STUDY ON THE APPLICABILITY OF AND USE OF PROPERTY MANAGEMENT REGULATIONS IN SUPPORT OF MAJOR ACQUISITION PROGRAMS IN THE DEPARTMENT OF THE NAVY

by

Robert A. Castro

December 2001

Thesis Advisor: E. Cory Yoder
Associate Advisor: David V. Lamm

Approved for public release; distribution is unlimited
**Title and Subtitle**  
Marine Corps Officers and Election 2000: New Praetorians or Loyal Centurions?

**Author(s)**  
Chen, Clifford D.

**Performing Organization Name(s) and Address(es)**  
Naval Postgraduate School Monterey, California

**Distribution/Availability Statement**  
Approved for public release, distribution unlimited

**Number of Pages**  
119
Study on the Applicability and Use of Property Management Regulations in Support of Major Acquisition Programs in the Department of the Navy

Robert A. Castro

Naval Postgraduate School
Monterey, CA  93943-5000

The purchase of millions of dollars in Government property by various programs within the Department of the Navy in the development of many ACAT-1 Major Systems acquisition programs need to be reviewed to determine if the proper regulatory guidance exists. The purpose of this research was to investigate what, if any policies, provide Program Managers of Major System Acquisition with the proper guidance in the management control and of Government acquired property.

The thesis examines an existing ACAT-1 program within the Department of the Navy, provides a full accounting and value of the property acquired to date. The research will determine to what extent the existing property management regulations were used, the current status of the property acquired and what actions have been taken to ensure that all the property acquired to date is fully accounted for.

Recommendations will focus on areas associated with the establishment of Department of Navy regulatory policy at the property management level as well as the development of policy guidance for the proper purchase, distribution and control of property at the program level.

Property Management, GFB

Approved for public release; distribution is unlimited.

Unclassified

Unclassified

Unclassified

UL

87
THIS PAGE INTENTIONALLY LEFT BLANK
Approved for public release; distribution is unlimited

STUDY IN THE APPLICABILITY AND USE OF PROPERTY MANAGEMENT REGULATIONS IN SUPPORT OF MAJOR ACQUISITION PROGRAMS IN THE DEPARTMENT OF THE NAVY

Robert A. Castro
GS-15, Department of the Navy
B.A., National Luis University, 1992

Submitted in partial fulfillment of the requirements for the degree of

MASTER OF SCIENCE IN CONTRACT MANAGEMENT

from the

NAVAL POSTGRADUATE SCHOOL
December 2001

Author:  

Robert A. Castro

Approved by:  

E. C. Yoder, Thesis Advisor

David V. Lamm, Associate Advisor

Kenneth J. Euske, Dean
Graduate School of Business and Public Policy

iii
ABSTRACT

The purchase of millions of dollars in Government property by various programs within the Department of the Navy in the development of many ACAT-1 Major Systems acquisition programs need to be reviewed to determine if the proper regulatory guidance exists. The purpose of this research was to investigate what, if any policies, provide Program Managers of Major System Acquisition with the proper guidance in the management control and of Government acquired property.

The thesis examines an existing ACAT-1 program within the Department of the Navy, provides a full accounting and value of the property acquired to date. The research will determine to what extent the existing property management regulations were used, the current status of the property acquired and what actions have been taken to ensure that all the property acquired to date is fully accounted for.

Recommendations will focus on areas associated with the establishment of Department of Navy regulatory policy at the property management level as well as the development of policy guidance for the proper purchase, distribution and control of property at the program level.
# TABLE OF CONTENTS

I. INTRODUCTION ................................... 1  
   A. PURPOSE ................................... 1  
   B. BACKGROUND ................................ 1  
   C. OBJECTIVES OF THE RESEARCH ................. 9  
   D. RESEARCH QUESTIONS ......................... 11  
      1. Primary Research Question ............... 11  
      2. Secondary Research Questions ............ 11  
   E. SCOPE AND ORGANIZATION ..................... 11  
   F. RESEARCH METHODOLOGY ....................... 12  
   G. DATA GATHERING ................................ 13  
   H. BENEFITS OF RESEARCH ....................... 14  
   I. SUMMARY ................................... 14  

II. OVERVIEW ON THE EFFECTIVE AND EFFICIENT USE AND MANAGEMENT OF PROPERTY REGULATIONS AT THE PROGRAM MANAGEMENT LEVEL ................. 17  
   A. BACKGROUND ................................ 17  
   B. GUIDANCE ON GOVERNMENT-FURNISHED PROPERTY .......... 18  
   C. PROPERTY CONTROL SYSTEM .................... 20  
   D. RECENT GUIDANCE: DON PERSONAL PROPERTY POLICIES AND PROCEDURES ................. 22  
   E. FINANCIAL MANAGEMENT GUIDANCE ............... 24  
   F. DEFINITIONS ................................ 25  
   G. PROPERTY ACCOUNTABILITY ..................... 26  
   H. DOCUMENTATION ................................ 27  
   I. INVENTORY REQUIREMENTS ..................... 28  
   J. SUMMARY ................................... 28  

III. RESEARCH METHODOLOGY ........................ 31  
   A. INTRODUCTION ................................ 31  
   B. REVIEW OF SPAWAR HEADQUARTERS PROCESSES AND PROCEDURES .......................... 32  
   C. INTERVIEW WITH DATABASE/PROPERTY MANAGERS .......... 33  
   D. REVIEW AND ANALYSIS OF SITC, PA AND FINANCE OFFICE DATABASES ....................... 34  
   E. DATA ANALYSIS PROCESS ....................... 34  
   F. CONDUCT OF PHYSICAL INVENTORY AT SITC ............ 35  
   G. SUMMARY ................................... 35  

IV. PROPERTY MANAGEMENT DATA AND ANALYSIS ................. 37  
   A. INTRODUCTION ................................ 37  
   B. DATA PRESENTATION ........................... 39  
      1. SITC Database ............................. 39
LIST OF FIGURES

Figure 1. The 5000 Model............................................. 3
Figure 2. Milestone A.................................................. 7
Figure 3. Milestone B. [From: DoDI 5000.2].................... 8
Figure 4. Method Used to Track Property at SITC............ 38
LIST OF TABLES

Table 1. Totals in the SPAWAR HQ Database..................... 42
Table 2. PA Database Findings..................................... 49
Table 3. Analysis of the Data........................................ 53
ACKNOWLEDGEMENTS

The author would like to acknowledge the people listed below, whom provided advise, support and encouragement in the development of this thesis.

My children, Erin, Lindsey and Katie for giving me the courage and drive in continuing to grow as an individual.

CDR E. Cory Yoder for providing me with the necessary encouragement to continue despite overwhelming obstacles. Dr. David Lamm who also did not give up on me and provided me with continued encouragement.

The property management staff at the Systems Information Technology Center, New Orleans for supporting me in the gathering of data.

Mr. Timothy Dowd and CAPT. Sterrett at the Space and Naval Warfare Systems Command for their continuous support in my efforts.
I. INTRODUCTION

A. PURPOSE

The purpose of this thesis is to study the efficient and effective management, control and accountability of Government property procedures of the Defense Integrated Military Human Resources System (DIMHRS) program. The DIMHRS is an ACAT-1D Automated Information System Acquisition on behalf of the Department of Defense and managed under the NAVY Program Executive Office for Information Technology PEO-IT.

B. BACKGROUND

The Department of the Navy purchases millions of dollars in Government property on an annual basis. Some of this property goes aboard ships, aircraft, and submarines and in many of the facilities that support them. The procurement process takes place in Contracting Activities through the Department of Navy responsible for providing these types of services in direct support to many of the Program offices they service within the department. Much of this equipment is used to support programs that provide support to a wide variety of missions on land, sea, and air.

Many of these program offices provide their individual commands with a variety of equipment ranging from Major Weapon Systems to Automated Information Systems. The combined efforts of all the individual program offices ensure that the Department of Defense meets the combined National Security Objectives of the U.S. Government.
When executing these tasks, Program Offices are often required to procure a significant amount of equipment. The acquired property is an integral part of the administrative management process and is necessary for the execution of the program objectives.

In the case of Major Weapon Systems, the regulatory process for the accounting of property in such arenas as spare parts, production items, and manufactured goods, is highly visible and falls under the scrutiny of such agencies as the General Accounting Office (GAO) and the Defense Contract Management Agency (DCMA). These agencies are tasked with the responsibility of ensuring that contractors maintain the highest levels of accountability over these components throughout the life of the contract.

The Defense Integrated Military Human Resources System (DIMHRS) is not for the development and fielding of a weapon system. It is for the development of an Automated Information System (AIS) responsible for providing key integrated pay and personnel data to the warfighter. AIS systems have the same level of complexity and dollar value as a Major Weapon System. AIS programs are bound by DoD 5000.01 Defense Acquisition System of October 23, 2000 and the Operation of the Defense Acquisition Systems guidelines Department of Defense Instruction (DoDI) 5000.2. dated January 4, 2001. The guidelines advocate a flexible framework for translating mission needs and technological opportunities into stable, affordable and well-managed acquisition programs. The Instruction also provides for a regimented process for the implementation of Defense Acquisition Systems. The instruction focuses on three
principal decision systems by providing an effective interface among the Requirements Generation System, the Defense Acquisition System and the Planning Programming and Budgeting Systems. In order to better provide the reader with a concept of the DoD 5000 model, it is provided as Figure 1.

![The 5000 Model Diagram]

**The 5000 Model**

- Process entry at Milestones A, B, or C (or within phases)
- Program outyear funding when it makes sense, but no later than Milestone B (unless entering at C)

Figure 1. The 5000 Model.
[From: DoDI 5000.2]

Although the DIMHRS [Ref: DoD 5000.2R] is not a Major Weapon System, the DoD 5000 regulation views Automated Information Systems criteria the same as Major Weapon Systems but they do not often fit the same developmental requirements as Major Weapon Systems. Automated Information Systems focus primarily on the development of software requirements and are eventually hosted in hardware.
applications within open system architectures throughout DoD. These development systems are enablers of information that provide warfighters with the ability to rapidly gain access to information while maintaining the individual’s security and privacy.

In the case of the DIMHRS program, the objective is to provide within DoD, the services of a fully integrated military personnel and pay capability for all components of the Military Services in the Department of Defense. DIMHRS when fielded, will present the Services with a fully integrated capability of providing the warfighter with:

- Accurate and timely data on personnel assets.
- Standard data for comparisons across Services and components.
- Ability to track Reservists for both pay and service credit.
- Ability to track Active Duty personnel (and reservists) in and around the theater.
- Integrated personnel and pay functions to all service personnel.

The DIMHRS program is currently being managed from the SPAWAR Information Technology Center (ITC) located in New Orleans. The SITC is a level III activity within the Space and Naval Warfare Systems Command (SPAWAR). The DIMHRS program was originally chartered in 1997. Since that time, approximately $3M of equipment has been purchased in support of the program’s operational requirements. The typical type of property purchased consists predominantly of high-end servers, desktop monitors, printers, fax machines, and a wide variety of application related software.
The Federal Acquisition Regulation (FAR), [Ref. Part 45.101] defines “Government Property” as [FAR45.10]:

All property owned by or leased to the Government or Acquired by the Government under the terms of all contracts.

During the initial establishment of the SITC, in 1997, the ITC was a field activity of the Naval Reserves Systems Command Force COMNASRESFOR. The ITC management made a decision to provide all contractors with Government-Furnished Property (GFP). As a result of this decision, the individual program offices had to provide the support contractors with the necessary equipment to perform their respective duties and responsibilities. The cost of providing contractors with GFP was then imposed on the DIMHRS program. FAR defines GFP as [Ref. Part 45.101]:

Property in the possession of, or directly acquired by the Government and subsequently made available to the contractor.

The DIMHRS Program Office is chartered with the responsibility to plan, develop and field the systems in accordance with the provisions of DoD 5000.1. The DIMHRS, Program Office expended the larger part of $3M of O&M in providing the support contractors with desktops, printers, monitors and the necessary software to carry out the individual objectives of the program. Additionally, the DIMHRS program acquired several high-end processors and development servers to facilitate the testing of software applications associated with the program.

The DIMHRS program requirements are not classified, nor are they subject to national security concerns as in the case of many Major Weapon Systems within DoD. There is,
however, a classified element in the application of the DIMHRS program, since it contains data that if acquired improperly, could provide information related to the deployment of our troops in times of conflict. On the other hand, the property acquired and provided to contractors is of significant value. Once assigned, it must be managed in accordance with the applicable Federal Acquisition Regulation (FAR), which deals with the management of property in the hands of contractors. [Ref. Part 45.101] FAR establishes the procedures for providing property to contractors. It also establishes the process for the management, reporting, and redistribution of property in the hands of contractors.

Since the DIMHRS program’s original charter in 1997, the program office has acquired a significant amount of hardware and software in support of program execution. Approximately 75% of this equipment has been provided to the local support contractors.

Support contractors primary duties constitute the development of documentation in support of the program requirements. As of the end of 2001, the program managed to achieve Milestone A. Milestone A is defined as the Concept and Technology Development phase. It allows for the program to development the idea of Concept Exploration. Concept Exploration is defined as:

Examining alternative concepts, including cooperative opportunities and procurement or modification of Allied systems or equipment, to meet a stated mission need. This path begins with a decision to enter into Concept and Technology Development at Milestone A. The phase ends with a selection of a system architecture(s) and the
completion of entrance criteria for Milestone B and Systems Development and Demonstration Phase. [Ref. DoDI 5000.2]

As seen in Figure 2, Milestone A is a period of time when the program office is acquiring a wide variety of systems-related equipment for the purpose of selecting an acceptable systems architecture.

![Concept and Technology Development Work Content](image)

**Concept Exploration**
- Paper studies of alternative concepts for meeting a need

**Component Advanced Development**
- Development of subsystems/components that must be demonstrated before integration into a system
- Concept/tech demonstration of new system concept(s)

**Figure 2. Milestone A.** [From: DoDI 5000.2]

Milestone A approval can lead to Concept Exploration or Component Advanced Development depending on whether an evaluation of multiple concepts is desired or if a concept has been chosen. However, more work may be needed on key sub-systems or components before a system’s architecture can be determined and the technologies can be demonstrated in a relevant environment.
The DIMHRS program successfully reached Milestone A and is progressing to Milestone B. Contractor support functions include, but are not limited to, such activities as initial development, prototyping, testing and verification to name a few. Many of the current efforts are designed to reach Milestone B activities. As Figure 3 shows, Milestone B activities are based on the concept of “System Development and Demonstration.”

**System Development and Demonstration Work Content**

![Diagram showing System Development and Demonstration Work Content]

- **System Integration**
  - System integration of subsystems and components
  - Reduction of integration risk

- **System Demonstration**
  - Complete development
  - Demonstrate engineering development models

**Figure 3. Milestone B. [From: DoDI 5000.2].**

The purpose of the System Development and Demonstration phase is to develop a system, reduce program risk, ensure operational supportability, design for product ability, ensure affordability, ensure protection of Critical Program Information, and demonstrate system integration, interoperability, and utility. Discovery and development are aided by the use of simulation-based acquisition and test and evaluation and are guided by a
System modeling, simulation, test and evaluation activities shall be integrated into an efficient continuum planned and executed by a Test and Evaluation Integrated Product Team (T&E IPT). Milestone B is normally the initiation of an acquisition program. The purpose of Milestone B is to authorize entry into System Development and Demonstration.

The combined efforts of the program office in achieving these milestones constitute a considerable cooperative effort between the support contractor and the program office in providing the respective Milestone Decision Authority (MDA) with the level of documentation required to achieve the individual milestones decisions.

In July of 2001, a new Military Program Manager was assigned to the DIMHRS program. As part of a normal transition, it is customary that the existing Program Manager provide a full accounting of all program-related activities to the new Program Manager. One of these requirements constitutes an accounting of all the assets related to the program. For reasons unknown to the researcher, the accounting of the program assets was not accomplished. This study in part, is intended to accomplish the accounting of the DIMHRS program assets on behalf of the new Program Manager.

C. OBJECTIVES OF THE RESEARCH

The primary objective of this research is to determine if the current Federal Property Management Regulations provide Major Systems Acquisition Program offices with the
proper guidance to insure the effective and efficient management of Government acquired property at the program level.

The study will analyze the current policy and regulatory guidance associated with the management and control of property at the program management level. The study will conduct an analysis of the current status of all property acquired during the program’s tenure and will determine the status of all property, location, value and level of accountability within the program.

The study will develop an analysis of what actions take place within the program and determine if the current regulations within the Department of Defense and Department of the Navy provide program offices with the proper guidance in the management of property at the program level. It will also determine if the current policies and procedures are adequate for program managers to manage all property acquired in the process of program execution.

The study will look at the affect of current regulations on property accountability at the program level and will make specific recommendations in areas where policies and procedures can be implemented to ensure that all property acquired by program offices is properly accounted for at the program level.

The study will provide the Department of the Navy with a clear analysis of the current regulations and provide regulatory recommendations on the proper use, control and management of property at the program management level. The insight gained will provide SPAWAR, PEO-IT and the current DIMHS Program Manager with real time analysis of
the status of the property acquired and methods currently used to account for this property. If deficiencies are found, the researcher will provide the Program Manager with recommended approaches and solutions to correct any problems or deficiencies found during the study in the form of conclusions and recommendations in the use and management of property at the program level.

D. RESEARCH QUESTIONS

1. Primary Research Question

• Is the current Property Management System as required by the Navy Property Management Regulations operating efficiently and effectively in support of the Major Systems Acquisition Programs in the Navy?

2. Secondary Research Questions

• What are the applicable standards for the management of property in the Department of the Navy?

• Are there any conflicts associated with the current regulations, which preclude efficient and effective management of the program property accounting activities?

• Are there adequate controls in the issuance, receipt and control of property accounting activities?

• What specific problems occur due to deficiencies in the current management systems of property management and accountability?

• What specific recommendations can be made to improve the process within the DIMHRS Program?

• How can these recommendations be applied to property management within the Navy?

E. SCOPE AND ORGANIZATION

The scope of this thesis is to determine if the current regulatory guidance as contained in the Federal Acquisition, DoD and Navy regulations provide Program
Managers with the necessary guidance to ensure the efficient and effective management of all assets acquired by their respective programs. The researcher will study one such Major Acquisition Program within the Department of the Navy to determine if in fact the current regulations meet the intended needs of these activities. In the process of determining these facts, the researcher will review the following:

• Regulatory guidance associated with the management and control of property at the program management level
• Responsibilities of the Program Manager in the safeguarding and control of property at the program level
• Actual accounting of program assets to determine the value, and ultimate determination of the property acquired on behalf of this ACAT-1D program within the Department of the Navy

F. RESEARCH METHODOLOGY

The methodology includes researching current and associated literature on the subject. The researching of current articles on the subject, the review of existing regulatory guidance associated with the management of property at the Department of Defense, Department of Navy, and the command level will be used as a means of gaining insight into the existing methods of managing and accounting of Government Property at the program management level. The researcher will develop a method for determining the existing status of the assets associated with the DIMHRS program by performing the following:

• An organizational review of existing policies and procedures related to the management of property at the program level
The researcher used a variety of methods for gathering data in order to gain a clear picture of methods activities used for the accounting and management of property at the SPAWAR Information Technology Center (SITC). The researcher defines the existing databases and sources of information which to date are the source of property accountability at this facility as well as the specific DIMHRS program’s unique data. In order to gain a better understanding of the content and context of the three separate databases, the following efforts were undertaken:

- Review of SPAWAR Headquarters processes and procedures
- Interviews with the individual Property Administrators (PA’S)
- Review and analysis of:
  - SITC Database
• PA Database
• Finance Office Database
• Data Analysis
• Conduct a physical inventory at SITC
• Provide results and recommendations

H. BENEFITS OF RESEARCH

There are hundreds of program offices within the Department of Defense and the Navy. Each program office has to acquire a considerable amount of equipment in support of the activities managed. In the researcher’s view, the total value of these assets are in the hundreds of millions of dollars. DoD and DoN, in particular, have been subjected to major budgetary cuts in the past years. This research will determine if the current management process at the program level is efficiently and effectively managing these resources within the program offices. It will also review current policies and procedures that exist, and determine if any possible changes are needed occur to ensure that program offices, within the DoN in particular, are properly accounting for and managing these assets in an efficient and effective manner. This is accomplished in an effort to provide the taxpayers of America with the assurance that the dollars spent in supporting DoN are being properly executed on their behalf.

I. SUMMARY

Chapter I of this thesis outlines the background, objectives and the primary issues related to the management of property in support of the DIMHRS program. The importance of accomplishing the respective milestones within DoD 5000 guidelines and the reasons for acquiring equipment in support of these activities are also examined.
The background segment provides the reader with information on the DIMHRS program office, what the pertinent issues are in the management of property at the program level and how the researcher intends to address issues dealing with the purchase and transfer of property to contractors. Chapter II expands these issues and outlines the methodology used to analyze the existing process used for the management of property and the relevant methods used to account for property on behalf of the DIMHRS program. Chapter II also addresses the pertinent issues associated with maintaining full accountability of property at the program management level. Chapter III analyzes the existing regulatory guidance associated with property management at the program management level. Chapter IV analyzes the effect of the regulation and guidance and Chapter V provides the researcher’s findings, conclusions and recommendations including areas of proposed further research on the subject.
II. OVERVIEW ON THE EFFECTIVE AND EFFICIENT USE AND MANAGEMENT OF PROPERTY REGULATIONS AT THE PROGRAM MANAGEMENT LEVEL

A. BACKGROUND

Prior to the issuance of the Federal Acquisition Regulation (FAR), the management of property associated with Major Weapons was subjected to a number of policies, procedures, and guidance that Congress instituted in an effort to ensure that legislative controls were being instituted. Among these are OMB Circular A-109 of April 5, 1976 [Ref. 1] has not only promoted competition throughout all phases of the Acquisition process but also instituted the level of control and direction in which agencies must conduct business. The Circular also provided all Federal Agencies with the definitions associated with the financial management and controls associated with the management of Major Systems within the Government.

Of all the references associated with the Circular, the one related to the management and control of property at the program level is the most telling. The reference deals with the need for program managers to be responsible for the analysis of the agency’s mission, the determination of the mission’s needs, setting of program objectives and determination of their program’s requirements. The Circular goes on to mention the need for program managers to focus on critical elements such as planning, budgeting, funding, research, engineering, development and testing and evaluation. Lastly the Circular requires program managers to oversee and manage the control of property within their responsibility.
The Circular’s guidance is significant as it also task’s the individual agencies to assign a Program Manager with possessing the prerequisite qualifications in a wide range of acquisition related areas and skills.

The issues associated with the use and management of property both acquired by the Government for its own use and that furnished to Government contractors have existed since the 1930’s. In a thesis written by John R. Oxford dated December, 1995 [Ref. 2:p. 12] the author quotes a paragraph in a book written by Frederic M. Scherer, (The Weapons Acquisition Process Economic Incentives): [Ref.3]

During the 1930’s and 1940’s Government aircraft procurement agencies typically bought such items as bombing and navigational subsystems instruments, radar units, electrical power supply units, ground maintenance equipment, test equipment, etc. directly from Government-Furnished Property to an airframe prime contractor, which completed the job at a Government installation.

Since that period, many studies have focused on the control of property both in the hands of the Government and the support contractors, but with the exception of those isolated studies conducted by Oxford on very specific areas, the issue of property management and control of assets at the program level have gone relatively unnoticed.

B. GUIDANCE ON GOVERNMENT-FURNISHED PROPERTY

As noted in the earlier chapter, the management at SITC New Orleans made the decision that support contractors be provided Government-Furnished Equipment. As a tenant activity at the SITC, the DIMHRS program office is required to provide contractors supporting the program with GFP. As
a result, the program office provided over 75% of the current assets to the support contractors.

The Federal Acquisition Regulation [Ref. 4] has historically placed some restrictions on the issuance of GFP to contractors. In order to protect the rights of the Government, the FAR implemented a series of conditions prior to the issuance of GFP to contractors. Approval is contingent on the activities meeting the conditions outlined by FAR which states [FAR 45.102]:

Contractors are ordinarily required to furnish all property necessary to perform Government contracts. However, if contractors possess Government property, agencies shall--

(a) Eliminate to the maximum practical extent any competitive advantage that might arise from using such property;

(b) Require contractors to use Government property to the maximum practical extent in performing Government contracts;

(c) Permit the property to be used only when authorized;

(d) Charge appropriate rentals when the property is authorized for use on other than a rent-free basis;

(e) Require contractors to be responsible and accountable for, and keep the Government’s official records of Government property in their possession or control;

(f) Require contractors to review and provide justification for retaining Government property not currently in use; and

(g) Ensure maximum practical reutilization of contractor inventory within the Government [FAR 45.601]
C. PROPERTY CONTROL SYSTEM

In instances when an activity has justified the use of GFP by contractors, the FAR requires the contracting officer to task the contractor to develop a property control system. The contracting officer is required to assign a property administrator to be responsible for the continued review. FAR states [FAR part 45.105]:

45.105 -- Records of Government Property.

(a) Contractor records of Government property established and maintained under the terms of the contract are the Government’s official Government property records. Duplicate official records shall not be furnished to or maintained by Government personnel, except as provided in paragraph (b) of this section.

(b) Contracts may provide for the contracting office to maintain the Government’s official Government property records when the contracting office retains contract administration and Government property is furnished to a contractor

(1) For repair or servicing and return to the shipping organization;

(2) For use on a Government installation;

(3) Under a local support service contract;

(4) Under a contract with a short performance period; or

(5) When otherwise determined by the contracting officer to be in the Government’s interest.

In the case of the SITC support contractor, the Contracting Officer incorporated the appropriate FAR clause. [FAR 52.245-5] This clause requires the contractor to adequately maintain a property control system and must
provide periodic accountability as determined by the Property Administrator of record.

Additionally, DoD 4161.2-M Manual “DoD Manual for the Performance of Contract Property Administration.” December 1991, [Ref. 5], Chapter I Para. 4 states:

It is the Government’s policy to rely upon Government contractors to be accountable for and maintain official records of Government Property in their possession. Contractor records are essential for contract property management.

Furthermore, the DoD Manual 4161.2-M paragraph B “Objectives of Property Administration” states:

The primary objective of the property administration function is to attain efficient, economic, and uniform management of all Government property required for the performance of contracts. The function is mainly to administer the terms of contract provisions that specify the contractor’s obligation to acquire control use, care for, report, and dispose of Government property, and to advise contracting activities and other DoD officials of the known level of efficiency of the contractor’s management of property.

The DoD Manual requires that the Property Administrator be the individual responsible for the adequacy of these reviews. Although the Manual provides the PA some level of discretion on the part of specific reviews, the Manual requires that evaluation methods must be effective to properly identify and resolve significant problems. The manual also places higher priority on the technical aspects of the review and the information. [DoD 4162.2-M]
D. RECENT GUIDANCE: DON PERSONAL PROPERTY POLICIES AND PROCEDURES

Another factor in need of review is the Navy’s guidance on the handling and management of personal property at the facility level. The guidance, establishes definitions, policies, and responsibilities for the use, handling and management of property in DoN [Ref. 6].

The SECNAVINST 7320.10 adds new classifications to the handling of property at the facility level. The instruction defines ‘Personal Property’ as [Ref. 6]:

A sub category of General PP&E, includes items used to produce goods and /or services to support DoN’s mission. Personal property includes; office equipment, industrial plant equipment automated data processing (ADP) equipment, Government-furnished equipment (GFE), and other types of assets including leased assets.

The instruction also establishes accountability requirements for Personal Property as [Ref. 6]:

Accountability for all capitalized, minor, pilferable, and GFE assets and assets lease agreements (in which the Net Present Value of the total minimum lease payments) greater than the accountability threshold of Contractor acquired property shall be established upon the asset’s transfer to the DoN.

The Instruction establishes a clear mandate in the accountability of personal property above the accountability level be tracked by a “compliant personal property management system” approved by DoN. The instruction prohibits the use of any other system other than the approved DoN system.
The Instruction requires the appointment of roles and responsibilities to such individuals as the Activity Commander. It defines the “Commander” as [Ref. 6]:

Commander/commanding generals/commanding officers/directors/officers in charge (hereafter referred to as Commander(s) at DoN activities.

The Instruction defines the required roles and responsibilities associated with the management and accountability as follows [Ref. 6]:

a. **Commander** – is overall responsible for ensuring that all command personal property in properly maintained, safeguarded, accounted for, and accurately reported. This includes the proper recording/reporting of the financial information for the personal property in the commander/s possession.

b. **Personal Property Manager (PPM)** – Shall be designated in writing by the Commander and is responsible for implementing the policies and procedures established by this instruction, scheduling training for personal property personnel, ensuring personal property system data security and integrity, and coordinating physical inventories (counting requirements).

All the aforementioned individuals are assigned specific roles and responsibilities to insure that Personal Property under the cognizance of these facilities is carried out by the:

1. Routine scheduling of physical inventories
2. Implementation and control, and;
3. Control of access to personal property by unauthorized individuals. [SECNAVINST 7320.10]

23
E. FINANCIAL MANAGEMENT GUIDANCE

The Federal Manager’s Financial Integrity Act (FMFIA) of 1982, Title 10 U.S. Code section 2721 and the Federal Accounting Standards Advisory Board states: [Ref. 7],

Federal Agencies are to provide reasonable assurances towards the safeguarding of funds and assets.

Additionally, FMFIA requires that:

..assets be under continuous accounting controls from the time acquisition to disposition.

A recent handbook titled “Practical Financial Management: A Handbook of Practical Financial Management Topics for the DoD Financial Manager,” [Ref. 8] dated January 2001, highlights many of the requirements associated with the management and accounting of property at the Program level. The handbook provides a number of critical definitions and associated guidance on property accountability at the program level.

The Handbook is based on the previously referenced SECNAVINST 7320.10.

Definitions are categorized as follows:

**Personal Property**

In this section we will discuss Personal property, formerly known as plant property and minor property. Personal Property includes items used to produce goods and services to support the Navy’s mission, are not consumed and includes equipment, industrial plant equipment, Government-furnished equipment and other types of assets. It does not include inventory items held for sale, operating materials or supplies, land weapons or weapon systems. The term “class 3 and 4 Plant Property” and “Garrison Personal
Property” are no longer used but are now collectively known as Capitalized Personal Property, a category of General Personal Property.

The handbook goes on to define and describe five individual categories of property: (1) General Personal Property; (2) Personal Property Leases; (3) Personal Property in the Possession of Contractors; (4) National Defense Equipment (NDE), e.g., personal property components of weapon systems and weapon systems support equipment, training simulators, and ;(5) Heritage Assets.

The handbook further indicates that all of the above items require “control” but the manner and level of control depends on the type of property category [Ref. 8]. The handbook as in the same case as this study is focusing on the first category of equipment or “General Personal Property.”

F. DEFINITIONS

General Personal Property is broken down into four distinct categories consisting of the following [Ref. 8]:

- **Capitalized Personal Property**: has an acquisition cost of $100,000 or greater and has a useful life of 2 years or more, and is not intended for sale in the course of operations. These assets will be reported on annual financial statements and will be tracked in the property accounting system.

- **Minor Personal property**: has an acquisition cost of $2,500 or more and less than $100,000; or has an acquisition cost of less than $2,500 and is sensitive or classified material and has a useful life of 2 years or more; or, material that does not meet the capitalization criteria above. Minor Personal Property items will be expensed and not reported on annual financial statements. However,
they will be tracked in the property accounting system.

- **Pilferable Personal Property**: has no minimum acquisition cost and includes portable items that can be easily converted to personal use, have been determined to be critical to fulfilling the activity’s mission and are hard to repair or replace. These items will be tracked in the property accounting system.

- **Sub-minor Personal Property**: has an acquisition cost of less than $2,500, has a useful life of less than 24 months and is not determined to be pilferable, classified or sensitive material. No financial reporting requirements exist except for those specified at the local activity. Sub-minor items are not required to be tracked in the property accountability system.

The handbook also requires that all the aforementioned types of personal property are directed by DoD to be entered into the Defense Property Accountability System (DPAS). DoD identifies DPAS as the single system for property accounting and providing general ledger control to assets under the control of the property administrator. DPAS provides program offices and financial managers with a single source of actions related to property management, financial accountability, equipment utilization, preventive maintenance schedules, bar codes inventory capabilities and warranty information.

### G. PROPERTY ACCOUNTABILITY

The Financial Management handbook also states that DoD policy requires all property be recorded and tracked in the Defense Property Accountability System (DPAS). Additionally, DoN policy mandates the following [Ref. 8]:

- All Personal Property recorded in DPAS must have a bar code applied within 15 days of receipt at the activity. The barcodes are to be 10 digits in
length, and include the Unit Identification Code (UIC) followed by the unique alphanumeric code assigned to the local activity;

- Capitalized, minor and pilferable personal property will be recorded in DPAS upon receipt;
- Items that have been disposed of must be removed from DPAS at the time of disposal;
- Capitalized items must be depreciated at the appropriate depreciation rate upon receipt, and the depreciated assets must be reported on DoN annual financial statements;
- Minor, pilferable and sub-minor property items shall be expensed upon receipt, and shall not be depreciated;

The Financial Handbook requires that the activity designate a Personal Property Manager (PPM). The PPM is responsible for the management of the activity’s Personal Property Program, training of personnel, conducting physical inventories, and maintaining the integrity of DPAS. The PPM is responsible for the designation of Responsible Officers (RO). These individuals are responsible for exercising due care for all personal property assigned to them and in the custody of the persons reporting to them.

H. DOCUMENTATION

Documentation is required for all capitalized property, minor and pilferable Personal Property. The designated PPM must have copies of the original site licenses associated with all externally developed software. The PPM must maintain all documentation for 36 months after the item(s) is/are disposed of. Documentation requirements associated with this process are found in the SECNAVINST 7320.10 series.
I. INVENTORY REQUIREMENTS

Physical inventories must be carried out on all Personal Property items maintained in DPAS. Results of physical inventories must be consistent with the contents of the DPAS inventory and the physical inventory must reflect the content of the DPAS database.

Physical inventories must be accomplished at least every three years for this type of property or in the event of a change in PPM, RO, or Commander/Commanding Officer. Documentation must include the assets listing, record of adjustments signatures of persons conducting the inventory, evidence that physical assets were compared to DPAS physical assets and that the physical assets were compared to the DPAS Database. Responsible Officers are responsible for accounting for all discrepancies through the completion of a DD Form 200 (Financial Liability Investigation of Property Loss) for any item found to be lost, stolen, or missing.

The guidance contained in the aforementioned handbook is not found or cross-referenced in any of the FAR, DoD, or DoN property management regulations. It is, however, contained in SECNAVINST 7320.10 and is part of the DoD Financial Management Regulations [Ref. 9] This guidance contains perhaps the most comprehensive information on the issue of property accountability at the facility level in DoD and DoN.

J. SUMMARY

Chapter I identified specific issues associated with the control and management of property within the DIMHRS
program located at the SPAWAR Information Technology Center in New Orleans LA. Chapter II outlined the process currently used for the purchase, receipt and control of program related property at this facility. FAR Part 45 delineated the specific policy guidance which outlines the requirements of Government offices in the proper control and management of property at the program level.

Comprehensive information on the definition and guidance on the use and accountability of property at the facility level based on the latest SECNAVINST was also provided.

Chapter III will provide an overview of the steps taken to account for the program specific property at the facility through the conduct of interviews, physical inventories and a study into the existing procedures used at the facility in the capturing of information on accountable assets. Chapter IV provides a clear understanding of the dynamics associated with the control and management of this property at the Program level, and how the regulatory process either compliments or detracts from the proper management of property. The researcher will investigate the sources of data associated with the existing property, the methods used in tracking and accounting for the property both at the facility and the program office, and the property in the hands of the Government as well as property in the hands of contractors.
III. RESEARCH METHODOLOGY

A. INTRODUCTION

Chapter III develops the process that will be used in analyzing the content associated with the respective databases located in SITC. It will provide specific areas for investigation and a method for accounting for the DIMHRS related property at this facility.

As discussed in previous chapters, one of the critical issues associated with determining the effective and efficient distribution and control of property at DIMHRS is to identify the source and location of property acquired by the program office since 1999. Although the program has been ongoing since 1997, the researcher will determine the reasons why the data were not properly documented during the two-year period from 1997 to 1999.

The Information Technology Center is a level III activity within SPAWAR command. The researcher contacted the Senior Property Manager for the command to gain insight into the command’s existing policy, procedures and systems used for controlling and managing property at the command level. The researcher also wanted to determine the level of oversight SPAWAR has over the level III activities in the area management of property and accountability.

Property at DIMHRS is currently being managed and administered in three separate databases. Although not the normal method for managing property assets at the activity level, the three databases contained pertinent information necessary to determine the actual location and total content of the DIMHRS property, and all three databases
required some level of review and analysis. The three databases include: (1) the SPAWAR Information Technology Center property management database, (2) the DIMHRS financial management database, and (3) the DIMHRS Property Administrator database. The three sources of information are not consistent with the existing guidance associated with the SECNAVINST 7320.10. The guidance calls for the use of a single mandatory database to be used.

B. REVIEW OF SPAWAR HEADQUARTERS PROCESSES AND PROCEDURES

The researcher interviewed the senior SPAWAR Property Manager to gain insight into the systems currently being used, and to determine what guidance the PM has provided to the field activities in the management and control of property at the facility level. The emphasis and focus of the interviews was not placed on the type, content, and methodologies used by the SPAWAR PM in capturing the content of their database.

The researcher determines if there is some level of connectivity and overall accountability of the data at the facility level and if any existing policies and procedures have been developed at the Headquarters to ensure that property has been properly accounted for at the facility level in accordance with the provisions of Title 10 U.S. Code section 2721, and the Federal Accounting Standards Advisory board.

Finally, the researcher determines if SPAWAR HQ, and all the other level 3 facilities within the SPAWAR command have transitioned to the new DPAS database program mandated by DoN policy. If so, what steps have been taken to ensure
that all the other facilities within the command have complied with the provisions of Title 10.

C. INTERVIEW WITH DATABASE/PROPERTY MANAGERS

For the purposes of this study, the researcher met with individual Database Managers to determine the content of their databases. In the case of SITC, the Database Managers are synonymous with Property Administrators. In order to gain insight into the methods each of the PAs have instituted to capture data associated with DIMHRS assets, five questions were developed as a means of obtaining specific uniform responses from each of the individuals.

A survey of the three existing SITC databases to determine what methods, policies and procedures have been implemented in the management and accountability of property at the facility level was conducted. The preliminary analysis of the content of each of the databases and a review of the methods the activity uses in the processing of property on behalf of the program offices within the facility is also provided.

The review also determines if the facility PA has developed a process in accounting for property provided to contractors at the facility, and also if they have complied with the FAR requirement that contractors with Government-furnished property are required to develop their own method of accounting for their property in accordance with FAR.

The researcher submitted specific questions to each of the database managers. The questions are intended to obtain specific answers related to the source, content and reasons for each of the databases.
The questions asked were:

1. Is the database you are managing a standard system or one developed uniquely to provide accountability of the property you manage?

2. If it is not a standard, why was it developed?

3. What type of information does the database keep?

4. Do you share the information contained in your database with other PM managers?

5. Are you aware that DPAS is a mandatory database? If so, have you received any formal guidance from HQ or existing policy?

D. REVIEW AND ANALYSIS OF SITC, PA AND FINANCE OFFICE DATABASES

As stated previously, the use of three databases is not part of the normal DoD or DoN policies associated with the management of property at the facility level. It was necessary for the researcher to determine the rationale used in the development and use of three separate databases in tracking the assets of DIMHRS.

It is the intent of the researcher to conduct a thorough analysis of the database’s content to determine the nature of the information and compare it to the other existing databases in an effort to determine if there are any differences, or if the information contained is consistent, and/or duplicative of the facility database.

E. DATA ANALYSIS PROCESS

Data analysis will be in the form of an independent review associated with the individual databases mentioned in this chapter. The data analysis will be conducted in as scientific a manner as possible and will be used as the basis for comparison of the results of the physical
inventory to be conducted. The analysis will focus on a standard method of comparing the existing requests from the activity, comparing them to the actual purchase order documents, matching them to the property record and finally determining its location based on the physical survey to be conducted.

F. CONDUCT OF PHYSICAL INVENTORY AT SITC

The physical inventory will be the last of the functions in this process as a way of being able to determine the physical location of all of the items contained in the respective databases. The findings associated with the inventory will provide the researcher with a means of determining the validity of the data contained in the respective databases as well as determining which of the databases possesses the more accurate assessment of the property managed on behalf of the DIMHRS program.

The results of the physical inventory will yield valuable insight into the methods the facility used for accounting for property as well as determining if the contractors have managed their GFP provided property in accordance with established guidelines.

G. SUMMARY

Chapter III developed the process that analyzed the content associated with the respective databases located in SITC. It provided specific areas for investigation and provided the researcher with a method for accounting for the DIMHRS related property at this facility. Chapter IV will accrue all of the data and provide an analysis of and a quantum associated with the actual content of the data. Chapter V will provide a series of observations and
recommendations associated with the data analysis conducted in Chapter IV.
IV. PROPERTY MANAGEMENT DATA AND ANALYSIS

A. INTRODUCTION

The previous chapter discussed the processes for determining the best methodology for determining the status of DIMHRS property. The researcher accomplished a number of steps to reach the overall conclusions and recommendations for this. The research effort determined what guidance the SPAWAR HQ had provided to this level III activity through an interview and inquiry with the SPAWAR Property Manager.

As noted in the previous chapter, data associated with the DIMHRS property are being kept in three different databases. Although standard procedures require that property management information should be maintained in a single standard database, SITC is currently using three separate databases as a means of tracking DIMHRS property information. Although the purpose and reasons are not currently known, the researcher contends that interviews and discussions with the existing database managers are essential in gaining insight into the methods used at SITC in accounting for DIMHRS property. Figure 4 describes the current method used at the facility to track property transactions.
For purposes of clarification, it must be noted that the financial database is not a true database but an “Excel” spreadsheet developed by the DIMHRS financial manager as a way to track specific expenditures against the program baseline. For the purpose of this study, the researcher considers it a database on the grounds that it was also used as a baseline method of tracking specific expenditures with the intent of tracking the actual cost of property and other expendable items.

As Figure 4 shows, an analysis of the existing databases determines the content of the information and compares the data with an actual physical inventory of the premises to determine what method of accountability is being used, and if discrepancies are found, what steps have been taken by the facility property administrator to reconcile the existing DIMHRS property accountable document.

In addition to reviewing and analyzing the individual databases, the researcher will make an analysis of the number of items and dollar value of GFP assigned to
contractors. The analysis will attempt to determine if the issuance of GFP has played a critical role in the management and accounting of property at the program level.

B. DATA PRESENTATION

Data were gathered from each of the sources previously mentioned in the form of a printout of their respective databases. The databases contained a mixture of items including hardware, software, furniture, and some pilferable items. The list also contained items listed as minor construction.

A key factor observed early in the research of these databases is that all three databases did not contain the same type of data and all three did not use a uniform method in the nomenclature of assets, definitions, terms or descriptions for the assets being controlled. Differences are noted below:

1. SITC Database

- Captures equipment in excess of $2500.00 in value and does not capture information associated with items deemed to be of a pilferable level including cell phones, low dollar printers, scanners and fax machines. The SITC database, called Controlled Equipage Inventory System (CEIS), captures such fields as document numbers, department locations, plant property numbers, functions and the individual to which the property is assigned. Additionally, the SITC system does track the value and location of software purchased in support of the activity but actually does not separate the property items by the activity that purchased the items.

- The SITC Database does not capture asset information based on the program element. For instance, there is no method of determining what assets are assigned to the DIMHRS and which belong to other activities. Assets are only listed by the serial number and location of the
asset without any specific reference to its origin.

2. **Financial Database**

- Focused primarily on the purchase order requesting the amount of the order and the Job Order Number (JON). A JON is a representative number assigned to a line of accounting and an individual account number that is assigned by most Navy Working Fund activities that place multiple purchases under a single line of accounting. A total amount is then obligated in advance and individual purchases are then deducted from the total. The JON, while it provides the Working Fund with a method for tracking expenditures against their individual multiple customers, does not provide the activity information about the individual items purchased.

- The financial database captures purchase order numbers separately to track individual transactions from the activity but the individual information about purchase order numbers, the value of the asset and the date the asset was purchased is not tracked. The information related to the actual value of the asset and the date it was purchased is tracked separately.

3. **Property Administrator’s Database**

- Captures most of the information associated with the two other databases with the exception of the purchase order number and the actual value of the asset. The database uses a completely different method for tracking assets procured by DIMMHRS. The property administrator’s database captured data associated with the location, the property tag number, serial number and the estimated value of the item but does not appear to reconcile the data with the financial database with the actual value of the asset at the time of purchase.

- The database did not contain many of the fields associated with CEIS and did not appear to contain the same data as the PA database.
C. INTERVIEWS WITH PROPERTY ADMINISTRATORS

As defined in Chapter III, the researcher developed a set of questions to gain a better understanding of why individual databases were used by each of the activities in capturing property data inclusive of SPAWAR HQ. The questions asked centered on the specific type of database used, reason for acquiring/development of the database, type of data captured, if the data are openly shared with others and to determine if each of these activities were aware of the standard database mandated by the DoD in the management of property.

1. SPAWAR HQ Responses

The SPAWAR HQ Property manager provided the following insights into the use and management of property at the command level. SPAWAR HQ has been utilizing DPAS as their standard system for some time. However, it does not appear that this information or the use of SECNAVINST 7320.10 has been widely used or distributed to the other level III activities within the command. Responses are as follow:

1. Is the database you are managing a standard system or one developed uniquely to provide accountability of the property you manage?

   • Yes, we have been using DPAS for two years.

2. If it is not a standard, why was it developed?

   • No response

3. What type of information does the database keep?

   • Database maintains such items as; Minor Property, computers, Palm Pilots, laptops and pilferable items.
4. Do you share the information contained in your database with other PM managers?

- Yes I share the database with Chesapeake (researchers note; Chesapeake is a level three activity within SPAWAR HQ). They are also on DPAS. SPAWAR HQ is the owner of the data.

5. Are you aware that DPAS is a mandatory database? If so, have you received any formal guidance from HQ on existing policy?

- Yes, I have attended two working conferences and they have provided me with guidance and policy. Once I receive the applicable guidance I will send it to your facility

- SPAWAR HQ Additional Information

The SPAWAR Property Manager provided additional information about the totals in the database. The specific method of accounting for the information, the use of DPAS and the types of data captured were not provided in the SPAWAR HQ submission. The submitted responses were informative but failed to provide a clear and definitive insight into the way SPAWAR HQ manages its database.

<table>
<thead>
<tr>
<th>LOCATION</th>
<th>NUMBER OF RECORDS</th>
<th>VALUE OF DB</th>
</tr>
</thead>
<tbody>
<tr>
<td>N00039</td>
<td>6,921</td>
<td>$10,311,062</td>
</tr>
<tr>
<td>N58561*</td>
<td>6,003</td>
<td>$15,907,234</td>
</tr>
<tr>
<td>N68562*</td>
<td>977</td>
<td>$979,219</td>
</tr>
<tr>
<td>N46697*</td>
<td>135</td>
<td>$210,356</td>
</tr>
</tbody>
</table>

Table 1. Totals in the SPAWAR HQ Database.

[Developed by researcher]
2. Interview with SITC Property Administrator/Database Administrator

The SITC Property Administrator was asked to provide the following responses about the origin and nature of their database. The responses follow:

1. Is the database you are managing a standard system? Or one developed uniquely to provide accountability of the property you manage?

   • The present database was developed on or about 1995 for the NAVY Reserve Force (COMNASRESFOR). The U.S. Navy began converting to a new system in January 1999, called the Defense Property Accountability System (DPAS) This office is due to convert to the new system during FY 2002.

2. If it is not a standard, why was it developed?

   • The controlled Equipage Inventory System (CEIS) was developed in 1995 to standardize accountability within the COMNAVRESFOR activities.

3. What type of information does the database keep?

   • The database is used to track ADP equipment and pilferable items.

4. Do you share the information contained in your database with other PM managers?

   • The information is shared with our major claimant at SPAWAR San Diego.

5. Are you aware that DPAS is a mandatory database? If so, have you received any formal guidance from HQ or existing policy?

   • This office is aware DPAS is a mandatory database. Formal guidance has been received from Headquarters. DPAS personnel will be training personnel and assisting in the conversion during FY 2002.
3. DIMHRS Property Administrator

The interview with the DIMHRS property administrator consisted of specific responses associated with the questions referenced in Chapter III of this study. The responses follow.

1. Is the database you are managing a standard system or one developed to uniquely to provide accountability to the property you manage?

- The database I use to track DIMHRS hardware and software was originally developed when we were at the “Chef” facility to track NSIPS equipment.

2. If it is not a standard why was it developed?

- The DIMHRS office copied the database, made some minor changes to accommodate DIMHRS needs and went with it. We needed something fast and didn’t want to spend money when NSIPS already had a system that worked well.

3. What type of information does the database keep?

- The database keeps track of where a certain item is at the present time, who had it previously and who had it before them, etc. It tells where the person is located, what company they work for, what group within the project they support, when they acquired the item, how much the item cost and what requisition it was purchased from. Also, there is a place for additional comments that the reader may need to know.

- You can retrieve information in various ways, for example by calling up the persons name you can see what is assigned to him/her. Or by calling up a particular type and model of equipment you can see who has custody of all that type of equipment. You can see what equipment came with that requisition. You can list equipment by
serial number, property tag number, owner, type of equipment, etc. The database for easy transfer of equipment from one person to another and prints out the Internal Transfer Worksheet. That is signed by the receiving custodial of the equipment or software.

4. Do you share the information contained in your database with other PM Managers?

• I share the information from the inventory database on a need to know basis.

5. Are you aware that DPAS is a mandatory database? If so, have you received any formal guidance from HQ. Or existing policy?

• If DPAS is a mandatory basis I will use it, but have not been given any formal guidance in it yet.

4. Financial Database Administrator

Interview with the financial database administrator consisted of the submission of the five questions described in Chapter III. The responses follow.

1. Is the database you are managing a standard system or one developed to uniquely to provide accountability to the property you manage?

• Not really a database but an Excel spreadsheet which captures funding documents and tracks them back to the charge back report.

2. If it is not a standard why was it developed?

• This spreadsheet was prepared in order to match transactions/expenditures to the financial reports to the month in which the actual expenditure was charged to the program.
3. What type of information does the database keep?
   • Spreadsheet contains procurement amounts, description of the item(s), date ordered date received and the chargeback month and amount expended.

4. Do you share the information contained in your database with other PM managers?
   • The information was not prepared to share with other PMs but to make certain financial information is as accurate as possible.

5. Are you aware that DPAS is a mandatory database? And, if so, have you received any formal guidance from HQ. Or existing policy?
   • No we are not aware of such a database.

D. SUMMARY

Chapter IV provides the reader with the researcher’s method of data gathering and the process used in utilizing a field questionnaire for the purpose of determining the use of three distinct databases in the capture of asset information in support of the DIMHRS program. The questions were written in an attempt to discover the reason they were developed as well as determine if, at a minimum, the databases shared data with each other. Chapter V will provide a review and analysis of the information contained in the respective databases and is intended to provide the researcher with a clear understanding of what is specifically contained in each of the databases prior to the conduct of the physical inventory. Chapter VI will provide the reader with the researcher’s conclusions and recommendations associated with this study as well as other possible areas of research dealing with the management and control of property at the program level.
V. REVIEW AND ANALYSIS

A. SITC DATABASE

A thorough review was made of the three databases discussed previously: the SITC database, the financial database and the property administrator’s database. The results were most striking.

• When the researcher analyzed the total assets listed in the SPAWAR Information Technology Center’s database, the total number of assets assigned to the DIHMRS program were 335 valued at $524,756.

• Based on a review conducted on the DIMHRS Property Administrator database, the value was listed as 774 with a value of $2,934,404.67.

• The DIMHRS Financial Manager identified at a minimum a total of approximately 106 total requisitions at a cumulative value of $2,899,057.

While the differences noted between the DIMHRS financial database and the property administrator’s database might be the result of problems associated with the method of entry in the respective databases, the most disturbing anomaly occurs with the SITC facility’s database. The SITC database is supposed to be the facilities primary source of property accountability. The SITC database is supposed to serve as the primary entry point for all property acquired at the facility. (See Figure 1). Based on the data found in the SITC database, there is a discrepancy of approximately $2,409,648 in the DIMHRS Property Administrator database and a $2,374,301 difference in the Financial database. The discrepancies between the Financial and the PA databases are only $35,347.
On the basis of these results, the researcher contends that a serious lack of proper accounting of the program level assets exists. As noted earlier, the SITC database is supposed to be the official source of all recorded assets including program level assets. The failure of the SITC database to properly capture and maintain this information points to a serious failure in the current methods used in managing property at the facility.

B. PA DATABASE

The review of the PA database consisted of a thorough review of all items contained in the database. As previously mentioned, the database contains information about the asset, unit cost, document number, property tag number, serial number, person assigned to, accessories cost and aggregate cost. On the surface, the information looks to be in order and well organized. The total value of the DIMHRS assets consisted of 774 items valued at $2,934,404.67. A review of the specific entries uncovered a number of inconsistencies.

- **Lack of Property Accountability**

The database details a large number of transactions both in number and value that were apparently sent to two individual facilities in Virginia and Hawaii, respectively. Many of the items were not tagged and tracked by serial number and the proper transfer documents do not appear on the list. A list of these discrepancies appears below.
<table>
<thead>
<tr>
<th>ASSET</th>
<th>DOC NUMBER</th>
<th>DESTINATION</th>
<th>TOTAL VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPU (40)</td>
<td>N31020-RC-OD195</td>
<td>VIRGINIA</td>
<td>$124,669.00</td>
</tr>
<tr>
<td>MON (40)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. PRINT (2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASSORTED</td>
<td>N3020-98-RC-OD033</td>
<td>VIRGINIA</td>
<td>$18,507.00</td>
</tr>
<tr>
<td>EQPMNT</td>
<td>N3020-98-RC-OD034</td>
<td>VIRGINIA</td>
<td>$2,655.00</td>
</tr>
<tr>
<td>CPU (25)</td>
<td>N3020-98-RC-OD293</td>
<td>VIRGINIA</td>
<td>$78,156.00</td>
</tr>
<tr>
<td>MONITORS (25)</td>
<td></td>
<td>VIRGINIA</td>
<td>$179,435.00</td>
</tr>
<tr>
<td>EQPMNT</td>
<td>N3020-98-RC-OH017</td>
<td>VIRGINIA</td>
<td>$179,435.00</td>
</tr>
<tr>
<td>PC-UPGRD (40)</td>
<td></td>
<td>VIRGINIA</td>
<td>$46,668.00</td>
</tr>
<tr>
<td>PROJECTORS</td>
<td>N3102098RCOH043</td>
<td>VIRGINIA</td>
<td>$179,435.00</td>
</tr>
<tr>
<td>MODULES (24)</td>
<td></td>
<td>VIRGINIA</td>
<td>$19,372.09</td>
</tr>
<tr>
<td>PRINTER C.</td>
<td>N3102000RCOH074</td>
<td>VIRGINIA</td>
<td>$4,430.00</td>
</tr>
<tr>
<td>SWITCH MOD (2)</td>
<td></td>
<td>DEVELOPMNT</td>
<td>$12,709.00</td>
</tr>
<tr>
<td>LAPTOPS</td>
<td>N31020-98-RC-OD004</td>
<td>UNKNOWN</td>
<td>$56,488.00</td>
</tr>
<tr>
<td>CATALYST</td>
<td>N3102000RCOH118</td>
<td>COMP ROOM</td>
<td>$12,547.00</td>
</tr>
<tr>
<td>SERVER</td>
<td>N3102000RCOH113</td>
<td>HAWAII</td>
<td>$20,222.00</td>
</tr>
<tr>
<td>CPU</td>
<td>N3102000RCOH121</td>
<td>HAWAII</td>
<td>$9,558.42</td>
</tr>
<tr>
<td>PRINTER</td>
<td>N3102000RCOH157</td>
<td>HAWAII</td>
<td>$1,549.00</td>
</tr>
</tbody>
</table>

TOTAL $604,365.51

Table 2. PA Database Findings.
[Developed by researcher]

As Table 2 shows, there are significant discrepancies associated with the database due to transfers of property to other organizations. Although the researcher is not implying that the property is lost or there has been any inappropriate action taken, the full loss of accountability in the number of items and the overall value of the property is noteworthy.

• Additional Findings

A continued review of the database also indicated a number of other discrepancies worth noting:

• Improper Matching of Documents

In order to fully match the document numbers to the individuals assigned to the equipment, two lists had to be generated. One had to account for the document number and
the other had to determine to whom the property was assigned.

- **Inconsistent Asset Values**

  Both lists did not have the same value for the items purchased. One example: List (1), consisting of the requisition numbers and purchase values, listed a CPU at a value of $1,978.00 when the same items was found on list (2) and the unit cost was listed as $1,220.00. This was well below the unit cost of the item. This does not take into account that as a MWF activity, there is an approximate 7% increase in the unit value of the original purchase.

- **Improper Custody/Sub-Custody of Assets**

  Of the 774 items listed, over 167 are listed as being in “micro repair” as defined by the PA. This “micro repair” function is used both to repair items and to use as an excess pool. The researcher found it almost impossible to assess the actual value of the “micro repair” pool as the items on the list contained the adjusted values identified in the previous observation.

- **Inaccuracies in Asset Visibility and Values**

  Based on a review of over five (5) separate lists generated by the property administrator at different times during the study, different totals in the number and value of the assets reviewed occurred. It became very difficult to fully assess the actual value of the DIMHRS assets without a physical inventory.

C. **FINANCIAL DATABASE**

  The financial database was developed by the DIMHRS program office to manage and account for all requests for expenditures associated with the Program Office. For
clarification purposes, the Financial Database is really not a true database per se. It is a spreadsheet developed by the Financial Manager for the purposes of tracking expenditures against such items as software, hardware items, furniture, commitments against services contracts, leases for copiers and items identified as minor construction. For the purpose of this study the researcher felt the term database was justifiable from the standpoint that it captured specific property information.

The review of the database caused some difficulties as the expenditures were listed based on the date allocated, a document number, but failed to identify a corresponding Purchase Order Number at the time the item was procured by the purchasing activity. The database did list a Job Order Number associated with the order as well as tracking the amount of the charge back amount.

SITC is a Working Capital Activity that charges tenants such as the DIMHRS program office a 7% surcharge for every transaction processed. SITC, as a result, funnels all transactions processed through a Job Order Number (JON) instead of tracking all of the actions on an individual basis. Although the use of a JON is not improper, the process makes tracking the individual value of items difficult. This is validated by the fact that the researcher found tracking the actual value of the item against the financial database almost impossible. The following discrepancies were found.

• **Improper Descriptions**

The data contained in the database lacked the proper description and nomenclature to correctly determine in many
instances, which items were actually equipment and which contained software and other consumable items. Although this was the case, the researcher managed to account for approximately 100 assets with an estimated value of $2,899,057.00. The overall value of the database is close to the Property Administrator’s database.

- **Inconsistent Identifications of Assets**

  The discrepancies noted in the number of assets may have occurred as the result of the many differences noted in the manner in which the data were accrued and identified in the respective databases. The practice of not tracking all assets based on a single nomenclature made identification of the asset very difficult. The database entries did not clearly identify the actual number of items in each of the requisitions and failed to identify the requestor’s name or the specific reasons associated with the request.

  The current SECNAVINST 7320.10 chapter (6)(b) Depreciation Definitions and Reporting Requirements, requires that program offices depreciated all assets based on a straight line formula.

  **Depreciation Methodology**

  Depreciation for capitalized personal property shall be calculated using the straight-line method. This methodology applies to both the General and Working Capital Funds.

  An accurate assessment in the value of the total assets purchased by a program office is critical in the future procurement decisions by a program office. These data are also critical when future budget decisions are made. The Program Office Business Financial Managers (BFM)
are required to depreciate the value of the assets acquired during the system’s life as a way of making future financial decisions and for the preparation of future budgets.

The issues raised in the review of the financial database most likely cause the BFM difficulty when planning for future expenditures of equipment because of the methods used in tracking the asset values in the financial database. In some instances, the database contained document numbers assigned to individual transactions but there were no actual descriptions or definitions associated with the transactions, thus making it difficult to determine if the item procured was equipment or an expendable item.

<table>
<thead>
<tr>
<th>DATABASE NAME</th>
<th>NUMBER. ASSETS</th>
<th>VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>SITC DB</td>
<td>325</td>
<td>$534,756</td>
</tr>
<tr>
<td>FINANCIAL DB</td>
<td>110</td>
<td>$2,934,404.00</td>
</tr>
<tr>
<td>PROP. ADMIN DB</td>
<td>774</td>
<td>$2,899,057.00</td>
</tr>
</tbody>
</table>

Table 3. Analysis of the Data.  
[Developed by researcher]

D. PHYSICAL INVENTORY

After a review of all the individual databases containing information related to the DIMHRS property, the researcher initiated the physical part of the inventory by utilizing one of the existing databases reviewed earlier in the chapter. The researcher chose the Property Administrator’s database as a baseline because of the three databases studied, the Property Administrator’s database seemed to be the most complete and contained the largest
number of assets. The PA provided a copy of the latest database with all the assets in alphabetical order, sorted by the actual assets assigned to individuals within the facility.

Physically inventory was conducted to identify all of the assets against the baseline document. On each occasion, the researcher approached the location, verified the individual’s name and proceeded to validate the assets against the list. In those instances where the information did not correlate with the information in the database, the correct information was noted on the accompanying sheet, documenting the deficiency by entering a notation on the record that the property was not properly recorded. Additionally, the asset’s serial number, location and property tag number were noted.

The physical inventory was conducted over a two week period and involved reviews of over 243 individuals and 701 assets. Additionally, there were over 167 items located and placed in “micro-repair” or assigned to the PA. These assets were valued at over $215,000, or almost 25% of the value of the overall inventory. The totals described here also do not account for the aforementioned equipment sent to the facilities in Virginia and Hawaii. (See Table 2).

Of the 701 assets inventoried, approximately 38% of these were not correctly assigned. A large majority of these, or approximately 27%, were assets transferred to other individuals without the proper paperwork. The physical inventory also discovered that over 10% of the DIMHRS assets were assigned to non-DIMHRS individuals,
including contractors or to Government employees who did not directly support the DIMHRS program.

Approximately 0.07% of the assets identified in the inventory had not been purchased through DIMHRS funds and had been added to the DIMHRS inventory. Less than 1% of the items were identified as lost or stolen.

The researcher had difficulty finding a large number of the 167 items listed in “micro repair”. About 41 were not found. This totaled approximately 5.9% of the items listed in the inventory.

A major finding concerning the physical inventory is that the Property Administrator assigned all incoming assets to her name prior to reassigning them to a specific person. This practice is not consistent with sound inventory management since the asset loses its visibility and accountability in the process. This practice resulted in a large percentage of the inventory being assigned to other individuals while still in the possession of the Property Administrator. Additionally, the actual number of usable assets versus those in need of repair were difficult to assess.

Overall, the physical inventory yielded approximately 41 assets that could not be found. This loss represents less than 1% of the total inventory not including those items that were sent to Virginia and Hawaii. These assets are not considered lost as they were transferred to a program related function in Virginia and Hawaii. The lack of proper paperwork and accountability will be noted in Chapter VI. Although the term “Property Manager” is used
throughout this research document, the actual property management series is no longer a career series per se.

In the researcher’s view, the reinstatement of the Property Management series in DoD would greatly benefit the service as these individuals are trained to manage and control property at the facility level as primary duties instead of delegating the role of property management as an individual’s secondary duty.

E. SUMMARY

This chapter physically reviewed the data collected and developed an analysis of the information accrued through interviews and conducting a site physical inventory. The information gathered as a result indicated various deficiencies and shortfalls associated with the management of property at the SPAWAR Information Technology Center as well as with the DIMHRS program. The findings and conclusions will be identified in Chapter VI and will respond to the primary and secondary questions associated with this study.
VI. CONCLUSIONS AND RECOMMENDATIONS

A. INTRODUCTION

This research effort focused on evaluating the current regulatory process associated with the management of property at the major systems program level. In this chapter the researcher will discuss the conclusions associated with attempting to determine if the current regulatory process provides for efficient and effective methods of managing assets at the program level. Thus, the researcher will present his conclusions and provide recommendations and areas for further research.

B. CONCLUSIONS

1. Primary Research Question

• Does the current regulatory process for the management of property at the major systems program level provides for the most efficient and effective management and accountability of these assets at the program level? And are best interests of the Department of Navy being met?

In assessing the overall status of the inventory, the researcher conducted inventories of the three databases. The researcher found that there is little or no efficient and effective management of the DIMHRS property at the program level for physical inventory. Additionally, the researcher discovered in the course of interviews, that the Property Administrator for the DIMHRS program was a contract employee. The SECNAINST 7320.10 clearly assigns the responsibility to a Government employee and not a contractor.

The researcher identifies the following key findings.
• **Failed Processes.** The overall status of the DIMHRS assets were at best being tracked but not managed consistently according to existing regulations and good business practices in the management and control of property at the program level. The property records reviewed in all three of the databases, the facility inventory, the financial management, and the Property Administrators database showed that the records were not properly documented and did not contain accurate and up-to-date information.

All three databases when compared to each other did not match. As the figures in Table 3 show, the value of the DIMHRS assets vary greatly from all three databases both in quantities and the values of the assets.

• **Inconsistent Values.** When conducting the interviews, the researcher noted that the actual values of the property being acquired differed greatly from all three databases making compliance with the provisions of SECNAVINST 7320.10 difficult to follow in the area of depreciation, and with the POM process an almost impossible task. It is essential that a single value for all the assets based on the purchase value of the item for depreciation purposes exists as well as the ability of the program office to plan for future replacement of these assets in the budget process.

• **Improper Asset Classification.** The researcher noted the large number of assets being placed in "Micro Repair". As a result, it was almost impossible to determine which items needed to be placed in excess or which needed to be placed into operational use at the program level. While it is acceptable for a program the size of DIMHRS to hold a certain percentage in a loner pool, the number and type of assets being held by the Property Administrator are not consistent with normal property accounting standards.

• **Lack of Training.** It must be noted that one of the major findings was that the individuals assigned to manage and oversee the DIMHRS property were not properly trained. The Property
Administrator was not aware of the existing regulations and admitted never having received any formal training. The PA stated that for the past three to four years she/he worked alone without a supervisor and did not understand why she was being asked to provide information regarding the status of property as she had never had anyone ask before.

• **Stove Pipe Processes.** During conversations with the financial management staff, the same lack of knowledge and understanding of the regulations was echoed. The budget officer indicated his/her only concern was the management of the budget and once the assets/items were purchased and paid for he/she did not make an effort to track the assets any further.

The budget officer was not aware of the SECNAVINST 7320.10 regulation and was not aware that it was his/her responsibility to manage and oversee the issuance of property and maintain accountability on behalf of the program office. In defense of the budget officer, he/she had not been formally assigned to the position since she also worked for the facility and not directly for the program office until several months ago.

• **SITC Database of Record.** The interviews with the SPAWAR Information Technology Center were the most disturbing. During my interviews, the Property Manager was not aware that individual program assets needed to be managed separately based on the actual program of record. The property manager, as the amounts in Table 2 show, did not know the total value of the DIMHRS assets. The data in the SITC database did not segregate the information based on individual programs. When the data were entered into the database, they did not properly identify the specific program of record.

• **Outdated Policies and Procedures.** When asked for existing policies and procedures, the Property Manager provided the researcher with a copy of a Naval Reserve Instruction NAVRESINDOSYSOFF INSTRUCTION 4400.01 DATED 2001. Although the
The Property Administrator did not have any SITC specific policies and procedures associated with the management and control of property at the facility. When asked, the Property Administrator was not aware of the SECNAVINST 7320.10 regulation.

2. Secondary Research Questions
   a. Applicable Standards

- What are the applicable standards for the management of property in the Department of the Navy?

   The current standards applicable to the management of property in the Department of the Navy come primarily from the SECNAVINST 7320.10 regulation and are very comprehensive in nature. The only shortfall is that the guidance has not been effectively distributed and that many of the individuals surveyed in the financial community, the program management office, and the facility property management arena are not aware of its existence.

   Additionally, the only other guidance that was found by the researcher consisted of "A Handbook of Practical Financial Management Topics for the DoD Financial Manager" by Commander Ted Hleba, USN, January 2001. 3rd Edition. This guide is the only reference found by the research indicating that DPAS is the standard mandatory system for property management. Based on the research, the activities interviewed were not very familiar with the system and were in no specific rush to implement it.

   b. Regulatory Conflicts

- Are there any conflicts associated with the current regulations, which prelude efficient and
The researcher did not find any conflicts in the current regulatory process per se, but found an absence in actual regulatory guidance specific to the management of property at the program level. Although the SECNAVINST 7320.10 regulation is excellent in providing the necessary guidance to Financial Managers about specific responsibilities associated with the value of assets within the program activities, it does not provide clear guidance in the management of property by Program Managers and does not clearly delineate who is responsible for the execution of the instruction.

The FAR guidance only focuses on the issues related to the issuance of GFP to contractors and does not stress specific management and control of property at the program level.

**c. Control Of Property**

- Are there adequate controls in the issuance, receipt and control of property accounting activities?

Based on the research, controls in the issuance receipt of property are inadequate. This research discovered that the facility Property Manager did not develop a method of tracking individual assets based on the actual activity that actually acquired the assets as in the case for the DIMHRS program office. In reviewing the Property Management database, the specific ownership of the assets was not identified. During the interview process, it was discovered that the SITC management did not recognize property purchased by individual program offices as being program specific assets. The program management office at
SITC was directed to absorb all assets as SITC assets and not program specific assets.

As mentioned in the previous chapters, there were many areas in which property was not properly accounted for, most notable were the items listed in Chapter V, Table 2. Approximately $600,000 of property was transferred to other organization without the proper paperwork or designation of an accountable hand receipt holder.

d. Problems in Property Management and Accountability

- What specific problems are occurring due to deficiencies in the current management systems of property management and accountability?

Specific problems identified in the current management system consist of the following:

- Lack of accountability of assets acquired by program offices
- Inability of program offices to properly budget and program for funds in the out years
- Inability to properly dispose of excess property
- Property losses associated with the lack of proper accounting and control of property assigned to contractors
- Development of several different databases leading to confusion and lack of accountability in the process
- Lack of understanding by the facility management employees in knowing who owns the property and the need to properly account for property based on an individual program’s purchases
- Lack of training of current Property Administrators
- Lack of an accountable officer at the program level and the function being assigned to a contractor and not a Government employee.
C. RECOMMENDATIONS

• What specific recommendations can be made to improve the process within the DIMHRS Program?

RECOMMENDATION #1: Redefine the current policies to create tailored policies and procedures for the handling of property at the program level. Assign the Program Manager direct responsibility for all assets acquired by the PM and require that the PM develop the necessary controls to ensure that all program level assets acquired during the life of the program are properly managed and accounted for. The policy needs to be issued at the DoD level for ACAT-1 programs and re-delegated to the Command level for all other program categories. The policy must ensure that facility commanders are delegated the full responsibility for ensuring that any property purchased by a program office is accounted for and is made part of standard program manager’s briefings.

Recommendation #2: Develop a Program Manager’s Property Manual similar to the NPS “A Handbook of Practical Financial Management Topics for the DoD Financial Manager” [Ref. 6] tailored to Program Managers as well as Financial Managers in the field and incorporated into a DoN policy. The manual provides excellent guidance and is a tribute to the quality of products being generated by NPS.

RECOMMENDATION #3: FAR Part 45 should contain a direct reference to the control and management of property at the program level. FAR Part 45 focuses specifically on GFP in the hands of the contractor, makes the contractor responsible for accounting for and managing property in their possession but does not stress that property is normally assigned to contractors in direct support of a
major program activity. Direct reference that the contractor is responsible for providing the individual Program Manager and the delegated Program Administrator with an accounting of all property on a recurring basis would alleviate many of the problems cited in this study.

RECOMMENDATION #4: Develop a central database within DoN capable of tracking program assets that excess to one program office that can be used by other program offices within DoN. The DIMHRS program office has several hundred assets that are classified as excess in the DIMHRS program valued at several hundred thousand dollars. These excess assets could be transferred to other programs. The equipment is primarily processors, monitors and printers that are in great demand, and still have some level of use and application to other less developed programs within the Navy.

RECOMMENDATION #5: Modify the current DoD Program Manager’s training course to include property management and property accountability at the program level. Require that all Program Managers receive training related to the management and accounting of property at the program level.

RECOMMENDATION #6: Develop a Draft DoD Regulation to require all Property Administrators be Government employees and that they receive the proper training prior to taking on their responsibilities.

D. NAVY SPECIFIC RECOMMENDATIONS

• How can these recommendations be applied to property management within the Navy?

RECOMMENDATION #1: The Department of the Navy needs to develop DoN specific guidance (SECNAVINST) associated with
the management and control of property at the program level. The guidance should provide specific responsibility and accountability to the Project Manager for the management of property at the program level. Require the formal designation of a Property Manager for each program and require that the individual be a Government employee. Provide for periodic reviews and reports on the status of property under their cognizance.

**RECOMMENDATION #2** Develop a DoN Management regulation or a SECNAVINST requiring that all property acquired by DoN be incorporated into the Defense Property Accountability Systems (DPAS) so that all acquired property including pilferable items are entered into one single database. There is a need to standardize the entry of all property into a single system to preclude the use and proliferation of multiple databases as is the case of DIMHRS and SITC.

**RECOMMENDATION #3:** Require the reinstitution of the Property Management series within the DoN. Require that all organizations with over $1 Million in assets assign a full time Property Administrator in the organization. Most often this is an ancillary position and is most often not considered a critical position. Thus, property is not managed and accounted for in accordance with established policy.

**E. AREAS OF FURTHER RESEARCH**

**RESEARCH AREA #1:** Investigate the total value of program specific property acquired by DoN programs on a yearly basis. Conduct a study to determine if the property is being properly managed and administered in all NAVY Program Offices.
**RESEARCH AREA #2:** Examine the potential savings associated with the development of a DoN specific property management system that would allow for the exchange of assets between Program Offices as a cost saving measure.

**RESEARCH AREA #3:** Examine the number of program offices within DoN that have provided GFP to contractors and assess the level of property management and accountability and the financial costs to DoN.
APPENDIX A.

The information provided here is intended to assist the reader in gaining a better understanding of the terms associated with subject of property management at the program level.

Automated Information System (AIS). An acquisition program that acquires Information Technology (IT), except IT that involves equipment that is an integral part of a weapon or weapons system.

Acquisition Program. A directed, funded effort designed to provide a new, improved, or continuing materiel, weapon, or information system or service capability in response to a validated operational or business need. Acquisition programs are divided into different categories that are established to facilitate decentralized decision-making, execution, and compliance with statutory requirements. Technology projects are not acquisition programs.

Equipment. Tangible personal property that is not intended to be held for sale or consumed in normal operations, during design, manufacture or testing of a product or during the performance of a service.

Excess Property. Government property, including materials other than real property that is under the control of a Federal Agency whose agency head determines what is not required for its needs or for the discharge of its responsibilities.

Government-Furnished Property. Government property that a contracting Officer provides to a contractor under a Government contract.

Government-Furnished Equipment. Government owned equipment that a contracting officer authorizes a contractor to use under a Government contract.
**Government-Furnished Material.** Government owned material that is provided to a contractor under a Government contract.

**Government Property.** Property the United States Government owns or leases.

**Information Technology (IT).** Any equipment or interconnected system or subsystem of equipment that is used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information. "IT" includes computers, ancillary equipment, software, firmware and similar procedures, services (including support services), and related resources. The term "IT" also includes National Security Systems (NSSs). It does not include any equipment that is acquired by a Federal contractor incidental to a Federal contract.

**Personal Property.** Property of any kind or interest in it except real property.

**Property.** Means real and personal property.

**Real Property.** Land rights in land and ground improvements; and plant (i.e. utility distribution systems buildings and other structures.) It does not include foundation work necessary for installing special tooling, special test equipment, or equipment.

**Low Value Equipment.** Equipment including special tooling, or special test equipment that has an acquisition cost of less than $5000 per unit and is not sensitive property.

**Major Automated Information System (MAIS).** An AIS that is designated by ASD(C3I) as a MAIS, or estimated to require program costs in any single year in excess of $32 million in Fiscal Year (FY) 2000 constant dollars, total program costs in excess of $126 million in FY 2000 constant dollars, or total life-cycle costs in excess of $378 million in FY 2000 constant dollars.

**Property Administrator.** A person appointed to perform property administration for the Government.
LIST OF REFERENCES


5. Federal Manager’s Financial Integrity Act, (FMFIA).


10. NAVRESINFOSYSOFF 4400.01. 29 February 2000.


12. SECNAVINST 7320.10 (N41) 1 August 2001.

14. Written Interview - SPAWAR Property Manager; SPAWAR Information Technology Center New Orleans, LA. (Anonymous).

15. Written Interview - SPAWAR Financial Manager SPAWAR Information Technology Center, New Orleans, LA. (Anonymous).

INITIAL DISTRIBUTION LIST

1. Defense Technical Information Center  
   Ft. Belvoir, Virginia

2. Dudley Knox Library Code 13  
   Naval Postgraduate School  
   Monterey, California

3. CAPT. Valery Carpenter  
   SPAWAR Information Technology Center  
   New Orleans, Louisiana

4. CAPT. Steven Sterrett  
   SPAWAR HQ. 02  
   San Diego, California

5. Timothy Dowd  
   SPAWAR HQ 02  
   San Diego, California

6. CDR E. Cory Yoder  
   Naval Postgraduate School  
   Monterey, California

7. Dr. David V. Lamm Code SM/LT  
   Naval Postgraduate School  
   Monterey, California