Sub Contract Control

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Today’s instructor is:
Sub contractors - Can they be controlled or just housebroken?

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Today’s instructor is:
Topics

• Contracts & Contract Management
• What is a Subcontract?
  – Characteristics
• FAR on Subcontract Control
• Subcontractor Management
  – What can be done?
  – Problems? Issues?
• Questions/ Discussion
What is a contract?

• “A binding agreement between two or more parties (especially one that is legally enforceable)”.  
  • Who does what to whom and when?
Contract Management
Infrastructure

- Notification
- Review
- Recording (new contracts)
- (Contract) Modification Management
- End of Period and Closeout
- Records

Question for another day - How does Property fit into this at your organization?
What is a subcontract?

- “A contract between a party to an original contract and a third party; especially one to provide all or a specified part of the work or materials required in the original contract.”
  - Sometimes referred to as a “sub award”
What is Not a subcontract?

• “Remote or alternate sites”
• ???
What is Not a subcontract?

• “Remote or alternate sites”
• customer sites
• ???

• What about Inter-company work authorizations? (ISA, WAA, TAA, IDWT, etc.)
Characteristics of a Subcontract

• Typically a Plan within the Prime contract.
• Privity of Contract between the recipient and the sub-recipient.
• Flow down of clauses.
  – Some key (Property) topics include:
    • Approvals needed to acquire Property.
    • UID.
    • Inventory requirements.
    • Reporting.
    • LDDT (Loss)
    • Close out for Property.
The FAR says:
Subcontractor control

• FAR Says: (52.245-1b)
• “The Contractor shall have a system to manage (control, use, preserve, protect, repair and maintain) government property in its possession.”
• “The Contractor’s responsibility extends from the initial acquisition …. This requirement applies to all Government property under the Contractor’s accountability, stewardship, possession or control, including its vendors or subcontractors …”
FAR 52.245-1f(1)(v)

- (v) *Subcontractor control*. 
- “(A) The Contractor shall award subcontracts that clearly identify items to be provided and the extent of any restrictions or limitations on their use. //The Contractor shall ensure appropriate flow down of contract terms and conditions (e.g., extent of liability for loss of Government property. //
- (B) The Contractor shall assure its subcontracts are properly administered// and reviews are periodically performed to determine the adequacy of the subcontractor’s property management system.”//
Summary: FAR 52.245-1f(1)(v)

• List of Property
• Flow Down clauses
• Administered properly
• Review of Subcontractor system
Contract Subcontract Management Infrastructure

- Notification
- Review
- Recording (new subcontracts)
- (Subcontract) Modification Management
- End of Period and Closeout
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- FAR 52.245-1f(1)(v) required Property elements
How does a Subcontractor obtain Government Property?

- **Subcontractor obtains Government Property in 1 of 4 ways:**
  1. Prime provides to Subcontractor.
  2. Subcontractor is directed (authorized) to purchase.
     1. Under a Cost Type subcontract. (Or a Fixed Price contract with Cost Reimbursable clauses.)
  3. Subcontractor delivers an item to the Prime under a Fixed Price contract but Prime has Subcontractor “Ship in Place”.
  4. Ultimate customer delivers directly to Subcontractor (with or without telling Prime).
What can be done?

• Property person physically sits with Contracts/Subcontracts Administrators (SCA)
• Property Specialist assigned to monitor Subcontracts.
  – Works with the SCAs.
  – Surveys subcontractors thru SCA.
  – Maintains a database.
  – Visit subcontractors.
  – Training (both SCAs and subcontractors).
Problems? Issues? 😞

• In theory, it would be good if Property were involved before a subcontract is issued. But .... (seldom happens)
  – Government Property as a topic (not as an Organization) may not be addressed before the prime contract is awarded.
• No Property on most subcontracts.
• Subcontracts tend to change.
• SCAs don’t know about property going to/from a subcontractor.
  – Engineers
• SCA’s don’t know procedures. (Property or SCA procedures)
• Many subcontractors are ignorant about Property.
• No incentive for subcontractors to respond to surveys, etc.
Questions/Discussion

• How does your organization deal with Subcontracts?
Questions

• How does your organization deal with subcontracts?

• Any suggestions or tips?
The End