

DFARS Procedures, Guidance, and Information

PGI 245—Government Property

(Revised February 28, 2013)

PGI 245.4 – TITLE TO GOVERNMENT PROPERTY

PGI 245.402 Title to contractor-acquired property.

PGI 245.402-70 Policy.

(1) Title vests in the Government for all property acquired or fabricated by the contractor in accordance with specific requirements for passage of title in the contract. Oversight and visibility of this Government property, therefore, is limited to reviews and audits of contractor accounting and property management systems. Ad-hoc contractor generated reports of contractor-acquired property used by government personnel for “property accountability” can result in duplicate accountability records, inefficient operations, and increased program costs, and are discouraged.

(2) Contractor-acquired property items not anticipated at time of contract award, or not otherwise specified for delivery on an existing line item, shall be delivered to the Government on a contract line item. The value of that item shall be recorded at the original purchase cost or best estimate. Unless otherwise noted by the contractor at the time of delivery to the Government, the placed-in-service date shall be the date of acquisition or completed manufacture, if fabricated.

(3) Upon delivery and acceptance by the Government of contractor-acquired property items, and when retained by the contractor for continued use under a successor contract, these items become Government-furnished property (GFP). The items shall be added to the successor contract as GFP by contract modification.

(4) Individual contractor-acquired property items should be recorded in the contractor’s property management system at the contractor’s original purchase cost or best estimate.

(5) Financial/accounting treatment shall be in accordance with DoD Financial Management Regulations, DoD 7000.14-R, volume 4, chapter 6.

(6) To the extent that contractor-acquired material that is excess to the needs of the accountable contract is required on follow-on or other contracts, the costs of such property shall be credited to the losing contract; the gaining contract shall be debited accordingly. This supports the FAR 31.205-26 policy that material costs should be borne by the contract that consumes material when materials are required for specific contracts. This also complies with the requirements of DFARS clause [252.242-7004](#), Material Management Accounting Systems, requiring a material management and accounting system. This process applies only to contractor-acquired material. It does not apply to other contractor-acquired property, i.e., equipment, special tooling or special test equipment, or GFP.

(7) Contractor “credit-debit” systems and material management accounting systems do not involve or require contractual modifications for the transfer of material by credit as they are internal contractor accounting transactions. However, such systems should be reviewed for efficacy and efficiency by the DoD component responsible for contract administration.

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(8) All other contractor inventory that is excess to the needs of the contract shall be disposed of in accordance with FAR subpart 45.6.

(9) References: DoD Instruction 5000.64; FAR part 45 and its associated clauses; and FAR part 31; and DFARS clause [252.242-7004](#).

PGI 245.402-71 Delivery of contractor-acquired property.

(1)(i) When delivery of contractor-acquired property is required, the contracting officer shall direct that the delivery be accomplished by contract line item, except as described in paragraph (1)(ii) of this section.

(ii) In some circumstances, such as contractor-performed logistics support or performance-based logistics support contracts, contract deliverables consist of non-hardware items, such as operational readiness rate goals or mean-time-between failures of a system. In order to meet these deliverables, contractors are required to provide certain property items to the Government. In such cases, the contract does not include specific delivery line items requiring formal delivery of the property. By extension, the Government will not have title to the property at the time contractor provides the property. Rather, in such cases, title to the property passes to the Government—upon Government acceptance (as defined in FAR 46.101) of the items at the destination stated in the contract. Contracting officers shall ensure that the contract—

(A) Clearly defines how and when acceptance will be performed; and

(B) Includes applicable requirements for quality assurance, part marking, anti-counterfeiting, or other requirement for the delivery of the property.

(2) Each contract line item of contractor-acquired property shall include the following information:

Contractor-Acquired Property Delivery Contract Line Item

CLIN	Item Description/ Nomenclature	Type Designation	NSN	PIN	Quantity	Unit of Measure	Serial Number (UII) *	Original Unit Acquisition Cost	Date Placed in Service by the Contractor
x	x	As required	x	x	x	x	If known	x	x

*Contractor-acquired property items shall be marked as required by DFARS clause [252.245-7001](#).