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NASA Procedural Requirements

NPR 4500.1

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COMPLIANCE IS MANDATORY FOR NASA EMPLOYEES

Administration of Property in the Custody of Contractors

Responsible Office: Office of Strategic Infrastructure

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Preface

P.1 Purpose

- a. The largest quantities and values of Government-owned property, acquired for execution of NASA programs, are in the hands of NASA's contractors. This procedural requirement describes the responsibilities and requirements to ensure uniformity and consistency in the administration of contract provisions relating to Government Property (GP) being used by and in the possession or custody of contractors.
- b. This procedural requirement provides specific instructions for the administration of GP, pertaining to procedures and techniques consistent with contract requirements, voluntary consensus standards (VCS), customary commercial practice (CCP), and industry leading practices and standards (ILPS), to ensure performance of property management to protect the interests of the Government at best value through uniform administration of NASA and other Agency contract property practices.
- c. Generally, this procedural requirement is intended to address administration of property that has been provided to contractors under the requirements of the Federal Acquisition Regulation (FAR), "Government Property" clause, FAR 52.245-1. However, in instances in which Contractors are required to perform within NASA Centers and Installations, management of property used by contractors and recordkeeping is predominantly conducted in accordance with the NASA FAR Supplement (NFS) Installation Accountable Government Property (IAGP) clause, NFS 1852.245-1, and the NASA Policy Directives and Procedural Requirements cited therein.

P.2 Applicability

- a. This procedural requirement is applicable to NASA Headquarters and NASA Centers, including Component Facilities and Technical and Service Support Centers. This procedural requirement applies to the Jet Propulsion Laboratory (a Federally Funded Research and Development Center) and other contractors only to the extent specified or referenced in the appropriate contracts.
- b. Policy and procedures for the conduct of property administration when delegated to individuals from other agencies are contained in their own guidance and within official letters of delegation.
- c. In this procedural requirement, all mandatory actions (i.e., requirements) are denoted by statements containing the term "shall." The terms "may" or "can" denote discretionary privilege or permission, "should" denotes a good practice and is recommended, but not required, "will" denotes expected outcome, and "are/is" denotes descriptive material.
- d. In this procedural requirement, all document citations are assumed to be the latest version unless otherwise noted.
- e. If a portion of this document conflicts with the requirements of the FAR or the NFS, the requirements of the FAR or NFS shall take precedence.

P.3 Authority

- a. Public Buildings, Property, and Works, 40 United States Code (U.S.C.), pt. 101 et seq.
- b. The National Aeronautics and Space Act, 51 U.S.C. et seq.
- c. Federal Management Regulation (FMR), 41 C.F.R. pt. 102, subchapter B, Personal Property.
- d. Federal Acquisition Regulation (FAR), Government Property, 48 C.F.R. pt. 45; Solicitation Provisions and Contract Clauses, 48 C.F.R. pt. 52; and NASA FAR Supplement (NFS), Government Property, 48 C.F.R. pts. 1845 and 1852.
- e. NPD 4500.1, Administration of Property in the Custody of Contractors.

P.4 Applicable Documents and Forms

- a. Public Money, Property or Record, 18 U.S.C, pt. 641.
- b. NPD 4300.1, NASA Personal Property Disposal Policy.
- c. NPR 4100.1, NASA Materials Inventory Management Manual.
- d. NPR 4200.1, NASA Equipment Management Procedural Requirements.
- e. NPR 4300.1, NASA Personal Property Disposal Procedural Requirements.
- f. NPR 5800.1, Grant and Cooperative Agreement Handbook.
- g. NPR 6200.1, NASA Transportation and General Traffic Management.
- h. NPR 9250.1, Property, Plant, and Equipment and Operating Supplies.
- i. NASA Form 1018, NASA Property in the Custody of Contractors.
- j. NASA Form 1430C, Property Administration: Letter of Delegation (LOD) for NASA Contracts.
- k. NASA Form 1430D, Plant Clearance: Letter of Delegation (LOD) for NASA Contracts.
- l. DOD 4000.25-1-M, Military Standard Requisitioning and Issuing Procedure, <http://www.dtic.mil/whs/directives/corres/pdf/40002501m.pdf>.

P.5 Measurement and Verification

Measurement occurs through various reports defined in Chapter 6 and through the NASA Form 1018 Electronic Submission System.

P.6 Cancellation

None.

/S/

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Chapter 1. Administration of NASA Property in the Custody of Contractors

1.1 Objectives of Property Administration

The primary objective of the property administration function is to attain efficient and economic management of all GP provided to or used by Government contractors in the performance of contracts. Success in meeting this objective is based on effective management of risk and realization of cost benefits associated with effective management of Government personal property assets by the contractor. A secondary benefit associated with effective property administration is ensuring the availability of GP for effective contract performance. The final benefit occurs when contractor inventory is made available for full and appropriate reuse on other Federal Government or public activities. The benefits of these activities are balanced against the cost of administration, by both the contractor and the Government.

1.2 Scope

1.2.1 The scope of property administration efforts is determined by the contractual and regulatory requirements, the amount and types of GP, and the complexity of the contractor's Property Management System (PMS).

1.2.2 Property administration begins prior to award of a contract when the Industrial Property Officer (IPO) participates in the construction of the solicitation by assisting the CO in determining the appropriate application of clauses, terms, and solicitation provisions based on the anticipated contract circumstances.

1.2.3 Property administration continues through the solicitation phase where the IPO provides advice to the CO regarding GP issues that may arise, evaluating proposal material related to GP, and evaluating or providing any known information on the contractor's past performance of property management. The IPO may seek the assistance of the Property Administrator (PA) in the award process through the PA's evaluation of the contractor's proposed contractor plans, methods, standards, procedures, and practices and by providing any known information on the contractor's past performance of property management.

1.2.4 Property administration continues throughout contract execution as the PA oversees and evaluates contractor performance of GP management through the Property Management System Audit (PMSA) process and by reviewing property reports, including but not limited to those of loss, damage, destruction, or theft of GP. These evaluations are critical to determining the level of risk to the Government associated with providing property.

1.2.5 Property administration concludes only when all GP is appropriately dispositioned and all property related actions are complete and documented.

1.3 Authorities

1.3.1 FAR and NFS authorize and require COs to perform the functions and activities of the position as specified in their appointment or warrant. Property administration is one of the functions of overall contract administration.

1.3.2 NASA Center IPOs are appointed by the Center Director to coordinate and provide Center-level management oversight of all contract property administration activities at and between NASA Centers.

1.3.3 NASA PAs are, typically, civil servants, appointed as industrial property management specialists. Property administration involves tasks that often call for the development of contract requirements and the evaluation of a contractor's performance of Government work. As such, it is considered by Office of Federal Procurement Policy Letter 11-01 to be "functions closely associated with inherently governmental functions." Should Centers choose to employ contractors in performance of these functions, they should employ the checklist at Appendix C. of the aforementioned policy letter to assure that contractor efforts do not impinge on inherently Governmental activities.

1.3.3.1 Authority to perform the property administration duties is usually delegated on a contract-by-contract basis by the CO through an official Property Administration: Letter of Delegation (LOD) for NASA Contracts, NASA Form 1430C.

1.3.3.2 Delegation of the entire functions of property administration and/or plant clearance may be made by formal, written notice of the Center Procurement Officer to the Center IPO, and acceptance by the IPO.

1.3.3.3 Authority to perform PA and Plant Clearance Officer (PICO) duties may be delegated by other means. However, performance and authority must be consistent with this requirement and those of FAR and NFS. To assure compliance with contract property management and general property management requirements, such alternate delegations must have the concurrence of the Manager, Contract Property Program, Headquarters Logistics Management Division, Office of Strategic Infrastructure.

1.3.4 NASA PICOs are appointed by the Center Procurement Officer with a Property Sales Officer's warrant.

1.4 Responsibilities

1.4.1 Center Directors; Executive Director, Headquarters Operations; and Director, NASA Shared Services Center.

1.4.1.1 Center Directors, the Executive Director, Headquarters Operations, and the Director of the NASA Shared Services Center shall provide direction to ensure that personnel under their authority comply with the requirements of this NASA Procedural Requirement (NPR).

1.4.1.2 As each Center and the NASA Shared Services Center retain the ability to award contracts, Center Directors, Executive Directors, Headquarters Operations, and the Director, NASA Shared Services Center shall appoint a qualified individual to serve as the IPO at their Center or installation.

1.4.2 Contracting Officer

1.4.2.1 In accordance with NFS 1845.103-70, the CO is responsible for all business activities under

his or her contracts. Effective property management is one of the business activities. As such, the CO is required to ensure that GP is managed and dispositioned according to FAR, Federal Management Regulation (FMR), the NFS and, NASA Policy Documents (NPD) and NPR.

1.4.2.2 Contractors are ordinarily required to furnish all property needed to perform Government contracts. However, under certain circumstances the CO may determine that it is in the Government's best interest to provide GP to contractors. Providing property includes the physical transfer of Government-owned property to a contractor, known as Government furnished property (GFP). Providing property also includes authorizing the contractor to acquire property when the property will become titled to the Government under the FAR Government Property Clause.

1.4.2.3 Unless contractors have been approved to "self-screen," NFS 1845.106-70 requires that COs provide copies of approved requests for providing property to the Center IPO so screening of available NASA inventory, and other agencies' excess may take place in accordance with the requirements of FAR pt. 8.

1.4.2.4 The NASA FAR Supplement, at 1845.103-70(f) requires that COs provide copies of approved requests for providing property to the Center Deputy Chief Financial Officer when it is likely that the unit cost of items to be acquired, furnished, constructed, or fabricated will meet or exceed the NASA capitalization threshold of \$100,000.

1.4.2.5 NFS 1845.503-70 requires that COs delegate property administration whenever a contract is to be performed outside of a NASA Center or installation; when a cost type contract is awarded; when GP is furnished under a fixed price contract; or when a cost line item is allowed or used under a fixed price contract. However, where there is a Center IPO responsible for administration of GP and a delegation has been made to the IPO, decisions regarding redelegation or retention of administration of GP will be made by the IPO

1.4.2.6 COs are required to obtain the concurrence of the transportation officer, in accordance with NFS 1851.202, before providing motor vehicles to the contractor.

1.4.2.7 NFS 1845.503-71 allows COs to retain property administration responsibilities when the delegation of property administration is not appropriate due to national security constraints or for other similarly critical reasons. When this occurs, all required property administration activities described in this NPR are performed by and remain the responsibility of the CO. In those circumstances where responsibility for administration of GP (including delegations) has not been assigned or delegated to the IPO or when COs believe it appropriate to retain property administration or plant clearance functions, the NFS requires that he or she must:

- a. Obtain the approval of the head of their contracting activity.
- b. Provide a plan and schedule for property administration to the Center IPO.
- c. Provide any decisions to relieve the contractor of responsibility or hold the contractor responsible for loss, damage, destruction, or theft to the Center IPO.
- d. Perform the annual PMSA.
- e. Provide the results of each PMSA to the Center IPO.
- f. Verify and properly route any annual reports of GP due for property management or financial reporting purposes.

(1) This requires a review of annual reports of NASA Property in the Custody of Contractors, NASA Form 1018, and verify the contractor's property system is capable of providing accurate report data.

(2) User status can be obtained within the NASA Form 1018 Electronic Submission System (NESS) to complete these actions.

1.4.2.8 The NFS requires that COs delegate plant clearance responsibilities, which is typically accomplished through a Department of Defense (DOD) PICO, when contracts are performed outside of a NASA Center or Installation. The NFS allows COs to retain plant clearance for property dispositioned outside of a NASA Center or Installation when support from DOD is not available or not appropriate due to national security constraints or for other similarly critical reasons.

1.4.2.9 NFS 1845.503-71 requires that, when COs retain plant clearance authority, they shall perform plant clearance activities in accordance with FAR subpart 45.6 and Federal Management Regulation, 41. CFR pt. 102, subchapter B, Personal Property. This activity includes preparation and submission of all required disposition reports, coordination with the General Services Administration through the NASA Center Property Disposal Officer (PDO), communication of disposition instructions to the contractor, processing of proceeds for disposition sales, and closeout of disposition actions.

1.4.3 Industrial Property Officer

1.4.3.1 The IPO shall serve as the Center expert in contract property matters, advising COs, Program and Project Managers, and other Center officials on Center logistics activities and correct methods, processes, and requirements for managing GP in the custody of NASA contractors.

1.4.3.2 In order to function effectively as the Center expert on contract property matters, the IPO shall be an individual who possesses significant training and experience not limited to property management. In addition to training and significant experience in property management, the IPO should have training and experience in contract award and administration processes, implementation of management controls and accountability, and audit requirements and performance. Additional training related to management of personnel, leadership, and supervision is also necessary. Training on industrial property management as well as contract award and administration is available from Defense Acquisition University (DAU). It is highly recommended that individuals appointed to the IPO function have, at a minimum, completed sufficient coursework and obtained sufficient experience to qualify for DAU Industrial and/or Contract Property Management Certification Level III. Additional certification as a Certified Professional Property Manager from the National Property Management Association, with specialization in contract property management, is encouraged.

1.4.3.3 The IPO shall participate in acquisition planning sessions to provide advice on logistics and GFP aspects of planned acquisition actions. The IPO should remind all parties of the increased risk, to both performance and to the property itself, associated with providing GP to contractors.

1.4.3.4 The IPO shall review proposed solicitations to ensure property management issues are correctly addressed through the use of appropriate contract language and clauses and that the response establishes appropriate management controls and addresses any special anticipated contract circumstances.

a. The IPO shall advise the CO of any needed changes to solicitations.

1.4.3.5 The IPO shall review contractor proposals to determine if they are responsive to solicitation provisions requiring the submission of plans, practices, systems, and standards and that they address

all contract requirements and relevant property system functions. The IPO will consult with cognizant PAs to determine whether the contractor's proposed plans, practices, systems, and standards differ significantly from those already employed at the contractor's place of performance. The IPO should:

- a. Seek the PA's assessment of past and current performance of property management at that contractor's place of performance.
- b. Participate in proposal evaluations (preaward or change proposals) and provide written findings to the CO identifying proposal strengths and weaknesses relative to GP issues.
- c. Provide evaluations of contractor's past and present property management performance during the acquisition process.

1.4.3.6 The IPO shall assist the CO in establishing appropriate property administration and plant clearance for contracts, including assisting in establishing external delegations when appropriate.

1.4.3.7 The IPO shall participate in postaward conferences when requested by the CO and when adequate property management is needed to ensure timely and cost effective performance.

1.4.3.8 When the CO retains either property administration or plant clearance functions, the IPO shall review the CO's plan for execution of those activities. After reviewing the CO's plan, the IPO will prescribe any reports, actions, or procedures they determine to be needed to ensure compliance with FAR, FMR, NASA Policy and Procedural Requirements, and Center implementing procedures.

1.4.3.9 When property administration, plant clearance, or reporting is required, the IPO shall accept and process contracts into the NASA Electronic Submission System (NESS) and ensure that the data associated with the initiation of the automated records is complete and accurate.

1.4.3.10 When reports are required by the NASA Grant and Cooperative Agreement Handbook, NPR 5800.1, IPOs shall ensure reports of property in the custody of grant and cooperative agreement recipients are entered into NESS.

1.4.3.11 In the performance of Property Management System Audits, the IPO shall review and approve or disapprove the work of subordinate PAs to ensure compliance with Generally Accepted Government Audit Standards prior to making recommendations to the CO.

1.4.3.12 The IPO shall review reports submitted by internal and external Agency PAs and provide the NASA CO an evaluation of whether the contractor's system adequately performs within contract requirements and a recommendation of any necessary remedial actions.

1.4.4 NASA Property Administrators

1.4.4.1 In order to function effectively as the individual responsible for evaluation of contractor property performance, the PA shall be an individual possessing significant training and experience not limited to property management. In addition to training and significant experience in property management, the PA should have training and experience in contract award and administration processes, implementation of management controls and accountability, and audit requirements and performance. Training on industrial property management as well as contract award and administration is available from DAU. It is highly recommended that individuals appointed to the PA function have, at a minimum, completed sufficient coursework and obtained sufficient experience to qualify for DAU Industrial and/or Contract Property Management Certification Level

II. Additional certification as a Certified Professional Property Manager from the National Property Management Association with specialization in contract property management is encouraged.

1.4.4.2 The PA is the representative of the CO regarding the contractual and technical aspects of GP. As such, the PA is part of the contract administration team. The principal responsibility of the PA is line administration of the property management-related terms of the contract. These terms are specifically related to the contractor's obligations to acquire, control, protect, use, maintain, report, disposition, and in some cases deliver GP. The PA shall:

- a. Accept appropriate delegations of property administration and acknowledge that acceptance according to Center procedures and utilize these procedural requirements to perform property administration functions.
- b. Establish and maintain the official contract property data files.
- c. Review the contractor's reports regarding investigation of reported physical inventory discrepancies and variances to determine actual gains and losses.
- d. Review the contractor's reports regarding investigation of occurrences of loss, theft, damage, or destruction (LTDD) of GP. Recommend remedial action by the CO, including holding the contractor liable for LTDD, when the contractor's property system is deemed inadequate and corrective actions are not taken or when the circumstances surrounding incidents of LTDD indicate fraud or lack of good faith by the contractor's managerial personnel.
- e. Provide the CO with recommendations concerning contractor responsibility and liability for LTDD of property on the basis of contract terms and conditions.
- f. Perform duties and responsibilities as prescribed by the FAR 52.245-1, "Government Property" clause, NFS 1845.505-70, and this NPR.
- g. Develop and apply risk-based assessment strategies in the performance of property management.
- h. Plan, develop, and perform the PMSA to assess and determine the effectiveness of the contractor's Property Management Systems.
- i. Evaluate the contractor's internal audit processes, procedures, and results and assist in the development of the protocols for their use in evaluating the contractor's property management processes.
- j. Evaluate the contractor's compliance with contractual requirements and ILPS to determine the adequacy of the contractor's property management processes throughout the property life cycle.
- k. Ensure correction of property management process inadequacies, defects, and deficiencies, and notify the contractor when system defects or deficiencies create an unacceptable risk to the Government.
- l. Advise the CO and other appropriate Government customers regarding the contractor's failure to perform in accordance with contractual requirements, including failure to maintain a Property Management System adequate for protection, preservation, and appropriate disposition of property under contract circumstances.
- m. Notify the CO in the event of excessive or improper acquisition by the contractor and recommend cost disallowance or other appropriate remedy.

- n. Perform, to the degree resources are available, program-requested reviews of property acquisition, control, management, use, disposition, etc.
- o. Support and assist contractor's personnel, COs, program managers, and other personnel in resolution of property administration matters.
- p. Review requests for Government-furnished material (GFM) from NASA supply activities and assist the Center Supply and Equipment Management Officer (SEMO) in receipt and reconciliation in accordance with NPR 4100.1, NASA Materials Inventory Management Manual.
- q. Provide guidance and direction to all levels of Government and contractor personnel relating to regulatory and contractual GP requirements.
- r. Review contractor records and operations to ensure the contractor promptly reports GP no longer required for performance of the contract for disposition in accordance with contract provisions, clauses, and/or special directions.
- s. Support the CO, PICO, or PDO and other Government representatives to ensure timely, complete, and proper disposition of GP.
- t. Obtain and review contractually required reports of property for all assigned contracts, including, but not limited to NASA Form 1018, NASA Property in the Custody of contractors.
- u. Prepare and submit other reports and data requested by Program Offices, NASA Headquarters, etc.
- v. Request supporting property administration, as required, in accordance with FAR subpt. 45.5 and NFS subpt. 1845.5.
- w. Perform requested support property administration in accordance with FAR subpt. 45.5 and NFS subpt. 1845.5.
- x. Recommend remedial action by the CO, including holding the contractor liable for LTDD, when the contractor's property system is deemed inadequate and corrective actions are not taken or when the circumstances surrounding incidents of LTDD indicate fraud or lack of good faith by the contractor's managerial personnel.
- y. Recognize the technical responsibilities of other Government personnel who are involved with GP and obtain their assistance when required. These functions include, but are not limited to, contract administration, plant clearance, contract audit, quality assurance, engineering, pricing, subcontracting, production, transportation, and other technical areas. When required, Defense Contract Audit Agency (DCAA) assistance and advice on matters involving analyses of the contractor's accounting records, financial aspects of contractor property reports, and any other appropriate financial audit matters may be obtained through the CO.
- z. Notify the CO on completion of all plant clearance actions and closure of property administration as soon as possible after contract performance has ended.

1.4.4.3 Under award-fee contracts, the PA may:

- a. Provide evaluations relative to the contractor's performance of its GP responsibilities to support the award fee process.
- b. When significant deficiencies exist, requiring corrective actions during an upcoming award fee

period, recommend that any corrective actions be identified as an area of emphasis.

1.4.5 NASA Plant Clearance Officer

1.4.5.1 NFS 1845.503-70 provides that plant clearance is normally delegated to DoD PICO when contracts are performed outside of a NASA Center or Installation. However, circumstances may require that property be dispositioned outside of a NASA Center or Installation or when support from DoD is not available or not desired by NASA. When this occurs, the following options are available. However, regardless of the option selected, the individual with responsibility for plant clearance is required to disposition property according to FAR pt. 45.6 and the appropriate chapters of the FMR. The options are:

- a. The CO may retain plant clearance authority in accordance with NFS 1852.245-71.
- b. Plant clearance may be delegated to the Center IPO for performance by a NASA PA.
- c. Plant clearance may be delegated to the Center PDO, with the concurrence of the IPO, and the acceptance of the PDO.

1.4.5.2 Property located within a NASA Center or Installation is normally dispositioned through the Center PDO. When this occurs, the contractor shall be instructed to:

- a. Utilize the NASA DSPL system for processing and reporting of property disposition transactions.
- b. Manage property until it is either removed by Center property disposition personnel or dispositioned in place.

1.5 Deviation from This NPR

1.5.1 A deviation is considered to be any of the following:

- a. Use of a form different from a Standard Form (SF) or NASA Form (NF) prescribed by this procedural requirement.
- b. Alteration of an SF or NF, except as authorized by this NPR.
- c. Alteration of the existing content for Property Administration: LOD for NASA Contracts, NF-1430C or Plant Clearance: LOD for NASA Contracts, NF-1430D.
- d. Any policy, procedure, method, or practice inconsistent with this NPR.

1.5.2 Deviations from this NPR shall be authorized only when special circumstances make such deviations clearly in the best interests of the Government. Only the Director, Logistics Management Division (DLMD) at NASA Headquarters, is authorized to approve such deviations.

Chapter 2. Pre-award Processes

2.1 Solicitation Preparation

2.1.1 Procurement Support

2.1.1.1 The IPO and PA begin their support of contract administration activity with the solicitation preparation process. IPOs and PAs provide valuable professional guidance in property management, ensuring use of appropriate contract language during preparation of the solicitation, and assisting in the collection of property-related information, such as the quantity and value of inventory holdings and lists of available property. As the correct selection of property clauses and the correct collection of property-related information are critical to the eventual success of property management efforts, the IPO review of any contracts with a potential for providing property is essential.

2.1.2 Review of Solicitation/Contract

2.1.2.1 The IPO shall review the requirements of the solicitation or contract, in particular any requirement related to property management. The review begins with the Statement of Work to determine if it contains property management tasks, tasks related to property management, or tasks that will not be successful without effective property management. This review should be used to guide the IPO in selecting appropriate contract clauses and coordination of Center and other NASA property in support of the property management effort.

2.1.2.2 Applicability of Clauses

- a. The IPO should recommend the inclusion of the clause at FAR 52.245-1, Government Property, in any cost contract and any fixed price contract where property is furnished.
- b. The IPO should recommend the inclusion of Alternate 1 to the clause in any fixed price contract when the conditions of FAR 45.107(a)(2) apply.
- c. The IPO should recommend inclusion of Alternate II to the clause in any contract where research property will be provided to nonprofit institutions of higher education or nonprofit research institutions. The IPO may recommend inclusion of items of contractor-acquired property valued at greater than \$5,000 when it is likely that NASA will have no further need for the property and the conclusion of the contract, the contractor expresses an interest in retaining the property, and the program office concurs. The IPO should consult the Center Equipment Manager and the Center PDO to determine the likelihood of further use by NASA activities prior to making this recommendation.
- d. The IPO may recommend inclusion of the clause at FAR 52.245-2, Government Property, Installation Operation Services, in a fixed-price contract where there is exclusive onsite performance by the contractor, existing GFP will be provided, and it is expected that the serviceable life of the GFP will not survive the term of the contract. Weapons, property controlled under International Traffic in Arms Regulation (ITAR) and Export Administration Regulations (EAR), and items requiring demilitarization may not be included under this clause. This property may only be provided at contract inception. Additional property cannot be added to that identified during contract award.
- e. The IPO shall recommend inclusion of the clause at FAR 52.245-9, Use and Charges, in all

contracts where the FAR 52.245-1 clause exists.

f. The IPO shall review contract circumstances and apply professional judgment to determine the appropriate FAR and NFS clauses to be used in the contract. IPOs should consider costs associated with implementing clauses within the contract in addition to the requirements of higher regulation and law.

g. The IPO should recommend the inclusion of NFS Clause at 1852.245-70, Contractor Requests for Government-Provided Equipment, in all cost type contracts.

h. When NASA anticipates award of a contract with on-site performance, the IPO should recommend the inclusion of NFS Clause at 1852.245-71, Installation Accountable Government Property. This clause requires the use of Center property management processes and practices for the onsite activities of the contractor. Center property information systems are to be used to maintain records to the degree that they are available.

(1) If a Center recordkeeping system is not available or inadequate to support contract performance, the contractor is required to manage property and record property in accordance with FAR 52.245-1, Government Property, clause. This includes any property that does not qualify for control under NASA Procedural Guidance or Center Procedural Guidance. IPOs should note that the contractor should propose the system of recordkeeping and it may include recording of low-cost durable items in quantity when cost effective and there is low risk of loss, damage, or destruction.

(2) The IPO should coordinate the use of the Installation Accountable Government Property clause with the Center SEMO to determine its effect on Center operations. In the event that Center operations are unable to support any or all of the effort and the contractor will perform some or all property management activities, the IPO shall work with the SEMO to provide language for inclusion in the contract that provides description of appropriate property management tasks to be accomplished by the contractor. Tasks may be included within the clause requirements or within the statement of work.

(3) If the contractor is to perform receiving activities, the IPO shall recommend inclusion of the Installation Accountable Government Property clause with its alternate.

i. The IPO should recommend inclusion of NFS clause at 1852.245-72, Liability for Government Property Furnished for Repair or Other Services when the exclusive purpose of the contract is the maintenance or calibration of NASA equipment.

j. The IPO should recommend inclusion of NFS clause at 1852.245-73, Financial Reporting of NASA Property in the Custody of Contractors, in any cost contract, any fixed price contract when GP is furnished, or when a cost line item exists and any offsite performance requirement exists. The clause should also be included in any contract with the Progress Payments clause, FAR 52.232-16.

k. The IPO should recommend inclusion of NFS clause at 1852.245-74, Identification and Marking of Government Property, in any contract that contains the FAR 52.245-1, Government Property, clause or that requires the delivery of property.

l. The IPO should recommend inclusion of NFS clause at 1852.245-75, Property Management Changes, in any contract that contains the FAR 52.245-1, Government Property, clause.

m. The IPO should recommend inclusion of the NFS clause at 1852.245-76, List of Government Property Furnished Pursuant to FAR 52.245-1, in any contract where the contractor has requested

property under NFS solicitation provision at 1852.245-81, and it is to be provided in accordance with normal property management conditions,.

n. The IPO should recommend inclusion of the NFS clause at 1852.245-77, List of Government Property Furnished Pursuant to FAR 52.245-2 , clause in fixed price onsite contracts when property will be furnished as is to the contractor in an initial provision; the IPO, program officials, and CO anticipate that the performance life span of the furnished property will not survive the performance period of the contract; and the contractor will be required to replace nonfunctional property with contractor-owned property

o. The IPO should recommend inclusion of the NFS clause at 1852.245-78, Physical Inventory of Capital Personal Property in any contract where property will be provided. As the requirement to conduct physical inventory of items under this clause is limited to those items with a value in excess of \$100,000, it is self-eliminating in circumstances where the contractor does not have custody of items under that value. However, its inclusion provides assurance that the contractor will identify and ensure the existence of any items that may meet NASA's capitalization criteria on an annual basis.

p. The IPO should recommend inclusion of the NFS clause at 1852.245-79, Records and Disposition Reports for Government Property with Potential Historic or Significant Real Value, clause in contracts that are likely to generate property of this nature. The Center Historic Preservation Officer (HPO) and the CO are required, by the NFS prescription, to determine the appropriate use of the clause. However, the IPO should be aware of its use to ensure contractor compliance with recordkeeping and reporting requirements.

q. The IPO should coordinate with the Center facilities and real property offices to ensure the correct insertion of real property clauses in NFS 1852.245-82 and 1852.245-83 in contracts.

r. When vehicles and related equipment, such as trailers, are to be provided to contractors, the IPO should consult the Center Transportation Officer to ensure that the contract contains the NFS 1852.223-76, Federal Automotive Statistical Tool Reporting clause.

2.1.2.3 Solicitation Provisions

a. When consulting on upcoming acquisitions prior to issuance of solicitations or reviewing solicitations after issuance, the IPO should:

(1) Follow the guidance in NFS Part 1845.107 in recommending appropriate solicitation provisions.

(2) Assume that property will be provided under any cost type contract with an offsite performance requirement.

(3) Advise the CO to use the provision with its alternate whenever it is possible for prospective contractors to review the existing property for function and condition.

b. The IPO shall assist the CO in determining the appropriate application of FAR 52.245-2, Government Property Installation Operation Services, and which property may be offered under its authority.

2.1.2.4 Offering Property for Contract Performance

a. While the decision to provide property to a contractor is a decision reserved for the CO, the IPO should advise the CO regarding the provision of property, noting such factors as the risk to both

contract performance and to the loss, damage, destruction, or misuse of the property, as well as the increased cost of administration and disposition of property.

b. The solicitation provision NFS 1852.245-80 requests information from the contractor regarding the direct charging of property. Under cost contract, property that is directly charged to the Government becomes titled to the Government and is considered "provided" to the contractor. As a result, the IPO should:

(1) Consider that, under cost type contracts or fixed price contracts with cost components, some contractors may not request property in response to the solicitation but will acquire it as a direct cost after award in accordance with their disclosed cost accounting practices.

(2) Advise the CO of this possibility when they believe it to be appropriate.

2.1.3 Contractors Operating Within NASA Facilities

2.1.3.1 The IAGP clause, NFS 1852.245-71, requires contractors operating within NASA Centers and Installations to utilize available NASA systems to maintain property records and to follow NASA policies and procedures for the management of personal property.

2.1.3.2 The IPO shall ensure that the Center SEMO is informed of any use of the IAGP clause and obtain their concurrence prior to completing the solicitation evaluation.

2.1.3.3 Center procedures shall provide for any additional coordination of contract reviews.

a. When additional coordination is required, Center procedures will include instructions and assign responsibility for proper maintenance of any procurement-sensitive information. b. IPOs shall monitor the receipt and, if required, return of these documents to procurement to ensure the prompt completion of any additional reviews.

2.1.3.4 Contractor Use of NASA Property Management Information Systems

a. The IPO shall work with the SEMO to ensure that Center procedures provide clear implementation of Chapter 4 of this NPR regarding processing transfers of property to and from contracts.

b. The IPO working with the SEMO, shall ensure that language is included within the IAGP clause or that other appropriate guidance is provided to contractors regarding:

(1) When property will be managed within contractor systems;

(2) When property will be managed within NASA systems; and,

(3) How it will be managed during transitions between the two.

c. The IPO shall work with the SEMO and real property personnel to identify local procedures that require incorporation in the appropriate section of the IAGP clause.

d. IPOs should also ensure the proper notation of the clause related to the services and property to be provided from Center sources.

e. When contractors are required to perform significant property management tasks, e.g., logistics support or program logistics, the IPO shall assist in the development of special requirements for inclusion within the statement of work.

2.1.4 Contractor with Mixed On-and Offsite Performance

2.1.4.1 IPOs shall pay special attention to contracts when it is anticipated that contractors will have both on- and offsite performance requirements. Proper application of the IAGP clause is essential.

a. The IPO working with the SEMO and the CO shall ensure that language is included in the IAGP clause to provide clear guidance to contractors regarding:

(1) When property will be managed according to contractor plans and recorded in contractor systems;

(2) When it will be managed according to Center process and systems; and,

(3) How it will be managed during transitions between the two.

2.1.4.2 Receiving Activities

a. The IPO shall:

(1) Ensure that the contract contains the appropriate alternates regarding contractor receiving facilities;

(2) Consult with the SEMO to determine the impact of contract receipts on Center operations;

(3) After consulting with the SEMO, advise the CO of any requirement for use of the alternate clause; and

(4) Establish processes to ensure the Center Equipment Manager is advised of the contractor's acquisition and receipt of Government owned property when the property will be used within the Installation or Center.

2.1.5 Documentation of Recommendations

2.1.5.1 The IPO shall:

a. Establish a contract property file for each solicitation or contract reviewed. The folder should contain all relevant documents. Electronic files are adequate for this purpose if they can be readily referenced and are organized consistently.

b. Document any recommended changes to the solicitation or contract in the form of a memorandum or e-mail to the CO and retain a copy in the contract property file.

2.2 Evaluation of Contractor's Proposed Property Plans (PPP)

2.2.1 Completeness of Proposed Property Plans

2.2.1.1 Prior to review of the contractor's Proposed Property Plan (PPP), the IPO should identify applicable segments or outcomes required by the circumstances of the contract. Some contracts may not require all segments or outcomes. For example, some contractors may not be required to store GP or all property provided to a contractor may be consumed during performance, negating the requirement for maintenance as none of those items would fall within equipment, Special Test Equipment, or Special Tooling categories. As such, the IPO shall be familiar with all aspects of the contract's GP requirements.

2.2.1.2 The IPO should document the solicitation/contract file as to whether or not the particular segment or outcome of the property system is applicable and, if not, why not.

2.2.1.3 After determining the applicability of segments or outcomes, the IPO shall determine whether the PPP addresses all applicable segments or outcomes.

a. IPOs should consider the following factors when determining the acceptability of the contractor's PPP. The factors are associated with risk to safety, performance, and cost. As such, they should be considered when determining the criticality of property plan performance to the overall contract effort and in establishing the scope and depth of the of the PPP review.

b. If an applicable segment or outcome is not adequately addressed, the IPO shall advise the CO that the contractor's PPP is deficient in that regard and include a requirement that the contractor address the deficient areas prior to award.

2.2.2 Contractors' Proposed Standards, Practices, Processes, and Systems

2.2.2.1 Use of Voluntary Consensus Standards

a. Federal Law, FAR, Executive Orders, Office of Management and Budget Circulars, and Department of Commerce regulations encourage the use of VCS in lieu of the creation and implementation of specific Federal or Agency standards and practices, except where VCS do not satisfy the specific, justified requirements of the agency. NASA or Center-specific requirements may drive additional contract cost, so the application of NASA or Center-specific requirements should be considered carefully and added only when the need for the additional activity, report, or record outweighs possible costs, schedule delays, or other negative outcomes.

b. It is important to establish whether or not a contractor's proposed VCS satisfy both Government and NASA-specific requirements. While VCS are likely to be sufficient and applicable for the majority of contracts and should be approved for those segments or outcomes of the property systems they address, the IPO should work with program and project management personnel to determine whether or not the circumstances of the contract justify NASA-specific procedural requirements or performance requirements. For example, property acquired for human-rated space flight systems is likely to require a higher level of quality to ensure safety. As such, the contractor's property system may require specific shelf life standards and special storage requirements. The contractor's records and supply issue processes may need to have a high level of accuracy to ensure that the correct, authentic, and current part is used. Similarly, the contract's circumstances may require retention of sufficient inventory or the ability to acquire sufficient inventory within limited, contractually required timeframes to avoid flight delays. Higher performance standards may be required within the contractor's acquisition and consumption segments or outcomes to ensure this.

c. Voluntary Consensus Standards—Procedural

(1) Some VCS provide procedural guidance or how to perform an activity. These standards describe the contractor's methods for performing property activities. These standards generally provide minimal standard requirements that can be agreed to by all parties. To the degree that these procedures are both adequate to ensure the proper use and protection of NASA property and the execution of the requirements of the contract, the IPO should accept them.

d. Voluntary Consensus Standards—Performance

(1) Some VCS specify levels of performance. For example, a VCS may categorize a Property

Management System's risk based on the loss rate experienced over a period, recognized during a physical inventory, or based on the criticality of the item to mission performance. As the FAR places greater emphasis on the outcomes of a property system than on the methods used to achieve the outcome, performance standards should be preferred to procedural standards. IPOs should encourage use of performance standards or a combination of their use with procedural standards whenever possible.

2.2.2.2 Use of Industry Leading Practices and Standards

a. The IPO should take care in accepting the use of ILPs. While the FAR allows for their use, it does not define the term. Considering this, it is important to differentiate between a CCP and an ILPS. When all members of a representative industry group develop a practice it is a CCP. NASA expects an ILPS to be one that exceeds the CCP or the VCS. When a contractor proposes an ILPS, it should be ready to provide data that proves the ILPS's efficacy, cost effectiveness, and status as the "industry leader." Some contractors may propose a CCP. This is not prohibited but should be treated more as an existing procedure, process, or system with greater scrutiny during the evaluation process.

2.2.2.3 Use of Customary Commercial Practices

a. Contractors may propose and the IPO may accept CCPs when they are adequate to satisfy the specific requirements and circumstances of the contract and when they are fully documented as accepted CCPs or standards by a recognized industry group.

2.2.2.4 Use of Existing Procedures, Processes, and Systems

a. Use of existing contractor procedures, processes, and systems is not prohibited. However, IPOs shall evaluate the efficacy and applicability of these procedures, process, and systems to the contract effort. In lieu of contractor-specific standards and practices, IPOs should recommend the use of VCS, ILPSs, and CCPs when available and to the degree they are applicable to the contract circumstances.

2.2.2.5 Use of Contractor Self-Assessment Processes

Contractors are required to establish, maintain, and execute internal self-assessment processes adequate to ensure the efficiency and effectiveness of controls for the management of GP in their possession. Programs may vary widely in scope and content depending on a number of factors, including the complexity of the contractor's operations and the amount and types of GP to be managed. Such programs may be self-contained or may relate to or be part of an overall self-assessment program, such as a corporate internal audit program, an internal ISO audit, or an external ISO certification program when the program contains specific GP audit requirements. Contractor self-assessment programs are not a substitute for Government oversight and for Government insight as they lack the critical element of independence.

2.2.3 Risk Considerations

2.2.3.1 Proportional Value of Property

a. The IPO should consider the expected value of GFP and the potential value of contractor-acquired property (CAP). When the estimated average annual value of property does not exceed \$10 million, risk should be assessed based on the ratio of property acquisition value to the estimated annual value of the contract according to the following:

- (1) When the estimated annual average value of provided GP exceeds \$10 million, the risk should be considered high and greater oversight and control should be exercised.
- (2) In contracts where the estimated annual average value of provided GP exceeds 10 percent of the estimated annual average value of the contract should be also considered high risk for value factors and require greater oversight and control.
- (3) In contracts where the estimated annual average value of provided GP is between 5 and 9.9 percent of the estimated annual average value of the contract should be considered medium risk for value factors and require moderate levels of oversight and control.
- (4) Contracts where the estimated annual average value of provided property is less than 5 percent of the estimated annual average value of the contract should be considered low risk for value factors and require only minimal oversight and control.

2.2.3.2 Contract Type

- a. The IPO should consider all cost type contracts to have greater risk as the likelihood of contractor acquisition of property titled to the Government under the FAR Government Property Clause is high and the contractor's risk of responsibility for loss, damage, or destruction of that property is lower than most fixed price contracts.
- b. The IPO should consider fixed price contracts utilizing Alternate 1 to the Government Property clause at FAR 52.245-1 to be of lower risk as property acquired by the contractor is titled to the contractor and the contractor is fully liable for loss, damage, destruction, or theft of the GFP.
- c. The IPO should consider fixed price contracts employing the Progress Payments clause at FAR 52.232-16 and the Performance-Based Payments clause at FAR 52.232-32 to have a low risk unless the value of actual and potential property titled to the Government during the contract exceeds the \$10 million threshold or one of the value thresholds under section 2.2.3.1.

2.2.3.3 Relationship With Contract Tasks/Products

- a. The use of and management of property may have a profound effect on a contractor's ability to perform and to complete the requirements of the contract. This may be applicable both to deliverable property and deliverable service contracts. The following factors should be considered when establishing risk:

(1) Logistics Support Contracts

- (a) Logistics support contractors are responsible for significant amounts of Government personal property. Their procedures and standards are likely instituted to ensure compliance with NASA procedural guidance required by the IAGP clause.
- (b) When Centers prescribe implementing procedures, the IPO should work with the SEMO to ensure that the contractor's PPP is in compliance with NASA procedural guidance.
- (c) When the contract allows the contractor to provide implementing procedures, the IPO should work with the SEMO to ensure that the contractor's PPP is adequate for implementation of NASA procedural requirements and NASA policy guidance.

(2) Major Program Suppliers

- (a) Contractor supply of property to major NASA programs increases risk in a variety of ways. First,

there is a risk of late delivery of procured items. This may be related to a deficiency in the contractor's property program. While failure of any aspect of a contractor's property system will increase risk to the Government, the property plan of major suppliers should receive greater scrutiny in the areas of subcontract property management, acquisition, records, and physical inventory.

(3) Contractors with Significant Property Management Duties

(a) A contractor, other than a logistics support contractor, may be required to support Center property management operations by providing property custodians, through entry of data into NASA systems, through processing of receipts, through reporting of disposition actions, and through performance of other related activities. This may result in increased risk to Center property and operations. When the Center SEMO determines that it is necessary to task contractors for property management support activities, the IPO should coordinate the review of the contractor's PPP with the SEMO to ensure their compliance with property management requirements.

2.2.3.4 Special Requirements

a. Hazardous Property

(1) When required by the circumstances of the contract, special attention should be given to contractor qualifications and experience in handling hazardous items. The IPO should ensure the contractor's PPP appropriately addresses storage, handling, and disposition of these items. The IPO should coordinate their response to these plans with the Center environmental activity.

b. Human-Rated Flight Activities

(1) As human-rated flight activities involve risk to the life, health, and safety of the crew and the condition of the craft, the IPO should work with program officials and safety officials to ensure the contractor's PPP adequately addresses these topics. Special consideration may be given to acquisition of qualified, authentic supplies; storage and preservation; accuracy of inventory records; receiving; and issuance. The IPO should work with program officials and quality assurance personnel to assure that the contractor's property system properly addresses documentation in support of Flight Readiness Certification when such certification is required by the contract.

c. Special Program Requirements

(1) The IPO should work with the program to ensure the PPP addresses any specific program requirements.

d. Foreign Contracts

(1) Foreign contracts require special attention as the disposition of property in foreign countries may be subject to a variety of U.S. laws and regulations, including ITAR and EAR. These contracts require a great deal of scrutiny.

(2) Foreign contracts are likely to be governed by international agreements and property management activity may be subject to foreign law. As such, the IPO should request copies of the international agreement that provides the basis under which the contract will be executed.

(3) International agreements may require alteration of standard FAR clauses or use of entirely different language. If other than standard FAR clauses are used, deviations authorizing the use of that language should be in place prior to award and evidenced in the contract property file.

(4) The IPO also should work with the Center Export Administration Officer to ensure that property under the contract is properly approved for export and that the conditions for disposition are identified in the contract at contract inception.

(5) Some property may require return to the United States for disposition or demilitarization onsite.

e. Contracts likely to produce historically significant property

(1) The IPO should review contracts likely to produce historically significant property when the CO, working in consultation with the Center Historic Preservation Officer, inserts

NFS 1852.245-79, Records and Disposition Reports for Government Property with Potential Historic or Significant Real Value clause in a contract. The contractor's PPP should address the recordkeeping requirements added by this clause.

2.2.4 Pre-Award Evaluation of Past Property Management Performance

2.2.4.1 Under NFS solicitation provision at 1852.245-80, Government Property Management Information, offerors are required to submit the results of their latest PMSA and contact information for the assigned PA. The IPO should:

a. Review the offeror's submissions to determine the status of the contractor's system and who conducted the audit.

b. Advise the CO immediately of any instances where the Government PA found the offeror's Property Management Systems or practices to be inadequate or the Agency's Administrative Contracting Officer removed approval for the property system.

c. Consult the assigned, cognizant PA to determine if there have been any updates to the last PMSA and to compare the proposed system to the system last rated by the PA. Changes to the offeror's system may signify improvements required by the PA or the implementation of new, improved processes and standards. They may also signal a retreat to a lower standard or unacceptable procedure. In either case, instances in which the contractor's proposed system and the existing system differ significantly should be considered as a possible risk by the IPO and carefully reviewed.

Chapter 3. Delegation and Oversight of Property Administration Activities

3.1 Delegation of Offsite Property Administration Activities

3.1.1 It is NASA policy to delegate property administration activities for contractors performing offsite. Delegation allows NASA to utilize the resources of agencies that are already in place, geographically and organizationally and that are ready to perform these functions. Delegation is made to the Defense Contract Management Agency (DCMA) for private, for profit contractors, and Office of Naval Research for nonprofit research entities and educational institutions. This allows NASA to better utilize its own resources and presents "one face of the Government" to contractors.

3.1.1.1 When external agencies do not provide oversight for a contractor, the contractor does not perform within a geographical area under the oversight of an external agency, or the place of performance is within a NASA installation, NASA retains the authorities and responsibilities associated with property administration. The requirements for delegation are set forth in NFS 1845.5.

3.1.1.2 This chapter provides guidance on NASA oversight of delegated activities, issuance of support delegations for NASA-retained property administration activities, and IPO reviews of CO-retained property administration.

3.1.2 Oversight of Delegated Property Administration Activities

3.1.2.1 NASA IPOs shall utilize NESS to maintain records of property administration activity, whether delegated or retained.

- a. The IPO shall maintain a record of the cognizant PA whenever notified by the delegated organization of acceptance of a delegation or changes to personnel.
- b. The IPO shall create or update records of PMSAs when they receive a report more current than that existing in NESS.
- c. The IPO shall review report submissions in NESS to ensure PA verification of property reports according to delegation instructions and reporting requirements.
- d. The IPO shall review the DoD PA's reports of property system deficiencies identified during the PMSA and, based on the recommendations of the PA, determine whether to provide further recommendations to the CO to remedy the situation. These recommendations may include, but are not limited to, holding the contractor liable for property loss until any deficiencies are corrected.

3.2 Support Delegations

3.2.1 When NASA delegations are performed by NASA PAs, they may seek support delegations from other agencies. Care should be exercised to ensure that any support delegation instructions comply with the requirements of this NPR, NFS, and contract language.

3.2.2 Support Delegation Requirements

3.2.2.1 The IPO shall forward copies of Center-developed support delegation instructions to the NASA Contract Property Program Manager, Logistics Management Division, Headquarters, for review and approval.

3.2.2.2 The IPO shall include the prime contract under which charges for DCMA property administration are to be billed within the support delegation instructions.

3.3 Retention of Onsite Property Administration Activities

3.3.1 NASA requires the use of NASA systems, as available, for recordkeeping of onsite, IAGP being used by contractors. NASA procedures are used to manage IAGP being used by onsite contractors. As external contract property administration personnel might not be familiar with internal NASA systems and guidance, contract property administration activities are retained for contractors performing on Centers and Installations. When required, NASA IPOs and PAs shall perform onsite reviews of contractor performance.

3.3.2 Onsite Property Administration Requirements

3.3.2.1 The IPO shall work with the SEMO to define the depth and extent of audits of onsite contractor performance.

a. IPOs and SEMOs should consider the need to audit contractor property performance when the statement of work requires significant independent contractor action in the execution of property transactions and activities.

b. Centers should seek the review and the opinion of the IPO in preparing performance evaluations when significant contractor property management activities are specified within the statement of work.

3.4 Retention of Property Administration by the CO

3.4.1 NASA COs may retain property administration and plant clearance in accordance with NFS 1845.503-70 only when there is a compelling need, such as a security requirement or safety requirement that would prohibit a noncleared PA or a PICO from performing these services.

3.4.1.1 When COs retain property administration, they are required by NFS to submit a plan for the performance of property administration and the results of execution of that plan to the IPO for their review and recommendations.

a. The IPO shall review these items and provide recommendations to the CO regarding any revisions needed to ensure appropriate management control and reporting of NASA property in the custody of the contractor.

3.4.2 Audit Requirement and Schedule

3.4.2.1 When the CO retains property administration, the IPO should review the CO's property administration plan and ensure it includes a schedule for the performance of PMSAs. IPOs should recommend that audits be scheduled, at a minimum, in accordance with the risk plan, and that procedures are established to ensure that contractor property management processes are reviewed in accordance with guidance on the subject in Chapter 4.

3.4.2.2 When the IPO determines that the CO's plan does not appropriately address the schedule or processes to be used, the IPO should provide recommendations for improvement in accordance with the requirements of this NPR.

3.4.3 CO Performance of Oversight

3.4.3.1 When the CO retains property administration, NFS 1845.503-71 requires the CO to perform PMSAs and report the status of the audit to the IPO.

3.4.4 IPO Review of Oversight Activities

3.4.4.1 The IPO shall review the CO's PMSA report and recommend any appropriate further action.

3.4.5 Reports

3.4.5.1 NFS 1845.503-71 requires that the CO provide a plan for collection and dissemination of financial reports. IPOs should review the plan to assure it includes:

a. Verification that the contractor's system is able to provide accurate and complete reports for financial reporting and property reporting purposes.

b. Processes to require that the contractor submit all required reports on time.

3.4.5.2 The IPO should recommend that the CO require the contractor to submit the reports via the NASA Form 1018 Electronic Submission System (NESS) to allow for the online, interactive reporting of required data.

3.4.6 Property Transfers

3.4.6.1 When property administration is retained, NFS 1852.245-71 requires the CO to provide a process to ensure that appropriate documentation supporting the transfer of property.

a. The IPO should review the plan to assure that it addresses the appropriate creation and processing of transfer documentation. This includes both transfers from the Center or Installation to the contractor and transfers from the contractor to the Center or Installation.

b. Transfers of items acquired by the contractor, titled to the Government, but not specifically required as a deliverable, shall be processed in accordance with the requirements of NFS 1845.106.

c. The IPO should advise the CO of any changes needed in the plan to assure that: transfers are fully documented; it requires inclusion of all information needed to establish or maintain property records; and it clearly addresses who accepts the responsibility for recordkeeping, stewardship, and management of the property.

Chapter 4. Performance of NASA-Retained Property Administration Activities

4.1 Property Transfers

4.1.1 The IPO shall assist the CO and SEMO in ensuring that transfers to contractors from NASA Installations and Centers and transfers from contractors to NASA Installations and Centers are appropriately documented and that appropriate transactions are processed in NASA equipment and supply information systems.

a. COs and IPOs shall retain copies of transfer documentation in the contract files and the contract property files.

4.1.2 Transfers to NASA Contractors

4.1.2.1 COs shall document all transfers to NASA contractors within the contract, either by inclusion in the NFS clause at 1852.245-76 or NFS clause at 1852.245-77 or both.

a. IPOs should advise the CO to list property in the NFS 1852.245-76 clause, List of Government Property Furnished Pursuant to FAR 52.245-1, when the Government will retain title to the property transferred as part of contract award through contract completion.

b. IPOs should advise the CO to list property in the NFS 1852.245-77 clause, List of Government Property Furnished Pursuant to FAR 52.245-2, when that property is not likely to physically survive the performance period of the contract and the contract is to be performed within the confines of a NASA Center or Installation.

4.1.2.2 After award, transfers to contractors shall be documented by modification of NFS clause at 1852.245-76.

a. As the FAR limits the use of FAR clause at 52.245-2 to initial provisioning on a Government installation, property may not be transferred under the authority of the FAR clause at 52.245-2 after contract award. As a result, NFS clause at 1852.245-77 shall only be used at award.

b. In addition, shipping documents shall provide detailed lists of items to be furnished to contractors.

4.1.2.3 NASA equipment managers shall ensure that equipment information systems are updated with the appropriate transaction recording transfer of controlled equipment to a contractor when that occurs, regardless of value.

4.1.2.4 SEMOS shall ensure that NASA supply information systems are updated to record any issue of supply items to a contractor.

4.1.2.5 NASA property valued at less than the capitalization threshold is transferred initially to a contractor. After initial transfer, property transfer between contracts is not recorded within the internal NASA systems. Contract documentation, including the schedule, modifications, and associated shipping documentation serves as the official record of the transfer. NASA IPOs shall retain copies of these transfer documents within their contract files.

4.1.2.6 NASA-controlled equipment valued at or greater than the capitalization threshold shall be recorded within NASA systems each time the property is transferred to a contract.

a. IPOs shall ensure that documentation of these transfers is provided to the Center Equipment Manager when received from the CO.

4.1.2.7 Postaward Transfers. With the approval of the CO, property may be transferred to a contractor after award. IPOs should advise the CO that property provided after award may only be offered under the FAR Government Property clause at 52.245-1. IPOs should audit documentation to ensure that it distinguishes between capital-valued property and property of lower value.

a. NFS 1845.106 requires Contracting Officer's Technical Representatives to prepare shipping documents and obtain CO approval for providing property prior to movement of property to a contractor. Separate shipping documents should be prepared for property valued at or above the capitalization threshold.

b. Multiple quantities may be listed on the same shipping document but shall distinguish between individual items using Equipment Control Numbers, when available, or through the use of unique identifying data elements such as a combination of manufacturer (cage code), model number, and serial number. c. IPOs shall advise COs that, in accordance with NFS 1845.106(a)(1), property furnished after award is required to be added to the list of property under NFS clause at 1852.245-76 by modification.

4.1.3 Transfers from Contractors to NASA

4.1.3.1 Two basic types of transactions may occur when property is transferred to NASA from a contractor: receipt of noncapital items and receipt of capital items. Property from either of these types may, once received, be used internally by a Center, transferred to another Center, or transferred to another NASA contract. This section does not include property delivered to NASA in compliance with a contract line item deliverable and processed as "new receipt" transactions. Both capital and noncapital property that is required for automated recordkeeping within the NASA Property Plant & Equipment (PP&E) system by NPR 4200.1 is considered "controlled equipment." Equipment that does not qualify for automated recordkeeping due to value or other criteria is considered "administratively controlled equipment."

4.1.3.2 Transfers of controlled equipment to a NASA Center shall be received by the Center responsible for the contract and be processed as transfers from a contractor in the NASA PP&E system, provided the items otherwise qualify for control under NPR 4200.1.

a. Records of administratively controlled equipment are maintained in hard copy form. Documentation of transfers of administratively controlled equipment should be retained within the Center's receiving and inspection files for the appropriate recordkeeping period.

b. The Center Equipment Manager shall add controlled equipment to the NASA PP&E system when those items are to be retained for NASA onsite use regardless of the capitalization threshold.

4.1.3.3 When property moves from a contract at one Center to a contract at another Center, additional equipment management transactions associated with the inter-Center transfers from the losing to the gaining Center shall be processed in accordance with NPR 4200.1, "NASA Equipment Management Procedural Requirements," Chapter 3.

a. Documentation of contractor-to-contractor transactions for property not meeting or not exceeding

the capitalization threshold shall be processed in hard copy form and need not be recorded in the NASA PP&E SYSTEM unless the items qualify for control as sensitive items due to their hazardous nature.

4.2 Transfers Between Contracts

4.2.1 To minimize the impact of electronically processing significant numbers of transactions associated with the transfer of items between contracts, contract documents and transfer documents shall be considered to be the official records of transactions associated with the transfer of items valued under the NASA capitalization threshold. Individual processing of transactions for those items through NASA equipment management information systems is not necessary.

4.2.1.1 Records of controlled equipment below the capitalization threshold and transferred between contractors shall be maintained in hard copy form within the related contract and contract property files. These records are not processed through the NASA PP&E system unless the items qualify for control as sensitive items due to their hazardous nature.

4.2.2 Transfers of items valued over the capitalization threshold shall be recorded in the NASA PP&E system.

4.2.2.1 When capital-valued controlled equipment is to be used on another contract, the Center Equipment Manager shall record the transaction in the NASA PP&E system as a transfer from a contractor and record a separate transaction issuing the item to the appropriate succeeding contract.

4.2.3 When property moves from a contract at a Center to another contract at the same Center, property must be transferred from the losing contract to the cognizant NASA Center and then from that Center to the gaining contract. No transfers off or on a contract may be accomplished without inclusion of the applicable Center on the appropriate shipping document.

4.3 Document Processing

4.3.1 IPOs shall provide copies of all shipping documents to the Center Equipment Manager for required processing of items in the NASA PP&E system.

Chapter 5. Property Management System Audit

5.1. Purposes of Audits

5.1.1 Establishing the Adequacy of Contractor Performance 5.1.1.1 Through the PMSA, the PA evaluates the contractor's management (control, use, preservation, protection, repair, and maintenance) of GP in its possession. The contractor's performance and the PA's evaluation criteria shall be consistent with the contractual requirements, as well as with VCSs, ILPSs, and CCPs for property management that have been determined to be adequate for the performance of the applicable contracts. Determination of adequacy of VCS, ILPSs, and CCPs may occur either as part of the award process or in response to a contractor's reported changes. Subjective evaluations may include outlining the scope of the system analysis performed, summarizing the processes and process segments or outcomes audited, and examining any deficiencies identified for possible negative trends. 5.1.2 Ensuring Adequate Management Control 5.1.2.1 The contractor's use, stewardship, and management of Government assets in no way negates NASA's responsibility to provide reasonable management controls to protect the assets, preserve them, ensure their proper use, and, when no longer required, dispose of them appropriately. While the contractor retains the principal stewardship responsibility and their property standards, practices, and procedures serve as the principal management control, the PMSA provides the management control and oversight audit needed to ensure the public that NASA is appropriately managing the resources assigned to administer the contract. 5.1.3 Ensuring Appropriate Accounting for Property 5.1.3.1 Tests of the contractor's records, physical inventory, loss identification and reporting, and the various transactions within the contractor's PMSA should establish the accuracy of those records and transactions. A primary function of any property records system is to ensure there are appropriate records for all property and that the property on record exists. As such, tests within the PCSA should establish reasonable assurance of existence of property and completeness of records for accountability and accounting purposes. Documentation is audited to ensure that records are properly supported. Transactions are audited to ensure that processes are documented appropriately. 5.1.4 Ameliorating Risk to the Government 5.1.4.1 While providing property to a contractor increases risk to the Government, the PMSA should reduce risk by identifying areas of contract noncompliance or inadequate processes or actions, as well as any incidence of fraud, waste, or abuse. The process of audit and identification and correction of deficiencies provides a method for continuous improvement of process and standards.

5.2 Risk Assessment

5.2.1 The availability of personnel and travel resources shall be effectively managed and applied to those situations posing the greatest risk to NASA, its mission, and the public resources entrusted to the Agency.

5.2.1.1 As such, risks shall be identified and their consequence incorporated into decisions regarding the resources to be assigned to the PMSA.

5.2.2 Method of Risk Assessment

5.2.2.1 IPOs shall collect information on the contractor and the contracts awarded to that contractor sufficient to perform an evaluation of risk. Risk should be based on the contractor's entire activities at a place of performance rather than a single contract perspective. IPOs should refer to existing contractor records within NESS to determine if there are other NASA contracts performed at a contractor's place of performance, including all cage codes associated with that place of performance and include property from the other Centers within their risk determinations.

5.2.3 Criticality of Risks

5.2.3.1 Table 5-1 provides a matrix that relates different evaluation factors to levels of risk. IPOs should use this table to evaluate the risk associated with a contractor and particular place of performance. IPOs should assign the highest level of risk related to any of the evaluation factors identified for a contractor and place of performance. For example, if there is a change to a contractor's management personnel, a high risk should be assigned regardless of whether any of the other situational aspects fall within the high-risk category.

5.2.4 Application of Risk to the PMSA Schedule

5.2.4.1 Table 5-1 provides an audit frequency associated with risk level. IPOs should use the risk frequency to determine how often an audit shall be scheduled at the contractor's place of performance.

5.2.5 Exceptions

5.2.5.1 IPOs may increase risk levels when their knowledge of problems with contractor processes or activities provides sufficient justification.

Table 5-1 Risk Assessment Matrix

RISK CATEGORY	MINIMAL	LOW	MEDIUM	HIGH
EVALUATION FACTOR				
Value of Provided/Scheduled to be Provided Property	Under \$100,000	Under \$1 Million	Over \$1 Million	\$10 Million or Greater
Individual Items > \$100K	None	None	Less than 100	Greater than 100
New Contractor	No	No	No	Yes
Last PMSA	N/A	Adequate or returned to Adequate with No Unresolved Deficiencies	Adequate or returned to Adequate with Unresolved Deficiencies	Inadequate
Loss	None	Minimal/Relieved	Significant/Relieved	Significant/Not Relieved
Change in Personnel	N/A	None	Significant Property Personnel	Management Personnel or Property Manager
Process/Plan Change	N/A	None	Insignificant	Significant
New Awards	Single Contract	Less than 3 at Place of Performance	3 to 5 at Place of Performance	More than 5 at Place of Performance
Progress/Performance Based Payments	Yes	No	Yes	No
Program Impact	None	None	Schedule/Cost	Safety
Audit Frequency	Inception and If Terminated for Cause	Annual	Inception? Then Every 2 Years	Annual
Audit Type	Desk	Desk	All Applicable Outcomes	All Applicable Outcomes, In-Depth Physical Inventory, Records and Reports

5.3 Establishing the Annual Audit Schedule

5.3.1 The PA, working with the Center IPO, shall establish the annual schedule of PMSAs.

5.3.1.1 The schedule shall allow for the performance of audits in accordance with the audit frequencies cited in the Risk Assessment Matrix in Table 5-1.

5.3.1.2 The schedule for all audits to be conducted by NASA PAs, including audits to be conducted by COs, shall be

forwarded to the NASA Contract Property Program Manager no later than November 30 of each fiscal year.

5.4 Pre-Audit Communications With the Contractor

5.4.1 The FAR Government Property clause provides that the Government shall have access, at reasonable times, to the contractor's and their subcontractors' premises and records for the purpose of establishing the effectiveness of the contractor's plans, systems, practices, and procedures.

5.4.1.1 The PA shall notify the contractor of their intent to conduct a PMSA.

- a. The notification shall provide the times and dates of the proposed audit, and to the degree that they may be available within the PA's schedule, alternate times and dates.
- b. The notification should request any necessary data in a form that would be useful to the PA to identify appropriate populations, generate appropriate samples, and otherwise provide information in support of the audit.
- c. The notification also should request any information on the contractor's self-assessment practices and the result of any external independent audits involving the contractor's property systems and practices.
- d. The PA should prepare (select) all samples prior to the audit. However, to preserve the integrity of the sample, samples shall not be provided to the contractor.

5.4.1.2 Within the PMSA, the PA may request and audit support documentation including, but not limited to:

- a. The contractor's internal audit work-papers and reports.
- b. VCSs, ILPSs, and the contractor's procedures as part of its Property Management System.
- c. Contracts and associated modifications.
- d. Correspondence and other official records relating to GP.
- e. Past PSMA's to identify systemic deficiencies and associated corrective action plan(s).
- f. Reports of loss of GP, any report register, and loss case files.
- g. Findings from other Government or third-party audits involving GP.

5.4.1.3 After establishing the firm dates for the audit and after receipt of the requested materials, the PA shall prepare an entrance conference presentation. The presentation should include:

- a. Contact information for the PA and any supporting personnel.
- b. Dates and times of the audit.
- c. Tentative dates for:
 - (1) Discussion of interim findings and recommendations.
 - (2) A draft report (if required).
 - (3) The final report.
- d. A tentative schedule for receipt of contractor response and a corrective action plan, if needed.
- e. A description of the audit, including a list of the outcomes of the property system to be audited.
- f. A summary of the techniques and methods that will be used to test the outcomes.

5.4.1.4 The PA may, at their discretion, provide a copy of the entrance conference presentation to the contractor prior to the date of the conference.

5.5 Contractor Self-Assessments

5.5.1 Participation in Contractor Self-Assessments

5.5.1.1 The PA may participate as part of or serve as a control point in the contractor's self-assessment program.

5.5.2 A Use of Contractor Self-Assessments

5.5.2.1 The PA may build upon or incorporate the results of the contractor's assessment process in conjunction with,

but not in lieu of, the performance of the PMSA. However, due to the lack of independence, contractor self-assessments may not be used exclusively as a substitute for the PMSA or for a particular property test or segment.

5.5.2.2 The PA shall test contractor performance and compliance in accordance with the procedures in this chapter and Generally Accepted Government Accounting Standards to provide an independent verification of the contractor's findings and to provide reasonable assurance of the adequacy of the contractor's property management practices and systems. 5.5.3 Review of Proposed Standards and Practices

5.5.3.1 The PA shall review the contractor's standards submitted at the time of proposal to determine whether those standards will serve as indicators of the adequacy of contractor performance.

5.5.3.2 The PA shall review the contractor's proposed practices to determine whether the actual operations of the contractor are in compliance with those practices.

5.6 Testing Contractor Performance

5.6.1 Evaluation and Identification of Applicable System Segments

5.6.1.1 The PA shall review past PMSAs and the contractor's Property Management Systems, plans, processes, procedures, practices, and standards to determine the segments of the property system that will be subject to audit.

5.6.1.2 If the contractor meets the qualifications for a "major contractor" as determined by the Center Deputy Chief Financial Officer, the PA shall, at minimum, audit the records, physical inventory, and reporting segments of the property system annually without regard for past performance.

5.6.1.3 The PA shall document their rationale for evaluation or nonevaluation of particular segments of the property system.

5.6.2 Test Methods

5.6.2.1 Population Selection

a. Within each segment of the property system, the PA shall select an appropriate population for audit.

(1) Definition of the population shall be carefully performed. Improper population selection may render the results obtained from sampling techniques unsupportable. Also, improper population selection may cause a random sample to be invalid as it may not represent the entire population and it may not be possible to generalize the results of sample tests to the full population.

(2) The PA shall determine the purpose of the test and ensure that the population is fully inclusive of all situations, documents, records, or items associated with the test area.

(3) The PA shall not include items in the population that are dissimilar or unrelated to the process being tested. For example, all receiving reports could be considered to be a population if the test involves validation of documentation supporting the receiving process and the contractor's processes call for the creation of receiving reports to document the transaction. Conversely, a purchase document may provide proof of acquisition but not necessarily provide proof of receipt. As such, it should not be included in the population.

5.6.2.2 Full Population Testing

a. PAs should evaluate the need for testing of an entire population as opposed to sampling. Full population testing shall be employed when the nature of the test is critical to safety or health; when inventory is critical to the execution of the contract; or when items to be tested are of a specialized nature (e.g., national security items) and, therefore, necessitate absolute control. Full population testing should also be used when populations are small and the cost to determine and generate random samples exceeds the cost to evaluate the entire population.

5.6.2.3 Sample Types

a. Judgment Samples

(1) Judgment samples may be used to evaluate process segments that do not lend themselves to any other methods of sampling.

(2) Prior to using judgment samples, the PA shall evaluate whether it is possible to use random samples.

(3) If the PA determines that random, statistical sampling is not applicable or cannot be used, they shall document the file with their rationale.

b. Purposeful Samples

- (1) Purposeful samples are used when a specific sample is selected to test for the possible systemic impact of a critical or substantial condition or situation and there is suspicion of or reports of significant noncompliance.
- (2) The PA should limit the use of purposeful sampling to situations in which they believe the severity of the situation is likely to result in a systemic deficiency.
- (3) Purposeful samples may also be used in root cause analysis and related efforts after establishing the inadequacy of a property segment through random statistical sampling.

c. Random Statistical Samples

- (1) The PA shall select a sample size sufficient to support generalization to the entire population.
- (2) To support the adequacy of the statistical sample, the PA shall, at minimum, use a double sampling plan where the Government's risk may not exceed 10 percent (a 90 percent confidence level) except for slight variations due to changes in population sizes.
- (3) Use of automated systems.
 - (a) Use of automated systems to determine sample size and to generate the random sample is encouraged. Automated systems help control cost and increase the efficacy of the sample.
 - (b) PAs who intend to use automated systems should request electronic versions of the contractor's records, sufficient to generate the sample, as part of the initial PMSA data collection effort.
- (1) Various tools exist to determine an appropriate sample size. The DCMA Property Administration Procedural Guidance provides a double sampling table for this purpose at: [http://guidebook.dcmamil/34/SamplingTables\(1\).pdf](http://guidebook.dcmamil/34/SamplingTables(1).pdf).
- (2) Automatic Generation of Random Samples. Part of NASA's standard office suite, Microsoft Excel, contains a random number generating function within its Data Analysis ToolPak that can be used for this purpose. PAs should have this ToolPak installed within the Excel spreadsheet program on their computers. The Sample function can generate a list of random numbers from typical property data elements, such as unique identification numbers, NASA Equipment Control Numbers, or locations.

5.6.3 Determination of Anomalous Errors

5.6.3.1 Anomalous errors are those that are either within the sample's expected error rate or are not repeated in succeeding samples when double sampling techniques are used. While anomalous errors are not normally indicative of systemic deficiencies, PAs shall note anomalous errors and, if sufficiently serious as to warrant further action, determine the cause of the error and require its correction.

5.6.4 Determination of Systemic Deficiencies

5.6.4.1 PAs shall retest to determine whether errors found within an initial sample are repeated. If the errors are repeated, it should be assumed that segment of the contractor's system is deficient in that it has not produced the outcome required by the property clause or the standards and practices within the contractor's property management plan.

5.6.4.2 A deficiency or deficiencies should be considered systemic when, in the professional determination of the PA, the deficiency or deficiencies are deemed sufficiently significant to risk loss of GP; cause delays to mission schedule; effect the safety of personnel or the public; or significantly increase contract cost.

5.6.4.3 The PA shall perform or require the contractor to perform a root cause analysis to determine the scope and source of the deficiency and require the contractor to provide a corrective action plan.

5.6.5 Correction of Deficiencies and Errors Identified During Evaluation

5.6.5.1 Systemic deficiencies shall be reported to contractor's management personnel upon discovery. Correction of systemic deficiencies should not be postponed until the completion of the report, but acted on immediately.

5.6.5.2 Systemic deficiencies shall be noted in the report along with the corrective action taken, should that action be completed during the conduct of the PMSA.

5.6.5.3 Anomalous errors corrected during the PMSA may be documented with summary notations to the report.

5.6.6 Outcome of Segment Testing

5.6.6.1 Evaluation of Acquisition

- a. Acquisition is tested to ensure that it is limited to those quantities authorized by the contract. Acquisition includes any property acquired, constructed, fabricated, or furnished by the Government or via other methods. Random sampling techniques should be utilized unless acquisition activity is so limited as to warrant a full population audit.
- b. The population for this process may consist of all acquisition and fabrication transactions, as evidenced by the documents of those transactions for the past year or since the last PCSA, whichever is more recent. The PA shall audit the procurement, requisitions, purchase orders, subcontracts, fabrication, or transfer documents. These documents may serve as the appropriate population for testing acquisition.
- c. The PA also may audit the acquisition cost vouchers submitted to the CO for payment to determine whether the dollar value of direct charges for property against the contracts are appropriate for the circumstances of the contract.
- d. The PA should also audit bills of materials or material requirements lists to determine if the quantities of acquired material are appropriate or excessive. PAs should consider minimum buys, bulk purchases, shelf life, and similar conditions that warrant acquisition of quantities that differ from specific contract requirements. Further, the PA should evaluate the contractor's performance in light of their proposed practices, procedures, and standards.
- e. Federal Standard Requisitioning and Issuing Procedures (FEDSTRIP) and Military Standard Requisitioning and Issuing Procedures (MILSTRIP) acquisition audits shall be treated as separate populations under the process of acquisition due to the unique requirements of the MILSTRIP process, e.g., form and format, authority needed to use the MILSTRIP system including priority codes. See DOD 4000.25-1-M, Military Standard Requisitioning and Issuing Procedure, for further guidance.

(1) The population shall consist of all FEDSTRIP/MILSTRIP requisitions made by the contractor for the appropriate timeframe.

f. The PA shall audit documentation of equipment acquisitions to ensure contractor compliance with the requirements of NFS clause at 1852.245-70, Contractor Requests for Government Provided Equipment.

(1) Contractors should have written CO approval to acquire items of equipment that were not approved as part of the initial award.

(2) Contractor requests should be audited to ascertain that they were submitted no later than 30 days prior to the acquisition date.

(3) When contractors are authorized to self-screen for available NASA inventory or the excess of other agencies, the PA shall audit documentation to determine if that screening has taken place and that the results of that screening are supportable.

g. The PA shall review all vehicle records to ensure that they were requested and approved in accordance with the requirements of NFS 1851.2 and NPR 6200.1.

(1) In addition, contractors are required to obtain the approval of the NASA Transportation Manager prior to the acquisition of additional vehicles.

(2) The PA shall test vehicle acquisition approval documents to ensure the approval was received prior to acquisition.

5.6.6.2 Evaluation of Receiving

a. The contractor should have documentation of receipts, either in manual or electronic form. These documents constitute the population for evaluation of receiving practices.

b. The contractor should also have documentation of identified discrepancies and their resolution. Receiving records constitute the initial entries into property record or provide evidence that the property was issued directly to work in progress.

c. At minimum, the PA shall audit receiving documentation and practices to ascertain the following:

(1) Whether the receiving activity ensured that quantities ordered were received and whether the condition of acquired item(s) meets the acquisition specifications.

(2) Whether receiving documentation provides evidence of corrective actions in the case of discrepancies.

(3) Whether receiving documentation provides evidence of prompt processing activity as delays in the receiving process can effect overall production.

(4) Whether receiving documentation provides evidence that items were promptly entered in property records or

issued to work in progress.

d. Evaluation of Identification

(1) The PA shall test to ensure the contractor has established a process for the identification of GP upon receipt or fabrication (See FAR 52.245-1(f)(1)(ii) and NFS 1852.245-74). The basic objective is to determine the effectiveness of the contractor's system of physically identifying GP.

(2) A thorough analysis would validate that the assigned numbers are recorded on all applicable documents; marked on the particular components or parts of GP; and marks are readable using appropriate equipment and are, when required, human readable.

(3) The PA may use the same population to test the process of identification as used in testing the process of "records" of GP. The testing of this process may be accomplished during the testing of other process segments, e.g., when testing "Records of all Government Property" by establishing two column headings on the PA's worksheets reflecting "identification number on record" and "identification number on asset."

(4) To ensure that records accurately reflect items on the floor, the PA also shall perform a "property to records" audit using a separate population as discussed in evaluation of records, section 5.6.6.3.

(5) The PA may also use a separate population for testing the process of identification. This would entail using the population used in testing receiving and then ensuring that the items received have been identified. The PA may consider alternating these two methodologies, so as to ensure broad coverage of this process requirement.

5.6.6.3 Evaluation of Records

a. The PA shall audit the contractor's records systems to ensure that the records are established and maintained according to their proposed property management plan, system, practice, and/or standards.

b. In addition, the FAR 52.245-1 "Government Property" clause requires contractors to retain records sufficient to support audits and sets forth minimum requirements for data elements. The PA shall ensure that the contractor's property records contain the appropriate data elements.

c. While some data elements required within the property clause, e.g. description, are applicable to all classifications of property, some data elements may not be. For example, quantity received or fabricated and quantity on hand are applicable to material items. However, equipment items, in particular serially numbered equipment items, are tracked as individual units; therefore, the quantity will always be one. Conversely, a unique item identifier or equivalent and date placed in service are applicable to serially numbered equipment items, but not to material. Disposition, posting reference, and transaction information are only applicable when those activities take place.

d. Care must be taken in the selection of populations for testing. The PA may determine it appropriate to test the property using stratified statistical samples in which different values or types of property are tested separately from other types. Differentiation may be based on property value, such as capital valued property as opposed to lower valued property. Differentiation may be based on the physical makeup or use of the property. For example, weapons or property that may propose a hazard to persons or property or when property criticality effects mission performance are subject to a higher level of control should be tested using a stratification based on these factors.

e. Records should be tested to determine whether transactions are posted in a timely manner. Timeliness of posting of transactions should be defined in the contractor's system plan, standards, and/or practices. PAs should test to determine if transactions are posted accordingly.

f. Test of the accuracy of quantity and location shall evaluate:

(1) Existence of property on record.

(2) Whether items on record are in correct locations and quantity (record to floor checks).

(3) Completeness of records, testing whether items on the floor have corresponding, and appropriate records (floor to record checks).

g. Tests shall be conducted using appropriately sized random statistical samples or full population testing for the record to floor checks.

h. An untested Government-owned item adjacent to an item tested during the record to floor checks shall be used to perform the floor to record check. The PA should be careful to consistently check for a floor to record check item in the same position in relation to the randomly selected record to floor check item. For example the PA could establish that they will always check the Government-owned item closest to the right-hand side of the randomly selected record to floor check item.

i. When a contractor is authorized to use a "receipt and issue" recordkeeping system, the PA shall review receipt and issue records to determine whether received items have been issued directly to the floor for consumption, whether items are consumed in a timely manner, and whether unconsumed items or items that will not be consumed for a period of time exceeding the contractor's plan are placed on record in a perpetual inventory system.

j. In accordance with NFS clause 1852.223-76, Federal automotive contractors who are authorized the use of Government-provided vehicles are required to report into the Federal Automotive Statistical Tool (FAST) annually. The PA shall ensure that FAST records are up to date and complete.

(1) The PA should consult the NASA Transportation Manager, Headquarters Logistics Division, to obtain an assessment of whether prior year reports were submitted on time and accurately.

5.6.6.4 Evaluation of Physical Inventory

a. FAR 52.245-1(f)(iv) requires contractors to perform, record, and report the results of physical inventories. Physical inventories are essential in the validation of records, transactions, and practices. Physical inventories provide insight into the overall effectiveness of management controls employed by the contractor over GP. As such, they are an equally essential part of the Government's oversight and review processes. Further, NFS clause at 1852.245-78, Physical Inventory of Government Property, requires contractors to validate the existence of items valued \$100,000 or above on an annual basis.

b. The PA shall evaluate the contractor's physical inventory execution to determine whether the inventory is being scheduled, performed, recorded, and reported in accordance with the contractor's property management practices, standards, plans, or systems. The basic objective is to determine the effectiveness of the physical inventory process, physically locate and count GP, compare the results to the records, post the findings, reconcile the inventory, make physical inventory adjustments, report the adjustments and loss to the PA, and perform a physical inventory at contract completion, termination, or when otherwise required.

c. The PA has the option of performing audits of the contractor's physical inventories either during the performance of the inventory or subsequent to its completion. In either case, the tests shall evidence performance of the physical inventory at the time(s) stated in the contractor's PMS, physical counts of selected items, verification of the entries on count slips, comparisons with records, preparation of documents necessary for any adjustments required, internal contractor approval of adjustments, and the referral of lists of all recorded adjustments to the PA. Populations and their respective samples may be drawn from physical inventory documentation such as count slips, inventory tickets, computer printouts of automated inventories, or similar items.

d. To ensure that the contractor's inventory practices encompass all property under contract, the PA shall select an appropriate sample of items from the contractor's work areas, e.g., storage, manufacturing, and fabrication, to determine if items within those areas have been verified during the inventory process.

e. The PA shall review an appropriate stratified sample or stratified population of the contractor's records to determine whether items valued over \$100,000 have been verified on an annual basis in accordance with the requirements of NFS clause at 1852.245-78. Special attention should be given to any instance where an item was not found to determine whether the discrepancy was reported in a timely manner according to the requirements of the Government Property clause and whether the associated records were updated.

5.6.6.5 Evaluation of Subcontractor Control

a. Though it is not a widespread practice for commercial companies to provide their assets to their vendors, it is occasionally within the Government's best interest to provide property to contractors performing Government contracts. When a subcontractor requires property to perform duties associated with the prime contract, prime contractors may provide that GP to subcontractors. As the Government does not have "privity" into the relationships between the prime contractor and subcontractors, the prime contractor is responsible for the management of GP in the possession of its subcontractors, in accordance with FAR 52.245-1(f)(1)(v).

b. The PA shall ensure the prime contractor has established a process to manage its subcontractors who have been provided GP. The basic objective in testing subcontractor control is to ensure that the contractor has a process for properly applying the GP clauses in its subcontracting processes and providing the required information in the subcontracting process, and then to ensure sufficiency of the subcontractor's Property Management System to protect the Government's interests in the GP.

c. The PA should be aware of all subcontracts, purchase orders, interdivisional work authorizations (IDWAs), inter-organization transfers (IOTs), etc. that furnish GP or authorize the acquisition of items that become GP. Applicable documents to review as part of this process may include purchase orders/subcontracts with GP, contracts and associated modifications, and correspondence relating to GP provided to subcontractors, flow down of risk of loss and control of GP, and supporting correspondence and reports. The population for this process and their

respective samples can be taken from these documents.

d. When subcontractor acquisitions of property will result in Government-titled property in accordance with the title provisions of the property clause, the PA shall test to ensure that the prime contractor requested approval of the CO for the acquisition in accordance with NFS clause at 1852.245-70.

(1) The PA also shall test to ensure that the appropriate title provisions of the Government Property clause are included in subcontracts.

e. The PA should be aware that there are numerous different contractual relationships between a prime contractor and a subcontractor as well as differing relationships between and contractor and its alternate locations. A determination should be made as to the type of contractual relationship, i.e., whether the business relationship is that of a prime contractor with a subcontractor or as an alternate location as a physical extension/location of the contractor. Where the PA is unable to ascertain the type of relationship, the PA shall request clarification from the contractor as to the relationship. The contractor is in the best position to provide this information to the PA.

f. When the prime contractor has retained property management responsibilities for its subcontractors, the PA shall ensure that adequate processes have been established in the contractor's Property Management System. Areas within the subcontract process that are of critical concern are:

(1) The flow down of proper clauses and provisions, e.g., FAR 52.245-1(b)(3).

(2) The adequacy of the contractor's system of surveillance incorporated in its PCS and applied throughout the life of the subcontract.

(3) The adequacy of the contractor's surveillance documentation of the subcontractor's PMSA, to include but not limited to types, quantities, and dollar value of property; methods of performing the analysis; subcontractor performance and reporting of physical inventories; evaluation criteria; and conclusions, including disclosure, follow-up, and final resolution of deficiencies.

g. Property administration may have been delegated through the use of a support property administration delegation requested either by the prime contractor or the Government PA. Where the prime contractor has retained the oversight process, the PA shall, as part of their PMSA, perform an analysis of the contractor's oversight of their subcontractors in accordance with its Property Management System.

h. Where a support property administration delegation has been agreed to, in writing, by the prime contractor and the prime's Government PA, the cognizant PA for the subcontractor shall perform a PCSA on that subcontractor, including the GP accountable under the subcontract delegated for property administration and provide their findings to the Prime's PA promptly upon completion of the PCSA.

i. Support property administration delegations may also be used when work is done under the prime contract at alternate locations of the prime contractor. In this instance the prime contractor's permission is not required. The supporting Government PA shall provide their findings to the prime's Government PA promptly upon completion of the PCSA.

5.6.6.6 Evaluation of Utilization

a. The Government Property clause at FAR 52.245-1(f)(viii) combines five distinct processes under the outcome of utilization. These include use, consumption, movement, storage, and reporting of property no longer required for performance. PAs need to be aware that, though these distinct processes are combined into a single FAR clause outcome, the processes have different populations and different criteria that are subject to review. Within this NPR, distinct evaluation requirements are identified for each of these processes.

b. During evaluation of utilization, the PA should be particularly concerned with any unauthorized use, use in excess of allowable time on non-Government work, improper recording of actual use, and failure to maintain any required utilization records. There shall be a contractual requirement or justification for retention for each item in the possession of the contractor. PAs should be aware that the utilization levels of property may be affected by the purpose of the contract, i.e., overhaul and maintenance (O&M), production, research and development (R&D); the type of testing the item was used for; continuous versus final acceptance; and the reason the property was provided, e.g., as a model or for configuration standards.

c. Contractors are required by the property clause to restrict use of GP exclusively for the performance of the contract under which the property was provided. Use on other Government contracts may be allowed after receipt of noninterference use approval from the CO for the providing contract. Approval should also be garnered from the CO responsible for the using contract. PAs shall check to ensure that any identified use on other contracts has been appropriately authorized.

- d. Conversion of public property to private use without authority is a criminal act under 18 U.S.C, pt. 641. PAs shall review contractor use records and operations to determine whether property is being used exclusively for authorized purposes. When the PA suspects that property is being used for unauthorized purposes, the PA should immediately report such conditions to the NASA Inspector General for further investigation and should request advice from the Inspector General on whether and to what extent the PMSA should continue.
- e. Contractors who identify a commercial or private use for GP shall obtain the approval of the providing CO under FAR clause at 52.245-9, Use and Charges clause and comply with the CO's direction.
- f. PAs shall review contractor records to ensure they have obtained the CO's advanced approval of commercial use and that the contractor's plans, practices, procedures, or systems provide accurate means to collect use data, for example, hours used for performance of commercial work versus hours used for performance of Government work.
- g. Contractors shall have processes and standards to determine when property is no longer required for performance of the providing contract and to report that property for disposition in accordance with the FAR Government Property clause and FAR pt. 45.6.
- h. The PA shall evaluate contractor records of use and observe the use of property to determine whether property that is no longer required for contract performance has been reported for disposition in accordance with the contractor's processes and standards. This portion of the utilization evaluation applies only to nonconsumable types of GP, i.e., equipment, special test equipment (STE), durable special tooling (ST), and real property.
- i. The PA shall review the activity level of the items sampled to identify idle or underutilized GP.
- (1) Where the GP does not reflect current or recent use, the PA shall request the contractor to provide justification that the GP is required for planned or "in process" continuing contract efforts.
- (2) If not justified for retention, inactive GP should be declared excess.
- j. The population for utilization evaluation should be selected from all utilization records, either manual or automated, and should be stratified by property type with common utilization characteristics. The PA shall use sound judgment in determining the populations selected for testing the utilization process. If the contractor uses the same process for tracking the utilization of equipment, STE, and ST, it would be appropriate to use the records of all equipment, ST, and STE as the population of utilization. If a different process is used to track the utilization of the various classes of GP, then separate populations should be used for this test rather than combining all equipment, ST, and STE.
- k. PAs shall conduct specific reviews of vehicles and related equipment, such as trailers and material handling equipment, as part of the PMSA based on special contract provisions. Such reviews should be made to ensure Government-owned vehicles are:
- (1) Approved and justified in accordance with contract requirements. Specific approval requirements exist for vehicles in NFS 1851.2 and NPR 6200.1.
- (2) Subject to controls in the contractor's procedures to prevent unauthorized home-to-work or work-to-home use of vehicles.
- (3) Utilized in accordance with the justification provided at acquisition. If underutilization is identified, the PA should further report that underutilization to the Center transportation officer. If the justification for acquisition is insufficient to determine level of use, the PA should recommend that the CO require a more detailed justification of the vehicle's projected use.
- l. The PA should review the contractor's processes for responding to contract completions, terminations, modifications, and engineering changes to identify property no longer required for contract performance.
- m. When GP will be retained beyond original period of performance or termination, the PA shall ask the CO to provide documentation of contract extension or award of a new storage contract.
- n. When property is to be transferred between a complete contract and a follow-on contract, authorization shall be in writing in the complete contract. The complete contract cannot be closed for property or contract administration until the GP is either transferred to the follow-on contract or disposition is directed by a PICO or the NASA PDO and completed by the contractor.

5.6.6.7 Evaluation of Storage

- a. Contractors are required to properly store property under their stewardship. The PA shall ensure that the contractor has established a proper method of storage for all GP in accordance with FAR 52.245-1(f)(1)(viii). The basic objective in testing storage is to determine the contractor's effectiveness in controlling, protecting, and preserving GP while in storage.

b. Assessing the effectiveness of contractor storage practices is normally accomplished by visual inspections of GP storage areas. Special inspections may be made of some or all storage areas or review may be made in conjunction with verification of location or control processes.

(1) The population for this process shall consist of all locations where GP is being stored.

(2) Evaluations shall include the overall safeguarding aspects, review of housekeeping, temperature and static control (if required), physical security, and preservation of GP within storage areas, e.g., storage areas are clean and well organized with access strictly limited to authorized personnel and with processes established to appropriately preserve GP in storage.

c. The PA should review storage records to compare the date or timeframes that assets were originally placed into storage with completion dates for the accountable contract to determine whether the contract is active or complete. If GP is discovered in storage and the contract is complete, the GP should have been declared excess and processed through the appropriate disposition process.

d. Preservation processes should ensure that materials stored indoors or outdoors are protected from corrosion or other deteriorating conditions. Hazardous material and other sensitive GP may require more stringent storage processes. Where appropriate, the review of special storage areas should be coordinated with other Government or contractor technical functional specialists, including safety, security, quality assurance, environmental, or production personnel.

5.6.6.8 Evaluation of Movement

a. The FAR Government Property clause requires contractors to properly move GP under their stewardship. The PA shall ensure the contractor has established effective processes for movement of GP while in use, into and out of storage, or in transit. The basic objective in testing movement is to ensure that GP is moved under the appropriate authority and with the appropriate documentation, adequate protection is provided during movement, and location changes are promptly posted to records.

b. Assessing the effectiveness of the contractor's process for protection of GP in use or in transit is generally accomplished by day-to-day observations of contractor actions. All Government personnel that have visibility of contractor operations should monitor contractor protection of GP being prepared for or while in transit.

c. The population for this review may consist of all issue slips, shipping tickets, location change orders, custodial transfer documents, maintenance work orders that require the movement of GP, routers/travelers, and other similar documents and shall be for the time period of one year or back to the last PMSA, whichever is less. This process' verification may also be supplemented by information obtained from reports of loss of GP when the item was damaged during movement, either internal or external. The overall effectiveness of the process may be assessed based on the frequency and magnitude of loss of GP while property is in movement. Where losses are frequent and due to movement-related circumstances, a systemic deficiency may exist. 5.6.6.9 Evaluation of Consumption

a. The PA shall evaluate the contractor's consumption of GP to ensure reasonable levels of inventory are on hand. Excessive quantities or out of stock conditions should be noted. Random statistical samples of records of item quantity and supporting consumption records should be used for this purpose.

b. The PA shall determine whether quantities of material inventory on hand are reasonable based on blueprints, production schedules, parts lists, etc. The PA should consider other factors, such as supplier's bulk purchase requirements, when they are relevant to the analysis.

c. When consumption analysis or other evidence shows that costs charged to Government contracts do not appear to be reasonable, allowable, or allocable, per the requirements in FAR pt. 31, Cost Principles, the Allowable Cost and Payment clause at FAR 52.216-7, and the Cost Accounting Standards (CAS), the PA shall determine the extent of the deficiencies.

(1) If items appear to be unallowable, unreasonable, or not allocable, the PA shall notify the CO for appropriate action.

(a) The notice shall include proper documentation of findings serving as the basis to suspect an unallowable, unreasonable, or not allocable cost.

(b) If it appears that a systemic problem exists, the PA notice to the CO may recommend a DCAA audit for possible impact to the contractor disclosure statement.

d. The PA shall review the contractor's records to ensure that the value of items issued from stock for use in contract work are incorporated into the costs of the item either constructed, manufactured, or kitted.

- (1) The item resulting from the consumption process should be valued according to consistently applied, sound accounting practices.
- (2) Items undergoing these processes are considered to be work in progress. Items should be considered a new item when complete, whether returned to stock in an altered form or delivered.
- (3) New items that are returned to stock should be entered into the contractor's records with appropriate value and quantities.

5.6.6.10 Evaluation of Reporting

- a. FAR 52.245-1(f) requires contractors to have a process to properly prepare and submit reports related to GP under their stewardship. VCS, ILPSs and CCPs provide significant guidance on reporting processes and typical metrics. Reports required by the Government Property clause include but are not limited to reports of discrepancies, loss, physical inventory results, audits and self-assessments, corrective actions, and other property-related reports, as directed by the CO. NFS clause at 1852.245-73 also requires submission reports of NASA Property in the Custody of contractors, NASA Form 1018. NASA encourages submission of these reports through NESS.
- b. The PA shall test the contractor's processes to determine whether they meet contractual requirements for preparing and submitting reports of GP. This test typically involves a review of the full population of contractually required reports, either manual reports or electronic versions, based upon the contractor's process and which covers the time period of one year or subsequent to the last PMSA, whichever is less. Where the PA chooses to treat this in a combined fashion, all of these reports may be viewed as one population. Care should be taken in the evaluation process as the timeframes, forms, or data requirements for reporting these various actions may differ depending upon the contractor's PMS and the type of report required.
- c. In lieu of testing reports as a separate group or outcome, the PA may evaluate this process in any other applicable process that requires the creating of a report, e.g., reports of discrepancies may be evaluated by the PA when performing the audit of the receiving process; physical inventory reports may be evaluated when performing the audit of the physical inventory process; loss reports may be evaluated by the PA when performing the audit of the relief of responsibility/liability process. When these reports are tested under the related process, the PA shall ensure that a review is performed on any reports that were not addressed under the other processes.
- d. Special attention should be given to contract compliance for those contractors required to submit the annual report of NASA Property in the Custody of Contractors, in accordance with NFS clause at 1852.245-73, Financial Reporting of NASA Property in the Custody of Contractors. Contractors shall be evaluated on the timeliness of correct submissions. As this report is pivotal to the completion of NASA's financial reports, timeliness and correctness are equally important. Evaluation of the contractor's ability to generate quality data may be based more on the contractor's performance in the records, acquisition, and disposition segments of the property system than on the report itself. Failure to maintain accurate records or properly record addition and deletion transactions would obviate the contractor's ability to submit an accurate report.

5.6.6.11 Evaluation of Maintenance

- a. Contractors are required to properly maintain property in their stewardship. The PA shall ensure the contractor has established and follows a process for properly maintaining GP in accordance with FAR 52.245-1(f)(1)(ix). The basic objective in testing the process of maintenance is to ensure that the contractor's system of maintenance includes disclosing the need for and the performing of routine, normal preventive maintenance and unscheduled maintenance and contains a process for disclosing and reporting to the Government the need for capital-type rehabilitation and obtaining the CO's approval, prior to commencement of work.
- b. The population for analysis may be selected from all items that require maintenance as part of their normal operation or stratified by GP type requiring varying levels of maintenance actions, i.e., equipment, STE, ST, and real property. Maintenance actions and records shall be reviewed to determine that they have been performed and recorded in accordance with the maintenance standards and plans in the contractor's Property Management System.
 - (1) Maintenance and repair records shall be analyzed to determine the cause of breakdown in order to ascertain the possibility of inadequate preventive or routine maintenance.
 - (2) The PA may request assistance from other technical specialists, e.g., Quality Assurance Representatives, in the review of this process. c. Contractors may also be contractually required to comply with NASA technical manuals and orders when performing work on items of GP. PAs shall familiarize themselves with and become knowledgeable of these requirements and obtain assistance from the appropriate Government technical personnel, when needed.

5.6.6.12 Evaluation of Disposition

a. The PA shall evaluate the contractor's property practices to ensure that the contractor reports excess GP in accordance with FAR 52.245-1(j), any other terms and conditions of the contract, any applicable law, and the contractor's Property Management System. The basic objective of testing disposition is to determine the effectiveness of and compliance with the disposition process on screening for reutilization of property in support of other Government contracts; identifying property that is excess to the requirements of the instant contract; submission of inventory schedules to the appropriate Government representative, generally the PICO; obtaining the proper authority for transfer or disposal of excess and surplus GP; and reviewing the disposal of GP in accordance with Government direction or under an adequate scrap process.

b. This process is normally reviewed by selecting a random statistical sample from the population of disposal records, including plant clearance cases, transfers; scrap tickets, Government Furnished Material return documents, and other appropriate documents. These records should reflect in-house screening for reutilization and proper authority for disposal.

(1) The PA shall ensure the contractor has a system for properly crediting the Government with the proceeds realized from the sale of assets.

(2) If assistance is needed in verifying the crediting of these proceeds, the PA shall request, through the CO responsible for administration of the contract, that a review be conducted by the cognizant audit authority.

c. The PA shall evaluate the contractor's scrap procedures.

(1) Contractors' procedures may allow for the disposition of common scrap through a single scrap disposition process. The PA should review the process to determine whether or not it is capable of fairly identifying the ratios between scrap generated from Government work and that generated by the contractor's other work.

(2) The PA may select a random statistical sample of the population of all property that has been processed through the contractor's scrap procedure for the past year or subsequent to the last system audit.

(3) The PA shall review the process and the documentation to ensure that the items processed through the contractor's scrap procedure have been verified as being in "scrap" condition by an appropriate Government representative.

(4) The PA shall review the contractor's process for properly crediting the Government with the proceeds realized from the sale of scrap through scrap procedures.

(5) If assistance is needed in verifying the crediting of these proceeds, a request shall be made through the CO administering the contract to the cognizant DCAA auditor.

d. The PA shall evaluate the contractor's procedures to establish whether they have acted under appropriate authority for disposition.

(1) The PA shall determine that the actual disposition of GP is based on contractual or other CO, PICO, or PDO authorization.

(2) When all GP has been dispositioned through the plant clearance process, the PA may select samples from inventory schedules or other plant clearance documentation to determine that actions taken were properly authorized.

(3) If the disposal action was unauthorized, procedures for reporting loss shall be required before a determination to relieve the contractor of responsibility may be considered.

(4) The PA shall review the contractor's records and practices to ensure that they obtain any required CO consent to disposition property provided under the FAR clause at 52.245-2; that disposition takes place only after notification to the CO; that disposition is carried out by the contractor; and that property is not returned to the Government for disposition.

5.6.6.13 Evaluation of Closeout

a. The PA shall evaluate the contractor's methods of ensuring contract closeout actions related to property are completed in an accurate, effective, and timely manner in accordance with FAR 52.245-1(f)(1)(x).

b. This process may be analyzed during the PA's final review of contractor closeout actions or over a period of time. Subjective evaluation may include reviewing the timeliness of initiation and submission and the adequacy of the contractor's method for tracking contracts nearing completion to close out affected contracts. Objective evaluations may include verifying required authorizations for property transfer, completed disposition actions, completion of liability determinations, and completions of contractually required reports, including closeout forms/correspondence with zero dollars remaining.

c. The PA should review for any completed contracts for which formal contract closeout actions have not been taken or reported.

5.6.6.14 Evaluation of Loss/Relief of Stewardship Responsibility

a. Prior to conducting the PMSA, the PA shall review reports of loss previously submitted and ensure that the reports have sufficient documentation for reason for loss; include steps to be taken to prevent recurrence; include the data elements required by the Government Property clause; and include all supporting documentation.

b. The PA shall note any incidence of failure to report loss in accordance with the requirements of the Government Property clause. Particular attention should be paid to losses discovered as a result of the contractor's physical inventory. Timing between the completion of inventory and the submission of any report should be considered.

5.6.6.15 Evaluation of Overall Property Management

a. The PA shall determine the effectiveness of the contractor's Property Management System, seen as a whole and identify possible systemic impacts of deficiencies identified within multiple segments of the PMSA. As such, this segment should provide a more holistic picture of the contractor's PMSA. An additional objective of this audit is to provide a management overview that identifies causal factors that may contribute to deficiencies in other processes. In their audit of the overall Property Management System segment, the PA should:

- (1) Evaluate the property management activity's (PMA's) location within the organizational hierarchy.
 - (2) Establish whether the PMA is sufficiently independent from operational activities.
 - (3) Evaluate the authority of the PMA to develop, disseminate, and enforce property management policies, standards, practices, systems, and procedures.
 - (4) Consider whether the PMA is sufficiently resourced to execute the requirements of the contract, execute the procedures and practices proposed by the contractor, and meet any performance standards. It is important to consider the balance between cost of and the effectiveness of PMA operations.
 - (5) Evaluate the contractor's self-assessment processes to determine the authority of the PMA to identify, report, and correct deficiencies in performance both within the PMA itself and within production, program, or project activities.
 - (6) Identify any instance in which the contractor's management failed to correct identified deficiencies; failed to establish and implement adequate plans, standards, practices, or procedures; or failed to provide protection for GP adequate to prevent its loss.
 - (7) Evaluate the contractor's self-assessment control environment, as detailed in their procedures.
- b. The PA's audit of this process segment should utilize the products of the contractor's assessment activities to direct attention to areas of concern and to support tests and findings. Contractor self-assessment shall not be used by the PA as a substitute for appropriate, independent Government oversight and testing.

5.7 Documentation of Audits

5.7.1 Documentation of Evaluations

5.7.1.1 The PA shall fully document the processes used to test, sample sizes, and populations of each segment tested.

5.7.1.2 The PA shall provide the results of the tests for each segment audited.

a. The results shall indicate whether the contractor performed satisfactorily, unsatisfactorily, or partially satisfactorily for that segment.

5.7.1.3 The PA shall provide a summary of any actions taken by the contractor during the performance of the audit to ameliorate any risks or to address any findings related to the audit.

a. The summary shall indicate whether the actions were sufficient to restore any unsatisfactory or partially satisfactory segments or outcomes to satisfactory status or whether further action is required.

5.7.2 Preparation of Audit Report

5.7.2.1 The PA shall prepare an audit report which shall contain the following content at minimum:

a. An executive summary that delineates and summarizes significant findings and recommendations, as well as the contractor's responsiveness and cooperation in completion of the audit.

- b. Details of findings and recommendations by segment.
 - c. Details of all tests to fully support any subsequent findings and recommendations. Descriptions of test samples and procedures, along with documentation of detail supporting findings, produced for each applicable segment or outcome of the property system.
 - d. A full description of any situations requiring corrective action.
 - e. A requirement for the contractor to submit a response or to complete all actions required to correct deficiencies identified in the report, specifying an overall completion date in accordance with FAR 45.105 (b).
 - f. A requirement for the contractor to provide a schedule for completion of individual remedial actions within the overall timeframe.
- 5.7.2.2 With the contractor's consent, the report may record and acknowledge any processes, standards, or practices that exceed those typically required by voluntary consensus standards or that exceed CCPs and that prove to be cost effective.

a. The report shall recommend contractor documentation and dissemination of such processes, standards, and practices as examples of potential ILPSs.

5.7.3 Notification of Authorities

5.7.3.1 The PA shall notify the CO and the Center IPO of any findings that may result in an overall determination of system inadequacy or failure to comply with contract requirements.

5.7.4 Receipt of Contractor Comments, Actions, and Plans

5.7.4.1 The PA shall incorporate contractor comments, actions, and plans into the final report.

5.7.4.2 Contractor responses should be evaluated to determine any corrective actions that may have been taken subsequent to the completion of the audit. If the contractor has taken corrective actions, the PA shall evaluate those actions and determine if they are responsive to the findings and recommendations provided in any interim or draft report.

5.7.4.3 Should the corrective actions be completed, the PA shall note their completion in the final report.

5.7.5 Preparation of Files for PMSAs Conducted on Contractor Premises

5.7.5.1 The PA shall acquire a separate file for each PMSA and prepare the file as follows:

- a. Label the file in accordance with records management guidance, noting the contractor name, cage code, and date of review completion on the label.
- b. Correspondence advising the contractor of the scheduled PMSA, any associated response from the contractor, and documentation of the entrance conference shall be placed in the first section of the file.
- c. Documentation of the PA's determination of whether or not particular segments of a property system should be reviewed shall be placed in the second section of the file.
- d. Findings of tested property segments shall be placed in the third and fourth sections of the file.
- e. Correspondence with the contractor regarding the results of the audit along with the final report, the contractor's response, and the exit conference shall be filed in the fifth section of the file.
- f. Correspondence related to actions subsequent to the final report shall be filed in the sixth section of the file.
- g. Supporting documentation may be maintained in a separate folder and indexed to allow easy reference between the supporting documentation and the segment or segments tested.
- h. Documentation of a desk audit may be filed in a single folder with the findings on one side and any associated correspondence and supporting documentation on the opposite side.

5.7.6 Recording in NESS

5.7.6.1 Based on the audit report, the IPO, or their designee, shall record the results of the PMSA along with any significant findings, either positive or negative, in the appropriate records in NESS.

5.7.6.2 IPOs, or their designees, shall upload copies of all PMSAs in portable document format (.pdf) when conducted by NASA or received from DCMA.

5.8 Loss of Government Property

5.8.1 Receipt of Contractor Reports

5.8.1.1 PAs shall establish a file for all reports of loss within the particular contract property file.

5.8.1.2 IPOs shall establish files for all reports of loss for contracts administered by other agencies within the particular contract property file.

5.8.2 Evaluation of Contractor Reports

5.8.2.1 Industrial Property Management Specialists and/or IPOs shall review the Annual Reports of NASA Property in the Custody of Contractors to determine whether or not the losses reported for the period are reflected in the documents received throughout the year.

5.8.3 PA Authorities

5.8.3.1 PAs shall review each incidence of loss. Based on the requirements of the contract, and the circumstances of the loss, when appropriate, FAR 45.105(d) authorizes PAs to grant relief from responsibility to the contractor.

5.8.3.2 When the contract language or the circumstances of the loss, e.g., managerial neglect, fraud, or abuse, demand it, the PA shall recommend to the CO that the contractor be held responsible for the loss.

5.8.4 Decisions to Hold Contractors Responsible

5.8.4.1 In accordance with NFS 1845.104, the CO, after consideration of the PA's recommendation and the overall circumstances of the contract, is required to render a decision on whether to hold contractors responsible and liable for property in their custody or whether to take an alternate action to protect the Government's interests in its property.

5.8.4.2 The PA shall follow up with the CO to obtain information, including, when available, documentation, regarding the CO's decision under section 5.8.4.1.

Chapter 6. Contract Property Management Reporting

6.1 Support for Financial Reporting

6.1.1 While FAR intends that contractors' property records are to be used as custodial records, several areas of those records serve cross-functional purposes with financial management activities. To that degree, property systems have to provide reports that can also be used for financial reporting purposes. Reports used to support financial statements have to be accurate, complete, and submitted in accordance with contract requirements by individuals who are authorized by the contractor to submit them.

6.1.2 Review of Annual Financial Reports (NASA Form 1018)

6.1.2.1 All reports shall be supported by a PA's verification that the contractor's property system is capable of producing accurate reports. Accuracy is determined through several methods. They include reviews of the contractor's physical inventory process, which are expected to provide reasonable assurance of the existence and completeness of the property records. Determination of accuracy is also facilitated by the PMSA, where the PA obtains insight into, evaluates, and provides oversight for the contractor's entire property management effort.

6.1.2.2 Use of NESS.

a. All NASA reporting related to the submission of NF 1018 will occur in the NESS system. Contractors should be encouraged to use the system for submission of their reports. However, contractor use of the system is not mandatory. Should contractors submit manual forms, the NASA PA shall enter the data into NESS on behalf of the contractor and retain hard copies of the documents within the property administration file.

6.1.2.3 PA Verification of Adequacy

a. The NASA PA does not verify the figures in the NF1018 report. Rather, the PA verifies that the contractor's property system is capable of producing correct and accurate reports, based on their evaluation of the contractor's property system. The PA will consider the most recent complete PMSA findings related to records, physical inventory, or reporting outcomes; any contractor actions to address findings, and will annotate the NF1018 accordingly.

6.1.2.4 IPMS/IPO

a. The IPO or their designee shall review the report to ensure that the PA verification is complete, the report appears to contain correct information, based on documents and data retained by the IPO, and resolve any identified discrepancies with the PA and the contractor prior to verification.

6.1.2.5 IPO Responsibilities

- a. The IPO shall maintain contact with contractors, PAs, and other personnel to ensure the timely submission of property reports.
- b. Reports that are not submitted by the contractor within the requirements established in the contract shall be reported to the CO for further action.

6.1.2.6 For additional information on financial management reporting requirements for personal property, including property in the custody of contractors, refer to NPR 9250.1, "Property, Plant, and Equipment and Operating Supplies."

6.2 Property Administration Reporting/Metrics

6.2.1 Beyond support for financial reporting, Property Management System metrics should help NASA management determine whether the program is succeeding. Internal metrics and reports should provide insight into whether the requirements of regulations are being met. Certain critical issues shall be monitored by management on a regular basis to ensure compliance. In addition, metrics should help management to determine whether the resources allocated to the program are sufficient and if they are being effectively utilized.

6.2.2 Solicitations Issued/Solicitations Reviewed

6.2.2.1 IPOs shall establish a method for collection and reporting of information on the number of solicitations issued versus the number of solicitations reviewed.

6.2.2.2 The report shall be submitted on an annual basis to the Manager, Contract Property Programs at Headquarters.

6.2.2.3 The following data are required (See Table 6-1):

- a. Subtotal number of solicitations issued for cost contracts.
- b. Subtotal number of fixed price solicitations with GFP issued or anticipated.
- c. Total number of solicitations reviewed by the Center industrial property activity.
- d. Ratio of solicitations reviewed to applicable contract solicitations issued.

Table 6-1 Solicitation Review Metric

Total Solicitations Issued	Cost Contract Solicitations	Other Solicitations with Property	Applicable Solicitations (Column a - (b + c))	Number of Solicitation Reviews	Ratio of Reviews to Solicitations Issued (Column e/d x 100)
Column a	Column b	Column c	Column d	Column e	Column f
					%

6.2.3 Review of Contractor Proposed Systems

6.2.3.1 IPOs shall establish a method for collecting and reporting information on the number of offsite contractor systems reviewed versus the number subject to review.

6.2.3.2 The report shall be submitted on an annual basis to the Manager, Contract Property Programs at Headquarters.

6.2.3.3 The following data are required (See Table 6-2):

- a. Subtotal number of cost-type contracts issued.
- b. Subtotal number of fixed price contracts with known GFP issued.
- c. Total number of applicable contracts issued by Center procurement activities.
- d. Total number of proposed PMSAs reviewed by the Center industrial property activity.
- e. Ratio of audits to applicable contracts.

Table 6-2 Proposed System Audits

Cost contracts	Fixed Price Contracts with GFP	Total Applicable Contracts (Column a + b)	Total Reviews	Ratio (Column d/c x 100)
Column a	Column b	Column c	Column d	Column e
				%

6.2.4 Ratio of High Risk Contracts to PMSA Performance

6.2.4.1 IPOs shall establish a method for collecting and reporting metrics on the performance of PMSAs. The most critical are audits associated with high-risk contractors.

6.2.4.2 The report shall be submitted on an annual basis to the Manager, Contract Property Programs, Logistics Division.

6.2.4.3 The report shall provide the following information (See Table 6-3):

- a. The number of audits of high-risk contractors completed by NASA and delegated PAs during the fiscal year.
- b. The number of audits required for high-risk contractors according to the risk matrix at Table 5-1.
- c. The ratio between the number of required reviews and the number performed.

Table 6-3 High-Risk Contractor Audits

# of High-Risk Contractor Reviews Required per Table 5-1	# of Reviews of High-Risk Contractor Reviews	Ratio (Column b/a) x 100
Column a	Column b	Column c
		%

6.2.5 Ratio of Overall Contracts to PMSA Performance

6.2.5.1 The IPO shall report the overall effort as of the end of the fiscal year to the Contract Property Program Manager, Headquarters Logistics Management Division.

6.2.5.2 The report shall provide the following information (See Table 6-4):

- a. The number of audits of all contractors completed by NASA and delegated PAs during the fiscal year.
- b. The number of reviews required for all contractors according to the risk matrix at Table 5-1.
- c. The ratio between the number of required audits and the number performed.

Table 6-4 PMSA Reviews Conducted

# of Contractor Reviews Required by Table 5-1	# of Contractor Reviews Completed	Ratio (Column b/a) x 100
Column a	Column b	Column c
		%

6.2.6 Number of Contracts With Unresolved Findings at End of Period

6.2.6.1 The IPO shall report the number of contracts with unresolved findings as of the end of the fiscal year to the Contract Property Program Manager, Headquarters Logistics Management Division.

6.3 Annual Contractor Property Reporting Requirements

6.3.1 It is important that information on contractor property holdings be accumulated for a variety of management activities. In addition to the financial reporting activities discussed in Section 6.1, reports are used to determine risk levels associated with contractor possession of GP, to appropriately allocate industrial property resources, and to provide information for planning future activities, such as disposition. Information will be reported by the contractor in accordance with the FAR clause at 52.245-1 and NFS clause at 1852.245-73.

6.3.2 Property Information Derived From NASA Form 1018, NASA Property in the Custody of Contractors

6.3.2.1 In support of property management activities, NESS provides significant data on contractor holdings of GP. This information should be used to determine risk and to support PMSA audit scheduling. NESS data includes:

- a. Overall acquisition value of property on hand at beginning and end of period.
- b. Overall number of line items of property on hand at beginning and end of period.
- c. Value of items acquired by the contractor or furnished to the contractor over the period.
- d. Value of property by FAR property classification.
- e. Value of items dispositioned over period.
- f. Summary of disposition activities by disposition type.
- g. Values of items lost.
- h. Quantity of equipment, special tooling, and special test items on hand at the end of the period.

6.3.3 NASA Form 1018 Electronic Submission System (NESS)

6.3.3.1 NESS provides a non-mandatory alternative to hard copy submission of the NASA Form 1018, NASA Property in the Custody of Contractors. Its principal use is the collection of financial management information in support of financial reporting. In addition to the data elements listed above, NESS also accumulates data in support of property management activities. Information on operation of NESS is contained in the NESS FAQs at:

<http://ness.gsfc.nasa.gov/index.cfm?fuseaction=help.main&prevFuseaction=ness.main&DTTM=20120719132152&RequestTimeout=5000>.

6.3.3.2 Additional NESS property datasets include:

- a. Contracts in the enterprise management resource system, SAP.
- b. Contracts accepted into NESS, with detail.
- c. History of NF-1018 submissions.
- d. Status of PMSA and the status of property system segments.
- e. Contact information associated with contracts.
- f. An audit trail of transactions against the NESS records.

6.3.3.3 Maintenance of NESS Data

- a. IPOs shall assess the list of incoming SAP contracts to determine whether it is appropriate to add the skeletal records for contracts in the list to NESS and accept or reject the contract skeletal records accordingly.
- b. IPOs shall update information in the NESS Contract Details page regularly as changes are received, including updates to periods of performance, assigned personnel, and addition or deletion of clauses.
- c. IPOs shall update contractor's system status (from PMSAs) when received from NASA or delegated PAs and when the date of the audit is more recent than the date on file.

(1) Copies of reviews shall be sent to the Manager, Contract Property Program at Headquarters for central filing.

(2) IPOs at other Centers may request copies of the reviews from the Manager, Contract Property Program when needed in support of activities, such as proposals.

d. IPOs may request several actions from the system administrator at Headquarters. These include resetting a contract to pending so that a contractor may resubmit a rejected annual or final report, movement of a contract from history to active status, and addition of a new cage code and related contractor information when not part of the addition of a contract to the system.

Chapter 7. Special Situations

7.1 Progress Payments Contracts

7.1.1 Title Under Progress Payment Contracts

7.1.1.1 While the Government holds absolute title to limited classifications of property under the terms of the Progress Payments clause, at FAR 52.232-16, that title is limited to the value of property acquired allocable to or reasonably charged to the contract. Title is also limited to the duration of the contract. At the conclusion of a fixed-price progress payments contract, any deliverable remains titled to the Government and title to any residual property reverts to the contractor.

7.1.2 Property Administration Under Progress Payment Contracts

7.1.2.1 Property provided exclusively under the Progress Payments clause is not subject to the terms and conditions of FAR Part 45, NFS Part 18-45, and the property clauses. Such property is to be managed in accordance with the Progress Payments clause. Property control shall be in accordance with accounting systems and controls rather than property systems and controls. As such, the property is not subject to PMSAs.

7.1.3 Property Reporting Under Progress Payment Contracts

7.1.3.1 As PMSAs are not applicable to Progress Payments Contracts, PAs and IPOs cannot verify the adequacy of the contractor's systems for recording and managing property under those contracts. PAs and IPOs should only verify reports from those contractors whose property systems are audited due to the issuance of another contract, subject to the Government Property clause, FAR 52.245-1. The IPO should recommend that the Center Deputy Chief Financial Officer request verification of the contractor's cost accounting practices from DCAA or another appropriate Government agency.

7.1.4 Administration When Government Property is Furnished

7.1.4.1 When GP is furnished to a contractor operating under the Progress Payments clause, the IPO shall advise the CO to include the FAR Government Property clause, the Use and Charges clause, and other applicable NFS clauses.

7.1.4.2 GFP stewardship and disposition requirements must be established and monitored when property is provided. GFP is not affected by the progress payments clause, and both property administration and plant clearance shall be accomplished according to NFS 1845.5 and this NPR.

7.1.4.3 The PA shall limit their reviews to GFP.

7.2 Small Business Innovative Research Property

7.2.1 Title Under Small Business Innovative Research Contracts

7.2.1.1 Title to property under Small Business Innovative Research (SBIR) contracts is governed by FAR 52.245-1, Government Property clause.

7.2.1.2 Most SBIR contracts are awarded as fixed-price contracts. As such, the property acquired by the contractor is titled to the contractor, subject to any use of the Progress Payments clause, at FAR 52.232-16 (see section 7.1).

7.2.1.3 Contractors may retain GP under Phase III SBIR contracts when:

a. Property remaining in the custody of a contractor, after delivery and acceptance by the Government, is added to appropriate property systems and is furnished as GP under the award, in accordance with the requirements of FAR 52.245-1; or,

b. Property is accepted by NASA, added to NASA property systems, and loaned to the contractor using NASA property loan procedures; or

c. The contractor requests transfer of title and the CO, working with the Center PDO, provides written determination and findings that:

(1) NASA has no further requirement for the property.

(2) It is more cost effective to leave the property in place than to screen and disposition the property through NASA or delegated disposition activities.

(3) Findings and determinations contain data on disposition costs, e.g., storage, transportation, packing, crating, warehousing, performing any required destruction; and those combined costs exceed the acquisition value of the item.

7.3 Storage of Property Under Contracts

7.3.1 Policy

7.3.1.1 Property may only be stored under contracts for the life of the current contract and only when there is a firm requirement for the present or future use of property under that contract.

7.3.2 Documentation

7.3.2.1 When contractors request authority to store property and a PA has determined that it is no longer required for performance of the instant contract, they should request a determination from the CO that:

a. The replacement value of the item(s) to be stored exceeds the continued costs associated with storage of property;

b. The storage of property is required to support a safety requirement, such as retention of test articles; or,

c. Storage of unique items or items out of production is required to maintain a mission capability.

7.3.3 Storage Beyond Physical Contract Completion

7.3.3.1 As the FAR Government Property clause requires that property no longer required for performance of a contract be reported for disposition and property can no longer be required by a contractor for performance of a complete contract, any requirement for storage beyond the completion date, excepting normal disposition requirements, is likely to exceed the scope of the providing contract. PAs and IPOs should advise the CO of any instance where a contractor reports that they have been required to store property in excess of contract requirements.

7.4 Property Administration for Major Programs

7.4.1 Under major programs, success of property management activities and possibly success of the program itself may require establishing property management organizations or relationships that differ from the typical. When a major contract is anticipated, Center IPOs may determine that a central property management activity responsible for coordination of all property management activities at prime and alternate worksites may be appropriate. At the IPOs discretion he or she may:

a. Assume the role of prime PA or assign a subordinate the responsibility of prime PA for the overall effort.

b. Coordinate with the CO and program officials to establish a contract requirement that a management individual or position be identified within the prime contract to be directly responsible for property management across all locations of the contract, including all subcontractor locations.

(1) Property management should be the principal or sole responsibility of this individual.

(2) This requirement should be clearly established within the Statement of Work or in a special provision.

c. Draft support delegations to DCMA in lieu of standard delegations to specifically define the levels and nature of the support required at prime and alternate locations.

(1) Support delegations shall be forwarded to the Manager, Contract Property Programs, Logistics Division, Office of Strategic Infrastructure, for concurrence prior to issuance.

(2) The Manager, Contract Property Programs shall coordinate, as necessary, the implementation of support delegations with counterparts at cognizant activities.

7.5 Foreign Contracts

7.5.1 Treaties and International Agreements

7.5.1.1 FAR 1.405 addresses the special situations that may arise when contracting in foreign countries. It authorizes deviations associated with treaties and executive agreements, unless those agreements are overturned by law after they are issued. IPOs and PAs shall be aware of treaties and executive agreements that could or will affect the management of property under contract.

7.5.2 Deviations Associated With Foreign Contracts

7.5.2.1 When a treaty or international agreement requires deviation from FAR or NFS, that deviation shall be processed in accordance with NFS 1801.471.

a. IPOs must be aware of and shall request copies of all requested and approved FAR and NFS deviations related to property management from the Center procurement office along with the treaties or executive agreements supporting the deviation.

7.5.2.2 Disposition of property involves compliance with regulations outside of FAR and NFS. FMR require that agencies establish guidance for the disposition of property in foreign countries. NASA requirements exist in the NASA Personal Property Disposal Procedural Requirements, NPR 4300.1 and in the NASA Personal Property Disposal Policy, NPD 4300.1. IPOs shall review deviations

from FAR for disposition and either recommend changes to ensure compliance with the documents listed above or request appropriate deviation from those documents.

7.5.3 Administration of Property in Foreign Countries

7.5.3.1 IPOs shall recommend delegation of property administration to the DCMA international office responsible for the country in which the contract will be performed.

7.5.3.2 Should the CO decide to retain property administration, they are required to accomplish it in accordance with NFS 1845.503-71 and section 1.4.2 of this NPR.

7.6 Contractors Performing Within NASA Facilities

7.6.1 Contractors performing within NASA Centers and Installations (onsite contractors) are required, by the Installation Accountable Government Property clause at NFS 1852.245-71, to manage and disposition property according to NASA procedural requirements.

7.6.2 Use of NASA Recordkeeping Processes

7.6.2.1 In accordance with NFS 1845.106, movement of property between the Center and contractor locations shall be approved by the CO prior to movement and recorded using appropriate transactions in NASA recordkeeping systems. Such property becomes GFP and is subsequently recorded in contractor systems through disposition or until return to the Government.

7.6.2.2 Records of equipment being used by onsite contractors are to be maintained in NASA recordkeeping systems.

7.6.2.3 Records of onsite supplies shall be maintained within NASA recordkeeping systems to the extent those systems are available.

7.6.3 Use of Contractor Records Systems

7.6.3.1 When the CO or a responsible program foresees possible delays or problems that may be associated with using the NASA recordkeeping systems, particularly in conjunction with using contractor systems to procure supplies and materials:

a. The contractor may maintain the record of material in accordance with NFS 1852.245-71 paragraph (a), Installation Accountable Government Property Clause and the Government Property clause at FAR 52.245-1.

b. To assure continued visibility and availability of all supplies located on NASA installations, the IPO should advise the CO and the program that the contract should contain language requiring transmission of detailed supply data, on a monthly basis, in a format prescribed by the NASA Supply Program Manager, Headquarters Logistics Management Division, to NASA's supply systems.

7.7 Other Instruments

7.7.1 Space Act Agreements

7.7.1.1 Space Act Agreements (SAAs) are issued by NASA's General Counsel and signed by the Center Director under the "other transactions" authority granted in the Space Act, specifically under

pt. 20113(e).

7.7.1.2 SAAs are not procurement actions. They are special agreements between NASA and other entities that do not necessarily result in a deliverable product or service for the Agency, nor are SAAs issued for the purpose of conducting research associated with Agency activities. In this manner they differ from contracts, grants, and cooperative agreements.

7.7.1.3 The Space Act requires NASA to disposition property in accordance with the Federal Property and Administrative Service Act (40 U.S.C.). As such, SAAs do not confer authority to transfer title to personal property to SAA partners. They are not used to provide material to Reimbursable SAA partners since, by its very nature, material would be consumed and expended during the execution of the agreement.

7.7.1.4 Property is not provided to partners in SAAs through a contract, grant, or cooperative agreement. Rather, property is loaned under a Center loan document and according to the requirements of NPR 4200.1.

7.7.1.5 IPOs shall support the Center SEMO in the execution of these loan documents by performing PMSAs, as required, at offsite locations to ensure compliance with the terms and conditions of the loan agreement and to provide oversight of the recipient's management controls.

7.7.2 Cooperative Research and Development Agreements

7.7.2.1 Much the same as donations to nonprofit research institutions and educational institutions, Cooperative Research and Development Agreements (CRADAs) are authorized under the Federal Technology Innovation Act (15 U.S.C. 3710(a)). CRADAs provide authority for NASA to provide property to commercial entities in support of research of benefit to the Agency or the Nation as a whole. Current guidelines do not permit transfer of title to property to CRADA recipients. CRADAs are processed as loans, in accordance with NPR 4200.1 procedures.

7.7.2.2 IPOs shall support the center SEMO in the management of property loaned under CRADAs by:

- a. Establishing an appropriate schedule for PMSAs for offsite CRADA recipients and performing them in accordance with the risk matrix of this procedural requirement.
- b. Assisting in the disposition of property located at CRADA sites.
- c. Working with the SEMO to determine whether the program and NASA have further need for loaned property which is no longer required by the CRADA recipient.

(1) Work with the Center PDO to determine whether transfer of title or abandonment of the items at the time of disposition is an appropriate course of action. When abandonment is selected, provide a recommendation to the PDO for their review and approval or disapproval; or,

(2) Work with the Center PDO when abandonment is not approved to ensure reporting of the items to the DSPL system for internal, Federal, and donation screening or, when not donated, for sale.

Chapter 8. Contractor Inventory Disposition

8.1 Property Disposition

8.1.1 Appropriate and prompt disposition of property that is no longer required for contract performance (contractor inventory) is essential to maintain compliance with both Federal law and regulation. The primary purpose of the disposition process is to ensure that property is fully used for public purposes before it is sold or destroyed. As such, FAR Subpart 45.6, the associated property clauses, and the FMR provide guidance on proper disposition priorities and methods. When disposition of property in the custody of contractors is anticipated, the additional costs associated with disposition should be considered.

8.1.2 IPOs shall work with COs, PICOs, and Center PDOs to ensure that disposition is carried out in accordance with regulation and in the most cost-effective way possible.

8.2 Delegation of Offsite Plant Clearance Activities

8.2.1 While NASA remains accountable for onsite property during disposition, NASA PDOs are not authorized to conduct the sale of GP. A PICO has authority to contract for the sale of GP, acting under a Sales CO's warrant. Further, PICO's exercising cognizance over a particular territory should be used to preclude duplication of effort by NASA. COs are required by NFS 1845.503-70 and FAR Part 42 to delegate offsite plant clearance activities.

8.2.2 Contractor Disposition Costs

8.2.2.1 Contractor disposition systems and processes are considered to be part of the contractor's overall management systems and, as such, are normally treated as overhead or as General and Administrative expenses charged indirectly to contracts. In order to avoid duplication of costs or the transfer of these costs to the Government, the contractor should maintain property in its custody at contractor locations in lieu of transporting the property to NASA facilities for disposition.

8.2.2.2 NFS 1845.201-71 prohibits the introduction of any clause that postpones negotiation of costs for plant clearance until after award. IPOs should be aware of any attempt to allocate costs for plant clearance directly to NASA contracts and should advise against doing so.

8.3 Retention of Onsite Plant Clearance Activities

8.3.1 NASA plant clearance activities for contractors with an onsite place of performance shall be retained and carried out by the Center PDO according to the requirements of NPR 4300.1.

8.3.1.1 Property shall not be transported from offsite locations to NASA Centers for disposition unless the Center PDO determines that they have the facilities to accommodate the disposition and the CO determines that the transportation cost to the contract associated with disposition is allocable as a direct charge to the contract that provided the property.

8.3.2 Support Delegation

8.3.2.1 When a portion of the contractor's performance is offsite or when property in the custody of offsite subcontractors is to be dispositioned, the CO is required by NFS 1845.503-70 to issue a delegation to the appropriate plant clearance office.

8.4 Retention of Offsite Plant Clearance by the CO

8.4.1 COs may retain offsite plant clearance in compliance with NFS 1845.503-71; section 1.4.2 of this document and when approved by the Center's Head of Contracting Activity. Retention of plant clearance activities does not reduce or diminish the processes required by NPR 4300.1 and the applicable FMR.

8.4.2 Plant Clearance Plan

8.4.2.1 The IPO, in concert with the Center PDO, shall review the plan submitted by the CO to determine that sufficient procedural detail is included to ensure the performance of all applicable FAR and FMR disposition requirements.

8.4.3 CO Performance of Plant Clearance

8.4.3.1 NFS 1845.503-70 requires that COs perform all retained plant clearance activities for offsite contractors in accordance with FAR and FMR requirements.

8.4.3.2 In accordance with FAR part 45.6, NFS 1845.503 and the FMR, COs may initiate requests for and, after approval, may authorize contractor abandonment or destruction when plant clearance is retained. All requests shall disclose the method used to determine costs, the projected cost of disposition, and the projected sale value or reuse potential for the item.

8.4.3.3 The FMR requires that all abandonment or destruction requests shall be approved by an authority not directly responsible for the property. To facilitate this, the Center PDO shall approve or disapprove appropriately prepared abandonment requests for retained plant clearance situations, prior to CO authorization of further contractor action.

8.3.3.4 All complete retained plant clearance actions shall be accumulated either manually or automatically and documented, as required by applicable FAR, NFS, FMR, NPR 4300.1 and this NPR.

a. In accordance with NFS 1845.503-71, COs who retain plant clearance authority are required to provide annual reports of all completed plant clearance cases to the Center IPO.

b. As 40USC and the FMR require detailed information on disposition actions be accumulated and reported annually for the non-Federal Recipient's Report, the annual report, required by NFS 1845.503-71, shall include all detail needed to prepare these legally required reports.

8.4.4 IPO Oversight of Plant Clearance Activities

8.4.4.1 The IPO shall review all delegated and retained plant clearance activities to ensure compliance with applicable Federal and NASA regulations.

a. The IPO shall utilize the Plant Clearance Automated Reutilization and Screening System (PCARSS) to obtain information on completed or delegated plant clearance actions. b. PCARSS shall serve as the official record of completed plant clearance cases.

8.5 Coordination of Property Administration and Plant Clearance

8.5.1 As the responsible individual at each NASA Center, the IPO shall oversee and coordinate the activities of Center PAs and, to the extent they are involved with the disposition of contractor held property, PDOs.

8.5.2 Where Center PDOs are also warranted PICOs, the IPO shall coordinate activities accordingly.

8.5.3 Reporting Underutilized Property

8.5.3.1 IPOs shall advise all officials on FAR requirements for prompt disposition of GP when it is no longer required for contract performance.

8.5.3.2 As storage of property that is no longer required for performance is not part of the property management activity contemplated under the FAR property clauses, continued retention may be outside of the scope of existing contracts.

a. Property that is no longer required for performance of contracts shall not be retained by contractors at the direction of individuals other than the CO.

b. Except as provided in 7.3, property may not be stored on contracts beyond the period of performance except for property in the process of disposition.

c. The IPO shall refer to the CO discovery of incidents of storage of property beyond contract performance periods or when no longer required for performance.

8.5.4 Involvement of Program Officials in Retention of Underutilized Inventory

8.5.4.1 To preclude the possibility of exceeding the scope of a contract, program officials who desire contractor retention of underutilized inventory should make that requirement known to the CO for consideration of the award of a storage contract, modification of the existing contract, or other contractual instrument. Comparison of the costs of continued storage and retention should be weighed against the costs for future production of the property.

8.5.5 Identification and Reporting of Deficient Conditions by PICO

8.5.5.1 PICOs and PDOs who serve as the disposition authority for onsite contractor inventory shall report any deficiencies in description, quality, or quantity to the IPO for resolution.

8.5.5.2 IPOs shall direct the PA to investigate circumstances of disposition discrepancies in accordance with the terms and conditions of the contract.

8.6 Disposition of NASA Installation Property Used by Contractors

8.6.1 Reporting Through NASA Systems

8.6.1.1 Property utilized by onsite contractors shall be managed according to NASA Procedural Requirements and NASA Policy Directives.

8.6.1.2 To the degree NASA Property Management Systems are available, IAGP shall be recorded in those systems. This includes disposition reporting.

8.6.2 Property Disposal Officer Actions

8.6.2.1 PDOs shall disposition excess property being used by contractors performing on NASA facilities in accordance with NPR 4300.1.

8.6.3 Abandonment or Destruction Authorities

8.6.3.1 Authority to abandon or destroy property being used by contractors performing on NASA facilities shall be granted in accordance with NPR 4300.1.

8.7 Disposition of Property Through Delegated Plant Clearance

8.7.1 Property dispositioning through delegated plant clearance activities shall be conducted according to FAR Part 45, FMR, the contract language, the procedures of the cognizant organization, and NASA delegation instructions.

8.7.2 Contractor Use of Systems of Cognizant Organizations

8.7.2.1 To facilitate prompt reporting and disposition of offsite property, NASA PAs shall require contractors and shall ensure that contractor systems contain the requirement to utilize the property systems of delegated organizations such as PCARSS.

8.7.3 NASA Review of Contractor Inventory Reports and Systems

8.7.3.1 PDOs shall review PCARSS or other available reports to determine if available contractor inventory can be used to satisfy identified NASA requests for property.

8.7.4 Exchange/Sale Authority

8.7.4.1 NASA maintains its authority over property reported as contractor inventory for the period designated in the delegation instructions. During that period, property may be recalled for use or in support of exchange/sale activities. After expiration of the NASA internal screening period, property is considered NASA excess and can no longer be used for exchange/sale activities.

8.7.4.2 PDOs who become aware of contractor inventory that could be processed under NASA's authority to perform exchange/sale of Agency inventory may request removal of those items from PCARSS for internal NASA disposition.

8.7.4.3 When IPOs become aware of the possibility for acquisition of similar items to those reported as no longer required for contract performance, they may advise the PICO to utilize exchange/sale procedures and shall coordinate the retention and use of sales proceeds with the Center accounting activity.

8.8 Reports

8.8.1 Delegated plant clearance activities perform mandatory reporting for compliance with 40 U.S.C. requirements, and these statistics shall not be duplicated.

8.8.2 Disposition activity for contractors performing on NASA Centers and installations shall be

collected and compiled in accordance with the requirements of NPR 4300.1 using NASA information systems.

8.8.3 The NASA PICO shall or, when PICO authority is retained in accordance with NFS1845.503-71, the CO will provide completed plant clearance cases to the IPO.

Appendix A. Definitions

Administratively Controlled Equipment. Equipment located within a NASA Center that does not meet the criteria for recordkeeping within NASA's property management information systems.

Contracting Officer. A person with the authority to enter into, administer, and/or terminate contracts and make related determinations and findings. The term includes certain authorized representatives of the contracting officer acting within the limits of their authority as delegated by the contracting officer. "Administrative contracting officer (ACO)" refers to a contracting officer who is administering contracts. "Termination contracting officer (TCO)" refers to a contracting officer who is settling terminated contracts. A single contracting officer may be responsible for duties in any or all of these areas. Reference in this regulation (48 CFR Chapter 1) to administrative contracting officer or termination contracting officer does not—(1) require that a duty be performed at a particular office or activity; or (2) restrict in any way a contracting officer in the performance of any duty properly assigned. (See FAR 2.101).

Contractor-Acquired Property. Property acquired, fabricated, or otherwise provided by the contractor for performing a contract and to which the Government has title. (See FAR 45.101).

Controlled Equipment. Equipment that meets the criteria for control and recordkeeping under NPR 4200.1, 3.1.2.2.

Cooperative Research and Development Agreement. An instrument that provides authority for and sets the terms and conditions for Federal laboratories to conduct collaborative research and development activities with other governmental entities, persons, or corporations.

Cost Accounting Standards. Regulations governing the treatment of contract costs. (See FAR Part 31).

Customary Commercial Practice. A documented practice or standard accepted across an industry developed through a consensus process limited to that industry.

Export Administration Regulations. (See NPR 2190.1).

Federal Acquisition Regulation. The codification and publication of uniform policies and procedures for acquisition by all executive agencies. (See FAR 1.101).

Federal Automotive Statistical Tool. An automated system developed to assist Federal Government fleets in meeting the data reporting requirements of Executive Order 13423 "Strengthening Federal Environmental, Energy, and Transportation Management," the Energy Policy Acts of 1992 and 2005, the Energy Independence and Security Act of 2007, the General Services Administration's SF82 "Agency Report of Motor Vehicle Data," and the Office of Management and Budget's Circular A-11 "Preparation, Submission and Execution of the Budget."

Federal Management Regulations. The successor regulation to the Federal Property Management Regulations (FPMR). It contains updated regulatory policies originally found in the FPMR. (See FMR § 102-2.5)

Federal Standard Requisitioning and Issuing Procedures. A requisitioning system available to Federal civilian agencies and authorized contractors for ordering supplies from the General Services

Administration (GSA).

Government Furnished Property. Property in the possession of, or directly acquired by, the Government and subsequently furnished to the contractor for performance of a contract. Government-furnished property includes, but is not limited to, spares and property furnished for repair, maintenance, overhaul, or modification. Government-furnished property also includes contractor-acquired property if the contractor-acquired property is a deliverable under a cost contract when accepted by the Government for continued use under the contract. (See FAR 45.101).

Government Property. For the purpose of this document Government property is all property owned or leased by the Government. Government property includes both Government-furnished property and contractor-acquired property. Government property includes material, equipment, special tooling, special test equipment, and real property. Government property does not include intellectual property and software. (See FAR 45.101). **Historic Preservation Officer.** A NASA employee who is designated by the Center Director and given the responsibility to manage cultural resources at the Center or Component Facility, if any, pursuant to NHPA, ARPA, NAGPRA, and other legal authorities. (See NPR 8510.1).

Industrial Property Officer. The individual appointed by the Center Director to manage and coordinate property matters among the various contracting officers, technical officials, contractor officials, delegated property administrators, and plant clearance officers. Generally, that individual is responsible for the entire contract property management function. (See NFS 1845.5).

Industry Leading Practice and Standard. A documented, proven practice or standard that exceeds common industry practice or standard in performance or effectiveness and in cost control. Industry leading practices and standards prove increased performance or effectiveness, in addition to decreased or constant cost through their acceptance and publication in refereed, professional journals.

Installation Accountable Government Property. NASA property that is located within a NASA Center or installation; is accountable to that Center or Installation; and is recorded on that Center or Installation's property management records, regardless of whether it is being used by a contractor or civil servant.

International Traffic in Arms Regulations. Regulations promulgated by the U.S. State Department that control the import and export of Defense-related property and services.

Letter of Delegation. A document that provides an individual limited authority to perform a function for another individual.

Military Standard Requisitioning and Issuing Procedures. Uniform procedures, data elements and codes, formats, forms, and time standards for the interchange of logistics information relating to requisitioning, supply advice, supply status, materiel issue/receipt, lateral redistribution, and materiel return processes

NASA FAR Supplement (NFS). The codification of NASA specific requirements for contract issuance and management and of requirements for contractors. NFS is a document that, along with the Federal Acquisition Regulation (FAR), establishes uniform policies and procedures relating to the procurement of property and services. The NFS applies to all purchases and contracts made by NASA for property and services that obligate appropriated funds.

NASA Form 1018 Electronic Submission System. The system used by contractors to provide

annual financial reports of NASA property in their custody.

NASA Property, Plant, and Equipment (PP&E) System. The Integrated Asset Management (IAM), Property, Plant, and Equipment (PP&E) System used throughout the Agency to identify, control, and account for Government-owned equipment acquired by or in use by NASA and its onsite NASA contractors under the NASA FAR Supplement (NFS) clause 1852.245-71 (Installation Accountable Government Property).

Plant Clearance Automated Reutilization and Screening System. The DoD system that is used by NASA contractors for the disposition of Government-owned contractor inventory when it is no longer required for contract performance, the property is not located on a NASA Center or installation, and there is a delegation of plant clearance functions to the Defense Contract Management Agency.

Plant Clearance Officer. The authorized representative of the contracting officer, appointed in accordance with Agency procedures, responsible for screening, redistributing, and disposing of contractor inventory from a contractor's plant or work site. The term "Contractor's plant" includes, but is not limited to, Government-owned contractor-operated plants, Federal installations, and Federal and non-Federal industrial operations, as may be required under the scope of the contract. (See FAR 2.101).

Property Administrator. The authorized representative of the contracting officer appointed in accordance with Agency procedures, responsible for administering the contract requirements and obligations relating to Government property in the possession of a contractor. (See FAR 45.101).

Property Disposal Officer. The PDO, appointed by the Center Director, is responsible for the Center's screening, redistribution, and marketing activities of NASA-owned excess, surplus, and exchange/sale personal property. This includes transfer, exchange, sale, and abandonment or destruction of NASA-owned personal property, as well as acquiring other Federal agencies' excess personal property for NASA's use in order to reduce NASA's new procurement and infrastructure costs. (See NPR 4300.1).

Property Management System. The documentation of and performance of property management activities.

Property Management System Audit. A review of the contractor's performance of property management to determine compliance with contractual requirements and the contractor's documented property management plans, standards, practices, and processes.

Proposed Property Plan. The written consolidation of the contractor's standards, processes, policies, schedules, metrics, and reports that are provided to NASA in response to the requirements of NASA FAR Supplement solicitation provision 1852.245-80 and other solicitation instructions related to GP management.

Small Business Innovative Research. A highly competitive program that encourages domestic small businesses to engage in Federal Research/Research and Development (R/R&D) that has the potential for commercialization.

Space Act Agreement. Agreements under the authority of the National Aeronautics and Space Act which are necessary for the conduct of NASA's work. (See NPR 1050.1).

Special Test Equipment. Either single or multipurpose integrated test units engineered, designed,

fabricated, or modified to accomplish special purpose testing in performing a contract. It consists of items or assemblies of equipment including foundations and similar improvements necessary for installing special test equipment and standard or general purpose items or components that are interconnected and interdependent, so as to become a new functional entity for special testing purposes. Special test equipment does not include material, special tooling, real property, and equipment items used for general testing purposes or property that with relatively minor expense can be made suitable for general purpose use. (See FAR 2.101).

Special Tooling. Jigs, dies, fixtures, molds, patterns, taps, gauges, and all components of these items, including foundations and similar improvements necessary for installing special tooling, that are of such a specialized nature that without substantial modification or alteration their use is limited to the development or production of particular supplies or parts thereof or to the performance of particular services. Special tooling does not include material, special test equipment, real property, equipment, machine tools, or similar capital items. (See FAR 2.101).

Supply and Equipment Management Officer (SEMO). The SEMO is the principal official appointed by the Center Director for functional administration of supply and equipment management at the Center. (See NPR 4200.1)

Voluntary Consensus Standards. Standards developed or adopted by voluntary consensus standards bodies, both domestic and international. (See OMB Circular A-119).

Appendix B. Acronyms

CAP	Contractor-Acquired Property
CAS	Cost Accounting Standards
CCP	Customary Commercial Practice
CO	Contracting Officer
CRADA	Cooperative Research and Development Agreement
DAU	Defense Acquisition University
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DLMD	Director, Logistics Management Division
DoD	Department of Defense
EAR	Export Administration Regulations
FAR	Federal Acquisition Regulation
FAST	Federal Automotive Statistical Tool
FEDSTRIP	Federal Standard Requisitioning and Issuing Procedures
FMR	Federal Management Regulation
GFP	Government Furnished Property
GP	Government Property
HPO	Historic Preservation Officer
IAGP	Installation Accountable Government Property
ILPS	Industry Leading Practices and Standards
IOT	Interorganization Transfer
IPO	Industrial Property Officer
ITAR	International Traffic in Arms Regulations
LOD	Letter of Delegation
LTDD	Loss, Theft, Damage, or Destruction
MILSTRIP	Military Standard Requisitioning and Issuing Procedures
NESS	NASA Form 1018 Electronic Submission System
NF	NASA Form
NFS	NASA FAR Supplement
NPD	NASA Policy Directive
NPR	NASA Procedural Requirements
O&M	Overhaul and Maintenance
PA	Property Administrator

PCARSS	Plant Clearance Automated Reutilization and Screening System
PDO	Property Disposal Officer
PICO	Plant Clearance Officer
PMA	Property Management Activity
PMS	Property Management System
PMSA	Property Management System Audit
PPP	Proposed Property Plan
PP&E	Property, Plant, and Equipment
R&D	Research and Development
SAA	Space Act Agreement
SBIR	Small Business Innovative Research
SEMO	Supply and Equipment Management Officer
SF	Standard Form
ST	Special Tooling
STE	Special Test Equipment
U.S.C.	United States Code
VCS	Voluntary Consensus Standards