OFFICE OF THE UNDER SECRETARY OF DEFENSE
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WASHINGTON, DC 20301-3000

ACQUISITION AND TECHNOLOGY

July 13, 1999

DP(DAR)

In reply refer to
DAR Tracking Number: 99-00008

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES
DEPUTY FOR ACQUISITION AND BUSINESS MANAGEMENT, ASN(RD&A)/ABM
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE (CONTRACTING), SAF/AQC
DEPUTY ASSISTANT SECRETARY OF THE ARMY (PROCUREMENT)
EXECUTIVE DIRECTOR FOR PROCUREMENT MANAGEMENT (DLSC/DLA)

SUBJECT: Class Deviation from Federal Acquisition Regulation (FAR) Part 45

This class deviation supersedes the extension of class deviation issued under DAR Tracking Number 98-00007 on June 30, 1998.

I authorize all Department of Defense contracting activities to deviate from certain requirements in FAR Part 45 (see attachment). This class deviation reduces the current property recordkeeping and periodic physical inventory requirements for low-value property (Special Tooling, Special Test Equipment, and Plant Equipment with an acquisition cost of $5,000 or less), and permits contractors to defer reporting the loss, damage or destruction of low-value property until contract termination or completion.

This class deviation is mandatory for all solicitations except solicitations for service contracts to be performed at military installations. For the excepted solicitations, the deviation may be used at the contracting officer's discretion. Contracting officers may modify existing contracts to include those provisions only if adequate consideration is obtained.

The class deviation is effective until FAR Part 45 is revised to include these provisions. This class deviation does not affect special tooling deviation 98-00011.

Eleanor Spector

Eleanor R. Spector
Director, Defense Procurement

Attachment:
As stated

cc: DSMC, Ft. Belvoir

45.101 Definitions.

["Low-value property," as used in this part, means Government property in the classes special tooling, special test equipment, and plant equipment with an acquisition cost of $5,000 or less. Specifically excluded from this definition are agency-peculiar property, material, real property, and sensitive property.]

["Sensitive property," as used in this part, means Government property for which the theft, loss, or misplacement could be potentially dangerous to the public health or safety, or which must be subject to exceptional physical security, protection, control, maintenance or accountability, including but not limited to hazardous property; precious metals; arms, ammunition, and explosives; and classified property.]

45.504 Contractor's liability.

(a) (No change.)

(b) The contractor shall investigate and report to the property administrator all cases of loss, damage, or destruction of Government property in its possession or control as soon as the facts become known or when requested by the property administrator. [Loss, damage, or destruction of items of low-value property shall be reported upon contract termination, completion, or when needed for continued contract performance.] A report shall also be furnished when completed and accepted products or end items are lost, damaged, or destroyed while in the contractor's possession or control.

(c) (No change.)

45.505 Records and reports of Government property.

(a)-(f) (No change.)

(g) [With the exception of low-value property, t]The contractor's property control system shall contain a system or technique to locate any item of Government property within a reasonable period of time.

45-505-1 Basic information.

(a) Unless summary records are used as authorized under paragraph (b) of this section, the contractor's property control records shall provide the following basic information for every item of Government property in the contractor's possession, regardless of value ([See paragraph (c) below for exceptions, as well as,] other subsections of 45.505 [which] require additional information for specific categories of Government property):

(1)-(7) (No change.)

(b) (No change.)

[(c) The contractor's property control records for each item of low-value property in the contractor's possession must provide the basic information listed in paragraphs (a)(1) through (a)(7) of this section. With respect to the location of each item of low-value property, the contractor is not required to update changes in location occurring after the establishment of the official Government property record. This exception does not apply to sensitive property as defined in this part.]

45.508 Physical inventories.

[(a)] The contractor shall periodically physically inventory all Government property (except materials issued from stock for manufacturing, research, design, or other services required by the contract) in its possession or control and shall cause subcontractors to do likewise. **[With the exception of inventories conducted upon termination or completion, as discussed in 45.508-1, this requirement does not apply to items of low-value property.]** The contractor, with the approval of the property administrator, shall establish the type, frequency, and procedures. These may include electronic reading, recording and reporting or other means of reporting the existence and location of the property and reconciling the records. Type and frequency of inventory should be based on the contractor's established practices, the type and use of the Government property involved, or the amount of Government property involved and its monetary value, and the reliability of the contractor's property control system. Type and frequency of physical inventories normally will not vary between contracts being performed by the contractor, but may vary with the types of property being controlled. Personnel who perform the physical inventory shall not be the same individuals who maintain the property records or have custody of the property unless the contractor's operation is too small to do otherwise.

[(b) If the contractor's property control system is disapproved, the contractor shall perform a physical inventory and report all loss, damage, or destruction of Government property prior to reapproval of the property control system.]

52.245-2 Government Property (Fixed-Price Contracts), Alternate I. (APR 1984) (DEV)

As prescribed in 45.106(b)(2), substitute the following paragraph (g) for paragraph (g) of the basic clause:

(g) *Limited Risk of loss.*

(1)-(5) (No change.)

(6) **[The contractor shall notify the contracting officer u]**Upon loss or destruction of, or damage to, Government property provided under this contract, **[with the exception of low-value property for which loss, damage, or destruction is reported at contract termination, completion, or when needed for continued** contract performance. ~~**The Contractor shall so notify the**~~

~~Contracting Officer and shall communicate with the loss and salvage organization, if any, designated by the Contracting Officer. With the assistance of any such organization,~~ T]~~the~~ Contractor shall take all reasonable action to protect the Government property from further damage, separate the damaged and undamaged Government property, put all the affected Government property in the best possible order, and furnish to the Contracting Officer a statement of-- ....

(7)-(10) (No change.)

52.245-2 Government Property (Fixed-Price Contracts), Alternate II. (JUL 1985) (DEV)

As prescribed in 45.106(b)(3), substitute the following paragraphs (c) and (g) for paragraphs (c) and (g) of the basic clause:

(c) (No change.)

(g) *Limited Risk of loss.*

(1)-(5) (No change.)

(6) **[The contractor shall notify the contracting officer u]**~~U~~pon loss or destruction of, or damage to, Government property provided under this contract, **[with the exception of low-value property for which loss, damage, or destruction is reported at contract termination, completion, or when needed for continued contract performance.** ~~The Contractor shall so notify the Contracting Officer and shall communicate with the loss and salvage organization, if any, designated by the Contracting Officer. With the assistance of any such organization,~~ T]~~the~~ Contractor shall take all reasonable action to protect the Government property from further damage, separate the damaged and undamaged Government property, put all the affected Government property in the best possible order, and furnish to the Contracting Officer a statement of-- ...

(7)-(10) (No change.)

52.245-5 Government Property (Cost-Reimbursement, Time-and-Material, or Labor-Hour Contracts) (JAN 1986) (DEV)

As prescribed in 45.106(f)(1), insert the following clause:

GOVERNMENT PROPERTY (COST-REIMBURSEMENT, TIME-AND-MATERIAL, OR LABOR-HOUR CONTRACTS) (JAN 1986) (DEV)

(a)-(f) (No change.)

(g) *Limited Risk of loss.*

(1)-(4) (No change.)

(5) **[The contractor shall notify the contracting officer u]**~~U~~pon loss or destruction of, or damage to, Government property provided under this contract, **[with the exception of low-value property for which loss, damage, or destruction is reported at contract termination, completion, or when needed for continued**

contract performance. ~~The Contractor shall so notify the Contracting Officer and shall communicate with the loss and salvage organization, if any, designated by the Contracting Officer. With the assistance of any such organization,~~ T]~~t~~he Contractor shall take all reasonable action to protect the Government property from further damage, separate the damaged and undamaged Government property, put all the affected Government property in the best possible order, and furnish to the Contracting Officer a statement of-- ...

(6)-(9) (No change.)

(h)-(l) (No change.)

(End of Clause)

52.245-8 Liability for the Facilities. (JAN 1997) (DEV)

As prescribed in 45.302-6(b), insert the following clause:

LIABILITY FOR THE FACILITIES (JAN 1997) (DEV)

(a)-(f) (No change.)

(g) When there is any loss or destruction of, or damage to, the facilities **[with the exception of low-value property for which the loss, damage, or destruction is required to be reported at contract termination, completion, or when needed for continued contract performance,]**--

(h)-(k) (No change.)

(End of Clause)