

DEPARTMENT OF DEFENSE

GENERAL SERVICES
ADMINISTRATIONNATIONAL AERONAUTICS AND
SPACE ADMINISTRATION

48 CFR Parts 4, 7, 8, 15, 16, 17, 22, 27, 28, 31, 32, 35, 42, 43, 44, 45, 49, 51, 52, and 53 [FAR Case 95-013]

RIN 9000-AH60

Federal Acquisition Regulation;
Government Property

AGENCIES: Department of Defense (DOD), General Services Administration (GSA), and National Aeronautics and Space Administration (NASA).

ACTION: Proposed rule with request for comments.

SUMMARY: The Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council are proposing to amend the Federal Acquisition Regulation (FAR) to simplify procedures and eliminate requirements related to the management and disposition of Government property in the possession of contractors. This regulatory action was not subject to Office of Management and Budget review under Executive Order 12866, dated September 30, 1993. This is not a major rule under 5 U.S.C. 804.

DATES: Comments on the proposed rule should be submitted in writing to the FAR Secretariat at the address shown below on or before August 1, 1997 to be considered in the formulation of the final rule.

ADDRESSES: Interested parties should submit written comments to: General Services Administration, FAR Secretariat (MVR), 1800 F Street, NW, Room 4035, Washington, DC 20405.

E-mail comments submitted over Internet should be addressed to: farcase.95-013@gsa.gov. Please cite FAR case 95-013 in all correspondence related to this case.

FOR FURTHER INFORMATION CONTACT: Ms. Angelena Moy (703) 695-1097/1098 (E-Mail: moyac@acq.osd.mil), or Ms. Linda Klein at (202) 501-3775 for information about content or clarification. For information pertaining to status or publication schedules, contact the FAR Secretariat, Room 4035, GS Building, Washington, DC 20405 on (202) 501-4755. Please cite FAR case 95-013.

SUPPLEMENTARY INFORMATION:

A. Background

On September 16, 1994, the Director, Defense Procurement, published in the

Federal Register a notice of public hearings and advance notice of rulemaking announcing an initiative to rewrite the Government property rules in Part 45 of the Federal Acquisition Regulation (FAR) and requesting public comments or suggestions. Approximately 500 comments covering a broad range of property related topics were received from 22 entities. The Director, Defense Procurement, convened an interagency team to assess the comments and suggestions, recommend process improvements, identify overly burdensome Government requirements, and simplify the Government property rules. The team included representatives from the Departments of Defense, Energy, and Transportation, the Environmental Protection Agency, the National Institutes of Health, and the National Aeronautics and Space Administration. Additional public participation in the rulemaking process was obtained through a series of public meetings conducted between November 1994 and October 1996. Each meeting was publicized in the **Federal Register** and public suggestions or comments were invited. The team's work products also were posted on the Internet (www.acq.osd.mil/dp/mpi) to provide additional opportunities for Government and public sector participation.

This proposed rule replaces FAR Part 45 and FAR 52.245 and makes conforming changes to FAR Parts 4, 7, 8, 15, 16, 17, 22, 27, 28, 31, 32, 35, 42, 43, 44, 49, 51, 52, and 53. The significant changes to the existing rule are—

1. *Contractor requirements.*

Contractor requirements have been simplified, removed from FAR Part 45, and consolidated in the appropriate contract clauses at FAR 52.245.

2. *Definitions.* Definitions are consolidated in FAR 52.245-3, Government Property Control (three unique definitions are used in FAR 52.245-5, Rental Charges for Commercial Use), and the number of definitions is reduced.

The following definitions are not used in the proposed contract clauses and are deleted:

Accessory item
Auxiliary item
Common item
Contractor acquired property
Contractor inventory
Custodial records
Discrepancies incident to shipment
Facilities
Facility contract
Government production and research property

Individual item record
Line item
Nonseverable and Utility distribution system
Plant clearance
Plant clearance period
Plant equipment
Public body
Reportable property
Reporting Activity
Salvage
Screening completion date
Serviceable or usable property
Stock record
Summary record
Surplus property
Surplus Release Date (SRD)
The terms "Equipment," "Low value property," "Preventive maintenance," and "Sensitive property" are used in the proposed clauses and consequently defined. Although not used in a contract clause, a definition of "Unique Federal property" is added to clarify an entry on proposed SF 1422, "U.S. Government Property in the Custody of Contractors." Other definitions have been modified to improve clarity and achieve consistency. The definition of "termination inventory" is modified and moved to FAR Part 49.

3. *Contract clauses.* The number of property clauses is reduced from 19 to 7. Most "facilities" clauses are eliminated. Facilities contracts are contracts for services (see FAR 37.101) and unique FAR coverage is, generally, unnecessary. FAR Subpart 45.4 of the proposed rule addresses the limited circumstances under which property management contracts might be appropriate. The corresponding contract clause is FAR 52.245-6.

4. *Process based property control system.* The proposed rule moves toward a process-based, rather than a requirements-driven, system.

5. *Tracking, reporting, and inventorying low value property.* Tracking, reporting, and inventorying property whose acquisition cost is \$1,500 or less is not required until contract completion or termination. Contractors may report the loss, theft, or destruction of, or damage to, such property if the property is necessary for continued contract performance. Industry representatives estimated that 80 percent of all property items have acquisition costs less than \$1,500. Although some industry representatives expressed a preference for a higher threshold, the Government does not have and was not presented with any data to support an increased threshold. The collection of stratified data to permit a reasonable reassessment of the proposed threshold is one function of

the property report discussed in paragraph 7.

6. *Recordkeeping.* The number of records contractors must maintain is reduced from 19 to 7, and the content of each record has been simplified and revised to reflect commercial practice more closely.

7. *Reports.* The proposed rule includes a standard form for reporting property in a contractor's custody. An agency may require the use of equivalent forms when, in the agency's opinion, the standard form does not obtain information of a type or in a format necessary for the agency's financial or property management obligations.

8. *Special test equipment pre-acquisition screening.* The requirement currently in FAR 52.245-18(b) to obtain the contracting officer's approval prior to fabricating or acquiring special test equipment is eliminated.

9. *Title.* The clauses at FAR 52.216-7, 52.232-16, and 52.232-32 have been modified to clarify that the Government obtains title to items acquired or fabricated by contractors only when the items' costs are allocable as direct costs to Government contracts.

10. *Right to title.* The proposed rule contains a "Special Tooling and Special Test Equipment—Right to Title" clause that provides the Government the right, under fixed-price contracts, to take title to special tooling or special test equipment items that are not contract deliverables if the costs of the tooling or test equipment have been allocated as direct costs to a contract. The clause requires the Government to exercise that right within specified time periods and permits equitable price adjustments if a contractor is required to store property subsequent to the Government's assumption of title. Most of the recordkeeping requirements in the current "Special tooling" clause, FAR 52.245-17, are eliminated.

11. *Inventory schedules/Scrap lists.* The five inventory schedules currently identified in FAR 45.606-5 are replaced by one inventory disposal schedule. The requirement to screen scrap for re-utilization outside the contracting agency is eliminated. Contractors that have Government approved scrap procedures may report scrap on scrap lists in lieu of inventory disposal schedules and dispose of the scrap without Government approval if the Government fails to provide disposition instructions within 60 days following receipt of an acceptable scrap list. Contractors similarly may dispose of scrap reported on an inventory disposal schedule if the Government fails to provide disposition instructions within

120 days following receipt of an acceptable inventory disposal schedule.

12. *Screening for disposal.* The screening process has been simplified and screening times shortened. The screening of scrap is not required. The screening period for standard items is reduced from 90 to 56 days, the limited screening category is eliminated, screening of special tooling is reduced from 60 to 25 days, the screening of special test equipment that contains general purpose components is reduced from 90 to 56 days, and the screening period for special test equipment that does not contain general purpose components is reduced from 60 to 25 days.

13. *Rental charges.* "Rental Charges for Commercial Use" clause, FAR 52.245-5, replaces the "Use and Charges" clause at FAR 52.245-9. The new clause replicates commercial practice by permitting rental charges to be based upon appraisals, charges rent only for the time property is actually used for commercial purposes, and permits negotiation of alternate means for determining a reasonable rental charge. These changes should reduce contractor rental costs and facilitate the use of Government property for commercial purposes.

B. Regulatory Flexibility Act

An Initial Regulatory Flexibility Analysis (IRFA) has been prepared and demonstrates that the rule will not have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act, 5 U.S.C. 601, *et seq.* The IRFA is summarized as follows:

Government contractors have identified the management and disposal of Government property in their possession as a significant cost driver. Title II of the Federal Property and Administrative Services Act of 1949, Public Law 152, as amended requires, in part, executive agencies to account for Government property, determine when such property is excess, and to dispose of excess Government property promptly. Generally, for Government property in the possession of contractors, the Government relies on the contractors' property management systems to keep the records and generate the reports needed to assure the Government's compliance with statutory requirements. It is estimated that approximately 4,450 small businesses have Government property in their possession. This proposed rule substantially decreases the impact of the current FAR provisions by simplifying recordkeeping requirements, reducing the number of records to be maintained, reducing the number of reports to be submitted, eliminating inventory and tracking requirements for Government property that has an acquisition cost of \$1,500 or less, and replacing five inventory schedules with one

inventory disposal schedule. The small business impact is estimated to be \$14,036,842 or \$3,154 per small business Government contractor. That amount is not considered significant because the rule applies only to those small businesses who request Government property to perform a contract or create Government property during contract performance and contract prices compensate such contractors for their Government property management activities. The records and reports required by the proposed rule have been reduced to the minimum necessary to assure compliance with the Government's statutory accountability and disposal requirements.

The IRFA has been submitted to the Chief Counsel for Advocacy of the Small Business Administration. A copy of the IRFA may be obtained from the FAR Secretariat. Comments are invited from small businesses and other interested parties. Comments from small entities concerning the affected FAR parts also will be considered in accordance with Section 610 of the Act. Such comments must be submitted separately and cite FAR Case 95-013 in correspondence.

C. Paperwork Reduction Act

The Paperwork Reduction Act of 1995 (Pub. L. 104-13) applies because the proposed rule imposes reporting or information collection requirements, or collections of information from offerors, contractors or members of the public which require the approval of the Office of Management and Budget (OMB) under 44 U.S.C. 3501, *et seq.* A request for review of the information collection requirements has been submitted to the Office of Management and Budget under Section 3507(d) of the Act.

Review of the information collection requirements has been requested as a new clearance, "FAR Part 45, Government Property," which will replace the present FAR requirements currently approved by the Office of Management and Budget (OMB) under OMB Control Number 9000-0075.

The information collection includes the requirements relating to FAR Part 45 and 52.245.

a. FAR 52.245-3(f) and Alternate I, paragraph (f) to that clause, require contractors to maintain records of Government property.

b. FAR 52.245-3(h) requires contractors to conduct property inventories. The frequency and method used are negotiable.

c. FAR 52.245-1(f)(4) and Alternate I, paragraph (f)(7), FAR 52.245-4(f)(7), and FAR 52.245-6(i)(6) require contractors to notify the Government promptly following the loss, theft, or destruction of, or damage to, Government property.

d. FAR 52.245-1(f)(5) and Alternate I, paragraph (f)(8), FAR 52.245-4(f)(8), and

FAR 52.245-6(i)(7) require contractors to notify the Government upon contract completion of low value property (<\$1,500 per item) that has been lost, stolen, damaged, or destroyed.

e. FAR 52.245-1(j)(3) and (j)(4), FAR 52.245-4(h)(1)(iii) and (h)(4), and FAR 52.245-6(j) and (j)(4) require contractors to report excess property on inventory disposal schedules.

f. FAR 52.245-2(c) requires contractors that have fixed-price contracts to identify and report excess special tooling and special test equipment to which the Government has a contractual right to take title.

g. FAR 52.245-3(g)(1) requires contractors to submit an annual report, by contract, of Government property in their possession.

h. FAR 52.245-3(g)(2) and Alternate I, paragraph (g)(1), require contractors to report the receipt of Government property intended for other persons.

The information will be used to control and account for Government-owned property in the possession of contractors.

Annual Reporting Burden: Public reporting burden for this collection of information is estimated to average .377 hours per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

The annual reporting burden is estimated as follows: *Respondents:* 6,850; *Responses per respondent:* 1,217; *Total annual responses:* 8,339,472; *Preparation hours per responses:* .377; and *Total response burden hours:* 3,146,848.

D. Request for Comments Regarding Paperwork Burden

Members of the public are invited to comment on the recordkeeping and information collection requirements and estimates set forth above. Please send comments to: Office of Information and Regulatory Affairs, Office of Management and Budget, Attention: Mr. Peter N. Weiss, FAR Desk Officer, New Executive Office Building, Room 10102, 725 17th Street, NW, Washington, DC 20503.

Also send a copy of any comments to the FAR Secretariat at the address shown under ADDRESSES. Please cite FAR Case 95-013—Government Property, in all correspondence related to this estimate.

List of Subjects in 48 CFR Parts 4, 7, 8, 15, 16, 17, 22, 27, 28, 31, 32, 35, 42, 43, 44, 45, 49, 51, 52, and 53

Government procurement.

Dated: May 27, 1997.

Edward C. Loeb,

Director, Federal Acquisition Policy Division.

Therefore, it is proposed that 48 CFR Parts 4, 7, 8, 15, 16, 17, 22, 27, 28, 31, 32, 35, 42, 43, 44, 45, 49, 51, 52, and 53 be amended as set forth below:

1. The authority citation for 48 CFR Parts 4, 7, 8, 15, 16, 17, 22, 27, 28, 31, 32, 35, 42, 43, 44, 49, 51, 52, and 53 continues to read as follows:

Authority: 40 U.S.C. 486(c); 10 U.S.C. chapter 137; and 42 U.S.C. 2473(c).

PART 4—ADMINISTRATIVE MATTERS

4.804-4 [Amended]

2. Section 4.804-4 is amended in the introductory text of paragraph (b) by removing the word "Facilities" and inserting "Property management" in its place.

PART 7—ACQUISITION PLANNING

3. Section 7.105(b)(14) is revised to read as follows:

7.105 Contents of written acquisition plans.

* * * * *

(b) * * *

(14) *Government furnished property.* Identify any property to be furnished to contractors and discuss any associated considerations, such as the property's availability and compliance with the requirements of 45.201.

* * * * *

7.501 [Amended]

4. Section 7.501 is amended in the second sentence of paragraph (b) by removing "facilities operations and maintenance" and inserting "property management" in its place.

PART 8—REQUIRED SOURCES OF SUPPLIES AND SERVICES

5. Section 8.101 is revised to read as follows:

8.101 Definition.

Excess personal property means any personal property (see 52.245-3) under the control of a Federal agency that the agency head or a designee determines is not required for its needs or for the discharge of its responsibilities.

PART 15—CONTRACTING BY NEGOTIATION

6. Section 15.608 is amended by adding paragraph (a)(4) to read as follows:

15.608 Proposed evaluation.

(a) * * *

(4) *Government property adjustment.* Offerors who will use Government property to perform a contract have a price advantage relative to competitors who will use their own property or will acquire or fabricate property to perform that contract. When evaluating offers, that advantage must be eliminated to the extent practicable.

(i) Adjust offers by applying a rental equivalent evaluation factor. The factor should be appropriate for the type and amount of property to be furnished to the contractor. To the extent practicable, use the rental guidelines in 52.245-5, "Rental Charges for Commercial Use" clause when determining the evaluation factor.

(ii) It is not necessary to calculate a Government property adjustment when—

(A) The solicitation requires the offerors to use specific Government furnished property items during contract performance;

(B) It is apparent that the difference between the offer(s) most advantageous to the Government and the competing offer(s) is (are) so great that a rental adjustment will not affect source selection; or

(C) The Government property is offered on an "as is" basis and the contract stipulates that the contractor's costs to transport the property and make it suitable for the contractor's intended use do not increase the contract price or fee.

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PART 16—TYPES OF CONTRACTS

16.307 [Amended]

7. Section 16.307 is amended—

By adding a Note at the end of the section to read "**Note to section 16.307:** This section does not apply to property management contracts (see 45.401-3).";

In the first sentence of paragraph (a)(1) by removing the parenthetical "(other than a facilities contract)";

In paragraph (b) by removing the parenthetical "(other than a facilities contract or a construction contract)";

In paragraph (d) by removing the parenthetical "(other than a facilities contract)";

In paragraph (e)(1) by removing "or a facilities contract";

In paragraph (f)(1) by removing the parenthetical "(other than a facilities contract)";

By removing paragraph (g) and redesignating paragraph (i) as (g) and amending it by removing the last sentence; and

By removing paragraph (h).

PART 17—SPECIAL CONTRACTING METHODS

8. Section 17.603 is amended by revising paragraph (a)(5) to read as follows:

17.603 Limitations.

(a) * * *

(5) Functions that can more properly be accomplished in accordance with subpart 45.2, Furnishing Government Property.

* * * * *

PART 22—APPLICATION OF LABOR LAWS TO GOVERNMENT ACQUISITIONS

9. Section 22.407 is amended by revising paragraph (d) to read as follows:

22.407 Contract clauses.

* * * * *

(d) The contracting officer shall insert the clause at 52.222-17, Labor Standards for Construction Work—Facilities Contracts, in solicitations and contracts for property management contracts (see subpart 45.4) that may require covered construction work (see 22.402(b)) to be performed in the United States.

PART 27—PATENTS, DATA, AND COPYRIGHTS**27.409 [Amended]**

10. Section 27.409 is amended in the first sentence of paragraph (e) by removing the word “facilities” and inserting “property” in its place.

PART 28—BONDS AND INSURANCE

11. Section 28.303 is revised to read as follows:

28.303 Insurance against loss of or damage to Government property.

When the Government requires or approves insurance to cover loss, theft, or destruction of or damage to Government property (see 45.104, Risk of loss), it may be provided by specific insurance policies or by inclusion of the risks in the contractor's existing policies. The policies shall disclose the Government's interest in the property.

PART 31—CONTRACT COST PRINCIPLES AND PROCEDURES**31.106 [Removed and Reserved]**

12. Section 31.106 is removed and reserved.

31.205-40 [Amended]

13. Section 31.205-40 is amended in paragraph (a) by removing the citation

“45.101” and inserting “52.245-3” in its place.

PART 32—CONTRACT FINANCING**32.403 [Amended]**

14. Section 32.403 is amended by removing and reserving paragraph (c).

32.407 [Amended]

15. Section 32.407 is amended by removing and reserving paragraph (c).

32.503-15 [Removed and Reserved]

16. Section 32.503-15 is removed and reserved.

17. Section 32.705-2 is amended by revising paragraph (a); removing paragraph (b); and redesignating paragraph (c) as (b). The revised text reads as follows:

32.705-2 Clauses for limitation of cost or funds.

(a) The contracting officer shall insert the clause at 52.232-20, Limitation of Cost, in solicitations and contracts (except property management contracts) if a fully funded cost-reimbursement contract is contemplated whether or not the contract provides for payment of a fee.

* * * * *

PART 35—RESEARCH AND DEVELOPMENT CONTRACTING

18. Section 35.014 is revised to read as follows:

35.014 Title to tangible personal property.

Use the clause at 52.245-4 with its Alternate I when contracting for basic or applied scientific research on a cost-reimbursement basis and it is in the Government's interest to provide nonprofit organizations whose primary purpose is the conduct of scientific research or nonprofit institutions of higher education title to equipment or other tangible personal property purchased for contract performance that has an acquisition cost of less than \$5,000 per property item.

PART 42—CONTRACT ADMINISTRATION

19. Section 42.302 is amended by revising paragraphs (a)(27), (a)(28), and (a)(30) to read as follows:

42.302 Contract administration functions.

(a) * * *

(27) Determine reasonable rentals for noninterference use of Government property for commercial purposes (see 52.245-1, 52.245-4, 52.245-5, and 52.245-6).

(28) Perform necessary screening, redistribution, and disposal of Government property.

* * * * *

(30) For property management contracts—

(i) Evaluate contractor requests for repair, or replacement of or changes to existing property and provide appropriate recommendations to the contracting officer; and

(ii) Ensure payment by the contractor of any rental due.

* * * * *

PART 43—CONTRACT MODIFICATIONS**43.205 [Amended]**

20. Section 43.205 is amended by removing paragraph (b)(5) and redesignating paragraph (b)(6) as (b)(5).

PART 44—SUBCONTRACTING POLICIES AND PROCEDURES**44.101 [Amended]**

21. Section 44.101 is amended by removing the definition “Facilities”.

22. Section 44.201-2 is amended by revising paragraph (a) to read as follows:

44.201-2 Cost-reimbursement and letter prime contracts.

(a) Consent is required under cost-reimbursement and letter prime contracts for subcontracts that have experimental, developmental, or research work as one of their purposes.

* * * * *

23. Section 44.202-2 is amended by revising paragraphs (a)(2) and (a)(10) to read as follows:

44.202-2 Considerations.

(a) * * *

(2) Is the subcontract for property that is available from Government sources (see 45.201)?

* * * * *

(10) Has adequate consideration been obtained for any proposed subcontract that will involve the use of Government furnished property?

* * * * *

24. Part 45 is revised to read as follows:

PART 45—GOVERNMENT PROPERTY**Subpart 45.0—Scope and Definitions**

Sec.

45.000 Scope of part.

45.001 Definitions.

Subpart 45.1—General

45.101 Policy.

45.102 Contract clauses.

45.103 Contractor acquired or fabricated property.

- 45.104 Risk of loss.
 45.105 Right to title, special tooling and special test equipment.

Subpart 45.2—Furnishing Government Property

- 45.201 Furnishing property for performance of a Government contract.
 45.201-1 Criteria.
 45.201-2 Additional restrictions.
 45.201-3 Documentation requirements.
 45.201-4 Competitive advantage.
 45.201-5 Solicitation requirements.
 45.201-6 Postaward requests for Government property.
 45.201-7 Repair or replacement of Government property.
 45.202 Property furnished for commercial purposes.

Subpart 45.3—Government Property Management

- 45.301 Property control systems.
 45.301-1 Preaward considerations.
 45.301-2 Reviews and approvals.
 45.302 Government property records.
 45.303 Property accountability.
 45.303-1 Accountability.
 45.303-2 Transferring accountability.
 45.304 Property Disposal.
 45.304-1 Government furnished property to be returned to the contracting activity.
 45.304-2 Disposal priorities.
 45.304-3 Inventory disposal schedules.
 45.304-4 Scrap lists.
 45.304-5 Screening.
 45.304-6 Standard screening.
 45.304-7 Special screening requirements.
 45.304-8 Waiver of screening requirements.
 45.304-9 Interagency property transfer costs.
 45.304-10 Sale of surplus government property.
 45.304-11 Proceeds from sales.
 45.304-12 U.S. Government property in foreign countries.
 45.304-13 Destruction or abandonment.

Subpart 45.4—Property Management Contracts

- 45.401 Contracting for property management.
 45.401-1 General.
 45.401-2 Contracts to preserve or maintain an essential industrial capability.
 45.401-3 Consolidating property management.

Authority: 40 U.S.C. 486(c); 10 U.S.C. chapter 137; and 42 U.S.C. 2473(c).

Subpart 45.0—Scope and Definitions

45.000 Scope of part.

This part prescribes policies for authorizing contractors to acquire property for the Government, furnishing Government property to contractors, contractors' use and management of Government property, and, except for real property, the disposal of Government property. It does not apply to—

(a) Property leased under the provisions of 10 U.S.C. 2667, "Leases: nonexcess property"; or

(b) Property to which the Government has obtained title, a lien, or other security interest solely as a result of financing arrangements under fixed-price contracts.

45.001 Definitions.

As used in this Part—

Contractor's managerial personnel means the contractor's directors, officers, and any of the contractor's managers, superintendents, or equivalent representatives who have supervision or direction of all or substantially all of the contractor's—

(1) Business; or

(2) Operations at a site connected with performance of this contract.

Equipment means items whose use is not limited to, or with only minor modification would not be limited to, the development, production, or maintenance of a particular item or the performance of a particular service. The term includes, but is not limited to, automated data processing equipment, office equipment, construction equipment, hand tools, machine tools (other than special tooling), test equipment (other than special test equipment or components thereof), furniture, and vehicles.

Government property means property the Government owns or leases.

Government—furnished property means property provided by the Government to a contractor for performance of a contract.

Low value property means equipment, special tooling, or special test equipment that has an acquisition cost of \$1500 or less and is not sensitive property.

Material means property to be consumed or expended to perform a service or produce a deliverable end item and property incorporated into or attached to an end item. The term includes assemblies, components, parts, raw and processed materials, and supplies that may be consumed in normal use in performing a contract. It does not include equipment, real property, special test equipment, special tooling, or unique Federal property.

Nonprofit organization means a business entity organized and operated exclusively for charitable, scientific, or educational purposes, the net earnings of which do not inure to the benefit of any private shareholder or individual, that is exempt from Federal income taxation under section 501 of the Internal Revenue Code and does not conduct a substantial portion of its activities carrying on propaganda or otherwise attempting to influence legislation or participating in any

political campaign on behalf of any candidate for public office.

Personal property means property of any kind or interest in it except real property, battleships, cruisers, aircraft carriers, destroyers, submarines, and records of the Federal Government.

Plant clearance officer means a person appointed to perform plant clearance functions.

Precious metals means silver, gold, platinum, palladium, iridium, osmium, rhodium, and ruthenium.

Preventive maintenance means regularly scheduled maintenance performed to sustain suitability for intended use and detect and correct minor deficiencies before they result in serious consequences.

Property means real and personal property.

Property administrator means a person appointed to perform Government property administration.

Real property 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 equipment.

Rental period means the calendar period during which Government property is made available for commercial purposes.

Rental time means the number of hours, to the nearest whole hour, rented property is actually used for commercial purposes. It includes time to set up the property for such purposes, perform required maintenance, and restore the property to its condition prior to rental (less normal wear and tear).

Scrap means personal property that has no value except its basic metallic, mineral, or organic content.

Sensitive property means property potentially dangerous to the public safety or security if stolen, lost, or misplaced, or that must be subject to exceptional physical security, protection, control, and accountability such as classified property, weapons, ammunition, explosives, controlled substances, radioactive materials, hazardous materials or wastes, or precious metals.

Special test equipment means a test unit or units designed, fabricated, or modified to accomplish special purpose testing, groupings of such items, general purpose items, or any combination thereof, that are interconnected and interdependent so as to become a new functional entity.

Special tooling means items, such as jigs, dies, fixtures, molds, patterns, taps, gauges, or other equipment and manufacturing aids, which are of such

a specialized nature that without substantial modification or alteration their use is limited to the development, production, repair, or maintenance of particular supplies or components thereof, or to the performance of particular services.

Unique Federal property means Government-owned personal property, or components thereof, that is specially designed to perform or support the mission of one or more Federal agencies and is not available to the public.

Work in process means bench stock materials, complete or incomplete fabricated parts, subassemblies, assemblies, and similar items that are created during production of deliverable end items or are required to construct special tooling or special test equipment needed to produce deliverable end items.

Subpart 45.1—General

45.101 Policy.

(a) Agencies shall not direct, require, or specify for contract performance the use of specific commercially available items or software that will become Government property under a contract unless the contract's stated purpose is the acquisition of such items.

(b) Agencies shall not authorize contractors to acquire for the Government—

(1) Property not required for performance of a contract or subcontract thereunder;

(2) Real property, alterations thereof, or improvements thereto, unless the contract's purpose is the maintenance of an essential industry capability or the performance of alterations or improvements to real property that are necessary to maintain an essential industrial capability;

(3) Commercially available items, equipment, or computer software unless the contract's stated purpose is the acquisition of such items (see 45.101(c) for nonprofit organizations).

(c) Under contracts for basic or applied scientific research, contracting officers may authorize nonprofit organizations whose primary purpose is the conduct of scientific research or nonprofit institutions of higher education to acquire tangible personal property for the Government including commercially available items or equipment.

(d) Except as provided in subpart 45.2, agencies shall not furnish Government property to contractors.

(e) Under fixed-price or labor-hour contracts, agencies shall not exercise the Government's right to take title to special tooling or special test equipment

unless the tooling or test equipment will be needed for follow-on competitive procurements, component break-out, or mobilization.

45.102 Contract clauses.

(a)(1) Use the clause at 52.245-1, Government Furnished Property (Fixed-Price and Labor-Hour Contracts), in solicitations and contracts for supplies, services, or research and development to be awarded on a fixed-price competitive basis or competitive labor-hour contracts. Do not use the clause in contracts for commercial items or when Government property will not be furnished for contract performance.

(2) Use the clause with its Alternate I when the contract price will not be based upon adequate price competition, the price is set by law or regulation, or, when it is in the Government's interests to do so, in fixed-price contracts for services to be performed primarily on real property owned or leased by the Government (see 45.104(b)).

(b) Use the clause at 52.245-2, Special Tooling and Special Test Equipment—Right to Title (Fixed-Price Contracts), in fixed-price solicitations and contracts (other than sealed bids) for supplies, services, or research and development where the effort to be performed will require the contractor to acquire or fabricate special tooling or special test equipment.

(c) Use the clause at 52.245-3, Government Property Control, in all solicitations and contracts that include the clause at 52.245-1, 52.245-4, or 52.245-6. Use the clause at 52.245-3 with its Alternate I when the Government will maintain the Government's official property records (see 45.302(b)).

(d) Use the clause at 52.245-4, Government Property (Cost-Reimbursement and Time and Material Contracts), in all cost-reimbursement or time-and-material contracts. Use the clause with its Alternate I in contracts for basic or applied scientific research to be conducted by nonprofit organizations whose primary purpose is the conduct of scientific research or nonprofit institutions of higher education (see 35.014).

(e) Use the clause at 52.245-5, Rental Charges for Commercial Use, in all solicitations and contracts that include the clauses at 52.245-1, 52.245-4, or 52.245-6, except when contracting under the Armament Retooling and Manufacturing Support Act of 1992. The clause is optional for such contracts.

(f) The clause at 52.245-6, Government Property—Property Management Contracts, may be used in lieu of the clauses at 52.245-1 and

52.245-4 when a contractor will be performing multiple Government contracts at a single location, and it is in the Government's interests to consolidate under one contract the management of and accountability for the Government property at that location.

(g) Use the clause at 52.245-7, Liability for Government Property—Demolition Services Contracts, in addition to the clauses prescribed at 37.304 in solicitations and contracts for dismantling, demolition, or removal of improvements.

(h) A Government property clause is not required in purchase orders for property repair when the total acquisition cost of the items to be repaired is less than \$100,000 and such items are the only Government property furnished under the purchase order.

(i) When contracting for services to be performed entirely on property owned or leased by the Government and the contracting officer determines in writing that it is in the Government's interests to have a contractor record, inventory, and immediately report loss, theft, or destruction of, or damage to, Government property regardless of the property's value, the clauses at 52.245-1, 52.245-1 with its Alternate I, 52.245-3, 52.245-4, and 52.245-6 may be modified to delete references to low value property.

45.103 Contractor acquired or fabricated property.

(a) As defined in 52.245-3, the term "equipment" describes items whose use is not limited to the development, production, or maintenance of a particular item or the performance of a particular service. A contractor's contention that such equipment was acquired to perform a specific contract and is not needed for any other purpose does not alter the fact that such items are general purpose items that might not qualify for treatment as direct costs under the contractor's cost accounting practices and FAR 31.202.

(b) For purposes of the clause at 52.245-3, Government Property Control, property acquired or fabricated by a contractor for performance of a Government contract becomes Government property under a fixed-price contract or labor-hour contract when the Government accepts deliverable property or, as provided in the clause at 52.245-2, Special Tooling and Special Test Equipment—Right to Title (Fixed-Price Contracts), takes title to property not scheduled for delivery. Under cost-reimbursement or time-and-material contracts, property acquired or fabricated by a contractor for

performance of its contract becomes Government property at the times specified in the clause at 52.216-7, Allowable Cost and Payment. Alternate I to the clause at 52.245-4, Government Property (Cost-Reimbursement and Time-and-Material Contracts), and 35.014 describe the circumstances under which title to equipment or other tangible personal property may be vested in nonprofit organizations whose primary purpose is the conduct of scientific research or nonprofit institutions of higher education when such organizations are performing government contracts for basic or applied scientific research.

(c) Property to which the Government obtains or takes title at a contractor or subcontractor managed facility is considered property in the contractor's possession until the property is placed on board a carrier's conveyance (F.O.B. Origin) or delivered at the specified F.O.B. destination point. The contractor is liable for loss, theft, or destruction of, or damage to, that property in accordance with the clause at 52.245-1 or 52.245-4. Property administrators should verify that the contractor enters such property into its Government property control system if required by the contract.

(d) When property accepted by the Government or property to which the Government has taken title under the clause at 52.245-2 will be furnished to the contractor for performance of the contract under which acceptance occurred or title was obtained, or will be furnished to a contractor for performance of another Government contract, the receiving contract must be modified to identify the property as government furnished property. If the receiving contract does not contain the clause at 52.245-1 or 52.245-4, the modification should add the appropriate property clause, other clauses prescribed for use with that clause, and, notwithstanding any other provision of the receiving contract, specify that the property is furnished in accordance with the terms of the clauses added.

45.104 Risk of loss.

(a) The contractor is liable for loss, theft, or destruction of, or damage to, Government property under competitively awarded labor-hour contracts and competitively awarded fixed-price contracts. Under other contract types, the contractor is liable for such loss, theft, destruction, or damage until it establishes a Government property control system and the system is approved by a Government property administrator. Except as provided in paragraphs (f)(3)

and (f)(4) of Alternate I to 52.245-1, paragraphs (f)(2) and (f)(4) of the clause at 52.245-4, or paragraph (i)(2) or (i)(3) of the clause at 52.245-6, the Government assumes such risks during any period in which the contractor maintains an approved system (see 52.245-3).

(b) When contracting on a fixed-price competitive basis for services to be performed on real property owned or leased by the Government, contracting officers may use Alternate I to the clause at 52.245-1 to limit a contractor's risks of damage to, or loss, theft, or destruction of, Government furnished property, provided such limitation would reduce significantly the costs of contract performance. Annotate the contract file with appropriate documentation.

(c) Contracting officers shall require contractors to assume the risks of, and reimburse the Government for, damage to (except reasonable wear and tear) or loss, theft, or destruction of, Government property that occurs while the property is being used for commercial purposes. If the damaged, lost, stolen, or destroyed property is required for continued performance of a Government contract and cannot be repaired or replaced by the contractor without affecting scheduled deliveries, restitution should include schedule adjustments at no cost to the Government. Negotiate an equitable adjustment in price in lieu of repair or replacement when the property is not required for continued performance of a government contract.

45.105 Right to title, special tooling and special test equipment.

(a) Under the clause at 52.245-2, Special Tooling and Special Test Equipment Right to Title (Fixed-Price Contracts), the Government has the right to take title to special tooling or special test equipment that is not deliverable under a contract if the tooling or test equipment costs were allocated to the contract as direct costs. The right must be exercised within 120 days following the contractor's notice that special tooling or special test equipment items are no longer required for contract performance unless the contractor and the Government have agreed to a different period.

(b) The contractor is obligated to store the property at its expense during the notice period. Storage subsequent to an election of title is at Government expense.

Subpart 45.2—Furnishing Government Property

§ 45.201 Furnishing property for performance of a Government contract.

45.201-1 General.

Subject to the additional restrictions and documentation requirements in 45.201-2 and 45.201-3, Government property other than commercial items (see 2.101) may be furnished for performance of a contract only when at least one of the criteria in paragraph (a) of this section is satisfied. Government-owned commercial items may be furnished to contractors only under the circumstances described in paragraph (b) of this section.

(a) *Criteria.* (1) The Government is the sole source of property required to perform a contract;

(2) The property's use will result in substantial measurable cost savings to the Government when compared to estimated costs of contract performance without such property (consider the Government's costs to activate property or maintain property in an active status when determining cost savings);

(3) The Government must furnish the property to assure that items delivered under a contract are compatible with other Government items;

(4) The property must be furnished to accomplish repairs to, or maintenance or reconditioning of, Government furnished property or items to be delivered under a contract and such repair, maintenance, or reconditioning is not the contractor's responsibility under the contract;

(5) The property must be furnished to respond to an unusual and compelling urgency for supplies or services (see 6.302-2) or to support contingency contracting;

(6) The Government property will be used as a standard;

(7) Equipment in the Government's possession prior to award of a contract to be performed on real property owned or leased by the Government may be furnished for performance of that contract subject to the constraints in 45.201-1(b);

(8) The property will be used on a contract for scientific research conducted by an institution of higher education or a nonprofit organization; or

(9) Government furnished equipment or real property is needed for the retention or operation of an essential, Government-owned capability.

(b) *Commercial items.* Government owned commercial items that are being furnished to contractors for performance of a Government contract may be furnished for performance of follow-on

contracts for the identical items or substantially similar services with the same or successor contractors until the commercial item is no longer suitable for intended use. Repairs to such property shall be authorized only to the extent necessary to complete current contract performance. If the item cannot be repaired, it may be replaced with another commercial item from existing Government-owned property. Do not authorize a contractor to acquire a commercial item as a replacement for irreparable Government furnished property if the replacement item will become Government property under any Government contract. For commercial computer software or commercial computer software documentation, the authority of this paragraph may be exercised only when the Government has a license in the software or documentation that permits release or disclosure to, and use by, third parties and the software or documentation is required to operate, maintain, or install other Government property furnished for performance of a Government contract.

45.201-2 Additional restrictions.

(a) *Material.* (1) Prior to furnishing material for which the Government is the sole source, verify that only the type and quantity of material required for contract performance is furnished. Such quantity may include reasonable amounts for repairs or corrections to work in process, scrap, or spoilage provided the Government continues to be the only source for such material.

(2) Except as provided in 45.201-1(a)(2), (4), or (5), do not furnish to contractors material customarily offered for sale in the commercial marketplace.

(b) *Equipment.* Government-owned equipment that is not a commercial item (see 2.201) may be furnished to contractors only as provided in 45.201-1(a)(4), (5), (7), (8), or (9).

(c) *Noncommercial computer software or computer software documentation.* Do not furnish noncommercial computer software or noncommercial computer software documentation (see 52.227-14 or, for DoD, Defense Federal Acquisition Regulation Supplement (DFARS) 48 CFR 252.227-7014) to contractors unless the Government is the software or documentation licensor or, prior to furnishing the software or documentation, the Government obtains a license in the software or documentation that permits release or disclosure to, or use by, third parties and the intended recipient has completed any use and nondisclosure agreement required by part 27 or (DFARS) 48 CFR part 227.

45.201-3 Documentation requirements.

Decisions to furnish commercial items, real property, or equipment to contractors must be documented in the contract file. Contracting officers may make decisions based upon the criteria in 45.201-1(a)(3) through (6) and (8). Unless other approval levels are designated in agency supplements, approval is required by—

(a) The contracting officer's first level supervisor when using the criterion in 45.201-1(a)(2);

(b) The contracting officer's second level supervisor when using the criteria in 45.201-1(a)(1) or (7); or

(c) The head of the contracting activity when using the criterion in 45.201-1(a)(9).

45.201-4 Competitive advantage.

Offerors who will use Government property to perform a contract have a price advantage relative to competitors who will acquire, fabricate, or use their own property to perform that contract. When evaluating offers, that advantage must be eliminated to the extent practicable (see 15.608).

45.201-5 Solicitation and contract requirements.

When Government property will be made available for contract performance—

(a) Competitive solicitations shall—

(1) List the available property by item name, national stock number (if the item has a national stock number), or other appropriate nomenclature; and, identify the quantity available;

(2) Include, or offer to provide, real property maps, drawings, plans, or similar information in sufficient detail to enable an offeror to prepare its offer;

(3) Separately identify property available on an "as is" basis and require the successful offeror to pay the cost of transporting such property to its facility;

(4) Separately identify property the Government must reactivate, rehabilitate, or convert;

(5) Identify the evaluation factors that will be applied to the price of offers that contemplate use of Government furnished property. The factors may be specified as a dollar amount, a formula, or any combination thereof;

(6) Identify any special requirements for security, maintenance, liability, or property control; and

(7) Require all offerors to submit with their offers the following information—

(i) A list or description of all Government property the offeror or its subcontractors propose to use on a rent-free basis. The list shall include property offered for use in the solicitation and property already in

possession of the offeror or its prospective subcontractors under other contracts;

(ii) An identification of the contract or other instrument under which property already in the offeror's and its prospective subcontractors is accountable, and written permission from the cognizant contracting officer authorizing the property's use for performance of the proposed contract;

(iii) The rental period, rental time, and time available for use (see 52.245-5) and offeror's estimated costs to acquire, fabricate, lease, or rent the property if it is not furnished by the Government; and

(iv) A statement as to whether the offeror has an approved property control system, the date the system was last reviewed, and the name and address of the Government's property administrator who performed the last review.

(b) Contracts shall—

(1) List and identify (nomenclature, quantity, serial number, or other appropriate identifier, or, for real property, maps, drawings, plans or similar information) the Government property furnished for performance of the contract;

(2) Separately identify property furnished "as is";

(3) Identify any constraints on the period for, or amount of, use;

(4) Identify any special requirements for security, maintenance, liability, or property control applicable to a particular Government furnished item;

(5) Identify any Government furnished property that is to be returned directly to the contracting activity in lieu of initiating disposal action and specify the method and point of return; and

(6) For fixed price construction contracts that contemplate furnishing property f.o.b. railroad cars or f.o.b. truck, specify the point of delivery and include appropriate terms and conditions if the Government or another person will install, prepare, or test the property.

45.201-6 Postaward requests for Government furnished property.

Except as provided in 45.201-7, do not furnish Government property to contractors subsequent to contract award unless adequate consideration is received. If a contractor requests the use of property that is not accountable under your contract, do not authorize use until the contracting officer for the contract under which the property is accountable concurs with the proposed use. Modify each contract for which use is authorized to identify the conditions

for use and the applicable consideration.

45.201-7 Repair or replacement of Government furnished property.

(a) Except for property furnished to a contractor on an "as is" basis, contracting officers may elect to repair or replace, direct the contractor to repair, or direct the contractor to dispose of Government furnished property that—

(1) Is received by the contractor in a condition not suitable for its intended use;

(2) Routine or preventative maintenance cannot maintain in a condition suitable for intended use; or

(3) Is lost, stolen, destroyed, or damaged and the Government has assumed the risk of such loss, theft, destruction, or damage.

(b) Consult with appropriate technical, logistics, program office, and property specialists, to determine whether the Government furnished property should be replaced, the appropriate method and type of replacement, or if the contractor should repair the property. If the Government does not elect to repair or replace Government furnished property that is needed for continued contract performance, the contractor might be entitled to an equitable adjustment under the clause at 52.245-1 or 52.245-4.

45.202 Authorizing the use of Government furnished property for commercial purposes.

(a) This section does not apply to contracts subject to the Armament Retooling and Manufacturing Support Act of 1992.

(b) Unless prohibited by law, contracting officers may authorize the contractor performing a contract under which Government property is accountable to use that property for commercial purposes on a noninterference basis if the Government receives an equitable rental for such use. The contractor shall be required to assume the risk of, and reimburse the Government for, any damage to, or loss, theft, or destruction of the property except damage resulting from wear and tear reasonable for the period the property was authorized for commercial use and to indemnify the Government against claims for injury to persons or damage to the contractor's or third parties property arising from the contractor's use or possession of the Government property for commercial purposes.

(c) Authorization for commercial purposes must be reflected in a contract modification and specify—

(1) The property is available "as is" without any representation as to suitability for intended use;

(2) The time period during which the property may be used;

(3) Any restrictions on, or conditions of, use; and

(4) The rent or estimated rent the Government will receive.

(d) Contracts that contain the clause at 52.245-9, Use and Charges, may be modified to replace that clause with the clause at 52.245-5, Rental Charges for Commercial Use, if adequate consideration is obtained.

(e) The contracting officer shall not revoke an authorization to use Government property for commercial purposes unless the contractor fails to comply with the requirements in 52.245-5 or the Government has a compelling need that precludes continued availability for commercial use.

Subpart 45.3—Government Property Management

45.301 Property control systems.

45.301-1 Preaward considerations.

(a) Contracting officers should consider whether an offeror's property management capabilities might affect source selection and structure appropriate evaluation criteria.

(b) When property management capabilities will be evaluated, the cognizant property administrators should verify whether offerors have approved property control systems and make recommendations regarding the adequacy of offerors plans to establish an acceptable system.

45.301-2 Property control system reviews and approvals.

(a) *General.* (1) Contractors are responsible for their subcontractors' compliance with the property control system requirements in 52.245-3. A contractor's system and processes must provide for the control of property in the possession of its subcontractors.

(2) The periods for establishing a new system or submitting changes to an existing system should be extended only when the contractor demonstrates a reasonable need for an extension. When authorizing an extension, specify the new establishment or submission date(s).

(3) The clause at 52.245-3 generally prohibits contractor personnel who maintain property records or who have custody of property from performing physical inventories. Property administrators may waive that prohibition if there is no information or prior contractor experience that suggests

a waiver would adversely affect the Government's property interests.

(b) *New systems or systems not previously reviewed by the Government.* Property administrators shall review new property control systems or existing contractor systems that have not been reviewed by a Government-employed property administrator as soon as practicable.

(1) Promptly refer to the contracting officer a contractor's failure to establish a property control system that satisfies the requirements in 52.245-3.

(2) Approve and not require changes to a contractor system or proposed system that satisfies all requirements in 52.245-3(b).

(3) Require contractors to change proposed property control systems that do not satisfy all requirements in 52.245-3(b) only to the extent necessary for compliance with those requirements. Notify the contractor of the corrections required and specify the date(s) by which the corrections must be made. If a contractor fails to make required corrections within the time specified, issue the notice required by paragraph (f)(4) of Alternate I to 52.245-1, (f)(4) of 52.245-4, or (i)(3) of 52.245-6, and simultaneously notify the contracting officer.

(c) *Changes necessitated by contract award.* The clause at 52.245-3 requires a contractor that has a previously approved property control system to submit to the Government's property administrator within 90 days following contract award changes to its property control system necessitated by award of a new contract.

(1) Property administrators shall review contractor-proposed changes promptly following receipt to assure compliance with the contract's property control system requirements. Validate the systems' approval if the contractor proposed changes are sufficient to assure compliance with 52.245-3(b). Require other changes only if necessary for compliance. Notify the contractor of the corrections required, and specify the date(s) by which the corrections must be made.

(2) If the contractor fails to make the required corrections within the time specified, issue the notice required by paragraph (f)(4) of Alternate I to 52.245-1, (f)(4) of 52.245-4, or (i)(3) of 52.245-6, and advise the contractor that its failure to correct its system or to have a subcontractor system corrected within the time specified might result in the contractor's assumption of liability for any damage to, or loss, theft, or destruction of, Government property that the Government would otherwise be liable for under those clauses.

Simultaneously notify the contracting officer.

(d) *Corrections following property control system reviews.* When a property control system review discloses that a previously approved system no longer satisfies any requirement of 52.245-3(b), provide a correction notice to the contractor. Specify the corrections required to make the contractor's or a subcontractor's system compliant and specify the date for completing corrective action. If the contract includes the clause at 52.245-1 with its Alternate I, 52.245-4, or 52.245-6, advise the contractor that its failure to correct its system or to have a subcontractor system corrected within the time specified might result in the contractor's assumption of liability for any damage to, or loss, theft, or destruction of, Government property that the Government would otherwise be liable for under those clauses.

(e) *Withdrawing system approval.* The clause at 52.245-3 requires the administrative contracting officer's concurrence to withdraw approval of an approved property control system. Generally, approval should be withdrawn when a contractor fails to maintain a Government property control system that satisfies the requirements.

45.302 Government property records and reports.

(a) Generally, it is in the Government's interests to have the contractor generate records and reports of Government property using the same practices the contractor uses for its own property. If the contractor's practices generate the property records, reports, and supporting information required by 52.245-3(e) and (f), do not require the contractor to modify its practices. When changes are necessary, require the contractor to make only the changes necessary to assure compliance with 52.245-3(e). Do not require contractors to use specific media for their records.

(b) The property records maintained by a contractor are the Government's official property records. A contracting office may elect to establish and maintain the Government's property records and generate required property reports when the contracting office retains contract administration functions and the contracting officer considers Government record keeping and reports generation to be in the Government's interests. Circumstances under which such record keeping and reporting might be warranted are contracts with performance periods less than 6 months or when Government property will be furnished for performance of a contract to manage or

operate for the Government, or perform services entirely at, activities such as installations, bases, or portions thereof, warehouses, libraries, stock rooms, mailrooms, or computer centers located entirely at real property owned or leased by the Government.

(c) The contracting office shall process property reports in accordance with agency procedures.

45.303 Property accountability.

45.303-1 Accountability.

(a) Government furnished property is accountable generally under the contract for which it was furnished (see 45.401-3).

(b) Contractor acquired or fabricated property to which the Government has title under the clause at 52.245-2 or 52.216-7 is accountable under the contract for which the property was acquired or fabricated until the contracting officer directs a transfer of accountability, the property is placed aboard a carrier's conveyance (f.o.b. origin), or delivered at the specified f.o.b. destination point.

(c) When Government property accountable under a contract, but not deliverable to the Government under that contract, is no longer needed for performance of the contract, the property should be entered into the disposal process (see 45.304) except when the property is—

(1) Government furnished property identified in the contract for return directly to the contracting activity;

(2) Government furnished property specifically and currently needed for the performance of other Government contracts;

(3) Property to which the Government has title that is needed to preserve or maintain an essential industrial capability; or

(4) Contractor acquired or fabricated property to which the Government has title that will be furnished to a contractor as Government furnished property for performance of a Government contract other than the contract under which the property was acquired or fabricated.

45.303-2 Transferring accountability.

Property accountability may be transferred to other contracts only under the circumstances identified in 45.303-1(c).

(a) *Price adjustment.* When a property item's accountability is transferred to a contract for performance of that contract, the price or estimated cost and fee of the receiving contract should be equitably reduced if the receiving contract's current price or estimated

cost and fee was established without a requirement for the Government to furnish the property item as Government furnished property for that contract.

(b) *Special tooling or special test equipment.* Accountability for a special tooling or special test equipment item to which the Government has obtained title under the clause at 52.245-2 or 52.216-7, may be transferred to another contract for performance of that contract provided that the property is identified as property furnished "as is" and the receiving contract's price or estimated cost and fee is adjusted in accordance with 45.303-2(a) and property records are adjusted in accordance with 45.303-2(d). Accountability instructions should be included in the assumption of title notice required by 52.245-2.

(c) *Contractor acquired or fabricated property (other than special tooling or special test equipment).* Accountability for property to which the Government has obtained title under the clause at 52.216-7 may be transferred to another contract when the property is no longer needed for performance of the contract under which the property was acquired or fabricated provided the receiving contract's price or estimated cost and fee is adjusted in accordance with paragraph (a) of this section and property records are adjusted in accordance with paragraph (d) of this section.

(d) *Property records.* All property accountability transfers must be reflected in the property control records for the contract from which accountability is transferred (the losing contract) and the contract to which accountability is transferred (the gaining contract). When a Government furnished property item's accountability is transferred, the respective contracting officers must modify the list of Government furnished property items contained in the losing and gaining contracts.

45.304 Property disposal.

45.304-1 Government furnished property to be returned to the contracting activity.

When a contract requires the contractor to return Government furnished property directly to the contracting activity, the Government's property administrator should determine the property's condition as near to the return date as practicable and promptly notify the contracting officer if the property is not suitable for its intended use. The contracting officer promptly shall direct the contractor to take any necessary corrective action or, if corrective action is not practical,

negotiate an equitable adjustment and direct the contractor to add the property to an inventory disposal schedule, and promptly advise the Government's property administrator of the action directed.

45.304-2 Disposal priorities.

The clause at 52.245-4 requires contractors to make reasonable efforts to return contractor acquired or fabricated Government property that is no longer needed for contract performance to the appropriate supplier or to use the property in performance of other contracts before including the property in an inventory disposal schedule. Plant clearance officers shall initiate action to dispose of scheduled property using the highest priority method appropriate for the property. Authorized methods, listed in descending order from highest to lowest priority, are—

- (a) Re-use within the Government.
- (b) Transfer of educationally useful Federal equipment to schools and nonprofit organizations (see Executive Order 12999).
- (c) Donation to other eligible donees.
- (d) Sale.
- (e) Donation to public bodies in lieu of abandonment.
- (f) Abandonment or destruction.

45.304-3 Inventory disposal schedules.

(a) The plant clearance officer should review, accept, return for correction, or reject the contractor's inventory disposal schedules within 10 days following receipt. Plant clearance officers may reject a schedule entirely or in part, or require correction of the information contained in the schedule. Do not reject a schedule if—

- (1) The property's location, quantity and condition are correctly identified;
- (2) The property is accountable under the contract for which the schedule is submitted or, if submission follows a termination action, the property's costs are allocable to the contract as direct costs; and

(3) The contractor, when the contract contains the clause at 52.245-4, has completed the actions required by 52.245-4(h)(1)(i) and (ii).

(b) Accepted schedules shall be verified within 20 days following receipt. Plant clearance officers shall require the contractor to correct any discrepancies found during verification.

(c) Scrap identified on an inventory disposal schedule may be disposed of upon verification of the schedule. Screening is not required. Classified items may be disposed of following agency screening (see 45.304-6).

(d) Contractors must obtain the plant clearance officer's approval to remove a

Government property item from an inventory disposal schedule. Removal should be approved when the contractor has found a buyer for a contractor acquired or fabricated item at full acquisition cost, the contractor has found a use for such property on another Government contract, or the contractor has justified continued use of a Government furnished property item. Consult with appropriate program and technical personnel to determine whether the contractor's rationale for retaining a Government furnished property item is valid. If the screening process (45.304-5) has not begun, correct the schedule or return the schedule to the contractor for correction. If screening has begun, promptly notify the activity performing the screening and identify the items that should be removed from the screening process.

45.304-4 Scrap lists.

(a) Contractors that have Government-approved scrap procedures may submit scrap lists in lieu of inventory disposal schedules to identify property the contractor recommends disposing of as scrap. Review scrap lists within 10 days following receipt. Generally, the plant clearance officer should verify and accept scrap lists that are consistent with a contractor's Government approved scrap procedures, correctly identify the contracts under which the property is accountable, and correctly identify the property's quantity and condition. Reject or require correction of scrap lists that contain property that must be demilitarized prior to disposal, classified items, scrap generated from classified items, scrap that contains hazardous materials or precious metals, or items that are dangerous to the public health, safety, or welfare. Require contractors to submit inventory disposal schedules for such items.

(b) Scrap identified on a scrap list may be disposed of promptly following the plant clearance officer's verification of the list. Provide disposition instructions to the contractor within 60 days following receipt of an acceptable scrap list. If disposition instructions are not provided within that period, the clauses at 52.245-1, 52.245-4, and 52.245-6 permit a contractor to dispose of scrap identified on a scrap list.

45.304-5 Screening.

(a) Except as provided in 45.304-3(c) and 45.304-4(b), Government property that is no longer required for performance of a particular contract shall not be disposed of until the agency owning the property has determined that there is no other reasonably

foreseeable use for the property within the agency, a school or community based educational organization has not expressed an interest in an item of educationally useful Federal equipment, and the General Services Administration (GSA) has determined that no other Federal Agency has a use for the property.

(b) Screening periods for property listed on an inventory disposal schedule begin upon the plant clearance officer's acceptance of the schedule. The plant clearance officer shall determine the appropriate screening method for excess property (see 45.304-6 for standard screening and 45.304-7 for special screening requirements), initiate screening, and assure accomplishment of transfer and donation. Plant clearance officers shall not extend the times for agency screening without the prior approval of the GSA.

45.304-6 Standard screening.

The standard screening period is 56 days.

(a) *1st through 20th day—screening by the contracting agency.* The contracting agency has 20 days to screen excess property for other use within the agency. Plant clearance officers shall delete from the disposal schedules any items for which other intraagency use is identified, prepare revised schedules, and, no later than the 21st day, submit four copies of the revised schedules and Standard Form (SF) 120, Report of Excess Personal Property, or an electronic equivalent to the GSA. Enter the date of the 56th day as the surplus release date and screening completion date.

(b) *21st through 41st day—screening by all Federal agencies.* (1) GSA will honor requests for transfers of property on a "first-come first-served" basis through the 41st day. The GSA regional office shall promptly transmit to the plant clearance officer the approved orders and shipping instructions for property to be transferred.

(2) If the plant clearance officer receives a request to transfer a property item, he or she shall promptly request GSA approval to withdraw the item from the inventory disposal schedule.

(c) *42nd through 56th day—GSA screening for possible donation.* During this period, GSA shall screen property not identified for Federal re-utilization for possible donation to eligible donees.

45.304-7 Special screening requirements.

(a) *Special tooling and special test equipment that does not contain general purpose components.* Screen these items for re-utilization within the agency. Except for the Department of

Defense, if the agency has no further use for the tooling or test equipment, forward the inventory disposal schedule to the GSA regional office that serves the region in which the property is located.

(b) *Special test equipment with general purpose components.* (1) The clauses at 52.245-1, 52.245-4, and 52.245-6 permit a contractor to identify special test equipment, or general purpose components thereof, the contractor can use in performance of other Government contracts or to identify such equipment or components it wants to acquire from the Government for other purposes.

(2) Complete the agency screening required by 45.304-6(a). If the agency has no further need for the property and the contractor has not expressed an interest in using or acquiring the property by annotating the inventory disposal schedule, forward the inventory disposal schedule to the GSA regional office that serves the region in which the property is located. If the contractor has expressed an interest in using the property on another Government contract, contact the appropriate contracting officer for that contract. If he or she concurs with the proposed use, transfer the property's accountability to that contract. Deny the contractor's request if the contracting officer does not concur with the proposed use and resume the screening process. If the contractor has expressed an interest in acquiring the property, and no other party has expressed an interest during agency or GSA screening, see 45.304-10.

(c) *Printing equipment.* Report all excess printing equipment to the Public Printer, Government Printing Office, North Capitol and H Streets, NW, Washington, DC 20401, after screening within the agency (see 44 U.S.C. 312). If the Public Printer has no requirement for the equipment, submit the report to the General Services Administration for further use and donation screening.

(d) *Automatic data processing equipment (ADPE).* Schools and community based educational organizations shall have priority for ADPE that is educationally useful. Dispose of ADPE that will not be transferred to a school or community based educational organization in accordance with agency procedures.

(e) *Non-nuclear hazardous materials.* Process these items in accordance with agency procedures.

(f) *Nuclear materials.* (1) The possession, use, and transfer of certain nuclear materials are subject to the regulatory controls of the Nuclear

Regulatory Commission (NRC). The materials are defined as—

(i) By-product material—any radioactive material (except special nuclear material) yielded in or made radioactive by exposure to the radiation incident to producing or using special nuclear material.

(ii) Source material—uranium or thorium, or any combination thereof, in any physical or chemical form; or ores which contain by weight one-twentieth of 1 percent (0.05 percent) or more of uranium, thorium, or any combination thereof. Source material does not include special nuclear material.

(iii) Special nuclear material—plutonium, uranium 233, uranium enriched in the isotope 233 or in the isotope 235, and any other material that the NRC determines to be special nuclear material (but not including source material); or any material artificially enriched by any nuclear material.

(2) Contracting activities shall screen listings of excess nuclear material in the categories described in paragraph (b)(1) of this section. If there are no other agency requirements for the material, the material shall be disposed of in accordance with the NRC or applicable state licenses, and applicable Federal and agency regulations.

45.304-8 Waiver of screening requirements.

Agency heads or their designees may waive agency screening requirements when it is clearly in the Government's interests to do so. When circumstances suggest a waiver of GSA screening requirements would be in the Government's interests, submit the agency's justification for the waiver to the Administrator, General Services Administration, at least 10 days prior to implementing the waiver. The waiver shall be effective unless the GSA takes exception to the waiver request within the 10-day period. Notify the contract administration office when implementing a waiver.

45.304-9 Interagency property transfer costs.

Agencies whose property is transferred to other agencies shall not be reimbursed for the property in any manner unless the circumstances of 41 CFR 101-43.309-3 apply. The agency receiving the property shall pay any transportation costs that are not the contractor's responsibility and any costs to pack, crate, or otherwise prepare the property for shipment. The contract administration office shall process appropriate contract modifications. To accelerate plant clearance, the receiving

agency shall promptly furnish funding data and transfer or shipping documents to the contract administration office.

45.304-10 Sale of surplus Government property.

Policy and procedures for such sales, except sales of Department of Defense property, are contained in the Federal Property Management Regulations (FPMR) 41 CFR part 101-45.

45.304-11 Proceeds from sales.

Proceeds of any sale are to be credited to the Treasury of the United States as miscellaneous receipts, except where the contract or any subcontract thereunder authorizes the proceeds to be credited to the price or cost of the work (40 U.S.C. 485(a) and (e)).

45.304-12 U.S. Government property in foreign countries.

Sell or dispose of such property in accordance with agency procedures (see 40 U.S.C. 511-514).

45.304-13 Destruction or abandonment.

(a) Surplus property may be destroyed or abandoned only after a reasonable effort has been made to dispose of it by other authorized methods. Before authorizing destruction or abandonment, the plant clearance officer shall determine in writing that—

(1) The property has no commercial value and no value to the Government; or

(2) The estimated cost to sell the property is greater than the probable sale proceeds; and

(3) The property does not constitute a danger to public health, safety, or welfare.

(b) Surplus property for which a determination has been made under 45.304-13 may be donated to public bodies in lieu of abandonment or destruction. All costs incident to donation shall be borne by the donee.

(c) Agencies shall not abandon hazardous Government property on a contractor's premises without the contractor's written consent.

Subpart 45.4—Property Management Contracts

45.401 Contracting for property management.

45.401-1 General.

(a) Contracts for the storage of Government property, the operation or management of real property owned or leased by the Government, the operation or management of a Government activity for the Government (e.g., warehouses, libraries, stock rooms, computer centers, etc., that are located on real property owned or leased by the Government) or

the preservation of an essential industrial capability, are contracts for services.

(b) Follow the guidelines in parts 37 and 45 to acquire such services. Except as provided in 45.401-3, in addition to the clauses prescribed for use with part 37, include either 52.245-1 or 52.245-4 and 52.245-3 in solicitations and contracts for such services. See 45.102 for applicability criteria and other provisions or clauses that might be required. As required by 52.245-1 or 52.245-4, all Government property to be furnished for performance of such contracts must be identified in the contract. See 45.201 for restrictions applicable to furnishing certain types of property. The contract must identify any constraints on the property's use, special handling or maintenance requirements, and applicable security considerations. See 45.401-3 for property management contracts.

(c) When a contractor will be required to maintain the Government's property, solicitations shall require offerors to propose maintenance plans. Contracting officers should consult with cognizant property administrators to assure that proposed maintenance plans are acceptable and conduct negotiations with offerors in the competitive range when necessary. At the minimum, the maintenance to be performed must be sufficient to assure the property's suitability for intended use or, under property management contracts, assure that property used by the contractor is returned to the Government in the same or better condition than the property's condition prior to contractor use, less normal wear and tear. Include an offeror's acceptable plan, or negotiated modification thereof, in the contract performance requirements.

45.401-2 Contracts to preserve or maintain an essential industrial capability.

Follow the guidelines in 45.401-1. If the contractor is authorized to use property that is part of an essential industrial capability for performance of—

(a) A Government contract at another location, transfer the property's accountability to that contract.

(b) A nonfederal contract, charge an appropriate rent.

45.401-3 Property management contracts.

(a) Contracting officers may consider awarding a contract to consolidate management of and accountability for Government-owned or -leased real or personal property at a specified location provided the potential property management contractor also is performing simultaneously multiple

Government supply or service contracts at the specified location. The term "specified location" includes Government-owned contractor operated activities and essential industrial facilities maintained or operated by a contractor for the Government. Generally, the contractor performs the property management services required by the clauses at 52.245-3 and 52.245-6 at no direct cost to the Government. In consideration of that performance, the contractor is authorized to use, on a rent-free basis and without further approval, the property accountable under the property management contract in performance of the contracting agency's contracts and may use such property in performance of other Government contracts if authorized by the contracting officer. During such use, the property remains accountable under the property management contract.

(b) A property management contract must clearly identify the property accountable under the contract, the specific location at which the contractor is authorized to use the property, and include the clauses at 52.245-6 (in lieu of the clauses at 52.245-1 or 52.245-4), 52.245-3, and any applicable clauses prescribed for use when contracting under part 37.

(c) Charge an appropriate rental using the guidelines in 52.245-5 when property accountable under property management contracts is authorized for commercial use.

PART 49—TERMINATION OF CONTRACTS

25. Section 49.001 is amended by revising the definition "Termination inventory" to read as follows:

49.001 Definitions.

* * * * *

Termination inventory includes parts, work in process, completed work, supplies, other material produced or acquired for the work terminated, completed or partially completed plans, drawings, or information, property that would have been delivered to the Government if the contract had been completed, and Government furnished property.

* * * * *

49.105 [Amended]

26. Section 49.105 is amended in the introductory text of paragraph (b)(4) by removing "(see subpart 45.6)".

27. Section 49.108-3 is amended by revising paragraph (b)(1) to read as follows:

49.108-3 Settlement procedure.

* * * * *

(b) * * *
(1) All subcontractor termination inventory be disposed of and accounted for in accordance with part 45 or, for contracts awarded on or after (TBD), the disposal procedures in 52.245-4; and

* * * * *

28. Section 49.108-4 is amended by revising paragraphs (a)(1)(ii) and (b) to read as follows:

49.108-4 Authorization for subcontract settlements without approval or ratification.

(ii) Any termination inventory included in determining the amount of the settlement will be disposed of as directed by the prime contractor, except that the disposition of the inventory shall not be subject to:

(A) Review by the TCO under 49.108-3(c), or

(B) The screening requirements in 45.304; and

* * * * *

(b) Section 45.304 shall apply to disposal of completed end items allocable to the terminated subcontract. However, these items may be disposed of without review by the TCO under 49.108-3, and without screening under 45.304, if the total amount (at the subcontract price) when added to the amount of the settlement does not exceed the amount authorized under this subsection.

* * * * *

49.202 [Amended]

29. Section 49.202 is amended in paragraph (b)(3)(iii) by removing the word "facilities" and inserting "property" in its place.

49.204 [Amended]

30. Section 49.204 is amended in paragraph (a) by removing the words "materials sold that have" and inserting in their place "property sold that has".

31. Section 49.206-3 is revised to read as follows:

49.206-3 Submission of inventory schedules.

Subject to the terms of the termination clause, and whenever termination inventory is involved, the contractor shall submit complete inventory disposal schedules, to the TCO, reflecting inventory that is allocable to the terminated portion of the contract. The inventory disposal schedules shall be submitted within 20 days from the effective date of termination unless otherwise extended by the TCO based on a written justification to support the extension. The inventory schedules shall be prepared on Standard Form 1428 (see 45.302).

32. Section 49.303-2 is revised to read as follows:

49.303-2 Submission of inventory schedules.

Subject to the terms of the termination clause, and whenever termination inventory is involved, the contractor shall submit complete inventory disposal schedules, to the TCO, reflecting inventory that is allocable to the terminated portion of the contract. The inventory schedules shall be submitted within 120 days from the effective date of termination unless otherwise extended by the TCO based on a written justification to support the extension. The inventory disposal schedules shall be prepared on Standard Form 1428 (see 45.302).

33. Section 49.505 is amended by revising paragraphs (a) and (c), and the last sentence of paragraph (d) to read as follows:

49.505 Other termination clauses.

(a) *Property management.* The contracting officer shall insert the clause at 52.249-11, Termination of Use—Property Management Contracts, in property management contracts.

(c) *Failure to perform.* The contracting officer shall insert the clause at 52.249-13, Failure to Perform, in property management contracts, except such contracts with nonprofit educational institutions.

(d) * * * The contracting officer shall also insert the clause in time-and-material contracts, labor-hour contracts, and property management contracts.

34. Section 49.602-2 is revised to read as follows:

49.602-2 Inventory forms.

Standard Forms 1428, Inventory Disposal Schedule, and 1429, Inventory Disposal Schedule—Continuation Sheet, shall be used to support settlement proposals submitted on the forms specified in 49.602-1(a), (b), and (c) (see 45.302).

PART 51—USE OF GOVERNMENT SOURCES BY CONTRACTORS

35. Section 51.106 is revised to read as follows:

51.106 Title.

(a) Title to all property acquired by the contractor under the contracting officer's authorization shall vest in the parties as provided in the contract.

(b) When contracting with educational institutions and the Government Property clause at 52.245-4, Alternate I is used, agencies may

provide higher thresholds, if appropriate.

36. Section 51.107 is revised to read as follows:

51.107 Contract clause.

The contracting officer shall insert the clause at 52.251-1, Government Supply Sources, in solicitations and contracts when the contracting officer may authorize the contractor to acquire supplies from a Government supply source.

51.200 [Amended]

37. Section 51.200 is amended at the end of the second sentence by removing "(see 45.304)."

PART 52—SOLICITATION PROVISIONS AND CONTRACT CLAUSES

38. Section 52.216-7 is amended by revising the date of the clause; in paragraph (b)(3) by revising "paragraph (g)" and "paragraph (d)" to read "paragraph (h)" and "paragraph (e)", respectively; redesignating paragraphs (c) through (h) as (d) through (i) respectively; adding a new paragraph (c); and in newly designated paragraph (i)(1) by revising "paragraph (d)(4)" to read "paragraph (e)(4)". The revised text reads as follows:

52.216-7 Allowable Cost and Payment.

Allowable Cost and Payment (Date)

(c) *Title.* (1) Title to property acquired or produced by the Contractor for performance of this contract, the costs of which are allocable to this contract as direct costs, shall vest in the Government. For property acquired or produced prior to execution of this contract, vestiture occurs upon execution of the contract. Otherwise, vestiture occurs when the property is or should have been allocable or properly chargeable to this contract under sound and generally accepted accounting principles and practices.

(2) Property to which the Government has obtained title solely under this clause is not "Government furnished property."

52.216-11 [Amended]

39. Section 52.216-11 is amended in the first sentence of the introductory paragraph of the section by removing "or a facilities contract."

52.216-12 [Amended]

40. Section 52.216-12 is amended in the first sentence of the introductory paragraph of the section by removing "(other than a facilities contract)".

52.216-13 and 52.216-14 [Removed and Reserved]

41. Sections 52.216-13 and 52.216-14 are removed and reserved.

52.222-17 Labor Standards for Construction Work-Property Management Contracts.

42. Section 52.222-17 section and clause headings are revised to read as set forth above; and the date of the clause is revised.

43. Section 52.232-16 is amended by revising the date of the clause and paragraphs (d), (e), and (h) of the clause to read as follows:

52.232-16 Progress Payments.

Progress Payments (Date)

(d) *Title.* (1) Title to property acquired or produced by the Contractor for performance of this contract, the costs of which are allocable to this contract as direct costs, shall vest in the Government. For property acquired or produced prior to execution of this contract, vestiture occurs upon execution of the contract. Otherwise, vestiture occurs when the property is or should have been allocable or properly chargeable to this contract under sound and generally accepted accounting principles and practices. Except as provided in 52.245-2, upon liquidation of all progress payments, the Contractor shall have title to property acquired or fabricated for this contract that is not required to be delivered to the Government

(2) Property to which the Government has obtained title solely under this clause is not "Government furnished property."

(3) Except for Government furnished property, the Contractor may sell scrap resulting from performance of this contract without requesting the Contracting Officer's approval. The proceeds shall be credited against the costs of performance.

(4) The Contractor shall not acquire for its own use property to which title is vested in the Government under this clause or, except as provided in paragraph (3) of this clause, dispose of such property unless authorized to do so by the Contracting Officer. The Contractor shall (i) exclude the allocable costs of the property from the costs of contract performance, and (ii) repay to the Government any amount of unliquidated progress payments allocable to the property.

(e) *Risk of loss.* The Contractor is liable for loss, theft, or destruction of, or damage to, property acquired or produced for performance of this contract unless the Government has expressly assumed such risks, taken title to the property under 52.245-2, or accepted the property. The Contractor shall repay the Government an amount equal to the unliquidated progress payments that are based on costs allocable to property that is damaged, lost, stolen, or destroyed.

(h) *Special terms regarding default.* If this contract is terminated under the Default clause—

(1) The Contractor shall, on demand, repay to the Government the amount of unliquidated progress payments.

(2) Upon full liquidation of progress payments, the Contractor shall have title to

all property acquired or fabricated for performance of this contract except such property required to be delivered to the Government under the Default clause or property to which the Government has taken title under 52.245-2.

* * * * *

52.232-21 [Removed and Reserved]

44. Section 52.232-21 is removed and reserved.

45. Section 52.232-32 is amended by revising the date of the clause and paragraphs (f), (g), and (j) to read as follows:

52.232-32 Performance-Based Payments.

* * * * *

Performance-Based Payments (Date)

(f) *Title.* (1) Title to property acquired or produced by the contractor for performance of this contract, the costs of which are allocable to this contract as direct costs, shall vest in the Government. For property acquired or produced prior to execution of this contract, vestiture occurs upon execution of the contract. Otherwise, vestiture occurs when the property is or should have been allocable or properly chargeable to this contract under sound and generally accepted accounting principles and practices. Except as provided in 52.245-2, upon liquidation of all progress payments the contractor shall have title to property acquired or fabricated for this contract that is not required to be delivered to the Government.

(2) Property to which the Government has obtained title solely under this clause is not "Government furnished property."

(3) Except for Government furnished property, the Contractor may sell scrap resulting from performance of this contract without requesting the Contracting Officer's approval. The proceeds shall be credited against the costs of performance.

(4) The Contractor shall not acquire for its own use property to which title is vested in the Government under this clause or, except as provided in paragraph (3) of this clause, dispose of such property unless authorized to do so by the contracting officer. The Contractor shall (i) exclude the allocable costs of the property from the costs of contract performance, and (ii) repay to the Government any amount of unliquidated progress payments allocable to the property.

(g) *Risk of loss.* The Contractor is liable for loss, theft, or destruction of, or damage to, property acquired or produced for performance of this contract unless the Government has expressly assumed such risks, taken title to the property under 52.245-2, or accepted the property. The Contractor shall repay the Government an amount equal to the unliquidated progress payments that are based on costs allocable to property that is damaged, lost, stolen, or destroyed.

* * * * *

(j) *Special terms regarding default.* If this contract is terminated under the Default clause—

(1) The Contractor shall, on demand, repay to the Government the amount of unliquidated progress payments.

(2) Upon full liquidation of progress payments, the Contractor shall have title to all property acquired or fabricated for performance of this contract except such property required to be delivered to the Government under the Default clause or property to which the Government has taken title under 52.245-2.

* * * * *

52.243-2 [Amended]

46. Section 52.243-2 is amended by removing Alternate IV and renumbering Alternate V as Alternate IV of the clause.

47. Section 52.243-4 is amended by revising the date of the clause and paragraph (a)(3) of the clause to read as follows:

52.243-4 Changes.

* * * * *

Changes (Date)

(a) * * *

(3) In the Government property or services furnished for contract performance; or

* * * * *

52.244-2 [Amended]

47-A. Section 52.244-2 is amended by removing paragraph (a)(4) of the clause.

48. Sections 52.245-1 through 52.245-7 are revised to read as follows:

52.245-1 Government Furnished Property (Fixed-Price and Labor-Hour Contracts).

As prescribed in 45.102(a), insert the following clause:

Government Furnished Property (Fixed-Price and Labor-Hour Contracts) (Date)

(a) *Definitions.* The "Government Property Control" clause of this contract, 52.245-3, defines certain terms used in Section 52.245. When a term defined in 52.245-3 is used in this clause, it has the same meaning as when used in 52.245-3.

(b) *Property furnished for performance of this contract.* (1) The Government furnished property identified in this contract may be used for performance of the contract on a rent-free basis. The Contractor shall not use such property on any other Government contracts or for commercial purposes without the Contracting Officer's prior approval. Unless otherwise permitted by law, commercial use shall be on a rental basis. The terms and conditions of the "Rental Charges for Commercial Use" clause of this contract shall apply to each rental.

(2) The Contractor shall not improve or make structural alterations to real property owned or leased by the Government and made available for performance of this contract unless expressly authorized to do so in writing by the Contracting Officer. Title to such improvements or alterations shall vest in the Government if the property is accountable under this contract or will be determined by the terms of the contract under which the real property is accountable.

(3) The Government retains title to Government furnished property including Government furnished property that is incorporated into or attached to any property it does not own. Government furnished property does not become a fixture or lose its identity as personal property by being attached to real property.

(4) The Government shall, when requested by the Contractor, provide information reasonably required for the property's intended use to the extent the Government has the right to release or disclose the information.

(5) If the Contractor commingles Contractor acquired or fabricated material with Government furnished material, the provisions of paragraph (c) of this clause regarding suitability for intended use shall not apply to the commingled Government furnished material. Notwithstanding any other provision of this contract, the Contractor shall be responsible for any failure to comply with contract requirements attributable to material that was commingled.

(c) *Suitability for intended use.* The contract delivery or performance dates are based upon the expectation that Government furnished property will be suitable for its intended use, except property furnished "as is" (see paragraph (d)), and delivered to the Contractor at the times stated in the contract or, if not so stated, in sufficient time to enable the Contractor to meet the contract's delivery or performance dates.

(1) The Contractor shall notify the Contracting Officer promptly following receipt of Government furnished property that is not suitable for its intended use and take corrective action or dispose of the property as directed by the Contracting Officer. The contract shall be equitably adjusted in accordance with paragraph (g) of this clause.

(2) The Contractor may request an equitable adjustment in price, schedule, or both when Government furnished property is not delivered to the Contractor by the required time and such untimely delivery has affected contract performance. Any adjustment shall be made in accordance with paragraph (g) of this clause.

(d) *Property furnished as is.* (1) Offerors and the Contractor are responsible for assuring that Government property made available on an "as is" basis is suitable for the offerors' or Contractor's purposes. Such property is furnished F.O.B. at the location specified in the solicitation or contract. The cost of transporting, installing, modifying, repairing, or otherwise making such property suitable for the Contractor's intended use shall be at the Contractor's expense. Modifications to property furnished "as is" require the Contracting Officer's prior written approval.

(2) Special tooling or special test equipment is furnished "as is" for performance of this contract if the Contractor acquired or fabricated and the Government took title to such tooling or test equipment under this or a prior contract.

(3) The Government makes no warranty whatsoever with respect to property furnished "as is" except that the property will be in the same condition when placed

at the specified F.O.B. location as when inspected by the Contractor or, if not inspected by the Contractor, as of the last date identified in the solicitation or contract for Contractor inspection. The Contractor is responsible for verifying that the property's condition has not changed during that period. If the Contractor determines the property's condition has changed and such change will adversely affect the Contractor, the Contractor shall immediately notify the Contracting Officer and identify the changed condition. If the Contracting Officer concurs that the property's condition has changed, he or she may restore the property or substitute other Government property at no change in contract price (or target price or ceiling amount); permit the Contractor to restore the property subject to an equitable adjustment; or, decline to provide the property subject to an equitable adjustment in price, schedule, or both. The foregoing provisions for adjustment are the exclusive remedies available to the Contractor. The Government has no liability for changes in the property's condition discovered after removal from the specified F.O.B. location.

(4) Repairs to or modifications of property furnished "as is" do not affect the Government's title to such property.

(e) *Changes in Government furnished property.* (1) The contracting Officer may increase, decrease, or substitute other Government property for the property furnished or to be furnished for performance of this contract or require use of Government furnished property in lieu of Contractor property.

(2) Except as provided in paragraph (e)(4), any increase in the amount of property furnished for performance of this contract shall result in an equitable reduction in contract price and appropriate adjustment of the contract delivery or performance dates.

(3) The Contractor may request an equitable adjustment in contract price in accordance with paragraph (g) of this clause for a decrease in or substitution for the property identified in the contract or withdrawal of authority to use property accountable under another contract in performance of this contract, provided such decrease, substitution, or withdrawal increases the costs of contract performance.

(4) If the Contracting Officer directs the Contractor to use Government furnished property in lieu of Contractor property in performance of this contract, any adjustment to the contract price or terms resulting from such direction shall be made in accordance with the "Changes" clause of this contract.

(f) *Risk of loss.* (1) Except as provided in paragraph (f)(3), the Contractor is liable for any loss, theft, or destruction of, or damage to, Government furnished property accountable under this contract.

(2) Contractor responsible repairs to, or replacements of, Government furnished property shall be accomplished at no change in contract price (or target price or ceiling amount).

(3) The Contractor is not liable for—

(i) Government furnished property properly consumed in performing this contract; or

(ii) Loss, theft, or destruction of, or damage to, Government furnished property when the

Contractor is providing services performed entirely on real property owned or leased by the Government and the Contractor does not control the use of, or access to, the Government furnished property.

(4) Except as provided in paragraph (f)(5) of this clause, the Contractor shall notify the Government's property administrator in writing promptly following the loss, theft, or destruction of, or damage to, Government furnished property. Such notice shall identify—

(i) Lost, stolen, destroyed, or damaged Government property by description, contract number, national stock number (if known), and either part number or identification number;

(ii) The date a loss or theft was discovered or damage or destruction occurred and, if known, the circumstances;

(iii) Each property item's acquisition cost;

(iv) The contracts affected;

(v) All known interests in commingled property of which the Government property is a part; and

(vi) The insurance, if any, covering any part of or interest in such commingled property.

(5) The Contractor is not required to provide notice of loss, theft, or destruction of, or damage to, low value property which the Contractor does not need for continued performance of this contract until contract completion or termination. Such notice shall include the contract number and each such property item's acquisition cost, description, national stock number (if known), and either its part number or identification number.

(6) The Contractor shall take all reasonable action to protect damaged Government furnished property from further damage and to physically separate such property from all other property.

(7) The Contracting Officer may replace, direct the Contractor to repair or replace, or direct the Contractor to take other appropriate action regarding lost, stolen, damaged, or destroyed Government furnished property for which the Government has specifically assumed such risks in this contract. When lost, damaged, stolen, or destroyed Government furnished property is replaced by the Government or the Contractor, the replacement property shall be entered into the property control system as a Government furnished property item. Any equitable adjustment incident to such direction shall be determined in accordance with paragraph (g) of this clause.

(g) *Equitable adjustments.* (1) Equitable adjustments shall be the Contractor's exclusive remedy for Government actions under this clause and shall be made in accordance with the procedures of the Changes clause. The Government shall not be liable to suit for breach of contract for—

(i) Any delay in delivery of Government furnished property;

(ii) Delivery of Government furnished property in a condition not suitable for its intended use;

(iii) An increase or decrease in, or substitution of, Government furnished property; or

(iv) Failure to repair or replace Government furnished property when the

Government is responsible for repair or replacement.

(2) An equitable adjustment for Government furnished property that is not in a condition suitable for intended use or the withdrawal or substitution of Government furnished property may include an amount for the restoration and rehabilitation of the contractor's premises caused by such condition, withdrawal, or substitution.

(h) *Maintenance Responsibilities.* (1) The contractor is responsible for the maintenance of Government furnished property accountable under this contract, including such property stored at a Contractor-managed site. The Contractor shall perform all maintenance, including preventive maintenance, necessary to assure that Government furnished property remains suitable for its intended use unless the Contracting Officer specifically relieves the contractor of its maintenance responsibility for a particular item or class of items. If routine and preventive maintenance are not sufficient to sustain a property item's suitability for intended use, the Contractor shall notify the Contracting Officer promptly and request direction regarding repair or replacement.

(2) The Contractor shall notify promptly the Government's property administrator of the need for any replacement of, or major repair or rehabilitation to, Government furnished property discovered during its maintenance activities and shall not effect such repair, replacement, or rehabilitation unless authorized to do so by the Contracting Officer.

(i) *Return of Government furnished property.* If this contract requires Government furnished property to be returned directly to the Government and not entered into the property disposal process—

(1) The Contractor shall notify the Contract Administration Office of its intent to return such property at least 10 working days prior to return. Notices shall identify the contracts under which the items are accountable and provide each item's name, description, and national stock number, if known, or part number or identification number.

(2) The property shall be returned to the Government in a condition suitable for its intended use except—

(i) Lost, stolen, or destroyed property that the Government has determined will not be replaced;

(ii) Damaged property that the Government has determined will not be repaired;

(iii) Property consumed in performance of this contract;

(iv) Property attached to, incorporated into, or delivered with, a deliverable end item; or

(v) Property furnished as is shall be returned in equal or better condition than when furnished to the Contractor.

(j) *Disposal of Government furnished property—*(1) *Inventory disposal schedules.* Except as provided in paragraph (i) or (j)(2), the Contractor shall identify Government furnished property no longer required for performance of this contract using Standard Form 1428, Inventory Disposal Schedule. Unless the plant clearance officer has agreed to a different submission basis, or the contract requires inventory disposal

schedules to be submitted electronically, the Contractor shall prepare separate inventory disposal schedules for: special test equipment with general purpose components; special test equipment that does not contain general purpose components; printing equipment; automatic data processing equipment; nonnuclear hazardous materials; and, nuclear materials. Property with the same description, condition code, and reporting location may be grouped in a single line item. Special test equipment shall be described in sufficient detail to permit an understanding of the special test equipment's intended use. The Contractor may annotate the schedule to identify test equipment the Contractor wishes to purchase from the Government or general purpose components thereof the Contractor wishes to purchase or use in the performance of other Government contracts.

(2) *Scrap lists.* Contractors that have Government approved scrap procedures may prepare scrap lists (provided such lists are consistent with the approved scrap procedures) in lieu of inventory disposal schedules except for scrap that—

- (i) Requires demilitarization;
- (ii) Is a classified item;
- (iii) Is generated from classified items;
- (iv) Contains hazardous materials; or
- (v) Is dangerous to the public health, safety, or welfare.

(3) *Corrections.* If the plant clearance officer finds that property identified on an inventory disposal schedule or scrap list is not accountable under this contract or is not in the quantity or condition indicated on the inventory disposal schedule or scrap list, he or she may require the Contractor to correct the inventory disposal schedule or scrap list, may reject such schedules or lists at any time, or may require submission of an inventory control schedule in lieu of a scrap list.

(4) *Submission requirements.* Inventory disposal schedules or scrap lists shall be submitted to the plant clearance officer for approval no later than—

- (i) Thirty (30) days following the Contractor's determination that a Government furnished property item is no longer required for performance of the contract;
- (ii) Sixty (60) days following completion of contract deliveries or performance or such longer period as may be approved by the plant clearance officer; or
- (iii) One hundred twenty (120) days following contract termination in whole or in part or such longer period as may be approved by the Contracting Officer.

(5) *Inventory Schedule Adjustments.* The Contractor shall provide the plant clearance officer at least 10 working days' advance written notice of its intent to remove a Government furnished property item, including an item identified as scrap, from an approved inventory disposal schedule. Unless the plant clearance officer objects to the intended schedule adjustment within the notice period, the Contractor may make the adjustment upon expiration of the notice period.

(6) *Storage.* The Contractor shall store the Government furnished property identified in

an inventory disposal schedule pending receipt of disposal instructions. If the Government fails to provide disposal instructions within 120 days following receipt of an acceptable inventory disposal schedule, the Contractor might be entitled to an equitable adjustment for costs incurred to store such property on or after the 121st day following receipt of an acceptable schedule.

(7) *Disposal.* Except as provided in paragraph (j)(7)(i), Government furnished property shall not be disposed of until the Contractor has been authorized to do so by the plant clearance officer.

(i) If the Government does not provide disposition instructions to the Contractor within 60 days following receipt of an acceptable scrap list, the Contractor may dispose of the listed scrap.

(ii) The Contractor shall prepare for shipment, deliver f.o.b. origin, or dispose of Government furnished property as directed by the plant clearance officer. The Contractor shall remove and destroy any markings identifying the property as Government property when the plant clearance officer directs disposal by sale or donation, notifies the Contractor that the Government has abandoned the property, or directs the Contractor to scrap the property.

(iii) The net proceeds from a disposal action of scrapped Government furnished property shall be credited to the contract under which the Government furnished property was accountable or, when scrapped Government furnished property is not segregable from other scrap, to an appropriate overhead account. The Contractor shall credit the net proceeds of other disposal actions in accordance with instructions provided by the plant clearance officer.

(iv) The Contracting Officer may require the Contractor to demilitarize the property prior to shipment or disposal. Any adjustment in contract price incident to the Contracting Officer's direction to demilitarize Government furnished property shall be made in accordance with paragraph (g) of this clause.

(8) *Contractor removal of property.* The Contractor must obtain the plant clearance officer's approval to remove Government furnished property from its premises prior to receipt of final disposition instructions. If approval is granted, the Contractor shall transport and store the property at Contractor expense. The storage facility must be appropriate for assuring the property's physical safety and suitability for use. Approval does not relieve the Contractor of liability for loss, theft, or destruction of, or damage to, such property.

(9) *Subcontractor inventory disposal schedules.* When the Contractor permits a subcontractor or supplier to use at a subcontractor or supplier managed site Government property furnished to the Contractor for performance of this contract, the Contractor shall require the subcontractor or supplier to submit inventory disposal schedules or scrap lists to the Contractor in sufficient time for the Contractor to comply with the requirements of paragraph (j)(4) of this clause.

(k) *Abandonment and restoration of contractor's premises.*

(1) The Government shall not abandon Government furnished property that is or contains a hazardous material at a Contractor-owned location without the Contractor's written concurrence. The Contractor may request an equitable adjustment in contract price, target price or ceiling amount incident to such agreement.

(2) The Government, upon notice to the Contractor, may abandon any nonhazardous Government property in place at which time all obligations of the Government regarding such abandoned property shall cease. The Government has no obligation to restore or rehabilitate the Contractor's premises under any circumstances and, except as provided in paragraphs (g)(2) and (k)(1), has no liability for such restoration or rehabilitation.

(l) *Overseas contracts.* In a contract performed outside the United States of America, its territories, or possessions, the words "Government" and "Government furnished" (wherever they appear in this clause) shall be construed as "United States Government" and "United States Government furnished," respectively.

(End of clause)

Alternate I (Date). As prescribed in 45.102(a), substitute the following paragraph (f) for paragraph (f) of the basic clause:

(f) *Limited risk of loss.* (1) The Contractor's liability for loss, theft, or destruction of, or damage to, Government furnished property accountable under this contract shall be limited if the Contractor maintains a property control system that satisfies the requirements of the Government Property Control clause of this contract (hereinafter referred to as an approved system).

(2) When the Contractor maintains an approved system, the Contractor shall not be liable for loss, theft, or destruction of, or damage to, Government property accountable under this contract except loss, theft, destruction, or damage for which the Contractor is expressly responsible under the terms of this contract or loss, theft, destruction, or damage that results from—

(i) A risk expressly required to be insured under this contract but only to the extent of the insurance required to be purchased and maintained, or to the extent of insurance actually purchased and maintained, whichever is greater;

(ii) A risk that is in fact covered by insurance or for which the Contractor is otherwise reimbursed, but only to the extent of such insurance or reimbursement; or

(iii) Willful misconduct or lack of good faith on the part of the Contractor's managerial personnel.

(3) Following notice from the Government's property administrator to one of the Contractor's managerial personnel that the Contractor's or a subcontractor's property control system is not in compliance with the requirements of the Government Property Control clause of this contract, the Contractor's failure to correct its system or to have a subcontractor's system corrected within the dates specified by the Government's property administrator, or such other mutually agreed dates, shall be considered willful misconduct or lack of good faith on the part of the Contractor's managerial personnel. The Contractor shall

be liable for any loss, theft, or destruction of, or damage to, the Government furnished property accountable under this contract except such loss, theft, destruction, or damage that the Contractor can establish by clear and convincing evidence—

(i) Did not result from the Contractor's failure to maintain an approved system; or

(ii) Occurred while an approved system was maintained by the Contractor.

(4) Except as provided in (f)(3)(i) and (f)(3)(ii), the Contractor shall be liable for loss, theft, or destruction of, or damage to, Government furnished property accountable under this contract immediately upon notice by certified mail that the Government has withdrawn approval of the Contractor's Government property control system.

(5) The Contractor is not liable for Government property properly consumed in performing this contract. The Contractor shall have no liability for loss, theft, or destruction of, or damage to Government property furnished for performance of services entirely on real property owned or leased by the Government when the Contractor does not control the use of, or access to, such property.

(6) The Contractor's transfer of Government furnished property to the possession and control of a subcontractor, does not affect the Contractor's liability for loss, theft, or destruction of, or damage to, that property.

(7) Except as provided in paragraph (f)(8) of this clause, the Contractor shall notify the Government's property administrator in writing promptly following the loss, theft, or destruction of, or damage to, Government furnished property. Such notice shall identify—

(i) Lost, stolen, destroyed, or damaged Government property by description, contract number, national stock number (if known), and either part number or identification number;

(ii) The date a loss or theft was discovered or damage or destruction occurred and, if known, the circumstances;

(iii) Each property item's acquisition cost;

(iv) The contracts affected;

(v) All known interests in commingled property of which the Government furnished property is a part; and

(vi) The insurance, if any, covering any part of or interest in such commingled property.

(8) The Contractor is not required to provide notice of loss, theft, or destruction of, or damage to, low value property which the Contractor does not need for continued performance of this contract until contract completion or termination. Such notice shall include the information required by paragraph (f)(7) of this clause.

(9) The Contractor shall take all reasonable action to protect damaged Government furnished property from further damage and to physically separate such property from all other property.

(10) The Contractor shall repair, renovate, or take such other action with respect to lost, stolen, damaged, or destroyed Government furnished property as the Contracting Officer directs and adjust the property records accordingly. When such repair, renovation, or action is not the Contractor's

responsibility under this contract, the Contractor shall be entitled to an equitable price adjustment, in accordance with paragraph (g) of this clause. Contractor responsible repairs to, or replacements of, Government furnished property shall be accomplished at no change in contract price.

(11) The Contractor shall not include in any price to the Government, any charge or reserve for insurance (including any self-insurance fund or reserve) covering loss, theft, or destruction of, or damage to, Government furnished property except to the extent the Government might have expressly required the Contractor to carry such insurance under another provision of this contract.

(12) If the Contractor is reimbursed or otherwise compensated for any loss, theft, or destruction of, or damage to, Government furnished property, the Contractor shall use the proceeds to repair, renovate, or replace such property or equitably reimburse the Government, as directed by the Contracting Officer and adjust the property records accordingly.

(13) The Contractor shall do nothing to prejudice the Government's rights to recover against third parties for any loss, theft, or destruction of, or damage to, Government furnished property. When requested by the Contracting Officer, the Contractor shall, at Government expense, furnish to the Government all reasonable assistance and cooperation (including the prosecution of suit and the execution of instruments of assignment in favor of the Government) in obtaining recovery.

52.245-2 Special Tooling and Special Test Equipment—Right to Title (Fixed-Price Contracts).

As prescribed in 45.102(b), insert the following clause:

Special Tooling and Special Test Equipment—Right to Title (Fixed-Price Contracts) (Date)

(a) *Definitions.* The "Government Property Control" clause of this contract, 52.245-3, defines certain terms used in Section 52.245. When a term defined in 52.245-3 is used in this clause, it has the same meaning as when used in 52.245-3.

(b) *Right to title.* The Government has the right to take title to special tooling or special test equipment items that are not required to be delivered under this contract if the costs of such items are allocable to this contract as direct costs. That right ends upon expiration of the time period, in paragraph (e) of this clause. Except as provided in paragraph (f), the Government obtains title under this clause at no change in contract price, target price, or ceiling amount.

(c) *Reports.* (1) The Contractor shall submit to the Contracting Officer a report identifying special tooling and special test equipment to which the Government has the right to obtain title under paragraph (b) of this clause as soon as practicable during contract performance but not later than the earlier of—

(i) 90 days prior to completion of scheduled deliveries (other than technical data) under this contract;

(ii) 30 days following the Contractor's determination that a right to title tooling or test equipment item is no longer required for contract performance.

(2) The reports shall identify, for each such tooling or test equipment item or groups of identical items, the items or group's—

(i) Nomenclature;

(ii) Quantity;

(iii) Acquisition cost;

(iv) Contract number;

(v) Part number(s) made or tested; and

(vi) Identification number.

(d) *Storage.* The Contractor shall store at its expense special tooling or special test equipment identified in a report required by paragraph (c) of this clause until the Government notifies the Contractor that it has taken title to a special tooling or test equipment item or until expiration of the Government notice period. Items shall be stored in a manner sufficient to preserve capability and provide protection from damage. If the Government requires items to be stored subsequent to the Government's assumption of title, the Contractor might be entitled to a price adjustment as provided in paragraph (f) of this clause.

(e) *Assumption of title.* (1) The Government must notify the Contractor that it is taking title to a special tooling or special test equipment item or items within 120 days, or such other period mutually agreed upon, following receipt of a Special Tooling/Special Test Equipment report or other written notice from the Contractor identifying special tooling or special test equipment items that are no longer required for performance of this contract.

(2) The Government's notice may be written or electronic, shall identify the special tooling or special test equipment item(s), and may, in any combination—

(i) Provide packing, packaging, marking, and shipping instructions;

(ii) Direct the Contractor to prepare the property for storage at the Contractor's facility or a Government facility; or

(iii) Provide instructions when accountability is to be transferred to another contract.

(3) The Contractor's storage obligations are not diminished if the Government notice period, or any extension thereof, extends beyond the date contract deliveries are completed.

(f) *Price adjustment.* The contract price may be equitably adjusted for costs incurred by the Contractor to store, prepare for storage, package, pack, or mark for shipment, the special tooling or special test equipment to which the Government has taken title. Any adjustment in contract price shall be made in accordance with the procedures of the "Changes" clause of this contract and only to the extent the Contracting Officer's actions under paragraph (e) of this clause required the Contractor to incur costs that it would not have incurred under customary commercial practices.

(g) *Risk of loss.* The Contractor is responsible for any loss, theft, or destruction of, or damage to, special tooling or special test equipment to which the Government has taken title under this clause during the period commencing upon the Government's

delivery of the notice required by paragraph (e) of this clause and ending upon placement aboard a carrier's conveyance (f.o.b. origin) or delivery at the specified f.o.b. destination point.

(h) *Flow down.* The Contractor shall insert this or a substantially similar clause in all contracts and similar instruments with its first-tier subcontractors or suppliers, other than subcontractors or suppliers of commercial items, that will fabricate or acquire special tooling or special test equipment for performance of this contract. (End of clause)

52.245-3 Government Property Control.

As prescribed in 45.102(c), insert the following clause:

Government Property Control (Date)

(a) *Definitions.* As used in this clause—

Contractor's managerial personnel means the Contractor's directors, officers, and any of the Contractor's managers, superintendents, or equivalent representatives who have supervision or direction of all or substantially all of the contractor's—

(1) Business; or

(2) Operations at a site connected with performance of this contract.

Equipment means items whose use is not limited to, or with only minor modification would not be limited to, the development, production, or maintenance of a particular item or the performance of a particular service. The term includes, but is not limited to, automated data processing equipment, office equipment, construction equipment, hand tools, machine tools (other than special tooling), test equipment (other than special test equipment or components thereof), furniture, and vehicles.

Government property means property the Government owns or leases.

Government-furnished property means property provided by the Government to a Contractor for performance of a contract.

Low-value property means equipment, special tooling, or special test equipment that has an acquisition cost of \$1500 or less and is not sensitive property.

Material means property to be consumed or expended to perform a service or produce a deliverable end item and property incorporated into or attached to an end item. The term includes assemblies, components, parts, raw and processed materials, and supplies that may be consumed in normal use in performing a contract. It does not include equipment, real property, special test equipment, special tooling, or unique Federal property.

Nonprofit organization means a business entity organized and operated exclusively for charitable, scientific, or educational purposes, the net earnings of which do not inure to the benefit of any private shareholder or individual, that is exempt from Federal income taxation under section 501 of the Internal Revenue Code and does not conduct a substantial portion of its activities carrying on propaganda or otherwise attempting to influence legislation or participating in any political campaign on behalf of any candidate for public office.

Personal property means property of any kind or interest in it except real property,

battleships, cruisers, aircraft carriers, destroyers, submarines, and records of the Federal Government.

Plant clearance officer means a person appointed to perform plant clearance functions.

Precious metals means silver, gold, platinum, palladium, iridium, osmium, rhodium, and ruthenium.

Preventive maintenance means regularly scheduled maintenance performed to sustain suitability for intended use and detect and correct minor deficiencies before they result in serious consequences.

Property means real and personal property.

Property administrator means a person appointed to perform Government property administration.

Real property 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 equipment.

Scrap means personal property that has no value except its basic metallic, mineral, or organic content.

Sensitive property means property potentially dangerous to the public safety or security if stolen, lost, or misplaced, or that must be subject to exceptional physical security, protection, control, and accountability such as classified property, weapons, ammunition, explosives, controlled substances, radioactive materials, hazardous materials or wastes, or precious metals.

Special test equipment means a test unit or units designed, fabricated, or modified to accomplish special purpose testing, groupings of such items, general purpose items, or any combination thereof, that are interconnected and interdependent so as to become a new functional entity.

Special tooling means items, such as jigs, dies, fixtures, molds, patterns, taps, gauges, or other equipment and manufacturing aids, which are of such a specialized nature that without substantial modification or alteration their use is limited to the development, production, repair, or maintenance of particular supplies or components thereof, or to the performance of particular services.

Unique Federal property means Government-owned personal property, or components thereof, that is specially designed to perform or support the mission of one or more Federal agencies and is not available to the public.

Work in process means bench stock materials, complete or incomplete fabricated parts, subassemblies, assemblies, and similar items that are created during production of deliverable end items or are required to construct special tooling or special test equipment needed to produce deliverable end items.

(b) *General.* (1) This clause is applicable to Government furnished property; property stored by the Contractor at the Government's direction including property to which the Government has taken title under 52.245-2; and, under cost-type or time-and-material contracts, property acquired or fabricated by a Contractor to which the Government has obtained title under the clause at 52.216-7.

(2) The Contractor is responsible for the maintenance, protection, and preservation of Government property in its or its subcontractors' possession. The Contractor shall account for such property as required by this contract.

(3) If the Contractor does not have a property control system that is approved by the Government's property administrator, it shall establish a system that satisfies the requirements of this clause within 90 days following contract award (or such other mutually agreeable period). Notwithstanding any other provision of this contract regarding liability for loss, theft, or destruction of, or damage to, Government property in the Contractor's or its subcontractors' possession, the Contractor shall be liable for such loss, theft, destruction, or damage until its system is approved by the Government's property administrator. The Contractor shall maintain its system during the period Government property is in its or its subcontractors' possession.

(4) The Contractor should use its existing property control system or a modification thereof when the existing or modified system satisfies the requirements of this clause.

(c) *Control System Requirements.* The property control system shall include written processes for—

(1) Assessing the system's efficiency and effectiveness, recommending corrective action or general improvements, and implementing appropriate changes;

(2) Obtaining approval of property actions from the responsible Government representative no later than the time specified in this contract (when such approval is required by this contract) and appropriately documenting such approval;

(3) Inspecting property acquired by the Contractor or furnished by the Government for performance of this contract upon receipt;

(4) Identifying Government property received by the Contractor that was intended for other persons or discrepancies between the type, quantity, or condition of Government furnished property shipped to and actually received by the Contractor and initiating corrective action;

(5) Promptly entering all Government property into the property control system;

(6) Assuring that Government property is properly classified (see paragraph (f)(2)(viii));

(7) Assuring Government property is used only as authorized by the Contracting Officer;

(8) Controlling the distribution and return of pilferable property;

(9) Scheduling and monitoring Government property maintenance to assure timely performance and recording of all maintenance actions;

(10) Accurately recording by type and quantity Government material consumed during contract performance;

(11) Performing, reporting, and recording all inventories required by this contract;

(12) Identifying and reporting lost, damaged, or destroyed government property and generating corrective action recommendations;

(13) Maintaining special security for classified or sensitive property commensurate with the property's security classification, special handling requirements, or both;

(14) Accurately preparing and timely submitting the records and reports required by this contract;

(15) Assuring subcontractors have adequate procedures for the control and protection of Government property;

(16) Justifying the continued need for Government property to perform this contract;

(17) Moving and storing Government property in a manner commensurate with the property's handling and storage requirements; and

(18) Disposing of Government property in accordance with the requirements of this contract.

(d) *Access.* The Government shall have access, at all reasonable times, to the premises at which any Government property is located and to the Contractor's Government property records and supporting information.

(e) *Property control system submission, review, and approval.* (1) Except as provided in paragraph (d)(2) of this clause, offerors shall submit their written property control systems and processes with their offer if—

(i) The offeror does not have an existing property control system or its existing system has not been approved by a Government property administrator;

(ii) The offeror's property control system last was approved, or approval validated, more than 2 years prior to the date of its offer;

(iii) A Government property administrator has requested corrections to the offeror's system or procedures and such corrections have not been made; or

(iv) Approval of the system has been withdrawn.

(2) The submission requirements in paragraph (d)(1) do not apply to offerors that have a Government property system that has been approved or validated by the Government no more than 2 years prior to the time for submission of offers. Such offerors are required only to submit to the Government's property administrator, within 90 days following contract award, changes required to conform the system with requirements in this contract. The submission date may be extended by the Government's property administrator if he or she determines that an extension is warranted.

(3) The Government's property administrator shall review the Contractor's system for conformance with contract requirements and approve or require corrections to the system and its implementing procedures. The Contractor shall accomplish the required corrections at no change in price or fee.

(4) The Government may review the Contractor's previously approved system or require the Contractor to review a subcontractor's system to assure compliance with contract requirements. The Government's property administrator may validate approval of, require corrections to, or with the administrative contracting officer's concurrence, withdraw approval of the Contractor's system or require the Contractor to have a subcontractor's system corrected. The Contractor shall implement

corrections required by the Government's property administrator by the date specified by the property administrator or such other date agreed upon at no change in price or fee. The Contractor's failure to implement corrections in a timely manner might result in the system's approval being withdrawn.

(5) The Contractor shall make available to the Government's property administrator all records and related information reasonably required to verify that the Contractor's or a subcontractor's Government property control system conforms to contract requirements. Any disagreement as to the amount or type of information required for such verification shall be referred to the administrative contracting officer for resolution.

(f) *Property records and supporting information—(1) General.* (i) The Contractor shall establish or maintain a property record that is current and complete for each Government property item in its or its subcontractors' possession. Identical items may be consolidated in a single property record if the consolidated record provides the information required by this clause. The Contractor shall identify useable components permanently removed from Government property as Government property items, enter such items into its property control system, and establish and maintain appropriate property records. Property records created by a subcontractor that has an approved property system may be used in lieu of creating new records.

(ii) Contractors that use a Material Requirements Planning, Manufacturing Resource Planning, Material Management Accounting System, or similar systems may use those systems to generate the records for material items.

(iii) If the Contractor has an approved property control system, its documents evidencing receipt and issue shall be the property control records for Government material issued for immediate consumption.

(iv) When the Government is responsible for the replacement of a property item under this contract and has elected—

(A) To replace or have the Contractor replace the item, the Contractor shall annotate appropriately the property record for the item being replaced, close that record, and create a new property record for the replacement item; or

(B) Not to replace or have the Contractor replace the item, the Contractor shall close the property record for that item.

(v) The Contractor shall provide the acquisition cost for each Government property item that was acquired or fabricated by the Contractor during performance of this contract. Estimated costs may be provided when the actual costs are not known.

(vi) The Government shall provide the acquisition cost for Government furnished property within 30 days following delivery of the property to the Contractor. The Contractor shall notify the Government's property administrator promptly if the acquisition cost information is not received within that period.

(vii) Property records are not required for work in process.

(2) *Standard information.* Each property control record shall contain the following information—

(i) The item's name, description, property classification, and National Stock Number (if the item has a national stock number). The National Stock Number for property controlled by documents evidencing receipt and issue is not required until property disposal.

(ii) Contract number or equivalent code designation.

(iii) Quantity received or fabricated, issued, and on hand.

(iv) The date of the most recent physical inventory or other posting reference.

(v) Acquisition cost.

(vi) Current location. (For low value property, identify the initial location only.)

(vii) The most recent transaction date.

(viii) The property's classification. (Use only one of the following for each property item: Land, Buildings, Other Real Property, Equipment, Special Test Equipment, Special Tooling, Unique Federal Property, or Material.)

(3) *Additional Information—(i) Special tooling and special test equipment records.* The Contractor shall provide the information required by paragraph (f)(2) for each general purpose test equipment item that is a removable or reusable component of Government-owned special test equipment if removal and reuse is economically feasible.

(ii) *Equipment records.* Each record shall include the manufacturer's name, Commercial and Government Entity (CAGE) code or equivalent information, serial number and model or part number.

(iii) *Real property records.* (A) Records are not required for portable buildings or facilities specifically acquired or constructed for tests that will result in the destruction of such buildings or facilities.

(B) Real property records must be itemized, indexed, and contain a description of the property, its location, original acquisition cost, a description of property alterations made or construction work performed by the Contractor, including an identification of the construction sites supporting such alterations or construction, and separately identify the cost of such alterations or construction. Supporting documentation shall include maps, drawings, plans, specifications, and, if necessary, supplementary data needed to completely describe and value the property.

(C) Costs incurred by the Government or the Contractor, to acquire, construct, alter, or improve Government-owned or -leased real property, including additions, expansions, extensions, or conversions thereof, shall be added to the property's acquisition cost if they increase the value, life, utility, capability, or serviceability of the property.

(D) The Government's real property records shall be modified and annotated with a statement of the pertinent facts when property is sold, transferred, donated, destroyed, abandoned by the Government in place, or condemned.

(iv) *Records of maintenance actions.* The property records for items requiring maintenance shall contain the maintenance schedule, the dates maintenance actions were performed, and identify any deficiencies discovered.

(v) *Scrap records.* (A) The Contractor's scrap records shall provide the—

(1) Contract number or equivalent code designation from which the scrap was derived;

(2) Scrap classification by material content; and

(3) Disposition and disposition dates.

(B) When Contractor and Government-owned property of the same stock or classification are used to produce an item or any component thereof and property scrapped during such production cannot be identified as Contractor or Government-owned property, the Government property scrap records shall reflect a proportional, equitable share of such scrap.

(vi) *Property returned under warranty.* The Contractor shall establish a separate property record for each item returned for correction under a warranty and maintain the records on a contract-by-contract basis. The records shall identify the date received, the contract number under which the item was returned, the corrective action performed, and the date the item is returned to the Government. Once a property record has been established, identical items received for corrective action shall be added to the established record and the information required by this paragraph maintained for each item.

(vii) *Sensitive property.* Property records shall legibly and conspicuously identify sensitive property.

(g) *Reports—(1) Government Property.* The Contractor shall report all Government property accountable under this contract that is in its or its subcontractors' possession as of September 30 of each calendar year or upon completion of all property disposal actions under this contract, whichever is sooner. The report shall be prepared using SF 1422 (or an agency equivalent furnished by the Contracting Officer) and submitted to the Government's property administrator no later than October 31 of each calendar year.

(2) *Misdirected government property.* The Contractor shall submit a written report to the Government's property administrator immediately following receipt of Government property intended for another person or Government property not required for performance of a Government contract and request disposition instructions. To the extent practical, the report shall identify the shipment's content, intended recipient, carrier that made delivery, the Government activity from which the shipment originated, and the shipment's current location.

(3) *Late Government Furnished Property.* The Contractor shall report to the Contracting Officer, with a concurrent copy to the Government's property administrator, a failure to receive Government furnished property at the time stated in the contract or, when a time is not stated, in sufficient time to enable the Contractor to meet the contract's delivery or performance dates. Each report shall forward the Contractor's estimate of the extent to which such failure has affected or might affect contract performance.

(h) *Physical inventories.—(1) Periodic.* Except for low value property and work in process, the Contractor shall periodically physically inventory all Government property in its possession. The Contractor, with the approval of the property

administrator, shall establish the method, frequency, and procedures for such inventories to assure the existence and location of such property are accurately established and the records and reports required by this clause are complete and accurate. For purposes of this clause, electronic, optical, electro-magnetic, or similar inventory systems approved by the Government's property administrator satisfy the requirement for physical inventories.

(2) *Contract termination or completion inventories.* The Contractor shall inventory all property furnished by the Government or acquired or fabricated by the Contractor for performance of this contract immediately following a notice of termination or partial termination of this contract or upon completion of deliveries or performance under the contract except property that is authorized for use on a follow-on or other Government contract. Such property does not have to be inventoried if the Contractor has notified the property administrator that record balances have been transferred to the receiving contract.

(3) *Restriction.* The Contractor personnel who perform physical inventories shall not be the same individuals who maintain the property records required by this contract or have custody of the property unless authorized to do so by the property administrator.

(i) *Markings—(1) Contractor acquired or fabricated property—(i) Cost-type contracts.* The Contractor shall legibly and conspicuously mark Contractor acquired or fabricated property other than material with the phrase "U.S. Government Property" (or a similar phrase that conveys Government ownership), and a control number that links the property to the property records maintained by the Contractor, as soon as practicable following the Government's assumption of title to the property.

(ii) *Fixed price type contracts.* This paragraph applies only to special tooling or special test equipment to which the Government has taken title under 52.245-2. The Contractor shall affix the markings identified in paragraph (i)(1)(i) to such tooling or test equipment as soon as practicable following receipt of the Government's notice that it has taken title to a special tooling or special test equipment item.

(2) *Government furnished property.* Promptly following receipt of Government furnished property, the Contractor shall determine whether the property bears a Government ownership marking, mark unmarked property with the markings identified in paragraph (i)(1)(i), and replace any control numbers affixed by others with the Contractor's control number.

(j) *Overseas contracts.* In a contract performed outside the United States of America, its territories, or possessions, the words "Government" and "Government furnished", (as used in this clause, mean "United States Government" and "United States Government furnished," respectively.) (End of clause)

Alternate I (Date) As prescribed in 45.102(c), replace paragraphs (f) and (g) of the basic clause with the following:

(f) *Property Records.* The Contractor shall establish a separate property record for each Government property item returned for correction under a warranty and maintain the records on a contract-by-contract basis. The records shall identify the item's name, description, property classification, and national stock number (if the item has a national stock number), the date received, the contract number under which the item was returned, the corrective action performed, and the date the item is returned to the Government. Once a property record has been established, identical items received for corrective action shall be added to the established record and the information required by this paragraph maintained for each item.

(g) *Reports—(1) Misdirected government property.* The Contractor shall submit a written report to the Government's property administrator, immediately following receipt of Government property intended for another person or Government property not required for performance of a Government contract and request disposition instructions. To the extent practical, the report shall identify the shipment's content, intended recipient, carrier that made delivery, the government activity from which the shipment originated, and the shipment's current location.

(2) *Late Government Furnished Property.* The Contractor shall report to the Contracting Officer, with a concurrent copy to the Government's property administrator, a failure to receive Government furnished property at the time stated in the contract or, when a time is not stated, in sufficient time to enable the contractor to meet the contract's delivery or performance dates. Each report shall forward the Contractor's estimate of the extent to which such failure has affected or might affect contract performance.

52.245-4 Government Property (Cost Reimbursement and Time and Material Contracts).

As prescribed in 45.102(d), insert the following clause:

Government Property (Cost Reimbursement and Time and Material Contracts) (Date)

(a) *Definitions.* The "Government Property Control" clause of this contract, 52.245-3, defines certain terms used in Section 52.245. When a term defined in 52.245-3 is used in this clause, it has the same meaning as when used in 52.245-3.

(b) *General.* (1) Except as provided in paragraph (c) of this clause, the Contractor shall use its own property to perform this contract.

(2) The Contractor shall not acquire equipment or real property for the Government unless—

(i) The equipment or real property is specified as a deliverable end item under this contract; or

(ii) The Contractor is a nonprofit organization whose primary purpose is the conduct of scientific research, or a nonprofit institution of higher education, that is performing a Government contract for basic or applied scientific research and has obtained the Contracting Officer's approval to acquire tangible personal property for the

Government prior to the acquisition of such property.

(3) The Contractor shall not use Government property, including property furnished by the Government for performance of this contract, on any other Government contract or for any commercial purpose without the Contracting Officer's prior approval. Unless otherwise permitted by law, commercial use shall be on a rental basis. The terms and conditions of the "Rental Charges for Commercial Use" clause of this contract shall apply to each rental.

(4) If the Contractor commingles Contractor acquired or fabricated material with Government furnished material, the provisions of paragraph (c)(3) of this clause regarding suitability for intended use shall not apply to the commingled Government furnished material. Notwithstanding any other provision of this contract, the Contractor shall be responsible for any failure to comply with contract requirements attributable to material that was commingled.

(c) *Property furnished for performance of this contract*—(1) *Title*. (i) The Government retains title to Government furnished property, including Government furnished property that is incorporated into or attached to any property it does not own. Government furnished property does not become a fixture or lose its identity as personal property by being attached to real property.

(ii) The Contractor shall not improve or make structural alterations to real property furnished for performance of this contract unless expressly authorized to do so in writing by the Contracting Officer. Title to such improvements or alterations shall vest in the Government if the property is accountable under this contract or will be determined by the terms of the contract under which the real property is accountable.

(2) *Rent free basis*. The Government furnished property identified in this contract may be used for performance of the contract on a rent-free basis. The Government shall, when requested by the Contractor, provide information reasonably required for the intended use of such property to the extent the Government has the right to release or disclose the information.

(3) *Suitability for intended use*. (i) The contract delivery or performance dates are based upon the expectation that Government furnished property will be suitable for its intended use, except property furnished "as is" (see paragraph (c)(4)), and delivered to the Contractor at the times stated in the contract or, if not so stated, in sufficient time to enable the contractor to meet the contract's delivery or performance dates.

(ii) The Contractor shall notify the Contracting Officer promptly following the Contractor's identification of Government furnished property that is not suitable for its intended use and take corrective action or dispose of the property as directed by the Contracting Officer. The contract shall be equitably adjusted in accordance with paragraph (e) of this clause.

(iii) The Contractor may request an equitable adjustment when Government furnished property is not delivered to the Contractor by the required time and such untimely delivery has affected contract

performance. Any adjustment shall be made in accordance with paragraph (e) of this clause.

(4) *Property furnished "as is"*. (i) Offerors and Contractors are responsible for assuring that Government furnished property made available on an "as is" basis is suitable for the offerors' or Contractor's purposes. Such property is furnished F.O.B. at the location specified in the solicitation or contract. The cost of transporting, installing, modifying, repairing, or otherwise making such property suitable for the Contractor's intended use shall be at the Contractor's expense. Modifications to property furnished "as is" require the Contracting Officer's prior written approval.

(ii) Special tooling or special test equipment is furnished "as is" for performance of this contract if the Contractor acquired or fabricated and the Government took title to such tooling or test equipment under this or a prior contract.

(iii) The Government makes no warranty whatsoever with respect to property furnished "as is" except that the property will be in the same condition when placed at the specified F.O.B. location as when inspected by the Contractor or, if not inspected by the Contractor, as of the last date identified in the solicitation or contract for Contractor inspection. The Contractor is responsible for verifying that the property's condition has not changed during that period. If the Contractor determines the property's condition has changed and such change will adversely affect the Contractor, the Contractor shall immediately notify the Contracting Officer and identify the changed condition. If the Contracting Officer concurs that the property's condition has changed, he or she may restore the property or substitute other Government property at no change in the contract's cost or fee; permit the Contractor to restore the property subject to an equitable adjustment; or, decline to provide the property subject to an equitable adjustment. The foregoing provisions for adjustment are the exclusive remedies available to the Contractor. The Government has no liability for changes in the property's condition discovered after removal from the specified F.O.B. location.

(iv) Repairs to or modifications of property furnished "as is" do not affect the Government's title to such property.

(5) *Return of government furnished property*. If this contract requires Government furnished property to be returned directly to the Government and not entered into the property disposal process—

(i) The Contractor shall notify the Contract Administration Office of its intent to return such property at least 10 working days prior to return. Notices shall identify the contracts under which the items are accountable and provide each item's name, description, and national stock number, if known, or part number or identification number.

(ii) The property shall be returned to the Government in a condition suitable for its intended use except—

(A) Lost, stolen, or destroyed property that the Government has determined will not be replaced;

(B) Damaged property that the Government has determined will not be repaired;

(C) Property consumed in performance of this contract;

(D) Property attached to, incorporated into, or delivered with, a deliverable end item; or

(E) Property furnished "as is" shall be returned in equal or better condition than when furnished to the Contractor.

(6) *Changes in Government furnished property*. (i) The Contracting Officer may increase, decrease, or substitute other Government property for the property furnished or to be furnished for performance of this contract or require use of Government furnished property in lieu of Contractor property.

(ii) Except as provided in paragraph (c)(6)(iv), any increase in the amount of property furnished for performance of this contract shall result in an equitable reduction in contract cost and fee and appropriate adjustment of the contract delivery or performance dates.

(iii) The Contractor may request an equitable adjustment in accordance with paragraph (e) of this clause for a decrease in or substitution for the property identified in the contract or withdrawal of authority to use property accountable under another contract in performance of this contract provided such decrease, substitution, or withdrawal increases the costs of contract performance.

(iv) If the Contracting Officer directs the Contractor to use Government furnished property in lieu of Contractor property in performance of this contract, any adjustment to the contract terms and conditions shall be made in accordance with the "Changes" clause of this contract.

(d) *Title to contractor acquired or fabricated property*. The clause at 52.216-7 provides the Government title to property acquired or fabricated by the Contractor for performance of this contract if the costs to acquire or fabricate the property are allocable to this contract as direct costs.

(e) *Equitable adjustments*. (1) Equitable adjustments shall be the Contractor's exclusive remedy for Government actions under this clause and shall be made in accordance with the procedures of the Changes clause. The Government shall not be liable to suit for breach of contract for—

(i) Any delay in delivery of Government furnished property;

(ii) Delivery of Government furnished property in a condition not suitable for its intended use;

(iii) A decrease in or substitution of Government furnished property; or

(iv) Failure to repair or replace Government property when the Government is responsible for repair or replacement.

(2) An equitable adjustment for Government furnished property that is not in a condition suitable for intended use or the withdrawal or substitution of Government furnished property may include an amount for the restoration and rehabilitation of the Contractor's premises caused by such condition, withdrawal, or substitution.

(f) *Limited risk of loss*. (1) The Contractor's liability for loss, theft, or destruction of, or damage to, Government property accountable under this contract shall be limited if the Contractor maintains a property control system that satisfies the requirements of the

Government Property Control clause of this contract (hereinafter referred to as an approved system).

(2) When the Contractor maintains an approved system, the Contractor shall not be liable for loss, theft, or destruction of, or damage to, Government property accountable under this contract except loss, theft, destruction, or damage for which the Contractor is expressly responsible under the terms of this contract or loss, theft, destruction, or damage that results from—

(i) A risk expressly required to be insured under this contract but only to the extent of the insurance required to be purchased and maintained, or to the extent of insurance actually purchased and maintained, whichever is greater;

(ii) A risk that is, in fact, covered by insurance or for which the Contractor is otherwise reimbursed, but only to the extent of such insurance or reimbursement; or

(iii) Willful misconduct or lack of good faith on the part of the Contractor's managerial personnel.

(3) Following notice from the Government's property administrator to one of the Contractor's managerial personnel that the Contractor's or a subcontractor's property control system is not in compliance with the requirements of the Government Property Control clause of this contract, the Contractor's failure to correct its system or to have a subcontractor's system corrected within the dates specified by the Government's property administrator, or such other mutually agreed dates, shall be considered willful misconduct or lack of good faith on the part of the Contractor's managerial personnel. The Contractor shall be liable for any loss, theft, or destruction of, or damage to, the Government property in its possession except such loss, theft, destruction, or damage that the Contractor can establish by clear and convincing evidence—

(i) Did not result from the Contractor's failure to maintain an approved system; or

(ii) Occurred while an approved system was maintained by the Contractor.

(4) Except as provided in (f)(3)(i) and (ii), the Contractor shall be liable for loss, theft, or destruction of, or damage to, Government furnished property in its possession immediately upon notice by certified mail that the Government has withdrawn approval of the Contractor's Government property control system.

(5) The Contractor is not liable for Government property properly consumed in performing this contract. The Contractor shall have no liability for loss, theft, or destruction of, or damage to Government property furnished for performance of services entirely on real property owned or leased by the Government when the Contractor does not control the use of, or access to, such property.

(6) The Contractor's transfer of Government property to the possession and control of a subcontractor does not affect the Contractor's liability for loss, theft, or destruction of, or damage to, that property.

(7) Except as provided in paragraph (f)(8) of this clause, the Contractor shall notify the Government's property administrator in

writing promptly following the loss, theft, or destruction of, or damage to, Government property. Such notice shall identify—

(i) Lost, stolen, destroyed, or damaged Government property by description, contract number, national stock number (if known), and either part number or identification number;

(ii) The date a loss or theft was discovered or damage or destruction occurred and, if known, the circumstances;

(iii) Each property item's acquisition cost;

(iv) The contracts affected;

(v) All known interests in commingled property of which the Government property is a part; and

(vi) The insurance, if any, covering any part of or interest in such commingled property.

(8) The Contractor is not required to provide notice of loss, theft, or destruction of, or damage to, low value property which the Contractor does not need for continued performance of this contract until contract completion or termination. Such notice shall include the information required by paragraph (f)(7) of this clause.

(9) The Contractor shall take all reasonable action to protect damaged Government property from further damage and to physically separate such property from all other property.

(10) The Contractor shall repair, renovate, or take such other action with respect to lost, stolen, damaged, or destroyed Government property as the Contracting Officer directs and adjust the property records accordingly. When such repair, renovation, or action is not the Contractor's responsibility under this contract, the Contractor shall be entitled to an equitable price adjustment in accordance with paragraph (e) of this clause. Contractor responsible repairs to or replacements of Government property shall be accomplished at no change in cost or fee.

(11) The Contractor shall not include in the contract cost, fee, or any adjustment thereof, any charge or reserve for insurance (including any self-insurance fund or reserve) covering loss, theft, or destruction of, or damage to, Government property except to the extent the Government might have expressly required the Contractor to carry such insurance under another provision of this contract.

(12) In the event the Contractor is reimbursed or otherwise compensated for any loss, theft, or destruction of, or damage to, Government property, the Contractor shall use the proceeds to repair, renovate, or replace such property or equitably reimburse the Government, as directed by the Contracting Officer, and adjust the property records accordingly.

(13) The Contractor shall do nothing to prejudice the Government's rights to recover against third parties for any loss, theft, or destruction of, or damage to, Government property. When requested by the Contracting Officer, the Contractor shall, at Government expense, furnish to the Government all reasonable assistance and cooperation (including the prosecution of suit and the execution of instruments of assignment in favor of the Government) in obtaining recovery.

(g) *Maintenance Responsibilities.* (1) The Contractor is responsible for the maintenance of Government property in its possession, including Government property stored at a Contractor managed site. The Contractor shall perform all maintenance, including preventive maintenance, necessary to assure that such property remains suitable for its intended use unless the Contracting Officer specifically relieves the Contractor of its maintenance responsibility for a particular item or class of items. If routine and preventive maintenance are not sufficient to sustain a property item's suitability for intended use, the Contractor shall notify the Contracting Officer promptly and request direction regarding repair or replacement.

(2) The Contractor shall notify promptly the Government's property administrator of the need for any replacement or rehabilitation of, or major repair to, Government property discovered during its maintenance activities and shall not effect such repair, replacement, or rehabilitation unless authorized to do so by the Contracting Officer.

(h) *Disposal of Government property—(1) Predisposal requirements.* Upon determining that it no longer needs a Government property item or items for contract performance, the Contractor shall, in order of precedence—

(i) Make reasonable efforts to return unused property acquired for performance of this contract to the appropriate supplier at acquisition cost (less, if applicable, a reasonable restocking fee that is consistent with the supplier's customary practices) and credit the contract estimated or target cost with the proceeds of such returns;

(ii) Make reasonable efforts to use property acquired or fabricated for performance of this contract in performance of other Government or nongovernmental contracts and credit the contract estimated or target cost by the property's acquisition cost; or

(iii) Prepare, and submit to the Government's plant clearance officer, Inventory Disposal Schedules in accordance with paragraphs (h)(2) through (h)(4) of this clause.

(2) *Inventory disposal schedules.* Except as provided in paragraph (h)(3) of this clause, the Contractor shall identify Government property no longer required for performance of this contract using Standard Form 1428, "Inventory Disposal Schedule." Unless the plant clearance officer has agreed to a different submission basis or the contract requires inventory disposal schedules to be submitted electronically, the Contractor shall prepare separate inventory disposal schedules for: special test equipment with general purpose components; special test equipment that does not contain general purpose components; printing equipment; automatic data processing equipment; nonnuclear hazardous materials; and, nuclear materials. Property with the same description, condition code, and reporting location may be grouped in a single line item. Special test equipment shall be described in sufficient detail to permit an understanding of the special test equipment's intended use. The Contractor may annotate the schedule to identify test equipment the Contractor wishes

to purchase from the Government or general purpose components thereof that the Contractor wishes to purchase or use in the performance of other Government contracts.

(3) *Scrap lists.* Contractors that have Government-approved scrap procedures may prepare scrap lists (provided the lists are consistent with the approved scrap procedures), in lieu of inventory disposal schedules, except for scrap that—

- (i) Requires demilitarization;
- (ii) Is a classified item;
- (iii) Is generated from classified items;
- (iv) Contains hazardous materials; or
- (v) Is dangerous to the public health, safety, or welfare.

(4) *Corrections.* If the plant clearance officer finds that property identified on an inventory disposal schedule or scrap list is not accountable under this contract, or is not in the quantity or condition indicated on the inventory disposal schedule or scrap list, he or she may require the Contractor to correct the inventory disposal schedule or list, may reject such schedules or lists at any time, or may require submission of an inventory disposal schedule in lieu of a scrap list.

(5) *Submission requirements.* Inventory disposal schedules or scrap lists shall be submitted to the plant clearance officer no later than—

- (i) Thirty (30) days following the Contractor's determination that a Government property item is no longer required for performance of the contract;
- (ii) Sixty (60) days following completion of contract deliveries or performance or such longer period as may be approved by the plant clearance officer; or
- (iii) One hundred twenty (120) days following contract termination in whole or in part or such longer period as may be approved by the Contracting Officer.

(6) *Inventory schedule adjustments.* The Contractor shall provide the plant clearance officer at least 10 working days advance written notice of its intent to remove a property item, including an item identified as scrap, from an approved inventory disposal schedule. Unless the plant clearance officer objects to the intended schedule adjustment within the notice period, the Contractor may make the adjustment upon expiration of the notice period.

(7) *Storage.* The Contractor shall store the property identified in an inventory disposal schedule pending receipt of disposal instructions. If the Government fails to provide disposal instructions within 120 days following receipt of an acceptable inventory disposal schedule, the Contractor might be entitled to an equitable adjustment for costs incurred to store such property on or after the 121st day following receipt of an acceptable schedule.

(8) *Disposal.* Except as provided in (h)(8)(i), Government property may not be disposed of until the Contractor has been authorized to do so by the plant clearance officer.

(i) If the Government does not provide disposition instructions to the Contractor within 60 days following receipt of an acceptable scrap list, the Contractor may dispose of the listed scrap.

(ii) The Contractor shall prepare for shipment, deliver f.o.b. origin, or dispose of

Government property as directed by the plant clearance officer. The Contractor shall remove and destroy any markings identifying the property as Government property when the plant clearance officer directs disposal by sale or donation, notifies the Contractor that the Government has abandoned the property, or directs the Contractor to scrap the property.

(iii) The Contractor shall credit the net proceeds from a disposal of scrapped Government property to the contract under which the Government property is accountable or, when scrapped Government furnished property is not segregable from other scrap, to an appropriate overhead account. The Contractor shall credit the net proceeds of other disposal actions in accordance with instructions provided by the plant clearance officer.

(iv) The Contracting Officer may require the Contractor to demilitarize the property prior to shipment or disposal. Any equitable adjustment incident to the Contracting Officer's direction to demilitarize Government property shall be made in accordance with paragraph (e) of this clause.

(9) *Contractor removal of property.* The Contractor must obtain the plant clearance officer's approval to remove Government property from its premises prior to receipt of final disposition instructions. If approval is granted, the Contractor shall transport and store the property at Contractor expense. The storage facility must be appropriate for assuring the property's physical safety and suitability for use. Approval does not relieve the Contractor of responsibility for such property.

(10) *Subcontractor inventory disposal schedules.* When the Contractor permits a subcontractor or supplier to use at a subcontractor or supplier managed site Government property furnished to the Contractor for performance of this contract, the Contractor shall require the subcontractor or supplier to submit inventory disposal schedules or scrap lists to the contractor in sufficient time for the Contractor to comply with the requirements of paragraph (h)(5) of this clause.

(i) *Abandonment and restoration of contractor's premises.* (1) The Government shall not abandon at a Contractor-owned location Government property that is or contains a hazardous material without the Contractor's written concurrence. The Contractor may request an equitable adjustment incident to such agreement.

(2) The Government, upon notice to the Contractor, may abandon any nonhazardous Government property in place at which time all obligations of the Government regarding such abandoned property shall cease. Except as provided in paragraphs (e)(2) and (i)(1), the Government has no obligation to restore or rehabilitate the Contractor's premises under any circumstances.

(j) *Overseas contracts.* In a contract performed outside the United States of America, its territories, or possessions, the words "Government" and "Government furnished" (wherever they appear in this clause) shall be construed as "United States Government" and "United States Government furnished," respectively.

(End of clause)

Alternate I (Date). As prescribed in 45.102(d), renumber the text of paragraph (d) as subparagraph (d)(1) and add subparagraph (2) to paragraph (d) of the basic clause:

(d) *Title to Contractor acquired or fabricated property.* (2) Title to equipment or other tangible personal property (both hereinafter referred to as tangible property) purchased with Government funds provided for the conduct of basic or applied research vests with the Government unless otherwise specified in this contract. With the Contracting Officer's approval prior to purchase, the Contractor shall have title to each such tangible property item having an acquisition cost less than \$5,000. The Contractor shall furnish the Contracting Officer a list of all purchased tangible property within 10 days following the end of the calendar quarter during which the contractor receives the property. The Contractor agrees that it will not allocate depreciation or amortization costs for such tangible property to any existing or future Government contract and such tangible property may be used by the Government or its subcontractors without charge in performance of any Government contract or subcontract thereunder. As a condition for obtaining title to tangible property under this clause, the Contractor, by signing this contract, agrees that—

"No person in the United States shall on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under this contemplated financial assistance (title to equipment or other tangible personal property)."

52.245-5 Rental Charges for Commercial Use.

As prescribed in 45.102(c), insert the following clause:

Rental Charges for Commercial Use (Date)

(a) *Definitions.* As used in this clause—

Base cost means the acquisition cost recorded in the Contractor's property control system or, in the absence of such record, the value attributed by the Government to a Government property item for purposes of determining a reasonable rental charge.

Government property means property owned or leased by the Government.

Real property 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 equipment.

Rental period means the calendar period during which Government property is made available for commercial purposes.

Rental time means the number of hours, to the nearest whole hour, rented property is actually used for commercial purposes. It includes time to set up the property for such purposes, perform required maintenance, and restore the property to its condition prior to rental (less normal wear and tear).

(b) General—(1) Rental requests must be submitted to the administrative contracting officer, identify the property for which rental

is requested, propose a rental period, and calculate an estimated rental charge by using the Contractor's best estimate of rental time in the formulae described in paragraph (c) of this clause.

(2) The Contractor shall not use Government property for commercial purposes, including Independent Research and Development, until a rental charge for real property, or estimated rental charge for other property, is agreed upon. Rented property shall be used only on a noninterference basis.

(c) *Rental charge*—(1) *Real property and associated fixtures.* (i) The Contractor shall obtain, at its expense, a property appraisal from an independent licensed, accredited, or certified appraiser that computes a monthly, daily, or hourly rental rate for comparable

commercial property. The appraisal may be used to compute rentals under this clause throughout its effective period or, if an effective period is not stated in the appraisal, for 1 year following the date the appraisal was performed. The Contractor shall submit the appraisal to the administrative contracting officer at least 30 days prior to the date the property is needed for commercial use. Except as provided in paragraph (c)(1)(iii) of this clause, the administrative contracting officer shall use the appraisal rental rate to determine a reasonable rental charge.

(ii) Rental charges shall be determined by multiplying the rental time by the appraisal rental rate expressed as a rate per hour. Monthly or daily appraisal rental rates shall

be divided by 720 or 24, respectively, to determine an hourly rental rate.

(iii) When the administrative contracting officer has reason to believe the appraisal rental rate is not reasonable, he or she shall promptly notify the Contractor and provide his or her rationale. The parties may agree on an alternate means for computing a reasonable rental charge.

(2) *Other Government property.* The Contractor may elect to calculate the final rental charge using the appraisal method described in paragraph (c)(1) of this clause subject to the constraints therein or the following formula in which rental time shall be expressed in increments of not less than 1 hour with portions of hours rounded to the next higher hour—

$$\text{Rental charge} = \frac{(\text{Rental Time in hours}) (.02 \text{ per month}) (\text{Base Cost})}{720 \text{ hours per month}}$$

(3) *Alternate methodology.* The Contractor may request consideration of an alternate basis for computing the rental charge if it considers the monthly rental rate or a time based rental unreasonable or impractical.

(d) *Rental payments.* (1) Rent is due at the time and place specified by the Contracting Officer. If a time is not specified, the rental is due 60 days following completion of the rental period. The Contractor shall calculate the rental due, and furnish records or other supporting data in sufficient detail to permit the administrative contracting officer to verify the rental time and computation. Unless otherwise permitted by law, payment shall be made by check payable to the Treasurer of the United States and sent to the contract administration office identified in this contract or by electronic funds transfer to that office.

(2) Interest will be charged if payment is not made by the specified payment date or, in the absence of a specified date, the 61st day following completion of the rental period. Interest will accrue at the "Renegotiation Board Interest Rate" (published in the **Federal Register** semiannually on or about January 1st and July 1st) for the period in which the rent is due.

(3) The Government's acceptance of any rental payment under this clause, in whole or in part, shall not be construed as a waiver or relinquishment of any rights it may have against the Contractor stemming from the Contractor's unauthorized use of Government property or any other failure to perform this contract according to its terms.

(e) *Use revocation.* At any time during the rental period, the Government may revoke commercial use authorization and require the Contractor, at the Contractor's expense, to return the property to the Government, restore the property to its pre-rental condition (less normal wear and tear), or both.

(f) *Unauthorized use.* The unauthorized use of Government property can subject a person to fines, imprisonment, or both, under 18 U.S.C. 641.

(End of clause)

52.245-6 Government Property—Property Management Contracts.

As prescribed in 45.102(e), insert the following clause:

Government Property—Property Management Contracts (Date)

(a) *Definitions.* The "Government Property Control" clause of this contract, 52.245-3, defines certain terms used in Section 52.245. When a term defined in 52.245-3 is used in this clause, it has the same meaning as when used in 52.245-3.

(b) *Authorized use.* In consideration of the Contractor's expenditures to manage and maintain the Government property identified in this contract, the Contractor is authorized to use and to have its subcontractors use such property without charge for performance of the contracting agency's contracts at the location specified in this contract (hereinafter referred to as the specified location).

(1) Costs incurred by the Contractor to manage or maintain Government property at the specified location shall not be allocated as direct costs to this or any other Government contract.

(2) If the Contractor elects to use inactive property stored at the specified location or property specially preserved at that location, the costs to make such property ready for Contractor use and to return the property to its stored or preserved condition shall be entirely at Contractor expense.

(c) *Use restrictions.* (1) The property identified in this contract is available for use by the Contractor on an "as is" basis. The Government makes no warranty, express or implied, regarding the property's condition or fitness for use for any purpose. If authorized by the Contracting Officer to make such property suitable for the Contractor's intended use, the Contractor shall bear the cost of modifying, repairing, or otherwise altering the property. Such modifications, repairs, or alterations do not affect the Government's title in the property.

(2) The Contractor shall not—

(i) Acquire or fabricate property for the Government under this contract except as provided in paragraph (h)(3), (h)(4), or (i)(9) of this clause.

(ii) Improve or make structural alterations to real property identified in this contract unless expressly authorized to do so in writing by the Contracting Officer. Title to such improvements or alterations shall vest in the Government.

(iii) Except for property maintenance actions required by this contract, modify, repair, or alter the property identified in this contract in any manner without the Contracting Officer's prior written approval.

(3) The Contractor shall not use the property identified in this contract to perform contracts for another Government agency, use such property at a location other than the specified location, or use such property for commercial purposes without the Contracting Officer's written authorization.

(4) If the Contracting Officer authorizes use of the property identified in this contract for commercial purposes, the Contractor shall pay a rental determined by the "Rental Charges for Commercial Use" clause of this contract. The terms and conditions of that clause shall apply to each rental. Other consideration may be negotiated when permitted by law. The Contractor shall return the property to the Government in the same or better condition (less normal wear and tear) than when commercial use was authorized.

(d) *Accountability and liability.* The property identified in this contract is accountable under this contract notwithstanding an authorized use for performance of other Government contracts. Except as provided in paragraph (c)(4), liability for loss, theft, or damage to, or destruction of, the identified property occurring during an authorized use shall be determined by this clause.

(e) *Title.* (1) The Government has and retains title to the Government property identified in this contract.

(2) Title to property or components thereof replaced by the Contractor, when

replacement is ordered by the Government or is the Contractor's responsibility under the contract's maintenance requirements, shall pass to and vest in the Government upon the Contractor's receipt or fabrication of the replacement item or component.

(3) The Contractor shall keep the Government's property free and clear of all liens and encumbrances.

(4) The Contractor may, at its expense and with the prior written approval of the Contracting Officer, arrange or rearrange Government property at the specified location or install Contractor-owned equipment or other personal property at the specified location provided such property is readily removable, removal will not damage the Government property, and its installation or removal will not diminish the Government's ability to use the property for governmental purposes. Title to contractor-owned personal property installed at the specified location shall remain in the Contractor even though the Contractor property may be attached to real property owned by the Government unless the Contracting Officer determines that it is so permanently attached that removal would cause substantial damage to Government property.

(f) *Property adjustments.* (1) The Contracting Officer may decrease or substitute other Government property for the property identified in this contract. The Contractor shall not be entitled to any adjustment in the terms and conditions of this contract incident to such decrease or substitution. If a decrease or substitution affects real property or equipment that has been authorized for use in performance of another Government contract at the specified location, the Contractor might be entitled to an equitable adjustment under the affected contract.

(2) The Government reserves the right to position additional property at the specified location. Such property is not subject to the provisions of this contract. If the parties agree to modify the contract to include such additional property, the Contractor might be entitled to an equitable adjustment.

(g) *Equitable adjustments.* Equitable adjustments under this contract shall be the Contractor's exclusive remedy for Government actions under this clause and shall be made in accordance with the procedures of the Changes clause. The Government shall not be liable to suit for breach of contract for—

(1) An increase or decrease in, or substitution of other Government property for, the property specified in this contract; or

(2) Failure to repair or replace Government property when the Government is responsible for repair or replacement.

(h) *Maintenance requirements.* (1) The Contractor is responsible for establishing and maintaining a program for the protection, preservation, maintenance (including preventative maintenance), and repair of the Government property identified in this contract. At a minimum, the program shall assure that property—

(i) Authorized for use in the performance of Government contracts is returned to the Government in the same (less normal wear

and tear) or better condition than when authorized for use; and

(ii) Is stored or preserved for the Government as required by this contract or, in the absence of a contractual requirement, sound industrial practice.

(2) The Contractor shall submit with its response to the solicitation for this contract, or at the time specified by the Contracting Officer, a written proposed maintenance management plan. The plan shall include the Contractor's recommended maintenance requirements, recommended property condition codes, proposed procedures for scheduling maintenance to be performed and recording maintenance accomplished, and proposed procedures for the prompt disclosure and reporting to the Government of any property repair or rehabilitation that is not the Contractor's responsibility under this contract. Subject to approval by the Contracting Officer, the proposed program will be incorporated into the contract as the contract's maintenance requirements.

(3) If the maintenance required by this contract proves insufficient to sustain a property item in a condition comparable to the property's condition at the time Contractor use was authorized, the Contractor shall notify the Contracting Officer promptly and request direction regarding repair or replacement. The Government has no obligation to repair or replace, such property. Repairs or replacements made by the Contractor without the Contracting Officer's authorization are made entirely at Contractor expense.

(4) The Contractor shall notify promptly the Government's property administrator of the need for any replacement or rehabilitation of, or major repair to, Government property discovered during its maintenance activities and shall not effect such repair, replacement, or rehabilitation unless authorized to do so by the Contracting Officer.

(i) *Limited risk of loss.* (1) The Contractor's liability for loss, theft, or destruction of, or damage to, Government property accountable under this contract shall be limited if the Contractor maintains a property control system that satisfies the requirements of the Government Property Control clause of this contract (hereinafter referred to as an approved system).

(2) When the Contractor maintains an approved system, the Contractor shall not be liable for loss, theft, or destruction of, or damage to, Government property accountable under this contract except loss, theft, destruction, or damage for which the Contractor is expressly responsible under the terms of this contract or loss, theft, destruction, or damage that results from—

(i) A risk expressly required to be insured under this contract but only to the extent of the insurance required to be purchased and maintained, or to the extent of insurance actually purchased and maintained, whichever is greater;

(ii) A risk that is, in fact, covered by insurance or for which the Contractor is otherwise reimbursed, but only to the extent of such insurance or reimbursement; or

(iii) Willful misconduct or lack of good faith on the part of the Contractor's managerial personnel.

(3) Following notice from the Government's property administrator to one of the Contractor's managerial personnel that the Contractor's or a subcontractor's property control system is not in compliance with the requirements of the Government Property Control clause of this contract, the Contractor's failure to correct its system or to have a subcontractor's system corrected within the dates specified by the Government's property administrator, or such other mutually agreed dates, shall be considered willful misconduct or lack of good faith on the part of the Contractor's managerial personnel. The Contractor shall be liable for any loss, theft, or destruction of, or damage to, the Government property accountable under this contract except such loss, theft, destruction, or damage that the Contractor can establish by clear and convincing evidence—

(i) Did not result from the Contractor's failure to maintain an approved system; or

(ii) Occurred while an approved system was maintained by the Contractor.

(4) Except as provided in (i)(3)(i) and (i)(3)(ii), the Contractor shall be liable for loss, theft, or destruction of, or damage to, the property identified in this contract immediately upon notice by certified mail that the Government has withdrawn approval of the Contractor's Government property control system.

(5) The Contractor's transfer of Government property identified in this contract to the possession or control of a subcontractor, does not affect the Contractor's liability for loss, theft, or destruction of, or damage to, that property.

(6) Except as provided in paragraph (i)(7) of this clause, the Contractor shall notify the Government's property administrator in writing promptly following the loss, theft, or destruction of, or damage to, Government property. Such notice shall identify—

(i) Lost, stolen, destroyed, or damaged Government property by description, contract number, national stock number (if known), and either part number or identification number;

(ii) The date a loss or theft was discovered or damage or destruction occurred and, if known, the circumstances.

(iii) Each property item's acquisition cost;

(iv) The contracts affected;

(v) All known interests in commingled property of which the Government property is a part; and

(vi) The insurance, if any, covering any part of or interest in such commingled property.

(7) The Contractor is not required to provide notice of loss, theft, or destruction of, or damage to, low value property which the Contractor does not need for continued performance of a Government supply contract at the specified location until that contract is completed or terminated. Such notice shall include the information required by paragraph (i)(6) of this clause.

(8) The Contractor shall take all reasonable action to protect damaged Government property from further damage and to

physically separate damaged Government property from all other property.

(9) The Contractor shall repair, renovate, or take such other action with respect to lost, stolen, damaged, or destroyed Government property as the Contracting Officer directs and adjust the property records accordingly. When such repair, renovation, or action is not the Contractor's responsibility under this contract, the Contractor shall be entitled to an equitable price adjustment in accordance with paragraph (g) of this clause. Contractor responsible repairs to, or replacements of, Government property shall be accomplished at no change in the cost or price of any Government contract.

(10) The Contractor shall not include in the cost or price of any Government contract, or any adjustment thereof, any charge or reserve for insurance (including any self-insurance fund or reserve) covering loss, theft, or destruction of, or damage to the Government property identified in this contract, except to the extent the Government might have expressly required the Contractor to carry such insurance under another provision of this contract.

(11) If the Contractor is reimbursed or otherwise compensated for any loss, theft, or destruction of, or damage to, Government property, the Contractor shall use the proceeds to repair, renovate, or replace such property or equitably reimburse the Government, as directed by the Contracting Officer, and adjust the property records accordingly.

(12) The Contractor shall do nothing to prejudice the Government's rights to recover against third parties for any loss, theft, or destruction of, or damage to, Government property. When requested by the Contracting Officer, the Contractor shall, at Government expense, furnish to the Government all reasonable assistance and cooperation (including the prosecution of suit and the execution of instruments of assignment in favor of the Government) in obtaining recovery.

(j) *Disposal of Government property.* The Contractor shall not dispose of Government property, including Government property the Contractor has identified as scrap, or remove Government property from the specified location, until the Contractor has been authorized to do so by the plant clearance officer.

(1) The Contractor shall submit Standard Form 1428, Inventory Disposal Schedule, to the plant clearance officer within 30 days (or such longer period authorized by the plant clearance officer) following—

- (i) Destruction of a Government property item identified in this contract;
- (ii) Damage to a property item that cannot be economically repaired;
- (iii) Notice from the Contracting Officer that the Government will not repair an item for which repair is the Government's responsibility under this contract; or
- (iv) The Contractors determination that property it has been using to perform other contracts is no longer required for the performance of those contracts.

(2) Unless the plant clearance officer has agreed to a different submission basis or the contract requires inventory disposal

schedules to be submitted electronically, the Contractor shall prepare separate inventory disposal schedules for: Special test equipment with general purpose components; special test equipment that does not contain general purpose components; printing equipment; automatic data processing equipment; nonnuclear hazardous materials; and, nuclear materials. Property with the same description, condition code, and reporting location may be grouped in a single line item. Special test equipment shall be described in sufficient detail to permit an understanding of the special test equipment's intended use. The Contractor may annotate the schedule to identify test equipment the Contractor wishes to purchase from the Government or general purpose components thereof the Contractor wishes to purchase or use in the performance of other Government contracts.

(3) Contractors that have Government-approved scrap procedures may prepare scrap lists (provided such lists are consistent with the approved scrap procedures) in lieu of inventory disposal schedules except for scrap that—

- (i) Requires demilitarization;
- (ii) Is a classified item;
- (iii) Is generated from classified items;
- (iv) Contains hazardous materials; or
- (v) Is dangerous to the public health, safety, or welfare.

(4) If the plant clearance officer finds that property identified on an inventory disposal schedule or scrap list is not accountable under this contract or is not in the quantity or condition indicated on the inventory disposal schedule or scrap list, he or she may require the Contractor to correct the inventory disposal schedule or scrap list, may reject such schedules or lists at any time, or may require submission of an inventory disposal schedule in lieu of a scrap list.

(5) As directed by the plant clearance officer, the Contractor shall—

- (i) Preserve, protect, or store the property identified on an inventory disposal schedule pending receipt of disposal instructions;
- (ii) Prepare for shipment, deliver f.o.b. origin, or dispose of Government property as directed by the plant clearance officer;
- (iii) Remove and destroy any markings identifying the property as Government property when the plant clearance officer directs disposal by sale or donation, or directs the Contractor to scrap the property; and
- (iv) Credit the proceeds from a disposal action in accordance with instructions provided by the plant clearance officer.

(6) When the Contractor permits a subcontractor or supplier to use property identified in this contract, the Contractor shall require the subcontractor or supplier to submit inventory disposal schedules or scrap lists to the Contractor in sufficient time for the Contractor to comply with the requirements of paragraph (j)(1) of this clause.

(7) The Contracting Officer may require the Contractor to demilitarize the property prior to shipment or disposal. Any equitable adjustment incident to the Contracting Officer's direction to demilitarize

Government property shall be made in accordance with paragraph (g) of this clause.

(k) *Overseas contracts.* In a contract performed outside the United States of America, its territories, or possessions, the words "Government" and "Government property", as used in this clause, mean "United States Government" and "United States Government property", respectively. (End of clause)

52.245-7 Liability for Government Property Demolition Services Contracts.

As prescribed in 45.102(g), insert the following clause:

Liability for Government Property—
Demolition Services Contracts (Date)

Except for reasonable wear and tear incident to the removal and delivery of property to the Government, the Contractor assumes the risks of and is liable for any loss or destruction of or damage to property—

(a) Required to be delivered to the Government; and

(b) Title to which is vested in the Contractor but that under the Termination clauses of this contract is revested in the Government upon notice of termination. (End of clause)

52.245-8 through 52.245-19 [Removed]

49. Sections 52.245-8 through 52.245-19 are removed.

52.246-18 [Amended]

50. Section 52.246-18 is amended by revising the date of the clause; and in the first sentence of paragraph (b)(3) by removing the word "facilities" and inserting "Government property" in its place.

51. Section 52.249-2 is amended by revising the date of the clause and paragraphs (b)(2) and (d) to read as follows:

52.249-2 Termination for Convenience of the Government (Fixed-Price).

* * * * *

Termination for Convenience of the
Government (Fixed-Price) (Date)

* * * * *

(b)* * *

(2) Place no further subcontracts or orders (referred to as subcontracts in this clause) for materials, other property, or services, except as necessary to complete the continued portion of the contract.

* * * * *

(d) If the Government fails to provide disposal instructions within 120 days following receipt of an acceptable termination inventory schedule, the Contractor might be entitled to an equitable adjustment for costs incurred to store such property on or after the 121st day following receipt of an acceptable schedule.

* * * * *

52. Section 52.249-3 is amended by revising the date of the clause and paragraphs (b)(2) and (d) to read as follows:

52.249-3 Termination for Convenience of the Government (Dismantling, Demolition, or Removal of Improvements).

* * * * *

Termination for Convenience of the Government (Dismantling, Demolition, or Removal of Improvements) (Date)

* * * * *

(b)* * *

(2) Place no further subcontracts or orders (referred to as subcontracts in this clause) for materials, other property, or services, except as necessary to complete the continued portion of the contract.

* * * * *

(d) If the Government fails to provide disposal instructions within 120 days following receipt of an acceptable termination inventory schedule, the Contractor might be entitled to an equitable adjustment for costs incurred to store such property on or after the 121st day following receipt of an acceptable schedule.

* * * * *

53. Section 52.249-6 is amended by revising the date of the clause and paragraph (e) to read as follows:

52.249-6 Termination (Cost-Reimbursement).

* * * * *

Termination (Cost-Reimbursement) (Date)

* * * * *

(e) If the Government fails to provide disposal instructions within 120 days following receipt of an acceptable termination inventory schedule, the Contractor might be entitled to an equitable adjustment for costs incurred to store such property on or after the 121st day following receipt of an acceptable schedule.

* * * * *

54. Section 52.249-11 is revised to read as follows:

52.249-11 Termination of Use—Property Management Contracts.

As prescribed in 49.505(a), insert the following clause:

Termination of Use—Property Management Contracts (Date)

(a) *Termination.* The Contracting Officer may, by notice to the Contractor at any time, completely or partially terminate the Contractor's authority to use, or have its subcontractors use, the Government property identified in this contract. Such termination shall be effective at 12:00 a.m. of the 15th day following the date of the termination notice, unless the notice specifies an earlier date.

(b) *Contract requirements.* (1) The Contractor is not required to manage and maintain the Government property identified in this contract following a complete termination of the authority to use such property. If the Contracting Officer requires the Contractor to manage or maintain the property subsequent to a notice of complete termination, the contract shall be equitably adjusted.

(2) Following a partial termination under paragraph (a) of this clause, the Contractor is

required to manage and maintain the property for which use is still authorized.

(c) *Price adjustments.* (1) The Contractor shall not be entitled to any adjustment under this contract incident to a complete or partial termination of its authority to use, or have its subcontractors use, the Government property identified in this contract.

(2) Except as provided in 52.249-13, Failure to Perform, a termination under paragraph (a) of this clause might entitle the Contractor to an equitable adjustment in the price (or estimated cost and fee) of contracts being performed at the specified location if the costs of performance under such contracts are increased by the termination. Adjustments shall be determined by the terms of the affected contracts. Such adjustments shall be the Contractor's exclusive remedy for Government actions under this clause. The Government shall not be liable to the Contractor for damages or loss of profits because of any termination or notice of termination under this clause. (End of clause)

55. Section 52.249-13 is amended by revising the introductory paragraph to read as follows:

52.249-13 Failure to Perform.

As prescribed in 49.505(c), insert the following clause in property management contracts, except such contracts with nonprofit educational institutions:

* * * * *

56. Section 52.249-14 is amended by revising the second and fourth sentences of the introductory paragraph to read as follows:

52.249-14 Excusable Delays.

* * * Also insert the clause in time-and-material contracts, labor-hour contracts, and property management contracts. * * * When used in property management contracts, substitute the words "Termination of Use—Property Management Contracts" for "termination" in the last sentence of the clause.

* * * * *

57. Section 52.251-1 is amended by revising the clause to read as follows:

52.251-1 Government Supply Sources.

* * * * *

Government Supply Sources (Date)

(a) The Contracting Officer may authorize the Contractor to use Government supply sources in the performance of this contract. Such property is not "Government furnished property".

(b) Title to property acquired by the Contractor under paragraph (a) of this clause shall vest for—

(1) Fixed-price contracts, as provided in the contract financing provisions and the clause at 52.245-2.

(2) Cost-type contracts, as provided in the clause at 52.245-4.

(3) Property management contracts, in the Government immediately upon the Contractor's acquisition of the property. (End of clause)

PART 53—FORMS

58. Section 53.245 is revised to read as follows:

53.245 Government property.

The following forms are prescribed, as specified in this section, for use in reporting, redistribution, and disposal of Government property and in accounting for this property:

(a) *SF 120 (GSA), Report of Excess Personal Property, and SF 120-A (GSA), Continuation Sheet (Report of Excess Personal Property).* (See 45.304-6.)

(b) *SF 126 (GSA), Report of Personal Property for Sale, and SF 126-A (GSA), Report of Personal Property for Sale (Continuation Sheet).* (See 45.304-10.)

(c) *SF 1422 (6/97), U.S. Government Property in the Custody of Contractors.* (See 52.245-3(g)(1).) SF 1422 is authorized for local reproduction and a copy is furnished for this purpose in Part 53 of the looseleaf edition of the FAR.

(d) *SF 1423 (REV. 12/88), Inventory Verification Survey.* (See 45.304-2(b).)

(e) *SF 1424 (REV. 7/89), Inventory Disposal Report.* SF 1424 is authorized for local reproduction and a copy is furnished for this purpose in Part 53 of the looseleaf edition of the FAR.

(f) *SF 1428 (REV. 6/97), Inventory Disposal Schedule, and SF 1429 (REV. 6/97), Inventory Disposal Schedule Continuation Sheet.* (See 52.245-1(j), 52.245-4(h), and 52.245-6(j).) Standard Form 1428 and Standard Form 1429 are authorized for local reproduction and copies are furnished for this purpose in Part 53 of the looseleaf edition of the FAR.

59. Section 53.249 is amended by revising paragraph (b) to read as follows:

53.249 Termination of contracts.

* * * * *

(b) Standard Forms 1428, Inventory Disposal Schedule, and 1429, Inventory Disposal Schedule—Continuation Sheet, shall be used to support termination settlement proposals listed in paragraph (a) of this section as specified in 49.602-2.

60. Section 53.301-1422 is added to read as follows:

53.301-1422 U.S. Government Property in the Custody of Contractors.

BILLING CODE 6820-EP-P

U.S. GOVERNMENT PROPERTY IN THE CUSTODY OF CONTRACTORS (See instructions on reverse before completing this form.)					REPORT AS OF 30 SEP _____ OR		Form Approved OMB No. _____ Expires _____		
1. TO (Enter name and address of Property Administrator)				2. FROM (Enter full name, address and CAGE code of contractor)					
3. Remarks (see agency instructions)				4.. Address of Primary Property Location(if different from block 2)					
5. CONTRACT NO.			6. CONTRACT PURPOSE		7. BUSINESS TYPE (L, S, or N)		8. No. of Subcontractor/ Alternate Locations		
a. PROPERTY (Classification)		b. BALANCE BEGINNING OF PERIOD		c. ADDITIONS (in dollars)		d. DELETIONS (in dollars)		e. BALANCE END OF PERIOD	
		(1) Acquisition Cost (in dollars)	(2) Quantity (in units or acres)	(1) Government Furnished	(2) Contractor Acquired or Fabricated			(1) Acquisition Cost (in dollars)	(2) Quantity (in units or acres)
9. LAND									
10. BUILDINGS									
11. OTHER REAL PROPERTY									
12. EQUIPMENT \$5000 and over									
13. EQUIPMENT \$1501 to \$4999									
14. EQUIPMENT \$ 1 to \$1500									
15. SPECIAL TEST EQUIP. \$ 5000 and over									
16. SPECIAL TEST EQUIP. \$ 1501 to \$4999									
17. SPECIAL TEST EQUIP. \$ 1 to \$1500									
18. SPECIAL TOOLING \$ 5000 and over									
19. SPECIAL TOOLING \$ 1501 to \$4999									
20. SPECIAL TOOLING \$ 1 to \$1500									
21. UNIQUE FEDERAL PROPERTY									
22. MATERIAL									
23. TOTALS									
24. CONTRACTOR REPRESENTATIVE									
a. TYPED NAME (Last, First, Middle Initial)				b. SIGNATURE				c. DATE (YYMMDD)	
d. TELEPHONE NUMBERS, Commercial and DSN, if available									
25. TO BE COMPLETED BY THE GOVERNMENT'S PROPERTY ADMINISTRATOR									
a. TYPED NAME (Last, First, Middle Initial)				b. SIGNATURE				c. DATE (YYMMDD)	
d. TELEPHONE NUMBERS, Commercial and DSN, if available									
e.. CURRENT PROPERTY SYSTEM STATUS:				f. LAST PERFORMED PROPERTY SYSTEM ANALYSIS:					
-				1. Type _____ 2. Date _____ 3. Satisfactory _____ Unsatisfactory _____					

 Standard Form 1422
 (Rev.)

GENERAL. The prime contractor shall report all Government property, accountable to a contract. One form is to be used for each contract. Property shall be broken down by the classifications as indicated. The report is to include Government property in the prime contractor's possession or in that of its subcontractors as of September 30 of the reporting year. The report is to be forwarded to the Government office specified in item 1, to be received by that office no later than October 31 of each year. Report zero end of period balances when no Government property remains accountable to the contract. Report data from records maintained in accordance with FAR 52.245-3, "Government Property Control."

ANNUAL REPORT AS OF 30 SEPTEMBER. Fill in the appropriate year (or other date).

FINAL REPORT. A final report, clearly marked "FINAL" shall be submitted within 30 days after disposition of all property subject to reporting, if the contract performance period is complete.

ITEM 1 - TO. Enter the name of the Government's Property Administrator, unless otherwise designated in the contract. Include the full mailing address (including City, State and ZIP).

ITEM 2 - FROM. Enter the full name and address of the reporting contractor with the Division name stated after the Corporate name. Use the name as it appears on the contract but omit articles and insert spaces between company names that are made up of letters like A B C International Inc., for example. Also enter the Commercial and Government Entity (CAGE) Code (if applicable).

ITEM 3 - REMARKS. Enter any remarks or additional information required by the contracting agency. Additional plain sheets may be attached if required.

ITEM 4 - ADDRESS OF PRIMARY PROPERTY LOCATION. Enter the primary location of the property if different from block 2.

ITEM 5 - CONTRACT NO. Enter the contract number under which the Government property is accountable. Use the correct format for the Agency.

ITEM 6 - CONTRACT PURPOSE. Enter one of the following 1-character alphabetic codes to identify the general purposes of the contract:

- a. RDT & E
- b. Supplies (deliverable end items)
- c. Services, except for d.
- d. Operation of a Government - Owned Plant or Facilities including test sites, ranges, installations
- e. Contract for storage of Government Property
- f. Others

ITEM 7 - TYPE OF BUSINESS. Enter a 1-character alphabetic code indicating the type of business concern:

L = Large S = Small N = Non-profit
(See FAR Part 19 for definition of Small Business and FAR 31.701 for definition of Non-profit Organizations).

ITEM 8 - NUMBER OF SUBCONTRACTOR/ALTERNATE LOCATIONS. Number of locations of subcontract property and/or property at alternate sites of the prime contractor (one total for all).

ITEMS 9 - 22.b.(1) - ACQUISITION COST (BALANCE AT THE BEGINNING OF THE FISCAL YEAR). Enter the acquisition cost for each classification of property as defined in FAR 52.245-3. The amounts reported must agree with the amounts reported in the previous year for BALANCE AT END OF PERIOD.

ITEMS 9, 12 - 21.b.(2) - QUANTITY (BALANCE AT BEGINNING OF THE FISCAL YEAR). Enter the quantity for all classifications of Government property except for Buildings, Other Real Property and Material on hand. The amounts reported must agree with the amounts reported in the previous year for BALANCE AT END OF PERIOD. Any variance must be explained in Item # 3, Remarks.

ITEMS 9 - 14.c. - ADDITIONS (in dollars). For the property classifications not shaded, enter the acquisition cost for the total additions to the contract from any source during the fiscal year. Do not enter for Special Test Equipment, Special Tooling, Unique Federal Property or Material.

ITEMS 9 - 14.d. - DELETIONS (in dollars). For the property classifications not shaded, enter the acquisition cost for the total deletions from the contract during the fiscal year. Do not enter for Special Test Equipment, Special Tooling, Unique Federal Property or Material.

ITEMS 9 - 22.e.(1) - ACQUISITION COST (BALANCE AT THE END OF THE FISCAL YEAR). Enter the acquisition cost for each classification of property as defined in FAR 52.245-3. Carry forward to reflect the balance at the beginning of the following year.

ITEMS 9, 12 - 21e.(2) - QUANTITY (BALANCE AT END OF FISCAL YEAR). Enter the quantity for all classifications of Government Property except for Buildings, Other Real Property and Material on hand. Carry forward to reflect the balance at the beginning of the following year.

ITEM 23 - TOTALS. Enter the total for each column.

ITEM 24 - CONTRACTOR REPRESENTATIVE. Type the name of the contractor representative authorized by the property control system to sign this report. Include that individual's commercial area code and telephone number and DSN number (if one exists). Signature and date.

ITEM 25 - GOVERNMENT'S PROPERTY ADMINISTRATOR. Type the name of the Government's Property Administrator or other authorized property representative. Include that individual's commercial area code and telephone number and DSN number (if one exists). Signature and date. Items e and f are self explanatory with the exception of type. For type indicate initial (INT), limited without visit (LWVOV), limited with visit (LWV), or standard (STND). (PA take special note of items e and f these must be completed on each form).

Public reporting burden for this collection of information is estimated to average 30 minutes per response, including the time for reviewing instructions, searching existing data sources gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the FAR Secretariat (VRS), Office of Federal Acquisition and Regulatory Policy, GSA, Washington, D.C. 20405 and to the Office of Management and Budget, Paperwork Reduction Project (0704-0246), Washington, D.C. 20503

PLEASE DO NOT RETURN YOUR COMPLETED FORM TO EITHER OF THESE ADDRESSES. RETURN COMPLETED FORM TO THE ADDRESS IN ITEM 1

STANDARD FORM 1422 Reverse

53.301-1426, 53.301-1427, and 53.301-1430 through 53.301-1434 [Removed]

61. Sections 53.301-1426, 53.301-1427, and 53.301-1430 through 53.301-1434 are removed.

62. Sections 53.301-1428 and 53.301-1429 are revised to read as follows:

53.301-1428 Inventory Disposal Schedule.

INVENTORY DISPOSAL SCHEDULE		CHECK BLOCK(S), WHEN APPLICABLE: <input type="checkbox"/> TERMINATION <input type="checkbox"/> INVENTORY <input type="checkbox"/> FINAL SCHEDULE		SCHEDULE REFERENCE NO.		PAGE NO.	NO. OF PAGES	FORM APPROVED OMIB NO.	
(See Reverse for Instructions) Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the FAR Secretariat (VRS), Office of Federal Acquisition and Regulatory Policy, GSA, Washington, DC 20405.									
PRIME CONTRACT NO.		SUBCONTRACTOR POC		CONTRACT TYPE		TERM/DOCKET NO.		TOTAL LINE ITEMS	
CAGE CD	PRIME CONTRACTOR/POC			CAGE CD	SUBCONTRACTOR/POC				
STREET ADDRESS		STREET ADDRESS							
CITY, STATE AND ZIP CODE		CITY, STATE AND ZIP CODE							
LOCATION OF PROPERTY /POC									
PRODUCT COV. BY CONTRACT/ORDER									
ITEM NO.	ITEM DESCRIPTION	GF/CA	DML CD	PROP CLASS	GOVERNMENT PART OR DRAWING NUMBER AND REVISION NUMBER	CON CD	QTY	UNIT OF MEASURE	COST
								UNIT	TOTAL
									CONTRACTORS OFFER
NAME OF CONTRACTOR SUBMITTING SCHEDULE					NAME AND TITLE			SIGNATURE	DATE

Instructions for preparing inventory disposal

schedules. When submitting schedules electronically, the contractor shall prepare Standard Form 1428. When submitting schedules manually, the contractor shall prepare Standard Form 1428 and if required, Standard Form 1429. The contractor shall submit all schedules to the Plant Clearance Officer. For electronic submissions, no paper copies are required. For manual submissions, twelve (12) copies are required, except for scrap, then three (3) copies are required. The schedules are self-explanatory except for the following instructions:

(a) **Contract Type:** The contractor shall use one of the following codes:

J - Fixed Price Contract Y - Time and Material
S - Cost Contract Z - Labor Hour O - Other
9 - Basic Ordering Agreement 7 - Facilities

(b) **Contract modifications and basic ordering agreements.** If the property applies solely to one contract modification or to one order issued against a basic ordering agreement, indicate the modification or order number after the contract number.

(c) **CAGE Code.** Enter the Commercial and Government Entity code when applicable.

(d) **Item Description.** Describe each item in sufficient detail to permit the Government to determine its appropriate disposition. Except for scrap property where it may be described as a lot to include metal content, estimated weight and estimated acquisition cost. For all other property, as a minimum, the description will contain the information required by FAR Part 52.245-3, the National Stock Number (NSN) shall be listed first in this block. Also include the following information:

(1) **Special tooling.** Item the tooling produces.

(2) **Special test equipment.** Lowest assembly upon which item is used.

(3) **Automatic data processing equipment.** Include the manufactures name, model and serial number, and date manufactured.

(4) **Work in process.** The est. % of completion.

(5) **Precious metals.** The type of metal & est. weight.

(6) **Hazardous material or property contaminated with hazardous material.** The type of hazardous material.

(7) **Metals in mill product form.** The form, shape, treatments, hardness, temper, specification (commercial or Gov't.), & dimensions (thickness, width, & length).

(e) **Demil code.** If applicable, enter the code specified in DoD 4160.21-M-1.

(f) **Property classification.** The contractor shall use one of the following classifications for each line item:

EQ - Equipment ST - Special tooling M - Material
STE - Special test equip UFP - Unique Federal prop.
In addition, when applicable, list one of the following sub classifications for each line item below the property

classification:

ADPE - Automatic data processing equipment

AAE - Arms, ammunition and explosives

PM - Precious metals WIP - Work in process

HAZ - Hazardous materials CL - Classified

ME - Metals in mill product form

If reporting manually, property having the same classification shall be grouped together on the same schedule. If reporting electronically, group items of the same classification together. Scrap shall always be submitted on a separate schedule.

(g) **Condition code.** Each item must have a code, listed below (for DoD property, use a two digit code; see DFARS for first code):

Code 1, **Unused-good.** Unused property that is usable without repairs and identical or interchangeable with new items from normal supply sources.

Code 2, **Unused-fair.** Unused property that is usable without repairs, but is deteriorated or damaged to the extent that utility is somewhat impaired.

Code 3, **Unused-poor.** Unused property that is usable without repairs, but is considerably deteriorated or damaged. Enough utility remains to classify the property better than salvage.

Code 4, **Used-good.** Used property that is usable without repairs and most of its useful life remains.

Code 5, **Used-fair.** Used property that is usable without repairs, but is in somewhat worn or deteriorated and may soon require repairs.

Code 6, **Used-poor.** Used property that may be used without repairs, but is considerable worn or deteriorated to the degree that remaining utility is limited or major repairs will soon be required.

Code 7, **Repairs required-good.** Required repairs are minor and should not exceed 15 percent of original acquisition cost.

Code 8, **Repairs required-fair.** Required repairs are considerable and estimated to range from 16 to 40 percent of original acquisition cost.

Code 9, **Repairs required-poor.** Required repairs are major because property is badly damaged, or deteriorated, and are estimated to range from 41 to 65 percent of original acquisition cost.

Code X, **Salvage.** Property has some value in excess of its basic material content, but repair or rehabilitation to use for the originally intended purpose is clearly impractical. Repair for any use would exceed 65 percent of the original acquisition cost.

Code S, **Scrap.** Property that has no value except for its basic metallic, mineral, or organic content.

(h) **Contractor's offer.** The contractor's offer to purchase the item if it survives screening.

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INVENTORY DISPOSAL SCHEDULE - CONTINUATION SHEET										SCHEDULE REFERENCE NO.		PAGE NO.	NO. OF PAGES	OMB NO.
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the FAR Secretariat (VRS), Office of Federal Acquisition and Regulatory Policy, GSA, Washington, DC 20405										Expires:				
ITEM NO.	ITEM DESCRIPTION	GF/CA	DML CD	PROP. CLASS.	GOVERNMENT PART OR DRAWING NUMBER AND REVISION NUMBER	CON CODE	QTY	UNIT OF MEASURE	COST		CONTRACTORS OFFER			
									UNIT	TOTAL				

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