

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 (hereafter "Seller"). Accordingly, this guide is provided to Sellers to ensure that this policy and FAR 52.245-1 -- Government Property, are fully complied with.

This document 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 Sellers in the performance of HART purchase agreements, subcontracts, and purchase orders. Seller hereby agrees to these requirements, where applicable, to its lower-tier subcontractors. [AS9100D 8.4.3 k]

II. PURPOSE

To ensure compliance with the terms and conditions of purchase agreements and subcontracts as applicable to Government Owned 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 FAR 52.245-1 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.

III. INSTRUCTIONS

A. Sellers

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 Management Administration (DCMA) Property Administration. The Seller's property control system will be made available for review by the cognizant DCMA Property Administrator. In the event delegations are not obtained from DCMA, the Seller shall provide HART, with a copy of their property procedures for review and approval.

B. 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.

C. 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.

1. HART Purchase Agreement or Subcontract Number
2. HART Identification Number

3. Seller Assigned Number (if applicable)
4. Description
5. 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.

D. Records

1. Inventory Accountability

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

- a. Prime Contract and Purchase Order/Subcontract Number
- b. Nomenclature and/or Description
- c. Quantity and Date Received (or fabricated if tooling)
- d. Quantities and Dates Issued (material)
- e. Current Balance on Hand (material)
- f. Posting Reference and Date of Transaction
- g. Unit Price
- h. Location of Property
- i. Disposition Actions
- j. HART, Equipment/Number, Seller Number (if applicable), National Stock Number (if applicable)
- k. End item on which used (if a component, indicate basic tool of which it is a part) - tooling only
- l. Location
- m. 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

E. 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 close out of the PO or Subcontract.
3. Certification that all accountable Government property under the subcontract has been disposed of properly (see item H.2 below).

F. Utilization and Maintenance

1. Sellers 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.

G. Loss and Damage

Sellers 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.

H. 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 FAR 52.245-1.

2. Subcontract Termination/Completion

Immediately upon termination or completion of a purchase order/ subcontract, the Seller shall perform a physical inventory, adequate for disposal purposes, of all Government property in the Seller'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 Seller's authorized signature shall be forwarded to HART, for disposition action.

The Seller 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 Seller, in accordance with the terms and conditions of the purchase order/subcontract.

The Seller shall be accountable and responsible for the inventory until final disposition is concluded.