INTERNATIONAL

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Standard Practice for ~~Assessing Loss, Damage, or Destruction of Property~~Addressing and Reporting Loss, Damage, or Destruction of Tangible Property[1]

This standard is issued under the fixed designation E 2131; the number immediately following the designation indicates the year of original adoption or, in the case of revision, the year of last revision. A number in parentheses indicates the year of last reapproval. A superscript epsilon (ε) indicates an editorial change since the last revision or reapproval.

1. Scope

~~1.1This 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.~~

~~1.2Some 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.~~

~~1.3Some 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.~~

~~1.4Loss, 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.~~

~~1.5Loss, 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.~~

1.1 This practice focuses on addressing and reporting loss, damage, or destruction (LDD) of tangible property.

1.2 LDD events are key aspects of risk management. Projecting the possibility or probability of LDD, discovering, disclosing, reporting, managing, and minimizing LDD is a critical and economic factor in the success of the owning or holding entity. This practice also establishes acceptable levels of LDD.

1.3 LDD events are often discovered as a result of a physical inventory or other audit. An actual LDD event can occur at any time during the property life cycle.

1.4 LDD events resulting from natural disasters or other incidents beyond the control of an entity are not subject to the criteria in 1.7. Reporting LDD events is required.

1.5 Natural degradation or normal wear and tear are not considered LDD events and are not addressed in this practice (they may, however, be considered in establishing residual value).

1.6 Loss, damage, and destruction, while three completely different events, are addressed as one for the purposes of this practice.

1.7 This practice does not address situations where LDD is an expected outcome, for example, destructive testing.

1.8 Assessing pecuniary liability for loss, damage, or destruction is not addressed in this practice; such assessments are subject to law.

1.9 *This standard does not purport to address all of the safety concerns, if any, associated with its use. It is the responsibility of the user of this standard to establish appropriate safety and health practices and determine the applicability of regulatory limitations prior to use.*

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):*~~

[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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~~242.72 and 252.242-7004 Department of Defense Federal Acquisition Regulation Supplement, January 1, 2000~~ ASTM Standards:[2]

E 2132 Practice for Physical Inventory of Durable, Moveable Property
E 2135 Terminology for Property and Asset Management
E 2279 Practice for Establishing the Guiding Principles of Property Management
E 2378 Practice for the Recognition of Impaired or Retired Personal Property
E 2608 Practice for Equipment Control Matrix (ECM)

3. Terminology

~~3.1*Definitions of Terms Specific to This Standard:*~~

3.1 *Definitions*—For definitions relating to property and asset management, refer to Terminology E 2135.

3.1.1 ~~*agency*—governmental agency, regardless of level (federal, state, or local).~~ book value, *n*—the net amount at which an asset or liability is carried on the books of account. **E 2135**

3.1.2 ~~*company*—for-profit organization.~~ custodial records, *n*—memoranda in any form written or electronic that documents the life cycle of property. **E 2135**

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**~~ fair value, *n*—is the amount at which the asset (liability) could be bought (incurred) or sold (settled) in a current transaction between willing parties, that is, other than in a forced or liquidation sale. **E 2135**

3.1.4 *tangible property*, *n*—property having physical existence and hence capable of being valued monetarily. Property other than intangible property. **E 2135**

3.2 *Definitions of Terms Specific to This Standard:*

3.2.1 *acquisition cost*, *n*—the cost to buy goods, services, or assets, minus discounts and adding associated costs (except for taxes).

3.2.2 *entity*, *n*—an agency, company, or institution.

3.2.3 *normal wear and tear*, *n*—wear on a property item that takes place with normal or reasonable use for which the item is intended or provided.

3.2.4 *risk*, *n*—concept that denotes a potential negative impact.

3.2.5 *risk assessment*, *n*—determination of quantitative or qualitative value of risk related to a concrete situation and a recognized threat.

3.2.6 *risk management*, *n*—structured approach to managing uncertainty through risk assessment, developing strategies to manage it, and mitigation of risk using managerial resources.

3.2.7 *low risk property*, *n*—assets that are monitored and controlled at the discretion of asset managers and typically consists of low risk expendable or durable equipment and tooling valued under $5000 excluding sensitive, controlled, serially managed, or mission essential property.

4. ~~Significance and Use~~

~~4.1LDD 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.~~

~~4.2LDD creates concerns regarding effectiveness and efficiency indicating a negative impact on profitability or mission. Excessive LDD increases risk, and indicates at least a potential, if not real, weakness in procedures processes, and control.~~ Summary

[2] For referenced ASTM standards, visit the ASTM website, www.astm.org, or contact ASTM Customer Service at service@astm.org. For *Annual Book of ASTM Standards* volume information, refer to the standard's Document Summary page on the ASTM website.

4.1 This practice has to do with addressing and reporting loss, damage, and destruction of tangible property.

5. Significance and Use

5.1 LDD is an indicator of the effectiveness of operations. Excessive LDD can indicate poor internal management and controls, policy or procedural weaknesses, or lack of compliance, any one of which can impact entity profitability, mission performance, or reputation.

5.2 Addressing and reporting LDD provides a guideline for action for decision makers.

5.3 Though the term *equipment* is used consistently throughout this practice, this process may be used for the other classes of property, for example, material.

6. Procedure

~~5.1Upon discovering or determining LDD (e.g., vehicle damage, theft, negligence, misuse of property), report it as soon as possible, but not longer than 24 hours after the occurrence. Report LDD to a cognizant functional area in the company or institution such as security.~~

~~5.2If the situation warrants, investigate LDD and prepare a written report. Submit the report within 30 calendar days, when possible. If not all the facts have been established within 30 days, prepare an interim report and submit it to the cognizant functional area. (See Section 8.) A warranted situation should be determined in accordance with paragraph 5.4 and Section 7~~

6.1 Entities adopting this practice must establish entity specific policies and procedures implementing this practice. These policies and procedures must be established in light of Practices E 2132, E 2279, E 2378, and E 2608 and Terminology E 2135.

~~5.3Investigate excessive LDD, analyze the cause(s), and implement corrective action. Factors affecting the investigation include, but are not limited to, the circumstances surrounding the LDD, the cost of repair or replacement, insurance considerations, necessary corrective actions, and any other factors that could affect a final disposition of the LDD.~~

~~5.4Examine LDD in the light of the type(s) of property or assets under consideration. For example, the LDD of capitalized property may merit more scrutiny than that of inexpensive material required for production. Likewise, inexpensive but easily pilfered items may require more oversight than material, but less oversight than capital. Highly pilferable and expensive items, such as precious metal, may require more oversight than capitalized property.~~

~~5.5For Government accounting and in accordance with Generally Accepted Accounting Principles losses or impairments must be recognized as they occur.~~

~~6.~~

6.2 Entity policies and procedures will be developed with special attention to Practice E 2608. Practice E 2608 establishes *equipment control classes* (ECCs)—five classifications or groupings of equipment based on the consequences of the loss of control of the equipment:

6.2.1 *Equipment Control Class 1*—Consequence of loss of control is a societal safety/security impact, which is characterized by negative societal safety or security impact.

6.2.2 *Equipment Control Class 2*—Consequence of loss of control is a personal safety/security impact, which is characterized by negative personal safety or security impact that does not rise to the level of a societal safety or security impact.

6.2.3 *Equipment Control Class 3*——Consequence of loss of control is an operational impact, which is characterized by negative operational impact that does not rise to the level of a personal or societal safety or security impact.

6.2.4 *Equipment Control Class 4*—Consequence of loss of control is a compliance impact, which is characterized by negative compliance with applicable laws regulations or other relevant internal or external guidance that does not rise to the level of an operational impact.

6.2.5 *Equipment Control Class 5*—Consequence of loss of control is not discernible, which is characterized by having no visible or recognizable impact on the organization.

6.3 Entity policies and procedures will, in light of Practice E 2608:

6.3.1 Establish specific guidelines for evaluating and measuring LDD,

6.3.2 Define when and how investigations are conducted,

6.3.3 Define when and how corrective action is appropriate and to be effected, and

6.3.4 Define the LDD reporting process.

7. Calculation of LDD Ratios

~~6.1*Method 1: Overall Picture*—Divide the annual (fiscal year) losses by the average mount of like property (capital, material, or customer-owned) on hand (annual losses/average amount of like property).~~

~~6.1.1For example, if the average monthly amount during the fiscal year of capital assets on hand is 10,000 line items at $140 million, and losses for the same year equal 100 items at $200,000, the loss ratio for capital assets is 1% line items and 0.14% dollars.~~

~~6.2*Method 2: Instantaneous View*—Calculate LDD at the end of an inventory by comparing inventory results with records. Include this analysis as part of the inventory reconciliation process. This method can be applied to the various types of material inventoried, or to any one particular type or item of inventory (such as a particular line item of material).~~