

# Chapter 11 – Property Administration

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## **References**

- (a) Federal Acquisition Regulation (FAR)
- (b) Defense Federal Acquisition Regulation Supplement (DFARS)
- (c) Navy and Marine Corps Acquisition Regulation Supplement (NMCARS)
- (d) NAVSEA Contracts Handbook (NCH)
- (e) DCMA Guidebook for Government Contract Property Administration, Rev 2 August 2022
- (f) NAVSEA SUPSHIP Government Property Standard Audit and Surveillance Operating Procedure (2019)
- (g) OPNAVINST 5090.1E, 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 Regulation (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
- [DCMA Guidebook for Government Contract Property Administration, Rev 2 August 2022, Rev 2 August 2022](#), reference (e)
- [NAVSEA SUPSHIP Government Property Standard Audit and Surveillance Operating Procedure \(2019\)\\*\\*](#), reference (f)

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 with the Government Property Administrator (hereafter referred to as the property administrator or PA). These requirements are incorporated into the clause at [FAR 52.245-1](#).

**Terminology Convention:** This chapter generally follows the FAR, DFARS, NMCARS, and the NCH in applying the various titles for the contracting officer (contracting officer, administrative contracting officer (ACO), procuring contracting officer (PCO), and chief of the contracting office (CCO)). Exceptions are made, however, where greater specificity is appropriate for SUPSHIP contracting functions. PCO, ACO or CCO may therefore be used in lieu of a FAR reference to the contracting officer. The term contracting officer is used when a more specific role cannot be uniformly applied to the SUPSHIP community.

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

**Contractor acquired property** 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 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.

**Industry Leading Practices** (ILP) are "strategies and processes that are both generally believed to be quantifiably and qualitatively demonstrated to be top performing" or "the marriage of applied behavior and knowledge that have been demonstrated and validated to yield a competitive advantage for organizations that employ them."

**Voluntary Consensus Standards** (VCS) are "common and repeated use of rules, conditions, guidelines or characteristics for products or related processes and production methods, and related management systems." (see [OMB Circular A-119](#))

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## 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 PA should ensure that the contractor's approved property control procedures address special considerations when any of the three options is used.

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## 11.2.2 “Cash Sales” Procedures

NAVSUP manuals contain procedures to permit contractor purchase from Navy sources, as well as providing direction to the Administrative Contracting Officer (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 PA 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 PA includes a review of the contractor’s procedures during the analysis of the contractor’s property control system. The Procuring Contracting Officer (PCO) 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 PCO and included in the Request for Proposal (RFP). Government property is normally 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 PA 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 Contract Clauses

The principle contractual clause for government property administration is [FAR 52.245-1](#). When invoked, [FAR 52.245-9](#) must also be included per [FAR 45.107\(c\)](#). The PA 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.

#### 11.4.1.1 Property Management System Clause

The term *property management system* refers to the contractor’s system or systems for managing and controlling government property. The contractor’s property management system is a contractor business system as discussed in DFARS 242.70. Qualifying contracts should include the clauses at 252.245-7003 Contractor Property Management System Administration and 252.242-7005 Contractor Business Systems. These clauses require the contractor to establish and maintain acceptable business systems in accordance with the terms and conditions of the contract. If there is a finding that a business system has a

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significant deficiency, these clauses permit the withholding of contract payments. See SOM section 3.17 for more information.

Refer to NAVSEA letter Ser 022/007, Contractor Business Systems Guidance of 28 Nov 2018\*\*, reference (g), and the NAVSEA SUPSHIP Government Property Standard Audit and Surveillance Operating Procedure\*\* for more information on SUPSHIP oversight of contractor property management systems. Note that per reference (g), SUPSHIP is the Cognizant Federal Agency (CFA) with audit responsibility for contractor property management systems.

## 11.4.2 Responsibilities and Duties

Property administrators and plant clearance officers are authorized representatives of the Supervisor and are appointed in writing. Personnel designated as PAs 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 must be made in accordance with [DFARS 201.670](#).

[FAR Part 45](#) and the [DCMA Guidebook for Contract Property Administration](#) fully address the duties and responsibilities of the property administrator in detail. The following paragraphs highlight key information from these and other references.

### 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 [NAVSEA Contractor Business Systems Guidance of 28 Nov 2018\\*\\*](#) stipulates that SUPSHIP is the Cognizant Federal Agency (CFA) with audit and surveillance responsibility for contractor property management systems. What follows is a synopsis of NAVSEA guidance for this responsibility.

#### 11.4.2.1.1 Government Property Standard Audit and Surveillance Operating Procedure

In support of the SUPSHIP role as the CFA, NAVSEA 022C issued the [NAVSEA SUPSHIP Government Property Standard Audit and Surveillance Operating Procedure\\*\\*](#). The procedure provides guidance on the performance of a Government Property Management System Audit and development and use of resulting surveillance plans. Based on Defense Contract Management Agency (DCMA) standard processes, the procedure is tailored to reflect NAVSEA organizational requirements. It describes the differences in audit versus surveillance and provides procedures and clear descriptions of processes to be used in each. Audit and surveillance of a contractor's property management system should follow the enumerated process steps in order to maintain consistency.

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#### **11.4.2.1.1.1 Purpose**

The [NAVSEA SUPSHIP Government Property Standard Audit and Surveillance Operating Procedure](#)\*\* establishes policies, assigns responsibilities, and provides procedures for SUPSHIPs to assess the contractor's property management system for compliance with the criteria established in paragraph (f) of FAR [52.245-1](#). It is a minimum standard, and should additional oversight or attention be required, a more specific and focused approach should be developed. SUPSHIP contracting personnel should assess each noncompliance and identify and quantify the actual risks posed to the Government (and the contractor). Each situation is unique and the surveillance approach should be equally unique and based on the results of the full-scope audit. To underscore the FAR and DFARS guidance to pursue correction of deficiencies, [DFARS 245.105](#) states that personnel should take an active role to identify trends early, investigate the causes, and work with the contractor in earnest to correct any issues identified, as remediation often benefits both the Government and the contractor. Inclusion of personnel having a working knowledge of the contract and working relationship with the contractor is highly recommended as these individuals typically have insight into possible risks and costs that are unique to the contract and/or contractor. The processes described in the procedure are intended to find inefficiencies and opportunities for savings to the contractor and the Government.

#### **11.4.2.1.1.2 Policy**

SUPSHIP ACOs perform regular audits and continuing surveillance to ensure contractors are effectively managing their Government property management system and are taking action to correct any significant deficiencies identified by the Government. It is NAVSEA's policy to perform a full-scope review of contractors' property systems every three years, or more frequently if the risk posed to the Government (number, significance/severity, and regularity of deficiencies identified in a contractor's property system) merits such an action. Follow-on surveillance are performed between full-scope reviews as frequently as conditions warrant. It is NAVSEA's policy that audits and follow-on surveillance of contractor property management systems be risk-based and performed at a frequency commensurate with the number, significance/severity, and regularity of deficiencies identified by the Government.

#### **11.4.2.1.1.3 Responsibilities**

To avoid the duplication of efforts, minimize costs, and increase communication, SUPSHIP should strive to coordinate Government audit and surveillance processes with that of the contractor. Participation by the contractor, applicable acquisition program offices, and NAVSEA Headquarters, as appropriate, is encouraged and, if established, should be documented.

#### **Supervisor of Shipbuilding**

- a. SUPSHIP ACOs are authorized and accountable per [FAR 45.105](#) and [DFARS 252.245-7003](#) to conduct Government property management system audits and surveillance activities to monitor contractor business systems to ensure continued compliance with the published regulations.

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- b. As the Contract Administration Office (CAO), SUPSHIP is responsible for system audit and surveillance activities to ensure that contractors' property management systems comply with the criteria stated in paragraph (f) of FAR [52.245-1](#).
- c. SUPSHIP must establish a Government property management team and serve as the lead for the team's audit and surveillance activities. The team develops a formal plan for overseeing each contractor managing property under their cognizance for the duration of contract execution. Team activities include evaluation of a contractor's proposed alterations to the system, including changes to documented processes, procedures, and instructions. This responsibility may be delegated or reside with the Code 400 (SUPSHIP contracts department) business system/compliance division lead. The team is comprised of SUPSHIP, Program Management Office (PMO), NAVSEA Headquarters, and contractor personnel, if desired. SUPSHIP may refer any specific questions or concerns regarding Government property management systems audits and surveillance to SEA 022C for guidance.

### **SEA022C**

SEA 022C is the focal point for audit and surveillance activities. SEA 022C is responsible for providing and updating guidance to the SUPSHIPS regarding audits and surveillance of contractor property management systems and resolving differences in professional opinions regarding system deficiencies or interpretation of regulation or guidance. SEA 022C is also responsible for:

- coordinating and approving DCMA participation in audit and surveillance activities;
- approving requests to omit sections or delay any audit or surveillance of a contractor's business system;
- keeping NAVSEA informed through conversations or providing copies of relevant documentation such as Audit/Surveillance Reports or approved corrective actions;
- providing resolution of resource constraints;
- maintaining awareness of Level III corrective actions; and
- intervening in resolution efforts when necessary.

When appropriate, SEA 022C may also participate in referenced activities or directly as a member of the review board (see [NAVSEA letter Ser 022/007 - Contractor Business Systems Guidance of 28 Nov 2018\\*\\*](#)). The objective of the review board is to advise and assist the Chief of the Contracting Office (CCO) in making a final determination regarding the acceptability of a contractor's business system and adequacy of a corrective action plan. Note that the [NAVSEA SUPSHIP Government Property Standard Audit and Surveillance Operating Procedure \(2019\)\\*\\*](#), defines a Level III corrective action as issues

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where cost, schedule, technical performance, resources, or management process issues have unfavorably affected program performance and have not been corrected by the contractor.

### **Code 400 Business System Surveillance/Compliance Division Lead**

The Code 400 business system/compliance division lead is the SUPSHIP focal point for property management system audits and surveillance activities that fall outside the responsibilities of the ACO. The Code 400 business system surveillance/compliance division lead works with the Government team and is solely responsible for approving SUPSHIP corrective actions, audit, and surveillance plans (which should include review of VCSs and ILPs, as needed) and schedules. Additional responsibilities include providing answers to questions requiring clarification on Government property system audits and surveillance, reviewing all applicable status reports, final reports, and results of a contractor's self-assessment and corrective actions.

### **Program Management Office (PMO)**

The PMO is responsible for overall management of their program, including setting program priorities. The PMO establishes and maintains communications with senior management and the Program Executive Office (PEO), as well as provides direction and guidance to the program team regarding the development and implementation of policies, methodologies, and reporting requirements. PMO responsibilities include providing effective project planning and control, decision support tools, and executive level reporting. In accordance with DoD regulations, the PMO is accountable for complying with the DoD property management reporting requirements. The PMO has the following audit and surveillance requirements:

- Keeping SUPSHIP and NAVSEA informed of actions and matters that could affect property management system audit and/or surveillance activities
- Assisting in the resolution of problems cited in reports, when required
- Participating as members of the property management system audit and/or surveillance teams, as desired

### **Contractor**

The contractor is responsible for developing and implementing a property management system in accordance with [FAR 52.245-1](#)(f). The contractor is also responsible for ensuring that its property management system is consistently maintained and compliant with federal regulation, is used effectively on all applicable Government contracts, and clauses are flowed down to subcontractors, when required. This responsibility is independent of SUPSHIP's responsibility to develop and implement an audit and surveillance process. The audit and surveillance process should also ensure the review of Voluntary Consensus Standards and Industry Leading Practices when either or both are part of the contractor's property management system.

### **Administrative Contracting Officer (ACO)**

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The ACO is responsible and accountable for making the determination of acceptability of a contractor's property management system and maintaining surveillance over the systems during the period of performance. Specific responsibilities of the ACO include:

- Pursuing correction of deficiencies and providing oversight on the implementation and application of an acceptable corrective action plan
- Implementing or increasing payment withholding until such time as the contractor has corrected all deficiencies
- Remaining diligent regarding disposition and relief of stewardship of government property, when applicable
- Providing resolution for opposing opinions among the Government team, as required, and escalating unresolved differences to SEA 022C
- Analyzing reports and monitoring implementation of changes required to bring a noncompliant system into compliance
- Staying current on regulatory requirements pertaining to business systems as defined in the FAR and DFARS

#### **11.4.2.1.1.4 Audit, Surveillance, and the Corrective Action Process**

For detail information on conducting full-scope audits, surveillance activities, and the management of the corrective action process, see paragraphs 6 and 7 of the [NAVSEA SUPSHIP Government Property Standard Audit and Surveillance Operating Procedure \(2019\)\\*\\*](#).

#### **11.4.2.2 Transfer of Government Property Between Contracts**

Per [FAR 45.103](#), agencies must 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 Reports**

SUPSHIP PAs need to internally track disposition of contractor inventory. Contracts containing [DFARS 252.245-7004](#), Reporting, Reutilization, and Disposal, states that PLCOs must use [DD Form 1638](#), Report of Disposition of Contractor Inventory, or an automated equivalent, to report the disposition of contractor inventor. 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.

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Per [DFARS 211.274-4](#), DoD policy is to record all GFP in the custody of contractors in the DoD Item Unique Identification (IUID) Registry, as defined in the clause at [252.211-7007](#), Reporting of Government-Furnished Property. The contractor must update the IUID Registry as transactions occur or as otherwise stated in the contractor's property management procedure. Per [FAR 52.245-1](#), contractors are also required to submit inventory disposal schedules ([SF 1428](#), Inventory Disposal Schedule) to the SUPSHIP PLCO for all government property that is no longer required for performance of the contract. It is important to note that local procedures may vary the tracking of various inventories to conform with unique, contractually mandated programmatic requirements.

[DFARS PGI 242.302\(a\)\(s-75\)](#) requires that annual Cost Monitoring Plans (CMPs) be established when sales during the contractor's next fiscal year are expected to exceed \$200 million in contracts. It is produced by the SUPSHIP business system division lead/manager, with input from all system branch heads. For covered contractors, the CMP contains cost monitoring status on contractor business systems, one of which is the Government property system.

[NCH 4.692-9\\*\\*](#) requires, among other items, that the SUPSHIP CCO provide status and report progress on business systems reviews (including property) to SEA 0212 quarterly with copies to SEA 02, 022, 022B, and 022C. For business systems reviews, this report addresses the adequacy of the contractors' business systems and Cost Accounting Standards disclosure statements, and outlines plans for resolving issues with contractor business systems.

#### **11.4.2.4 Training**

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

### **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

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with Navy shipbuilding programs. SCRAMP material is shipped by 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 Asset Management (RRAM) system. RRAM subsequently provides the Fleet, naval shipyards, warfare centers and SUPSHIPS with visibility and access to these SCRAMP assets. 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 RRM 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 DCMA that automates the process for reporting, screening, requisitioning, and disposing of excess Government property located at contractor facilities. [DFARS 252.245-7004](#) Reporting, Reutilization, and Disposal, when invoked, states that unless disposition instructions are otherwise included in the contract, the Contractor must complete [SF 1428](#), Inventory Schedule B, within the PCARSS.

#### 11.4.3.3 Disposal of Hazardous Material/Hazardous Waste

The distinction between hazardous material and hazardous waste is important, particularly regarding disposal actions. [OPNAVINST 5090.1E](#), 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 hazardous waste. HW does not include HAZMAT with an expired shelf life unless designated as such by the Defense Reutilization Marketing Service (DRMS).

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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 normally identifies 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 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.

Requirements for the disposition of Government property is also dictated by contract terms and contract type. For example:

- 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.
- In cost-reimbursable contracts, all excess GFP and excess CAP accountable to the contract is considered Government property and reported for disposition.
- 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 ACO. 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.

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## 11.5 Responsibilities of the Contractor

Specific contract requirements determine the responsibilities of the contractor. [FAR 52.245-1](#) requires contractors to effectively 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 ACO 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](#).

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## Appendix 11-A: Acronyms

ACO	Administrative Contracting Officer
CAM	Contractor Acquired Material
CAO	Contract Administration Office
CAP	Contractor Acquired Property
CCO	Chief of the Contracting Office
CFA	Cognizant Federal Agency
CFM	Contractor Furnished Material
CMP	Cost Monitoring Plan
COSAL	Consolidated Onboard Ship's Allowance List
DAWIA	Defense Acquisition Workforce Improvement Act
DCMA	Defense Contract Management Agency
DFARS	Defense Federal Acquisition Regulation Supplement
DLR	Depot Level Repairable
DoD	Department of the Defense
DRMS	Defense Reutilization Marketing Service
ECP	Engineering Change Proposal
FAR	Federal Acquisition Regulation
GFI	Government Furnished Information
GFM	Government Furnished Material
GFP	Government Furnished Property
HAZMAT	Hazardous Material
HW	Hazardous Waste
IPE	Industrial Plant Equipment

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ILP	Industry Leading Practices
IUID	Item Unique Identification
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
NFLC	NAVSUP Fleet Logistics Center
NCH	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
PCO	Procuring Contracting Officer
PEO	Program Executive Office
PLCO	Plant Clearance Officer
PMO	Program Management Office
RFI	Ready for Issue
RFP	Request for Proposal
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

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VCS	Voluntary Consensus Standards
WSS	Weapon System Support

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