

**MANDATORY SELLER ACCOUNTABILITY REQUIREMENTS FOR GOVERNMENT/BUYER PROPERTY**

1. PURPOSE AND SCOPE

- a. This clause provides instructions to Seller to help ensure compliance with the Government and Buyer's property-control requirements for property acquired/provided under this contract.
- b. Accountability controls protecting the property interest of Buyer and the Government are Seller's obligation. This obligation exists whether the property is located at Seller's facilities or at Seller's lower-tier subcontractors' facilities in performance of this contract and applies from the time of fabrication, receipt, or procurement through final approved disposition.
- c. If the Government, Buyer or Seller identifies deficiencies within Seller's property-control system, or the system is not in compliance with Seller's procedures and this clause, it will be the responsibility of Seller to effect immediate action necessary to correct those deficiencies.
- d. Section 3 of this clause applies to Seller whether or not Seller has a Government-approved property-control system.

2. DEFINITIONS

Except for those definitions set forth elsewhere in this clause, the definitions used in the Federal Acquisition Regulation (FAR) shall apply to any Government/Buyer-furnished property. These regulations may be viewed on the Internet at: <http://farsite.hill.af.mil/>

- a. GFX: Government Furnished Equipment, Property, Information, Facilities, and Services identified in Attachment 4 of the FCS Other Transaction Agreement (OTA).

**IDS Terms and Conditions Guide**  
**Section E**

**Clause Number: E005H**  
**Effective: 1/18/2005**  
**Page: 2 of 14**

- b. Buyer Furnished Property (BFP): Property in the possession of, or acquired directly by, Buyer and subsequently delivered or otherwise made available to Seller for the performance of this contract.
  
- c. Categories of Government/Buyer Property: Except for those categories of Government/Buyer property set forth elsewhere in this clause, the categories of Government property used in FAR shall apply to any Government/Buyer-furnished property.
  
- d. Sensitive Property: Property which, if stolen, lost, or misplaced, could be 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.
  - (1) Classified Material
  - (2) Weapons, Ammunition, and Explosives
  - (3) Hazardous Material (includes radioactive material)
  - (4) Hazardous Waste
  - (5) Precious Metals
  - (6) Narcotics, Dangerous Drugs, and Controlled Substances
  
- e. Property Accountability Purchase Contract/Order: A no-cost Purchase Contract/Order issued for the control, accountability and reporting of Government/Buyer property in the possession and control of Seller, to which Buyer and/or the Government has title or the right to take title.

3. RESPONSIBILITES

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

**IDS Terms and Conditions Guide**  
**Section E**

**Clause Number: E005H**  
**Effective: 1/18/2005**  
**Page: 3 of 14**

a. Property Control System

- (1) Seller is required to control, protect, maintain and account for all Government/Buyer property in accordance with this section and the provisions set forth elsewhere in this contract. Upon completion of an on-site Government property audit by a U.S. Government representative, Seller shall provide Buyer a copy of the Government letter stating that its property-control system is approved or disapproved.
- (2) In the event that Seller does not have an established property-control system, Seller shall establish written procedures and will implement a property-control system that is fully compliant with Federal Acquisition Regulation (FAR) Part 45 and all provisions of this clause. Seller's property-control system shall include a locator system or technique to permit the location of any item of Buyer property within a reasonable period of time after request therefor. Buyer reserves the right to conduct periodic surveillance or otherwise review Seller's property-control system to ensure compliance with the requirements of FAR Part 45 and this clause.
- (3) Buyer will evaluate Seller's property-control system, identify any necessary changes thereto, and notify Seller of Buyer's assessment in writing. Seller will address problems identified in writing within 30 days. Buyer will evaluate Seller's corrective actions and will notify Seller in writing whether its corrective actions are acceptable.
- (4) Buyer reserves the right to withdraw approval of Seller's property-control system, previously approved by Buyer's Property Management organization and excluding government-approved property-control systems, at any time. Buyer will notify Seller in writing of a proposed withdrawal, reasons for the withdrawal, and corrective action required.
- (5) Seller shall notify Buyer in writing of any unsatisfactory rating or disapproval of Seller's Government-approved property-control system. Seller shall provide Buyer a copy of any corrective action plan submitted to the Government, including a schedule for completion. If the property-control system is subsequently re-evaluated and rated satisfactory or approved, a copy of that rating or approval shall be provided to Buyer.

**IDS Terms and Conditions Guide**  
**Section E**

**Clause Number: E005H**  
**Effective: 1/18/2005**  
**Page: 4 of 14**

- (6) Upon request Seller will complete a Property Control Surveillance Questionnaire and provide Buyer any requested relevant information (e.g., Government Property System Approval Letter).
- (7) Buyer reserves the right to perform on-site property system surveys of Government/Buyer property accountable to Buyer's contract.

b. Acquisition

- (1) Seller may, with proper authority, acquire STE and components, the exact nature of which is not known as of the date of this contract
  - (a) All changes to STE that change form, fit, and function will be approved by Buyer.
- (2) General Purpose Plant Equipment will be provided by Seller and not charged to this contract unless Buyer authorizes procurement, in writing.
  - (a) Plant equipment that is charged to this contract will not be modified or altered by Seller without prior written approval of Buyer's Authorized Procurement Representative.

NOTE: Seller's failure to comply with the above could result in denial of request or cost disallowance.

- (3) Agency-peculiar property may be furnished to Seller as required for use as a standard or model for testing the end item or for other reasons that Buyer determines to be in the interest of Buyer.
  - (4) Requirements for acquisition of material will be identified during the design process of goods to be delivered to Buyer.
  - (5) Seller will ensure that its acquisition practices include practices that minimize acquisition, administrative, and support costs.
- c. Reporting. (This section applies only if: (i) this is a cost-reimbursable contract; (ii) this contract involves the use of Government-furnished property, or (iii) as otherwise required by this contract.)
- (1) Unless otherwise directed by Buyer's Authorized Procurement Representative, upon completion of fabrication, receipt, or purchase of Government/Buyer property (excluding material), an invoice and

**IDS Terms and Conditions Guide**  
**Section E**

**Clause Number: E005H**  
**Effective: 1/18/2005**  
**Page: 5 of 14**

itemized property listing will be submitted to Buyer. Payment for the acquisition of such property will not take place unless a property listing is provided along with the invoice. The property listing will contain, at a minimum, the following information:

- (a) Buyer's contract number
  - (b) Category of property (i.e., ST, STE, FAC, APP)
  - (c) Part number, model number, or tool number (including abbreviation, sequence & duplication number, as applicable)
  - (d) Supplier identification/property tag number
  - (e) Serial number
  - (f) National stock number and/or class code (if available)
  - (g) Nomenclature/description of part number
  - (h) Unit price
  - (i) Acquisition type (Government-furnished or contractor-acquired)
  - (j) Seller's name and address
  - (k) Signature and title (of the person submitting the report for authentication purposes).
  - (l) Manufacturer's name
  - (m) Buyer's Representative's inspection stamp and signature
  - (n) Acquisition document and date
- (2) U.S. Government Property Reports. Seller shall provide Buyer annually the total acquisition cost of U.S. Government property for which Seller is accountable under this contract, including U.S. Government property at subcontractor (sub-tier) plants and alternate locations, in the following classifications:
- (a) Land and rights therein;
  - (b) Other real property, including utility distribution systems, buildings, structures, and improvements thereto;
  - (c) Plant equipment;
  - (d) Special tooling;
  - (e) Special test equipment;
  - (f) Material, and
  - (g) Agency-peculiar property.

**IDS Terms and Conditions Guide**  
**Section E**

**Clause Number: E005H**  
**Effective: 1/18/2005**  
**Page: 6 of 14**

- (3) These property reports will be submitted to Buyer on DD Form 1662. Seller shall retain inventory lists that are representative of the dollar amounts for end of period totals on the DD Form 1662.
- (4) Reports will be provided to Buyer by October 10th of each calendar year to meet report submittal dates required in the DoD FAR Supplement. The reports shall include:
  - (a) Buyer's contract number;
  - (b) Total dollar value of material for each purchase contract/order, and
  - (c) Whether material is contractor-acquired or Government-furnished.

d. Records

Accountability records and supporting documents will be retained from completion of fabrication, procurement, or receipt to final disposition and shall be retained for a minimum of four years after contract closeout or as otherwise required by this clause. Manual or mechanized systems are acceptable for these records.

e. Identification

- (1) Buyer will assign a virtual property-control number to each item reported by Seller. Seller shall use this number in conjunction with its property-control number and shall include this number in its property-control system. Buyer will include Seller's property-control number in its property-control database. This number will be provided on all reports and correspondence as part of the descriptive data. In accordance with FAR 45.506, paragraph (d), all property identification markings shall be removed or obliterated when Buyer/Government property is sold, scrapped, or donated.

Identification shall consist of:

- (a) Unique part number or identification number.
- (b) Ownership designation such as "Boeing," "U.S. Government," or another customer's name as advised by Buyer.

**IDS Terms and Conditions Guide**  
**Section E**

**Clause Number: E005H**  
**Effective: 1/18/2005**  
**Page: 7 of 14**

- (2) For Buyer-furnished property, Seller shall advise Buyer if, upon receipt, property identification is different from the applicable transmittal/record documents.

f. Storage

- (1) Storage areas will be maintained in accordance with sound business practices and the terms of this contract.
- (2) Property will be protected from loss, damage, theft, destruction, and the elements while in storage and during transit.
- (3) When Government/Buyer property is stored in outside storage areas, protective agents will be applied to unpainted or unprotected surfaces to prevent corrosion or rust.
- (4) The removal of Government/Buyer property to storage, or its contemplated transfer, does not relieve Seller of maintenance responsibilities.
- (5) Government property, particularly material, will be segregated and kept physically separate from Seller's own property at all times. There may be occasions, however, when commingling of property may be advantageous to the Government. Commingling will be permitted only when authorized by the cognizant Government property administrator, and the property is clearly marked whether it is Government or Seller's property.

g. Modification/Rework

- (1) Modification/Rework of Government/Buyer property will not be accomplished without the prior written approval or direction of Buyer's Authorized Procurement Representative.
- (2) Upon completion of modification/rework of special tooling, special test equipment, facilities and agency-peculiar property, Seller will provide Buyer the following:
  - (a) Updates of Seller's applicable drawings, and

**IDS Terms and Conditions Guide**  
**Section E**

**Clause Number: E005H**  
**Effective: 1/18/2005**  
**Page: 8 of 14**

- (b) Updated property listing (refer to 3.c.(1)) to include the following information:
  - (i) New part number
  - (ii) Part number before modification/rework occurred
  - (iii) Cost of modification/rework
  - (iv) Any additional documentation pertinent to the modification

h. Replacement

- (1) Replacement of Government/Buyer property may be authorized by Buyer when an item becomes worn or damaged beyond repair. Replacement of Government/Buyer property will not be accomplished without prior written approval by Buyer's Authorized Procurement Representative.
- (2) Any such item, as described in the preceding paragraph, will be reported to Buyer's Authorized Procurement Representative and identified as a replacement. This report shall include the record data listed in Section 3.c.(1).
- (3) The item being replaced will be reported to Buyer's Authorized Procurement Representative on an inventory schedule/listing and disposed of in accordance with Section 3.p of this clause.

i. Maintenance

- (1) Maintenance shall be performed on Government/Buyer property in accordance with FAR Part 45.5 except as otherwise provided in this clause.
- (2) Seller shall be responsible for the proper care, maintenance and use of all Government/Buyer property in its possession or control from the time of receipt until relieved of responsibility.
- (3) Seller's maintenance program shall provide for –
  - (a) Disclosure of need for and the performance of preventative maintenance.
  - (b) Recording of maintenance accomplished under the program.

- (4) Seller shall keep records of maintenance actions performed and any deficiencies in the property discovered as a result of inspections. These records will be made available to Buyer upon request.
- (5) Seller agrees that between the date any usable items of property are no longer needed by Seller, within the meaning of this contract, and the date of final disposition of such items under this contract, it will take all reasonable steps necessary to maintain the identity and existing operating conditions of such items unless Buyer has directed that such items be disposed of as scrap or has given notice that Buyer and/or Buyer's prime customer has no further interest in, and waives its rights to, the property.

j. Utilization

- (1) Utilization of Government/Buyer property shall comply with the requirements set forth in FAR Part 45.5 except as otherwise provided in this clause.
- (2) Government/Buyer property shall be utilized only for those purposes authorized in this contract unless prior written authorization is obtained from Buyer's Authorized Procurement Representative.
- (3) An annual utilization review will be performed and reported by Seller in conjunction with the annual physical inventory requirement. This review will be performed to identify property that is no longer required by Seller.

k. Physical Inventory

- (1) Physical inventories will be performed on an annual basis, or as otherwise required by Seller's property-control system, and the results will be provided to Buyer.
- (2) Physical inventories for material accountable to this contract will be conducted annually in accordance with a schedule approved by Buyer.
- (3) Seller shall report the results of the inventory to Buyer, in a format acceptable to Buyer, within 60 days after completion of the inventory. Overages and shortages shall be clearly identified and described in the report.

**IDS Terms and Conditions Guide**  
**Section E**

**Clause Number: E005H**  
**Effective: 1/18/2005**  
**Page: 10 of 14**

- (4) Seller shall provide to Buyer a signed statement that physical inventory was completed on a given date and the property records were found to be in agreement with the physical inventory except for discrepancies reported.
- (5) Property that previously was reported lost and then located during a physical inventory will be re-established on the accountability records and reported.
- (6) Records of such inventory shall be retained by Seller until completion of this contract and made available to Buyer upon request.
- (7) Personnel who perform the physical inventories shall not be the same individuals who maintain the property records or have custody of the property unless the size of Seller's operation is too small to do otherwise.
- (8) Immediately upon completion or termination of this contract, Seller shall perform a physical inventory adequate for purposes of disposition of all Government/Buyer property in Seller's possession or control that is applicable to this contract. The inventory will be prepared on appropriate inventory schedule forms.

1. Shipments

- (1) All Government/Buyer property will be inspected promptly at the time of receipt. Any visible evidence of damage will be annotated on the carrier's weighbill, and the signature of the carrier's agent will be obtained before releasing the document to the carrier. Seller will make immediate notification to Buyer.
- (2) If required for performance under this contract, property may be shipped from Seller's facility to another location of Seller or to a sub-tier supplier. Unless specified otherwise elsewhere in this contract, any such shipment will be at Seller's expense. Applicable move/transfer documents will be established and maintained to fully control and provide for accurate traceability and return of such moved/transferred property. If property is shipped or transferred to Seller's sub-tier supplier, Seller shall maintain files sufficiently documented to reflect Seller's review and approval of the sub-tier supplier's property-control system. Property to be returned to Buyer shall, in addition to being documented on Seller's shipping documents, be authorized by Buyer.

**IDS Terms and Conditions Guide**  
**Section E**

**Clause Number: E005H**  
**Effective: 1/18/2005**  
**Page: 11 of 14**

- (3) Shipping documentation will include, at a minimum:
- (a) "Shipment from" address
  - (b) "Shipment to" address (include "Mark For" name)
  - (c) Contract under which property is currently accountable
  - (d) Authorization for shipment
  - (e) Part number, I.D. number, or serial number (if available)
  - (f) Nomenclature/description
  - (g) Acquisition/estimated value
  - (h) Date of shipment
  - (i) Name of Buyer's personnel authorizing shipment. (if applicable).
- (4) Relocation of U.S. Government-owned property accountable to this contract outside of the United States of America is not authorized unless approved in writing by Buyer's U.S. Government Grants Officer. Seller shall request permission from Buyer to relocate U.S. Government-owned property outside of the U.S.A. 45 days prior to shipment.

m. Receiving

- (1) Upon receipt of Government/Buyer property, Seller shall inspect the property to identify any overages, shortages, or damages. Seller shall provide Buyer a written report of any overages, shortages, or damages and their apparent causes.
- (2) Seller will incorporate the substance of this paragraph in all subcontracts that may involve Government/Buyer property and will provide to Buyer reports of overages, shortages, or damages received from lower tier subcontractors.
- (3) Seller will immediately establish records, as described in Section 3.d, if no discrepancies exist.

**IDS Terms and Conditions Guide**  
**Section E**

**Clause Number: E005H**  
**Effective: 1/18/2005**  
**Page: 12 of 14**

n. Loss, Damage, or Destruction

- (1) Seller shall report in writing to Buyer's Authorized Procurement Representative all cases of loss, damage, or destruction of Government/Buyer property in its possession or control or property located at Seller's sub-tier suppliers as soon as the fact becomes known.
- (2) Seller will be held liable, unless otherwise relieved of liability under this contract, when:
  - (a) Shortages of property are disclosed as a result of a physical inventory;
  - (b) Property is lost, damaged, or destroyed;
  - (c) There is evidence of unreasonable use; or
  - (d) Consumption of property is unreasonable.
- (3) Seller shall be liable for any loss, damage, or destruction of Government/Buyer property located at its suppliers.
- (4) The loss, damage, or destruction report shall include:
  - (a) Seller's name
  - (b) Location (address) of incident
  - (c) Date and time of incident
  - (d) Name and description of item lost, damaged, or destroyed (include part/tool number, nomenclature, property identification tag number)
  - (e) Accountable contract number or Buyer's contract number
  - (f) Acquisition cost and quantity
  - (g) Description of incident including cause (provide date of last inventory)
  - (h) Corrective action taken to prevent reoccurrence

**IDS Terms and Conditions Guide**  
**Section E**

**Clause Number: E005H**  
**Effective: 1/18/2005**  
**Page: 13 of 14**

- (i) Estimated cost of repair or replacement
- (j) Statement as to whether item needs to be replaced to complete contract requirements
- (k) Statement as to whether item is covered by insurance and, if so, are the costs charged to this contract
- (l) Security classification of the items, if any.

o. Screening of Government/Buyer Property

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

- (1) A firm requirement is evident under this contract;
- (2) A known follow-on contract requirement exists and retention of the property has been approved, or
- (3) As contractually required.

p. Disposition

When Government/Buyer property is no longer required in the performance of this contract, Seller shall prepare inventory schedules/listings in accordance with FAR Part 45.6 and submit the schedules/listings to Buyer's Authorized Procurement Representative. Seller shall dispose of excess/surplus property in accordance with FAR Part 45.6 or Buyer's Authorized Procurement Representative's instructions.

q. Subcontract Control

The same controls for Government/Buyer property that are required of Seller by this contract, in particular by this clause, shall be required of Seller's subcontractors under this contract. These controls will ensure that Seller's subcontractors utilize property only as authorized by this contract. Seller shall maintain and control accountability records relating to Buyer's property at Seller's lower-tier suppliers.

**IDS Terms and Conditions Guide  
Section E**

**Clause Number: E005H  
Effective: 1/18/2005  
Page: 14 of 14**

SELLER WILL CONSULT WITH BUYER'S AUTHORIZED PROCUREMENT REPRESENTATIVE ON ANY UNIQUE PROPERTY CIRCUMSTANCES OR REQUIREMENTS NOT COVERED BY THIS CLAUSE.