



DCMA Manual 2501-12

Contract Property Loss

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| Office of Primary Responsibility | Contract Maintenance Capability |
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| New Issuance | |
| Implements: | DCMA-INST 2501, "Contract Maintenance," August 15, 2017 |
| Incorporates | DCMA-INST 124, "Contract Property Management," February 1, 2013, as amended |
| Internal Control: | Process flow and key controls are located on the Resource Page |
| Labor Codes: | Located on the Resource Page |
| Resource Page Link: | https://360.intranet.dcma.mil/Sites/Policy/CM/SitePages/2501-12r.aspx |
| Approved by: | David H. Lewis, VADM, USN, Director |

Purpose: This issuance, in accordance with the authority in DoD Directive 5105.64 and DoD Instruction 5000.64:

- Implements policy established in DCMA-INST 2501, "Contract Maintenance"
- Assigns roles and responsibilities, and provides procedures for the administration and oversight of loss of Government contract property

SUMMARY OF CHANGES

The following identifies the most notable changes to this Manual:

- Added paragraph 2.3.b. to ensure that contractors provide the required information prescribed at Federal Acquisition Regulation (FAR) 52.245-1(f) (1)(vii)(B)(1) through (12) in the Property Loss Function within the Government Furnished Property Module of the Procurement Integrated Enterprise Environment for reporting loss of Government property
- Updated paragraph 3.2. to ensure contractor reporting of property loss is consistent with DFARS 252.245-7002, “Reporting Loss of Government Property,” and Class Deviation 2020-O0004

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SECTION 1: GENERAL ISSUANCE INFORMATION

1.1. APPLICABILITY. This issuance applies to all DCMA activities unless higher-level regulations, policy, guidance, or agreements take precedence. This issuance applies to DCMA organizational elements. DCMA Special Programs (DCMAS) will comply with this requirement to the extent commensurate with the security requirements of the administered classified contracts.

1.2. POLICY. It is DCMA policy to ensure incidents of property loss are appropriately, reported, evaluated, determinations of contractor responsibility and liability are made, contractor corrective actions are implemented to prevent recurrence, and that loss cases are tracked and documented throughout the process of determining a contractor's responsibility and liability. It is DCMA policy to execute this manual in a safe, efficient, effective, and ethical manner.

SECTION 2: RESPONSIBILITIES

2.1. GOVERNMENT CONTRACT PROPERTY GROUP REGIONAL DIRECTORS, CONTRACT MANAGEMENT OFFICE CONTRACTS DIRECTORS, AND DIRECTOR, DCMA SPECIAL PROGRAMS PROPERTY CENTER (DCMAS). The Government Contract Property Group Regional Directors, Contract Management Office Contracts Directors, and DCMAS Property Center Director must:

- a. Manage resources to meet mission requirements.
- b. Ensure that the tools and abilities necessary to adjudicate property loss cases are available.

2.2. GOVERNMENT CONTRACT PROPERTY GROUP FIRST LEVEL SUPERVISOR (FLS). The FLS must:

- a. Implement internal controls to ensure property loss investigations are performed in accordance with this manual and within the designated timeframes.
- b. Ensure workload acceptance issues are addressed, and all cases are assigned to the appropriate Property Administrator (PA).

2.3. PROPERTY ADMINISTRATOR (PA). The PA must:

- a. Evaluate contractor responsibility and liability for property loss.
- b. Ensure that contractors provide the required information prescribed at Federal Acquisition Regulation (FAR) 52.245-1(f) (1)(vii)(B)(1) through (12) in either the Property Loss Function within the Government Furnished Property (GFP) Module of the Procurement Integrated Enterprise Environment (PIEE) for reporting loss of Government property, or the Property Loss eTool, depending on which is required by the contract.
- c. Not excuse contractors from reporting property losses regardless of the property item value.
- d. Ensure that contractors report all incidents of property loss, to include those that maybe considered workmanship errors which caused damage to Government property (i.e., damage to aircraft that is the result of a task, operation, or action which was originally planned or intended, but the end result was not within allowable limits.
- e. Thoroughly document liability determinations and recommendations to hold liable.
- f. Ensure the causes of property loss are identified and effective corrective action is taken to prevent recurrence.
- g. Maintain data integrity.

- h. Request technical assistance from other functional specialists, when needed.
- i. Accept and request support delegations, as necessary and appropriate.

2.4. ADMINISTRATIVE CONTRACTING OFFICER (ACO). The ACO responsibility is to issue demand letters to contractors to seek repayment of debt associated with property loss. The ACO must evaluate PA and Government Flight Representative (GFR) recommendations to hold contractors responsible and liable for property loss. If the ACO concurs with the recommendation of the PA or GFR, the ACO must issue a demand letter in accordance with DCMA-MAN 2501-10, "Contract Debts."

2.5. GOVERNMENT FLIGHT REPRESENTATIVE (GFR). Whenever damage to Government aircraft is reported, particularly when the cost of repair exceeds the GFRC's deductible, the GFR must discuss the damage incident with the ACO and assist them in making a proper liability/deductible determination. The GFR must evaluate contractor responsibility and liability for property loss under Ground and Flight Risk Clause (GFRC), DFARS 252.228-7001. The GFR works in partnership with the PA to investigate property loss of aircraft under the GFRC and provides recommendations to the ACO regarding the applicability of the GFRC's deductible for each relevant incident.

SECTION 3: PROPERTY LOSS

3.1. PROPERTY LOSS OVERVIEW. Property loss case adjudication is a transactional requirement to administer a contract. The Government generally assumes the risk of loss under the Government Property clause Federal Acquisition Regulation (FAR) 52.245-1, unless a condition set out at FAR 45.104 applies. The Government Property clause requires the contractor to have a process to enable the prompt recognition, investigation, disclosure, and reporting of loss of Government property, including losses that occur at subcontractor or alternate site locations. All loss cases must be adjudicated before closing a contract for property administration. The relationship between the GFRC and Government property clause deals strictly with liability determinations when applicable. When liability is determined in accordance with DFARS 252.228-7001, GFRC; the Property Loss Function in the GFP module of PIEE or PLeT merely become the means of tracking the resolution of the liability determination. Where DCMAS is required to deviate from this manual, the intent of DCMA policy must be followed. Any exceptions or deviations from Agency policy will be documented in a Supplemental Instruction (SI) maintained by the DCMAS Directorate.

3.2. ENSURE CONTRACTOR REPORTING OF PROPERTY LOSS. Consistent with DFARS 252.245-7002, “Reporting Loss of Government Property,” and 252.245-7002, Reporting Loss of Government Property (DEVIATION 2020-O0004) PAs will ensure contractors provide the information required by FAR 52.245-1(f) (1)(vii)(B)(1) through (12) in the Property Loss eTool (PLeT) or the Property Loss Function in the GFP Module of PIEE, as applicable to the contract to which the property loss was accountable. Contractors are required to report losses of any kind, including damages caused by workmanship errors under contracts containing DFARS 252.228-7001, “Ground-and-Flight Risk.” Current PIEE users can access the GFP Module by logging into their account. New users may register for access and obtain training on the PIEE home page.

3.3. EVALUATE CONTRACTOR RESPONSIBILITY AND LIABILITY FOR PROPERTY LOSS.

a. The PA must evaluate property loss reports from the contractor upon receipt, and within 10 calendar days, reject cases that do not:

(1) Involve property that meets the FAR 52.245-1(a) definition of “Government property” and Reporting Loss of Government Property (Deviation 2020-O0004, Feb 2020) definition and reporting criteria for loss of Government property.

(2) Contain required information identified at FAR 52.245-1(f) (1)(vii)(B)(1) through (12), and source documents to support data.

b. When rejecting a property loss case, the PA will ensure notification to the contractor (GFP Module automated notification, e-mail, etc.), clearly describe which information is insufficient, and provide the contractor with a suspense for resubmittal. Contractor compliance with the resubmission suspense must be tracked by the PA.

c. Within 90 days of receipt of an acceptable property loss report via either the PLeT or the Property Loss Function in the GFP module of PIEE from the contractor, the PA must:

(1) Review the contract terms and conditions to determine whether the contract specifies that the risk of loss is assumed by the Government or the contractor. If one or more subcontractors contributed to or caused the loss, assess the extent of subcontractor responsibility and liability if loss occurred at subcontractor or alternate site locations.

(2) Evaluate facts concerning any payment the contractor may receive, or be entitled to receive, for the loss from a third party, including whether the loss is covered by insurance or the contractor was (or expects to be) otherwise reimbursed.

(3) Determine if property loss was caused by deficiencies in the contractor's property management system. If so, the PA should follow the steps outlined in DCMA-MAN 2301-01, "Contractor Business Systems."

3.4. FORWARD TO GFR. If DFARS 252.228-7001, "Ground and Flight Risk," is in the contract, and the PA determines a loss occurred to an aircraft "in the open" (as defined in DFARS 252.228-7001), the PA must ensure the case is forwarded to the GFR (or alternates) for adjudication.

3.5. MAKE A LIABILITY DETERMINATION OR RECOMMENDATION. If the PA concludes, after evaluation of the contract and facts, that the risk of loss is imposed upon the Government, the PA must relieve the contractor of responsibility and liability in writing, consistent with Certificate of Appointment authority, and provide the ACO a copy of that determination. By contrast, if the PA determines the potential property loss was a risk assumed by the contractor, the PA must recommend that the ACO select one of the following alternatives:

a. Hold the contractor fully or partially responsible and liable for the item's unit acquisition cost (in full or in part).

b. Authorize contractor to repair or replace the property.

c. Determine a form of consideration appropriate to the circumstances.

3.6. ACO DECISION ON WHETHER TO HOLD CONTRACTOR RESPONSIBLE AND LIABLE. The ACO should, in consultation with assigned DCMA legal counsel, determine the party upon whom the contract imposes the risk of loss within 90 days of receipt of the PA's liability recommendation.

a. The Contracting Officer should consider holding the contractor responsible and liable when one or more of the following conditions exist:

(1) Property loss is a result of willful misconduct or lack-of-good faith on the part of contractor managerial personnel in accordance with FAR 52.245-1(h)(1)(ii).

(2) The Government's assumption of risk for property loss was previously withdrawn in accordance with FAR 45.104(b).

(3) The loss is covered by insurance or the contractor is/will be otherwise reimbursed, or

(4) The possibility of property loss was a risk assumed by the contractor; i.e., such action is authorized by contract terms and conditions (see FAR 45.104 and DFARS 245.104).

b. If the ACO determines the contractor liable, the ACO will issue a determination letter in accordance with DCMA-MAN 2501-10. If the ACO does not concur with the PA or GFR recommendation, the case will be returned to the PA for further action.

3.7. MAINTAIN FILES AND REPORTING. While PAs have primary responsibility for data integrity and reporting, ACOs and GFRs must provide monthly status updates to the PA either within the PLeT or via email when they have the next action on a property loss case. The PA must:

a. Maintain data integrity within either the PLeT or the Property Loss Function in the GFP module of PIEE to reflect results of evaluations, analyses, investigations, etc., and regularly uploading support documentation. When a case has been forwarded to the GFR for adjudication, or a recommendation is made to the ACO to hold the contractor liable, status updates will be made by the PA within the PLeT at least monthly.

b. When Government property contains, or potentially contains, classified or sensitive data, report all incidents of property loss to DCMA-DCS (Security Division) and Defense Security Service. See Resource Page for point of contact information.

c. When Government property contains arms, ammunition, or explosives, report all incidents of property loss to DCMA-DCS (Security Division), the Defense Counterintelligence and Security Agency (DCSA), and appropriate law enforcement organizations.

d. Take other required actions as may be necessary and appropriate by contract terms and conditions and other DCMA policy.

GLOSSARY

G.1. DEFINITIONS.

Administrative Contracting Officer (ACO). An ACO performs those contract administration functions delegated by a Procuring Contracting Officer (PCO) to the ACO. See FAR 2.101, Definitions, and FAR 42.302(a) for a list of functions a PCO may delegate to an ACO. Typically within DCMA, all duties listed in FAR Part 42 are assigned to the ACO with the exception of FAR 42.302(a)(24), which deals with contract termination.

GFP Module. The GFP Module is a new Procurement Integrated Enterprise Environment application that will consolidate all GFP tools and capabilities into a single location. The GFP Module will streamline processing by reusing data and [improving] GFP visibility.”

Government Contract Property. All property owned or leased by the Government accountable to a contract. Government property includes both Government-furnished and Contractor-acquired property. Government property includes material, equipment, special tooling, special test equipment, and real property. Government property does not include intellectual property and software.

Government Flight Representative (GFR). Administers the requirements of the GFRC as described in the applicable combined instruction, “Contractor’s Flight and Ground Operations” (DCMA-INST 8210.1). In cases where a Government Ground Flight Representative (GGFR) is assigned in lieu of a GFR, the GGFR has the same role and responsibilities as the GFR.

Ground and Flight Risk Clause (GFRC). As described in DFARS 228.370(b)(1) and implemented at 252.228-7001, this clause is in solicitations and contracts for the acquisition, development, production, modification, maintenance, repair, flight, or overhaul of aircraft, and provides clarification of liability for aircraft losses.

Procurement Integrated Enterprise Environment (PIEE). The Procurement Integrated Enterprise Environment (PIEE) is the DoD and Federal one-stop-shop for procurement capabilities. The PIEE is home to Wide Area Workflow and Electronic Data Access (EDA), MyInvoice, and capabilities including: Single sign on/role-based access based on job series.

Property Administrator (PA). An authorized representative of the Contracting Officer appointed in accordance with agency procedures, responsible for administering the contract requirements and obligations relating to Government property in the possession of a Contractor.

Property Loss. Unintended, unforeseen or accidental loss, damage or destruction to Government property that reduces the Government’s expected economic benefits of the property. Loss of Government property does not include purposeful destructive testing, obsolescence, normal wear and tear or manufacturing defects. Loss of Government property includes, but is not limited to:

- (1) Items that cannot be found after a reasonable search;
- (2) Theft;
- (3) Damage resulting in unexpected harm to property requiring repair to restore the item to usable condition; or
- (4) Destruction resulting from incidents that render the item useless for its intended purpose or beyond economical repair.

Sensitive property. 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. Examples include weapons, ammunition, explosives, controlled substances, radioactive materials, hazardous materials or wastes, or precious metals.

Workmanship. Workmanship errors consist of damage to the aircraft that is the result of a task, operation, or action which was originally planned or intended, but the end result was not within allowable limits. When suspected workmanship damage occurs to aircraft and the GFRC (DFARS 252.228-7001) is contained in the contract; it is essential to consult with your respective GFR, and legal counsel office when making workmanship determinations.

GLOSSARY

G.2. ACRONYMS.

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| ACO | Administrative Contracting Officer |
| DCMA-DCS | DCMA Security Division |
| DCMA-INST | DCMA Instruction |
| DCMA-MAN | DCMA Manual |
| DCMAS | DCMA Special Programs |
| DFARS | Defense Federal Acquisition Regulation Supplement |
| FAR | Federal Acquisition Regulation |
| FLS | First Level Supervisor |
| GFP | Government-furnished Property |
| GFR | Government Flight Representative |
| GGFR | Government Ground Flight Representative |
| GFRC | Ground and Flight Risk Clause |
| PA | Property Administrator |
| PCO | Procuring Contracting Officer |
| PIEE | Procurement Integrated Enterprise Environment |
| PLeT | Property Loss eTool |

REFERENCES

- DCMA Instruction 8210.1C Change 1, "Contractor's Flight and Ground Operations,"
April 5, 2017
- DCMA Manual 2301-01, "Contractor Business Systems," April 28, 2019
- DCMA Manual 2501-10, "Contract Debts," April 13, 2018
- Defense Federal Acquisition Regulation Supplement 252.228-7001, "Ground and Flight Risk"
(clause)
- Defense Federal Acquisition Regulation Supplement Part 245, "Government Property,"
April 30, 2019
- Defense Federal Acquisition Regulation Supplement 252.245-7002, "Reporting Loss of
Government Property" (clause)
- DoD Directive 5105.64, "Defense Contract Management Agency (DCMA)," January 10, 2013
- DoD Instruction 5000.64, "Accountability and Management of DoD Equipment and Other
Accountable Property," April 27, 2017, as amended
- Federal Acquisition Regulation Part 45, "Government Property," January 1, 2019
- Federal Acquisition Regulation 52.245-1, Government Property (clause)
- Office of the Under Secretary Defense Memorandum, Class Deviation 2020-O0004, "Reporting
Loss of Government Property," February 7, 2020