



Designation: E2936 – 20

# Standard Guide for Contractor Self-Assessment for U.S. Government Asset Management Systems<sup>1</sup>

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## INTRODUCTION

The purpose of this standard is to provide guidance for a Contractor Self-Assessment (CSA) program that addresses the requirement of Federal Acquisition Regulation (FAR) 52.245-1 (Government Property) that contractors perform periodic reviews, surveillances, self-assessments or audits. This guide is intended to assist contractors in developing a CSA program that provides reasonable assurance of the effectiveness of the contractor's government asset management system to internal and external stakeholders. Use of this guide should enable contractors to objectively evaluate government asset management system risks, discover deficiencies, identify the root causes, and implement corrective actions.

## 1. Scope

1.1 This guide is intended to be used by entities engaged in contracts with the Government of the United States of America.

1.2 This guide applies to the current version of the FAR Government Property clause 52.245-1 dated January 2017. Entities with earlier or subsequently dated requirements/contracts should address any contractual difference when applying this guide.

1.3 *This standard does not purport to address all of the safety concerns, if any, associated with its use. It is the responsibility of the user of this standard to establish appropriate safety, health, and environmental practices and determine the applicability of regulatory limitations prior to use.*

1.4 *This international standard was developed in accordance with internationally recognized principles on standardization established in the Decision on Principles for the Development of International Standards, Guides and Recommendations issued by the World Trade Organization Technical Barriers to Trade (TBT) Committee.*

<sup>1</sup> This guide is under the jurisdiction of ASTM Committee E53 on Asset Management and is the direct responsibility of Subcommittee E53.20 on United States Government Property Management.

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## 2. Referenced Documents

### 2.1 ASTM Standards:<sup>2</sup>

- E2135 Terminology for Property and Asset Management
- E2279 Practice for Establishing the Guiding Principles of Property Asset Management
- E2452 Practice for Equipment Management Process Maturity (EMPM) Model
- E2234 Practice for Sampling a Stream of Product by Attributes Indexed by AQL
- E2811 Practice for Management of Low Risk Property (LRP)

### 2.2 Federal Acquisition Regulation (FAR):<sup>3</sup>

- 52.245–1 Government Property (current version)

### 2.3 GAO Standards:<sup>4</sup>

- GAGAS Generally Accepted Government Auditing Standards (current version)

## 3. Terminology

3.1 *Definitions:* Definitions—For definitions of additional terms, refer to Terminology E2135.

<sup>2</sup> For referenced ASTM standards, visit the ASTM website, [www.astm.org](http://www.astm.org), or contact ASTM Customer Service at [service@astm.org](mailto:service@astm.org). For *Annual Book of ASTM Standards* volume information, refer to the standard's Document Summary page on the ASTM website.

<sup>3</sup> Available from U.S. General Services Administration (GSA), One Constitution Square, 1275 First Street, NE, Washington, DC 20417, <http://acquisition.gov/far/index.html>.

<sup>4</sup> Available from U.S. Government Accountability Office (GAO), 441 G Street, NW, Washington, DC 20548, <http://www.gao.gov/yellowbook>.

3.1.1 *classification of defects, n*—the enumeration of possible defects of the assessment sample classified according to their seriousness, that is, critical, major or minor defect.

3.1.2 *confidence level, n*—a statistical measure of the amount of reliability that a random statistical sample represents the entire population.

3.1.3 *contractor, n*—an entity that has entered a contractual relationship with one or more agencies of the Government of the United States of America to provide goods or services.

3.1.4 *contractor self-assessment (CSA), n*—An auditing, assessment, review or surveillance program implemented by a contractor to identify, evaluate and take corrective action on compliance and operational risks resulting from business practices for government property management.

3.1.5 *critical defect, n*—a significant and systemic defect that would have a material effect on contract performance or cause concern for the reliability of the information provided by the property management system.

3.1.6 *federal acquisition regulation (FAR), n*—The primary regulation for use by Federal Executive Agencies in their acquisition of supplies and services with appropriated funds.

3.1.7 *government asset management system, n*—the plans, processes, procedures, information systems, human and physical resources used to manage government property accountable to a contract.

3.1.8 *major defect, n*—a significant, but not systemic defect that may affect the control of government property, possibly increasing the risk to the government.

3.1.9 *methodology, n*—a set or system of methods, principles and rules for regulating a given discipline.

3.1.10 *minor defect, n*—a defect that is administrative in nature, non-systemic and would have no material outcome for the control of government property.

3.1.11 *population, n*—for purposes of auditing a contract property management system using statistical sampling a population may consist of a collection of assets, inventory, records, documents, locations, actions or transactions that have common characteristics for the process undergoing audit

3.1.12 *purposive sampling, v*—the act of selecting specific items for audit or review purposes based on prior knowledge of a situation, usually to identify causal factors or progress in rectification of a prior problem.

#### 4. Significance and Use

4.1 The intent of this guide is to provide a foundation for the minimum effective internal assessment of a contractor's government asset management system. A contractor may incorporate all or part of this guide in accordance with its established procedures and operating environment. Self-assessment should be used to identify deficiencies, related increases to risk, and to serve as a method for obtaining correction to those deficiencies, independent of, and often in advance of, a government audit, review or assessment. It should also be used to assist in determining the effective assignment of asset management resources; and to serve as a method for promoting continuous improvement in asset management practices. Self-

assessments, in and of themselves may not be sufficiently independent to address external or government review, assessment, or audit requirements.

4.2 To the extent possible, a Contractor Self-Assessment (CSA) program should provide a level of objectivity like that of an asset management system analysis performed by a government or other external auditor. Individuals who perform assessments should not be the same individuals who perform the functions being tested when enough resources are available. The contractor's official written procedures should identify functional positions responsible for performing the self-assessment and address management controls used to maintain independence and prevent conflicts of interest whenever individuals who perform property functions also participate in CSA activities.

4.3 The results of the CSA alone do not determine adequacy or inadequacy of the contractor's government asset management system but should identify the level of risk presented by the contractor's business practices. The results of the CSA should be made available to external auditors or reviewers for potential inclusion in their audits or reports in accordance with contractual requirements and the contractor's procedures.

#### 5. Resources

5.1 The performance of a CSA, at the prime contractor or subcontractor level, requires budgeting for and application of adequate resources. The contractor should determine the individuals who will perform and manage the CSA process, considering the issue of audit independence requirements and the contractor's asset management procedures. The contractor should also determine any additional resource requirements, including budgeting for travel and per diem, access to information systems, and any unique expertise needed, for example, statistical applications. Those who will be held accountable for the results should manage and control the resources in accordance with Practice [E2279](#).

#### 6. Usage

##### 6.1 Procedures:

6.1.1 Contractors should clearly describe and define their self-assessment program in their procedures. The procedures should address the following concepts.

6.1.2 The audit, assessment, review or surveillance methodology to be used should be defined. The methodologies may include:

6.1.2.1 Application of a government agency's established asset management system analysis criteria.

6.1.2.2 Application of Practice [E2452](#).

6.1.2.3 Application of industry-leading practices and customary commercial practices as used by the contractor.

6.1.2.4 Application of any other assessment methodology, for example, Balanced Scorecard<sup>5</sup> or Maturity Model, for example, Capability Maturity Model Integration (CMMI).<sup>6</sup>

<sup>5</sup> Kaplan, R. S. and Norton, D. P., *Balanced Scorecard*, Harvard Business Review Press, Cambridge, MA, 1996.

<sup>6</sup> Bush, M., and Dunaway, D., *CMMI Assessments: Motivating Positive Change*, Addison-Wesley Professional, Boston, MA, 2005.

6.1.3 The processes and outcomes subject to review should be clearly defined. These may include the requirements enumerated in FAR 52.245-1, contractor-specific processes as applicable or other additional contractual requirements.

6.1.4 The parties responsible for performing the assessment should be identified. To the extent possible, contractors should have the assessment reviewed by an impartial party in order to ensure objectivity of the results.

6.1.5 The organizational scope of the assessment should be defined, that is, the business units, sites, or other sub-divisions of the entity to which the assessment applies. Multiple assessments may be performed when processes or procedures are significantly different among business units or sites to constitute a separate asset management system or when a higher level of risk has been identified.

6.1.6 The contractor's procedures should define a "defect" for the purposes of the assessment and the differences between minor, major, and critical defects in the context of the contractor's business environment. Corrective action requirements for defects should be established.

6.1.7 The procedures should include a process and schedule for reporting CSA results to management, government property administrators, and other stakeholders.

## 6.2 Risk Assessment at the Process and Entity Level:

6.2.1 Contractors should apply a risk assessment in planning the CSA. Risk assessments should address potential future risks but may also include past incidents, that is, past performance areas.<sup>7</sup> Criteria for determining risk may include but are not limited to:

6.2.1.1 The asset management system's procedures,

6.2.1.2 The asset management system's impact on schedule or performance,

6.2.1.3 Internal controls, and

6.2.1.4 Contractor experience.

6.2.2 Risk assessments may be grouped into one of three categories:

6.2.2.1 Low risk entities are those with mature procedures that undergo continuous improvement, there are no impacts on schedule or performance; internal controls produce positive high value results; contractor's management and employees are stable; no significant issues in previous CSAs or other internal or external audits.

6.2.2.2 Medium risk entities are those with changing procedures or system that needs validation; there has been an impact to schedule or performance caused by asset issues; contractor's management and employees have recently changed; a critical defect revealed through past CSA or other internal or external audits.

6.2.2.3 High risk entities are new contractors with no experience in asset management; contractors with new untested or undocumented procedures; contractors with numerous critical defects revealed through past CSAs or other internal or external audits.

6.2.3 The frequency of a CSA performance, either a complete CSA or the individual processes, should be based upon the risk assessment, that is, the higher the risk rating the more frequent the CSA performance, the lower the risk rating the less frequent the CSA performance.

6.2.3.1 Low risk entities should perform a CSA no less than once every three years.

6.2.3.2 Medium risk entities should perform a CSA no less than once every two years.

6.2.3.3 High risk entities should perform a CSA annually.

## 6.3 Process Tests:

6.3.1 Contractors should establish process tests that provide enough evidence to credibly evaluate the effectiveness and risk level of the property management system in terms of business system process segments and as a whole.

6.3.2 Process tests may evaluate compliance with specific contract terms and conditions, or other business processes as required by the contractor's operating environment. Process tests should also evaluate the effectiveness of and level of adherence to the contractor's asset management procedures.

6.3.3 Process tests may involve quantitative tests such as statistical sampling, metrics derived from Statistical Process Controls (SPC), or non-statistical tests such as judgment or purposive sampling. When applying statistical sampling the acceptance and rejection goals, acceptable ranges or other criteria for measuring risk levels should be established for each process test.

6.3.4 Contractors must include support documentation and evidence for each process test with the results of the self-assessment to demonstrate the integrity of the process.

## 6.4 Populations for a Contractor Self-Assessment:

6.4.1 The proper definition and selection of a population or populations when using statistical sampling for testing the FAR asset management processes is a critical component of performing a CSA. In statistics, sample data from a population are observed in order to make estimate attributes of the population from which they were selected.

6.4.2 Populations should be defined and selected based upon common characteristics of the process being reviewed (FAR 52.245-1(f)(1)(i) through (x)) and the criteria embedded within the process or outcome. These outcomes include Acquisition, Receiving, Records, Physical Inventory, Subcontractor Control, Reports, Relief of Stewardship Responsibility and Liability, Utilization, Maintenance and Property Closeout. Care should be taken to ensure that populations address not only the stated process or outcome, but any sub-processes subsumed under or within the listed processes.

6.4.3 Populations may be based upon transactions or attributes.

6.4.3.1 A population based upon transactions is one where the population is driven by actions that have occurred over a set period, for example, all receiving of government property assets that has occurred over the past year, the maintenance of property assets over the past year – or the timeframe defined within the CSA procedures.

6.4.3.2 Generally a transactional population should consist of and encompass transactions going back one year (365 days) or to the last CSA, whichever is less.

<sup>7</sup> Department of Defense Risk, Issue, and Opportunity Management Guide for Defense Acquisition Programs, January 2017, <https://www.dau.edu/tools/Lists/DAUTools/Attachments/140/RIO-Guide-January2017.pdf>.