

Chapter 11 – Property Administration

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References

- (a) Federal Acquisition Regulations (FAR)
- (b) Defense Federal Acquisition Regulation Supplement (DFARS)
- (c) Navy and Marine Corps Acquisition Regulation Supplement (NMCARS)
- (d) NAVSEA Contracts Handbook (NCH)
- (e) DoD Guidebook for Contract Property Administration
- (f) Defense Acquisition Workforce Improvement Act (DAWIA), 10 USC 1701
- (g) NAVSEAINST 4408.2A, Shipbuilding Conversion, Navy (SCN) Consolidated Residual Asset Management Program (SCRAMP)
- (h) OPNAVINST 5090.1D, Environmental Readiness Program Manual

Chapter 11 – Property Administration

11.1 Scope

Government property administration is accomplished in accordance with specific contract requirements and the following primary directives:

- Federal Acquisition Regulations (FAR), reference (a), [Part 45](#)
- Defense Federal Acquisition Regulation Supplement (DFARS), reference (b), [Part 245](#)
- Navy and Marine Corps Acquisition Regulation Supplement (NMCARS), reference (c), [Part 5245](#)
- [NAVSEA Contracts Handbook \(NCH\)**](#), reference (d), Part 45
- [DoD Guidebook for Contract Property Administration](#), reference (e)

The information in this chapter provides additional guidance to be used in the application of the various requirements for Government property administration. Note that the terms of the contract take precedence over other directives.

FAR [Part 45](#) identifies the requirements contractors must satisfy for the management and use of Government property and the functional relationship of the Government Property Administrator (GPA). These requirements are incorporated into the clause at [FAR 52.245-1](#).

11.1.1 Definitions

Per FAR [Parts 45.101](#) and [52.245-1](#), Government Property includes all property owned by or leased to the Government, and includes both Government-Furnished Property (GFP) and Contractor-Acquired Property (CAP). Government Property includes material, equipment, special tooling, special test equipment and real property. Government Property does not include intellectual property and software. Definitions of types of government property are found in [FAR Part 45.101](#) and [52.245-1](#). The following paragraphs provide key additional information.

Government furnished property (GFP) means property in the possession of, or directly acquired by, the Government and subsequently furnished to the contractor for performance of a contract. GFP also includes CAP if the CAP is a deliverable under a cost contract when accepted by the government for continued use under the contract. The Government maintains title to all the GFP in fixed-priced and cost-reimbursable contracts.

Material means property that is consumed or expended during the performance of a contract like component parts of a higher assembly or items that lose their individual identity through

** Denotes secure hyperlink requiring NMCI/CAC access

incorporation into an end-item. Material does not include equipment, special tooling and test equipment or real property.

Contractor acquired property (CAP) means property acquired, fabricated, or otherwise provided by the contractor for performing a contract and to which the Government has title. Per FAR [52.245-1\(e\)2-3](#), in fixed price contracts, title vests in the government for all property acquired or fabricated by the contractor in accordance with the financing provisions or other specific requirements for passage of title in the contract. In a cost-reimbursement contract, the Government takes title to all CAP that is reasonable, allocable, allowable, and directly charged to the contract.

Equipment means a tangible item that is functionally complete for its intended purpose, and needed for the performance of a contract. Equipment does not include material, real property, special test equipment or special tooling.

Special Test Equipment and Special Tooling are fully defined in [FAR 2.101](#). In general, special test equipment is used to accomplish special purpose testing in performing a contract. Special tooling refers to tools of such a specialized nature that without substantial modification, their use would be limited to the production of particular supplies, parts or to the performance of particular services. Both of these items are considered government property.

11.2 Providing Government Property to Contractors

11.2.1 Property

Under [FAR 45.102](#), contractors are ordinarily required to furnish all property necessary to perform Government contracts. The Navy provides property to a contractor when necessary to achieve significant economy, standardization, expedited production or when otherwise in the Government's best interest. If contractors are provided Government property, the Navy is required to ensure that the requirements of [FAR Part 45](#) are met.

In new construction contracts, any Government Furnished Property is identified in the List of Attachments; section J of the contract, usually according to the following schedules:

Schedule A: GFP property installed in or furnished with the end item

Schedule C: Government Furnished Information (GFI) essential for the installation, test, operation and interface support of Schedule A

Schedule D: Government Furnished Special Tooling, Special Test Equipment, and equipment used in the fabrication or assembly of the end item, but not delivered as part of the end item

Schedule E: Installation and Check-out spares that are used during testing and sea trials

Outfitting material provided as GFM is usually identified by NAVSUP Weapon System Support (WSS) in the Coordinated Shipboard Allowance List (COSAL), which is considered to be part of the contract. In repair and overhaul contracts, GFM is usually identified by the planning activity in the schedule of the contract or the contract specifications.

During the performance of the contract, if the contractor has difficulty in obtaining contractor-furnished material for contract use, the Government has three primary options:

Issue a supplemental agreement authorizing substitute material (with no degradation or increase in contract price and appropriate reduction in price if substitution results in lower overall cost to contractor).

Authorize the contractor to obtain the required CFM through the "cash sales" procedure in accordance with the procedures of FAR, NMCARS, and NAVSUP guidance.

Issue a supplemental agreement converting the CFM to GFM with a decrease in contract price and release of any government responsibility for delay or disruption if subsequent material is not received in a timely manner. This method should only be used as a last resort.

The SUPSHIP Property Administrator should ensure that the contractor's approved Property Control Procedures address special considerations when any of the three options is used.

11.2.2 “Cash Sales” Procedures

NAVSUP manuals contain procedures to permit contractor purchase from Navy sources, as well as providing direction to the ACO for developing local instructions on use of the cash sales method. Each purchase is approved and monitored by a NAVSUP Fleet Logistic Center (NFLC). The SUPSHIP Property Administrator must ensure that the contractor has specific procedures to address requests for cash sales purchases, as well as procedures for receiving and tracking of cash sales material to ensure that all Navy policies and requirements for control, use, and return (if required) of cash sales material are met. The SUPSHIP Property Administrator will include a review of the contractor's procedures during the analysis of the contractor's property control system. The contracting officer authorizes the contractor to acquire supplies or services from a Government supply source by including the clause at [FAR 52.251-1](#), Government Supply Sources, in the contract.

11.3 Contractor Use and Rental of Government Property

[FAR 45.3](#) prescribes policies and procedures for use and rental of Government property. The decision to rent or not to rent Government property is made by the Procuring Contracting Officer (PCO) of the contract and included in the Request for Proposal (RFP). Government property shall normally be provided on a rent-free basis in performance of the contract under which it is accountable or otherwise authorized. Non-government use is on a rental basis. Use on contracts other than the contract for which originally intended may be on a rental basis depending on contract type or benefit to the government. The Government

Property Administrator must be aware of any rental clauses, since utilization rates for the property must consider Government and non-Government utilization.

11.4 Administration of Government Property

11.4.1 Contractual Clauses

The principle contractual clause for government property administration is [FAR Part 52.245-1](#). When FAR Part 52.245-1 is invoked, [FAR 52.245-9](#) must also be included per [FAR 45.107\(c\)](#). The GPA should review each contract to verify that the applicable government property contractual requirements are included, and in the absence of required clauses or conflicting language in a contract, the Contract Data Package Recommendation/Deficiency Report, DD Form 1716, should be issued to ensure corrective action is taken.

11.4.2 Responsibilities and Duties

Property Administrators (PAs) and Plant Clearance Officers (PLCOs) are authorized representatives of the Commanding Officer, and are appointed in writing. Personnel designated as GPAs are primarily responsible for the administration of the contractual and technical aspects of Government property provisions, terms and conditions of Government contracts. Plant Clearance Officers administer the clearance of excess Government property from the contractor's stewardship account. Property Administrators may also serve as Plant Clearance Officers. The selection, appointment, and termination of appointment of PAs and PLCOs shall be made in accordance with [DFARS 201.670](#).

[FAR Part 45](#) and the [DoD Guidebook for Contract Property Administration](#) fully address the duties and responsibilities of the Property Administrator in detail. The following paragraphs provide some key information.

11.4.2.1 Oversight of Contractor Operations

[FAR 52.245.1](#) requires contractors to have a system to manage Government property in their possession that satisfies all the requirements of the clause, to include extensive and detailed administrative requirements regarding Government property. The SUPSHIP PA must plan, develop and perform required property management system audits to assure the adequacy of the contractor's property management system. The PA must review contracts to understand contract requirements, ensure inclusion of appropriate clauses, and that all types of government property are appropriately identified and considered in property administration oversight.

PAs are required to notify the Contracting Officer and other appropriate government personnel in the event of the contractor's failure to perform in accordance with contractual requirements or in the event of excessive or improper acquisition by the contractor.

11.4.2.2 Transfer of Government Property Between Contracts

Per [FAR 45.103](#), agencies shall ensure maximum practical reutilization of contractor inventory for Government purposes. Contracting Officers must ensure that transfer of

Government Property from one contract to another occurs only when firm requirements exist under the gaining contract per [FAR 45.102](#). Transfers should be accomplished in accordance with instructions in the gaining contract when present. Such transfers are documented by modifications to both gaining and losing contracts. The transferred property is considered GFP to the gaining contract. The warranties of suitability of use and timely delivery of GFP do not apply to property acquired or fabricated by a contractor and subsequently transferred to another contract with the same contractor.

11.4.2.3 Annual Property Administration Plan and Report

At the beginning of the fiscal year, the SUPSHIP PA shall schedule Property Control System analyses of contractors actively performing contracts with the property clause invoked. The PA determines the schedule and extent of analysis required based on the contractor's system's complexity, self-assessment methods, risk and other factors as appropriate. Per the [DoD Guidebook](#), a Property Management Systems Audit (PMSA) is to be accomplished as frequently as conditions warrant, or at a minimum every three years.

11.4.2.4 Reports

Upon completion of a Property Management System Audit, the PA shall document findings and recommendations in a report to the Contracting Officer. If significant deficiencies are identified, the Contracting Officer shall promptly make an initial written determination, notify the contractor in writing with a description of each significant deficiency, and require a written response from the contractor to address them within 30 days. The Contracting Officer, in consultation with the PA, shall evaluate the contractor's corrective action plan. In accordance with DFARS [252.242.7005](#) and [252.245.7003](#), the Contracting Officer will evaluate the contractor's response and notify the contractor in writing of the Contracting Officer's final determination. If the final determination is to disapprove the system, the Contracting Officer will withhold payment as prescribed.

SUPSHIP PAs need to internally track disposition of contractor inventory. The DD Form 1638, Report of Disposition of Contractor Inventory, can be used or SUPSHIPs can use a local form or spreadsheet to account for disposed property. The report should be used to explain major increases or decreases in value of excess property reported, where dispositioned, and amount of time to disposition. Excess property reutilized on other Government jobs or contracts at the contractor facility should not be reported.

11.4.2.5 Training

All SUPSHIP PAs and PLCOs will satisfy the mandatory training course requirements for their certification level as required by the Defense Acquisition Workforce Improvement Act (DAWIA), [10 USC 1701](#), reference (f).

11.4.3 Reutilization and Disposal

11.4.3.1 Excess Property

[FAR 45.6](#) establishes policies and procedures for the reporting, reutilization and disposal of contractor inventory excess to contracts. [FAR 52.245-1\(j\)](#) directs contractors to identify Government Property when it is no longer needed to perform the contract. PAs and PLCOs should work with contractors to ensure excess Government Property is identified by timeframes established within the contract or as determined by FAR. Timeliness in disposal of excess Government Property is important.

11.4.3.2 Plant Clearance Programs

The Navy has established plant clearance programs to expedite and increase reutilization and disposal of excess material. Navy programs include the Shipbuilding and Conversion Navy (SCN) Consolidated Redistributable Asset Management Program (SCRAMP) to achieve maximum utilization of Ready for Issue (RFI) residual outfitting material associated with Navy shipbuilding programs. SCRAMP material is shipped the SUPSHIP to a central warehouse operated by the Mid-Atlantic Regional Maintenance Center (MARMC). The receiving, stowage, issue and inventory management of material is accomplished using the Real-time Reutilization Material Management (RRAM) system. RRAM subsequently provides the Fleet, Naval Shipyards, Warfare Centers and SUPSHIPS with visibility and access to these SCRAMP assets. [NAVSEAINST 4408.2A](#), reference (g), provides SCRAMP details and procedures. Another Navy program, Ready Resource Material (RRM), is used by the SUPSHIPS to promote reutilization of residual nonstandard stock/part number RFI items (less Level 1, nuclear propulsion, hazardous, classified, ammunition and firearms, medicinal items, cylinders, construction items, Depot Level Repairables (DLRs) and expiring shelf life items). The RRM program is similar to SCRAMP in that SUPSHIPS forward their non-standard RFI assets to a central warehouse where they are also made visible and accessible through the RRAM program. The RRM warehouse is operated by Commander Naval Air Forces. Navy programs that are appropriate for the particular type of excess material to be disposed should be utilized. Disposition of property should follow procedures in [DFARS 245.6](#). The Plant Clearance Automated Reutilization Screening System (PCARSS) is a program developed by the Defense Contract Management Agency (DCMA) that automates the process for reporting, screening, requisitioning, and disposing of excess Government Property located at contractor facilities.

11.4.3.3 Disposal of Hazardous Material/Hazardous Waste

The distinction between hazardous material and hazardous waste is important, particularly regarding the disposal actions. [OPNAVINST 5090.1D](#), "Environmental Readiness Program Manual," reference (h), provides the following definitions:

- Hazardous Material (or hazardous substance) (HAZMAT): Any material which, because of its quantity, concentration, or physical, chemical, or infectious characteristics, may pose a substantial hazard to human health or the environment when released or spilled.

- **Hazardous Waste (HW):** Any liquid, solid, or gaseous waste material that, because of quantity, concentration, or physical or chemical characteristics, may:
 - Cause or significantly contribute to an increase in mortality or to a serious and irreversible or reversible but incapacitating illness; or
 - Pose a substantial present or potential hazard to human health or the environment when improperly treated, stored, transported, disposed, or otherwise managed. This excludes infectious and radioactive waste; if infectious or radioactive wastes are mixed with an EPA/state-regulated hazardous waste, then the hazardous constituents remain regulated as a hazardous waste. HW does not include HAZMAT with an expired shelf life unless designated as such by the Defense Reutilization Marketing Service (DRMS).

Coordination between the SUPSHIP PLCO and the SUPSHIP Environmental Manager is necessary to ensure that excess HAZMAT and HW are properly identified for disposition actions in accordance with contract requirements and federal, state, and local environmental regulations.

11.4.3.4 Disposal Actions Resulting from Engineering Changes

Under fixed-price contracts, engineering changes may result in CFM becoming excess to the requirements of the contract. In such cases, the excess material becomes government-owned if no credit is provided during the pricing of the Engineering Change Proposal (ECP). If the contractor has already purchased material to perform a part of the contract covered by the fixed-price, and that part is changed so that the contractor can no longer use the material, the engineering change will normally identify the material for purchase by the Government.

The contractor should have a system to ensure that the material is identified to the PLCO as excess Government material. The PLCO then follows normal procedures to dispose of the material.

11.4.3.5 Determining Excess Need and Value

The Government's need for the excess property should be considered in determining disposition since there is a cost to the Government associated with disposal actions. Contractor needs for the excess property may also be considered as well as any "value" to be credited to the contract if the contractor retains the property. The determined value of the excess property needs to be based on practical business judgments and fair market considerations.

- a. Excess Government property under fixed-price and cost-reimbursable type contracts is comprised of different elements.
 1. Under fixed-price type contracts, all excess GFP and property for which title

vests in the Government in accordance with financing provisions is considered to be Government property and must be disposed of through the Government PLCO.

2. In cost-reimbursable contracts, all excess GFP and excess CAP accountable to the contract is considered Government Property and reported for disposition.
3. Fixed-price incentive contracts require a more involved process to distinguish excess Government Property to be disposed through the plant clearance process from excess contractor-owned property for contractor actions. The contractor is required to provide the Government a list of all residual property on fixed-price incentive contracts. The Contractor shall deliver or make such other disposal actions as directed by the Contracting Officer. If the Government authorizes the Contractor to take title to all or any part of such property, the contract must be credited for the fair market value of the property.

11.5 Responsibilities of the Contractor

Specific contract requirements determine responsibilities of the contractor. [FAR 52.245-1](#) requires contractors to properly manage Government Property in its possession, and to establish and implement processes, systems and procedures necessary for its effective control. The SUPSHIP PA must be aware of unique or additional contract provisions to ensure that the contractor adjusts his Government Property control system to meet special requirements.

11.6 Repair or Modification of Government-Furnished Property

When Government property is furnished to a contractor and is received in a condition not suitable for its intended use, the Contracting Officer shall, upon the contractor's timely written request, advise the contractor on a course of action to remedy the problem. Upon completion of the required actions, an equitable adjustment in the contract price and other provisions may be necessary. PAs may be called upon to verify the stated condition and to support contracting personnel to determine estimates on an equitable adjustment. Any modifications to Government Property shall be in accordance with FAR 52.245-1.

Appendix 11-A: Acronyms

ACO	Administrative Contracting Officer
ADP	Automated Data Processing
CAM	Contractor Acquired Material
CAP	Contractor Acquired Property
CFM	Contractor Furnished Material
CIRS	Contractor Inventory Redistribution System
COSAL	Consolidated Onboard Ship's Allowance List
CPMS	Contract Property Management System
DASN(ACQ)	Deputy Assistant Secretary of the Navy for Acquisition
DAWIA	Defense Acquisition Workforce Improvement Act
DFARS	Defense Federal Acquisition Regulation Supplement
DoD	Department of the Defense
DRMS	Defense Reutilization Marketing Service
ECP	Engineering Change Proposal
FAR	Federal Acquisition Regulation
FISC	Fleet Industrial Supply Center
GFI	Government Furnished Information
GFM	Government Furnished Material
GFP	Government Furnished Property
HAZMAT	Hazardous Material
HW	Hazardous Waste
IPE	Industrial Plant Equipment

IUID	Item Unique Identification Registry
MARMC	Mid-Atlantic Regional Maintenance Center
NAVICP	Naval Inventory Control Point
NAVSEA	Naval Sea Systems Command
NAVSEAINST	Naval Sea Systems Command Instruction
NAVSUP	Naval Supply Systems Command
NCH	Naval Sea Systems Command (NAVSEA) Contracts Handbook
NMCARS	Navy and Marine Corps Acquisition Regulation Supplement
OPNAVINST	Chief of Naval Operations Instruction
PA	Property Administrator
PCARSS	Plant Clearance Automated Reutilization Screening System
PLCO	Plant Clearance Officer
RFI	Ready for Issue
RRAM	Real-time Reutilization Asset Management
RRM	Ready Resource Material
SCN	Shipbuilding and Conversion, Navy
SCRAMP	Shipbuilding and Conversion, Navy Consolidated Redistributable Asset Management Program
STE	Special Test Equipment
USC	United States Code
USD(AT&L)	Undersecretary of Defense (Acquisition, Technology and Logistics)