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Property Accountability
CONTROL OF GOVERNMENT PROPERTY IN POSSESSION OF CONSTRUCTION CONTRACTORS

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This regulation supersedes PODR 735-1-3, 11 Sep 83.

CHAPTER 1

GENERAL

1-1. Purpose. To establish policies and procedures and to assign responsibilities for the control of Government property in possession of construction contractors.

1-2. Applicability. This regulation applies to all elements of the Pacific Ocean Division.

1-3. Definitions. As used in this regulation:

a. Government-furnished property (GFP) is property which the Government furnishes to a contractor for use on or installation in the contract work.

b. Contractor-furnished material (CFM) is property which a contractor acquires for use on or installation in the contract work but which is not needed because:

(1) The contract specifications or drawings are modified.

(2) The contract is terminated before the work is completed.

c. Government salvage property (GSP) is property which a contractor removes during the alteration or repair of an existing facility and is required to turn in to the Government. GSP does not include property a contractor is required to remove and (i) reinstall or relocate in the facility, or (ii) dispose of.

1-4. Responsibility.

a. Property Administrator. The Pacific Ocean Division Office (PODO) Property Administrator is responsible for the overall management and control of GFP for all contracts except those in the Far East District (FED). The FED Property Administrator is responsible for the FED contracts.

b. Chief of Property Accounting Section. The PODO Chief of Property Accounting Section maintains the official contract records of CFM and GSP for all contracts except those in FED. The FED Chief of Property Accounting Section maintains the records for the FED contracts.

c. Project Coordinator. The Engineering Division employee who prepares the Invitation for Bids (IFB) or Request for Proposals (RFP) ensures that GFP and GSP are properly listed in the IFB or RFP (paras 2-2b, 2-3b, and 4-2a).

d. Office Engineer. The Construction Division employee or field office employee who prepares the contract modification ensures that GFP, CFM, and GSP are properly listed in the contract modification (paras 2-2b, 2-3b, 3-2a, and 4-2a). The Office Engineer also takes care of other CFM matters (paras 3-2a, 3-2a(1) through (3), 3-2d(2), and 3-2e).

e. Field Engineer. The area, resident, or project engineer takes care of field actions involving GFP (paras 2-6 through 2-10, CFM (para 3-2b), and GSP (para 4-3).

f. Plant Clearance Officer. The Plant Clearance Officer is responsible for the screening, sale, abandonment, or destruction of CFM (paras 3-2c through e). The respective Chiefs of PODO, FED, and Japan Engineer District (JED) Procurement and Supply Divisions arrange for the appointment of a Plant Clearance Officer (FAR 45.601 and AFARS 42.9001).

g. PODO Chief of Procurement and Supply Division. The PODO Chief of Procurement and Supply Division manages procurement and disposal activities for Honolulu Engineer District (HED).

CHAPTER 2

GOVERNMENT-FURNISHED PROPERTY (GFP)

2-1. General. The overall policies, authorities, and procedures are in FAR/DFARS/AFARS/EFARS Part 45, Armed Services Procurement Regulation Supplement No. 3, and ER 735-1-1.

2-2. Contract List of Authorized Property.

a. The Government furnishes the property, services, and utilities listed in the special contract clauses of the IFB, RFP, or contract modification, or listed elsewhere in the contract specifications or drawings. The contractor furnishes all other property, services, and utilities required to perform the work.

b. All GFP should be listed in either the special contract clause entitled "Identification of Government-Furnished Property" or in a special contract clause entitled "Appendix B, Government-Furnished Property." If; however, GFP is listed elsewhere in the contract specifications or drawings, it shall be furnished to the contractor at Government expense (paras 2-3b and 2-4b(4)).

2-3. Property Clauses.

a. Use one of the following clauses, as appropriate, in the GFP special contract clause of the IFB or RFP. Also, use the appropriate clause in the GFP special contract clause of a contract modification if GFP was not previously authorized in the contract:

(1) "The acquisition cost of this property is \$50,000 or less."

or

(2) "The acquisition cost of the property exceeds \$50,000."

b. Use the following clause in the GFP special contract clause of the IFB, RFP, or contract modification:

"Unless shown elsewhere in this contract or in the contract drawings, the items and quantities listed in (enter the special contract clause number or Appendix B (para 2-2b)) shall be the only property furnished to the Contractor at Government expense. All other items and quantities which are required to complete the contract work shall be furnished by the Contractor at his expense."

c. (1) Use the following clause in the GFP special contract clause of the IFB, RFP, or contract modification when the GFP is to be delivered free on board the Contractor's trucks or other conveyances:

"This property will be available at (state the place) on board the Contractor's trucks or on other conveyances. The Contractor shall be responsible for all labor and material cost for securing the load on the trucks or conveyances and for the safe delivery of the property to the job site."

or

(2) Use the following clause in the GFP special contract clause of the IFB, RFP, or contract modification when the contractor is to be responsible for loading the GFP onto his trucks or onto other conveyances:

"This property will be available at (state the place). The Contractor shall be responsible for loading and securing the property on his trucks or on other conveyances and for the safe delivery of the property to the job site."

d. (1) Use one of the following clauses, as appropriate, in the GFP special contract clause of the IFB, RFP, or contract modification when the Government is to furnish all quantities required for the work, but the quantities cannot be determined until the work has progressed; for example, hardware for repair of troop quarters.

(a) "The Government shall furnish all quantities required to perform the original contract work." (Use this clause in the IFB or RFP.)

or

(b) "The Government shall furnish all quantities required to perform the work in contract Modification No. (state the number)."
(Use this clause in the contract modification.)

(2) The quantities of such items must be shown in the contract list of authorized property (para 2-2b) as "All-as-required" and the items must be clearly cross referenced to the appropriate clause.

(3) The Contracting Officer's approval is required before either of the clauses is used.

2-4. Change to Contract List of Authorized Property.

a. A contract modification is required to change the authorized quantity of GFP and, if appropriate, to adjust the contract time and price when--

(1) There is an increase or decrease in the authorized quantity of GFP because of additional work or because of a change in the work required ("Changes" or "Differing Site Conditions" clauses of the contract, FAR 52.243-4 and 52.236-2).

(2) GFP is substituted for property which the contractor is obligated to provide.

(3) Contractor-provided property is substituted for GFP.

(4) Other GFP is substituted for the authorized GFP. In this case, a contract modification is required only if the contractor makes a written request for a modification, or if the Contracting Officer determines that the substitution causes a decrease in the cost of contract performance (Government Property clause, FAR 52.245-2(b) and Short Form clause, FAR 52-245-4(a)). If a contract modification is not required, the Field Engineer must promptly send a memorandum for record (MFR) to the Property Administrator to show why the substitution was made and that the substitution did not cause a decrease in the cost of contract performance.

(5) GFP is not delivered to the contractor because it is not available for delivery; for example, out of stock or delayed in shipment. In this case, a contract modification is required only if the contractor makes a written request for a modification, or if the Contracting Officer determines that nonavailability of the GFP causes a decrease in the cost of contract performance (Government Property clause, FAR 52.245-2(b) and Short Form clause, FAR 52-245-4(a)). If a contract modification is not required, the Field Engineer must promptly send a MFR to the Property Administrator to show why delivery was not made and that the nonavailability did not cause a decrease in the cost of contract performance.

b. A contract modification is not required to change the authorized list of GFP when:

(1) The quantity of GFP delivered to the contractor is enough for the work but is less than the authorized quantity. This occurs when there is an error in estimating or listing the authorized quantity of GFP. In this case, the Field Engineer must promptly send a MFR to the Property Administrator to show the items and quantities that were not delivered because they were not needed for the work.

(2) The quantity of GFP delivered to the contractor is more than the quantity required for the work but is within the authorized quantity. This occurs when there is an error in estimating or listing the authorized quantity of GFP. The contractor must return the excess to the Government in an unused condition; otherwise, the Contractor's liability for the excess must be determined in accordance with paragraph 13-4h, ER 735-1-1.

(3) The quantity of GFP delivered to the contractor is more than the authorized quantity. This occurs when there is an overissue or an issue of standard lengths, sizes, or packages. The contractor must return the excess to the Government in an unused condition; otherwise, the Contractor's liability for the excess must be determined in accordance with paragraph 13-4h, ER 735-1-1.

(4) The GFP is authorized elsewhere in the contract specifications or drawings but not in the special contract clause (para 2-2b).

2-5. Accounting for Templates and Similar Items.

a. If "suspense-item" accountability is appropriate for such items (EFARS 45.105(a)), use POD Form 17, Architect-Engineer Contract Record of Government-Furnished Material, to document the items delivered to and returned by the contractor. Normally, only the Field Engineer and the contractor need copies of the POD Form 17. If, however, the contractor damages or loses any of the items, the Field Engineer must send a copy of the POD Form 17 to the Property Administrator for appropriate adjustment action (para 13-4h, ER 735-1-1).

b. If regular GFP accountability is appropriate for such items, follow the procedure in paragraph 2-6 to document the items delivered to the contractor. Use a delivery document or receiving report to document the items returned by the contractor. The Field Engineer must send a copy of each delivery and return document to the Property Administrator for posting in the official contract property record.

2-6. Delivery Document. Use DD Form 1149, Requisition and Invoice/Shipment Document; or DD Form 250, Material Inspection and Receiving Report, to document GFP delivered to the contractor. If the supply activity that furnishes the GFP does not send a DD Form 1149/250 with the shipment, the Field Engineer must prepare the form.

a. The form must--

(1) Show the contract reference that authorizes the GFP; that is, the special contract clause number or Appendix B (para 2-2b), technical specification paragraph number, drawing number, contract modification number, or contract change item number.

(2) Show the acquisition cost of the GFP. If the cost is unknown, show the estimated cost and the abbreviation "est".

(3) List any damage, shortage, discrepancy, or any other condition exception that existed before delivery of the GFP to the contractor.

b. The Field Engineer and the contractor must mutually confirm the quantity and condition of GFP at the time of delivery. They must date and sign a statement on the delivery document to show that they agree as to the quantity delivered and the condition exceptions, if any.

c. The Field Engineer distributes copies of the delivery documents as follows:

(1) Upon delivery of GFP to the contractor - one copy to the contractor.

(2) Within one working day after delivery of GFP to the contractor - original and one copy to the Property Administrator; two copies to FED Procurement and Supply Division (FED contracts); two copies to JED Office Engineering Branch (JED contracts).

2-7. Storage Inspection. The Field Engineer must inspect the Contractor's storage facilities as often as necessary to ensure that GFP is properly stored and protected. If the inspections disclose unsatisfactory conditions, the Field Engineer must (1) notify the contractor on the spot, and (2) maintain close follow-up action to ensure prompt corrective action. If the contractor fails to take prompt corrective action, the Field Engineer must promptly inform the Property Administrator of the problem.

2-8. Use or Installation. The Field Engineer must certify whether the contractor used or installed the GFP for proper purposes and in reasonable amounts in the contract work. The report must also state that the GFP became part of the facilities which were turned over to the using service. The property Administrator prepares the report for completion and certification by the Field Engineer. The certified quantity--

a. May include a reasonable amount of unusable scrap of no value; for example, carpet trimmings.

b. Must not include (1) usable items; for example, carpet pieces that can be used as rugs, or (2) scrap that has a probable sale value greater than the estimated cost of its care and handling; for example, a sizable quantity of copper cable remnants left over from splicing cable. Such property must be disposed of in accordance with paragraph 2-10. The Field Engineer must promptly send a copy of the disposal document to the Property Administrator.

c. Must not include any GFP delivered to the contractor (1) because of an error in estimating or listing the authorized quantity of GFP (para 2-4b (2)), or (2) in excess of the authorized quantity (para 2-4(b)(3)). Such property must be disposed of in accordance with paragraph 2-10.

2-9. Liability for Loss, Damage, Destruction, or Excessive Consumption of Property.

a. Before GFP is delivered to the contractor, the Property Administrator must send a letter to the contractor requesting that the contractor immediately notify the Field Engineer if (1) any GFP is delivered to the contractor in a damaged condition, or (2) is lost, damaged, or destroyed while in his custody.

b. When storage inspections (para 2-7) or other field actions disclose (1) unreasonable consumption of GFP, or (2) loss, damage, or destruction of GFP which has not been reported by the contractor, the Field Engineer promptly sends a statement of the items to the contractor requesting that the contractor investigate the matter and submit a written report to the Field Engineer.

c. The Contractor's notification (para 2-9a) or report (para 2-9b) must include the following information:

(1) Description and quantity of the items.

(2) Date and cause of the loss, damage, destruction, or unreasonable consumption.

(3) Insurance, if any, covering the GFP.

(4) Action taken to prevent further loss, damage, destruction, or unreasonable consumption.

d. Upon receipt of the Contractor's notification or report, the Field Engineer must investigate the matter to the extent required to make a valid written conclusion as to the cause of the loss, damage, destruction, or unreasonable consumption. The Field Engineer must promptly send the case file, including his written conclusion, to the Property Administrator for final action by the Property Administrator or Contracting Officer to determine (1) the Contractor's liability for the GFP, and (2) the action required to adjust the official contract property record (para 13-4h, ER 735-1-1).

2-10. Disposal of Excess Property.

a. Excess GFP is generated by (1) contract modifications which reduce the quantity authorized for the work (paras 2-4a(1) and (3)), (2) errors in estimating or listing the authorized quantity (para 2-4b(2)), or (3) overissues or standard length, size, or pack issues (para 2-4b(3)). The Field Engineer must promptly report such excess to the respective PODO, FED, or JED Procurement and Supply Division for disposal instructions. Upon disposal of the excess, the Field Engineer must promptly send a copy of the disposal document to the Property Administrator.

b. The Property Administrator reviews GFP delivery documents, contract modifications, expenditure/installation reports, and other relevant papers to verify whether the disposal document covers all of the excess items.

2-11. Property Clearance for Final Contract Payment. The contract cannot be cleared for final payment until the Property Administrator confirms in writing that all GFP is properly accounted for and there are no unresolved questions about the Contractor's liability for GFP (para 13-4k, ER 735-1-1).

CHAPTER 3

CONTRACTOR-FURNISHED MATERIAL (CFM)

3-1. General.

a. The contract price includes the cost of all material required to be provided by the contractor for the contract work. If the contract specifications or drawings are modified, or the contract is terminated before the work is completed, the Government has the right to take title to any CFM not required for the remaining work (FAR 45.603).

b. The contractor acquires the materials he estimates he will need to do the work. He may have included breakage or other over-buy allowances in his purchases to ensure that there would be no interruption of work because of material shortages. In such case, the Government has no right to the breakage/over-buy allowance materials because the Government contracted for the construction or alteration of a building or other facility, rather than for the building/facility and any left over Contractor-owned materials.

3-2. Accounting for Property Under a Contract Modification.

a. Modifications in contract specifications and drawings that cause a decrease in the amount of CFM required for the work must be formalized by a contract modification. Unless a Plant Clearance Officer has been appointed (paras 1-4f, 3-2c, and 3-2d), the Office Engineer must verify the allocability of the CFM listed on the inventory schedules submitted by the contractor (FAR 45-606-3 and 45.608-5(f)(4)). The Office Engineer must ensure that the contract modification lists all CFM that is--

(1) Required by the Government (FAR 45.603 and 45-608-5(f)(7)). This includes CFM that is required for other HED, FED, or JED construction projects or is required by the using service. It also includes (1) items the contractor is willing to keep at cost (para 3-2a(2)), and (2) items that could be returned to the supplier for full credit, less the supplier's normal restocking charge or 25 percent of cost, whichever is less (para 3-2a(3)). The Office Engineer must find out whether the CFM is required for other construction projects within the local area or by the using service. If there is such a requirement, the Office Engineer must make arrangements for the contractor to deliver the CFM to the Government.

(2) Not retained by the contractor at cost (FAR 45.603(a)). Except for items required by the Government (para 3-2a(1)), the contractor shall be encouraged to retain the CFM and give the Government full credit for its cost. Further, except for items required by the Government, the Government shall not take over common items (FAR 45.601 and 45.608-5(f)(3)), reasonably usable on other work of the contractor without loss to the contractor (FAR 45.606-2). The contractor may be reimbursed for reasonable transportation and handling charges incurred in retaining the CFM (FAR 45.605-1(a) and 45-608-5(f)(3)).

(a) The Office Engineer must document the contract record file to show the property retained by the contractor.

(b) The contractor may retain CFM that was imported duty-free for a project only after customs requirements of the host country are met.

(3) Not returned to the supplier for credit (FAR 45.605-2). Except for items required by the Government (para 3-2a(1)) and items retained by the contractor at cost (para 3-2a(2)), the contractor shall be encouraged to return CFM to the supplier for full credit, less either the supplier's normal restocking charge or 25 percent of the cost, whichever is less. The contractor may be reimbursed for reasonable transportation, handling, and restocking charges incurred in returning the CFM.

(a) The Office Engineer must document the contract record file to show the property returned to the supplier.

(b) The supplier may take back duty-free CFM only after customs requirements of the host country are met.

b. The Field Engineer must (1) ensure that the contractor promptly turns in the CFM listed in the contract modification, and (2) promptly send a copy of the turn-in document to the Chief of Property Accounting Section.

c. The Government is obligated to take over any CFM that is not retained by the contractor (para 3-2a(2)), or is not returned to the supplier (para 3-2a(3)). This remaining CFM is subject to screening by other Government agencies and eligible donees (FAR 45.608-1). A Plant Clearance Officer must be appointed to take care of the screening.

d. CFM which is left over after screening may be disposed of by sale.

(1) If a competitive sale is practical, (DFARS 45.610-1(a)(2)), a Plant Clearance Officer must be appointed to supervise the sale (DFARS 45.7001-4(i) through (o)).

(2) If a competitive sale is not practical, a negotiated sale may be made. The offer must be fair and reasonable and not less than the proceeds which could reasonably be expected to be obtained if the CFM had been offered for competitive sale (DFARS 45.610-1(a)(3)). Negotiated sales include (1) CFM retained by the contractor at less than cost, and (2) CFM returned to the supplier if the restocking charge exceeds 25 percent. Use DD Form 1641, Disposal Determination/Approval, to document the conditions justifying the negotiated sale (DFARS 45.613(d)). Unless a Plant Clearance Officer has been appointed, the Office Engineer prepares this form for the Contracting Officer's approval.

(3) CFM imported duty-free for a project may be sold only after customs requirements of the host country are met.

e. CFM left over after screening which cannot be sold by the Plant Clearance Officer may be transferred to GSA or the Defense Property Disposal Office for disposal if it can be clearly shown that such action is in the Government's interest and is economical. Otherwise, the CFM may be abandoned or destroyed if (1) it has no commercial value and is of no value to the Government, (2) the estimated cost of its care and handling is greater than the probable sale price, or (3) because of its nature, it constitutes a danger to public health, safety, or welfare (FAR 45-611). Guidance for abandonment or destruction of hazardous waste is in paragraphs A2a(4), A2b, B3a, and B3c, chapter XIV, DOD 4160.21-M, Defense Disposal Manual. Use DD Form 1641 to document the conditions justifying abandonment or destruction (DFARS 45-613(c)). Unless a Plant Clearance Officer has been appointed, the Office Engineer prepares this form for the Contracting Officer's approval.

3-3. Accounting for Property Under a Contract Termination. The procedures to be followed and the individuals responsible for disposal of termination CFM will depend on the quantity, type, value and location of the CFM. Accordingly, when a contract is terminated, the respective Chiefs of PODO, FED, and JED Procurement and Supply Divisions must ensure that appropriate procedures are followed and responsibilities are assigned.

3-4. Property Clearance for Final Contract Payment. The contract cannot be cleared for final payment until the Chief of Property Accounting Section confirms in writing that all CFM is properly accounted for (para 13-5a(2), ER 735-1-1).

CHAPTER 4

GOVERNMENT SALVAGE PROPERTY (GSP)

4-1. General. Disposal instructions for GSP must be shown in the IFB, RFP, or contract modification (Corps of Engineers Guide Specifications -- CEGS-02110). The using service must provide the disposal instructions because it owns the facility (EFARS 45/9005).

4-2. Contract List of Property to be Removed. The Project Coordinator or the Office Engineer, as appropriate, must obtain instructions from the using service on how to dispose of the property which is not required for reinstallation or relocation in the facility. Based on such instructions, the Project Coordinator/Office Engineer must list in the IFB, RFP, or contract modification--

a. The GSP, if any, the contractor is to turn in to the Government and where the turn in is to be made.

b. The property, if any, the contractor is to dispose of in a Government-controlled disposal area and where the disposal area is located.

c. The property, if any, the contractor is to dispose of outside the limits of the Government reservation.

4-3. Accounting for Property to be Turned In.

a. When construction is ready to begin, the Field Engineer and the contractor must mutually determine whether the GSP listed for turn in (para 4-2a) is on hand and the general condition of the GSP. If the items or quantities on hand are less than those listed, a contract modification is required if the cost of contract performance is decreased because the contractor does not have to remove and handle such items. If the cost is not decreased, the Field Engineer must promptly send a MFR to the Chief of the Property Accounting Section to show the GSP that is not available for turn in and confirm that the contract cost is not decreased.

b. The Field Engineer must--

(1) Arrange for the contractor to turn in the GSP to the Government.

(2) Send a copy of each GSP turn in document to the Chief of Property Accounting Section as soon as each turn in is made.

(3) Request disposal instructions from the respective Chiefs of PODO, FED, and JED Procurement and Supply Divisions if the Government activity designated in the IFB, RFP, or contract modification to receive the GSP (para 4-2a) refuses to accept some or all of it. Upon disposal of such GSP, the Field Engineer must send a MFR to the Chief of Property Accounting Section to show the items and quantities involved and how they were disposed of. The MFR must also refer to and include as an enclosure the correspondence from the Government activity stating its refusal to accept the GSP.

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(4) Send a MFR to the Chief of Property Accounting Section as soon as the last turn in of GSP is made to--

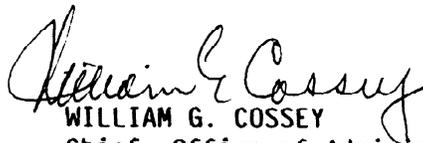
(a) Verify whether the items and quantities turned in by the contractor (para 4-3b(2)) cover all of the GSP that was on hand when construction began.

(b) List each GSP turn-in document.

(c) State whether the contractor damaged any of the GSP (para 4-3a).

4-4. Property Clearance for Final Contract Payment. The contract cannot be cleared for final payment until the Chief of Property Accounting Section confirms in writing that all GSP is properly accounted for (para 13-6b, ER 735-1-1).

FOR THE COMMANDER:



WILLIAM G. COSSEY

Chief, Office of Administrative Services

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