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Department of Defense



Accounting and Reporting for Government Property Lost, Damaged or Destroyed

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Office of the Deputy Comptroller
(Management Systems)

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OFFICE OF THE COMPTROLLER OF THE DEPARTMENT OF DEFENSE

WASHINGTON, DC 20301-1100

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(Management Systems)

FOREWORD

This Manual is issued under the authority of Title 10, United States Code, Section 137; DoD Directive 5118.3, "Comptroller of the Department of Defense," May 24, 1988; and is authorized by DoD Instruction 7200.10, "Guidance for Accounting and Reporting of Government Property, Lost, Damaged, or Destroyed," May 16, 1977. Its purpose is to prescribe uniform policy and procedures for investigating and assessing liability for loss, damage, and destruction of Government property.

DoD 7200.10-M, "Department of Defense Accounting and Reporting of Government Property Lost, Damaged, or Destroyed," May 1977, is hereby canceled.

This Manual applies to the Office of the Secretary of Defense (OSD); the Military Departments (including their National Guard and Reserve components); the Chairman, Joint Chiefs of Staff and Joint Staff; the Unified and Specified Commands; the Defense Agencies; and activities administratively supported by WHS (hereafter referred to collectively as "DoD Components").

This Manual is effective immediately and is mandatory for use by all DoD Components. Exceptions to this Manual are not authorized without prior approval of the Defense Finance and Accounting Service. Forward copies of implementing documents to the Defense Finance and Accounting Service for review within 30 days of issuance.

Contact the Chief, General Funds Division, Defense Finance and Accounting Service, on (703) 697-0456 or AUTOVON 227-0456 about any questions related to the Manual. Forward written questions or recommendations for changes to the Manual through appropriate channels to:

Chief, General Funds Division
Defense Finance and Accounting Service
Washington, D.C. 20376-5001

This Manual and formal changes, thereto, will be distributed to DoD Component activities by the Distributions Division, Defense Logistics Agency Administrative Support Center, Alexandria, VA 22304-6100. Other Federal Agencies and the public may obtain copies for a fee from the same center. The telephone number at the center is (202) 274-6011 or AUTOVON 284-6011.

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Deputy Comptroller
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REFERENCES

- (a) DoD Directive 5010.38, "Internal Management Control Program," April 4, 1987
- (b) Title 37, United States Code, Section 1007, "Deductions from pay"
- (c) AFR 400-54/AR 735-11-2/DLAR 4140.55/MCO 4430.3J/SECNAVINST 4355.18, "Reporting of Item and Packaging Discrepancies," October 1, 1986
- (d) AFR 67-7/AR 12-12/DLAR 4140.60/MCO 4140.1E/SECNAVINST 4355.17, "Processing Discrepancy Reports Against Foreign Military Sales Shipments," April 12, 1988
- (e) AFR 75-18/AR 55-38 DLAR 4500.15/MCO P4610.19D/NAVSUPINST 4610.33C, "Reporting of Transportation Discrepancies in Shipments," March 15, 1984
- (f) Title 10, United States Code, Chapter 47, "Uniform Code of Military Justice (UCMJ)," and Section 2775, "Liability of Members for Damages to Family Housing, Equipment, and Furnishings"
- (g) DoD 4165.63-M, "DoD Housing Management," June 1988, authorized by DoD Directive 4165.63, July 20, 1989
- (h) DoD Instruction 7045.18, "Collection of Indebtedness Due the United States," March 13, 1985
- (i) DoD Instruction 4140.35, "Physical Inventory Control for DoD Supply System Material," June 30, 1987
- (j) DoD 7220.9-M, "Department of Defense Accounting Manual," October 1983, authorized by DoD Instruction 7220.9, October 22, 1981
- (k) DoD 4000.25-2-M, "Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP)," May 1987, authorized by DoD Directive 4000.25, November 18, 1983
- (l) DoD 4140.25-M, "Management of Bulk Petroleum Products, Storage, and Distribution Facilities," July 1988, authorized by DoD Directive 4000.25, November 18, 1983

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DEFINITIONS

1. Abuse. Willful misconduct or deliberate unauthorized use.
2. Accountability. The obligation imposed by law, lawful order, or regulation on an officer or other person for keeping an accurate record of property, documents, or funds. The person having this obligation may or may not have actual possession of the property, documents, or funds.
3. Accountable Officer. An individual appointed by proper authority who maintains item and/or financial records in connection with Government property, irrespective of whether the property is in his or her possession for use or storage, or is in the possession of others to whom it has been officially entrusted for use or for care and safekeeping.
4. Acquisition Cost. Consists of the amount paid for the property, less both trade and cash discounts, plus the transportation costs.
5. Appointing Authority. An individual designated in writing by the approving authority. The approving authority may act as the appointing authority. The appointing authority appoints financial liability officers, if required; approves or disapproves the recommendations of the responsible officer, reviewing authority, or financial liability officer; and recommends actions to the approving authority. The appointing authority is normally senior to the responsible officer, reviewing authority, accountable officer, and financial liability officer.
6. Approving Authority. The approving authority makes determinations to either relieve involved individuals from responsibility and/or accountability or approve assessment of financial liability. The approving authority may act as the appointing authority or designate an appointing authority in writing. DoD Component regulations shall designate who may serve as the appointing authority. The approving authority is normally senior to the appointing authority.
7. Collective Liability. Where more than one individual may be liable for a debt, both collectively or individually.
8. Commander. An individual vested with command authority in a DoD Component.
9. Controlled Inventory Items. Those items designated as having characteristics which require that they be identified, accounted for, secured, segregated, or handled in a special manner to ensure their safekeeping and integrity. Controlled inventory items in descending order of the degree of control normally exercised are:
 - a. Classified Items. Material which requires protection in the interest of national security.

b. Sensitive Items. Material which requires a high degree of protection and control due to statutory requirement or regulations, such as narcotics and drug abuse items; precious metals; items which are of a high value, highly technical, or a hazardous nature; and small arms, ammunition, explosives, and demolition material.

c. Pilferable Items. Materials having a ready resale value or application to personal possession and which is, therefore, especially subject to theft.

10. Culpability. Determination of fault.

11. Deliberate Unauthorized Use. Willful or intentional use without right, permit, or authority.

12. Discrepancies. The loss, gain, damage, or destruction of Government property.

13. Financial Liability. The statutory obligation of an individual to reimburse the Government for lost, damaged, or destroyed Government property as a result of negligence or abuse.

14. Financial Liability Officer. An individual who is appointed in writing by the appointing authority to conduct an investigation to determine responsibility for loss, damage, or destruction of Government property. Individuals so appointed shall not be the accountable or responsible officer or have any direct interest in the property being investigated. The individual shall be a commissioned officer; warrant officer; enlisted member in grades E-7, E-8, or E-9; or a civilian employee GS-07, or above. However, the financial liability officer is normally senior to the person(s) directly involved with the discrepancy. The appointing authority may act as the financial liability officer.

15. Government Property. See "property" (definition 25).

16. Gross Negligence. An extreme departure from the course of action to be expected of a reasonably prudent person, all circumstances being considered. The act is characterized by a reckless, deliberate, or wanton disregard of foreseeable consequences.

17. Industrial Property. As distinguished from military property, means any contractor-acquired or Government property, including materials, special tooling, and industrial facilities, furnished or acquired in the performance of a contract or subcontract.

18. Investigation. Means of determining the facts related to loss, damage, or destruction of Government property; determining the present condition of such property; receiving recommendations as to disposition, retention, and further accountability for such property; or determining the responsibility for loss, gain, damage, or destruction of Government property.

19. Item. A generic term meaning any article of material which is produced, stocked, stored, issued, or used.

20. Liability. The state of being responsible or answerable for the loss, gain, damage, or destruction of Government property.

21. Negligence. The failure to act as a reasonable prudent person would have acted under similar circumstances. An act or omission that a reasonably prudent person would not have committed or omitted under similar circumstances and which is the proximate cause of the loss of, damage to, or destruction of Government property. Failure to comply with existing laws, regulations, or procedures may be considered as evidence of negligence.

22. Personal Arms or Equipment. Equipment or clothing issued to individuals for their sole use and care, such as weapons, personal retention items, mobility kit bags, flight jackets, parkas, and similar items. In defining personal arms or equipment, determine how the property is used by the member, and whether it is turned in at the end of the work shift. This is especially true when dealing with portable radios and hand tools. A portable radio, for example, is personal equipment when an individual uses it constantly, carries it wherever he or she goes, and has it for an indefinite period of time. However, it is not personal equipment when the individual has it for a specified time while on duty, and turns it in to be used by others at the end of a shift.

23. Personal Property. Property of any kind or any interest therein, except real property, records of the Federal Government, and Naval vessels of the following categories: aircraft carriers, battleships, cruisers, destroyers, and submarines.

24. Probable Cause. Reasonable grounds for belief.

25. Property. Anything that may be owned. As used in the military establishment, this term is usually confined to "tangible property," including real estate and material. For special purposes and as used in certain statutes, this term may exclude such items as the public domain, certain lands, certain categories of naval vessels and records of the Federal Government.

26. Property Record. General term referring to any record of property. It is inclusive not only of stock record accounts, but also of organization and installation property books, clothing and equipment records, hand receipt records, or any system of files for property records. Also called, "property account."

27. Proximate Cause. The cause which, in a natural and continuous sequence of events unbroken by a new cause, produced the loss or damage. Without this cause the loss, gain, or damage would not have occurred. It is further defined as the primary moving cause, or the predominate cause, from which the loss, gain, or damage followed as a natural, direct, and immediate consequence.

28. Record. All forms of information (e.g., narrative, graphic data, and computer memory) registered in either temporary or permanent form so that it can be retrieved, reproduced, or preserved.

29. Research. An investigation of potential or actual discrepancies between physical count and recorded balances. The purpose of the research is to determine the correct balance and determine the cause of discrepancies. There are three types of research.

a. Postcount Validation. A comparison of physical count with potential recorded balances or another count, with consideration of transactions that have occurred recently. The purpose of postcount validation is to determine the validity of the count. Postcount validation research ends when the accuracy of the count has been verified or when any necessary recounts have been taken.

b. Preadjustment Research. A review of potential discrepancies, which involves the consideration of recent transactions and verification of catalog data. The purpose of preadjustment research is to determine the correct balance. Preadjustment research ends when the balance has been verified or the adjustment quantity determined.

c. Causative Research. An investigation of discrepancies (i.e., gains and losses) consisting of (as a minimum) a complete review of all transactions to include supporting documentation: catalog change actions, shipment discrepancies, and unposted or rejected documentation occurring since the last completed inventory; the last location reconciliation which included quantity; or back one year whichever is sooner. The purpose of causative research is to identify, analyze, and evaluate the cause of inventory discrepancies with the aim of eliminating repetitive errors. Causative research ends when the cause of the discrepancy has been discovered or when, after review of the transactions, no conclusive findings are possible.

30. Responsibility. An obligation for the proper custody, care, and safekeeping of property or funds entrusted to the possession or supervision of an individual.

31. Responsible Officer. An individual appointed by proper authority to exercise custody, care, and safekeeping over property entrusted to his or her possession or under his or her supervision.

32. Responsible Person. An individual issued Government property on the basis of a property receipt.

33. Reviewing Authority. An individual designated in writing by the approving authority to review and analyze the results of supply system stock research.

34. Simple Negligence. See "negligence" (definition 21).

35. Standard Price. The unit price of an item, as it is recorded in the Standard Catalog for use in financial and accountable records of the holding Service of Agency. (An item not included in the appropriate Service or

Agency pricing catalog shall be priced at original cost, if available, or if not known, at fair market value, as stated in chapter 2, paragraph H.1.b.)

36. Stock Record. A perpetual inventory form of record which shows by nomenclature, the quantities received, issued, and the balance on hand. The stock record shall show by item the receipt, issue, and transfer of accountability of property; the balances on hand; and such other identifying or stock control data as required.

37. Supply System Material. Supply system material refers to those inventories, wholesale and below wholesale, where a stock record account is required to be maintained.

38. Willful Misconduct. Intentional damage, destruction, misappropriation, or loss of Government property.

CHAPTER 1

INTRODUCTION

A. PURPOSE. The purpose of this Manual is to revise, expand, and update the policies and procedures applicable to cases involving the loss, damage, or destruction of Government property.

1. This Manual Prescribes Policy and Procedures For:

- a. Accounting for loss, damage, or destruction of Government property, determining the amount of financial liability of those found to be responsible for such financial losses, providing relief from accountability, and establishing debts resulting from the assessment of financial liability.
- b. Inquiring, researching, and investigating the causes of the loss, damage, or destruction of Government property.
- c. Assessing financial liability with respect to lost, damaged, and destroyed Government property.
- d. Initiating DD Form 200, "Financial Liability Investigation of Property Loss."

2. This Manual Does Not Cover:

- a. Administrative or disciplinary actions against individuals who have been assessed financial liability for loss, damage, or destruction of Government property.
- b. Losses damage, or destruction of Government property in the possession of a Government contractor, except when such property is lost, damaged, or destroyed and a DoD employee is responsible for the loss, damage, or destruction.
- c. Losses resulting from authorized use of Government property during combat operations (training exercises are not considered to be combat operations).

B. POLICY. It is DoD policy that:

1. DoD Components are accountable for Government property under their control. Accountability for Government property shall be an element to be addressed in the annual internal management control assessments required by DoD Directive 5010.38 (reference (a)).
2. All members of the military (including members of the Reserves and National Guard) and DoD civilian employees (hereafter referred to collectively as "individuals") shall be assessed financial liability when Government property is lost, damaged, or destroyed as a result of their negligence, or willful misconduct, or deliberate unauthorized use.

3. Liability for loss, damage, or destruction of Government property shall be based upon a determination of simple negligence made as a result of an official financial liability investigation documented on a DD Form 200.

4. Limits of Liability:

a. The full amount of loss or damage to personal arms or equipment issued to members of the Army and Air Force shall be collected in accordance with 37 U.S.C. 1007(e) (reference (b)) and the full amount of damage to, or the value of, lost or damaged items of military supply shall be collected from officers of the Army and Air Force in accordance with 37 U.S.C. 1007(f) (reference (b)). Financial liability assessed against accountable officers for loss, damage, or destruction of personal property must be assessed for the full amount of the loss to the Government. Financial liability against members for loss, damage, or destruction of Government housing, including equipment and furnishings, therein, is assessed for the full amount of the loss if the loss, damage, or destruction was proximately caused by gross negligence or abuse.

b. For all other cases of loss, damage, or destruction of Government property, the amount of liability shall be limited to 1-month's basic pay in the case of military members and one-twelfth of annual pay in the case of civilian employees.

C. RESPONSIBILITIES. The Director, Defense Finance and Accounting Service shall:

1. Prescribe policies or procedures governing accounting and reporting of lost, damaged, or destroyed Government property.

CHAPTER 2

PROCEDURES TO ACCOUNT FOR LOST, DAMAGED, OR DESTROYED GOVERNMENT PROPERTY

A. PURPOSE. This chapter prescribes general procedures on how to account for lost, damaged, or destroyed Government property. Detailed procedures which are consistent with the provisions of this Manual may be prescribed.

B. MINIMUM REQUIREMENTS. Based on the policies established in chapter 1, section B., detailed procedures related to the following minimum requirements must be addressed:

1. Research. Researching and/or investigating the cause of the loss, damage, or destruction.

2. Proximate Cause. Determinations of whether the loss, damage, or destruction was proximately caused by an individual's negligence or abuse.

3. Adjustment. Adjustment of accountable records.

4. Administration. Administration of a system for determining whether a responsible party should be held financially liable for a loss.

C. INITIATION OF INQUIRIES

1. General. An inquiry shall be initiated immediately after the loss, damage, or destruction is discovered. This inquiry shall be an informal proceeding designed to determine the facts and circumstances leading to the loss, damage, or destruction. The approving authority is responsible for establishing procedures and designating a person to initiate and conduct the inquiry. The person conducting the inquiry shall be responsible for completing blocks 1. through 11. of the DD Form 200, as described in chapter 6. At a minimum, this inquiry should identify:

a. What happened.

b. How it happened.

c. Where it happened.

d. Who was involved.

e. When it happened.

f. Is there any evidence of negligence, willful misconduct, deliberate unauthorized use or disposition of the property.

2. Evidence of Negligence

a. When inquiring into the loss, damage, or destruction of Government property, the first matter to be determined is whether there is evidence of negligence. Some questions to be asked are: "Would a reasonably

prudent individual have acted in this manner?" "Were there procedures governing the use of the property, and were they followed?" "What were the circumstances that existed when the loss actually occurred?" "Was the individual on the job?" For example, if a dump truck is parked on an incline, a reasonable person would be expected to set the hand brake and leave the vehicle in park. Using blocks under the wheels might or might not be required. If the individual failed to set the brake and/or use blocks under the wheels and the truck rolled down the incline and was damaged, this could be considered evidence of negligence. A reasonably prudent person would be expected to take precautions.

b. With respect to loss, damage, or destruction of Government quarters by military members, the distinction between simple and gross negligence is needed. Evidence of simple or gross negligence depends on the conduct of the individual. If the individual failed to exercise precautions or good judgment, then simple negligence applies. If the individual's conduct was characterized by a reckless, deliberate, or wanton disregard of foreseeable consequences, then gross negligence applies. Evidence of whether simple or gross negligence was the proximate cause of the loss or damage is based on the facts and circumstances and shall be documented during the inquiry process.

3. Unrecorded Property. The requirements of this Manual apply, whether the Government property is recorded on an accountable record.

4. Losses Involving a Shortage of Public Funds. Proceeds of sales of property or services not yet deposited with a disbursing officer or an accounting and finance officer are considered accountable property and are subject to the policies and procedures in this Manual. DoD Components may establish regulations which prescribe allowable shortages (for example, commissary cashier operations) within established tolerances that conform to commonly accepted standards.

5. Exceptions

a. Motor vehicle accident investigation reports may be used to document an inquiry. However, when the documentation clearly indicates that negligence or abuse is involved, or if a claim against the Government is possible; a DD Form 200 shall be prepared.

b. Item discrepancies attributed to shippers and transportation discrepancies attributed to carriers are processed and reported according to "Reporting of Item and Packaging Discrepancies," (Non-FMS) and "Processing Discrepancy Reports Against Foreign Military Sales Shipments" (FMS) (references (c) and (d)), and "Reporting of Transportation Discrepancies in Shipments" (reference (e)). However, item discrepancy reports should be reviewed and evaluated to determine if the circumstances of the loss or damage appear to have been caused by negligence or abuse by DoD personnel. If so, a DD Form 200 shall be prepared.

6. DD Form 200. A DD Form 200 is used to document the facts and circumstances of the loss. (A DD Form 200 is not required when an individual voluntarily makes restitution to the Government for the full amount of the loss and a controlled item is not involved.)

D. VOLUNTARY PAYMENTS. Individuals may choose to voluntarily pay the Government for lost, damaged, or destroyed Government property any time prior to involuntary collection from their pay. Individuals offering the payment, do so on their own volition. The Government does not seek any advantage or forgo any right by accepting a voluntary payment. An individual must not be coerced or threatened with adverse action if payment is not voluntarily made. Individuals must be made aware of the effect of making a voluntary payment. That is, it may not be later withdrawn, avenues for relief will no longer be available, and voluntary payment does not preclude other administrative or disciplinary action contemplated by an individual's commander. Individuals offering to pay in excess of 1-months basic pay for military members or one twelfth of annual pay for civilian employees must be made aware that their liability may be a lesser amount is assessed as a result of an investigation. Voluntary payments may be made in cash or by payroll deduction.

E. REVIEW. After accountable and/or responsible officers have completed their inquiry, the DD Form 200 shall be sent to the appointing authority for review. The appointing authority shall determine if a financial liability officer or financial liability board is needed to conduct an investigation. The general criteria for appointing a financial liability officer is in section B. of chapter 4. The criteria for appointing a financial liability officer for inventory losses is in section G. of chapter 8. Legal officials and the member's commander must be consulted before statements are taken from anyone if suspected of a violation of the UCMJ (10 U.S.C. Chapter 47, reference (f)).

F. FINANCIAL LIABILITY OFFICER INVESTIGATIONS. The appointing authority may appoint a financial liability officer to determine whether the facts and circumstances support the findings and recommendations of the individual completing blocks 9. and 10. on the DD Form 200. Qualifications, duties, and responsibilities of financial liability officers are discussed in chapter 4.

G. FINANCIAL LIABILITY BOARD. The appointing authority may appoint a financial liability board in lieu of an officer. The reasons for appointment of a board include the complexity, size, or unique type of loss due to negligence or abuse. The composition, objectives, and functions of the board are discussed in chapter 5.

H. DETERMINATION OF FINANCIAL LOSS

1. Computation of Financial Loss. A documented computation of the financial loss to the Government shall be determined when there is evidence to indicate that the loss was proximately caused by negligence or abuse.

a. When damaged property or items can be economically repaired or restored to its condition immediately prior to the loss, the loss to the Government shall be based on the cost of repair or restoration. If the cost to repair or to restore the property exceeds the cost to replace the property, the loss to the Government shall be as determined in paragraph, H.1.b., below.

b. When property is lost, damaged, or destroyed beyond economical repair and not replaceable, the amount of the loss shall be the fair market value of the property immediately before the loss. When a fair market value

cannot readily be determined, the amount shall be the acquisition cost or standard price, adjusted for depreciation based on useful life. Depreciation shall be computed based on commonly accepted methods of depreciation. In no case should property be depreciated below its scrap value. For property that is damaged beyond economical repair, the scrap or salvage value of the property shall be used to reduce the loss to the Government.

2. Liability. Financial liability of individuals is based on the actual loss to the Government, as computed in subsection H.1., above. When liability is limited by the individual's rate of pay (see chapter 1, subsection B.4.), the amount of the actual loss to the Government is still computed. However, in such cases the financial liability of the individual is either the actual amount of the loss or the limitation based upon the rate of pay, whichever is less.

3. Collective Liability. If more than one individual is found financially liable for the loss, damage, or destruction of Government property, the individuals shall be collectively liable for the loss to the government, subject to the limitations in chapter 1, subsection B.4. Because the Government cannot collect more than the total amount of assessed liability, the commander who assessed financial liability decides how much to collect from each individual. Among the factors to be considered in taking collection action from each liable individual are the degree of each individual's responsibility for the loss, damage, or destruction and the ability to collect for the loss from the responsible individual.

I. NOTIFICATION AND EXAMINATION. When financial liability is recommended, the individual shall be notified and given the opportunity to examine the findings and recommendations, obtain representation, make a rebuttal statement, and present any mitigating factors that may have contributed to the negligence or abuse. If damage to Government housing is involved, an individual shall also be given the opportunity to request a waiver of the financial liability, as stated in DoD 4165.63-M (reference (g)).

CHAPTER 3

APPROVING AND APPOINTING AUTHORITY

A. PURPOSE. This chapter outlines the duties and responsibilities of the approving and appointing authorities.

B. DUTIES AND RESPONSIBILITIES

1. Approving Authority. DoD Component regulations shall designate who may be an approving authority. The approving authority's responsibilities may be delegated; however, the delegations must be in writing. The approving authority also may act as the appointing authority or designate an appointing authority in writing. The approving authority shall:

- a. Designate an appointing authority, when needed.
- b. Disqualify himself or herself when a conflict of interest is possible because the loss relates to property for which he or she is responsible and/or accountable.
- c. Establish procedures and designate a person to initiate and conduct an inquiry immediately after the loss, damage, or destruction is discovered (see chapter 2, subsection C.1.).
- d. Ensure that all DD Form 200s received are accurate and complete. Evaluate each DD Form 200 and either approve recommendations to assess financial liability or relieve those involved from liability, responsibility, or accountability. The approving authority approves or disapproves all DD Form 200s, regardless of dollar value, unless otherwise delegated in writing.
- e. Ensure that all gains and losses which require a formal investigation are promptly and thoroughly investigated. The system used to process DD Form 200s must be frequently reviewed to evaluate the accuracy and timeliness of the investigations.
- f. Ensure that DD Form 200s are initiated, processed, and adjudicated within the time limits that may be established by the DoD Components.
- g. Require, if delays occur in the initiating or processing of a DD Form 200, a written explanation of the reason for the delay and take appropriate corrective actions.
- h. Ensure that persons held financially liable are so notified, informed of their rights (including waiver rights if Government housing is involved), and given the opportunity to inspect and copy the DD Form 200.
- i. Personally evaluate each DD Form 200 when there is evidence of negligence or abuse.

j. Determine whether to delegate to the appointing authority the authority to approve or disapprove a DD Form 200 when there is no evidence of negligence or abuse.

k. Ensure, when financial liability is recommended, or when recommendations appear to be inconsistent with findings, that a judge advocate or civilian attorney has reviewed the findings and provided an opinion on the adequacy of evidence and its relationship to the findings and recommendations. This legal review shall be included as part of the record with the DD Form 200 and completed before final action is taken by the approving authority.

l. Ensure that corrections of any attested entries are properly initialed and documented.

m. Overrule, when appropriate, the recommendations of the appointing authority and the financial liability officer. When this action results in the assessment of financial liability, the individuals not previously recommended for liability shall be advised of their rights and afforded an opportunity to exercise their rights.

n. Formally notify individuals against whom he or she has approved financial liability.

2. Appointing Authority. The appointing authority is designated in writing by the approving authority. The approving authority may also act as appointing authority. The appointing authority is responsible for the following tasks:

a. Appoint a financial liability officer, if needed.

b. Appoint a board in lieu of a financial liability officer to conduct the investigation, if warranted. Reasons for considering appointment of a board include complexity, size, or unique type of loss due to negligence or abuse. (Chapter 5.)

c. Provide administrative guidance to the financial liability officer or the board.

d. Review DD Form 200s for accuracy and compliance with this Manual.

e. Approve or disapprove the recommendations of the financial liability officer or the board, and forward personal recommendations to the approving authority.

f. Approve or disapprove DD Form 200s when there is no evidence of negligence or abuse and authorization has been delegated in writing by the approving authority.

g. Approve or disapprove DD Form 200s when the gain or loss of inventory items is less than \$100,000 and authorization has been delegated in writing by the approving authority.

C. SUMMARY. The appointing and approving authorities must act on the DD Form 200 once an individual has been properly notified and given the opportunity to respond to the findings. Failure of involved individuals to respond to recommendations of financial liability is not a sufficient reason to delay the approval process if the individuals were given a reasonable opportunity to reply, as discussed in chapter 4, subparagraphs D.2.j.(8) and D.2.j.(9).

CHAPTER 4

FINANCIAL LIABILITY OFFICER QUALIFICATION AND RESPONSIBILITIES

A. PURPOSE. This chapter contains policies regarding the qualifications, duties, and responsibilities of individuals appointed to conduct an investigation and determine responsibility for lost, damaged, or destroyed property listed on DD Form 200. This chapter is concerned with criteria to determine whether a financial liability officer is required to be appointed, who may be appointed as a financial liability officer, and the duties and responsibilities of that individual. Financial liability officer's findings and recommendations are administrative and not judicial; therefore, their reports are purely advisory; their opinions do not constitute final determinations or legal judgments; and their recommendations are not binding upon appointing and approving authorities.

B. CRITERIA

1. Appointment of Financial Liability Officer. The appointing authority should appoint a financial liability officer to conduct a formal investigation when:

- a. Recommended by an accountable officer.
- b. Directed by higher authority.
- c. Deemed appropriate by the appointing authority (e.g., repetitive losses, evidence of negligence or abuse, large dollar losses, etc.).

2. Financial Liability Officer Duty. Unless operational requirements clearly dictate otherwise, a financial liability officer shall perform this function as a primary duty until the investigation has been completed.

C. FINANCIAL LIABILITY OFFICER QUALIFICATIONS

1. Selection Criteria. A financial liability officer is selected based on training, experience, competence, and ability to conduct independent and objective investigations.

2. Persons Eligible. The financial liability officer shall be a commissioned officer; warrant officer; enlisted member in the grade of E-7, E-8, or E-9; or a civilian employee GS-07, or above. The financial liability officer shall normally be senior to the individuals directly involved in the discrepancy.

3. Use of Reservists and National Guard. Reserve and National Guard component commissioned officers, warrant officers, and noncommissioned officers in grades E-7, E-8, or E-9 not on active duty may be appointed as financial liability officers during Reserve training sessions.

4. Relationship to Property. Any person who is accountable or responsible for, or in any way directly interested in, the property being investigated shall not be appointed as a financial liability officer.

D. FINANCIAL LIABILITY OFFICER RESPONSIBILITIES AND DUTIES

1. General

a. The primary purpose of the DD Form 200 is to determine responsibility for lost, damaged, or destroyed property. To determine such responsibility, the facts contributing to the loss, damage, or destruction must be developed by investigation.

(1) The investigation may establish the fact that some other individual is at fault. The financial liability officer shall not limit the investigation to verifying statements of interested parties. The financial liability officer shall perform an investigation as thoroughly as is needed, in his or her opinion, to ensure that the facts are fully developed, the interests of the Government are fully served, and the rights of the involved individuals are fully protected.

(2) An investigation is required to determine where responsibility and/or liability belongs without regard to the relationship of the responsible individual to the property. As an example, actions by the accountable officer, responsible officer, or property receipt holder should be investigated as well as actions of the users of the property.

b. The investigation conducted by the financial liability officer is the critical phase of the process. The financial liability officer should determine the actual facts, not as alleged but as they actually occurred. The financial liability officer's recommendations shall be evaluated in succeeding reviews; therefore, the recommendations must be supported by the findings and conclusions.

c. The financial liability officer should be able to make a determination from the findings and conclusions as to how the loss or damage occurred and whether negligence or abuse was involved.

d. After recording the findings and conclusions, the financial liability officer should make recommendations based on policies set forth in this Manual. The financial liability officer shall recommend whether to assess financial liability.

e. A function of the financial liability officer is to afford to any person whose conduct or performance of duty may be subject to inquiry or who has a direct interest in the inquiry an opportunity to have their position considered, as described in paragraph D.2.j., below.

2. Conducting an Investigation. Financial liability officers shall conduct investigations promptly. They shall inform the appointing authority immediately of all delays experienced. In conducting the investigation, the financial liability officer shall personally:

a. Scrutinize all available evidence.

b. Interview witnesses and secure statements from individuals concerning:

- (1) The cause of the loss or damage.
- (2) The responsibility for the loss or damage.

c. Compile evidence substantiating or refuting any statement in block 9. of the DD Form 200.

d. Physically examine the damaged property, when available, and then release it for repair or disposal. This should be done on the first day of his or her appointment.

e. Consult the appointing authority for guidance, when needed.

f. Determine the amount of damage as described in chapter 2, subparagraph H.1., if the property has been damaged. This value may be the cost of repairs or an estimate of the repairs obtained from technical manuals or other reliable sources. Determine the value of the property immediately before its damage if the property is not economically reparable. The accountable officer may be asked to assist if he or she has not been directly involved.

g. Ensure that action is taken to exercise control over the property if the property is recovered during the investigation.

h. Ensure that the total loss to the Government is computed correctly.

i. Coordinate actions with the claims investigating officer when the investigation may cover loss, damage, or destruction of Government property that is being, has been, or shall be investigated because of attendant events by a claims investigating officer. This includes cases where military personnel or civilian employees, while driving a private vehicle, damage Government property and have insurance to pay for part of the loss.

j. Adhere to the following requirements:

- (1) Give any individual against whom the financial liability officer makes a finding of financial liability a chance to examine the report of investigation after the findings and recommendations have been recorded.

- (2) Give the individual being recommended for financial liability the opportunity to make a statement.

- (3) Inform the individual that his or her statement may be used against him or her with regard to financial liability and other administrative and disciplinary actions.

- (4) Fully consider and attach as an exhibit to the DD Form 200 any statement made by the individual(s).

(5) Ensure that the individual being recommended for possible financial liability is aware of his or her rights under DoD Instruction 7045.18 (reference (h)).

(6) Request the individual to acknowledge his or her understanding of these rights by completing block 17. of DD Form 200.

(7) If appropriate, prepare a statement that the individual recommended for liability refused to sign block 17. of DD Form 200 after being given the opportunity.

(8) Mail a copy of the findings, recommendations, and evidence to the person against whom financial liability is recommended by certified mail with a return receipt requested when the person is not readily available. For example, the person may have been transferred or separated from the Service.

(a) A full explanation of the person's rights shall be included and a reply shall be requested.

(b) If the reply is not received within 30 days after the date of mailing, the financial liability officer shall record this fact and take action to complete the DD Form 200. The record shall be included in, or appended to, the DD Form 200.

(c) Any reply received subsequent to the expiration of 30 days shall be forwarded through the same channels as the DD Form 200 for attachment to the original DD Form 200.

(9) Consider any new evidence received after a recommendation has been made. If the financial recommendations remain unchanged, the financial liability officer shall note that the added evidence was considered and shall provide a rationale for not changing the decision (e.g., no new evidence or the matters do not overcome the evidence supporting the original recommendations. The notation shall be on all copies of the report immediately following the original recommendation. If the financial liability officer makes a change in the original recommendations because of the new evidence, the officer shall record such change as "Amended Recommendations." These recommendations should be recorded immediately after the original recommendations.

CHAPTER 5

PURPOSE, APPOINTMENT, COMPOSITION, AND FUNCTIONS OF A FINANCIAL LIABILITY BOARD

A. PURPOSE. A financial liability board may be appointed by the appointing authority for the specific purpose of conducting the investigation. The primary purpose of a financial liability board is to provide the appointing and approving authorities with adequate information upon which to assess liability or relieve the involved individual from liability for the loss, damage, or destruction of Government property. A board provides more resources than an officer to investigate losses that are large, complex, or unique. Financial liability boards are administrative and not judicial. Therefore, their reports are purely advisory, their opinions do not constitute final determinations or legal judgments, and their recommendations are not binding upon appointing and approving authorities.

B. APPOINTMENT AND COMPOSITION

1. Selection. The members of a financial liability board are selected based on training, experience, competence, and ability to conduct independent and objective investigations. The senior member shall normally be designated as the Chair. The appointing authority shall not appoint an individual who was or is accountable or responsible, or has direct interest in the property, including a financial liability officer who may have previously investigated the loss of the property.

2. Composition. The financial liability board members shall be commissioned officers; warrant officers; enlisted members in grades E-7, E-8, or E-9; or civilian employees GS-07, or above. The board Chair and a majority of the board shall normally be senior in rank to the persons directly involved.

3. Use of Reserve and National Guard Officers. A source of financial liability board members is Reserve and National Guard component commissioned officers; warrant officers; and enlisted members in grades E-7, E-8, or E-9 during their Reserve training sessions.

C. FUNCTIONS. The following are specific functions of a financial liability board:

1. Primary Function. The primary function of a financial liability board is to research, develop, assemble, record, and analyze all available information relative to the loss. The board is required to formulate and clearly express consistent findings of facts, conclusions, and recommendations.

2. Collateral Function. A collateral function of the financial liability board, especially when requested by the appointing authority, is to afford a hearing to any person whose conduct or performance of duty may be subject to inquiry or who has direct interest in the inquiry.

D. FINAL ACTION BY THE FINANCIAL LIABILITY BOARD. The board Chair completes his or her action on the DD Form 200 as the financial liability officer and recommends relief from, responsibility, or assessment of financial liability.

CHAPTER 6

PREPARATION OF DD FORM 200

A. PURPOSE. The purpose of this chapter is to provide instructions for the preparation of the DD Form 200 which is provided as an addendum to this chapter. The DD Form 200 is used to document the financial liability process for lost, damaged, or destroyed Government property. When completed, the DD Form 200 is the official document to support the establishment of debts, relief from accountability, and adjustment of property records, supply system stock, and financial records.

B. INSTRUCTIONS FOR PREPARATION

1. Date Initiated. Self-explanatory.
2. Inquiry and/or Investigation Number. Number assigned to the inquiry and/or investigation in accordance with DoD Component Instructions.
3. Date Loss Discovered. Self-explanatory.
4. National Stock Number (NSN). Enter the NSN(s), manufacturer's part number, or other identification number(s), in numerical sequence. If not applicable, enter the word "none."
5. Item Description. Enter the nomenclature of the item(s) including any serial number(s), model number(s), controlled inventory item, etc. If the item is nonstandard, give a brief description sufficient for identification. If only a portion of an end item is damaged, describe the end item, fully, then describe the damaged parts. If additional space is needed, a continuation sheet may be used.
6. Quantity. Enter the number of units and unit of issue (e.g., 1 each, 2 dozen, 5 pair, etc.).
7. Unit Cost. Enter the cost per unit shown in official catalogs, supply bulletins, or item records. The specific reference should be indicated for audit trail purposes.
8. Total Cost. Enter the total cost of all units of each article listed (block 6. x block 7.).
9. Circumstances Under Which Property Was Lost, Damaged, or Destroyed. Enter a complete statement of the facts, including the date and place of the incident. Include the name, grade, and social security number (SSN) of all persons directly involved. The statement must answer five basic questions of who, what, when, where, and how. Identify any appropriate contract number(s), transaction number(s), control number(s), etc. Add as exhibits and identify alphabetically within the block, as needed.

10. Actions Taken to Correct Circumstances Reported in Block 9. and Prevent Future Occurrences. Include recommended actions by the accountable and/or responsible officer, and if appropriate by the financial liability officer, to the appointing and approving authorities.

11. Individual Completing Blocks 1. Through 10. Person conducting the inquiry.

12. Responsible Officer and/or Reviewing Authority. See definitions 31. and 33.

13. Appointing Authority. See chapter 3 and definition 5.

14. Approving Authority. See chapter 3 and definition 6.

15. Findings and Recommendations of the Financial Liability Officer. Enter findings of the financial liability officer along with a recommendation regarding liability of the involved parties. Enter the following when the apparent financial liability cannot be determined during the investigation.

a. An indication that negligence on the part of the individual has not been determined.

b. A recommendation that the investigation be continued at some future time because of extenuating circumstances.

c. Recommendation for corrective actions.

d. Recommendation that the individuals involved in the loss, damage, or destruction be relieved of responsibility for the property when negligence cannot be established. State the facts on which the recommendations are based. Proper conclusions shall be drawn from available facts, not opinions or suspicions. The financial liability officer must sustain or refute the statements made in block 9. of the DD Form 200 and any other statements that are part of the inquiry and/or investigation. Do not use stereotyped phrases such as "loss or damaged in manner stated." The financial liability officer shall state in his or her own words how the loss or damage occurred based on the evidence obtained by the investigation.

e. Include a computation of charges, as prescribed in chapter 2, subsection H.1., and by DoD Component regulations when recommending financial liability. The computation should show how depreciation was calculated and other factors used in determining the loss, or reference should be made to the exhibit on which the computation is recorded. The results of the computation shall be entered in block 15.b.

f. Describe the disposition of the property. Items that have been classified as "uneconomically reparable" shall be turned in to the designated person (e.g.; property custodian, accountable officer, or Defense Reutilization and Marketing Service) when released by the financial liability officer or the appointing authority when a financial liability officer is not appointed.

g. Recommendations shall be entered immediately after the findings. The recommendation shall include:

(1) Financial liability to be assessed or relief from responsibility and accountability. Also, enter in block 15.d. In this same area, also for a military member, enter monthly basic pay in block 15.c. For a civilian it shall be one-twelfth of the yearly salary.

(2) Disposition instructions for any unserviceable property not previously sent to the Defense Reutilization and Marketing Service.

(3) State clearly the full name, grade, SSN, and the amount of the charge, when recommending financial liability.

(4) State if the DD Form 200 may cover the loss, damage, or destruction of property for which a claim is also being processed.

h. The recommendations must represent a logical and equitable decision developed from the facts cited in the evidence and findings.

i. Sign the DD Form 200 in block 15.j., at the end of the recommendations. (See chapters 4 and 5, and definition 14.)

16. Individual Charged. See paragraph D.2.j., chapter 4. Enter in block 16.d., the individual's name and rank or grade when financial liability is assessed. Enter in block 16.e., his or her SSN. Initiate collection action by forwarding a copy of the approved DD Form 200 by transmittal document to the finance officer. All continuation sheets are to be included and the attachments and exhibits excluded. The approved DD Form 200 is sufficient to hold a person financially liable and establish a debt.

17. Accountable Officer. See definition 3. Record document numbers used to adjust property and financial records. All other blocks are self-explanatory.

Attachment

DD Form 200 - Financial Liability Investigation of Property Loss

FINANCIAL LIABILITY INVESTIGATION OF PROPERTY LOSS

PRIVACY ACT STATEMENT

AUTHORITY: 10 USC 136; 10 USC 2775; DoD Instruction 7200 10; EO 9397.

ROUTINE USES: None.

PRINCIPAL PURPOSE: To officially report the facts and circumstances supporting the assessment of financial charges for the loss, damage, or destruction of DoD-controlled property. The purpose of soliciting the SSN is for positive identification.

DISCLOSURE: Voluntary; however, refusal to explain the circumstances under which the property was lost, damaged, or destroyed may be considered with other factors in determining if an individual will be held financially liable.

1. DATE INITIATED (YYMMDD) 910102		2. INQUIRY / INVESTIGATION NUMBER 91020001		3. DATE LOSS DISCOVERED (YYMMDD) 910101	
4. NATIONAL STOCK NO. None	5. ITEM DESCRIPTION 1988 Ford Taurus		6. QUANTITY 1	7. UNIT COST \$4,000	8. TOTAL COST \$4,000
9. CIRCUMSTANCES UNDER WHICH PROPERTY WAS (X one) (Attach additional pages as necessary) Government vehicle was left unattended in a test firing range on December 31, 1990. See attached details.					
10. ACTIONS TAKEN TO CORRECT CIRCUMSTANCES REPORTED IN BLOCK 9 AND PREVENT FUTURE OCCURRENCES (Attach additional pages as necessary) Assessment of liability in the amount of the fair market value of the vehicle.					
11. INDIVIDUAL COMPLETING BLOCKS 1 THROUGH 10					
a. ORGANIZATIONAL ADDRESS (Unit Designation, Office Symbol, Base, State/Country, Zip Code) Bureau of Naval Weapons WEPS-01123 Washington, D.C. 20360		b. TYPED NAME (Last, First, Middle Initial) Smith, John L.		c. AUTOVON / DSN NUMBER 999-9999	
		d. SIGNATURE		e. DATE SIGNED 910103	
12. (X one) <input checked="" type="checkbox"/> RESPONSIBLE OFFICER (PROPERTY RECORD ITEMS) <input type="checkbox"/> REVIEWING AUTHORITY (SUPPLY SYSTEM STOCKS)					
a. NEGLIGENCE OR ABUSE EVIDENT / SUSPECTED (X one) <input checked="" type="checkbox"/> (1) Yes <input type="checkbox"/> (2) No		b. COMMENTS / RECOMMENDATIONS			
c. ORGANIZATIONAL ADDRESS (Unit Designation, Office Symbol, Base, State/Country, Zip Code) Bureau of Naval Weapons WEPS-0112 Washington, D.C. 20360		d. TYPED NAME (Last, First, Middle Initial) Doe, John L.		e. AUTOVON / DSN NUMBER 999-9999	
		f. SIGNATURE		g. DATE SIGNED 910104	
13. APPOINTING AUTHORITY					
a. RECOMMENDATION (X one) <input checked="" type="checkbox"/> (1) Approve <input type="checkbox"/> (2) Disapprove		b. COMMENTS / RATIONALE		c. FINANCIAL LIABILITY OFFICER APPOINTED (X one) <input checked="" type="checkbox"/> (1) Yes <input type="checkbox"/> (2) No	
d. ORGANIZATIONAL ADDRESS (Unit Designation, Office Symbol, Base, State/Country, Zip Code) Bureau of Naval Weapons WEPS-011 Washington, D.C. 20360		e. TYPED NAME (Last, First, Middle Initial) Smith, Jane R.		f. AUTOVON / DSN NUMBER 999-9999	
		g. SIGNATURE		h. DATE SIGNED 910113	
14. APPROVING AUTHORITY					
a. ACTION (X one) <input checked="" type="checkbox"/> (1) Approve <input type="checkbox"/> (2) Disapprove		b. COMMENTS / RATIONALE		c. LEGAL REVIEW COMPLETED IF REQUIRED (X one) <input type="checkbox"/> (1) Yes <input checked="" type="checkbox"/> (2) No	
d. ORGANIZATIONAL ADDRESS (Unit Designation, Office Symbol, Base, State/Country, Zip Code) Bureau of Naval Weapons WEPS-01 Washington, D.C. 20360		e. TYPED NAME (Last, First, Middle Initial) Doe, Jane R.		f. AUTOVON / DSN NUMBER 999-9999	
		g. SIGNATURE		h. DATE SIGNED 910114	

15. FINANCIAL LIABILITY OFFICER

a. FINDINGS AND RECOMMENDATIONS (Attach additional pages as necessary)

Gross negligence was found. Recommend financial liability assessment equal to the fair market value of the vehicle. See Attachments.

b. DOLLAR AMOUNT OF LOSS \$4,000		c. MONTHLY BASIC PAY \$3,000	d. RECOMMENDED FINANCIAL LIABILITY \$4,000
e. ORGANIZATIONAL ADDRESS (Unit Designation, Office Symbol, Base, State/Country, Zip Code) Bureau of Naval Weapons WEPS-06 Washington, D.C. 20360	f. TYPED NAME (Last, First, Middle Initial) Smith, Elliott R.		g. AUTOVON / DSN NUMBER 999-9999
	h. DATE REPORT SUBMITTED TO APPOINTING AUTHORITY (YYMMDD) 910111		i. DATE APPOINTED (YYMMDD) 910105
	j. SIGNATURE		k. DATE SIGNED 910111

16. INDIVIDUAL CHARGED

a. I HAVE EXAMINED THE FINDINGS AND RECOMMENDATIONS OF THE FINANCIAL LIABILITY OFFICER AND (X one)
 (?) Submit the attached statement of objection. (2) Do not intend to make such a statement.

b. I HAVE BEEN INFORMED OF MY RIGHT TO LEGAL ADVICE. MY SIGNATURE IS NOT AN ADMISSION OF LIABILITY.

c. ORGANIZATIONAL ADDRESS (Unit Designation, Office Symbol, Base, State/Country, Zip Code) Bureau of Naval Weapons WEPS-05 Washington, D.C. 20360	d. TYPED NAME (Last, First, Middle Initial) Smith, William A.	e. SOCIAL SECURITY NUMBER 111-11-1111
	g. SIGNATURE	h. DATE SIGNED 910112
f. AUTOVON / DSN NUMBER 999-9999		

17. ACCOUNTABLE OFFICER

a. DOCUMENT NUMBER(S) USED TO ADJUST PROPERTY RECORD
N0001991PR00001

b. ORGANIZATIONAL ADDRESS (Unit Designation, Office Symbol, Base, State/Country, Zip Code) Bureau of Naval Weapons WEPS-08 Washington, D.C. 20360	c. TYPED NAME (Last, First, Middle Initial) Smith, Roger T.	d. AUTOVON / DSN NUMBER 999-9999
	e. SIGNATURE	f. DATE SIGNED 910201

CHAPTER 7

GOVERNMENT HOUSING LIABILITY

A. PURPOSE. This chapter describes the liability of military members for the loss, damage, or destruction of Government housing (family housing or unaccompanied personnel housing). It describes minimum requirements for assessing financial liability when Government housing, including equipment or furnishings, therein, is lost, damaged, or destroyed. Government housing within the scope of this Manual includes both permanent and temporary quarters either owned by, or controlled by, the U.S. Government.

B. POLICY

1. Determination of Proximate Cause. A member of a Military Service shall be held liable to the United States for the loss, damage, or destruction of family housing or an unaccompanied personnel housing unit assigned to such member, including equipment and furnishings, therein, when a determination is made that the loss, damage, or destruction was proximately caused by the abuse or negligence of the member, a dependent of the member, or a guest of either the member or the member's dependent.

2. Financial Liability of Military Members. Financial liability against members for loss, damage, or destruction of Government housing, including equipment and furnishings, therein, is assessed for the full amount of the loss if the loss, damage, or destruction was proximately caused by gross negligence or abuse. Liability of military members for damage to Government housing and related equipment and furnishings is prescribed in 10 U.S.C. 2775 and DoD 4165.63-M (references (j) and (g)).

3. Notification and Examination. Occupants who are assessed financial liability for loss of, or damage to, assigned Government housing shall be notified in accordance with section I., chapter 2. A member's failure to respond shall not preclude the Government from completing a DD Form 200.

4. Determination of Negligence. Determinations must be made on whether, the loss or damage to Government housing was proximately caused by simple or gross negligence or abuse of the member, the member's dependents, or guests of either. This determination leads to the following:

a. When the proximate cause of the loss or damage is determined to be gross negligence or abuse, the financial liability of the member is the total amount of the loss to the Government. Where a member's dependent or guest causes a loss or damage through gross negligence or abuse, the member is fully liable for the loss or damage if the member was "on notice" of the particular risk involved and failed to exercise reasonable, available opportunities to prevent or limit the loss or damage. In the absence of evidence to the contrary, the member is presumed to have been "on notice" of any risks attending the activities of family members and guests on the premises.

b. Where simple negligence is determined to be the proximate cause of the loss or damage, the financial liability of the member is limited to an amount equal to 1-month's basic pay at the time of the loss or the amount of the loss, whichever is less.

CHAPTER 8

SUPPLY SYSTEM MATERIEL

A. PURPOSE. This chapter applies to personal property defined as "supply system materiel" and contains procedures to be followed when inventory losses are discovered. The provisions of this Manual are applicable to all activities accountable for supply system materiel including stock fund and other inventories (e.g., appropriated fund, industrial fund, etc.).

B. INVENTORY. Physical inventories shall be taken in accordance with the provisions contained in DoD Instruction 4140.35 and DoD 7220.9-M (references (i) and (j)).

1. Discrepancies. Despite the safeguards established by DoD Components in the care and maintenance of their supply system stocks, discrepancies may occur between stock record balances and materiel in storage. These discrepancies are subject to postcount validation, preadjustment research, and causative research, as prescribed in chapter 7 of DoD 4000.25-2-M (reference (k)).

2. Adjustments. An adjustment shall be made to the inventory and financial records to bring those records into balance after appropriate research. Care should be taken to process the transactions correctly (e.g., an issue posted twice should be corrected by a reversal (credit transaction), not as a loss of inventory). These types of corrected discrepancies are referred to as resolved discrepancies. For unresolved inventory losses, an inventory adjustment document or DD Form 200 shall be used to substantiate adjusting the inventory and accounting records to the stock on hand and to provide relief from property accountability or responsibility.

3. Causative Research

a. Causative research shall be conducted for all inventory discrepancies that meet any of the criteria specified in reference (k). For inventory discrepancies which do not meet the criteria for performing causative research, a justification for adjusting the inventory and accounting records and relief from property accountability shall be provided by means of an inventory adjustment document in accordance with section D., below.

b. One of the purposes of this research is to either establish liability or provide relief from accountability for the accountable and/or responsible officer(s) for the loss, damage, or destruction of supply system materiel.

c. Another purpose of the research is to determine if the loss to the Government was proximately caused by the negligence or abuse of individuals. If an individual accepts responsibility for the loss, damage, or destruction of supply system materiel and voluntarily reimburses the Government, a DD Form 200 is not required. The collection voucher may be used to adjust the financial and property records.

4. DD Form 200 Used in Substantiating Inventory Loss Adjustments. When authorized, the reviewing authority may approve physical inventory adjustments equal to or less than \$50,000, when negligence or abuse is not evident or suspected. When negligence or abuse is evident or suspected, the reviewing authority initiates and forwards the DD Form 200, "Financial Liability Investigation of Property Loss," to the appointing authority for action. The financial liability investigation shall be used to substantiate adjusting the stock record, and providing relief from property accountability.

C. RESOLVED INVENTORY LOSSES

1. Accountability. The data developed by postcount validation, preadjustment research, and causative research shall be utilized to prepare correcting documentation so the inventory accounting systems cover be updated. These adjustments shall be processed in accordance with the DoD 7220.9-M and DoD 4000.25-2-M (references (j) and (k)).

2. Statistics. This type of data shall be classified in accordance with chapter 7 of reference (k) and the data accumulated to identify trends and problem areas.

D. UNRESOLVED INVENTORY LOSSES THAT DO NOT MEET THE CRITERIA FOR AN INVESTIGATION

1. Accountability. Relief from property accountability and justification for the adjustment of the inventory and accounting records to the inventory on hand shall be provided by means of an inventory adjustment document. The detail data requirements and procedures for preparing and processing the inventory adjustment document shall be as prescribed in appropriate DoD Component implementing documents.

2. Authority for Adjustment. If the cause or probable cause of the discrepancy has not been determined, and the discrepancy does not qualify for causative research, this paragraph shall be cited as authority for relieving the accountable officer of accountability.

3. Statistics. See subsection C.2., above.

E. UNRESOLVED INVENTORY LOSSES - CAUSATIVE RESEARCH INDICATES NO PERSONAL RESPONSIBILITY

1. Accountability. See subsection D.1., above.

2. Statistics. The type of inventory losses shall be categorized and accumulated by category to identify trends and/or problem areas in accounting or supply system procedures in accordance with chapter 7 of reference (k).

F. UNRESOLVED INVENTORY LOSSES - CAUSATIVE RESEARCH INDICATES EVIDENCE OF PERSONAL RESPONSIBILITY

1. Method of Adjustment. A financial liability investigation shall be used to support adjustment of the inventory and accounting records to the actual inventory on hand and to relieve the accountable officer of accountability.

2. Statistics. See subsection E.2., above.

G. CRITERIA FOR AN INVESTIGATION. A financial liability investigation shall be initiated on all unresolved inventory discrepancies for each stock number that meets any of the following criteria:

1. Gains and losses of sensitive item (e.g., drugs, precious metals, hazardous materiel, small arms, ammunition, explosives), regardless of dollar value.

2. Gains and losses of classified items, regardless of dollar value.

3. Gains and losses of pilferable items when the unit price times the quantity is equal to or greater than \$2,500.00 for each stock number.

4. Any inventory loss when there is an indication or suspicion of fraud, theft, or negligence.

5. Repetitive losses when the cumulative dollar value of the inventory losses equals or exceeds the projected cost of the financial liability investigation.

6. Bulk petroleum when the loss exceeds the stated allowance.

H. PROCEDURES FOR AN INVESTIGATION

1. Accountability and Responsibility. For unresolved inventory losses which meet the criteria set forth in sections F. and G., above, a DD Form 200 is required to relieve accountable or responsible officers from responsibility, to substantiate adjustment of the inventory and accounting records to the inventory on hand, and to identify problem areas or trends for corrective actions. A financial liability investigation should be conducted by a person who is not directly supervised by the accountable or responsible officer. It shall include, as a minimum, the following actions:

a. Review and evaluate existing procedures for their adequacy in protecting property.

b. Determine compliance with prescribed regulations and procedures.

c. Determine who is involved and what responsibilities they have been assigned.

d. Determine whether negligence or abuse is evident.

- e. Review of causative research conducted.
- f. Determine the cause or the probable cause of the inventory loss.
- g. Recommend actions to minimize recurrence of the inventory loss.

2. Review the Adequacy of Procedures in Protecting Property

a. Physical Security Review. Determine if storage facilities are adequate to ensure proper safeguarding of all items, especially those items that are sensitive, classified, or subject to pilferage. The review should include an evaluation of compliance with regulatory requirements, procedures to determine degree of susceptibility of items to theft or pilferage, and lessons to be learned from losses that have been experienced.

b. Receipt, Storage, and Shipment Procedures Review. Determine if adequate procedures exist to prevent loss from theft or pilferage during receipt, storage, or shipment. The degree of protection should be commensurate with statutory and regulatory requirements, the degree of susceptibility to theft or pilferage, and experienced losses.

3. Determine Procedural Compliance. Determine if the responsible persons have complied with existing procedures to protect Government property. If they have not complied with the procedures, determine if they failed to comply or were instructed not to comply.

CHAPTER 9

PETROLEUM PRODUCTS

- A. PURPOSE. This chapter provides procedures for losses of petroleum products.
- B. LOSS EXPECTANCY. Some losses are unavoidable in the handling and storage of volatile products. These losses can be controlled by management actions to limit the rates of loss for such products so that standards are not exceeded. For this reason, Volume II, chapter 9 of DoD 4140.25-M (reference (1)) provides authorized loss allowances to accommodate product losses normally expected. Losses are categorized as intransit, operating, and determinable. These categories are defined in Volume II, chapter 9 of reference (1). However, any trends, such as a pattern of losses within the allowable percentage, shall require further research and investigation.
- C. INTRANSIT LOSSES. Losses of product received at DoD activities are allowable only when the actual loss is within the authorized allowance. When a loss exceeds the allowance, a portion of the loss is not allowable, and the entire loss will be reported as prescribed in Volume II, chapter 9 of reference (1). Causative research, as described in subsection B.3., chapter 8, shall be performed if there is any suspicion of negligence or abuse on the part of U.S. Government personnel who contributed to the loss.
- D. OPERATING LOSSES. Terminal operating loss allowances for various types of petroleum products are prescribed in Volume II, chapter 9 of reference (1). When the loss exceeds the stated allowance, a portion of the loss is not allowable; and the entire loss must be researched and reported in accordance with the provisions in chapter 8.
- E. DETERMINABLE LOSSES. Losses which occur from determinable causes, such as tank overflows, spills, pipeline breaks, fire, unrecoverable tank bottom, etc.; can normally be precluded or greatly minimized by effective management. These losses shall be researched and reported in accordance with chapter 8 of this Manual.