4 Things Contract Managers Need to Know about GFP Requirements

Background

We prepared this white paper to provide a quick guide on how to avoid costly mistakes in implementing the requirements around managing Government Property (GFP and CAP) for government contracts, Federal and the Department of Defense (DoD). This white paper is intended for the following audience:

- ✓ Contracts Managers and Program Managers. Often these professionals are less familiar with the requirements from the FAR/DFARs regulations specific to managing Government Property. This white paper can give them the list of things to check off before they finalize the contracts and programs.
- ✓ Federal Business Development and Capture Managers. Typically these professionals are even less familiar with the requirements. This white paper can give them the list of questions they should ask of potential teaming partners.
- ✓ Compliance officers. This white paper will give them some detailed knowledge so they can make sure their team is proceeding with the right information and analysis. There are many compliance implications to consider in the management of Government Property that may not be obvious.

Why do Contracts Managers need to know about the GFP requirements?

✓ FAR/DFARs regulations for managing Government Furnished Equipment and other types of Property have been changing more frequently. We believe this is partially driven by DOD's goal to meet the clean audit by 2017, for the first time. DOD contractors have a lot of Government Property going through their custodianship over time, and can contractually be held accountable to capture data that DoD has found it otherwise difficult to collect. For instance, the successful implementation of the UID Program is an example of the effort to gain auditable awareness of all DoD-owned Property among the contractors.   DCMA is the organization responsible for administering DOD contracts. It tends to set the standards for the rest of the federal agencies. If DOD is changing its rules and regulations in DFARs, other agencies will follow up with updates in FAR.

✓ Increasing scrutiny from Inspectors General and Auditors on contractors meeting the requirements. DCAA has added thousands of auditors in the past few years. Contractors are increasingly finding themselves responding to their requests for audits of records and processes.

✓ The shift to "Low-Cost Technically Acceptable" award criteria is forcing contractors to estimate the costs with more precision. Requirements on managing Government Furnished Property can have a significant implication for the costs.

So how should contracts managers get intelligent about assessing the requirements for managing Government Property? In today's Sequestration environment, with continuing budget battles and changing priorities, with awards being more competitive and access to the agency contracting officers less available, how should contracts managers prepare themselves? They can remember these 4 things:

1. **Keep up to date on the specific FAR/DFARS changes concerning the management of Government Furnished Property**

2. **Read the requirements in each proposal and understand whether your company's existing business systems and staffing support these requirements**

3. **Ask if your teaming partners or subcontractors have the business systems that support the requirements**
4. **Proactively prepare for the DCAA/DCMA audit**

#1. Keep up to date on the specific FAR/DFARS changes concerning the management of Government Furnished Property

Government Furnished Equipment (GFE) is consisted of several groups of property, and they are defined in different sections of the FAR:

- ✓ Material: FAR 45.101, 52.245-1(a)
- ✓ Equipment: FAR 45.101, 52.245-1(a), Special Test Equipment (FAR 2.101)
- ✓ Special Tooling: FAR 2.101
- ✓ Sensitive Property and Real Property: FAR 45.101, 52.245-1(a)

I am sure contract managers can remember much of the FAR/DFARS in their sleep. But as the regulations specific to Business Systems Rules and Government Property have undergone significant changes, these are the parts that require your special attention to make sure you understand the latest requirements:

- ✓ **FAR 52.245-1**

- ✓ **FAR Part 45**

- ✓ **DFARS 252.245-700X series**

- ✓ **DFARS 252.211-700X series (including UID marking and reporting)**

- ✓ **DFARS 252.242.700X series (including -7005 "Business Systems Rule"**

#2. Read the requirements in each proposal and understand whether your company's existing business systems and staffing support these requirements

If your company has implemented many contracts that include the management of Government Property, the company most likely has the business processes in place to meet the 10 outcomes of Government Property Management, as outlined in the FAR requirements. But be careful with some very specific requirements and make sure your business processes can support those.

For example, we have seen some specific requirements like this in a recent Army RFP:

> *"The Contractor shall become accountable for GFP when the Contracting Officer or the Administrative Contracting Officer transfer it from the government accountable records to the contractor via DD Form 3161 or DD form 1149.The Contractor shall affix tags to all GFP (except facilities) which indentify the property as government owned. Prior to affixing tags, submit the tag design and color, which shall be distinctly discernible from that tags affixed to contractor fixed assets, to the Government Property Administrator for approval. The Contractor shall not mark or affix any tags, emblems or signs portraying the contractor's name or logo to government facilities or equipment. Unique Item Identification (UID) of government property is mandatory IAW DoD FAR Supplement Clause 252.211-7003. The purpose of UID is so that the government will have the ability to know the quantity, location, condition and value of assets it owns; safeguard its assets from physical deterioration, theft, loss or mismanagement; prevent unnecessary purchase of items already on hand and to determine the full cost of government programs that use these assets."*

As a contracts manager, you may want to ask:

- ✓ How do we currently generate form DD Form 3161 or DD form 1149? Are they manual or systematic?
- ✓ Are we making sure we use GFP only as authorized by a contract?
- ✓ Are we disposing Government Property properly?
- ✓ Do we have a Materials Management Accounting system (MMAS) in place?
- ✓ How often and how many items typically do we receive from the government accountable records each time? If we generate these forms manually, do we need extra person to support that?
- ✓ What is our current property marking procedure? Who do we get the UID labels from? If we print our own, are we verifying them? Are we set up to receive GFP in the UID Registry, mark and register new items in the UID Registry? Are they compliant to the requirements?

#3. Ask if your teaming partners or subcontractors have the business systems that support the requirements

As a prime contractor, you are accountable for providing the records on the government property received and used in this contract, even they have subsequently been transferred to your subcontractors. There is a clause on "subcontractor control" in FAR 52.245-1, which details the policies and rules.

It's not unusual that your subcontractors may overstate their capabilities during the contract capture process. As a prime, you can do a couple of things to manage this type of risks:

- ✓ Ask your subcontractor to provide a self-certified statement that they do meet such requirements. This is probably the most common practice. It puts the responsibility 100% on the subcontractors' court.
- ✓ Consider providing a questionnaire for your subcontractors to complete, so you can be satisfied that they will meet all 10 Property Management Outcomes. Also consider requesting a copy of the letter from the Government (usually the ACO or DCMA) that indicates the finding of their most recent Property Management Systems Assessment (Property Audit) on the subcontractor.
- ✓ For subcontractors that will be responsible for significant amounts of GFP or any amount of Sensitive Items, it may be a good idea to conduct a Site Visit at the subcontractor, and perform a Subcontractor Property Management Systems Assessment, similar to a Contractor Self-Assessment.
- ✓ If you are not certain that the subcontractor can meet the requirements, you can recommend some service providers for the subcontractors to talk to, so they understand the cost of meeting the requirements and include the cost in the pricing proposal – this is probably a more collaborative approach, which helps to build a good foundation for working together down the road.

#4. Proactively prepare for the DCAA/DCMA audit

We are seeing increasing amount of activities from DCAA/DCMA to assess and audit the contractors' property management systems. The property management system includes business processes, documentation of the standard operating procedures (SOP), and any technology used to implement the system such as software, barcode printers, asset tracking technologies, etc.

Among large and established contractors, I have seen them staffing a large internal team of government property management experts, data reporting technicians, system administrators to maintain the records, update the SOPs, and train the relevant stakeholders. However, even within these large organizations, I have seen that some project teams or branch offices have failed to implement the written rules and procedures.

The majority of the government contractors are small to mid-sized companies. Typically they don't have an experienced team of government property management experts on their payroll. As a matter of fact, few can afford to keep many specialized government property management experts on their payroll. The rules are changing, and high turnover in the profession is not uncommon. There are some boutique consulting firms that specialize in FAR regulations, compliance and audit support. They can be engaged with a one-time consulting fee, which is a good investment to ensure your company is prepared for DCMA/DCAA audits.

Please keep in mind that Government Property Management is a lot more than simple Inventory control and tracking. This basic point is missed by many. Government Property Management is an activity that requires significant training and expertise, crossing many disciplines, from finance to acquisition to contracts management right through disposition (including reutilization, scrapping and demilitarization). It certainly can be a cost center, but it can also be crucial to achieving compliance. Effective and efficient Property Management can improve operations and achieve better results.

I hope this White Paper provides some tips for contracts managers to properly manage the requirements around managing Government Furnished Property. The key is to collaborate with you internal property management experts, with your subcontractors, or with external experts early on in the contracts life cycle, read some key terms, give them proper consideration. It shouldn't be that complicated. Remember, your competitors are also doing the same things to win contracts!

_____

About the author

This white paper is written by Alex Barenblitt, CPPM and MBA. Alex leads the consulting practice for E-ISG Asset Intelligence on Government Property Management Business Processes. Alex has many years of experience in leading teams to effectively manage Government Property in the custody of contractors. Under his leadership, his teams have consistently received positive reviews from the DCMA property administrators and other federal agency auditors. He has in depth subject matter expertise in the FAR/DFAR regulations in managing Government Property. He is a voting member of the property management standards body ASTM E 53 Committee. If you have questions, you can email Alex at Alex.Barenblitt@e-isg.com.

_____

About E-ISG Asset Intelligence

We provide out-of-box software solutions and implementation services for managing enterprise assets. Our software can be installed on premise or delivered as Software as a Solution. Our software is **Flexible, Extendable and Mobile.** To find out more, please call our sales team at 1-866-845-2416, or visit www.e-isg.com.