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**Guideline for Contractor Self-Assessment for Government Property Management**

Version 1.0.2

July 12, 2016

Developed By:

**Government Property Systems Committee**

**Revision History**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Version** | **Change** | **Reason** |
| **6/8/2012** | **1.0.0** |  | **Approved** |
| **7/26/13** | **1.0.1** | **Government Property Systems Committee** | **Revised Committee title to GPSC** |
| **7/12/16** | **1/0/2** | **Changed AIA to NDIA** | **Committee under NDIA umbrella** |

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# Preface

The purpose of this guideline is to create an industry standard Contractor Self-Assessment process (CSA) for Government property management that addresses the basic requirements of FAR 52.245-1(b)(4) (April 2012) while providing reasonable assurance in assessing the effectiveness of a contractor’s property management system. Use of this guideline should enable contractors to objectively evaluate property management system effectiveness, discover deficiencies, identify the root causes and implement effective corrective action. This guideline incorporates existing Aerospace Industry Leading Practices to the fullest extent possible. The intent of this guideline is to create a starting point for the minimum effective fulfillment of the FAR requirement; however, contractors using this guideline may incorporate all or part of this guideline in accordance with their procedures.

To the extent possible, a contractor’s self-assessment should provide a level of objectivity similar to that of a Property Management System Analysis (PMSA) performed by DCMA or other external auditor. The contractor’s procedures should identify the personnel responsible for performing the self-assessment and address the objectivity of those personnel.

The results of the CSA alone do not determine adequacy or inadequacy of the Property System but should identify risk levels; however, the results should be incorporated into the results of PMSAs performed by external entities.

Please direct any questions, comments or suggestions John Russell, Chair of the Procurement Executive Committee at [john.russell@ngc.com](mailto:john.russell@ngc.com).

Attention: Government Property Systems Committee.

# Contractor Self-Assessment Procedure

Contractors should clearly describe and define their self-assessment program in their written procedures. The procedures should address the following concepts:

1. The audit or assessment methodology to be used should be defined. The methodologies may include:
   1. DCMA’s traditional approach (paralleling the audit requirements of the Property Management on Government Contracts Instruction)
   2. ASTM E2452-10 Standard Practice for Equipment Management Process Maturity Model (EMPM)
   3. Aerospace Industries Association Self Assessment and Metrics Definitions and Guidelines for Property Management
   4. Other practices as defined by the contractor.
2. The processes and outcomes subject to review should be defined. These may include the ten outcomes defined in FAR 52.245-1 or other additional customer or contractor-specific processes as desired.
3. The parties responsible for performing the assessment should be identified. To the extent possible, contractors should have the assessment reviewed by an impartial party in order to ensure objectivity of the results.
4. The organizational scope of the assessment should be defined, i.e. the business units or sites to which the assessment applies. The GPS Committee recommends that, to the extent allowable by customer requirements, the scope of the assessment include the contractor’s entire property management system. Multiple assessments should be performed only when procedures are significantly different among business units or sites to constitute a separate property management system or when a higher level of risk has been identified.
5. The frequency of the assessment should be established according to the contractor’s business practices and risk levels (yearly, quarterly, monthly, etc.)
6. The contractor’s procedures should define a “defect” and the differences between major, minor and critical defects, if using ASTM Standard E2234. Corrective action requirements for defects should be established.
7. The procedures should include requirements for reporting self assessment results to internal and external stakeholders. These requirements should include reporting deadlines and identify the stakeholders who will receive the report. At a minimum, results of contractor self-assessments should be made available to customer property management stakeholders.

# Process Tests

Contractors should establish process tests that provide sufficient evidence to credibly evaluate the effectiveness and risk level of the property management system in terms of process segments and as a whole. Process tests may involve quantitative tests such as metrics based on statistical sampling, or qualitative tests such as judgment or purposive sampling. Goals, acceptable ranges, or other criteria for measuring risk levels should be established for each process test.

Regardless of the testing methods used, contractors should include support documentation and evidence with the results of the self-assessment to demonstrate the integrity of the process.

The GPS Committee recommends that contractors test the following processes as applicable to ensure compliance with the basic requirements of FAR 52.245-1:

1. **Acquisition**. The process test(s) should ensure that contractor-acquired property is:
   1. Required by the contract as applicable (may be in SOW etc.)
   2. Properly charged to the contract as applicable (may be in SOW etc.)
   3. Authorized by the contract
2. **Receiving.** The process test(s) should ensure that receipts of Government property are:
   1. Promptly recorded in the property management system
   2. Properly identified as Government property
   3. Managed appropriately when discrepancies incident to shipment occur
3. **Records.** The process test(s) should ensure that records of Government property are created and maintained in accordance with contract requirements.
4. **Physical Inventory.** The process test(s) should ensure that physical inventories are performed, recorded and that results are disclosed to internal and external stakeholders.
5. **Subcontractor Control.** The process test(s) should ensure that:
   1. Contract terms and conditions are appropriately flowed down to subcontractors
   2. Contractors are performing periodic reviews to determine the adequacy and risk of the subcontractor’s property management system.
6. **Reports.** The process test(s) should ensure that reports of Government property are created and provided to stakeholders according to contract requirements.
7. **Relief of Stewardship Responsibility.** The process test(s) should ensure that disposition of Government property by the contractor is:
   1. Authorized
   2. Promptly recorded
8. **Utilization.** The process test(s) should ensure that Government property is:
   1. Used only as authorized under the contract
   2. Properly consumed in the performance of the contract
   3. Properly moved
   4. Properly stored
   5. Promptly reported and disclosed to the Government when property is excess to contract performance.
9. **Maintenance.** The process test(s) should ensure that the contractor is:
   1. Performing normal and routine preventative maintenance and repair on Government property.
   2. Notifying the Government of the need to perform capital-type rehabilitation (based upon the contractor’s disclosed practices.)
10. **Contract Closeout.** The process test(s) should ensure that the contractor is performing the following actions at contract closeout:
    1. Reporting, investigating and closing all loss cases
    2. Physically inventorying all property (if required)
    3. Disposing of excess property

Contractors may choose to test other contractor or customer-specific processes as business operations require.

# Self-Assessment Results and Definition of Defects

Self-assessment results should be compiled, along with supporting documentation, into a final report which documents:

1. The results of each process test
2. The contractor’s overall assessment of its property management system.

The DCMA Standard Operating Procedure (SOP) – “Contractor’s Internal Assessment or Self-Audit of their Property Management system requires that the contractor define ‘defect’ as well as differences between major, minor and critical defects if the contractor is using the ASTM E2234 standard for statistical sampling.

The GPS Committee recommends that contractors use the following definitions for these concepts:

* **Defect,** *n*—any nonconformance of the audit sample with specified requirements.
* **Classification of defects,** *n-* the enumeration of possible defects of the assessment sample classified according to their seriousness, that is, critical, major or minor defect.
* **Critical defect,** *n*- a significant and systemic defect that would have a material effect on contract performance or cause concern for the reliability of the information provided by the property management system. Immediate attention would be required to preclude the withdrawal of system approval.
* **Major defect,** *n-* a significant, but not systemic defect that may affect the control of Government property, possibly increasing the risk to the Government. Generally requires a corrective action plan and continued surveillance until sufficiently resolved.
* **Minor defect,** *n-* a defect that is administrative in nature, non-systemic and would have no material outcome for the control of Government property. Generally may be fixed on the spot with record corrections.

If process test results fall below the acceptable criteria as defined by the contractor, the contractor should determine whether the defect is major, minor or critical. An informal corrective action plan should be implemented for minor defects. For major or critical defects a root cause analysis should be performed and a formal corrective action plan should be issued via the contractor’s corrective action system as applicable. Final approval of the corrective action plan should be performed by the appropriate internal and external stakeholders.

The final report, including complete results, supporting documentation, investigations/root cause analyses and corrective action plans, should be made available to internal or external stakeholders per contractor procedures.

# Risk Management

1. Contractors should also recognize the GAO Yellow Book’s approach regarding performance audits. “6.04 The concept of significance assists auditors throughout a performance audit, including when deciding the type and extent of audit work to perform, when evaluating results of audit work, and when developing the report and related findings and conclusions. **Significance** is **defined as the relative importance** of a matter within the context in which it is being considered, including quantitative and qualitative factors. Such factors include the **magnitude** of the matter in relation to the subject matter of the audit, the **nature** and effect of the matter, the **relevance** of the matter, the **needs and interests** of an objective third party with knowledge of the relevant information, and the **impact** of the matter to the audited program or activity. Professional judgment assists auditors when evaluating the significance of matters within the context of the audit objectives. In the performance audit requirements, the term “significant” is comparable to the term “material” as used in the context of financial statement engagements.” (The GAO Yellow Book may be obtained at <http://www.gao.gov/yellowbook>.)
2. Assessment or audit risk should be recognized and managed. Audit risk is defined in the GAO Yellow Book as “6.05 Audit risk is the possibility that the auditors’ findings, conclusions, recommendations, or assurance may be **improper or incomplete**, as a result of factors such as evidence that is not sufficient and/or appropriate, **an inadequate audit process**, or **intentional omissions or misleading information** due to misrepresentation or fraud. The assessment of audit risk **involves both qualitative and quantitative considerations.** Factors impacting audit risk include the time frames, complexity, or sensitivity of the work; size of the program in terms of dollar amounts and number of citizens served; adequacy of the audited entity’s significant errors, or fraud; and auditors’ access to records. Audit risk includes the risk that auditors will not detect a mistake, inconsistency, significant error, or fraud in the evidence supporting the audit. Audit risk can be reduced by taking actions such as increasing the scope of work; adding specialists, additional reviewers, and other resources to perform the audit; changing the methodology to obtain additional evidence, higher quality evidence, or alternative forms of corroborating evidence; or aligning the findings and conclusions to reflect the evidence obtained.” Audit risk can also include unintended consequences of driving entities to perform unnecessary processes by insufficient consideration of cost vs. benefits and materiality.
3. Risk management is of primary importance – Government Regulations in FAR Part 1 require delivering best value to customers, minimization of administrative cost and to achieve efficient operations focus on risk management over risk avoidance. The DoD provides a useful guide on risk management – available at <http://www.dau.mil/pubs/gdbks/risk_management.asp> . The use of the Risk Matrix -- likelihood and consequence of occurrence with associated criteria is highly recommended. Customers, internal and external, for decision making purposes must be made aware of material information regarding defects, cost and benefits, and approach to risk management.

# Statistical Sampling

If statistical sampling will be used to conduct process tests, contractors must define the sampling plan and confidence level used. The Department of Defense has established double sampling plans based on three different confidence levels: [97%](http://guidebook.dcma.mil/34/Table%2097%25.pdf) , [95%](http://guidebook.dcma.mil/34/Table%2095%25.pdf) and [90%](http://guidebook.dcma.mil/34/Table%2090%25.pdf). The GPS Committee recommends the use of the ASTM E2234 Acceptable Quality Level (AQL) 6.5 end- confidence levels for process tests where statistical sampling is employed. This sampling plan produces results comparable to the DoD 90% confidence level (90% confidence of rejecting lots having 10% or more defectives) double sampling plan, and provides options for both single and double sampling. The confidence level or AQL used for sampling should be determined by the contractor’s assessment of process risk. Processes requiring a high degree of accuracy, such as those involving sensitive property, may be suited to the use of a higher confidence level or lower AQL. The 90% confidence level or AQL 6.5 is suitable for transaction testing of most property management processes.

Contractors should base the decision as to whether to use a single or double sampling plan for a given process test given the tradeoff between the administrative difficulty and the average sample sizes of the plans. A single sampling plan will typically involve larger sample sizes but avoid the need to repeat the sample in the event of a small number of defects. Single sampling plans may be best suited for process tests that involve a relatively high degree of manual effort, such as floor to record sampling of assets. A double sampling plan will typically involve smaller sample sizes at the outset, but will require the conduct of a second sample if a small number of defects are identified in the first sample. Double sampling plans may be best suited for process tests that involve a relatively low level of manual effort, such as document reviews or data reviews conducted from a computer workstation. Given the smaller sampling sizes, double sampling plans may also be ideal for process tests where the contractor has a high degree of confidence that relatively few defects will be encountered given past experience and self-assessment data. In any event, contractors are encouraged to select the sampling plan that best provides an objective measure of the process while minimizing the cost and administrative burden of conducting the process test.

Samples should be randomly generated using automated random sampling tools. To ensure process integrity a separate sample shall be established for each process test. Sample sizes can be determined by using the tables below for either single or double sampling.

# ASTM E2234 Single Sampling Plan – AQL 6.5%[[1]](#footnote-1)

|  |  |  |  |
| --- | --- | --- | --- |
| **Lot Size** | **Single Sample Size** | **Accept if Defects are equal to or less than** | **Reject if Defects are Equal to or Exceed** |
| 2-3 | All | 0 | 1 |
| 4-15 | 3 | 0 | 1 |
| 16-50 | 8 | 1 | 2 |
| 51-90 | 13 | 2 | 3 |
| 91-150 | 20 | 3 | 4 |
| 151-280 | 32 | 5 | 6 |
| 281-500 | 50 | 7 | 8 |
| 501-1200 | 80 | 10 | 11 |
| 1201-3200 | 125 | 14 | 15 |
| 3201-up | 200 | 21 | 22 |

# ASTM E2234 Double Sampling Plan – AQL 6.5%[[2]](#footnote-2)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Lot Size | Sample Size 1 | Accept if defects in sample 1 are equal to or less than | Reject if defects in sample 1 are equal to or exceed | Continue with sample 2 if defects in sample 1 are | Sample Size 2 | Accept if sum of defects in samples 1 and 2 are equal to or less than | Reject if defects in samples 1 and 2 are equal to or exceed |
| 2-3 | All | 0 | 1 |  |  |  |  |
| 4-15 | 3 | 0 | 1 |  |  |  |  |
| 16-50 | 5 | 0 | 2 | 1 | 5 | 1 | 2 |
| 51-90 | 8 | 0 | 3 | 1-2 | 8 | 3 | 4 |
| 91-150 | 13 | 1 | 4 | 2-3 | 13 | 4 | 5 |
| 151-280 | 20 | 2 | 5 | 3-4 | 20 | 6 | 7 |
| 281-500 | 32 | 3 | 7 | 4-6 | 32 | 8 | 9 |
| 501-1200 | 50 | 5 | 9 | 6-8 | 50 | 12 | 13 |
| 1201-3200 | 80 | 7 | 11 | 8-10 | 80 | 18 | 19 |
| 3201-up | 125 | 11 | 16 | 12-15 | 125 | 26 | 27 |

# Department of Defense (DoD) 97% Confidence Double Sampling Plan

(97% confidence of rejecting lots having 10% or more defects)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Lot Range | Sample Size 1 | Accept if defects in sample 1 are equal to or less than | Reject if defects in sample 1 are equal to or exceed | Continue with sample 2 if defects in sample 1 are | Sample Size 2 | Accept if sum of defects in samples 1 and 2 are equal to or less than | Reject if defects in samples 1 and 2 are equal to or exceed |
| 1-25 | All | 0 | 1 |  |  |  |  |
| 26-50 | 25 | 0 | 1 |  |  |  |  |
| 51-90 | 28 | 0 | 2 | 1 | 28 | 1 | 2 |
| 91-150 | 33 | 0 | 3 | 1 or 2 | 33 | 2 | 3 |
| 151-400 | 41 | 0 | 4 | 1,2 or 3 | 41 | 3 | 4 |
| 401-10,000 | 43 | 0 | 4 | 1,2 or 3 | 43 | 3 | 4 |
| 10,001-35,000 | 50 | 0 | 5 | 1,2,3 or 4 | 50 | 4 | 5 |
| 35,001-100,000 | 56 | 0 | 6 | 1,2,3,4 or 5 | 56 | 5 | 6 |
| 100,001 and up | 63 | 0 | 7 | 1,2,3,4,5 or 6 | 63 | 6 | 7 |

# Department of Defense (DoD) 95% Confidence Double Sampling Plan

(95% confidence of rejecting lots having 10% or more defects)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Lot Range | Sample Size 1 | Accept if defects in sample 1 are equal to or less than | Reject if defects in sample 1 are equal to or exceed | Continue with sample 2 if defects in sample 1 are | Sample Size 2 | Accept if sum of defects in samples 1 and 2 are equal to or less than | Reject if defects in samples 1 and 2 are equal to or exceed |
| 1-22 | All | 0 | 1 |  |  |  |  |
| 23-50 | 22 | 0 | 1 |  |  |  |  |
| 51-90 | 25 | 0 | 2 | 1 | 25 | 1 | 2 |
| 91-150 | 30 | 0 | 3 | 1 or 2 | 30 | 2 | 3 |
| 151-400 | 37 | 0 | 4 | 1,2 or 3 | 37 | 3 | 4 |
| 401-10,000 | 39 | 0 | 4 | 1,2 or 3 | 39 | 3 | 4 |
| 10,001-35,000 | 45 | 0 | 5 | 1,2,3 or 4 | 45 | 4 | 5 |
| 35,001-100,000 | 52 | 0 | 6 | 1,2,3,4 or 5 | 52 | 5 | 6 |
| 100,001 and up | 58 | 0 | 7 | 1,2,3,4,5 or 6 | 58 | 6 | 7 |

# Department of Defense (DoD) 90% Confidence Double Sampling Plan

(90% confidence of rejecting lots having 10% or more defects)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Lot Range | Sample Size 1 | Accept if defects in sample 1 are equal to or less than | Reject if defects in sample 1 are equal to or exceed | Continue with sample 2 if defects in sample 1 are | Sample Size 2 | Accept if sum of defects in samples 1 and 2 are equal to or less than | Reject if defects in samples 1 and 2 are equal to or exceed |
| 1-18 | All | 0 | 1 |  |  |  |  |
| 19-50 | 18 | 0 | 1 |  |  |  |  |
| 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 |
| 35,001-100,000 | 46 | 0 | 6 | 1,2,3,4 or 5 | 46 | 5 | 6 |
| 100,001 and up | 52 | 0 | 7 | 1,2,3,4,5 or 6 | 52 | 6 | 7 |

1. Adapted with permission from E2234-09 Standard Practice for Sampling a Stream of Product Attributes Indexed by AQL, copyright ASTM International, 100 Barr Harbor Drive, West Conshohocken, PA 19428. [↑](#footnote-ref-1)
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