



DEPARTMENT OF THE NAVY
COMMANDER, MILITARY SEALIFT COMMAND
914 CHARLES MORRIS CT SE
WASHINGTON NAVY YARD DC 20398-0001

IN REPLY REFER TO

COMSCINST 4340.3C
N4
FEB 16 2010

COMSC INSTRUCTION 4340.3C

Subj: MILITARY SEALIFT COMMAND CONTRACT PROPERTY ADMINISTRATION

Ref: (a) Federal Acquisition Regulation Part 45
(b) Integrated Logistics Support Guidebook for Property Administration
(c) COMSCINST 4700.18 Contract Technical Requirements Surveillance Process

1. Purpose. This instruction provides policy and procedures for the Military Sealift Command (MSC) acquisition workforce and logistics support personnel to maintain cost effective, reasonable, and responsible oversight of Government property in the possession of contract-operated and chartered ships, to include tugboat and watercraft contract operators and service contracts under the control of MSC. It implements the requirements of references (a) through (c) for MSC ships and unique needs of the maritime sealift community. However, to the extent that this instruction conflicts with the terms of any contract, the contract terms shall be followed.

2. Cancellation. COMSCINST 4340.3B

3. Scope. This instruction applies to all MSC commands and activities involved in the development, solicitation, award, and administration (including support functions) of Government property contractual requirements. It also provides detailed guidance for contract and chartered ship operators in the preparation and maintenance of acceptable property control systems. It shall be incorporated into all MSC contracts when Government property is provided to contractors.

4. Action.

a. Action addressees shall adhere to the appropriate terms of this instruction.

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b. In the event of a conflict between requirements in this instruction and the terms of a contract, the contract terms will be followed.

c. Any recommendations for changes to this instruction may be forwarded to the Logistics Directorate, Property Administration Team Leader (N421).

5. Report. The reporting requirement prescribed by this instruction is assigned Report Control Symbol DD-A&T(A)1087 and is effective for three years from the date of this instruction.


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Distribution:
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CHAPTER 1

GOVERNMENT PROPERTY

1.1 INTRODUCTION

Government property includes all property owned or acquired by the Government and property acquired by an operator of a ship, tug, or watercraft for the Government as a contractual requirement, where ownership of the property transfers to the Government. Further definitions can be found in Appendix A.

1.2 CLASSIFICATION CATEGORIES

For purposes of shipboard use and identification, Government property is subdivided into the following classification categories as prescribed herein:

Category	Description
A	General Use Consumable Listing (GUCL) items for initial outfitting only
B	Durable Movable Property (DMP) that is not identified in other categories (miscellaneous)
C	Sensitive property, such as alidades, ammunition, weapons, azimuth circles, barographs, barometers, binoculars, cameras, chronometers, night vision devices, RADIAC Meters, Force Protection radios, sextants, maxi-beam spot lights, and thermal imager kits
D	Furnishings
E	Technical manuals
F	Drawings
G	Force Protection Equipment (FPE), with the exception of ammunition, radios, cameras, night vision devices, and maxi-beam spot lights
H	Damage Control (DC) locker Allowance Equipage List (AEL) items, with the exception of the thermal imager kit
I	Installed property
J	Repair parts and Depot Level Repairables (DLR)
K	Vehicle Lashing Assemblies (VLA) and cargo securing equipment
L	Oil spill kit
M	Maritime property includes maritime equipment, with the exception of alidades, stadimeters, marine sextants, barograph, and azimuth circles)

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P	Presentation silver, pictures, memorabilia, and ship seal
Q	Chemical, Biological, Radiological Defense (CBR-D) items, with the exception of RADIAC meters
S	Medical equipment and supplies
T	Tools, special tools, and test equipment
X	Safety, survival, and specialty items
Z	Shipboard Local Area Network (LAN) equipment

1.3 OBJECTIVES OF CONTRACT PROPERTY ADMINISTRATION

The objectives of contract property administration are:

(1) To establish and maintain efficient, economic, and uniform management practices and feedback systems for all contracts where Government property is provided to a contractor.

(2) To provide a basis for contractor preparation and maintenance of Government property accounting records.

(3) To encourage consistency and establish a baseline for measurable performance in the administration of each contract that specifies the contractor's obligations to acquire, control, use, report, and dispose of Government property.

(4) To inform the Contracting Officer (CO) and other program officials of the known level of efficiency, cost effectiveness, and responsiveness to correction of weaknesses of the contractor's Property Control System (PCS).

1.4 MSC HEADQUARTERS STAFF

a. Director, Contracts and Business Management will appoint in writing the Logistics Directorate, Property Administration Team Leader (N421), as the Property Administrator for MSC, based upon confirmed Defense Acquisition Workforce Improvement Act (DAWIA) qualifications and experience.

b. CO and Administrative CO will:

(1) In accordance with reference (a), ensure that the appropriate Government-Furnished Property (GFP) requirements are included in all contracts, including simplified acquisitions, when Government property is provided to contractors. Such contracts include ship operation and maintenance contracts and ship repair contracts.

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(2) Coordinate contract modifications that include Government property with the Program Manager (PM), to include the Property Administrator (PA).

(3) Utilize the PA as the sole point of contact for all Government property regulatory requirements.

(4) Provide the PA a listing of contracts in which Government property is provided. The listing shall contain the contract number, effective date, expiration date, name of contractor, CO and Administrative CO (when assigned), and the command responsible for administrative support. The listing shall be provided annually, no later than 30 December.

(5) Ensure that contracts with GFP require the annual submission of a Department of Defense (DoD) Property in the Custody of Contractors Report (DD Form 1662). This report is contractually required until full implementation of the Item Unique Identification (IUID) program at MSC.

(6) Coordinate with the Program Manager, Logistics (PML) for funds to repair or replace GFP.

c. PA will:

(1) Review new MSC solicitations as coordinated with the PML for applicable Government property regulations and unique control requirements.

(2) For new construction deliveries, liaise with the PML, the Government acquisition office, supplier, and end state user to develop outfitting/fitting-out procedures (see reference (b)). This will ensure that Government property is properly managed, maintained, and accounted for prior to and upon delivery to MSC and the contract operator.

(3) Review and validate the accuracy and level of risk in the contractor's PCS. Develop systems analysis plans and schedules, coordinate with the PML, and perform analysis to ensure compliance with the Government property clauses of the contract. Notify the contractor in writing via the CO when the PCS does not comply with the FAR or other contract requirements, as well as, request prompt corrective action.

(4) Ensure that the contractor's PCS is sufficient to serve as the Government's official record of Government property in the contractor's possession or control and that the

contractor's maintenance of the PCS (including records) remains at an acceptable level of risk.

(5) Encourage contractor utilization of self-oversight/auditing programs and sharing of those results with the Government to the maximum extent possible.

(6) Ensure that the contractor periodically performs a physical inventory of all Government property in its possession or control (to include subcontractors).

(7) Recommend to the CO, via the respective PML's, relief of responsibility for loss, damage, destruction, or theft (LDDT) of Government property on the basis of contract terms. Refer to Appendix B for amplifying guidance.

(8) Provide the CO with recommendations concerning contractor liability for LDDT of property on the basis of contract terms and conditions. Turn around time standards for the PA to reply to the CO shall be three working days.

(9) Advise the contractor of the proper method of reporting missing, lost, damaged, or stolen Government property.

(10) Require the contractor to review and provide justification for retaining excess Government property not currently in use in accordance with the contract.

(11) Establish disposition turn-around time standards (i.e., 30 days from date of receipt) for scrap, salvage, excess, and unserviceable property and material to ensure contractors are notified in a timely manner and that appropriate official shipboard Government records can be adjusted properly.

(12) Ensure the annual property report (DD Form 1662) is properly submitted by the contractor and certified by the appropriate management official in accordance with contract terms.

(13) Support the closeout of contracts by ensuring a contractor conducts a physical inventory as required by the contract. The PA will determine the extent of inventory validation to be performed based upon a contractor's inventory controls. The reconciled results from such inventories shall be provided to the PA, who shall provide the results to the CO via the PML.

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(14) Brief and provide supporting documentation to the CO on the results of the contract property closeout actions.

(15) Obtain and review the DD Form 1662 and other contractually required reports of property for all assigned contracts.

(16) Ensure that an annual inventory is conducted for all Government property by 30 September. The report of such inventory shall include the nomenclature, serial number(s), and quantity on hand. It shall be submitted to the PA no later than 31 October.

(17) Encourage contractor standardization of disposition documents using Appendix C, and provide support to ensure 30-day turnaround time standards (from submission by contractor to completion by Government) are met.

d. PML will:

(1) Provide the PA with recommendations concerning contractor liability for LDDT of property on the basis of contract terms and conditions. In the event of unauthorized acquisitions by the contractor, notify the CO and recommend the appropriate resolution.

(2) Ensure the contractor submits allowance change requests (ACR) for each item with an insufficient or excessive quantity in order to maintain proper configuration.

(3) Validate invoices for material received by the contractor from local procurement actions ensuring material is correctly charged to the contract.

(4) Coordinate with the CO to ensure subcontracted ship repair personnel are aware of and understand applicable terms dealing with Government property in accordance with the FAR.

(5) Audit invoices for material received by the contractor from the Federal supply system to ensure material is correctly charged to the contractor.

(6) Properly account for an increase or decrease of Government property due to engineering changes or when an increase of Government property is required due to operational requirements.

e. Sealift Logistics Commands (SEALOG) shall ensure that oversight responsibilities and the administration of Government property in possession of contractors are clearly defined. SEALOG points of contact for Government property shall be reported to the PA within 30 days of their assignment and maintained current.

f. Contractor will:

(1) Establish and maintain a PCS in accordance with the requirements of the contract to control, protect, preserve, and maintain Government property.

(2) Incorporate cost efficient and effective measures within the property system to standardize operations.

(3) Establish and implement acceptable corrective action plans to ensure that weaknesses in accountability of Government property are eliminated and properly monitored.

(4) Submit the DD Form 1662 annually.

(5) Provide access to PCS records and Government property as required.

(6) Submit an ACR for each item with an insufficient or excessive quantity in order to maintain proper configuration.

CHAPTER 2

PRACTICES AND FREQUENCIES FOR AUDITING CONTRACTOR PROPERTY CONTROL AND MANAGEMENT SYSTEMS

2.1 PROPERTY CONTROL SYSTEM (PCS)

a. A PCS is the internal management program for protecting, preserving, accounting for, and controlling property from acquisition through disposition, including both application and compliance.

b. PCS written procedures, produced by the contractor, are required to describe the details for protection, preservation, accountability, and control of all Government property in its possession. The contractor's compliance with those written procedures is crucial to the successful operation of the PCS. These procedures which describe who, what, where, when, and how the property system functions will be performed.

c. PCS contains major subsets or elements, known as property system functions. These functions include property management, acquisition, receiving, identification, records, movement, storage, physical inventories, reports, consumption, utilization, maintenance, sub-contractor, alternate location control, and disposition.

d. There are four methods or techniques that can be used to evaluate a property system. Each method applies to a particular functional segment, where specified.

(1) "Property procedure" refers to reviewing the applicable paragraphs (if any) and following the process step-by-step to ensure the process is clear and understood. This process also includes individual samples and data extracts to determine a grade of satisfactory or unsatisfactory.

(2) "Interview with ship's crew" refers to taking the responsibilities as identified in the procedure and asking questions of the appropriate crewmember to determine their familiarization with specific requirements.

(3) "Statistical sampling" refers to the gathering of data, determining a population, and extracting a sample of

documentation to determine compliance to procedure requirements. It also determines if the procedures provide effective guidance for specific criteria.

(4) "Walk the ship" refers to the use of observation techniques to determine other areas of storage throughout the ship and to determine if the control system provides effective controls to prevent loss, damage, destruction or theft of GFP.

2.2 PLANNING AND SCHEDULING OF PROPERTY SYSTEM AUDITS

a. In accordance with reference (c), the PA will consider the inport maintenance scheduling requirements of the PM and Onboard Condition Inspection (OCI) team to prepare the basic ship review and property system audit schedule. When not part of the OCI team, the PA will provide the contractor, via the CO, an outline of proposed actions and objectives at least 30 days (where possible) prior to the proposed audit period. The OCI Team Leader will issue written notification to the contractor for OCI scheduled audits.

b. Each PA team member will be informed of actual travel and audit dates when the program office confirms ship availability or an OCI is scheduled.

2.3 FREQUENCY AND TYPES OF ANALYSIS/AUDIT

a. Generally, the frequency of performance should be based upon risk. The inconsistent nature of past history auditing documentation, combined with fluctuation of inport maintenance schedules, and short notice changes makes it difficult to define the actual risk level associated with each shipboard property system. Therefore, it is more realistic to establish proposed auditing frequencies as a goal:

Ship Type	LMSR - PM5	LMSR - PM3	MPS - PM3	T-5 - PM5	T-AGS - PM2	T-AGOS- PM2
Frequency	Annual, then every 18-24 months	Annual then every 18-24 months	Annual, then every 18-24 months			
Analysis Type	Full	Full	Full	Full	Full	Full

Ship Type	Tugboat PM2	Watercraft PM2	Port Services PM2
Frequency	Annual, then every 24-36 months	Annual, then every 24-36 months	Annual, then every 24-36 months
Analysis Type	Full	Full	Full

2.4 RESOURCE ALLOCATIONS

a. When performing a full audit, the normal expected course of onboard time to perform this process is 24 hours. When the PA participates on the OCI team, an audit is only 16 hours. The PA will adjust audit plans to accommodate the shorter period allocated during an OCI. This will vary with ship size and the amount of property onboard. Time allotted includes preparation, performance, and conclusion time. The following chart provides an estimated breakdown of time allocation:

PA PARTICIPATING ON THE OCI TEAM

Function	Planning	Performance	Conclusions
Time Required	16 Hours	22 Hours	2 Hours

PA NOT PARTICIPATING ON THE OCI TEAM

Function	Planning	Performance	Conclusions
Time Required	16 Hours	14 Hours	2 Hours

(1) The planning event includes studying contract terms, reading the property procedures, and making notes of trouble areas subject to review.

(2) The performance event includes the entrance briefing, gathering populations, extracting samples, evaluating individual samples, and walking the ship.

(3) The conclusions event includes evaluating the findings of each functional segment, preparing a draft report, and having an exit briefing with the contractor.

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(4) The minimum time to conduct an audit when not part of the OCI team is 40 hours. This will include 16 hours of planning, 22 hours of performance, and 2 hours of conclusions time.

(5) The minimum time to conduct an audit when part of the OCI team is 32 hours. This will include 16 hours of planning, 14 hours of performance, and 2 hours of conclusions time.

b. Limited Audit:

(1) Contractors who possess Government property with an estimated value of \$300,000.00 or less will be subjected to a limited systems analysis/audit.

(2) CBR-D is considered to be high visibility; therefore, it requires careful scrutiny when it's accounted for and evaluated during the course of its custody under the contractor's control. As such, CBR-D and FPE are considered sensitive property. There should be a review of the latest DD Form 1662 submission to determine any potential problem areas.

TABLE A - LIMITED AUDIT DECISION TABLE

Reported Quantities	100 line items or less of sensitive property, and more than 100 line items of non-sensitive property.	101 line items or more of sensitive property, and any quantity of non-sensitive property.
Action to Take	Perform an onboard review if there has not been an outside agency review in the last two years.	Perform an onboard review.

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TABLE B - LIMITED AUDIT ACTION TABLE

Action Required	Technique	Document Actions Taken
Review of the last physical inventory results.	Interview ship's crew.	Prepare a summary based on interview with ship's crew.
Review the process for physical inventory performance and the process for other controls to ensure accountability.	Interview ship's crew.	Prepare a summary based on interview with ship's crew.
Walk the ship for information gathering purposes.	Observation and notation.	Prepare a summary of what was observed during the walk around.
If there is no performance of an onboard ship review then review property records (inventories, receipts, DD Form 1662) submitted to MSC.	Documentation review.	Document the title and date of the agency report describing the outside review. Document the contract number, ship name, and the date of PA's determination.

(3) A limited analysis should not exceed 32 hours and should include planning, performance, and conclusions. This will include 16 hours in planning, 14 hours in performance on the ship, and 2 hours conclusion time.

2.5 AUDIT DOCUMENTATION

All reviews and audits will be documented as prescribed by standard property administration and Integrated Logistics Support (ILS) guidelines.

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CHAPTER 3**NEW CONSTRUCTION AND REDELIVERY ACCOUNTABILITY RESPONSIBILITIES
FOR GOVERNMENT-FURNISHED PROPERTY****3.1 NEW CONSTRUCTION AND REDELIVERY PROPERTY RECORDS**

a. The Government representative from MSC will work with the Supervisor of Shipbuilding (SUPSHIP) and shipyard contractors to ensure full accountability and physical inventory of all items onboard the ship prior to the scheduled delivery date. Accountability documents for all property delivered to the ship will be given to the contractor, to include the baseline/commencement records for Government property.

b. For each property classification onboard the vessel, MSC and the inventory team will physically verify each item (except where sampling is specified) and establish a baseline/commencement inventory of all Government property reflecting at a minimum the National Stock Number (NSN)/part number, manufacturer, nomenclature, AEL/Allowance Parts List (APL) quantity, on hand balance, unit of issue, unit price, extended value, location, serial number, acceptance condition code, lot number, expiration date, cognizance symbol, calibration data, disposition, posting reference\date of transaction, disposition, date placed in service, and contract number.

3.2 INITIAL INVENTORY REQUIREMENTS

a. Shipyards present data in different formats; therefore, a standard inventory practice herein is not practical. However, the basic intent of inventory techniques and practices will help to build a standard for future deliveries. For each Government property classification, the following inventory practices will be utilized to verify all item information:

(1) The MSC property representative will ensure that the MSC inventory team physically verifies count and condition of all Government property based on the respective classification.

(2) Pictures will be taken for all line items in classification categories C, G, M, P, T (special tools and test equipment only), and X. In addition, all storerooms will have pictures taken to denote contents and condition upon delivery/redelivery.

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b. Each DC locker will be inventoried individually and listed individually except thermal imager kits in the baseline/commencement inventory database.

c. Geographical disbursement of storage space on the ships often requires multiple locations for storage of CBR-D. When this is the case, inventories, other than RADIAC meters will be maintained on its own separate CBR-D/FP inventory database. All worksheets must be maintained with its appropriate data, i.e., case lot numbers, serial numbers, and shelf life.

d. The inventory count for FPE that is considered as sensitive property will be verified by serial number and location as part of the sensitive property inventory listing. Other CBRD\FPE will be maintained on a separate inventory database. All worksheets must be maintained with the appropriate data, i.e., case lot numbers, serial numbers, and shelf life.

e. The inventory team will inspect 100 percent of category T material. Each item shall be removed from containers (where applicable) and description data verified from the item to ensure accuracy of inventory and baseline/commencement record development. No assumptions will be made concerning accuracy and reliability of packaging information. Hand tools will be inventoried by type and location. Baseline/commencement inventories will list them by location, including frame number and AEL (i.e., carpenter shop, hydraulic shop, boatswain's workshop, and machine shop). Any tool which has multiple identifiers (i.e., part number and model number) will be listed in the baseline/commencement inventory databases with all information included. Where possible, photographs will be taken.

g. For items on AELs which are considered accessories to a major component (i.e., lathe accessories and welding accessories), each item will be inventoried and the baseline/commencement inventory record will reflect the inventory count for each item applicable to the AEL.

h. All remaining DMP such as steward furnishings (i.e., pots and pans), chain falls, slings, navigation, and charting equipment will be sampled by the inventory team against the delivery documents and AELs to ensure that these items have arrived in the quantity and location specified. The MSC property representative will ensure the application of fair and

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reasonable statistical sampling techniques. The baseline/commencement inventory database will reflect the inventory count for each item applicable to the AEL. The specific method of verification (i.e., sampled or physically verified) will be identified in the verification method column in the baseline/commencement inventory database. Visual inspection of each item will also be documented to annotate condition. Where known delivery shortages exist, a notation concerning future delivery will be annotated in the remarks column. Problem areas concerning any items with delivery data inaccuracy or incorrect count will be identified by the inventory team to the MSC representative and followed through to resolution with the shipyard and SUPSHIP.

i. Each stateroom and office will be reviewed for content and condition. The baseline/commencement inventory will reflect pictures of each stateroom and office. Movable items, such as mattresses, sheets, pillows, blankets, etc., will be counted and listed on the individual stateroom and/or office location and listed on a separate worksheet in the baseline/commencement inventory as GUCL for future reference only. These may need validation at the end of the contract.

j. The inventory team will ensure that all items of sensitive property (except ammunition) are inventoried. Each item shall be removed from containers (where applicable) and information verified, including serial numbers, from the item to ensure accuracy of inventory and baseline/commencement record development.

k. The following safety, survival specialty property items will be listed in a separate section of the baseline/commencement inventory database. Each item will be physically verified to ensure counts and locations are accurate:

- (1) Siamese connection, fire hose--NOTE: all quantities over and above DC locker spares listed on a DC AEL
- (2) Spanner wrenches (See note above)
- (3) Fire hoses (See note above)
- (4) Fireman's axes (See note above)
- (5) Fire hose nozzles (See note above)
- (6) Hose reel assembly (See note above)
- (7) Fire extinguisher dry chemical
- (8) Fire extinguisher CO2
- (9) Brackets
- (10) First aid kits (bulkhead mounted)

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- (11) Eye wash stations
- (12) Poison antidote lockers
- (13) Survival/exposure/immersion suits with accessories
- (14) Life preservers with accessories
- (15) Life rings
- (16) Life rings with lights
- (17) Life rings with smoke
- (18) Search and rescue transponders
- (19) Ship position indicator (EPIRB)
- (20) Line throwing devices
- (21) Line throwing projectiles
- (22) Line launchers
- (23) Buoyant lines
- (24) Signal horn
- (25) Signaling gong
- (26) Parachute flares
- (27) Hand held flares
- (28) Buoyant smoke signals, orange
- (29) Maritime day shapes
- (30) Debarkation ladders
- (31) Life boats with all required equipment
- (32) Fast rescue boats with all required equipment
- (33) Life rafts
- (34) Signal light
- (35) National flags
- (36) Signal flags
- (37) Signal pennants
- (38) Mooring lines
- (39) Fenders

1. The inventory and delivery data for special tools provided by the shipyard and SUPSHIP will be reviewed by the MSC representative and the inventory team to ensure that APL special tooling information is captured upon delivery to the ship. It is especially important that repair parts deliveries be reviewed on a pallet-by-pallet basis to extract and verify delivery of special tooling/tools listed on APL(s). The critical nature and disbursement of these tools in ship locations necessitates special attention in physical inventory performance. The MSC representative will conduct validations to ensure the inventory team identifies the accurate final location of each item of special tooling by APL. A listing shall be incorporated into the baseline/commencement inventory on a separate worksheet.

(1) The MSC representative will coordinate with the MSC medical inventory team to obtain delivery information for

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medical equipment. The MSC representative will ensure the data is appropriately listed in the baseline/commencement inventory database.

(2) The MSC representative will accept the validation efforts of SUPSHIP ensuring that 98 percent validity is achieved for all delivered spare parts.

(3) The MSC representative will accept the validation efforts of SUPSHIP ensuring that 100 percent validity is achieved for all delivered DLRs.

(4) The MSC representative will obtain technical documentation from the ILS team to ensure the validity of quantity, type, and technical document location information.

(5) All computer equipment and accessories delivered as part of the LAN will be verified for all applicable information for delivery purposes only. This will be listed in a separate portion of the baseline/commencement inventory database with the notation that control and movement of these items is under the cognizance of MSC communications and control.

(6) The MSC property representative will work closely with SUPSHIP to ensure the accurate final location counts are obtained and data is available for VLA and cargo securing equipment baseline/commencement inventory development.

3-3. BASELINE/COMMENCEMENT INVENTORY DOCUMENT DELIVERY TO CONTRACT OPERATOR

a. The inventory team will develop the baseline/commencement data containing all photographs and acceptance certificates for review and approval of the MSC property representative. The baseline/commencement acceptance certificates will be developed for each classification of property verified during the inventory process. The certificates will each have two signatures, the MSC property representative and the contract operator's representative.

b. Upon accepting delivery of the ship from the Government, the contract operator will be presented the commencement inventory data, its photograph, and all certificates. Signature on the acceptance certificates acknowledges the written receipt of all GFP. Conflicts concerning accuracy of baseline/commencement contents will be resolved at the lowest possible level. If

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resolution cannot be reached, the concerns will be brought to the attention of the PA. The baseline/commencement inventory will reflect all possible information as specified herein to ensure accountability of all property. The original of the acceptance documentation will be provided to the appropriate contractor program office with a copy to the PA, and a copy to the CO, within the time frame specified by the contract. The contract operator will follow the specified contractual period for reporting errors or concerns with the received baseline/commencement inventory document.

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CHAPTER 4**MISSION SUPPORT OPERATIONAL POLICIES****4-1. PHYSICAL INVENTORY STANDARDS FOR CONTRACT-OPERATED AND CHARTERED SHIPS, TUGBOATS AND WATERCRAFT**

a. It is MSC policy that inventory record accuracy for all classification categories of Government property in possession of contractors shall be maintained at a minimum of 96 percent, except where specified herein. To compute the inventory accuracy rate, subtract the number of inventory errors from the number of items inventoried and then divide the difference by the number of items inventoried.

b. Standard industry practice for physical inventories provides for the proper planning, coordination, and the establishment of specific responsibilities. The intent of a physical inventory is to account for all GFP assets provided for contract performance.

c. It is the responsibility of contract and chartered operators to develop and submit physical inventory performance plans and schedules to the PA for approval by 30 September of each year. These plans and schedules will be developed in accordance with commercial property and asset physical inventory standards. The following should be considered:

(1) Commercial business practices.

(2) Specific types of property category to inventory.

(3) The method of inventory.

(4) Personnel involved, reconciliation responsibilities, and reporting of results. Each category of property as discussed herein must be included in the plan.

4-2. PHYSICAL INVENTORY REQUIREMENTS

a. DMP documents must be on file to demonstrate physical inventory performance requirements have been satisfied. This includes more frequent inventory and inspection requirements for CBR-D, oil spill, fire fighting, damage control, safety, and survival property. Inventory performance (100 percent count) and 96 percent inventory accuracy of all property valued at

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\$250.00 or above is required, except as specified below. All items below \$250.00 individual item cost, except as specified below, will be maintained at 90 percent confidence level and statistically sampled using the double sampling plan and accept/reject criteria. If double sampling plan results fail, all remaining items will be inventoried. Refer to Appendix D for amplifying guidance.

b. Inventory performance (100 percent count) of all sensitive property.

c. Inventory performance (100 percent count) of all maritime property.

d. Safety and survival items must have an inventory accuracy rate of at least 90 percent.

e. A 90 percent confidence level, using the double sampling plan and accept/reject criteria, will be used for repair parts. If double sampling plan results fail, all remaining items will be inventoried by the contractor.

f. The inventory accuracy rate for medical equipment is 100 percent.

g. Inventory performance (100 percent count) of DLRs, with an inventory accuracy rate of 100 percent.

h. A 90% confidence level using the double sampling plan and accept/reject criteria for CBR-D items. If double sampling plan results fail, all remaining items will be inventoried 100 percent by the contractor.

i. Inventory performance (100 percent count) of FPE, with an inventory accuracy rate of 100 percent.

j. Inventory performance (100 percent count) of VLA(s) and cargo handling equipment, with an inventory accuracy rate of 96 percent.

k. Turnover inventory performance (100 percent count) of Special Tools, with an inventory accuracy rate of 100 percent.

l. The DC locker will be accepted at a confidence level of 90 percent using double sampling plan accept/reject criteria.

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If double sampling plan results fail, all remaining items will be inventoried by the contractor.

m. Inventory performance (100 percent count) of shipboard LAN equipment, with an inventory accuracy rate of 100 percent.

n. During the course of inventory performance, contractors will document all items in other than serviceable/ready for use condition using the appropriate disposition and reporting guidelines. Refer to Appendix E and Appendix F for the condition codes and allowance type codes.

4-3. REDELIVERY OF GOVERNMENT PROPERTY FOR NEW CONTRACT OPERATOR AND FOLLOW-ON CONTRACT AWARDS

a. Redelivery of Government property (also known as turnover inventories) as a follow-on award or award to a new operator will require the incumbent contractor to perform a physical inventory. This inventory includes all classification categories of property prior to the contract termination date based upon the following criteria:

(1) DMP documents must be on file that demonstrate evidence of and satisfy physical inventory requirements. This includes more frequent inventory and inspection requirements for CBR-D, oil spill, fire fighting, damage control, and COI related safety and survival property. Turnover inventory performance (100 percent count) and 96% inventory accuracy of all property valued at \$250.00 or above.

(2) All items below \$250.00 individual item cost will be accepted at a 90% confidence level using the double sampling plan and accept/reject criteria. If double sampling plan results fail, all remaining items will be inventoried 100 percent by contractor.

(3) Turnover inventory performance (100 percent count) of all sensitive property (except ammunition).

(4) Turnover inventory performance (100 percent count) of all maritime property.

(5) Safety/survival property inventories will be performed with 90 percent inventory accuracy.

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(6) Repair parts will be stratified based upon their historical demand, and only those items with demand data will be subject to a physical count requirement (except DLRs). They shall be sampled using the double sampling plan and accept/reject criteria. If double sampling plan results fail, all remaining items will be inventoried 100 percent by the contractor.

(7) Turnover inventory performance is 100 percent of all medical equipment, with an inventory accuracy rate of 100 percent.

(8) Inventory performance (100 percent count) of all DLRs, with an inventory accuracy rate of 100 percent.

(9) Inventory performance (100 percent count) of all FPE, with an inventory accuracy rate of 100 percent.

(10) A 90 percent confidence level using the double sampling plan and accept/reject criteria for CBR-D. If double sampling plan results fail, all remaining items will be inventoried 100 percent by the contractor.

(11) VLA and cargo securing equipment will be inventoried at 100 percent, with an inventory accuracy rate of 96 percent.

(12) Turnover inventory performance of all special tools, with an inventory accuracy rate of 100 percent.

(13) DC lockers will be accepted at a confidence level of 90 percent using the double sampling plan and accept/reject criteria.

(14) Inventory performance (100 percent count) of shipboard LAN equipment, with an inventory accuracy rate of 100 percent.

b. The incumbent contractor will ensure the original baseline/commencement inventory is updated with at least the NSN/part number, manufacturer, nomenclature, physical count, unit of issue, unit price, extended value, location, shelf life, serial number, condition code, disposition, transactional document references, contract number, date placed in service, and IUID number.

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c. Following completion of the physical inventories for all ships, the incumbent contractor's property representative shall certify the accuracy of termination inventory performance in a letter to the PA via the CO. Each ship shall have an individual written certification with supporting evidence of physical counts submitted within 30 days following inventory completion.

4-4. PROCEDURES FOR REPLACEMENT OF GOVERNMENT-FURNISHED PROPERTY

a. Once the contractor has been authorized the use and possession of GFP, control over the replacement due to LDDT or wear rests with the CO, subject to the terms of the contract.

b. The contractor must submit a request to replace or repair reimbursable GFP considered lost, worn, damaged, stolen, or destroyed. All requests will be sent to the PA via their PML. The PA will review the request and determine whether the circumstances constitute an acceptable level of risk or whether the facts and circumstances indicate a breakdown in controls, and that the contractor should replace the item at its own expense. The results of the review will be provided to the CO via the PML. The CO will review the PA and PML recommendations and make the final decision. The request must contain the following basic information:

- (1) Ship name
- (2) Point of contact
- (3) Description of item
- (4) Part number, nomenclature, quantity, NSN
- (5) Circumstances under which LDDT or beyond economical repair condition occurred
- (6) Actions taken to prevent recurrence (as applicable)
- (7) Date discovered
- (8) Date report prepared
- (9) Request for relief of liability and responsibility
- (10) Signature of responsible official
- (11) Signature of accountable official

c. The report can be submitted to the PA via the appropriate PML on a Report of Survey (DD Form 200) or other electronic means.

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d. The PA will review the report and determine whether the circumstances constitute an acceptable level of risk or whether the facts and circumstances indicate a breakdown in controls and that the contractor should replace the item at its own expense. The results of the review will be provided to the CO via the PML. The CO will review the PA and PML recommendations and make the final decision.

4-5. ADDITIONAL REQUIREMENTS FOR GOVERNMENT-FURNISHED PROPERTY

a. GFP provided after delivery requires individual piece/equipment approval by the CO. PMLs may determine that due to a variety of reasons additional GFP must be provided for ship operation.

b. The CO in coordination with the requiring organization will determine if the item will be purchased by the Government and delivered to the ship's operator or obtained by the ship's operator on a reimbursable basis. If the material is to be obtained by the Government and delivered to the ship's operator, the MSC organization identifying the requirement is responsible for initiating the procurement (NSN or non-standard) in accordance with current procedures.

c. The CO will inform the ship's operator of the increase in GFP and method by which the requirement will be satisfied.

4-6. CONTRACTOR'S LIABILITY AND RESPONSIBILITY

a. The contractor shall be responsible for all Government property in its custody or control in accordance with the terms of the contract.

b. Subject to the terms of the contract, the contractor may be liable for the LDDT or unreasonable consumption of Government property. Unreasonable consumption includes acquisition of items in excess of the quantity required for the maintenance work order or job order requirement. Emergency or long-term preventative measures are not normally included in this calculation. The PA will require all contract-operated and chartered ship contractors to report all cases of LDDT or unreasonable consumption of Government property, as soon as such facts become known. The PA will review the report, give full consideration to the details and facts, and either relieve the contractor of responsibility for the LDDT or unreasonable

consumption or make recommendations for contractor cost liability to the CO. The CO will determine any contractor financial liability.

4-7. PROPERTY CLASSIFICATION AND REPORTING REQUIREMENTS

a. The Government is responsible to ensure inventory records developed and transferred to contractors reflect property classifications closest to the classification reporting requirement of the DD Form 1662.

b. Upon delivery of Government property to contractor custody and control, the contractor becomes fully responsible for maintaining up-to-date and accurate official property records, including changes in classification for DD Form 1662 purposes. The contractor's property control system will ensure the following controls are in place and effective for the classification and reporting of Government property:

(1) Sensitive property, such as weapons and ammunitions, maxi-beam spotlights, alidades, azimuth circles, telescopes, stopwatches, marine sextants, and night vision equipment, will be reported as military property.

(2) All other sensitive property such as hand held radios and binoculars are to be reported as other plant equipment.

(3) Controlled narcotics will be reported as Government material.

(4) Maritime telescopes, stopwatches, telescopes, etc., will be reported as military property.

(5) Tooling of a specialized nature and listed on APL will be reported as special tooling.

(6) All other items, except repair parts, will be reported as other plant equipment.

(7) Safety, survival, specialty property will be reported as military property.

(8) Repair parts will be reported as Government material.

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(9) Repair parts acquired by the contractor and reimbursed by the Government for both replacement of stock and for additional requirements will be reported as Government material (contractor-acquired).

c. The contractor's property control system will define the specific responsibilities of ship and shore levels and will outline the scope of authority and responsibility for those personnel signing DD Form 1662s. The system will also outline the scope and responsibilities of corrective action when errors are discovered in form completion and data compilations.

4-8. STORAGE

a. Government property shall be kept physically separate from contractor-owned property to the maximum extent practical.

b. When the Government property is special tooling, special test equipment, or sensitive property, it must be clearly identified and marked as Government property. The Chief Engineer will provide direction in standing orders as to who is authorized access to Government storerooms. Spares and Government material will be stored with due regard to proper packaging and preservation.

c. Small arms are provided by the Government for protection of the ship, embarked personnel, cargo, and crew. Small arms and ammunition in the custody of the Master shall be stored in a General Services Administration (GSA) approved small arms gun safe, located in or next to the Master's stateroom. Communications Security (COMSEC) material will be kept in the Master's safe for use as directed.

d. Storage areas and facilities are to be secured and, where possible, locked. Spare parts lockers are to be locked, and the keys to these lockers are to remain in the direct control of either the Chief Engineer or the Storekeeper at all times. Access to these lockers is limited to authorized personnel as designated by the Chief Engineer. Under no circumstances are subcontractors allowed unsupervised access to spare parts lockers and tool rooms.

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APPENDIX A**DEFINITIONS AND ACRONYMS**

1. Agency-peculiar property - Government-owned personal property that is peculiar to the mission of one agency (i.e., military or maritime property). It excludes Government material, special test equipment, special tooling, and facilities.
2. Asset - Tangible or intangible items owned by an entity and have probable economic benefits that can be obtained or controlled by the entity. As used herein, "asset" and "property" are interchangeable.
3. Allowance Equipage List (AEL)- A document that lists the required Operating Space Item (OSI) allowances. Items in this category range from general tools and equipment, to lifting devices and machine accessories, which are retained in various departments.
4. Allowance Parts List (APL) - A document that lists the technical characteristics of a particular piece of equipment and its logistics information. It also specifies maintenance significant repair parts (and associated special tools) associated with the equipment.
5. Coordinated Shipboard Allowance List (COSAL) - A document that provides a complete list of all parts required to operate and maintain the equipment installed at all ship/shore activities.
6. Contractor-acquired Property - Property acquired or otherwise provided by the contractor for performing a contract and to which the Government has title.
7. Facilities - Property used for production, maintenance, research, development, or testing. It does not include material, special test equipment, special tooling, or agency-peculiar property.
8. Government Furnished Property (GFP) - Property in the possession of, or directly acquired by, the Government and subsequently made available to the contractor.
9. Government Property - All property owned by or leased to the Government or acquired by the Government under the terms of the

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contract. It includes both GFP and contractor-acquired property.

10. Individual Item Record - A separate card, form, document, or specific line(s) of computer data used to account for one item of property.

11. Installed Property - Items affixed to the ship by welds, bolts, screws, clamps, or similar methods of attachment.

12. Material - 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.

13. Durable Movable Property (DMP) - Tangible property, other than real property or tangible intellectual property that is transportable and visible.

14. Property Administrator (PA) - An authorized representative of the Contracting Officer assigned to administer the contract requirements and obligations relating to Government property.

15. Repair Parts - Refers to any item including modules and consumable type materials which has an equipment application. Any item with an allowance type code 1 is a repair part (i.e., storeroom items and bulkhead mounted spares).

16. Repairable - An item capable of being restored to an acceptable operating condition or state after a failure or damage to the item. Repairable items normally can be reconditioned or economically repaired for reuse. The majority of repairables are DLR.

17. Salvage - Property that because of its worn, damaged, deteriorated, incomplete condition, or specialized nature has no reasonable prospect of sale or use as serviceable property without major repair. However, it has some value in excess of its scrap value.

18. Scrap - Personal property that has no value except for its basic material content.

19. Sensitive Property - Items that require special management control because they are essential for protection of life;

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relatively valuable and convertible to personal use or highly pilferable; and require extraordinary security, accountability, and control. Many items in this category were formerly under the Controlled Equipage Program, which has been terminated.

20. Shipboard Configuration and Logistics Information Program (ShipCLIP) - This system runs aboard each vessel and provides shipboard engineering and supply personnel with a ship specific reference tool for retrieval of critical configuration, logistics, inventory, and technical information.

21. Spares - Pieces of property that duplicate existing items but which are designed as replacements, as required, and are normally kept in reserve (i.e. fuses, light bulbs, bearings valves, non-storerroom items kept in the work space).

22. Special Test Equipment - Single or multi-purpose 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 including standard or general purpose items or components 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 items used for general plant testing purposes.

23. Special Tooling - Items of such a specialized nature that without substantial modification or alteration their use is limited to the development or production of particular supplies or to the performance of particular services (i.e., jigs, dies, fixtures, molds, patterns, taps, gauges, other equipment and manufacturing aids). 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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APPENDIX B**LOSS, DAMAGE, DESTRUCTION, THEFT TABLE**

DECISION TABLE FOR REVIEW OF LOSS, DAMAGE, DESTRUCTION, THEFT REPORTING OF GOVERNMENT PROPERTY			
Type of Property	Type of Report*	Required Form**	Remarks
Sensitive Property	L, DA, DE, T	DD Form 200	Forward to PA via PML for review
DMP	L, DA, DE, T	DD Form 200	Forward to PA via PML for review
Repair Parts	LBI, SU	DD Form 200, DD Form 1149	Forward to PA via PML for review
Installed Property	L, DA, DE	DD Form 200	Forward to PA via PML for review
Technical Document	O, L, LBI	DD Form 200	Forward to PML for review
<p>* Obsolete (O), Storage Unserviceable (SU), Damaged (DA), Destroyed (DE), Loss (L), Loss By Inventory (LBI), Gain By Inventory (GBI), Theft (T)</p> <p>** The DD Form 200 should be electronically transmitted to the appropriate approval source within five working days after approval in block 13. Blocks 9 and 10 must indicate the corrective actions taken. Also, the form may include multiple items.</p>			

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APPENDIX C

GOVERNMENT PROPERTY DISPOSITION TABLE

DECISION TABLE FOR DISPOSITION OF GOVERNMENT PROPERTY			
Type of Property	Type of Disposition*	Required Form**	Remarks
Sensitive Property	E, O, BER, DA	DD Form 200, DD Form 1149, DD Form 1348-1A	Forward to PA via PML for review
DMP (\$1,000.00 per unit or more)	E, O, BER	DD Form 1149, DD Form 1348-1A	Forward to PA via PML for review
DMP (\$999.99 per unit or less)	O, BER/AR	DD Form 1149, DD Form 1348-1A	Disposition signed by Master, Chief Engineer and Chief Mate
Repair Parts (\$999.99 per unit or less)	E, O, BER, DA (except DLR's)	DD Form 1149, DD Form 1348-1A	Disposition signed by Master, Chief Engineer and Chief Mate
Repair Parts (\$1000.00 unit cost or more)	E, O, BER, DA (except DLR's)	DD Form 1149, DD Form 1348-1A	Forward to PML for approval
Installed Property	CC, BER, O, DE	DD Form 1149, DD Form 1348-1A	Forward to PML for approval
Technical Document	O, E	DD Form 1149, DD Form 1348-1A	Forward to PML for approval
	OB-S	DD Form 1149, DD Form 1348-1A	Disposition signed by Master, Chief Engineer and Chief Mate
Onboard scrap (\$5000.00 per unit or more)	OB-S	DD Form 1149, DD Form 1348-1A	Forward to PML for approval
<p>* Excess (E), Obsolete (O), Storage Unserviceable (SU), Configuration Change (new item) (CC), Damaged (DA), Beyond Economical Repair (BER), Onboard Scrap (OB-S)</p> <p>** All forms should be electronically transmitted to the appropriate approval source within five working days after approval. Corrective action taken and/or disposal method must also be included. Also, the form may include multiple items. The forms may include multiple pieces on one request, but each piece must be listed as a separate line item for full accountability.</p>			

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APPENDIX D

DOUBLE SAMPLING PLAN

Lot Range	Sample Size 1	Accept Count if Defects in Sample 1 are:	Reject Count if Defects in Sample 1 are:	Continue on to Sample 2 if Defects in Sample 1 are:	Sample size 2	Accept Count if Sum of Defects in Samples 1 and 2 Equal or are Less Than:	Reject Count if Sum of Defects in Samples 1 and 2 Equal or Exceed:
1-18	All	0	1	N/A	N/A	N/A	N/A
19-50	18	0	1	N/A	N/A	N/A	N/A
51-90	21	0	2	1	21	1	2
91-150	25	0	3	1 or 2	25	2	3
151-400	32	0	4	1, 2, or 3	32	3	4
401-10,000	34	0	4	1, 2 or 3	34	3	4
10,001-35,000	40	0	5	1, 2, 3 or 4	40	4	5

APPENDIX E

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GOVERNMENT PROPERTY CONDITION CODES

Code 1 Unused/good - Unused property that is usable without repairs and identical or interchangeable with new items from normal supply sources.

Code 2 Unused/fair - Unused property that is usable without repairs but is deteriorated or damaged to the extent that utility is somewhat impaired.

Code 3 Unused/poor - Unused property that is usable without repairs, but is considerably deteriorated or damaged. Enough utility remains to classify the property better than salvage.

Code 4 Used/good - Used property that is usable without repair, and most of its useful life remains.

Code 5 Used/fair - Used property that is usable without repair but is somewhat worn or deteriorated and may require some repair.

Code 6 Used/poor - Used property that may be used without repair but is considerably worn or deteriorated to the degree that remaining utility is limited or major repair will soon be required.

Code 7 Repairs required/good - Required repairs are minor and should not exceed 15 percent of original acquisition cost.

Code 8 Repairs required/fair - Required repairs is considerable and is estimated to range from 16 percent to 40 percent of the original acquisition cost.

Code 9 Repairs required/poor - Required repairs is major because property is badly damaged, worn, or deteriorated and is estimated to range from 41 percent to 65 percent of the original acquisition cost.

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Code X Salvage - Property has some value in excess of its basic material content, but repair or rehabilitation to use for the originally intended purpose is clearly impractical. Repair for any use would exceed 65 percent of the original acquisition cost.

Code S Scrap - Material that has no value except for its basic material content.

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APPENDIX F

ALLOWANCE TYPE CODES

Allowance Type Codes (ATC) are used as a way of identifying the authority for maintaining each item in stock.

ATC 1 - This item supports installed equipment listed in the COSAL\ShipCLIP.

ATC 2 - This item supports installed equipment listed in the Aviation Consolidated Allowance List (AVCAL). Most MSC ships will not utilize this ATC.

ATC 3 - Used for dual application for both AVCAL and COSAL. Most MSC ships will not utilize this ATC.

ATC 4 - Demand Based Items (DBI) that reflect sufficient demand by customers to warrant stocking material.

ATC 5 - A Type Commander-directed load item.

ATC 6 - An excess item that does not support any installed equipment and should be offloaded.

ATC 7 - Mission-related/seasonal items that will be temporarily stored onboard for a specific time frame.

ATC 8 - Non-allowance items for which a demand exists, normally at a low demand of two or less within a year.

ATC 9 - Substitute items.