

Government Property Management Changes to the FAR — Closer Than You Might Think



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If you have ever wondered how the government keeps track of all its property, particularly government property housed in contractors' facilities, you are not alone. Although managing these resources might seem like a daunting task, thanks to a

highly skilled and dedicated group of government professionals, government property housed at contractor facilities is protected against damage and abuse, thereby ultimately benefiting every taxpaying American citizen.

The goal of any government property management or contracts program is to ensure that government property is acquired, used and/or maintained by contractors in accordance with contractual requirements. Similarly, the Defense Contract Management Agency's (DCMA) property administration process is designed to provide customers with assurance that government property in the custody of contractors is accounted for,

controlled, protected, preserved, maintained and used only as authorized in accordance with regulatory and contractual requirements. This

requires an organized and concerted effort to manage challenges, priorities and improvement actions and obtain the necessary level of performance to best support operations.

The importance of these programs is evident by their inclusion in the Department of Defense's financial improvement and audit readiness initiative and the high priority given to them by the office of the secretary of defense. In addition, a total rewrite of the Federal Acquisition Regulation (FAR) Part 45 [Government Property] and FAR Subparts 52-245 have recently cleared the civilian agency acquisition council and the defense acquisition regulation council and been sent to the office of federal procurement policy for review prior to publication.

The most significant changes to FAR Part 45 deal with contractors' adherence to rules and regulations controlling the management of government-owned property. Contractors are required to have property control systems in place to establish accountability for all government property in their possession and in the possession of their subcontractors. The rewrite is intended to provide government property administrators and contractors with a better understanding of how to manage these resources.

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The new rule will allow government and contractor personnel to streamline the property management process by shifting the management of property in contractors' possession from a prescriptive regulation-based system — that is, the government mandates which property management system contractors implement — to a process-oriented framework where contractors can continue to use their own systems. Thus, contractors will now be required to have self-assessment programs for government property under their control. These programs will ensure effective and efficient operations and empower property professionals to make decisions by applying guiding principles, risk management techniques and sound business judgment.

The policy changes will also:

- Integrate voluntary consensus standards and industry-leading best practices into the property management process;
- Establish a framework by which performance outcomes can provide the parameters needed to strive for the best value for the government;
- Incorporate principle-based standards that allow for lean approaches and greater flexibility, efficiency and customer satisfaction;
- Limit the amount of government property furnished to contractors;
- Leverage new technology;



(Above) From left: Ms. Kim Embrey, industrial property management specialist (IPMS); Mr. Eric Saindon, deputy director, DCMA Contract Property; and Mr. John Kesler, IPMS, in Mr. Saindon's office at DCMA Headquarters in Alexandria, Va. (DCMA staff photo)

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- Encourage the use of agreed-upon property management plans and value streams and minimize administrative costs by eliminating non-value-added expenditures.

The new rule also seeks to simplify terminology by eliminating conflicting terms used by both property management and financial accounting with different definitions to help ease administrative burdens and thereby ensure compliance.

Although the new rule's application is resource neutral — it was not designed to account for staffing needs — it will require government PAs to acquire additional technical knowledge to understand and evaluate the implementation of voluntary consensus standards as well as commercial-based property management qualitative processes used by contractors such as Six Sigma and International Organization for Standardization (ISO) and lean processes. This will entail continuous training for DCMA's 225 PAs to stay abreast of systems updates. The Agency offered its property management workforce courses on ISO 9000 and Six Sigma in fiscal year 2005 and is planning to offer additional training in fiscal year 2008. Training is crucial since, currently, a DCMA PA can be assigned 20-30 contractors, involving hundreds of contracts, which means simultaneously dealing with multiple systems.

Despite the many changes, it is important to emphasize that under the new rule, government PAs will continue performing a majority of their current activities. For instance, they will still review and periodically audit property accountability and management systems; process “relief of responsibility”

requests from contractors for loss, damage and destruction of government property; and grant “relief of responsibility” for losses and make recommendations for holding contractors liable.

From the Agency's perspective, the new rule prioritizes customer outcomes and allows DCMA to build critical, product-specific technical skills. It also allows field offices to provide focused support and better evaluate further alignments, which will yield noticeable cost savings over time. Additionally, the new rule is consistent with the mission-oriented goals of the acquisition community since it incorporates life-cycle process and performance-based management by providing a meaningful regulatory framework with the straightforward requirements for property management based on commercial practices. The regulations will eliminate obsolete requirements, update and clarify government policy and shift the focus from process to result, striving to improve quality, price and performance. PAs and contractor property managers should feel comfortable with the majority of the contractual requirements since these requirements have been in place for decades and are now seen as a contractual requirement. This change reflects the importance of their applicability and validity — they have now been validated through use by both government and industry.

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