



PUBLIC
CONTRACTING
INSTITUTE

Government Property

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Agenda

- What is government property? The difference between CAP and GFP.
- Where are the key requirements for government property found (FAR and Agency Supplements)?
- Property Lifecycle
- How does contract type affect treatment of government property? Understanding ownership and title to government property.

INTRODUCTION TO GOVERNMENT PROPERTY

What is Government Property?

- “Property” means all tangible property. Both real property and personal property.
 - Real property refers to land and any buildings or structures permanently affixed to the land.
 - Personal property refers to tangible property other than real property.
- “Government Property” (GP) means all property owned or leased by the Government.
 - It includes Real and Personal property.
 - It also includes Material (M), Equipment (E), Special Tooling (ST), and Special Test Equipment (STE).
 - It **does not** include Intellectual Property (IP) or Software.



Categories of Government Property?

- “Government-furnished Property” (GFP)
 - means property in the possession of, or directly acquired by, the Government,
 - And, subsequently furnished to the contractor for performance of a contract.
- Contractor Acquired Property” (CAP)
 - means property acquired, fabricated, or otherwise provided by the contractor for performing a contract
 - And, to which the Government has title.

Types of Property

- **Nonexpendable**

- Nonexpendable property is personal property that is not consumed in use and that retains its original identity during the period of use. This includes all non-consumable major end items
- Nonexpendable property requires formal accountability throughout the life of the item.

- **Expendable**

- Property that may be consumed in use or loses its identity in use and may be dropped from stock record accounts when it is issued or used.

- **Durable Property**

- Durable (D) property is personal property that is not consumed in use and that does not require property book accountability but, because of its unique characteristics, requires control when issued to the user. The following classes or types of property will be coded durable and responsibility assigned as follows:

FAR PART 45 – Government Property

[FAR Part 45 – Part 45 - Government Property | Acquisition.GOV](#)

Subpart 45.1 - General

- [45.101 Definitions.](#)
- [45.102 Policy.](#)
- [45.103 General.](#)
- [45.104 Responsibility and liability for Government property.](#)
- [45.105 Contractors' property management system compliance.](#)
- [45.106 Transferring accountability.](#)
- [45.107 Contract clauses.](#)

FAR Part 45.102 - Policy

- Contractors are ordinarily required to furnish **ALL** property necessary to perform Government contracts
- Contracting Officer's shall provide property to contractors only when it is clearly demonstrated
 1. To be in the Government's best interest
 2. Overall benefit outweighs increased admin costs including property disposal
 3. Does not increase Government's risk
 4. Government requirements cannot otherwise be met

45.103 General

- Allow contractors to use **voluntary consensus standards** and **industry practices**
 - are standards developed or adopted by domestic or international organizations (VC bodies) which plan, develop, establish or coordinate voluntary consensus standards using agreed-upon procedures.
 - Examples include American National Standards ANS Introduction (ANSI) or the National Property Management Association (NPMA)
- **Property Management Systems**
 - Agencies **will not** generally require contractors to establish property management systems that are separate from the contractor's established procedures, practices and systems

45.105 Contractor's Property Management System Compliance

- Contractor's property management systems are required to comply with contractual requirements.
- To verify compliance, the Government will perform periodic analysis of contractor's property management policies, procedures, practices, and systems IAW agency procedures.
- PA shall notify the contractor in writing when non-compliant
 - Request prompt correction of deficiencies
 - Request schedule for completion
 - Corrective Action Plan (CAP)

45.106 Transferring Accountability

- Government property shall be transferred from one contract to another only when firm requirements exist under the gaining contract
 - Modifications to both contracts
 - CAP will become Government-furnished property to the gaining contract
 - Government exempt from suitability of use warranty for CAP that is transferred to another contract with the same contractor

45.107 Contract Clauses

52.245-1 Government Property (June 2007)

Binding Upon Contractor and Government

- Use in ALL cost reimbursement, T&M, and labor hour type solicitations and contracts
- Fixed-price solicitations and contracts
- Part 12 procurements
- Guidance found for usage of clause at 45.107(a)
- This clause provides:
 - Definition
 - Property Management System
 - Use of Government Property
 - Government Furnished Property
 - Title to Government Property

Alternate I (Full Risk of Loss)

As prescribed in 45.107(a)(2), substitute the following for paragraph (h)(1) of the basic clause:

(h)(1) The **Contractor assumes the risk of, and shall be responsible for**, any loss, damage, destruction, or theft of GP upon its delivery to the Contractor as GFP.

However, the **Contractor is not responsible for reasonable wear and tear** to GP or for GP properly consumed in performing this contract.



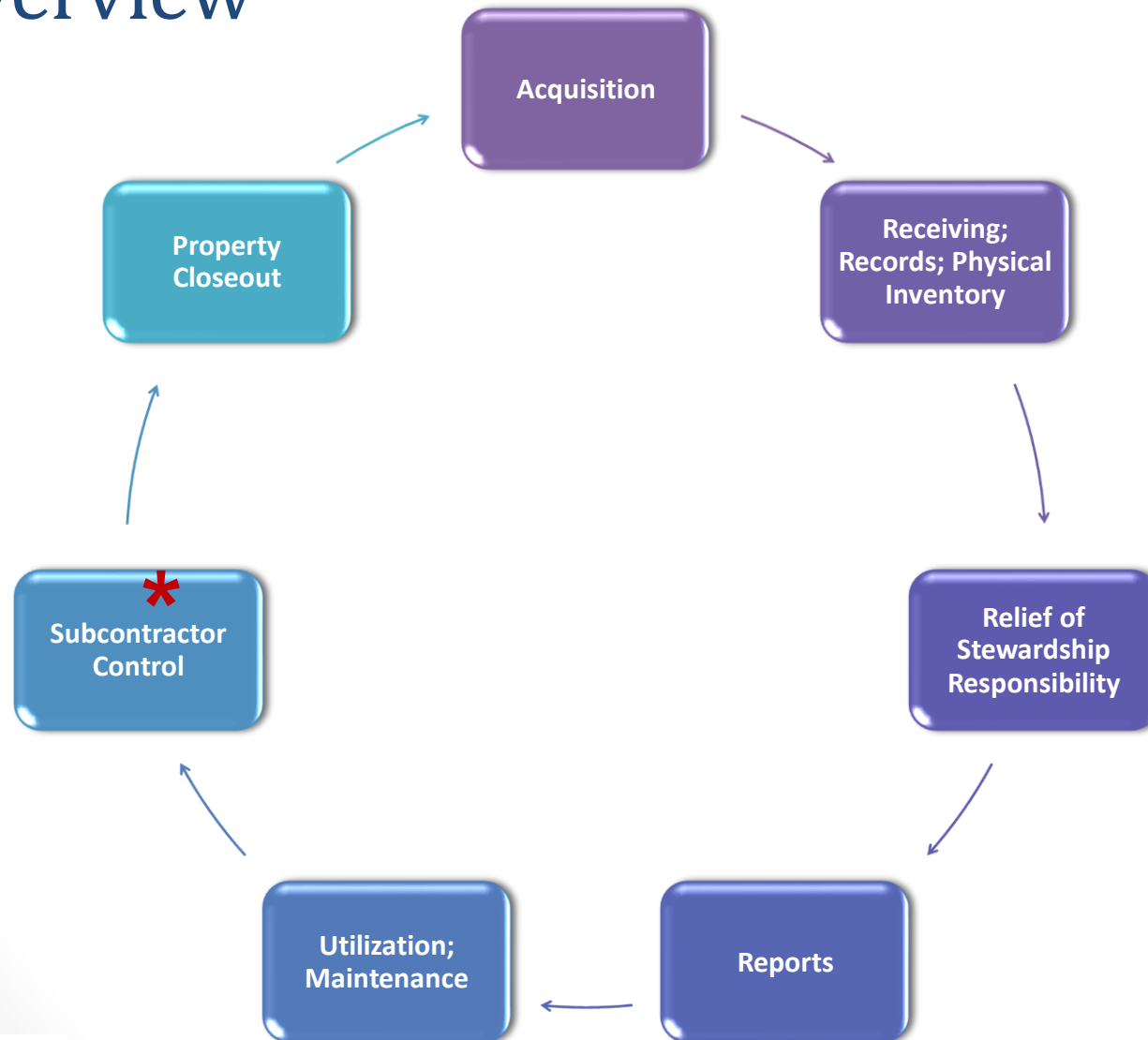
45.107 Contract Clauses

- 52.245-2 Government Property Installation Operation Services (June 2007) – services contracts to be performed on government installations.
- 52.245-9 Use and Charges (June 2007) – use when 52.245-1 is included
 - Contractor may use government property without charge
 - Contractor may rent government property with prior approval and clearance
 - Requires ACO approval
 - Rental fees must be payable to Treasurer of the U.S.

GOVERNMENT PROPERTY LIFECYCLE

Pre Award, Post Award, Closeout

Government Property Lifecycle: Overview



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Pre-award Phase

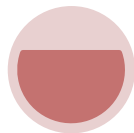
45.201- Solicitation

Governments' responsibility during the solicitation:

- Solicitation should describe evaluation procedures and require offerors to submit
 - List or description of GP that it proposes to use (acquired and furnished)
 - Dates property will be available for use
 - Amount of rent that would otherwise be charged
 - Property Management Plan (may be evaluated)
- Specify responsible party for costs of making GP available (transportation, installation or rehab costs)

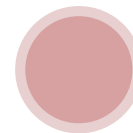


Pre-Award



Post-Award

Administration
&
Maintenance



Close Out

Contractor Responsibility

- *Property Management Plan*
- **A special plan does not have to be created for the government.** Use the plans your company has in place, as long as they are consistent with the solicitation requirements, voluntary consensus standards, and/or industry-leading practices.
- *Clause 52.245-1(b) states:*
“In doing so, the Contractor shall initiate and maintain the processes, systems, procedures, records, and methodologies necessary for effective control of Government property, consistent with voluntary consensus standards and/or industry-leading practices and standards for Government property management except where inconsistent with law or regulation.”



Post-Award Phase

- Effective administration and maintenance of the accountability and control system for GP is required. Records accurately reflect asset activities and appropriate contract execution.
- Property that is furnished, acquired, or produced under contract is government property.



Post-Award Phase

- How does a contractor get property from the government?
 - Issued from stock
 - Leased by Government then furnished to contractor
 - In some cases, transferred:
 - From Government to a contractor
 - From contractor to another contractor (via a contract), or
 - From contract to contract

- When GP is furnished to a contractor, a property transfer transaction occurs
- Transfers are complete when both parties, Government and contractor, obtain copies of the transaction
- Agencies may use their own transfer forms to document the transaction
- **When the Government transfers GFP to a contractor, the contractor assumes stewardship responsibilities upon receipt.**
- Transferring GFP from a contractor to a subcontractor, or to another contractor location, does not relieve the contractor from stewardship responsibility.

Post-Award Phase

- Status of GP must be maintained
 - Placed in use
 - Placed in maintenance
 - Removed from use/Placed in storage
 - Retired
 - Disposed



Inventory

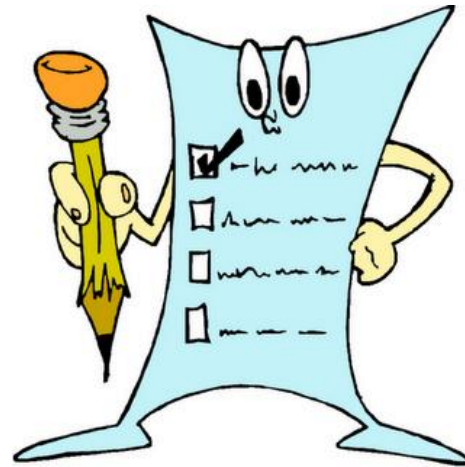
- At contract start, conduct physical inventory of accountable GP provided or acquired with contract funds, as well as any property being leased/rented with contract funds.
- If follow-on, conduct joint inventory with previous contractor. Start-up inventory may be done concurrently with the transfer from previous contractor.
- Note any discrepancies with GFP listing in contract.
- Inventory includes:
 - Decal Number
 - Manufacturer's Name
 - Manufacturer's Model Number
 - Manufacturer's Serial Number

Inventory

- Inventory of GP should be based on the following:
 - Requirements within the contract
 - Contractor's Established Practices
 - Type of Government Property
 - CAP, GFP
 - Use of Government Property
 - Criticality/Sensitivity of Government Property

Inventory Report

- Record/reconcile inventory results with property clause in contract, and submit report to Contract Property Administrator
- Explain all overages, shortages and damages.
- Include name of property contact in report.
- Should be consolidated inventory report of all GP, including subcontractor inventory.



Roles during Post-Award Phase

Program Manager

Stewardship - the activity or job of protecting and being responsible for something

Administration, maintenance & reporting



Property Administrator (PA)

Provides guidance on physical inventories and property management systems. Also, the PA plays a vital role in keeping the contractor's property records accurate and complete.

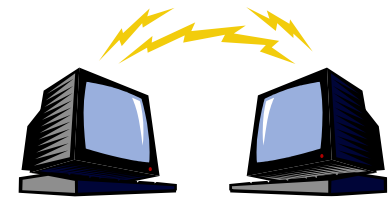
Helps ensure the contractor appropriately manages property. The PA is the individual who performs the review of the contractor's property management system.



Contracting Officer

Serves as a liaison between the Contracting Officer and the contractor

Monitors the contractor's performance under the contract

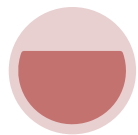


Property Disposal

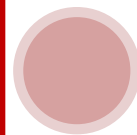
- Contractors are normally given the task of property disposal. The Government oversees this entire process.
- A contractor cannot dispose of Contractor Inventory on a contract without Government approval.
- FAR 52.245-1 provides the approval and disposal processes and assigns the oversight responsibilities of the Government.



Pre-Award



Post-Award



Close Out
- Disposal

45.6 Reporting, Reutilization and Disposal

- Establishes policy for reporting, reutilization and disposal of contractor inventory excess to contracts and of property that forms the basis of a claim against the Government.
 - **Does not apply to disposal of real property** or property to which the Government has a lien or title solely as a result of advance, progress, or performance-based payments that have been liquidated



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45.602 Reutilization of Government Property

- Applies to the reutilization, including transfer and donation, of Government Property that is not required for continued performance of a contract.
- Reutilization priorities established at 45.602-2.
 - Include internal agency usage
 - Transfer to other agencies and GSA



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45.604 Disposal Methods

Contractor Inventory Disposal

- Except as otherwise provided for in the contract, *the Contractor shall not dispose of Contractor inventory until authorized to do so by the Government.*

Disposal Methods

- Abandonment of Government Property
- The Government shall not abandon sensitive Government property or termination inventory without the **Contractor's written consent.**
- Sale of surplus property
- Disposal of scrap
- Destruction

Communication and Contracts outside the US

- All communications under clause 52.245-1 shall be in writing
- If the contract is to be performed outside of the US and its outlying areas, the words "Government" and "Government-furnished" shall be construed as "US Government" and "US Government furnished"

45.605 Inventory Disposal Reports

- Inventory disposal reports
 - The plant clearance officer shall promptly prepare an SF 1424, Inventory Disposal Report, following disposition of the property identified on an inventory disposal schedule or scrap list and the crediting of any related proceeds.

Property Disposal

The following forms are prescribed by the FAR for disposal

- **SF 120**, Report of Excess Personal Property
 - The screening period begins upon the plant clearance officer's acceptance of an inventory disposal schedule. SF 120 must be submitted NLT 21st day.
- **SF 1423**, Inventory Verification Survey
 - to verify accepted scrap lists, in accordance with agency procedures
- **SF 1424**, Inventory Disposal Report
 - disposition of the property identified on an inventory disposal schedule or scrap list and the crediting of any related proceeds.
 - The report shall identify any lost, stolen, damaged, destroyed, or otherwise unaccounted for property and any changes in quantity or value of the property made by the contractor after submission of the initial inventory disposal schedule. (address to CO with copy to PA)
- **SF 1428**, Inventory Schedule
 - Plant clearance officers should review and accept, or return for correction, inventory disposal schedules within 10 days following receipt from a contractor
- See FAR Part 53.3

Contract Close-Out

- Final Inventory
 - Covers all property (furnished or acquired) under contract, including nonexpendable/expendable property items regardless of cost, and supply items and material not consumed during contract.
 - Includes accrued lease credits for lease property.
 - Includes subcontractor inventory.
 - Notify PA of any discrepancies.
 - Failure to provide final inventory can result in delay of contract close-out and final payment.
 - Include decontamination certification.
 - If GP being transferred to another contract, conduct joint inventory.
 - If Government terminates for convenience, termination inventory requirements the same as final inventory.

Contract Close-Out

- Disposition of Property
 - PA provides instructions for disposition of property.
 - Contractor responsible for property until final disposition completed.
- Disposal Options – Cost-Reimbursement
 - Contractor to buy CAP at 100% of acquisition value.
 - Return items to original supplier for credit, less restocking charge.
 - Transfer all/part of inventory to another contract.
 - Transfer inventory to licensee by means of a Revocable License Agreement for a loan.
 - Return inventory to HHS.
 - Report inventory as excess.
- Government may consider additional options including sale to public, donation, abandonment, or scrapping destruction.

IUID Data Requirements

- (d) *Data for reporting to the IUID Registry.*
 - (1) Received/Sent (shipped) date.
 - (2) Status code.
 - (3) Accountable Gov't contract number.
 - (4) Commercial and Government Entity (CAGE) code on the accountable Gov't contract.
 - (6) Appropriate supply condition code, required only for reporting of reparable, per Appendix 2 of DoD 4000.25-2-M, Military Standard Transaction Reporting and Accounting Procedures manual (http://www2.dla.mil/j-6/dlmso/elibrary/manuals/dlm/dlm_pubs.asp).

PCARSS

- The Plant Clearance Automated Reutilization Screening System (PCARSS) application
 - automates the process for reporting, screening, requisitioning, and dispositioning excess Gov't property located at contractor facilities.
 - Used for contractor inventory
 - **Contractor Inventory is property in the possession of a Contractor or its subcontractor, to which the Government has title**, which is no longer needed for contract performance

PCARSS allows:

Acquiring agencies/Plant Clearance Officers (PLCOs)

- View excess property, create requisitions, & see the status of current requisitions.
- Create, review & accept, modify, or reject inventory schedules
- Create and modify plant clearance cases and referrals
- Create, complete or delegate inventory verifications
- Create, review and accept, modify, or reject requisitions
- Issue shipping instructions, sale instructions or other disposition instructions

Contractors:

- Create, modify, and submit inventory schedules
- Conduct Sales
- Input shipping and disposition information

PCARSS 3.0 replaces the current client server system used by PLCOs as well as the Web Application for Contractors and Screeners.

[PCARSS Registration Quick Reference](#)

PCARSS

- If the contract includes [DFARS 252.245-7004](#) Reporting, Reutilization, and Disposal, inventory disposal schedules are to be submitted electronically using the Plant Clearance Automated Reutilization Screening System (PCARSS)
- The Contractor does not have to wait until the contract is complete to begin disposal actions.

- SEE PCARSS Samples

Acquisition Insight



Global Engagement

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[ABOUT US](#)[CUSTOMERS](#)[EMPLOYEES](#)[eBUSINESS](#)[SMALL BUSINESS](#)[NEWS ROOM](#)[Template](#)[Flat File Transfer](#)[Users Group](#)[PCARSS Reports](#)[Computer-based Training](#)[Users Manual](#)[Student Guide - Application](#)[Student Guide - Reports](#)[Student Workbook](#)**PLANT CLEARANCE AUTOMATED REUTILIZATION SCREENING SYSTEM****Welcome to Plant Clearance Automated Reutilization Screening System (PCARSS)**

The Plant Clearance Automated Reutilization Screening System (PCARSS) version 3.8 automates the process for reporting, screening, requisitioning, and dispositioning of excess property located at contractor facilities.

PCARSS allows:

- Acquiring agencies to view excess property, create requisitions, and approve the requisitions.
- Plant Clearance Officers (PLCOs) to
 - Create, review and accept, modify, or reject inventory schedules
 - Create and modify plant clearance cases and referrals
 - Create, complete or delegate inventory verifications

IUID Data Requirements

- (e) When Government-furnished property is in the possession of subcontractors, Contractors shall ensure that reporting is accomplished using the data elements required in paragraph (d) of this clause (i.e. *Data for reporting to the IUID Registry*)
- (f) *Procedures for reporting of Government-furnished property.*
 - Contractor shall establish and report to the IUID Registry the information required by FAR clause 52.245-1, paragraphs (e) and (f)(1)(iii), in accordance with the data submission procedures at http://www.acq.osd.mil/dpap/pdi/uid/data_submission_information.html.

Title to Government Property By Contract Type

45.4 Title to Government Property (GFP)

- 45.401 Title to Government-Furnished Property (GFP)
 - Government retains title to all GFP until properly disposed of
 - Includes property that is leased by Government and furnished to contractor for use
 - Title is not affected by its incorporation into or attachment to any property not owned by Government, nor shall Government property become a fixture or lose its identity as personal property by being attached to any real property.



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Title to Government Property

Title to each item of equipment, special test equipment and special tooling **acquired by the Contractor** for the Government under this contract **shall pass to and vest in the Government**

- when its use in performing this contract ends
- when the Government has paid for it

whichever is earlier, whether or not title previously vested in the Government.

45.402 Title to Contractor-Acquired Property (CAP)

Contract Type

Fixed Price

Cost Type and T&M

Title

Contractor retains title to all property acquired by the contractor for use on the contract except property identified as a deliverable end item

Govt acquires title to all property to which the contractor is entitled to reimbursement

Exceptions:

- Where there is “willful misconduct” or, “lack of good faith”
- Fixed Price subject to submission of cost & pricing data

Title to Government Property – Fixed Price

- The Contractor retains title to all property it acquires for use on the contract, except
 - Property identified as a deliverable end item
 - As directed by contract to purchase and reimbursement is made as direct cost
- Title passes to Government upon
 - Delivery
 - Issuance of property for use in contract performance
 - Commencement of processing the property, and
 - Reimbursement by the Government, whichever occurs first

Title to Government Property – CR, T&M

- Title to property purchased by the Contractor where the *Contractor is entitled to reimbursement as a direct item of cost* under the contract, passes to the Government upon delivery of the property.
- Title to all other property where costs are reimbursable to the Contractor passes to Government upon
 - Issuance of property for use in contract performance
 - Commencement of processing the property for use in contract performance, and
 - Reimbursement of cost by the Government, whichever occurs first

Government Property Compliance

Audit Program Structure

Determine requirement for audit

Research and Planning/Risk Assessment

Entrance Conference and System Demonstration

Contractor Internal Control Evaluation

Risk Assessment

Testing

Concluding Steps

Government Property System Criteria

1. PMSA Element 1 - Written Procedures
2. PMSA Element 2 - Contractor Self-Assessment
3. PMSA Element 3 - Acquisition
4. PMSA Element 4 – Receiving
5. PMSA Element 5 - Discrepancies Incident to Shipment
6. PMSA Element 6 - Identification
7. PMSA Element 7 - Records
8. PMSA Element 8 - Receipt and Issue System
9. PMSA Element 9 - Physical Inventory
10. PMSA Element 10 - Subcontractor Awards and Flow Down
11. PMSA Element 11 - Subcontractor Reviews
12. PMSA Element 12 - Reports
13. PMSA Element 13 - Relief of Stewardship
14. PMSA Element 14 – Utilization
15. PMSA Element 15 - Declaration of Excess
16. PMSA Element 16 – Consumption
17. PMSA Element 17 – Movement
18. PMSA Element 18 – Storage
19. PMSA Element 19 - Storage Commingling
20. PMSA Element 20 – Maintenance
21. PMSA Element 21 – Disposal
22. PMSA Element 22 - Property Closeout

Polling Questions

Questions



Contact Information

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