

On January 11, 2010 the Defense Department issued two pieces of internal guidance focused on enhancing practices used to account for property in the possession of the DOD and its contractors. This issue is important to the DOD because the Pentagon has, historically, been unable to fully account for its property—which has led to a continuing inability to obtain “clean” audit opinions on its financial statements. Thus, anything the DOD can do to enhance controls and accountability for property is a significant step forward for the Department.

The first [guidance document](#), simply entitled “Government Furnished Property (GFP),” discussed the management of DOD property used on in contract performance—i.e., furnished to contractors.

The guidance document opines that “Although contract property policy and oversight has been the target of significant reform over the past ten years, there is still room for improvement.”

The document reminds DOD personnel that the primary means for identification and tracking of GFP is the Unique Item Identifiers (UII) “in transaction-derived data from electronic business transactions.”

To execute the policy, “electronic transactions” will be used to transfer GFP, both

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in the transfer of property to contractors and in the return of that property back to the DOD. All transactions will “cite a contract number under which the property is or was accountable for stewardship.”

For non

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UII’d

property, the Pentagon will be

establishing a “GFP Hub” that will be used to better track the items, until guidance is finalized in the Defense Federal Acquisition Supplement (DFARS).

The document notified DOD recipients that an overall CONOPS (CONcept of OPe rationS

) is being developed for “a

DoD

GFP Business Environment.” The document state

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that “In the target environment – 2011 and beyond – the

DoD

GFP Business Environment must have strong internal controls and oversight practices, which are governed by an interoperable, open architecture that enables a single-face to industry, and with the

DoD

IUID

Registry and

GFP Hub forming the cornerstone of GFP reporting.

The [second](#) guidance document discussed Contractor Acquired Property (CAP), which was defined as “property acquired, fabricated, or otherwise provided by the contractor for performing a contract and to which the Government has title.” The document reiterated a 2007 business rule that stated “that although title passes to DoD when the property is obtained by the contractor, the property will not be recorded on DoD financial statements (as other than construction in process) or in accountability systems until the property is delivered to DoD.” The guidance discourages the establishment of separate accountability records by DoD, stating that doing so is “an inefficient practice” that results in duplicate property records. Problems can be avoided if the contractor property records are used until the CAP is delivered to the DOD, at which time the appropriate accounting entries will be made on DOD’s general ledger.

As we’ve noted [before](#), “Some people lead happy, productive lives, have successful careers, and never have to deal with Government property issues.”

It’s not a fun topic. But in the world of Defense contracting, compliance with Government Property rules is mandatory. As the two guidance documents show, it’s also an important compliance area for the Department of Defense.

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