

INSTRUCTIONS FOR CONTROL OF GOVERNMENT-OWNED PROPERTY IN THE POSSESSION OF SUPPLIERS/SUBCONTRACTORS

I. INTRODUCTION

It is the policy of HART Technologies (HART) to conform fully to applicable Government regulations in regard to the control of Government property in the possession of its suppliers/subcontractors. Accordingly, this guide is provided to Subcontractors/Suppliers to ensure that this policy and Federal Acquisition Regulations are fully complied with.

This guide has been prepared to implement purchase order/subcontract provisions and to outline basic requirements for accountability and control of Government property furnished to, acquired by, or fabricated at, our suppliers/subcontractors in the performance of HART purchase agreements, subcontracts, and purchase orders.

II. PURPOSE

To ensure compliance with the terms and conditions of purchase agreements and subcontracts as applicable to equipment and material. In the event of conflict or inconsistency between these instructions and the provisions of the purchase order/subcontract, the purchase order/subcontract provisions shall control. This document details some of the features of Federal Acquisition Regulations and includes but is not limited to:

Procedural methods for acquisition, receipt, identification, recording, storage, warehousing, maintenance, utilization, consumption, inventory, loss and/or damage, salvage, scrap, and final disposition of residuals on contract completion.

The basic categories of Government property treated in this instruction are material, plant equipment, special tooling, and special test equipment.

III. INSTRUCTIONS

A. Suppliers/Subcontractors

HART, as a prime contractor is responsible for the accountability of Government Property. Subsequent to award of the contract, delegation of this responsibility is obtained through Defense Contract Administration Services (DCAS) Property Administration. The subcontractors property control system will be reviewed by the cognizant DCAS Property Administrator. In the event delegations are not obtained from DCAS, the supplier/subcontractor shall provide HART, with a copy of their property procedures for review and approval.

B. Acquisition of Property

If equipment is (i) generally commercially available and used as a separate item or component of a system, and (ii) is valued at \$10,000 or more, and (iii) is identifiable by function or description under one of the Federal Supply Groups or

Classes, the subcontractor will submit a request on the appropriate Government form for Defense Industrial Plant Equipment Center 1 (DIPEC) screening. The request must contain the following elements of information of each item:

- Commodity Code Number
- Name of Manufacturer
- Model Number
- Description of data sufficient to enable the DIPEC to make a determination of availability
- Date item is required and applicable priority rating
- Prime and subcontract numbers
- Program designation and intended use
- Date required at destination
- Federal Stock Number (if known)
- Estimated Cost

HART, will submit the request to DIPEC as applicable, for screening, and will notify the subcontractor on receipt of screening results.

1. If the equipment is available from the DIPEC inventory and is found to be satisfactory, it will be shipped in accordance with the instructions of the allocating official.
2. If the equipment is not available from the DIPEC inventory, a certificate of non-availability will be issued. The foregoing must be accomplished before the purchase is made.

C. Receiving Property

All Government property should be checked and inspected promptly when received. Any visible evidence of damage should be annotated on the carrier's waybill and the signature of the carrier's agent obtained before releasing the document to the carrier.

If there is damaged property, contact the carrier, request inspection and a signed copy of the inspection report. Notify HART Buyer immediately so their schedule will not be jeopardized.

If efforts are noted in quality or description, or property is unsuitable for its intended use, HART Buyer must be notified and circumstances described.

D. Identification of Equipment

Purchase order/subcontract terms and conditions require identification of Government owned equipment as a means of distinguishing ownership, establishing individual records and segregating them physically, to prevent unauthorized co-mingling and/or usage. Equipment should be identified, marked

and recorded promptly upon receipt. Use the HART Identification Number acquired for the item.

- HART, Purchase Agreement or Subcontract Number
- HART, Identification Number
- Supplier/Subcontractor Assigned Number (if applicable)
- Description
- Unit Prices

Note: The Final Payment cannot be made for equipment until this list has been accepted by HART.

Method of Identification

Assigned numbers will be obtained from HART, when the quantities and types are delineated.

Property Numbers will not be assigned to consumables (expendable tooling).

Note: Assigned numbers remain unchanged for the life of the equipment regardless of modifications due to drawing revision.

Marking Methods

1. Attachment of metal plate, self-adhesive or other secure fastening.
2. Pantagraph engraving.
3. Chemical or electro-etching.
4. Steel die stamping.

Note: In no instance will nonpermanent identification be acceptable. Exception: When it is determined in an individual case that such marking will damage the tooling or equipment, or is otherwise impractical, an exception is permitted. However, this does not lessen nor relieve the subcontractor of having a substitute method of identification and full accountability.

b. Records

1. Inventory Accountability

All Government property shall be recorded in such a manner as to provide the following information:

- Prime Contract and Purchase Order/Subcontract Number
- Nomenclature and/or Description
- Quantity and Date Received (or fabricated if tooling)
- Quantities and Dates Issued (material)
- Current Balance on Hand (material)
- Posting Reference and Date of Transaction

- Unit Price
- Location of Property
- Disposition Actions
- HART, Equipment/Number, Supplier/Subcontractor Number (if applicable), National Stock Number (if applicable)
- End item on which used (if a component, indicate basic tool of which it is a part) - tooling only
- Location
- Identity of any general purpose tooling incorporated as components in such a manner that removal and reutilization may be feasible and economical.

2. Scrap and Salvage

- a. The subcontractor shall maintain records of all scrap and salvage generated. The records shall be in accordance with the subcontractor's established system of scrap and salvage control, if approved by the Government Property Administrator, who shall take into consideration the need for protecting the Government's interest in proration, disposition, and allocation of proceeds resulting therefrom.
- b. Records of Scrap/Salvage in the subcontractor's property control system shall be such as to provide the following minimum information:
 - i. Prime Contract and Purchase Order/Subcontract number, if practicable, or equivalent code designation
 - ii. Nomenclature or description of item
 - iii. Scrap classification (material content)
 - iv. Quantity on hand
 - v. Unit of measure (scrap)
 - vi. Posting reference and date of transaction
 - vii. Disposition

A. Inventories

1. An annual inventory of all Government owned property shall be performed, verifying count; condition; active or inactive status; surplus or excess; and a report submitted on the anniversary date of the purchase order/subcontract, or as otherwise required by subcontract.
2. A Termination Purchase Order/Subcontract completion inventory of all Government property applicable to the purchase order/subcontract will be made in accordance with Department of Defense Regulations. In the performance of this inventory a thorough review will be made of the applicable official property records and property under the subcontract located at subcontractor's facilities. This will be accomplished prior to
3. Certification that all accountable Government property under the subcontract has been disposed of properly (see item 1.2 below).

B. Utilization and Maintenance

1. Suppliers/subcontractors having Government property in their possession or control shall care for and maintain that property in accordance with sound industrial practice and the terms of the contract and assure that it is utilized only as authorized by the contract.
2. Government property shall be used only in the contract for which it was acquired, unless otherwise approved in writing by HART.
3. Adequate records of utilization and maintenance shall be maintained.

C. Loss and Damage

Suppliers/subcontractors shall report to HART, all cases of loss, damage, or destruction of Government property in their possession or control which is accountable under their purchase order/subcontract as soon as such facts become known.

The following information shall be furnished in the event Government Property is lost or damaged.

1. Identification number, quantity, description, and acquisition of property.
2. The date of last physical inventory.
3. Circumstances and details regarding the loss or damage, witness to damage.
4. Corrective action to be initiated.

D. Property Disposition

1. Interim

All equipment, tools, components, materials, scrap and salvage, etc. which become obsolete or excess for any reason shall be reported to HART as prescribed in Federal Acquisition Regulation 45.606-5, Instructions for Preparing and submitting Schedules of Contractor Inventory.

2. Subcontract Termination/Completion

Immediately upon termination or completion of a purchase order/subcontract, the supplier/subcontractor shall perform a physical inventory, adequate for disposal purposes, of all Government property in the supplier's/subcontractor's possession or control, which is applicable to the terminated or completed purchase order/subcontract. The inventory shall be prepared on both a quantitative and monetary basis, segregated by categories of property as material, tooling, etc. Upon completion of inventory schedules, copies bearing supplier's/subcontractor's authorized signature shall be forwarded to HART, for disposition action.

The supplier/subcontractor shall retain inventory intact at his facility pending receipt of disposition instructions.

HART, shall, upon completion of the purchase order/subcontract on which the property was used, be entitled to storage by the supplier/subcontractor, in accordance with the terms and conditions of the purchase order/subcontract.

The supplier/subcontractor shall be accountable and responsible for the inventory until final disposition is concluded.