

Processes in the World of Government/Contract Property.

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A long time ago in a galaxy FAR (Pun intended) away there was a young Industrial Property Management Specialist – just starting out his career in Government property. The Employer – the Defense Contract Administration Services Management Area (DCASMA) New York. As a new employee he had to learn a number of “regulations” -- Things like the ASPR. The WHAT? The Armed Services Procurement Regulations! Uh oh – this is NOT starting off well. Is this article going to be full of acronyms and abbreviations that I won’t know or understand? Not really, as I am here to help – but it is nice to understand where some of our constructs in Property and Asset management came from a historical basis!

The “OLD” Regs

ASPR, DAR, FAR, DFARS, NFS, DEARS – what are these and what do they have to do with “processes?” For my entire career within the Department of Defense “processes” existed. We just never called them that.

So, where do we start? How did the National Property Management Association (NPMA) and the Department of Defense (DoD) and numerous other activities address the concept of processes in the management of Government property in the possession of contractors? It is good to know the “HISTORY” of a profession and the way it used words in that profession. So, the first place to start – the Armed Services Procurement Regulations – more commonly referred to as the ASPR. The ASPR was issued under the Armed Services Procurement Act, Public Law 413, 80th Congress, 41 USC 151-161.¹ The ASPR established defense procurement regulations and was in effect from 1948 to 1978. “Appendix 2” was one of the first documents that address “Government property in the possession of Contractors.” It covered many of the technical issues and terms that we still deal with to this day. Terms such as Government property, special tooling, scrap, salvage, property administrator – yes, those terms were used in the earliest regulatory material.

And in 1959 the Department of Defense published the complete Armed Services Procurement Regulation – the ASPR! At that time the ASPR was considered “The most comprehensive and detailed procurement regulation ever written.” One must note that various parts of documents were published years earlier – but 1959 was the first codification of the regulation.² It was in this complete version of the ASPR we viewed a more complete discussion of Government property.

Section VII of the ASPR contained all of the Clauses – with the Government Property clauses scattered across numerous subparagraphs. These included:

7-104.24 – Government Property (FP)

7-104.25 – Special Tooling

¹ Trueger, P.M. Accounting Guide for Defense Contracts, Commerce Clearing House, 1953

² Culver, C.M., “Federal Government Procurement. An Uncharted Course through Turbulent Waters.” National Contract Management Association (NCMA), 1984.

- 7-104.26 – Special Test Equipment
- 7-104.35 – Progress Payments
- 7-203.21 – Government Property (CR)
- 7-204-21 – Flight Risks
- 7-303.7 – Government Property (FP – Non-Profit)
- 7-402.25 – Government Property (CR – Non-Profit)
- 7-702 – 1 through -- 20 -- Facilities Contracts Clauses

Simply stated – if you dealt with the ASPR you had better know the clausal references for the Government Property clauses, otherwise you would end up searching all day long to find them!

Section XIII provided the Government’s POLICY in regard to PROVIDING Government Property:

- Furnishing Material
- Providing Facilities
- Furnishing Existing Government-owned Special Tooling
- Providing Special Test Equipment....

And the topical list goes on for a number of pages in the regulation index.

Section XXIV provided the Government’s direction in regard to the DISPOSITION of Government Property in the Possession of contractors.

Appendix B – entitled Government Property in the Possession of Contractors – was the section that detailed the PROPERTY CONTROL REQUIREMENTS imposed upon the CONTRACTOR, via incorporation by reference from the Government Property clauses in Section VII of the ASPR.

And finally ASPR Supplement No. 3, entitled Property Administration, described the “Instructions to assure uniformity in the administration of contract provisions relating to Government property in the possession of contractors and us applicable to all Department of Defense personnel having responsibilities in this area.”³ It is this supplement that we see our first guidance in regard to doing a Property Management System Analysis – or at that time it was called a Property Control System Analysis (PCSA). In this supplement there were three annexes. Annex I provided us the concept of Categories, Functional Areas and Characteristics. The categories:

- Acquisition
- Receiving
- Records
- Storage and Movement
- Consumption
- Utilization
- Maintenance
- Physical Inventories
- Subcontract Control and

³ Armed Services Procurement Regulation Supplement No. 3, S3-101. Dated 1 October 1975

Disposition

Those were the original TEN (10) “Categories” used in the ASPR. Seems to me that those are processes? Essentially, these “Categories” followed a life cycle approach – from the birth of property through its acquisition to its death through its disposal. Embedded under the “Categories” were the “Functional Segments.” Functional Segments were subdivisions of a category that helped to fence or frame the actions or transactions that were performed or accomplished under the Function. For example – under the Category of Acquisition there were two functional segments – Government furnished property (GFP) and contractor acquired property (CAP). Why? Because the actions performed by the contractor in acquiring GFP were and are different than the actions in acquiring CAP. Last but not least, to assist the property administrator in performing their PCSA, each of these had numerous “questions” or statements as to what was expected under these functional segments. These questions or statements were called “Characteristics.” And there were approximately one hundred characteristics! In the vernacular used today – OMG!

The NPMA Property Manual

If you look at the historical genesis of the NPMA, its original creation, you would find that it was created by the efforts of individuals that dealt primarily with Government property in the possession of contractors. This was heavily influenced by a DoD perspective (With a little bit of NASA membership) – we were quite clearly an association with a DoD Focus. It should come as no surprise that the literature crafted by the NPMA would follow the tone and tenor of the DoD regulations – a life cycle approach. The 1989 version of the NPMA Property Manual follows this approach – acquisition through disposition – with a few NEW “Categories” added:

- Reporting
- Contract Completion and termination
- Real Property and
- Audits.⁴

In 1999 the NPMA published “The Standard Property Book” Asset Management for a New Millennium⁵. Once again the “Life Cycle” approach was followed throughout the various chapters – though not always in the sequences previously set forth. Why? There were additional topics that were covered in this text expanding the depth and breadth of the technical material that a property professional was expected to know and understand. Topics such as:

- Ownership, accountability and responsibility
- Contract Administration
- Requirements determinations and

⁴ National Property Management Association Property Manual, 1989

⁵ National Property Management Association, “The Standard Property Book” Asset Management for a New Millennium,” 1999, 1108 Pinehurst Rd., Dunedin, FL 34698

Value added property management – to name a few.

But upon closer analysis – within the chapter on System Analysis and Audits we find a section heading entitled “Structure of Procedures and Processes.”⁶ And the life cycle processes are again called out verbatim – with a few more processes called out:

Identification and
Contract Closeout.

So it appears, for whatever reason, that both the Government and the membership of the NPMA were comfortable with this concept of categories or functional segments or processes following a life cycle approach.

The Defense Acquisition Regulations

I have to backtrack just a tiny bit here to throw in one more regulation just for the sake of completeness. In 1978 the Armed Services Procurement Regulations – the ASPR – was renamed the Defense Acquisition Regulations – the DAR. Why? I really don’t know! I tried researching the reason behind this decision – and came up empty handed. Yes, there are some folks that relate certain stories of individuals disliking the term “procurement” – but I was unable to find any substantiation of this claim. As such, it is probably more urban legend than reality⁷. The other interesting note in regard to this action was that there were no other changes to the regulation. It was, pure and simple, a name change. Same exact content, new name.

The Federal Acquisition Regulations (FAR)

And then came the Federal Acquisition Regulations – the FAR!

Historically we can trace the genesis of the FAR back to the 1969 Commission on Government Procurement (COGP) . The concept of a Uniform Procurement System for ALL Federal agencies came from the Office of Federal Procurement Policy (OFPP) with the foundational thought coming from the Office of Federal Contract Procurement Policy Act Amendments of 1978. The OFPP proposed the FAR Project in 1978.

The FAR was published April 1st, 1984! (Good day for a Government regulation, huh?) There have been numerous articles published in regard to the FAR – you can find many of them under the “Resources” tab at the NPMA Website.⁸ And from its initial publication until 2007 contractors and the Government lived with that document!

⁶ National Property Management Association, ““The Standard Property Book” Asset Management for a New Millennium,” 1999, 1108 Pinehurst Rd., Dunnedin, FL 34698. Page 174.

⁷ The urban legend is that Rosalynn Carter did not like the word “procurement” – and therefore the ASPR was renamed the Defense ACQUISITION REGULATION. No evidence – just a story!

⁸ <http://www.npma.org/Pages/Resources.htm>

The Department of Defense Manual for the Performance of Contract Property Administration, DoD 4161.2-M.⁹

On December 31st, 1991 the Department of Defense published a replacement for the old – and really outdated – ASPR Supplement 3. It was what everyone referred to as the DoD Property Manual. It followed in the footsteps of its predecessor in providing an Appendix containing Categories – no, wait, under THIS manual they were now entitled Functions, Functional Segments and Criteria. Same form and structure DIFFERENT nomenclature. Though I chaired the committee that wrote this manual back in the 1989/1990 timeframe, I cannot for the life of me, remember why we changed the names. The FUNCTION of acquisition definitely sounds better than the CATEGORY – so purely from a process perspective, we were getting closer to the current state of processes and outcomes. It was in this manual that the categories/functions were fleshed out into the 15 life cycle processes that we used then and use even to this day.

The FAR Revisited – the 2007 Rewrite

I have covered the rewrite of the FAR in numerous articles and presentations. You can find the articles at the NPMA Website.¹⁰ You can find the Presentations also at the NPMA website under the Resources tab for Conferences – Presentations and Papers.¹¹ But, there is a critical point, a tipping point per se that occurred in the 2007 iteration of the FAR Government property clause, 52.245-1. If you were to closely examine paragraph (f) of the clause you will see a wondrous thing – the processes discussed in the ASPR, the DAR, The NPMA Manuals, the original iteration of the FAR, and the “Old” DoD Property Manual – are now LEGITIMIZED as a contractual requirement. Yes, before this publication in 2007 – the “processes” that we all followed were technical guidance to the Government, but there was not contractual applicability on the contractor. Why did contractors follow the “Government processes?” Well, the simplest answer – because the Government Property folks TOLD them to do it that way through sample procedures and audit worksheets and sometimes just by power of persuasion.

But now, in the 2007 iteration of the FAR the PROCESSES are specifically called out and became a CONTRACTUAL REQUIREMENT! FAR 52.245-1(f)(1) states, “Contractors shall establish and implement property management plans, systems, and procedures at the contract, program, site or entity level to enable the following outcomes:”¹² It then continues and lists all of the processes that we have discussed earlier in this paper:

Acquisition

⁹ Though the Manual has been rescinded it is still available as a historical document on the Web.

<https://cws.auburn.edu/vpr/osp/forms/DOD%20Manual%20for%20Property.pdf>

¹⁰ <http://www.npma.org/Archives/18-6%20Goetz.pdf>

¹¹ NOTE – to access the conferences page you must be a member of the NPMA.

¹² <http://farsite.hill.af.mil/vffara.htm>

Receiving
Records
Physical Inventory
Subcontractor Control
Reports
Relief of Stewardship Responsibility and Liability
Utilizing Government property
Maintenance and
Property Closeout

You may notice that there are only TEN processes. You may ask – what happened to the other processes? Well, they are embedded within a number of processes above. For example:

Identification is embedded within receiving
Storage, Movement and Consumption are embedded within utilizing Government property and
Disposition is embedded under Property Closeout.¹³

Categories, Functions, Processes – Oh My!!!

You be asking, “Doug, what does this have to do with PROCESS IMPROVEMENT?” Well, within the Department of Defense, in its audit protocols, there has always been the compliance issue – but more importantly, there has always been the continuous improvement, the PROCESS IMPROVEMENT component of the audit. The problem is, it has taken us more than fifty years to call it that! So I thought that a brief analysis of the history was in order.

A few other thoughts in regard to the concept of processes – AND OUTCOMES! Notice once again that FAR 52.245-1(f)(1)(i through x) are called out as requiring “Outcomes.” In my opinion, for there to be an outcome – there must be a process leading to that outcome. And if you would like to look at ISO – specifically an ISO standard on Quality Assurance – ISO 9000 is definitely driven by the concept of processes!¹⁴

So, this issue of the Property Professional was to be about PROCESS IMPROVEMENT. And finally, we get to that point, after covering all of the history of categories, functions and processes and outcomes! Which brings me to the first of two process improvement constructs:

Government Property Management System Analyses and
Contract Self Oversight

¹³ I have argued that embedding processes under other processes, i.e., consumption under utilization, may lead to a dilution of the efficacy of the audit process by providing an ill-defined population leading to the audit reporting specious results. In any audit or assessment of a process the defining of a proper population is critical to the generalizability of the results.

¹⁴ <http://www.iso.org/iso/home.html>

Looking at all of the documents previously discussed in this paper they all centered around what have now become known as Processes – which were used in the Government Property Management System Analysis (PMSA). The PMSA essentially was accomplished first, to ensure compliance with the regulatory contractual requirements and second, to look for areas where there was a need for improvement to the processes within that property management system (PMS).

A new contractual requirement was added to the 2007 iteration of the FAR GP Clause – specifically, the requirement for the contractor to perform their OWN periodic internal reviews, surveillances, self assessments, or audits.¹⁵ Of course these actions are not just to see if there is compliance with the contractually binding regulations but also to look for opportunities to improve the processes in place.

Process Improvement

So, should contractors with Government property in their possession look to improve the processes in place for the management of Government property? ABSOLUTELY!! How?

Ahhhh, THAT is another question.

Over the years I have witnessed different tacks taken in regard to “fixing” problems disclosed during a Property Management System Analysis. In some instances – the Band-Aid approach. Fix the disclosed discrepancies and nothing else – nothing more – nothing less. That’s really not process improvement. On the other end of the spectrum I have seen when discrepancies are disclosed the audited party engages in a full scale, top to bottom review of their procedures and the processes discussed within the procedures.

So what techniques can be applied to improve the processes for the management of Government property in the possession of contractors? Tooooo many to discuss. But let me provide a few.

Process Improvement Texts

There are numerous texts in the commercial marketplace that address “Process Improvement.” A simple search of Process Improvement on the Amazon Website under books yielded over 7000 books dealing with Process Improvement.¹⁶ Included were the classics by Eliyahu M. Goldratt, “The Goal: a Process of Ongoing Improvement,” Mary Walton’s “The Deming Management Method,” and Juran’s Quality Handbook. And there are lots of books on Six Sigma, Lean Six Sigma, Business Process Improvement, and Kaizen to name just a few.

¹⁵ (FAR 52.245-1(b)(4))

¹⁶ http://www.amazon.com/s/ref=nb_sb_ss_c_0_19?url=search-alias%3Dstripbooks&field-keywords=process+improvement&srefix=Process+Improvement%2Caps%2C170

One book has been in my library for more than twenty years and I still use it. A Text entitled “Quality Improvement Tools and Techniques” by Peter Mears.¹⁷ Why is this a valuable text? It provides an overview of numerous process improvement techniques including:

- Pareto Diagrams
- Fishbone Diagrams
- Shewhart PDCA Cycle (Plan-Do-Check- Act/Adjust)
- Kaizen – Covering things like Total Quality Management and Quality Circles
- Benchmarking
- Process Ownership and a lot more.

It is a useful text to learn and understand the BASICS of process Improvement.

Maturity Models

There are numerous Maturity Models currently in use today. There is the Capability Maturity Model Integration (CMMI) developed by Carnegie Mellon University and used by the Department of Defense and Government contractors – but its focus is on Software development. There is the E-learning maturity model (eMM) in software engineering used to assess the capability of electronic educational technology (e-learning) processes.¹⁸ And numerous others!

So what is a maturity model? The Business Dictionary defines a Process Maturity Model as “A model which allows executives to review the progress a business is making in transforming or altering the way that it operates. The Process and Enterprise Maturity Model looks at how a process should be executed, the persons who will be involved in the execution, the company infrastructure elements that will be used, the metrics and benchmarks that should be used to evaluate performance, as well as the executive responsible for oversight.”¹⁹

Within the property and asset management realm we are fortunate to have the ASTM E-2452-12, Standard Practice for Equipment Management Process Maturity (EMPM) Model.²⁰ A Maturity Model directly focusing on what we do in the property and asset management community!

But with maturity models – they identify issues – they may not help us in fixing!

Other Process Improvement Models

One of the most robust and detailed Process Improvement Models (Or really a collection of Process Improvement strategies and application is the “Handbook For

¹⁷ <http://www.amazon.com/Quality-Improvement-Tools-Techniques-Peter/dp/0070412197> And there are a number of used copies for sale at very reasonable prices. I cannot afford to buy every book that I see or want (Not enough space in my office). But this is one I encourage you to buy! Some are going for 1 Cent.

¹⁸ http://en.wikipedia.org/wiki/E-learning_Maturity_Model

¹⁹ <http://www.businessdictionary.com/definition/Process-and-Enterprise-Maturity-Model-PEMM.html>

²⁰ <http://www.astm.org/>

Basic Process Improvement.”²¹ Available from Air University at the website and URL provide below, it provides a logical, orderly, step by step approach for the analysis of a process, the collection and analysis of data to help you decide if a process is working or if it needs improvement – and if you attempted to improve it, did the actions you took actually improve the process. Often I see this last step forgotten, “Hey, we did ‘x!’” My question – did it work to IMPROVE the process – and what measure did you use to determine that improvement?

Some Final Thoughts

I have provided you a historical perspective as to where we came from, i.e., the original categories changing to functions changing to processes within the Government and embraced/used by contractors. I provided an overview of some of the Process Improvement texts that are available as commercial resources. I provided an overview of the concept of a Maturity Model and some that are available for use in our profession and lastly provided some other Process Improvement Models. In a short article like this it is near impossible to provide education as to HOW to do Process Improvement. What I have attempted to do is provide you RESOURCES that you can acquire, study and then apply in your respective areas whether that is Government or Industry. Once again, good luck and best wishes on your Property and Asset Management Journey!

BIO

Dr. Douglas N. Goetz is President of GP Consultants LLC (WWW.GOVERNMENT-PROPERTY.COM). He has been a working level Property Administrator, a Full Professor at two Universities – the Air Force Institute of Technology and the Defense Acquisition University. He has received the Federal Property Manager of the Year award, the Jack Griffiths Property Manager of the Year award, and in 1998 the Lifetime Achievement Award from the National Property Management Association. In 2007 was presented the NCMA Alan E. Peterson Award for Distinguished Service in Government Contracts. He has also been recognized for his teaching abilities – awarded the John Demidovich Excellence in Teaching Award by AFIT and the Outstanding Professor of the Year by DAU. Presenter at numerous NPMA conferences and seminars, NCMA World Congresses, and dozens of local NPMA and NCMA chapter meetings. Currently he is serving a NPMA Parliamentarian.

²¹ http://www.au.af.mil/au/awc/awcgate/navy/bpi_manual/handbook.htm