



# Defense Logistics Agency STANDARD OPERATING PROCEDURE

DLAStratMat-MO-0000.01

December 18, 2014

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DLA Strategic Materials

SUBJECT: Inventory Adjustments

References:

1. PURPOSE: To prescribe policy and assign responsibilities for accountability for National Defense Stockpile material in the possession of DLA Strategic Materials and provide procedures for approval and accounting for differences in inventory records based on evidence of gains or losses. This implements relevant provision of DoD 7200.10-M, Department of Defense Accounting and Reporting of Government Property Lost, Damaged, or Destroyed, and related DLA Regulations.

2. APPLICABILITY:

This SOP applies to all DLA Strategic Materials personnel assigned to the Directorate of Material Management at both headquarters and DLA Strategic Materials Depots.

3. DEFINITIONS: See Enclosure 3

4. RESPONSIBILITIES: See Enclosure 1

5. PROCEDURES:

a. OVERVIEW:

1. Accountability for National Defense Stockpile material will be maintained by commodity identifying codes and other identifying information and by units, quantity, weight, and acquisition cost at time received.
2. All National Defense Stockpile material received, sold, disposed of, abandoned, exchanged, transferred, or differences recognized as a result of periodic inventories, or inventory movement or relocation, errors in records or shipment reports or theft and pilferage will be processed to the property records in a timely manner or in accordance with procedures of this regulation when applicable.

3. Any official assignment for property responsibility, either written or oral is evidence that the assigned individual has responsibility for the care and safekeeping of that property.
  - b. DESCRIPTION: See Enclosure 2
6. INFORMATION REQUIREMENTS:
  - a. DLA Strategic Materials designated personnel will review and update processes as needed.
7. INTERNAL CONTROLS (if known):
8. RELEASEABILITY: Unlimited. This SOP is approved for public release and is available on the Internet.
9. EFFECTIVE DATE: This SOP is effective on December 18, 2014 and remains in effect until either superseded or cancelled.

GARY D. PORTER  
DIRECTOR OF MATERIAL MANAGEMENT

Enclosures

1. Responsibilities
2. Procedure
3. Definitions

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ENCLOSURE 1

RESPONSIBILITIES

1. The DLA Strategic Materials Administrator will:
  - a. Maintain this regulation in a current condition in response to operational requirements and policy changes.
  - b. Interpret the requirements of and assure compliance with this regulation by DLA Strategic Materials subordinate offices.
  - c. Appoint the Accountable Property Officer.

ENCLOSURE 2

PROCEDURES

- A. Adjustments of DLA Strategic Materials Inventories: DLA Strategic Materials inventory adjustments will be required as a result of fires, thefts, fraud, flood, abandonment's, physical inventories, discrepancies in reports of excess property, and from differences between the inventory records and quantities reported as shipments from DLA Strategic Materials locations. Suspected or known losses from pilferage, thefts, fraud, embezzlement or other unlawful activities will cause the initiation of a report of survey if the loss exceeds \$2500 or if there was an excessive difference when the material was removed.
  
- B. Differences resulting from removal of materials: Differences discovered upon the removal of the total quantity or a single "lot" of material from a storage location may be reasonable or excessive. Records for the material removed from a storage location will be adjusted based on the material categories. Material lost or missing will be adjusted based on the material value, piece count, or stockpile weight. Adjustments to inventory based on a computed count will be made in accordance with paragraph VI.
  
- C. Adjustment authorization: The Director of Material Management (DLA Strategic Materials-M) is authorized to approve the adjustment of DLA Strategic Materials commodities under reasonable conditions. Additions to the inventory are considered reasonable.
  - 1. Reasonable differences. When the differences are reasonable, the responsible Depot Manager shall request an adjustment to the inventory. The General Supply Specialist at the location shall submit a report to the Chief of Operations and Logistics (DLA Strategic Materials-MO) on the condition of the storage location after shipment. The report should show any unusual conditions that existed during the storage period and out shipments. When an adjustment is approved by the Director of Materials Material Management (DLA Strategic Materials-M), the assigned Commodity Logistics Specialist will perform the adjustment in the EBS system within 15 business days.

<u>Loss Threshold</u>	<u>Commodity</u>
1% or less by lot; up to \$2,500	Cathodes, Tubs, Bars, Ingots Cakes, Pigs
2% or less of lot or inventory Grade; up to \$2,500	Drums, Kegs, Boxes, Box Pallets
1.5 % or less of pile remaining After shipment; up to \$50,000	Ferrochrome or Ferromanganese
Pile record remaining after Shipment; up to \$50,000	Bulk piles except Ferrochrome or Ferromanganese

D. The Administrator or Deputy Administrator of DLA Strategic Materials (DLA Strategic Materials-D/DD) is the approval authority for the following inventory adjustments:

1. Excessive differences: When the losses are excessive they will be reported as would normal losses, but will be submitted to the Administrator or Deputy Administrator of DLA Strategic Materials (DLA Strategic Materials-D/DD) for authorization to be removed from the inventory. When an adjustment for excess loss is requested, the Director of Material Management (DLA Strategic Materials-M) will issue a memo, with the concurrence of DLA's Office of General Counsel (Strategic Materials-G) to the Administrator or Deputy Administrator of DLA Strategic Materials (DLA Strategic Materials-D/DD) accompanied by pertinent Depot Manager reports. These reports should state the circumstances regarding what happened, when it happened, where it happened, evidence as to why it happened, and the results of any investigation including the name of the investigator. When an adjustment is approved by the Director or Deputy Administrator of DLA Strategic Materials (DLA Strategic Materials-D/DD) the assigned Commodity Logistics Specialist will perform the adjustment in the EBS system within 15 business days. In the case of abandonment requirements of paragraph V.D.3 must be met. In the case of disposal, requirements of paragraph V.D.4 must be met and a copy of the approved disposal letter must be forwarded to the Director of Finance (DLA Strategic Materials-J8/R) within 15 business days.

2. <u>Loss Threshold</u>	<u>Commodity</u>
Losses greater than those specified above	All commodities listed Vault or light vault storage Materials (e.g., diamonds, silver)

3. Abandonment: In order to abandon material in place, the following is required:
- a. Statement from the Director of Contracting (DLA Strategic Materials-C) specifying the attempts that have been made to sell the material and stating that there is no interested purchaser.
  - b. Acceptable environmental assessment on leaving the commodity in place as opposed to arranging for disposal.
  - c. Approval from proper authority representing the storage location.
  - d. Market study required on the commodity, including a statement from the Director of Strategic Planning (DLA Strategic Materials-S) specifying that there is no market for the material being abandoned.
  - e. All requests will be in accordance with the attached disposal template.

4. Disposal: In order to dispose of material, the following is required:
  - a. Statement from the Director of Contracting (DLA Strategic Materials-C) specifying the attempts that have been made to sell the material and stating that there is no interested purchaser.
  - b. Acceptable environmental assessment on the possibilities for disposal.
  - c. Market study required on the commodity, including a statement from the Director of Strategic Planning (DLA Strategic Materials-S) specifying that there is no market for the material being disposed.
  - d. All requests will be in accordance with the attached disposal template.
  
5. Inventory Adjustment – Computed / Physical:
  - a. Inventory by 100% actual count-when a physical inventory is taken and each piece or package of material can be seen and counted, a memo to the Director of Material Management (DLA Strategic Materials-M) from the Depot Manager should request that the official inventory record in the EBS system be adjusted based on the known count.
  - b. Inventory by count and computation-
    1. When a physical inventory is computed by counting the number of units in a stack, the number of stacks in a row, and the numbers of rows in storage area, and each piece or package is not seen and counted, the official inventory should be adjusted for major variations.
    2. A major variation is defined as the differences between the computed count and the inventory record and corresponding material value which exceeds:
      - a. Commodity value \$150,000 utilizing the acquisition value or current market value whichever is lower for the following commodities; lead, tin, and zinc.
      - b. Two percent of the inventory count or a commodity value of \$150,000 whichever is lower, utilizing the acquisition value or the current market value whichever is lower, for all commodities except vault material.
      - c. No adjustment for inventory will be authorized for vault material based on computed count.

The Directorate of Material Management will be responsible for completing and forwarding to each Directorate for its portion of the template.

## Disposal Template

### CONTRACTING

1. History of sales efforts and results (or lack thereof).
2. Comparison of prices offered as opposed to current market prices.

### MARKETING

1. If there exists any potential markets for the material.

### OPERATIONS

1. Cost of Storage.
2. Cost-benefits of freeing up warehouse space.
3. Cost to landfill.
4. Any potential difficulties in marketing the material with respect to impurities, unknowns, trace elements, etc.

### ENVIRONMENTAL

1. Need to supply appropriate testing and/or regulatory data that shows whether the material can be landfilled in a regular landfill or is a special or hazardous waste, carcinogen, etc.



## ENCLOSURE 3

### DEFINITIONS

- A. Accountable Property Officer (APO): An appointed individual responsible for maintaining the inventory status and account records of the National Defense Stockpile and who assures the accurate recording of transactions and maintains current records of the transactions and inventory status. This will generally be the Chief, Operations and Logistics Division (DNSC-MO).
- B. Abandonment: Material that is left in place and removed from inventory.
- C. Reasonable Differences:
1. Losses that occur naturally as a result of shrinkage, residue from the loading process, material sinking into the ground, etc. Such losses can be expected to fluctuate, depending on the commodity, method of storage, etc.
  2. Except for vault and light vault storage, additions to the inventory are considered reasonable differences.
- D. Excess Differences: Differences above those which could be expected to occur naturally.
- E. Thefts or Excess Difference:
1. Losses known or suspected to be caused by pilferage, theft, fraud, embezzlement, or other unlawful activity will be reported to DLA Strategic Materials - and the appropriate Defense Criminal Investigative Service (DCIS) office.
  2. Accountability and responsibility for loss or damage shall be determined in accordance with DLAR 7500.1, Accountability and Responsibility for Government Property in the possession of the Defense Logistics Agency, and DoD 7200.10-M, Accountability and Reporting for Government Property Lost, Damaged or Destroyed.
- F. EBS: The inventory accountability record to which all transactions affecting the status and value of DLA Strategic Materials commodities are recorded.