

MANAGEMENT OF GOVERNMENT PROPERTY IN THE POSSESSION OF SUBCONTRACTORS

- (a) Scope. This document prescribes the minimum requirements subcontractors must meet in establishing and maintaining control over Government property. It applies to subcontractors organized for profit and, except as otherwise noted, to nonprofit organizations. In order for the special requirements in this document governing nonprofit organizations to apply, the Subcontract must identify the Subcontractor as a nonprofit organization. If there is any inconsistency between this document and the terms of the Subcontract under which the Government property is provided, the terms of the Subcontract shall govern. JPL's Subcontractors are to respond to JPL as the prime contractor
- (b) Definitions.
- (1) "Accessory item," as used in this document, means an item that facilitates or enhances the operation of plant equipment but which is not essential for its operation.
 - (2) "Agency-peculiar property," as used in this document, means Government-owned personal property that is peculiar to the mission of NASA (formerly referred to as space property). It excludes Government material, special test equipment, special tooling, and facilities.
 - (3) "Auxiliary item," as used in this document, means an item without which the basic unit of plant equipment cannot operate.
 - (4) "Reportable equipment," as used in this document, means that plant equipment, special test equipment (including components), special tooling, and non-flight space property (including ground support equipment) which is (i) generally commercially available and used as a separate item or component of a system, (ii) is valued at \$1,000 or more, and (iii) is identifiable by a manufacturer and model number.
 - (5) "Subcontractor-acquired property," as used in this document, means property acquired or otherwise provided by the Subcontractor for performing a subcontract with JPL and to which the Government has title.
 - (6) "Custodial records," as used in this document, means written memoranda of any kind, such as requisitions, issue hand receipts, tool checks, and stock record books, used to control item issued from tool cribs, tool rooms, and stockrooms.
 - (7) "Discrepancies incident to shipment," as used in this document, means all deficiencies incident to shipment of Government property to or from a subcontractor's facility whereby differences exist between the property purported to have been shipped and property actually received. Such deficiencies included loss, damage, destruction, improper status and condition coding, errors in identity or classification, and improper consignment.
 - (8) "Facilities," as used in this document, means property used for production, maintenance, research, development, or testing. It includes plant equipment and real property. It does not include material, special test equipment, special tooling, or agency-peculiar property.
 - (9) "Government property," as used in this document, includes JPL-furnished Government-owned property and subcontractor-acquired property.
 - (10) "Government-furnished property (GFP)," as used in this document, means JPL-furnished Government owned property in the possession of or directly acquired by the Government and subsequently made available by JPL to the subcontractor.
 - (11) "Individual item record," as used in this document, means a separate card, form, document or specific line(s) of computer data used to account for one item of property.
 - (12) "Material", as used in this document, means property that may be incorporated into or attached to a deliverable end item or that may be consumed or expended in performing a subcontract. It includes assemblies, components, parts, raw and processed materials, and small tools and supplies that may be consumed in normal use in performing a subcontract.

- (13) "Nonprofit organization," as used in this document, means any corporation, foundation, trust, or institution operated for scientific, educational, or medical purposes, which is not organized for profit, and from which no part of the net earnings inures to the benefit of any private shareholder or individual.
- (14) "Plant equipment," as used in this document, means personal property of a capital nature (including equipment, machine tools, test equipment, furniture, vehicles, and accessory and auxiliary items) for use in manufacturing supplies, in performing services, or for any administrative or general plant purpose. It does not include special tooling or special test equipment.
- (15) "Property Administrator," as used in this document, means an authorized representative of the Contracting Officer or an authorized representative of JPL assigned to administer the subcontract requirements and obligations relating to Government property.
- (16) "Real property," as used in this document, means land and rights in land, ground improvements, utility distribution systems, and buildings and other structures. It does not include foundations and other work necessary for installing special tooling, special test equipment, or plant equipment.
- (17) "Salvage," as used in this document, means property that, because of its worn, damaged, deteriorated, or incomplete condition or specialized nature, has no reasonable prospect of sale or use as serviceable property without major repairs, but has some value in excess of its scrap value.
- (18) "Scrap," as used in this document, means personal property that has no value except for its basic material content.
- (19) "Special test equipment," as used in this document, means either single or multipurpose integrated test units engineered, designed, fabricated, or modified to accomplish special purpose testing in performing a subcontract. It consists of items or assemblies of equipment that are interconnected and interdependent so as to become a new functional entity for special testing purposes. It does not include material, special tooling, facilities (except foundations and similar improvements necessary for installing special test equipment), and plant equipment items used for general plant testing purposes.
- (20) "Special tooling," as used in this document, means jigs, dies, fixtures, molds, patterns, taps, gauges, other equipment and manufacturing aids, all components of these items, and replacements of these items, which are of such a specialized nature that without substantial modification or alteration their use is limited to the development or production of particular supplies or parts thereof or to the performance of particular services. It does not include consumable property, material, special test equipment, facilities (except foundations and similar improvements necessary for installing special tooling), general or special machine tools, or similar capital items.
- (21) "Stock record," as used in this document, means a perpetual inventory record which shows by nomenclature the quantities of each item received and issued and the balance on hand.
- (22) "Utility distribution system," as used in this document, includes distribution and transmission lines, substations, or installed equipment forming an integral part of the system by which gas, water, steam, electricity, sewage, or other utility services are transmitted between the outside building or structure in which the services are used and the point of origin, disposal, or connection with some other system. It does not include communication services.
- (23) "Work-in-process," as used in this document, means material that has been released to manufacturing, engineering, design or other services under the subcontract and includes undelivered manufactured parts, assemblies, and products, either complete or incomplete.

(c) Subcontractor Responsibility.

- (1) The Subcontractor is directly responsible and accountable for all Government property in accordance with the provisions of this Subcontract. This includes Government property in the possession or control of a subcontractor. The Subcontractor shall establish and maintain a system in accordance with this document to control, protect, preserve, and maintain all Government property. This property control system shall be in writing unless the Property Administrator determines that maintaining a written system is unnecessary. The system shall be reviewed and, if satisfactory, approved in writing by the Property Administrator.

- (2) The Subcontractor shall maintain and make available the records required by this document and account for all Government property until relieved of that responsibility. The Subcontractor shall furnish all necessary data to substantiate any request for relief from responsibility.
 - (3) (A) The Subcontractor shall be responsible for the control of Government property hereunder upon:
 - (i) Delivery by JPL of GFP into its custody or control;
 - (ii) Delivery, when property is purchased by the Subcontractor and the Subcontract calls for reimbursement by JPL (this requirement does not alter or modify subcontractual requirements relating to passage of title).
 - (iii) Approval of its claim for reimbursement by JPL or upon issuance for use in Subcontract performance, whichever is earlier, of property withdrawn from Subcontractor-owned stores and charged directly to the Subcontract. This is not applicable to fixed-price subcontracts);
 - (iv) Acquisition by the Government of title to property pursuant to specific subcontractual provisions, or as a result of termination of a subcontract, or change orders issued under a subcontract. For purposes of property control, such property shall, unless otherwise provided by the Subcontract, be considered Government property upon acceptance of title by JPL.
 - (B) Property to which the Government has acquired a lien or title solely as a result of advance, progress, or partial payments is not subject to the requirements of this document.
 - (4) The Subcontractor shall require lower-tier subcontractors that are provided Government property under this Subcontract to comply with the requirements of this document. Procedures for assuring lower-tier subcontractor compliance shall be included in the Subcontractor's property control system.
 - (5) If the Property Administrator finds any portion of the Subcontractor's property control system to be inadequate, the Subcontractor must take any necessary corrective action before the system can be approved. If the Subcontractor and Property Administrator cannot agree regarding the adequacy of control and corrective action, the matter shall be referred to the Contracting Officer.
 - (6) The Subcontractor shall promptly report all Government property in excess of the amounts needed to complete full performance under this Subcontract to JPL, Subcontract Property & Utilization Group.
 - (7) When unrecorded Government property is found, both the cause of the discrepancy and actions taken or needed to prevent recurrence shall be determined and reported to the Property Administrator and JPL, Subcontract Property & Utilization Group.
- (d) Discrepancies Incident to Shipment.
- (1) GFP. If overages, shortages, or damages are discovered upon receipt of GFP, the Subcontractor shall provide a statement of the condition and apparent causes to the Property Administrator and JPL, Subcontract Property & Utilization Group. Only that quantity of property actually received will be recorded on the official records.
 - (2) Subcontractor-acquired property. The Subcontractor shall take all actions necessary in adjusting overages, shortages, or damages in shipment of Subcontractor-acquired property from a vendor or supplier. However, when the shipment has moved by Government bill of lading and carrier liability is indicated, the Subcontractor shall report the discrepancy in accordance with paragraph (1) above.
- (e) The policy on the provision of Government property (both Government-furnished and subcontractor acquired) is prescribed in FAR 45.102 and NFS 18-45.102.
- (f) GFP. JPL will describe all GFP in the Subcontract Schedule or specifications, regardless of property category. Additional GFP must be described in a modification to the Subcontract. Furthermore, to obtain additional Government-furnished facilities, the Subcontractor must submit a written statement prescribed by FAR 45-302.1(a)(4) and any corresponding supplementing provisions of the NFS.
- (g) Subcontractor-Acquired Property. The acquisition (and fabrication) of Government property is subject to the following conditions, depending on category of property:
- (1) Reportable Equipment Not Otherwise Identified (unless for incorporation into flight qualified or flight monitoring deliverable end items).

- (A) The Subcontractor shall provide JPL, at the earliest possible date, a detailed listing of requirements for screening of existing Government inventories. DD Form 1419, DOD Industrial Plant Equipment Requisition, will be prepared for each item of Reportable Equipment to be acquired and forwarded to JPL for screening of the NASA Equipment Management System and other Government-available-equipment list for each item required, at least 30 days prior to beginning fabrication of or placement of a purchase order or lower-tier subcontract for such equipment. In the event a certificate of non-availability is not received within such period, the Subcontractor may proceed to acquire the equipment or components, subject to any other applicable provisions of this Subcontract.
 - (B) Instructions for preparing the DD Form 1419 are contained in NFS 18-45.71032.
 - (C) For reporting property acquisitions, please complete the data elements identified in the Tagging Template, Exhibit 2.
- (2) Facilities.
- (A) Prior JPL approval, if not already described in a subcontract Schedule as Subcontractor acquired.
 - (B) Submission of DD Form 1419, "DOD Industrial Plant Requisition," and return of Certificate of Nonavailability if it qualifies as Reportable Equipment.
 - (C) Submission of a written statement prescribed by FAR 45.302-1(a)(4) and any corresponding supplementing provisions of the NFS.
- (3) Material. If a subcontracts clause is part of the Subcontract, advance notification to JPL and JPL consent as may be required by that clause.
- (4) Agency Peculiar.
- (A) If a subcontracts clause is part of the Subcontract, advance notification to JPL and JPL consent as may be required by that clause.
 - (B) Submission of DD Form 1419 and return of Certificate of Nonavailability if it (or any component) qualifies as Reportable Equipment.
- (5) Special tooling.
- (A) If a "Subcontracts" clause is part of the Subcontract, advance notification to JPL and JPL consent as may be required by that clause.
 - (B) If a fixed-price subcontract, submission of the list to JPL within 60 days after delivery of the first production end items (or later as prescribed by JPL) unless already identified in the solicitation.
 - (C) Submission of DD Form 1419 and return of Certificate of Nonavailability if it (or any component) qualifies as Reportable Equipment.
- (6) Special test equipment.
- (A) JPL approval 30 days in advance if not identified in the Subcontract (on negotiated procurements).
 - (B) Submission of DD Form 1419 and return of Certificate of Nonavailability if it (or any component) qualifies as Reportable Equipment.
- (h) Relief from Responsibility.
- (1) Unless the Subcontract or JPL provides otherwise, the Subcontractor shall be relieved of property control responsibility for Government property by:
 - (A) Reasonable and proper consumption of property in the performance of the Subcontract as determined by the Government Property Administrator or JPL;

- (B) Retention by the Subcontractor, with the approval of JPL and the Contracting Officer, of property for which the Government has received consideration;
- (C) The authorized sale of property, provided the proceeds are credited to the Subcontract amount or paid in such a manner as JPL and the Contracting Officer may direct;
- (D) Shipment from the Subcontractor's plant, under JPL's and the Government's instructions, except when subcontractor or other location of the Subcontractor; or
- (E) A determination by JPL and the Contracting Officer of the Subcontractor's liability for any property that is lost, damaged, destroyed, or consumed in excess of that normally anticipated in a manufacturing or processing operation, if:
 - (i) The determination is furnished to the Subcontractor in writing;
 - (ii) JPL is reimbursed where required by the determination; and
 - (iii) Property rendered unserviceable by damage is properly disposed of, and the determination is cross-referenced to the shipping or other documents evidencing disposal.

(2) Nonprofit organizations are relieved of responsibility for Government property when title to the property is transferred to the Subcontractor.

(i) Subcontractor's Liability.

- (1) Subject to the terms of the Subcontract and the circumstances surrounding the particular case, the Subcontractor may be liable for shortages, loss, damages, or destruction of Government property. The Subcontractor may also be liable when the use or consumption of Government property unreasonably exceeds the allowances provided for by the Subcontract, the bill of material, or other appropriate criteria.
- (2) The Subcontractor shall report in writing all cases of loss, damage, or destruction of Government property in its possession or control to the Property Administrator and JPL as soon as such facts become known. A written report shall also be furnished when completed and accepted products or end items are lost, damaged, or destroyed while in the Subcontractor's possession or control.
- (3) The Subcontractor shall require any of its lower-tier subcontractors possessing or controlling Government property accountable under the Subcontract to investigate and report all instances of loss, damage, or destruction of such property.

(j) Records and Reports of Government Property.

- (1) The Subcontractor's property control records shall constitute the Government's and JPL's official property records for material and work-in-process (WIP) unless an exception has been authorized. For Reportable Property JPL will maintain the official property records. The Subcontractor shall establish and maintain adequate control records for all Government property, including property provided to and in the possession or control of a lower-tier subcontractor. The property control records specified in this section are the minimum required by the Government and JPL. Unless the Government Property Administrator or JPL directs otherwise, when a subcontractor has an approved property control system for Government property provided under its own prime contracts, the Subcontractor shall use the records created and maintained under that system.
- (2) The Subcontractor's property control system shall provide financial accounts for Government-owned property in the Subcontractor's possession or control. The system shall be subject to internal control standards and be supported by property records for such property.
- (3) Subcontractor records must identify all Government property and provide a complete, current, auditable record of all transactions. The records shall be safeguarded from tampering or destruction. Records shall be accessible to authorized Government and JPL personnel.
- (4) Special tooling and special test equipment fabricated from materials that are the property of the Government shall be recorded as Government-owned immediately upon fabrication. Special tooling and special test equipment fabricated from materials that are the property of the Subcontractor shall be recorded as Government property at the time title passes to the Government upon acceptance by JPL.

- (5) Property records of the type established for components acquired separately shall be used for serviceable components permanently removed from items of Government property as a result of modification.
 - (6) The Subcontractor's property control system shall contain a system or technique to locate any item of Government property within a reasonable period of time.
- (k) Basic Information. Unless summary records are used as authorized under paragraph (p)(1) below, the Subcontractor's property control records shall provide the following basic information for every item of Government property in the Subcontractor's possession, regardless of value (other sections in this document require additional information for specific categories of Government property):
- (1) The name, description (model number, manufacturer, serial number), National Stock Number (if furnished by the Government or available in the property control system) and property identification number;
 - (2) Acquisition date (Year Manufactured)
 - (3) Quantity received (or fabricated), issued, and on hand;
 - (4) Unit price (and unit of measure);
 - (5) This Subcontract or Purchase Order number;
 - (6) Location;
 - (7) Disposition; and
 - (8) Posting reference and date of transaction.
- (l) Records of Pricing Information.
- (1) Requirement for unit prices.
 - (A) The Subcontractor's property control system shall contain the unit price for each item of Government property except as provided in (2) below. When a subcontractor records the unit price of property on other than the quantitative inventory records, those supplementary records shall become part of the property records.
 - (B) (Note: This paragraph (B) does not apply to nonprofit organizations.) The requirement that unit prices be contained in the official property records does not apply to those separate property records located at a subcontractor's sites and subcontractor plants; provided, that:
 - (i) Records maintained by the subcontractor at its primary site include unit prices; and
 - (ii) The subcontractor agrees to furnish actual or estimated unit prices to the secondary site or subcontractor as the need arises.
 - (C) When definite information as to unit price cannot be obtained, reasonable estimates will be used.
 - (2) Determining unit price.
 - (A) Subcontractor-acquired and subcontractor-fabricated property. Except for items fabricated by nonprofit organizations for research and development purposes, the unit price of subcontractor-acquired and subcontractor-fabricated property shall be determined in accordance with the system established by the Subcontractor in conformance with appropriately applied accounting principles as described in Section 31 of the FAR and any corresponding implementing or supplementing provisions in the NFS. Generally, separate unit prices should be applied to items of special tooling and special test equipment fabricated or acquired by the Subcontractor. However, if the Subcontractor's accounting system is acceptable, and if maintaining detailed cost records results in excessive accounting cost or is otherwise impracticable, group pricing may be used for special tooling, special test equipment, and work-in-process in accordance with the Subcontractor's acceptable cost accounting

system. All processed material, fabricated parts, components, and assemblies charged to the Subcontractor's work-in-process inventory, including items in temporary storage while awaiting processing, may be considered as work-in-process for this purpose.

- (B) GFP. The Government or JPL shall determine and furnish to the Subcontractor the unit price of GFP. Transportation and installation costs shall not generally be considered as part of the unit price for this purpose. Normally, the unit price of Government-furnished property will be provided on the document covering shipment of the property to the Subcontractor. In the event the unit price is not provided on the document covering shipment of the property to the Subcontractor, the Subcontractor will request it from JPL.

(m) Records of Material.

- (1) General. All Government material furnished to the Subcontractor, as well as other material to which title has passed to the Government by reason of allocation from Subcontractor-owned stores or purchase by the Subcontractor for direct charge to a JPL subcontract, shall be recorded in accordance with the Subcontractor's approved property control system and the requirements of this section.
- (2) Consolidated stock record. When a subcontractor has more than one JPL subcontract under which Government material is provided, a consolidated record for materials may be authorized by the Property Administrator, provided, the total quantity of any item is allocated to each subcontract by subcontract number and each requisition of material from subcontractor-owned stores is charged to the subcontract on which the material is to be used. The supporting document or issue slip shall show the subcontract number or equivalent code designation to which the issue is charged.
- (3) Custodial records. The Subcontractor shall maintain custodial records for tool crib items, guard force items, protective clothing, and other items issued to individuals for use in their work.
- (4) Use of receipt and issue documents. (Note: This paragraph (4) does not apply to nonprofit organizations.) The Property Administrator may authorize the Subcontractor to maintain, in lieu of stock records, a file of appropriately cross-referenced documents evidencing receipt, issue, and use of Government-provided material that is issued for immediate consumption and is not entered in the inventory as a matter of sound business practice. This method of control may be authorized for:
 - (A) Material charged through overhead, including but not limited to items used in manufacturing, maintenance, and office supplies;
 - (B) Material under research and development subcontracts;
 - (C) Lower-tier subcontracted or outside production items;
 - (D) Nonstock or special items (these items are considered to be those whose procurement cycle is irregular and infrequent);
 - (E) Items that are produced for direct charge to a subcontract, or are acquired and issued for installation upon receipt, and involve no spoilage; and
 - (F) Items issued from subcontractor-owned inventory direct to production or maintenance, etc.
- (5) Material issued directly upon receipt. (Note: This paragraph (5) applies only to nonprofit organizations.)
 - (A) Under fixed-price subcontracts, the Subcontractor's documents evidencing receipt and issue will be accepted as property control records for Government-furnished material issued directly by the Subcontractor upon receipt so as to be considered consumed under the Subcontract.
 - (B) Under cost-reimbursement subcontracts, Government invoices, subcontractor's purchase documents, or other evidence of acquisition and issue will be accepted as adequate property records for material furnished to or acquired by the Subcontractor and issued directly so as to be considered consumed under the Subcontract.

(n) Records of Special Tooling and Special Test Equipment. (Note: The special tooling requirements of this section do not apply to nonprofit organizations except for paragraph.

- (1) The Subcontractor's property control system shall provide the basic information listed in section (l) above regarding each item of Government-owned special tooling and special test equipment, including

any general purpose test equipment incorporated as components in such a manner that removal and reuse may be feasible and economical.

- (2) If the Subcontractor uses group pricing of special tooling or special test equipment, as recognized in paragraph (m)(2) above, unit prices may be computed when required.
- (3) In the case of special tooling acquired or fabricated by nonprofit organizations or furnished by JPL or the Government to nonprofit organizations for research and development, the Subcontract document will be accepted as adequate property control records.
- (4) Records identifying special tooling and special test equipment shall include the identification number and item on which used.
- (5) The Subcontractor shall, when specified by the Subcontract, identify and report special tooling and special test equipment by retention category (e.g., assembly tooling or critical tooling for spares or replacements).

(o) Records of Plant Equipment.

- (1) The Subcontractor shall maintain individual item records for each item of plant equipment having a unit cost of \$5,000 or more. Summary stock records may be maintained for plant equipment costing less than \$5,000 per unit, except when the Property Administrator or JPL determines that individual item records are necessary for effective control, calibration, or maintenance.
- (2) In addition to the information required in section (l) above, the Subcontractor's records of Government owned plant equipment, regardless of value, shall include:
 - (A) Federal Supply Code for the manufacturer (as listed in Cataloging Handbook H4-1 and H4-2) (available from the Superintendent of Documents, Government Printing Office (GPO), Washington, DC 20402);
 - (B) Federal Supply Classification (Cataloging Handbooks H2-1, H2-2, and H2-3) (available from GPO);
 - (C) The original manufacturer's model or part number.
- (3) For each item of Government-owned plant equipment having a unit cost of \$5,000 or more, the Subcontractor shall, in addition to the requirements of (2) above, include:
 - (A) Serial number and year built (when available);
 - (B) Government identification/tag number; and
 - (C) Acquisition and disposition document references and dates.
- (4) JPL may unilaterally determine that the information in paragraph (3)(A) and (B) above should be recorded in the property records for plant equipment costing less than \$5,000.
- (5) Accessory and auxiliary equipment shall be recorded on the record of the associated item of plant equipment. If the accessory or auxiliary item is not attached to, a part of, or acquired for use with a specific item of plant equipment, it shall be recorded either in an individual item record or in a summary stock record. When accessory and auxiliary items are permanently separated from the basic item of plant equipment, the unit price of the basic item shall be appropriately reduced.

(p) Special Reports of Government Property (Reporting Reportable Equipment).

- (1) JPL requires that Subcontractor-acquired equipment as defined in (b)(4) above, "Reportable Equipment," be reported to JPL. Data elements identified in the Tagging Template [see Exhibit 2] shall be submitted (i) at the time of receipt and acceptance of accountability, and (ii) when major changes occur in the data initially submitted to JPL.
- (2) The Subcontractor shall report excess Government property to JPL utilizing Plant Clearance Automated Screening System (PCARSS) or Inventory Schedules (Standard Forms 1426-1434) when the property is no longer required for subcontract performance. (Reference paragraph (dd)(4)(A) of this form.)

- (3) Each year the Subcontractor will be provided a verification listing of property accountable to the Subcontract. At the direction of JPL, the Subcontractor shall verify the correctness of this listing or provide the necessary corrections.
 - (4) Additional reports as may be required.
- (q) Nonstandard Unique Equipment. For nonstandard unique equipment having a value of \$5,000 or more which is either fabricated by the Subcontractor or acquired from sources other than NASA or JPL, the Subcontractor shall provide the following information when such equipment becomes excess to the Subcontractor's needs:
- (1) Nomenclature;
 - (2) Subcontractor-assigned identification number;
 - (3) A brief functional description, include sketches, schematics, performance characteristics, operational manuals, etc., if available;
 - (4) List of major components having a unit value of \$5,000 or more; and
 - (5) Cost.
- (r) Records of Real Property.
- (1) The Subcontractor shall maintain an itemized record of the description, location, acquisition cost, and disposition of all Government real property (including unimproved real property); all alterations, all construction work, and sites connected with such alteration and construction, acquired by purchase, lease, or otherwise. These records, including maps, drawings, plans, specifications, and supplementary data where necessary, shall (i) be complete, (ii) show the original cost of the property and improvements and the cost of any changes and additions, and (iii) be appropriately indexed.
 - (2) Costs incurred by the Subcontractor or JPL for new construction, including erection, installation, or assembly of real property in possession of the Subcontractor for JPL, shall be capitalized in the official Government real property records and financial accounts maintained by the Subcontractor for JPL.
 - (3) Costs incurred for additions, expansions, extensions, conversions, alterations, and improvements, including applicable portions of capital maintenance, that increase the value, life, utility, capability, or serviceability of Government real property shall be capitalized.
 - (4) Costs incurred for portable buildings or facilities specifically constructed for tests that involve destruction of the facility shall not be capitalized in the Government real property records or financial accounts.
 - (5) Costs incurred for maintenance, repair, or rearrangement to maintain the Government real property in good physical condition, utility, capacity, or serviceability shall be charged to expense, and the real property records shall not be affected.
 - (6) When Government-owned real property is sold, transferred, donated, destroyed by fire or other cause, abandoned-in-place, or condemned, the financial accounts shall be reduced by the presently recorded cost and the real property records annotated with a supporting statement, including pertinent facts.
- (s) Records of Scrap or Salvage.
- (1) The Subcontractor shall maintain records of all scrap or salvage generated, except as provided in section (bb) below. These records shall conform to the Subcontractor's established system of scrap and salvage control approved by the Property Administrator, who shall take into consideration the need for protecting the Government's and JPL's interest in the proration, disposition, and allocation of proceeds resulting therefrom.
 - (2) The Subcontractor's property control system shall provide the following information:
 - (A) Subcontract or purchase order number, if practical, from which the scrap or salvage derived;
 - (B) Nomenclature or description of salvable items or classification (material content) of scrap;

- (C) Quantity on hand;
 - (D) Posting reference and date of transaction; and
 - (E) Disposition, including record of JPL authorization.
- (t) Records of Related Data and Information. The Subcontractor shall maintain property control and accountability, in accordance with sound business practice, of manufacturing or assembly drawings; installation, operation, repair, or maintenance instructions; and other similar information furnished to the Subcontractor by the Government or JPL or generated or acquired by the Subcontractor under the Subcontract and for which title vests in the Government. The requirements of this document do not otherwise apply to such property.
- (u) Records of Completed Products. The Subcontractor shall maintain a record of all completed products produced under a subcontract as follows:
- (1) When there is no time lapse between JPL inspection and acceptance of the completed products and shipment from the plant site, the records shall, as a minimum, consist of a summary of quantities accepted and shipped. When end items are accepted by JPL and stored with the Subcontractor awaiting shipment, the record shall identify quantities stored, location, and disposition action.
 - (2) On subcontracts that provide for the Subcontractor to retain completed products for further use under the Subcontract or other subcontracts, such items shall be considered "GFP" upon acceptance and shall be recorded as required by this section.
 - (3) When completed products are returned to a subcontractor under the terms of a warranty clause, the subcontractor shall maintain, by subcontract, a record containing a description of the items involved, quantities received and returned to JPL, and other pertinent data necessary to determine that a proper accounting for all property has been made.
- (v) Records of Transportation and Installation Costs of Plant Equipment. (Note: This section (w) does not apply to nonprofit organizations.)
- (1) Transportation costs.
 - (A) The Subcontractor shall record within the property control system the transportation and installation costs directly borne by JPL for each item of Government-owned plant equipment with an acquisition cost of \$5,000 or more. The Contracting Officer through JPL may require the Subcontractor to provide such recorded costs for use in computing rental charges.
 - (B) If transportation costs are not included in the price of equipment delivered, the Subcontractor shall contact the Property Administrator or JPL for instructions for obtaining applicable freight data.
 - (2) Installation costs.
 - (A) When the Subcontractor performs installation, the cost shall be computed in accordance with the Subcontractor's accounting system (if the system is acceptable for other Subcontract cost determination purposes) and recorded in the property record.
 - (B) When installation is subcontracted, the Subcontractor shall record the cost paid to the subcontractor in the property record.
 - (C) When installation costs are included in the price of equipment delivered to the using location, the property records should be so annotated.
- (w) Records of Misdirected Shipments. The Subcontractor's property control system shall provide the following information regarding each misdirected shipment of Government property received:
- (1) Identity of shipment, such as shipping document or bill of lading;
 - (2) Origin of shipment;
 - (3) Content (items in the shipment) per shipping documents, if available;
 - (4) Location; and

(5) Disposition.

(x) Records of Property Returned for Rework.

- (1) The Subcontractor shall maintain quantitative records of property returned for processing to assure control from time of receipt through return of the items to JPL. The Subcontractor shall establish item records under its property control system and shall include the information required in section (l) above.
- (2) The records shall specify the quantity of units returned to JPL and the quantity otherwise disposed of with proper authority.

(y) Reports of Government Property.

- (1) Submission of Reports. The Subcontractor shall submit a completed NASA Form 1018, "NASA Property in the Custody of Contractors" or equivalent (or negative report) annually to JPL. Failure to submit the report when due (date to be determined by JPL) may be deemed noncompliance with Subcontract requirements, and final payment may be withheld in accordance with the Article entitled "Allowable Cost and Payment."

Property classification. The Subcontractor's property control system shall be such as to provide annually the total acquisition cost of Government property for which the Subcontractor is accountable in the following classifications in accordance with instructions in NFS 18-45.71 and Procurement Information Circular (PIC) 04-12 <http://www.hq.nasa.gov/office/procurement/regs/pic04-12.html>

- (A) Land
- (B) Buildings
- (C) Other structures and facilities
- (D) Leasehold improvements
- (E) Construction in progress
- (F) Equipment
- (G) Special Tooling
- (H) Special Test Equipment
- (I) Material
- (J) Agency Peculiar Property
- (K) Subcontract Work -in -Process

- (2) The Subcontractor shall provide a completed Contractor-Held Asset Tracking System (CHATS) Report to JPL in accordance with Procurement Information Circular (PIC) 04-12 (<http://www.hq.nasa.gov/office/procurement/regs/pic04-12.html>). A template for this Report is located at <http://acquisition.jpl.nasa.gov/docs.htm>.

(z) Identification.

- (1) The Subcontractor shall identify, mark, and record all Government property promptly upon receipt, unless exempted by this section, and shall record assigned numbers on all applicable documents pertaining to the property control system. NASA NEMS tags shall be affixed to property as directed by JPL. Markings shall be removed or obliterated when Government property is sold, scrapped, or donated.
- (2) All Government material and plant equipment having an acquisition cost less than \$5,000 shall be identified as Government property except in those cases where:
 - (A) No material or plant equipment of the same type costing less than \$5,000 at the same location is owned by the Subcontractor or its employees.

- (B) Adequate physical control is maintained over protective clothing, tool crib, guard force, and other items issued to individuals for use in their work;
 - (C) Property is of bulk type, or its general nature of packing or handling precludes adequate marking; or
 - (D) Property is commingled, as authorized by section (bb) below.
- (3) In accordance with procedures approved by JPL, the Subcontractor shall mark Government-owned special tooling and special test equipment with a serial number and identification number and an indication of NASA ownership, including the recognition that JPL is responsible for funding and control of the property when appropriate. NASA NEMS tags shall be affixed to property as directed by JPL. If marking will damage the equipment or is otherwise impracticable, the Subcontractor shall promptly report the problem to the Property Administrator. The Subcontractor shall mark in a manner similar to plant equipment all components of special test equipment that have an acquisition cost of \$5,000 or more and are incorporated in a manner that makes removal and reutilization feasible and economical.
- (4) The Subcontractor shall identify Government-owned plant equipment as such, unless (i) summary records are used as authorized under paragraph (p)(1) above, (ii) it is excluded under paragraph (aa)(2) above, or (iii) when the size or nature of the equipment makes identification impracticable. (Excepted items shall be entered and described on the equipment property record.) Property shall be identified by a legible, permanent, conspicuous, and tamper-proof method (e.g., decals, plates, stamping, etc.). Identification shall consist of a serial number and an indication of NASA ownership (unless already properly identified as NASA property). NASA NEMS tags shall be affixed to property as directed by JPL.
- (5) Accessory or auxiliary equipment associated with a specific item of plant equipment and recorded on the property records need not be marked with an identification number, unless necessary to assure its return with the associated basic item.
- (aa) Segregation of Government Property. Government property shall be kept physically separate from Subcontractor-owned property. However, when advantageous to the Government or JPL and consistent with the Subcontractor's authority to use such property, the property may be commingled:
- (1) When the Government property is special tooling, special test equipment, or plant equipment clearly identified and recorded as Government property;
 - (2) When approved by the Property Administrator in connection with research and development subcontracts;
 - (3) When (i) scrap of a uniform nature is produced from both Government-owned and Subcontractor-owned material and physical segregation is impracticable, (ii) scrap produced from Government-owned material is insignificant in consideration of the cost of segregation and control, or (iii) Government contracts involved are fixed-price and provide for the retention of the scrap by the Subcontractor; or
 - (4) When otherwise approved by the Property Administrator.
- (bb) Physical Inventories. The Subcontractor shall periodically physically inventory all Government property (except materials issued from stock for manufacturing, research, design, or other services required by the Subcontract) in its possession or control and shall cause subcontractors to do likewise. Physical inventories consist of sighting, tagging or marking, describing, recording, reporting, and reconciling the property with the records. The Subcontractor, with the approval of JPL, shall establish the type, frequency, and procedures. Type and frequency of inventory should be based on the Subcontractor's established practices, the type and use of the Government property involved, or the amount of Government property involved and its monetary value, and the reliability of the Subcontractor's property control system. Type and frequency of physical inventories normally will not vary between subcontracts being performed by the Subcontractor, but may vary with the types of property being controlled. 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 Subcontractor's operation is too small to do otherwise. JPL subcontractors shall complete reconciliations of inventories described in this section (cc) with the official property records and shall submit reports to the Property Administrator within 30 days after the completion of an inventory. All instances of loss of property and discovery of unrecorded property shall be investigated by the Subcontractor to determine (i) the cause of the discrepancy and (ii) actions needed to prevent recurrence of the discrepancy. It may be determined by the Property Administrator that JPL will perform the physical inventory.

(cc) Inventories upon Termination or Completion.

- (1) General. Immediately upon termination or completion of a subcontract, the Subcontractor shall perform and cause each lower-tier subcontractor to perform a physical inventory, adequate for disposal purposes, of all Government property applicable to the subcontract, unless the requirement is waived as provided in paragraph (2) below.
- (2) Exception. The requirement for physical inventory at the completion of a subcontract may be waived by the Property Administrator when the property is authorized for use on a follow-on subcontract; provided, that:
 - (A) Experience has established the adequacy of property controls and an acceptable degree of inventory discrepancies; and
 - (B) The Subcontractor provides a statement indicating that record balances have been transferred in lieu of preparing a formal inventory list and that the Subcontractor accepts responsibility and accountability for those balances under the terms of the follow-on subcontract.
- (3) Listings for disposal purposes. (Note: This paragraph (3) applies only to nonprofit organizations.)
 - (A) Standard items that have been modified may be described on listings for disposal purposes as standard items with a general description of the modification.
 - (B) Items that have been fabricated, such as test equipment, shall be described in sufficient detail to permit a potential user to determine whether they are of sufficient interest to warrant further inspection.
- (4) Preparation of inventory schedule or PCARSS notification.
 - (A) Subsequent to termination or completion of this Subcontract, or determination that property is no longer required for subcontract performance, the Subcontractor shall prepare and submit to JPL PCARSS notification or appropriate inventory schedules as specified in FAR 45.606 and any corresponding supplementing provisions of the NFS (except that in FAR 45.606 the term "plant clearance officer" shall be deemed to mean "Property Administrator") which reflect all remaining property purchased, fabricated, or constructed with Subcontract funds and/or property supplied to the Subcontractor by JPL for the performance of this Subcontract. The schedules will reflect an appropriate nomenclature, description, quantity, acquisition cost, FSC (Federal Supply Classification), and condition code for each item of property.
 - (B) Inventory schedules shall be signed by an authorized representative of the Subcontractor, prior to submittal to JPL for disposal action.
 - (C) When no Government property has been furnished to or acquired by the Subcontractor under this subcontract, inventory schedules will not be required; instead, a properly completed Property Close-out Certificate, form JPL 0948 (see Exhibit 1), shall be submitted.
- (5) Disposition of residual property.
 - (A) Upon submittal of four executed copies of the appropriate inventory schedules to JPL, screening and disposal action will be initiated. Additional copies of the appropriate inventory schedules shall be furnished upon request.
 - (B) Disposition of residual property shall be made in accordance with specific instructions furnished by the Plant Clearance Officer or the JPL Property Administrator.
- (6) A Property Close-out Certificate, JPL form 0948, or equivalent shall be completed, signed by the Subcontractor's authorized representative and returned to JPL prior to final payment being effected.

(dd) Reporting Results of Inventories. The Subcontractor shall, as a minimum, submit the following to JPL promptly after completing the physical inventory:

- (1) A listing that identifies all discrepancies disclosed by a physical inventory;

- (2) A signed statement that physical inventory of all or certain classes of Government property was completed on a given date and that the official property records were found to be in agreement except for discrepancies reported.
- (ee) Quantitative and Monetary Control. When requested by JPL, the Subcontractor's reports of results of physical inventory shall be prepared on a quantitative and monetary basis and segregated by categories of property.
- (ff) Care, Maintenance, and Use. The Subcontractor shall be responsible for the proper care, maintenance, and use of Government property in its possession or control from the time of receipt until properly relieved of responsibility, in accordance with sound industrial practice and the terms of the Subcontract. The removal of Government property to storage, or its contemplated transfer, does not relieve the Subcontractor of these responsibilities.
- (gg) Subcontractor's Maintenance Program.
- (1) Consistent with the terms of the Subcontract, the Subcontractor's maintenance program shall provide for:
- (A) Disclosure of need for and the performance of preventive maintenance;
 - (B) Disclosure and reporting of need for capital rehabilitation; and
 - (C) Recording of work accomplished under the program.
- (2) Preventive maintenance is maintenance performed on a regularly scheduled basis to prevent the occurrence of defects and to detect and correct minor defects before they result in serious consequences. An effective preventive maintenance program shall include at least:
- (A) Inspection of buildings at periodic intervals to assure detection of deterioration and the need for repairs;
 - (B) Inspection of plant equipment at periodic intervals to assure detection of maladjustment, wear, or impending breakdown;
 - (C) Regular lubrication of bearings and moving parts in accordance with a lubrication plan;
 - (D) Adjustments for wear, repair, or replacement of worn or damaged parts and the elimination of causes of deterioration;
 - (E) Removal of sludge, chips, and cutting oils from equipment that will not be used for a period of time;
 - (F) Taking necessary precautions to prevent deterioration caused by contamination, corrosion, and other substances; and
 - (G) Proper storage and preservation of accessories and special tools furnished with an item of plant equipment but not regularly used with it.
- (3) The Subcontractor's maintenance program shall provide for disclosing and reporting the need for major repair, replacement, and other capital rehabilitation work for Government property in its possession or control.
- (hh) Use of Government Property. The Subcontractor's procedures shall be in writing and adequate to assure that Government property will be used only for those purposes authorized in the Subcontract.
- (ii) Property in Possession of Subcontractors. The Subcontractor shall require any of its lower-tier subcontractors possessing or controlling Government property to adequately care for and maintain that property and assure that it is used only as authorized by the Subcontract. The Subcontractor's approved property control system shall include procedures necessary for accomplishing this responsibility.
- (jj) Shipment of Government Property. Copies of DD Form 1149 or comparable documents shall be forwarded to the JPL Property Administrator upon shipment.

(kk) Audit of Property Control System. The Subcontractor's Government property control system may be audited by the Government or JPL as frequently as conditions warrant. These audits may take place at any time during Subcontract performance, upon Subcontract completion or termination, or at any time thereafter during the period the Subcontractor is required to retain such records. The Subcontractor shall make all such records and related correspondence available to the auditors.

EXHIBIT 1

Jet Propulsion Laboratory
California Institute of Technology
4800 Oak Grove Drive
Pasadena, California 91109-8099

(818) 354-4321

PROPERTY CLOSE-OUT CERTIFICATE

The undersigned Subcontractor, having completed the work called for by Subcontract No. _____ dated _____, with the California Institute of Technology, Jet Propulsion Laboratory, certifies that:

(check one, as appropriate)

- All Government property (as defined in FAR 45.101) has been disposed of by the Subcontractor and its lower-tier subcontractors, in accordance with the terms of the Subcontract.

- No Government property was furnished to or acquired by the Subcontractor or its lower-tier subcontractors.

Subcontractor

Authorized Representative Signature

Date

Title

