

3.10.3-10 Management of Government Property in Contractor's Possession (February 2003)

(a) Contractor responsibility. The Contractor shall establish and maintain a property control system to control, protect, preserve, use, maintain, and repair all Government property in accordance with sound industrial and business practices and the requirements of this contract. The Property Control System shall be in writing unless the Property Administrator determines that maintaining a written system is unnecessary. The Property Control System shall be reviewed and, if satisfactory, approved in writing by the Property Administrator. The system shall be sufficient for the following use:

(1) To assure that Government furnished property (GFP) will be used only for those purposes authorized in the contract and that any required approval will be obtained; and

(2) To provide a basis for determining and allocating rental charges.

(3) With respect to plant equipment with an acquisition value of \$5,000 or more, the Property Control System, as a minimum, shall:

(i) Establish a minimum level of use below which an analysis of need will be made and retention justified, except for inactive plants and equipment retained for mobilization (the use level may be established for individual items or families of items, depending upon circumstances of use);

(ii) Provide for recording authorized and actual use consistent with the established use levels;

(iii) Require periodic analyses of production needs for plant equipment utilization based upon known requirements; and

(iv) Provide for prompt reporting to the Property Administrator of all plant equipment for which retention is not justified.

(4) With regard to subcontractors, the Property Control System shall include procedures for the Contractor to maintain oversight of the GFP provided to subcontractors and require subcontractors to comply with contract requirements by flowing down all contract property requirements to subcontractors. The Contractor shall require its subcontractors possessing or controlling GFP to adequately safeguard and maintain GFP and that it is used only as authorized by the contract.

(5) The Property Control System shall include procedures to ensure property disposition is in accordance with the instructions of the Contracting Officer or designated representative, including any return to the supplier for appropriate credit whenever feasible.

(b) Audit of property control system. The TSA may audit the Contractor's Property Control System as frequently as conditions warrant. These audits may take place at any time during contract performance, upon contract completion or termination, or at any time thereafter during the period the Contractor is required to retain such records. The Contractor shall make all such records and related correspondence available to the auditors.

(c) Receipts for Government property. The Contractor shall provide written receipts for all Contractor-acquired property before submitting its request for payment for the property. For GFP,

the Contractor shall provide the required receipt immediately upon receipt of the property. All receipts shall be provided to the Property Administrator.

(d) Discrepancies incident to shipment.

(1) Government-furnished property. If overages, shortages, or damages are discovered upon receipt of GFP, the Contractor shall provide a statement of the condition and apparent causes to the Property Administrator. Official records shall reflect the quantity actually received.

(2) Contractor-acquired property. The Contractor shall remedy overages, shortages, or damages in shipment of Contractor-acquired property from a vendor or supplier. However, when the shipment has moved by Government Bill of Lading (GBL) and carrier liability is indicated, the Contractor shall report the discrepancy in accordance with paragraph (1) above.

(e) Records and Reports of TSA Property.

(1) The Contractor's property control records shall constitute the TSA's official property records unless the Contracting Officer indicates otherwise. The Contractor shall establish and maintain adequate control records for all Government property, including property provided to and in the possession or control of a subcontractor. When a subcontractor has an approved property control system for Government property provided under its own prime contracts, the Contractor may use the records created and maintained under that system.

(2) The Contractor's property control system shall provide financial accounts for Government-owned property in the Contractor's possession or control until relieved of that responsibility.

(3) The Contractor's property control records shall identify all Government property and provide a complete, current, auditable record of all transactions. Records shall be accessible to authorized TSA personnel and safeguarded against destruction and tampering.

(4) The Contractor shall keep separate property records for each contract unless otherwise authorized by the TSA Property Administrator.

(5) Special tooling and special test equipment fabricated from materials that are the property of the Government shall be recorded as Government-owned immediately upon fabrication. Special tooling and special test equipment fabricated from materials that are the property of the Contractor shall be recorded as Government property at the time title passes to the Government.

(6) The Contractor shall establish property records for serviceable components permanently removed from items of Government property as a result of modification as the type established for components acquired separately.

(7) The Contractor's property control system shall contain a system or technique to locate any item of Government property within a reasonable period of time.

(f) Basic information.

(1) Unless summary records are used as authorized under subparagraph (f)(2) of this clause, the Contractor's property control records shall provide the following basic information for every item of Government property in the Contractor's possession, regardless of value:

- (i) The name, description, and National Stock Number (if furnished by the TSA or available in the property control system).
- (ii) Quantity received (or fabricated), issued, and on hand.
- (iii) Unit price (and unit of measure).
- (iv) Contract number or equivalent code designation.
- (v) Location.
- (vi) Disposition.
- (vii) Posting reference and date of transaction.

(2) Summary records are normally adequate for special tooling, special test equipment, and plant equipment costing less than \$5,000 per unit, except where the TSA Property Administrator specifies that individual item records are necessary for effective control, calibration, or maintenance. Summary records shall provide the information listed in paragraphs (1)(i) through (1)(vii) above, but may reference a general location, provided the Contractor can locate the property within a reasonable period of time.

(g) Records of pricing information.

(1) Requirement for unit prices.

i) The Contractor's property control system shall contain the unit price for each item of Government property except as provided in (ii) below. When a Contractor records the unit price of property on other than the quantitative inventory records, those supplementary records shall become part of the official Government property records.

(ii) (Note: This subparagraph (ii) does not apply to nonprofit organizations.) The requirement that unit prices be contained in the official Government property records does not apply to those separate property records located at a Contractor's secondary sites and subcontractor plants; provided, that:

(A) Records maintained by the prime Contractor at its primary site include unit prices; and

(B) The prime Contractor agrees to furnish actual or estimated unit prices to the secondary site or subcontractor as the need arises.

(iii) When definite information as to unit price cannot be obtained, reasonable estimates shall be used.

(2) Determining unit price.

(i) Contractor-acquired and Contractor-fabricated property. Except for items fabricated by nonprofit organizations for research and development purposes, the unit price of Contractor-acquired and Contractor-fabricated property shall be determined in accordance with the system established by the Contractor in conformance with consistently applied sound accounting principles. The Contractor shall apply separate unit prices to items of special tooling and special test equipment fabricated or acquired by the Contractor unless the TSA Property Administrator approves group pricing for special tooling, special test equipment, and work-in-process in accordance with the Contractor's acceptable cost accounting system. All processed material, fabricated parts, components, and assemblies charged to the Contractor's work-in-process inventory, including items in temporary storage while awaiting processing, may be considered as work-in-process for this purpose.

(ii) Government-furnished property. The TSA shall determine and furnish to the Contractor the unit price of Government-furnished property. Transportation and installation costs shall not generally be considered as part of the unit price for this purpose. Normally, the unit price of Government-furnished property will be provided on the document covering shipment of the property to the Contractor. In the event the unit price is not provided on the document, the Contractor shall take action to obtain the information.

(h) Records of material.

(1) General. The Contractor shall record, in accordance with contract requirements and the Contractor's property control system, the following:

(i) all Government material furnished to the Contractor,

(ii) all material to which title has passed to the TSA by reason of allocation from Contractor-owned stores,

(iii) all material acquired by the Contractor for direct charge to an TSA contract.

(2) Consolidated stock record. The Contractor shall not use consolidated stock records without the prior consent of the Property Administrator.

(3) Custodial records. The Contractor shall maintain custodial records for tool crib items, guard force items, protective clothing, and other items issued to individuals for use in their work.

(4) Use of receipt and issue documents. (Note: This paragraph (4) is not applicable to nonprofit organizations.) The Property Administrator may authorize the Contractor to maintain, in lieu of stock records, a file of appropriately cross-referenced documents evidencing receipt, issue, and use of Government-provided material that is issued for immediate consumption and is not entered in the inventory record. This method of control may be authorized for:

- (i) Material charged through overhead;
- (ii) Material under research and development contracts;
- (iii) Subcontracted or outside production items;
- (iv) Non-stock or special items;
- (v) Items that are produced for direct charge to a contract, or are acquired and issued for installation upon receipt, and involve no spoilage; and
- (vi) Items issued from Contractor-owned inventory direct to production or maintenance, etc.

(5) Material issued directly upon receipt. (Note: This paragraph (5) applies only to nonprofit organizations.)

- (i) Under fixed-price contracts, the Contractor's documents evidencing receipt and issue will be accepted as property control records for Government-furnished material issued directly by the Contractor upon receipt so as to be considered consumed under the contract.
- (ii) Under cost-reimbursement contracts, TSA invoices, Contractor's purchase documents, or other evidence of acquisition and issue will be accepted as adequate property records for material furnished to or acquired by the Contractor and issued directly so as to be considered consumed under the contract.

(6) Multicontract cost and material control. (Note: This paragraph (6) does not apply to nonprofit organizations.)

- (i) Description and scope. A multi-contract cost and material control system substitutes a system of financial accounting for the requirements for physical identification of TSA material. The Contractor shall not use multi-contract cost and material control without the prior consent of the Contracting Officer. (See (ii)(C)(d) below.) The system operates as follows:
 - (A) The Contractor may acquire, requisition, receive, store, and issue like items of material for the total requirements of all contracts involved in the system without identifying the material to each contract.

(B) The Contractor may commingle, during any stage of contract performance, Government-owned and Contractor-owned material and work-in-process that was furnished, acquired, or produced for all TSA contracts covered by the system, without physical segregation or identification to the individual contracts.

(C) In lieu of physical segregation and identification to individual contracts, periodic calculation of requirements and distribution of costs to all contracts permits the allocation of costs of material to products delivered. This system, by reflecting the material expended to perform each contract at any stage in production, permits usage analysis to determine the reasonableness of consumption and expenditure of Government material.

(D) The system may include all TSA contracts of any type that involve common repetitive operations.

(E) The system does not require commingling of all common materials under all contracts. For example, items of Government-furnished material of high value or in short supply may be excluded from commingling and reserved for use in performing the contract under which furnished.

(F) The Contractor shall take physical inventories of material in stores included in the systems (other than work-in-process) at least annually, extend and reconcile prices to the quantitative balance for each item, and record adjustments in the stock record and financial inventory control accounts. Such physical inventories and adjustments, as well as equitable distribution to cost accounts of any inventory losses, shall be reviewed by and are subject to the approval of the Property Administrator.

(ii) Criteria. Contractors shall demonstrate the following in order to be considered for a multi-contract cost and material control system:

(A) The system would result in savings or improved operations or that it will otherwise be in the Government's interest;

(B) The system is applied to existing TSA contracts only and excludes materials acquired

or costs incurred for non-TSA work or in anticipation of future TSA work; and

(C) The Contractor's accounting system is adequate to:

(aa) Provide on a complete and timely basis a clear 'audit trail' from costs of materials acquired for each contract to materials used or disposed of on each contract;

(bb) Reflect separately for Government-furnished and Contractor-acquired material in stores (except work-in-process) the inventory balances as affected by receipts, issues, adjustments, and other dispositions;

(cc) Determine unit costs for each identifiable part, component, subassembly, assembly, end item, and contract item;

(dd) Calculate amounts for cost reimbursements and progress payments during the life of the contract by applying or allocating such unit costs developed through each stage of work-in-process to contract items for the requirements of each contract; and

(ee) Assure that when Government material furnished for use under one contract is authorized for use on another contract, the initial contract receives credit.

(iii) Authorization. The Contracting Officer may authorize a Contractor who is performing or will perform more than one Government contract to use the multi-contract cost and material control system. The TSA Property Administrator shall approve whatever detailed operating procedures are necessary for each system authorized.

(iv) Requirement. Whenever a multicontract cost and material control system is authorized, the Contractor's financial accounts

shall include all material in the system acquired or furnished for TSA work and shall satisfy the requirements of this clause.

(i) Records of special tooling and special test equipment. (This sub-section does not apply to nonprofit organizations except for paragraph (3).)

(1) Unless the TSA Property Administrator has authorized summary records, the Contractor's property control system shall provide the basic information listed above (f)(1) regarding each item of Government-owned special tooling and special test equipment, including any general purpose test equipment incorporated as components in such a manner that removal and reuse may be feasible and economical.

(2) If the Contractor uses group pricing of special tooling or special test equipment, as recognized above in (g)(2), unit prices shall be computed when required.

(3) In the case of special tooling acquired or fabricated by nonprofit organizations or furnished by the TSA to nonprofit organizations for research and development, the Contractor may use invoices, Contractor's purchase document or other documents that evidence acquisition or issue may be accepted as adequate property control records.

(4) Records identifying special tooling and special test equipment shall include the identification number and item on which used.

(5) The Contractor shall, when specified by the contract, identify and report special tooling and special test equipment by retention category (e.g., assembly tooling or critical tooling for spares or replacements).

(j) Records of plant equipment.

(1) Unless the Property Administrator authorizes summary records, the Contractor shall maintain individual item records for each item of plant equipment.

(2) In addition to information required in paragraph (f) of this clause, the Contractor's records of Government-owned plant equipment, regardless of value, shall include:

(i) Federal Supply Code for the manufacturer (as listed in Cataloging Handbook H4-1 and H4-2) (available from the Superintendent of Documents, Government Printing Office (GPO), Washington, DC 20402);

(ii) Federal Supply Classification (Cataloging Handbooks H2-1, H2-2, and H2-3) (available from GPO); and

(iii) The original manufacturer's model or part number.

(3) Unless otherwise authorized by the Property Administrator, the Contractor shall also include the following for each item of Government-owned plant equipment having a unit cost of \$5,000 or more:

- (i) Serial number and year built (when available);
- (ii) Government identification/tag number; and
- (iii) Acquisition and disposition document references and dates.

(4) The Property Administrator may determine that the information in (3)(i) and (3)(ii) above shall be recorded in the property records for plant equipment costing less than \$5,000.

(5) The Contractor shall record accessory and auxiliary equipment on the record of the associated item of plant equipment. If the accessory or auxiliary item is not attached to, a part of, or acquired for use with a specific item of plant equipment, it shall be recorded either in an individual item record or in a summary stock record. When accessory and auxiliary items are permanently separated from the basic item of plant equipment, the unit price of the basic item shall be appropriately reduced.

(k) Records of real property.

(1) The Contractor shall maintain an itemized record of the description, location, acquisition cost, and disposition of all Government real property (including unimproved real property); all alterations, all construction work, and sites connected with such alteration and construction, acquired by purchase, lease, or otherwise. These records, including maps, drawings, plans, specifications, and supplementary data where necessary, shall:

- (i) be complete,
- (ii) show the original cost of the property and improvements and the cost of any changes and additions, and
- (iii) be appropriately indexed.

(2) Costs incurred by the Contractor or the TSA for new construction, including erection, installation, or assembly of Government real property in possession of the Contractor, shall be capitalized in the official Government real property records and financial accounts maintained by the Contractor for the TSA.

(3) Costs incurred for additions, expansions, extensions, conversions, alterations, and improvements, including applicable portions of capital maintenance, that increase the value, life, utility, capability, or serviceability of Government real property shall be capitalized.

(4) Costs incurred for portable buildings or facilities specifically constructed for tests that involve destruction of the facility shall not be capitalized in the Government real property records or financial accounts.

(5) Costs incurred for maintenance, repair, or rearrangement to maintain the Government real property in good physical condition, utility, capacity, or serviceability shall be charged to expense, and the real property records shall not be affected.

(6) When Government-owned real property is sold , transferred, donated, destroyed by fire or other cause, abandoned-in-place, or condemned, the financial accounts shall be reduced by the presently recorded costs and the real property records annotated with a supporting statement, including pertinent facts.

(l) Records of scrap or salvage.

(1) The Contractor shall maintain records of all scrap or salvage generated, except as provided (k). These records shall conform to the Contractor's established system of scrap and salvage control approved by the Property Administrator.

(2) The Contractor's property control system shall provide the following information:

(i) Contract number, if practical, or equivalent code designation from which the scrap or salvage derived.

(ii) Nomenclature or description of salvable items or classification (material content) of scrap.

(iii) Quantity on hand.

(iv) Posting reference and date of transaction.

(v) Disposition.

(m) Records of related data and information. The Contractor shall maintain property control and accountability, in accordance with sound business practice, of manufacturing or assembly drawings; installation, operation, repair, or maintenance instructions; and other similar information furnished to the Contractor by the TSA or generated or acquired by the Contractor under the contract and for which title vests in the TSA. The requirements of this subpart do not otherwise apply to such property.

(n) Records of completed products. The Contractor shall maintain a record of all completed products produced under a contract as follows:

(1) When there is no time lapse between TSA inspection and acceptance of the completed products and shipment from the plant site, the records shall, as a minimum, consist of a summary of quantities accepted and shipped. When end items are accepted by the TSA and stored with the Contractor awaiting shipment, the record shall identify quantities stored, location, and disposition action.

(2) On contracts that provide for the Contractor to retain completed products for further use under the contract or other contracts, such items shall be considered 'Government-furnished property' upon acceptance and shall be recorded as required by this contract.

(3) When completed products are returned to a Contractor under the terms of a warranty clause, the Contractor shall maintain, by contract, a record containing a description of the items involved, quantities received and returned to the TSA, and other pertinent data necessary to determine that a proper accounting for all property has been made.

(o) Records of transportation and installation costs of plant equipment. (Note: This subsection does not apply to nonprofit organizations.)

(1) Transportation costs.

(i) The Contractor shall record within the property control system the transportation and installation costs directly borne by the TSA for each item of Government-owned plant equipment with an acquisition cost of \$5,000 or more. The Property Administrator may require the Contractor to provide such recorded costs for use in computing rental charges.

(ii) If transportation costs are not included in the price of equipment delivered, the Contractor shall contact the Property Administrator for instructions for obtaining applicable freight data.

(2) Installation costs.

(i) When the Contractor performs installation, the cost shall be computed in accordance with the Contractor's accounting system (if the system is acceptable for other contract cost determination purposes) and recorded in the property record.

(ii) When installation is subcontracted, the Contractor shall record the cost paid to the subcontractor in the property record.

(iii) When installation costs are included in the price of equipment delivered to the using location, the Contractor shall annotate the property records accordingly.

(p) Records of misdirected shipments. The Contractor's property control system shall provide the following information regarding each misdirected shipment of Government property received:

(1) Identity of shipment, such as shipping document or bill of lading.

(2) Origin of shipment.

(3) Content (items in the shipment) per shipping documents, if available.

(4) Location.

(5) Disposition.

(q) Records of property returned for rework.

(1) The Contractor shall maintain quantitative records of property returned for processing to assure control from time of receipt through return of the items to the TSA. The Contractor shall establish item records under its property control system and shall include the information required in (f) above.

(2) The records shall specify the quantity of units returned to the TSA and the quantity otherwise disposed of with proper authority.

(r) Reports of TSA property.

(1) The Contractor's property control system shall provide annually the total acquisition cost of Government property for which the Contractor is accountable under each contract with the TSA, including Government property at subcontractor plants and alternate locations. The following classifications (property classifications may be varied to meet individual agency needs) shall be reported:

(i) Land and rights therein.

(ii) Other real property, including utility distribution systems, buildings, structures, and improvements thereto.

(iii) Plant equipment.

(iv) Special tooling.

(v) Special test equipment.

(vi) Material.

(vii) Agency peculiar property.

(2) The Contractor shall report the information under paragraph (1) as directed by the TSA Property Administrator,

(3) The Contractor shall maintain and provide the following reports to the TSA Property Administrator with copies to the Contracting Officer and Contracting Officer's Representative when appropriate:

(i) Receipt of Property. The Contractor's written notice of receipt of Government property and any discrepancies, if required, must precede request for payment.

(ii) Lost, Damaged, Destroyed Property. The Contractor's written report to the TSA Property Administrator of cases of loss, damage, or destruction of Government property in the Contractor's possession or control. The Contractor shall also require its subcontractors possession or controlling Government property accountable under the contract to investigate and report all instances of loss, damage, or destruction of such property.

(iii) Annual Financial and Inventory Reports. A copy of the Contractor's annual financial and inventory reports of Government property. The Contractor shall account for all Government property until relieved of responsibility.

(End of clause)

PRESCRIPTION

Shall be used in all RFI/RFPs and contracts that include Government property.