Logistics Management Division

TO: Distribution

FROM: Director, Logistics Management Division

SUBJECT: Interim Policy on Control of Government Furnished Property

We are changing the procedures for controlling and tracking Government Furnished Property (GFP) to contractors as a result of NASA’s independent auditors and the Government Accountability Office recommendations. As you know from previous discussions, we need to put this new process in effect on October 1, 2005.

An analysis of our current management procedures determined that several functional weaknesses exist in the manner in which we conduct business with contractors. Specific reference is made to our inability to capture and accurately present the values of property, plant, equipment, and materials in the financial management statements. This inability is reflected in our reliance on data supplied by our contractors for the production of our financial reports. We have come to realize that this approach has restricted our ability to track a program’s costs from start to completion, or to track property from inception to disposition. Another concern is the perception that NASA does not have sufficient management controls over NASA property in the custody of contractors.

While these problems may appear to be related exclusively to contract property, a review of the audits suggests that the significant and recurring problems are not specific to the contractor’s property management processes or to contract property management. Instead, they are related to interactions between the Government and our contractors. Under our new procedures, Centers will establish a process for the confirmation and reconciliation of these transactions related to GFP. Centers will be required to retain records documenting the provision of existing capital GFP to contractors and establish requirements to receive and record items of capital property acquired by a losing contractor when it is to be used by NASA or furnished for use in the performance of subsequent contracts.

Implementation of this change at each Center will require an orderly, methodical process. Each Center must develop a local GFP implementation process that includes the following elements:
• Announce and explain this policy change to Center management, Contracting Officers, Contracting Officers’ Technical Representatives (COTRs), Property Custodians, employees and support service contractors that perform the equipment management function at the Center.

• When non-capital equipment is furnished to a contractor, the contractor’s records will serve as NASA’s “stewardship” or custodial records for that equipment.

• Centers may retire to history equipment records for furnished equipment when the equipment has an acquisition value under the capitalization threshold upon delivery to and receipt by the contractor.

• Further transactions to non-capital items must be recorded through contract and contract related documentation and other external systems, such as Plant Clearance Automated Reutilization Screening System.

• Centers will activate retired records of equipment when returned from contractors for NASA use.

• To facilitate financial record keeping and reporting, Centers will continue to maintain property records for all Government furnished equipment with an acquisition cost equal to or exceeding the capitalization threshold. All transactions associated with these items, such as a change of custody between contractors must be recorded and documents of the changes retained.

• Center procedures will require a review of the transfer documents to ensure that they reflect accurate and complete information as identified in NASA FAR Supplement 1845.7101-2. Each transfer document should clearly and separately identify any capital equipment that will be furnished to a contractor.

• Centers will establish a custodial account for each contract with Government furnished capital equipment. Three standard characters, “GFP,” will appear in the first three characters of the custodian account field to differentiate between GFP and regular accounts for reporting. The COTR will serve as the property custodian for these accounts.

• Centers will transfer all GFP that meets the capitalization threshold to these accounts.

• Centers will process and record changes in custody between contractors and contracts as changes to property custodial accounts. This includes changes between contracts with the same contractor, such as follow on contracts.

• Changes in custody between contractors holding contracts issued by different centers will require a corresponding inter-center transfer.
• Centers will retire items to history when contractors report those items on contract disposal documents or when the contractor advises that they have been consumed (obsolescence is not the equivalent of consumption), during the production of the end item deliverable, or lost its identity by incorporation into a contract deliverable. Center Industrial Property Officers, delegated Property Administrators, and Plant Clearance Officers will assist in collecting and disseminating documentation of these transactions.

• When new equipment is received, delivered and accepted by a NASA official and will remain at a contractor’s facility for use on the contract, it is considered to be “delivered in place.” When the cost reported to the property system from the financial records equals or exceeds the capitalization threshold, Centers will add the equipment to the equipment records, furnish the equipment to the contractor using the same receiving, transfer and contract documentation as for other capital valued Government furnished property, and transfer the property to the custodial account assigned to the contract.

• Center procedures will require that a reconciliation process be established to reconcile capitalized asset transfers on a quarterly basis and include with that process a formal confirmation between the gaining and losing parties.

This change is applicable to all NASA Centers, effective October 1, 2005, and will be incorporated into NPR 4200.1, NASA Equipment Management Manual. Additional information regarding this change will be forwarded to the appropriate Center contacts in the next few weeks, including a list of frequently asked questions.

If you have any questions or concerns regarding this action, please contact Edward A. Ahmad, at 202-358-4613 or Mike Showers at 202-358-0272.

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