



DEPARTMENT OF THE NAVY
OFFICE OF NAVAL RESEARCH
1107 NE 45th St., Ste. 350
SEATTLE, WA 98105-4631

IN REPLY REFER TO

ONR247
May 16, 2008

Dr. Randal Draper, Director
Office of Contracts & Grants
University of Colorado at Boulder
572 UCB
Boulder, CO 80309-0572

Dear Dr. Draper,

In accordance with the provisions of the Federal Acquisition Regulation Part 45 the Office of Naval Research conducted a Government Property Control System Analysis (PCSA) at the University of Colorado at Boulder April 14-18, 2008. The resulting report is enclosed.

All fifteen functional categories were reviewed. Based on the overall results of the analysis the University's property control system is determined to be satisfactory. However the report contains three findings and recommendations for which a University response with a date-specific corrective action plan is requested within forty five days. The associated functions, Property Management, Reports, Consumption and Subcontracts are rated as Unsatisfactory pending completion and verification of corrective action: all other functions are rated Satisfactory for both procedures and implementation.

As a result of the PCSA approval of the University's property control system remains in effect.

The cooperation of the Contracts & Grants office staff and others involved is highly appreciated. If there are any questions please contact me at 206 548-7237 or moodvrp@onr.navy.mil.

Sincerely,

////signed////

Ronald P. Moody
Property Administrator

Encl: Univ. Colorado PCSA Report 4/08

Copy for:
ONR/SRB; NASA IPOs (via SRB)
AFOSR/PKR/ARO/SLCRO-PR

**OFFICE OF NAVAL RESEARCH
UNIVERSITY BUSINESS AFFAIRS**

**PROPERTY CONTROL
SYSTEM ANALYSIS
(PCSA)**

**UNIVERSITY OF COLORADO BOULDER
BOULDER, COLORADO**

APRIL 14-18, 2008

**Ronald P. Moody
Property Administrator
ONR Seattle Regional Office**

**OFFICE OF NAVAL RESEARCH
UNIVERSITY BUSINESS AFFAIRS
PROPERTY CONTROL SYSTEM ANALYSIS
UNIVERSITY OF COLORADO BOULDER**

APRIL 14-18, 2008

TABLE OF CONTENTS

SECTION:	PAGE:
TABLE OF CONTENTS	2
INTRODUCTION	3
SCOPE	3
SUMMARY OF SYSTEM ANALYSIS	4
FINDINGS AND RECOMMENDATIONS	4
PRIOR FINDINGS AND RECOMMENDATIONS	4
CURRENT FINDINGS AND RECOMMENDATIONS	4
FUNCTIONAL AREA SUMMARY	5
APPENDIX A	5-6

INTRODUCTION

The Office of Naval Research Seattle Regional Office performed a Property Control System Analysis (PCSA) at the University of Colorado, Boulder 14-18 April, 2008. The Government was represented by Ronald Moody, Property Administrator/ACO. The primary University points of contact were Ted Jobe, Property Officer and Carol Davison former Property Officer. Other University individuals contacted are identified in the entrance and exit conference attendance lists contained in the PCSA file.

The purpose of the PCSA is to obtain knowledge of the University's system of property control and its efficiency, and on the basis of this knowledge, to determine whether the system continues to provide overall satisfactory management controls and information as required by FAR 45.5, OMB Circular A-110, and additional applicable agency/contractual requirements. The review provides the Property Administrator the basis for determining whether continuation of system approval is warranted, and provides the University an independent evaluation of the property management function.

SCOPE

The analysis is designed to test the institution's compliance with property management requirements of FAR 45.5, DODGARS, OMB Cir A-110/A-21, and agency provisions, based on procedures contained in DoD 4161.2M, Manual for Performance of Contract Property Administration, as supplemented by ONR Systems Review Branch implementation policy. The University currently has 6,821 total inventorable tagged items with an acquisition value of \$254,208,367. Total quantity and value of Government property accountable to DoD and NASA awards administered by ONR was 47/\$50,587,861 (equipment and material) as of 4/1/08 (one item of which is \$50,000,000).

Prior to commencement of the review the University was requested to provide several listings of equipment, including all items titled to DoD and NASA, and recent acquisitions of items acquired with Federal funding. From the universe of 47 items of accountable Government-titled (DoD & NASA) equipment items a total of 20 sample items (18 random, 2 judgmental) were selected to test the functional areas of Identification, Records, Movement, Storage, Maintenance, Inventories, and Utilization. Five reverse sample items were randomly selected during the survey to check Records accuracy (location). A further review of the Inventories function was conducted by examining the most recent inventory cycle of departments that hold most of the Government-titled items. Acquisition and Receiving functions were tested through a judgment sample of 12 files drawn from a universe of 47 equipment purchases made during CY08. One subcontract involving Government property and three other subcontracts were reviewed for compliance with Subcontracts functional requirements. All 8 most recent annual property reports were reviewed against required reporting criteria, and final report timeliness submission statistics for the past year were reviewed. All 4 disposition actions from the past two years were reviewed for compliance with associated disposition/closeout functional criteria requirements.

The University's property control system, including the Management function, was also evaluated on the basis of discussions held with property and user personnel during the course of the analysis, by review of the University's property control procedures, associated metrics & training, by review of internal and A-133 single audit reports. The review encompassed all of the property control functions cited in DoD 4161.2M.

On April 17, 2008 an exit conference was conducted at the University. The preliminary results of the PCSA were discussed with University officials in order to obtain their agreement regarding the factual results of the review, and to provide relevant comments. Further information was subsequently provided that resulted in recommendation #3. No exceptions were taken by the University at the exit conference or subsequently.

SUMMARY OF SYSTEM ANALYSIS

Based on the results of this review the property control system at the University of Colorado is rated overall as satisfactory for the control, protection, preservation and maintenance of Government property and found to be in general compliance with award requirements. However, as identified below, there are three findings and recommendations pertaining to the Management (procedures), Reports, Consumption (material), and Subcontracts functions which are determined to be in Unsatisfactory condition requiring corrective action.

FINDINGS & RECOMMENDATIONS

PRIOR FINDINGS & RECOMMENDATIONS

The previous on-site PCSA was conducted in June, 2005. There were three findings and recommendations at that time: One recommended several changes in procedures to resolve ambiguities/inadequacies in the records, inventory, and utilization sections; One recommended establishment of a more comprehensive procedure for screening; One recommended tightening movement and utilization controls to insure that the location on the record was current and accurate and that idle items are promptly identified and reported.

Verification of implementation of adequate corrective action and associated closeout of these recommendations was completed by the prior ONR Seattle Property Administrator in June, 2006.

A limited desk review PCSA was conducted in March, 2007 with no findings/recommendations.

CURRENT FINDINGS & RECOMMENDATIONS

1. Function: Reports

Finding: NASA FAR SUP 1845.7101 (Instructions for preparing NASA Form 1018), section 7101-3 (unit acquisition cost) states that acquisition cost shall be developed using actual cost to the greatest extent possible, especially cost directly related to fabrication such as labor and materials. It further states that the computation of work in process shall include all direct and indirect cost of fabrication. Presently the University's accounting system only records equipment and material acquisition cost associated with fabricated items and does not capture direct labor and associated indirect cost. Further, the University has no policies and procedures addressing the preparation and review of property reports.

Recommendation: It is recommended that the University establish procedures & practices to insure the accuracy of amounts reported as required by award terms, to include full cost valuation of fabricated items.

2 : Function: Property Management/Procedures

Finding: FAR 45.502 (pre-June, 2007 edition for preexisting contracts) requires that a contractor's property control system shall be in writing. FAR 45.502(d) states that procedures for assuring subcontractor compliance with applicable Government property requirements shall be included in the contractor's property control system. FAR 45.505-3(Records of Material) paragraphs (a) and (e)(2) envision procedures to identify the practices used to adequately control and document acquisition, receipt, issuance and consumption of direct materials.

Recommendation: It is recommended that the University establish procedures to address:

- a. Subcontract monitoring to verify/insure adequacy of subcontractor's property control system, insure proper flowdown of title, risk of loss & reporting provisions, insure accuracy & timeliness of reports, including inventory and final disposition requests.
- b. Identification of methods, documents, databases & reports involved in controlling and counting for acquisition, receiving, storing, issuance and consumption of direct materials utilized in fabrication.

3. Function: Subcontracts

Finding: FAR 52.245-5 (Jan 1986), paragraph (g)(4) requires the contractor to require the subcontractor to assume full risk of loss except to the extent that the subcontract, with advance approval of the Contracting Officer, releases the subcontractor from such liability. Subcontract 2741 (under prime contract NAS5-97046) with University Corporation for Atmospheric Research modification #26 reflects limited risk of loss but no Contracting Officer approval was obtained.

Recommendation: It is recommended that a request for approval with adequate justification be promptly submitted and that procedures be amended to clearly reflect this requirement.

FUNCTIONAL AREA SUMMARY

During the PCSA all fifteen functional areas identified in DoD 4161.2M, Appendix A were reviewed, of which 11 were judged to be in SATISFACTORY and 4 were judged to be in UNSATISFACTORY condition, as summarized in Appendix 1 to this report.

APPENDIX A

OFFICE OF NAVAL RESEARCH PROPERTY CONTROL SYSTEM ANALYSIS STANFORD UNIVERSITY

STATUS OF FUNCTIONAL AREAS REVIEWED

#	Functional Area	Satisfactory/Unsatisfactory	Remarks	Note
1	Property Management	Unsatisfactory	Inadequate policy/adequate implementation	1
2	Acquisition	Satisfactory	Adequate policy/adequate implementation	
3	Receiving	Satisfactory	Adequate policy/adequate implementation	
4	Identification	Satisfactory	Adequate policy/adequate implementation	
5	Records	Satisfactory	Adequate policy/adequate implementation	
6	Movement	Satisfactory	Adequate policy/adequate implementation	
7	Storage	Satisfactory	Adequate policy/adequate implementation	
8	Physical Inventories	Satisfactory	Adequate policy/adequate implementation	
9	Reports	Unsatisfactory	Inadequate policy/adequate implementation	2

10	Consumption	Unsatisfactory	Inadequate policy/adequate implementation	
11	Utilization	Satisfactory	Adequate policy/adequate implementation	
12	Maintenance	Satisfactory	Adequate policy/adequate implementation	
13	Subcontractor Control	Unsatisfactory	Inadequate policy/inadequate implementation	3
14	Disposition	Satisfactory	Adequate policy/adequate implementation	
15	Closeout	Satisfactory	Adequate policy/adequate implementation	

1. Applies to inadequate procedures identified in both recommendations.
2. Inaccurate valuation of WIP identified in Recommendation #1 does not affect current record accuracy or the accuracy of the most recent annual reports as there was no WIP involved at that time or currently. Recommendation #1 is a procedural deficiency only to enable proper valuation of future fabrications. Recommendation #2c does not affect Records implementation as the contractor's established material accounting practices are considered adequate; however they need to establish formal procedures to describe those practices.
3. See Recommendation #3.