

DLA Disposition Services Qualified Recycling Program (QRP) Frequently Asked Questions

- **Q: What percentage of gross sales proceeds will QRP customers receive and what is DLA Disposition Services' (DispSvcs) administrative charge?**

A: Before June 1, 2016, QRP customers were reimbursed 100% of gross sales proceeds minus administrative charges of \$0.04 per LB of material. As part of an audit-readiness assessment, it was noted that the amount reimbursed was not in accordance with regulations. This finding prompted changes to the reimbursement amount. DispSvcs will reimburse based upon NET proceeds. Additionally, the administrative charge has been updated.

To ensure DispSvcs is in compliance with DOD Financial Management Regulation (FMR), DOD 7000.14-R (Volume 1I A, Chapter 5), Title 40-U.S.C. § 571 (b), and DODI 4715.4, beginning June 2016 QRP customers will receive 37% of the gross sales proceeds (DispSvcs' old contract net proceeds). Beginning October 1, 2016, QRP customers will receive 64.5% of gross sales proceeds (DispSvcs' new contract net proceeds).

DispSvcs was also required to recalculate the overhead costs of personnel and facilities in processing QRP material to determine an accurate administrative cost. The resultant administrative cost for June 2016 and beyond will be \$0.06 per LB instead of the \$0.04.

Example of Current and Future Service QRP Revenue

Scrap Material	Before June 2016 Customer Proceeds @ 100% Gross	June, July, August, Sept 2016 Customer Proceeds Scrap Venture (Old Contract)	Beginning October 1, 2016 Customer Proceeds Way Forward, New Scrap and Salvage Recycling (SSR) Contract
Proceeds Calculation and Administrative Charge	Calculation equals 100% gross proceeds minus administrative cost of \$0.04 per LB	Calculation equals 37% of gross proceeds (contract net proceeds) minus administrative cost of \$0.06 per LB	Calculation equals 64.5% of gross proceeds (contract net proceeds) minus administrative cost of \$0.06 per LB
E1L at gross proceeds of \$0.10 per LB	100 LBs * \$0.10 per LB = \$10 minus administrative cost of \$4 = reimbursement of \$6.	100 LBs * \$0.10 per LB = \$10 * .37 = \$3.70 minus administrative cost of \$6 = reimbursement of \$0.	100 LBs * \$0.10 per LB = \$10 * .645 = \$6.45 minus administrative cost of \$6 = reimbursement of \$0.45.
D5M (5.56 mm brass) at gross proceeds of \$2.16 per LB	100 LBs * \$2.16 per LB = \$216 minus administrative cost of \$4 = reimbursement of \$212.	100 LBs * \$2.16 per LB = \$216 * .37 = \$79.92 minus administrative cost of \$6 = reimbursement of \$73.92.	100 LBs * \$2.16 per LB = \$216 * .645 = \$139.32 minus administrative cost of \$6 = reimbursement of \$133.32.

- **Q: When the scrap revenue is less than contract and administrative costs, will DispSvcs bill the installation QRP?**
- A: No, when the contract and administrative costs are more than the reimbursement, there will simply be no reimbursement.

- **Q: Why is DispSvcs making a policy change that may have a negative impact on some installation QRPs?**
- A: DispSvcs is not changing Department of Defense (DOD) policy. By reimbursing 100%, DispSvcs has been out of compliance with DOD policy and the Financial Management Regulation (FMR). During a recent audit readiness review, it was determined that DispSvcs needed to update the methodology used to calculate reimbursements in order to comply with the current DOD policy.

- **Q: Are any funds going to be taken back by DispSvcs to recover the amounts paid over the net proceeds?**
- A: No, DispSvcs is not going to go back to retrieve funds already paid.

- **Q: Our installation QRP relies on scrap material that normally sells for less than six cents per pound. Why isn't the charge retained as a percentage of the revenue instead of across the board by weight?**
- A: DOD policy and the FMR require DispSvcs to retain the costs of sales and handling in accordance with established accounting procedures. DispSvcs' cost for the sale and handling of scrap is determined by the weight of the scrap material.

- **Q: How did DispSvcs determine the administrative cost to be six cents per pound?**
- A: DispSvcs first calculated the cost of overhead with respect to direct cost for personnel and facilities in processing the QRP material brought into our sites for disposition. We then determined what percent of all scrap material was QRP scrap. DispSvcs then took that percentage of total costs for QRP and divided by the QRP weight to determine the amount to be retained.

The administrative cost was calculated using several factors:

- Total direct scrap cost, as determined by Internal Order Number (ION) usage.
- Total indirect or overhead cost of DispSvcs.
- Total indirect costs associated with the scrap program.
- Total scrap by pounds received/processed by DispSvcs
- Total scrap by pounds of QRP material processed by DispSvcs.

The percentage of indirect scrap costs was determined by calculating the percentage of scrap direct costs by the total DispSvcs direct costs.

The total cost of the DispSvcs scrap program was determined by adding the total direct scrap cost and the percentage of the total DispSvcs overhead cost attributed to the scrap program.

Using the total scrap pounds and the QRP eligible pounds, a percentage of QRP to Total scrap was determined. This percentage was applied to the total cost of the DispSvcs scrap program to determine the total cost of operation for the QRP.

This total cost was then divided by the number of pounds QRP eligible to determine the administrative cost of \$.06 per pound.

- **Q: Can the amount retained by DispSvcs for administrative costs change over time?**
- A: Yes, the administrative cost can change. Each fiscal year, the QRP overhead costs for all DispSvcs sites will be reevaluated.