



Designation: E 2131 – 01

Standard Practice for Assessing Loss, Damage, or Destruction of Property¹

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1. Scope

1.1 This practice covers the assessment of loss, damage, and destruction (LDD) of property, assets, or material. LDD occurs when such property is found to be missing, damaged, or destroyed. Such discoveries often are made as a result of a physical inventory, an analysis of material used, or routine audits.

1.2 Some occurrences of damage and destruction are the result of natural disasters or other incidents beyond the control of the company, agency, or institution, and are not subject to the standards in paragraph 7. However, the reporting of such instances in accordance with paragraph 8 is still required.

1.3 Some occurrences of LDD are a result of natural degradation or other incidents of fair wear and tear and are not addressed as a part of this practice.

1.4 Loss, damage and destruction, while three completely different occurrences, are addressed as one in this standard. For the purpose of this standard, reporting and evaluating loss, damage and destruction are the same.

1.5 Loss, damage and destruction are key aspects of risk management. Projecting the possibility or probability of LDD, reporting and managing, and minimizing LDD is a critical and economic factor in the success of any endeavor.

2. Referenced Documents

2.1 Risk Matrix:

DLAD 5000.4, Chapter 7.1, Contract Property Management, May 2000

2.2 Risk Management:

The NPMA Standard Property Book, First Edition, July 1999

2.3 Material Management and Accounting System (MMAS):

242.72 and 252.242-7004 Department of Defense Federal Acquisition Regulation Supplement, January 1, 2000

3. Terminology

3.1 Definitions of Terms Specific to This Standard:

3.1.1 *agency*—governmental agency, regardless of level (federal, state, or local).

3.1.2 *company*—for-profit organization.

3.1.3 *institution*—not-for-profit, non-governmental organization.

3.1.4 *customer property*—property in the possession of an entity to which it does not have title, e.g., items received for servicing, repair or refurbishment, or items received for integration into a higher assembly. Customer property does not normally include assets under a lien, such as land, to which title should or could eventually pass to the entity.

3.1.5 *risk*—the chance of loss, or the possibility of loss, or the probability of loss or the uncertainty of loss, damage, destruction or theft that surrounds an asset.

NPMA Standard Property Book

3.1.6 *risk management*—understanding the underlying principles of risk, recognizing those instances where a risk exists and acting to control those risks based upon sound economic principles and practices. NPMA Standard Property Book

3.1.7 *high-risk property*—that property either regulated by law (e.g. pharmaceuticals, medical supplies, firearms and ammunition, hazardous materials/waste) or in any way is potentially dangerous to public health or security.

3.1.8 Risk degrees and factors:

3.1.8.1 *high risk*—significant, recurring LDD, immediate corrective action is required. More than a 5 % variance.

3.1.8.2 *medium risk*—significant LDD which does not recur, or recurrent LDD of low value, corrective action is required. A 2 % to 5 % variance.

3.1.8.3 *low risk*—isolated, low value instances of LDD, continued monitoring is recommended. Less than a 2 % variance.

DLAD 5000.4

4. Significance and Use

4.1 LDD analysis can be an indicator of the adequacy of the control and security exercised over the assets in the possession of or under the cognizance of a company, agency or institution. Excessive LDD can indicate weaknesses in awareness of control processes, physical security, procedures, and the like.

¹ This practice is under the jurisdiction of ASTM Committee E53 on Property Management Systems and is the direct responsibility of Subcommittee E53.04 on Reutilization and Disposal.

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