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NASA Procedural Requirements

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Subject: Administration of Property in the Custody of Contractors

Responsible Office: Logistics Management Division[| TOC](#) | [Preface](#) | [Chapter1](#) | [Chapter2](#) | [Chapter3](#) | [Chapter4](#) | [Chapter5](#) | [Chapter6](#) | [Chapter7](#) |
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Chapter 2. Pre-award Processes

2.1 Solicitation Preparation

2.1.1 Procurement Support

2.1.1.1 The IPO and PA begin their support of contract administration activity with the solicitation preparation process. IPOs and PAs provide valuable professional guidance in property management, ensuring use of appropriate contract language during preparation of the solicitation, and assisting in the collection of property-related information, such as the quantity and value of inventory holdings and lists of available property. As the correct selection of property clauses and the correct collection of property-related information are critical to the eventual success of property management efforts, the IPO review of any contracts with a potential for providing property is essential.

2.1.2 Review of Solicitation/Contract

2.1.2.1 The IPO shall review the requirements of the solicitation or contract, in particular any requirement related to property management. The review begins with the Statement of Work to determine if it contains property management tasks, tasks related to property management, or tasks that will not be successful without effective property management. This review should be used to guide the IPO in selecting appropriate contract clauses and coordination of Center and other NASA property in support of the property management effort.

2.1.2.2 Applicability of Clauses

- a. The IPO should recommend the inclusion of the clause at FAR 52.245-1, Government Property, in any cost contract and any fixed price contract where property is furnished.
- b. The IPO should recommend the inclusion of Alternate 1 to the clause in any fixed price contract when the conditions of FAR 45.107(a)(2) apply.
- c. The IPO should recommend inclusion of Alternate II to the clause in any contract where research property will be provided to nonprofit institutions of higher education or nonprofit research institutions. The IPO may recommend inclusion of items of contractor-acquired property valued at greater than \$5,000 when it is likely that NASA will have no further need for the property and the conclusion of the contract, the contractor expresses an interest in retaining the property, and the program office concurs. The IPO should consult the Center Equipment Manager and the Center PDO to determine the likelihood of further use by NASA activities prior to making this recommendation.
- d. The IPO may recommend inclusion of the clause at FAR 52.245-2, Government Property, Installation Operation Services, in a fixed-price contract where there is exclusive onsite performance by the contractor, existing GFP will be provided, and it is expected that the serviceable life of the GFP will not survive the term of the contract. Weapons, property controlled under International Traffic in Arms Regulation (ITAR) and Export Administration Regulations (EAR), and items requiring demilitarization may not be included under this clause. This property may only be provided at contract inception. Additional property cannot be added to that identified during contract award.

- e. The IPO shall recommend inclusion of the clause at FAR 52.245-9, Use and Charges, in all contracts where the FAR 52.245-1 clause exists.
- f. The IPO shall review contract circumstances and apply professional judgment to determine the appropriate FAR and NFS clauses to be used in the contract. IPOs should consider costs associated with implementing clauses within the contract in addition to the requirements of higher regulation and law.
- g. The IPO should recommend the inclusion of NFS Clause at 1852.245-70, Contractor Requests for Government-Provided Equipment, in all cost type contracts.
- h. When NASA anticipates award of a contract with on-site performance, the IPO should recommend the inclusion of NFS Clause at 1852.245-71, Installation Accountable Government Property. This clause requires the use of Center property management processes and practices for the onsite activities of the contractor. Center property information systems are to be used to maintain records to the degree that they are available.
- (1) If a Center recordkeeping system is not available or inadequate to support contract performance, the contractor is required to manage property and record property in accordance with FAR 52.245-1, Government Property, clause. This includes any property that does not qualify for control under NASA Procedural Guidance or Center Procedural Guidance. IPOs should note that the contractor should propose the system of recordkeeping and it may include recording of low-cost durable items in quantity when cost effective and there is low risk of loss, damage, or destruction.
- (2) The IPO should coordinate the use of the Installation Accountable Government Property clause with the Center SEMO to determine its effect on Center operations. In the event that Center operations are unable to support any or all of the effort and the contractor will perform some or all property management activities, the IPO shall work with the SEMO to provide language for inclusion in the contract that provides description of appropriate property management tasks to be accomplished by the contractor. Tasks may be included within the clause requirements or within the statement of work.
- (3) If the contractor is to perform receiving activities, the IPO shall recommend inclusion of the Installation Accountable Government Property clause with its alternate.
- i. The IPO should recommend inclusion of NFS clause at 1852.245-72, Liability for Government Property Furnished for Repair or Other Services when the exclusive purpose of the contract is the maintenance or calibration of NASA equipment.
- j. The IPO should recommend inclusion of NFS clause at 1852.245-73, Financial Reporting of NASA Property in the Custody of Contractors, in any cost contract, any fixed price contract when GP is furnished, or when a cost line item exists and any offsite performance requirement exists. The clause should also be included in any contract with the Progress Payments clause, FAR 52.232-16.
- k. The IPO should recommend inclusion of NFS clause at 1852.245-74, Identification and Marking of Government Property, in any contract that contains the FAR 52.245-1, Government Property, clause or that requires the delivery of property.
- l. The IPO should recommend inclusion of NFS clause at 1852.245-75, Property Management Changes, in any contract that contains the FAR 52.245-1, Government Property, clause.
- m. The IPO should recommend inclusion of the NFS clause at 1852.245-76, List of Government Property Furnished Pursuant to FAR 52.245-1, in any contract where the contractor has requested property under NFS solicitation provision at 1852.245-81, and it is to be provided in accordance with normal property management conditions,.
- n. The IPO should recommend inclusion of the NFS clause at 1852.245-77, List of Government Property Furnished Pursuant to FAR 52.245-2, clause in fixed price onsite contracts when property will be furnished as is to the contractor in an initial provision; the IPO, program officials, and CO anticipate that the performance life span of the furnished property will not survive the performance period of the contract; and the contractor will be required to replace nonfunctional property with contractor-owned property
- o. The IPO should recommend inclusion of the NFS clause at 1852.245-78, Physical Inventory of Capital Personal Property in any contract where property will be provided. As the requirement to conduct physical inventory of items under this clause is limited to those items with a value in excess of \$100,000, it is self-eliminating in circumstances where the contractor does not have custody of items under that value. However, its inclusion provides assurance that the contractor will identify and ensure the existence of any items that may meet NASA's capitalization criteria on an annual basis.
- p. The IPO should recommend inclusion of the NFS clause at 1852.245-79, Records and Disposition Reports for Government Property with Potential Historic or Significant Real Value, clause in contracts that are likely to generate property of this nature. The Center Historic Preservation Officer (HPO) and the CO are required, by the NFS prescription, to determine the appropriate use of the clause. However, the IPO should be aware of its use to ensure contractor compliance with recordkeeping and reporting requirements.

q. The IPO should coordinate with the Center facilities and real property offices to ensure the correct insertion of real property clauses in NFS 1852.245-82 and 1852.245-83 in contracts.

r. When vehicles and related equipment, such as trailers, are to be provided to contractors, the IPO should consult the Center Transportation Officer to ensure that the contract contains the NFS 1852.223-76, Federal Automotive Statistical Tool Reporting clause.

2.1.2.3 Solicitation Provisions

a. When consulting on upcoming acquisitions prior to issuance of solicitations or reviewing solicitations after issuance, the IPO should:

- (1) Follow the guidance in NFS Part 1845.107 in recommending appropriate solicitation provisions.
- (2) Assume that property will be provided under any cost type contract with an offsite performance requirement.
- (3) Advise the CO to use the provision with its alternate whenever it is possible for prospective contractors to review the existing property for function and condition.

b. The IPO shall assist the CO in determining the appropriate application of FAR 52.245-2, Government Property Installation Operation Services, and which property may be offered under its authority.

2.1.2.4 Offering Property for Contract Performance

a. While the decision to provide property to a contractor is a decision reserved for the CO, the IPO should advise the CO regarding the provision of property, noting such factors as the risk to both contract performance and to the loss, damage, destruction, or misuse of the property, as well as the increased cost of administration and disposition of property.

b. The solicitation provision NFS 1852.245-80 requests information from the contractor regarding the direct charging of property. Under cost contract, property that is directly charged to the Government becomes titled to the Government and is considered "provided" to the contractor. As a result, the IPO should:

- (1) Consider that, under cost type contracts or fixed price contracts with cost components, some contractors may not request property in response to the solicitation but will acquire it as a direct cost after award in accordance with their disclosed cost accounting practices.
- (2) Advise the CO of this possibility when they believe it to be appropriate.

2.1.3 Contractors Operating Within NASA Facilities

2.1.3.1 The IAGP clause, NFS 1852.245-71, requires contractors operating within NASA Centers and Installations to utilize available NASA systems to maintain property records and to follow NASA policies and procedures for the management of personal property.

2.1.3.2 The IPO shall ensure that the Center SEMO is informed of any use of the IAGP clause and obtain their concurrence prior to completing the solicitation evaluation.

2.1.3.3 Center procedures shall provide for any additional coordination of contract reviews.

a. When additional coordination is required, Center procedures will include instructions and assign responsibility for proper maintenance of any procurement-sensitive information. b. IPOs shall monitor the receipt and, if required, return of these documents to procurement to ensure the prompt completion of any additional reviews.

2.1.3.4 Contractor Use of NASA Property Management Information Systems

a. The IPO shall work with the SEMO to ensure that Center procedures provide clear implementation of Chapter 4 of this NPR regarding processing transfers of property to and from contracts.

b. The IPO working with the SEMO, shall ensure that language is included within the IAGP clause or that other appropriate guidance is provided to contractors regarding:

- (1) When property will be managed within contractor systems;
- (2) When property will be managed within NASA systems; and,
- (3) How it will be managed during transitions between the two.

c. The IPO shall work with the SEMO and real property personnel to identify local procedures that require incorporation in the appropriate section of the IAGP clause.

d. IPOs should also ensure the proper notation of the clause related to the services and property to be provided from Center sources.

e. When contractors are required to perform significant property management tasks, e.g., logistics support or program logistics, the IPO shall assist in the development of special requirements for inclusion within the statement of work.

2.1.4 Contractor with Mixed On-and Offsite Performance

2.1.4.1 IPOs shall pay special attention to contracts when it is anticipated that contractors will have both on- and offsite performance requirements. Proper application of the IAGP clause is essential.

a. The IPO working with the SEMO and the CO shall ensure that language is included in the IAGP clause to provide clear guidance to contractors regarding:

- (1) When property will be managed according to contractor plans and recorded in contractor systems;
- (2) When it will be managed according to Center process and systems; and,
- (3) How it will be managed during transitions between the two.

2.1.4.2 Receiving Activities

a. The IPO shall:

- (1) Ensure that the contract contains the appropriate alternates regarding contractor receiving facilities;
- (2) Consult with the SEMO to determine the impact of contract receipts on Center operations;
- (3) After consulting with the SEMO, advise the CO of any requirement for use of the alternate clause; and
- (4) Establish processes to ensure the Center Equipment Manager is advised of the contractor's acquisition and receipt of Government owned property when the property will be used within the Installation or Center.

2.1.5 Documentation of Recommendations

2.1.5.1 The IPO shall:

a. Establish a contract property file for each solicitation or contract reviewed. The folder should contain all relevant documents. Electronic files are adequate for this purpose if they can be readily referenced and are organized consistently.

b. Document any recommended changes to the solicitation or contract in the form of a memorandum or e-mail to the CO and retain a copy in the contract property file.

2.2 Evaluation of Contractor's Proposed Property Plans (PPP)

2.2.1 Completeness of Proposed Property Plans

2.2.1.1 Prior to review of the contractor's Proposed Property Plan (PPP), the IPO should identify applicable segments or outcomes required by the circumstances of the contract. Some contracts may not require all segments or outcomes. For example, some contractors may not be required to store GP or all property provided to a contractor may be consumed during performance, negating the requirement for maintenance as none of those items would fall within equipment, Special Test Equipment, or Special Tooling categories. As such, the IPO shall be familiar with all aspects of the contract's GP requirements.

2.2.1.2 The IPO should document the solicitation/contract file as to whether or not the particular segment or outcome of the property system is applicable and, if not, why not.

2.2.1.3 After determining the applicability of segments or outcomes, the IPO shall determine whether the PPP addresses all applicable segments or outcomes.

a. IPOs should consider the following factors when determining the acceptability of the contractor's PPP. The factors are associated with risk to safety, performance, and cost. As such, they should be considered when determining the criticality of property plan performance to the overall contract effort and in establishing the scope and depth of the of the PPP review.

b. If an applicable segment or outcome is not adequately addressed, the IPO shall advise the CO that the contractor's PPP is deficient in that regard and include a requirement that the contractor address the deficient areas prior to award.

2.2.2 Contractors' Proposed Standards, Practices, Processes, and Systems

2.2.2.1 Use of Voluntary Consensus Standards

a. Federal Law, FAR, Executive Orders, Office of Management and Budget Circulars, and Department of Commerce regulations encourage the use of VCS in lieu of the creation and implementation of specific Federal or Agency

standards and practices, except where VCS do not satisfy the specific, justified requirements of the agency. NASA or Center-specific requirements may drive additional contract cost, so the application of NASA or Center-specific requirements should be considered carefully and added only when the need for the additional activity, report, or record outweighs possible costs, schedule delays, or other negative outcomes.

b. It is important to establish whether or not a contractor's proposed VCS satisfy both Government and NASA-specific requirements. While VCS are likely to be sufficient and applicable for the majority of contracts and should be approved for those segments or outcomes of the property systems they address, the IPO should work with program and project management personnel to determine whether or not the circumstances of the contract justify NASA-specific procedural requirements or performance requirements. For example, property acquired for human-rated space flight systems is likely to require a higher level of quality to ensure safety. As such, the contractor's property system may require specific shelf life standards and special storage requirements. The contractor's records and supply issue processes may need to have a high level of accuracy to ensure that the correct, authentic, and current part is used. Similarly, the contract's circumstances may require retention of sufficient inventory or the ability to acquire sufficient inventory within limited, contractually required timeframes to avoid flight delays. Higher performance standards may be required within the contractor's acquisition and consumption segments or outcomes to ensure this.

c. Voluntary Consensus Standards—Procedural

(1) Some VCS provide procedural guidance or how to perform an activity. These standards describe the contractor's methods for performing property activities. These standards generally provide minimal standard requirements that can be agreed to by all parties. To the degree that these procedures are both adequate to ensure the proper use and protection of NASA property and the execution of the requirements of the contract, the IPO should accept them.

d. Voluntary Consensus Standards—Performance

(1) Some VCS specify levels of performance. For example, a VCS may categorize a Property Management System's risk based on the loss rate experienced over a period, recognized during a physical inventory, or based on the criticality of the item to mission performance. As the FAR places greater emphasis on the outcomes of a property system than on the methods used to achieve the outcome, performance standards should be preferred to procedural standards. IPOs should encourage use of performance standards or a combination of their use with procedural standards whenever possible.

2.2.2.2 Use of Industry Leading Practices and Standards

a. The IPO should take care in accepting the use of ILPs. While the FAR allows for their use, it does not define the term. Considering this, it is important to differentiate between a CCP and an ILPS. When all members of a representative industry group develop a practice it is a CCP. NASA expects an ILPS to be one that exceeds the CCP or the VCS. When a contractor proposes an ILPS, it should be ready to provide data that proves the ILPS's efficacy, cost effectiveness, and status as the "industry leader." Some contractors may propose a CCP. This is not prohibited but should be treated more as an existing procedure, process, or system with greater scrutiny during the evaluation process.

2.2.2.3 Use of Customary Commercial Practices

a. Contractors may propose and the IPO may accept CCPs when they are adequate to satisfy the specific requirements and circumstances of the contract and when they are fully documented as accepted CCPs or standards by a recognized industry group.

2.2.2.4 Use of Existing Procedures, Processes, and Systems

a. Use of existing contractor procedures, processes, and systems is not prohibited. However, IPOs shall evaluate the efficacy and applicability of these procedures, process, and systems to the contract effort. In lieu of contractor-specific standards and practices, IPOs should recommend the use of VCS, ILPSs, and CCPs when available and to the degree they are applicable to the contract circumstances.

2.2.2.5 Use of Contractor Self-Assessment Processes

Contractors are required to establish, maintain, and execute internal self-assessment processes adequate to ensure the efficiency and effectiveness of controls for the management of GP in their possession. Programs may vary widely in scope and content depending on a number of factors, including the complexity of the contractor's operations and the amount and types of GP to be managed. Such programs may be self-contained or may relate to or be part of an overall self-assessment program, such as a corporate internal audit program, an internal ISO audit, or an external ISO certification program when the program contains specific GP audit requirements. Contractor self-assessment programs are not a substitute for Government oversight and for Government insight as they lack the critical element of independence.

2.2.3 Risk Considerations

2.2.3.1 Proportional Value of Property

a. The IPO should consider the expected value of GFP and the potential value of contractor-acquired property (CAP). When the estimated average annual value of property does not exceed \$10 million, risk should be assessed based on the ratio of property acquisition value to the estimated annual value of the contract according to the following:

(1) When the estimated annual average value of provided GP exceeds \$10 million, the risk should be considered high and greater oversight and control should be exercised.

(2) In contracts where the estimated annual average value of provided GP exceeds 10 percent of the estimated annual average value of the contract should be also considered high risk for value factors and require greater oversight and control.

(3) In contracts where the estimated annual average value of provided GP is between 5 and 9.9 percent of the estimated annual average value of the contract should be considered medium risk for value factors and require moderate levels of oversight and control.

(4) Contracts where the estimated annual average value of provided property is less than 5 percent of the estimated annual average value of the contract should be considered low risk for value factors and require only minimal oversight and control.

2.2.3.2 Contract Type

a. The IPO should consider all cost type contracts to have greater risk as the likelihood of contractor acquisition of property titled to the Government under the FAR Government Property Clause is high and the contractor's risk of responsibility for loss, damage, or destruction of that property is lower than most fixed price contracts.

b. The IPO should consider fixed price contracts utilizing Alternate 1 to the Government Property clause at FAR 52.245-1 to be of lower risk as property acquired by the contractor is titled to the contractor and the contractor is fully liable for loss, damage, destruction, or theft of the GFP.

c. The IPO should consider fixed price contracts employing the Progress Payments clause at FAR 52.232-16 and the Performance-Based Payments clause at FAR 52.232-32 to have a low risk unless the value of actual and potential property titled to the Government during the contract exceeds the \$10 million threshold or one of the value thresholds under section 2.2.3.1.

2.2.3.3 Relationship With Contract Tasks/Products

a. The use of and management of property may have a profound effect on a contractor's ability to perform and to complete the requirements of the contract. This may be applicable both to deliverable property and deliverable service contracts. The following factors should be considered when establishing risk:

(1) Logistics Support Contracts

(a) Logistics support contractors are responsible for significant amounts of Government personal property. Their procedures and standards are likely instituted to ensure compliance with NASA procedural guidance required by the IAGP clause.

(b) When Centers prescribe implementing procedures, the IPO should work with the SEMO to ensure that the contractor's PPP is in compliance with NASA procedural guidance.

(c) When the contract allows the contractor to provide implementing procedures, the IPO should work with the SEMO to ensure that the contractor's PPP is adequate for implementation of NASA procedural requirements and NASA policy guidance.

(2) Major Program Suppliers

(a) Contractor supply of property to major NASA programs increases risk in a variety of ways. First, there is a risk of late delivery of procured items. This may be related to a deficiency in the contractor's property program. While failure of any aspect of a contractor's property system will increase risk to the Government, the property plan of major suppliers should receive greater scrutiny in the areas of subcontract property management, acquisition, records, and physical inventory.

(3) Contractors with Significant Property Management Duties

(a) A contractor, other than a logistics support contractor, may be required to support Center property management operations by providing property custodians, through entry of data into NASA systems, through processing of receipts, through reporting of disposition actions, and through performance of other related activities. This may result in increased risk to Center property and operations. When the Center SEMO determines that it is necessary to task contractors for property management support activities, the IPO should coordinate the review of the contractor's PPP with the SEMO to ensure their compliance with property management requirements.

2.2.3.4 Special Requirements

a. Hazardous Property

(1) When required by the circumstances of the contract, special attention should be given to contractor qualifications and experience in handling hazardous items. The IPO should ensure the contractor's PPP appropriately addresses storage, handling, and disposition of these items. The IPO should coordinate their response to these plans with the Center environmental activity.

b. Human-Rated Flight Activities

(1) As human-rated flight activities involve risk to the life, health, and safety of the crew and the condition of the craft, the IPO should work with program officials and safety officials to ensure the contractor's PPP adequately addresses these topics. Special consideration may be given to acquisition of qualified, authentic supplies; storage and preservation; accuracy of inventory records; receiving; and issuance. The IPO should work with program officials and quality assurance personnel to assure that the contractor's property system properly addresses documentation in support of Flight Readiness Certification when such certification is required by the contract.

c. Special Program Requirements

(1) The IPO should work with the program to ensure the PPP addresses any specific program requirements.

d. Foreign Contracts

(1) Foreign contracts require special attention as the disposition of property in foreign countries may be subject to a variety of U.S. laws and regulations, including ITAR and EAR. These contracts require a great deal of scrutiny.

(2) Foreign contracts are likely to be governed by international agreements and property management activity may be subject to foreign law. As such, the IPO should request copies of the international agreement that provides the basis under which the contract will be executed.

(3) International agreements may require alteration of standard FAR clauses or use of entirely different language. If other than standard FAR clauses are used, deviations authorizing the use of that language should be in place prior to award and evidenced in the contract property file.

(4) The IPO also should work with the Center Export Administration Officer to ensure that property under the contract is properly approved for export and that the conditions for disposition are identified in the contract at contract inception.

(5) Some property may require return to the United States for disposition or demilitarization onsite.

e. Contracts likely to produce historically significant property

(1) The IPO should review contracts likely to produce historically significant property when the CO, working in consultation with the Center Historic Preservation Officer, inserts

NFS 1852.245-79, Records and Disposition Reports for Government Property with Potential Historic or Significant Real Value clause in a contract. The contractor's PPP should address the recordkeeping requirements added by this clause.

2.2.4 Pre-Award Evaluation of Past Property Management Performance

2.2.4.1 Under NFS solicitation provision at 1852.245-80, Government Property Management Information, offerors are required to submit the results of their latest PMSA and contact information for the assigned PA. The IPO should:

a. Review the offeror's submissions to determine the status of the contractor's system and who conducted the audit.

b. Advise the CO immediately of any instances where the Government PA found the offeror's Property Management Systems or practices to be inadequate or the Agency's Administrative Contracting Officer removed approval for the property system.

c. Consult the assigned, cognizant PA to determine if there have been any updates to the last PMSA and to compare the proposed system to the system last rated by the PA. Changes to the offeror's system may signify improvements required by the PA or the implementation of new, improved processes and standards. They may also signal a retreat to a lower standard or unacceptable procedure. In either case, instances in which the contractor's proposed system and the existing system differ significantly should be considered as a possible risk by the IPO and carefully reviewed.

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