



DEPARTMENT OF DEFENSE
Defense Contract Management Agency

INSTRUCTION

Contract Property Management

Contracts Directorate
OPR: DCMA-AQ

DCMA-INST 124
February 1, 2013

Administratively reissued, June 21, 2013

1. PURPOSE. This Instruction:

- a. Reissues and updates DCMA Instruction (DCMA-INST), “Contract Property Management” (Reference (a)).
- b. Establishes policy, assigns roles and responsibilities, and provides procedures for administration and oversight of Government Contract Property (hereafter referred to as “property”), as defined in DoD Instruction 4161.02, “Accountability and Management of Government Contract Property” (Reference (b)).
- c. Is established in compliance with DoD Directive 5105.64 (Reference (c)).

2. APPLICABILITY. This Instruction applies to all DCMA Components as stated.

3. MANAGERS’ INTERNAL CONTROL PROGRAM. This Instruction contains internal management control provisions subject to evaluation and testing required by DCMA-INST 710, “Managers’ Internal Control Program” (Reference (d)). Flowcharts for primary processes are at Appendix A.

4. RELEASABILITY – UNLIMITED. This Instruction is approved for public release.

5. PLAS CODES.

a. Process:

- 032 – Contract Receipt and Review
- 102 – Contract Property Management
- 104 – Property Loss
- 105 – Plant Clearance
- 181 – Contract Close Out

b. Programs: ACAT/Other Customers (when applicable)

c. Other National; Training and Travel; Local Programs:

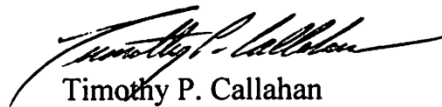
LEY 03 – Property Loss (Continental U.S.)

LEY 04 – Property Loss (Outside the Continental U.S. (OCONUS)), Contingency Contracting Administration Support [“Reachback”]

LEY 05 – Nuclear Weapons Related Material, Worldwide Inventory

6. POLICY RESOURCE WEB PAGE. <https://home.dcma.mil/policy/124r/>

7. EFFECTIVE DATE. By order of the Director, DCMA, this Instruction is effective immediately.



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REFERENCES

- (a) DCMA Instruction, "Contract Property Management," November 2011 (hereby canceled)
- (b) DoD Instruction 4161.02, "Accountability and Management of Government Contract Property," April 2012
- (c) DoD Directive 5105.64, "Defense Contract Management Agency (DCMA)," January 10, 2013
- (d) DCMA-INST 710, "Managers Internal Control Program," September 2011
- (e) DCMA-INST 402, "Workload Acceptance," December 4, 2012
- (f) DCMA-INST 709, "International and Federal Business Reimbursable and Non-Reimbursable Support," September 2011
- (g) FAR 45.101, Definitions
- (h) DFARS 201.670, Appointment of property administrators and plant clearance officers
- (i) DCMA-INST 129 Instruction, "Warrants and Other Official Appointments," December 2011
- (j) Position Classification Standard for Industrial Property Management Series (GS-1103) TS-81 August 1969, TS-1 June 1970
- (k) DFARS 252.242-7004, Material Management and Accounting System (clause)
- (l) DFARS 242.202, Assignment of Contract Administration
- (m) DFARS 225.301, Contractor personnel in a designated operational area or supporting a diplomatic or consular mission outside the U.S.
- (n) Procedures, Guidance and Information 225.7401, Contracts requiring performance or delivery in a foreign country
- (o) DCMA-INST 118, "Contract Receipt and Review," October 2010
- (p) DCMA-INST 131, "Contractor Business Systems," August 15, 2012
- (q) FAR 45.107(d), Contract Clauses
- (r) FAR 16.703, Basic Ordering Agreements
- (s) FAR 16.702, Basic Agreements
- (t) FAR 16.603-2, Letter Contracts
- (u) DCMA-INST 137, "Grants, Agreements and Other Transactions," September 2012
- (v) FAR 45.5, Support Government Property Administration
- (w) ASTM E2279-09 – Standard Practice for Establishing the Guiding Principles of Property Management
- (x) DCMA Correspondence Manual, February 7, 2011
- (y) DCMA-INST 1201, "Corrective Action Process," December 10, 2012
- (z) DFARS 252.245-7002, Reporting Loss of Government Property (clause)
- (aa) FAR 52.245-1, Government Property (clause)
- (ab) DFARS 252.228-7001, Ground and Flight Risk (clause)
- (ac) DCMA-INST 8210.2, "Aircraft Operations," October 24, 2011
- (ad) DoD Instruction 6055.07, "Mishap Notification, Investigation, Reporting, and Record Keeping," June 6, 2011
- (ae) FAR 45.105(d), Contractors Property Management System Compliance
- (af) FAR 45.104(b), Responsibility and Liability for Government Property
- (ag) DCMA-INST 135, "Contract Closeout," March 2012
- (ah) DCMA-INST 111, "Plant Clearance," July 24, 2012

CHAPTER 1

POLICY

1.1. POLICY. It is DCMA policy to ensure:

1.1.1. Contractor property management systems meet Federal Acquisition Regulations (FAR), Defense Federal Acquisition Regulation Supplement (DFARS) requirements, and contract terms and conditions.

1.1.2. Workload acceptance practices, including support to non-DoD organization;, e.g., National Aeronautics and Space Administration (NASA), are accomplished in compliance with DCMA-INST 402, “Workload Acceptance” (Reference (e)) and DCMA-INST 709, “International and Federal Business Reimbursable and Non-Reimbursable Support” (Reference (f)).

1.1.3. Property Management System Analysis (PMSA) case files are established within the Contract Property Administration System (CPAS); hard copy case files are permissible to the extent use of CPAS is not appropriate (classified contracts) or unavailable (overseas or remote locations). See paragraph 2.3.4.

1.1.4. Incidents of property loss are appropriately evaluated and determinations of contractor responsibility are made.

CHAPTER 2

ROLES AND RESPONSIBILITIES

2.1. DIRECTOR, GOVERNMENT PROPERTY GROUP, DCMA INTERNATIONAL (DCMAI), AND DCMA SPECIAL PROGRAMS (DCMAS) CONTRACT MANAGEMENT OFFICE (CMO) CONTRACTS DIRECTORS. The Director, Government Property Group; DCMAI, and DCMAS CMO Contracts Directors shall ensure:

2.1.1. Consistency of contractor surveillance and oversight.

2.1.2. Resources are available to meet mission requirements.

2.1.3. Personnel have tools and abilities necessary to conduct property audits, e.g., PMSAs, site-specific analyses (tactical assessments), validations and verifications.

2.1.4. Only qualified personnel are recommended for appointment as Property Administrators (PA) (as defined in FAR 45.101 (Reference (g)), in accordance with DFARS 201.670 (Reference (h)). See DCMA-INST 129, “Warrants and Other Official Appointments” (Reference (i)).

NOTE: Unless otherwise indicated, “PA” shall mean the assigned Industrial Property Management Specialist (Reference (j)).

2.2. DIRECTOR, SPECIAL PROGRAMS. The Director, DCMAS shall ensure:

2.2.1. PAs conduct contractor property system validations and verifications consistent with the PMSA process framework described in this Instruction.

2.2.2. Proper coordination with the assigned “mainstream” property administrator.

NOTE: Validations and verifications, typically limited to only select portions of a contractor’s property management system, are not considered PMSAs under this Instruction.

2.3. PROPERTY ADMINISTRATORS (PA). PAs shall:

2.3.1. Administer (review, assign, manage, and close) contracts and other procurement/non-procurement instruments with FAR, DFARS, or other property related requirements/terms and conditions.

2.3.2. Perform oversight of contractor property management systems, including review of contractor procedures.

2.3.3. Evaluate contractor responsibility and liability for property loss. See paragraph 3.16.

2.3.4. Utilize appropriate information technology and/or DCMA eTools; e.g., Corrective Action Requests (CAR), CPAS, Electronic Data Warehouse (EDW), Property Loss, Delegation, Electronic Contract Administration Request System, and Plant Clearance Automated Reutilization Screening System, unless use of such tools is not appropriate (classified contracts) or unavailable (overseas or remote locations); maintain data integrity to the extent information technology and/or DCMA eTools are used.

2.3.5. Request technical assistance from other functional specialists, when needed.

2.3.6. Accept and request support delegations, as necessary and appropriate.

2.3.7. Permit on a contract-by-contract (not program) basis contractor material receipt and issue systems, provided the contract does not contain the DFARS clause 252.242-7004, "Material Management and Accounting System" (MMAS) (Reference (k)), or is otherwise not appropriate.

2.3.8. Assist in reviews of other contractor business systems; e.g., MMAS, Contractor Purchasing System Reviews, when requested by the Contracting Officer.

2.3.9. Participate in pre- and post-award reviews as required.

CHAPTER 3

PROCEDURES

3.1. REVIEW NEW CONTRACTS. PAs shall:

3.1.1. Review each new contract (as routed by EDW or obtained manually) within 30 days of receipt to determine if property assignment is required; the term “receipt” means the day the contract document arrives in a PA’s EDW in-box. See paragraph 3.3. Throughout this Instruction, all references to “days” are calendar days.

3.1.2. Ensure contracts contain appropriate terms and conditions, including FAR and DFARS clauses, relevant to property expected to be furnished or acquired. Examples of relevant clauses include FAR clauses at 52.245-1 and 52.245-9, and DFARS clauses 252.211-7007, 252.245-7001, 252.245-7002, 252.245-7003, 252.245-7004, 252.223-7002, and 252.223-7007.

3.1.3. Support DoD and Federal civil agencies; e.g., NASA, to the extent permitted by DCMA-INST 402 (Reference (e)). See also DFARS 242.202 (Reference (l)).

3.1.4. Be alert to:

3.1.4.1. Potentially inappropriate instances of Government-furnished or contractor acquired property, such as common office items or general purpose equipment.

3.1.4.2. Contracts where a deliverable end-item is to be delivered/accepted in-place (Free on Board origin).

3.1.4.3. Period of performance dates (to plan for expeditious property disposition and contract closeout).

3.1.4.4. Unique in-theater contractual and technical terms and conditions, country-to-country agreements, host nation requirements, memorandums of agreement, and treaties. See DFARS 225.301 (Reference (m)) and Procedures, Guidance and Information 225.7401 (Reference (n)).

3.1.4.5. Contracts under DCMAS.

3.1.4.6. Special or unusual contract terms and conditions, such as those involving sensitive property, as defined in FAR 45.101 (Reference (g)), physical inventory performance, demilitarization, special storage, or unique property disposition requirements.

3.2. REPORT CONTRACT DEFICIENCY.

3.2.1. PAs shall issue Contract Deficiency Reports (CDR) via the CDR tool within Electronic Document Access (EDA) for contracts lacking appropriate terms and

conditions; notify the Contracting Officer in writing if use of EDA is not appropriate (Special Programs) or unavailable (overseas or remote locations). See DCMA-INST 118, "Contract Receipt and Review" (Reference (o)).

NOTE: The term Contracting Officer as used in this Instruction refers to the appropriate Corporate Administrative Contracting Officer (CACO), Divisional Administrative Contracting Officer (DACO), or Administrative Contracting Officer (ACO) responsible for determining the acceptability of, and approving or disapproving a contractor's property management system. See DCMA-INST 131, "Contractor Business Systems" (Reference (p)). **Exception:** "Local Contracting Officer" as used in paragraph 3.19 refers to the Contracting Officer located in theater.

3.2.2. Delete (through the CPAS eTool) Special Contract Provision (SCP) code "E" erroneously assigned to contracts.

NOTE: Selecting the "DO NOT ACCEPT" option under the CPAS contract acceptance tab deletes SPC "E." Mechanization of Contract Administration Services (MOCAS) "R9 55" remark shall not be used to remedy erroneous SCP "E" assignments.

3.3. ASSIGN CONTRACTS. PAs shall assign for property administration within MOCAS ("ACCEPT" through CPAS or by other means) the following contract types, instruments, and conditions:

3.3.1. Fixed-price contracts where property will be furnished to the contractor (includes fixed-price contracts with cost-reimbursable contract line items).

3.3.2. Purchase orders (identified as P, M, W, or V in the ninth position of the Procurement Instrument Identification Number (PIIN)) with property furnished for repair, maintenance, overhaul, or modification with a total unit acquisition value exceeding the DoD simplified acquisition threshold and otherwise meeting FAR 45.107(d) (Reference (q)).

3.3.3. Time and materials contracts (except when it is clear no property will be furnished or acquired. For example, contracts involving only engineering services, research, or study efforts).

3.3.4. Cost reimbursement contracts (except when it is clear no property will be furnished or acquired. For example, contracts involving only engineering services, research, or study efforts).

3.3.5. Top-level basic indefinite delivery contracts (IDC) where property will be furnished or acquired. PAs shall not assign orders issued under IDCs.

3.3.6. Delivery orders awarded under Basic Ordering Agreements (FAR 16.703) (Reference (r)), Basic Agreements FAR 16.702 (Reference (s)), or Blanket Purchase Agreements where property will be furnished or acquired.

3.3.7. Letter contracts FAR 16.603-2 (Reference (t)) are typically (though not always) awarded as cost-reimbursement contracts, with specific contract type/pricing arrangements definitized at a later date.

3.3.8. Non-procurement Instruments (Grants, Cooperative Agreements, Other Transactions) where property is involved. See DCMA-INST 118 (Reference (o)) and DCMA-INST 137, “Grants, Agreements and Other Transactions” (Reference (u)).

NOTE: The above policy applies to full and partial delegations (both multi-functional or “property only” delegations).

3.4. ISSUE/ACCEPT SUPPORT PROPERTY ADMINISTRATION (SPA)

DELEGATIONS. Prime PA’s may request SPA delegations when surveillance is required at contractor operations outside their assigned area of responsibility.

3.4.1. Prime PAs shall:

3.4.1.1. Ensure support delegation requests include a sufficient level of detail; e.g., types of property, scope of surveillance, duration, special or unique requirements; e.g., sensitive property.

NOTE: For contingency support contracts, PAs shall advise buying commands to coordinate their requests for property administration with CENTCOM Contracting Command. See www.c3-training.net.

3.4.1.2. Obtain prime contractor consent to accept the findings of a support PA when property administration involves oversight and surveillance (through a delegation) of a subcontractor. See FAR 45.5 (Reference (v)).

3.4.1.3. Take necessary and appropriate actions with the prime; incorporate the supporting PA’s findings within the PMSA.

3.4.1.4. Ensure corrective actions are accomplished in accordance with paragraph 3.14.

3.4.1.5. Issue SPA through the Delegation eTool.

3.4.2. Support PAs shall accept or reject delegation via the Delegation eTool within 10 days of the delegation request.

3.5. ESTABLISH ELECTRONIC FILES. PAs shall establish the following electronic/digital files within EDW and CPAS. Hard copy files are permissible to the extent these systems are not appropriate (classified contracts) or unavailable (overseas or remote locations).

3.5.1. Contractor Master File. Within EDW in a folder labeled “PROPERTY” at the Contractor-level Commercial and Government Entity (CAGE) level (this file shall be separate

from contracts awarded under the CAGE code). The following documentation (at a minimum) is required for each assigned contractor:

- Records of site visits (other than those conducted for PMSA performance)
- Correspondence and documentation general in nature; i.e., not tied to a single contract
- Copies of audits and inspections performed by other activities; e.g., Defense Contract Audit Agency, Defense Security Service (DSS)
- Copy of contractor's property management system procedures (if practical)
- General correspondence (not associated with a particular contract)
- Other documentation common to all contracts

3.5.2. Contract File. The following documentation is required (at a minimum) for each assigned contract and uploaded into the official contract administration file located within EDW:

- Documentation and correspondence directly related to the contract, including outside audits, and memorandums and correspondence involving responsibility and liability for property loss (if not already placed with the Property Loss etool). See paragraphs 3.15. and 3.16.

3.5.3. PMSA File. PMSA files are required for each completed PMSA and shall be uploaded into CPAS. The following documentation is required (at a minimum) for each contractor:

- Contract review correspondence and memorandums
- PMSA notification letter
- Business System Analysis Summary (BSAS) and audit reports
- Procedure review—findings and correspondence
- Risk assessments and PMSA plans; levels of oversight determinations regarding processes or elements waived or determined not applicable
- Contracting Officer correspondence
- Work papers and support documentation, i.e., sampling plans, narratives
- Internal memorandums; e.g., to contracting officers, other functional specialists

3.6. ASSIGN NEW CONTRACTORS. Within 30 days of property assignment, the PA shall:

3.6.1. Send the new contractor a letter of introduction advising them of their contractual responsibilities. The letter shall request contractor provide a copy of their property management procedures and names of appropriate points of contact.

3.6.2. Submit a post-award orientation recommendation (if warranted) to the Contracting Officer, including rationale and recommended type of orientation. See DCMA-INST 118, (Reference (o)).

3.6.3. Obtain contractor policies and procedures; review procedures within 45 days of receipt. If the procedures are on their face unacceptable, the PA shall notify the contractor in writing that its procedures are unacceptable as written, and that failure to produce acceptable procedures may invoke contractual remedies. In such cases, the PA may grant the contractor additional time, not greater than 45 days, to resubmit procedures. If the resubmitted procedures are unacceptable, the PA shall:

3.6.3.1. Document the deficiency via the BSAS template. See DCMA-INST 131 (Reference (p)).

3.6.3.2. Forward BSAS to the Contracting Officer. See paragraph 3.11.

3.6.3.3. Consider the action a completed PMSA.

NOTE: The term “new contractor” means a contractor that never before had a contractual; i.e., FAR/DFARS requirement for a property management system (as opposed to a contractor with existing or previous contracts with property newly assigned to DCMA for full or partial delegation/administration). See paragraph 3.9.17.

3.7. PLAN PROPERTY MANAGEMENT SYSTEM ANALYSIS (PMSA). The PA shall:

3.7.1. Revalidate Risk Rating. The PA shall revalidate the risk rating previously assigned to each contractor (to the extent a risk rating was previously assigned). PAs shall base their revalidation on the results of the last PMSA, current status of the contractor’s property management system, and any other sources of reliance including, but not limited to, potential program impact because of property type or criticality, Special Programs’ findings, past performance, prior experience with the contractor, contractor procedural changes, other audit findings, corrective actions, and results of pre-award/post-award conferences. See paragraph 3.13.5.

3.7.2. Choose appropriate PMSA type as follows:

3.7.2.1. Standard PMSAs require entrance and exit conferences, detailed tests and formal examination/evaluation of a contractor’s property management system.

3.7.2.2. Limited PMSAs. Unlike Standard PMSAs, which involve plant visits and detailed testing and formal examination and evaluation of contractor processes, Limited PMSAs or “desk audits” rely on contractor responses to a series of questions covering each required element of a contractor’s property management system. See paragraph 3.10. Should a Limited PMSA reveal deficiencies, the PA may visit the contractor to resolve the issue(s), conduct a standard PMSA, or follow the requirements of paragraph 3.14, as necessary and appropriate.

3.8. SCHEDULE PMSA. PAs shall record their PMSA schedule in CPAS. Manual logs or records shall be used if CPAS is not used or unavailable (DCMAS and DCMAI). PMSA schedules shall be based on the following:

3.8.1. High Risk. Perform a Standard PMSA at least annually until such time as the contractor improves to at least a moderate risk level and the PA determines the status of the contractor's system justifies a reduced level of oversight. See paragraph 3.13.5.1.

3.8.2. Moderate Risk. Perform a Standard or Limited PMSA as frequently as conditions warrant, but at least once every 2 years. See paragraph 3.13.5.2.

3.8.3. Low Risk. Perform a Standard or Limited PMSA as frequently as conditions warrant, but at least once every 3 years. See paragraph 3.13.5.3.

3.9. CONDUCT PMSA. For all contractors, PAs shall:

3.9.1. Conduct PMSA by date due.

3.9.2. Revise or extend date scheduled based on individual circumstances. PMSAs going beyond the fiscal year require Property Group Director approval (if under the cognizance of the Property Group). PMSAs, validations, and verifications under the cognizance of DCMAS require Director, DCMAS Property Group, approval.

3.9.3. Exercise reasonable judgment based on facts and data.

3.9.4. Establish and maintain adequate documentation to support decisions.

3.9.5. Review contractor written procedures. (In general, well designed, up-to-date procedures with strong internal controls will produce consistent results. In contrast, contractor procedures obviously neglected can forecast deficiencies.)

3.9.6. Ensure contractor procedures:

3.9.6.1. Have adequate management and internal controls.

3.9.6.2. Address contract terms and conditions, including requirements to perform self-assessments.

3.9.6.3. Establish clear lines of authority and organizational accountability for custodial care (ASTM E2279-09 – Standard Practice for Establishing the Guiding Principles of Property Management (Reference (w))).

3.9.6.4. Describes methods for performing prescribed tasks; e.g., acquisition, receiving.

3.9.7. Perform risk assessment of all applicable elements of property management.

3.9.8. Notify contractor in writing at least 30 days prior to starting the PMSA (unless the contractor otherwise agrees to less than 30 days); provide a copy to the Contracting Officer.

NOTE: Limited PMSAs do not require prior written notification to the contractor. See paragraph 3.10.

3.9.9. Conduct Entrance Conference (not required for Limited PMSAs). The PA shall:

3.9.9.1. Inform contractor of the scope of review and the timeline for completion.

3.9.9.2. Establish with the contractor a mutual understanding of audit processes and sampling procedures to be used. No commitment, however, should be made regarding audit processes or sampling methods.

3.9.9.3. Discuss the status of any unresolved deficiencies, contractor proposed changes to their property management system, deficiencies identified by the contractor through their self-assessment or other internal reviews, plus any and all related corrective actions.

3.9.9.4. Inform contractor personnel (for standard PMSAs) that an “outbrief” will be conducted at the end of each workday unless prevented by local circumstances. For example, if appropriate contractor personnel are not available. In all cases, PAs should document that the outbrief was conducted; formal documentation such as meeting minutes and memorandums is advisable if deficiencies are found.

3.9.10. Each process (that applies) must be reviewed/tested at least once every 3 years.

3.9.11. Perform annual on-site reviews of records, storage, utilization, and physical inventories processes (at a minimum) when sensitive property is involved (notwithstanding the contractor’s risk rating or criteria outlined in paragraphs 3.13.5.1., 3.13.5.2., and 3.13.5.3.). Less frequent reviews or reviews not performed on-site; e.g., for contract closeout purposes, require PA supervisor approval.

3.9.12. Test the following process outcomes, to the extent they apply: (*indicates a subprocess to a FAR outcome, which may require separate population selection). See the resource page for additional guidance.

- Acquisition
- Receipt
- Identification*
- Records
- Physical Inventory
- Subcontractor Control
- Reports
- Relief of Stewardship Responsibility and Liability
- Utilization
- Consumption*
- Movement*

- Storage*
- Maintenance
- Property Close Out
- Disposition*

3.9.13. Identify appropriate population/universe for sampling purposes (a given population/universe consists of a collection of “things” – for example, records, requisitions, property items, reports, or documents with common characteristics, encompassing the maximum number possible within a process segment).

3.9.14. Establish sampling plan. PAs shall:

3.9.14.1. Determine appropriate sampling methodology for the process segment being examined.

3.9.14.2. Use statistical sampling methods whenever possible (judgment and purposive sampling methods may also be used if the situation warrants, as stated in the notes below); select an appropriate confidence level as follows:

3.9.14.2.1. A 97 percent confidence level (97 percent confidence of rejecting lots having 10 percent or more defects) should be used when a high degree of accuracy is required (when testing record accuracy of sensitive items, for example, as defined at FAR 45.101 (Reference (g)). See paragraph 3.9.11.

3.9.14.2.2. A 95 percent confidence level (95 percent confidence of rejecting lots having 10 percent or more defects) may be used when a moderate to high degree of accuracy is required.

3.9.14.2.3. A 90 percent confidence level (90 percent confidence of rejecting lots having 10 percent or more defects) is suitable in most cases.

3.9.14.3. Draw the maximum number of transactions or attributes possible. If testing transactions (material requisitions, for example), the population/universe shall consist of the total number of transactions occurring within the past year (365 days). In other words, 365 days prior to starting the PMSA or since completion of the prior PMSA (whichever time period is less). If testing attributes, the population/universe shall consist of the total number items (storage areas, documents, records or property items, for example) to be examined.

NOTE 1: Judgment Sampling. Judgment sampling is a process used to evaluate areas, items, or actions, based upon the reviewer’s professional judgment. Judgment sampling is useful for testing process segments that do not lend themselves to statistical methods of sampling.

NOTE 2: Purposive Sampling. Purposive sampling is a process used to evaluate areas, items, or actions involving credible, known, suspected deficiencies or reported conditions of a critical/substantial nature.

NOTE 3: Sampling is a tool that supports, not supplants, a PA's judgment.

3.9.15. Analyze Defects. The PA shall:

3.9.15.1. Analyze defects from both quantitative (using established statistical sampling tables acceptance and rejection rates for set populations) and qualitative (impact, significance, materiality) perspectives.

3.9.15.2. Determine if defects materially affect the ability of DoD officials to rely upon information produced by the contractor's property management system.

3.9.15.3. Review appropriate source and supporting documents pertaining to each process outcome.

3.9.15.4. Validate alignment and consistency of testing/sampling results against a contractor's written procedures.

3.9.15.5. Incorporate contractor self-assessment results into PMSA findings (to the extent the results are reliable; i.e., are conducted in a manner similar to a PMSA).

3.9.16. Conduct Exit Conference (not required for Limited PMSAs). The PA shall:

3.9.16.1. Discuss findings identified or discovered during the course of the PMSA, and any actions already taken by the contractor, if any, to resolve or correct deficiencies.

3.9.16.2. Document the results of exit conference in the PMSA file.

3.9.17. For new contractors (see note at paragraph 3.6), PAs shall conduct:

3.9.17.1. Standard or Limited PMSA, as appropriate, within 12 months from when the contractor received or acquired the property.

3.9.17.2. Standard or Limited PMSA, as appropriate within 6 months if sensitive property is involved (6 months from when the contractor received or acquired sensitive property).

3.10. CONDUCT LIMITED PMSA. If a standard PMSAs is not necessary or appropriate, the PA shall:

3.10.1. Develop a series of questions covering each applicable element (see paragraph 3.9.12) of the contractor's property management system; interview contractor to determine contract compliance.

3.10.2. Validate/evaluate results of the interview by obtaining samples of relevant documents; e.g., receiving reports.

3.10.3. Prepare audit report that includes at a minimum:

3.10.3.1. A determination regarding the applicability of each required element of the contractor's property management system.

3.10.3.2. The list of questions developed for each required element of the contractor's property management system; a statement addressing the adequacy and accuracy of contractor responses.

3.10.3.3. Findings and conclusions.

NOTE: In all cases, the PA shall inform the contractor that the Contracting Officer will determine the significance of any deficiencies and formal system status, i.e., approved, disapproved. See DCMA-INST 131 (Reference (p)).

3.11. PREPARE BUSINESS SYSTEM ANALYSIS SUMMARY (BSAS). Upon completion of a PMSA (either Standard or Limited), the PA shall:

3.11.1. Prepare BSAS in accordance with DCMA's Correspondence Manual (Reference (x)) and BSAS template format. See DCMA-INST 131 (Reference (p)).

3.11.2. Ensure BSAS provides a clear understanding of work performed and its conclusions, and a level of detail necessary to allow a Contracting Officer to determine the significance of deficiencies.

NOTE: If the Contracting Officer determines that cited deficiencies are not significant, PAs should still seek contractor corrective action, preferably by issuing an appropriate level II CAR. See DCMA-INST 1201, "Corrective Action Process" (Reference (y)). If the contractor does not cooperate, the PA shall escalate the matter to the Contracting Officer, notwithstanding the significance of findings or deficiencies. See paragraph 3.14.

3.11.3. Forward BSAS to the Contracting Officer (for Standard PMSAs, within 30 days of the exit conference; for Limited PMSAs, within 20 days of receipt of adequate contractor responses).

NOTE: The PMSA is considered complete upon forwarding of a BSAS to the Contracting Officer. See paragraph 3.6. for guidance on new and newly assigned contractors.

3.11.4. Provide copies of PMSA audit reports or other documentation to the Contracting Officer (in addition to the BSAS), upon request.

3.12. UPDATE CONTRACT PROPERTY ADMINISTRATION SYSTEM (CPAS). The PA shall update CPAS with the PMSA completed date (date PA provided the BSAS to the contracting officer), results notified (date of contracting officer's final determination letter), system status (e.g., approved, disapproved), closed date (if applicable), and estimated number of line items and acquisition value accountable to the contractor, and risk rating. **NOTE:** PAs shall use manual logs or records where CPAS is not used or are unavailable (DCMAS or DCMAI).

3.13. IDENTIFY/DETERMINE CONTRACTOR FUTURE PERFORMANCE RISK.

Based on PMSA results and other sources of reliance, the PA shall:

3.13.1. Isolate and analyze root causes, determine relationships to other risks, express performance risk in terms of probability and consequences, and be mindful of the size and scope of a contractor's property management system in order to prioritize systems of equal risk (this includes both qualitative and quantitative analyses).

Note: Dollar values or amounts of property in a contractor's possession are generally not meaningful factors for determining performance risk.

3.13.2. Identify unfavorable future events ("What could go wrong?").

3.13.3. Assess the likelihood or probability of unfavorable future events ("Is it likely to happen?").

3.13.4. Estimate the consequence or impact of those events ("What is the potential impact on the Government if the event occurs?").

3.13.5. Assign Risk Rating. Within 10 days of the Contracting Officer's Final Determination, the PA shall assign risk ratings (high, moderate, or low) based on the following criteria:

3.13.5.1. High Risk. High Risk means the contractor's system has significant deficiencies as determined by the Contracting Officer. High Risk also means the contractor has undocumented, inconsistent, or chaotic contractor processes and practices; findings of fraud, waste and abuse; safety or national security concerns; or cost, schedule or performance issues. High Risk contractors include those with a pattern of questionable or non-existent procedures and those with poor internal controls.

3.13.5.2. Moderate Risk. Moderate Risk means that, although the contractor's property management system is in an approved status, new or changing conditions pose a degree of uncertainty or potential threat to future performance. Moderate Risk contractors can include inexperienced contractors furnished with or acquiring property for the first time; i.e., new contractors (see paragraph 3.6); contractors without fully developed procedures and systems; contractors who have deployed or who are in the process of deploying a new property management system, or those with new management teams. Moderate Risk contractors can

include newly assigned and formerly High Risk contractors who have completed all corrective actions, but do not yet meet low risk criteria.

3.13.5.3. Low Risk. Low Risk means the contractor's auditable processes are consistent with contract terms and conditions, are embedded within the organization, and supported throughout all levels of management. Low risk can also mean the contractor focuses continually on improving its processes through both incremental and technological improvements; the system is well-managed, effective and efficient; processes produce consistently positive results; cost, schedule, performance or other contractual requirements are not in danger of being compromised, there are adequate internal controls in place, and no known significant deficiencies. New and newly assigned contractors should not be rated low risk until a satisfactory track record is established. See paragraph 3.6.

3.14. ISSUE CORRECTIVE ACTION REQUESTS (CAR)/MONITOR CONTRACTOR CORRECTIVE ACTIONS. Contractor deficiencies can be discovered at any time; i.e., during or outside the PMSA process. The type and scope of corrective action(s), therefore, may differ based on the circumstances. Accordingly, PAs shall:

3.14.1. Issue at any time, a level I or II CAR, as defined and prescribed in Table 1 of DCMA-INST 1201 (Reference (y)), for deficiencies unlikely to be considered significant.

3.14.2. Cite deficiencies as a part of the BSAS/PMSA audit report (without issuing a CAR). If the Contracting Officer determines that the deficiencies are not significant, the PA shall issue a level II CAR.

NOTE: PAs may at any time recommend the Contracting Officer issue a higher level (level III or higher) CAR for any deficiency potentially significant or requiring immediate corrective action, e.g., if the deficiency impacts public health or safety. In all cases, once a contractor completes corrective actions, the PA shall determine if corrective actions are implemented and working as intended. If a re-analysis requires additional transactional testing, testing should take place only after a sufficient number of transactions are available. If additional deficiencies are found during re-analysis, the PA shall notify the Contracting Officer. See paragraph 3.11.

3.15. ENSURE CONTRACTOR REPORTING OF PROPERTY LOSS. Consistent with DFARS 252.245-7002, "Reporting Loss of Government Property" (Reference (z)), PAs shall ensure contractors provide (within the Property Loss etool's "contractor narrative" section) the information required by FAR 52.245-1(f) (1)(vii)(B)(1) through (12) (Reference (aa)). Property loss under this section includes losses occurring under DFARS 252.228-7001, "Ground-and-Flight Risk" (Reference (ab)).

NOTE: Property loss reporting is separate from requirements found under DCMA-INST 8210.2, "Aircraft Operations" (Reference (ac)) and DoD Instruction 6055.07, "Mishap Notification, Investigation, Reporting, and Record Keeping" (Reference (ad)).

3.16. EVALUATE CONTRACTOR RESPONSIBILITY AND LIABILITY FOR PROPERTY LOSS.

3.16.1. PAs shall, within 90 days of receiving an acceptable (at a minimum, the information required under Reference (aa)) property loss report from the contractor:

3.16.1.1. Ensure contractor reported loss meets the FAR/DFARS (or other contract terms and conditions) definition and reporting criteria for “loss of Government property,” as defined in FAR 45.101 (Reference (g)).

3.16.1.2. Review contract terms and conditions; determine whether risk of loss is assumed by Government or contractor; assess the extent of subcontractor responsibility and liability (if property loss occurred at the prime’s subcontractor).

3.16.1.3. Evaluate facts and circumstances, including whether the loss is covered by insurance and/or the contractor was (or expected to be) otherwise reimbursed.

3.16.1.4. Determine if property loss was caused by deficiencies in the contractor’s property management system. If so, PAs shall follow the steps outlined in paragraph 3.14.

3.16.2. Based upon the findings and conclusions resulting from actions described in paragraphs 3.16.1.1. through 3.16.1.4. , the PA shall either relieve (consistent with Certificate of Appointment authority (see DFARS 201.670 (Reference (h)) the contractor of responsibility and liability (FAR 45.105(d) (Reference (ae)) where the possibility of property loss was a risk assumed by the Government under the contract, or (if potential property loss was a risk assumed by the contractor) recommend the Contracting Officer:

3.16.2.1. Hold the contractor responsible and liable for the item’s unit acquisition cost (in full or in part).

3.16.2.2. Authorize contractor to repair or replace the property.

3.16.2.3. Determine a form of consideration appropriate for the circumstances.

NOTE: Relief of responsibility and liability can be applied to either the property item(s) itself (at unit acquisition cost) or an item’s repair or replacement cost (the latter cost may differ from unit acquisition cost). Relief of responsibility and liability does not obviate the need for proper disposition of the property item, to the extent the item still exists. For example, if relief of responsibility and liability involved a damaged item.

3.16.3. PAs shall also:

3.16.3.1. Maintain data integrity within the Property Loss eTool to reflect results of evaluations, analyses, investigations, etc., and regularly uploading support documentation.

3.16.3.2. Report all incidents of property loss to DCMAN-X (Security Center) and DSS, (when property contains or potentially contains classified or sensitive data), and appropriate law enforcement organizations if arms, ammunition and explosives are involved.

3.16.3.3. Take other required actions as may be necessary and appropriate by contract terms and conditions and other DCMA policy.

3.17. HOLD CONTRACTOR RESPONSIBLE AND LIABLE. The Contracting Officer may hold the contractor responsible and liable when one or more of the following conditions exist:

3.17.1. Property loss is a result of willful misconduct or lack-of-good faith on the part of contractor managerial personnel per FAR 52.245-1(h)(1)(ii) (Reference (aa)).

3.17.2. The Government's assumption of risk for property loss was previously withdrawn in accordance with FAR 45.104(b) (Reference (af)).

3.17.3. The loss is covered by insurance or the contractor is/will be otherwise reimbursed, or

3.17.4. The possibility of property loss was a risk assumed by the contractor; i.e., such action is authorized by contract terms and conditions.

3.18. PERFORM (MOCAS) PROPERTY ADMINISTRATION CONTRACT CLOSEOUT. See DCMA-INST 135, "Contract Closeout" (Reference (ag)). Upon resolution of all property related contractual matters, PAs shall conduct MOCAS property administration closeout via the CPAS eTool (clicking on CPAS "Close Contract" icon within the "Contract History Page" will cause "R9 55" remark to generate). Prior to closeout, PAs shall ensure:

3.18.1. Proper disposition of all accountable property by the contractor, including resolution of plant clearance cases. See DCMA-INST 111, "Plant Clearance" (Reference (ah)).

3.18.2. Adjudication of any outstanding property loss cases.

3.18.3. Termination of Document Control Number if applicable.

NOTE 1: A hard copy DD Form 1593 marked "Information Copy" should be provided to the cognizant DSS office for contracts involving Arms, Ammunition, or Explosives.

NOTE 2: PA's shall not request property closeout letters from contractors for orders issued under IDCs, as such orders are not authorized for MOCAS property assignment. See paragraph 3.3.5.

3.19. CONDUCT SITE-SPECIFIC ANALYSES IN A CONTINGENCY CONTRACTING ADMINISTRATION SERVICES ENVIRONMENT. Site-specific analyses are tactical assessments conducted by cognizant functional specialists (located in theater) at DoD operational

sites other than the prime contractor's primary location or place of performance (a military run, forward operating base, for example). Tactical assessments are not considered PMSAs under this Instruction. However, functional specialists shall follow the same PMSA policy/process framework when conducting such assessments.

3.19.1. In consultation with the functional specialist, Contracting Officers located in theater ("local Contracting Officers"), shall determine whether site-specific deficiencies are localized or impact the contractor's business system as a whole.

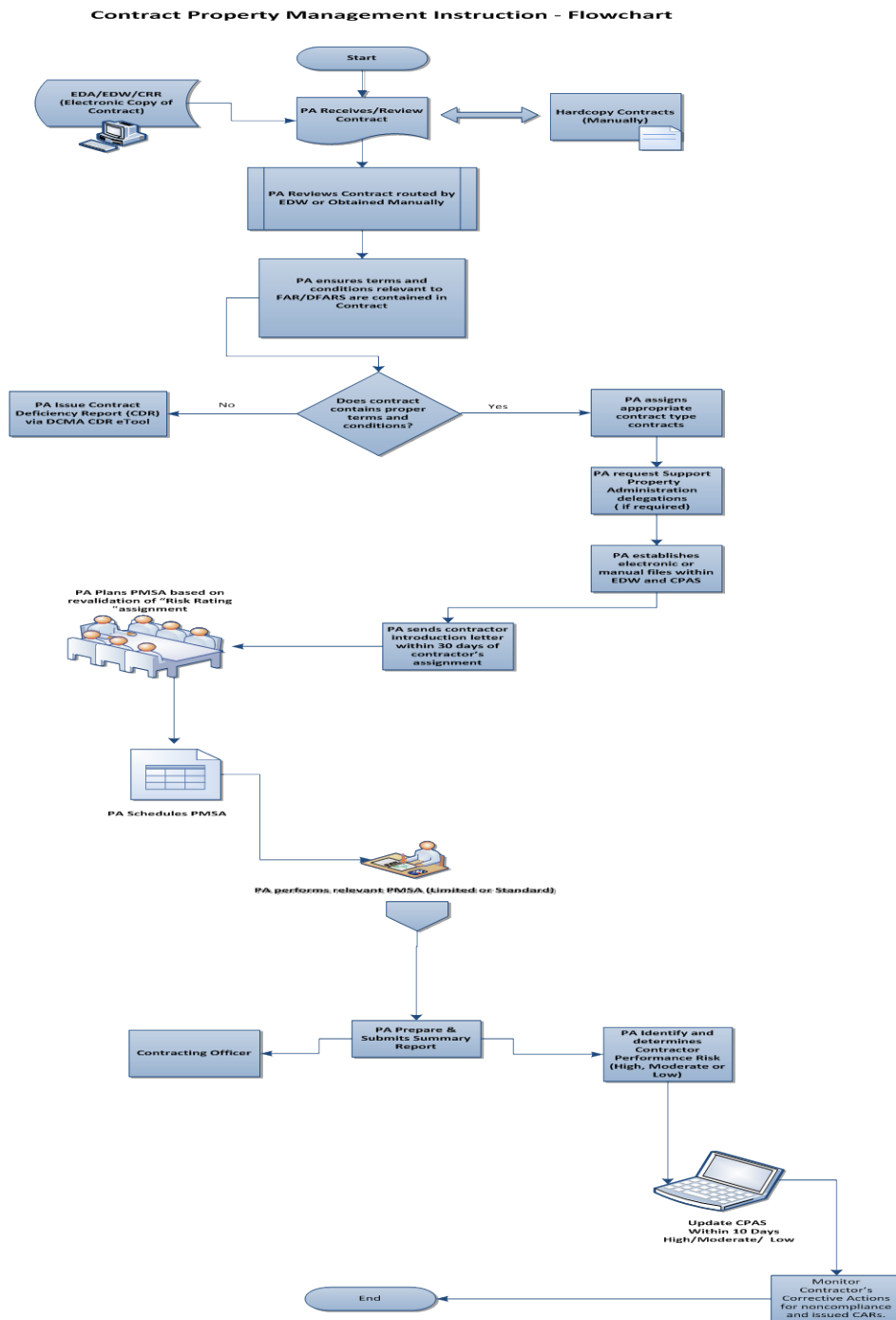
3.19.2. If the local Contracting Officer determines that site-specific deficiencies are localized; they may issue a CAR Level I or II, as appropriate, or refer the matter back to the functional specialist for resolution. If the contractor does not cooperate in correcting the deficiencies, the functional specialist may later escalate the matter to the local Contracting Officer, notwithstanding the significance of the deficiencies.

3.19.3. If the local Contracting Officer determines that deficiencies are not localized; i.e., impact or have nexus to the contractor's business system as a whole (thus impacting an overall business system determination), the local Contracting Officer shall issue a local CAR Level I or II for identified deficiencies, and refer the matter to the appropriate Contracting Officer (CACO, DACO, or ACO responsible for determining the acceptability of, and approving or disapproving a contractor's property management system).

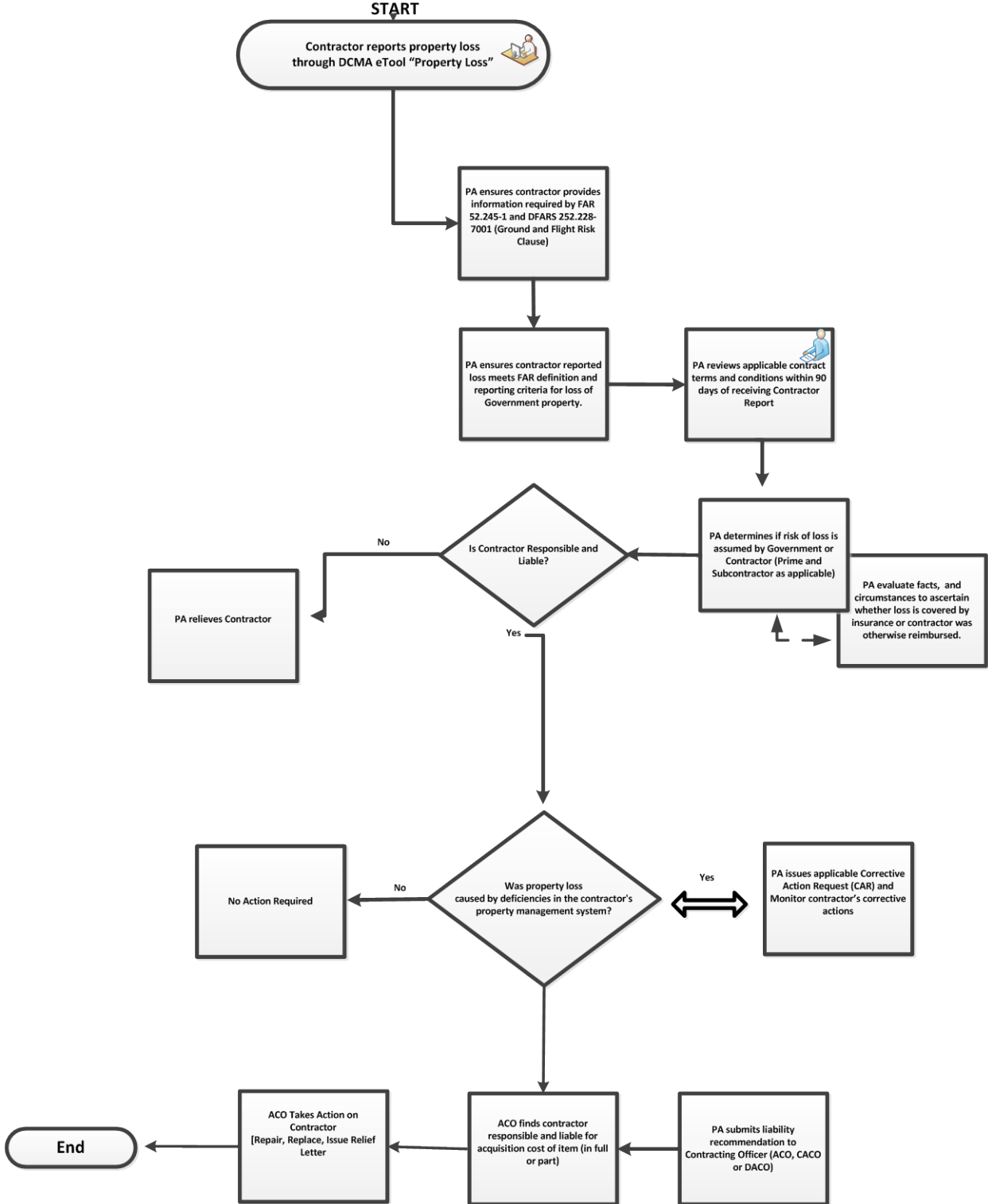
3.19.4. The assigned CACO, DACO, or ACO in consultation with the prime PA, shall determine if the aggregate information sufficiently represents a significant deficiency within the contractor's overall Business System. If so, CACOs, DACOs, or ACOs will follow DCMA-INST 131 (Reference (p)) process. If deficiencies are not representative of the whole system, CACOs, DACOs, or ACOs may refer the matter back to the local Contracting Officer for localized action.

3.19.5. In all cases, overall business system approval or disapproval authority rests with the CACO, DACO, or ACO responsible for determining acceptability of the Contractor's business system.

APPENDIX A POLICY FLOWCHART



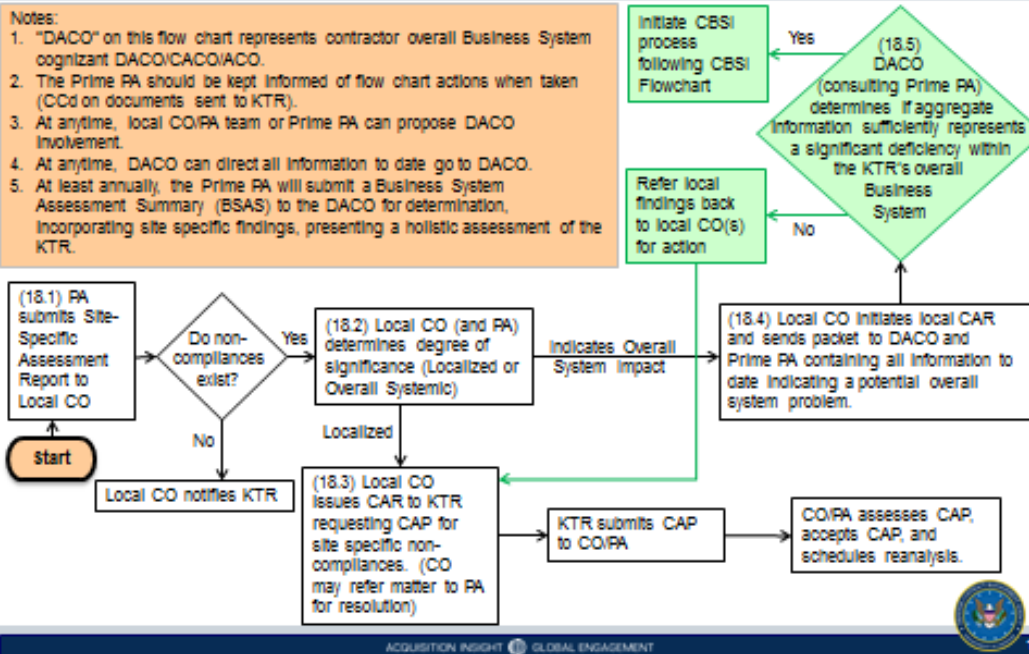
Flowchart via DCMA eTool "Property Loss"



DCMA Site Specific Assessment Flow Chart

DEFENSE CONTRACT MANAGEMENT AGENCY

- Notes:
- "DACO" on this flow chart represents contractor overall Business System cognizant DACO/CACO/IACO.
 - The Prime PA should be kept informed of flow chart actions when taken (CCO on documents sent to KTR).
 - At anytime, local CO/PA team or Prime PA can propose DACO Involvement.
 - At anytime, DACO can direct all information to date go to DACO.
 - At least annually, the Prime PA will submit a Business System Assessment Summary (BSAS) to the DACO for determination, incorporating site specific findings, presenting a holistic assessment of the KTR.



GLOSSARY

ACO	Administrative Contracting Officer
BSAS	Business System Analysis Summary
CACO	Corporate Administrative Contracting Officer
CAGE	Commercial and Government Entity
CAR	Corrective Action Request
CDR	Contract Deficiency Report
CMO	Contract Management Office
CPAS	Contract Property Administration System
DACO	Divisional Administrative Contracting Officer
DCMA-INST	DCMA Instruction
DCMAI	DCMA International
DCMAS	DCMA Special Programs
DFARS	Defense Federal Acquisition Regulation Supplement
DSS	Defense Security Service
EDA	Electronic Document Access
EDW	Electronic Data Warehouse
FAR	Federal Acquisition Regulation
IDC	Indefinite Delivery Contracts
MMAS	Material Management and Accounting System
MOCAS	Mechanization of Contract Administration Services
OCONUS	Outside Continental United States
PA	Property Administrator
PIIN	Procurement Instrument Identification Number
PMSA	Property Management System Analysis
SPA	Support Property Administration
SCP	Special Contract Provision