Determining Contractor Liability

C2.5.6.1. 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.

C2.5.6.2. Limited Risk-of-Loss Provision. This provision is contained in the FAR 52.245-2 (ALT 1), 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.

C2.5.6.3. 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.

C2.5.6.4. 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:

C2.5.6.4.1. A statement of facts as supported by the investigation.

C2.5.6.4.2. Recommendations as to the contractor's liability and the amount thereof.

C2.5.6.4.3. Recommendations as to actions to be taken with regard to third-party liability, if appropriate.

C2.5.6.4.4. Requirements for disposition, repair, replacement of the damaged property.

C2.5.6.4.5. 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.

C2.5.6.5. 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.

C2.5.6.6. 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.

C2.6. OTHER CONTRACTUAL ACTIONS

C2.6.1. In addition to the non-acceptance or disapproval of the contractor's property control system, the PA may recommend to the CO the following:

C2.6.1.1. 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.

C2.6.1.2. Disallowance or 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.

C2.6.1.3. 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:

C2.6.1.3.1. Prepare and document the proposed action, including brief descriptions of each action previously taken to resolve problem areas.

C2.6.1.3.2. Forward the proposed action to the CO for incorporation into their recommendations to the Award Review Board.

C2.7. CLOSE OUT OF PROPERTY ADMINISTRATION

C2.7.1. Final Review and Closing of Contracts for Property Administration

C2.7.1.1. When informed that disposition of Government property under a contract has been completed, the PA shall perform a final review, which shall determine whether:

C2.7.1.1.1. Disposition of Government property has been properly accomplished and documented.

C2.7.1.1.2. Adjustment documents, including request of the contractor for relief from responsibility, have been processed and completed.

C2.7.1.1.3. 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.

C2.7.1.1.4. All questions regarding title to property fabricated or acquired under the contract have been resolved and appropriately documented.

C2.7.1.1.5. 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.

C2.7.1.1.6. The Contract Property Control Data File is complete and ready for closure.

C2.7.1.2. When final review pursuant to paragraph C2.7.1.1., 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:

C2.7.1.2.1. All Government property provided under the contract has been properly accounted for.

C2.7.1.2.2. 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.

C2.7.1.2.3. The PA has accomplished all pertinent duties and responsibilities as required by the FAR, the contract, and this Manual.

C2.7.1.3. The completed DD Form 1593, or automated equivalent, shall be provided to the CO and the Property Summary Data Record shall be so annotated.

C2.7.2. PA Interface with Other Contract Administration Personnel During Contract Closure

C2.7.2.1. The PA shall interface with the CO and other technical personnel, as required, during contract closure to ensure that all Government property accountable to the contract is promptly transferred to other contracts or otherwise disposed of.

C2.7.2.2. Closure of property records is required before final contract closeout and may be completed significantly before contract closeout.

C2.7.3. 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.

C3. CHAPTER 3

TECHNICAL ELEMENTS OF THE PROPERTY ADMINISTRATION PROCESS

C3.1. SCOPE.

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

C3.2. GENERAL

C3.2.1. Material. Material is defined in FAR 45.301. Material is further subdivided into Government-furnished material (GFM) and Contractor-acquired material (CAM).

C3.2.1.1. GFM is material that is owned by the Government and furnished to a contractor for utilization for specific contract purposes.

C3.2.1.2. CAM is material acquired for the Government by the contractor.

C3.2.1.3. 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.

C3.2.2. Agency-Peculiar Property (APP). APP is defined in FAR 45.301 and DFARS 245.301.

C3.2.2.1. 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.

C3.2.2.2. 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.

C3.2.2.3. Items returned as exhibits on material deficiency reports (MDRs) or quality discrepancy reports (QDRs) shall be controlled in accordance with agency procedures.

C3.2.3. 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.

C3.2.4. Special Tooling (ST)

C3.2.4.1. 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.

C3.2.4.2. 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.

C3.2.5. 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). The Department of Defense 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.

C3.2.5.1. 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.

C3.2.5.2. 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.

C3.3. POLICY ON PROVIDING GOVERNMENT PROPERTY

C3.3.1. Policy on Providing Material. See FAR 45.303-1.

C3.3.2. Policy for Providing Agency Peculiar Property. See FAR 45.310.

C3.3.2.1. APP is ordinarily furnished under a facilities, supply or service contract but may be furnished under a contract, lease, or bailment agreement.

C3.3.2.2. 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.

C3.3.2.3. 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.

C3.3.3. Policy for Providing Special Test Equipment. See FAR 45.307.

C3.3.4. Policy for Providing Special Tooling. See FAR 45.306.

C3.3.5. 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.

C3.3.5.1. FAR 45.301 describes the three forms of facilities contracts:

C3.3.5.1.1. Facilities acquisition contracts that provide for the acquisition, construction, and installation of facilities.

C3.3.5.1.2. Facilities use contracts that provide for the use, maintenance, accountability, and disposition of facilities.

C3.3.5.1.3. Consolidated facilities contracts that cover both forms described above in C3.3.5.1.1. and C3.3.5.1.2., above.

C3.3.5.2. 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.

C3.3.5.3. Approvals for Facility Projects. See DFARS 245.302-70.

C3.3.6. 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 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.

C3.4. CONTRACTOR MANAGEMENT OF GOVERNMENT PROPERTY

C3.4.1. 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.

C3.4.2. 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.

C3.4.3. 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.

C3.5. ACQUISITION OF GOVERNMENT PROPERTY

C3.5.1. Material

C3.5.1.1. 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.

C3.5.1.2. 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.

C3.5.1.2.1. GFM. There are two subcategories of GFM, Government Source Material and Transferred Material.

C3.5.1.2.1.1. Government Source Material

C3.5.1.2.1.1.1. "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.

C3.5.1.2.1.1.2. "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).

C3.5.1.2.1.1.3. 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 ensure 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.

C3.5.1.2.1.2. "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.

C3.5.1.2.2. Contractor-Acquired Material

C3.5.1.2.2.1. 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).

C3.5.1.2.2.2. 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.

C3.5.1.2.2.2.1. 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.

C3.5.1.2.2.2. 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.

C3.5.1.2.2.3. Benefits of a Credit-Debit System Over Contract Modification Transfers

C3.5.1.2.2.3.1. Credit-Debit systems charge material costs to the contract that benefits by the transfer that 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.

C3.5.1.2.2.3.2. 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.

C3.5.1.2.2.3.3. 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.

C3.5.1.2.2.3.4. 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.

C3.5.1.2.2.4. 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 ensure 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:

C3.5.1.2.2.4.1. Ensure that all quantities and items being transferred are required in the receiving contract.

C3.5.1.2.2.4.2. 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.

C3.5.1.2.2.4.3. Ensure that proper accountability for property is maintained during the transfer process.

C3.5.1.2.2.5. 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.

C3.5.1.2.3. 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 that 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 ensure 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.

C3.5.1.2.4. 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.

C3.5.1.2.5. When the purchase order is for material for more than one contract, the quantity that 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.

C3.5.1.2.6. MILSTRIP material may be considered either contractor-acquired material or contractor-owned material when "cash sales" have been authorized in accordance with Agency directions.

C3.5.2. 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.

C3.5.3. 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:

C3.5.3.1. Review proposed STE items and coordinate with the PA and other appropriate technical personnel, as required, to determine the necessity and classification as special.

C3.5.3.2. On DoD contracts, screen requirements for availability of computer equipment per DFARS 245.302-72 and 270.602.

C3.5.3.3. For NASA contracts, Agency screening and return of a NASA certificate of non-availability 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.

C3.5.3.4. Ensure any funding problems have been resolved.

C3.5.3.5. Notify the contractor:

C3.5.3.5.1. Of the Government's approval of the proposed acquisition or fabrication, or

C3.5.3.5.2. That the equipment will be furnished by the Government, or

C3.5.3.5.3. Of the Government's disapproval of the proposed STE.

C3.5.3.6. STE Cost Allocations. See FAR 31.205-40.

C3.5.4. 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.

C3.5.4.1. 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:

C3.5.4.1.1. Container design and fabrication costs are charged to special tooling accounts.

C3.5.4.1.2. The container is dedicated to the storage, movement, shipment, or protection of specific special tools.

C3.5.4.2. For NASA contracts, Agency screening and return of a NASA certificate of non-availability 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.

C3.5.5. Facilities

C3.5.5.1. 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.

C3.5.5.2. 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 Non-Availability (CNA) number if the item is not available. The PA shall ensure that the contractor prepares a DoD property record (DD Form 1342) subsequent to the acquisition and submits it to NASA citing the CNA number.

C3.5.5.2.1. 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.

C3.5.5.3. 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.

C3.5.5.4. 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.

C3.5.5.5. Facilities Supporting Contractors at DoD Installations

C3.5.5.5.1. 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.

C3.5.5.5.2. 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.

C3.5.5.6. Proper Classification

C3.5.5.6.1. 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.

C3.5.5.6.2. 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.

C3.6. RECEIPT OF GOVERNMENT PROPERTY

C3.6.1. 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.

C3.6.2. 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.

C3.6.2.1. 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.

C3.6.2.2. 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.

C3.6.2.3. 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).

C3.6.2.4. 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.

C3.6.2.5. 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.

C3.6.2.6. 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.

C3.6.2.7. 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.

C3.6.2.8. 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.

C3.6.3. Discrepant Shipments

C3.6.3.1. Transportation Discrepancies. When transportation discrepancies are noted, including those requiring preparation of the SF 361, the PA should ensure the matter is referred to the cognizant Transportation and Packaging Specialist or the responsible contractor organization.

C3.6.3.2. Receiving Discrepancies

C3.6.3.2.1. 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.

C3.6.3.2.2. 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.

C3.6.3.3. 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.

C3.6.4. PA Responsibilities for Discrepant Shipments

C3.6.4.1. 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.

C3.6.4.2. 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 that may be present.

C3.6.4.3. When the contractor is unable to obtain disposition instructions for misdirected shipments, the PA will be contacted and will provide assistance as necessary.

C3.6.5. 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.

C3.6.6. 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.

C3.6.7. Other

C3.6.7.1. 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.

C3.6.7.2. 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.

C3.7. 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.

C3.8. RECORDS OF GOVERNMENT PROPERTY

C3.8.1. 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.

C3.8.2. Material

C3.8.2.1. 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.

C3.8.2.2. 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.

C3.8.2.3. 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.

C3.8.2.4. 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 ensure return or the ability to locate items that are to be returned. New items are not to be issued without return of worn-out items unless suitable explanation is provided.

C3.8.3. Agency-Peculiar Property

C3.8.3.1. Contractors are required to establish control over APP and maintain records in accordance with FAR 45.505-1 and 45.505-13, where applicable.

C3.8.3.2. 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.

C3.8.4. 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.

C3.8.5. 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.

C3.8.6. 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-31-1.

C3.9. MOVEMENT OF GOVERNMENT PROPERTY

C3.9.1. Material

C3.9.1.1. 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.

C3.9.1.2. 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.

C3.9.2. 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.

C3.9.3. 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.

C3.9.4. 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.

C3.9.5. 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.

C3.10. STORAGE OF GOVERNMENT PROPERTY

C3.10.1. 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.

C3.10.2. Segregation or Commingling of Materials

C3.10.2.1. 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:

C3.10.2.1.1. Whether it is practical and economical to combine Government and contractor property in the manufacturing or processing operation.

C3.10.2.1.2. Whether issue, use, and identification controls are adequate to prevent loss in excess of that which might be reasonable under conditions of segregation.

C3.10.2.1.3. Whether procedures exist for the equitable apportionment of inventory loss.

C3.10.2.2. AMMAS differs in its allowance of commingling. See Chapter 5 for MMAS information.

C3.11. PHYSICAL INVENTORIES OF GOVERNMENT PROPERTY

C3.11.1. 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.

C3.11.2. Inventory Requirements

C3.11.2.1. Frequency of Inventories. Contractors may have various inventory frequencies for different types of property as authorized in FAR 45.508.

C3.11.2.1.1. 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.

C3.11.2.1.1.1. 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.

C3.11.2.1.1.2. 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.

C3.11.2.1.1.3. 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).

C3.11.2.1.2. Physical inventory of non-consumable 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.

C3.11.2.2. 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.

C3.11.2.2.1. 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.

C3.11.2.2.2. 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.

C3.11.2.2.3. 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 other. 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.

C3.11.2.3. 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:

C3.11.2.3.1. 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.

C3.11.2.3.2. 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.

C3.11.2.3.3. 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.

C3.11.2.4. 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)).

C3.11.2.5. Physical Inventory Union 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.

C3.11.2.6. 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.

C3.11.3. Accomplishing the Inventory. The PA shall review the contractor's property control system to ensure that, where applicable, the following actions are performed:

C3.11.3.1. Preparation for Inventory. Before conducting the inventory, the contractor shall specify the method to be use, 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.

C3.11.3.2. 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 past 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.

C3.11.3.3. 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.

C3.11.3.4. 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.

C3.11.3.5. 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:

C3.11.3.5.1. A listing that identifies all discrepancies.

C3.11.3.5.2. A signed statement that the physical inventory of all, or a part, was completed on a certain date.

C3.11.3.5.3. A statement that the official property records are in agreement with the physical inventory, except for the discrepancies reported.

C3.11.3.5.4. Inventory results on a quantitative and monetary basis by category of property, if requested by the CO in accordance with FAR 45.508-3.

C3.11.3.6. 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.

C3.12. REPORTS OF GOVERNMENT PROPERTY

C3.12.1. 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.

C3.12.2. Reports of DoD Property in the Custody of Contractors (DD Form 1662)

C3.12.2.1. 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.

C3.12.2.2. 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.

C3.12.3. PA Responsibilities

C3.12.3.1. 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:

C3.12.2.3.1.1. Responsibility for reports data compilation, preparation, contractor validation, and timely submission is assigned to specific contractor functions.

C3.12.3.1.2. Sources of report information are clearly defined, accurate, and current.

C3.12.3.1.3. Appropriate audit or other method is employed by the contractor to verify report accuracy and completeness.

C3.12.3.1.4. Controls are maintained to identify:

C3.12.3.1.4.1. Contracts subject to report requirements.

C3.12.3.1.4.2. Specific report requirements.

C3.12.3.1.4.3. Required submission dates for reports.

C3.12.3.1.5. Procedures provide adequate lead time for orderly compilation of data and report submissions.

C3.12.3.1.6. Reports are distributed according to contractual requirements.

C3.12.3.1.7. Exclusion of items to which the Government has acquired a lien or title solely as a result of advance, progress, or partial payments.

C3.12.3.1.8. 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.

C3.12.3.1.9. 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.

C3.12.3.1.10. Compilation of accurate addition and deletion figures. Addition and deletion figures are not merely the difference between the beginning and ending balances.

C3.12.3.1.10.1. Additions:

C3.12.3.1.10.1.1. Purchase, fabrication, and transfer of facilities, special tooling, and special test equipment.

C3.12.3.1.10.1.2. When the Government takes title to special tooling under FAR 52.245-17.

C3.12.3.1.10.1.3. Physical inventory adjustments for facilities, special tooling, and special test equipment including found assets once reported lost and removed from the official property records.

C3.12.3.1.10.2. Deletions:

C3.12.3.1.10.2.1. Lost or destroyed items.

C3.12.3.1.10.2.2. Items disposed of through plant clearance or transferred to another contract.

C3.12.3.2. In addition, the PA shall perform the following reviews in conjunction with the contractor's annual submission of reports:

C3.12.3.2.1. The PA shall compare the property contract assignment listing with the contractor's submittal to ensure 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.

C3.12.3.2.2. 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.

C3.12.3.2.3. 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.

C3.12.2.4. Property Status Reports

C3.12.2.4.1. 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.

C3.12.2.4.2. 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.

C3.12.2.5. 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.

C3.13. CONSUMPTION OF MATERIALS

C3.13.1. 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:

C3.13.1.1. 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.

C3.13.1.2. 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.

C3.13.1.3. 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.

C3.13.1.4. 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.).

C3.13.2. 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.

C3.13.3. 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.

C3.14. UTILIZATION OF GOVERNMENT PROPERTY

C3.14.1. General

C3.14.1.1. 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 offerer's possession, offerer's wishing to use such property in performance of a contract must obtain written approval for use from the CO having cognizance over the property.

C3.14.1.2. 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:

C3.14.1.2.1. Unauthorized use.

C3.14.1.2.2. Authorized use on a rental basis.

C3.14.1.2.3. Use on independent research and development (IR&D) programs.

C3.14.1.2.4. Authorized and actual use of Government property.

C3.14.1.2.5. Age of Government property.

C3.14.1.2.6. 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).

C3.14.1.3. 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.

C3.14.1.4. 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.

C3.14.2. 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.

C3.14.2.1. 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.

C3.14.2.1.1. 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.

C3.14.2.1.2. Provide for the recording of authorized use and the actual use of the facilities.

C3.14.2.1.3. Definition of terms such as utilization, available hours, idle time, operating time, and minimum level of utilization.

C3.14.2.1.4. 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.

C3.14.2.1.5. 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.

C3.14.2.1.6. Provide for prompt reporting to the CO of all plant equipment (PE) for which retention is not justified.

C3.14.2.2. 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.

C3.14.2.3. The following represents the specific responsibilities of the PA in performing an evaluation of the contractor's utilization system:

C3.14.2.3.1. Approving the contractor's utilization program.

C3.14.2.3.2. 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.

C3.14.2.3.3. Performing analysis of the utilization system's output to ensure economical and efficient usage of Government-owned plant equipment.

C3.14.2.3.4. Initiating reviews when it is determined that such property is not being economically and efficiently used or taking corrective action that may result in:

C3.14.2.3.4.1. Adjustment of the usage criteria.

C3.14.2.3.4.2. Reallocation of excess PE between contractor's programs through CO direction.

C3.14.2.3.4.3. Justification for retention based on programmed or projected workload, contractual changes, or other reasons acceptable to the PA.

C3.14.2.3.4.4. Declaration of the Government-owned PE as excess.

C3.14.2.3.4.5. Correction of deficiencies in the contractor's utilization systems.

C3.15. MAINTENANCE OF GOVERNMENT PROPERTY

C3.15.1. 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.

C3.15.2. 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:

C3.15.2.1. Preventive Maintenance (PM), 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:

C3.15.2.1.1. Specific and/or optimum maintenance requirements for each item of equipment or real property.

C3.15.2.1.2. Manufacturer's recommendations, Government instructions or technical manuals/publications.

C3.15.2.1.3. Plant experience (peculiar operating conditions).

C3.15.2.1.4. Engineering analysis (age and condition).

C3.15.2.1.5. Tolerance requirements.

C3.15.2.1.6. 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.

C3.15.2.2. 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:

C3.15.2.2.1. Disclosure and/or reporting of deficiencies by operational personnel.

C3.15.2.2.2. Disclosure of deficiencies through PM and/or inspections.

C3.15.2.2.3. Initiating work orders with detailed assignment, guidance, and fixed responsibility.

C3.15.2.2.4. Ensuring deficiencies have been corrected.

C3.15.2.2.5. Recording work accomplished.

C3.15.2.2.6. Reporting the need for CTR.

C3.15.2.2.7. Identifying and reporting the need for replacement.

C3.15.2.3. 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:

C3.15.2.3.1. Planning (knowing what work must be done and how it will be accomplished).

C3.15.2.3.2. Estimating (establishing cost of work to be performed).

C3.15.2.3.3. Scheduling work (coordinating specific work with man-hours, material, and equipment operational time).

C3.15.2.3.4. Initiating work orders (PM and corrective, controlling work flow).

C3.15.2.3.5. Controlling maintenance performance.

C3.15.2.3.6. Ensuring field reporting (completed work orders returned noting work accomplished and providing remarks on equipment status).

C3.15.2.3.7. Work order status (suspense on complete or open orders).

C3.15.2.3.8. Backlog (planned work yet to be scheduled).

C3.15.2.3.9. Records (complete historical data on each item of property; i.e., all maintenance efforts, cost, accumulative cost (parts and labor), repetitive failures).

C3.15.2.3.10. Maintenance analysis.

C3.15.2.3.11. Reporting (the ability to provide reports on all the above).

C3.15.2.4. Maintenance Requirements by Property Type

C3.15.2.4.1. 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.

C3.15.2.4.2. 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.

C3.15.2.4.3. 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.

C3.15.2.4.4. 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:

C3.15.2.4.4.1. Disclosure of need for and the performance of preventive maintenance.

C3.15.2.4.4.2. Disclosure of need for and reporting of CTR.

C3.15.2.4.4.3. Recording of work performed under the contractor's maintenance program.

C3.15.2.5. 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.

C3.16. SUBCONTRACTOR AND ALTERNATE LOCATION PROPERTY MANAGEMENT

C3.16.1. 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.

C3.16.2. Contractor Requirements

C3.16.2.1. Maintaining Official Records of Government Property

C3.16.2.1.1. 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.

C3.16.2.1.2. 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:

C3.16.2.1.2.1. Type, quantity, and dollar value of property in the subcontractor's possession.

C3.16.2.1.2.2. Type of subcontract and risk of loss provision contained therein.

C3.16.2.1.2.3. Established policies, precedence, and past performance of the contractor and subcontractor.

C3.16.2.1.2.4. Extent and effectiveness of the prime contractor's subcontractor surveillance program.

C3.16.2.1.2.5. Prime contractor's willingness to accept the findings of the supporting PA.

C3.16.2.1.2.6. Other pertinent information.

C3.16.2.1.3. The PA's approval or disapproval and rationale must be fully documented in the contract file.

C3.16.2.2. Flowdown of Contractor Requirements

C3.16.2.2.1. 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:

C3.16.2.2.1.1. By reference (for larger subcontractors knowledgeable of FAR provisions), or

C3.16.2.2.1.2. Incorporated in full text (for smaller subcontractors with limited knowledge of or access to FAR provisions), whichever is appropriate.

C3.16.2.2.2. 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.

C3.16.2.2.3. 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."

C3.16.2.2.4. 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).

C3.16.2.2.5. 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.

C3.16.2.3. Contractor Surveillance of Subcontractors

C3.16.2.3.1. The PA shall review the contractor's procedures and practices for performing surveillance of subcontractor property control systems to ensure that they provide for:

C3.16.2.3.1.1. Scheduled and completed surveillance.

C3.16.2.3.1.2. The scope, frequency, and techniques used to perform the surveillance.

C3.16.2.3.1.3. Adequate surveillance documentation describing:

C3.16.2.3.1.3.1. Subcontractor name and address, date(s) of survey, and person(s) contacted during the survey.

C3.16.2.3.1.3.2. Types, quantities, and dollar value of property involved.

C3.16.2.3.1.3.3. Method(s) of performing the survey (sampling, observation and judgment, discussions with key contractor personnel, review of procedures, etc.).

C3.16.2.3.1.3.4. Evaluation criteria used to perform the survey.

C3.16.2.3.1.3.5. Conclusions including disclosure, follow-up, and final resolution of deficiencies.

C3.16.2.3.2. 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 C3.16.2.1.1. through C3.16.2.1.3., above:

C3.16.2.3.2.1. 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.

C3.16.2.3.2.2. For subcontractors with larger amounts of Government property, on-site surveillance visits by contractor personnel knowledgeable of Government property control contract requirements are essential.

C3.16.3. Support Property Administration

C3.16.3.1. Support Property Administration Criteria

C3.16.3.1.1. 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.

C3.16.3.1.2. When one of the conditions in FAR 42.204 (b) or (c) exists, the PA shall consider applicable criteria in subparagraph C3.16.2.1.2., above.

C3.16.3.1.3. 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.

C3.16.3.1.4. Support property administration delegations should be reviewed and updated during the preparation for a system analysis for changes, additions, or deletions.

C3.16.3.2. Contractor's Permission and Concurrence

C3.16.3.2.1. 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.

C3.16.3.2.2. 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 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.

C3.16.3.2.3. Often, prime contractors insert provisions in their subcontracts allowing Government personnel to audit the subcontractor's property control system during subcontract performance.

C3.16.3.2.4. 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.

C3.16.3.2.5. 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.

C3.16.3.3. Procedures for Requesting Support Property Administration

C3.16.3.3.1. 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.

C3.16.3.3.2. 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.

C3.16.3.3.3. 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.

C3.16.3.3.4. The request for SPA shall include the following minimum information:

C3.16.3.3.4.1. The name and address of the prime contractor.

C3.16.3.3.4.2. The prime contract number.

C3.16.3.3.4.3. The name and address of the subcontractor or the contractor's alternate location where the property is to be located.

C3.16.3.3.4.4. A list of property to be furnished and/or a statement as to whether property will be acquired by the subcontractor.

C3.16.3.3.4.5. A copy of the subcontract, purchase order, and any subsequent change orders under which the property will be furnished or acquired by the subcontractor.

C3.16.3.3.4.6. The specific extent of support required such as:

C3.16.3.3.4.6.1. Prompt reporting of loss, damage or destruction of Government property.

C3.16.3.3.4.6.2. Forwarding copies of deficiency and system summary reports.

C3.16.3.3.4.6.3. Performing special emphasis surveillance, etc.

C3.16.3.3.4.7. Any limitations of the delegation; for example:

C3.16.3.3.4.7.1. 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).

C3.16.3.3.4.7.2. Relieving the contractor of responsibility for LDD of Government property at the contractor alternate location (in this case, the requester will ask only that the supporting PA investigate and make a recommendation to the prime PA).

C3.16.3.3.4.7.3. Other responsibilities that the PA may wish to retain.

C3.16.3.3.5. 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.

C3.16.3.3.6. 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.

C3.16.3.3.7. When preparing SPA requests on subcontracts and purchase orders where performance is on a military installation, the Services are responsible for administering their contracts.

C3.16.4. 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.

C3.16.5. 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 C3.16.2.1., above)

C3.16.6. 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.

C3.16.6.1. 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.

C3.16.6.2. Military Installations. The PA shall ensure that SPA on a military installation is accomplished in accordance with DFARS 242.270.

C3.16.6.3. 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.

C3.16.7. Enforcement of Subcontractor Control Requirements

C3.16.7.1. 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.

C3.16.7.2. 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.

C3.16.8. 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:

C3.16.8.1. A copy of the original SPA request.

C3.16.8.2. Support documentation pertinent to the original request.

C3.16.8.3. Subsequent documentation related to the SPA delegation.

C3.17. DISPOSITION OF GOVERNMENT PROPERTY

C3.17.1. 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 transferring 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.

C3.17.2. 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.

C3.17.3. 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 ensure proper and timely reporting and subsequent disposal of the right-to-title special tooling.

C3.17.4. 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 IPEC. Agencies may require internal screening before DIPEC reporting.

C3.18. CLOSURE OF CONTRACTS FOR PROPERTY ADMINISTRATION

C3.18.1. General. Upon completion or termination of a contract, the PA shall:

C3.18.1.1. 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.

C3.18.1.2. Require the contractor to perform a physical inventory of Government property 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.

C3.18.1.3. Ensure that property transfers to other Government contracts are accomplished based upon firm contract requirements.

C3.18.1.4. Monitor the actions of the contractor in returning excess Government property not referred to the Plant Clearance Officer.

C3.18.1.5. Advise the cognizant Plant Clearance Officer of the existence at a contractor's plant of residual property requiring disposal.

C3.18.1.6. Ensure that excess property is promptly reported on inventory schedules to the Plant Clearance Officer.

C3.18.1.7. Ensure that the contractor promptly takes all required actions to complete property management responsibilities and close out records.

C3.18.1.8. 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.

C3.18.1.9. Ensure that the processing of all liability actions by the PA or CO are completed.

C3.19. 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.

C4. CHAPTER 4

SYSTEMS ANALYSIS ELEMENTS OF THE PROPERTY ADMINISTRATION PROCESS

C4.1. PROPERTY CONTROL SYSTEM ANALYSES

C4.1.1. General

C4.1.1.1. 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.

C4.1.1.2. 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.

C4.1.1.3. 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.

C4.1.1.4. 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 judgment 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.

C4.1.2. Property System Status. A contractor's property control system may exist in one of four different statuses. These consist of Pre-submission, Non-acceptance and/or Withheld, Approved, and Disapproved and/or Withdrawn Status.

C4.1.2.1. Pre-submission status exists when a contractor's property control system has neither been formally non-accepted, approved, or disapproved.

C4.1.2.2. Non-acceptance 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 non-acceptance 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.

C4.1.2.3. Approved status exists when the contractor has a property control system approved by the PA.

C4.1.2.4. 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.

C4.1.3. 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.

C4.1.3.1. 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 work papers 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.

C4.1.3.2. 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.

C4.1.3.2.1. Limited analyses may be applied when Government property under one or more contracts consists of no more than \$500,000 exclusive of reparables on overhaul and maintenance contracts.

C4.1.3.2.2. Limited analyses shall not be applied when sensitive property is in the possession of the contractor.

C4.1.4. Frequency of Property Control System Analyses

C4.1.4.1. 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.

C4.1.4.2. 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:

C4.1.4.2.1. 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

C4.1.4.2.2. Waive review of selected functions or functional segments as evidenced by, but not limited to, the following factors:

C4.1.4.2.2.1. Satisfactory compliance with the applicable Government regulations and contractual requirements over an extended period of time; and/or

C4.1.4.2.2.2. Stability of the quantity of Government property in the contractor's possession; and

C4.1.4.2.2.3. PA's first hand knowledge of the contractor's property control system.

C4.1.4.2.3. 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.

C4.1.5. Planning of Property Control System Analyses

C4.1.5.1. 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.

C4.1.5.2. The PA must develop and determine in the system analyses plan which functions, functional segments and criterion (see Appendix 1) 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:

C4.1.5.2.1. Listing of the functions, functional segments, and criteria identifying those items that are applicable, not applicable, or deferred.

C4.1.5.2.2. Listing of the estimated line items of property by type.

C4.1.5.2.3. 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.

C4.1.5.2.4. Survey files shall contain sufficient narrative and documentation reflecting rationale for deferring accomplishment of the functions or functional segments.

C4.1.6. Scheduling of Property Control System (PCS) Analyses

C4.1.6.1. 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.

C4.1.6.2. 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.

C4.1.6.3. 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.

C4.1.7. Initial Contact With New Contractors. Normally, the initial contact by the Contract Administration Office with a contractor is through a pre-award survey, post-award conference or post-award letter. (See FAR 42.5.) When a conference is held, the PA shall ensure 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:

C4.1.7.1. 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.

C4.1.7.2. Requesting the name of the contractor's representative(s) to contact for review and discussion of the proposed property control system.

C4.1.7.3. Requesting that written procedures be provided for evaluation that comply with FAR 45.5 and other applicable regulations and contractual requirements.

C4.1.7.4. Arranging an entrance interview with the contractor to discuss these items.

C4.1.8. Initial Evaluation of the Contractor's Property Control System

C4.1.8.1. 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.

C4.1.8.2. 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:

C4.1.8.2.1. Areas in the proposed procedures which fail to comply with FAR 45.5 and other contract requirements.

C4.1.8.2.2. Essential controls not provided by the proposed procedures.

C4.1.8.2.3. Areas in the proposed procedures requiring physical observation or verification.

C4.1.8.2.4. 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.

C4.1.8.3. 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.

C4.1.8.4. 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.

C4.1.9. 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.

C4.1.10. Performance of Property Control System Analyses

C4.1.10.1. 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.

C4.1.10.2. 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.

C4.1.10.3. Conducting Property System Analyses. Property system analyses shall be conducted in a manner to ensure 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 C4.3. of this chapter for specific direction by property category and function.

C4.1.11. Correction of Unsatisfactory Conditions

C4.1.11.1. Identification of Deficiencies. When element or item defects are identified during the system analysis, PAs shall take the following actions:

C4.1.11.1.1. Determine whether the defects are isolated or are systemic in nature.

C4.1.11.1.2. Assess the known or perceived impact of defects.

C4.1.11.1.3. Determine the cause of the defects, where possible.

C4.1.11.1.4. Notify the responsible contractor management personnel of the defects and request corrective action.

C4.1.11.2. 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 follow up to ensure that corrective actions are taken.

C4.1.11.3. 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.

C4.1.11.4. 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:

C4.1.11.4.1. A specific, concise documented statement of open problems.

C4.1.11.4.2. An assessment of the impact of the defects.

C4.1.11.4.3. A statement of the contractor's positions.

C4.1.11.4.4. 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.

C4.1.12. 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.

C4.1.13. 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 re-approval after the contractor's property control system has been disapproved or withdrawn.

C4.1.14. Non-acceptance or Disapproval of a Contractor's Property Control System

C4.1.14.1. 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 non-acceptance 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.

C4.1.14.2. 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 re-approval 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 re-approval. 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 re-approval.

C4.1.15. 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).

C4.1.16. Summary of Findings

C4.1.16.1. 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:

C4.1.16.1.1. Introduction: Provide contractor's name and address, period of system analysis, and types of property involved, and applicable procedures.

C4.1.16.1.2. Methods Used: Summarize methods used in performing the review.

C4.1.16.1.3. Conclusions: State defects identified and conclusions reached.

C4.1.16.1.4. Actions taken by the contractor and remaining actions, if any, necessary to correct defects.

C4.1.16.2. 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.

C4.1.16.3. 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.

C4.1.16.4. 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 one individual contract 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.

C4.1.16.5. 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 follow up 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.

C4.2. SAMPLING

C4.2.1. General. Sampling is a tool to support the PA's judgment; it does not supplant that judgment. 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 judgment 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.

C4.2.2. Types of Sampling

C4.2.2.1. 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. Judgment 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.

C4.2.2.2. When using a sampling plan, the Government's risk shall not exceed 10 percent (a 90 percent confidence level) excepting slight variations due to changes in population sizes. Appendix 2 contains sampling plans for use in achieving this 90 percent confidence level. Using this sampling plan the Government will discover defects of 10 percent or more, if they exist, 90 percent of the time.

C4.2.2.3. 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 judgment as to the acceptability of the entire functional segment. Appendix 2 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 3 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.

C4.2.2.4. 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 2. 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.

C4.2.2.5. CLASS III. Purposeful Sampling.

C4.2.2.5.1. 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 research 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.

C4.2.2.5.2. 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 3 would not be used.

C4.2.3. Selection of Population

C4.2.3.1. 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.

C4.2.3.2. 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.

C4.2.3.3. Non-transactional 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.

C4.2.3.4. 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):

C4.2.3.4.1. The PA shall select the function, functional segment, and criterion to be evaluated.

C4.2.3.4.2. 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:

C4.2.3.4.2.1. 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.

C4.2.3.4.2.2. 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.

C4.2.4. Selection of Random Numbers

C4.2.4.1. 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 2. This indicates the number of items that must be selected from either the random number tables (Appendix 3) or equivalent random-number generating method.

C4.2.4.2. Numbers selected from either Appendix 3, or equivalent, shall be arranged in numerical order.

C4.2.4.3. 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 2.

C4.2.5. Selection of a Sample

C4.2.5.1. 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.

C4.2.5.2. 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.

C4.2.6. 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.

C4.2.6.1. 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.

C4.2.6.2. Appendix 2 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:

C4.2.6.2.1. If no defects are found in the first sample, the functional segment or criterion shall be evaluated as satisfactory. (See Column 3, Appendix 2.)

C4.2.6.2.2. If the number of item defects found in the first sample is equal to the number of defects found in column 4 of Appendix 2, where the defects are not of a systemic nature the functional segment may be evaluated as satisfactory.

C4.2.6.2.3. If the number of item defects found in the first sample is equal to the number of defects found in column 4 of Appendix 2, where the defects are of a systemic nature, the functional segment shall be evaluated as unsatisfactory.

C4.2.6.2.4. If the number of item defects found in the first sample is equal to the number of defects found in column 5 of Appendix 2, the PA shall use the second sample selected in paragraph C4.2.4.3., 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 2, the functional segment shall be evaluated as satisfactory.

C4.2.6.2.5. 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 2 where the defects are not of a systemic nature, the functional segment may be evaluated as satisfactory.

C4.2.6.2.6. 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 2 where the defects are of a systemic nature, the functional segment shall be evaluated as unsatisfactory.

C4.2.6.3. 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.

C4.3. SYSTEMS ANALYSIS TECHNIQUES BY PROPERTY FUNCTION

C4.3.1. 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 1 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.

C4.3.2. 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.

C4.3.3. Testing Acquisition

C4.3.3.1. 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.

C4.3.3.2. Acquisition of Special Test Equipment. The PA shall review the acquisition of STE to ensure 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.

C4.3.3.3. 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.

C4.3.3.4. 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:

C4.3.3.4.1. GFM or CAM are accountable;

C4.3.3.4.2. A bill of material, Material Requirements Lists, or Master Production Schedule exists; and,

C4.3.3.4.3. 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.

C4.3.4. Testing Receiving

C4.3.4.1. 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:

C4.3.4.1.1. 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.

C4.3.4.1.2. 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.

C4.3.4.1.3. 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.

C4.3.5. 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.

C4.3.6. 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:

C4.3.6.1. 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.

C4.3.6.2. 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.

C4.3.7. 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.

C4.3.8. 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.

C4.3.9. Testing of Physical Inventories

C4.3.9.1. 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.

C4.3.9.2. 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 recording, 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.

C4.3.9.3. 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.

C4.3.10. 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 C3.12., of this Manual provides specific guidance on the property control system requirements concerning the DD Form 1662.

C4.3.11. Testing Consumption of Materials

C4.3.11.1. 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 4), or automated equivalent.

C4.3.11.2. 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.

C4.3.11.3. 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.

C4.3.11.4. The Consumption Analysis Worksheet (Appendix 4) 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.

C4.3.11.5. 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.

C4.3.12. 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.

C4.3.12.1. 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.

C4.3.12.2. 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 percent of the time available for use requires advance approval of the Head of the Agency.

C4.3.12.3. 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.

C4.3.13. 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.

C4.3.14. 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:

C4.3.14.1. 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.

C4.3.14.2. 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.

C4.3.14.3. The adequacy of the contractor's system of surveillance incorporated in its property control system and applied throughout the life of the subcontract, etc.

C4.3.15. Testing Disposition

C4.3.15.1. 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.

C4.3.15.2. 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.

C4.3.15.3. 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.

C4.3.15.4. 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.

C4.3.16. Testing Contract Close-Out

C4.3.16.1. 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.

C4.3.16.2. 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.

C4.3.16.3. 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.

C5. CHAPTER 5

SPECIAL TOPICS RELATED TO THE PROPERTY ADMINISTRATION PROCESS

C5.1. PROPERTY ADMINISTRATOR SUPPORT TO PROGRAM MANAGERS AND LOGISTICS PERSONNEL

C5.1.1. Scope. This section provides policy and guidance to the PA and other Government personnel regarding the role of the PA at procuring activities.

C5.1.1.1. 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 pre-award 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.

C5.1.1.2. 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.

C5.1.1.3. 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.

C5.1.1.4. 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.

C5.1.1.5. 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.

C5.1.1.6. 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.

C5.2. MANAGEMENT CONTROL ACTIVITY

C5.2.1. Scope. This section provides policy and guidance for PAs in administering the DoD Instruction Number 4140.48, dated March 6, 1986, Subject: "Control of Access to DoD Material Inventories Required by Defense Contracts."

C5.2.2. 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.

C5.2.3. 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.

C5.2.4. 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.

C5.2.4.1. Each MCA shall establish a system that:

C5.2.4.1.1. 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.

C5.2.4.1.2. 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.

C5.2.4.1.3. 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 that are coded for direct shipment to a contractor for GFM that have not passed through and been approved by an MCA.

C5.2.4.1.4. Passes approved requisitions to the appropriate DoD source for supply action.

C5.2.4.2. MCAs will establish a management reporting system that:

C5.2.4.2.1. Maintains a contract, requisition, and shipment status history file that serves as a record of GFM transactions.

C5.2.4.2.2. 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.

C5.2.4.2.3. Alternative to paragraph C5.2.4.2.2., 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.

C5.2.5. 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.

C5.2.6. 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:

C5.2.6.1. Shipment of GFM to Contractors.

C5.2.6.2. Requisitions Rejected.

C5.2.6.3. Shipment of GFM to Contractor For Which Receipt Is Unknown.

C5.3. MATERIAL MANAGEMENT AND ACCOUNTING SYSTEM (MMAS)

C5.3.1. Scope. This section provides policy and guidance for PAs in providing support to COs for performance of DFARS-prescribed responsibilities related to contractor MMAS.

C5.3.2. 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.

C5.3.3. Policy. MMAS policy is prescribed by DFARS 242.7203.

C5.3.4. General

C5.3.4.1. 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.

C5.3.4.2. 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.

C5.3.4.3. 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.

C5.3.4.4. An MMAS system does not apply to Government-furnished material, other than those items acquired through a "cash sales" program.

C5.3.5. 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).

C5.3.6. 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.

C5.3.7. PA Participation in MMAS System Evaluations

C5.3.7.1. 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.

C5.3.7.2. MMAS evaluations should include consideration of the specific inventory control issues related to standards prescribed by DFARS 242.7206. These include:

C5.3.7.2.1. Ensuring that the contractor has adequate procedures and policies to address the property control elements of MMAS requirements. (See DFARS 242.7206(b)(1).)

C5.3.7.2.2. Determining if contractor internal audits of MMAS adequately address property issues. (See DFARS 242.7206(b)(10).)

C5.3.7.2.3. 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).)

C5.3.7.2.4. 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).)

C5.3.7.2.5. 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).)

C5.3.7.2.6. 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).)

C5.3.7.2.7. 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).)

C5.4. PROGRESS PAYMENTS INVENTORY

C5.4.1. 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.

C5.4.2. 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.

C5.4.3. 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.

C5.4.4. Administration of Progress Payment Inventory Provisions

C5.4.4.1. 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.

C5.4.4.2. 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.

C5.4.4.3. 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.

C5.5. ADMINISTRATION OF SPECIAL TOOLING CLAUSE PROVISIONS

C5.5.1. PA Responsibilities for Administration of FAR 52.245-17 Provisions

C5.5.1.1. 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.

C5.5.1.2. 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.

C5.5.1.3. 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.

C5.5.1.4. 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.

C5.5.1.5. 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:

C5.5.1.5.1. Ensuring that special tooling acquired for contract performance is required and does not include property misclassified as special tooling.

C5.5.1.5.2. Ensuring that existing tooling is transferred to Government contracts only when a contractual requirement exists within the gaining contract.

C5.5.1.5.3. Ensuring that the contractor develops and maintains data and records prescribed by the clause.

C5.5.1.5.4. Ensuring that special tooling is properly maintained.

C5.5.1.5.5. Ensuring that special tooling is used only as authorized.

C5.5.1.5.6. Ensuring that contractual provisions are incorporated in subcontracts, when appropriate, and enforced by the prime contractor.

C5.5.1.5.7. Ensuring that listings of special tooling are properly and accurately prepared and distributed by the contractor as prescribed by the Special Tooling Clause.

C5.5.1.5.8. Ensuring that the contractor promptly identifies and reports special tooling that is excess to contractual requirements.

C5.5.1.5.9. Providing support to COs and logisticians to coordinate retention planning of tools.

C5.5.1.5.10. 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.

C5.6. AUTOMATED DATA PROCESSING EQUIPMENT

C5.6.1. 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.

C5.6.2. 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.

C5.6.3. Policy. It is the policy of the Department of Defense 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.

C5.6.4. 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.

C5.6.4.1. Acquisitions must be approved in accordance with DFARS 270.601 in the following situations:

C5.6.4.1.1. If a contractor acquires ADPE for the account of or if title to the ADPE will pass to the Government.

C5.6.4.1.2. 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.

C5.6.4.2. 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 percent of the cost is allocated to Government contracts requiring the negotiation or determination of costs.

C5.6.4.3. 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.

C5.6.4.4. Acquisition of ADPE acquired as facilities must meet the requirements in FAR 45.302-1.

C5.6.5. Utilization. The contractor shall use ADPE for authorized purposes only. The contractor'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.

C5.6.6. 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.

C5.7. GOVERNMENT-OWNED REUSABLE CONTAINERS

C5.7.1. General. Government-owned reusable containers may consist of four major types: serialized special design, non-serialized 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.

C5.7.2. 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.

C5.7.3. 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.

C5.7.4. 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.

C5.7.5. 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.

C5.8. SENSITIVE PROPERTY

C5.8.1. Scope. This section provides policy and guidance for PAs in administering contract requirements relating to sensitive property (see DFARS, part 223).

C5.8.2. 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:

C5.8.2.1. Weapons such as carbines, grenade launchers, rocket launchers, machine-guns, pistols, recoilless weapons, revolvers, rifles, or shotguns.

C5.8.2.2. Ammunition for the above weapons.

C5.8.2.3. 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.

C5.8.2.4. Narcotics and dangerous drugs.

C5.8.2.5. 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.

C5.8.2.6. 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, semi-liquid, 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.

C5.8.2.7. 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.

C5.8.2.8. 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.

C5.8.2.9. Any other item designated by a Defense Agency or Component to be sensitive.

C5.8.3. GENERAL

C5.8.3.1. Contractors' Procedures

C5.8.3.1.1. 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.

C5.8.3.1.2. 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.

C5.8.3.2. 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 non-sensitive 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).

C5.8.3.3. 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.

C5.8.3.4. System Analysis

C5.8.3.4.1. When sensitive property is involved, the initial analysis shall be performed expeditiously following assignment of the contract for property administration.

C5.8.3.4.2. 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.

C5.8.3.4.3. 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.

C5.8.3.5. Final Review and Closings. 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.

C5.9. PROPERTY AT NON-PROFIT CONTRACTORS

C5.9.1. 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).

C5.9.2. General

C5.9.2.1. 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 multi-contract 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).

C5.9.2.2. 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.

C5.9.3. Title

C5.9.3.1. For equipment purchased with funds available for research and having an acquisition cost of less than \$5,000, 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.

C5.9.3.2. Title to contractor-acquired equipment with an acquisition cost of more than \$5,000 vests as set forth in the contract. In other words, unless the contract specifically provides otherwise, title to equipment with an acquisition cost of \$5,000 or more vests in the Government.

C5.9.3.3. 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.

C5.9.4. Records

C5.9.4.1. 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.

C5.9.4.2. 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.

C5.9.5. 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.

C5.10. MILITARY STANDARD REQUISITION AND ISSUE PROCEDURE

C5.10.1. Scope. This section provides policy and guidance for PAs in administering contract provisions relating to MILSTRIP actions.

C5.10.2. 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.

C5.10.2.1. 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.

C5.10.2.2. 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.

C5.10.2.3. 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.

C5.10.2.4. 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:

C5.10.2.4.1. A DoD Activity Address Code (DoDAAC) from the appropriate DoD Service point listed in Section I of the Introduction to the DoD Activity Address Directory (DoDAAD).

C5.10.2.4.2. The contract number(s) involved.

C5.10.2.4.3. The period of the authorization.

C5.10.2.4.4. The description (by Federal Supply Classes, National Stock Numbers or part numbers), and quantity and/or limits of Government property.

C5.10.2.4.5. Special codes such as routing identifiers, priorities authorized, advice, billing, and fund codes.

C5.10.2.5. Contracts authorizing MILSTRIP may stipulate procedures and additional data requirements for acquisition, receiving, records, utilization, maintenance, physical inventories, disposition, and reports.

C5.10.3. PA Responsibilities

C5.10.3.1. 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 1 of the above cited Manual.

C5.10.3.2. 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.

C5.11. NASA PROPERTY

C5.11.1. NASA LETTER OF CONTRACT ADMINISTRATION DELEGATION, SPECIAL INSTRUCTIONS. PROPERTY ADMINISTRATION (February 1989).

C5.11.1.1. 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.

C5.11.1.1.1. 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 \$1,000 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.

C5.11.1.1.2. 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.

C5.11.1.1.3. 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.

C5.11.1.1.4. 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).

C5.11.1.1.5. 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.

C5.11.1.1.6. 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).

C5.11.1.1.7. Ensure the contractor's procedures provide for separately tagging (identifying) removable and/or reusable components of STE (FAR 45.506(c)). 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.

C5.11.1.1.8. Exchange and/or sale authority for replacement of non-excess 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.

C5.11.1.2. Provide the following data and/or documents to the individual listed in block 5 of the form:

C5.11.1.2.1. One copy of each Summary of Property Control System Survey performed for this contractor.

C5.11.1.2.2. Notification of all granting of relief of responsibility for LDD property under this contract.

C5.11.1.2.3. 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.

C5.11.2. GRANT PROPERTY ADMINISTRATION AND PLANT CLEARANCE
(February 1989). All other functions are withheld.

C5.11.2.1. 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:

C5.11.2.1.1. 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.

C5.11.2.1.2. 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).

C5.11.2.1.3. 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.

C5.11.2.1.4. 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.

C5.11.2.1.5. 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.

C5.11.2.1.6. 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.

C5.11.2.1.7. 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.

C5.11.2.2. Provide the following data and/or documents to the individual listed in Block 5 of the form:

C5.11.2.2.1. One copy of each system survey summary performed for this Grantee.

C5.11.2.2.2. Notification of all granting of relief of responsibility for LDD property under this grant.

C5.11.2.2.3. A letter stating that all required property actions in Paragraph 514 of the GCAHB have been completed.

AP1. APPENDIX 1FUNCTIONS, FUNCTIONAL SEGMENTS, AND CRITERIA

CLASS I - STATISTICAL SAMPLING
 CLASS II - JUDGEMENT SAMPLING
 CLASS III - PURPOSIVE 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 LDD 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

- | | |
|----------------------------------------------------------------------------------------|---|
| Catergorization 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 canceled 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 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

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 LDD 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: CONSUMPTIONS. 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, 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 of property at subcontractor locations. | II |
| 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. |
2. Items determined excess are promptly reported to the Government. |
3. Declaration as excess is complete and accurate. |

FUNCTIONAL SEGMENT: DISPOSAL

Criteria

1. There is proper authority for disposition. |
2. Disposition is accomplished in compliance with FAR 45.6 or other specific contract provisions. |
3. Item was disposed of within a reasonable time period after disposal authority was received. |
4. Identification tag is removed from item before disposal, when appropriate. |
5. Documentation of disposition is complete and reflects authority, disposal action, date of disposal, and is posted to record. |
6. When appropriate, proceeds from sale of assets have been credited to the Government. |

FUNCTIONAL SEGMENT: APPROVED SCRAP PROCEDURE

Criteria

1. Contractor complies with provisions of approved scrap procedure. |
2. Proceeds from scrap sales have been properly credited. |

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

AP2. APPENDIX 2DOUBLE SAMPLING PLAN

(90 percent confidence of rejecting lots having 10 percent 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

AP3. APPENDIX 3

TABLE OF RANDOM NUMBERS

LINE	COL	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1		10480	16011	01636	02011	81847	81648	89179	14184	82590	38207	20888	98870	81281	80700
2		22368	48573	26696	86383	30996	89188	27882	63402	83886	34096	62888	19174	39816	98606
3		24130	48380	22627	87286	78393	64809	16170	24830	48340	32081	30880	19885	63348	68829
4		42187	83883	08243	01880	07856	16376	39440	53637	71341	57004	00849	74817	87768	18378
5		37570	39876	81837	18866	08121	81782	80488	81306	49884	80672	14110	08827	01283	54813
6		77821	08807	11008	42751	27768	53488	18002	70868	90866	16063	21818	81826	44384	42880
7		98582	72806	58420	89894	88872	31016	71194	18738	44013	48840	63213	21088	10834	12852
8		86381	81877	06483	07872	18876	20822	84686	68888	89014	80046	18426	84903	42808	32307
9		89678	14342	63881	10281	17483	18103	57740	84378	26331	12688	68878	44847	05686	56841
10		85476	38887	63342	63888	63080	68633	38887	62300	08168	17883	18439	11468	18683	64852
11		28918	89878	88231	33278	70897	78838	68886	08888	80108	31886	01647	85880	81810	78188
12		83683	40881	48236	03427	48828	88446	18883	72886	62180	20847	12234	80811	33703	80322
13		08429	93888	62838	82737	88874	33488	38320	17817	30816	08272	84116	27168	30813	74852
14		10386	81128	87828	85888	48237	62287	87888	83384	01611	28388	85104	20286	28976	88888
15		07118	87338	71048	08178	77233	13816	47684	81068	87736	85877	28372	74481	28651	80707
16		61086	12786	51821	51269	77462	18308	80768	82144	49442	63800	70880	83880	76601	40719
17		02388	21382	62404	80288	89388	19886	66322	44818	01188	86266	64836	44818	05844	56167
18		01011	54082	33382	84904	31273	04146	18684	28862	71686	80630	61132	01916	92747	84861
19		62182	63818	46388	68688	23218	14613	83148	98736	23496	64380	84738	17762	36166	36749
20		07068	87828	33787	08988	42688	06891	78888	13802	61861	48104	88818	19808	26826	58104
21		48863	81246	85828	14346	08172	30188	80228	04734	68183	22178	30421	81886	98804	32812
22		54184	68482	22421	74103	47070	26308	78488	28384	68161	08648	21624	16227	88808	44682
23		32638	32383	06687	24200	13863	38006	84342	28728	36806	08812	10712	84181	18286	22861
24		28334	27001	87637	87308	68731	00266	46834	16388	48667	41136	10387	07884	38188	18610
25		02488	33082	28834	07361	18731	82420	80862	61280	60001	87868	32686	88878	60720	84863
26		81626	72286	04838	98423	24878	82861	86688	14778	78787	14780	13300	87074	78888	86726
27		28878	20681	88888	28432	48801	20848	89788	81638	88846	12688	82288	67102	80428	26280
28		08742	67382	38084	88432	84873	40027	32832	61382	88847	88887	84780	64884	88888	88263
29		06386	04213	26888	28422	44407	44048	37837	63804	46788	88134	76470	88820	34883	80448
30		81821	28418	84117	84306	28788	26840	38872	22208	71600	64688	81402	48418	07844	88818
31		00682	04711	87817	77341	42208	36128	74087	88647	81817	42807	43808	78666	82028	78830
32		00726	88884	82787	68170	86324	88072	78222	38088	84837	83181	78038	86866	77819	88088
33		88011	86786	88878	66283	18888	27384	28676	08826	40801	68820	28841	80180	12777	48601
34		26876	67848	28888	88804	87817	48708	18812	82271	86424	88774	33811	64282	86883	03647
35		08783	83473	73677	12808	30883	18317	28280	36787	06888	41888	34882	37888	38817	88060
36		81687	42686	27868	30134	04024	86386	28880	89730	66638	84866	28880	08260	78866	73211
37		17866	68348	88888	48127	20044	68831	08116	20642	18068	02008	73708	83617	38103	42781
38		48603	18884	18846	48818	02304	61038	20666	68727	28188	16476	68842	63388	20682	87338
39		82167	88834	84824	78171	84810	82834	08822	26417	44137	48413	26666	21246	36608	20488
40		14677	62786	36806	81283	38867	47368	68873	68307	61807	48818	88886	20103	77480	18082
41		88427	07623	33382	84270	01838	92477	88888	88420	04880	46686	46686	04102	48880	46708
42		34814	83876	88720	82786	34478	17032	87688	40836	32427	70002	70883	88883	77776	88348
43		70880	28277	38476	48473	23218	63416	84870	28832	68876	84884	18881	72888	00102	88784
44		63878	64814	08880	87246	88360	82848	11388	42878	80287	88267	47383	48834	08641	87808
45		78872	28616	40880	07381	68746	26774	22887	80068	38811	88188	41161	14222	68687	68683
46		80726	62210	83874	28882	68831	38867	60480	83786	66867	14381	31720	67376	66228	41648
47		64384	87412	33338	31828	14883	24416	68744	82661	87473	88288	36831	04110	24728	61900
48		08882	00368	11882	26388	81842	34072	81248	36448	68881	88362	48373	46678	78647	81788
49		88012	88378	83628	70786	10682	04642	78463	64328	64328	02348	17247	28886	14777	82277
50		16884	10483	20482	38381	81132	21889	68616	81862	27186	48223	46761	22823	32281	85863

LINE	COL	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
51		18408	81889	04183	53381	78401	21438	83035	92350	38893	31238	58049	81764	72772	02338
52		18828	81853	08820	81882	04739	13882	97882	24822	94730	08488	38080	04822	86774	88288
53		73118	38181	47488	87837	88018	71080	88824	71013	18738	20288	23183	72824	36185	43040
54		57481	18703	23187	48323	48021	33132	12844	41035	80780	45383	44812	12518	88831	81202
55		30408	83848	23782	14422	18058	48788	22718	18782	08883	74363	88888	30428	70735	25488
56		18831	38008	88800	88278	32388	52380	18815	88288	82732	38480	73817	32523	41881	44437
57		98773	20208	42888	78888	08300	22184	24388	54224	35083	18887	11082	81481	80383	18748
58		38838	84207	14348	82874	88823	44133	08887	38882	38870	18124	83318	28888	03387	88848
59		31824	78884	17403	53383	44187	84888	84788	78388	78884	31801	12814	33072	80332	82325
60		78818	18474	23832	27888	47814	02884	37880	28801	72182	38338	34888	88830	88801	87820
61		03831	33308	57047	74211	83448	17381	82825	38808	08807	81284	88833	28870	38818	48820
62		74428	33278	43872	10118	88817	18888	52872	73823	73144	58882	88870	74482	81805	88378
63		08888	08803	20788	88482	82848	48484	08882	88815	18883	81125	78378	87888	18288	88882
64		42238	12428	87025	14287	20878	04808	84835	31358	88084	28472	47888	08874	82488	18834
65		18183	88002	28804	41744	81888	88842	74240	88302	00033	87107	77810	78825	28725	34181
66		21487	40742	28820	88783	28400	18400	18035	34837	33310	08118	88820	18887	18872	08804
67		21881	87802	02080	88828	17837	37821	47078	42080	87403	48828	88888	43808	33388	21887
68		88812	78888	83187	33732	08810	24813	88802	80387	18488	03284	88825	48828	08288	82832
69		44887	88888	88324	81281	84483	80883	78312	83484	88878	28471	83811	28880	12882	73872
70		81340	84878	48848	81873	37848	81023	43887	18283	80844	43842	88203	71788	88833	88801
71		81227	21188	31835	27022	84087	08482	38218	14488	28881	88807	41887	14881	81888	88888
72		80001	38140	88321	18824	72183	08838	12181	08878	81883	18748	34408	88887	82780	78825
73		88880	08224	72888	28808	81408	38147	28848	48842	42827	48233	87282	84817	23772	07888
74		27804	88131	83844	41878	10873	08818	84482	73823	38182	08184	84142	28288	84887	34825
75		37188	84881	38117	88832	08888	18487	88838	48071	38782	17888	02330	74301	00278	48280
76		11888	78225	81111	38881	18444	88488	71848	08422	13442	78878	84081	88838	83884	88884
77		37448	38882	08884	84880	04882	53115	82787	88348	78882	11183	81881	80248	34871	82824
78		48818	70331	88822	38328	87018	18788	87181	17888	48348	81788	88348	81073	48108	78880
79		38888	81223	42418	88383	21832	30802	32308	88482	08174	07801	84338	88881	74818	48842
80		83788	84888	48883	08788	44180	78128	83881	42888	88820	88831	80377	38888	81280	84338
81		82488	84848	88284	87832	43218	80078	21381	84818	81202	88124	41870	82888	81278	83888
82		21888	32888	82431	08800	84287	81874	84128	82870	28123	08188	88184	82788	28225	88782
83		80338	88782	07408	83488	13884	88888	28448	28788	88208	41001	12838	14848	23841	
84		43837	48881	24010	28880	88388	33841	28788	84880	71888	18478	88434	88227	21824	18888
85		87888	83178	88303	18278	07100	82083	21842	18811	47348	20203	18834	03882	78888	80138
86		03288	01221	08418	38882	88788	82237	28788	88887	21218	88442	08303	88813	81811	78828
87		78828	08488	03874	17888	07788	78020	78824	28881	83328	88428	88078	72811	22717	88888
88		88838	88338	47838	03128	88881	11877	02810	28113	88447	88848	34327	18182	88230	83448
89		18038	14887	81337	08177	12143	48888	32888	74014	84708	00833	38388	88408	13281	47888
90		08882	18888	88827	38478	88848	18784	83412	08013	07832	41874	17838	82183	88888	78887
91		78888	28888	04142	18288	18387	12888	88227	38388	22478	73373	88732	08443	82888	08288
92		82888	82874	27072	32834	17078	27888	88204	88883	11881	34848	88022	88148	34828	87031
93		23882	28838	40888	87008	12283	02783	14827	23238	38071	88704	37843	11801	38803	88171
94		08818	88808	08808	87801	28388	14188	08821	80703	70428	78847	78310	88217	37880	40128
95		88037	33300	28888	82247	88827	78123	88842	43834	88884	78888	78725	88872	28117	18233
96		42488	78077	88882	81887	34138	78180	87828	43882	04088	73871	80788	78838	71288	84238
97		48784	88273	83003	83017	31204	38882	40202	38278	87308	88843	83203	18888	47828	88884
98		03237	48430	88417	83282	80818	17348	88288	80183	38880	78408	88118	88787	42378	80730
99		88881	81482	82887	81882	14872	80883	88834	78038	48188	43718	87848	04378	48370	28872
100		38834	01718	84884	87288	88880	43772	38880	12818	88837	82738	18838	81132	28738	88847

LINE	COL	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
101		13284	18834	74151	82027	24870	38885	00770	22878	82178	51802	07270	76617	87275	45880
102		21224	06370	30420	03883	84848	89428	41583	17584	27385	63804	41548	48187	82277	24120
103		88082	47887	81886	84833	88278	80432	85783	83287	34142	13241	30890	87780	35848	81983
104		00188	80883	88803	38482	87880	84824	88721	57484	87801	77638	44331	11287	71131	11058
105		80578	88483	28733	37887	07836	88710	88538	21788	31237	80612	44488	87818	70401	95418
106		81240	18312	17441	01828	18183	88201	31211	54288	38288	37318	85724	80401	78017	82077
107		87458	14228	12083	58011	32248	80468	33218	18358	02581	54283	88448	01812	07438	80813
108		35248	38848	34475	72417	80514	89257	12488	51824	88871	82448	38807	11488	30440	52838
109		38880	48800	11788	11800	48743	27880	77840	38288	87838	85148	32378	88038	88351	37005
110		10780	52746	38748	83788	58888	53731	88288	58082	38404	13188	58880	70408	28812	83128
111		38247	27880	73888	20873	37880	83836	71051	84724	52482	22342	78071	17488	88104	18327
112		70884	88888	88744	72438	01174	42188	11382	20724	54322	38823	70088	23233	85438	58888
113		88838	84782	11483	18148	81388	80431	80828	52508	02018	85151	88888	47821	00285	82525
114		72055	18774	43887	88808	18418	78838	25883	03544	21580	83471	43888	80770	22885	44247
115		24838	88541	88788	58835	38835	58388	13780	35112	01324	38820	78210	22487	83275	32888
116		74878	14831	35808	28221	38470	81548	12884	30188	08073	78887	38782	00288	87121	57878
117		35883	71828	70188	28438	83407	81178	80348	55388	80382	41012	38270	77788	88878	21058
118		38878	12787	51434	82878	42810	28344	82820	82188	58807	54844	88881	88331	78828	73344
119		74815	87823	72885	23183	02448	63884	88824	20833	58842	88881	07848	70184	34884	87882
120		48248	88848	88173	50888	81080	88884	38838	32818	88888	88221	48475	88888	34888	71880
121		78880	47888	88378	41878	11810	48872	88875	87888	32488	10083	54728	81872	58875	30781
122		18888	80332	04315	21368	87248	11188	38882	83312	52480	07348	78178	38882	57382	72882
123		42761	38318	87513	82537	54885	08188	00337	80778	27807	85478	21252	12748	37584	87775
124		11848	22881	48048	13884	57817	58418	58045	44087	58718	58840	48857	88345	33271	53484
125		88518	48888	20888	11080	48388	57177	83887	88484	14342	21545	48717	72384	88884	55880
126		35728	58843	78888	84822	38888	38883	72505	82285	23107	80278	08822	48780	44284	07872
127		38737	42760	48888	78538	48884	84882	38404	84317	68042	13888	01055	78044	18308	83823
128		87025	88482	88177	04048	80312	48028	28408	43891	78828	88341	48044	85488	81288	53214
129		82814	08078	08788	88380	78787	51881	54880	48285	88830	58880	38883	88880	88142	18384
130		25878	22880	18227	83281	41737	78888	88181	71845	88888	70884	24280	01881	80082	82118
131		88783	88878	88881	48882	48704	83882	58825	00481	73323	81427	18284	88888	57048	54148
132		17880	08813	84381	80725	88874	81005	88708	38888	28451	11828	44323	34778	80342	80388
133		71844	88227	83881	71108	08824	43838	58254	28180	32116	83403	38404	87148	18808	07348
134		54884	83881	88132	84388	28182	44324	14481	58228	78783	34107	38378	48428	51378	08888
135		28848	27823	11288	88204	52832	50880	22273	08584	88821	73781	88744	28278	70328	80251
136		01383	38318	44881	44872	81788	80282	58073	08808	51828	18883	83448	31815	87784	78081
137		88083	88181	27882	88113	57174	35571	88884	13851	71057	53881	84418	74808	07322	80880
138		52021	48408	37848	78234	24327	88878	22844	87778	23783	88828	53888	54888	18051	88314
139		78788	47744	43778	83888	83225	14281	83837	58884	13388	52212	58781	14888	48882	04472
140		28282	88108	58180	18257	22810	43888	12224	25843	88884	31148	88423	32581	34371	70873
141		11888	84202	02743	88847	78725	51811	12888	78844	05320	54238	53881	70228	38832	84478
142		11844	13782	88180	01424	30078	28187	55883	05187	47714	88440	22018	78204	08882	84451
143		08307	87812	88110	58812	85448	43244	31282	88880	13040	18488	43813	88418	42482	33838
144		78288	78714	88885	88288	52840	48518	55488	80754	88832	18837	57118	23251	55818	23878
145		55322	07888	38880	80888	83007	20007	88818	84184	81131	81428	80878	42807	78288	28015
146		78017	88828	88220	82803	83375	28888	74388	38888	88867	28188	72818	53367	18428	88832
147		44788	43342	28888	28331	43140	88744	82828	24888	84237	48138	77428	38038	55888	12855
148		28100	18338	14805	88803	51880	87878	24281	02484	88863	74812	80088	71874	18478	47842
149		83812	48823	82878	85187	07824	81382	58317	37728	84828	42221	10288	20882	15888	28187
150		41347	81888	82881	80413	71020	83888	0241	33322	88038	88712	48785	18308	28413	05417

LINE	COL	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
151		38128	51178	75098	13809	18110	73533	42584	59870	29399	87834	91055	89817	51098	88011
152		80960	00455	73254	86087	50717	13878	03216	78274	85863	37011	91283	33814	91303	49326
153		80524	17320	29832	98118	75792	25326	22940	24904	80523	38928	91374	85597	97567	38914
154		49897	18278	87180	39408	97056	43617	84428	59850	20247	18293	02018	14790	02852	05819
155		18494	98209	81080	19488	85598	59787	47939	91225	98768	43688	00438	05648	09443	82897
156		85373	72884	90171	37741	70203	94094	87261	30056	58124	70133	18938	02138	59372	09075
157		40853	12843	04213	70825	95380	55774	78439	81788	52817	81151	52188	31840	54273	49032
158		51838	22238	58344	44587	83231	50317	74641	07719	25472	41602	77318	15145	87516	07633
159		88742	88303	82878	83875	38337	07488	51941	84318	42087	49892	28816	29101	03013	73449
160		58012	74072	87488	74580	47982	89482	58824	17108	47538	13482	22820	24280	40155	74718
161		18348	19855	42887	08278	43208	47077	42837	45808	00011	20882	14842	48884	94509	58380
162		58914	09193	58084	29086	44385	45740	70752	05883	49081	28880	57454	88284	24142	74848
163		75808	28830	38210	82887	82748	72858	98059	87202	72789	13488	14883	87846	89713	89713
164		13941	77802	88101	70081	35460	34576	15412	81304	58757	35488	94830	75521	00803	97701
165		86858	86420	86475	86458	54483	86419	55417	41375	78888	19008	88877	35934	58801	00497
166		03383	82042	15842	14549	38324	87094	19089	87590	11087	88570	22591	85232	85915	91489
167		70388	88380	88195	25486	13240	57487	91407	48180	07379	34444	84857	88035	38918	85709
168		47870	38805	12827	18043	53257	93798	52721	73120	48025	78074	85805	87422	41848	14557
169		78584	77808	22784	30518	28373	73888	30550	78884	77388	32278	04890	81887	84798	88278
170		48887	74841	58823	15339	37755	89895	40182	89581	89189	42287	11847	47603	48779	97907
171		14858	80789	38444	58030	87518	48193	02945	00922	48189	04724	21283	20892	82955	90251
172		10440	25057	01132	38811	28135	88089	10954	10087	54243	08480	50858	85435	78377	53890
173		32283	29938	88853	10497	98919	48887	77701	88118	83185	87788	17638	23097	21488	38992
174		10840	21875	72482	77981	58550	55999	87310	88843	45124	00348	26748	00844	88831	30851
175		47616	23189	38871	88972	20828	21788	81738	33133	72888	32805	41589	78148	81544	21121
176		18848	11128	71824	72754	48884	98303	27830	48817	87887	18882	87453	17226	72804	71474
177		21258	81092	88834	70335	92448	17354	83432	49808	88520	08442	58884	20420	38201	89549
178		15072	48853	15178	30730	47481	48480	41438	25015	48932	20474	53821	51015	79841	32405
179		98154	87412	08852	85871	70855	71479	83520	31357	58888	08729	34485	70885	04184	25250
180		08759	81089	23706	32894	35428	38888	88844	37533	08288	27021	48888	22835	78451	
181		87323	57839	81114	82182	47647	58023	84630	34886	88777	75442	85592	08141	45088	73117
182		09255	13988	84834	20784	72206	88393	34548	83439	88730	81805	78955	18952	48438	58740
183		38304	74712	08374	10107	85061	88228	81889	92218	03588	38830	81889	52824	50937	27954
184		15884	87429	88812	47387	10242	44880	12080	44308	48829	58105	88783	83173	00480	13311
185		18745	32031	38303	08134	33825	03004	58929	95418	04917	57598	24878	81733	92834	84454
186		72834	40088	88282	85728	38300	42323	84088	88373	48871	08048	58843	38538	05878	82118
187		17828	02844	28910	57882	80181	38579	24580	90528	52303	50438	29401	57824	88038	81082
188		27117	81388	58987	41388	81838	18863	15834	78717	84888	58240	25543	87888	83308	90948
189		83985	18878	80012	83845	85701	85289	82263	88331	00389	72571	15210	20789	44888	98178
190		87382	89421	88823	80725	82620	84182	87388	28580	00519	84545	08004	24528	41252	14821
191		04810	12281	37588	80018	21245	88377	50420	85888	55283	88887	78770	04533	14513	18089
192		81453	20283	78828	58838	23875	13245	48808	74124	74703	35788	85888	21014	37078	39170
193		18480	75780	48538	23783	18537	48885	02881	88587	74538	85427	80799	58788	95257	02708
194		21458	13182	74888	81811	58512	07481	83551	72188	78281	81208	88841	15132	37738	58284
195		88408	20812	48189	78378	25538	87212	20748	12831	57188	35028	18817	78121	18929	40828
196		08888	07414	55877	18419	01101	88343	13308	84302	80703	57910	38833	57771	42548	03003
197		88541	24881	23421	13521	28000	94817	07423	57523	87234	83951	42878	48828	08781	58180
198		10414	88941	08205	72222	57187	83902	07480	88507	10800	08858	07885	44472	84220	27040
199		48942	08883	41478	58882	58288	42853	82188	20832	82045	78812	35885	51851	83534	10889
200		23995	88882	42281	23374	24299	27024	87480	94703	40837	18981	28053	78748	48704	21983

LINE	COL	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
201		76984	36244	02673	25476	84953	61783	50243	63423	68309	60308	48977	18076	43227	08286
202		04908	58485	70886	33930	34880	73059	08623	80267	44193	08337	47885	75932	28208	41954
203		46582	73670	33004	51796	86477	46738	60480	70346	37322	18987	67143	41129	89614	48892
204		28242	88792	88634	80286	07190	07795	27611	85941	01862	43086	31173	43730	48606	17858
205		68104	81339	97080	20801	78940	20228	22803	96070	10261	62711	66200	74330	13820	18966
206		17156	02182	82604	19880	83747	80910	78260	26136	62018	62819	73801	67185	83457	70597
207		60711	94789	07171	02103	89057	96776	37987	18326	88281	61091	97888	78877	04644	72963
208		39449	52409	76805	77720	38728	03205	08313	43646	43786	70443	41380	73369	42406	80516
209		75829	82729	78816	72957	58982	32766	01164	84890	04107	17488	89346	68851	87433	89491
210		01020	55151	38132	51871	32156	80735	64867	35424	26267	93844	38928	52519	34388	02114
211		08337	89989	24280	08618	88788	25899	52880	67376	52815	43639	18072	44270	27309	56356
212		78829	47228	18706	30884	89430	92389	88748	22081	52584	90431	35208	40323	87505	10227
214		39708	30641	21267	86501	85182	72442	21446	12728	90344	33189	02522	87883	08515	86330
214		88836	55817	56747	76195	08818	83043	47403	58268	52830	75573	91088	41118	27185	40850
215		25803	81370	88081	54078	67442	52864	23823	02718	28786	06121	29680	66286	87088	57574
218		71345	03422	01015	88025	19703	77313	04655	83425	46783	95315	23160	15118	18017	42730
217		61454	92293	14847	08473	34124	10740	40838	05820	82418	73374	82677	08765	21886	66272
218		80378	08908	30470	40200	46558	81742	11843	82121	22294	26848	68676	46198	00331	85186
219		45144	54373	08505	90074	24783	86289	20800	15146	28508	63770	78481	23881	71208	80884
220		12191	88527	58852	81175	11534	87218	04878	65504	78485	82182	03412	13217	14313	70593
221		62938	59120	73957	36989	21598	47287	38394	08778	38036	30140	89117	32054	44803	81849
222		31588	86788	43688	12811	01714	77266	56078	24690	84716	77732	35363	85625	17015	56344
223		20787	88048	84728	17612	39450	43618	30628	34368	06294	34238	86298	38822	46985	86785
224		45803	00745	84836	43078	52724	14262	05760	89373	78088	38088	86082	82804	80545	03090
225		31808	84782	34027	86734	08385	20008	93559	78384	98219	81747	98111	86885	33233	29812
226		10462	33074	78718	89556	16028	00013	78411	95107	10788	44888	44612	06830	27848	87587
227		37818	84633	87301	50948	81288	74888	73631	57397	08632	04782	38328	34828	07403	80916
228		86726	97885	26409	37488	00816	88282	14471	10232	19035	21895	07540	86447	20743	82472
229		07380	74438	82120	17880	40983	55757	13492	88284	87170	49468	40164	13374	23021	17008
230		71821	57888	88256	47702	74724	89419	08026	88518	95188	54788	32989	34374	05780	17508
231		03466	13263	23917	20417	11315	52805	33072	07723	87878	75258	22708	89888	11608	48686
232		12882	32931	87387	34822	53775	81874	78549	37636	91118	31882	88441	31838	88514	78188
233		52182	30841	44888	17833	94563	23062	85725	38463	03685	49189	48359	37401	73407	61817
234		58691	72528	88083	73570	88880	88126	40436	31303	78330	58083	34882	00540	31734	75535
235		74952	43041	58888	16877	78588	43520	87621	83248	52173	17838	77106	01044	22890	74874
238		18752	43883	32887	63017	22881	38610	03788	02822	78287	24603	73518	78545	88088	08389
237		81881	04844	43111	28326	82318	85589	88048	88488	46941	81427	44447	70357	18884	15525
238		48187	63848	38847	80207	70887	38843	88607	15328	08528	17277	84278	04483	12188	35358
239		18436	87281	71884	74889	78501	83458	95714	92518	10883	75817	78841	25315	74041	71554
240		38143	84883	14808	13543	08821	88301	88817	52140	03978	48785	80286	89882	88334	18780
241		82244	67649	78481	89761	74484	81307	64222	88592	87270	38598	18084	95095	08848	25047
242		56847	58185	42878	23708	87889	40131	52380	80390	73108	40475	80487	87787	35238	50980
243		94085	86870	07828	25891	37584	58886	88823	83454	48461	37787	12478	25041	40585	18313
244		11751	84888	28821	44087	07511	88878	30122	87842	84826	05274	82785	87182	40312	78127
245		68902	08885	27821	11758	64888	81802	32121	28185	21326	87375	44801	88877	08232	08807
246		21850	26362	25588	82181	23582	43294	10479	37878	21825	11483	29584	70887	08471	18319
247		78850	46882	25185	58808	82339	88958	91717	15758	78817	35541	01177	08889	10543	57852
248		28848	22088	42581	85677	20261	39841	85788	80889	48088	14488	91881	88371	18282	35377
249		82740	28443	42734	25618	82827	35825	80288	32811	78688	52859	01475	83321	24881	80102
250		38842	42082	52075	83928	42875	71500	88218	01350	82848	84782	87455	08842	22422	77378

LINE	COL	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
251		89439	28728	15563	94972	78739	04418	80523	31022	23728	37847	18478	11170	88378	58874
252		43427	28412	28587	21276	44428	17388	28010	48337	80248	82083	41447	14887	18753	88281
253		89676	81858	61848	82878	87781	85137	88430	78280	88882	31812	12789	06427	40337	60116
254		81888	71248	24248	23487	78839	82008	83848	82283	33212	28518	93882	72388	88244	33822
255		73881	47028	40837	71807	28827	88885	38882	28787	28882	81441	88387	87883	81821	80800
256		48938	73884	40864	15887	58283	85033	31738	78088	81314	75283	04885	38386	54837	57203
257		88883	43887	17282	88808	71384	08888	82384	73881	87883	08883	38843	78389	83448	85334
258		88774	28138	48883	38836	88888	88888	28418	04130	84822	17223	84804	22873	87731	88478
259		08785	87848	83043	57882	81448	13852	84420	74480	48787	84303	88823	88244	70885	10742
260		38881	84802	24770	28208	82808	88810	84418	88214	28001	78885	88117	72448	78783	22305
261		28822	27100	58128	82148	82388	45187	87808	83842	01120	71717	32888	58878	87185	02810
262		31884	74120	88231	82308	81784	33177	17881	18883	87218	48288	43188	82787	88735	27885
263		81171	78838	88883	48882	28848	81881	10248	23180	53448	32387	18472	88013	24328	83870
264		88874	82883	28844	81888	58888	48888	42888	82211	87818	13388	13718	18833	38744	58885
265		27848	81107	05781	02188	83811	01882	82888	38847	28808	38848	48878	23861	87785	85847
266		89407	88738	78378	31488	87828	84234	78482	13828	21288	13738	87478	48818	27887	83848
267		28418	03881	08384	13181	40883	43833	87884	88800	24773	82888	52478	88831	88803	84118
268		38822	31231	78418	44888	82480	28838	48882	18307	88838	44822	88874	88487	88820	88881
269		84720	83788	83281	03888	82484	28140	14182	37844	88388	82842	38888	31840	88783	44488
270		48278	18882	02284	41381	73733	81488	33188	88807	41188	08147	18472	33280	17381	78881
271		87280	08882	82828	42818	48847	87401	13338	58880	34831	08802	78307	88788	77883	04824
272		01880	88288	88884	78178	43828	48211	88287	78180	02431	88281	74870	88248	23878	88887
273		24833	42314	81182	58283	87818	58078	82008	88888	87343	88231	18780	73708	88428	01878
274		88071	82877	74820	74481	82288	28887	88284	31812	40338	28888	88848	84482	88888	28184
275		34101	78442	88403	48841	13010	18888	72001	38848	78308	22118	82888	84017	44111	40302
276		77188	83887	28818	88403	73837	73448	88883	18828	08237	08847	18788	78444	88870	88887
277		23114	08481	42338	81388	88823	22880	88488	08428	38227	82888	24138	13128	22888	52388
278		88888	48844	41038	88877	18348	41118	81848	18811	88142	88804	18147	83448	88823	10480
279		11882	42284	82304	08888	78188	20178	84188	28708	33473	88884	38874	88873	87828	38888
280		88882	87822	88288	81700	07003	87807	88280	53348	88847	27817	88188	01888	48888	53880
281		42118	88883	22828	41422	18178	03280	08878	88487	32882	88822	88804	81880	33187	83848
282		38883	81401	21471	42702	78888	53144	27887	08881	87788	81384	88873	48828	81888	78783
283		83842	72008	88288	88808	88887	81114	21483	28878	20480	87308	88882	08828	78828	17141
284		28888	78108	88478	38387	88487	18877	88877	04802	81838	28832	08180	74832	38828	82888
285		81108	28480	14481	58328	28884	32332	88838	28182	31337	20248	88873	83800	70022	88888
286		37133	88824	27848	13024	88887	23728	11212	30414	42188	48224	48880	88447	24334	74888
287		13882	28738	10887	18782	02884	27280	78318	83848	38884	28882	44402	88183	84828	41288
288		28883	38187	81888	28888	48877	78881	73838	73844	08132	81204	88288	88288	03182	38872
289		82872	88278	18313	24838	81880	53828	40412	01478	24241	88488	88341	83414	07138	43448
290		88828	88488	08383	24843	72882	08172	37824	07887	40888	34884	88188	74788	77033	41801
291		87878	74878	08842	48818	81882	71188	48834	18888	28788	88848	03148	10848	18880	88820
292		01814	42824	87820	47888	81773	18883	88814	07887	02884	18738	38188	88887	82488	81838
293		88888	44811	38238	78884	78888	33838	88310	40888	83204	14478	18838	87288	88847	88810
294		84370	31872	03883	32423	84882	88378	83308	00018	28407	88287	22874	87848	72888	01804
295		78884	88801	23881	48881	88884	33477	87888	18838	82408	34128	38884	82112	27102	87334
296		88478	01888	44228	88878	08788	88830	28443	48888	77881	81123	34408	31378	08238	18873
297		38114	78330	42187	88888	48212	74882	82803	81308	88888	87880	88838	28883	71370	81487
298		28788	88482	88202	02488	72704	87821	78814	83818	38888	38888	18340	87288	41783	38188
299		31771	78840	34778	41831	33488	53184	18802	74184	81184	81774	78822	73784	84182	48284
300		77822	87188	83877	88887	23238	48882	31803	84828	84723	13177	18387	28873	82818	88418

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	58082	14187	12271	98179	87812
302		26771	02205	73894	28438	88182	11470	11775	87385	86380	59884	93873	28848	88302	82227
303		27651	13537	54984	89406	88326	33993	92324	13249	35271	80400	70762	08343	76456	80088
304		81224	22417	44820	28189	57541	87568	45835	28461	54836	82411	44369	47812	49508	02811
305		76179	64320	71523	87888	38883	08674	27645	78240	47687	01677	38342	86598	12482	30749
306		84854	91085	85818	03313	38273	46384	88677	14148	87552	38383	87435	21072	83866	74644
307		88058	81123	87832	04102	86188	78200	87485	48043	85408	22834	08620	17509	51424	26187
308		38765	83585	18810	95805	11414	58096	00295	82628	42883	44518	12209	83245	53771	95489
309		01921	03584	71754	10213	80383	13473	94128	82189	59411	48782	62871	51149	87146	40128
310		18211	93671	27704	86778	98307	08732	83750	04191	40003	51863	54228	14916	05361	08884
311		70832	86078	81527	56123	48514	53935	88784	42351	87588	07432	81499	01773	97483	58815
312		22332	84285	87827	85815	00394	75271	95385	53887	56378	50592	77441	88505	87971	16331
313		81333	45886	84171	84387	15052	37885	03122	81914	88981	70034	82583	61804	58326	87895
314		38333	47483	88174	04546	10584	84271	81028	39471	55881	18828	87843	35589	37209	34081
315		28185	20825	50878	80273	28285	90070	78958	12449	77293	38577	58182	03858	80058	83145
316		74420	84037	08980	25109	08821	80143	34485	18257	29417	72713	72326	41872	41553	46946
317		22763	16508	24868	13177	07484	51730	55802	95718	28860	11332	74272	59189	53187	13133
318		72919	54818	40816	33287	51274	78481	53804	86742	97777	64488	88224	45485	17257	31561
319		82386	42402	15922	90033	21655	31847	22288	75882	20582	84820	58879	24587	83517	55327
320		85431	19857	87248	46118	71222	82744	87892	77155	10785	00344	18641	98279	18716	13895
321		40778	12451	14821	51484	45331	75822	46859	88829	35803	27845	76085	41635	25508	53088
322		88803	48582	80837	85231	08778	88813	47819	18218	48837	88871	77861	05818	85216	82884
323		28830	34898	85487	18548	83355	52479	77801	01598	48880	58104	68733	40830	58811	59181
324		22832	47422	08073	10107	48772	82289	42875	88378	27869	52854	07900	78818	51388	87588
325		78159	14809	11930	83531	51238	88298	72681	83015	88804	98481	99585	42801	71816	84000
326		98380	08217	52878	08283	82885	30451	25742	41105	74711	42007	02082	93025	88841	28852
327		88822	80887	06902	10887	91379	30088	84288	45020	92458	03831	08531	83488	98230	42884
328		82383	85801	41179	72128	72802	81087	09488	84888	37720	88104	73817	87828	18221	83527
329		53122	88033	38228	51879	28926	45574	83838	72801	84087	78328	28841	43848	37181	85329
330		43261	11941	86631	93284	53433	70281	55000	24550	74731	32855	25388	95743	85383	20281
331		18813	24901	34888	76002	55183	88300	20070	38853	38378	71191	84510	47589	93808	24379
332		12010	80882	82603	70383	17888	95755	14872	58788	41986	02893	94183	38156	54203	94138
333		85628	87879	27814	08218	02908	71882	31438	00380	72264	87245	85903	42288	28091	81888
334		32580	55078	33588	83189	82087	77838	53782	78785	58169	88384	41748	91823	28873	81474
335		82834	30880	18449	18805	81551	38889	58179	85485	18537	70488	98894	18785	78804	03873
336		80814	10150	08388	81882	79477	14522	40270	45744	28582	28717	38580	10223	43048	78775
337		82388	12034	80784	82872	22285	50892	42505	80580	38213	18917	10015	03887	82588	15851
338		02222	46811	05145	87916	15184	02838	58078	57773	21259	88080	56705	85556	04487	95854
339		08880	31785	81864	81322	24148	21471	23328	03093	31288	14840	30703	01640	07874	16830
340		81187	73897	88188	12885	73191	89432	85414	41888	75811	35708	43208	58193	04727	31037
341		12324	81149	85843	84899	83738	46871	25408	89313	54455	04817	35047	09851	72776	84897
342		47835	42278	98820	70877	52388	50804	97403	03931	42080	28179	98028	47728	45888	74176
343		70885	00380	08878	15373	70278	71889	88953	37931	23288	20508	40100	22488	37323	35429
344		58784	15282	98814	54548	00042	18721	78888	85937	38639	28135	12833	57225	88588	74178
345		07429	05808	31207	50284	88389	07714	92288	84888	32823	60122	48213	05848	57472	98304
346		15885	28858	54882	53217	78888	88931	25785	55912	85289	28212	84878	08888	94332	58528
347		84208	53232	89489	43805	04553	48481	88154	48438	48891	85524	85133	55183	78785	26008
348		17852	73278	52587	48488	84284	24220	55488	97548	98437	28033	38028	17377	43518	27425
349		80531	43217	38899	38815	87195	78828	87888	88010	80189	12622	00875	01885	82781	85130
350		76882	38888	43284	88110	88053	88727	14187	98823	84225	78440	87082	37425	40588	16838

AP4. APPENDIX 4

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 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 non-production 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 non-production 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.

AP5. APPENDIX 5

INSTRUCTION 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, TN. (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 MSTS 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.