Property Management System (GPMS)

Business System Overview

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NPMA National President
DoD Business Systems Rule - Clarifies definition and administration of contractor business systems

Improve oversight

Applies to 6 Contractor Systems

1. Accounting
2. Estimating
3. Purchasing
4. Earned Value Management System (EVMS)
5. Material Management Accounting System (MMAS)
6. Property Management
Applies to contracts subject to Cost Accounting Standards

Defines ‘significant deficiencies’

Documents
1. Withholding payments process
2. Withholding percentages
3. Correction of deficiencies process
When to include the Business System clause?

DFARS 242.7001

DoD Prime Contracts

Cost Accounting Standard Contracts

Contracts that contain 252.245-7003 or other System’s clause

(Revised February 24, 2012)
...establish and maintain an acceptable property management system.

Failure ... may result in disapproval of the system by the Contracting Officer and withholding of payments.

System criteria ... in accordance with paragraph (f) of the contract clause at Federal Acquisition Regulation 52.245-1.
Contracting Officer issues system approvals

Potential withholding of payments up to
- 5% with significant deficiency in one system
- 10% in multiple systems

Affects all contracts containing BOTH Clauses
## GPMS Overview

### Government Property Mgmt and MMAS Overlap

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<th>Property Life Cycle</th>
<th>MMAS</th>
<th>Government property FAR</th>
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<td>Acquisition</td>
<td>material transfer activity to determine if transfers of costs or loan payback procedures comply</td>
<td>document that all property was acquired consistent with its engineering, production planning, and property control operations.</td>
</tr>
<tr>
<td>Physical Inventory</td>
<td>inventory cycle count data to determine the level of record accuracy (Physical Inventory)</td>
<td>periodically perform, record, and disclose physical inventory results.</td>
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<tr>
<td>Utilization</td>
<td>current inventory to see if there is material in excess of known requirements</td>
<td>promptly disclose and report Government property in its possession that is excess to contract performance.</td>
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<tr>
<td>Utilization subsection consumption</td>
<td>material on hand to determine if materials appear to be unreasonably time phased (Consumption)</td>
<td>utilize, consume, move, and store Government Property only as authorized under this contract.</td>
</tr>
<tr>
<td>Self assessments</td>
<td>internal audit results and corrective actions</td>
<td>establish and maintain procedures necessary to assess its property management system effectiveness and shall perform periodic internal reviews, surveillances, self assessments, or audits.</td>
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### GPMS Overview

#### Government Property Mgmt and ISC Sourcing Overlap

<table>
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<th>Property Life Cycle</th>
<th>ISC Sourcing (Purchasing system)</th>
<th>Government Property System (FAR)</th>
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<td>Acquisition</td>
<td>ensure that all applicable purchase orders and subcontracts contain all flow down clauses, including terms and conditions and any other clauses needed to carry out the requirements of the prime contract;</td>
<td>award subcontracts that … Ensure appropriate flow down of contract terms and conditions (e.g., extent of liability for loss of Government property.</td>
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<tr>
<td>Subcontractor Control</td>
<td>establish and maintain procedures to ensure that proper types of subcontracts are selected, and that there are controls over subcontracting, including oversight and surveillance of subcontracted effort;</td>
<td>assure its subcontracts are properly administered and reviews are periodically performed to determine the adequacy of the subcontractor’s property management system.</td>
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### Potential for risk increase when two systems overlap.

**252.242-7005 Contractor Business Systems**

Potential withholding of payments:

- 5% with significant deficiency in one system
- 10% in multiple systems

1. Payment withholding process
2. Correction of deficiencies process
When is the Government property clause in the contract?

All cost reimbursement, time-and-material, and labor-hour type contracts; and

Fixed-price contracts when the Government will provide Government property.

Contracts or modifications awarded under FAR Part 12 procedures that exceeds the simplified acquisition threshold (greater than $150,000.)
How to mitigate Government property terms and conditions?

Solicitation/Request for Proposal

Functional Point of Contact (FPOC)
ensure all contract T&Cs are within SOP

Subject Matter Expert (SME)
Government Property POC
✓ Reviews T&Cs
✓ Identifies tasks beyond SOP

Tasks beyond SOP are priced
all property owned or leased by the Government.

includes both Government-furnished and Contractor-acquired property (cost or T&M contracts)

material, equipment, special tooling, special test equipment, and real property

does not include intellectual property and software
Property management system must

1. **Manage**
   - *ID, records, accountable personnel, etc.*

2. **Use**
   - *Authorized to use per contract*

3. **Preserve and protect**
   - *Store in clean secured stock room or areas*
   - *Moved by trained personnel*

4. **Repair and maintain**

5. **Disposal**
What is a Government Property Management System?

FAR 52.245-1 (b)
Property Management

Industry Leading Practices (AIA)
Voluntary Consensus Standards (ASTM International)
Customary Commercial Practices
What is a Government Property Management System?

GPMS Overview
FAR 52.245-1

FAR 52.245-1 (b) Property Management

Industry

AIA Procurement & Finance Council Property Management Committee

ASTM International

Your Company’s GP System

Industry Leading Practices (ILP)

Voluntary Consensus Standards (VCS)

Metrics

Company Stakeholders

Implemented ILPs

Adapted Performance Outcome Metrics

Implemented VCS
GPMS Overview
FAR 52.245-1

What is a Government Property Management System?

Company and Subcontractors

Acquisition
Receipt
Stewardship

Inventory
Custody
Use
Relieved of Responsibility

Consumption Or Expenditure
Delivery

Disposition, Sale, or Loss Reporting
What is a Government Property Management System?

FAR 52.245-1 (f)(1)

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Site Name | Appendix Name | Revision Date
----------|---------------|-----------------|
Albuquerque | Appendix W | 05/31/11
Anniston  | Appendix 1  | 03/24/11
Clearwater | Appendix Z | 08/27/10
Columbia   | HTSI         | 04/30/09
Des Plaines | Appendix 10 | 07/08/11
Honeywell Labs | Appendix 4  | 07/08/11
Glendale   | Appendix V  | 07/23/10
**Outcome 1: Acquisition**

**Outcome 2: Receiving and Identification**

**Outcome 3: Records**

**Outcome 4: Physical Inventory**

**Outcome 5: Subcontractor Control**

**Outcome 6: Reports**

**Outcome 7: Relief of Stewardship**

**Outcome 8: Utilization**

**Outcome 9: Maintenance**

**Outcome 10: Contract Closeout**

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**Contractor Plans and Systems**

Significant changes are reported to Government Property Administrator prior to implementation.

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**GPMS Overview**

**FAR 52.245-1 (f)**

**What is a Government Property Management System?**

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**GP Clause**

**Policy**

**Process**

**Work Instruction**
What is a Government Property Management System?

FAR 52.245-1 Government Property Management Organization

- Self Assessment
- Operations
- Functionalized

GP Compliance
- System policy and oversight responsibilities

Law & Contracts
- Contract Compliance
- GP Management Compliance COE
- Sr. Administrators

Business Unit
- Functional Dept
- Asset Management
- GP Site Coordinators

GP Site Operations
- System operations responsibilities
GP Compliance and GP Site Operations Team

Surveillance

- Internal Surveillance
  - Site visits
  - Virtual functional (ex. subcontractor control, contract closeout, and physical inventory reporting)
  - Pre DCMA reviews
  - DCMA targeted Outcome

- Conduct site system surveillance
- Review site self assessments and metrics
- Perform annual risk assessment

Results
- Reported to Corporate Compliance
- GPC/GAM Brief Site Leaders
- Training Curriculum

3rd Party Audit Results
- Metrics on ten (10) Performance based outcome
  - Standardized tools, definitions and guidelines
- Compliance questions

GPMS Overview
FAR 52.245-1

What is a Government Property Management System?
GPMS Overview
FAR 52.245-1

What is a Government Property Management System?

FAR 52.245-1 (b) Property Management

Self Assessment
Internal Surveillance

What is a Government Property Management System?

Metric Results Compliance Questions

Risk Assessment
Self-Assessments Guide
Metrics

Site

Compliance

Report
Evaluate Risk
Reviews Self-Assessments

National Property Management Association
Integrate compliance elements into standard work

Drive GP MOS processes into standard work and mapped processes

Plan
GPM
ILPs & VCS
Site Appendices

MOS

What is a Government Property Management System?
GPMS Overview

Regulations

FAR 52.245-1 Government Property

DFARS Subpart 245 Government Property - (Revised APR 2012)

DFARS 252.245.7001 Tagging, Labeling, and Marking of Government-Furnished Property.

DFARS 252.245.7002 Reporting Loss of Government Property.

DFARS 252.245.7003 Contractor Property Management System Administration.

DFARS 252.245.7004 Reporting, Reutilization, and Disposal.
DoD Instruction 4161.02, “Accountability and Management of Government Contract Property”
DoD Procedures, Guidance, & Information (PGIs) SUBPARTS 245.1; 2; 4; 6

DCMA Policy Instruction #124 - Contract Property Management (Revised 2/1/13)
- Policy
- Roles and responsibilities
- Procedures for administration and oversight
- Property Management System Analysis (PMSA) Program Criteria & Resources
GPMS Overview

Regulations

NFARS Part 45 – Government Property

NFARS – 1852.245–70 thru -83

THE CONTRACTOR

Property Plan – Policy (similar to Finance disclosure statement)

Government/Customer Property Manual (GPM)– overall umbrella processes and procedures

GPM Site Appendices – unique to site processes

EXAMPLE ONLY

Aligned with Regulations
GPMS Overview

Who is Involved?

- Production
- Engineering
- IT
- Material Mgmt.
- Shipping
- Sourcing
- Contracts C&PS
- Metrology
- Receiving
- PP&C
- Program Mgmt.
- Finance
- Aftermarket
- Customer
Managerial Personnel - Ensure compliance with property management system
Site Personnel - Ensure compliance with property management system

Site Leader

- GP Site POCs
  - Maintain cross-functional coordination

- Functional Leads/Managers
  - Oversee day to day operational management of Government property
Everyone - Ensure compliance with property management system

**GP Site POC**

**Site Functional Leads/Managers**

**Property Coordinator/Custodian**
- Oversee and manage the physical control of property within respective departments

**Property Users**
- Responsible and accountable for the care of the property
## DCMA Policy

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<th>Description</th>
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<td>1.1.1</td>
<td>Contractor Systems Meet FAR DFARS Contract Terms and Conditions</td>
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<td>1.1.2</td>
<td>Workload acceptance practices Support to non-DoD organization, (NASA)</td>
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<tr>
<td>1.1.3</td>
<td>Property Management System Analysis (PMSA) case files are established within the (CPAS)</td>
</tr>
<tr>
<td>1.1.4</td>
<td>Incidents of property loss are appropriately evaluated and determinations of contractor responsibility are made.</td>
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*Adequate internal controls support compliance of Government property system*
GPMS Overview

DCMA Property Management System Analysis

DCMA Policy Instruction #124

Property Administrator (PA)

Administrative Contracting Officer (ACO) or DACO

Performs Risk Assessment

Performs PMSA

Reports PMSA results to ACO

Reports PMSA results to site

New Contractor Assessment

High – standard annually

Moderate – standard or limited as frequently as conditions warrant, but at least once every 2 years

Low – standard or limited as frequently as conditions warrant, but at least once every 3 years.
(1) The Government SHALL have access to…

the Contractor’s premises
all Government property, at reasonable times,
for the purposes of reviewing, inspecting and
evaluating the Contractor’s property management
plan(s),
systems,
procedures,
records, and
supporting documentation
…all site locations and, with the Contractor's consent, all
subcontractor premises.
Objective: Determine adequacy of internal controls for compliance to the FAR 52.245-1 (f) and determine risk of system noncompliance

Review contractor written procedures.

- Have adequate management and internal controls.
- Address contract terms and conditions, including requirements to perform self-assessments.
- Establish clear lines of authority and organizational accountability for custodial care (ASTM E2279-09 – Standard Practice for Establishing the Guiding Principles of Property Management (Reference (w))).
- Describe methods for performing prescribed tasks; e.g., acquisition, receiving.

Testing outcomes

ACO can withhold the amount of the potential cost impact to the Government until the contractor adequately completed corrective action and provides the results.
Contractor Business System Flowchart for Dummies

GPA
- Performs PMSA
- Finds possible significant deficiencies (SD)
- Submits results

Property Review Panel
- Review results
- GPA submits final results

Contracting Officer (CO)
- Determines if SD exist
- Submits Initial Determination
- Issues level 3 CAR for tracking only

Contractor - 30 days
Responds to Initial Determination

CO - 30 days
Send Final Determination to Contractor
- Withholding of payment begins

Business system review board
Review final response
Submits results to CO

CO
- Draft final response
- Disapproves system
- Notice of withhold 5%
- Request correction or CAP
- 45 day suspense date

CO
Determines correction of SD
- System approved
- Withholds discontinued

CO - 15 days
Request evaluation

Contractor - 45 days
Submits response: corrects SD or submit CAP
Sustain a compliant Government Property Management System at all Aerospace sites.

Demonstrate the system is compliant to the DCMA GPA

Standardize and incorporate system into Company policy, site operating system (HOS) and standard operating procedures (SOP).

Avoid significant deficiencies and the resulting penalty.