

SUPPLIER ACCOUNTABILITY REQUIREMENTS FOR BUYER/GOVERNMENT/CUSTOMER PROPERTY

1.0 PURPOSE AND SCOPE

- 1.1 This document provides instructions to all Buyer subcontractors (Seller) to ensure compliance with contractual requirements for the control of Buyer, Government and Customer property acquired/provided under Buyer's contracts.
- 1.2 Accountability controls protecting the property interest of the Buyer are the Seller's obligations. This obligation exists whether the property is located at a Seller facility or at the Seller's lower-tier subcontractor's facilities in performance of Buyer's purchase order and applies from the time of fabrication, receipt, or procurement through final approved disposition.
- 1.3 If the Buyer, Government, Customer or the Seller identify deficiencies within the Seller's property control system, or the system is not in compliance with their procedures and this document, it will be the responsibility of the Seller to effect immediate action necessary to correct those deficiencies.
- 1.4 Section 3.0 of this document applies to all Sellers with or without a Government-approved property control system.

2.0 DEFINITIONS

- 2.1 Except for those definitions set forth elsewhere in this document, the definitions used in Government regulations (FAR, DFARS, NFS, etc.) shall apply to any Buyer/Government/Customer furnished property.

These regulations may be viewed on the Internet at: <http://farsite.hill.af.mil/>.

Buyer Furnished Property (BFP) is property in the possession of, or acquired directly by the buyer and subsequently delivered or otherwise made available to the seller for the performance of the sub-contract

Customer Property (Customer) as defined in SAE Standard AS9100, is property provided for use or incorporation into the product. It can include intellectual property (i.e., customer furnished data used for design, production, and/or inspection). For U.S. Government contracts, Customer Property has the same meaning.

Performance Based Property Special Tooling/Special Test Equipment is Buyer owned property with interim title vested in the Government. Reference: Performance-Based Payments clause, FAR 52.232-32.

- 2.2. Categories of Government Property

Except for those categories of Buyer/Government/Customer property set forth elsewhere in this document, the categories of Government property used in Government regulations (FAR, DFARS, NFS, etc.) shall apply to any Buyer/Government/ Customer furnished property.

NOTE: Magnetic tapes, numeric control tapes, disc pack, software and artwork are considered data and are not applicable to this document.

- 2.3 Sensitive Property: Property of which the theft, loss, or misplacement could be potentially dangerous to the public safety or community security, and which must be subjected to exceptional physical security, protection, control, and accountability. The following types of property are designated as sensitive property: (Reference DOD 4161.2-M DOD Manual for the Performance of Contract Property)
 - A. Classified Material
 - B. Weapons, Ammunition, and Explosives

- C. Hazardous Material (includes radioactive material)
- D. Hazardous Waste
- E. Precious Metals
- F. Narcotics, Dangerous Drugs, and Controlled Substances

2.4. Property Accountability Purchase Order: Property Accountability Purchase Order (PAPO) is a no cost purchase order issued for the control, accountability and reporting of Government/Buyer property in the possession and control of the Seller, which Buyer and/or the Government has title to or the right to take title.

3.0 RESPONSIBILITIES

This section applies to Seller whether or not it has a Government approved property system.

Seller is required to control, protect, maintain and account for all Buyer/Government/ Customer property in accordance with the provisions set forth in this Form and in Buyer's contract with Seller .

The following will be complied with in conjunction with the Sellers' property control system.

3.1 Acquisition

- A. If Buyer's contract with Seller is a cost-reimbursement type contract, requests for Special Tooling (ST) will be submitted to, and approved by the Buyer's Authorized Purchasing Agent prior to acquisition.
- B. Requests for Special Test Equipment (STE) will be submitted to, and approved by the Buyer's Authorized Purchasing Agent prior to acquisition .
 - 1). Written notice of intent to acquire STE is to be provided to the Buyer's Authorized Purchasing Agent as least 60 days prior to the anticipated need date. The Seller is responsible to adjust their schedule to meet this 60-day requirement. Form MD-2043 identifies the necessary notice of intent data requirements.
 - 2). If Buyer/Government/Customer furnishes, rather than, approves acquisition or fabrication of STE or any components thereof, such items shall be furnished subject to the provisions of the prime contract. The government shall not be obligated to deliver such items any sooner than the supplier could have acquired or fabricated them after expiration of the 60 days notice period prescribed in Paragraph 3.1.B.1 above.
 - 3). If any engineering change requires either the acquisition or fabrication of new or substantial modification to existing STE, the supplier shall comply with Paragraph 3.1.B.1 above.
- C. Any Facilities type items will be provided by the subcontractor.
- D. Agency Peculiar Property may be furnished to the subcontractor as required for use as a standard or model, for testing the end item or for other reasons that the Buyer's Authorized Purchasing Agent determines to be in the interest of Buyer.

- E. The acquisition requirements for Material will be identified during the design process of hardware for contractual delivery to Buyer.

The Seller will ensure their acquisition system includes adequate controls over economical ordering practices that minimize acquisition, administrative, and support costs. Material that is charged or allocated to a contract will be based on valid time phased requirements.

- F. Acquisition prior to receipt of authorization by the designated Buyer's Authorized Purchasing Agent will be at the subcontractor's risk.

3.2 Reporting

- A. Upon completion of fabrication, receipt, or purchase of Buyer/Government property (excluding material) an invoice, an itemized property listing or a STE Completion Report (Form MD 2044), (for use on STE), and a First Article Inspection Report (FAIR) (ST Only) will be submitted to the Buyer. Payment for the acquisition of such property will not take place unless a property listing or a STE Completion Report is provided along with the invoice. Property listing/completion reports will contain, as a minimum, the following data elements:

1. Buyer acquisition purchase order number
2. Category of property (i.e., ST, STE, FAC, APP, PBP ST/STE)
3. Ownership (i.e., Buyer, Government and/or Customer)
4. Part Number/Model Number/Tool Number (Including Abbreviation, Sequence & Duplication #)
5. Supplier identification/property tag number
6. Serial number, Buyer lifetime serial number
7. National Stock number and/or class code (if available)
8. Nomenclature/description of part number
9. Unit price
10. Acquisition type (GFP or CAP – refer to section 2.1 for definition)
11. Seller name and address
12. Seller officer name, title and signature
13. Manufacturer name (required for all facilities and property acquired under NASA contracts only)
14. Manufactured year (required for NASA contract only)
15. Part number and description of used-on (ST and STE only)
16. Buyer's Representative inspection stamp and signature (See Note (c)).

- NOTE: a). When special test equipment is reported, include those general purpose components having a acquisition cost exceeding \$5,000.00.
- b). A STE Completion Report (Form MD-2044) identifies the necessary completion report data requirements.
- c). If a Buyer approved representative is not available to conduct on-site inspection, include with the Listing and/or STE Completion Report photographs of each item of property. (Photographs shall clearly show the property and the property identification number)

- B. Sellers who are identified as the primary accountable record holders will report total line item and dollar values of ST, STE, APP, Facilities and PBP ST/STE as of 30 September by accountable purchase order to the Buyer's Authorized Purchasing Agent no later than 10 October of each year. The report shall be itemized by property type (i.e., ST, STE, APP, OPE, PBP ST/STE) and ownership (i.e., Buyer, Government and/or Customer), and include inventory lists which are representative of the total line item and dollar amounts and must identify and explain all additions and deletions from the previous year reporting balances. This effort may be conducted in conjunction with the physical inventory (Reference Section 3.11, Physical Inventory).

C. Seller will report total dollar values of Government/Customer owned material as of 30 September accountable to all Government/ Customer contracts to the Buyer's Authorized Purchasing Agent no later than 10 October of each year.

1. These reporting requirements will apply under the following conditions:

- a. Cost Reimbursable purchase orders
- b. Government/Customer furnished material
- c. As contractually required within the P.O.

2. This report will include:

- a. Buyer purchase order number
- b. Total dollar value of material for each purchase order
- c. Whether material was contractor acquired or Government furnished

3.3 Records

Accountability records and supporting documents will be retained from completion of fabrication, procurement, or receipt to final disposition in accordance with the requirements set forth in FAR Part 45.5 or as otherwise required by this document. Manual or mechanized systems are acceptable for these records.

In addition to the requirements defined in FAR 45.5, accountability records must include Property Type information (i.e., ST, STE, APP, OPE, Material or PBP ST/STE) and correct ownership information (i.e., Buyer, Government or Customer).

3.4 Identification

A. Buyer/Government/Customer-owned Special Tooling and Special Test Equipment will be physically identified in accordance with C652-74916-TDS1 " Tool Data Sheet – Tool Identification and Control - Supplier".

B. Buyer/Government/Customer-owned Facilities and Agency Peculiar Property will be physically identified as follows:

1. Sellers with a Government approved property system will physically identify Government/Buyer property as required by that approved system.
2. Sellers without a Government approved system will:
 - a. Physically identify Buyer/Government/Customer property promptly upon receipt, procurement, or fabrication. The property shall remain so identified as long as it remains in the possession or control of the Seller.
 - b. The identification process will ensure legibility, permanency, conspicuousness; e.g., securely affixing metal or plastic tags, labels, bar coding, decals or plates directly to the property.
 - c. As a minimum, Identification tags, labels, etc. shall consist of:
 - (1) Unique serial number or unique identification number
 - (2) Designation of ownership (e.g. Buyer/U.S. Government/Customer)

NOTE: Material will be physically identified at the bin level.

3.5 Storage

A. Storage areas will be maintained in accordance with sound business practices and the terms of the contract.

B. Property will be protected from loss, damage, theft, destruction, and the elements while in storage and during transit.

- C. When Buyer/Government/Customer property is stored in outside storage areas, protective agents will be applied to unpainted or unprotected surfaces to prevent corrosion or rust.

3.6 Modification

- A. Modification(s) to Buyer/Government/Customer property will not be accomplished without the prior approval/direction of the Buyer's Authorized Purchasing Agent.
- B. Upon completion of modification for special tooling, special test equipment, facilities and agency peculiar property, the Seller will:
 - 1. Update applicable Seller drawings
 - 2. Provide an updated property listing or ST/STE Completion Report (Refer to 3.2.A) to include the following information:
 - a. New part number
 - b. Original part number before modification occurred
 - c. Dollar value of modification
 - d. Any additional record information pertinent to the modification

3.7 Rework

- A. Rework is the process of repairing defective property to an original/specification condition/configuration. Rework of Buyer/Government/Customer property will be accomplished as required by the purchase order.
- B. Special Tooling to be returned to Buyer for rework will be shipped as directed by Buyer.

3.8 Replacement

- A. Replacement of Buyer/Government/Customer property may be authorized by the Buyer when an item becomes worn or damaged beyond repair. Replacement of Buyer/Government or Customer owned property will not be accomplished without prior approval by the Buyer's Authorized Purchasing Agent.
- B. Any such item, as described in the preceding paragraph, will be reported to the Buyer's Authorized Purchasing Agent and identified as a replacement. This report shall include the record data listed in Section 3.2.A.
- C. The item being replaced will be submitted to Buyer's Authorized Purchasing Agent on an inventory schedule/listing and disposed of in accordance with Section 3.17 of this document.
- D. Requirements under this section will apply to material under the following conditions:
 - 1. Cost reimbursable purchase order
 - 2. Government/Customer furnished material
 - 3. As contractually required

3.9 Maintenance

Maintenance shall be performed on Government and Buyer property as required FAR Part 45.5 except as otherwise provided in this document.

3.10 Utilization

- A. Utilization of Buyer/Government/Customer property shall comply with the requirements set forth in FAR Part 45.5 except as otherwise provided in this document.

- B. Buyer/Government/Customer property shall be utilized only for those purposes authorized in the contract unless prior written authorization, in writing is obtained by the Buyer's Authorized Purchasing Agent.

3.11 Physical Inventory

- A. Records of such inventory shall be retained by the Seller and made available to Buyer upon request.

NOTE: Sellers with Government Approved Property Systems will perform inventories in accordance with their approved Inventory Plan.

- B. Physical inventories will consist of sighting, describing, recording, reporting and reconciling the results with the property records.
- C. The Seller will provide the following to Buyer upon request:
 1. A Property Accountability Physical Inventory Certification (MD-2294-01).
 2. A listing of all accountable property.
 3. A listing, which properly identifies all discrepancies, disclosed by the physical inventory. Refer to Section 3.15 for requirements on liability.
 4. Property, which previously was reported lost and then was located during a physical inventory will be reestablished on the accountability records and reported to Buyer.
 5. Physical inventories will be conducted upon completion or termination of contracts. These inventories will be reported to the Buyer's Authorized Purchasing Agent on the applicable inventory schedules (refer to Section 3.17 for disposition requirements).

3.12 Surveillance

- A. Sellers will be required to annually complete a Supplier/Component Property Control Surveillance Questionnaire (Form MD-0846-01) and provide any requested information (i.e. Government Property System Approval Letter, etc....).
- B. Buyer will review Seller annually to establish a Seller risk rating (High/Medium/Low). The Seller's risk rating will be determined based upon several factors including, but not limited to, the following information:
 1. Seller has a Government Approved Property System
 2. Total Value and L/I's of Buyer/Government/Customer Property
 3. Types of Property
 4. Type of Contracts
 5. Utilization Requirements/Authority
 6. LDD History
 7. Physical Inventories/Record Discrepancies
 8. Sensitive/Hazardous Property
 9. Business Relationship/History
- C. Buyer reserves the right to perform on-site surveys of Buyer/Government/Customer property accountable to Buyer contracts.

3.13 Shipments

- A. Upon shipment of Buyer/Government/Customer-owned property (excluding material), as directed by the Buyer's Authorized Purchasing Agent, the Seller will:
 1. Originate appropriate shipping documentation (i.e. DD1149, Requisition and Invoice/Shipping Document, and/or complete Property Accountability Document (Form

MD-1734) (ST only), when property under the control of the Seller is shipped to another location and accountability and control no longer rests with the Seller.

2. Ship property within seven (7) days of the need date or sooner if possible.
3. Submit copies of all documentation of shipments to the Buyer's Authorized Purchasing Agent directing the shipment.

B. Shipping documentation will include as a minimum:

1. "Shipment from" address
2. "Shipment to" address
3. Purchase order under which property is currently accountable
4. Authorization for shipment
5. Part number, identification number, serial number
6. Nomenclature/description
7. Acquisition value
8. Date of shipment
9. Name of Buyer's personnel authorizing shipment (If applicable.)

C. Seller shipping Buyer/Government/Customer property to other Sellers will assure that the property is clearly and correctly identified and appropriately packaged to prevent damage.

3.14 Receiving

A. Upon receipt of Buyer/Government/Customer property (excluding material), in the performance of a Buyer purchase order, the Seller will provide written confirmation of receipt to the Buyer's Authorized Purchasing Agent. This confirmation will include the record data identified in Section 3.2.

B. Upon receipt of Buyer/Government/Customer property in the performance of a Buyer purchase order the Seller will immediately establish records as identified in Section 3.3.

3.15 Loss, Damage and Destruction

A. The Seller shall report in writing to the Buyer's Authorized Purchasing Agent all cases of loss, damage, or destruction of Buyer/Government/Customer property in its possession or control as soon as the fact becomes known.

B. The Seller will be held liable, unless otherwise relieved of liability within the contract, when:

1. Shortages of property are disclosed as a result of a physical inventory;
2. Property is lost, damaged, or destroyed;
3. There is evidence of unreasonable use; or
4. Consumption of property is unreasonable.

C. Seller will be liable for any loss, damage, or destruction of Buyer/Government/Customer property located at their lower-tier Subcontractors.

D. The loss/damage/destruction report shall include:

1. Name of Seller
2. Location (address) of incident.
3. Date and Time of incident.
4. Name and Description of item lost, damaged or destroyed. (Include Part/Tool number, Nomenclature, Property Identification Tag Number)
5. Accountable Contract Number/Buyer purchase order number
6. Acquisition cost
7. Property Type (i.e., ST, STE, APP, OPE, Material or PBP ST/STE)
8. Property Ownership (i.e., Buyer, Government or Customer)
9. Description of incident including cause (provide date of last inventory).

10. Corrective action taken to prevent recurrence
11. Estimated cost of repair or replacement
12. Statement as to whether item needs to be replaced to complete contract requirements.

E. Requirements set forth in this section also apply to material under the following conditions:

1. Cost reimbursable purchase order
2. Buyer/Government/Customer furnished material
3. As contractually required

3.16 Screening of Idle Assets

Seller is responsible to continually review assets to ensure continued utilization of Buyer/Government/Customer property. Assets can only be retained if one of the following conditions exist:

1. A firm requirement is evident under an existing contract;
2. A known Follow-on Contract Requirement exists and has been documented
3. Buyer/Government/Customer Furnished Material
4. As contractually required

3.17 Disposition

A. When property is no longer required in the performance of a contract, the Seller shall prepare inventory schedules/listings in accordance with FAR Part 45.6 and submit the schedules/listings to the Buyer's Authorized Purchasing Agent. The Seller shall dispose of such excess/surplus property in accordance with FAR Part 45 and the Buyer's Authorized Purchasing Agent's instructions.

B. Lists of right to title special tooling and PBP special tooling and special test equipment excess to contract requirements shall be furnished within 60 days of the date items are determined to be excess. This list shall include the applicable excess code as follows:

1. Code V: Excess to contract requirements with no follow on requirement;
2. Code W: Excess to contract requirements but can be used to support actual anticipated follow on requirement;
3. Code X: Excess due to changes in design or specification to the end item;
4. Code Y: Excess due to non-servicable or non-repairable condition; or
5. Code Z: Other (Please explain).

3.18 Subcontract Control

A. The same basic controls for Buyer/Government/Customer property which are required of the contract and covered by this document will be required of Seller's lower-tier Subcontractors. These controls will ensure that lower-tier Subcontractors utilize property only as authorized by the contract. Seller shall maintain and control accountability records relating to a Buyer contract for property at their lower-tier Subcontractors.

B. Administrative obligations for Seller will ensure the lower-tier Subcontractors comply with the contract requirements and report results of physical inventories and all loss, damage and destruction of Buyer/Government/Customer property.

SELLER WILL CONSULT WITH BUYER'S AUTHORIZED PURCHASING AGENT ON ANY UNIQUE PROPERTY CIRCUMSTANCES OR REQUIREMENTS NOT COVERED BY THIS DOCUMENT.