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Management of Government Personal Property in the Hands of **MASTER** Contractors

Handbook for
Contracting Officers and Staff

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Management of Government Personal Property in the Hands of Contractors

Handbook for
Contracting Officers
and Staff

U.S. Department of Energy
Assistant Secretary,
Management and Administration
Washington, D.C. 20585

April 1982

Prepared by:
U.S. Department of Agriculture
Graduate School
Washington, D.C.
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FOREWORD

This Handbook was developed by the U. S. Department of Agriculture Graduate School as the textbook for a personal property management training course for Department of Energy (DOE) contracting officers and staff. This document provides a ready source of information to assist contracting officers and related staff in their contract administration responsibilities relative to the management of Government personal property in the hands of contractors. Throughout the Handbook specific references to applicable DOE and Federal regulations are identified in case additional procedural or regulatory guidance is desired.

The Handbook should be furnished to Heads of Field Offices, contracting officers and staff, property management staff and applicable technical personnel.

The Director, Procurement and Assistance Management is responsible for keeping this Handbook in a current status and, therefore, it is not to be rewritten, in whole or in part, by any other office in DOE. Comments or suggested revisions should be transmitted to:

Director, Procurement and Assistance Management
Attention: Director, Property and Equipment
Management Division (MA 932), U. S. Department of Energy
Washington, D. C. 20585

Hilary J. Rauch, Director
Procurement and Assistance
Management Directorate

April 9, 1987

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PART ONE

INTRODUCTION

This manual is divided into three parts. Part One applies to the management of Government personal property within the Department in general terms. Part Two describes the specifics of the application of personal property management techniques to On-Site or GOCO Contractors. Part three applies to Off-Site Contractors.

Part One introduces the field of property management. It discusses: the legal basis and requirements established by Federal Statutes and the parallel authorities and responsibilities; the related evolution of the Department of Energy; the regulation system within the Federal Government and its implementation by the Department for personal property management. The life cycle of equipment is presented and how control over personal property is maintained through an accountability system. Classifications of property and contract clauses are discussed. The relationships of Contracting Officers and Property Administrators with contractors are presented in each of the discussions as appropriate.

Part One consists of only one chapter and is applicable to the management of property utilized by all types of contractors. It provides the foundation to explore in some detail the actions and interactions that occur between the Department's procurement and property personnel and those of the contractor. This exploration in depth is made in Parts Two and Three.

Contracting Officers may be concerned with Government owned real property as well as personal property, in the hands of contractors. Real property management is not described in this manual except on a peripheral basis. Contracting Officers, and others who are concerned with the management of real property should consult DOE Order 4300.1, DOE Real Estate Manual.

Chapter 1

ENVIRONMENT OF PERSONAL PROPERTY MANAGEMENT

I. PURPOSE

This text, or handbook is designed as a "how to" manual. It is intended for the use of those Contracting Officers and Staffs whose day to day responsibilities encompass the management of contracts for which Government personal property has been provided to or acquired by contractors. It does not include guidance on the management of real property except by reference. The handbook should be used in conjunction with the Property Management Regulations, Procurement Regulations, and Accounting Practices and Procedures Handbook of the Department of Energy (DOE). These documents contain the Department's policies and procedures for property management. They are regulatory whereas this text is informational. The text centralizes in one document valuable guidance for Contracting Officers and Staffs responsible for the negotiation and administration of contracts in which Government property is provided to or acquired by contractors.

In this first chapter we will present an overview, introduce the subject matter contained in the text, and explore the general environment in which the personal property management program operates within the Department of Energy. We will also examine some of the relationships the Department must have with other Federal agencies. We will highlight Government provided and contractor acquired personal property. Succeeding chapters of the handbook contain specific procedures which are used for both Operating and Off-Site Contractors.

This guide is a useful tool for providing on the job training to Contracting Officers new to the field of personal property management, and indoctrinating as necessary, experienced personnel who may have recently joined the Department. Its primary purpose is for use as a student text for formalized classroom training.

II. SCOPE OF PROPERTY MANAGEMENT

Let us begin by discussing in some depth what we are really dealing with when we use the term "property management."

Property management can be broadly defined as those functions which deal with the acquisition, utilization, maintenance, control, protection and disposition of property. The field of property management is interdisciplinary in the true sense of the word. Those who are responsible for managing property must not only be familiar with the materials and equipment for which they are responsible, they must also be able to forecast future needs of the activities which they support. In addition, property managers must always be cognizant of their responsibility to the public. The property of the Government, be it real or personal, represents a capital asset which must be maintained, protected, controlled, used only for official purposes and disposed of in an effective manner. In this overview chapter we will examine the statutory basis for personal property management and discuss the authorities and responsibilities of Government personnel involved in property management. Procurement Officers and Staffs are vital links in this management function when they are involved in the negotiation or administration of contracts in which contractors have been provided personal property or are authorized to

acquire personal property. Let us review some major definitions to assure a common understanding of the terms which will be used throughout this handbook.

A. Property Management

Property Management is defined as "the broad role of the management, coordination and regulation of activities concerned with the functions of: planning property needs; the acquisition of property; the receipt, storage, and distribution of property; the proper utilization, maintenance and care of property; property accounting control; and, the disposition of property; as well as other secondary or integral functions that affect property."

It is interesting to note that the definition involves eight functions varying from the determination of the need to the disposition of the property. Each of these eight functions are performed in one of the following four major phases: Requirements Determination, Acquisition, Accountability, and Disposal. Each of these phases are discussed in detail as they relate to inventory control and accounting in later chapters. This definition is equally applicable to the management of property utilized internally by the Department and that provided to or authorized to be acquired by a contractor under the terms of a contract. It makes no difference whether the contractor is an Operating Contractor or an Off-Site Contractor; or, whether property administration has been retained or delegated.

B. Property

The term "property" includes both real and personal property which is owned by, leased to, or acquired by the Government. It also includes property provided to a contractor or acquired by a contractor under the terms of a contract. Property is defined as:

"any interest in property except (1) the public domain; lands reserved or dedicated for national forest or national park purposes; minerals in lands or portions of lands withdrawn or reserved from the public domain which the Secretary of the Interior determines are suitable for disposition under the public land mining and mineral leasing laws; and lands withdrawn or reserved from the public domain except lands or portions of lands so withdrawn or reserved which the Secretary of the Interior, with the concurrence of the Administrator of General Services, determines are not suitable for return to the public domain for disposition under the general public land laws because such lands are substantially changed in character by improvements or otherwise; (2) naval vessels of the following categories: battleships, cruisers, aircraft carriers, destroyers, and submarines; and (3) records of the Federal Government.¹

¹ Cited from Section 3 (d) Federal Property and Administrative Services Act of 1949, as Amended.

Property is divided into two major categories, real and personal.

1. Real Property

"Real Property" is defined as any interest in land, together with improvements, structures and fixtures and appurtenances. Real property as defined does not include interests in lands withdrawn from the public domain, mineral rights, crops or "trade fixtures." A full discussion of real property including acquisition, management and disposal is contained in DOE Order 4300.1, DOE Real Estate Manual.

2. Personal Property

"Personal Property" is:

- a. Property which is Government owned or- rented or- leased from commercial sources in the custody of DOE or its contractors; and
 - b. Property of any kind or type except real property; records; special source materials, which includes source materials and special nuclear material, and those other materials to which the provisions of DOE Manual Part 7400 apply, such as deuterium, enriched lithium, neptunium 237 and tritium, and atomic weapons and byproduct materials as defined in Section II of the Atomic Energy Act of 1954, as amended; enriched uranium in stockpile storage; and petroleum being held in reserve in the Strategic Petroleum Reserve and the Naval Petroleum Reserve.
3. Personal Property classifications. Personal property is further classified as "expendable" and "nonexpendable" property.

a. Expendable Property

"Expendable Property" is personal property which is of a relatively low dollar value, or is property which is consumed in the performance of the agency function or is incorporated into an end item. The cost or appraised value of such items are to be charged as an expense when received or issued depending upon the cost accounting system applied by the activity. The value of quantities of expendable items held in stores or in a redistribution activity pending issue is recorded as an asset. Examples of expendable personal property are paper, pencils, desk type items, raw materials, etc. Expendable items are generally referred to as supplies or materials.

b. Non-Expendable Property

"Non-Expendable Personal Property" is an item of personal property of any dollar value which retains its identity throughout its useful life and has a dollar value high enough to warrant maintenance of item accountability. Non-expendable personal property includes those categories or specific items of property which, for property management and/or accounting purposes, are to be carried as capital assets of a program or activity until

disposed of by transfer, sale, or other means. Examples are: machine tools, office machines, materials handling equipment, aircraft, motor vehicles, etc. These items are generally referred to as equipment.

4. Other Property Terms

In addition to the relatively broad categorization of expendable and non-expendable property, the Government uses other terms to define types of personal property. They are:

- a. Related Personal Property — That property which requires utility connections (other than electric cord which may be plugged into receptacles) and is related to a functional area. It also includes property which, when removed from the space or building, does not render the space or building unusable or uninhabitable.
- b. Accountable Personal Property — All personal property which is subject to accountability by appropriate authority. Such property includes that capitalized in the fiscal records of the Department and (usually) all personal property for which quantitative record control is required to be maintained, i.e. inventories of expendable equipment.
- c. Personal Custody Property — Articles which are "sensitive to appropriation for private use," or are used in situations beyond normal supervisory notice. They are designated as Sensitive Items in the Department. Good management practice dictates that such property should be accounted for by the person to whom use and trust of the items are assigned.
- d. Capitalized-Noncapitalized Property — All items of personal property are either capitalized or non-capitalized. This relates to how an item is recorded in the financial records. If it is capitalized it is an investment asset and retained as such in the financial records until it is disposed of or consumed. If it is not capitalized it is considered an expense and is recorded as such in the financial records when payment is made for the item. An item which has a unit cost of \$500 or more is normally capitalized.
- e. Contractor Inventory — The term "contractor inventory" means (1) any property acquired by purchase or by the Government providing the property, and in the possession of a contractor or subcontractor under a contract pursuant to the terms of which title is vested in the Government, and in excess of the amounts needed to complete full performance under the entire contract; and (2) any property which the Government is obligated or has the option to take over under any type of contract as a result either of any changes in the specifications or plans thereunder or of the termination of such contract (or subcontract thereunder), prior to completion of the work, for the convenience or at the option of the Government.

- f. Property Administrator — An authorized representative of the Contracting Officer assigned to administer the contract requirements and obligations relative to Government property. If an authorized representative has not been designated as the Property Administrator, the Contracting Officer is the Property Administrator.

As can be seen from the various definitions of personal property, two key elements of property management are control of and accountability for "non-liquid" assets of the Government. The need for such controls and the necessity for the establishment of a system of checks and balances to assure proper protection of public property was recognized by our founding fathers in their drafting of the Constitution. Specifically, Article I, section 9, provides that "no money shall be drawn from Treasury but in consequence of appropriations made by law." Under this provision the Congress makes appropriations and regulates their use. It has done this through numerous statutes. Those statutes which are of primary importance to the management of Government personal property are discussed below.

C. Basis in Law

The act which most directly affects property management is the Federal Property and Administrative Services Act of 1949. This legislation, as amended, became effective on July 1, 1949. The declared policy of the Act is set forth in its Section 2, and states: "It is the intent of the Congress in enacting this legislation to provide for the Government an economical and efficient system for (a) the procurement and supply of personal property and non-personal services, including related functions such as contracting, inspection, storage, issue, specifications, property identification and classification, transportation and traffic management, establishment of pools or systems for transportation of Government personnel and property by motor vehicle within specific areas, management by public utility services, repairing and converting, establishment of inventory levels, establishment of forms and procedures, and representation before Federal and State regulatory bodies; (b) the utilization of available property; (c) the disposal of surplus property; and (d) records management."

The General Services Administration (GSA) was established under Title I, Section 101 (a) of the Act which states: "There is hereby established an agency in the executive branch of the Government which shall be known as the General Services Administration."

The Administrator of GSA was given under Section 204 (c) the following authority. "The administrator shall prescribe such regulations as he deems necessary to effectuate his functions under this Act, and the head of each executive agency shall cause to be issued such orders and directives as such deems necessary to carry out such regulations."

Under this legislative authority the Administrator of GSA established two regulatory systems: The Federal Property Management Regulations System and the Federal Procurement Regulations System. We are concerned with both regulations systems in this guide.

This same Section 204 (c) of the Act, through the phrase "and the head of each executive agency shall cause to be issued such orders and directives," requires the Secretary of Energy to issue supplementing and implementing materials to the Federal Property Management Regulations and the Federal Procurement Regulations. The Secretary has done so through the issuance of the Department's Property Management Regulations and Procurement Regulations. Together these documents constitute the DOE portion of the Federal Property Management Regulations and Federal Procurement Regulations. Field Offices may as appropriate issue further implementing procedures to provide for guidance for localized requirements. Exhibit I-1 shows the hierarchical order of the regulations related to the Department which are based on the law passed in 1949, as amended, and any subsequent laws which pertain to the management of personal property.

III. SOURCES OF INFORMATION AND GUIDANCE

Policies, regulations and procedures continuously undergo change. Causes of such change vary. Some occur as a result of new laws passed by the congress as well as the repeal by congress of existing law. Other changes occur because of direction or emphasis on the part of the Executive Department. Still other changes occur due to the creation of new system and method capabilities, sometimes called "enhancing the state of the art." Our concern need not be why a change occurred, but rather how we become advised of such changes so that we can implement them. The General Services Administration, we noted above, is responsible for prescribing regulations for property management and procurement for executive agencies. Let us examine how these regulation changes reach you, the individual who has to make the function of property management and procurement work effectively on a daily basis.

A. Federal Register

The Federal Register is a daily publication of the National Archives and Records Service, GSA, which makes available to all Government Agencies and to the public, regulations and legal notices issued by Federal agencies. These include Presidential Proclamations, Executive Orders, Federal agency documents having general applicability and legal effect, documents required to be published by Act of Congress, and other Federal agency documents of public interest. When GSA issues implementing regulations affecting the property management and procurement activities of the executive agencies it must publish them in the Federal Register. When the Department of Energy issues policies and procedures regarding property management and procurement which directly affect the public, these must also be published in the Federal Register. In addition, related material in the handling of property or procurement matters which does not affect the public may be published in the Federal Register if its inclusion will provide a logical comprehensive statement of Departmental property management and procurement policies and procedures. Publication in the Federal Register constitutes the initial announcement of official change to existing property management and procurement regulations.

EXHIBIT I-1
HIERARCHICAL
ORDER OF REGULATIONS

B. Code of Federal Regulations

The Code of Federal Regulations (CFR) is a codification of the general and permanent rules published in the Federal Register by the Executive departments and agencies. It is kept up to date by the individual issues of the Federal Register; therefore, the two publications should be used together to establish the latest version of any given rule. Any amendments issued since the last revision date of the Code can be determined by consulting the following two lists: the cumulative "List of CFR Sections Affected," issued monthly; and the "Cumulative List of Parts Affected," which appears daily in the Federal Register. These two lists will refer the user to the Federal Register page where the latest amendments of any given rule can be found.

The CFR is divided into 50 titles which represent broad areas subject to Federal regulations. Examples of these areas are administrative personnel, commercial practices, foreign relations, energy, national defense, public welfare, etc. Each title is divided into subtitles and chapters, the latter usually bearing the name of the issuing agency. Each chapter is further subdivided into parts covering specific regulatory areas.

The focus of our attention is Title 41 — Public Contracts and Property Management, Subtitle A — Federal Procurement Regulations System, and Subtitle C — Federal Property Management Regulations System. Chapter 1 within Subtitle A is the Federal Procurement Regulations (FPR). Chapter 101 under Subtitle C is the Federal Property Management Regulations (FPMR). These regulations govern the management of procurement and property in all civilian executive agencies of the Federal government.

C. The Federal Procurement and Property Management Regulations System

These Systems consist of (a) the procurement and the property management policies and procedures for Government agencies prescribed by the Administrator of General Services (i.e., Chapter 1 of the FPR and Chapter 101 of the FPMR), and (b) the implementing and supplementing regulations of various agencies (Chapter 2 through 49 for procurement and Chapter 102 through 149 for property). Implementing regulations are those that expand upon related material; supplementing regulations cover material for which there is no counterpart in the FPR or FPMR.

The FPR and the FPMR serve to govern and guide Federal agencies in prescribing regulations, policies, procedures, and delegations of authority pertaining to the management of procurement, property, and records, and other programs and activities of the type administered by GSA. They apply to all Federal agencies to the extent specified in the Federal Property and Administrative Services Act or other applicable law, and are developed in consultation with the affected agencies.

They are published in the Federal Register in looseleaf form and in the Code of Federal Regulations in accumulated or bound form. Temporary-type regulations which are required to be used are published in the Notices section of the Federal Register.

D. DOE Procurement and Property Management Regulations System

The DOE Procurement Regulations (DOEPR) and the DOE Property Management Regulations (DOE-PMR) as part of the Federal Procurement and Property Management Regulations System, are issued as Chapter 9 and 109 respectively of Title 41. They provide instructions governing the procurement and property management operations of the Department of Energy and are intended to establish uniform policies for each particular area. The regulations are prescribed by the Secretary or his designee pursuant to the authority of the Department of Energy Act of 1977, the Federal Property and Administrative Services Act of 1949, and FPR 1-1.008 and FPMR 101-1.108. They are issued in looseleaf form for use by DOE employees.

E. Other Important Sources of Information

1. GAO Accounting Manual

The Federal Property and Administrative Services Act, in Title II, Section 205 (b) provides that:

The Comptroller General after considering the needs and requirements of the executive agencies shall prescribe principles and standards of accounting for property, cooperate with the Administrator and with the executive agencies in the development of property accounting systems, and approve such systems when deemed to be adequate and in conformity with prescribed principles and standards. From time to time the General Accounting Office shall examine such property accounting systems as are established by the executive agencies to determine the extent of compliance with prescribed principles and standards and approved systems, and the Comptroller General shall report to the Congress any failure to comply with such principles and standards or to adequately account for property.

In compliance with the requirements of the above, the General Accounting Office has published an Accounting Manual which provides that "property accountability records will be an intergral part of the Federal Administration's accountability system."

The Manual requires that agency property records reflect all transactions affecting the agency's investment in property including acquisition, use, depreciation, disposal and transfer. It also directs that periodic checks (inventory) be made of property and related records to assure the accuracy of the accountable file. Section 12.5 of Chapter 2 Accounting Principles and Standards is devoted specifically to Property Accounting. Applicable provisions of the GAO Accounting Manual have been incorporated in the DOE Accounting Practices and Procedures Handbook, and the DOEPR and DOE-PMR as appropriate.

2. GSA Handbooks, Guides and Manuals

The primary bases for policies, regulations and procedures within the Federal Government for property management are established by the

General Services Administration, and issued as the FPMR. The FPR contains appropriate contract clauses to be used when property is provided to contractors. In addition GSA has published and issues a number of handbooks, guides and manuals pertaining to specific subject areas which are in greater procedural detail. They explain the interfaces between GSA and other Federal agencies and the procedures to be used by each. The GSA handbooks, guides and manuals are generally considered as part of the FPMR and they are additional useful tools. A few examples are: Federal Supply Schedule Program Guide; Federal Supply Classification Cataloging Handbook, and FEDSTRIP Operating Guide. Most are listed and identified in the FPMR where the subject matter is discussed. Many are available through the Superintendent of Public Documents. Some can be obtained through the GSA requisitioning system, FEDSTRIP, and some are available in some GSA Self-Service Supply Stores.

F. Use of the DOEPR and the DOE-PMR

The DOEPR implements and supplements the FPR. The DOE-PMR implements and supplements the FPMR. Where FPR or FPMR coverage is sufficient for the Department's purposes, no additional coverage is provided in the DOE regulations.

Implementation consists of an expansion or interpretation of specific elements that are addressed in the Federal Regulations which are considered necessary or helpful to the needs of Departmental personnel.

Supplementation presents DOE policy and procedure for which no comparable subject matter is contained in the Federal Regulations.

The Federal Regulations and the DOE Regulations are formatted alike. Each set of Regulations is a chapter of Title 41 of the CFR with corresponding titles, for example:

Chapter 1, FPR - Procurement
Chapter 9, DOEPR - Procurement
Chapter 101, FPMR - Property Management
Chapter 109, DOE-PMR - Property Management

Each chapter of the FPMR is subdivided into subchapters with corresponding titles for the DOE-PMR where the Federal Regulations are implemented. Supplementary material which is of adequate significance is assigned a separate added subchapter for the DOE-PMR. Neither the FPR nor DOEPR uses subchapters.

The major subject matter division in both the Federal and DOE regulations is titled "Part". Parts are numbered 1 through 49 for implementation, and 50 and above for supplementary material. Within a part, divisions are subpart, section and subsection. Identification to the subsection level can be made as follows:

Chapter	Part	Subpart	Section	Subsection
101	26	6	02	2

This is then read as 101-26.602-2. It identifies the subject, "Procurement of gasoline, fuel oil, kerosene, and solvents," in the FPMR. Implementing items in the DOE regulations are interrelated with the Federal Regulations through a common numbering system. This system has been designed to permit the keying of similar matter throughout the DOEPR and the DOE-PMR to the related FPR and FPMR material.

For example, FPMR 101-25.3 and DOE-PMR 109-25.3 deal with the same subject, "Use Standards." Using this example, the relationship between the two documents is shown in Exhibit I-2.

Because of the interrelationship between the documents, identification numbers for implementing material can be used in locating specific subjects in both sets of regulations. One need simply change the chapter number 109 to 101 or 9 to 1 in order to find the corresponding material in the FPMR or the FPR.

Where supplementing regulations are issued in the DOEPR and DOE-PMR because of a lack of coverage in the Federal Regulation, they are numbered "50" or higher for section, subpart or part.

These Supplementing items are not found in the FPR or the FPMR since they are regulatory requirements of the Department of Energy only.

IV. AUTHORITIES AND RESPONSIBILITIES

Under the provisions of Title II, Section 205 (d), of the Federal Property and Administrative Services Act, the Administrator of General Services is authorized:

... to delegate and to authorize successive redelegation of any authority transferred to or vested in him by this Act (except for the authority to issue regulations on matters of policy having application to executive agencies, the authority contained in section 106, and except as otherwise provided in this Act) to any official in the General Services Administration or to the head of any other Federal agency.

As the head of a Federal agency, the Secretary of Energy derives from the Act, authority and primary responsibility for property management for the Department. In exercising this authority, the Secretary issues policies, procedures, and delegations of authority, utilizing the skills of the Department's personnel to accomplish such actions.

A. Delegations and Redelegations of Authority

Delegations and redelegations of authority to act in the Secretary's behalf are made in accordance with Section 642 of Title VI of Public Law 95-91, August 4, 1977, the "Department of Energy Organization Act." Section 642 authorized the Secretary to delegate any of his functions to officers and employees of the Department. It also provides that the Secretary may authorize such successive delegations of these functions as he deems necessary or appropriate. The Office of the Secretary operates under the concept that effective and efficient property management results in part from delegating authority and assigning responsibility to the lowest

EXHIBIT I-2

RELATIONSHIP OF FPMR AND DOEPMR

(Subject: Use Standards)

FPMR 101-25.302-1

<u>Chapter</u>	<u>Part</u>	<u>Subpart</u>	<u>Section</u>	<u>Subsection</u>
101	25.	3	02	1

DOEPMR 109-25.302-1

109	25.	3	02	1
<u>Chapter</u>	<u>Part</u>	<u>Subpart</u>	<u>Section</u>	<u>Subsection</u>

organizational level practicable. Subpart 109-1.50 of the DOE-PMR sets the delegation of authority applicable to property management functions.

The delegation and redelegation of authority for property management flows from the Secretary to the Director of Procurement and Assistance Management who is responsible for developing and maintaining policies, standards and procedures for the management of personal property Department-wide. Within their respective functional and management areas of authority, Heads of Field Offices and Contracting Officers, and Heads of Headquarters organizations with program responsibilities are responsible for executing these policies, standards and procedures. They assign responsibility and delegate commensurate authority to subordinate staff and line organizations and personnel to insure that the appropriate functions are carried out.

B. Responsible Personnel

1. Top Level Managers

The Secretary is ultimately responsible, by virtue of the office held for everything that the Department does or fails to do in managing personal property. This total responsibility can only be relinquished when the Secretary vacates the position. The Secretary can assign specific elements of this responsibility to others, but still remains responsible that these others execute the responsibility.

Assignment of such responsibility is based on the Federal statutes which established the Department and its elements, and subsequent amendments to these statutes. These responsibilities have been further formalized through the publication of the DOE Organizational Manual; official position descriptions; programs which contain administrative and financial management authorities stemming from other acts of Congress; and, program and policy statements contained in the DOE Procurement and Property Management Regulations. These latter documents implement law and assign responsibilities in more succinct and specific terms.

Property Management responsibility is first and foremost a general management assignment the same as the management of any other resource such as money, personnel and facilities. This is clear. Such is the intent of the laws passed by the U.S. Congress and the policies promulgated by the Office of the President. All managers are directly accountable to higher authority for the judicious acquisition, utilization, and disposal of this valuable resource, personal property.

Effective and efficient management of this asset requires special expertise. Therefore, the Department has seen fit to vest Department wide responsibility along with commensurate authority in the Director of Procurement and Assistance Management to provide management direction of the effort. The Director has established staff experts to aid in this task. The same concept is required to be applied by the Heads of Field offices. The role of these individuals in terms of their responsibilities are discussed below.

2. Property Management Staffs

Within each major organization professional and administrative personnel have been designated to assist the activity heads in executing their responsibilities for property management. At DOE Headquarters there is a Property and Equipment Management Branch in Procurement and Assistance Management. Field Offices each have a similar organization located in the Contracts and Services activity or an organization with a similar title.

These organizations are staffed with professional personnel who have the knowledge, stature, authority and accountability required to effectively control the acquisition, use and disposal of personal property. They are responsible for providing assistance, guidance, and policy direction to Contracting Offices and Contract Administrators for: requirements determination; standardization and simplification of specifications; property accountability; oversight of inventory and inventory levels; utilization of property and declaration of excess; and rehabilitation and maintenance.

a. Departmental Headquarters

At the Departmental level, acting in behalf of the Director of Procurement and Assistance Management such personnel are specifically responsible for: (a) the formulation of policies and procedures which will foster effective and efficient utilization of personal property through the prevention of loss, waste, unauthorized or improper use and unwarranted accumulation of property; (b) the establishment of controls to assure that inventory, accountability records and maintenance records are properly maintained; and (c) periodic review and surveillance of the property control systems implemented by the Field Offices and the Installations.

b. Field Offices

At the Field Offices these staff personnel are responsible for planning and programming property utilization, inventory requirements, and disposition. The individual in charge of the activity is an employee who has been designated by proper authority, to be immediately responsible for the exercise of such property management functions as are authorized to be performed at the office and installations for which responsibility has been assigned without regard to the job title by which the position is officially known. The functions generally as a minimum consist of the acquisition, storage, distribution, maintenance, accounting, and disposition of all personal property required by the major organization and its contractors. This individual is assisted by professional, technical and administrative personnel assigned to the property management activity. This activity provides specific guidance to Contracting Officers to assist them in carrying out their responsibilities with respect to Government property in the hands of Contractors. Periodically Contract Administrators may be provided from this staff. The responsibilities of these staffs

are restricted to the area of responsibility of their respective Field Offices.

3. Contracting Officers and Property Administrators

a. Property Value Magnitude

The most recent figures available indicate that the Department is responsible for a total investment of \$12.5 billion in completed plant and equipment accounts for property in the hands of contractors. The values cited change frequently since property is acquired and disposed of on a continuous basis. The stated order of magnitude has remained relatively stable however for the past several years. \$466 million of this amount is the value of Government owned personal property provided to Off-Site contractors.

b. Off-Site Contracts

The responsibility for assuring effective management, consistent with applicable laws and regulations for Government property provided to Off-Site contractors is assigned to the Department's Contracting Officers. They may be assisted in this function by personnel assigned as Property Administrators.

Contracting Officers and Property Administrators are assigned generally the same responsibilities for this property as officials in charge of Property Management Activities for personal property in use within the Department's direct operations. The major difference is that contractors using this property develop and operate the systems used for managing the property. These systems must be capable of interfacing with the Department's prescribed system delineated in the DOE-PMR for managing property assigned to direct operations.

c. GOCO Contracts

Contracting Officers and Property Administrators are also responsible for assuring effective management, consistent with applicable laws and regulations for Government property provided to operating contractors commonly referred to as GOCO's (Government Owned Contractor Operated Facilities). The preponderance of DOE property is in the hands of these contractors. These contractors are required to conform to the DOE-PMR in the same manner as direct operations activities of the Department unless they are granted specific exceptions.

4. Contractors

Contractors are responsible for the proper use, maintenance and protection of Government property which is in their hands. The property may be obtained either by direct acquisition such as purchase with contract funds, or from a Government source. Each contractor who has Government property must have a system to manage this

property. The system is required to be approved by the Contracting Officer. The contractor reports on the acquisition, utilization, and disposal of this property to the Contracting Officer.

The binding rules to which the contractor must adhere are contained in the Property Clause of the contract. For integrated and GOCO contractors this clause requires use of the DOE-PMR. For Off-Site contractors the Property Clause of the contract will in most cases permit a contractor to utilize its own property management system provided it meets the requirements established in DOE-PMR 109-60. (Management of Government Property in the Hands of Off-Site Contractors.)

In all cases it is the contractor's responsibility to follow the system for property management which has been approved by the Contracting Officer. The contractor will generally organize activities so that one central element is accountable for all assets, including property, and the users of these assets are responsible to this accountable element for the assets entrusted to their care. This concept is expanded upon in Chapter 2.

Exhibit I-3 graphically portrays the relationships which have been described above. Examination of this exhibit provides an easily used checklist for the responsibilities of organizations, functions, and personnel, as well as the Contracting Officer's related responsibilities.

V. ELEMENTS OF PROPERTY MANAGEMENT

A. General

The discussion on the Scope of Property Management in Section II, above, presented some specific definitions and related them to phases. Let us look at these phases in terms of their two major elements, Inventory Control and Accounting; and, related responsibilities of involved personnel. The term "property management" is very deceptive. At first glance you might think that it refers to the very mundane custodial duties associated with caring for property. It is quite the contrary! Property management is an interdisciplinary and complex field which starts with the determination of the requirement. The field can best be described briefly by the property management cycle. The property management cycle is comprised of four major phases:

- Requirement determination;
- Acquisition;
- Accountability; and
- Disposal.

Property managers often refer to these steps as the "life cycle." Its original meaning referred to the total cost of an item from acquisition through disposal. Chapters which follow provide you with a more comprehensive understanding of the property management cycle applied first to Operating

Contractors, and then to Off-Site Contractors. Each of the four phases will be discussed in detail in both of these parts as each applies to the type of contractor. The contractor's system must provide for these functions. Exhibit I-4 describes responsibilities within the cycle. It is a helpful guide for easy understanding of the cycle.

B. Inventory Control

"Inventory Control" is a function that occurs during all four phases of the life cycle. Its primary emphasis is during the accountability phase. It encompasses requirements and distribution. That is: what is needed and who shall have what is needed, and for how long a period of time. Of course when the period of time has expired, whatever has been acquired must be disposed of. We have formally defined inventory control as:

"the function of determining requirements, acquiring needs, distribution, and disposal, of supplies and equipment."

C. Accountability

The second element has to do with accounting for supplies and equipment. We cannot really accomplish inventory control without accounting. Accounting means to organize and maintain the official records of an organization. When applied to personal property management it is the records which must be kept for supplies and equipment. We use these records in order to have accountability for supplies and equipment which is a legal requirement. We have defined accountability as:

"An obligation imposed by law, administrative order, or regulation, upon officials of DOE to render an accounting to another official for funds or property entrusted to him/her, whether DOE owned, leased or acquired by loan from any source, and whether obtained for use by Operating or Off-Site contractors or the Department's direct operations."

Before we examine in detail how you are required to accomplish inventory control and accounting in the life cycle for each type of contract it is worthwhile to describe the organization where it is accomplished.

VI. THE PROPERTY MANAGEMENT ACTIVITY

A. Size

The size of a property management activity will vary with the size of the organization it is designed to support. Size may also vary because some property management functions might be performed in other organizational elements such as procurement, transportation, or another related type activity. Conversely, the property management activity may be assigned certain related activities that are not considered in some circles as a property management responsibility such as telecommunications, storage and distribution of preprinted forms or other logistics types activities. The number of personnel assigned to the activity might range from one person at

EXHIBIT I-3
RELATIONSHIP OF PROPERTY MANAGEMENT FUNCTION TO ORGANIZATIONS

Organization	Function	Individual
<u>Top Level Management</u> Headquarters Field Offices Laboratories Production Plants Research Facilities	Total responsibility for property management functions	Head of the Major Unit
<u>Property Equipment Management Branch</u> Contracts and Services (Div, Br) other titles	Day to day property functions which sup- port needs of the Major Unit. Manage the accountability for all property assigned to the Major Unit whether or not in use. Provide policy and procedural guidance to Contracting Officers. Reviews performance of Contracting Offices.	HQS and Field Office Staffs
<u>Contracting Officer</u> <u>Property Administra-</u> <u>tor</u>	Enforce property clause of contract. Accounts to DOE Controller for Assets	Contracting Officer Property Administrator
<u>Contractor</u> Operating Off-site	Operating contractor Uses DOE-PMR Execute property clause Off-Site contractor Execute property clause uses own Mgmt. system. DOE-PMR 109-60 Both: Proper use, maintenance, and protection of Government Property.	Accounts to Contracting Officer, Property Admini- strator for assets

EXHIBIT I-4
RESPONSIBILITIES WITHIN THE PROPERTY MANAGEMENT CYCLE
 PROPERTY MANAGEMENT CYCLE

PERSONNEL	REQUIREMENT DETERMINATION	ACQUISITION	ACCOUNTABILITY	DISPOSAL
CONTRACTOR'S USER	Has program responsibilities Determines need Contacts custodian	Submits initial request	Physical custody after receipt	Advises custodian property no longer required
OFFICIALS IN CONTRACTOR'S PROPERTY MANAGEMENT ACTIVITY	Receives	Reviews, and validates requisition Determines supply source, Acquires If purchase required passes to procurement records	Receives and accepts property Creates and processes documents Capitalizes if required Ships property Adjusts inventory	Redistributes excess Notifies GSA of excess Processes documents
CONTRACTOR'S CUSTODIAL OFFICERS	Prepares needs description Justifies and validates needs Considers waivers Considers use standards Prepares requisition	Submits requirement to Property Activity	Receives item Adds to inventory for which responsible — puts item into use Conducts inventories Determines when no longer required	Identifies unrequired property Declares excess Adjust inventory records
CONTRACTING OFFICER	CONSIDERS ALL OF THESE FUNCTIONS. INSURES THAT THEY EXIST IN THE CONTRACTOR'S SYSTEM AND THAT RELATED RESPONSIBILITIES AND AUTHORITIES ARE ASSIGNED BEFORE APPROVING THE SYSTEM.			

a small remote installation to dozens or more at large installations and the activity may be designated as a division, branch, office, section, or unit. Regardless of size, in order to execute the property management role effectively the organization must identify and perform each function that falls within the scope of property management. It is the Contracting

Officer's responsibility to insure that the contractor's system provides for these requirements before approving the contractor's property management system.

B. Functions

1. General

A descriptive property management activity is portrayed in Exhibit I-5. The activities with which you are familiar may have more or fewer functions. Those listed are the ones which constitute the total role of property management. Each function is described below as well as options and alternatives which may be found in various organizations. Of key importance is that within all major organizations, provision for all of these functions is made and that some activity is assigned responsibility for them. When some functions are assigned to one organization and other functions to a different organization which does occur, a system or method of coordination, monitored at a level higher than either or all must be active. Otherwise the Property Management Officer will have an almost impossible task in executing his/her assigned responsibilities.

2. Acquisition

This is the point at which requests are received from users or their designated representatives. First these requests must be validated to insure that authority to have the items exist and that their need is justified. Then a determination is made as to which source of supply should be used. Items may be redistributed from unrequired or excess property inventories, they may be requisitioned from authorized Government supply sources such as GSA or they may be purchased. In some instances purchasing will be accomplished by a procurement organization which is not integral to the Property Management Activity. If so a coordination system is required between the two organizational elements.

3. Inventory Management

After supplies and equipment have been ordered, the next occurrence is their delivery, which we call receiving. It is at this point that the items are entered on the records and they must be accounted for until either issued for consumption if they are supplies, or disposed of if they are equipment. The additional functions listed on Exhibit I-5 under Inventory Management are those which must be performed in order to manage the accountable inventory. All are discussed in detail in later chapters of this handbook.

EXHIBIT I-5
A PROPERTY MANAGEMENT ORGANIZATION

CONTRACTING OFFICER

Assures the contractor's property management system provides for accomplishing all major and minor functions no matter how property management is organized.

4. Utilization and Disposal

Utilization is the measurement of the use of both supplies and equipment in comparison with established standards. Where standards do not exist it includes the development of standards. Disposal consists of physically removing property from the account for which an activity has no current or foreseeable need. Once disposed of it is dropped from the accountable records and the property management cycle described above has been completed.

C. Your Role

The Contracting Officer will find himself responsible for monitoring the performance of all these functions or sub-functions by the contractor as a Property Administrator or as a Contracting Officer. The foregoing is intended to highlight what is required and describe one representative way the contractor may organize and accomplish these functions. The methods and procedures which you are required to use to monitor performance and insure compliance by contractors are explained in significant detail in subsequent portions of this Guide. At this point, after careful reading, you should have a comprehensive appreciation for the environment in which contractor personnel engaged in the profession of Property Management must operate. That understanding is necessary in order for you to fully realize the benefit of the remainder of the handbook.

It is normal for most DOE contracts that a Post Award Conference be held between the Contracting Officer and the contractor as soon after the contract has been awarded as practicable. The primary purpose of this conference is to insure that the contractor has a clear understanding of the scope of the contract and its technical requirements, and the rights and obligations of both parties. A vital item for DOE contracts which should be on the agenda is Government property. This is the point at which administration of the contract begins, including the administration of Government property. The property clause of the contract should be thoroughly discussed at the conference, particularly the requirement that the contractor establish and maintain a property management system which requires approval by the Contracting Officer. You must be prepared to be adequately definitive on a face to face basis concerning this requirement. You should provide to the contractor any necessary DOE publications it will have to follow. It is especially important that Off-Site contractors be provided with a copy of DOE-PMR 109-60 at this time if this has not been previously accomplished. Full discussion of the property management requirements at this early date in the execution of the contract will clarify misunderstandings and help to avoid future difficulties. It is imperative that such discussion occur eventually. The earlier it is accomplished the smoother the contract will operate during the remainder of its tenure.

The Contracting Officer is responsible for administering Government property in the hands of the contractor from "the cradle to the grave." He retains this responsibility if the contract is retained or delegated for administration, and whether provided a Property Administrator or not. When he is not assigned a Property Administrator he is the Property Administrator.

VII. RELATIONS WITH CONTRACTORS

A. General

The foregoing discussion of property management has been presented in general terms. This has been done in order to obtain an overview of the total property management environment within the Department. It is a necessary umbrella for the specifics which will be addressed in Parts II and III. As Contracting Officers and Property Administrators, our primary concern is with property in the hands of contractors. We can better understand our role and our responsibilities, however, when we have an appreciation of where we fit in the entire spectrum. This objective should have been achieved at this point.

B. Types of Contractors

The Department has established a distinction of two types of contractors for property management. These distinctions are also used for other purposes. For financial operations, contractors are titled as integrated and non-integrated. Integrated contractors are those whose financial accounts are integrated with DOE financial accounts and are specifically designated in the DOE Accounting Practices and Procedures Handbook. Nonintegrated contractor's financial accounts of course are not.

Integrated contractors are also sometimes described as operating or on-site service contractors. These are descriptions used in procurement and property management to single out those contractors who manage and operate Government-owned facilities or provide services to such a facility. They are designated to be subject to the provisions of the DOE Property Management Regulations in the same manner as direct operations which are performed by DOE personnel.

Facilities that integrated contractors operate are called GOCO's (Government Owned, Contractor Operated.) Exceptions to this general statement exist. There are some instances where integrated contractors are not GOCO's, for example universities which might own the facility utilized but have on hand Government property and have their financial accounting for the contract integrated with the DOE financial system. In some instances a Government facility may be operated by a contractor (GOCO) yet for a specific reason it has been determined that financial accounts of the contractor should not be integrated with those of the Department. It is emphasized that the instances cited are exceptions.

Nonintegrated contractors are also described as Off-Site contractors for procurement and property management purposes. Facilities which these contractors operate may or may not be Government owned, however, they have not been specifically designated as operating contractors. Their financial accounts are not integrated with DOE financial accounts. Separate rules for managing property provided by the Government or which may be authorized by the contractor to acquire through a DOE contract apply to these contractors and are contained in the DOE-PMR 109-60. Neither their financial nor their property accounts are required to be maintained in the same manner as DOE direct operations or operating contractors. These contractors are permitted to establish their own system of accounts. These

systems must be capable of producing reports designated by the Department and referred to in the contract.

A typical Off-Site contractor is one who will have one or more contracts with DOE, some contracts with other Government agencies and some commercial contracts, all of which are active simultaneously. Such a contractor will also have ownership of all or most of the plant and equipment utilized to produce goods and services or perform research and development. For those contracts with DOE, the contractor may be authorized to acquire some Government personal property which is utilized during the performance of the DOE contracts.

C. Property Management Role of Contractors

The life cycle and the principles of property management apply equally to both types of contractors. The systems, methods, and procedures for each will differ. The property administration task is, therefore, different in each instance.

Part II of this manual addresses the policies and procedures which are applied for operating contractors and describes the application of the DOE-PMR. Part III addresses Off-Site contractors and also highlights differences which must be observed.

PART TWO INTRODUCTION

This part of the text is comprised of chapters 2, 3, 4 and 5 and addresses itself to the property management functions which are assigned to Contracting Officers and Property Administrators who are concerned with operating contractors. We have previously defined an operating contractor as one who operates a government owned facility and has been designated as an integrated contractor, commonly referred to as a GOCO.

The department's official definition of an integrated contractor, stated in the DOE Accounting Practices and Procedures Handbook is:

"An integrated contractor is one that works for DOE, uses DOE funds or letter of credit to finance his operations under a cost-type contract, and maintains a separate set of accounts and records for the recording and reporting of all business transactions under the contract in accordance with DOE accounting practices and procedures."

To the extent permitted by the Government fiscal regulations and procedures, DOE has adopted the financial and accounting methods of private industry to obtain the data needed for efficient management and administration of its operations. Consequently, the integration of the accounts maintained by DOE cost-type contractors for operations under their contracts with those maintained by DOE is an essential part of the DOE industrial-type accounting system. The accounting relationship between the integrated contractor and DOE is similar to that of a decentralized division or branch office of the Department. The contractor accounts for and reports on DOE funds, property, and costs of operations under the contract in accordance with the DOE accounting and reporting systems and procedures. The contractors' reports provide basic data needed for drawing comparisons of progress and performance, for planning, for budgeting, and for financial analyses. This data is combined with data from DOE Field Offices to produce comprehensive financial and cost statements covering all direct and contract operations of DOE. This integration of contractors' accounts and reports with those of DOE avoids duplication of recordkeeping and facilitates auditing of cost-type operations.

An integrated contractor may be a private enterprise, a non-profit institution, a corporation, or any other form of organization legally capable of entering into a contract with DOE, or another government agency administering work for DOE. As of September 1981 the Department had 47 contracts with integrated contractors which were being administered by 11 Field Offices. Although exact numbers change periodically, the magnitude has remained relatively stable during recent years.

A Field Office may be an Operations Office or a Project or Area Office. An Operations Office of which there are currently 8, might be compared to a miniature of DOE Headquarters in that it is usually a totally self-sufficient activity and manages one or more major programs. A Project or Area Office generally has a more restricted responsibility and may or may not be totally self-sufficient. In all cases, there is a Contracting Officer who is assigned among his/her many responsibilities, that of insuring that Government property used by the contractor is adequately managed. The Contracting Officer may also be responsible for awarding and administering additional Off-Site contracts for which Government property is provided. The administration of these Off-Site contracts is normally retained within the Department. Managing Off-Site contracts is discussed in Part Three. In this Part Two, we will discuss the role of the Contracting Officer and the Property Administrator and their staffs in managing Government property in the hands of contractors who operate DOE facilities.

CHAPTER 2

DETERMINATION OF REQUIREMENTS, OPERATING CONTRACTORS

I. CONTRACTOR ORGANIZATION

In Part One, Chapter 1 we discussed under section IV Authorities and Responsibilities, the roles of both Government and contractor organizations. Contractors usually organize to provide for an individual to be accountable for property and others, the actual users, to be physically responsible for the property. Generally contractors designate these functions with titles: Accountable Officers; and, Custodial Officers. There may be exceptions in title designation, but the functions will always occur and should be assigned to various individuals within the contractor's organizational structure. The contractor's property management system should provide for this. Throughout the remainder of Part Two we will refer to these two functional areas as that of the Accountable Officer and the Custodial Officer.

For our purposes we will use the following two definitions to describe these contractor personnel:

Accountable Officer:

An employee of the contractor designated by the contractor to be accountable to the Contracting Officer for all Government property during the tenure of the contract. This individual should represent the contractor in all Government property matters.

Custodial Officer:

An employee of the contractor designated by the contractor to be responsible for the proper use, maintenance, and protection of Government property which is entrusted to his or her possession or which is charged to his or her Custodial Area. A Custodial Area is an identifiable organizational element of the contractor.

II. THE CONTRACT

Every contract between DOE and an operating contractor contains a clause in its Special Provisions devoted to property. The clauses in contracts which are currently in effect are not universally standardized. For new contracts, or when existing contracts are to be extended, recompeted, or renegotiated the property clause contained in DOEPR 9-50.704-21 Property, is to be incorporated into the revised or new contract. A copy of this clause is shown as Exhibit II-1. This clause requires the contractor to maintain and administer a property management system. The system shall be subject to the approval of the Contracting Officer and shall be in accordance with the DOE-PMR and such directives or instructions as the Contracting Officer may prescribe.

Most existing contracts do not contain this specific clause verbatim. All contracts do however contain a property clause. Property clauses of existing contracts generally contain the following paragraphs as a minimum, or ones which are similarly titled.

EXHIBIT II-1
CONTRACT PROPERTY CLAUSE

(a) **Furnishing of Government property.** The Government reserves the right to furnish any property or services required for the performance of the work under this contract.

(b) **Title to property.** Except as otherwise provided by the Contracting Officer, title to all materials, equipment, supplies, and tangible personal property of every kind and description purchased by the contractor, for the cost of which the contractor is entitled to be reimbursed as a direct item of cost under this contract, shall pass directly from the vendor to the Government. The Government reserves the right to inspect, and to accept or reject, any item of such property. The contractor shall make such disposition of rejected items as the contracting Officer shall direct. Title to other property, the cost of which is reimbursable to the contractor under this contract, shall pass to and vest in the Government upon (i) issuance for use of such property in the performance of this contract, or (ii) commencement of processing or use of such property in the performance of this contract, or (iii) reimbursement of the cost thereof by the Government, whichever first occurs. Property furnished by the Government and property purchased or furnished by the contractor, title to which vests in the Government, under this paragraph are hereinafter referred to as Government property. Title to Government property shall not be affected by the incorporation of the property into or the attachment of it to any property not owned by the Government, nor shall such Government property or any part thereof, be or become a fixture or lose its identity as personality by reason of affixation to any realty.

(c) **Identification.** To the extent directed by the Contracting Officer, the contractor shall identify Government property coming into the contractor's possession or custody, by marking and segregating in such a way, satisfactory to the contracting Officer, as shall indicate its ownership by the Government.

(d) **Disposition.** The contractor shall make such disposition of Government property which has come into the possession or custody of the contractor or under this contract as the Contracting Officer shall direct. When authorized in writing by the contracting Officer during the progress of the work or upon completion or termination of this contract, the contractor may, upon such terms and conditions as the Contracting Officer may approve, sell, or exchange such property, or acquire such property at a price agreed upon by the contracting Officer and the contractor as the fair value thereof. The amount received by the contractor as the result of any disposition, or the agreed fair value of any such property acquired by the contractor, shall be applied in reduction of cost allowable under this contract or shall be otherwise credited to account of the Government, as the Contracting Officer may direct. Upon completion of the work or the termination of this contract, the contractor shall render an accounting, as prescribed by the Contracting Officer, of all Government property which had come into the possession or custody of the contractor under this contract.

(e) **Protection of government property—Classified Materials.** The contractor shall take all reasonable precautions, as directed by the Contracting Officer, or in the absence of such directions in accordance with sound industrial practice, to safeguard and protect Government property in the contractor's possession or custody. Special measures shall be taken by the contractor in the protection of an accounting for any classified or special materials involved in the performance of this contract, in accordance with the regulations and requirements of DOE.

EXHIBIT II-1 (cont'd)

(f) Risk of loss of Government property. The contractor shall not be liable for loss or destruction of or damage to Government property in the contractor's possession unless such loss, destruction or damage results from willful misconduct or lack of good faith on the part of the contractor's managerial personnel, or unless such loss, destruction or damage results from a failure on the part of the contractor's managerial personnel to take all reasonable steps to comply with any appropriate written directives of the Contracting Officer to safeguard such property under paragraph (e) hereof. The term "contractor's managerial personnel" as used herein means the contractor's directors, officers and any of its managers, superintendents, or other equivalent representatives who have supervision or direction of (1) all or substantially all of the contractor's business; or (2) all or substantially all of the contractor's operation at any one plant or separate location at which this contract is being performed; or (3) a separate and complete major industrial operation in connection with the performance of this contract; or (4) a separate and complete major construction, alteration or repair operation in connection with performance of this contract.

(g) Steps to be taken in event of loss. Upon the happening of any loss or destruction of or damage to government property in the possession or custody of the contractor, the contractor shall immediately inform the Contracting Officer of the occasion and extent thereof, shall take all reasonable steps to protect the property remaining, and shall repair or replace the lost, destroyed, or damaged property, if directed by the Contracting Officer, but shall take no action prejudicial to the right of the Government to recover therefor and shall furnish to the Government, on request, all reasonable assistance in obtaining recovery.

(h) Government property for Government use only. Government property shall be used only for the performance of this contract.

(i) Property Management. The contractor shall maintain and administer a property management system, subject to the approval of the Contracting Officer, of accounting for and control, utilization, maintenance, repair, protection and preservation of Government property in his possession under the contract. The contractor's property management system shall be maintained and administered in accordance with sound business practice, and in accordance with Department of Energy Property Management Regulations and such directives or instructions which the Contracting Officer may from time to time prescribe.

- A. Furnishing Government Property
- B. Title Provisions
- C. Identification
- D. Disposition
- E. Protection
- F. Loss
- G. Inventories
- H. Special Materials
- I. Property Management System

The terms and conditions stated in the Special Provision for Property, of the contract, must govern all actions with respect to property. Contracting Officers and Property Administrators are required to comply with the terms and conditions of the existing contract being administered until such time as they are changed. The terms of the contract are law.

The DOE-PMR is an extension of the contract. In most instances the DOE-PMR serves to establish policy and procedures to implement the legal conditions which have been created by the contract. The clause in the contract which states the contractor must establish and maintain a property management system which has been approved by the Contracting Officer can serve as the bridge between the contract and the DOE-PMR. This bridge is not always necessary, since DOEPR-9-50.704-21 and some existing clauses require the use of the DOE-PMR as the basis for the contractor's property management system.

Therefore we apply the DOE-PMR to all integrated contractors (GOCO operations) for property management. If there are exceptions, provision for their exceptions must be contained in the contract.

- o Contract is the law -
- o Property provision is the bridge -
- o DOE-PMR are the operating policies and procedures.

The statements made in this Section II, The Contract apply to the entirety of Part Two of this manual.

III. THE PROCESS OF DETERMINING REQUIREMENTS

A. General

We discussed the phases of property management briefly in Part One, Chapter 1. You should recall that the first phase is titled "Requirements Determination." This chapter addresses that phase in detail in order to assist you in understanding its importance. Successful determination of requirements dictates that a document which completely validates a need is able to be passed to the activity which is to acquire the need. Acquisition should then be able to be initiated without any recourse to the requestor of the need. We will explain below how this mandatory function should be achieved.

The accomplishment of any mission, function, or purpose for which an organization is established requires property of one sort or another, even if it is only pencil and paper. The first step in acquiring that property is the recognition of the need for it.

The line manager or the program official responsible for carrying out the mission should be the first one to recognize this need. He must then properly identify it and convey this information to the individual or organization that will initiate the acquisition process. The information provided must include the justification for the item(s), indicate that funds are available, and that authority to make the request is present. This need is developed by the contractor's Custodial Officers. Before preparing a requisition or request for forwarding to the Accountable Officer who is the acquisition authority, the Custodial Officer should assure himself that the information developed is adequate, is valid, and that the requirement cannot be satisfied from property within the jurisdiction of his own area of responsibility.

The Accountable Officer upon receipt of the request, reviews and validates it before taking the actions necessary to acquire the property.

B. Two Important Definitions

Let us examine two important elements in the process. Let us assure ourselves we understand them before we proceed further.

We can define a requirement as:

"An established need which justifies the allocation of resources to achieve a capability to accomplish an objective or task which generated the need."

The process which we must pass through in order to accomplish requirements determination can be described as:

"The act of identifying needs, describing those needs, and then stating the authority and justification for the acquisition and use of those needs."

These definitions apply to property. They might also apply to any other resource, such as personnel, space, money, facilities, etc.

C. Application to Contractors

Now let us examine how what has been stated is used in a GOCO activity.

1. During Contract Development

Most GOCO's have been in existence for several years. Initial property requirements have already been acquired and are in use, have been consumed, or have been disposed of as a result of retirement or they are no longer needed for the contract. It is useful for you to understand the process which transpired in order to initially acquire such property.

The property clause of all our contracts requires the contractor to have a property management system. That system requires approval of the Contracting Officer. It must provide for a procedure for determining requirements. Some of these requirements are established and validated prior to the award of a contract.

When the Request for Proposal which leads to a contract is first developed by a DOE Program Official, a consideration of the property which will be required by the successful bidder is necessary. In the case of a GOCO activity provision of property is a surety. The Request for Proposal will normally require the design and construction of facilities for a GOCO type contract. Personal property items will be required during this phase as well as during operation of the facility. The Contractor's proposal should identify to the degree of specificity possible at this time these personal property items.

Reviewing proposals which are submitted by offerors and subsequent negotiation with prospective contractors will serve to more definitively develop this initial list of requirements. During the time that these actions occur decisions are also being made to determine what items the contractor will acquire directly, which items the Department will procure and provide to the contractor, if any, and which items if any, will be provided from Government sources. The list developed, to include the sources of acquisition is incorporated into the contract when it is awarded. This establishes the initial inventory listing of requirements.

2. During Contract Execution

The Contracting Officer's primary role during contract development and negotiation with respect to property is to ensure that the requirements which are developed are valid, and the correct property clause applicable to GOCO's has been included in the contract. After award, when the contractor begins to perform the work required, the Contracting Officer must insure that the contractor's property management system provides for a deliberate means of determining requirements.

The initial list included in the contract will usually have to be added to as time progresses. Consumable supplies will have to be replenished as they are used in order to insure continuity of performance.

The contractor's system must provide for review and approval levels of validation by contractor personnel to acquire new items of equipment and to replenish consumable supplies and raw materials. In some cases, dollar thresholds which the contractor cannot exceed for the acquisition of property are established. In these instances the Contracting Officer will approve or disapprove whether a requirement can be purchased.

The Contracting Officer or the Property Administrator acting on behalf of the Contracting Officer is responsible for assuring that the contractor's system fulfills these requirements.

The foregoing should be explored in some detail at this point to explain the process which has been established and is in use for most GOCO's to develop requirements and obtain approval to obtain those requirements for ongoing contracts. Over time, with a number of such type contractors this process has proven itself to be practicable and has been routinized to the degree possible. The specific procedures utilized in the Operations Office with which you are familiar may vary in detail with that prescribed below. The principles and the event sequence delineated however require adherence by all Operations Offices for GOCO contractors. All formal communications between the contractor and the Operations Office are with the Contracting Officer and are generally required to be in writing.

Annual Budget Call:

Once each year the Contracting Officer issues to the contractor the budget call. This action and all other elements of the process are timeframed to coincide with the Federal budget process. All actions are incorporated as a part of the total Federal budget process. The call is essentially a letter developed by the Operations Office Budget Activity for the Contracting Officer's signature. Property and Program Officials assist in the construction of the call letter and provide input to it in terms of guidance and information which should be considered by the contractor.

Contractor's Budget:

The contractor develops and constructs a one year budget based on these instructions in terms of programs to be accomplished, the things necessary to accomplish the program and the estimated dollar values required to provide those things. The things are personnel, facilities, construction, maintenance, property to include equipment and supplies, and any other items or elements that require an expenditure of funds. The budget is submitted to the Contracting Office. The information submitted contains data on three separate years: The one just being completed; the one just starting; and the one for which new dollar requirements are being requested. The middle year, that is the one just being started, includes adjustments which are necessary which were unknowns when that year's budget was approved.

Operations Office Review:

The Operations Office Staff reviews the contractor's submission first on an informal basis among themselves, with contractor personnel, and with interested Laboratories, Field Commands, and even Headquarters Program Officials as appropriate. Then a formal review is conducted. The formal review results in a formal mark up of the contractor's submission which is transmitted to the

Departmental Headquarters for processing. This budget contains the total requirement for the GOCO operation for the budget year. For property it includes: a detailed list of equipment requirements in line items and estimated cost; miscellaneous equipment of low dollar level not by line item, and a dollar value of supplies. One additional result of this formal review is a Capital Equipment Plan which is provided to the contractor by the Contracting Officer. This plan is a line item listing by priority and establishes a basis for the contractor to accomplish procurement planning.

DOE HQS Review:

The submission is incorporated into the Department's annual budget submission which is reviewed by the Office of Management and Budget and then submitted by the President to the Congress as part of his annual budget. After congressional action the Authorization and Appropriation Acts are issued which result in dollar allocations to the Department and thence to the Operations Office for financing the execution of the proposed total program of the GOCO. Numerous adjustments are made during this process and seldom if ever is the resource allocation to the Operations Office identical to that which it submitted for approval.

Operations Office Implementation:

The Contracting Officer now authorizes the contractor to spend the dollars in the budget to accomplish the program. The dollars are usually authorized in total but with some "strings" attached. Ceilings or levels are authorized for various elements of the budget. These include equipment and supplies. The equipment list is prioritized to fit the dollars available. Adjustments are made as appropriate. Miscellaneous equipment is not prioritized but dollar levels are established for these and supplies which the contractor cannot exceed. Within the priority list, a threshold is set in dollars for a line item. The contractor must get additional prior approval from the Contracting Officer to purchase an item which exceeds this threshold even though the dollars have been authorized. Threshold levels are not standardized within the Department. They vary among contracts as appropriate. Contracting Officers may impose other limitations if they are appropriate for managing the execution of the contract.

Contractor Execution:

The contractor now develops in adequate detail a Capital Equipment Financial Plan. This is an adjustment to the Capital Equipment Plan to fit the dollars available. The contractor then buys equipment within the guidance provided by the Contracting Officer. If thresholds are to be exceeded, purchases are not permitted without prior approval of the Contracting Officer. All purchases must be within the guidance provided in the priority listing. Special authorizations for items such as passenger motor vehicles and others which were included in the Congressional Authorization Act are included in the guidance from the Contracting Officer. Limitations and special instructions issued by the Contracting Officer must be complied with even though dollars have been authorized for their purchase. Some time will have transpired between the contractor's budget submission and the execution phase. This time passage often requires reprogramming of dollars from one requirement to meet a more urgent need. The contractor is not permitted to reprogram dollars to buy such equipment without the Contracting Officer's permission.

Tracking:

The Operations Office staff must monitor the execution of the acquisition of equipment and supplies by continuous review of the contractor's purchase orders and subcontracts. In addition, formal quarterly or periodic reviews of the entire acquisition program are conducted. Adjustments are directed by the Contracting Officer or agreed to as appropriate between the Contracting Officer and the contractor.

IV. GUIDES TO EXAMINING REQUIREMENTS DETERMINATIONS IN THE CONTRACTOR'S SYSTEM

A. Identification of Requirements

The Contractor's system should state how requirements are identified. Many items which contractors will need are used routinely within the Government. Such items have specific identifications which ease the burden of acquisition. Also they are usually procured in wholesale lots by the Government which reduce their cost. These items should be used by contractors whenever possible. The very first step is to identify specifically what is required. Identification can be defined as:

"A clearly defined statement or description of the item required which can be readily understood by supply and procurement personnel."

Many times program officers and line managers have trouble with this. They are better able to describe in general terms the function which must be performed. The contractor's Accountable Officer must then come to their

assistance. A number of different tools are available which can be helpful for this purpose. To simplify the process of explicitly identifying a needed item of supply, the Federal Catalog System has been established for items used on a repetitive basis.

The General Services Administration establishes and maintains a uniform Federal Catalog System to identify and classify personal property. The Department is authorized to permit its contractors to utilize the System. FPMR 101-30 explains the system. Basically the system establishes standard terminology and provides descriptions and an identifying number (national stock number) for each item of supply. In addition to items supplied by GSA, the Federal Catalog System contains the items supplied by other Federal agencies assigned interagency procurement responsibilities. For example, the Defense Logistics Agency (DLA) supplies subsistence and petroleum products to all Federal agencies, and many other commercial type products to the military services. The military services acquire military products for themselves which periodically might be required in DOE GOCO activities. The items for which these agencies are responsible are published in their sections of the catalog. The Defense Logistics Service Center of DLA publishes the various catalogs of the Federal Catalog System. All are available thru the Government Printing Office. Each contractor should maintain a library of those volumes containing the commodities it utilizes. The four volumes in the GSA part of the Federal Supply Catalog are (1) Furniture, (2) Industrial Products, (3) Office Products, and (4) Tools. Utilizing the terminology in the catalog provides adequate identification for any purpose.

Items in the Federal Supply catalog may be obtained from stocks of GSA, DLA or the military services, self-service stores, or from commercial vendors utilizing Federal Supply Schedules. However, at times items are required which are not contained in the catalog or the Federal Supply Schedules. Vendor catalogs or brochures for such items generally render satisfactory identifications and these should also be maintained by the contractor to assist in identification.

B. Authority to Request Requirements

Identifying the need alone is not sufficient grounds for submitting a request for an item. Authority should exist to have the item. The contractor's system should provide for delegating such authority to specific activities.

Authority as a generic term means the power to take action or approve the actions of others. In this handbook authorities represent the basis an element of the contractor's organization has for submitting a request for property.

The authority to expend funds provided, or to be provided, by the U.S. Government for personal property is derived from the inherent responsibilities assigned in the contract to perform certain functions. These functions are predicated upon the availability of required resources in terms of funds and property. This authority of the contractor should be delegated to specific individuals or positions within his organization and, depending on the nature of the authority, redelegated to lower echelons as appropriate. Authorities should generally be delegated with specific limitations or

conditions and should be considered valid only when used in strict compliance with the limitations or conditions imposed.

In addition to the authority derived from the mission and related funds, there are authorities based upon limitations or parameters often placed on task or mission accomplishment, for example the number of typists that an organization may have or is allocated may control the number of typewriters the organization is allowed to have. For instance, an organizational element may have the authority to have five typewriters if it has five typists, but it does not automatically have the authority to order another three typewriters because it might want some special features these three possess which the five do not. When such a situation exists a waiver would be required from a designated individual within the contractor's organization before authority to submit a request for the three special typewriters would exist. Conversely with three typists on board each with one typewriter assigned, and a new ceiling of five typists to handle expanded workload, the allowance of one typewriter per typist provides the authority to request two additional typewriters. This illustration reflects the kind of authorities and controls that the contractor's system must include.

C. Justification for Requirements

We have described how the contractor's system should provide for the authority required to submit a request for property and how to identify what is required. We must now answer this question: does the justification for it exist? Before submitting a requisition the Custodial Officer in the contractor's organization should first attempt to satisfy the need by fully utilizing similar property under his/her jurisdiction, or by using alternate available property which would enable him/her to satisfactorily carry out the purpose for which the property is needed. When this cannot be done, then a requisition is in order. A requisition should represent the minimum amount of property needed to meet the intended use, be it a one time or ongoing requirement. The justification should so indicate, and also refer to established use standards described below, when applicable. It should clearly indicate why this property is needed in the amount and at the time requested.

We have discussed above the mechanics of the requirements determination phase. Simply stated: the item or items are identified in standard terminology, the authority to have the item or items is presented in writing, and then a justification is stated which explains why the item or items are necessary. The process is called validation.

In many instances this process repeats itself with great frequency for the same item. In order to reduce administrative burdens when this occurs use standards exist which provide ready made validations. Where they apply, Contracting Officers must require that they be used by contractors.

D. Use Standards

A use standard is a combination of authority to obtain an item of personal property and a justification of why the property is needed. Use standards are defined as " . . . the criteria whereby a determination may be made as to when, and in what quantity, certain types of equipment are authorized for use within the Department." They are tools of management for obtaining at all

levels of operation the best balance between equipment assets and equipment needs. The Department's Use Standards should be used by GOCO contractors. Their property management systems should provide for their application.

Some use standards have been established in the FPMR and are applicable Government wide. DOE has developed additional use standards for various items of personal property which are used Department-wide to include GOCO's. They are stated in the DOE-PMR at 109-25.3. Specific use standards for motor vehicles are contained in the DOE-PMR at 109-38.50.

Property management activities are responsible for developing use standards when none exist. Contractor's systems should provide for such action. Exhibit II-2 portrays the decisions which are applicable to the establishment of such use standards. Use standards are established by applying the general use and replacement standards identified in the FPMR and the DOE-PMR to the specific mission objectives of the activities within a GOCO. To develop such standards the contractor's Accountable Office must evaluate, in coordination with the using activity, the specific needs of the activity as they relate to its mission, the existing resources, and the availability of funds within the contract for acquisition of validated requirements. Once established, use standards can be used as supporting justification for the replacement or addition of new items of personal property. Existing replacement standards are listed in the FPMR at 101-25.4 and in the DOE-PMR at 109-25.4. Replacement standards for motor vehicles are contained in the DOE-PMR at 109-38.9

In addition to the application and development of use standards, the contractor's Accountable Office should also accomplish the following related actions:

- o Plan for the orderly replacement of existing property as it becomes necessary.
- o Conduct periodic reviews to identify underutilized or unrequired property for pooling, reassignment or declaring it excess.
- o Make periodic analyses of new or replacement items of property which would serve to reduce costs thru greater productivity, reduced maintenance costs, or longer service life.
- o Establish periodic maintenance programs to extend the useful service life of existing property, and maintain cost records to justify replacement when continued maintenance is uneconomical.

E. Exceptions to Use and Replacement Standards

The official in charge of the contractor's property management activity (Accountable Officer) must assure that representatives of requesting activities comply with and adhere to use standards. Conditions will arise,

EXHIBIT II-2
DECISIONS FOR USE STANDARD DEVELOPMENT

however, where it is advantageous to deviate from or obtain an exception to the use standards developed for individual areas.

A general exception to a use standard is appropriate when the workload at a small independent or satellite activity on a geographically widespread or dispersed installation may not require utilization of equipment sufficient to meet the use standard criteria, yet the equipment is needed. The use standard requirements may be waived in such instances. Otherwise, exceptions to use standards are stated with the standard itself.

Periodically there may arise other reasons why exceptions to use standards should be granted. Specific delegations of authority to do so should be established in the contractor's system.

F. Validating a Requirement

When a request from a using activity meets an established use standard a requirement is recognized as valid. It must also be recognized, however, that occasions will frequently arise where needs for property are generated for which no established use standards exist. In such a situation, a written justification of the need must be developed. The justification is then presented to that level of the contractor's management authorized to grant an approval. When obtained, it must be incorporated either on the face of the request or as an attachment. Exhibit II-3 lists typical criteria which may be used as a guide for a performance requirement identified by the requesting activity.

At least one affirmative finding under each of the categories (i.e., Basis of Need, Utilization Consideration and Other Considerations) should be made in order to establish the validity of the need for an item. For example, in order to determine the need for an additional word processing system, the following criteria to validate the requirement might be used.

Basis of Need — To increase production and/or efficiency of the centralized typing pool of the activity.

Utilization Consideration — Similar property on hand is being used for approved purposes to the maximum extent possible. The standard electric typewriters are over 15 years old and can no longer be used economically due to frequent failure and excessive maintenance costs. The standard typewriters are eligible for replacement under use and replacement standards.

Other considerations — The cost of the property to be obtained compared to the cost savings to the contractor and thus the Department, in terms of reduced down-time due to failure and increased productivity of clerical personnel warrants acquisition of the system.

This action is the process of validating a requirement for which no use standard exists. The contractor's system should provide for validating requirements for which use standards do not exist on either the basis described or a similar technique which produces equivalent results.

EXHIBIT II-3
TYPICAL JUSTIFICATION CRITERIA

BASIS OF NEED

New or expanded program

Increased workload

To increase production or efficiency

Need for
replacement

New or revised procedures

Reasons of health,
safety or protection

UTILIZATION CONSIDERATION

No similar property on hand

Similar property on hand is being used for approved purposes to the maximum extent possible

Property requiring replacement cannot be economically continued in use and meets applicable use and replacement standards, if any

OTHER CONSIDERATIONS

Value of property to the Department warrants its cost to the Government

Required by statute or regulation

G. Role of the Custodial Officer

The appointed Custodial Officers in a contractor's organization are normally assigned the responsibility for preparing requisitions. They will make the initial determination that a need is valid and cannot be met from existing or alternative property under the Custodial Areas's jurisdiction. They have the records for best determining this. The justification placed on the requisition should incorporate a reference to use standards where applicable and/or any waiver, deviation, or special exception obtained in support of the request. The need (requirement) should be clearly and amply stated to preclude misinterpretation. The requisition must be reviewed in the Accountable Office before any acquisition action is initiated. If the requisition is not complete to include authority and justification it should be returned to the requestor explaining why the requisition is not acceptable. Once the Accountable Office has accepted a requisition it has assumed responsibility for acquiring the requested property. Since it is improper to acquire property when the requirement has not been validated, it is imperative that Accountable Officers assure themselves that they have accepted a valid requisition. This can be accomplished by following the procedures which have been outlined above. The contractor's system must provide for this requirement.

H. The Validation Equation

We have now established the foundation of the Property Management Cycle. It must be incorporated in the Contractor's system. Without valid requirements, acquisition is proven unnecessary.

Effective determination of requirements can be reduced to this simple equation: $\text{AUTHORITY} + \text{JUSTIFICATION} = \text{VALIDATION}$. Each request received by the Accountable Office of the contractor should meet the requirement of this equation. When it does not, the request should be rejected. We will now proceed to the next phase in the cycle, Acquisition.

CHAPTER 3

ACQUISITION, OPERATING CONTRACTORS

I. POLICY

Initial requirements for personal property will be provided to operating contractors as delineated in the contract. Add on items and replenishment items will also be acquired by the contractor as delineated in the contract. In most if not in all contracts, since we are dealing with cost type contracts, operating contractors will be required to determine whether items can be provided from Government sources before purchasing items from the commercial market place. Certain items will require approval of the Contracting Officer before they are acquired regardless of the source, as we discussed in Chapter 2 when describing the threshold concept. The Contracting Officer or the Property Administrator acting for the Contracting Officer is responsible for assuring that the contractor's system provides for adhering to these policies and that they are implemented during contract performance.

II. USE OF GOVERNMENT SOURCES

A. Departmental Sources

The first priority source of acquisition shall be from Departmental sources. The contractor's system must include provisions for reviewing these sources prior to acquisition from commercial sources. Initial reviews will be made from current listings of on-site DOE equipment of:

Equipment Held for Future Projects (EHFFP) (see DOE-PMR 109-27.51);
and
Spare Equipment (see DOE-PMR 109-27.52).

Reviews will also be made of DOE Excess Property Reports (see DOE-PMR 109-43.311) on a Department-wide basis. Requirements will be met from these sources whenever possible. When these sources cannot provide needed requirements, other Government agency and GSA excess lists will be screened to determine whether such sources can fill the requirement.

B. General Services Administration (GSA) Sources1. Policy.

It is the policy of the General Services Administration and the Department to make GSA supply sources available to all eligible users in order to promote greater economy and efficiency in Government procurement programs.

The policy is applicable to contractors working wholly or substantially on cost-reimbursement contracts.

2. Authorization to contractors.

When it is determined that it is in the best interest of the Government to do so, DOE shall authorize in writing its prime contractors and, where appropriate, their subcontractors, to utilize GSA supply sources

in performing government contracts. Authorizations to subcontractors shall be issued through, and subject to the approval of, the prime contractor. Each authorization (prime or sub) shall be supported by a written finding of the facts which are the basis for the determination to issue the authorization. Such findings shall be retained in contract files. Each authorization issued shall:

- a. Cite the number of the contract or contracts involved.
- b. Specify that the Federal Standard Requisitioning and Issue Procedure (FEDSTRIP) shall be used when requisitioning items, as required by FPMR 101-26.2, and include the FEDSTRIP activity address code assigned to the contractor by GSA.

Applications for FEDSTRIP Activity Address Codes and contractor authorizations for use of GSA supply sources shall be forwarded to Procurement and Assistance Management (PR221) for review and further processing to GSA for assignment. (DOE-PMR 109-26.205-2)

3. Procedure for placing orders.

a. Orders under Federal Supply Schedule contracts.

Orders placed by DOE contractors under Federal Supply Schedule contracts shall be placed in accordance with the provisions of the applicable Federal Supply Schedule and the authorization issued to the contractor. Each order shall be accompanied by a copy of the authorization (unless a copy was previously furnish to the Federal Supply Schedule contractor) and shall contain a statement as follows:

"This order is placed pursuant to written authorization from _____, dated _____, ¹_____. In the event of any inconsistency between the terms and conditions of this order and those of your Federal Supply Schedule contract, the latter will govern."

¹Insert "a copy of which is attached," or "a copy of which you have on file," or other suitable language, as appropriate.

In the event a Federal Supply Schedule contractor refuses to honor an order placed by a Government contractor in accordance with DOE authorization, the Contracting Officer shall report the facts and circumstances to General Services Administration (FFN0), Washington, DC 20406, and, simultaneously advise in writing Procurement and Assistance Management (PR221).

b. Orders for GSA

Orders placed with GSA by DOE contractors shall be placed in accordance with the DOE authorization, using the FEDSTRIP format in accordance with the provisions of FPMR 101-26.2, GSA Handbook titled "FEDSTRIP Operating Guide."

4. Furnishing information to contractors.

When a Regional Office of the Federal Supply Service, (FSS), GSA, is notified by the FSS Central Office that it has assigned a FEDSTRIP activity address code to a cost-reimbursement contractor of DOE, the FSS Regional Office will contact the contractor. The Regional Office will provide initial copies of the GSA Supply Catalog and FEDSTRIP Operating Guide and other necessary information. The Regional Office also will assist the contractor to prepare initial FEDSTRIP requisitions and complete GSA Form 457, FSS Publications Mailing List Application, so that current copies of required publications are received automatically from GSA.

5. Payment for GSA shipments.

GSA will not forward bills to contractors for supplies until after the supplies have been shipped by GSA. Receipt of billing is considered to be sufficient evidence of delivery to establish contractor liability and to provide a basis for payment. Accordingly, contractors should be directed by Contracting Officers to make payments promptly upon receipt of billings.

Contracting Officers, when reviewing the procurement systems and methods of those contractors that have been authorized to use GSA sources of supply, shall assure that provision is made for documenting the justification of procurements from commercial sources of items available from GSA sources of supply. The Senior Procurement Official, Headquarters, shall be informed of instances in which GSA sources of supply are not used because of the quality of the item available from GSA. This is prescribed by DOE PR 9-5.902.

C. Other Government Sources

Many supply facilities and contracts of the Department of Defense are made available to DOE and its operating and other on-site contractors.

1. Field offices will be notified by the Senior Procurement Official, Headquarters or designee, when such contracts and facilities are made available. Inquiries in connection with these sources may be directed to the Senior Procurement Official, Headquarters. Requisitions or purchase orders shall be submitted directly to these sources, unless otherwise specified.
2. Contractors' requisitions submitted to Defense Logistic Centers shall include the following statement: "The consignee of the supplies and materials requisitioned herein is acting in behalf of and as agent for DOE with respect to the expenditure of Government funds." Orders

submitted directly to Department of Defense contractors shall be accompanied by an authorization substantially similar to that used for Federal Supply Schedules prescribed in paragraph II.B.3.a above.

D. Procurement of Special Items

Specific requirements exist for the acquisition of special items. Contracting Officers will assure that the contractor's system provides for utilizing the DOE procedures which have been established for processing these items. Specific guidance is:

1. Motor Vehicles

We stated in Chapter 2 during the discussion of the process for determining requirements that special authorizations are necessary before passenger motor vehicles can be purchased. Government wide control is exercised by the Congress over numbers and costs of the acquisition of such vehicles. Accordingly, additional requirements are examined and authorized by that body during the budget cycle. In addition to authorizing purchases the controls extend so that all such purchases must be made by the General Services Administration, unless that agency provides a waiver to the agency which requires the vehicle. Authorizations for purchase follow the same channels as funding and in the case of passenger vehicles are assigned to the Operations Office by DOE Headquarters each year. In some cases the Contracting Officer will acquire these vehicles from GSA or by direct purchase if a waiver has been granted, and provide them to the contractor. In other instances contractors may be directed to acquire the vehicles by whichever method has been determined. In the event a requirement occurs which has not been forecast in the budget process, short term rental, 60 day periods or less, of motor passenger vehicles is permitted to be authorized by the Contracting Officer. For longer periods the Contracting Officer must secure authority in writing from DOE Headquarters. Prior to leasing from commercial sources the Contracting Officer must assure that requirements are unable to be met from GSA motor pools, available excess, or other Federal agencies on a loan basis. In certain instances, the DOE Headquarters may reprogram authorizations from one Operations Office to another pending authorization in the next budget cycle. The rules governing purchasing actions are contained in DOE PR 9-5.5201. The rules for leasing are contained in DOE-PMR 109-38.51.

2. Typewriters

Contractors may purchase typewriters, both initial requirements and replacement from the appropriate Federal Supply Schedule Contractor, unless the contractor has not been authorized to utilize GSA sources. Acquisition of typewriters for replacement or other purposes must meet the use and replacement standards contained in FPMR 101-25.302-3, FPMR 101-25.403 and DOE-PMR 109-25.302-3 and DOE-PMR 109-25.403. The procurement of typewriters that will be used for printing shall comply with the approval requirements of the Joint Committee on Printing, Congress of the United States (JCP).

3. Printing equipment and printing services.

The JCP periodically publishes "Government Printing and Binding Regulations." These regulations govern the acquisition, use, and disposal of printing equipment and the procurement of printing services with appropriated funds. Acquisitions (lease or purchase) of printing, duplicating, and copying equipment, and transfers or disposal of this equipment by DOE operating contractors which produce or procure printing, duplicating, copying, and related services, require prior approval in accordance with DOE Order 1340. Requests for approval shall be submitted in writing to the Director, Office of Administrative Services, Headquarters.

4. Alcohol

To the fullest practicable extent, alcohol for use by operating and other on-site contractors will be procured on a tax-free basis, and in accordance with DOE PR 9-5.5204.

- a. Specially denatured alcohol. Heads of Procuring Activities may authorize cost-type contractors to apply for permits to purchase specially denatured alcohol, subject to restrictions of the Bureau of Alcohol, Tobacco and Firearms as to end use. In order to qualify, cost-type contractors must be bonded, must submit reports, and are subject to inspection by the Bureau of Alcohol, Tobacco and Firearms.
- b. Tax-free alcohol. Under the Bureau of Alcohol, Tobacco and Firearms regulations, cost-type contractors performing scientific or research work or operating hospitals are permitted to procure alcohol tax-free. These regulations require bonding under certain circumstances, submission of reports, and inspection by the Bureau of Alcohol, Tobacco and Firearms.
- c. DOE versus cost-type contractor alcohol procurement. Purchase may be made by either DOE or a cost-type contractor, whichever is in the best interest of the Government, taking into consideration administrative costs and any other pertinent factors that may be applicable to individual situations. On purchases for recurring requirements, one of the factors to consider is that for purchases by DOE, the bonding, reporting, and inspection requirements do not apply.
- d. Obtaining Authorization. Procedures which will be followed by Contracting Officers in obtaining authority for contractors to obtain tax-free alcohol are contained in DOEPR 9-5.5204.

5. Helium

Operating and other on-site contractors may purchase helium, to the extent supplies are readily available, from the Department of Interior (Bureau of Mines). Instructions contained in DOEPR 9-5.5205 will be followed for these purchases.

6. Miscellaneous Items

- a. All acquisitions of aircraft, except for temporary (30 days or less) rentals or loans, shall be approved in advance by the Senior Procurement Official, Headquarters. (DOE PR 9-5.5206-2, and DOE-PMR 109-38.5205.)
- b. Requirements for Government forms shall be obtained through DOE. (DOE PR 9-5.5206-3 and 4)
- c. Steel filing cabinets and security cabinets will not be procured unless approved by the Head of the Procuring Activity in order to insure that DOE utilization requirements have been met. (DOE PR 9-5.5206-5)
- d. Federal agencies may procure, without further reference to or clearance from the Department of the Army, all arms and ammunition of types which are not peculiar to the military services, and which are readily procurable in the civilian market. Contractors shall follow regular procurement procedures when making such purchases. Arms and ammunition peculiar to the military services shall be procured in accordance with DOEPR 9-5.5206-11.
- e. Orders for calibration services may be placed in accordance with DOEPR 9-5.5206-16.
- f. Procurement of devices primarily designed to be used surreptitiously to overhear or record conversations is prohibited. (DOE PR 9-5.5206-17)
- g. Supplies of assault masks and cannisters may be requisitioned from Oak Ridge and Richland. (DOE PR 9-5.5206.19)
- h. Masking devices are assembled at the DOE plant at Paducah, Ky. and may be requisitioned at cost. (DOE PR 9-5.5206.21)
- i. Orders for heavy water shall be placed with the Senior Program Official. (DOE PR 9-5.5207-1)
- j. Lithium is available at no cost other than normal packing, handling, and shipping charges. The excess quantities at Oak Ridge are to be considered as the first source of supply, prior to procurement of lithium compounds from any other source. (DOEPR 9-50.506-6)
- k. Prior to purchase of platinum on the open market, contractors shall clear the availability of DOE platinum with the Oak Ridge Operations Office. (DOE PR 9-5.5207.2)
- l. Government license tags will be obtained in accordance with DOEPR 9-5206-9, and DOE-PMR 109-38.3.

- m. Mercury will be requisitioned from Oak Ridge in accordance with DOE-PMR 109-43.303-1.
- n. Specific items to be procured in accordance with the provisions of the Federal Property Management Regulations are:

<u>Item</u>	<u>FPMR Reference</u>
(1) Appliances	101-26.503 (9-5.5206-7)
(2) New electric water coolers	101-26.502 (9-5.5206-6)
(3) Fuels and packaged petroleum products	101-26.602 (9-5.5206-10)
(4) Furniture	101-26.505 (9-5.5206-12)
(5) Products made in Federal penal and correctional institutions	101-26.702
(6) Products and services of the blind and other severely handicapped	101-26.701
(7) Materials handling equipment	101-26.405 (9-5.5206-15)
(8) Coal	101-26.202 (9-5.5206-18)
(9) EDP tape	101-26.508 (9-5.5206-20)

7. Purchase or Lease Determinations

The guidelines in FPMR 101-25.5 for making purchase or lease determinations shall be applied to the acquisition of all types of equipment. These guidelines shall be used in making lease-versus-purchase determination at the time of original acquisition, when lease renewals are being considered, or at other times as circumstances warrant.

III. USE OF COMMERCIAL SOURCES

Valid requirements which cannot be acquired from the Government sources which have been delineated in Section II above must be procured on the open market from commercial sources. These procurements will be accomplished in accordance with the special provision for procurement, subcontracts and purchase orders contained in the contract. The terms and conditions of the contract will govern. Contracting Officers will apply the provisions of Part 9-23 of the DOEPR in monitoring the contractor's procurement system to insure that the interests of the Department are protected. This requires the conduct of contractor procurement system reviews and provides the basis for the Contracting Officer to grant, continue, withhold or withdraw approval of the contractor's procurement system.

CHAPTER 4

ACCOUNTABILITY, OPERATING CONTRACTORS

I. GENERAL

In Chapter 2 we defined inventory control as: "the function of determining requirements, acquiring needs, distribution, and disposal, of supplies and equipment." We also stated that we could not accomplish inventory control without accounting.

Accounting means to organize and maintain the official records of an organization. When applied to property management, it is the records which must be kept for supplies and equipment. We use these records in order to have accountability for supplies and equipment which is a legal requirement. We have identified accountability as:

"An obligation imposed by law, administrative order, or regulation, upon officials of DOE to render an accounting to an official for funds or property entrusted to him/her, whether DOE owned, leased, or acquired by loan from any source, and whether obtained for use by operating or off-site contractors or the Department's direct operations."

Stated another way, accountability for property simply means in terms of items and their dollar value:

- Knowing what we have
- Where it is
- What condition it is in
- The degree to which it is being utilized, and
- Taking steps to get rid of what we do not need.

The purpose of this chapter is to discuss this requirement for accountability in terms of what the contractor must do in accounting for personal property and how the Contracting Officer and the Property Administrator insure that it occurs in compliance with the contract, the DOE-PMR, and other applicable regulatory documents. It is re-emphasized that the current contract will govern. However, instances will be rare when the provisions of the DOE-PMR, the DOEPR, and the DOE Accounting Practices and Procedures Handbook cannot be fully applied because of the contract.

II. ITEMS AND RECORDS

The items of personal property under the contractor's control which the Contracting Officer and the Property Administrator must be concerned with are classified into two broad categories: stores inventories; and, plant and equipment.

The records used consist of two categories also: those which are purely financial and integral to the DOE Financial Information System (FIS); and, those which are subsidiary to the FIS and contain detailed item information as well as financial

information. Both types of records relate to both types of items. Reports within the FIS reflect accountability for items in financial terms. These reports are required to be rendered by GOCO contractors on both a monthly and an annual basis. The reports are required to be reviewed by DOE Field Offices where the Contracting Officer is located prior to submission to the Headquarters. The Property Administrator or the Contracting Officer acting in this capacity has a vital interest then in the accuracy, timeliness, and validity of the entries in financial reports reflecting values related to stores inventories and to plant and equipment. This vital interest can be best satisfied by attention to the subsidiary records which deal in items as well as dollars and provide the source data for the FIS reports. These are also the records which should serve the contractor as tools to manage items on a continuous basis.

III. STORES INVENTORIES

A. General

The generic term inventories encompasses all items of property. We stated above that for our purposes inventories are categorized in two subdivisions. The first we title stores inventories; the second we title plant and equipment. Each is discussed separately.

Stores Inventories consist of materials, supplies and parts on hand that are either used or consumed, in manufacturing, research, maintenance and general use; or materials purchased and stored as a measure to preserve valuable natural resources.

We will restrict our discussion of stores inventories so that it excludes: nuclear materials, petroleum, isotopes, special reactor materials, and, weapons parts and sub-assemblies. These items require the application of the same management techniques as stores inventories plus additional controls. The special requirements beyond those required for stores inventories which are necessary in accounting for these other elements are described in Chapter V of the DOE Accounting Practices and Procedures Handbook. You should refer to this document for specifics which you may be required to apply.

B. The Contractor's System

You will recall that in Chapter 2 we stated that the contractor is required to maintain and administer a property management system which shall be subject to the Contracting Officer's approval. This system should be designed to achieve the following objectives for inventory management:

OBJECTIVES

Necessary inventories shall be established and maintained at reasonable levels, consistent with program requirements. They shall be managed and controlled in the most practicable and economical manner consistent with program needs, applicable laws and regulations and the following objectives:

- o Provide materials and supplies as needed to meet DOE requirements.
- o Maintain reasonable inventory levels.

- o Provide adequate safeguards for protection.
- o Maintain adequate quantity controls for effective management over all inventories, including those not under financial controls.
- o Assure maximum efficient utilization and avoid waste.
- o Maintain an economical operation.
- o Standardize inventories to the greatest extent practicable.

In order to achieve these objectives the system should be constructed so that it will meet certain minimum requirements. These are described below:

1. Review and Implementation.

The Property Administrator or the Contracting Officer when acting as the Property Administrator must:

- a. Review the inventory procedures established by the Contractor to assure that they provide adequate controls and are in accordance with the prescribed policies contained in the DOE-PMR.
- b. Review and approve the procedures for the taking of physical inventories and authorize procedures permitting test check verification.
- c. Approve the method used by the contractors to write off or write-down all inventory items.
- d. Assure that the contractor's system provides that such documents as Material Status Reports and various quantitative transfer documents are made available to the contractor's financial accounting activity and from there to the DOE Controller through the Financial Information System in the detail necessary and in time to conform with accounting and reporting requirements.

2. General Principles.

a. Inventory Controls

Detailed procedures shall be established by each contractor maintaining inventories to provide for an effective control over such materials through all phases of handling, such as receipt, issues, storage, and use. Perpetual inventory records shall be maintained for stores, special reactor materials, other special materials, isotope nuclear material and petroleum inventories. Such records should be controlled by reconciling the respective inventory control accounts in the general ledger with the detail not less than twice a year. This is required by the DOE Accounting Practices and Procedures Handbook, Chapter V, 1, d.

b. Direct Charge Items

Items purchased for a special purpose and not adaptable for general use, and items of relatively small monetary value such as Government forms, may be charged directly to the activity for which they are procured. If such special purpose items are not consumed in a reasonable period of time, which normally should not exceed 30 to 90 days (depending upon ordering frequency, economical purchasing, and other similar factors), these items should be subjected to the required physical and accounting controls and included in inventories.

Generally, purchases of items regularly stocked are to be treated as inventory transactions even though delivered directly to point of use.

C. Costing of Inventories

1. Acquisitions.

Generally, inventories shall be costed at the actual cost of acquisition which includes the net cost of procuring the items or materials (gross billing less trade discounts) and all direct and indirect costs, including depreciation, incurred in converting or fabricating the materials into usable forms or at the standard inventory cost, whichever is applicable. In the absence of actual cost or standard inventory cost, the most recent acquisition or production cost shall be used, if available. Where there is no information as to either actual, standard inventory cost, or a recent acquisition or production cost, an estimated cost based on engineering estimates shall be used.

2. Issues.

In general, issues are costed at the average cost reflected in the perpetual inventory records. One of the other commonly accepted methods of inventory costing (such as first-in, first-out, standard, etc.) may be used provided the method selected is consistently applied.

3. Returns to Stock.

New Items. Items in new or equivalent condition which are returned to stock are recorded at the unit cost appearing on the perpetual inventory records for like items at the time of return. In the event the items delivered to stock have not been stocked previously, an estimated cost based on current market quotations is to be used.

Secondhand Items. Costing procedures shall be developed by each contractor for items not in new or equivalent condition and which are not determined to be scrap or disposed of as excess. These procedures shall give full consideration to creating an incentive to release used items no longer needed and, at the same time, an incentive to utilize such items. Unless the volume of secondhand items generated is relatively insignificant or the benefit to be derived from returning such items to full stock controls does not warrant the additional expense involved, secondhand items shall be returned to stock and priced at appropriately reduced prices commensurate with their condition, identified appropriately and recorded on separate stock record cards from items in new or equivalent condition. If

secondhand stocks represent a significant portion of the inventory in a stores commodity group, a separate subgroup shall be established for such items for reporting purposes.

4. Scrap Materials.

Scrap materials are costed in inventory at the estimated sales price to be obtained upon disposal.

D. Physical Inventories

1. Frequency.

Physical inventories of all stores, in stock are taken at least once a year. Inventories may be taken on a cyclical basis, reconciled with the quantities shown in the perpetual inventory records and adjustments made supported by appropriate adjustment reports, and approved by a responsible official. The contractor shall investigate all significant discrepancies, determine their causes and take remedial action where possible.

2. Scope.

The scope of physical inventories may be reduced for those items of stores inventory which have an insignificant dollar relationship to the total dollar amount of stores inventory. In determining whether an item of inventory should be verified by a 100 percent physical count or on a test check basis, consideration should be given to significance of monetary value in relation to total inventory, low dollar unit cost, low degree of sensitivity, etc. The contracting officer shall be advised of the test check procedures which have been established by the contractor. Prior to approving other than a 100% inventory to verify balances, the Contracting Officer shall acquire from the Controller, DOE, an authorization in writing that a test check basis is adequate and appropriate.

E. Records

The subsidiary records which the contractor will maintain will meet the minimum requirements for a perpetual inventory record system. Stock control cards will be maintained on either a manual or mechanized basis or a combination of these two techniques as appropriate to the contractor's needs. Records will reflect in addition to receipts and issues, status and location and will be maintained by commodity groups.

1. Status.

Status classifications will reflect as a minimum, stores that are:

- In current use
- In standby
- Excess

2. Location.

A location is an area of a storage or warehouse operation that receives and issues stores and maintains stores record cards for the materials handled. For example, if materials are held in two or more warehouses but all warehouses are controlled by one set of stores records, then this constitutes one location.

3. Commodity Groups.

A commodity group is a general classification of closely related stores items. The commodity group classification represents the minimum breakdown necessary for effective control. Where the major portion of the inventory in any commodity group is made up of only a single item or a few items that have a significant effect on the commodity group, a separate subgroup for each such item or group of items within each commodity group may be established. The following commodity groups will be maintained.

Building and Road Materials and Supplies

Hardware and Small Tools

Chemicals and Compounds

Metals and Metal Alloys

Electrical Materials and Supplies

Electronic Supplies

Mechanical Materials and Supplies

Custodial Materials and Supplies

Medical Materials and Supplies

Office Materials and Supplies

Fuels and Lubricants

Clothing

Motor Vehicle Accessories and Repair Parts

Heavy Mobile Equipment Accessories and Repair Parts

Laboratory Supplies

Miscellaneous Materials and Supplies

Special Process Spares

Returnable Containers

Yttrium

Stores Work in Process

Scrap

F. Losses

The contractor's system will provide for procedures to accommodate losses to inventory caused by shrinkage, deterioration, damage and obsolescence. Documentation capability should be included which can be provided to the financial accounting activity when losses are detected. Inventory records are adjusted based on such documentation.

G. Special Features

The contractor's system should also provide for:

1. A stock replenishment method using the economic order quantity principle or some similar technique.
2. Managing shelf-life materials.
3. A method of maximizing the use of inventories.
4. A method for eliminating items from inventory which have a history of low or zero usage.
5. The return of GSA stock items.
6. The control of drug substances and potable alcohol.
7. The return of re-usable containers to vendors.
8. The identification marking of metals and metal products.
9. Any other feature not included but required because of the type activity incorporated in the contract.

IV. PLANT AND EQUIPMENT

A. General

Plant and Equipment, the second major subdivision of property, is classified into two major categories.

- Completed Plant and Equipment includes land, land rights, depletable resources, improvements to land, buildings and structures, utilities and equipment having an anticipated service life of 1 year or more, the individual units of which satisfy the monetary and other criteria for capitalization and therefore justify the maintenance of continuing plant and equipment records.

- Plant and Equipment Changes in Progress includes costs incurred relating to additions and retirements of plant and equipment prior to the closing of the cost of additions to the completed plant and equipment accounts when the facilities are placed in service and prior to the closing of the cost of retirements to the appropriate accumulated depreciation accounts. It also includes inventories of construction materials and supplies for specific projects, construction equipment and temporary construction facilities.

All DOE-owned plant and equipment shall be recorded in the accounts maintained by the contractor having custody, except that generally land and land rights shall be recorded in the general ledger accounts in the DOE offices. Completed plant and equipment control accounts shall be supported by subsidiary records which classify all plant and equipment items according to (1) use status, (2) function, and (3) type.

The Contracting Officer of course must be concerned with all of the items included in both categories which have been provided to or acquired by the contractor. All but equipment are generally fixed or immobile items. Equipment management encompasses the most detail and has a higher transaction frequency than the other items. Throughout our discussion therefore, we will concentrate primarily on equipment.

We define equipment for our purposes as:

"An article of personal property which is complete in itself, is of durable nature with an expected service life of one year or more and does not ordinarily lose its identity or become a component part of another article when put into use".

More specific definitions of individual items of plant and equipment are contained in Chapter I of the DOE Accounting Practices and Procedures Handbook.

B. The Contractor's System

The contractor's system for managing plant and equipment is a part of the total system for property management. It must be designed to achieve the same objectives that are delineated in Section III B above. This part of the system must provide for managing equipment which is considered

- In use
- Held for future projects, and
- Replacement spares

C. Equipment in Use

1. Acquisition

We described in Chapter 3 how equipment and other items are acquired. The major methods applied to plant and equipment and how they are costed

for accounting purposes are described below. These general rules are required to be followed by GOCO contractors unless specific exceptions to them are provided for in the contract.

a. Plant and Equipment Acquired by Purchase.

It is immaterial whether the purchase is accomplished by the contractor or by DOE.

- (1) The cost of equipment acquired by purchase includes net invoice cost less discount, plus transportation charges and installation costs.
- (2) The cost of equipment acquired under an installment contract includes the purchase price, other costs incident to the purchase, and the net cost to make the equipment ready for use. Such equipment is recorded at the time of receipt and acceptance by DOE or the contractor for DOE, rather than as payments are made or when title passes to DOE by agreement.
- (3) The cost of equipment acquired when the option-to-purchase under a lease arrangement is exercised includes the purchase price stipulated in the contract, net of any allowances, plus prior costs of transportation and installation if applicable. The total cost of such property is capitalized at the time the option to purchase is exercised.

b. Plant and Equipment Acquired by Construction

- (1) The cost of facilities constructed under contract includes all payments made to the construction contractor, the cost of items furnished by DOE and the payments made for architect-engineer contractor's services related to the construction work if not otherwise provided by DOE, the operating contractor, or the construction contractor.
- (2) When an operating contractor performs construction work, only the direct costs of construction and the incremental indirect costs resulting from the contractor's construction activities shall be included in the construction costs. Indirect costs that will continue regardless of construction activity shall not be included in construction costs.
- (3) The cost of facilities constructed by DOE activities includes all costs incurred related to the construction work, except that DOE general and administrative costs are excluded.

c. Plant and Equipment Acquired by Transfer

This includes items transferred to a contractor from any source within the government.

- (1) Plant and Equipment Transfers (other than excess for use) shall be made at acquisition cost less accumulated depreciation (net book

cost) or \$1, whichever is greater. Included are plant and equipment transfers made without physical relocation of the property (administrative transfers). The transfer shall show the original acquisition cost (estimated if not known) to the government, the date of original purchase, and any other pertinent data.

The transfer value will be capitalized by appropriate entries directly to completed Plant and Equipment and Accumulated Depreciation.

- (2) Transfers of Excess Plant and Equipment for Use shall be made at zero. The transferor shall record charges in Transfers of Excess Property to Other DOE Locations (Nonfund) and in Accumulated Depreciation, and the credit in Completed Plant and Equipment. The transferee shall record receipt of the item in the applicable plant and equipment and accumulated depreciation accounts at the original acquisition cost and the accumulated depreciation to date. However, the net book cost shall be reduced if costs of obtaining and placing the item in use, such as reconditioning, modification, freight and installation, and other reasons would result in a higher acquisition cost than if a suitable item for this purpose had been purchased on the market. In the event the net book cost is not available, estimates may be used.

Plant and Equipment Records.

a. Property Record Units

- (1) Purpose. Property record units establish divisions of the completed plant and equipment accounts in sufficient detail to identify the component parts of facilities. Property record units also facilitate the recording of changes to property accounts, the determination of book cost of plant and equipment retired, and the reconciliation of physical inventories with book records.
- (2) Definition. A property record unit is a component of plant and equipment selected to be identified continuously in the financial records. Generally, it is an operating or functional unit of property. In selecting a property record unit, consideration should be given to its use, relationship to other associated items, relative importance, sensitivity, frequency of anticipated replacement, and monetary value. Generally, \$500 or more (including freight, installation cost, etc.) is considered as sufficient monetary value to justify maintaining continuing records of the unit. A property record unit may be: a functional unit consisting of an assembly of associated items some of which are retirement units; a system or facility designed to serve two or more property record units such as roads, walks and paved areas, sections of which are retirement units; or a unit that is complete in itself such as an office safe.

b. Application of Criteria.

The preceding criteria should be applied consistently and in such a

fashion that a definitive classification of an individual item as a property record unit may be made based on the specific characteristics of size, capacity, rating, material of construction, and other pertinent specifications. The monetary guidelines of \$500 should be applied with judgement since an individual item meeting the other criteria may fluctuate in price from the amount of the guideline. In some situations, the nature and use of some items of property may make the use of the \$500 monetary guideline inappropriate. The following are illustrative examples:

- (1) "Homemade" office furniture, lockers, shelving, bins, files, and cabinets may be fabricated in DOE facilities to meet specific needs as to space, capacity, or convenience for a particular location or purpose. Such items have little, if any, salvage value and should not be treated as capital; their cost should be charged to current operating expense when the direct cost per unit is less than \$2,000. However, this criterion does not apply to specially designed mechanical units fabricated in-house.
- (2) Costs incurred for the fabrication or purchase of burial and/or storage boxes to be used in the transfer of contaminated equipment or material to burial or above-ground storage will be charged to current operating expense. Reusable burial or storage boxes are capitalized. If the removal of equipment for burial or above-ground storage is authorized by a project or capital-type repair order, the fabrication or purchase of burial boxes and/or storage boxes should be included in the total estimate for the job and treated as a part of removal costs.

c. Standard Property Record Unit Catalog.

- (1) Purpose. A standard property record unit catalog describes all the property record units which DOE owns. It provides a basis for a common understanding as to the manner in which plant and equipment costs are assembled and recorded in the field and contractor plant and equipment records. The description of each property record unit is intended to provide sufficient information for use in identifying the unit in the plant and equipment records and for physical inventory purposes. The required list of retirement units applicable to each property record unit provides the basis for distinguishing between capital (plant and equipment) and expense charges.
- (2) Requirements and Content. Each integrated contractor shall use the standard property record unit catalog which has the following principal features:
 - (a) The explanation of the property record units, what they consist of, and the standard descriptions required.
 - (b) The manner in which the units are to be recorded in the property records, whether as individual items or as a group of similar items.

- (c) A list of the retirement units applicable to each property record unit.

(3) Deviations from and Revisions or Additions to the Catalog.

Requests for deviations from and revisions or additions to the catalog shall be submitted to the DOE Controller by the Contracting Officer for approval. Such requests should contain: (a) a complete description of the item, (b) the use made of the item, (c) the unit cost, and (d) the retirement history of identical or comparable items. In addition to this information, requests for deviations from the catalog shall include (a) a description of the peculiar uses or other considerations justifying the requested deviations, (b) the dollar investment in and anticipated net salvage value of the items for which deviations are requested, and (c) any other justification considered pertinent to the proposed change.

d. Detailed Property Records

Plant and equipment records maintained by integrated contractors should include the following data as a minimum:

- (1) Account and supplementary code numbers.
- (2) Property record unit title and description, including inventory or property control number.
- (3) Location data sufficient to facilitate physical inventories and provide other necessary administrative controls.
- (4) Date of accounting entry.
- (5) Reference to accounting journal entry, project number, etc.
- (6) Date placed in service if substantially different from the date of the accounting entry.
- (7) Additions—quantity and dollar amount.
- (8) Retirements—quantity and dollar amount.
- (9) Balance—quantity and dollar amount.

- e. Property Belonging to Others. It is essential that each contractor having custody of any property which is (1) borrowed from others, or (2) in DOE's possession through purchase with funds provided by others to perform their work, establish detailed procedures to provide effective control over such property and to assure prompt return to its owner. Property control shall be in accordance with (1) terms and conditions of the loan agreement (see DOE-PMR 109-1.5105), or (2) the working arrangements for the use of funds of others. It is not intended that DOE record such property in its financial accounts, nor that depreciation be recorded thereon. These detailed procedures, at a minimum, shall provide that:

- (1) Memorandum control records be maintained which reflect quantities and original acquisition costs, estimated if necessary, of all property of others.
- (2) The records be supported by document files pertaining to the property and, where considered desirable by the Head of the Field Office, by detailed property record cards maintained on the same basis as the records for DOE-owned property. Care shall be taken to assure that the supporting records clearly show the owner of the item, adequate identification, original acquisition cost (if known), condition of the property when received, term of the loan, and any other pertinent details.
- (3) Physical inventories be taken of all movable property owned by others at least annually and reconciled to the memorandum records maintained. Physical inventories of permanently affixed plant may be taken at less frequent intervals at the discretion of the Head of the Field Office, but in any event not less frequently than the period prescribed for like items of owned plant.

f. Property Loaned to Others

DOE personal property may be loaned under certain conditions. Authority for such loans is derived from decisions of the Comptroller General and the Attorneys General of the United States, (44 Comp. Gen. 823; 34 Op Atty, Gen 320). Records which insure control of loaned personal property must be maintained as required by the following policy stated in DOE-PMR 109-1.504:

"Property which would otherwise be out of service for temporary periods (and not excess) may be loaned to other DOE offices and contractors, other federal agencies, and to others for official purposes. Such loans shall be covered by written agreements or memorandum receipts which shall include all terms of the loan (such as loan period, delivery time, method and payment of transportation, point of delivery and return, conditions of use, responsibilities of the borrower for condition of property on return, inspection requirements, etc.) that may be required to ensure proper control and protect DOE's interest. The loan period should not exceed one year, but may be renewed.

Requests for loan by foreign Governments and other foreign organizations shall be submitted to the Office of Assistant Secretary for International Affairs, for approval, with a copy to the cognizant Headquarters program office."

Loans of motor vehicles may be made to the U.S. Postal Service under the following conditions, cited from DOE-PMR 109-38.5410:

"Section 411 of the Postal Reorganization Act provides that executives agencies are authorized to furnish property and services to the Postal Service under such terms and conditions, including reimbursability, as the Postal Service and the agency concerned deem appropriate. Executive Order 11672 establishes a requirement for appropriate commercial charges for comparable property, as agreed to by the agency head and the Postmaster General, unless the Director of the Office of Management and Budget finds that a different basis of valuation is more equitable or better serves the public interest.

Pursuant to the authority in 39 USC 411, motor vehicles may be made available to the Postal Service for temporary use, particularly during the Christmas season. The rental rate to be charged shall be the same as is charged by the General Services Administration for similar motor vehicles available for the interagency motor pool serving the geographical area involved, with appropriate allowances for any fuel and oil furnished by the Postal Service."

3. Distinguishing Between Charges to Capital (Plant and Equipment) and Charges to Expense.

a. Retirement Units.

- (1) Retirement units are established for the purpose of avoiding undue refinement and for convenience in accounting for additions, retirements, and replacements of plant and equipment. A retirement unit establishes a physical dividing line by which costs of work related to plant and equipment are charged to a plant and equipment account or to an expense account. A retirement unit is the smallest component of plant and equipment that is invariably eliminated from the plant and equipment accounts when removed, transferred, sold, abandoned or demolished and is invariably capitalized when acquired.
- (2) The retirement unit is expected to have a service life of more than 1 year. The retirement unit should not be so small that frequent replacement creates an undue refinement and burden in accounting, nor so large that distortion of current operating costs is created by replacement of parts of the retirement unit. Additions, retirements, and replacements of minor items are charged to operating expenses.
- (3) The foregoing definition shall be applied in such a fashion that the items selected as retirement units may be described with definiteness, using specific characteristics of size, capacity, rating, etc., where applicable.

- (4) Costs are assigned to and identified with the property record units. The costs of the component retirement units may be obtained by estimate or from supplementary data when these costs are not identified in the plant records.
- b. Minor Items. Minor items are the component parts or items of a retirement unit, and their addition, removal, and replacement is normally charged as maintenance and repair. However, the replacement of a minor item that effects a betterment is an exception to this general rule.
 - c. Betterment.
 - (1) A betterment is effected when a retirement unit as a whole is made substantially more useful, durable, efficient, or productive by the replacement of a part of the retirement unit and when the cost is of sufficient importance to be accounted for as a plant and equipment change, i.e., materially adds to its value. To determine when and to what extent an expenditure should be treated as a betterment requires the exercise of judgement. However, it is the effect of the replacement on an individual retirement unit that is the proper basis for determining whether or not a betterment is effected, rather than cumulative cost, when a minor item in each of a number of similar units is replaced.
 - (2) In capitalizing the cost of betterments, care must be taken to make proper deductions from the plant and equipment records for all elements superseded by the betterments, including installation costs of the item replaced. Installation costs of the replacement parts of the retirement unit must be included in the amount capitalized.
 - d. Replacements. Replacements consist of removing existing items of plant and equipment and installing other items of plant and equipment in their place. If the item replaced is a retirement unit, its original cost (including installation cost) is removed from the plant and equipment records and the cost of the new installed item (including installation cost) is added to the plant and equipment records. If the item replaced is a minor item and the replacement creates a substantial betterment, the accounting for such an operation is the same as if a retirement unit were involved. If the item replaced is a minor item and the replacement does not create a betterment, the cost of the replacement is considered maintenance and repair and is charged to an operating expense classification.
 - e. Maintenance and Repair.

Maintenance and repair includes costs that neither materially add to the value of the plant and equipment nor appreciably prolong its life but merely keep it in an ordinary efficient operating condition. The cost of maintenance chargeable to the various operating expense accounts includes labor and associated supervision, materials, indirect and other expenses incurred in maintenance work. These costs are not chargeable to equipment accounts and have no effect on them.

f. Miscellaneous Minor Items and Initial Complement of Equipment.

- (1) The cost of miscellaneous small movable items of property of an insignificant value and smaller than a retirement unit but required to initially outfit either a new facility or an addition to an existing facility is generally distributed over the cost of the property record units to which they are related.
- (2) Where such distribution distorts the unit value of the related property record units appreciably, these small items may be grouped into a separate property record unit identified as an "initial complement of miscellaneous items."
- (3) The recorded cost of an initial complement is increased by the cost of items required to outfit an expansion to an existing facility. If some or all of an initial complement are no longer needed because of the retirement of a part of or all of the facilities they outfit, such items will be retired and the cost of the initial complement reduced. Retirements of insignificant parts of the original complement or additions thereto may be disregarded if the plant and equipment accounts in which they are included are not affected significantly.
- (4) All replacements of minor items of equipment are to be expensed.

4. Other Distinctions

Specialized treatment in accounting for equipment in use is required for:

- o Research and Development
- o Construction and Fabrication
- o Experimental Projects
- o Research Laboratories
- o Test Loops with extended service life
- o Reactor Plant Modifications
- o Cancellations
- o Plant and Equipment Changes in Programs

The variations in the recording of costs and record keeping are minimal from those described above. Contracting Officers and Property Administrators must assure that the contractor's system provides for the variations when the listed activities are a part of the contract. The variations are explained in Chapter VI of the DOE Accounting Practices and Procedures Handbook.

D. Physical Inventories

1. Requirements, Adjustments, Witnessing. A system of periodic physical inventories of completed plant and equipment items shall be included in the contractor property management system. The physical inventories may be taken on a cyclical or rotating basis. Procedures for the taking of physical inventories of completed plant and equipment are to be approved by the Contracting Officer. (Procedures that are limited to a check-off on a listing of recorded equipment do not meet the requirements of a periodic physical inventory.) Adjustments for discrepancies between the physical inventories and the recorded plant and equipment are to be supported by appropriate adjustment reports approved by a responsible official on the contractor's staff. The contractor shall investigate all significant discrepancies, determine the cause, and effect remedial measures where possible. The Contracting Officer will have independent representatives witnessing or participating in the actual taking of the physical inventory to the extent deemed necessary to assure that the detailed procedures for taking the inventory are being followed and the results are accurate.
2. Frequency. Physical inventories of permanently affixed plant (such as fencing, buildings, other structures, utilities and systems) are to be taken not less frequently than every 10 years. Physical inventories of movable equipment are to be taken not less frequently than every 2 years, except that more frequent inventories should be taken of specified items of equipment easily appropriated for personal use (see DOE PMR 109-1.5106-4).

E. Equipment Held for Future Projects

1. Classification Rules

Contractors' property management systems will provide for the management and control of "Equipment Held for Future Projects (EHFFP)." EHFFP is equipment that is being retained, based on approved economic justifications for retention, (1) for a known future use, i.e., equipment earmarked for use in future approved projects, (2) for a potential use in planned projects, or (3) for potential use in as yet unidentified projects. Ideally, such equipment should fall under (1) or (2) above. However, there may be instances where retention is justified even though the project in which it may be used cannot be identified as in the case where the equipment has been specially fabricated, may be required in the future to confirm experimental results, and has little recovery value other than as scrap.

The following are specifically excluded from EHFFP:

- Spare Equipment
- Excess completed plant and equipment
- Plant and Equipment Changes in Progress.

2. Objective

The objective of the "Equipment Held for Future Projects" program is to enable management to retain equipment not in use in current programs but which has a known or potential use in future DOE programs while providing visibility on the types and amounts of equipment so retained through review and reporting procedures. It is intended that equipment be retained which is economically justifiable for retention, that it be made available for use by others, and that equipment no longer needed be excessed.

3. Management

Storage, retention criteria, review procedures and utilization are discussed in Chapter 5, Utilization and Disposal. Inventory records of EHFFP will be maintained by the contractor in a separate category for EHFFP. These records will provide subsidiary data to the FIS system.

F. Spare Equipment

"Spare equipment" is equipment held as replacement spares for equipment in current use in DOE programs.

Equipment retained as replacement spares for plant and equipment in current use shall be classified as Plant and Equipment in Service.

The following categories of equipment will not be considered spare equipment:

Equipment installed for emergency backup, e.g., an emergency power facility, or an electric motor or a pump, any of which is in place and electrically connected.

Equipment-like items properly classified as stores inventory.

The contractor property management system will contain:

Procedures to provide that equipment retained as replacement spares for plant and equipment in current use is identified as spare equipment, that its purpose for retention is known, and that its need for retention is periodically reviewed.

Reviews are made based on technical evaluations of the continued need for the equipment, as related to the equipment it backs up. Frequency of reviews should normally be biennial. In addition, individual item levels shall be reviewed when spare equipment is installed for use, the basic equipment is removed from service, or the process supported is changed.

Contractors' systems shall insure that procedures are established to provide that unneeded equipment is identified, promptly offered for use elsewhere within DOE as excess, or disposed of.

G. Property Record Formats

Specific formats for subsidiary property records, both for Inventories and for Plant and Equipment are not prescribed. However, the detailed subsidiary

records which are described in both sections must include provisions for the data elements listed in the description.

These records are intended for daily continuous use by contractor personnel who have responsibility for managing and maintaining accountability of property. Formats which they use should be those which are most appropriate to the contractor's needs for fulfilling the terms of the contract.

The output of these subsidiary records must further be capable of providing the required input data to General Ledger Accounts maintained by the Contractor which are integrated with the DOE Financial Information System.

V. REVIEW AND MONITORSHIP OF THE CONTRACTOR'S PROPERTY ACCOUNTABILITY SYSTEM

The contractor's system should be reviewed in several steps. The first is to read and examine the system and procedures which the contractor has established for his personnel to follow. This will explain what the contractor's employees are expected to do. The written material should be compared with the contract clause for property first and then with the DOE-PMR, DOEPR and the DOE Accounting Practices and Procedures Handbook. If there are deficiencies in the contractor's system they must be brought to the contractor's attention. These deficiencies must be corrected by additions or changes to the procedures in the contractor's system in order to meet the requirements of the contract.

The second step is not so straightforward and requires the exertion of considerable effort. It is continuous during contract performance. It requires that the Contracting Officer or the Property Administrator monitor the contractor's performance in accordance with the procedures and methods which the system has established. This means you must physically examine on the spot how the contractor is managing inventories and you must review and examine all reports he is required to make relating to inventory management. Discrepancies must be communicated to the contractor. Follow up site visits and written communications as appropriate are necessary to satisfy yourself that the contractor is in compliance with the terms of the contract.

The initial review should be conducted as soon as possible after the contract is awarded. This initial review is required to be conducted within one year after approval of the contract and at least every three years after award an indepth appraisal is required. These specific requirements are contained in DOE Acquisition Policy Letter 80-7, February 22, 1980.

Chapter 5

UTILIZATION AND DISPOSAL, OPERATING CONTRACTORS

I. UTILIZATION CONCEPTS AND THEIR APPLICATION

A. The Basic Precept

Thus far we have examined how the contractor must determine and acquire needs and described how he should account for items. The contractor's system must also provide for some method of measuring the use of these items. This is a basic precept of any property management system.

B. Stores Inventories

Utilization of stores inventories as we have defined them, that is: items which are used or consumed in a manufacturing or other process, can be measured in terms of consumption or rates of turnover.

A reasonably good stock control system which applies the economic order quantity method or some similar control technique generally provides adequate utilization data. Such techniques generate data that reflects what minimum quantities must be stocked to satisfy the demands of consumers. They also generate data which reflects non-use or use so minimal that the cost to stock such items is excessive. This data should be compared with established retention criteria and where appropriate items on hand should be disposed of and the items should no longer be stocked. The contractor's system must provide for the application of appropriate use measurement techniques to all stores inventories which will identify candidates for disposal.

C. Plant and Equipment

The measurement of the utilization of items of plant and equipment presents a challenge which is generally more difficult to define. At least, different methods are required. Use standards which are described in Chapter 2 are available for some items. These can be applied when measuring utilization as well as when determining requirements. In the measurement of utilization we are examining actual practice rather than predicting a work situation which we anticipate to occur as is done during requirements determination.

The application of these standards on a routine periodic basis through some type of reporting system will identify candidates to be examined for disposal. Such a system should also routinely justify retention in use of all other items.

For those items of plant and equipment which do not adapt themselves to the application of use standards a subjective examination of use or non use must be applied. In these cases management judgements must be applied which will determine whether to retain or dispose of items of equipment. Regardless of the outcome, the key concept is to insure that the contractor has a system which periodically examines every item and makes a judgement concerning its use. The result of the judgement is a decision to either retain or dispose of the item.

Utilization of motor vehicles is significantly important enough to warrant special attention. In Chapter 3 acquisition of such equipment was highlighted. Subpart 109-38.50 of the DOE Property Management Regulations is devoted in its entirety to utilization of motor vehicles. It discusses practices to be employed, objectives for use of vehicles by specific type and how to apply usage goals. These are use standards which are required to be applied. Specific reporting requirements exist beyond reports required for other equipment. These are described in DOE-PMR 109-38.49. The Contracting Officer is required to apply the guidelines delineated, to the GOCO contractor.

D. Application

Measurement of utilization must be applied to:

- o Stores Inventory by the application of a stock control system such as that described above.
- o Plant and Equipment
 - In use
 - In standby
 - Loaned
 - Held for Future Projects
 - Spare Equipment

By the application of the techniques described in Section IV of Chapter 2.

II. THE DISPOSAL PROCESS

A. What Is It?

The disposal process might be described as the obverse side of a coin, whose primary face is acquisition. In executing this function we "get rid of" those things which were initially required for a project and are no longer needed. The action may be intentional or it may be one that has occurred without design. The contractor's system must provide for a disposal process which covers all situations and presents an adequate accounting to the Contracting Officer.

The FPMR which derives its authority from the Federal Property and Administrative Services Act of 1949, contains policies and procedures governing property disposal within the Federal Government. The Department has implemented and supplemented these regulations. Those for personal property are contained in subchapter H of the DOE-PMR. Those for real property are contained Chapter IV of DOE Order 4300.1, DOE Real Estate Manual. The general concepts for the disposal of real and personal property are similar, however, the procedures and methodology for each differ. Our discussion is restricted to personal property.

The FPMR requires that each executive agency to the maximum extent feasible, reassign personal property within its own activities, including its cost-reimbursement type contractors. This attempt at internal redistribution

should take place when personal property is determined to be no longer required for the purpose of the appropriation from which it was purchased, or the use to which it has been applied. When this situation occurs, agencies are required to immediately discontinue procurement of items for which such property can be substituted or adapted. This effort to effect internal redistribution of personal property is the initial step in the disposal process. When an item of personal property is transferred internally within DOE the action is a disposal to the account of the transferor and an acquisition to the receiver.

Frequently disposal cannot be accomplished by internal redistribution. A need for the property does not exist within other activities of the Department. At this point, the second step in the disposal process, called excess occurs. GSA acts as the clearing house for the entire Federal Government in this step. Departmental activities, including cost-reimbursement type contractors advise GSA that personal property is excess to needs of the Department on a Standard Form 120. GSA circularizes the information on the availability of such property to all Federal agencies as candidates for transfer. In the event an agency has a need for the property it is transferred to that agency by the Departmental activity based on instructions received from GSA. Normally transfers are made on a non-reimbursable basis, however direct costs incurred incident to the transfer are borne by the receiver if billed by the transferring agency. Conditions under which reimbursement for the excess property may occur are stated in the FPMR at 101-43.315-3.

Circumstances occur in which excess personal property is not redistributed from one federal agency to another since a need for the property cannot be identified. When the need has not been identified within 60 days after GSA has received notification that the property is declared excess, the property becomes surplus to the Government. This is the third and final step in the disposal of personal property. Surplus personal property is disposed of by sale, donation to certain qualified bodies, or by abandonment or destruction. These three steps are further explained in the discussion below on phases of disposal.

B. Phases

1. Definitions

A candidate item may move through three phases before disposal is accomplished or disposal may accrue to the accountable property activity at any one of the phases. They are DOE Screening, excess, and surplus. These phases are defined as:

DOE Screening:	Personal property which is no longer needed by the contractor activity to which it is assigned and is available for transfer to other DOE activities for further utilization.
Excess:	Unrequired personal property under the control of any Federal Agency which is not required for its needs and the discharge of its responsibilities as determined by the head of the agency. This

definition contained in the FPMR 101-43 has been supplemented for DOE Contractors as follows:

Personal Property under the control of a DOE contractor and not required for the holder's needs or in the discharge of its responsibilities and which has been documented as excess by a responsible DOE or contractor official having responsibility for its custody and accountability; or

Personal Property under the control of any Federal agency, including DOE, and not required for its needs or the discharge of its responsibilities. Property is not considered to be excess to DOE until it has been determined that no requirement for the property exists within the Department.

Surplus: Any excess personal property not required for the needs and the discharge of the responsibilities of all Federal Agencies, as determined by the Administrator of General Services.

2. Purpose of Phasing

The phasing has been established to insure to the degree possible and practicable that full utilization occurs within the Federal Government of all personal property which its agencies have acquired. This full utilization philosophy must extend itself to DOE on a department-wide basis. When applied, it insures to the degree feasible that requirements do not result in new purchases from commercial sources when those requirements can be fulfilled from available resources within the Federal government. It is an extension of the Utilization Concept described above.

3. The Phasing Process

When reportable personal property becomes excess to a specific contractor's needs, the information is circulated within the Department for a period of thirty days. If a requirement is generated as a result, the contractor is directed to transfer the property. In the event no requirement is generated the property is declared excess by the Department to GSA.

GSA will now screen all other Federal Agencies to determine if any of them have a need for the property. In the event a requirement is generated as a result, the holding activity, in our case, the contractor, will be provided disposition instructions by GSA. In the event no requirement is generated, GSA will declare the property surplus and provide appropriate disposition instructions. GSA is required to accomplish this action normally within 60 days unless unusual circumstances warrant a longer time period. In the event the longer time period is necessary GSA is required to notify the Department.

Surplus property is disposed of to non-Federal activities to include sale to commercial concerns and individuals.

In the event of a contract termination the contractor is permitted to purchase unused property at cost or return the property to the vendor from whom it was acquired. Proceeds of such transactions are applied toward amounts due the contractor.

4. Reportable and non-Reportable Personal Property

Only reportable property listed in FPMR 101-43.4801 will be reported to GSA or circularized within DOE. Non-reportable property will be disposed of by the contractor in accordance with FPMR 101-43.306, and 101-43.318 which provides for treating surplus nonreportable property on a localized basis by the accountable activity rather than through GSA procedures; however, GSA approval for the transfer is required.

C. Methods

Various methods are used to dispose of personal property within the three phases. They are:

1. Those Which Are Intentional

- a. Redistribution within the contractor's activities
- b. Redistribution within DOE
- c. Redistribution within the Federal Government

These three methods have been described above during the discussion of Phases. Others are:

- d. Donation in accordance with the provisions of FPMR 101-44 and DOE-PMR 109-44.
- e. Sale in accordance with the provisions of FPMR 101-45 and DOE-PMR 109-45.
- f. Abandonment or Destruction in accordance with the provisions of FPMR 101-45 and DOE-PMR 109-45.

2. Those Which Are Non-Intentional

- a. Inventory Shortages
- b. Lost, Stolen, Damaged, or Destroyed Property.

3. Process- Intentional Disposal

a. Donations

Donable property means surplus property under control of the Department unless the Administrator of General services has specified such property as non-donable, or unless it is nonappropriated fund property. Determinations to donate surplus property are made by GSA.

In certain instances donations may be made by the Department to public bodies. A public body is defined as any State, territory or possession of the United States; any political subdivision thereof; the District of Columbia; the Commonwealth of Puerto Rico; any agency or instrumentality of any of the foregoing; any Indian tribe; or any agency of the Federal Government.

The conditions which must exist in order for the Department of make donations of donable property to a public body are:

- (1) The property must have no commercial value, or
- (2) The estimated cost of its continued care and handling would exceed the estimated proceeds from its sale.
- (3) Findings stated in (1) and (2) above must be made in writing by a duly authorized official of the Department. Such an official must not be any individual directly accountable for the property and shall be appointed by Heads of Field Offices.
- (4) In the event an individual line item of property to be donated to a public body by the Department at any one location at any one time had an original cost (estimated if not known) of more than \$1000, findings shall be approved by a reviewing authority designated by the Head of the Field Office before any disposal is made.

Under no circumstances will the decisions relating to the actual donation of Government personal property be delegated to contractors. Such decisions are reserved to the Government.

b. Sale

Sales of surplus non-reportable personal property may be made by contractors under the provision's of DOEPMR 109-45.3, if authorized by the Heads of Field Offices.

c. Abandonment or Destruction

Contractors may be directed to dispose of surplus property by abandonment or destruction. However before such directions are issued the following will be met:

- o The finding required by FPMR 101-45.501-1(a) that property has no commercial value or the estimated cost of its continued care and handling would exceed the estimated proceeds from its sale shall be in writing and shall be made by an official designated by the Head of the Field Office concerned.
- o The Head of the Field Office concerned or his designee will be the reviewing authority for approval to abandon or destroy property with an acquisition cost of more than \$1,000.

4. Process - Non-intentional Disposal

a. Inventory Shortages

It is not a planned action to have inventory shortages, either of inventories or of plant and equipment items. Such shortages do occur however and are generally detected during physical inventories.

A disposal action has occurred. However, when it is discovered its cause and method are unknown. These disposals are handled through Inventory Adjustment Reports. The following rules apply.

- o Discrepancies between physical inventories and stock records shall be adjusted and the supporting adjustment records shall be reviewed and approved by a responsible official at least one supervisory echelon above the supervisor in charge of the warehouse or storage facility. Items on an adjustment report which are not within reasonable tolerances for particular items shall be thoroughly investigated before approval.
- o Such inventory adjustment reports, when properly approved, support credits to the stock record cards and financial inventory accounts. Adjustment reports shall be retained on file for inspection and review.

Contracting Officers will insure that the Contractor's system provides for such a procedure.

b. Lost, Stolen, Damaged or Destroyed Property

These occurrences are not planned either. However, they also happen and provision must be made for dealing with them. Accountability wise a Retirement Order is used to support dropping the item from the records. In such cases a determination of the facts and circumstances surrounding the event is required prior to approval of the Retirement Order. All contracts should include a general statement on the handling of such occurrences in the Special Provision for Property.

III. REVIEW AND MONITORSHIP

The Property Administrator, or the Contracting Officer when required to act as such is responsible for reviewing and monitoring the property disposal function of the contractor. As with all other elements of the contractor property management system two steps are required. First the written procedures must be compared with requirements to insure that they are complete, and second to determine to what degree the contractor's personnel comply, once the system has been approved by the Contracting Officer.

IV. SUMMARY OF RESPONSIBILITY

The responsibility you are assigned by virtue of your position which applies throughout the entirety of this text can be summarized as follows:

- A. You must know what the contract says.
- B. You must be fluent in the Special Provision for Property and the related and interfacing clauses.
- C. Prior to approving the Contractor's Property Management system you must be positive that it meets the criteria established by the contract which was discussed in Chapter 2. This criteria will normally incorporate the requirements stated in the DOE-PMR for integrated contractors. By reference then the appropriate elements of the DOEPR and the DOE Accounting Practices and Procedures Handbook are incorporated.
- D. This knowledge which is paramount is not by itself adequate. Once you have the knowledge you must be able to determine the extent of compliance by the contractor. You can accomplish this through report reviews, inspections, visits, and discussions with appropriate contractor personnel.
- E. Finally you must exert a maximum effort to have the contractor correct the deficiencies you discover. This final action will measure for you how well the contract is being performed with respect to property. Property is generally the largest investment that the Department has at stake with an integrated contractor. It usually exceeds the payment cost for his personnel.
- F. Non-Responsive Contractor

Experience has demonstrated that if you adhere to the principles stated above, most contractors will be responsive to contractual requirements. Unfortunately this is not true all of the time for all contractors. During your career as a Contracting Officer you will probably have occasion to deal with a non-responsive contractor. If this happens, you will be expected to take certain actions as a Contracting Officer. These actions derive their authority from the contract and are vested in you as the Contracting Officer.

Every cost-reimbursement type contract (other types also) must contain a clause titled "Termination for Default or Convenience of the Government." (DOEPR 9-7.2 and 9-7.4 and FPR 1-7.2 and 1-7.4).

The following paragraph is common to this clause for all cost reimbursement type contracts except those with educational and non-profit institutions.

TERMINATION FOR DEFAULT OR FOR CONVENIENCE OF THE GOVERNMENT

- a. The performance of work under the contract may be terminated by the Government in accordance with this clause in whole, or from time to time in part:

- (1) Whenever the Contractor shall default in performance of this contract in accordance with its terms (including in the term "default" any such failure by the Contractor to make progress in the prosecution of the work hereunder as endangers such performance), and shall fail to cure such default within a period of ten days (or such longer period as the Contracting Officer may allow) after receipt from the Contracting Officer of a notice specifying the default; or
- (2) Whenever for any reason the Contracting Officer shall determine that such termination is in the best interest of the Government.

This clause provides you with authority to terminate the contract for default because a contractor is not responsive to a specific clause, Government Property, in the contract.

The clause for cost reimbursement contracts with educational and non-profit institutions is not so severe. This clause does state however:

"The performance of work under this contract may be terminated, in whole or from time to time in part by the Government whenever for any reason the Contracting Officer shall determine that such termination is in the best interest of the Government."

The authority delineated above must certainly be exercised judiciously. Its capricious use is irresponsible.

It is in the best interest of the Government and the Contracting Officer for contractors to perform in accordance with the terms of the contract. You must do your utmost to insure that the contractor does so. You also must understand the authority which has been invested in you as a Contracting Officer. Intelligent exercise of such authority can often become a "gentle persuader for reluctant contractors."

PART THREE

INTRODUCTION

I. GENERAL

The following paragraph is repetitive of what you have previously read. It is intended to be so in order to emphasize its importance.

An Off-Site contractor was described in Chapter 1 as one which is not an operating contractor, does not have its financial accounts integrated with DOE financial accounts, and normally will not operate a Government owned facility. It is specifically not a GOCO type contractor. We stated also in Chapter 1, that a typical Off-Site contractor is one which may have one or more contracts with DOE, some other Government contracts, and some commercial contracts, all of which can be active simultaneously. Such a contractor will normally also own all or part of the plant and equipment utilized to produce goods and services or to perform research and development.

These differences between Off-Site and GOCO contractors dictate that the management of property for each be handled somewhat differently. This Part Three will discuss property management for Off-Site contractors in the sequence of the four phases which have been used in Part Two. Those important differences in property management between the two types of contractors will be highlighted.

Although there are differences between the two types of contracts, they also have many similarities in property administration. Because of these similarities, Part Three frequently refers to discussions presented in Part Two of the text on a specific subject matter. These references will state that the same policy, procedure, or method should be applied to Off-Site contractors as to GOCO's. They will refer the reader to a specific chapter and section of Part Two rather than repeating what has previously been presented. This is done to avoid redundancy. When such references appear it is suggested that they be examined at that time to refresh the reader's memory and enhance the understanding of the material.

DOE-PMR Part 109-60 addresses specifically the management of Government Property in the possession of Off-Site contractors. It should be used in conjunction with this part of the text.

Before we examine Off-Site contracts in detail a short discussion of Special Research Contracts is appropriate.

II. SPECIAL RESEARCH CONTRACTS

A. Authority and Use.

The Departemnt has awarded and will continue to award a discrete type of Off-Site contract which is designated as Special Research Contracts with Educational Institutions. These contracts are:

"Headquarters-designated special research contracts (SRC's) for basic research with educational or other not-for-profit institutions." (DOEPR 9-4.5100)

Special limitations of such contracts are:

- Annual DOE support for a contract cannot exceed \$1,000,000.
- The proposed contract must not be able to meet the requirements for a grant or cooperative agreement under the provisions of PL 95-224.

Under sections 31 and 31a of the Atomic Energy Act of 1954, as amended, DOE is directed to exercise its power in such a manner as to insure the continued conduct of research and training activities and to assist in the acquisition of an ever-expanding fund of theoretical and practical knowledge in specified fields which are energy related. A major tool that the Department utilizes to carry out this responsibility is the SRC.

B. Vesting Title to Property

Frequently it is in the best interest of the Department for SRC contractors to purchase or fabricate equipment with contract funds or to be provided with Government property. Such an action is intended to contribute to the furtherance of DOE objectives. There is a major difference however in the accountability for such property for SRC contracts from the accountability for other Off-Site contracts. Title to such property may be vested in the SRC contractor. Title is not normally vested in other Off-Site contractors.

- Title to all items of personal property acquired by the contractor which have a unit cost of less than \$1000 and purchased or fabricated with contract funds available for the conduct of basic and applied research shall vest in the contractor upon acquisition or as soon thereafter as feasible.
- Title for items having an acquisition unit cost of \$1000 or more shall be vested in the contractor unless: it is determined not to be in the furtherance of the objectives of DOE and is provided for in the contract.

The rules which are to be applied to accomplish vesting of title are set forth in DOEPR 9-4.5108-1.

C. Excess Property

Excess Government personal property may also be provided to SRC contractors. This property may be provided with or without transfer of title. The same rules as stated in B above will be applied for determination of vesting title. The methodology which shall be used for SRC contractors to acquire excess personal property are contained in DOEPR 9-4.5108-2. Reports will be submitted annually by Contracting Officers of excess Government personal property acquired by SRC contractors for which they are responsible, in accordance with FPMR 101-43.4710(c) and DOE Order 2200, Accounting Practices and Procedures Handbook, Chapter XI 1.f(15).

D. The Contract

Contractual instruments for SRC's vary in format from other types of contracts. A standardized format is not currently imposed by regulation nor is the specificity of clauses. A suggested model outline for an SRC is set forth in DOEPR 9-16.5002-1.

A suggested Property Article content in the main body of the contract is included as well as an Appendix Article for Property. The latter approximates the Property Clause for other types of contracts.

E. Retention of Title

When title to property is to be retained by the Government for an SRC the property management responsibilities of the Contracting Officer are the same as for other Off-Site contracts.

Chapter 6

DETERMINATION OF REQUIREMENTS, OFF-SITE CONTRACTORS

I. DECISION TO PROVIDE PROPERTY

A. Policy

It is normally in the best interests of the government that all personal property required for the performance of Off-Site contracts be furnished by the contractor. Occasions will however, arise when it becomes necessary or desirable for the Government to provide personal property to a contractor for use in performance of a Government contract. When such personal property is to be provided, or when the contractor will be authorized to acquire property at the Government's expense, the procedures which have been established in DOE-PMR 109-60 must be implemented to ensure that contracts are adequate to protect, account for, and maintain such property.

Most or all of the required personal property will be purchased by the contractor with contract funds assigned for that purpose. This situation occurs because screening currently available Government owned property seldom identifies items which can be applied to the contract. If items are identified as available they should be provided, and then supplemented by purchase by the contractor as necessary. All of the property, whether provided by the Government or purchased by the contractor has title vested in the Government. Appropriate controls over the acquisition, use and disposal of the property by the contractor must be established and implemented as prescribed in DOE-PMR 109-60. The property clause in the contract must incorporate this provision.

Examples of the conditions under which Government property may be furnished to a contractor are:

- o No practicable or economical alternative exists; e.g., procurement from other sources, utilization of subcontractors, rental of property, or modification of program/project requirements, etc.;
- o The Government receives adequate consideration for providing the property; or
- o Furnishing Government property is likely to result in substantially lower cost to the Government for the items produced or services rendered when all costs involved (e.g., transportation, installation, modification, maintenance, etc.) are compared with the cost to the Government of the contractor's use of privately-owned property.
- o Other reasons exist. Among them are Acts of Congress which authorize and finance specific programs. These may require that property will be provided by the Government.

GOCO type contracts meet these conditions automatically. However this is not true for Off-Site type contracts.

Determination of whether property is to be provided under a contract should be made during the development of the solicitation. Any authorizations which are required in order to provide property should also be established at that time. A statement to the effect that property will or will not be provided by the Government should be included in the solicitation. In the event property is to be provided, an adequate description of the property is necessary so that the review of proposals received can consider each offerer's response on an equal basis.

Consideration must also be given to the increased workload requirement in contract administration when property is provided to contractors. An examination in general terms of the existing situation with which Contracting Officers must deal is worthwhile.

B. Magnitude of the Task

Currently, as of the close of Fiscal Year 1981, Off-Site contractors have on hand more than \$466 million worth of Government property. It is distributed among more than 1,000 contractors.

The property provided to or acquired by these contractors consists of machinery, laboratory equipment, motor vehicles, tools, instruments, test equipment, office machines and furniture, and other types of equipment, as well as supplies and materials which may be required to accomplish DOE programs. Title to this property is vested in the Government. These items must be accounted for by contract, and by contractor, and related to programs in terms of cost and residual value upon completion of a contract. They constitute assets of the Government over and above the results which are to be achieved from the work performed or product produced during the tenure of the contract.

The dollar investment can be considered minimal when compared to that of all the GOCO plants, approximately \$12 billion. However the management task for the property in possession of these Off-Site contractors becomes more complex when spread over a multitude of contracts and contractors which exceeds by far the number of integrated contracts which the Department administers. Essentially all the same tasks must be accomplished with one Off-Site contractor who has one-half million dollars worth of property that must be performed with a GOCO contractor which might have several billion dollars worth of property. We are considering the management of almost a half billion dollars worth of personal property with Off-Site contractors. That is a considerable amount of money even in today's inflationary environment.

C. Management Assistance

It is the policy of the Department to delegate contract administration functions where appropriate to other Government agencies. Agreements currently exist between the Department and three of the Department of Defense agencies for this purpose. There are differences among the agreements, however the basic objective of each is for these agencies to perform contract administration functions when delegated on an individual contract basis. The delegation includes property administration activities.

The three agencies are:

Defense Logistic Agency (DLA)
Office of Naval Research (ONR)
United States Air Force (USAF)

A formal written interagency agreement has been made with DLA and USAF. An unwritten understanding exists with ONR.

Normally Contracting Officer signatory authority will be reserved for the DOE Contracting Officer in delegations to DLA and ONR, it is not reserved in delegations to USAF.

Technical direction is also withheld in all delegations.

Assistance by these agencies reduces the contract administration workload to the Department significantly but retains the management control deemed necessary. This activity will be discussed in more detail later in the text in the Accountability chapter for Off-Site contractors. Consideration of the feasibility of delegating contract administration should be considered for each contract awarded to an Off-Site contractor.

II. THE CONTRACT

The contract is always the governing legal instrument just as with GOCO type contractors. Contracts for Off-Site contractors contain a property clause which requires the contractor to maintain and administer a property management system that must be approved by the Contracting Officer. The clauses required are contained in: DOEPR 9-7.203-21 for Cost Reimbursable type Supply contracts; DOEPR 9-7.303-7 for Fixed Price, Research and Development type contracts; and, DOEPR 9-7.402-25 for Cost Reimbursable type Research and Development Contracts.

The Procurement/Financial Assistance Request-Authorization, DOE Form PR-799A which is initiated by a program official includes a requirement for notation concerning Government property, line item 18. the initiator is required to annotate whether Government property is F-Furnished, P-Purchased, or N-Not Involved. If an F or P code is noted, details are required to be attached to the request. In all cases where an F or P code is indicated it is mandatory that the appropriate property clause for the type contract to be awarded, indicated in the preceding paragraph, be included in the contract.

Situations will occur in which an N is noted on the request form. Later in the process or subsequent to award it is determined that the contractor should purchase or be furnished Government property. When the situation occurs prior to award, the request form must be amended to incorporate this changed information and the contract prepared accordingly with the correct property clause. When the situation occurs subsequent to award an amendment to the contract in accordance with the change clause (mandatory in all contracts) is required. The amendment must be signed by the Contracting Officer, and must include the appropriate Property Clause.

Acquisition of property by the contractor under conditions other than within the authorities stated above is not considered a valid reimbursable cost to the contractor.

The contractor can only be reimbursed for such expenditures when a constructive (after the fact) change to the contract is consummated.

When these changes to reflect the new condition that the contractor is to be furnished or is to purchase property are not documented at the time of occurrence, the change will almost invariably insure unnecessary problems for the Contracting Officer. The DOE data system for contract management, Integrated Procurement Management Information System (IPMIS), will reflect that a contractor does not have Government property when in fact the contractor does. Since the output of the system is a tool to assist Contracting Officers in managing their assigned contracts the Contracting Officers are examining erroneous information. The output will only be correct when the documentation described above occurs.

III. ESTABLISHING NEEDS

A. Initial

The initial property requirements which are to be provided to the contractor should be listed in the contract. This "bill of materials" is established in a similar manner to that described for GOCO type contractors.

During the development of the solicitation the determination of the anticipated property needs which either the Government will provide or require the contractor to acquire will be established. The negotiation stage of the contract will refine and either expand or contract the list. The techniques of validating needs which were discussed in Chapter 2 should be applied continuously. Actions necessary by both the Government and the contractor should be established and recorded so that they may be incorporated in the contract to the degree necessary. These statements also provide source material to the contractor to develop a property management system if he does not have one or, to adjust the system he has to provide for the Government's requirements.

B. Recurring

Many contracts will require replenishment of supplies and materials and replacement of property or components during performance. Also during performance, some contracts will require property which has not been specifically delineated in the contract. The first statement in the property clause of the contract provides for this by stating:

"The Government reserves the right to furnish any property or services required for the performance of the work under this contract."

A time frame is not established other than the total time of performance.

The contractor's property management system must define how recurring requirements are to be determined. It should establish levels of approving authorities which are required before acquisition is initiated. The Contracting Officer may establish dollar thresholds which the contractor cannot exceed in acquiring property without the Contracting Officer's approval. If so even though a valid requirement does exist as far as the contractor is concerned, without approval in writing by the Contracting Officer for such items, they are not authorized to be purchased.

C. The Contractor's System

Section IV of Chapter 2, page 35 contains guides which can be used in examining a GOCO type contractor's system for requirements determination. Those guides are applicable to Off-Site contractor systems as well without exception. You should scan this section to refresh your memory at this point before we discuss acquisition. One additional caution, not contained in Section IV, Chapter 2 is in order. Off-Site contractors frequently will be performing on contracts other than the one you are concerned with as a DOE Contracting Officer or Property Administrator. These may be contracts with commercial firms, other Government agencies, or even other DOE activities. The contractor's system must provide for separation of DOE property provided in the contract you are administering from all other property in all phases of property management during the execution of your contract. You cannot permit the approval of a requirement for activities other than the contract you are administering. This caveat may appear self evident. It requires adequate attention to insure that the planned condition occurs.

There is an exception to this general rule. DOE-PMR 109-60.103 permits commingling of Government and Contractor owned property only when the segregation of the property would materially hinder the progress of the work of the contract and where control procedures are adequate. Commingling must be approved in advance by the Property Administrator. In cases of research and development contracts with educational institutions, commingling is authorized without the requirement for advance approval unless physical segregation is otherwise required by the Contracting Officer.

Chapter 7

ACQUISITION, OFF-SITE CONTRACTORS

I. POLICY

The policy for acquisition of personal property by Off-Site contractors is generally the same as for GOCO contractors. Cost-type contractors should meet their requirements from GSA sources of supply if these sources are made available to them, and if it is economically advantageous or otherwise in the best interest of the Government. The method of making GSA sources available to cost-type contractors has been delineated in Section II B of Chapter 3, page 43. The method applies to Off-Site as well as other contractors.

Off-Site cost type contractors should also be required to utilize Departmental and other Government sources in the same manner as GOCO contractors. The Contracting Officer must provide screening lists to the contractor in order for him to use Departmental sources. Acquisition of Special Items should be accomplished by cost type Off-Site contractors by the same methods as for GOCO contractors. These methods are stated in Section II.D. of Chapter 3, page 46.

II. COMMERCIAL PROCUREMENT

A. General

Commercial procurement of property used by Off-Site contractors, cost or fixed price will vary from GOCO contractors somewhat. The same general rules however will apply. The special provisions of the contract will govern; the contractor's subcontracting system which includes purchase orders must either be approved by the Contracting Officer or the contractor must notify the Contracting Officer reasonably in advance of entering into any subcontract (the notification shall include identification of the type subcontract to be used and a copy of the proposed subcontract if it either exceeds \$100,000 or is otherwise required by the Contracting Officer); and, the execution of procurements related to the contract must be monitored by the Contracting Officer. (FPR 1-7.103-28 and DOEPR 9-7.103-28)

B. Financial Information

The financial systems of Off-Site contractors are not integrated with the DOE financial system. Routine financial transactions are not summarized and input to the DOE Financial Information System as is the case with GOCO contractors. This must be accomplished and it is the Contracting Officer's responsibility to ensure that this occurs. Reports required of the contractor provide the data. The Contracting Officer first assures that reports are submitted and then incorporates the data into the FIS.

Off-Site contractors are reimbursed by advance payments, progress payments based on costs or a percentage of costs incurred, by partial payments, or for small dollar value contracts upon contract completion. Payments are made based on billings received, which require approval of the Contracting Officer. Included are costs incurred for the acquisition of Government

property by the contractor, even though title is held by the Government. This property, an asset of the Government is not automatically recorded in the DOE Financial Information System by the contractor as is the case with GOCO type contractors.

Off-site contractors are required to submit semi-annual reports which reflect the dollar amount and the number of line items of plant and capital equipment acquired or disposed of during the period. Contractors must also maintain records of inventories of supplies and materials reflecting acquisitions and consumption.

Acquisition transaction documents such as FEDSTRIP receipts and payments, purchase orders, sub-contracts and so forth are the basis for these reports and for the increases in inventory balances of consumable items. The contractor's system must provide for documentation of decreases in inventory balances also when items are issued or consumed. All documentation of the contractor must be subject to audit, and also be available for inspection when appropriate by the Contracting Officer or the Property Administrator.

The Contracting Officer or the Property Administrator must insure that an adequate interface exists among the contractor's individual management systems of procurement, finance and property. Without such an adequate interface, accountability for property becomes extremely difficult to maintain. Examination of the contractor's property management system should identify gaps in these interfaces. They should be corrected by the contractor prior to approval of the property management system. The contractor should normally not be permitted to accomplish commercial procurements for property beyond the items specified in the contract until his property management system has been approved.

The Summary of Responsibilities listed at the end of Chapter 5 on page apply. These should be reviewed at this time to insure your understanding before proceeding.

CHAPTER 8

ACCOUNTABILITY, OFF-SITE CONTRACTORS

I. THE CONTRACTOR'S RESPONSIBILITY

"The contractor is directly responsible and accountable for all Government property in its possession or control in accordance with the provisions of the contract, including property provided under such contract which may be in the possession or control of a subcontractor. The contractor shall establish and maintain a system, in accordance with the provisions of this part, to control, protect, preserve and maintain all Government property. If the contractor is expected to acquire and be accountable for, or does acquire Government personal property with an acquisition value of \$500,000 or more, the contractor's property management system shall be in writing. Contractors holding Government personal property with an acquisition value of less than \$500,000 may, at the discretion of the Contracting Officer, be required to have their property management system in writing. The requirement for written systems may be waived in writing by the Contracting Officer where the Contracting Officer determines that maintenance of a written system is unnecessary. The system shall be reviewed and if satisfactory, approved in writing by the Contracting Officer."

The foregoing policy is cited directly from the DOEPMR 109-60.1. It succinctly describes an Off-Site contractor's accounting responsibilities for Government property.

II. THE CONTRACTING OFFICER'S RESPONSIBILITY

Essentially it is the Contracting Officer's responsibility to assure that the contractor performs in accordance with the terms of the contract in accounting for property. Off-Site contracts which have been promulgated within the past several years should contain one of the standard clauses for property contained in the FPR or a reasonable approximation. The contractor should be provided a copy of DOE-PMR 109-60. This booklet states the specific requirements for which a contractor is responsible in managing Government property.

A thorough knowledge of the contracts' Property Clause and its related clauses is therefore vital to insure adequate property administration. Related clauses may be required clauses; clauses to be used when applicable, (property clauses fall in this category); or additional clauses, those which may be desired to cover some specific subject matter, not contained in the other two categories. All of these clauses in the contract must be reviewed and studied to insure that the Contracting Officer and the Property Administrator have a thorough knowledge of the requirements placed on the contractor for accounting for Government property. This knowledge once developed is only the beginning of the task. Next must come a natural understanding between the contractor and the Contracting Officer or the Property Administrator of the specific accountability requirements that have been established. Finally, the Contracting Officer or the Property Administrator must

insure that the contractor actually performs his accountability for property in these terms.

In Chapter 1, Section VI C, page 23, we stated the importance of including property management as an item to discuss during the post ward conference. This action is more vital for Off-Site contracts than for others. It is during this discussion that the principles delineated above can be initially incorporated into practice.

If the requirement for the contractor's property management system to be in writing is met, the task is somewhat simplified. Both parties have a reasonably detailed set of rules to follow. If the Contracting Officer waives the requirement for a written system the job may be more difficult.

III. DELEGATION OF CONTRACT ADMINISTRATION

The Department's increased responsibilities in non-nuclear technology and the stimulation of the private sector has significantly changed the character of procurement in DOE from a few large Government-Owned Contractor-Operated (GOCO) contractors to include numerous Off-Site contractors with wide geographical dispersion. Recognizing that DOE does not have a contract administration capability located at or near most Off-Site contractor locations, the Department has increased reliance on interagency cross-servicing agreements using already available expertise within other Government agencies. Such agreements have been negotiated with the Defense Logistics Agency, Defense Contract Audit Agency, and the Department of Air Force. An informal understanding exists with the Office of Naval Research to also perform contract administration.

The fundamental document authorizing DOE to request contract administration services from another agency is a Funds-Out Interagency Agreement (IA) issued pursuant to authority of Economy Act of 1932, as amended (31 U.S.C. 636), and PL 95-91. That agreement extends beyond the establishment of policies and procedures to include accounting and appropriation data, funding sources, method of payment, amounts obligated, payment office and voucher format to be followed.

Each Interagency Agreement contains a listing of contract administration functions which may be delegated. In most instances Contracting Officer signatory authority has been reserved for the DOE Contracting Officer based on a position taken by the DOE Office of General Counsel. It is their contention that such delegation would abdicate basic functions of management which DOE must perform in order to retain necessary control of their programs. This essentially means that the contract administration functions authorized for delegation to other Government Agencies are, for the better part, ministerial in nature. Among these ministerial (delegated authority) functions is included the performance of most property administration activities, except where Contracting Officer signatory authority is required.

The requirements placed on the Department of Defense activity for property administration when contract administration has been delegated are contained in DOE Procurement Letter APL 80-16. The general requirements for property administration contained in that document is shown as Exhibit VIII-1.

Review of this exhibit will demonstrate that the day to day property accountability functions are to be accomplished by the activity to whom contract administration has been delegated. Certain elements for acquisition, utilization, disposal, and contract close-outs and terminations still require Contracting Officer approval.

EXHIBIT VIII-1
GENERAL REQUIREMENTS, PROPERTY ADMINISTRATION
FOR DELEGATED CONTRACTS

PROPERTY ADMINISTRATION GENERAL REQUIREMENTS

DOE property administration requirements generally correspond to DOD's. The differences, which are highlighted below, will require your special attention:

- (1) If not already accomplished, perform an initial evaluation of contractor's property control system, ensuring that the assigned Plant Clearance Officer has determined that the contractor's property disposition system is adequate. Other CAS Supporting Team members will evaluate portions of the procedure in which they have a primary interest. Correct deficiencies, if any, and approve or disapprove the system, as appropriate. Provide the DOE Contracting Officer with a copy of the letter of approval.
- (2) Assure contractor's timely submission of contractually required property management and property financial reports. (DOE Property Management Regulation (DOE-PMR) 109-60.4700.)
- (3) Ensure that all cases of loss, damage, destruction, or excessive consumption of DOE property are investigated and reported to the DOE Contracting Officer with written recommendations to relieve or to hold the contractor liable for the incident. (DOE PMR 109-60.102 and 109-60.107.)
- (4) Promptly forward the following requests which may be received from contractors to DOE Procurement and Contracts Management for approval:
 - (a) Requisitions for fuel efficient motor vehicles. (DOE-PMR 109-60.704.)
 - (b) Requests for exemption from Government identification for motor vehicles. (Security vehicles only can be exempted by the DOE Contracting Officer.) (DOE-PMR 109-60.705.)
 - (c) Requests for use of GSA Interagency Motor Pool vehicles. (DOE-PMR 109-60.706.)
 - (d) Requests for use of Government motor vehicles for "home-to-work" or "work-to-home" transportation (DOE-PMR 109-60.707.)
- (5) Advise the DOE Contracting Officer of all unsatisfactory property management conditions and actions being taken by the contractor to correct the unsatisfactory conditions. Advise the DOE Contracting Officer promptly when the corrective actions are completed and the necessary standard of care and control of Government property is being exercised by the contractor.
- (6) Assist the DOE Contracting Officer on contract close-outs and terminations for convenience by accomplishing as requested the following:

EXHIBIT VIII-1 (cont'd)

- (i) Monitor the actions of the contractor in returning excess Government property to Government control, not referred to the Plant Clearance Officer, and
 - (ii) Advise the cognizant Plant Clearance Officer as to the existence at a contractor's plant of residence property requiring disposal, and
 - (iii) Perform a final review and closing of contracts as specified in DAR S3-502.
- (7) With regard to "property only" delegations, the assigned Property Administrator will provide one copy of the Contract Administration Completion Record, or equivalent to the DOE Contracting Officer together with the completed contract and property control file.

Property accountability for these specifics remains with the Contracting Officer. They are handled in the same fashion as for contracts which have not been delegated. Contracting Officers must understand that delegations for contract administration are limited. The DOE Contracting Officer is still responsible. Timely reporting and recording are still required. Assistance in other details of property administration is what the agency to whom the delegation is made provides.

IV. RETAINED CONTRACT ADMINISTRATION

A. General

For contracts that have not been delegated for administration, the Contracting Officer and the Property Administrator have more detailed responsibilities. The contractor is responsible for administering the property management activity in accordance with the system that has been approved by the Contracting Officer. However, insuring that the contractor does so is still the responsibility of the Contracting Officer and this responsibility is continuous throughout the tenure of the contract. Accountability elements to which specific attention must be directed and which the contractor's system must provide include:

- o Receiving
- o Warehouse and Stores Control
- o Issues
- o Utilization
- o Maintenance and Repair
- o Control of Sensitive Items
- o Segregation if Required
- o Tagging
- o Physical Protection
- o Losses and Liabilities
- o Physical Inventories
- o Disposal and Retirement
- o Motor Vehicles and Aircraft if Appropriate
- o Reports.

These elements and the related responsibilities of the Contracting Officer and the Property Administrator are discussed below.

B. Receiving and Warehouse and Stores Control

1. Receiving

When Government property is received by the contractor, regardless of the acquisition source, accounting for that property begins. The contractor's system must provide for documentation which indicates the addition to the inventory of plant and equipment when items are received. The documentation is normally called a Receiving Report. It is a voucher which attests to the addition to inventory. It supports the entries in property ledgers and financial ledgers and is the basis for payment of a bill when received from a vendor by the contractor. The contractor is also responsible at this point for inspection and acceptance for the Government of items received.

2. Warehouse and Stores Control

Many items when received should be directly delivered to users to avoid multiple handling. The contractor's system should provide for this situation. The documentation for receiving, inspection, and acceptance must be incorporated into this element of the system.

Other items will require temporary storage until required for use. For plant and equipment some type of warehousing is required. Warehousing includes outside storage for motor driven and construction type equipment and other items such as those in self-contained weatherproof packaging. Consumable and fast moving type items will normally require inside bin or pallet storage. These storage locations are sometimes called issue points since that is the site from which these temporarily stored items are provided directly to users.

All plant and equipment, and all stores (consumable inventory) must be accounted for while in temporary storage. The contractor's system must provide for controls which accomplish this accountability. Some method of segregation of items which identifies them to the contract is required for contractors who have contracts with other organizations, private or public. The segregation should be physical to the degree feasible as well as by records.

Separate record keeping is required for Government property. Plant and equipment, generally capitalized, should be accounted for by individual item. Many of these items have serial numbers. They should be used along with nomenclature and other unique characteristics to assist in identification. A complete list of required identifiers is contained in the DOE-PMR at 109-60.202. An individual record, sometimes called an item record card, should be established for each item. This record should be maintained on each item of plant and capital or sensitive equipment until disposal occurs.

Stores stocks should be controlled with stock record cards or ADP listings or systems. One stock record card or line item should be maintained for each type of item rather than for each individual item. For example, xerox paper would be maintained on one stock record card in terms of the total

quantity on hand in units of issue. In the event both letter size and legal size paper is stocked, one stock record card should be maintained for each. A complete list of the minimum required identification elements required for a stock record card is shown in the DOE-PMR at 109-60.203. If a mechanized accounting system (ADP) is used these same minimum data elements are required.

C. Issues and Utilization

Items removed from storage are provided to users or disposed of. The process of providing to users is called issuing. Once issued, items must be used for the intended purpose for which they were originally acquired. The contractor's system should contain provisions that a limited number of personnel, each identified by some method, are permitted to obtain items from storage. We have used the title Property Custodians to describe these personnel. Contractors may use other titles. Once issued to the individuals, some type of control over consumption of consumables and utilization of plant and equipment items is required. The control techniques applied will vary among contractors but must insure accountability and documentation supporting accountability. For plant and equipment items a measurement of utilization is desirable if it is practicable, in order to avoid idle time of the item to the degree feasible. One storage point, the warehouse, should not be exchanged for another storage point, the intended user's work area, if it can be avoided.

Consumable items are generally expensed when issued and further record keeping becomes unnecessary at this point unless specific levels of supply are maintained in bench or cupboard stocks. If such stocks are maintained some type of memorandum control should be employed by the contractor to reduce shrinkage to the minimum.

Plant and equipment individual item records should be maintained for items on hand. The contractor's system should contain provisions to identify for each item:

- its location
- the individual responsible for the item
- its condition
- the degree of utilization.

Separate records from those described above are not required. The data elements can be incorporated in that record if practicable.

D. Maintenance and Repair

"The contractor shall be responsible for the proper care and maintenance of Government property in its possession or control from the time of receipt until properly relieved of responsibility. The removal of Government property to storage, or its contemplated transfer, does not relieve the contractor of these responsibilities."

This statement is cited directly from the DOE-PMR, at 109-60.5. The responsibility includes measures such as inspection, regular lubrication, adjustments, parts replacement and other preventive maintenance techniques. Responsibility also includes disclosure and reporting to the Property Administrator of the need for major repairs or replacement. The contractor is required to maintain records which disclose maintenance and repair which is performed and its associated cost. Individual item record cards used for accountability should normally accommodate these items of information, so that it can be analyzed as necessary with other item information.

E. Control of Sensitive Items

Sensitive items are those items of property susceptible to being appropriated for personal use or which can be readily converted to cash. Examples are firearms, photographic equipment, binoculars, tape recorders, calculators, and power tools.

The contractor's system must provide for administrative and physical control of sensitive property items before and after issuance. He should prepare a list of the types of property considered to be sensitive. This list, together with control procedures, should be provided to the Property Administrator for review and approval as an integral part of the property management system.

As a minimum, controls on sensitive property should include property records, memorandum receipts, bin or tool check systems, or combinations of these techniques. Sensitive items should be inventoried at least annually. These requirements for sensitive items should be imposed over and above the normal recordkeeping required for all property.

F. Segregation and Tagging

The contractor's system must provide for segregating Government property from all other property. Commingling should only be permitted if not doing so would create a work hindrance. Segregation must occur in all records of accountability.

Tagging of some sort should be accomplished to insure proper identification of Government property. Metal tags, decalomania, and etching are some suggested techniques which may be employed. Cardboard stringed tags may also be utilized where affixed identification is not feasible. Tagging identifiers should be incorporated into the data contained in accountability records.

G. Physical Protection, Losses

The contractor's system must provide for controls such as property pass systems, memorandum records, marking of tools, regular or intermittent gate checks and perimeter fencing to prevent loss, theft, or unauthorized movement of Government property from the premises on which such property is located.

Classified Government property will be handled in accordance with instructions of the Contracting Officer.

The contractor's liability for lost, damaged or destroyed property including that consumed or expended in excess of reasonable requirements will be determined

by the Contracting Officer. The Contracting Officer should make this determination based on the contractor's approved property management system and how well the contractor enforces that system.

H. Physical Inventories

"The contractor shall periodically physically inventory Government property in its possession or control and shall require such inventories of property held by subcontractors. The physical inventory shall be consistent with approved contractor procedures and generally accepted accounting principles. Procedures that are limited solely to a check-off of a listing of recorded property do not meet the requirements of a physical inventory. Personnel who perform the physical inventory shall not be the same individuals who maintain the property records or have custody of the property unless the contractor's operation is too small to do otherwise."

This policy is regulatory. It is cited from the DOE-PMR at 109-60.4.

Permanently affixed plant will be inventoried at least every ten years. Movable capital equipment will be inventoried every two years. Sensitive items and stores inventories will be inventoried at least annually.

The contractor will submit inventory reports to the Property Administrator. The minimum required content of reports of inventory are stated in the DOEPMR at 109-60.4.

Copies of results of physical inventories are to be maintained in the contractor's files. Reports on inventories and reconciliations are to be recorded in the Finance Files of DOE which relate to this contract. Copies should also be retained in the Contract File maintained by the Contracting Officer until the contract is closed out.

I. Disposal and Retirement

Contractors having property determined to be excess shall contact the Property Administrator for instruction as to the proper method of disposal. Property shall not be disposed of without prior approval of the Contracting Officer. Disposal shall be accomplished in the same manner as excess property for GOCO plants described in Chapter 5, Section II, page 70.

When capital equipment is worn out, lost, stolen, destroyed, abandoned or damaged beyond economical repair, it shall be listed on a retirement work order. A full explanation shall be made, supported by an investigation, if necessary, as to the date and circumstances surrounding loss, theft, destruction, or damage. The retirement work order shall be signed by the responsible contractor administrative official initiating the report and reviewed and approved by an official at least one supervisory echelon above the official initiating the report, and the proper administrator. Detailed information concerning the retention and/or submission of retirement work orders should be furnished to the contractor by the Property Administrator.

J. Motor Vehicles and Aircraft

Some contractors will be furnished motor vehicles and/or aircraft. Furnishing includes DOE owned vehicles, or leased vehicles from both GSA and commercial sources. The same stringent requirements described for GOCO contractors apply to Off-Site contractors. Requirements and acquisition procedures have been described in Chapter 2 and utilization requirements in Chapter 5. Aircraft and passenger vehicle acquisition requires statutory authority. If a requirement for aircraft is for a period of less than 30 days the Contracting Officer may authorize a lease, rental, hire, or loan of an aircraft. The DOE-PMR Parts 109-38 and 109-39 contain the overall requirements for management of motor vehicles and aircraft: DOE-PMR 109-60.7 in addition prescribes basic policies and procedures for the management of Government-owned motor vehicles and aircraft in the possession of Off-Site Contractors. Special reporting requirements exist for contractors who are furnished motor vehicles and aircraft. The Contracting Officer is responsible to insure that Off-Site Contractors meet these requirements and that they are acquired and used only for official purposes.

K. Reports

At present Off-Site contractor systems for property and financial management are not integrated with the DOE FIS. It will probably never be practicable or economically feasible to do so. As a result, certain reports which are automatically generated from the FIS for GOCO activities must be prepared by Off-Site contractors and provided to the Contracting Officer. The contractor's system must provide for report generation and submission. A listing of these reports has been extracted from the DOE-PMR and is shown as Exhibit VIII-2. It is the Contracting Officer's responsibility to insure that contractors submit these reports on time. The Contracting Officer is further responsible to insure that the reports where appropriate are inputted to the Departmental systems.

V. REVIEW AND MONITORSHIP OF THE CONTRACTOR'S PROPERTY ACCOUNTABILITY SYSTEM

A. Off-Site Versus GOCO Contractors

Accountability for property is the most important aspect of its management. Lets recount the simple statement we made at the beginning of Chapter 4. Accountability is:

- knowing what we have
- where it is
- what condition it is in
- the degree to which it is being utilized, and
- taking steps to get rid of what we do not need.

EXHIBIT VIII-2
REQUIRED REPORTS, OFF-SITE CONTRACTORS

Following is a summary of those property reports required to be submitted by the contractor, along with the frequency of the reports and the subpart of the DOE-PMR which describes the report:

1. Loss, damage, or destruction of Government property (on occurrence) .109-60.102(b).
2. Loss due to the theft (on occurrence) .109-60.102(c).
3. Financial property control reports (Semi-annual) .109-60.205.
4. Physical inventories of permanently affixed plant (Not less frequently than every 10 years) .109-60.402.
5. Physical inventories of capital equipment (Not less frequently than biennial) .109-60.402.
6. Physical inventories of sensitive items (Not less frequently than annual) .109-60.404.
7. Termination inventories (Termination or completion) .109-60.404.
8. Motor vehicle reports (Annual) .109-60.710.

These principles apply to both Off-Site and GOCO contractors, however:

- The accountability systems for Off-Site contractors do not have the highly disciplined FIS as an umbrella which GOCO's enjoy.
- Many reports must be separately generated by Off-Site contractors in order to meet the minimum accountability requirements.
- Many Off-Site contractors have multiple contracts requiring special techniques to be applied in order to maintain accurate accountability.
- Contracting Officers may have numerous Off-Site contracts to administer in separate locations, while for the most part those administering GOCO contracts can be essentially one contract oriented.
- Contracts delegated for administration still require certain actions by Contracting Officers with respect to property, specifically plant clearance. This requires your monitorship to some degree of property administration during performance in order to limit close-out difficulties.
- Other important differences can be deduced from what has been discussed in this chapter.

B. The Off-Site Contractor's System

The contractor's system utilized for managing Government property must be related to the contract. Hopefully his system has been reduced to writing so that mutual agreement on the contractor's responsibilities in accounting for property can be established. Your first step must be to accomplish this mutual agreement. We have stated that this should be done at the post award conference. Having done so, you must insure that the contractor performs adequately.

If you are administering Off-Site contracts you will face many difficulties in adequate monitorship. Some of these difficulties you will be unable to control, such as travel restrictions, geographical dispersion, time, and other factors. You must adjust to such situations utilizing communication techniques which do not necessitate physical mobility as well as other methods to assist your monitorship.

If you are the Contracting Officer and have not been assigned a Property Administrator, you are the Property Administrator. The primary rule book for you to follow is DOE-PMR 109-60. For systems review and property management appraisals you must adhere to Acquisition Procurement Letter 80-7 which was discussed in Chapter 4, page 68. The procurement letter applies to all contracts which have Government property.

Some suggestions:

- Prioritize the time you spend on contracts based on value or other important elements.

- Establish a reports review method that fits your personality, yet gives you the "gems of information" quickly that you require to assist your monitorship. This is extremely important since it may be your primary information source. Once identified it is mandatory that you take action on this information.
- Establish telephone, electronic, and written communication techniques which you can use to effect better monitorship.
- Thoroughly plan On-Site visits so that you can address the specifics you need to determine to conserve time and achieve positive results within the travel restrictions which are imposed.
- Other techniques are available to you for managing your limited resources. Get yourself "results oriented" toward your responsibility and be imaginative. Such an approach reaps high dividends.

Chapter 9

UTILIZATION AND DISPOSAL, OFF-SITE CONTRACTORS

I. UTILIZATION PRINCIPLES

We discussed utilization of plant and equipment briefly in chapter 8 in connection with issues, page 94. Utilization concepts and their application for GOCO contractors were also discussed in Chapter 5, page 69. The principles delineated in these references are applicable to Off-Site contractors. It would be useful to review these references now.

The contractor's property management system should provide for methods and techniques which can apply utilization standards and measurements. The application should occur during the requirements determination phase to insure that plant and equipment acquired will be utilized to the maximum. It should likewise occur during the accountability phase so that plant and equipment which may not be needed for the remaining portion of the contract can be identified as early as possible.

The task of the Contracting Officer and/or the Property Administrator is to first insure that the contractor's system includes a requirement for utilization measurement. Second, and more difficult is to insure that the contractor's personnel employ these methods properly in order to meet the terms of the contract.

II. DISPOSAL AND PLANT CLEARANCE

A. General

The term plant clearance is not a DOE term. It is, however, a common term used by DOD agencies which perform contract administration, when delegated by DOE. For that reason it is important that you understand its meaning. As used by DOD, the term plant clearance defines the process of disposing of all Government property in the hands of the contractor for which the contractor is accountable. Disposal includes: transfer to the account of a Government agency including DOE; the excess and surplus process as defined in Chapter 5, page 71, to include donation, sale, abandonment and destruction; and, transfer of title to the contractor. Property may also be disposed of by sale to the contractor at cost or by the contractor returning property to the vendor from whom it was acquired as was discussed in Chapter 5, Section II.B.3., page 72. Disposal may be accomplished by one, all, or any combination of these actions. Completion of plant clearance eliminates the contractor from accountability for all Government property either acquired by or provided to the contractor during the tenure of the contract. The process of plant clearance is the same function that occurs in contract closeout to obtain a property certificate stating the contractor has satisfactorily accounted for all property for which it is accountable to the Department of Energy. We will use the term plant clearance during the discussions in this chapter to include either or both of the actions.

Disposal of personal property which has been furnished to contractors or acquired by contractors should be an ongoing process throughout the tenure of

the contract. A major objective is to dispose of Government property held by a contractor for which there is no foreseeable further need for that specific contract as soon after such a condition is identified as is possible. Effective utilization planning and measurement techniques provide significant assistance in achieving this objective.

A review of the disposal process, its phases and methods is appropriate. A description of the process is not repeated here. It is stated in Chapter 5, Section II, page 70. If you do not have a clear understanding of the process, scan Chapter 5, Section II at this point. The process is equally applicable to GOCO and Off-Site contractors.

A major task in disposal which occurs in GOCO activities only when an entire plant is closed, is plant clearance. Plant clearance occurs for every Off-Site contract at the termination of the contract. It may be an extensive requirement of effort or it may be rather minimal, depending on the particular contract. The objective in all cases is to arrive at the point where the contractor has satisfactorily accounted for all Government property. A sample property certificate which is utilized to clear the contractor of his property responsibilities to the Government is shown as exhibit IX-1. This and similar type certificates for items other than property must be executed before final acceptance and payment for contract performance is made by the Department.

B. Plant Clearance

1. Overall Guidance

Upon completion, or upon termination of a contract for other reasons, an accounting of Government furnished property must be made. The following statement defining this requirement is extracted from Chapter XVI of the Department's Accounting Practices and Procedures Handbook:

Government-Owned Property. An accounting shall be made for all Government-owned property that has been furnished or loaned to the contractor or has been constructed, fabricated or otherwise acquired under the contract. A review of the physical inventory shall be included as a part of the audit review. Contractors operating Government-owned facilities are required to maintain perpetual inventory records and provide periodic inventories of property in accordance with Chapters V and VI. The adequate meeting of these requirements during the term of the contract, and appropriate test checks made at time of termination, may be substituted for a full physical inventory at time of termination if the contractor being terminated, the successor contractor and the responsible Field or Headquarters organization, accept the accuracy of the accounting records.

The first two sentences of this statement apply to all contracts. The remainder is applicable specifically to GOCO activities.

EXHIBIT IX-1

PROPERTY CERTIFICATE

Contract No. _____

Contractor _____

1. By Finance Division

On the basis of adequate records maintained in accordance with the terms of the contract and applicable DOE requirements and generally accepted accounting principles as shown by audit reports and/or approved net expenditures accrued vouchers, in our opinion the contractor has satisfactorily accounted for all property for which it is accountable to the Department of Energy under the contract.

Signed _____

Date _____

2. By Contract Administrator

To the best of my knowledge and belief the contractor has satisfactorily accounted for all property for which it is accountable to the Department of Energy in connection with the work under the contract.

Signed _____

Date _____

2. Relief of the Contractor from Responsibility for Government Property

The property certificate shown as Exhibit IX-I cannot be completed until the contractor has been relieved of responsibility for the property. The DOE-PMR at 109-60.107 states the condition required for this relief. It is cited below:

Subject to instructions of the contracting officer and the terms of the contract, the contractor may be relieved of responsibility for Government property when the property is —

- a. Consumed or expended in contract performance—to the extent the Contracting Officer has determined that its consumption or expenditure was for proper purposes and in reasonable quantity for performance of the contract;
- b. Removed from contractor's possession—when removed as directed by the Property Administrator or Contracting Officer;
- c. Lost, damaged or destroyed (including property consumed or expended in excess of reasonable requirements, and non-severable Government-owned property which has been connected to contractor-owned property for the performance of the contract and cannot be removed without destroying its serviceability)—when the Contracting Officer has determined the Contractor's liability, if any; the Government has been reimbursed to the extent required by the Contracting Officer's determination; and, proper disposition has been made of any property rendered unserviceable by damage; or
- d. Retained by the contractor, with approval of the Contracting Officer, and for which the Government has received adequate consideration.

3. Actions for Disposal

The contractor holding Government excess personal property will be advised to transmit inventory schedules listing serviceable excess personal property with a line item acquisition cost of \$500 or more, except furniture (a line item in group 71 will be reported without regard to acquisition cost if it is in better than scrap condition) to DOE designated screening activities. The contractor shall perform the packing, crating, handling, and shipping or arrange for the work to be done. Requirements for additional funding for this purpose shall be arranged between the contractor and the Contracting Officer.

Subcontractors shall perform the same services as listed above under direction of the DOE prime contractor. The prime contractor's property control system shall so specify. Any funding requirements shall be a matter between the prime and the subcontractor.

The Contracting Officer or the Property Administrator is responsible for accepting or rejecting the Inventory Schedules and will receive and forward to the contractor all transfer orders. If administration for the contract has been delegated this responsibility will be executed by the DOD designated Plant Clearance Officer. The Contracting Officer, the Property Administrator or the Plant Clearance Officer will require the contractor to prepare and make available to the appropriate GSA Area Utilization Officer inventory schedules listing excess personal property in less than serviceable condition or costing less than \$500 per line item for a maximum of 30 days.

The DOE office issuing the contract is responsible for maintaining financial accounts for the property on the contract and must receive copies of all shipping documents to include transfers in place or notice of other disposition.

Any excess Government owned real property shall be reported by the Contractor promptly to the DOE Contracting Officer for internal processing in accordance with DOE regulations.

4. Detailed Steps for Plant Clearance

- a. The DOE Contracting Officer, the DOE Property Administrator or the DOD Plant Clearance Officer, if the contract has been delegated, shall assure the adequacy of the contractor's property disposal system.
- b. The DOE Contracting Officer, the DOE Property Administrator or the DOD Plant Clearance Officer shall provide disposal instructions to the contractor including detailed guidance on proper completion of the Inventory Schedules.
- c. The contractor prepares the inventory schedules providing five copies of those listing excess serviceable personal property costing \$500 or more per line (unit cost times number of units) and separately five copies of inventory schedules listing excess personal property that is not serviceable or which costs less than \$500 per line item in any condition. An SF-120, "Report of Excess Personal Property," properly completed, shall be affixed as a cover page to each set of the inventory schedules.
- d. The Contracting Officer, the DOE Property Administrator or the DOD Plant Clearance Officer will accept or reject the inventory schedules, arranging for verification of the inventory and coordinating any necessary changes with the contractor.
- e. The DOE Contracting Officer will provide the contractor with the list of addresses and/or address labels of the DOE designated screening activities. Contractors shall not use Government

Postage and Fees Paid (penalty indicia) for mailing the inventory schedules. The Contracting Officer shall consider this postage as an allowable expense.

- f. Based on information from the DOE Project Officer, the DOE Property Administrator or the Contracting Officer may advise that certain items of the excess property are to be transferred to other projects or sites or should be held for other projects. If the transferred items have been listed on inventory schedules, they shall be withdrawn from the schedule.
- g. If the contractor does not have the resources or capability to reproduce the inventory schedules and mail them, the Contracting Officer should instruct the contractor to obtain these services from a commercial concern using normal contracting procedures. The costs for reproduction and mailing services shall be considered an allowable cost.
- h. Transfer orders for the excess personal property shall be sent to the contractor, or to the DOD Plant Clearance Officer (PLCO) if the contract has been delegated, who shall keep a record of the transfers on the suspense copy of the inventory schedule. The PLCO will forward the approved transfer orders to the contractor with shipping instructions. He shall also provide two copies of the approved shipping instruction including transfers in place to the DOE Contracting Officer who will forward one of those copies to the DOE Financial Records Office maintaining the property records for the contract.
- i. Thirty days after the DOE screening period has begun, the contractor, or the PLCO if the contract has been delegated, shall report the excess property remaining in the inventory schedule to the appropriate GSA Regional Office.
- j. Approved GSA transfer orders shall be sent to the contractor with shipping instructions. Two copies of the approved shipping instructions shall be sent to the DOE Contracting Officer who will forward one of those copies to the Financial Records Office maintaining the property records for that contract.
- k. Property remaining after all reutilization screening, sales in accordance with DOE-PMR 109-45, or donations in accordance with DOE-PMR 109-44 have been completed shall be disposed of by abandonment or destruction in accordance with FPMR 101-45.4 or by sale in accordance with FPMR 101-45.306.

5. Plant Clearance for Delegated Contracts

Plant clearance requirements are the same for delegated contracts as those for which administration has been retained. However the DOE Contracting Officer has available the services of a Property Administrator and a Plant Clearance Officer from the DOD Contract Administration Service activity which is administering the contract. Their services may be performed by one or more individuals. These

individuals perform all the tasks of plant clearance except where contract signatory authority is required.

Plant Clearance Officers will follow instructions contained in the Defense Acquisition Regulations Section XXIV except as follows:

- a. Excess property with a line item acquisition cost of \$500 or more and furniture regardless of cost will be reported to DOE designated screening activities, not DOD screening activities.
- b. Excess property with a line item cost of less than \$500 will be made available to the local GSA Area Utilization Officer for a maximum of 30 days.
- c. Copies of all shipping and transfer documents will be provided to the DOE office issuing the contract.
- d. Property remaining after all reutilization and donation screening has been completed will be disposed of under Defense Acquisition Regulations procedures rather than FPMR procedures. Results shall be provided to the DOE Contracting Officer.
- e. The terms of the contract will govern for any instance which is at variance with Section XXIV of the Defense Acquisition Regulations.

C. Importance of Accounting

Disposal of all Government property held by a contractor completes the property management cycle. The contract cannot be closed out until disposal is completed. Just as every item must be accounted for when it is received, it must be accounted for when it is disposed of.

The discussions both in this chapter and in chapter 5 should have served to enhance your appreciation of the vital need for effective accounting for property during the tenure of the contract. This importance is not governed by whether the administration of the contract is delegated or retained nor whether the contractor is an Off-Site or Integrated Contractor.

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