



## DoD INSTRUCTION 5000.64

# ACCOUNTABILITY AND MANAGEMENT OF DoD EQUIPMENT AND OTHER ACCOUNTABLE PROPERTY

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<b>Originating Component:</b>	Office of the Under Secretary of Defense for Acquisition and Sustainment
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<b>Reissues and Cancels:</b>	DoD Instruction 5000.64, "Accountability and Management of DoD Equipment and Other Accountable Property," May 19, 2011
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**Purpose:** In accordance with the authority in DoD Directive 5134.01 and the July 13, 2018 Deputy Secretary of Defense Memorandum, this issuance:

- Establishes policy, assigns responsibilities, and provides requirements and procedures for accounting for tangible DoD equipment and other accountable property in accordance with Title 40, United States Code (U.S.C.), and Section 901 of Title 31, U.S.C.
- Outlines requirements that reflect the accountability perspective of property management; this supports the lifecycle management of items including the documentation of lifecycle events and transactions.
- Helps DoD property managers, accounting and financial managers, and other officials understand their roles and responsibilities.
- Complements the accounting and financial reporting requirements in DoD 7000.14-R.

**TABLE OF CONTENTS**

SECTION 1: GENERAL ISSUANCE INFORMATION ..... 3

- 1.1. Applicability. .... 3
- 1.2. Policy. .... 3
- 1.3. Information Collections. .... 4
- 1.4. Summary of Change 3. .... 4

SECTION 2: RESPONSIBILITIES ..... 5

- 2.1. Under Secretary of Defense for Acquisition and Sustainment (USD(A&S))..... 5
- 2.2. DoD Component Heads. .... 5

SECTION 3: ACCOUNTABILITY ROLES ..... 7

- 3.1. CPL. .... 7
- 3.2. APO..... 8

SECTION 4: REQUIREMENTS AND PROCEDURES ..... 9

- 4.1. Accountability..... 9
- 4.2. Accountable Property Records. .... 9
- 4.3. APSR..... 10
- 4.4. Property Furnished to or in the Possession of a Third Party..... 11
- 4.5. Accountabilty Records..... 12
- 4.6. Data Elements. .... 13
- 4.7. Accounting for Property In-Transit. .... 14
- 4.8. Transfers. .... 14
- 4.9. Accounting for Non-Fielded Property. .... 15
- 4.10. Valuation..... 15
- 4.11. Excess and Foreign Excess Personal Property..... 15
- 4.12. Physical Inventories. .... 15
- 4.13. Property Disposition. .... 17
- 4.14. Internal Controls. .... 17

GLOSSARY ..... 18

- G.1. Acronyms. .... 18
- G.2. Definitions..... 18

REFERENCES ..... 24

## **SECTION 1: GENERAL ISSUANCE INFORMATION**

### **1.1. APPLICABILITY.**

a. This issuance applies to OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the National Guard Bureau, 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”).

b. This issuance does **not** apply to intellectual property, software (including internal use software), real property, operating materials and supplies, or property and materiel for which accountability and inventory control requirements are prescribed in DoD Instruction (DoDI) 4165.14, Volume 11 of DoD Manual (DoDM) 4140.01, and Defense Logistics Manual 4000.25-2 unless otherwise expressed in applicable issuances.

### **1.2. POLICY.** It is DoD policy that:

a. Comprehensive financial and material management of all accountable government property contributes to operational readiness and supports requirements for sustained auditability.

b. All accountable government property be managed in accordance with DoD 7000.14-R and as augmented by the requirements of this issuance.

c. Accountable records are generated and maintained using the data elements in Paragraph 4.6. to document lifecycle events and transactions.

d. All accountable property and respective data elements are tracked in an Accountable Property System of Record (APSR).

e. Physical inventories are conducted as prescribed in Paragraph 4.12.

f. Information technology, automated information systems, unique identification (UID), and standard common practices and processes for procurement and management of accountable government property are maximized. Standard common practices, processes, and taxonomy, including UID or comparable methods and electronic transactions, will be used to the maximum extent practicable to improve the capability to gather, organize, and assess information on accountable government property.

g. Accountable property is properly dispositioned once it has been determined it is no longer required.

h. All persons entrusted with the management of government property:

(1) Possess and continually demonstrate an appropriate level of competence and proficiency in property accountability and management based on job duties, responsibilities, and policies and procedures.

(2) Are held to the highest ethical standards in accordance with DoDD 5500.07.

(3) Are responsible for the proper use, care, physical protection, and disposal of all government property in accordance with this issuance.

(4) Are responsible for appropriate disposition of government property, including reutilization, transfer, donation, and sale, in accordance with all applicable laws and regulations.

i. All DoD personnel must:

(1) Use government property for authorized use only.

(2) Comply with all applicable laws and regulations.

(3) Contact the appropriate authority if property is subjected to undue risk of loss, damage, destruction, theft, fraud, waste, abuse, or mismanagement.

(4) Report property loss.

(5) Report any misuse of government property to appropriate investigative organizations through proper channels.

j. Property management policies and systems are consistent with the ASTM International E-2279-15 standards.

k. Internal controls support efficient and effective financial and material management of accountable government property.

**1.3. INFORMATION COLLECTIONS.** The Accountable Property System of Record Requirements Checklist, referred to in Paragraph 4.3.e., has been assigned report control symbol DD-A&S-2638 in accordance with the procedures in Volume 1 of DoDM 8910.01. The expiration date of this information collection is listed in the DoD Information Collections System at <https://apps.sp.pentagon.mil/sites/dodiic/Pages/default.aspx>.

**1.4. 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. UNDER SECRETARY OF DEFENSE FOR ACQUISITION AND SUSTAINMENT (USD(A&S)).** The USD(A&S):

- a. Establishes property management policies, standards, and performance measures that monitor and evaluate DoD-wide performance to achieve and sustain effective accountability, management, control, and accurate accounting of government property.
- b. Establishes procedures to grant waivers to this issuance, where appropriate.
- c. Ensures DoD property management goals and expectations are clearly communicated throughout the DoD.
- d. Implements this policy by:
  - (1) Providing direction on uniformity in the identification, classification, and reporting of DoD property.
  - (2) Facilitation of communication across the DoD.
  - (3) Promotion of successful system interfaces through the use of standardized terminology, policies, and procedures.
  - (4) Promoting the use of best practices for property accountability and management.

### **2.2. DOD COMPONENT HEADS.** The DoD Component heads:

- a. Establish property management policies, standards, and performance measures in accordance with this issuance that monitor and evaluate component-wide performance to achieve and sustain effective accountability, management, control, and accurate accounting of government property
- b. Establish and maintain a controlled environment for property accountability and an effective system of internal controls to ensure accountability and authorized use of personal property to prevent loss, damage, theft, or waste and to ensure appropriate financial reporting.
- c. Appoint in writing a component property lead (CPL) to implement this issuance on behalf of the component as described in Paragraph 3.1. The appointment may be made through established component policy or by letter or other written communication and must be made available upon request (e.g., during an audit).
- d. Establish, resource, and maintain APSRs in accordance with criteria in Paragraph 4.3.; ensure their integration with core financial and other systems and processes, particularly those for logistics and acquisition.

- e. Resource technologies, systems, and interfaces to satisfy automatic information technology (AIT) requirements described in Paragraph 4.1.c.
- f. Require subordinate implementing guidance as necessary, including at a minimum:
  - (1) Operational guidance that uses APSR functionality to support the DoD Component mission and enhances component accountability.
  - (2) Effective and meaningful performance measures to assess DoD Component performance by defined competency areas. Examples of competency areas include but are not limited to property loss prevention, fraud, waste, and abuse prevention, and utilization rates.
  - (3) Metrics to assess and report overall property management maturity level. The property management maturity level should meet the minimum standards as defined by ASTM International E-2452-12. The DoD Equipment Management Capability Maturity Model can be found at [http://www.acq.osd.mil/pepolicy/accountability/accountability\\_policy.html](http://www.acq.osd.mil/pepolicy/accountability/accountability_policy.html).
- g. Require personnel entrusted with government property to be informed of their responsibilities in writing, which includes proper stewardship as well as potential legal ramifications for misuse or loss.
- h. Require personnel entrusted with government property to be trained to their level of functional responsibility.

## **SECTION 3: ACCOUNTABILITY ROLES**

### **3.1. CPL. CPLs:**

a. Execute the DoD Component head responsibilities as outlined in this issuance. The CPL is the primary point of contact for the DoD Component regarding property accountability.

b. Ensure adequate policies and procedures are in place to implement this issuance for their DoD Component. At a minimum, DoD Component policies must:

(1) Require all accountable government property acquired through purchase, capital lease, donation or otherwise obtained be managed through its lifecycle in accordance with DoD 7000.14-R and the requirements of this issuance.

(2) Require electronic or hard-copy logs of system transactions, suitable for audit.

(3) Assign authority to establish and enforce appropriate associated internal controls.

(4) Require exchange/sale authority to be applied within the structure of Section 503 of Title 40, U.S.C.

(5) Require coordination on the annual report of use of exchange/sale authority as directed by Federal Management Regulation 102-39.

c. Ensure primary APOs are strategically placed and appointed as needed within the DoD Component.

d. Provide oversight and adjudicate property-related issues between subordinate activities within the component.

e. Require APOs to be appointed in writing at appropriate levels throughout the component.

f. Require periodic internal reviews and audits to be conducted to assess property accountability; management system effectiveness; and policy compliance and effectiveness.

g. Advocate for electronic interfaces or other data exchange methods between the APSR and mandated enterprise systems (e.g., Wide Area Workflow (WAWF) iRAPT Application), including but not limited to mandated data transactions and standards, such as Defense Logistics Management Standards (DLMS) and standard line of accounting.

h. Require that APSR compliance be recorded using DD Form 3042 and make the document available upon request (e.g., to an auditor).

i. Require APSRs be evaluated for compliance with the requirements of the Federal Information System Controls Audit Manual or Statement on Standards for Attestation Engagements No. 18 at least annually. Provide the results to the USD(A&S) upon request.

### **3.2. APO.** APOs:

a. Are appointed in writing by procedures established through the CPL. APOs are required at all levels of accountability.

b. Ensure proper management and accountability of government property at the activity level, regardless of echelon.

c. Establish and maintain the organization's accountable property and financial records for government property, regardless of whether the property is in the individual's or DoD Component's immediate control or possession. This includes the requirement for maintaining a complete trail of all transactions, suitable for audit, and the ability to implement and adhere to associated internal controls.

d. Develop physical inventory plans and procedures, schedule physical inventories, and assist in their completion in accordance with Paragraph 4.12.

e. Certify that government property assigned to a unit or organization is properly inventoried. Perform a joint physical inventory (with the gaining organization) when transferring the organization's property account as required. Properly execute and sign the required resulting documentation (e.g., DD Form 200, "Financial Liability Investigation for Property Loss").

f. Designate custodial areas within an accountable area and appoint property custodians, in writing, for each custodial area designated. Issue custody receipts or similar documents for all property assigned to an individual or organization.

g. Evaluate culpability when property loss has been reported. Report and recommend appropriate action to the Commander, Commanding Officer or Officer in Charge. Assist the designated investigating officer, as required and process financial liability investigations of property loss in accordance with established procedures in DoD 7000.14-R.

h. Monitor the acquisition, storage, utilization, and disposition of property within his or her assigned accountable area. Identify underutilized, impaired, or obsolete property and take appropriate actions to increase utilization or ensure disposition.

i. Validate that property in the APSR is properly and uniquely identified as appropriate in accordance with DoDI 8320.04, Defense Federal Acquisition Regulation Supplement (DFARS) 252.211-7003, and this issuance. Upon finding discrepancies, provide notification to the responsible entity for the item (e.g. item manager, program manager).

j. Utilize electronic transactions wherever practicable (e.g., property transfer via WAWF iRAPT Application, conduct inventories utilizing AIT). Ensure transfers are accomplished in accordance with Enclosure 3, Section 3 of DoDI 4161.02.



## **SECTION 4: REQUIREMENTS AND PROCEDURES**

### **4.1. ACCOUNTABILITY.** Accountability of property:

a. Is established upon receipt, delivery, or acceptance.

b. Is enabled by IUID for identification, tracking, and management in accordance with DoDI 8320.03 and DoDI 8320.04. Where an IUID data matrix is not applicable yet the item needs individual management, the property will be managed by serial number or alternate unique asset identification.

c. Is established and maintained using AIT, to include the use of barcode printers, hand-held and tethered scanners, radio frequency identification, tablets, and common access card readers. AIT will be further supported by the use of electronic forms, attachments, or other soft copies of documentation where practicable.

(1) Using AIT to assist in property accountability is mandatory unless it is demonstrably proven through cost benefit or other analysis that implementation would not be practicable.

(2) Decisions of “not practicable” must be documented by a memorandum of record and reevaluated and reaffirmed every 2 years. The memorandum of record must be signed by activity Commanders, Commanding Officers, or Officers in Charge, provided to the CPL, and be available upon request (e.g., audit).

d. Is maintained throughout the property’s useful life and through disposal regardless of the property’s status within the property life cycle (e.g., excess, obsolete or unserviceable, surplus) or its physical location (e.g., loading platform, in-transit, in theater).

e. Is maintained through accountable property records within an APSR.

### **4.2. ACCOUNTABLE PROPERTY RECORDS.**

a. Accountable property records will be established in an APSR for:

(1) All government property purchased or otherwise obtained having a unit acquisition cost of \$5,000 or more.

(2) As required by law, policy, regulation, or agency direction.

(3) Capital leases.

(4) Assets of any value with controlled inventory item codes identifying them as controlled, classified, or sensitive in accordance with Table 61 of Volume 10 of the Federal Logistics Information System Technical Procedures found on the DLA Website at <https://www.dla.mil/HQ/LogisticsOperations/TrainingandReference/FLISProcedures/>.

(5) Property of any value provided to a contractor as government furnished property (GFP).

b. Accountable property records will be kept current and reflect the current status, location, financial information, and condition of the asset until authorized disposition of the property occurs. The property records must provide a comprehensive log of transactions suitable for audit and will be the authoritative source for use in validating the existence and completeness of an asset.

(1) Updates to property records in the APSR for completed transactions must be posted within 7 working days. DoD Component processes will define the point at which a transaction is complete to allow uniform application of the 7-day processing window.

(2) Updates for capital assets must be recorded in the accounting period the transaction occurs. This takes priority over the requirement of 7 working days in Paragraph 4.2.b.(1) to ensure that financial reporting is not adversely impacted. Deviations will be recorded by a memorandum for the record and held as supporting documentation for financial reporting concerns.

c. Documentation, including original documents and hard or electronic copies of original documentation, must be maintained in a readily available location during the applicable retention period. This permits the validation of information pertaining to the item, such as the purchase cost, purchase date, date placed in service, and cost of improvements. Records and supporting documentation must be maintained in accordance with DoDI 5015.02 and the DoD Component Records Disposition Schedule.

(1) Supporting documentation may include, but is not limited to, purchase invoices and procurement contracts and receiving documents such as the DD Form 250, "Material Inspection and Receiving Report."

(2) The record should note when historical information is unavailable.

d. At any point in time, an accountable property record will only be reported in a single APSR for financial or ownership purposes. Management records, especially for loaned assets or assets under stewardship control, should be established to maintain physical control over assets for which ownership resides in another DoD entity. Only the owner, not the temporary custodian, should report financially.

#### **4.3. APSR.** The DoD Component APSR:

a. Contains the official records that form the basis for accountability, audit, and fiduciary reporting of accountable property.

b. Functions as a sub-ledger to the DoD Component accounting system for financial reporting purposes.

c. Enables electronic business transactions to facilitate management of accountable property as directed. This includes:

(1) Sending and receiving standardized property transactions (e.g., DLMS transactions) when interacting with the DoD supply systems.

(2) Sending and receiving electronic information with appropriate systems both internally and externally. These systems include Item Unique Identification (IUID) Registry and the Invoice, Receipt, Acceptance, and Property Transfer (iRAPT) Applications of the WAWF eBusiness Suite.

(3) Producing or receiving data related to standardized forms (e.g., Government Furnished Property Attachment).

(4) Issuing release or receipt documents.

(5) Producing updates to the IUID Registry for qualified life cycle events (see DoDI 8320.04 for additional IUID instructions).

(6) Sending financial information to the DoD Component accounting system(s).

(7) Receiving data to populate new accountable property records from electronic DD Form 250 via iRAPT.

d. Meets the requirements of the Federal Information System Controls Audit Manual or Statement on Standards for Attestation Engagements No. 16, as appropriate.

e. Demonstrates compliance with, or a plan to achieve, the content in DD Form 3042.

f. Accommodates AIT to receive updates on property status.

g. Contains the data elements of Paragraph 4.6.

#### **4.4. PROPERTY FURNISHED TO OR IN THE POSSESSION OF A THIRD PARTY.**

a. Although the DoD may not have physical custody, in order to maintain effective property accountability and for financial reporting purposes, DoD Components must establish and maintain records and accountability for government property of any value furnished to contractors as GFP or loaned to outside entities such as federal agencies, State and local governments, and foreign governments.

b. Documentation supporting the decision to furnish GFP must be included in the official contract file and provided upon request to the responsible APO(s). Upon disposition of GFP, documentation supporting the completed action(s) must be provided to the responsible APO to support removal of the accountable property record from the APSR. Copies of contract documentation may be obtained from the procuring or administrating contracting officer.

c. Administrative property typically does not meet the definition of GFP; however, the terms and conditions of the contract may dictate otherwise. Before establishing formal GFP records for administrative property when no previous accountable property record has been established, the responsible APO must determine, in coordination with the contracting officer or legal counsel, if the property can be designated as “incidental to place of performance” as defined in Federal Acquisition Regulation (FAR) Part 45.000(b)(5). When administrative property can be so designated, a formal GFP record is not required. If the property does not meet “incidental to place of performance” criteria, the responsible APO must establish a formal GFP record.

d. Third parties have stewardship responsibility, consistent with the terms and conditions of the accountable contract or third party agreement, for the government property in their care. This includes DoD property loaned to outside entities, GFP, and contractor acquired property (CAP) for which the DoD has taken title before delivery. CAP will be recognized upon delivery or constructive delivery in accordance with the guidance in DFARS Procedures, Guidance and Instruction 245.402-71. Delivery or constructive delivery will be based on the terms of the contract regarding delivery. Accountable property records must not be established for CAP until delivery to the DoD has occurred.

e. Financial accountability for assets in which title has passed but delivery to the DoD has not yet occurred (e.g., CAP) will be maintained through a construction in process (CIP) account (see DoD 7000.14-R for CIP procedures). The CIP account may reside in either the DoD Component accounting system or the component APSR. Upon delivery, accountable property records will be established as appropriate in the APSR.

f. Third party property management or accountability systems, e.g. custodial systems, must not supersede or replace the APSR or the accountable property records maintained by the DoD.

g. Oversight of GFP will be conducted in accordance with DoDI 4161.02.

**4.5. ACCOUNTABILITY RECORDS.** Accountability records will be established when, notwithstanding an item’s acquisition cost, it must be controlled and managed to protect against unauthorized use, disclosure, or loss, even though the item is not reported on the balance sheet. Accountability records may be maintained in an APSR or another suitable system. component-level policy may direct additional requirements or may supplement the following list of items requiring accountability records based on the needs of the DoD Component.

a. Property with an acquisition cost less than \$5,000 that is controlled or managed at the item level.

b. Information technology property containing personally identifiable information (in accordance with the requirements of Office of Management and Budget Memorandum M-06-16 and M-06-19) or other sensitive agency information. This property may include, but is not limited to desktops, laptops, and mobile computing devices, mobile information storage devices, and auxiliary hard drives, regardless of cost.

c. Pilferable property when it has been identified as a problem area.

- d. Property hazardous to public health, safety, or the environment. Such property is typically regulated by federal or state environmental and safety laws.
- e. Small arms. See Volume 11 of DoDM 4140.01 for small arms management information.
- f. Property designated as heritage assets.
- g. Seized and confiscated property.
- h. Property with national security implications.
- i. Scrap, including records for managing scrap sales under qualified recycling programs. See DoDI 4715.4 for additional information.
- j. Property obtained via operating lease.
- k. Tooling subject to Title VIII, Subtitle B, Section 815 of Public Law 110-417.
- l. Relocatable buildings as defined by DoDI 4165.56.

**4.6. DATA ELEMENTS.** The following data elements, at a minimum, are required of an accountable property record and APSR:

- a. Name, part number, description (noun, nomenclature), model number, serial number, and national stock number, if known.
- b. Owner (both the accountable and custodial organization).
- c. Status (e.g., active or inactive (retired), staged, stored, in-transit, transferred, declared excess, awaiting disposition, dispositioned).
- d. Quantity (e.g., received, fabricated, issued, and on-hand) and unit of measure.
- e. General ledger classification (e.g., general equipment, loaned or leased, or a means to apply business rules for making such a determination).
- f. Value at full cost and depreciation information, if applicable; or original acquisition cost if the property does not require capitalization.
- g. Estimated useful life (years or activity based for capitalized property).
- h. Unique item identifier (UII) or DoD recognized IUID equivalent as defined in DoDI 8320.04.
- i. Date placed in service.
- j. Location (e.g., DoD activity address code, unit identification code, commercial and government entity code).

- k. Current condition. Information on supply condition codes is contained in DLM 4000.25-2.
- l. Posting reference (e.g., receiving report number, contract, purchase order, or other procurement identification number, invoice number).
- m. Transaction type (e.g., received, accepted, inventoried, transferred, shipped, retired, disposed).
- n. Transaction date.
- o. Care of supplies in storage as needed.
- p. GFP elements:
  - (1) Authorizing contract.
  - (2) Recipient point of contact.
  - (3) Period of performance expiration date.
  - (4) Expected property return date (when different from period of performance).

**4.7. ACCOUNTING FOR PROPERTY IN-TRANSIT.** Organizations will retain accountability for property they place in an in-transit status, until such time as the receiver formally acknowledges receipt. This includes resolution of shipping and other discrepancies. DoD Components will maintain accountability for property, including GFP, furnished to third parties, in accordance with Paragraph 3.5. Business rules for establishing receipt and acceptance should be in writing between shipper and receiver. At a minimum, procedures must require records of part number, national stock number, serial number, UII, or DoD recognized IUID equivalent if available and necessary for unique identification, nomenclature, quantity, and value of the items:

- a. Shipped from contractors or vendors for which title has passed to the government.
- b. Shipped from one organization to another organization, for which accountability is retained by the accountable organization until receipt and acceptance by the consignee.
- c. Moved from one location to another location within an organization.

**4.8. TRANSFERS.** DoD to DoD transfers must be distinguished between transfers of custody and transfers of accountability. See Paragraph 4.4 for other than DoD entities and DoDI 1225.06 for Reserve Components equipment transfers.

- a. Transfers of custody require the sending DoD Component to maintain accountability of the transferred property. An accountable record will be maintained, and receipt documentation from the receiving DoD Component will reflect the asset sent to include unique identifiers. An example of transfers of custody includes shipment of items to be held in a storage facility.

b. Transfers of accountability removes the reporting responsibility from the sending DoD Component, and the receiving component assumes the full reporting responsibility (financial reporting, APSR records, etc.) for the item(s). These transfers are supported by acknowledgement documentation. An example of transfers of accountability includes shipment of items to or receipt in place by DLA Disposition Services.

c. Transfers of both types should be accomplished electronically when practicable. Acceptable methods include using WAWF iRAPT Application Property Transfer, DLMS compliant transactions, and fillable forms with electronic or digital signatures.

d. Sufficient information must be transferred with the item to establish new accountable records when appropriate. This includes the unique identifier, date placed in service, acquisition cost, and estimated useful life.

**4.9. ACCOUNTING FOR NON-FIELDED PROPERTY.** Non-fielded property must be recorded on an accountable property record to enable the component level accountability. This includes property held by a contractor and under that organization's stewardship control. The program office in charge of procuring and fielding said property is responsible for reporting this information to the CPL or assigned APO and updating the APSR as directed.

**4.10. VALUATION.** Property will be capitalized at full cost (see DoD 7000.14-R for capitalization procedures) which is comprised of the acquisition cost and other applicable costs. Property not requiring capitalization will be valued at acquisition cost. When acquisition cost is unknown, estimates based on the cost of similar items at the time of acquisition should be used, or the latest cost of similar items discounted for inflation since the time of acquisition. Such methods and sources, when used, must be applied consistently.

**4.11. EXCESS AND FOREIGN EXCESS PERSONAL PROPERTY.** Information on excess property accountability and disposition is contained in DoDM 4160.21.

#### **4.12. PHYSICAL INVENTORIES.**

a. In general:

(1) Properly planned and executed physical inventories and location surveys continuously improve accountable property record accuracy. The scheduling, type, method, and scope of the physical inventory process depend largely on the DoD Component's management expectations. Such expectations include ensuring mission readiness, audit readiness, testing for existence and completeness, maintaining internal controls, or meeting other mission objectives. Written inventory plans that detail how and when all property will be inventoried must be approved by the local APO and be made available for review by the CPL or audit personnel as required. Physical inventories may take different forms, including wall-to-wall, cyclic, sampling, and "by exception" methodologies.

(2) Physical inventory plans will provide a schedule for completion of all physical inventories and must include an awareness of an item's acquisition or replacement cost, security classification, and its criticality. At a minimum, property will be inventoried at least every 3 years. Classified or sensitive property must be inventoried at least annually in accordance with DoD 5220.22-M. Property loss must be calculated by using the number of items reported in accordance with the procedures in DoD 7000.14-R.

(3) A minimum 98 percent physical inventory accuracy rate (100 percent for classified or sensitive property) will be achieved and maintained. The parameters for inventory accuracy will be established in the inventory plan. Physical inventory results will be measured by annual loss and overage rates, in accordance with ASTM International E-2132-11 standards.

(4) Sampling methods may be used to supplement the triennial inventory requirement in Paragraph 4.12.a.(2). Inventory samples may be used to test, evaluate or validate physical inventory accuracy, but sampling methodology does not relieve the requirement for physical inventory of all accountable property every 3 years. Do not use sampling methods for classified or sensitive property.

(5) Favorable physical inventory results do not eliminate the need for compliance with internal controls or the need for continuous improvement. Internal controls and procedures should be regularly evaluated for effectiveness and improvement.

(6) Inventory by exception may be authorized by the DoD Component APO responsible for that custodial area or asset type. This type of inventory uses actions or transactions (e.g., move orders, maintenance actions, calibration checks, usage logs (or flight logs)), where the items are "touched" by disinterested parties (i.e., persons without stewardship responsibilities), with supporting documentation directly associated with an accountable asset. Toward the end of the inventory cycle, an inventory is then performed on items not already inventoried by an action or transaction during the inventory period. If applicable, these types of inventories must be documented as part of the inventory plan and are subject to documented internal control procedures to ensure the validity of accountable property records.

(7) The physical inventory of GFP should be performed by the contractor in accordance with terms and conditions within the contract. Physical inventory requirements for GFP to be performed by a contractor beyond the requirements of the mandatory property clauses (FAR 52.245-1 and prescribed DFARS clauses) must be dictated in the work statement and supported by a DD Form 1423, "Contract Data Requirements List."

(8) A Memorandum of Agreement should be in place for items held by other DoD Components to establish the terms for inventory validation. The Memorandum of Agreement should include the data required, responsibilities of personnel (both owner and custodian), validation frequency, or other DoD Component specific needs. Ownership of property held in custody of another DoD Component does not automatically transfer to the custodian. Financial responsibility and reporting is maintained by the property owner.

b. The concepts of preparation, physical count, and reconciliation, as defined in the Glossary, apply to all types of physical inventories.



c. Updates to the accountable property records based on inventory results should be completed within 7 calendar days after inventory completion. This does not preclude updates while the inventory is still being conducted.

d. Annual reconciliation between the APSR and the DoD Component accounting system is required, at a minimum. This reconciliation must be performed at fiscal year-end for financial reporting purposes.

**4.13. PROPERTY DISPOSITION.** Property will be dispositioned in accordance with the policies established in DoDM 4160.21. Documentation supporting the disposition action must be maintained in accordance with DoDI 5015.02 and the DoD Component Records Disposition Schedule.

**4.14. INTERNAL CONTROLS.** Internal controls must be established, analyzed, and maintained in accordance with DoDI 5010.40.

a. DoD Components are responsible for assessing risks and documenting both the existing processes and controls to evaluate their effectiveness in mitigating risk. The evaluation includes both the internal control design and testing the effectiveness of internal controls in achieving its objectives.

b. The results of these evaluations should be documented to show management's decision as to what level of risk to accept and where the combination of existing risks and controls is insufficient and requires corrective action plans. If any internal control weakness on property covered by this issuance is subsequently reported in the DoD Component's annual Statement of Assurance, the component must also provide a copy of the internal control weakness information to the Office of the Deputy Assistant Secretary of Defense for Logistics – Equipment(osd.pentagon.ousd-atl.mbx.p-e-policy@mail.mil).

## GLOSSARY

### G.1. ACRONYMS.

AIT	automatic identification technologies
APO	accountable property officer
APSR	accountable property system of record
CAP	contractor acquired property
CIP	construction in process
CPL	component property lead
DD	DoD (form)
DFARS	Defense Federal Acquisition Regulation Supplement
DLMS	Defense Logistics Management Standards
DoDI	DoD instruction
DoDM	DoD manual
FAR	Federal Acquisition Regulations
GFP	government furnished property
iRAPT	Invoice, Receipt, Acceptance, and Property Transfer
IUID	item unique identification
UII	unique item identifier
U.S.C.	United States Code
USD(A&S)	Under Secretary of Defense for Acquisition and Sustainment
WAWF	Wide Area Workflow

**G.2. DEFINITIONS.** Unless otherwise noted, these terms and their definitions are for the purpose of this issuance.

**acceptance.** A formal certification that the goods or services have been received and that they conform to the terms of the contract. See Federal Acquisition Regulation Part 46 for contractual requirements and procedures that constitute acceptance.

**accountability.** The obligation imposed by law, lawful order, or regulation, accepted by an organization or person for keeping accurate records and to ensure control of property, documents or funds, with or without physical possession. The obligation, in this context, refers to the fiduciary duties, responsibilities, and obligations necessary for protecting the public interest; however, it does not necessarily impose personal liability upon an organization or person.

**accountability record.** A record maintained for managerial rather than financial reporting purposes. Accountability records should be used when the property does not meet the accountable property record requirements (Paragraph 4.2) but does require active management based on other than financial criteria.

**accountable property.** Property that meets accountability requirements. This property is recorded in the APSR.

**APO.** An individual who, based on his or her training, knowledge, and experience in property management, accountability, and control procedures, is appointed in writing through the DoD Component procedures to establish and maintain an organization's accountable property records, systems, or financial records, in connection with government property, irrespective of whether the property is in the individual's possession.

**accountable property record.** The record contained within the APSR.

**APSR.** The government system used to control and manage accountable property records. A subset of existing organizational processes related to the lifecycle management of property; the system that is integrated with the core financial system. The APSR may also control and manage accountability records as described in Paragraph 4.5.

**acquisition.** Acquiring hardware, supplies, or services:

Through purchase, lease, or other means, including transfer or fabrication, whether the supplies or services are already in existence or must be created, developed, demonstrated, and evaluated; or

By contract with appropriated funds of supplies or services.

**acquisition cost.** The amount, net of both trade and cash discounts, paid for the property, plus transportation costs and other ancillary costs. See "full cost."

**administrative property.** A subcategory of personal property, used for grouping property that is operationally distinct from weapon systems and other equipment. Administrative property is typically less than mission critical. Examples include: desktop computers and peripherals, furniture, and office equipment.

**AIT.** The family of technologies that improves the accuracy, efficiency, and timeliness of material identification and data collection. AIT media and devices include, but are not limited to, linear and two-dimensional bar code symbols and their readers; magnetic stripe cards; integrated cards, (i.e., smart cards; optical memory cards); radio frequency identification (active and passive); contact memory-button devices; and magnetic storage media.

**CAP.** Any property acquired, fabricated, or otherwise provided by the contractor for performing a contract, and to which the government has title. CAP that is subsequently delivered and accepted by the government for use on the same or another contract is considered GFP.

**capitalize.** To record and carry forward into one or more future periods any expenditure the benefits from which will then be realized.

**capital asset.** An asset that meets or exceeds the capitalization threshold found in DoD 7000.14-R for the DoD Component.

**capital lease.** Leases that transfer substantially all the benefits and risks of ownership to the lessee. If at its inception, a lease meets one or more of the following criteria, the lease is considered a capital lease:

The lease transfers ownership of the property to the lessee by the end of the lease term.

The lease contains an option to purchase the leased property at a bargain price.

The lease term (non-cancelable portion, plus all periods, if any, representing renewals or extensions that can reasonably be expected to be taken) is equal to or greater than 75 percent of the estimated economic life of the leased property.

The present value of rental and other minimum lease payments, excluding that portion of the payments representing executory cost, equals or exceeds 90 percent of the fair value of the leased property. See DoD 7000.14-R, Volume 4, Chapter 6 for procedures and additional information.

**CPL.** Serves as the proponent for property accountability on behalf of the DoD Component head. May consist of multiple persons in different capacities, including primary APOs, senior logisticians, senior property managers, or other appropriate senior personnel.

**contract.** Any enforceable agreement, including rental and lease agreements and purchase orders, between an agency and a business concern for the acquisition of property or services.

**controlled inventory items.** Property with characteristics that may require them to be identified, accounted for, secured, segregated, or handled in a special manner to ensure their safekeeping and integrity. See Volume 11 of DoDM 4140.01 and DoDM 4100.39 for additional guidance. Controlled inventory items include (in descending order of the degree of control normally exercised):

**classified items.** Property requiring protection in the interest of national security.

**sensitive items.** Property requiring a high degree of protection and control due to statutory requirements or regulations (e.g., narcotics and drugs, precious metals, high value or highly technical assets, hazardous assets, or small arms, ammunition, explosives, and demolition material).

**pilferable items.** Property that has a ready resale value or application to personal possession, and that are therefore especially subject to theft.

**custodial area.** A segment of the accountable area (e.g., a ward in a hospital, a division in an organization, within an accountable area). There may be as many custodial areas and officers as are required to execute effective property management. See “property custodian.”

**equipment.** Personal property that is functionally complete for its intended purpose, durable, and nonexpendable. Equipment generally has an expected service life of 2 years or more; is not intended for sale; does not ordinarily lose its identity or become a component part of another article when put into use; has been acquired or constructed with the intention of being used.

**full cost.** A baseline value that includes all material costs incurred to acquire and bring the property to a form and location suitable for its intended use and, as applicable, depreciated over its useful life.

**GFP.** Property in the possession of, or directly acquired by, the government and subsequently furnished to the contractor, including sub-contractors and alternate locations, for performance of a contract. GFP in the context of this issuance includes equipment, special tools, and special test equipment. It does not include consumable or material items or items held as inventory as defined by DoD 7000.14-R.

**heritage assets.** Property, plant, and equipment of historical, natural, cultural, educational or artistic significance (e.g., aesthetic) or with significant architectural characteristics. Heritage assets are expected to be preserved. Heritage assets consist of items whose physical properties resemble those of general property, plant, and equipment and are traditionally capitalized in commercial-type financial statements. The nature of these items, however, differ from general property, plant, and equipment in that their values may be indeterminable or may have little financial meaning (e.g., museum collections, monuments, assets acquired in the formation of the nation), or that allocating the cost of such assets (e.g., weapons systems) to accounting periods that benefit from the ownership of such assets is not meaningful.

**incidental to place of performance.** A property designation defined at FAR Part 45.000(b)(5). Property incidental to place of performance requires the contractor to be at a government place of performance and the property to remain accountable to the government.**internal controls.** The plan of an organization and all its methods and measures adopted within an organization to safeguard its assets, check the accuracy and reliability of its data, promote operational efficiency, and encourage adherence to prescribed managerial policies.

**inventory adjustments.** Changes made to the accountable property record when the record and a physical count do not agree. All such changes require specific approval and documentation to support the adjustment, normally to include the results of reconciliation efforts to determine and resolve the cause of such disagreement, or a completed evaluation and investigation for lost, damaged, destroyed, or stolen property.

**national stock number.** The term used for the 13-digit stock number consisting of the four-digit Federal Supply Class and the nine-digit National Item Identification Number. Each national stock number is assigned to identify an item of supply and equipment within the material management functions. Only one national stock number is assigned to an item. See Volume 11 of DoDM 4140.01 for additional information.

**non-fielded property.** Property that is delivered to the DoD with the intent of being issued to a DoD Component or unit but is currently not in the hands of the intended recipient.

**operating lease.** A lease that is not a capital lease. An agreement conveying the right to use property for a limited time in exchange for periodic rental payments.

**personal property.** All property (systems and equipment, materials, and supplies) except real property (land and improvements to facilities), and records of the Federal Government.

**personally identifiable information.** Any information about an individual maintained by an agency, including, but not limited to, education, financial transactions, medical history, and criminal or employment history and information which can be used to distinguish or trace an individual's identity, such as their name, social security number, date and place of birth, mother's maiden name, biometric records, etc., including any other personal information which is linked or linkable to an individual.

**physical count.** The process of physically counting the item(s) in order to verify the accountable property record's posted balance. Physical counts may be performed using AIT.

**physical inventory.** The verification of property existence, accountable property record completion, location, and quantity. The process may also involve verifying additional information, performing reconciliations, and modifying the accountable property records. Also see ASTM International E-2135-10ae1 for voluntary consensus standards on conducting a physical inventory.

**pilferable property.** See controlled inventory items.

**practicable.** Capable of being put into practice or of being done or accomplished; not optional.

**preparation.** The process of preparing records and training of personnel to perform the physical count.

**primary APO.** The principal APO for a DoD Component. Other APOs, regardless of position title, should support the primary APO in accomplishing the requirements of this issuance. The primary APO supports or acts as the CPL as described by the DoD Component policies.

**property.** Equipment, weapon systems, and other accountable property (e.g., administrative property, special tools, special test equipment). Other types of personal property, such as supplies, material, and records, are not included in this definition unless expressly stated as being included.

**property custodian.** An individual appointed by an APO, who accepts custodial responsibility for property, typically by signing a hand-receipt. The property custodian is directly responsible for the physical custody of accountable property under their control. See "custodial area."

**property loss.** Unintended, unforeseen, or accidental loss, damage, or destruction to government property that reduces the government's expected economic benefits of the property. Loss does not include purposeful destructive testing, obsolescence, normal wear and tear, or manufacturing defects. Loss includes, but is not limited to, items that cannot be found after a reasonable search, theft, damage resulting in unexpected harm to property requiring repair to

restore the item to usable condition, or destruction resulting from incidents that render the items useless for its intended purpose or beyond economical repair.

**property management.**

A monitoring and control function, charged with assuring that organization processes related to the lifecycle of property support organization objectives, represent sound business practice, and are compliant with applicable standards, policies, regulations, and contractual requirements.

The system of acquiring, maintaining, using, and disposing of the personal property of an organization or entity.

**receipt.** A transmission or other acknowledgment made by a receiving entity to indicate that a message, good, or service has been satisfactorily received. Receipt is often denoted by signing a situation specific form, such as DD Forms 250, 1149, “Requisition and Invoice/Shipping Document,” or 1348-1A, “Issue Release/Receipt Document.”

**reconciliation.** The process of aligning the physical count with the quantity posted to the accountable property records, researching discrepancies, and determining inventory accuracy, i.e., calculation of loss or overage rates.

**scrap.** Property that has no value except for its basic metallic, mineral, or organic content.

**stewardship responsibility.** The requirement placed on an organization or individual who acts as the custodian of another individual’s property by controlling, supervising, and managing the property in their care.

**UII.** A set of data elements marked on an item that is globally unique and unambiguous.

**valuation.** The act of determining or estimating the monetary worth and assigning that number to the item.

## REFERENCES

- ASTM International E-2132-11, “Standard Practice for Inventory Verification: Electronic and Physical Inventory of Assets,” current edition<sup>1</sup>
- ASTM International E-2135-10ae1, “Standard Terminology for Property and Asset Management,” current edition
- ASTM International E-2279-15, “Standard Practice for Establishing the Guiding Principles of Property Asset Management,” current edition
- ASTM International E-2452-12, “Standard Practice for Equipment Management Process Maturity Model,” current addition
- Defense Federal Acquisition Regulation Supplement Procedures, Guidance and Information, current version
- Defense Federal Acquisition Regulation, current edition
- Defense Logistics Manual 4000.25-2, “Military Standard Transaction Reporting and Accountability Procedures,” current edition
- Deputy Secretary of Defense Memorandum, “Establishment of the Office of the Under Secretary of Defense for Research and Engineering and the Office of the Under Secretary of Defense for Acquisition and Sustainment,” July 13, 2018
- DoD Manual 4100.39, “Federal Logistics Information System Procedures,” March 8, 2017, as amended
- DoD 5220.22-M, “National Industrial Security Program Operating Manual,” February 2006, as amended
- DoD 7000.14-R, “DoD Financial Management Regulations (FMRs),” date varies by volume
- DoD Directive 5134.01, “Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)),” December 9, 2005, as amended
- DoD Directive 5500.07, “Standards of Conduct,” November 29, 2007
- DoD Instruction 1225.06, “Equipping the Reserve Forces,” May 16, 2012, as amended
- DoD Instruction 4140.01, “DoD Supply Chain Materiel Management Policy,” March 6, 2019
- DoD Instruction 4161.02, “Accountability and Management of Government Contract Property,” April 27, 2012, as amended
- DoD Instruction 4165.14, “Real Property Inventory (RPI) and Forecasting,” January 17, 2014, as amended
- DoD Instruction 4165.56, “Relocatable Buildings,” January 7, 2013, as amended
- DoD Instruction 4715.4, “Pollution Prevention,” June 18, 1996 as amended
- DoD Instruction 5010.40, “Managers’ Internal Control Program (MICP) Procedures,” May 30, 2013
- DoD Instruction 5015.02, “DoD Records Management Program,” February 24, 2015, as amended
- DoD Instruction 8320.03, “Unique Identification (UID) Standards for Supporting Net-Centric Operations,” November 4, 2015

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<sup>1</sup> Available on the internet at <http://www.astm.org/>



DoD Instruction 8320.04, “Item Unique Identification (IUID) Standards for Tangible Personal Property” September 3, 2015, as amended

DoD Manual 4140.01, Volume 11, “DoD Supply Chain Materiel Management Procedures: Inventory Accountability and Special Management and Handling,” March 8, 2017

DoD Manual 4160.21, “Defense Materiel Disposition,” October 22, 2015

DoD Manual 8910.01, Volume 1, “DoD Information Collections Manual: Procedures for DoD Internal Information Collections,” June 30, 2014, as amended

Federal Acquisition Regulation, current edition

Federal Management Regulation Part 102-39, “Replacement of Personal Property Pursuant to the Exchange/Sale Authority,” as amended

Public Law 110-417, “The Department of Defense Appropriations Act for Fiscal Year 2009,” October 14, 2008

Office of Management and Budget Memorandum M-06-16, “Protection of Sensitive Agency Information,” June 23, 2006

Office of Management and Budget Memorandum M-06-19, “Reporting Incidents Involving Personally Identifiable Information and Incorporating the Cost for Security in Agency Information Technology Investments,” July 12, 2006

United States Code, Title 31, Section 901

United States Code, Title 40