

**BONNEVILLE PURCHASING INSTRUCTIONS
APPENDIX 19-A**

**PROPERTY MANAGEMENT PROCEDURES
FOR CONTRACTORS**

BONNEVILLE PURCHASING INSTRUCTIONS
APPENDIX 19-A PROPERTY MANAGEMENT PROCEDURES FOR CONTRACTORS

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1.1 GENERAL.

This supplement prescribes procedures to contractors for managing BPA-furnished and contractor acquired property (CAP).

1.2 DEFINITIONS.

"Adjusted Depreciated Value" means the final adjusted value of an asset taking into account the depreciated value and the asset's physical condition.

"BPA-furnished property" means property in the possession of or directly acquired by BPA and subsequently made available to the contractor.

"BPA property" means all property and materials owned by, leased to, or acquired by BPA under the terms of the contract. It includes both BPA-furnished property and contractor-acquired property as defined in this section.

"Capitalized equipment" means personal property items having a unit acquisition cost of \$10,000 or more with a useful service life of one year or more, and generally has a property tracking number assigned and is carried on the financial ledger as an asset (i.e., not expendable due to use).

"Contract Inventory" means:

- (a) Any property acquired by and in the possession of a contractor or subcontractor under a contract for which title is vested in BPA.
- (b) Any property to which BPA is obligated or has the option to take title to under any type of contract as a result either of any changes in the specifications or plans or of the termination of the contract (or subcontract thereunder), prior to completion of the work; and
- (c) BPA-furnished property that exceeds the amounts needed to complete full performance under the entire contract.

"Contractor-acquired property" means property acquired or otherwise provided by the contractor for performance of a contract, to which BPA has title or the right to take title under the contract terms.

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"Cost-reimbursement contract" means the contractor is reimbursed for its costs.

"Custodial records" means any document such as requisitions, property receipts, issue documents, tool checks, stock record books, etc.

"Excess" means any property that is no longer used, needed, or required by BPA.

"Expendable property" means property and material, which when put to use, are consumed, lose their identity, or become an integral part of other property.

"Fixed-price contract" means that the contractor receives a stated amount regardless of the costs the contractor incurs.

"Material" means property which may be incorporated into or attached to a deliverable end item or which may be consumed or expended in the performance of a contract. It includes assemblies, components, parts, raw and processed materials, and small tools and supplies that may be consumed in normal use in the performance of a contract.

"Non-Expendable Equipment" means property which has continuing usefulness as a self contained unit, is not consumed in use, and does not lose its identity when put to use or does not ordinarily become a component of other equipment or plant. It may or may not be capitalized.

"Personal Property" is defined as all property other than real property, property that becomes permanently affixed to real property, or property that becomes a component part to another asset.

"Physical inventory" means the actual observation and count of the property to be reconciled with custodial records.

"Property Administrator" or Organizational Property Management Office, provides advice/guidance on BPA's property management and control requirements.

"Salvage" means property that has some value in excess of its basic content, but which is in such condition that it has no reasonable use for any purpose as a unit, and its repair or rehabilitation is clearly impractical or uneconomical.

"Scrap" means property that has no reasonable value except for the recovery value of its basic material/mineral content.

"Sensitive property" means items, regardless of value, requiring special control and accountability because of susceptibility to unusual rates of loss, theft, or misuse, or due to National Security and Export Control considerations.

"Surplus" means inventory excess to the contract that is not required by other Federal agencies.

"Termination inventory" means any property purchased, supplied, manufactured, furnished, or otherwise acquired for the performance of a contract subsequently terminated and properly allocable to the terminated portion of the contract.

1.3 PROPERTY CLAUSES.

See BPA Property Clauses in the contract.

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1.4 FIRM FIXED PRICE /COST REIMBURSEMENT CONTRACTS.

Under a fixed price contract BPA shall retain title to all BPA-furnished property until such times as BPA decides to relinquish or transfer title through a disposal action such as donation, sale, or abandonment. Under a cost reimbursement contract, the BPA has title to all property that is BPA-furnished or contractor acquired as a direct cost of performance under that contract.

1.5 PROVIDING MATERIALS.

Contractors shall ordinarily furnish all material for the performance of BPA contracts. However, BPA shall provide material to a contractor when necessary to achieve significant economy, standardization, expedited production, or when it is otherwise in BPA's best interest. Material to be furnished by BPA under the contract must be set forth in the solicitation and the contract.

1.6 RESPONSIBILITIES AND LIABILITIES FOR BPA PROPERTY.

(a) Responsibilities.

(1) The contractor is directly responsible and accountable for all BPA property in its possession or control in accordance with the requirements of the contract. This includes BPA property in the possession or control of a subcontractor. The contractor shall establish and maintain a property system in accordance with the contract to control, protect, preserve, and maintain all BPA property. This property control system shall be in writing unless the CO determines such a document to be unnecessary. The system shall be approved in writing by the CO.

(2) The contractor's property control system is subject to review by BPA as often as circumstances warrant during the contractor's performance, at contract completion or termination, or at any time thereafter while the contractor is required to retain the contract records. The contractor shall take necessary action to correct deficiencies found during any review.

(3) The contractor shall designate one individual in writing, who is not the user of the property, as the primary property contact for the contract.

(4) The contractor shall maintain and make available accurate property records and shall account for all BPA property until relieved of that responsibility by the CO.

(5) The contractor shall require subcontractors who are provided BPA property under the prime contract to comply with the provisions of this paragraph. Procedures for assuring subcontractor compliance shall be included in the contractor's property control system.

(6) The contractor shall promptly report all BPA property in excess of the amounts needed to complete full performance under the contracts providing it or authorizing its use.

(7) When unrecorded BPA property is found, both the cause of the discrepancy and actions taken by the contractor to prevent recurrence shall be determined and reported to the CO.

(b) Liabilities.

(1) Subject to the terms of the contract and the circumstances surrounding the particular case, the contractor may be liable for shortages, loss, damages, or destruction of BPA property. The contractor may also be liable when the use or consumption of BPA property unreasonably exceeds the allowances provided for by the contract, the bill of material, or other appropriate criteria.

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(2) The contractor shall promptly report to the COTR any shortage, loss, damage, or destruction of BPA property in its possession or control, or in the possession or control of any subcontractor, together with all the facts and circumstances of the case as soon as the facts become known, or when they are requested by the CO. The liability for loss, damage, or improper use of BPA property will depend upon all the circumstances surrounding the particular case and will be determined by the CO in accordance with the provisions of the contract. The contractor will furnish all data necessary to substantiate any request for discharge from responsibility. The contractor shall immediately report loss that may be due to theft to local police and/or Federal Bureau of Investigation (FBI) and the COTR.

(c) Relief from responsibility. Unless the contract or CO provides otherwise, the contractor shall be relieved of the responsibility for BPA property consumed in the performance of the contract.

1.7 PROPERTY IN POSSESSION OF SUBCONTRACTORS.

The contractor shall require any of its subcontractors possessing or controlling BPA property to adequately care for and maintain that property and ensure that it is utilized only as authorized by the contract. The contractor's approved property control system shall include procedures to ensure this responsibility. The contractor shall also hold its subcontractors possessing or controlling BPA property accountable under the contract to investigate and report all instances of loss, damage, or destruction of such property.

1.8 RECORDS.

(a) BPA Property. Property records are the means by which location and status of property is recorded from acquisition through utilization and disposal. Separate property records for each contract are desirable, but a consolidated property record may be maintained if it provides the required basic information (see paragraph 1.8(a)(6)).

(1) The contractor shall establish and maintain adequate property control records, manual or automated consistent with the requirements of this section for all BPA property provided under a contract, including property provided under such contract in the possession or control of a subcontractor. The records specified in this section are the minimum required by BPA unless directed otherwise by the CO, when a subcontractor has an approved property control system for BPA property provided under its own separate prime contract, the contractor shall utilize the records created and maintained under that system.

(2) Contractor records of BPA property established and maintained under the terms of the contract are the official property records. Duplicate official records shall not be furnished to or maintained by BPA personnel, except when the contract provides for the CO to maintain BPA's official property records when BPA property is furnished to a contractor.

(3) Official property records must identify all BPA property and provide a complete, current, auditable record of all transactions. The contractor's system of record maintenance shall be sufficient to adequately monitor BPA property. The contractor's system of records maintenance, as a minimum, shall be equivalent to and maintained in the same manner as the contractor's system for maintaining records of contractor-owned property, but need not exceed the requirements of this paragraph. The records shall be safeguarded from tampering or destruction. Records shall be accessible to authorized BPA personnel at all reasonable times. All these records, including related correspondence, shall be made available to BPA or other Government auditors upon request.

(4) The contractor's property control system shall be adequate to locate any item of BPA property within a reasonable period of time.

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- (5) A multi-contract costs and material control system may be authorized if --
- (i) The contractor demonstrates that adoption of the system will result in savings or improved operations, or that it will otherwise be in the interest of BPA;
 - (ii) The system is applied to existing BPA contracts only and excludes materials acquired or costs incurred for non-BPA work or in anticipation of future BPA work; and
 - (iii) The contractor's accounting system is adequate to 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.

(6) Basic information. The contractor's property control records shall provide the following basic information for every item of BPA property in the contractor's possession:

- Contract number
- Nomenclature or description of item
- Quantity received
- Quantity issued
- Balance on hand
- Posting reference and date of transaction
- Unit price/acquisition cost
- Location
- Disposition

(7) Custodial Records. Custodial records should be maintained for tool crib, security equipment, protective clothing and other items issued for the use of the contractor in the performance of the contract.

(b) Capitalized Equipment.

(1) The contractor shall maintain individual item records for each item of equipment having a unit cost of \$10,000 or more. Summary records may be maintained for equipment costing less than \$10,000 per unit, except where individual item records are necessary for effective control, calibration, or maintenance.

(2) In addition to the information required in 1.8(a)(6) above for each item of BPA-owned equipment having a unit cost of \$10,000 or more, the following information is required:

- (i) The manufacturer's name; model or part number;
- (ii) Serial number and year built;
- (iii) Identification number; and
- (iv) Acquisition and disposition document references and dates.

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(3) The CO may determine that the information in (2) (ii) and (iii) above should be recorded in the property records for equipment costing less than \$10,000, e.g., sensitive and safety equipment.

(4) Accessory and auxiliary items that are attached to, part of, or acquired for use with a specific item of capital equipment shall be recorded on the record of the associated item of capital equipment. When accessory and auxiliary items are permanently removed from the basic equipment, the cost of the basic item shall be appropriately reduced.

(c) Materials

(1) General. All BPA material furnished to the contractor, as well as other material to which title has passed to BPA by reason of allocation from contractor-owned stores or purchase by the contractor for direct charge to a BPA contract or otherwise, shall be recorded in accordance with the contractor's property control system and the requirements of this section.

(2) Consolidated stock record. When a contractor is provided BPA material under more than one contract, the CO may authorize a consolidated record for materials, if the total quantity of any item is allocated to each contract-by-contract number and each requisition of material from contractor-owned stores is charged to the contract on which the material is to be used.

(3) Use of receipt and issue documents. The CO may authorize the contractor to maintain, in lieu of stock records, a file of appropriately cross-referenced documents evidencing receipt, issue, and use of BPA-provided material that is issued for immediate consumption and, as a matter of sound business practice, is not entered in the inventory records.

(4) A multi-contract costs and material control system may be authorized for the physical identification of BPA material, if the contractor demonstrates that adoption of the system will result in savings or improved operations or is otherwise be in the interest of BPA.

1.9 RECEIPT OF BPA-FURNISHED AND CONTRACTOR-ACQUIRED PROPERTY.

(a) Receipts. The contractor shall furnish the COTR with written receipts for all or specified classes of BPA property prior to reimbursement. If evidence of receipt is required for contractor-acquired property, the contractor shall provide it before submitting a request for payment of the property. For BPA-furnished property, the contractor shall provide the required receipt immediately upon receipt of the property.

(1) Inspection, transfer. All BPA-furnished property shall be inspected and tested/operated by the contractor at the time of receipt. Any visible or other external evidence of damage or error in quantity should be noted on the property transfer document with the signature of the carrier's agent. As soon as possible, the contractor shall furnish the CO a full report of the damage or quantity error, including extent, apparent cause, and the estimated costs of repairs. Only that quantity of property actually received will be recorded on the official records.

(2) Inspection, acquisition. The contractor shall inspect at the time of receipt, all property that is acquired for the performance of the contract, and take necessary action with the vendor and/or carrier to correct or adjust for any damage or error in quantity.

(3) Warranty documentation. Procedures shall be established by the contractor to protect applicable warranty rights that accrue to BPA with the acquisition of BPA property.

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(b) Contractor-acquired property. The contractor shall take all actions necessary to adjust overages, shortages, or damages in shipment of contractor-acquired property from a vendor or supplier. However, when the shipment has been moved by Government bill of lading and carrier liability is indicated, the contractor shall report the discrepancy in accordance with Paragraph (a) above.

(c) Segregation. BPA property shall be segregated from contractor-owned property when feasible.

1.10 IDENTIFICATION.

The contractor shall identify, mark, and record all capital and sensitive items of equipment promptly upon receipt, with the exception of leased or rented equipment. The contractor shall permanently mark the property in a legible, conspicuous, and tamper-proof method to identify it as BPA-owned. The identification markings shall consist of a serial number and an indication of BPA ownership. This identification shall be maintained as long as such property remains in the custody, possession, or control of the contractor. Property identification numbers for BPA-furnished property will be provided to the contractor by the COTR. The contractor shall record applicable number(s) on receiving, shipping, and disposal documents, and any other documents pertaining to the property control system. The contractor shall remove or obliterate markings when BPA property is sold, scrapped, abandoned, or donated.

1.11 UTILIZATION.

It is BPA's policy that all BPA property furnished under a contract shall be fully utilized. The contractor's property and supply management practices shall assure that the maximum and best possible use is made of the property. Materials and equipment shall be limited to those items essential for effective execution of work performed under the contract. The use of BPA property for non-contract purposes is prohibited without the prior written consent of the CO.

1.12 PHYSICAL SECURITY, CARE AND MAINTENANCE.

(a) General. Controls such as property pass systems, memorandum records, marking of tools, regular or intermittent gate checks and perimeter fencing shall be implemented, (commensurate with the value of the property) to prevent loss, theft, or unauthorized movement of BPA property from the premises.

(1) The contractor shall ensure that effective procedures and practices are established for administrative and physical control of tagged and tracked property items before and after such items are issued. The CO shall contact Shared Services Personal Property group prior to providing the Contractor with instructions for tagging and tracking BPA property under the Capitalization threshold.

(2) At a minimum, controls on sensitive property shall include property records, memorandum receipts, bin or tool check systems, or combinations thereof. Procedures shall provide for physical inventories at least once each year, and methods for adjustment of inventory levels due to losses, thefts, and damages. More frequent inventories may be necessary when the value of the property, degree of security achieved, or loss experience indicates that more stringent controls are required to protect BPA's interest. Such procedures and practices shall be subject to the CO/COTR review and approval.

(b) Weather. The contractor shall ensure the protection of any BPA property that is susceptible to weather damage.

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(c) Care and Maintenance. The contractor shall be responsible for the proper care and maintenance of BPA property in its possession or control from the time of receipt until relief of responsibility, in accordance with sound economic industrial practice, the manufacturer's recommendation, and the terms of the contract. The removal of BPA property to storage, or its contemplated transfer, does not relieve the contractor of these responsibilities.

(d) Major repairs or rehabilitation. The contractor's maintenance program shall provide for disclosure to the COTR of the need for major repairs, replacement, and other rehabilitation work on BPA property in its possession or control.

(e) Records of maintenance. The contractor shall keep records listing the type of maintenance and repair performed and the associated cost. Upon completion of the contract the contractor shall provide the COTR with copies of the maintenance records. Deficiencies discovered as a result of inspections on BPA-furnished property shall be reported to COTR as soon as practical.

1.13 PHYSICAL INVENTORIES.

(a) General. The contractor shall conduct periodic physical inventories of all BPA property and shall cause subcontractors to do likewise. The contractor, with the approval of the CO, shall establish the type of inventory and procedures. The type of inventory should be based on the contractor's established practices, the type and use of BPA property involved, or the amount of BPA property involved and its monetary value, and the reliability of the contractor's property system. Procedures that are limited solely to a check-off of a listing of recorded property do not meet the requirements of a physical inventory. Personnel who perform the physical inventory shall not be the same individuals who maintain the property records or have custody of the property. The inventory shall be conducted in accordance with the following frequencies:

- (1) Permanently affixed plant (such as fencing, buildings, utilities, and systems - every 10 years;
- (2) Moveable capital equipment – Bi-annually;
- (3) Non-Capital equipment - annually; and
- (4) Stores inventories - annually.

(b) Reporting results of inventories. Results of the inventory must be recorded on the property records. The report shall include a signed statement that the inventory was completed on a certain date, the inventory method used, and that the physical inventory was found to be in agreement with the official property records, except for the discrepancies reported. The report shall contain all discrepancies disclosed by the physical inventory. As a minimum, the discrepancy listing shall contain the property number, nomenclature, and unit cost. The report and signed statement shall be furnished to the COTR no later than 30 days after completion of the physical inventory.

(c) Immediately upon termination or completion of a contract, the contractor shall perform and cause each subcontractor to perform a physical inventory and an assessment of condition (see Exhibit 1, Condition Code listing), adequate for disposal purposes, of all BPA property applicable to the contract. This inventory shall also include all BPA property in a subcontractor's possession or control, which applied to the completed or terminated contract. This inventory report shall be submitted to the CO for verification and disposal instructions.

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1.14 DISPOSITION.

(a) General. Property shall not be disposed of without prior approval of the CO. The contractor is responsible for disposing of all BPA property as provided in the contract or as directed by the CO. The contractor shall promptly advise the CO of any BPA property that becomes excess to the requirements for contract performance and shall take disposition action as directed.

(b) Disposal methods for supplies and materials. BPA may exercise its rights to require delivery of any contract supplies and materials inventory. If BPA does not exercise these rights, the contract inventory shall be disposed of by one of the following methods in the priority indicated:

(1) Return of contractor-acquired property to suppliers. The CO shall encourage contractors to return allocable quantities of contractor-acquired supplies and materials to suppliers for full credit less either the supplier's normal restocking charge or 25 percent of the cost, whichever is less.

(2) Purchase or retention at cost by prime contractor or subcontractor of contractor-acquired supplies and materials. The CO shall encourage contractors to purchase or retain contractor-acquired supplies and materials at cost. However, the contractor shall not include any part of the cost of supplies and materials purchased or retained in any claim for reimbursement against BPA. If a contractor purchases or retains contractor supplies and materials inventory for use on a continuing BPA contract that is subsequently terminated, the supplies and materials shall be allocated to the continuing contract, even though its purchase would otherwise constitute undue anticipation of production schedules.

(3) Sale at the fair market value of excess supplies and materials

(c) Disposal methods for property other than supplies and materials. BPA may exercise its rights to require delivery of any contract property other than supplies and materials inventory. If BPA does not exercise these rights, the contract inventory shall be disposed of by one of the following methods in the priority indicated:

(1) Deliver the property inventory to BPA for either reutilization or disposal by BPA.

(2) Purchase or retention at cost by prime contractor or subcontractor of CAP. The CO shall encourage contractors to purchase or retain contractor-acquired property other than supplies and materials at cost. However, the contractor shall not include any part of the cost of the property purchased or retained in any claim for reimbursement against BPA. If a contractor purchases or retains contractor property other than supplies and materials inventory for use on a continuing BPA contract that is subsequently terminated, the property shall be allocated to the continuing contract, even though its purchase would otherwise constitute undue anticipation of performance schedules.

(3) BPA will transfer title to the property to the contractor if BPA declares the property excess to BPA's needs.

(4) Destruction or abandonment. If determined that the property has no commercial value or no value to BPA, the estimated cost of care and handling exceeds any potential sale price, or does not constitute a danger to public health, safety, or welfare, the property may be abandoned or destroyed on the contractor's premises with written consent.

(5) Donation. If determination has been made by BPA, the property may be donated to public bodies or educational institutions in lieu of abandonment or destruction. All costs incident to the donation shall be borne by the donee.

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(d) Retirement. The contractor shall notify the COTR when capital equipment is worn out or damaged beyond economical repair. The CO shall provide to the contractor instructions as to the disposition of worn out or damaged property.

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Property Condition Codes

Disposal Code	Brief Definition	Expanded Definition	Depreciation Adjustment Factors
1	Excellent	Property that is in new condition or unused condition and can be used immediately without modifications or repairs.	100%
4	Usable	Property that shows some wear but can be used without significant repair.	75%
7	Repairable	Property which is unusable in its current condition but can be economically repaired	35%
X	Salvage	Property which has value in excess of its basic material content but repair or rehabilitation is impractical and/or uneconomical	5%
S	Scrap	Property which has no value except for its basic material content	0%
EO	Operable Electronics	Property that contains one or more of the e-waste defined elements but is still usable and could be sold for further use.	0%
E	E-waste	Property that contains one or more of the following: a circuit board, computer chip, plasma screen, cathode ray tube, lead or other hazardous materials that will cause environmental damage when disposed of improperly; such as personal computers and peripherals, communication equipment, and generally most electronic devices. ¹	For all E-Waste items, the Depreciation Adjustment Factors above are to be used to arrive at an accurate Adjusted Depreciation Value.

¹ If uncertain about contents, **assume** that it does contain one or more of the E-waste qualifying elements.