

**VOLUME 12, CHAPTER 7: “FINANCIAL LIABILITY FOR GOVERNMENT
PROPERTY LOST, DAMAGED, DESTROYED, OR STOLEN”**

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by [blue font](#).

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by [bold, italic, blue, and underlined font](#).

The previous version dated [March 2014](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1.2 (070102)	Added an authoritative guidance paragraph.	Addition
6.2 (070602)	Replaced the requirement to disclose Social Security Number on the DoD (DD) Form 200, “Financial Liability Investigation of Property Loss,” with the Electronic Data Interchange Personal Identifier in accordance with DoD Instruction 1000.30, “Reduction of Social Security Number (SSN) Use Within DoD.” Added the respective block numbers on DD Form 200 to assist with the preparation of the form.	Revision/ Addition
Table 7.1 (deleted)	Deleted Table 7.1 (picture of DD Form 200) and added a hyperlink to access the form.	Deletion/ Addition
10.0 (0710)	Added and moved all definitions within the chapter to this section to define and clarify commonly used terms in the chapter.	Addition/ Revision
Multiple	Rearranged content of the chapter to flow in a logical sequence and renumbered sections and (sub)paragraphs accordingly.	Revision
Multiple	Replaced and updated several cancelled or outdated references and required forms.	Revision

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CHAPTER 7

**FINANCIAL LIABILITY FOR GOVERNMENT PROPERTY
LOST, DAMAGED, DESTROYED, OR STOLEN**

1.0 GENERAL (0701)

1.1 Purpose (070101)

This chapter prescribes Department of Defense (DoD) general requirements and responsibilities for determining accountability for financial liability for lost, damaged, destroyed or stolen government-owned property, including supply system materiel, equipment, and real property:

1.1.1. Inquire, research, and investigate the causes of the loss, damage, destruction, or theft of government property.

1.1.2. Assess financial liability with respect to lost, damaged, destroyed, or stolen government property.

1.1.3. Account for loss, damage, destruction, or theft of government property; determine the responsibility and amount of financial liability of those found to be culpable for such financial losses; provide relief from accountability; and establish debts resulting from the assessment of financial liability.

1.1.4. Initiate DoD **(DD) Form 200**, “Financial Liability Investigation of Property Loss.”

1.1.5. The requirements within this chapter apply to all government property regardless of whether the government property is recorded in an Accountable Property System of Record (APSR).

1.1.6. This chapter does not apply to loss, damage, destruction, or theft of Government Furnished Property, Contractor Acquired Property, and property acquired by a contractor as a result of partial, advance, progress or performance based payments in the possession of a third party, to include contractors. Loss, damage, destruction, or theft of such property must be processed in accordance with the terms and conditions of the accountable contract or third party agreement to which the lost, damaged, destroyed, or stolen property was accountable.

***1.2 Authoritative Guidance (070102)**

The financial management policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.2.1. Title 10 United States Code, section 2775 (**10 U.S.C. § 2775**), “Liability of members assigned to military housing;”

- 1.2.2. [10 U.S.C. §§ 801 - 806](#), “General Provisions;”
- 1.2.3. [18 U.S.C. § 641](#), “Public money, property or records;”
- 1.2.4. [18 U.S.C. §1361](#), “Government property or contracts;”
- 1.2.5. Federal Acquisition Regulation ([FAR](#)) [Subpart 45.101](#), “Definitions;”
- 1.2.6. [FAR Subpart 52.245-1](#), “Government Property;”
- 1.2.7. DoD Instruction 1000.30 ([DoDI 1000.30](#)), “Reduction of Social Security Number (SSN) Use Within DoD;”
- 1.2.8. [DoDI 4161.02](#), “Accountability and Management of Government Contract Property;”
- 1.2.9. [DoDI 4140.01](#), “DoD Supply Chain Materiel Management Policy;”
- 1.2.10. [DoDI 5000.64](#), “Accountability and Management of DoD Equipment and Other Accountable Property;”
- 1.2.11. DoD Manual (DoDM) 4140.01, Volume 5 ([DoDM 4140.01-V5](#)), “DoD Supply Chain Materiel Management Procedures: Delivery of Materiel;”
- 1.2.12. [DoDM 4140.01-V11](#), “DoD Supply Chain Materiel Management Procedures: Inventory Accountability And Special Management and Handling;”
- 1.2.13. [DoDM 4140.25-V9](#), “DoD Management of Energy Commodities: Defense Fuel Support Point (DFSP) Bulk Petroleum Inventory Accounting;”
- 1.2.14. [DoDM 4165.63](#), “DoD Housing Management;”
- 1.2.15. [DoDM 4160.21-V1](#), “Defense Materiel Disposition Disposal Guidance and Procedures;”
- 1.2.16. Defense Logistics Manual 4000.25, “Defense Logistics Management System”, Volume 2 ([DLM 4000.25-V2](#)), “Supply Standards and Procedures;” and
- 1.2.17. [Defense Transportation Regulation 4500.9-R](#), Part II, “Cargo Movement.”

2.0 GENERAL REQUIREMENTS (0702)

2.1 [General](#) Responsibilities (070101)

2.1.1. [Under Secretary of Defense \(Comptroller\)](#). The Under Secretary of Defense (Comptroller) is responsible for financial policies regarding financial liability for government property lost, damaged, destroyed, or stolen.

2.1.2. [DoD Components](#). The DoD Components are responsible for ensuring that the following policies and procedures are implemented:

2.1.2.1. Determining and assessing the amount of financial liability of those responsible for such losses;

2.1.2.2. Mitigating, reducing, and/or relieving financial liability in appropriate cases;

2.1.2.3. Establishing debts resulting from the assessment of financial liability and referring them for appropriate collection action.

2.2 Initiation of General Inquiries and Investigations (070202)

2.2.1. Upon discovery of loss, damage, destruction, or theft of government-owned property (real or personal) of any value, the first line supervisor or, in the case of military, immediate superior within the chain of command, [must](#) conduct a [general](#) inquiry to determine if the situation warrants a more formal inquiry, i.e., an investigation. A DD Form 200 is not required for [general](#) inquiries. Loss, damage, destruction, or theft of [supply system](#) materiel [must](#) be processed in accordance with [section 8.0](#).

2.2.2. An investigation [must](#) be conducted for all loss, damage, destruction, or theft of government-owned equipment with initial [unit](#) acquisition cost (value) of \$5000 or greater; all sensitive, classified, or leased (capital [lease](#)) property regardless of initial acquisition cost; and any real property (see [DoDI 5000.64](#) for more information). Investigations may also be conducted when circumstances warrant. For example, when the loss, damage, destruction or thefts of small amounts of property occur frequently enough to suggest a pattern of wrongdoing, then an investigation may be warranted.

2.2.3. The [approving authority](#) is responsible for establishing procedures and designating a person, typically the [accountable property officer](#), [real property accountable officer](#), or [reviewing authority](#) (for supply system stocks or “materiel”), to initiate and conduct the investigation, in accordance with agency procedures. Investigations are not limited to the thresholds, but may be conducted if the approving authority deems a formal investigation necessary.

2.2.4. At a minimum, investigations must [address the following information](#):

2.2.4.1. What happened?

2.2.4.2. How it happened?

2.2.4.3. Where it happened?

2.2.4.4. Who was involved?

2.2.4.5. When it happened?

2.2.4.6. Any evidence of negligence, willful misconduct, or deliberate unauthorized use or disposition of the property.

2.2.5. Evidence of Negligence.

2.2.5.1. When inquiring into the loss, damage, destruction, or theft of government property, the first consideration is whether there is evidence of negligence. [Examples of questions that can be asked in order to determine whether evidence of negligence exists are](#): “Would a reasonably prudent individual have acted in this manner?” “Were there procedures governing the use of the property, and were they followed?” “What were the circumstances that existed when the loss actually occurred?” “Was the individual on the job?” [Furthermore, an example of a given scenario could be](#), if a dump truck is parked on an incline, a reasonable person would be expected to set the hand brake and leave the vehicle in park. Using blocks under the wheels might or might not be required. If the individual failed to set the brake and/or use blocks under the wheels and the truck rolled down the incline and was damaged, this could be considered evidence of negligence. A reasonably prudent person would be expected to take precautions.

2.2.5.2. When loss, damage, destruction of government quarters is involved, a distinction must be made between simple and gross negligence. Evidence of simple or gross negligence depends on the conduct of the individual. If the individual failed to exercise precautions or good judgment, then simple negligence applies. If the individual’s conduct was characterized by a reckless, deliberate, or wanton disregard of foreseeable consequences, then gross negligence applies.

2.2.5.3. Evidence of whether simple or gross negligence was the proximate cause of the loss, damage, or destruction is based on the facts and circumstances and **must** be determined during the general inquiry and documented during the investigation process.

2.2.6. The DD Form 200 is required documentation for investigations and **must** be used to document the facts and circumstances of the loss, damage, destruction, or theft. The person conducting the investigation **must** complete blocks 1 through 11 of the DD Form 200, as described in section 6.0.

2.2.7. The DD Form 200 is not required when:

2.2.7.1. An individual voluntarily makes restitution to the government for the full amount and classified or sensitive property is not involved.

2.2.7.2. The damage involves a government-owned vehicle. In such cases, an accident investigation report may be used to document an inquiry in lieu of a DD Form 200. However, when the documentation clearly indicates that negligence or abuse was involved, or if a claim against the government is possible, a DD Form 200 **must** be prepared.

2.2.7.3. The loss involves shipping and transportation discrepancies attributed to carriers, which are processed and reported according to [DLM 4000.25 V-2, Chapter 17](#). However, item discrepancy reports should be reviewed and evaluated to determine if the circumstances of the loss or damage appear to have been caused by negligence or abuse by DoD personnel. If so, a DD Form 200, [Standard Form 364](#), “Report of Discrepancy (ROD),” and [DD Form 361](#), “Transportation Discrepancy Report” **must** be prepared.

2.3 Voluntary Payments (070203)

Individuals may voluntarily choose to pay the government for lost, damaged, or destroyed government property any time prior to involuntary collection from their pay. Individuals offering the payment do so of their own volition. The government does not seek any advantage nor forego any right by accepting a voluntary payment. An individual cannot be coerced or threatened with adverse action if payment is not voluntarily made. Individuals must be made aware of the effect of making a voluntary payment. That is, it may not be later withdrawn, avenues for relief will no longer be available, and voluntary payment does not preclude other administrative or disciplinary action. Individuals offering to pay in excess of basic pay for one month by military members or one-twelfth of annual pay by civilian employees must be made aware that their liability may be a lesser assessment as a result of an investigation. Voluntary payments may be made in cash, by check, or through payroll deduction.

2.4 Review (070204)

Upon completion of the investigation, the DD Form 200 **must** be forwarded to the appointing authority for review. The appointing authority **must** determine if a financial liability officer or financial liability board is needed to conduct an investigation. The general criteria for appointing a financial liability officer are in [subparagraph 4.2.1](#). The criteria for appointing a financial liability officer for inventory losses are in [paragraph 8.8](#). General Counsel and/or the member’s commander must be consulted before statements are taken from anyone if there is a suspected violation of the Uniform Code of Military Justice ([10 U.S.C. §§ 801 – 806](#)).

2.5 Evidence of Theft (070205)

Cases involving stolen government-owned property must be referred to local security and/or law enforcement officials, in accordance with agency procedures.

2.6 Financial Liability Officer Investigations (070206)

The appointing authority may appoint a financial liability officer to determine whether the facts and circumstances support the findings and recommendations of the individual completing blocks 9 and 10 on the DD Form 200. Qualifications, duties, and responsibilities of financial liability officers are discussed in section 4.0.

2.7 Financial Liability Board (070207)

The appointing authority may appoint a financial liability board in lieu of an officer. The reasons for appointment of a board include the complexity, size, or unique type of loss due to negligence or abuse. The composition, objectives, and functions of the board are discussed in section 5.0.

2.8 Determination of Financial Loss (070208)

2.8.1. Computation of Financial Loss. A computation of the financial loss to the government **must** be made when there is evidence to indicate that the loss was proximately caused by negligence or abuse.

2.8.1.1. When damaged property or items can be repaired economically or restored in condition to that immediately prior to the loss, the loss to the government **must** be based on the cost of repair or restoration. If the cost to repair or restore the property exceeds the cost to replace the property, the loss to the government **must** be as determined in [subparagraph 2.8.1.2](#). For [real property](#), the plant replacement value will be used to value the asset. If the cost to repair or restore the real property exceeds the plant replacement value, then the cost to acquire and install a new asset will be the amount of loss.

2.8.1.2. When property is lost, damaged, destroyed, or stolen, and the property cannot be replaced, the amount of the loss **must** be the fair market value of the property immediately before the loss. When a fair market value cannot readily be determined, the cost of repairs or an estimate of the repairs may be used (can be obtained from technical manuals or other reliable sources); or the acquisition cost or standard price, adjusted for depreciation may be used (based on the specified depreciation period for such item or if such a period has not been specified, based on its estimated useful life). Depreciation **must** be computed using the straight-line method of depreciation. In no case should property be depreciated below its scrap value. For property that is damaged beyond economical repair, the scrap or salvage value of the property **must** be used to reduce the loss to the government.

2.8.2. Liability. Financial liability of individuals is based on the actual loss to the government, as computed in [subparagraph 2.8.1](#). When liability is limited by the individual's rate of pay, the amount of the actual loss to the government still is computed. However, in such cases, the financial liability of the individual either is the actual amount of the loss or the limitation based upon the rate of pay, whichever is less.

2.8.3. Collective Liability. If more than one individual is found financially liable for the loss, damage, destruction, or theft of government property, the individuals **must** be collectively **held** liable for the loss to the government. The government cannot collect more than the total amount of assessed liability. Therefore, the approving authority who assessed financial liability will decide how much to collect from each individual. Among the factors to be considered in taking collection action from each liable individual are the degree of each individual's responsibility for the loss, damage, destruction, or theft and the ability to collect from the responsible individual.

2.9 Notification and Examination (070209)

When financial liability is recommended, the individual **must** be notified and given the opportunity to examine the findings and recommendations, obtain representation, make a rebuttal statement, and present any mitigating factors that may have contributed to the negligence or abuse. If damage to government housing is involved, an individual also **must** be given the opportunity to request a waiver of the financial liability **in accordance with 10 U.S.C. § 2775**.

3.0 APPROVING AND APPOINTING AUTHORITY (0703)

3.1 Duties and Responsibilities (070301)

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

3.1.1.1. Designate an appointing authority, when needed.

3.1.1.2. Disqualify oneself when a conflict of interest is possible, e.g., because the loss relates to property for which he or she is responsible and/or accountable.

3.1.1.3. Establish procedures and designate a person to initiate and conduct an inquiry immediately after the loss, damage, destruction, or theft is discovered (see **subparagraph 2.2.1**).

3.1.1.4. Ensure that all DD Forms 200 received are accurate, complete **and signed by the appropriate individuals**. Evaluate each DD Form 200 and either approve recommendations to assess financial liability or relieve those involved from liability, responsibility or accountability. The approving authority approves or disapproves all DD Forms 200, regardless of dollar value, unless otherwise delegated in writing.

3.1.1.5. Ensure that all gains and losses that require a formal investigation are promptly and thoroughly investigated. The system used to process DD Forms 200 must be frequently reviewed to evaluate the accuracy and timeliness of the investigations.

3.1.1.6. Ensure that DD Forms 200 are initiated, processed and adjudicated within the time limits that may be established by the DoD Components.

3.1.1.7. Require, if delays occur in the initiating or processing of a DD Form 200, a written explanation of the reason for the delay and take appropriate corrective actions.

3.1.1.8. Ensure that persons held financially liable are so notified, informed of their rights (including waiver rights if government housing is involved), and given the opportunity to inspect a copy of the DD Form 200.

3.1.1.9. Personally evaluate each DD Form 200 when there is evidence of negligence, abuse, or theft.

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

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

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

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

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

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

3.1.2.1. Appoint a financial liability officer, if needed.

3.1.2.2. Appoint a board in lieu of a financial liability officer to conduct the investigation, if warranted. Reasons for considering appointment of a board include complexity, size, or unique type of loss due to negligence or abuse (see section 5.0).

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

3.1.2.4. Review DD Forms 200 for accuracy and compliance with this Regulation.

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

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

3.1.2.7. Approve or disapprove DD Forms 200 when the loss, damage, destruction or theft is less than \$100,000 and authorization has been delegated in writing by the approving authority.

3.2 Due Process (070302)

The appointing and approving authorities must act on the DD Form 200 once an individual has been properly notified and given the opportunity to respond to the findings. Failure of involved individuals to respond to recommendations of financial liability is not a sufficient reason to delay the approval process if the individuals were given a reasonable opportunity to reply, as discussed in [subparagraph 4.3.6](#).

4.0 FINANCIAL LIABILITY OFFICER (0704)

4.1 Criteria (070401)

4.1.1. Appointment of Financial Liability Officer. The [approving or](#) appointing authority should appoint a financial liability officer to conduct a formal investigation when:

4.1.1.1. Recommended by an accountable officer.

4.1.1.2. Directed by higher authority.

4.1.1.3. Deemed appropriate by the [approving or](#) appointing authority (e.g., repetitive losses, evidence of negligence or abuse or large dollar losses).

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

4.2 Financial Liability Officer Qualifications (070402)

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

4.2.2. Persons Eligible. The financial liability officer **must** be a commissioned officer; warrant officer; enlisted member in the grade of **Enlisted Rank (E)**-7, E-8, or E-9; or a civilian employee **General Schedule (GS)** -07, or above. The financial liability officer **must** be senior to the individuals directly involved in the discrepancy.

4.2.3. Use of Reserve Component Personnel. Reserve Component commissioned officers, warrant officers, and noncommissioned officers in grades E-7, E-8, or E-9 not on active duty may serve as financial liability officers during Reserve training sessions.

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

4.3 Financial Liability Officer Responsibilities and Duties (070403)

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

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

4.3.1.2. An investigation is required to determine responsibility and/or liability without regard to the relationship of the responsible individual to the property. As an example, actions by the accountable property officer or property custodian should be investigated as well as the actions of the property users.

4.3.2. The investigation conducted by the financial liability officer is the critical phase of the process. The financial liability officer should determine the actual facts, not as alleged but as they actually occurred. The financial liability officer's recommendations **must** be evaluated in succeeding reviews; therefore, the recommendations must be supported by the findings and conclusions. **While** conducting an investigation the financial liability officers **must** conduct investigations promptly. They **must** inform the **approving or** appointing authority immediately of all delays experienced. In conducting the investigation, the financial liability officer **must** personally:

4.3.2.1. Scrutinize all available evidence.

4.3.2.2. Interview witnesses and secure statements, ideally in writing, from individuals concerning:

4.3.2.2.1. The cause of the loss, damage, or theft.

4.3.2.2.2. The responsibility for the loss, damage, or theft.

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

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

4.3.2.5. Consult the [approving or](#) appointing authority for guidance, when needed.

4.3.2.6. Determine the amount of damage as described in [subparagraph 2.8.1](#), if the property has been damaged. Determine the value of the property immediately before its damage if the property is not economically repairable. The accountable officer may be asked to assist if he or she has not been directly involved.

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

4.3.2.8. Ensure that the total loss to the government is computed correctly.

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

[4.3.3](#). The financial liability officer should make a determination from the findings and conclusions as to how the loss or damage occurred and whether negligence or abuse was involved.

[4.3.4](#). After recording the findings and conclusions, the financial liability officer recommendations [must be](#) based on policies set forth in this Regulation. The financial liability officer [must](#) recommend whether to assess financial liability.

[4.3.5](#). A financial liability officer's findings and recommendations are administrative, not judicial; therefore, the reports are purely advisory; the opinions do not constitute final determinations or legal judgments; and the recommendations are not binding upon appointing and approving authorities.

4.3.6. The financial liability officer **must allow** any person whose conduct or performance of duty may be subject to inquiry or has a direct interest in the inquiry an opportunity to have their position considered, **according to the following**:

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

4.3.6.2. Give the individual being recommended for financial liability the opportunity to make a statement.

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

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

4.3.6.5. Ensure that the individual being recommended for possible financial liability is aware of his or her rights under Volume 5, Chapter 28, "Management and Collection of Individual Debt."

4.3.6.6. Request the individual to acknowledge his or her understanding of these rights by completing block 16 of the DD Form 200.

4.3.6.7. If appropriate, prepare a statement that the individual recommended for liability refused to sign block 16 of the DD Form 200 after being given the opportunity.

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

4.3.6.8.1. A full explanation of the person's rights **must** be included and a reply **must** be requested.

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

4.3.6.8.3. Any reply received subsequent to the expiration of 30 days **must** be forwarded through the same channels as the DD Form 200 for attachment to the original DD Form 200.

4.3.6.9. Consider any new evidence received after a recommendation has been made. If the financial recommendations remain unchanged, the financial liability officer **must** note that the added evidence was considered and **must** provide a rationale for not changing the decision,

e.g., no new evidence or the matters do not overcome the evidence supporting the original recommendations. The notation **must** be on all copies of the report immediately following the original recommendation. If the financial liability officer makes a change in the original recommendations because of the new evidence, the officer **must** record such change as “Amended Recommendations.” These recommendations should be recorded immediately after the original recommendations.

5.0 FINANCIAL LIABILITY BOARD (0705)

5.1 [Financial Liability Board Role](#) (070501)

A financial liability board may be appointed by the appointing authority for the specific [role](#) of conducting the investigation. The primary purpose of a financial liability board is to provide the appointing and approving authorities with adequate information upon which to assess liability or relieve the involved individual from liability for the loss, damage destruction, or theft of government property. A board provides more resources than an officer to investigate losses that are large, complex, or unique. Financial liability boards are administrative, not judicial. Therefore, their reports are purely advisory, their opinions do not constitute final determinations or legal judgments, and their recommendations are not binding upon appointing and approving authorities. The board members will establish appropriate board procedures, such as voting [and](#) work priorities.

5.2 Appointment and Composition (070502)

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

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

5.2.3. Use of Reserve Component Personnel. A source of financial liability board members is Reserve Component commissioned officers; warrant officers; and enlisted members in grades E-7, E-8, or E-9 during their Reserve training sessions.

5.3 Functions (070503)

The following are specific functions of a financial liability board:

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

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

5.4 Final Action by the Financial Liability Board (070504)

The board Chair completes his or her action on the DD Form 200 as the financial liability officer and recommends relief from, responsibility, or assessment of financial liability.

6.0 PREPARATION OF DD FORM 200 (0706)

6.1 Purpose of the Form (070601)

The DD Form 200 is used to document the financial liability process for lost, damaged or destroyed government property. When completed, the DD Form 200 is the official document to support the establishment of debts, relief from accountability, and adjustment of accountable property records, supply system stock and financial records.

*6.2 Instructions for Preparation (070602)

6.2.1. **Block 1**. “Date Initiated:” Self-explanatory.

6.2.2. **Block 2**. “Inquiry/Investigation Number:” Number assigned to the inquiry and/or investigation in accordance with DoD Component instructions.

6.2.3. **Block 3**. “Date Loss Discovered:” Self-explanatory.

6.2.4. **Block 4**. “National Stock No:” Enter the National Stock Numbers, manufacturer’s part number, or other identification number(s), in numerical sequence. If not applicable, enter the word “none.”

6.2.5. **Block 5**. “Item Description:” Enter the nomenclature of the item(s) including any serial number(s), model number(s), and controlled inventory item. If the item is nonstandard, give a brief description sufficient for identification. If only a portion of an end item is damaged, describe the end item, fully, and then describe the damaged parts. If additional space is needed, a continuation sheet may be used. For real property, provide the **Real Property Unique Identifier**, the facility number, address, location, room number, and a description of the damage.

6.2.6. **Block 6.** “Quantity:” Enter the number of units and unit of issue (e.g., 1 each, 2 dozen, 5 pair).

6.2.7. **Block 7.** “Unit Cost:” Enter the cost per unit shown in official catalogs, supply bulletins, or accountable property records. The specific reference should be indicated for audit trail purposes.

6.2.8. **Block 8.** “Total Cost:” Enter the total cost of all units of each article listed (block 6 x block 7). For real property enter the estimated cost to repair/replace or if the cost to repair exceeds the plant replacement value, the estimated cost to purchase and install the asset.

6.2.9. **Block 9.** “Circumstances Under Which Property Was Lost, Damaged or Destroyed:” Enter a complete statement of the facts, including the date and place of the incident. Include the name, grade, and the [Electronic Data Interchange Personal Identifier \(also known as the DoD Identification Number\)](#) of all persons directly involved. The statement must at the minimum answer five basic questions of who, what, when, where and how (see [subparagraph 2.2.4](#)). Identify any appropriate contract number(s), transaction number(s), control number(s). Add as exhibits and identify alphabetically within the block, as needed.

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

6.2.11. **Block 11.** “Individual Completing Blocks 1 Through 10:” Person conducting the inquiry/investigation.

6.2.12. **Block 12.** “Responsible Officer ([Property Record Items](#)) or Reviewing Authority ([Supply Systems Stocks](#)):” See [section 10.0](#) for definitions of “Responsible Officer” and “Reviewing Authority.”

6.2.13. **Block 13.** “Appointing Authority:” See [section 3.0](#) for duties and responsibilities and [section 10.0](#) for definition of “Appointing Authority.”

6.2.14. **Block 14.** “Approving Authority:” See [section 3.0](#) for duties and responsibilities and [section 10.0](#) for definition of “Approving Authority.”

6.2.15. **Block 15.** “Financial Liability Officer:” Enter findings and recommendations of the financial liability officer along with a recommendation regarding liability of the involved parties. See [section 4.0](#) for duties and responsibilities and [section 10.0](#) for definition of “Financial Liability Officer.”

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

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

6.2.15.3. Recommendation for corrective actions.

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

6.2.15.5. As prescribed in [subparagraph 2.8.1](#), include a computation of charges, when recommending financial liability. The computation should show how depreciation was calculated and other factors used in determining the loss, or reference should be made to the exhibit on which the computation is recorded. The results of the computation **must** be entered in block 15.b.

6.2.15.6. Describe the disposition of the property. Once released by the financial liability officer or the appointing authority (when a financial liability officer is not appointed), property considered to be “uneconomically reparable” **must** be disposed of in accordance with [DoDM 4160.21-V1](#).

6.2.15.7. Recommendations **must** be entered immediately after the findings. The recommendation **must** include:

6.2.15.7.1. Financial liability to be assessed or relief from responsibility and accountability. Also, enter this information in block 15.d. For a military member enter monthly basic pay and for a civilian enter one-twelfth of the yearly salary.

6.2.15.7.2. Disposition instructions for any unserviceable property not previously sent to the [Defense Logistics Agency, Disposition Services](#).

6.2.15.7.3. State clearly the full name, grade, [DoD Identification Number](#), and the amount of the charge, when recommending financial liability.

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

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

6.2.15.9. Sign the DD Form 200 in block 15.j, at the end of the recommendations.

6.2.16. **Block 16.** “Individual Charged:” See [subparagraph 4.3.6](#).

6.2.17. **Block 17.** “Accountable Officer:” See [section 10.0](#) for definition of “Accountable Officer.” Record document numbers used to adjust property and financial records. All other blocks are self-explanatory.

7.0 GOVERNMENT HOUSING LIABILITY (0707)

7.1 Purpose (070701)

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

7.2 [Military Personnel Liability for Government Housing](#) (070702)

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

7.2.2. Financial Liability of Military Members. Financial liability against military personnel for loss, damage or destruction of government housing, including equipment and furnishings therein, is assessed for the full amount of the loss if the loss, damage or destruction was proximately caused by gross negligence or abuse. Liability of military members for damage to government housing and related equipment and furnishings is prescribed in 10 U.S.C. § 2775 and DoDM 4165.63.

7.2.3. Notification and Examination. Occupants who are assessed financial liability for loss of, or damage to, assigned government housing **must** be notified in accordance with [subparagraph 4.3.6](#). A member’s failure to respond **must** not preclude the government from completing a DD Form 200.

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

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

7.2.4.2. Where simple negligence is determined to be the proximate cause of the loss or damage, the financial liability of the member is limited to an amount equal to basic pay for one month at the rate in effect at the time of the loss, or the amount of the loss, whichever is less.

8.0 SUPPLY SYSTEM MATERIEL (0708)

8.1 Purpose (070801)

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

8.2 Inventory (070802)

Physical inventories **must** be **performed** in accordance with the provisions contained herein and in [DoDM 4140.03-V5](#).

8.2.1. Discrepancies. Despite the safeguards established by DoD Components in the care and maintenance of supply system stocks, discrepancies may occur between stock record balances and materiel in storage. These discrepancies are subject to post count validation, pre-adjustment research, and causative research, as prescribed in [DLM 4000.25-V2](#).

8.2.2. Adjustments. An adjustment **must** be made to the inventory and financial records to bring those records into balance after appropriate research ([see DLM 4000.25-V2](#)). Care should be taken to process the transactions correctly (e.g., an issue posted twice should be corrected by a reversal (credit transaction), not as a loss of inventory). These types of corrected discrepancies are referred to as resolved discrepancies. For unresolved inventory losses, an inventory adjustment document or a DD Form 200 **must** be used to substantiate adjusting the inventory and accounting records to the stock on hand and to provide relief from property accountability or responsibility.

8.2.3. Causative Research.

8.2.3.1. Causative research **must** be conducted for all inventory discrepancies that meet any of the criteria specified in [DLM 4000.25-V2](#). For inventory discrepancies which do not meet the criteria for performing causative research, a justification for adjusting the inventory and accounting records and relief from property accountability **must** be provided by means of an inventory adjustment document in accordance with [subparagraph 8.2.4](#).

8.2.3.2. The purpose of this research is to establish liability or provide relief from accountability for the accountable property officer and/or property custodian for the loss, damage destruction, or theft of supply system materiel; and determine if the loss to the government was proximately caused by the negligence or abuse of individuals. If an individual accepts responsibility for the loss, damage destruction, or theft of supply system materiel and voluntarily reimburses the government, a DD Form 200 is not required. The collection voucher may be used to adjust the financial and accountable property records.

8.2.4. DD Form 200 Used in Substantiating Inventory Loss Adjustments. When authorized, the reviewing authority may approve physical inventory adjustments equal to or less than \$50,000, when negligence or abuse is not evident or suspected. When negligence or abuse is evident or suspected, the reviewing authority **must** initiate an investigation in accordance with [paragraph 2.2](#). The investigation **must** be used to substantiate adjusting the stock record, and providing relief from property accountability.

8.3 Resolved Inventory Losses (070803)

8.3.1. Accountability. The data developed by post count validation, pre-adjustment research, and causative research **must** be utilized to prepare correcting documentation so that the inventory accounting systems may be updated. These adjustments **must** be processed in accordance with this Regulation and [DLM 4000.25-V2](#).

8.3.2. Statistics. The type of [inventory losses must be categorized and accumulated by category to identify trends or problem areas in accounting or supply system procedures in accordance with DLM 4000.25-V2](#).

8.4 Unresolved Inventory Losses Not Meeting the Criteria for an Investigation (070804)

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

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

8.4.3. Statistics. See [subparagraph 8.3.2](#).

8.5 Unresolved Inventory Losses - Causative Research Indicates No Personal Responsibility (070805)

8.5.1. Accountability. See [subparagraph 8.4.1](#).

8.5.2. Statistics. See [subparagraph 8.3.2](#).

8.6 Unresolved Inventory Losses - Causative Research Indicates Evidence of Personal Responsibility (070806)

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

8.6.2. Statistics. See [subparagraph 8.3.2](#).

8.7 Criteria for an Investigation (070807)

A financial liability investigation **must** be initiated on all unresolved inventory discrepancies for each stock number that meets any of the following criteria:

8.7.1. Gains and losses of sensitive items (e.g., drugs designated as controlled substances and assigned to one of five schedules by the Drug Enforcement Agency, Department of Justice, under the Comprehensive Drug Abuse, Prevention, and Control Act of 1970 and any other drugs designated for local control by the Medical Treatment Facility Commander, precious metals, hazardous materiel, small arms, ammunition, explosives) regardless of dollar value.

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

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

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

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

8.7.6. Bulk petroleum when the loss exceeds the [allowable loss limits per DoDM 4140.25-V9](#).

8.8 Procedures for an Investigation (070808)

8.8.1. Accountability and Responsibility. For unresolved inventory losses which meet the criteria set forth in paragraphs 8.6 and 8.7, a DD Form 200 is required to relieve accountable property officer of property custodian from responsibility, to substantiate adjustment of the inventory and accounting records to the inventory on hand, and to identify problem areas or trends for corrective actions. A financial liability investigation should be conducted by a person who is not directly supervised by the accountable property officer or property custodian. It **must** include, as a minimum, the following actions:

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

8.8.1.2. Determine compliance with prescribed regulations and procedures.

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

8.8.1.4. Determine whether simple or gross negligence or abuse is evident.

8.8.1.5. Review of causative research conducted.

8.8.1.6. Determine the cause or the probable cause of the inventory loss.

8.8.1.7. Recommend actions to minimize recurrence of the inventory loss.

8.8.2. Review the Adequacy of Procedures in Protecting Property

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

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

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

9.0 PETROLEUM PRODUCT/LOSSES (0709)

9.1 Loss Expectancy (070901)

Some losses are unavoidable in the handling and storage of volatile products. These losses can be controlled by management actions to limit the rates of loss for such products so that standards are not exceeded. For this reason, DoDM 4140.25-V9, provides allowable loss limits to accommodate product losses normally expected. Losses are categorized as in-transit, operating, and determinable, these categories are defined in DoDM 4140.25-V9. However, any trends, such as a pattern of losses within the allowable percentage, must be researched and investigated.

9.2 In-Transit Losses (070902)

Losses of product received at DoD activities are allowable only when the actual loss is within the allowable loss tolerance percentages. When a loss exceeds the allowable limit, a portion of the loss is not allowable, and the entire loss will be reported as prescribed in DoDM 4140.25-V9. Causative research, as described in subparagraph 8.2.3, must be performed if there is any suspicion of negligence or abuse on the part of U.S. Government personnel who contributed to the loss.

9.3 Storage or Operating Losses (070903)

The allowable storage or operating loss tolerance percentages for various types of petroleum products are prescribed in DoDM 4140.25-V9. When the loss exceeds the allowable limit, a portion of the loss is not allowable; and the entire loss must be researched and reported in accordance with the provisions in section 8.0.

9.4 Determinable Losses (070904)

Losses which occur from determinable causes (such as tank overflows, spills, pipeline breaks, recovered abandoned product, fire or unrecoverable tank bottom) can normally be precluded or greatly minimized by effective management. These losses must be researched and reported in accordance with section 8.0.

*10.0 DEFINITIONS (0710)

No.	List of Definitions	Description of Definitions
1.	Abuse	Willful misconduct or deliberate unauthorized use.
2.	Accountability	The obligation imposed by law, lawful order, or regulation, accepted by an organization or person for keeping accurate records, 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.
3.	Accountable Property Officer	Comparable terms include: Army -- Supply Support Accountable Officer/Property Book Officer; Navy -- Personal Property Manager; Air Force -- Accountable Officer/Chief of Supply/Chief of Materiel Management; Marine Corps -- Accountable Officer; Defense Logistics Agency -- Accountable Property Officer. An individual who, based on his or her training, knowledge, and experience in property management, accountability, and control procedures, is appointed by proper authority to establish and maintain an organization's accountable property records, systems, and/or financial records, in connection with Government property, irrespective of whether the property is in the individual's possession.
4.	Accountable Property	A term used to identify property recorded in the APSR .
5.	Accountable Property Record	The record contained within the APSR .
6.	Acquisition Cost	The amount, net of both trade and cash discounts, paid for the property, plus transportation costs and other ancillary costs.
7.	Adjustment	Posting to the accountable property records the changes made necessary by the loss, damage, destruction, or theft.

DEFINITIONS (Continued)

No.	List of Definitions	Description of Definitions
8.	Administration	An established process or system to determine whether a responsible party should be held financially liable.
9.	Appointing Authority	An individual designated in writing by the approving authority. The approving authority may act as the appointing authority. The appointing authority appoints financial liability officers, if required; approves or disapproves the recommendations of the accountable property officer, reviewing authority, or financial liability officer; and recommends actions to the approving authority. The appointing authority is normally senior to the reviewing authority, accountable property officer, and financial liability officer.
10.	Approving Authority	The approving authority makes determinations to either relieve involved individuals from responsibility and/or accountability or approve assessment of financial liability. The approving authority may act as the appointing authority or designate an appointing authority in writing. DoD Component regulations must designate who may serve as the approving and appointing authority. The approving authority is normally senior to the appointing authority.
11.	Collective Liability	Where more than one individual may be liable for a debt, both collectively or individually.
12.	Commander	An individual vested with command authority in a DoD Component.

DEFINITIONS (Continued)

No.	List of Definitions	Description of Definitions
13.	Contractor Acquired Property (CAP)	Any property acquired, fabricated, or otherwise provided by the contractor for performing a contract, and to which the Government has title. Although the Government may have title, CAP has not yet been delivered. CAP that is subsequently delivered to the Government for use on the same or another contract is considered Government Furnished Property. See definition 20, "Government Furnished Property."
14.	Controlled Inventory Items	<p>Those items designated as having characteristics which require that they be identified, accounted for, secured, segregated, or handled in a special manner to ensure their safekeeping and integrity. Controlled inventory items in descending order of the degree of control normally exercised are:</p> <p>a. Classified Items. Materiel which requires protection in the interest of national security.</p> <p>b. Sensitive Items. Materiel which requires a high degree of protection and control due to statutory requirement or regulations, such as narcotics and drug abuse items; precious metals; items which are of a high value, highly technical, or a hazardous nature; and small arms, ammunition, explosives, and demolition materiel.</p> <p>c. Pilferable Items. Materiel having a ready resale value or application to personal possession and which is, therefore, especially subject to theft.</p>
15.	Culpability	Determination of fault.
16.	Deliberate Unauthorized Use	Willful or intentional use without right, permit, or authority.
17.	Determination of Proximate Cause	Ascertaining whether the loss, damage, destruction, or theft was proximately caused by an individual's negligence or abuse.
18.	Financial Liability	The statutory obligation of an individual to reimburse the government for lost, damaged, or destroyed government property as a result of negligence or abuse.

DEFINITIONS (Continued)

No.	List of Definitions	Description of Definitions
19.	Financial Liability Officer	An individual who is appointed in writing by the appointing authority to conduct an investigation to determine responsibility for loss, damage, or destruction of government property. Individuals so appointed must not be the accountable property officer, property custodian, or otherwise have any direct interest in the property being investigated. The individual must be a commissioned officer; warrant officer; enlisted member in grades E 7, E 8, or E 9; or a civilian employee GS 07, or above. However, the financial liability officer is normally senior to the person(s) directly involved with the discrepancy. The appointing authority may act as the financial liability officer.
20.	Government Furnished Property	Any property in the possession of, or directly acquired by, the Government and subsequently furnished to the contractor for performance of a contract. CAP that is subsequently delivered to the Government for use on the same or another contract is considered Government Furnished Property. See definition 13, "Contractor Acquired Property."
21.	Gross Negligence	An extreme departure from the course of action to be expected of a reasonably prudent person, all circumstances being considered. The act is characterized by a reckless, deliberate, or wanton disregard of foreseeable consequences.
22.	Inquiry	An informal process of ascertaining the facts, circumstances, and cause of the loss, damage, destruction, or theft.
23.	Inventory	Tangible personal property that is held for sale, in the process of production for sale, or to be consumed in the production of goods for sale or in the provisions of services for a fee.

DEFINITIONS (Continued)

No.	List of Definitions	Description of Definitions
24.	Investigation	A formal proceeding for determining the facts and circumstances related to loss, damage, destruction, or theft of government property; determining the present condition of such property; receiving recommendations as to disposition, retention, and further accountability for such property; or determining the responsibility for loss, gain, damage, or destruction of government property.
25.	Liability	The state of being responsible or answerable for the loss, gain, damage, or destruction of government property.
26.	Negligence	The failure to act as a reasonable prudent person would have acted under similar circumstances. An act or omission that a reasonably prudent person would not have committed or omitted under similar circumstances and which is the proximate cause of the loss of, damage to, or destruction of government property. Failure to comply with existing laws, regulations, or procedures may be considered as evidence of negligence.
27.	Probable Cause	Reasonable grounds for belief.
28.	Property Custodian	Also known as responsible officer. An individual appointed by the accountable property officer, 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 Definition 32, "Responsible Officer."
29.	Proximate Cause	The cause which, in a natural and continuous sequence of events unbroken by a new cause, produced the loss or damage. Without this cause the loss, gain, or damage would not have occurred. It is further defined as the primary moving cause, or the predominate cause, from which the loss, gain, or damage followed as a natural, direct, and immediate consequence.
30.	Record	All forms of information (e.g., narrative, graphic data, and computer memory) registered in either temporary or permanent form so that it can be retrieved, reproduced, or preserved.

DEFINITIONS (Continued)

No.	List of Definitions	Description of Definitions
31.	Research	<p>An investigation of potential or actual discrepancies between physical count and recorded balances. The purpose of the research is to determine the correct balance and determine the cause of discrepancies. There are three types of research:</p> <p>a. Post count Validation. A comparison of physical count with potential recorded balances or another count, with consideration of transactions that have occurred recently. The purpose of post count validation is to determine the validity of the count. Post count validation research ends when the accuracy of the count has been verified or when any necessary recounts have been taken.</p> <p>b. Pre-adjustment Research. A review of potential discrepancies, which involves the consideration of recent transactions and verification of catalog data. The purpose of pre-adjustment research is to determine the correct balance. Pre-adjustment research ends when the balance has been verified or the adjustment quantity determined (see DLM 4000.25-V2).</p> <p>c. Causative Research. An investigation of discrepancies (i.e., gains and losses) consisting of (as a minimum) a complete review of all transactions to include supporting documentation: catalog change actions, shipment discrepancies, and unposted or rejected documentation occurring since the last completed inventory; the last location reconciliation which included quantity; or back one year whichever is sooner. The purpose of causative research is to identify, analyze, and evaluate the cause of inventory discrepancies with the aim of eliminating repetitive errors. Causative research ends when the cause of the discrepancy has been discovered or when, after review of the transactions, no conclusive findings are possible.</p>

DEFINITIONS (Continued)

No.	List of Definitions	Description of Definitions
32.	Responsible Officer	An individual appointed by the accountable property officer, 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. Also known as property custodian. See definition 28, "Property Custodian."
33.	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.
34.	Reviewing Authority	An individual designated in writing by the approving authority to review and analyze the results of supply system stock research.
35.	Simple Negligence	See definition 26, "Negligence."
36.	Standard Price	The unit price of an item, as it is recorded in the Standard Catalog for use in financial and accountable records of the holding service or agency. (An item not included in the appropriate service or agency pricing catalog must be priced at original cost, if available, or if not known, at fair market value, as stated in paragraph 2.8.1.2).
37.	Stock Record	A perpetual inventory form of record that shows by nomenclature, the quantities received, issued, and the balance on hand. The stock record must show by item the receipt, issue, and transfer of accountability of property; the balances on hand; and such other identifying or stock control data as required. See DLM 4000.25-V2.
38.	Supply System Materiel	Supply system materiel refers to those inventories, wholesale and below wholesale, where a stock record account is required to be maintained. See DLM 4000.25-V2.

DEFINITIONS (Continued)

No.	List of Definitions	Description of Definitions
39.	Value	The financial value of an item. Typically, the original acquisition cost or, in the case of capital equipment, the full cost or net book value.
40.	Willful Misconduct	Intentional damage, destruction, misappropriation, or loss of government property.