



DoD MANUAL 4140.01, VOLUME 6

DoD SUPPLY CHAIN MATERIEL MANAGEMENT PROCEDURES: MATERIEL RETURNS, RETENTION, AND DISPOSITION

Originating Component:	Office of the Under Secretary of Defense for Acquisition and Sustainment
Effective:	March 8, 2017
Change 3 Effective	June 3, 2019
Releasability:	Cleared for public release. This volume is available on the Directives Division Website at https://www.esd.whs.mil/DD/ .
Reissues and Cancels:	DoD Manual 4140.01, Volume 6, "DoD Supply Chain Materiel Management Procedures: Materiel Returns, Retention, and Disposition," February 10, 2014
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Purpose: This manual is composed of several volumes, each containing its own purpose. In accordance with the authority in DoD Directive (DoDD) 5134.12, DoD Instruction (DoDI) 4140.01, and the July 13, 2018 Deputy Secretary of Defense Memorandum:

- The manual implements policy, assigns responsibilities, and provides procedures for DoD materiel managers and others who work within or with the DoD supply system consistent with DoD Instruction 4140.01, and establishes standard terminology for use in DoD supply chain materiel management.
- This volume describes procedures for the DoD supply chain materiel management processes dealing with the return of materiel to the wholesale supply system and the disposition and disposal of excess, surplus, and foreign excess personal property.

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SECTION 1: GENERAL ISSUANCE INFORMATION

1.1. APPLICABILITY. This volume applies to OSD, the Military Departments (including the Coast Guard at all times, including when it is a Service in the Department of Homeland Security by agreement with that Department), the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD (referred to collectively in this issuance as the “DoD Components”).

1.2. INFORMATION COLLECTIONS. The stratification reports, referred to in Paragraph 4.3. of this volume, do not require licensing with a report control symbol in accordance with Paragraph 10 of Volume 1 of DoD Manual 8910.01.

1.3. SUMMARY OF CHANGE 3. This change is administrative and updates references and organizational symbols to reflect the reorganization of the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics, pursuant to the July 13, 2018 Deputy Secretary of Defense Memorandum.

SECTION 2: RESPONSIBILITIES

2.1. ASSISTANT SECRETARY OF DEFENSE FOR SUSTAINMENT (ASD(S)). Under the authority, direction, and control of the Under Secretary of Defense for Acquisition and Sustainment (USD(A&S)), the ASD(S) oversees the return process of the supply system that administers customer returns of defective materiel, excess materiel, and materiel requiring maintenance, repair, or overhaul.

2.2. DIRECTOR, DEFENSE LOGISTICS AGENCY (DLA). Under the authority, direction, and control of the USD(A&S), through the ASD(S), and in addition to the responsibilities in Paragraphs 2.3. and 2.4. of this volume, the Director, DLA, administers:

- a. The Defense Material Disposition Program, including reutilization, transfer, donation, sales, loans, gifts, hazardous property disposal, and the Precious Metals Recovery Program (PMRP) as specified in DoDM 4160.21.
- b. The Defense Demilitarization Program in accordance with DoDI 4160.28.
- c. DoD Trade Security Controls Program in accordance with DoDI 2030.08.

2.3. DOD COMPONENT HEADS. The DoD Component heads:

- a. Implement the procedures prescribed in this volume and require that supplemental guidance and procedures are in accordance with DoDI 4140.01 and this volume.
- b. Establish criteria and implement procedures and systems for managing and authorizing materiel returns to the supply system. Base the criteria, procedures, and systems on economic considerations and on the contribution of such returns to improving inventory performance relative to the item support goals discussed in Volume 2 of this issuance.
- c. Ensure that returned material is fully visible to applicable managers at all levels upon initial shipment and then systemically tracked to their intended destinations.
- d. Ensure that their wholesale or retail managers make a timely disposition determination on defective materiel that is under their control or reported by the using organizations.
- e. Project anticipated returns of unserviceable or reparable items on an item-by-item basis. Consider such projected assets, as applicable, to approved reparable item maintenance requirements for purposes of:
 - (1) Asset stratification.
 - (2) Induction of unserviceable assets for maintenance.
 - (3) Maintenance budget development.

f. Expedite the return of unserviceable depot-level reparable items that cannot be repaired in the field to designated maintenance facilities for repair or overhaul to a serviceable condition.

g. Identify and apply appropriate controls for materiel disposition worldwide, including physical security, and trade security controls in DoDI 2030.08, to prevent its unauthorized use.

2.4. SECRETARIES OF THE MILITARY DEPARTMENTS AND THE DIRECTOR,

DLA. In addition to the responsibilities in Paragraph 2.3. of this volume, the Secretaries of the Military Departments and the Director, DLA:

a. Assign and maintain demilitarization codes for all items throughout their life cycle in accordance with DoDI 4160.28.

b. Loan, give, or exchange documents, historical artifacts, and condemned or obsolete combat materiel to benefit DoD historical collections and associated educational programs in accordance with DoDM 4160.21.

c. Stratify inventories of secondary items as described in Section 4 of this volume into these categories:

(1) Approved acquisition objective (AAO) stock.

(2) Economic retention stock (ERS).

(3) Contingency retention stock (CRS).

(4) Potential reutilization stock (PRS).

d. Use the inventory stratification to assess the ability of the secondary item inventory to meet the stated requirement and ensure that surplus inventories are kept only if warranted.

2.5. SECRETARIES OF THE MILITARY DEPARTMENTS. In addition to the responsibilities in Paragraphs 2.3. and 2.4. of this volume, the Secretaries of the Military Departments:

a. Stratify inventories of conventional military munitions (to include missiles) as described in Section 4 of this volume into these categories:

(1) Requirements related munitions stock (RRMS).

(2) Economic retention munitions stock (ERMS).

(3) Contingency retention munitions stock (CRMS).

(4) Potential reutilization and disposal stocks (PR/DS).

b. Use the stratification process to assess the ability of the conventional military munitions inventory to meet the stated requirement and ensure that surplus inventories are kept only if warranted.

c. Identify and provide a listing of excess small caliber ammunition, 7.62 millimeter and lower, suitable for use by other government and law enforcement agencies to DLA for use in the Law Enforcement Support Program.

2.6. COMBATANT COMMANDERS. In addition to the responsibilities in Paragraph 2.3. of this volume, the Combatant Commanders, through the Chairman of the Joint Chiefs of Staff, ensure the efficient and effective retrograde movement of materiel out of theater.

SECTION 3: MATERIEL RETURNS

3.1. RETURNS PROCESS AND DOCUMENTATION.

a. Materiel managers will oversee the returns process and will:

(1) Return materiel in a timely manner so that enough assets are available for use or reuse in the DoD supply chain to satisfy customer requirements. Base the decision to return materiel from supply classes I to X on economic and customer requirements considerations.

(a) Consider DoD Components' assets in determining future procurement or repair requirements for items whose projected requirements depend on forecasted demands.

(b) Dispose of materiel assets that exceed approved acquisition requirements unless economic or contingency reasons justify retaining them.

(2) Return materiel excess to retail supply activity requirements, materiel in need of depot level repair, or defective materiel.

(a) Categorize return or retrograde shipments automatically by type of return; (e.g., excess materiel, unserviceable materiel, defective or discrepant materiel, class of supply, or other redistribution stocks).

(b) Identify physical units of materiel by type of return using appropriate tags, labels, and color codes.

(c) Coordinate with owning activities, to develop physical shipment plans for return of serviceable and unserviceable materiel to satisfy projected customer materiel requirements and applicable maintenance production schedules. Consider utilizing materiel in the disposition system to prevent the cost of procurement or to prevent the cost of repairing unserviceable items when serviceable items are available.

(d) Use standard bar codes, 2 dimensional symbols, radio frequency identification, or other automatic identification technology devices described in part II of the Defense Transportation Regulation 4500.9-R and Military Standard 129 when returning materiel.

b. The DoD Components will use applicable logistics standard systems and data procedures as prescribed in Volume 8 of this issuance to return materiel.

c. The DoD Components may implement additional materiel returns procedures.

(1) Develop analytical capabilities to assess trends in serviceable and unserviceable returns relative to number of issues, reason for return, action taken upon return, reliability issues, and to identify discrepancies or out-of-tolerance conditions.

(2) Where possible, automatically generate return authorizations from asset management systems; however, each DoD Component will document manual processes to be used when needed.

d. The materiel manager will:

(1) Establish an asset due-in quantity when directing materiel to be returned to a wholesale stockage or repair location.

(2) Establish an asset due-in quantity after receiving confirmation that such materiel has been shipped to a wholesale distribution or maintenance depot, whether organic or commercial.

(3) Retain a current record of all retrograde and directed returns. Provide the record to the receiving storage activities through the use of the pre-positioned materiel receipt transactions as prescribed by Defense Logistics Manual (DLM) 4000.25-1, Volume 2 of DLM 4000.25, and DLM 4000.25-2.

(4) Establish the priority for filling a requirement with serviceable materiel return due-in assets as second only to that of serviceable on-hand assets. Consider them before applicable unserviceable items (whether scheduled or not scheduled for repair), items on-order under contract, and items on-order for which funds have been committed, but are not yet under contract.

(5) Adjust the demand history, forecast, and all associated inventory requirements if a serviceable return can be identified to its originating requisition and was used in forecasting customer requirements. In cases where actual returns data are not available for use in the requirements process, materiel managers may use percentage factors or other applicable methods to adjust requirements until systemic deficiencies are resolved.

(6) Develop a serviceable return forecast based on the number of serviceable returns with no originating requisitions. Consider forecasted returns as potential assets to offset buy or repair requirements, but only to the extent that they exceed the level of returns already counted in asset records as materiel due-in.

e. To avoid reparable item supply shortages when offsetting procurement or repair requirement with forecasted returns, the materiel managers may reduce their returns forecasts with the expected likelihood that a portion of the returned assets will not be available for issue due to condemnation.

f. DoD Components returning materiel outside of prescribed procedures are responsible and may be billed for costs incurred by the receiving activity when supply discrepancies are reported and validated. Recoupment action by the materiel manager against the initiator may include all cost reimbursable actions performed by the receiving activity such as repackaging, marking, or disposal.

g. The materiel manager will pay the packing, crating, handling, and transportation costs associated with all types of directed returns including defective and discrepant materiel. The retail owner of materiel will consider retaining, disposing, or consolidating assets to limit returns

where the shipping costs exceed the value of the assets. The wholesale materiel manager will also pay storage costs incurred by the owning activity for assets identified for temporary retention. Part II of the Defense Transportation Regulation 4500.9-R addresses procedures and assigns responsibilities for performing traffic management functions initiated or sponsored by DoD activities, to include the transportation and movement of returned materiel.

h. The materiel manager may set dollar thresholds to avoid uneconomical return of assets above retail retention limits. For assets below the threshold, the owning activity will consider retaining, disposing, or consolidating those assets where the estimated return costs exceed the value of the assets.

i. The returning activity will:

(1) Provide initial materiel returns shipment status for retrograde and directed returns.

(2) Provide initial shipment status to the materiel manager for directed returns, including excess, defective, and discrepant materiel.

j. Joint deployment or distribution operations centers will direct the return of materiel from theaters of operation using principles of sustainability.

3.2. RETURNING DEFECTIVE MATERIEL.

a. Managing and using organizations will verify that materiel is defective before initiating disposition actions in accordance with the procedures in DoDM 4160.21 and DLAR 4155.24/AR 702-7/SECNAVINST 4855.5A/AFR 74-6.

b. The responsible DoD Components will establish criteria, such as cost-to-process and cost-to-ship, to guide wholesale or retail managers in making economically viable disposition decisions on defective materiel.

c. Using organizations should receive either a financial credit for the defective materiel or its free replacement, excluding conventional military munitions or free-issue materiel from materiel managers. Such financial credits should apply to defective materiel supplied either from organic stocks or through direct vendor delivery.

d. To gain restitution for defective materiel, the using organization will report the materiel to the contracting officer for appropriate action. DoD Components may request, through the contracting officer, an investigation by a defense criminal investigative office (DCIO) and then follow instructions when issued from the contracting officer regarding subsequent procedures in Paragraphs 3.2.e to 3.2.k.

e. Using organizations:

(1) May return defective materiel to a location determined by the wholesale or retail manager.

(2) May retain defective materiel in-place (if the using organization agrees) pending a final disposition decision by the wholesale or retail manager, or may dispose through the DLA Disposition Services.

(3) Retain defective materiel under investigation by the DCIO in place (using organization permission is not required); segregate, preserve, and secure as potential evidence until specific release or disposition authorization is received from the DCIO.

f. The appropriate materiel manager is responsible for packing, crating, handling, and transportation costs associated with all directed returns.

g. The materiel manager will complete documentation and follow procedures in accordance with Volume 2 of DLM 4000.25.

h. The materiel manager will assign an appropriate condition code (and, when possible, the appropriate management code) to prevent inadvertent DoD reuse and to keep defective materiel out of commerce.

i. DLA Disposition Services will use a restricted resale provision in the surplus sales contract and indicate that the resale restriction will apply to all future sales. Procedures for defective critical safety items are found in Volume 11 of this issuance.

(1) The disposal procedures in DoDM 4160.21 apply.

(2) Consistent with DoDM 4160.21, if the appropriate host installation office (e.g., the qualified recycling program coordinator) and the local DLA Disposition Services officer determine that materiel has no commercial value, accomplish disposition through the local trash collection system as needed.

j. The DoD Components will dispose of defective materiel requiring demilitarization according to the procedures in DoDI 4160.28 and DoDM 4160.28.

k. When defective materiel is covered by a warranty, the DoD Components will request, from the appropriate supplier, either a replacement, refund, or credit of the defective materiel.

3.3. RETURNING DISCREPANT MATERIEL.

a. Owning or managing organizations, in coordination with the shipping activity when appropriate, will verify that materiel is discrepant before starting disposition actions.

b. For discrepant materiel received at a DLA Distribution Depot, the owning or managing organization may delegate authority to provide disposition instructions for supply discrepancies to the shipping DLA Distribution Depot.

c. The responsible DoD Components will establish criteria for disposition decisions on discrepant materiel such as the wholesale asset position, value and sensitivity of the discrepant materiel, cost-to-return, and cost-to-dispose.

- d. The receiving activity may assign an appropriate supply condition code to prevent inadvertent DoD use pending investigation or litigation.
- e. In response to a validated supply discrepancy, requisitioning activities should receive from materiel managers, either a financial credit for any unacceptable discrepant materiel or its free replacement. Such financial credits apply to discrepant materiel supplied either from organic stocks or through direct vendor delivery. If the materiel manager directs the return of the foreign military sales (FMS) discrepant materiel, credit will not be provided to the FMS customer until the materiel is returned to U.S. Government custody.
- f. To gain restitution for supply discrepancies, the receiving organization will report the discrepancy to the DoD shipping activity or materiel manager for appropriate action using the supply discrepancy report (SDR) submitted via DoD WebSDR or an interface partner as specified for supply discrepancy reporting in Chapter 17, Volume 2 of DLM 4000.2.
- g. Materiel managers will document transportation discrepancies reportable under Chapter 210 of Part II of Defense Transportation Regulation 4500.9-R on a transportation discrepancy report. Materiel managers will base claims against the commercial carrier on discrepancies such as damaged, lost, or missing items that occurred while in the carrier's possession.
- h. The responsible organization may direct return of discrepant materiel to a specified location, authorize the receiving activity to retain the discrepant materiel at no cost, or dispose locally or through the DLA Disposition Services. Upon directing a return to a DLA Distribution Depot, the responsible organization must establish a due-in date and provide a pre-positioned materiel receipt to the receiving activity under Chapter 12 of Volume 2 of DLM 4000.25.
- i. The return shipment is normally directed using the original document number. However, when returning discrepant materiel, the transportation control number for the return shipment cannot be derived from the document number. Instead, the returning activity or shipper must construct a unique transportation control number in accordance with Appendix L in part II of Defense Transportation Regulation 4500.9-R.
- j. The wholesale materiel manager is responsible for packing, crating, handling, and transportation costs associated with all directed returns of requisitioned materiel.
- k. Based upon the SDR reply guidance, the returning activity will complete documentation and follow the procedures in accordance with Chapter 17 of Volume 2 of DLM 4000.25.

3.4. RETURN OF MATERIEL FOR MAINTENANCE, REPAIR, OR OVERHAUL.

- a. The DoD Components will:
 - (1) Classify the level of repair needed and determine eligibility for maintenance action as prescribed in Volume 2 of this issuance.
 - (2) Use an automated capability, including automated information systems and automatic identification technology where possible, to track the return of unserviceable assets to maximize

the unserviceable return rate and to provide visibility for expediting returns that could satisfy high-priority demands.

(3) Return unserviceable assets to a designated storage location, directly to a commercial or organic repair facility when that facility is the designated maintenance facility for an item and direct to vendor shipment instructions are provided and authorized. Provide visibility of the return actions to the materiel manager.

b. For all secondary items, the assigned materiel manager is the authority for approving all returns of unserviceable materiel to designated depot maintenance or wholesale distribution activities. The materiel manager will:

(1) Base the approval of unserviceable returns on:

(a) Serviceable and unserviceable on-hand asset availability against future requirements.

(b) Projected future maintenance requirements.

(c) Transportation and handling costs.

(d) Item design stability and impact of technological changes.

(e) Availability of maintenance capacity and resources.

(f) Availability and cost of manufacturing or alternative sources over the life cycle of end item applications.

(2) Employ standard procedures, including using pre-positioned materiel, for depot-level maintenance returns and shipment status.

(3) Establish a process to automatically approve the return of unserviceable depot reparable items assets considered economically repairable and code them as such in official catalog documents.

(4) Establish procedures to provide funding credit for:

(a) Serviceable and unserviceable assets returned for maintenance.

(b) Returns, adjustments to item price in consideration of carcass value.

(c) Cost to repair, or physical receipt of reparable units.

(5) Establish credit return procedures for every case to consider factors such as impact of return decisions on customer wait time, total cost of providing new materiel vice repair of unserviceable assets, warranty, and costs of managing and transporting returned assets.

c. The materiel manager may authorize the return of serviceable depot level reparable items if the purpose is to prevent operational failure through preemptive maintenance.

d. The DoD Components may establish routine procedures to return field-level reparable items to designated installations or operating-level maintenance activities.

e. The DoD Components will adjust planned maintenance requirements as changes in projected unserviceable return quantities or scheduled return times occur.

f. For each reparable item, the materiel manager will maintain an automated history of unserviceable returns by returning activity. They will maintain the actual history for a period not less than 2 years, and not greater than 10 years.

3.5. MATERIEL RETURNS PROGRAM FOR RETAIL ASSETS.

a. The DoD Components will:

(1) When feasible, use materiel from classes of supply I to X available in the disposition system to offset the cost of planned procurements. Use serviceable disposition assets to offset the cost of planned repair actions.

(2) Report all serviceable assets or economically repairable assets above a DoD Component's retention limit at a retail supply activity to the wholesale manager to determine their disposition, except for Class I perishable subsistence and Class VIII medical shelf-life items.

(3) Establish criteria to guide the wholesale manager in making an economically viable decision on disposition, such as cost-to-process, cost-to-hold, cost-to-ship, and an item's inventory position relative to its inventory requirements. Based on those criteria, the wholesale manager will advise the holding DoD Component to:

(a) Return the reported assets to wholesale stocks.

(b) Laterally redistribute the reported assets.

(c) Temporarily retain the assets in-place.

(d) Not return the reported assets if they are not authorized to be returned.

b. Retail Class I perishable subsistence, Class VIII medical shelf-life assets, industrial plant equipment, and lumber are not authorized for return.

c. As an alternative to procurement to satisfy operational requirements within the budget year, wholesale managers will:

(1) Accept returned assets and provide a financial credit to the owning DoD Component.

(2) Provide the financial credit at standard unit price, less the cost recovery rate.

(3) Authorize no credit for returning assets beyond the budget year, or to satisfy the currently unfunded portion of the war reserve requirements.

(4) Grant financial credit for packing, crating, handling, and transportation for all directed returns, regardless of materiel credit eligibility.

d. If serviceable assets of consumable and reparable items or unserviceable-but-economically-repairable assets of reparable items exceed the local retention levels at a retail supply activity, the holding DoD Component will:

(1) Utilize systems when available (e.g., Plant Clearance Automated Reutilization Screening System) to report the availability of the items to other co-located DoD organizations.

(2) Report as soon as practicable, but at least quarterly, those assets to the wholesale manager.

(3) Report full unit-of-issue quantities only.

e. When the wholesale manager does not authorize the return or temporary retention of reported assets, they are subject to the retail holding or disposal practices of the owning DoD Component. Unauthorized return of materiel may result in the materiel manager taking action to recoup the cost of all reimbursable actions the receiving activity performs from the returning activity (e.g., repackaging, marking, or disposal).

f. Items obtained with only a local stock number (i.e., without a national stock number (NSN) or a catalog part-number) are not subject to the materiel returns program.

SECTION 4: MATERIEL RETENTION

4.1. WHOLESALE RETENTION OF SECONDARY ITEMS.

a. In accordance with segmentation of secondary item inventory in Volume 10 of this issuance, the DoD Components will:

(1) Ensure that all wholesale inventory, regardless of location, is properly categorized with regard to retention and that mechanisms are in place to take proper retention, redistribution, and disposal actions against those inventories.

(2) Stratify secondary items as AAO stock, ERS, CRS, and PRS.

(3) Stratify item inventory authorized for peacetime and wartime requirements to equip and sustain U.S. and allied forces as AAO stock, according to current DoD policies and plans. Stratify AAO requirements that are sufficient to support other U.S. Government agencies, as applicable. Volume 2 of this manual lists the peacetime and wartime requirements for secondary items that comprise the AAO.

(4) Stratify stock above AAO requirements as ERS if it is more economical to retain than to dispose of and then potentially repurchase. DoD Components will compute an ERS limit above which it is more to dispose of stock and potentially repurchase it later than to retain it. To warrant economic retention, an item will have a reasonably predictable demand rate. If the expected demand for an item is probable but not predictable, the item may be considered as ERS provided the managing DoD Component has a documented rationale that economically justifies retention and is available for audit purposes.

(5) Stratify stock above AAO requirements and ERS limit as CRS if a level of stock has been established that is held to support specific contingencies. The materiel manager must document the rationale to warrant contingency retention.

b. The DoD Components will ensure that the methodologies used to identify economic and contingency stocks are current by:

(1) Periodically reviewing and validating their associated methodologies.

(2) Conducting an annual review of cost, demand, weapon system, and other factors used in making economic and contingency decisions for ERS and CRS to ensure the factors are up to date. Document the validity of the factors in writing.

(3) Focusing an annual review of all items with ERS on retaining only those stocks that are based on an approved economic method. Give highest review priority to ERS with the largest dollar value or largest inventory storage cube requirement.

(4) Focusing an annual review of all items with CRS on retaining only those stocks that have documented rationale for retention above economic limits. Give highest review priority to CRS items with the largest dollar value or largest inventory storage cube requirement.

(a) To that end, DoD Components may choose to zero out CRS levels and restore only those stocks that continue to have the required rationale.

(b) For DoD Component managed items with CRS, DoD Components must conduct a 100 percent annual review.

(c) For DLA managed CRS with a Service request for retention, DLA will work with the Military Services to ensure that items with CRS quantities are reviewed at least once every 3 years.

(d) For DLA CRS materiel, the commanding officer (or designee) of the Military Services' materiel commands will attest in writing to the review and retention decisions of applicable DLA CRS quantities, and that the Weapon System Support Program reflects current weapon system information. The Director, DLA (or designee) will annually attest in writing to the overall coordination of the CRS process with the Military Services, including executing retention and disposition recommendations.

(5) Affirming ERS every 3 years with a validation of the methodology used to determine ERS to ensure that it accurately depicts the economic tradeoff between the costs of retaining stock and the costs of disposing of stock. DoD Components will use Table 1 to validate the methodology for setting the maximum level of ERS, i.e., the economic retention limit (ERL). The criteria for the required triennial validation fall into several categories as depicted in Table 1.

Table 1. ERS Assessment Checklist

Category	ERS Assessment Criteria
Future Demand	Is your procedure for identifying items with predictable demand credible, i.e., realistic and reliable?
	Is your procedure for identifying items with probable demand credible, documented, and available for audit?
Economic Analysis	Does your ERL method quantify the maximum level of ERS based on a cost or savings trade-off?
	Are all of your assumptions documented and creditable?
	Is your final ERLs based strictly on economics?
	Is your quantification of significant costs and benefits in the ERL method documented?
	Does your ERL method discount future costs and benefits to account for the time value of money?
	Does the time horizon for your economic analysis align with the probability distribution for long term demand for your items?
	Does your ERL method provide for sensitivity testing to account for uncertainties in the future?
	Is your ERL method sufficiently documented?
	Are your ERS determinations based on ERLs that are derived from up-to-date and documented data sources?

Table 1. ERS Assessment Checklist (Continued)

Category	ERS Assessment Criteria
Application	Does your application of the ERL analysis adhere to policy and, if grouping are applied, are they logical and not subjective?
	Do you apply your ERS determinations on a regular basis? Explain when you make your determinations (e.g., monthly, quarterly) and how you make your determinations (e.g., within your standard system, within a bolt-on to your standard system, outside your system).
Variables	Is the cost to store in your ERL method up-to-date and estimated with a high degree of confidence?
	Do you estimate the value of storage costs? If yes, explain how storage costs are calculated including data sources.
	Is the disposal return in your ERL method up-to-date and estimated with a high degree of confidence?
	Is the potential long-term demand in your ERL method up-to-date and estimated with a high degree of confidence?
	Are potential repurchase costs in your ERL method up-to-date and estimated with a high degree of confidence?
	Do you estimate the value of repurchase costs? If yes, explain how repurchase costs are calculated including data sources.
Weapon System Variables	Does your ERL method consider the remaining life of the system or item?
Reviews	Do you review and validate your ERL method at least annually?
	Do your logistics headquarters commanders or designees attest to the validity of their ERL methods in writing?
	Do you have ongoing or periodic efforts to improve your long-term demand estimations?
	Do you have ongoing or periodic efforts to improve your cost estimates?

c. The DoD Components heads, or their appointed designees, will oversee that ERS and CRS reviews are conducted as prescribed in this volume and documented accordingly.

d. Materiel managers may retain wholesale stock up to the sum of the AAO, the ERS, and the CRS. Stocks above that sum are PRS and materiel managers must review them for transfer to the DLA Disposition Services within 3 months.

(1) Within 3 months of classifying stock as PRS, the DoD Components will:

(a) Ensure timely disposition by completing a review to determine whether the PRS stock should be re-categorized for retention or disposed.

(b) Initiate the re-categorization as CRS, ERS, or AAO (as appropriate) or disposal actions within 1 month following the review.

(2) Materiel managers will document the disposition decisions and actions.

e. With regard to the determination of ERS, the DoD Components will:

(1) Base the methodology used to set the ERL for an item on an economic analysis that balances the costs of retention, disposal, and potential repurchase. The DoD Components may accomplish the analysis on an item-by-item basis, for logical commodity groupings, or for specific end-item applications.

(2) Consider the costs of storage capacity, potential long-term demand, potential of a repurchase procurement, and materiel costs in the analysis. For items essential to the operation of a weapon system, the expected life of the system and the number of systems in use should be considered.

(a) If the future demand rate per system is known and not expected to change, ERLs will depend on changes in the number of systems in use.

(b) Use of current or greater retention limits may be warranted due to:

1. Change in the number of systems is due to weapon system phase out.
2. Increased expected future demand rates for items due to aging.
3. The possibility of diminishing manufacturing sources.

(3) Hold no ERS for items with no demand in 5 or more years after the demand development period for an item, unless:

(a) An item is associated with a maintenance cycle of 5 or more years and the economic analysis is based on maintenance cycle instead of years.

(b) The decision to retain ERS is based on an economic analysis that considers the probability of demand for increasing numbers of units for items with no demand in 5 or more years.

(4) Focus their review of economic retention methodologies on:

(a) Using forecasting models that take into account potential trends in demand and predicting long-term demand, based on historical data, in order to better analyze supporting retention decisions. Because repurchasing costs are the predominant cost in retention decisions, reducing the uncertainties of predicting long-term demand is important, particularly for items with little or no demand in their recent history.

(b) Improved estimates for costs used in retention decision-making.

f. For CRS, the DoD Components will:

(1) Document CRS retention decisions and record senior management approval of CRS retention decisions.

(2) Identify CRS according to the following six categories:

(a) **CRS Code C: Reclamation and Cannibalization.** This category includes condemned or otherwise excess reparable assets or kits held as a source of supply for their subcomponents. If the subcomponents of the reparable item or kit has had no demand in 10 years, then the condemned or otherwise excess asset or kit should not be held in Code C.

(b) **CRS Code F: Potential Security Assistance; FMS Reserve.** If an item has had no demand in the 10 years after the possibility of an FMS case was first established, then no assets for the item should be held in Code F.

(c) **CRS Code H: Items with Potential Consumption Above Computed Requirements.** This category includes:

1. Items used for humanitarian assistance and disaster relief.
2. Terminal items that can be requisitioned until their stocks are exhausted. Items with acquisition advice code of “V” for terminal item. If an item has had no demand in the 10 years after being designated terminal, then no assets for the item should be held in Code H.
3. Items coming out of warranty. If an item has had no demand in the 10 years after its warranty has expired, then no assets for the item should be held in Code H.
4. Containers.
5. Weapon system program manager stock held for initial and sustainment support for an item with no project requirement. Sponsored owned assets with no demand in 10 years after the weapon system has been fielded should be capitalized.
6. Items being transferred to another DoD Component for management until their transfer is completed. If un-transferred assets exist 10 years after an item transfer was initiated and the gaining manager does not want those assets, they should be sent to disposal.

(d) **CRS Code M: Military Operational Necessity.** This category includes seasonal items, theater-specific items, or other items needed for potential peace keeping or mobilization scenarios not covered by war reserves or current AAO requirements.

(e) **CRS Code P: Item Procurement and Re-procurement Constrained.** This category includes stock for items with a diminishing manufacturing source or from a life-of-type buy, or otherwise non-procurable stock.

(f) **CRS Code W: Weapon System Exclusion.** Cognizant stakeholders, such as weapon system program managers, hardware commands, combatant commands, or field or fleet commanders, collaborate on the assignment of Code W. Code W includes assets for essential items with an item essentiality code of 1, 5, 6, or 7 in accordance with Volume 2 of this issuance and that are:

1. Part of a weapon system modification program.
2. Part of a weapon system service life extension program.

3. Part of a weapon system deemed mission-essential in accordance with Volume 2 of this issuance, with a weapon system group code of A or B. The following W-retention ceilings apply:

a. For items with 5 to 9 years of no demand, retain up to 12 minimum replaceable units (MRUs).

b. For items with 10 or more years of no demand, only retain 1 MRU.

(3) Review items unique to a weapon system that is being withdrawn from use for possible contingency retention.

(4) Base decisions to hold stocks of items with potential security assistance contingency retention on historical demand and anticipated sales from foreign non-cooperative logistics supply support arrangement customers.

(5) Maintain a record with the identification of the item and the weapon system, to help justify contingency retention for a unique item. Hold stocks of unique items with no contingency retention as needed for up to 1 year after the phase-out of the weapon system, with a written determination (renewable annually by the commander of the applicable materiel manager) that holding the stocks is in the interest of the DoD.

g. Since the orientation of contingency retention is different from economic retention, the DoD Components' annual review will focus on verifying that the reason for contingency retention still exists and the coding of the reason for contingency retention is correct.

4.2. RETAIL RETENTION OF SECONDARY ITEM INVENTORY. To guard against variable demand and the associated unnecessary costs of returning and later reordering items, retail supply activities may have retention stocks for demand-based items.

a. For a demand-based item, the DoD Components may retain stock at a retail supply activity up to the sum of the item's approved war reserve level, its requisitioning objective, and a maximum of 2 years' worth of its demand at anticipated issue or wear-out rates.

b. If the holding DoD Component does not authorize retail retention, the local retention level for an item is its requisitioning objective.

4.3. RETENTION OF CONVENTIONAL MILITARY MUNITIONS.

a. Military Departments will:

(1) Apply the procedures in this volume to all conventional military munitions with the Single Manager for Conventional Ammunition (SMCA) Joint Conventional Ammunition policies and procedures, which can be found on Joint Ordnance Commanders Group website at www.us.army.mil/suite/page/631349.

(a) Include tactical missiles, conventional military munitions managed by the SMCA in accordance with DoDD 5160.65, and all other Military Department-managed conventional munitions.

(b) Exclude toxic chemical and special weapons from this requirement.

(2) Stratify all conventional military munitions inventories to assess the ability of the inventory to meet the stated requirement.

(3) Keep inventories above requirements only if warranted based upon analysis of military requirements.

(4) Use the stratification process to provide a joint view of assets in the inventory for an extended time or long-supply position.

(5) Participate in cross-leveling activities throughout the year, to include quarterly reviews, to ensure optimization of the whole DoD inventory. Cross-leveling conventional military munitions among Military Departments, and screening the resource recovery and disposition account (RRDA), is a continual process.

(6) Use cross-leveling activities to offset individual procurements of the Military Departments in coordination with the USD(A&S).

(7) Proceed with disposal and demilitarization of only those assets that are excess to all DoD requirements in accordance with the procedures in DoDI 4160.28, DoDM 4160.28, and DoDM 4160.21.

(a) Excess conventional military munitions will be screened by the other Military Departments before transferring to the RRDA. This will include assets that in a previous year were unclaimed by any Military Department.

(b) Military Departments will document that a search of the RRDA occurred, before making procurement decisions, to ensure excess items are not purchased.

(8) Use emergency redistribution between Military Departments when necessary to accomplish conventional military munitions support to emerging and ongoing joint operations. Allocating critical munitions remains a Combatant Commander's prerogative.

(9) Establish reimbursement agreements for emergency transfers of conventional military munitions. Reimburse munitions in order of preference through replacement of same items, replacement with substitutes, future production of items, trade of other munitions, trade for future munitions, procurement funds, or waiver of cost by owning Military Department's Chief of Staff. The SMCA will act as the repository for such agreements and execute the agreements as appropriate.

b. At least annually, each Military Department will:

(1) Use the reporting guidance in Volume 10 of this issuance and the stratification procedures for conventional military munitions inventory described in Paragraphs 4.3.b(2) to 4.3.e of this volume.

(2) Stratify the September 30 inventory of conventional military munitions as:

(a) RRMS. Stratify as RRMS the inventory of munitions stock, including preferred and substitutes, applied to the total munitions requirements (TMR), individual item procurement lead time, and other elements that are applicable to internal Military Department-level inventory management during stratification. Calculate RRMS equal to TMR 5-year baseline year 1 through 5 of Defense Plan plus total procurement lead time (administrative lead time plus production time). Assets that support the TMR may be preferred or substitute munitions (in lieu of having the required number of preferred munitions). Further categorize munitions inventories that do not support the TMR to show their benefit to the Military Departments as inventories in excess of Military Department requirements.

(b) ERMS. Stratify as ERMS the inventory quantity of an item greater than the RRMS that is found through economic analysis to be more cost effective to retain for future peacetime issues, instead of disposing of it and reacquiring it in the future to meet projected requirements.

1. Retain an item if it has a reasonably predictable future requirement or demand rate.

2. Calculate economic retention quantities of ERMS through use of formulas considering future requirements, disposal, and future acquisition costs versus the cost of retention.

3. Determine the need to retain ERMS based upon the projected need for the stock beyond the program objective memorandum (POM) period.

4. Support retention of ERMS by an economic analysis of the cost to retain (including storage costs) versus the cost to procure (including disposal and demilitarization costs).

5. Cross-level ERMS assets whenever it is financially and strategically prudent to do so.

(c) CRMS. Stratify as CRMS the inventory quantity of an item greater than the RRMS that is retained to support requirements not included in the TMR calculation. CRMS assets are only available for cross-leveling if transfer of the CRMS to another Military Department will not impede the special mission or agreement for which the assets were being retained. Include assets in CRMS that are being set aside for:

1. Ceremonial activities.

2. Support to other agencies, such as authorized law enforcement agencies.

(d) PR/DS. Stratify as PR/DS the inventory quantity of an item that is greater than the sum of the RRMS, the ERMS, and the CRMS.

1. Consider PR/DS as excess to the requirements of an individual Military Department, but not excess to the requirement of all the Military Departments.

2. Consider assets that in a previous year were categorized as PR/DS and, therefore unclaimed by any Military Department, as potentially available for RRMS, ERMS, or CRMS before categorizing as PR/DS in the new cross-leveling cycle.

3. During the cross-leveling cycle that followed an asset's categorization as PR/DS, the PR/DS must be either:

a. Claimed by another Military Department.

b. Moved by the owning Military Department to another retention category as a result of a new requirements determination and asset stratification cycle.

c. Moved to disposal if unclaimed by another Military Department at the end of the yearly cross-leveling cycle. Disposal stock with demilitarization codes A, B, or Q and controlled inventory item codes U or 7 will go directly into the DLA Disposition Services account. Disposal stock in demilitarization codes C, D, E, F, and P will go into the RRDA.

c. The Military Departments must provide visibility of conventional munitions in their inventories according to the procedures in Volume 10 of this issuance sending their annual external stratification report to each other, including the U.S. Coast Guard when operating as a Service under the Department of the Navy pursuant to law, and to the United States Special Operations Command.

d. Military Departments will document specific ERMS and CRMS retention rationale and retain these records internally for presentation on demand.

e. At least annually, each Military Department will create an internal stratification report that displays the Military Department's conventional munitions in categories: RRMS, ERMS, CRMS, and PR/DS. The Military Departments may also include other elements that are applicable to internal Service-level inventory management.

SECTION 5: MATERIEL DISPOSITION AND DISPOSAL

5.1. DOD COMPONENTS. DoD Components will transfer materiel to disposal activities with the minimal packaging necessary to ensure it is handled, transported, and received intact. The DoD Components will:

- a. Establish routine procedures to recover long life reusable containers with defined requirements.
- b. When feasible, use materiel available in the materiel disposition system to the extent practicable to offset the cost of planned procurements. Use serviceable disposition assets to offset the cost of planned repair actions.
- c. Follow procedures in Volume 11 of this issuance for critical safety item turn-in.
- d. Follow procedures and responsibilities for disposal in DoDM 4160.21.
- e. Follow procedures and responsibilities for demilitarization in DoDI 4160.28 and DoDM 4160.28.

5.2. RECLAMATION. The materiel managers will use reclamation instead of procurement or repair to obtain component parts or combination of parts (which can be installed or replaced only as an entity) to meet current requirements when it is timely and economical to do so. Current requirements are those within the AAO.

5.3. RETAIL SUPPLY ACTIVITIES. Retail supply activities will:

- a. Have visibility of assets transferred to the DLA Disposition Services and may withdraw assets for their own use.
- b. Expedite the disposal of materiel with rapid processing through reutilization, transfer, and donation screening times.
- c. Complete screening, accommodate requirements in DoDI 4160.28 and DoDM 4160.28, and then complete sales.
- d. Accomplish materiel disposition in contingency operations in accordance with the warfighter's mission and in the best interest of the U.S. Government using principles of sustainability identified in Executive Order 13514. Unless otherwise directed, priority of disposition is:
 - (1) Consume within theater.
 - (2) Reutilize within DoD and other U.S. entities.

- (3) Retrograde to reset U.S. forces.
- (4) Transfer or donate to allies, partner nations, or others as approved.
- (5) Turn in to DLA Disposition Services.

e. Comply with the applicable laws and programs concerned with the disposition of special categories:

(1) Control and demilitarize materiel:

(a) That is related to articles on the U.S. Munitions List specified in part 121 of Title 22, Code of Federal Regulations (CFR) or the Commerce Control List as specified in part 774 of Title 15, CFR.

(b) Found by the DoD Components to have, directly or indirectly, a significant military utility or capacity.

(c) To the extent necessary to eliminate its functional or military capabilities.

(d) In accordance with DoDI 4160.28, DoDM 4160.28, and DoDI 2030.08.

(2) Notwithstanding any other provisions of law and subject to Section 2576a of Title 10, United States Code (U.S.C.), the Secretary of Defense may transfer to federal and State agencies personal property of the DoD, including small arms and ammunition that the Secretary determines is:

(a) Suitable for use by the agencies in law enforcement activities, including counter-drug and counter-terrorism activities.

(b) Excess to the needs of the DoD.

(3) Pursuant to Section 203(j)(2) of Title 40, U.S.C. (also known as “The Federal Property and Administrative Service Act of 1949,” as amended), certain DoD surplus personal property may be made available to Service educational activities to foster and encourage the educational purposes of such activities.

5.4. OTHER MATERIEL DISPOSITION AND DISPOSAL PROCEDURES.

a. Participation in the DoD PMRP is required when an activity generates precious metal-bearing scrap or residual material, or procures or utilizes materiel requiring precious metals. Federal civilian agencies may also participate in the DoD PMRP. The DoD Components and federal civilian agencies will use materials recovered under the PMRP for authorized internal use or furnished to contractors to reduce new procurement costs in accordance with the procedures in Volume 2 of DoDM 4160.21.

b. The DoD Components may transfer foreign excess personal property for foreign currencies or credits, substantial benefits, or the discharge of claims resulting from the

compromise or settlement of such claims, according to applicable law, when the ASD(S) determines that the transfer is in U.S. interests.

c. Pursuant to Section 2572 of Title 10, U.S.C., the Military Departments may loan, give, or exchange documents, historical artifacts, and condemned or obsolete combat materiel to benefit DoD historical collections and associated educational programs.

d. Pursuant to Section 3710(i) of Title 15, U.S.C. (also known as “The Stevenson-Wydler Technology Innovation Act”), a laboratory, agency, or department may donate excess research equipment to educational institutions and non-profit organizations for technical, scientific education, and research activities, according to the provisions of DoDI 5535.8.

e. The Military Departments will assign and maintain demilitarization codes for all items throughout their life cycle. The Demilitarization Coding Management Office will review demilitarization codes and make or recommend code changes in concert with the respective Military Service or Defense Agency.

SECTION 6: OTHER INVENTORY MANAGEMENT CONSIDERATIONS

6.1. GOVERNMENT INVENTORY MANAGEMENT BY CONTRACTORS. With respect to sustainment contracts in which the contractor manages government inventory, the buying DoD Components will:

- a. Maintain inventories of secondary items that are managed by contractors for inventory reporting as described in Volume 10 of this issuance.
- b. Conduct semiannual inventories of government property managed by contract. Use semiannual inventory information to assess the ability of the government inventory managed by contractors to meet mission requirements and ensure that inventories are kept only if warranted.
- c. Approve the written plan supporting a sustainment contract that proposes actions for the reuse or disposal of government inventory when identified by the contractor.
- d. Assign a materiel manager to oversee government inventory that is managed by contract.

6.2. COUNTERFEIT MATERIEL. The DoD Components will:

- a. Establish programs for monitoring and mitigating the risk of counterfeit materiel entering DoD supply chains in accordance with DoDI 4140.67.
- b. Establish and maintain capabilities to properly handle, store, and dispose of counterfeit materiel.
- c. Develop, apply, and maintain materiel management controls to detect, report, store and handle, and properly dispose of counterfeit materiel.
- d. Designate an office or individual and an alternate to act as the single point of contact and to represent its interest on all counterfeit materiel matters.
- e. In their counterfeit programs:
 - (1) Designate an official in each logistics repair, supply, and distribution centers as the focal point for counterfeit materiel reporting and program actions.
 - (2) Develop and maintain performance measures to determine the effectiveness and efficiency of anti-counterfeit actions.
 - (3) Develop and maintain education and training so that the workforce is aware of counterfeit activities.
- f. Establish and maintain capabilities for detecting counterfeit materiel using sampling techniques, materiel testing, and auditing.

- g. Work with industry and law enforcement on anti-counterfeiting measures.
- h. Investigate and obtain remedies for all confirmed cases of counterfeit items under existing fraud, waste, and abuse authorities cited in DoDD 5106.01.

GLOSSARY

G.1. ACRONYMS.

AAO	approved acquisition objective
ASD(S)	Assistant Secretary of Defense for Sustainment
CFR	Code of Federal Regulations
CRMS	contingency retention munitions stock
CRS	contingency retention stock
DCIO	defense criminal investigative office
DLA	Defense Logistics Agency
DLM	Defense Logistics manual
DoDD	DoD directive
DoDI	DoD instruction
DoDM	DoD manual
ERL	economic retention limit
ERMS	economic retention munitions stock
ERS	economic retention stock
FMS	foreign military sales
NSN	national stock number
PMRP	Precious Metals Recovery Program
POM	program objectives memorandum
PR/DS	potential reutilization and disposal stocks
PRS	potential reutilization stock
RRDA	Resource Recovery and Disposition Account
RRMS	requirements related munitions stock
SDR	supply discrepancy report
SMCA	Single Manager for Conventional Ammunition
TMR	total munitions requirement
U.S.C.	United States Code
USD(A&S)	Under Secretary of Defense for Acquisition and Sustainment

G.2. DEFINITIONS. Unless otherwise noted, these terms and their definitions are for the purpose of this issuance and will serve as standard terminology for DoD supply chain materiel management.

AAO. The quantity of an item authorized for peace time and war time requirements to equip and sustain U.S. and allied forces, according to current DoD policies and plans. That quantity will be sufficient to support other U.S. Government agencies, as applicable.

acquisition. Obtaining logistics support, supplies, or services under an acquisition agreement or under a cross-servicing agreement. This includes purchasing (whether for payment in currency, replacement-in-kind, or by exchange for equal value), renting, leasing, or any method of temporarily obtaining logistics support, supplies, or services.

ammunition. An end item, complete round, or materiel component charged with explosives, propellants, pyrotechnics, or initiating composition for use in connection with defense or offense (including demolitions) or for training, ceremonial, or non-operational purposes. This includes inert devices that replicate live ammunition, commonly referred to as dummy ammunition, which contain no explosive materials.

class of supply. A term used to divide supplies and equipment into ten easily identifiable categories of materiel that are depicted by Roman numerals:

Class I. Subsistence, including food and food-related supplies, including condiments, utensils, paper products, and bottled water.

Class II. Clothing, individual equipment, tentage, organizational tool kits, hand tools, administrative, and housekeeping supplies and equipment.

Class III. Petroleum fuels, lubricants, hydraulic and insulating oils, preservatives, liquid and compressed gases, bulk chemical products, coolants, de-icing and antifreeze compounds, together with components and additives of such products, and coal.

Class IV. Construction materials including installed equipment and all fortification or barrier materials.

Class V. Ammunition, to include military munitions, of all types (including chemical, biological, radiological, and special weapons), bombs, explosives, mines, fuses, detonators, pyrotechnics, missiles, rockets, propellants, and other associated items.

Class VI. Personal demand items (non-military sales items).

Class VII. Major end items. A final combination of end products that is ready for its intended use (e.g. launchers, tanks, mobile machine shop, and vehicles).

Class VIII. Medical materiel, including medical-peculiar repair parts.

Class IX. Repair parts and components including kits, assemblies and subassemblies, reparable and consumable items required for maintenance support of all equipment, excluding medical-peculiar repair parts.

Class X. Materiel to support non-military programs, such as agriculture and economic development, not included in classes I through IX.

component. In logistics, a part or combination of parts having a specific function, which can be installed or replaced only as an entity.

conventional military munition. Ammunition or military munitions that are not nuclear weapons. The term does include conventional munitions that are part of nuclear weapons.

CRMS. The inventory quantity of an item greater than the RRMS that will be retained to support requirements not included in the TMR calculation. Assets retained for contingencies are intended for situations other than those already considered in the war reserve materiel or the TMR requirements. CRMS inventory includes contingency assets which are set aside in special war reserve stock for allies; unpredictable homeland defense or counter narcotics missions; or unpredictable weapons system tests, demonstrations, or assets being retained until suitable replacement weapon systems arrive from the contract.

cross-leveling. The transfer of ownership of retention and potential reutilization assets between the Military Departments (including the U.S. Coast Guard) for application against a TMR shortfall. Cross-leveling does not pertain to assets designated as RRMS. Only retention level (ERMS and CRMS) and PR/DS are available for peacetime cross-leveling. Joint Chief of Staff procedures already exist pertaining to the allocation, distribution, and redistribution of RRMS in wartime. Cross-leveling of conventional military munitions among Military Departments, and screening of the RRDA account, is a continual process.

CRS. Stock above an item's AAO requirements and ERS limit, if a level of stock has been established, that is held to support specific contingencies.

cube. When used in regard to storage requirements, the 3-dimensional space (i.e., cubic volume) available for storing materiel.

defective materiel. Materiel that, during its warranty period, fails to function properly due to design, materials, or manufacturing shortcomings. If the materiel is not covered by a warranty, it is considered defective if it fails to function properly either when it is initially installed or put to attempted use, or for a period of time that is substantially less than is common for similar materiel.

demand. An indication of a requirement, a requisition, or similar request for an item of supply or individual item. Demands are categorized as either recurring or non-recurring.

demilitarization. The act of eliminating the functional capabilities or inherent military design features from DoD personal property. Methods and degree range from removal and destruction of critical features to total destruction by cutting, crushing, shredding, melting, burning, etc. Demilitarization is required to prevent property from being used for its originally intended

purpose and to prevent the release of inherent design information that could be used against the United States. Demilitarization applies to materiel in both serviceable and unserviceable condition.

depot-level reparable. An item that is designated for repair at depot level, or that is designated for repair below the depot level for which condemnation authority must be exercised by the cognizant depot level repair activity.

discrepant materiel. Inventory discrepancies such as any variation or difference between an item of property's identification, condition, or location and what is shown on the property record; also any difference between quantity shown and actual quantity on hand. Shipment receipt discrepancies such as any differences between the items documented to have been shipped and items actually received (e.g., count or condition). Discrepancies incident to the shipping of property to or from an organization's facility, wherein differences exist between what was indicated as having been shipped and what was actually received. These deficiencies include loss, damage, destruction, improper status and condition coding, errors in identity or classification, and improper consignment.

DLM. A set of manuals that prescribe logistics management responsibilities, procedures, rules, and electronic data communications standards for use in the DoD to conduct logistics operations in functional areas such as supply, maintenance, and finance. These manuals collectively comprise the DLMS.

donation. Property under the control of a Military Department or a Defense Agency authorized for release by statute to an authorized recipient.

ERMS. The inventory quantity of an item that remains after RRMS is calculated provided the Service can reasonably predict future usage, testing and training requirements beyond the range of RRMS. Assets categorized as ERMS are applicable to an active weapon system's purpose, its product of life-cycle support plan, and the decision to retain the asset is economically sound, based on a number of factors including but not limited to future acquisition costs, or manufacturing capabilities. The ERMS category also serves to resupply depleted RRMS assets and prevent premature or inadvertent purging of the Service's inventories of munitions planned for availability beyond the 5-year Defense Plan.

ERS. Stock above AAO that is more economical to retain than to dispose of and then potentially repurchase.

end item. A final combination of end products, component parts, or materials that is ready for its intended use, e.g., ship, tank, mobile machine shop, or aircraft.

excess. Materiel at a retail supply activity that is excess to that activity's requirements and is subject to return to the wholesale materiel manager, redistribution within the DoD supply chain, or to disposal by DLA Disposition Services.

field-level reparable item. An item that is normally repaired below the depot level of maintenance and for which condemnation authority may be exercised below the depot level.

foreign excess personal property. U.S.-owned excess personal property that is located outside the United States and its possessions. This excludes the 50 States, District of Columbia, Puerto Rico, American Samoa, Guam, Northern Mariana Islands, the Federated States of Micronesia, the Marshall Islands, Palau, and the U.S. Virgin Islands. This property becomes surplus and is eligible for donation and sale.

inventory. Materiel, titled to the U.S. Government, held for sale or issue, held for repair, or held pending transfer to disposal. This definition covers the same population of items as the definition for inventory in Chapter 4 “of Volume 4 of DoD 7000.14-R. Inventory does not include tangible personal property to be consumed in normal operations, operating materials, and supplies as defined in Volume 4 of DoD 7000.14-R.

inventory requirement. A level of stock that a materiel manager is authorized to procure and hold for sale or issue to meet either customer peacetime or wartime needs for items of supply. That level can be expressed either in terms of a quantity or a time period of demand (e.g., a 35 day safety level).

item of supply. A category of items identified by a NSN with the same form, fit, and function. The individual items (units) included in this category could be manufactured by multiple sources.

long-supply. Those stocks that stratify above the AAO requirement.

marking. The application of legible numbers, letters, labels, tags, symbols, or colors that direct proper handling and identification during shipment and storage.

material. Property that may be consumed or expended during the performance of a contract, component parts of a higher assembly, or items that lose their individual identity through incorporation into an end-item. Material does not include equipment, special tooling, special test equipment, or real property.

materiel. All items necessary to equip, operate, maintain, and support military activities without distinction as to its application for administrative or combat purposes, excluding real property, installations, and utilities. Materiel is either serviceable (i.e., in an issuable condition) or unserviceable (i.e., in need of repair to make it serviceable).

materiel management. That phase of military logistics that includes managing, cataloging, demand and supply planning, requirements determinations, procurement, distribution, overhaul, and disposal of materiel.

materiel manager. Any DoD activity or agency that has been assigned materiel management responsibilities for the DoD and participating federal agencies. The term includes responsibilities performed by either wholesale materiel managers or retail materiel managers: managing, cataloging, demand and supply planning, requirements determination and definition, procurement, distribution, overhaul and repair of reparable materiel, and disposal of materiel.

military munition. All ammunition products and components produced for or used by the armed forces for national defense and security, including ammunition products or components

under the control of the DoD, the U.S. Coast Guard, the Department of Energy, and the National Guard, as described in Section 101 of DoDI 5535.8.

NSN. The 13-digit stock number replacing the 11-digit federal stock number. It consists of the 4-digit federal supply classification code and the 9-digit national item identification number. The national item identification number consists of a 2-digit National Codification Bureau number designating the central cataloging office (whether North Atlantic Treaty Organization or other friendly country) that assigned the number and a 7-digit (xxx-xxxx) nonsignificant number. The number will be arranged as follows: 9999-00-999-9999.

personal property. Any end item, materiel, equipment, spares, or repair parts. Property of any kind or any interest therein, except real property, records of the U.S. Government, and naval vessels of the following categories: surface combatants, support ships, and submarines.

POM. The final product of the programming process within the DoD. The DoD Component's POM displays the resource allocation decisions of the Military Departments in response to and in accordance with planning and programming guidance, in accordance with DoDD 7045.14.

PR/DS. The inventory quantity of an item that is greater than the sum of the RRMS, the ERMS, and the CRMS. The PR/DS is considered excess to the requirements of an individual Military Department, but has not yet been found to be excess to the requirement of all the Military Departments.

precious metals. Federal Supply Class 9660 items that are gold, silver, platinum, or palladium granulation and sponges, rhodium, ruthenium, iridium, and osmium recovered from items, such as photographic and X-ray film, spent photographic fixing solution, military accouterments, such as insignia, crucibles, special wires, silver cell batteries, missile and electronic scrap, turnings, desalinization kits, brazing alloys, solder, and dental scrap.

principal item. An end item or a replacement assembly of such importance to operational readiness that management techniques require centralized individual item management throughout the supply system to include items stocked at depot level, base level, and using unit level. Principal items do not include complete aircraft, ships, tanks, helicopters, other combat and tactical vehicles, intercontinental ballistic missiles, intermediate range ballistic missiles, or space vehicles.

PRS. Stock above the sum of the AAO, the ERS, and the CRS that is under review for transfer to the DLA Disposition Services.

receiving. All actions taken by a receiving activity from the physical turnover of materiel by a carrier until the on-hand balance of the accountable stock record file or in-process receipt file is updated to reflect the received materiel as an asset in storage, or the materiel is issued directly from receiving to the customer.

reclamation. The process of returning serviceable and economically repairable components and material from excess or surplus property to the proper supply activity, whereas the residue is processed as disposable property.

reparable item. An item of supply subject to economical repair and for which the repair (at either depot or field level) is considered in satisfying computed requirements at any inventory level.

requisition. An order for materiel initiated by an established, authorized organization (i.e., a DoD or non-DoD organization that has been assigned a DoD activity address code) that is transmitted either electronically, by mail, or telephoned to a supply source either within or external to the DoD (e.g., the General Services Administration, the Federal Aviation Administration, or other organizations assigned management responsibility for categories of materiel), according to procedures specified in DLM 4000.25-1 and Volume 2 of DLM 4000.25.

requisitioning objective. The maximum quantity of materiel to be maintained on-hand and on-order to sustain current operations and core war reserves. It will consist of the sum of stocks represented by the operating level, safety level, repair cycle, if applicable, the order and shipping time, and authorized additive levels.

retail. Level of inventory below the wholesale level, either at the consumer level for the purpose of directly providing materiel to ultimate users or at the intermediate or region level for the purpose of supplying consumer levels or ultimate users in a geographical area.

retention limit. The maximum quantity of on-hand materiel that may be retained in stock, as applicable retention rules determine.

RRMS. The inventory of munitions stock, including preferred and substitutes, applied to the TMR, individual item procurement lead time, and other elements that are applicable to internal Military Department-level inventory management during stratification. The RRMS provides the Military Department with inventory support throughout the period of the POM and lead time to procure.

secondary item. An item of supply that is either in use, stocked in inventory, or held in operating materials and supplies. It includes reparable components, subsystems, and assemblies, consumable repair parts, bulk items and materiel, subsistence, and expendable equipment and end items, including clothing and other personal gear. It does not include major weapon systems, munitions, and equipment and other property under DoDI 5000.64.

shelf-life item. An item of supply possessing deteriorative or unstable characteristics to the degree that a storage time period is assigned to ensure that it performs satisfactorily in service.

SMCA. The responsibility the Secretary of Defense assigns the Secretary of the Army for the procuring, producing, supplying, and maintaining, or renovating conventional ammunition within the DoD.

stratification process. A uniform portrayal of requirements and assets that is a computer-generated application, time-phased simulation of actions causing changes in the supply position (e.g., procurement, repair, receipt, issue, termination, and disposal of materiel).

supply chain. The linked activities associated with providing materiel from a raw material stage to an end user as a finished product.

supply source. Any federal government organization exercising control of materiel and to which requisitions are directed.

surplus property. Excess personal property not required by any federal agency as determined by the Administrator of the General Services Administration.

sustainability. Create and maintain conditions, under which humans and nature can exist in productive harmony, that permit fulfilling the social, economic, and other requirements of present and future generations.

TMR. Defined in DoDI 3000.04.

trade security controls. See DoDI 2030.08.

U.S. Munitions List. Specified in part 121 of title 22, CFR. A list published by the U.S. Department of State that identifies the articles, services, and related technical data designated as defense articles and defense services.

wholesale. The highest level of organized DoD supply, and as such, procures, repairs, and maintains stocks to resupply the retail levels of supply. Synonymous with wholesale supply, wholesale level of supply, wholesale echelon, and national inventory.

wholesale stock. Stock, regardless of funding sources, over which the materiel manager has asset knowledge and exercises unrestricted asset control to meet worldwide inventory management responsibilities. Synonymous with national inventory.

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- DoD Instruction 5000.64, "Accountability and Management of DoD Equipment and Other Accountable Property," April 27, 2017, as amended
- DoD Instruction 5535.8, "DoD Technology Transfer (T2) Program," May 14, 1999, as amended

¹ Available on the internet at www2.dla.mil/j-6/dlmsso/elibrary/manuals/dlm/dlm_pubs.asp

² Available on the internet at <http://www2.dla.mil/j-6/dlmsso/elibrary/Manuals/DLM/MILSTRAP/MILSTRAP.pdf>

³ Available on the internet at www2.dla.mil/j-6/dlmsso/elibrary/manuals/dlm/dlm_pubs.asp

DoD Manual 4140.01, Volume 10, “DoD Supply Chain Materiel Management Procedures: Metrics and Inventory Stratification Reporting,” March 9, 2017, as amended
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Executive Order 13514, “Federal Leadership in Environmental, Energy, and Economic Performance,” October 8, 2009
Military Standard 129, “Department of Defense Standard Practice: Military Marking for Shipment and Storage,” current edition
United States Code, Title 10
United States Code, Title 15
United States Code, Title 40