

CONTROL AND ACCOUNTABILITY OF PROPERTY IN THE POSSESSION OF SUPPLIERS

I. INTRODUCTION.

It is the policy of ARCATA to conform fully to the requirements of applicable Government acquisition regulations in controlling and accounting for Government property in the possession of its Supplier. As used in this document, the term "Government-owned property" is synonymous to "Customer owned property" and refers to property accountable to a Government or commercial contract, title to which is vested in the Government or commercial customer.

II. PURPOSE

ARCATA is responsible for assuring Supplier compliance with the provisions of the applicable Government property clauses as contained in its Prime Contracts. This guide outlines the basic Government and ARCATA requirements for the control and accountability of property in the possession of the Supplier, whether furnished to, acquired by, or fabricated at the Supplier's facility in the performance of ARCATA purchase agreements/contracts.

III. SCOPE

These provisions are provided to ensure compliance with the terms and conditions of Government Prime Contracts and to ensure compliance with ARCATA purchase agreements/contracts. They apply to Government/ARCATA property, special tooling (ST), special test equipment (STE), plant equipment (PE), and ARCATA/Government furnished material or Supplier acquired ARCATA /Government-owned material. These provisions delineate the basic requirements of Part 45 of the Federal Acquisition Regulation (FAR), and they include the property classifications/definitions and provisions for property acquisition, receipt, identification, records, physical inventory, utilization and maintenance, loss/damage reporting, and final disposition of residual property upon Contract completion and/or termination. The Supplier's property control system must meet all requirements of FAR 45.5, unless a waiver is granted in writing.

IV. SUPPLIER PROPERTY CONTROL SYSTEM

A. In order to assure Supplier compliance with the provisions of the FAR relative to property, ARCATA requires that when property accountable to a ARCATA purchase agreement/contract is controlled by a property control system which is periodically reviewed by a Government agency, the results of such a review will be forwarded ARCATA. If the Supplier has a property control system which is not reviewed by a Government agency, the Supplier will be provided a Government Property Questionnaire for completion and submission to ARCATA. ARCATA may, at its discretion, notify a Supplier of a deficiency in the Supplier's property control system and require corrective action. The Supplier

shall respond to the notification and shall implement the necessary corrective action.

B. Property accountable to ARCATA purchase agreements/contracts will be subject to inspections and reviews by ARCATA to verify compliance with the Supplier's approved property control system. The frequency of these inspections and reviews will be determined by individual circumstances and may take place at any time during the performance of the Contract, upon completion or termination of the Contract, or at any time thereafter during the period the Supplier is required to retain property records. The Supplier will make all such records, including correspondence related thereto, available to ARCATA.

V. PROPERTY CLASSIFICATION AND DEFINITIONS.

A. **Government property** means all property owned by or leased to the Government or acquired by the Government under the terms of the Contract. It includes both Government-Furnished Property (GFP) and Supplier-Acquired Property (CAP).

B. **Government-Furnished Property (GFP)** means property in the possession of, or directly acquired by, the Government and subsequently made available to the Supplier.

C. **Supplier-Acquired Property (CAP)** means property acquired or otherwise provided by the Supplier for performing a Contract and to which the Government has title.

D. **Plant Equipment (PE)** means personal property of a capital nature (including equipment, machine tools, test equipment, furniture, vehicles, and accessory and auxiliary items) for use in manufacturing supplies, in performing services, or for any administrative or general plant purpose. It does not include special tooling or special test equipment.

E. **Special Test Equipment (STE)** means either single or multipurpose integrated test units engineered, designed, fabricated, or modified to accomplish special purpose testing in performing a Contract. It consists of items or assemblies of equipment that are interconnected and interdependent so as to become a new functional entity for special testing purposes. It does not include material, special tooling, facilities (except foundations and similar improvements necessary for installing special test equipment), and plant equipment items used for general plant testing purposes.

F. **Special Tooling (ST)** means jigs, dies, fixtures, molds, patterns, taps, gauges, other equipment and manufacturing aids, all components of these items, and replacements of these items, which are of such a specialized nature that without substantial modification or alteration their use is limited to the development or production of particular supplies or parts thereof or to the performance of particular services. It does not include material, special test equipment, facilities (except foundations and similar improvements necessary for installing special tooling), general or special machine tools, or similar capital items.



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G. Material means property that may be incorporated into or attached to a deliverable end item or that may be consumed or expended in performing a Contract. It includes assemblies, components, parts, raw and processed materials, and small tools and supplies that may be consumed in normal use in performing a Contract.

H. Supplier means the individual, partnership, corporation, or association contracting to perform the work.

VI. ACQUISITION.

If this Contract includes ST or STE, the applicable agency "special tooling" and/or "special test equipment" clause will apply. In the event of any conflict between those clauses and this document, the latter shall control and take precedence.

A. Plant Equipment. Unless otherwise specifically provided for in this Contract, the Supplier is not authorized to procure PE as a direct charge to the Contract.

B. Special Test Equipment.

1. In negotiated procurements, if the STE or components are known, the Contract shall identify each item indicating whether it is to be (1)ARCATA/Government-furnished, or (2) Acquired or fabricated by the Supplier. If the STE or components to be acquired or fabricated are unknown, ARCATA's written approval is required before the design, acquisition, and/or fabrication of STE. If an engineering change requires either acquisition or fabrication of new STE or substantial modification of existing STE, the Supplier shall likewise first obtain ARCATA written approval. To acquire STE, a written Notice of Intent (NOI) must be submitted to ARCATA a minimum of forty-five (45) days in advance of the intention to acquire or fabricate such STE or components. The NOI shall include:

- a. The end use application and function of each proposed special test unit identifying special characteristics. Reasons for the classification of the test unit as STE shall be included.
- b. A complete description identifying the items to be acquired and items to be fabricated by the Supplier.
- c. The estimated cost of the item of STE and/or components.
- d. A statement that intra-plant screening of Supplier and Government-owned STE and components has been accomplished and none are available for use in the performance of this Contract.

NOTE 1: A Supplier's failure to comply with the above requirements may result in denial of request or cost disallowance.

NOTE 2: NOI forms are available from ARCATA and will be provided upon request.

2. ARCATA will submit the NOI to the applicable Government Contracting Officer for screening. The Supplier will be notified in writing whether or not the item will be approved for acquisition or fabrication by the Supplier.

C. Special Tooling

1. Each tool fabricated/procured will be identified in accordance with the Supplier's approved property control

system. If requested by the Supplier, ARCATA will furnish identification numbers. Each tool fabricated or procured will have, as a minimum, a complete set of design drawings plus any changes thereto.

VII. SUBMITTAL OF CERTIFIED TOOL LIST (CTL) AND CERTIFIED SPECIAL TEST EQUIPMENT LIST (CSTEL).

A. The Supplier shall furnish ARCATA an initial Certified Tool List (CTL) of all ST acquired or manufactured by the Supplier for use in the performance of the Contract. The list shall specify the nomenclature, tool number, and related product part number or service, and unit cost of the ST. The list shall be furnished within sixty (60) days after delivery of the first end item under the Contract, unless ARCATA prescribes a later date.

B. After an acceptable item has been produced, the Supplier shall furnish to ARCATA a Certified Special Test Equipment List (CSTEL). FINAL PAYMENT on a purchase agreement or Contract shall not be made until this list has been received by ARCATA. The STE list shall contain the following information:

1. ARCATA purchase agreement/contract number.
2. Supplier assigned identification number.
3. If the item is procured test equipment, furnish description, name of manufacturer, model, and capacity of that unit. If the items should, as an example, consist of a test rack and four components, give total number of pieces, listing each component separately and its corresponding Supplier assigned identification number; with full description and unit price. Identify the components back to the basic composite item to establish a cross-reference system.
4. If the test equipment and/or components are general purpose in nature, so indicate.

VIII. PAYMENT/RETENTION OF PAYMENT PENDING RECEIPT OF CTL/CSTEL.

A. The Supplier will be paid for the ST/STE fabricated or acquired under the Contract:

1. Upon inspection and acceptance of the first article produced under the production Contract on which the ST/STE is used.
2. Upon submittal and acceptance of an ST/STE list including all ST/STE fabricated or acquired.

B. Notwithstanding any other payment provision of this Contract, ten percent (10%) of the amount due the Supplier for STE and/or ST, or \$5,000, whichever is greater, may be retained by ARCATA until such time as the final CSTEL/CTL lists are submitted to ARCATA in a form acceptable to ARCATA.

IX. RECEIPT OF PROPERTY.

All ARCATA/Government-owned property will be checked and inspected promptly at time of receipt. Any visible evidence of damage will be annotated on the carrier's waybill, and the signature of the carrier's agent obtained



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before releasing the document to the carrier. Property loss/damage will be immediately reported to ARCATA as described in Section XVI.

X. IDENTIFICATION.

A. The Supplier's property control system will provide for the identification and marking of ARCATA/Government-owned property as a means of distinguishing ownership, for establishment of individual records, and for physical segregation to prevent unauthorized commingling and/or usage. ST and STE will retain this identification so long as it remains in the custody, possession, or control of the Supplier. Such markings will be removed or obliterated from the property involved only when the disposal is by sale, scrap, donation, or abandonment.

B. PE (if authorized), ST, and STE will be marked in accordance with the procedures established by the Supplier and approved by ARCATA/Government, unless it is determined by the Supplier in an individual case that marking will damage the PE/ST/STE or is otherwise impracticable. The Supplier will advise ARCATA, in writing, of this determination. Identification will consist of a Supplier's identification number and distinguish the ownership as ARCATA or Government, whichever is applicable. On request, ARCATA will provide identification numbers to those Suppliers who do not have a formal identification system.

C. Nonpermanent identification is not acceptable. Acceptable methods of marking include the following:

1. Attachment of metal plate, self-adhesive, or other secure fastening.
2. Pantagraph engraving.
3. Chemical or electro-etching.
4. Steel die stamping.

NOTE: When it has been determined that such marking will damage the PE, ST, or STE, it is the Supplier's responsibility to utilize a substitute method of identification and to maintain full accountability for such property.

XI. RECORDS.

It is ARCATA's policy to use the Supplier's records as the official Contract property records in accordance with the Supplier's approved system. The Supplier's property control system will be such as to provide the following minimum information regarding each item of ARCATA/Government-owned property.

A. All ARCATA/Government-Owned Property.

1. Purchase agreement/Contract number or equivalent code designation.
2. Supplier assigned identification number(s).
3. Nomenclature and/or description of item, and national stock number, if available.
4. Quantity and date fabricated or received.
5. Posting reference and date of transaction(s).
6. Location.
7. Disposition (document reference and date).
8. Unit price.

B. In addition, the following special reporting requirements apply to the following property classifications:

1. **Special Tooling.** End item on which used (if a component, indicate basic tool of which it is a part and ID number).
2. **Special Test Equipment.** Identity of any general purpose test equipment incorporated as components in such a manner that removal and reutilization may be feasible and economical.
3. **ARCATA/Government-Owned Material Maintained in Stocks or Stores.** (Also includes Supplier acquired material to which the Government acquires title by virtue of a cost-type purchase agreement/contract, if applicable.)
 - a. Quantity issued.
 - b. Balance on hand.
 - c. Date received and/or issued.
4. **Plant Equipment.**
 - a. Federal Supply Code for the manufacturer (available from ARCATA).
 - b. Federal Supply Classification (available from ARCATA).
 - c. Original manufacturer's model or part number.
 - d. In addition, for each item of ARCATA/Government-owned PE having a unit cost of \$5,000 or more, the Supplier will, in addition to the previous requirements, include:
 - (1) Serial number and year built (when available).
 - (2) Acquisition document references and dates.

XII. REPORTING REQUIREMENTS.

A. For each ARCATA purchase agreement/contract which cites a NASA prime contract number, the Supplier will prepare and submit to ARCATA annually a NASA Form 1018, "Report of Government-Owned/Supplier-Held Property," as required by NASA FAR Supplement 18-52.245-73. The report will be submitted to ARCATA no later than 10 October of each calendar year. The annual reporting period will be from 1 October of each year to 30 September of the following year. B. For each ARCATA purchase agreement/contract which cites a Department of Defense (DOD) prime contract number, the Supplier will prepare and submit to ARCATA a DD Form 1662, DOD Property in the Custody of Suppliers, as required by DFARS 252.245-7001. This report will be submitted to ARCATA no later than 10 October of each year. The annual reporting period will be from 1 October of each year to 30 September of the following year. NOTE 1: NASA Form 1018 and DD Form 1662 may be waived by ARCATA in the case of fixed price purchase agreements/contracts, if warranted by the conditions of the agreement. NOTE 2: DD Form 1662s and NASA Form 1018s are available from ARCATA and will be provided upon request.

XIII. PHYSICAL INVENTORY.

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A. An inventory of all ARCATA/ Government owned property will be performed in accordance with the Supplier's approved property control system or as otherwise specified by ARCATA. Inventory results will be submitted to ARCATA within thirty (30) days of inventory completion. The physical inventory report will contain the total number of line items in inventory, the total dollar value, and a list of all un-reconciled overages/shortages, with an explanation of each line item loss exceeding \$100. (See Section XVI, Loss and Damage Report.) B. An inventory of all ARCATA/ Government owned PE (if authorized), ST, and STE will be performed in accordance with the Supplier's approved property control system, or as otherwise specified by ARCATA. Inventory results will be submitted to ARCATA within thirty (30) days after inventory completion. Reports of inventory results will include a listing of all contract accountable tooling and equipment including identification numbers, descriptions, unit values, and explanations for all discrepancies. C. Inventory reports will include a signed statement that, with the exceptions noted, the property records were found to be in agreement with the physical inventory count.

XIV. UTILIZATION AND MAINTENANCE.

The Supplier shall maintain and administer, in accordance with sound industrial practice, a program for the maintenance, repair, protection, and preservation of ARCATA/Government-owned property to assure its adequacy and availability for use on the associated production contract and assure that it is used only in the performance of the Contract for which it was acquired, unless otherwise approved in writing by ARCATA. The Supplier agrees not to include in the price of any other contracts or subcontracts involving the use of ARCATA/Government-owned property, the cost of such property which was previously charged to ARCATA/Government. Any repair or replacement of ST required to provide tooling to fulfill the Supplier's production commitments will be furnished at no increase in Contract price.

XV. SHIPMENT.

Direction for the shipment of ARCATA/ Government-owned property will be in writing (i.e., via provisions in the purchase agreement/contract, purchase agreement/contract amendment, letter, facsimile, etc.), except when shipment is to a sub-tier supplier or other location of the Supplier. The Supplier will retain copies of direction for shipment, along with internal shipping documents, as part of the accountability records for the property.

XVI. LOSS AND DAMAGE.

Suppliers will report to ARCATA all cases of loss, damage, or destruction of ARCATA/Government-owned property in their possession or control which is accountable under purchase agreements/Contracts as soon as such facts become

known. When physical inventories, consumption analyses, or other actions disclose (1) excess consumption of ARCATA/Government-owned property or (2) loss, damage or destruction of ARCATA/ Government owned property, the Supplier shall prepare a statement of the items and amount of loss involved. This statement shall be furnished to ARCATA for investigation. The Supplier's report and statement shall contain factual data as to the circumstances surrounding the loss, damage, destruction, or excessive consumption, including the following:

- A. The Supplier's name and the contract number.
- B. Quantity.
- C. Description, including nomenclature and part number/ identification number.
- D. Acquisition cost.
- E. Date of last inventory.
- F. Circumstances and details surrounding the time and origin of loss, damage, or destruction, to include date and time.
- G. Whether replacement will be required, and if so, the replacement cost.
- H. Corrective action initiated to prevent further occurrence. Supplier will be notified of disposition.

XVII. PROMPT REPORTING OF EXCESS GOVERNMENT PROPERTY.

A. The Supplier will promptly report all ARCATA/Government owned property in excess of the amounts needed to support current production requirements. For the purpose of identifying excess, the following guidelines will apply:

1. Material will be considered excess when there are no longer current requirements supported by bills of material or comparable documents plus normal production allowance.
2. ST/STE/PE will be considered excess when it is no longer required for manufacture of the end product, or when the Contract period of performance is complete or terminated, whichever is earlier.
3. The Contractor will notify ARCATA of any changes in design or specification which affects the interchangeability of ST/STE/PE which has become obsolete as a result of changes in design or specification. ST/STE/PE that is not required to support current production requirements will be promptly reported as excess.
4. The Contractor will not disposition any ARCATA/ Government owned property except in accordance with specified disposal instructions from ARCATA/Government.

B. As property becomes excess, the Contractor will prepare appropriate SF 14XX series inventory schedules, segregated by categories of property such as material, ST, and STE. ARCATA shall, upon completion of the production contract on which the property is used and for which inventory

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schedules have been accepted by ARCATA, be entitled to storage by the Contractor for a period not-to-exceed one (1) year, at no additional cost to ARCATA or the Government. The excess property may be retained/ stored by the Contractor if it meets one of the following criteria, as determined ARCATA.

1. Property which has a potential to be used on resumed production contracts.
2. Property which is essential to fabricate/produce spare parts.
3. Property which is required to economically produce at increased production rates.
4. Property which is required at some time for logistic support of the product.

Property paid for or furnished by ARCATA or the Government will be the property of ARCATA or the Government, as the case may be, and the Contractor will not encumber or dispose of it in any way except according to the provisions of this Contract.

XVIII. CONTRACT COMPLETION AND/ OR TERMINATION.

A. Immediately upon completion and/or termination of a purchase agreement/Contract, the Contractor will perform a physical inventory adequate for disposal purposes of all ARCATA/ Government owned property in the Contractor's possession or control, which is accountable to the completed/terminated purchase agreement/Contract. The inventory will be prepared on appropriate SF 14XX series inventory schedules, segregated by categories of property such as material, ST, and STE. Completed inventory schedules are to be forwarded to ARCATA for disposition action.

NOTE: Inventory Schedule forms will be provided upon request.

B. The Contractor will retain the residual property intact pending disposition instructions and will be accountable and responsible for the property until final disposition is concluded.