

Physical Inventories And Establishing Property Records

Or, Does Your Property Make Waves?

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The management and accountability of government property is a wide-open topic, subject to considerable interpretation and difficulties in application. My intent here is to share with you some of the challenges involved with the physical inventory of government property. In this case, I am referring to performing physical inventory of government property as part of a ship construction initial outfitting, reconciling differences and presenting a final report of shipboard inventory to a ship operator for validation and acceptance as part of the contractual requirement.

When a ship is ready for delivery to Military Sealift Command (MSC) from the shipyard and Naval Sea Systems Command (NAVSEA), there is only a certain period of time to coordinate and conduct the physical inventory because of all the activity. The inventory load out is a major event on the ship delivery milestone chart, scheduled during the final turnover period. The turnover period is approximately ten days during which all physical inventories must be completed. This same period is also the time limitation for property administration to prepare the final inventory book (official government property records) for presentation to the contract operator during the official turnover conference. This is the day the ship is accepted by MSC from NAVSEA and the contract operator takes full operation and custody of the ship.

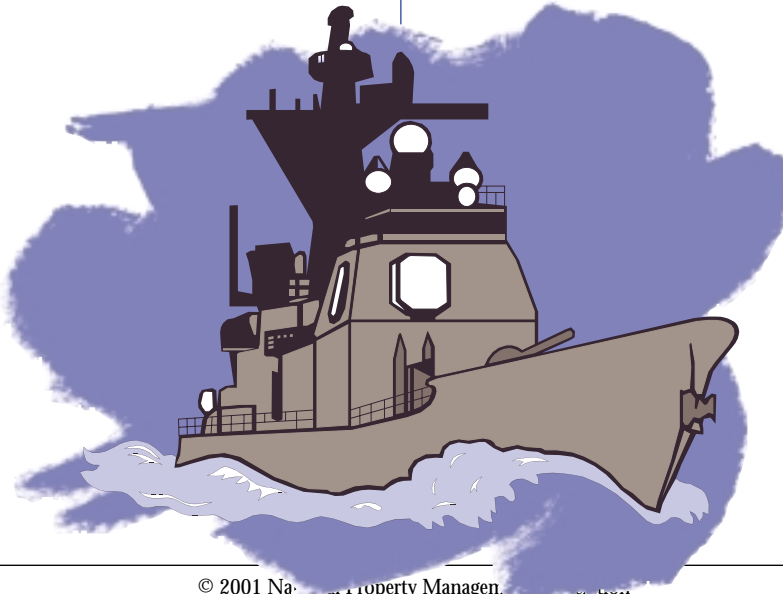
There are at least four types of government property described in inventory terms that must be physically verified during the entire inventory process. These are the tri-wall load-out inventory, sea-trials property, and job/yard-movements and/or specification property. This does not include repair parts, which are also inventoried and moved onboard.

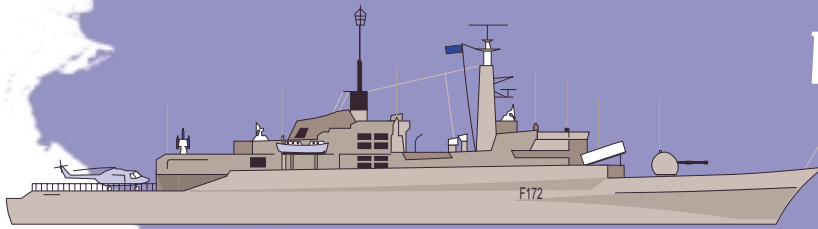
⚓ The tri-wall inventory and load-out is where the majority of property is loaded in tri-walls and delivered to the ship. Each tri-wall may have a variety of contents, which vary from general consumables to repair parts to furnishings to fire fighting/damage control to force protection/physical security items. For each tri-wall, a receipt must be obtained which contains a complete description of the item and has the signature of at least the MSC property representative, the contract operator and the Supervisor of Shipbuilding (SUPSHIP) inventory/delivery representative.

⚓ Sea-trials property can be anything from navigation and communications equipment to fire-fighting and life saving equipment items which must be onboard when the ship goes out for operational and acceptance trials. The difficulty involved is that there often is no master inventory list identifying when these items went onboard and who took custody. The MSC inventory team must comb the ship and locate each of approximately 120 line items.

⚓ The job/yard movement items as well as the specification property also requires the combing of the ship. This is the only way to know what types of additional items were loaded on. This may include such items as dunnage for large cargo securing, common hand tools, or gym equipment purchased by the port engineer.

There are also the stateroom/hotel items, which must be identified and included on the inventory list. These include such items as fans, televisions, videocassette recorders, and stereos. In addition,





*We do have
a challenge
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the inventory team must obtain naval medical support for the inventory of onboard medical equipment and controlled narcotics.

When the MSC inventory team goes onboard, they have a standard by which they search and find all items, which must be included in the baseline document. The standard is the property classifications listed in the contract, previous ship class inventory history and the guidance of the property administration representative. The search for onboard government property requires the screening of every nook and cranny on the ship. On the larger ships, there are tunnels and locations that to the common eye would go untouched. This makes it critical that the MSC property representative and the inventory team use the familiarization technique of “walk the ship” to ensure all areas have been reviewed.

The MSC inventory team is a group of contract employees working under the guidance and direction of MSC property administration. All of their work must be reviewed for accuracy and completeness to ensure that the official government property records presented to the contact operator are as accurate as possible.

The tracking and coordinating of numerous documents (movement orders, warehouse tri-wall inventories, habitability reports with stateroom inventories, etc.) is the responsibility of the MSC property representative. This is to ensure that each line item record in the master inventory book is supported by documents signed by Supervisor of Shipbuilding (SUPSHIP) or their inventory team representatives, MSC property and the contract operator. This is critical because the operator has approximately seven days after turnover to review the inventory listing and accept or identify all deficiencies in writing. The government then has ten days to review the complaints and establish the course of action. If an agreement cannot be reached, the contract operator may settle under the “disputes” clause of the contract.

This whole process is not as easy as it sounds. This process requires diplomacy and professional persuasion with NAVSEA and SUPSHIP, because MSC has no privity of contract between NAVSEA/SUPSHIP and the shipbuilder. The initial database of outfitting property from SUPSHIP is often in a different format than what is consistent with information format necessary to establish MSC records. In addition, the supporting documents are available strictly as a professional courtesy and not by any obligatory requirement. Any demand to obtain documents

or specify a format can obliterate any further opportunity for cooperation.

The contract-operators are in most cases cooperative and reasonable. However, there are the occasions when disputes arise after turnover when quantity or location differences are used as a basis for considering the initial government inventory as questionable. The involvement of so many people and the movement of property after turnover make it difficult to substantiate the accuracy of the MSC inventory effort.

In conclusion, the physical inventory of government property and establishment of official government property records for contract-operator ship deliveries is a resource intensive and high visibility area, requiring attention to detail, open communications and flexibility. MSC has gained some ground over the past few years and has set an adequate basis for accountability of government property in possession of contractors. However, we have some areas for action. These are:

- ✦ Evaluate what contract language will be necessary to reduce the inventory risk to the government,
- ✦ Redefine what contract-operator acceptance of the official government property records means,
- ✦ Establish greater focus on present inventory methodologies and the bottom line objective; accountability or as-delivered configuration management,
- ✦ Explore the benefit of applying commercial or maritime inventory standards to other inventories (such as end of contact or periodic operational inventories) and evaluate how we can refrain from duplicating items involved with annual United States Coast Guard annual Certificates of Inspection.

We do have a challenge ahead. ✦

REFERENCES

Department of the Navy, Military Sealift Command (2000), MSC Instruction 3121.9A, Standard Operating Procedures Manual

Department of Transportation, Maritime Administration, Ready Reserve Force Logistics Management Manual

American Society for Testing and Materials, E53 Property Management Systems

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