

DRAFT

DDC INSTRUCTION
No. 7500.1

DDC-J-8M

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DEFENSE DISTRIBUTION CENTER FINANCIAL
LIABILITY INVESTIGATION OF PROPERTY LOSS

A. REFERENCES.

1. DOD 7000.14-R, Financial Management Regulation, Volume 12, Chapter 7, April 1998.
2. DLAR 7500.1, Accountability and Responsibility for Government Property in the Possession of the Defense Logistics Agency August 26, 1993.
3. DLAD 4160.9, DLA Retail Supply and Property Accountability August 13, 1996.
4. DOD 4000.25-2-M, Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP) May 19, 1997.
5. DLAD 4140.69, Inventory Adjustment Research January 13, 1999.
6. Memorandum of Agreement between DLA and U.S. Army Material Command for Implementation of AMCL 8A, October 27, 1997.
7. DDC Directive 5705.1, Reporting Suspected Criminal Activity in Defense Distribution Center, December 1, 1998.
8. Joint Regulation DLAR 4140.55/SECNAVINST 4355.18A/AFJMAN 23-215, Reporting of Supply Discrepancies, January 21, 1999.
9. Joint Regulation DLAR 1500.15, Reporting of Transportation Discrepancies in Shipments, August 31, 1992.
10. DLAM 7000.1, DLA Accounting and Financial Management, June 1, 1991.

B. PURPOSE.

1. This instruction provides operational guidance for initiating and processing a DD Form 200, FLIPL, for a qualifying adjustment to mission stock (i.e., unresolved instance of gain, loss, damage or destruction IAW thresholds established by reference A.5).
2. This instruction also provides guidance for initiating and processing a DD Form 200 for the loss, damage, destruction, or gain of Government property owned by the DDC Headquarters, and its subordinate Defense Distribution Depots(DDD)/Residual Effective Organization(REO).
3. This Defense Distribution Center Instruction will be used in conjunction with above references. Where there is conflict with the DLA Master Agreement, local supplements thereto and/or individually negotiated Collective Bargaining Agreement, the provisions of the applicable negotiated agreements will prevail.

4. If this Instruction is found to be in conflict with a higher level regulation, the higher level regulation will take precedence.

C. APPLICABILITY AND SCOPE.

1. This instruction is applicable to all HQ DDC Directorates/Office organizational elements, and DDC Depot Commands/REOs.

2. Before initiating a DD Form 200, it is essential that the user ascertain whether the Government property lost, damaged, destroyed or gained is mission stock, depot-owned property, DDC-owned property, or mission stock/depot-owned property over \$500,000. This decision will determine which procedures should be used. If the DD Form 200 is for Army-owned mission stock, the initiator must further establish whether the depot has materiel accountability (in-warehouse assets-assets in the physical custody of a distribution depot), or whether the Army owner retained accountability (out-of-warehouse assets - assets not in the physical custody of a distribution depot). Example: Total Package Fielding (TPF) assets in Unit Materiel Fielding Points (UMFP).

3. Guidance is provided for identification of personnel having responsibility for initiating, preparing, processing and/or approving DD Form 200, FLIPL.

4. Contractor liability at the government-owned/contractor operated (GOCO) depots will be determined in accordance with the established depot contract.

5. When the loss or damage occurs to customer material (mission stock and vendor shipments), negligence can not be ascertained, and/or is beyond the scope of this instruction, the matter will be addressed by the Customer Service Team (DDC-J-3/J-4).

D. DEFINITIONS.

1. Accountable Property. All minor and capital property with a unit cost equal to or above the micropurchase threshold (currently \$2500). This also includes classified, sensitive, or hazardous items, regardless of cost. Excluded from accountable property is equipment purchased with non-appropriated funds, rental equipment, and non-powered hand tools, including those in kits.

2. Accountable Property Officer/Accountable Officer. The activity Commander or the individual appointed by the Commander in writing 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. The Accountable Property Officer/Accountable Officer will be appointed from within the REO whether or not the performing activity (PA) is a government or contractor entity.

3. Appointing Officer. An individual designated in writing by the Approving Officer. The Approving Officer may serve as the Appointing Officer. The Appointing Officer appoints Financial Liability Officers and recommends actions to the Approving Officer. The Appointing Officer is normally senior to the Financial Liability Officer. The Appointing Officer shall carry out his/her responsibilities IAW DoD 7000.14-R.

4. Approving Officer. The Distribution Depot Commander or the Residual Efficient Organization (REO) head will be appointed in writing, by the DDC Command Group, as the Approving Officer. The Approving Officer makes determinations to either relieve involved individuals from responsibility and/or accountability or approve assessment of financial liability. Approving Officer will notify the individual when liability is assessed. The same individual may act as both Approving Officer and Appointing Officer. As an alternative the Approving Officer may designate an Appointing Officer in writing in which case the Approving Officer will normally be senior to the Appointing Officer. The Approving Officer shall carry out his/her responsibilities IAW DoD 7000.14-R.

5. Classified/Sensitive/Hazardous/Controlled Items. Accountable items which require a higher degree of protection and control by regulation in accordance with guidance established by officials designated to make such determinations, or as labeling indicates.

6. DD Form 200. DD Form 200 (Financial Liability Investigation Of Property Loss)(Enclosure 8) is used to document the facts and circumstances of the loss or gain. Regarding loss of accountable property, the DD Form 200 reports both physical and financial loss. Regarding WCF material, the DD Form 200 reports only the physical loss. The financial record officially resides with the Integrated Material Manager or owner of the material.

7. DD Form 2481. DD Form 2481 (Request for Recovery of Debt due the United States by Salary Offset) (Enclosure 6) is required by DFAS-Charleston to implement salary deductions when used to reimburse the government for a loss.

8. DLA Form 1151. DLA Form 1151 (Control Register for Reports of Financial Liability Investigation of Property Loss (DD Forms 200) (Enclosure 9), a log maintained by Financial Liability Program Coordinator, to record and track status of initiated DD Form 200s.

9. Financial Liability Officer (FLO). An individual who is appointed in writing by the Appointing Officer to conduct an investigation to determine responsibility for gain, loss, damage, or destruction of Government property and/or mission stock/WCF material. Individuals appointed shall not be the accountable or responsible officer and shall have no direct interest in the property being investigated. The FLO 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. The FLO shall be senior to the persons involved in the discrepancy. The Appointing Officer, if separate from the Approving Officer, may act as the FLO.

10. Financial Liability Program Coordinator (FPLC). An individual designated at both the DDC and Depot/REO level by the Appointing Officer to provide administrative support to the Approving Office, Appointing Officer and FLO. The FPLC will also be the record-keeping office for all Forms 200 with exhibits within that individual's area of cognizance. A current list of available FLO's will be maintained by the FLPC.

11. Mission Stock/ Working Capital Fund (WCF). All material that is owned by or managed by a customer and is in the physical custody of DDC Depots.

12. Negligence. The failure to act as a reasonable prudent person would have acted under similar circumstances. An act or omission that a reasonable 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.

13. Personal Property. Property of any kind or any interest therein except real property or records of the Federal Government.

14. Responsible Officer. The individual appointed by proper authority to exercise custody, care, and safekeeping over property entrusted to his/her possession or under his/her supervision. For Accountable Property this would be the next level up in the chain of command from the Hand Receipt Custodian.

15. Reviewing Authority. A designated supervisor within the DDD Inventory organization. For mission stock this will normally be the supervisor of the individual initiating the DD Form 200.

E. PROCEDURES.

1. Liability for gain, loss, damage, or destruction of Government property and/or mission stock/WCF material shall be based on an **approved** DD Form 200, FLIPL REPORT. The original DD Form 200 and attachments will be retained by the Financial Liability Program Coordinator that assigns the control number when no financial liability is assessed. Retention period for the non-financial DD Forms 200 is three (3) years. When financial liability is assessed, the original DD Form 200 will be retained by the DDC Financial Liability Program Coordinator and a copy remains with the depot Financial Liability Program Coordinator. Retention period for DD Forms 200 with financial liability is five (5) years.

Exceptions for initiating a DD Form 200 (FLIPL).

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. 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.

c. Item discrepancies attributed to shippers and transportation discrepancies attributed to carriers are processed and reported according to "Reporting of Item and Packaging," (Non-FMS) and "Processing Discrepancy Reports Against Foreign Military Sales Shipments" (FMS), and "Reporting of Transportation Discrepancies in Shipments." Supply Discrepancy Reports (SF364) 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 DDC personnel. If so, a DD Form 200 shall be prepared.

2. All assigned military, civilians, contractors, and subcontractors employed at the DDC and Depot Commands shall be held financially liable for loss, damage, or destruction of Government property and/or supply system material/WCF material caused by negligence, willful misconduct or unauthorized use.

3. The basic premise on which financial charges are computed can be found in DoD 7000.14-R, Vol. 12, Chapter 7, paragraph 070208.A.1 and 2.

4. For mission stock/WCF material, a FLIPL (DD Form 200) is required when an adjustment remains unresolved after causative research and the unresolved adjustment meets the following criteria:

a. The loss or gain is a sensitive or classified item regardless of dollar value.

b. The loss or gain is of a pilferable item when the extended value of the adjustment exceeds \$2,500.

c. The loss or gain is suspected to have been caused by theft, negligence, or abuse, regardless of the dollar value.

d. There are repetitive losses when the cumulative dollar value of the inventory losses equal or exceed the projected cost of the financial liability investigation.

e. There is any inventory loss or gain with a \$50,000 threshold.

NOTE: For Controlled Inventory Item Codes pertaining to sensitive, classified and pilferable items (see Enclosure 7).

5. For property other than mission stock/WCF material a DD Form 200 is required when property is damaged, lost, or destroyed and the **loss** meets the following criteria:

a. The item is on the Accountable Property Records.

b. The item should have been on the Accountable Property Records based on regulatory guidance.

c. The loss is suspected to have been caused by theft, negligence, or abuse regardless of the dollar value.

6. Any initiated DD Form 200 indicating a total loss greater than \$500,000.00 will be forwarded to the DDC Financial Liability Program Coordinator (DDC-J-8M) for Command Group review and approval.

7. A DD Form 200 is required when a Supply Discrepancy Report (SF 364) addressing a shipment from a DDC distribution site indicates that the loss or damage to the material may have been caused by negligence or abuse by DDC employees.

8. An initiated DD Form 200 should be processed using the following timeline:

a. Within seven (7) days:

(1) Appoint Financial Liability Officer.

(2) Financial Liability Program Coordinator records DD 200 on the DLA Form 1151 (Control Register) .

(3) Copy forwarded to Security Representative.

b. Within forty-five (45) days from the appointment of the Financial Liability Officer, the DD Form 200 should be processed to the Approving Authority (Block 14).

c. Fifteen (15) days are allotted to the Approving Authority to complete the DD Form 200 upon receipt from the Appointing Officer.

d. Within five (5) days of the Approving Authority's action, all DD Forms 200 involving financial liability should be forwarded to the DDC Financial Liability Program Coordinator (DDC-J-8M).

9. Steps to follow in processing the DD Form 200 are contained in the following enclosures:

a. Enclosure 1 - Mission Stock/Working Capital Fund Material

b. Enclosure 2 - Accountable Property (e.g. depot property)

F. RESPONSIBILITIES.

1. **DDC and Distribution Depot employees** will notify their immediate supervisor when they discover the gain, loss, damage or destruction of government property and/or mission stock/WCF material.

2. **Supervisors** will:

a. For DDC and Depot Property material:

(1) Conduct an initial search and/or informal investigation into the loss or damage of property. If a FLIPL is required, all research data will be forwarded to the DDC or depot Hand Receipt Holder/Custodian.

(2) Notify Depot Security Representative immediately. If the gain, loss, damage or destruction occurs at HQ DDC, the supervisor will notify DDC-J-1-S

(3) Perform the duties of the Responsible Officer as outlined herein.

b. For mission stock/WCF material, notify the appropriate inventory personnel so that an unscheduled inventory may be initiated.

3. **Inventory personnel** will:

a. Perform causative research on the unscheduled inventories requested by warehouse supervisors as well as Inventory Adjustment Vouchers (IAVs) and Book-to-Book (BTB) adjustments that are system generated.

b. When an adjustment remains unresolved after causative research and meets the criteria in E.5 above, a DD 200 (FLIPL) will be initiated by the inventory person doing the causative research.

(1) For FLIPLs resulting from requested unscheduled inventories, attach all causative research documentation and forward to the supervisor for review.

(2) For FLIPLs resulting from IAVs, attach a copy of the IAV as well as the causative research documentation and forward to the supervisor for review.

c. Notify Depot Security Representative after the FLIPL has been reviewed and approved by the supervisor.

d. Provide courtesy copy to the warehouse supervisor from which the discrepancy was initiated.

4. **DDC and Depot Hand Receipt Holders/Custodians** will initiate a DD 200 whenever the gain, loss, damage or destruction of equipment/property is revealed and meets criteria in PROCEDURES paragraph E.5. above. If criminal investigation is needed in connection with loss or destruction of equipment/property, action will be taken in accordance with DDC Directive 5705.1.

5. **Responsible Officers and Accountable Officers/Accountable Property Officers** will follow the procedures set forth in DLAR 7500.1 Subpart VI, and DLAD 4140.69.

6. **The DDC Commander/Deputy Commander** will Act as the Approving Officer for all financial investigation findings involving items valued **above** \$500,000.00, or on any other investigation in which the DDC Commander decides to withhold authority.

7. **The DDC Chief of Staff** will:

a. Serve as the Appointing Officer involving items valued above

\$500,000 as indicated in paragraph 6 above.

b. Act as the Approving Officer and Appointing Authority for any losses or property damage identified within the DDC Headquarters.

c. Direct the DDC Financial Liability Program Coordinator (DDC-J-8M) to designate a FLO to conduct an appropriate investigation of the loss.

8. Defense Distribution Depot Commanders will:

a. Act as Approving Officer for financial investigation findings involving items valued at less than or equal to \$500,000.

b. Act as Appointing Authority or designate someone else in writing.

c. Provide approved DD Form 200 to the Financial Liability Program Coordinator for distribution.

d. For WCF material, complete a "Delegation of Authority Letter" (see Sample at Enclosure 4) and forward a copy to DDC-J-3/J-4-0.

NOTE: Upon departure of the Depot Commander, all delegations cease and the new Depot Commander must re-certify all applicable personnel.

9. Appointing Officers will:

a. Appoint a Financial Liability Program Coordinator to provide administrative support.

b. Appoint a Financial Liability Officer (FLO) as required by DLAR 7500.1, if needed.

c. Ensure the matter being investigated does not involve property assigned to the FLO's organization or items of direct interest to the FLO.

d. Review the investigative data provided by the FLO to ensure a complete investigative effort has been made and employees have been informed of their rights by the FLO.

e. Direct the FLO to conduct further investigation if necessary.

f. Approve or disapprove DD Forms 200 when gain or loss of inventory items are less than \$100,000.00 and authorization has been delegated in writing by the approving authority.

g. Provide the DD Form 200 to the Approving Officer for approval.

h. Prepare parts 1. 2., and 3a. of DD Form 2481 when a salary offset is required.

10. Financial Liability Officers (FLOs) will:

a. Carry out his/her responsibilities IAW DLAR 7500.1 and DOD 7000.14-R.

b. Provide the individual who may be held liable with the rights set forth in DLAR 7500.1 and DOD 7000.14-R Vol. 12 Chapter 7 paragraph 070404.B.10.

c. Provide a copy of the investigation to the Office of Counsel for review on any case where financial liability will be recommended.

NOTE: The FLO is encouraged to consult with the DDC-GC during the investigation.

d. Coordinate with the Depot Security Representative and/or DDC Security Office in order to review the investigation in all cases in which the Financial Liability Officer suspects theft, willful misconduct or negligence.

e. Forward the final completed investigation package to the appropriate (DDC/Depot) Financial Liability Program Coordinator for disposition.

11. Depot Financial Liability Program Coordinators will:

- a. Serve as the primary focal point for the overall processing, expediting and tracking of the DD Form 200s initiated by the depot.
- b. Assist the Approving/Appointing Officer (Depot Commander or designee)) in the identification of eligible personnel to serve as Financial Liability Officers.
- c. Provide orientation/administrative guidance to the FLO that is ultimately assigned to investigate the loss.
- d. Establish/maintain DLA 1151 register log, and assign the control numbers as per example in Enclosure 1, Step 6. or Enclosure 2 step 5. The appropriate control number will be indicated in Block 2 of DD Form 200.
- e. Furnish a copy of the approved DD Form 200 to the Accountable Property Officer/Accountable Officer for final inventory record processing for Depot property and mission stock/WCF material if property loss is involved.
- f. Retain the original of the completed DD Form 200 when **no** financial liability is assessed.
- g. Forward the original of the completed DD Form 200 to the HQ DDC Financial Liability Program Coordinator (DDC-J-8M) when financial liability is determined. Retain a copy for Depot files.
- h. For Army assets, forward a copy of the DD 200 to the Army Accountable Officer (AO) for their assessment (see Enclosure 5).

12. DDC-GC Office of Counsel will:

- a. Review all FLO findings when it has been determined that financial liability may be assessed.
- b. Provide the results of review to the FLO for inclusion with the DD Form 200.
- c. Provide legal advice to Approving Officers, Appointing Officers and Financial Liability Officers.

13. DDC-J-1-S Security Office will

- a. Receive the initial copy of the DD Form 200 for review that are initiated at HQ DDC.
- b. Receive a copy of completed DD Forms 200, upon completion of investigation, for input into COSACS.
- c. Coordinate investigations determined to be necessary.
- d. Coordinate with the FLO and Office of Counsel as appropriate.

14. Defense Distribution Depots Security will:

- a. Receive the original and a copy of each DD Form 200 initiated by the Depot for review. Initial the original DD Form 200 and return to the FLIPC.
- b. Initiate independent investigation of the loss for those meeting the criteria for investigation as listed in paragraph E.
- c. Report results of investigation (ROI) to Responsible Officer.
- d. Provide a copy of completed DD Forms 200, upon completion of investigation, to DDC-J-1-S for input into COSACS.

15. DDC-J-3/J-4-0 Inventory Accuracy Support Coordinator will:

- a. Provide overall DDC visibility of unresolved adjustments based on Inventory Adjustment Vouchers (IAVs) and/or Book-to-Book (BTB) discrepancies.
- b. Receive copies of all unresolved IAVs and/or BTB discrepancies.
- c. Assist Accountable Officer in determining potential DD Form 200 generation on unresolved adjustments not specifically defined.

16. **DDC-J-8M** will:

- a. Serve as the **DDC Financial Liability Program Coordinator**.
- b. Provide overall program management for FLIPL processing pertaining to financial liability.
- c. Retain the original of **all** DD Forms 200 approved for financial liability throughout DDC.
- d. Forward a copy of DD Form 200 to DDC-J-8F for collection process.
- e. Perform the duties outlined above of the Depot Financial Liability Program Coordinator for all investigations conducted by HQ, DDC.

17. **DDC-J-8F** will:

- a. Process liability assessment requests from DDC-J-8M on FLIPLs. The offset request must include IAW DoD 7000.14-4, Vol 5, Chapter 30, the following:
 - (1) A statement that debtor was provided due process including applicable statutory authority.
 - (2) Details of the debt including the basis, amount, payment due date, and date the debt was due.
 - (3) DD Form 2481 (Request for Recovery of Debt Due the United States by Salary Offset). Depot's Appointing Authority will complete part 1.,2., and 3a.of DD Form 2481 (Enclosure 6).
- b. Complete and forward DD Form 2481 to DFAS Charleston to implement salary deductions.

NOTE: ASSESSING LIABILITY When an Approving Officer accepts the recommendation of liability as assessed by the FLO, a debt is established and the collection process is immediately initiated IAW, DOD 7000.14-R and any applicable DLA and DoD procedure. Particular attention is drawn to the rights of appeal afforded against whom pecuniary liability is assessed. Employees have both the rights to an appeal and/or reconsideration. In addition an employee has a right to a hearing regarding the debt. Employees are informed of the Approving Officer's decision and his/her rights by means of a demand letter. Bargaining unit employees may appeal the charge as stated in DLAR 7500.1

G. **EFFECTIVE DATE AND IMPLEMENTATION.** This Instruction is effective upon command signature and distribution.

H. **INFORMATION REQUIREMENTS.** Depot Commanders will ensure a copy of this Instruction is provided to all affected local unions.

BY ORDER OF THE COMMANDER.

PAUL OKUM
Acting Chief of Staff

- Enclosure 1 - Processing DD Form 200 - Mission Stock
- Enclosure 2 - Processing DD Form 200 - Accountable Property
- Enclosure 3 - List of Activity Codes
- Enclosure 4 - Sample Delegation of Authority Letter
- Enclosure 5 - Accountable Officer's Addresses for Army Assets
- Enclosure 6 - DD Form 2481, Request for Recovery of Debt Due the United States by Salary Offset
- Enclosure 7 - Controlled Inventory Item Codes

Enclosure 8 - DD Form 200, Financial Liability Investigation of
Property Loss

Enclosure 9 - DLA Form 1151, Control Register for Reports of Financial
Liability Investigation of Property Loss (DD Forms 200)

Enclosure 10 - Sample Appointment of Financial Liability Officer Letter

DISTRIBUTION:

DDC Commander

DDC Special Staff/Offices

DDC Directorates

DDC Depot Commanders

All Local Unions

