

| <p>VOLUME 4</p> <p>“PHYSICAL INVENTORY CONTROL POLICY”</p> <p>SUMMARY OF VOLUME 4 CHANGES</p> <p>Hyperlinks are denoted by <i><u>bold, italic, blue and underlined font.</u></i></p> <p>The original publication date of this Marine Corps Order (right header) will not change unless/until a full revision of the MCO has been conducted.</p> <p>The date denoted by <i>blue font</i> (left header) will reflect the date this Volume was last updated.</p> <p>All Volume changes denoted in <i>blue font</i> will reset to black font upon a <u>full revision</u> of this Volume.</p> | | | |
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VOLUME 4: PHYSICAL INVENTORY CONTROL POLICY

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REFERENCES

- (a) Defense Logistics Manual (DLM) 4000.25-2, "Military Standard Transaction Reporting and Accountability Procedures (MILSTRAP)"
- (b) DoD Manual 4140.01 "Supply Chain Materiel Management Procedures"
- (c) DoD 7000.14-R, "Department of Defense Financial Management Regulation (DoD FMR)," Volumes 1-15, dates vary by volume
- (d) SECNAVINST 7320.10
- (e) Statement of Federal Financial Accounting Standards 3 (SFFAS 3)
- (f) DoD Instruction 5000.64, "Accountability and Management of DoD Equipment and Other Accountable Property," May 19, 2011
- (g) DoD Instruction 5100.76-M, "Physical Security of Sensitive Conventional Arms, Ammunition, and Explosives (AA&E)," April 17, 2012
- (h) OPNAV Instruction 5530.13C
- (i) Federal Acquisition Regulation Part 45.105, "Contractor's Property Management System Compliance"
- (j) DLM 4000.25, "Defense Logistics Management Systems (DLMS)," Volumes 1-7, dates vary by volume
- (k) DoD 4100.39-M Volume 10, "Federal Logistics Information Service (FLIS) Procedures Manual (Glossary and Volumes 1-16)," date varies
- (l) SECNAV M-5210.1
- (m) DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013
- (n) DoD Instruction 4000.19, "Support Agreements," April 25, 2013
- (o) JAGINST 5800.7F
- (p) DLM 4000.25-1, "Military Standard Requisitioning and Issue Procedures," June 13, 2012
- (q) DoD Instruction 4160.28, "Department of Defense Demilitarization (DEMIL) Program," April 7, 2011
- (r) MCO 5530.14A

Report Required: Inventory Control Effectiveness Report Ammunition and General Supplies (Report Control Symbol DD-4400-51), (External Report Control Symbol DD-AT&L(Q)935), <http://www.dtic.mil/whs/directives/infomgt/forms/index.htm>

VOLUME 4: CHAPTER 1

“GENERAL OVERVIEW”

SUMMARY OF SUBSTANTIVE CHANGES

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CHAPTER 1

GENERAL OVERVIEW

0101 GENERAL

This Volume provides policy, guidance, performance objectives, and defines responsibilities governing the Marine Corps' Physical Inventory Control Program (PICP). It contains procedures for conducting inventories, inventory control, and accountability of materiel in storage activities in accordance with Department of Defense (DoD) regulations and directives. This policy is applicable to supply and storage activities at all levels throughout the Marine Corps enterprise.

0102 PURPOSE

Per references (a) and (b), the purpose of the Marine Corps PICP is to:

010201. Establish uniform procedures for maintaining accurate accountable records, conducting physical inventories, conducting location surveys and record reconciliations, and researching inventory discrepancies and causes for inventory adjustments.

010202. Establish uniform procedures for conducting quality control of work processes affecting the accuracy, reporting, and measurement of physical inventories.

010203. Ensure that assets are protected against waste, loss, negligence, unauthorized use, misappropriation, and compromise in the case of controlled inventory item materiel.

010204. Ensure that sufficient emphasis is placed on materiel accountability and inventory accuracy to promote improved performance of individuals directly responsible for the care, security, and management of Marine Corps supply system materiel, as well as those responsible for reporting on the status of that inventory.

010205. Ensure that training is provided to personnel who perform functions affecting physical inventory control, and that courses are updated to teach current DoD policies, procedures, performance goals, and reporting requirements.

0103 RESPONSIBILITIES

010301. Deputy Commandant, Installations and Logistics (DC I&L)

A. Provide updated policy and command emphasis for the Marine Corps PICP with the goal of improving the accuracy of inventory control and asset information in accountable property systems of record (APSRs).

B. Conduct functional reviews of the PICP to ensure compliance with DoD policy and procedures and establish physical inventory control as a mandatory element to be addressed in annual internal management control assessments.

C. Evaluate the performance and effectiveness of inventory and location systems in terms of the responsiveness to their materiel management requirements. Make recommendations for improving the entire program.

D. Furnish required consolidated reports of inventory control as required.

E. Coordinate with the Commanding General, Training and Education Command to ensure the implementation of effective training programs for the contents of this Volume.

F. Ensure Field Supply and Maintenance Analysis Office (FSMAO) Teams inspect Marine Corps organizations for compliance with this Volume and provide assistance as required.

010302. Deputy Commandant, Programs and Resources

Coordinate financial reporting requirements for physical inventories with DC I&L (LPC) and provide guidance as necessary.

010303. Commanding General, Marine Corps Logistics Command (CG MARCORLOGCOM)

A. As the Marine Corps Ground Equipment Asset Manager for Stores Account Code (SAC) 3 military equipment, ensure support of the policies in this Volume.

B. Ensure that subordinate supply activities (e.g., Remote Storage Activities, Blount Island Command, etc.) maintain a PICP for all accountable assets.

C. Provide contracting activities with the performance standards and physical inventory performance included in contract requirements for contracted storage activities and services (e.g., Consolidated Storage Program activities).

010304. Commander, Marine Corps Systems Command and affiliated Program Executive Officer – Land Systems

A. Ensure adherence to the provisions in this Volume by subordinate activities (e.g., Program Managers and Product Managers).

B. Ensure that signed fielding plans for all new equipment are published and uploaded to the Total Force Structure Management System.

010305. Commanders, Marine Corps Forces / Marine Corps Installations

A. Provide command emphasis for the establishment and implementation of physical inventory control programs in compliance with this Volume.

- B. Develop and implement internal command policies and procedures to facilitate the execution of this policy.
- C. Schedule inventories and reconcile physical inventory count documents with balance records within appropriate APSRs.
- D. Develop quality controls to effectively control errors in the inventory and reconciliation processes.
- E. Establish storage activity performance goals to achieve continuous improvement.
- F. Establish and maintain a system for monitoring performance and workload.
- G. Use automated storage and retrieval systems, storage aids, material handling equipment, automatic identification technology, and other labor-saving devices to increase productivity and to reduce the need for hard-copy documentation and manual data entry, opportunities for human error, and the recurring cost of operations.
- H. Ensure that materiel is positioned and issued from storage locations in a manner that:
 - 1. Provides for efficient issuing, packing, and shipping processes.
 - 2. Obtains the best use of material handling and storage equipment.
 - 3. Keeps the warehouse space or number of warehouses to a minimum.
 - 4. Obtains the best use of storage space in warehouses that are used.
 - 5. Keeps the re-warehousing of materiel to a minimum.

0104 PHYSICAL INVENTORY CONTROL ELEMENTS

The elements of the Marine Corps PICP are:

010401. Physical Inventory

Physical inventories of Marine Corps accountable property must be planned and conducted as part of the PICP. The frequency and type of physical inventory (e.g., cyclic, quarterly, semi-annual, and annual) depends on the inventory schedule and type of property. Chapter 2 in this Volume contains detailed information

010402. Record Reconciliation Program

The record reconciliation program consists of both a location survey and a location reconciliation. Location survey requires a physical verification other than actual count between physical assets and recorded location data to ensure that the locations of all assets are properly recorded. Location reconciliation requires a match between storage activity records and owner/manager records to identify and correct situations when there is: (1) an owner/manager record with no corresponding storage activity record, (2) a storage activity record with no corresponding

owner/manager record, (3) common elements of data that do not match, and/or (4) quantity discrepancies. Chapter 3 in this Volume contains detailed information.

010403. Research

Causative research consists of actions taken to determine the cause of accountability errors when the physical count or location survey does not match the activity's asset record. The purpose of research is to identify and evaluate the cause of inventory discrepancies with the aim of eliminating repetitive errors. Chapter 4 in this Volume contains detailed information.

010404. Investigations

Property investigations are required in certain cases when causative research for inventory imbalances is non-conclusive and to determine possible cause or financial liability for government property that has been lost, damaged, or destroyed. Chapter 5 in this Volume contains detailed information.

010405. Quality Control

A quality control program must be established at all supply and storage activities to monitor and evaluate the performance of work processes directly related to the control of physical materiel. Quality control results will assist supervisors in identifying those human, procedural, or system errors that adversely affect inventory accuracy. Chapter 6 in this Volume contains detailed information.

010406. Management Reporting

Management reporting allows the creation of aggregate Marine Corps wide inventory accuracy reports and provides historical data for analysis. Chapter 7 in this Volume contains detailed information.

0105 CATEGORIZATION OF PROPERTY IN THE SUPPLY CHAIN

Physical inventory control procedures of property are dictated by where the property is located in the supply chain. Property will be categorized into two groups.

010501. Property Record Items

Property record items include all Marine Corps property that has been fielded to its final destination in the supply chain. This category of property includes the following DoD definitions:

A. General Equipment. Per reference (c), general equipment is property of any kind (i.e., general PP&E) except real property (land and improvements to facilities). It has an expected useful life of two or more years; is not intended for sale in the ordinary course of business; does not ordinarily lose its identity or become a component part of another article; and is available for the use of the reporting entity for its intended purpose. General equipment is synonymous with "Personal Property." Sub-categories of general equipment include:

1. Military Equipment In Use. Per references (c), military equipment (ME) is a type of general equipment and includes weapon systems that can be used directly by the Armed Forces to carry out battlefield missions. The Marine Corps will assign a Table of Authorized Materiel Control Number (TAMCN) to all ME. Marine Corps examples include: combat vehicles, tanks, artillery and crew served weapons. ME also includes Marine Corps procured research and development equipment (e.g. prototypes, test gear, Engineering Development Models). The term “in use” refers to military equipment (ME) acquired and fielded to its intended element of the approved acquisition objective (AAO). This includes equipment in stores, equipment on-hand at consumer level organizations, pre-positioned equipment, Depot Maintenance Float Allowance, or equipment in the possession of a commander or in the possession of a third party.

2. Garrison Property. Per reference (d), garrison property is used to provide general government services or goods in the support of end item development, maintenance, storage, and/or to support the operations of a Marine Corps installation and its tenant activities. Garrison property includes, but is not limited to, office equipment, automated data processing equipment, industrial plant equipment, training equipment, special tooling, and special test equipment.

3. Garrison Mobile Equipment. Per reference (d), garrison mobile equipment (GME) is used to perform transportation and automotive maintenance functions at Marine Corps installations. Commercially available GME includes passenger vehicles, cargo vehicles, non-tactical material handling equipment, engineer equipment, and railway rolling stock.

B. Heritage Assets. Per reference (c), heritage assets are recognized to be assets of historical or natural significance; cultural, educational, or artistic importance; or possess significant architectural characteristics. They are expected to be preserved in museums or registered with the Naval Historical Center or the National Museum of the Marine Corps.

010502. Supply System Stock

Supply system stocks are those inventories where a stock record account is required to be maintained, showing by item the receipt, issue, and disposal of property, the balances on hand, and such other identifying or stock control data as may be required to record its position within the supply chain en route to its end use. Supply system stocks can include operating materials and supplies (OM&S), inventory, and military equipment not in use. This includes in-stores equipment and retail inventories financed by stock funds and other appropriations for issue to end-use customers. Supply system stocks may be held at intermediate or wholesale supply activities.

A. Operating Materials and Supplies. Per reference (e), OM&S consists of tangible property to be consumed in normal operations. Repairables and consumables that are not for sale are considered OM&S. This includes ordnance.

B. Inventory. Per reference (b), inventory is materiel, titled to the U.S. Government, held for sale or issue, held for repair, or held pending transfer to disposal. This definition covers the same population of items as the definition for inventory in chapter 4 “Inventory and Related Property,” of reference (c). Inventory does not include tangible personal property to be consumed in normal operations.

C. Military Equipment Not In Use. This includes military equipment positioned in storage locations for issue to end-use customers (i.e. SAC 1 TAMCN items positioned at intermediate activities).

VOLUME 4: CHAPTER 2

“PHYSICAL INVENTORY”

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CHAPTER 2

PHYSICAL INVENTORY

0201 GENERAL

Per reference (f), Marine Corps supply and property control activities are required to conduct physical inventories of all accountable property during each fiscal year to provide for the economical and efficient stewardship of DoD and Marine Corps supply system materiel. Physical inventories provide supply personnel and materiel managers the ability to correct materiel processing and storage errors by comparing record balances in APSRs with the actual quantities of stock on hand. Physical inventories also allow management to measure the accuracy of property records feeding Marine Corps financial statements as required by reference (c). Waivers to the physical inventory requirements contained within this Volume are only waivable by DC I&L.

0202 PLANNING

A carefully developed physical inventory plan will enable supply and storage activity supervisors and accountable officers (AOs) to maintain positive control of assets while meeting DoD inventory requirements and accuracy standards. Physical inventory plans must 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, all property must be physically inventoried at least annually unless more frequent physical inventories are specified. When planning for physical inventories, the following preparatory steps must be taken:

020201. Establish an inventory start date for each type of property to be inventoried. The stock record balance on the inventory start date will be the balance against which the inventory count will be compared.

020202. Once the inventory begins, no major physical transfer of items will be made that will affect the property being inventoried. All transfers in progress must be completed prior to the inventory start date.

020203. Organize key supporting documents to ensure that previous receipts, adjustments, transaction reversals, and other transactions are posted to the property records; and that in-process receipts are stored in a pending location prior to the established physical inventory start date.

020204. Release/receipt documents processed during the inventory must be stamped or flagged to ensure that warehouse personnel record the transactions on the inventory recap sheet either when property is removed from or placed in storage locations. Such transactions will not be recorded on the inventory recap sheet prior to the inventory start date.

020205. Prior to the inventory, ensure property and location integrity by correcting such situations as unbinned/loose materiel; questionable identity of materiel in storage locations; single locations containing multiple stock numbers; and inadequately labeled shelf-life items (date of manufacture, assembly, expiration, last inspection, etc.).

0203 INVENTORY PRIORITIES

Available inventory resources must be directed towards those potential and actual discrepancies, controlled inventory items, and weapon system critical items for which maximum returns will be derived from resources applied. Per reference (b), Marine Corps supply and storage activities will devote resources and select items for physical inventory to support the populations designated by Controlled Inventory Item Code (CIIC). Marine Corps activities shall devote resources and select items for physical inventory according to the following prioritization:

020301. Nuclear Weapons-Related Materiel, 100 percent physical count required.

020302. Classified items, 100 percent physical count required. Applicable CIICs are A, B, C, D, E, F, G, H, K, L, O, S, T, 7, 9.

020303. Sensitive and pilferable items, 100 percent physical count required. Applicable CIICs are 1, 2, 3, 4, 5, 6, 7, 8, C, Q, R, \$, J, I, M, N, P, V, W, X Y, Z.

020304. Annual (wall-to-wall) inventories, or cyclic inventories that support the determination of logistics record accuracy and financial record accuracy.

020305. Items with known or suspected discrepancies or items requested by the supply activity manager or AO.

020306. All other items that are candidates for physical inventory based on a prioritization system or sampling strategy.

0204 OCCASIONS

020401. Annual

This method involves physically counting 100 percent of the accountable property on hand within a fixed time frame. The advantage of this method is that the organization can verify at one time, all of their actual property on hand against the accountable property records. This method works well in organizations that can close operations for a predetermined amount of time. When conducting 100 percent annual inventories, equipment which has been borrowed from other organizations must not be included in the physical inventory; however, military equipment on the accountable records that is on loan to another organization must be included in the total inventory count. 100 percent inventories may be conducted to satisfy annual or semi-annual inventory requirements for the organization. Consumer level supply activities (i.e., using units) are required to conduct a 100 percent annual physical inventory of all accountable property each fiscal year.

020402. Cyclic

This method also involves counting 100 percent of accountable property on hand; however, the counting is not performed all at one time. Supply managers may divide their entire inventory into equal groups and then inventory each group separately throughout the year. Cyclic inventories allow

supply and storage activities to maintain normal business operations and also assist in the timely detection of inventory discrepancies or procedural errors.

A. Due to the high Volume of accountable property and constant customer demand at certain organizations, it is not feasible to close operations and conduct a 100 percent annual inventory at one time. Accordingly, intermediate level supply activities and activities contained in paragraph 020509.B are authorized to perform cyclic inventories in lieu of 100 percent annual physical inventories. When the cyclic inventory option is chosen, the following procedures will be used:

| <u>Cyclic Inventory Period</u> | <u>Percent of Total Inventory</u> |
|--------------------------------|-----------------------------------|
| Monthly | 10% |
| Quarterly | 25% |
| Semi-Annually | 50% |

B. As part of the overall inventory plan, care must be taken to ensure that the same items/serial numbers are not repeatedly inventoried and that all accountable property is inventoried at least once during the fiscal year.

C. Random statistical sample inventories may be used as a form of cyclic inventories as long as 100% of the line items are physically inventoried during the fiscal year. As part this inventory method, a random sample generator is used to determine which line items are physically inventoried during each occasion. Precise processes and procedures must be established for this inventory method to ensure that all line items are physically inventoried during each fiscal year.

020403. Spot

This method involves separate physical inventories of selected items outside of scheduled inventories (annual or cyclic). It is a tool for use by the supply officer (SupO)/accountable property officer (APO) and/or commanding officer (CO)/AO to address suspected differences between accountable records in the APSR and actual on-hand balances. Regular spot inventories provide frequent feedback to the property control manager on possible issues affecting inventory accuracy. It also provides the manager with continuous oversight of the inventory while enhancing physical security. A spot inventory may also be used as an “end of fiscal year” inventory to cover any line items that require physical inventories prior to the end of the fiscal year.

0205 FREQUENCY

All Marine Corps accountable property must be subjected to a physical inventory count at least once per fiscal year. The frequency of inventories is specified based on the category of each item. Physical inventories will be completed on an annual, semi-annual, quarterly, monthly, cyclic, or “as required” basis. In all cases, the SupO or APO will establish an inventory schedule by fiscal year to ensure that all items assigned an inventory location and/or property record are inventoried at the frequency described in the below table.

| Category of Property | Frequency | Paragraph (below) | Remarks |
|---|---|-------------------|--|
| SUPPLY SYSTEM STOCK | | | |
| OM&S held at the intermediate level of supply | Annual | 020501 | |
| Ammunition | Annual/ semiannual | 020502 | |
| Military Equipment Not In Use | Annual | 020503 | e.g. SAC 1 TAMCN items positioned for issue to end users |
| OM&S held at the consumer level of supply | Quarterly | 020504 | e.g. Using unit demand supported items |
| Inventory | Annual | 020505 | Wholesale stock procured through working capital funding and held for sale |
| PROPERTY RECORD ITEMS | | | |
| Controlled Items | Annual | 020506 | CIIC other than J or U |
| EKMS, CCI | Semiannual | 020507 | |
| Small Arms Light Weapons | Monthly / Annual | 020508 | Annual inventories for depots only |
| Military Equipment In Use | Annual | 020509 | TAMCN items located with consumer level (end user) activities |
| Responsible Officer Assets | Quarterly or upon change of Responsible Officer | 020510 | Military equipment with Responsible Officers |
| Government Furnished Property/Equipment | Annual | 020511 | Property issued to government contractors or third parties |
| Garrison Property | Annual | 020512 | |
| Command Directed | As Required | 020513 | |

Table 2-1: Inventory Frequency by Category

020501. OM&S Held at the Intermediate Level of Supply.

OM&S held at intermediate level activities is considered supply system stock and must be inventoried annually.

020502. Ammunition.

The PICP for Class V(W) ammunition will use random statistical sampling as its core physical inventory function to provide supervisors of Class V(W) storage activities with a continual picture of inventory accuracy throughout the course of the year. This is applicable to all Marine Corps Class V(W) supporting storage activities utilizing the web-based accountable record. The only

exceptions are Marine Corps storage activities that are part of the Navy's PICP. Accordingly, the following requirements will be adhered to when developing the fiscal year inventory plan for Class V(W):

A. A location survey of all line item locations will be conducted at least once each fiscal year.

B. All line items will be physically inventoried not less than once each fiscal year, and more frequently if the need is indicated.

C. All Security Risk Category I and II non-nuclear missiles and rockets will be physically inventoried semi-annually each fiscal year and more frequently if the need is indicated. Semi-annual inventories will be conducted separately from the random sampling program.

D. An End-of-Year Inventory will be used to close out the fiscal year inventory requirement for line items that have not been inventoried by either the random sampling inventory or the semi-annual inventory process.

E. The Marine Corps minimum physical inventory accuracy standard for Class V(W) is 95 percent, while the location survey accuracy standard is a minimum of 98 percent. Accuracy is determined by the following formula:

$$(\text{Total Correct}/\text{Sample Size}) \times 100 = \text{Accuracy Percent}$$

$$\text{Example: } (78/80) \times 100 = .975 \times 100 = 97.5\%$$

F. Fiscal Year Inventory Completion. The fiscal year inventory will be certified using the NAVMC 11848 "Certificate of Fiscal Year Inventory Completion." The NAVMC 11848 is a checklist for the storage activity supervisor to ensure that the storage activity is in compliance with DoD inventory requirements. The NAVMC 11848 will be completed once the following actions are confirmed for the current fiscal year:

1. Location surveys have been completed for all storage locations.
2. All random sample inventories have been completed.
3. Semi-annual inventories have been completed for Security Risk Category I and II non-nuclear missiles and rockets.
4. The end-of-year inventory has been completed.
5. All causative research and pre-adjustment research has been completed for all inventory adjustments.
6. All missing, lost, stolen or recovered Class V(W) reporting actions have been completed.
7. Appropriate investigative action and adjustment transactions have been completed.

G. Physical inventories will be accomplished by counting palletized configuration and/or outer pack. Banded pallets will not be opened to count individual items. If

markings are believed to be incorrect, an actual count of each item will be made of those configurations believed to be incorrectly marked.

020503. Military Equipment (ME) Not In Use.

Military equipment positioned at the intermediate level of supply which has not yet been issued to a consumer level organization to fulfill a requirement in the AAO. This includes SAC 1 TAMCN items positioned at the Supply Management Units (SMUs), defined as supply system stocks. As such it will be inventoried on an annual basis.

020504. OM&S Held at the Consumer Level.

OM&S held at consumer level activities (e.g., demand supported items) will be inventoried quarterly.

020505. Inventory.

Materiel held at intermediate and wholesale activities purchased with working capital funds and held for sale to retail organizations will be physically inventoried on an annual basis.

020506. Controlled items.

Controlled items have characteristics that require that they be identified, accounted for, secured, segregated, or handled in a special manner to ensure their safeguard or integrity. Controlled items will be inventoried annually or as directed by the CO, AO, SupO or APO. The three types of controlled items, in descending order of degree of control are:

A. Classified items. Materiel that requires protection in the interest of national security. These items have a CIIC of 7, 9, A, B, C, D, E, F, G, H, K, L, O, S, or T.

B. Sensitive items. Items that require a high degree of protection and control because of statutory requirements or regulations such as narcotics and drug abuse items, precious metals, items that are high in value, highly technical, hazardous nature, small arms, ammunition, explosives, and demolition materiel. These items have a CIIC of 9, 1, 2, 3, 4, 5, 6, 8, C, Q, or R.

C. Pilferable items. Items that have ready resale value or civilian application for personal use and, therefore, are especially subject to theft are defined as pilferable items. Examples are binoculars, projectors, monitors, televisions, cameras, hand-held two-way radios, laptop computers and cell phones. Pilferable items must have a catalogued CIIC of I, J, M, N, P, Q, V, W, X, Y or Z.

020507 Electronic Key Monitoring System (EKMS) and Controlled Cryptographic Items (CCI).

CCI is described as secure telecommunications or information handling equipment, associated cryptographic components, or other hardware item which performs a critical Communications Security (COMSEC) function. Items so designated are unclassified but controlled

items. This equipment requires dual accountability by unit EKMS managers and unit supply personnel.

A. Physical inventories will be conducted semiannually of all COMSEC material holdings (including publications, manuals and equipment) with Accounting Legend Code 1, 2, 4, 6, and 7.

B. Semiannual inventories will include all CCI equipment and uninstalled CCI components with a CIIC of 9. This is necessary to guard against preventable losses of unkeyed CCI to actual or potential adversaries.

020508. Small Arms Light Weapons.

Detailed procedures for the accountability, reporting and overall management of serialized small arms/light weapons are contained in reference (g). With regards to physical inventories and serial number control of small arms/light weapons, the DoD has directed each of the services to establish life-cycle control of all small arms/light weapons by serial number and/or Unique Item Identifier (UII). Accordingly, all Marine Corps activities and installations will:

A. Conduct a 100 percent serialized inventory of all small arms/light weapons monthly, utilizing a local account listing (e.g., Consolidated Memorandum Receipt (CMR), Custodian Asset Report (CAR)) and current Crane Assets extract. The monthly serialized inventory must include all weapons not boxed, banded, and sealed with tamper-proof devices (long term storage). The use of unit asset information from Naval Surface Warfare Center (NSWC), Crane Division, Crane, Indiana is critical to reconciling reporting errors with the National Registry during monthly serialized inventories. Access to the NSWC on-line registry is restricted to users with public key infrastructure capability. Accordingly, SupOs or APOs shall request access to enable them to search/query weapon serial numbers throughout the Marine Corps' registered inventory. All monthly serialized inventory documents and inventory officer comments must be retained for a period of ten years (three years active, seven years archived).

B. Conduct a 100 percent complete annual physical inventory of all serialized small arms/light weapons, utilizing the current Crane Annual Verification Report and unit sub-custody records (i.e. CMR, CAR). Once received at the owning unit, Annual Verification Reports will be validated and returned to the Marine Corps Registry at NSWC Crane, Indiana within 45 calendar days of the date of the listing. The certification statement provided with the listing will be signed and dated by the CO/AO. All documentation of annual verification physical inventories must be retained for a period of ten years.

C. When there is any evidence of tampering with sealed containers, custodians will open containers and complete a physical count by UII and serial number of each individual small arm/light weapon inside the container regardless of the inventory cycle.

D. Conflict of Interest. To avoid a conflict of interest for the accountability of serialized small arms/light weapons; armorers, armory custodians, and supply personnel directly involved with managing the accountable records for small arms/light weapons, will not perform

monthly or annual physical inventories. COs/AOs will appoint, in writing, a disinterested inventory officer/personnel to conduct monthly and annual serialized physical inventories.

E. Per reference (h), small arms stored at the depot level will be inventoried annually. Accordingly, small arms stored at the MARCORLOGCOM Inventory Control Point are exempt from the requirement for monthly serialized inventories. All other provisions for physical inventories of small arms apply to the required annual inventories at the depot level.

020509. Military Equipment (ME) in Use.

ME in Use has been distributed and fielded to consumer level activities as its final destination in the supply chain. This includes military equipment acquired and fielded to its final destination to fulfill a requirement in the AAO (i.e., at using units, positioned at Remote Storage Activities (RSAs) and in stores at MARCORLOGCOM). SupOs and APOs will execute 100 percent annual physical inventories of all military equipment assigned to the property records of their command regardless if it has been issued to a RO or RI.

A. Military equipment which has been borrowed from other organizations must not be included in annual physical inventories; however, military equipment on the accountable records that is on loan to another organization must be included.

B. The following examples of military equipment and storage activities, which meet the reporting criteria stated above, will have annual physical inventories conducted.

1. Newly provisioned military equipment.
2. Depot Maintenance Float.
3. Equipment managed by the Fleet Support Division with MARCORLOGCOM.
4. Prepositioned War Reserve.
5. Government Furnished Equipment.
6. Government property managed by commercial contractors.
7. Military equipment managed or held by other services (e.g., calibrations lab, IT equipment held at Space and Naval Warfare Systems Command).
8. Marine Corps Prepositioning Program – Norway.
9. Consolidated Storage Programs.

C. Marine Corps Prepositioning Ships (MPS). Due to the inaccessibility of assets during the afloat phase of the Maritime Prepositioning Force (MPF) schedule, the MPF program is exempt from the 100 percent annual physical inventory requirement. Instead, a 100 percent inventory will be conducted on Marine Corps equipment and materiel positioned on MPS when ships are downloaded in port as part of the MPF maintenance cycle.

020510. Military Equipment Assigned to Responsible Officers (ROs) or Responsible Individuals (RIs).

Since most of the military equipment at any command/storage activity is controlled and accounted for by ROs/RIs, it is extremely important that all assets within RO control are physically

inventoried, and that detailed CMR or Inventory Locator File (for RSAs) listings are verified. ROs/RIIs will conduct physical inventories and reconcile CMRs on a quarterly basis. One of these quarterly reconciliations may coincide with the command-wide 100 percent annual physical inventory. A 100 percent physical inventory will also be completed in conjunction with a change in RO/RI.

Note: Military equipment (TAMCN items) issued to ROs/RIIs is categorized as “Military Equipment In Use.”

020511. Government Furnished Property (GFP) and/or Government Furnished Equipment.

Marine Corps property may be furnished to, or acquired by, government contractors under the provisions of a contract. Property provided to a contractor under the terms of a contract assigned or transferred to the Defense Contract Management Agency for administration remains Marine Corps property. For contracts awarded under reference (i), responsibility for GFP will be transferred to the contractor; however, the Management Control Agency (MCA) at Marine Corps Logistics Command or Marine Corps Systems Command will create and maintain a GFP asset listing on the APSR for fiduciary reporting purposes. The contractor shall periodically perform, record, and disclose physical inventory results as set forth within the contract. A final physical inventory will be performed upon contract completion or termination. The contracting agency will ensure that certification is provided to the appropriate MCA for all property in the hands of contractors as required by contractual agreements. The certifications will state that materiel has been inventoried and that on hand quantities have been verified. Per Volume 10 of this Order, the MCA will semiannually report GFP inventory and financial value to DC I&L. Installation Support Activities co-located with Marine Corps maintenance depots will inventory their materiel assets using the inventory rules prescribed in reference (a) if the materiel is warehoused and inventory management is the responsibility of Defense Logistics Agency (DLA). If not, this materiel will be inventoried annually and will be reported to DC I&L during the semi-annual and annual OM&S reporting schedules.

020512. Garrison Property.

Garrison property is used to provide general government services or goods in the support of end item development, maintenance, storage, and/or to support the operations of a Marine Corps installation and its tenant activities. Garrison property includes, but is not limited to, office equipment, automated data processing equipment, industrial plant equipment, training equipment, special tooling, and special test equipment. Physical inventories of garrison property recorded in an APSR must be conducted annually.

020513. Command Directed Inventories.

Command directed inventories will be conducted upon:

- A. Change of CO/AO, SupO/APO, or RO/RI.
- B. Suspicion of pilferage (especially for controlled items).

C. Identification of inventory discrepancies for which causative research is non-conclusive.

020514. Materiel Managed by Other Services / Agencies.

Policy for physical inventory of Marine Corps property that is managed by other Services and/or Agencies (e.g., DLA) is contained within references (a), (b) and (f). More stringent physical inventory control standards than those published in the references may be implemented through documented mutual agreements between the Marine Corps and the other Service / Agency. Such agreements must be approved by DC I&L.

0206 INVENTORY PROCESSES

A physical inventory consists of verifying each line item's identifying attributes, container marking, location, and quantity between the storage activity's asset/stock record and the physical assets in storage. It also involves the counting of physical property, comparing this count to the record balance, and adjusting or correcting records so that the record balance and quantity of property on hand are identical. To achieve this condition it is important that counters not be provided information that will make them aware of the record quantity.

020601. Identifying attributes.

Materiel line items are identified by the following attributes:

- A. National Stock Number / National Item Identification Number.
- B. Lot Number (if applicable).
- C. Department of Defense Identification Code (if applicable).
- D. Serial Number (if applicable).
- E. Condition Code.

020602. Location.

The location verification process consists of checking the physical location of the assets as compared to the activity's asset/stock record. This includes separate location identifiers such as staging areas, packing areas, magazines, and grids, if applicable.

020603. Quantity.

Quantity is the verification of the physical asset count against the recorded quantity on the storage activity's asset/stock record; this is to include in-process documentation. In-process documentation that falls outside the authorized processing times will not be cause to remove the noted error.

020604. Asset/stock record.

The asset/stock record is the official accountable record at the storage activity showing the balance of assets that the activity is accountable for maintaining.

0207 INVENTORY ACCURACY REQUIREMENTS

Per references (a) and (c), acceptable inventory accuracy levels and performance goals must be maintained within commands/activities that manage and account for government property. The minimum acceptable levels for inventory accuracy are set forth below. COs/AOs may also set more stringent guidelines for inventory accuracy levels and reporting requirements to ensure the proper amount of focus and command attention.

020701. Inventory accuracy for property record items will be at the following levels:

- A. Classified, sensitive, and controlled items as described per paragraph 0203: 100%.
- B. Unclassified and non-controlled items: 98%.

020702. Accuracy rates for supply system stocks will be consistent with Table 2-2.

| Category | Population | Goal (%) | Tolerance (%) ¹ |
|----------|--|----------|----------------------------|
| A | Unit Price > \$1,000 | 99 | 0 |
| B | Non-definitive Units of Measure ² Or On-Hand Balance > 50 and Extended Value > \$50,000 Or NSN Activity (# of transactions affecting record balances) | 95 | 10 |
| C | On-Hand Balance < 50 | 95 | 5 |
| D | All Other Material Not Meeting Above Criteria | 95 | 0 |

95 percent Confidence Level
¹ Tolerance level % is +/- of the Goal %
² Applicable Units of Issue: AT, AY, BF, BK, CD, CF, CZ, DZ, FY, FT, FV, GP, GR, HD, KT, LB, MR, OZ, OT, PG, PR, SE, SF, SO, SP, SY, TD, TE, TF, TN, TO, TS, MC, MX, YD

Table 2-2 Accuracy Rates for Supply System Stocks

VOLUME 4: CHAPTER 3

“RECORD RECONCILIATION PROGRAM”

SUMMARY OF SUBSTANTIVE CHANGES

Hyperlinks are denoted by ***bold, italic, blue and underlined font.***

The original publication date of this Marine Corps Order (MCO) Volume (right header) will not change unless/until a full revision of the MCO has been conducted.

All Volume changes denoted in **blue font** will reset to black font upon a full revision of this Volume.

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CHAPTER 3

RECORD RECONCILIATION PROGRAM

0301 GENERAL

This chapter establishes policy and guidance for the governing of strategic, operational, intermediate, wholesale, and enterprise management activities for the successful administration of the Record Reconciliation Program (formerly known as the Location Audit Program) directly supporting the United States Marine Corps' PICP. This chapter defines processes and procedures for managing a Record Reconciliation Program. Additionally, it provides guidance to Headquarters Marine Corps (HQMC) agencies, the Operating Forces, and the Supporting Establishments ensuring that Marine Corps processes and procedures are executed in compliance with the guidance set forth in this chapter and the following published DoD guidance and references (a), (b), (d), (f), (j), (k), and (l).

0302 PURPOSE

The purpose of the Record Reconciliation Program is to conduct a physical verification, other than actual count, between the actual physical location of assets and recorded location data in the applicable APSR to ensure that all assets are properly recorded. The Record Reconciliation Program consists of actions required to assure compatibility between the assets in storage and the locator records, and between the locator records and the APSR.

0303 ACCOUNTABLE PROPERTY SYSTEMS OF RECORD (APSR)

030301. Reference (f) directs the establishment and use of APSRs to ensure integration with core financial and other systems and processes, particularly those for logistics and acquisition.

030302. An APSR is a government information system used to control and manage accountable property records. It is a subset of existing organizational processes related to lifecycle management of property and is integrated with the core financial systems. Examples of USMC approved APSRs as defined within Volume 1, Chapter 4 of this publication are; Global Combat Support System – Marine Corps (GCSS-MC), Defense Property Accountability System (DPAS), Stock Control System (SCS), Defense Medical Logistics Standard Support Automated Information System, and the Ordnance Information System – Marine Corps (OIS-MC).

0304 RECORD RECONCILIATION PROGRAM

All Marine Corps supply and storage activities will implement a Record Reconciliation Program that consists of effective location surveys and location reconciliations for property that has not been sub-custodied to an RO/RI.

030401. DoD acceptable goals for record accuracy are provided in paragraph 0307.

030402. The Record Reconciliation Program is subject to the following quality control measures to assist Marine Corps supply and storage activities in identifying those human, procedural,

or system errors that adversely affect record accuracy, and to assist in achieving better control over physical materiel and warehousing practices. Within the scope of this quality control program, work processes directly related to the control of physical materiel shall be monitored for attained quality levels and performance evaluated on numerical goals. Accordingly, all quality control programs shall include reviews to assess the accuracy/quality of the following work processes:

- A. Warehousing practices. This includes checks of storage practices, stock rotation, shelf life management, identification of in-store materiel, mixed stock, location accuracy and re-warehousing projects.
- B. Receiving Practices. This includes checks of documentation, materiel identity, quantity, and condition code; checks for processing timeliness; and verification of daily input data to the location system.
- C. Issuing Practices. This includes checks of legibility of issue documents; accuracy of stock selection as to identity, quantity, unit of issue, shelf life, condition code, and type of pack (subsistence only); marking of outgoing issues/shipments; and release to carriers or end users.
- D. Validity of Automated Data. This includes checks of receipt, issue, and adjustment transaction data entries against input documentation.
- E. Inventory Practices. This includes checks of inventory counts, location surveys, location reconciliation corrective actions, causative research, and inventory adjustments.
- F. Catalog Practices. This includes checks of catalog processing, accuracy, and timeliness, using the affected recorded locations as the total data population.
- G. Locator File Updates. This includes checking the accuracy of changes to the locator file (e.g. all additions, deletions, changes of unit of issue, condition code, and shelf life).
- H. Supply Discrepancy Report (SDR) Processing. This include checks for processing timeliness and the accuracy of the SDR initiation, follow up and reply, investigation research including identification and correction of supply errors, adjustment of accountable and financial records, and preparation of adjustment transactions if applicable.
- I. Suspended Asset Processing. This includes checks of the timeliness in reclassifying suspended materiel (Condition Codes J, K, L, Q, and R).

030403. Whenever possible, quality control checks of these work processes will include identification of the individual performing the tasks. This will facilitate the placement of responsibility for appraising and improving processes within supply and storage activities.

030404. Continued command emphasis and performance reviews are essential for the success of the quality control program. Commanders must ensure effective organizational interrelationships are maintained among functional element concerned with physical inventory control such as; comptroller, data systems, transportation, warehousing, maintenance, quality control,

and supply management. The quality control program must include provisions for initiating corrective actions when acceptable quality levels are not met.

0305 LOCATION SURVEY

030501. Physical Verification.

A location survey requires a physical verification, other than actual count, between the location of assets and recorded location data to ensure that all assets are properly recorded (e.g. location, identity, condition, shelf-life, unit of issue, etc.). When a discrepancy is identified during a location survey, the storage activity must conduct prompt research and assess the need for a special or unscheduled inventory. Errors must be researched and validated prior to being counted as errors. Note that in some instances, a location survey and physical inventory shall be conducted concurrently.

030502. Frequency.

Location surveys must be accomplished at all Marine Corps supply and storage activities not less than once each fiscal year.

030503. Conducting Location Surveys.

All Marine Corps supply and storage activities will conduct a 100 percent location survey and reconciliation in conjunction with their normally scheduled complete annual inventory of all physical assets on hand. Within consumer level accounts, location surveys are required for all property not issued to an RO/RI. Accordingly, all property under the direct control of the unit SupO or APO (i.e., stored in the supply warehouse) must be stored in a storage location and is therefore subject to a location survey.

030504. Re-warehousing.

Location surveys shall be conducted in both the gaining and losing storage areas following the completion of re-warehousing projects. A location survey conducted as a result of re-warehousing projects may be considered to have satisfied the annual survey requirement for the area surveyed.

030505. Review of Recorded Storage Locations Against Locator Records.

Comparing physical asset locations against recorded locator records resident in the applicable APSR is an integral part of the location survey process to detect physical assets without recorded locations.

030506. Timeliness.

As an objective, all efforts must be made to conduct location surveys in the minimum time necessary to ensure maximum uninterrupted service to customers and/or supported activities;

however, all efforts to minimize time constraints must not reduce the accuracy of the location surveys.

030507. Permanent Item Locations.

When permanent locations are reserved for items, recorded locations that are unoccupied will be identified and/or verified during the location survey.

030508. Types of Discrepancies.

To measure the accuracy of the location survey results, discrepancies will be classified in one of the four categories below and require prompt corrective action. Only one error per stock number per location will be charged when multiple errors are identified for the same location. When the stock number and actual assets differ for a specific location, the discrepancy error will be classified as a "Locator Error Established" action only. The following location survey discrepancies apply:

A. Locator Record Deleted. The removal or change of a locator record when there is a recorded location but there are no physical assets; unless the location is being held open for new receipts.

B. Locator Error Established. The recording of locations when assets are physically found in storage and no locator record exists; or when the recorded stock number disagrees with the materiel in the location.

C. Locator Record Corrected. Changes to the locator record when physical materiel characteristics differ from any of the following data elements:

1. Unit of Issue.
2. Supply Condition Code.
3. Type of Pack Code (for subsistence only) (See reference (j)).
4. Lot number, serial number, or UII (for ammunition only).
5. Completeness and accuracy of magazine data card (for ammunition only).
6. CIIC (see reference (k)). Verification of the code will consist of ensuring that assets are stored in areas providing the degree of security commensurate with the assigned code.

030509. To ensure accuracy of accountable property records, special inventories (to include unscheduled inventories) shall be performed when assets are found in an erroneous or unrecorded location, or when there are mismatches in the unit of issue that may result in a quantity variance.

0306 LOCATION RECONCILIATION

030601. Requirements.

Location reconciliations require a match between validated storage activity physical assets and the accountable records (location data) that are resident in the applicable APSR to identify and correct the following identified discrepancies:

- A. Items are in physical storage but not resident on the accountable record.
- B. Items are on the accountable record but not in storage.
- C. Common data elements listed in para 030501C do not match.
- D. Quantity discrepancies.

030602. Record Mismatches.

When record mismatches are discovered during the location reconciliation process, adjustments to applicable records must be made in an expeditious manner.

030603. Research.

All initial rejects/mismatches from the location reconciliation process must be researched to include consideration of all pending documents.

030604. Timeliness.

Unscheduled inventories (e.g., spot) required as a result of location reconciliation mismatches will be accomplished immediately.

030605. Location Reconciliation Timeframes.

All Marine Corps supply and storage activities (active and inactive records, including zero balances) will complete a 100 percent location reconciliation of all items and all applicable APSRs not less than once each fiscal year. Annual location reconciliations may be scheduled at any time during the fiscal year. Note that in some instances, a location reconciliation, location survey, and physical inventory may be conducted concurrently.

030606. Common Areas of Concern.

Marine Corps supply and storage activities will institute procedures to ensure that the following common problem areas are examined during location reconciliations:

- A. Accountable records show a positive stock balance with no supporting locator record.

- B. A locator record is established while no physical assets are in storage.
- C. Physical assets are in storage without supporting locator records. (Storage activities that routinely save locations may not be adversely affected by all of the preceding criteria).
- D. Locator record with no supporting accountable record (location reconciliation error only).
- E. Mismatch of common data elements.

030607. Internal procedures must be established to ensure positive control of all additions, deletions, and changes to the locator file. Locator file updates/changes must be conducted at least weekly to sample the accuracy of changes posted to the applicable APSR to ensure that all assets are properly recorded (i.e., location, identity, condition, and unit of issue).

0307 RECORD RECONCILIATION PROGRAM ACCURACY GOALS

030701. Location Survey Accuracy:

- A. General Supplies: 97 percent
- B. Ammunition: 98 percent

030702. Location Reconciliation Accuracy:

- A. General Supplies: 97 percent
- B. Ammunition: 98 percent

030703. Ammunition Property Accountability Record Accuracy Goal: 95 percent.

| CATEGORY | SUB-POPULATION | GOAL (%) | TOLERANCE (%) ¹ |
|---|--|----------|----------------------------|
| A | Unit Price > \$1000 | 99% | 0% |
| B | Units of issue that may be non-definitive or difficult to measure or (on hand balance >50 and extended value <\$50,000) or NSN activity (# transactions affecting balance in one year) >50 | 95% | 10% |
| C | Date of last inventory > 24 months and on hand balance < 50 | 95% | 5% |
| D | All other materiel not meeting above criteria | 95% | 0% |
| 95 percent Confidence Level | | | |
| ¹ Tolerance level is +/- of the Goal % | | | |

Table 3-1: General Supplies Record Accuracy Goals Stratification Sub-Populations and Associated Goals and Tolerance Levels

0308 RECORD RECONCILIATION PROGRAM ACCURACY CALCULATIONS

030801. Locations Surveyed.

The number of storage activity locations surveyed.

030802. Survey Errors.

The total number of location discrepancies as defined in paragraph 030508 of this chapter (report only one error per stock number per location).

030803. Survey Accuracy.

Compute this figure by dividing the locations with discrepancies by the total locations surveyed multiplying by 100, and subtracting the result from 100 percent (100 - ((# of survey errors / # of locations surveyed) x 100)). The DoD goal for location survey accuracy is 98 percent.

030804. Locations Reconciled.

The total number of location records reconciled.

030805. Reconciliation Errors.

The total number of discrepant location records.

030806. Reconciliation Accuracy.

Compute this figure by dividing the number of discrepancies by the number of records reconciled, multiplying by 100, and subtracting the result from 100 percent ($100 - ((\text{Reconciliations Errors} / \text{Locations Reconciled}) \times 100)$). The DoD goal for location reconciliation accuracy is 98 percent.

030807. Measuring Accuracy.

Discrepancies shall be classified by categories listed in paragraph 030601 to better measure the accuracy of location reconciliation results.

0309 RECEIPT PROCESSING STANDARDS

The timely receipt of inbound property is critical to maintaining accurate inventory records. In addition to the physical reception at point of need within the distribution process (e.g. Base/Station Distribution Management Office freight), the timely receipt of received property is critical to maintaining accurate inventory records and proper close out to reflect accurate customer wait time tied to Time Definite Delivery Standards. Per this policy, Marine Corps supply activities will process receipt transactions for all shipments of materiel no later than two business days from the date materiel is received. This includes all shipments of materiel, whether requisitioned (pulled) or pushed to them, from any source (e.g., issues from stock; direct or prime vendor deliveries; or issues from DLA Disposition Services (DLA-DS)). Receipt processing includes follow-on sub-custody actions required to place received materiel (i.e., military equipment, OM&S, or inventory) on the appropriate sub-custody account (e.g., CMR, CAR) or storage location. These actions must be accomplished within two business days from the date of the original receipt transaction.

Note: Policy for receipt processing of Marine Corps property that is managed by other Services and/or Agencies (e.g., DLA) is contained within references (a), (b) and (f). More stringent receipt processing time standards than those published in the references may be implemented through documented mutual agreements between the Marine Corps and the other Service / Agency. Such agreements must be approved by DC I&L.

VOLUME 4: CHAPTER 4

“RESEARCH”

SUMMARY OF SUBSTANTIVE CHANGES

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CHAPTER 4

RESEARCH

0401 GENERAL

The proper accounting of Marine Corps property requires a collaborative effort between all stakeholders in the supply chain management process. This will require formal and informal investigative procedures from time to time. One of the key ingredients to this process is the research required to determine certain facts and events. Marine Corps supply activities will execute and document all aspects of this research to maintain accurate accountability, auditability, and reporting of Marine Corps property. All transactions will be executed in compliance with the guidance set forth in this publication and references (b), (d), (m) and (n).

0402 PURPOSE

Throughout the lifecycle of an asset, different events will affect the accountability of Marine Corps property. This chapter establishes supply policy for Marine Corps property and the research required for the accountability of assets. Accordingly, this policy is applicable to all Marine Corps supply activities. Adherence to the provisions in this chapter will ensure accurate accountability of property and promote more effective account management in compliance with DoD regulations for supply and financial management.

0403 CATEGORIES OF MARINE CORPS PROPERTY

For the purposes of physical inventory control, all Marine Corps property falls within the two categories of supply system stocks and property record items. These categories allow for processing and accountability to be divided to provide a more accurate account value. Supply system stock is governed by policy in references (a) and (b). Property record items are governed by reference (f). The following definitions apply:

040301. Supply System Stocks

Supply System Stocks include all Marine Corps property still in the supply chain for issue to end use customers. This includes OM&S, inventory (tangible property held for sale), and military equipment positioned for issue to consumer level organizations. For military equipment, this includes SAC 1 TAMCN items positioned at the SMUs, also defined as Military Equipment Not in Use.

040302. Property Record Items

Property Record Items include all property issued to its final destination in the supply chain. This includes military equipment acquired and fielded to its final destination to fulfill a requirement in the AAO (i.e., at using units, positioned at RSAs and in stores at MARCORLOGCOM), also defined as Military Equipment in Use. It also includes other categories of property such as garrison property, GME, real property, and stewardship PP&E. Everything else falls in the category of Supply System Stocks.

0404 RESEARCH

All supply activities are required to be good stewards of all types of property to include supply system stocks and property record items. Despite the safeguards established and taken by personnel in the care and maintenance of this property, discrepancies may occur between accountable record balances and actual property on hand. When this happens, inventory discrepancies are subject to three types of research: post count validation, pre-adjustment research, and causative research.

040401. Post Count Validation

Post count validation is the first type of research performed when the inventory count and the system record balance do not match. The purpose of post count validation is to determine the validity of the count. Inventory personnel perform a second and third count if required to ensure that the physical count is correct. If upon completion, the count does match the system balance, research is complete. If upon completion, the count still does not match the system balance, the physical count is established as the final count, and pre-adjustment research is initiated to begin searching for the cause of the discrepancy between the count and the system balance.

A. Once the post count validation has confirmed a difference between the quantity or type of property on hand versus what is listed on the APSR (e.g., GCSS-MC, SCS, DPAS, OIS-MC); all discrepancies, to include variances in National Stock Number (NSN)/National Item Identification Number (NIIN), asset ID and stock number (garrison property), lot number (ammo), quantity, or serial number will be reported to the SupO or APO.

B. Intermediate account activities normally do not have ROs and therefore the inventory is completed by the SupO/APO and reported directly to the CO/AO. This is usually completed in a cyclic inventory as to not disrupt required support to supported organizations.

040402. Pre-Adjustment Research

Pre-adjustment research is performed to verify that the balance quantity in the APSR is correct. Pre-adjustment research involves the consideration of recent transactions and verification of catalog/technical data. The pre-adjustment research is complete when the system balance has been verified.

040403. Causative Research

The purpose of causative research is to identify the root cause of inventory discrepancies. Causative research is required on NSNs/NIINs, asset ID, stock numbers, and lot numbers with variances from the official accounting records for all inventories (annual, cyclic, and spot). A complete review of all transactions must be performed to include supporting documentation, catalog change actions, shipping discrepancies, and un-posted or rejected documentation occurring since the last completed inventory in order to determine the cause of the discrepancy between the system balance and the physical count. This research may identify administrative errors made, which would preclude the need for investigative action or the need to process an inventory gain/loss transaction against the APSR. More importantly, causative research helps to identify procedural deficiencies which can then be corrected to prevent repetitive errors in the future.

A. Although, it is always possible to adjust the accountable asset record by means of an inventory adjustment transaction, consumer-level activities will not do so until the required research into the cause of the variance has been conducted. Upon completion of the causative research, the appropriate adjustment transaction is authorized based on the accountable officer's direction/approval.

B. Intermediate-level supply activities may adjust accountable asset records prior to completion of causative research; however, this does not preclude those activities from completing all required research and/or investigative action. Intermediate-level activities have 30 days from the adjustment transaction date to complete required causative research.

C. Per reference (a), supply activities that manage wholesale level stocks are allowed 45 days from the date the adjustment transaction was posted to complete causative research. For the Marine Corps, this timeframe applies specifically to Marine Corps owned materiel stored and managed by DLA at MARCORLOGCOM.

D. Causative research ends when the cause of the discrepancy has been determined (resolved discrepancy), or when, after reviewing all applicable transactions, no conclusive findings are possible (unresolved discrepancy). The results of causative research will be considered representative of the account as a whole. Causative research results will be reflected on adjustment documents. These same statements will be either annotated or attached, either physically or electronically, to the supporting Money Value Gain Loss Notice (MVGL/N) or similar report once adjustments have been approved by the CO/AO and the SupO/APO has inducted the appropriate gain/loss transactions.

1. Resolved discrepancies typically occur because of an administrative processing error. An administrative adjustment transaction will correct these discrepancies within the APSR. Care must be taken to process the correct transaction rather than performing an inventory adjustment to correct an administrative processing error.

2. An unresolved discrepancy is any discrepancy where causative research is non-conclusive. If causative research is non-conclusive, especially for pilferable items, then theft must be suspected as a cause. All unresolved discrepancies that are beyond the SupO/APO's authority to correct must be reported to the CO/AO for action. The SupO/APO will prepare a report summarizing the results of the inventory, subsequent causative research, and any recommendations. Causative research results will also be reflected on all approved inventory adjustment documents. These same statements will be either annotated or attached to investigative reports once adjustments have been approved by the CO/AO and supply personnel have inducted the appropriate gain/loss transactions. Detailed procedures for conducting causative research, adjusting the accountable property records, and conducting property investigations for lost or missing property are provided in Chapter 5 of this Volume.

040404. Minimum Research Requirements for Potential or Actual Physical Inventory Adjustments.

Per Volume 2 of reference (j), sample causative research in lieu of complete causative research for pilferable item discrepancies with a value from \$.01 to \$2,500 may be performed to serve as a deterrent to fraud, waste, or abuse and to identify systemic inventory and security problems. Pilferable items must have a cataloged CIIC. Causative research shall be conducted on all adjustments (gains and losses) of classified and sensitive items regardless of the dollar value of the item or the extended dollar value of the adjustment. Causative research shall be conducted on all adjustments (gains and losses) of pilferable items with an extended dollar value greater than \$2,500, and all adjustments with an extended dollar value greater than \$16,000 or greater than 25 percent unit variance and greater than \$5,000 for any single item (i.e., NSN). “Extended dollar value” refers to the total value of all adjustments for a single item (i.e., NSN). “Unit variance” refers to the percent difference between the on hand quantity of a single item (i.e., NSN) and the balance record in the APSR. The table below displays specific discrepancy conditions and the corresponding research that is required:

| Condition Of Discrepancy | | Required Research | | |
|--------------------------|---|-----------------------|------------------------|--------------------|
| | | Post Count Validation | Preadjustment Research | Causative Research |
| 1. | ≤ \$1,000 | No | No | No |
| 2. | > \$2,500 extended dollar value (pilferable items) | Yes | Yes | Yes |
| 3. | > \$5,000 but ≤ \$16,000 and > 25 percent unit variance | Yes | Yes | Yes |
| 4. | > \$16,000 | Yes | Yes | Yes |
| 5. | Controlled Inventory Item | Yes | Yes | Yes |
| 6. | Suspected Fraud, Waste, or Abuse | Yes | Yes | Yes |

Note 1: Sample causative research in lieu of complete causative research for pilferable item discrepancies with a value from \$1 to \$2,500 may be performed to serve as a deterrent to fraud, waste, or abuse and to identify systemic inventory and security problems. Causative research shall be conducted on all adjustments (gains and losses) of classified and sensitive items regardless of dollar value of item or extended dollar value of adjustment.

0405 DISCREPANCY LETTERS

Sub-custody accounts at consumer level activities will identify discrepancies in a Responsible Officer Discrepancy Letter submitted to the SupO/APO for appropriate research.

040501. If discrepancies exist which are supported by documentation and were not corrected prior to the reconciliation process, the SupO/APO will make the necessary adjustments to the sub-custody account (i.e., CMR) to reflect the true physical inventory. This must be

accomplished within five work days. Any discrepancy that does not have supporting documentation shall have causative research conducted to determine the nature of the variance.

040502. Unless the CO/AO has stated otherwise, once all causative research has been completed, the SupO/APO is authorized to approve property record adjustments that:

A. Do not exceed a unit price of \$2,500 or have an extended dollar value of \$50,000 for pilferable items.

B. Include non-controlled, non-sensitive, and non-pilferable items with a unit price of less than \$5,000, or a total dollar value per transaction of less than \$50,000 (serialized and non-serialized).

040503. If discrepancies still exist after causative research has been completed, the RO/property custodian will prepare a Request for Investigation to document and describe the circumstances surrounding the inventory discrepancy or loss of property. This must be accomplished within five work days.

0406 INVESTIGATIONS

If an RO/property custodian knows of lost, missing, or damaged property; or when causative research is non-conclusive; a Request for Investigation will be submitted to the appropriate CO/AO. Chapter 5 of this Volume contains detailed procedures for initiating and conducting a property investigation if required.

0407 INVENTORY ADJUSTMENTS

040701. In the course of causative research, it may be determined that administrative errors occurred resulting in no physical loss or damage to property. In these cases, administrative gain/loss transactions will be inducted within the APSR to correct the balance record.

040702. With the exception of intermediate-level supply activities, if loss, damage, or destruction of property is determined during the course of causative research, appropriate investigative action must be executed prior to inducting appropriate adjustment transactions. Refer to Chapter 5 of this Volume for guidance concerning investigative actions and subsequent inventory adjustment transactions.

VOLUME 4: CHAPTER 5

“INVESTIGATIONS”

SUMMARY OF SUBSTANTIVE CHANGES

Hyperlinks are denoted by *bold, italic, blue and underlined font.*

The original publication date of this Marine Corps Order (MCO) Volume (right header) will not change unless/until a full revision of the MCO has been conducted.

All Volume changes denoted in *blue font* will reset to black font upon a full revision of this Volume.

| CHAPTER VERSION | PAGE PARAGRAPH | SUMMARY OF SUBSTANTIVE CHANGES | DATE OF CHANGE |
|--------------------|-------------------|-----------------------------------|----------------|
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CHAPTER 5

INVESTIGATIONS

0501 GENERAL

This chapter prescribes policy, procedures, and responsibilities within the Marine Corps for investigating government property that is lost, damaged, or destroyed. All investigations will be executed in compliance with the guidance set forth in this chapter and reference (o).

0502 DEFINITIONS

050201. Investigation

For the purpose of this policy, "investigation" refers to a procedure used by the CO or AO to determine the facts related to the loss, damage, or destruction of government property; determine the present condition of such property; receive recommendations to dispose, retain, and/or further account for such property; and/or determine responsibility and extent of responsibility. Investigations may be initiated as administrative inquiries or investigations based on the parameters identified within reference (o).

050202. Accountable Individual

For the purpose of this policy, an "accountable individual" is an individual detailed to a duty involving financial responsibility for government property and/or funds in that individual's custody. Such individuals may be held financially liable through administrative means as discussed in paragraph 050205 of this chapter. Also refer to the local office of the Staff Judge Advocate or counsel or the servicing Human Resources Office (for civilian employees) for additional guidance.

050203. Nonaccountable Individual

For the purpose of this policy, a "nonaccountable individual" is defined as an individual other than an accountable individual. This individual may come in to possession of government property in the performance of duty; however, this in itself does not constitute accountability as it relates to the definition of an accountable individual. There is recourse available for the CO/AO against nonaccountable DoD personnel who lose, damage, or destroy government property in their possession, as discussed in paragraph 050205 of this chapter. In addition, individuals may be permitted to make voluntary restitution under the provisions of paragraph 0510 of this chapter; and collection action may be taken when they have been convicted by courts-martial for applicable offenses. Such collection action is against the individual's final pay and allowances due at the time of dismissal, discharge, or release from active duty. Additionally, collection action may be taken from a courts-martial conviction when approved by a general court-martial authority.

050204. Fault or Negligence

For the purpose of this policy, "fault or negligence" is defined as the omission of doing something which a reasonable person, guided by those considerations which ordinarily regulate

human affairs, would do; or the doing of something which a reasonable and prudent person would not do, which is the proximate cause of the loss, damage to, or destruction of government property.

050205. Indebtedness

The provisions of Section 0167 of reference (o), the DON Civilian Resources Manual, collective bargaining agreements, and/or local command policy may establish indebtedness. When a service member is found guilty by court-martial of one of the offenses listed in Section 0167 of reference (o), establishing indebtedness will be a separate action of the convening authority. The servicing Human Resources Office will advise on indebtedness for civilian employees. Indebtedness established under either of these conditions may be liquidated by a voluntary reimbursement by the individual concerned. Imposing nonjudicial punishment does not prove indebtedness.

0503 APPLICABILITY

050301. Policy

A. General Information. As a matter of policy, all missing, destroyed, or damaged government property belonging to the Marine Corps (including ammunition), on charge to the Marine Corps, and belonging to other government departments in the custody of the Marine Corps will be made the subject of investigation as prescribed in reference (o). An investigation will be initiated when the cause of such condition is unknown, individual culpability is suspected, or to determine responsibility for the loss, damage, or destruction of the property. Investigative action should not be conducted when the CO/AO for the property believes no fault or negligence is indicated in the loss, damage, or destruction of government property and an investigation would constitute an unnecessary administrative burden. Additionally, investigative action is not normally conducted when an individual accepts responsibility for the loss, damage, or destruction of government property and voluntarily offers to reimburse the government.

B. Property Not on Charge. Government property will not be picked up on the accounting records for the sole purpose of initiating investigative action; however, this does not preclude the CO/AO from initiating an investigation for government property below the dollar value accounting threshold as detailed in this policy.

C. Property of the Navy or Other Government Departments.

1. Manner and Format. Investigations conducted for property of the Navy or other government departments will be conducted in the same manner and reporting format as Marine Corps-owned property.

2. Recommendations. When recommending disposition of items identified as Navy property, investigating officers will be guided by reference (o). Copies will be distributed in accordance with reference (o).

D. Losses Involving a Shortage of Public Funds or Property. Proceeds from the sale of property or services not yet deposited with a DoD disbursing officer are considered accountable property and require an investigation to be conducted per reference (c); however, investigations will not be required for the following cases:

1. There is no evidence a particular loss or deficit of funds was caused by theft or fraud by an individual designated as accountable for the funds or property.

2. Retail shortages are not considered to be disproportionate and may be corrected through authorized administrative adjustments in accounting.

E. Civilians. If civilian employees are the subject of an investigation and are required to provide statements during the investigation, coordination must be made with the servicing Human Resources Office for applicable laws, regulations, or collective bargaining agreements. Copies of all such investigations will be provided to the Human Resources Office if follow-on administrative action is required as a result of the investigation.

050302. Scope

Investigations will be conducted and reported as outlined in reference (o) and the contents of this chapter when government property is involved. The original or a copy of the signed completed investigation will be provided to the supply/property control officer who administers the property account for final endorsement and all applicable accounting actions.

050303. Exception

At the discretion of the CO/AO, an investigative report of Motor Vehicle Accident (SF 91A) may be used instead of a JAGMAN investigation when the investigation involves a motor vehicle accident and when:

- A. There is no death or injury.
- B. The total property damage does not exceed \$5,000.
- C. There is no probable claim against the government.

0504 ACCOUNTABILITY

Aside from any disciplinary action which might be taken for a military offense, accountable or nonaccountable individuals who cause government property to be lost, damaged, or destroyed may become indebted to the United States Government for the amount involved, per the provisions of paragraph 050205 of this chapter. In each case, it must be determined whether the loss, damage, or destruction of government property occurred as a result of fault or negligence of any person, and if indebtedness exists as a result.

0505 INVESTIGATIVE ACTION

Investigative action to inquire into the circumstances surrounding the loss, damage, or destruction of government property can be initiated in one of two methods; CO/AO directed, or through a request for investigation.

050501. CO/AO Directed

The CO/AO may direct investigative action to determine the circumstances surrounding the loss, damage, or destruction of government property. In most circumstances, CO/AO directed investigations will result from the CO/AO's decision to initiate investigative action to properly address unresolved discrepancies surrounding the loss, damage, or destruction of property. Regardless of the original notification, the CO/AO will determine if an investigation is necessary. If so, investigative action will be initiated through official correspondence as follows:

A. Upon receipt of notification (i.e., the SupO) or APO Discrepancy Letter, RO Request for Investigation, SupO/APO Inventory Results, or other correspondence such as accident reports), the CO/AO shall decide whether or not to conduct an investigation.

B. After reviewing the notification, the CO/AO may determine investigative action is not warranted and will direct the SupO/APO to make the necessary adjustments to the property records through endorsement of the SupO/APO's Discrepancy Letter, endorsement of the RO Request for Investigation, endorsement of the SupO/APO's Inventory Results Letter, or via separate correspondence. This will serve as approval for the SupO/APO to make the necessary adjustments to the balance records.

C. When investigative action is deemed necessary, the CO/AO must direct the investigative action in writing. The CO shall appoint an investigating officer within five calendar days of the original notification.

D. The SupO/APO will assign an internal voucher number to the investigation to ensure proper tracking of investigations.

E. The original notification documents (e.g., Discrepancy Letter, Request for Investigation, Inventory Results Letter, etc.) with all endorsements and enclosures will be made the second enclosure to the investigative report, after the investigating officer's appointment letter.

F. Once the investigation has concluded and the CO/AO has reviewed the recommendations from the investigating officer, the CO/AO will provide his final decision as an endorsement on the investigation. The CO/AO decision must state directed actions required to adjust the property records. Once the SupO/APO receives an endorsed signed copy of the investigation, he/she will perform the following actions:

1. Complete all approved recommendations from the investigation (e.g., adjust the accountable records, dispose of damaged property, etc.).

2. Certify the bottom of the last page of the investigation that all actions have been accomplished as directed and include the document numbers that were used to adjust the supply records.

3. After completing all required actions, retain a copy of the investigation in the voucher file for a period of 10 years (three years active and seven years archived). Additionally, provide sufficient copies of the completed report as specified in paragraph 051004A of this chapter.

050502. Request for Investigation

When there is known loss, damage, or destruction of government property; or any unaccounted for controlled, sensitive, or pilferable item is discovered, a Request for Investigation will be submitted to the CO/AO via the SupO/APO. In most circumstances, the Request for Investigation will be initiated by an RO, but any individual within the command can initiate the request. The request will be in naval letter format and will be submitted within five calendar days of the discovery. The letter must describe the property and its current condition; state whether or not the requesting individual accepts responsibility for the loss or current condition of the property; state whether or not the reporting individual wants to voluntarily reimburse the government; and describe the circumstances surrounding the loss, damage, destruction, or discovery. The mere fact an investigation is requested may not mean investigative action is required. The CO/AO's prerogative should be exercised in consonance with guidance prescribed here to ensure needless administrative action is minimized. The CO/AO will determine if an investigation is necessary and initiate investigative action through official correspondence.

A. Upon receipt of a Request for Investigation, the SupO/APO will evaluate the facts and circumstances surrounding the loss, damage, destruction, or discovery of property and will recommend to the CO/AO whether or not investigative action is warranted via endorsement. The Request for Investigation and SupO/APO endorsement will be forwarded to the CO/AO within five calendar days of the original Request for Investigation. Upon receipt of the endorsed Request for Investigation from the SupO/APO, the CO/AO shall decide whether or not to conduct an investigation.

B. After reviewing the Request for Investigation and SupO/APO endorsement, the CO/AO may determine investigative action is not warranted and will direct the SupO/APO to make the necessary adjustments to the property records through endorsement of the Request for Investigation. This will serve as approval for the SupO/APO to make the necessary adjustments to the balance records.

C. When investigative action is deemed necessary, the CO/AO must direct such investigative action in writing through endorsement to the Request for Investigation. The CO/AO shall appoint an investigating officer within five calendar days of the SupO/APO's endorsed Request for Investigation.

D. The SupO/APO will assign an investigation voucher number to the investigation to ensure proper tracking of the investigation.

E. The original Request for Investigation with all endorsements and enclosures will be made the second enclosure to the investigative report, after the investigating officer's appointment letter.

F. Once the investigation has concluded and the CO/AO has reviewed the recommendations from the investigating officer, the CO/AO will provide his final decisions as an endorsement on the investigation. The CO/AO decision must state directed actions required to adjust the property records. Once the SupO/APO receives an approved, signed copy of the investigation (to include CO/AO's endorsement), he/she will perform all required actions.

0506 CONVENING AUTHORITY

050601. Authorization

Convening authority (CA) relates to the authority to convene general or special courts-martial, per the Manual for Courts-Martial. The CA can direct a JAGMAN investigation. Officers in the following categories are authorized CA to direct JAGMAN investigations.

- A. All CGs.
- B. All officers having general or special courts-martial convening authority.
- C. Any other officer so designated by the CMC.

050602. Command Authority

At Marine Corps activities where there is no commissioned Marine officer, or where the CO/AO personally affects supply administration, investigations will be ordered by the CO/AO of the next higher level of command.

050603. Reserve Applicability

CO/AOs of Marine Corps Reserve battalions or separately administered companies or batteries are authorized to convene JAGMAN investigations. When the best interest of the government would be served, or when there are no eligible persons in the unit to serve as investigating officers, the next higher level of command will convene the investigation.

0507 INVESTIGATING OFFICER

050701. Appointment

- A. The convening authority will be governed by reference (o) in appointing a member or members to a court of inquiry, formal fact-finding body, or informal fact-finding body.
- B. Informal fact-finding body action will be undertaken by one or more officers, Staff Non-Commissioned Officers (SNCOs), or civilian employees of the DON working with the Marine Corps as members. These individuals will be appointed in writing by the convening authority.
- C. The type of investigation and number and grade of members appointed will vary depending on the circumstances and value of the property. Once appointed, the investigation will become each individual's primary duty and will be conducted in accordance with reference (o). Extensions may be authorized by the convening authority. The extension request and reply will be provided in writing and become part of the completed investigation.

050702. Special Qualification

When the material subject to investigative action is technical in nature, an officer, SNCO, or civilian employee possessing technical knowledge of the materiel required should be assigned as the investigating officer. When technical knowledge of the lost or damaged property is required and not available within the command, commercial services, if applicable, may be obtained to determine the extent of damage and/or cost of repair. Statements and estimates provided by commercial services shall be attached to the investigative report to assist the investigating officer and reviewing authority in making their recommendations/determinations.

050703. Restrictions

The following officers, SNCOs, or civilian employees will not be appointed as investigating officers:

- A. The CO/AO of the activity convening the investigation.
- B. The officer/SNCO/civilian charged with custody of the property.
- C. Any officer/SNCO/civilian for whom the officer administering supply functions submits Fitness Reports or performance ratings.
- D. Any officer/SNCO/civilian junior to an officer/SNCO/ civilian whose conduct is being investigated, except when circumstances make such an appointment mandatory as determined by the convening authority.
- E. The officer/SNCO/civilian administering supply and fiscal functions over government property involved in the investigation.
- F. Officers/SNCO/civilians serving with a FSMAO.
- G. Any officer/SNCO/civilian that may have a vested interest in the findings or recommendations of the investigating officer.
- H. Bargaining unit employees.

0508 DUTIES OF INVESTIGATING OFFICERS

050801. General Information

Except in cases of missing, lost, or stolen property, investigating officers will inspect government property subject to investigation and thoroughly review the circumstances of the case. In cases of lost, stolen, or missing property, investigating officers will inquire about measures taken by the person whose custody the property was placed in to prevent loss or theft. When damage results as a violation of specific instructions or orders regarding the use of equipment or vehicles, the individual in violation will be held responsible, unless it can be clearly shown that there were sufficient extenuating circumstances to offset a finding of fault or negligence.

050802. Determinations

In all cases of damage, investigating officers will determine the value of the damage and whether economical repairs can be made. As a general rule, an article of government property is considered economically repairable if the cost of the repair does not exceed 65 percent of the replacement cost, and the item is necessary and required for further use. This judgment is based on a technological evaluation, age of the equipment, cost of new parts and labor to install, availability of parts, original and replacement costs. The urgency for the items to be restored or replaced for deployment or contingency will be considered and will be indicated in the report of investigation.

050803. Statements

Investigating officers will obtain statements from individuals involved in or cognizant of the circumstances surrounding the incident. When physical indicators contradict or amplify such statements, these matters will be reported to the convening authority. Investigating officers must ensure statements are obtained in compliance with the Privacy Act of 1974, Article 31 of the UCMJ, and Section 0215 of reference (o). If investigative action was CO/AO directed, the investigating officer must obtain a statement from the responsible individual stating whether he/she is willing to reimburse the government for all or part of the loss or damage. All individuals must be counseled per paragraph 0512 of this chapter. The counseling statement will be included as an enclosure to the investigative report.

050804. Recommendations

A. Responsibility. The investigating officer must provide an opinion about the probable cause for the loss, damage, or destruction of property. When the investigating officer indicates fault or negligence, he/she must also make a recommendation indicating whether the applicable service member should be held responsible for the loss or damage. The investigating officer will not make a recommendation indicating whether civilian employees should be held responsible for the loss or damage. At the conclusion of the investigation, such investigations will be forwarded to the servicing Human Resources Office for appropriate action. In cases of lost property, when cause and responsibility cannot be fixed, the investigating officer will substantiate why the cause and responsibility cannot be fixed. All recommendations must be based entirely on the facts and opinions presented in the report.

B. Disposition of Property. In all cases, recommendations for the disposition of property and follow-on accountability will be included in the report.

C. Additional Recommendations. Recommendations on other matters, such as safety and beneficial suggestions to prevent similar incidents in the future, should also be included in the report.

050805. Examination of Property

Property reported as worn out will be carefully examined to see if its condition was caused by reasonable usage and was not due to misapplication or other than intended use. Items "worn out in service" will not be made the subject of an investigation but rather condition coded and disposed of per references (b), (p) and (q). Excessive wear in numerous items should be monitored for quality

defects. If quality defects are the cause, the unit SupO/APO must ensure the appropriate documents (i.e., SDRs and Product Quality Deficiency Reports) are submitted.

050806. Preparation of Report

Investigating officers responsible for the report of investigation will ensure submission to the convening authority for review and appropriate action. If multiple investigating officers have been appointed, the original (majority) report will be signed by each member who concurs with the findings. Should a member not concur, the member will submit an additional signed "minority" report. The minority report will be included in the record immediately after the majority report. The report will then be submitted to the convening authority for review and appropriate action. Reports of investigation will include the following elements:

A. General Summary.

1. Findings of fact.
2. Opinions, if a finding of fact has not been definitely established.
3. Recommendations.

B. Present Condition of the Property.

1. Serviceable.
2. Operationally ready.
3. Altered without authorization.
4. Unserviceable.
5. Obsolete.
6. Missing, lost, or stolen.

C. Cause of Present Condition. Describe the circumstances leading to the present condition of the item(s).

D. Disposition Recommendation. The following will be used as a guide for appropriate terminology and instruction. Items included in rebuild, recovery, or repair programs, such as the recoverable item program, will be processed and/or disposed of as instructed by the applicable program.

1. Retain for use.
2. Excess and dispose of as required by current regulations.

3. Reclaim. Return usable parts to stock for repair of like items, and request disposition of residue to an DLA-DS per references (b), (p) and (q).

4. Dispose of per reference (b), (p) and (q).

5. If serviceable, drop and take up under new size or nomenclature.

6. Drop from the property records.

7. Additional recommendations.

0509 REPORT SUBMISSION

The investigative report will normally be completed and returned to the convening authority within 30 calendar days from the investigating officer's appointment date. When an individual is assigned an investigation, it becomes that person's primary duty. When complications are met, the convening authority may authorize extensions until the report is submitted. The request for extension and convening authority's reply must be in writing and must become a permanent part of the completed investigation (a printed copy of an electronic request and approval will also suffice).

0510 REVIEWING AUTHORITY

051001. Local Command

Reports of investigation will be submitted via the convening authority/CO/AO to the reviewing authority (the next higher major command) for review and final action.

051002. Higher Authority

A copy of the following investigations involving property will be submitted to DC I&L (LP):

A. Investigations involving a finding of "significant fraud, waste, abuse, or significant shortage of public funds."

B. Investigations directed by separate Marine Corps directives.

C. Investigations of incidents reportable as Missing, Lost, Stolen or Recovered (MLSR) Government Property per (s).

051003. Transmittal Letters

A copy of Letters of Transmittal and all endorsements will be appended to the file copy of the investigation held by the initiating activity for all reports of investigations forwarded to DC I&L (LP).

0511 REVIEW AND APPROVAL OF INVESTIGATION

051101. Action Required

In the course of the review, the convening authority will ensure the investigating officer has determined the cause and responsibility for any loss of government property or has substantiated why the cause and/or responsibility cannot be determined. Except for investigations convened by CO/AOs of Reserve units, the convening authority will: take final action on the report; or forward it with comments and recommendations to the reviewing authority for final action; or forward it to DC I&L (LP) via the chain of command. In cases of investigations convened by CO/AOs of Reserve units, the convening authority will forward the completed report of investigation, with amplifying comments, to COMMARFORRES for final action; or when appropriate, to DC I&L (LP). In all cases, after final action has been taken, the organization that maintains the accountable records for the property involved will be furnished sufficient approved copies, together with supporting documents, for property accounting purposes.

051102. Limitations

Convening/reviewing authorities may not disregard the findings of the investigating officer if established by fact; however, exceptions may be taken to the investigating officer's opinions and recommendations. Exceptions taken must be detailed in the convening/reviewing officer's action. If, for any reason, final action cannot be taken, the report of the investigation will be returned by endorsement to the investigating officer for reconsideration, pointing out the matter of differences. Should the investigating officer adhere to the first report and the convening authority not agree; the reviewing authority may disapprove the report in whole or in part. The reviewing authority will forward the entire record to DC I&L (LP) stating in detail the parts which are disapproved and provide recommended final action for approval. Additionally, reviewing authorities forwarding endorsements should, direct the supply/property control officer to complete the necessary disposition, adjustment, and replacement actions for the property under investigation. When the original copy is forwarded to DC I&L (LP), a pending copy should be filed. Upon receipt of the original from DC I&L (LP), the pending copy will be replaced by the original.

051103. Referral to Responsible Person

When it is recommended that a service member be held responsible for the loss, damage, or destruction of government property by reason of fault or negligence, and the convening and reviewing authority concurs, the entire matter will be referred in writing to the individual for a statement of whether he/she accepts or disclaims the findings. Service members will be allowed the opportunity to consult with a judge advocate. Should the person accept the findings, the individual will sign a statement, consenting or declining (in whole or in part) to voluntarily reimburse the government for the amount of loss or damage. At the time of referral, the individual will be advised of options relative to voluntary repayment by installment for the remaining period of active service. Should the service member consent to voluntarily reimburse the government, a DD 1131 "Cash Collection Voucher" will be prepared and submitted to the disbursing officer for action. Payments will be scheduled to permit liquidation before the service member's normal date of discharge or release from active duty.

051104. Further Action

Upon completion of all actions discussed in the preceding paragraphs, the matter will be turned over to the convening authority for a final review and appropriate action. When administrative action is taken, an appropriate remark will be provided in the convening authority's endorsement, along with a report of actions taken to effect reimbursement for lost or damaged property. A statement from the disbursing officer may also be attached. Supply actions for the property involved will not be withheld pending disciplinary action. Any investigation involving civilian employees will be provided to the servicing Human Resources Office for appropriate action.

0512 INVENTORY ADJUSTMENTS

As the result of an investigation for lost, damaged, or destroyed government property; property accountability records must be adjusted to reflect the actual quantity of on hand assets. Property record adjustments may also be required in situations when a formal investigation is not necessary (e.g., upon conclusion of a physical inventory; when negligence is not suspected; or at any other time imbalances are discovered).

051201. Authorization of Gain/Loss Transactions

The inventory adjustments identified in this paragraph require authorization from the AO in writing prior to the induction of a physical gain or loss transaction. Unless otherwise directed by the AO, SupOs/APOs have the authority to authorize adjustments below the dollar value thresholds identified in sub-paragraphs B and C. AOs may elect to establish lower dollar value thresholds for their personal review, but in no case will higher thresholds be established. These thresholds apply to both property record items and supply system stocks. Adjustment transactions must be inducted no later than five days of approval by the appropriate authority.

A. Sensitive and controlled items (both locally and Marine Corps) regardless of dollar value.

B. Pilferable items catalogued in FLIS with a unit price of \$2,500 or more, or a total dollar value per transaction of \$50,000 or more.

C. Non-controlled, non-sensitive, and non-pilferable items with a unit price of \$5,000 or more, or a total dollar value per transaction of \$50,000 or more (serialized and non-serialized).

051202. Types of Gain/Loss Transactions

Gain/loss adjustment transactions may be inventory, administrative, or miscellaneous in nature and can be processed within approval thresholds. A special case is a "lost shipment" which can be processed as a loss only. Use of the correct type of gain/loss transaction is necessary for higher headquarters to analyze property accounting trends throughout the Marine Corps.

A. Inventory Gain/Loss. Inventory gain/loss transactions are inducted to correct the accountable property records as a result of an inventory (i.e., spot, cyclic, annual, or command directed). The Document Identifier Code (DIC) is D8A (gain)/D9A (loss) and the corresponding Defense Logistics Management System (DLMS) transaction is 947I.

B. Administrative Gain/Loss. Administrative gain/loss transactions must be vouchered to indicate that no physical gain or loss occurred. Any transaction processed in error to cause the record imbalance must be specifically identified by document number and date processed in the explanatory statement. In the case where a misidentified item is being dropped or picked up simultaneously, the voucher file must cross-reference the related administrative gain/loss transaction. The DIC is D8B (gain)/D9B (loss) and the corresponding DLMS transaction is 947I.

C. Miscellaneous Gain/Loss. Miscellaneous gain/loss transactions will be used when the circumstances surrounding the property record adjustment do not fit into any of the other categories. These adjustment transactions are normally associated with a gain or loss of assets signed for by an RO or in the possession of an RI and when investigative action becomes necessary. Miscellaneous adjustment transactions will be vouchered with detailed justification pertaining to their use. The DIC is D8Z (gain)/D9Z (loss) and the corresponding DLMS transaction is 947I.

D. Lost Shipment. All required tracer actions and SDRs utilizing Product Data Reporting and Evaluation Program must be accomplished prior to inducting lost shipment transactions. Copies of the tracer action and/or the SDR and copies of any replies will be maintained on file and cross-referenced as supporting documentation for lost shipments. The explanatory statement for those lost shipments meeting the voucher criteria must state "Processed as a lost shipment due to non-receipt within time frames established by Source of Supply or other regulation. All required tracer and or SDR actions have been accomplished." The DIC is D9L and the corresponding DLMS transaction is 947I.

051203. Supporting Documentation

All gain/loss transactions must be supported by supporting documentation as a result of causative research, completed investigations, or letters with explanatory statements signed or endorsed by the CO/AO and or the SupO/APO. This supporting documentation constitutes the voucher file. The voucher file will be maintained in such a manner as to easily cross-reference between gain/loss transactions and supporting documentation. The preceding criteria is based on the fact that the non-voucherable losses and gains will be documented, reviewed, and certified by the CO/AO on the passed edit listing and/or the MVGL/N. The retention period for supporting documentation is 10 years (3 years active and 7 years archived).

051204. Timeframes for Adjustment Transactions

The following timeframes will be utilized to process adjustment transactions to accurately reflect the status and condition of on-hand property within the APSR.

A. Property Record Items. Inventory gain/loss transactions will be inducted within two days of approval by the appropriate authority in paragraph 051201.

B. Supply System Stock. In order to properly report available inventory levels that are ready for issue, intermediate and wholesale supply activities are authorized to process inventory gain/loss transactions prior to completion of required causative research or investigative action. All appropriate causative research, supporting documentation, or investigative action must be completed within 30 days and retained in accordance with paragraph 051203. As an exception,

supply activities that manage wholesale level stocks are allowed 45 days from the date the adjustment transaction was posted to complete causative research. For the Marine Corps, this timeframe applies specifically to Marine Corps owned materiel managed by DLA at MARCORLOGCOM. Inventory adjustment transactions for supply system stock must be approved by the appropriate authority in paragraph 051201.

0513 ACCEPTANCE OF RESPONSIBILITY FOR THE LOSS, DAMAGE, OR DESTRUCTION OF GOVERNMENT PROPERTY

051301. General Information

Voluntary reimbursement or replacement for the loss, damage, or destruction of government property will be considered as a free act for personal reasons and will not imply an admission of responsibility for fault or negligence. No threat of administrative action shall be made to influence an individual's decision to accept responsibility or to voluntarily reimburse the government. If reimbursement is offered, such reimbursement should be for the full value of the property, or if applicable, the cost of restoring the property to its previous condition. Voluntary reimbursement does not relieve an individual from the consequences of wrongful acts. When an individual consents to reimburse the government for lost, damaged, or destroyed property, the transaction will be handled as a cash collection using a DD 1131. A cash collection requires an administrative unit diary entry which will be noted in the investigation report.

051302. Specific Actions to be Taken Prior to Acceptance of an Individual's Voluntary Reimbursement

The following actions will be taken before processing a service member's voluntary reimbursement.

A. The service member must be advised, as certified in writing by a senior commissioned or staff noncommissioned officer, of the contents of the preceding paragraph. Receipt of this advice will be acknowledged in writing by the individual. Both statements will be brief. It is not necessary to include the contents of paragraph 051201 above in the written statement.

B. In addition, the service member will be advised, in writing, of the right to consult with a judge advocate concerning the offer to reimburse the government. In the event a judge advocate is not available or if the individual waives, in writing, the right to consult with a judge advocate, a written statement of either instance will be appended to the investigative report and a copy will be attached to the voluntary consent for reimbursement.

C. All matters regarding civilian employees will be forwarded to the servicing Human Resources Office for appropriate guidance and action.

051303. DD 1131 (Cash Collection Voucher)

Upon election to make voluntary payment and after completing the provisions of the preceding paragraphs, a DD 1131 will be completed. In the interest of economy, annotations of the counseling and required signatures should be done on the same form.

0514 ORDNANCE MATERIEL

051401. General Information

Ordnance materiel which is subject to investigation will be described with detailed nomenclature. Reports of investigation should never recommend "automatically" that ordnance materiel be disposed of or sold. Ordnance materiel should be returned to the normal source of supply for repair or processed in accordance with specific disposition instructions.

051402. Small Arms

Investigating officers, when examining the circumstances leading to unserviceable small arms, will refer to applicable Technical Manuals and consider the following:

- A. Examination of the property as stated previously.
- B. Maintenance of property by cannibalization is not normally authorized; therefore, if parts are missing due to apparent cannibalization, such condition will not be accepted as a legitimate cause of unserviceability, unless one of the following is involved:
 - 1. Extreme urgency, in forward areas only.
 - 2. Specifically authorized by MARCORLOGCOM using the Return to Stores process.

051403. Serviceability Standards for Small Arms

Serviceability standards for small arms are prescribed in pertinent directives issued by the CMC and in Department of the Army TMs. When qualified ordnance maintenance personnel are available, weapons will be thoroughly inspected. A statement of their findings will be included in the report of investigation.

0515 MISSING, LOST, STOLEN, OR RECOVERED (MLSR) GOVERNMENT PROPERTY

Reference (r) prescribes policy and procedures within the Marine Corps for reporting MLSR government property. Required reports are mandatory and must be submitted per the guidance contained in the reference. MLSR reporting is not required for administrative gain and loss transactions since these transactions represent no physical gain or loss of property. MLSRs submitted for CCI equipment must be conducted as a parallel effort to the Communication Security Incident Report EKMS 1B. EKMS Managers and SupOs/APOs must reconcile both reporting and investigation results upon authorization to adjust respective accountable property systems of record. A record of all MLSR reports will be maintained for a period of 10 years (three years active and seven years archived).

VOLUME 4: CHAPTER 6

“QUALITY CONTROL”

SUMMARY OF SUBSTANTIVE CHANGES

Hyperlinks are denoted by *bold, italic, blue and underlined font*.

The original publication date of this Marine Corps Order (MCO) Volume (right header) will not change unless/until a full revision of the MCO has been conducted.

All Volume changes denoted in *blue font* will reset to black font upon a full revision of this Volume.

| CHAPTER VERSION | PAGE PARAGRAPH | SUMMARY OF SUBSTANTIVE CHANGES | DATE OF CHANGE |
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CHAPTER 6

QUALITY CONTROL

0601 GENERAL

Quality control within the scope of the Marine Corps' PICP is the process of setting standards and performing internal controls and testing to identify errors and verify continuous improvement within warehousing practices to gain better control and accountability of Marine Corps assets. Per reference (a), all Marine Corps supply and storage activities will establish a quality control program. Accordingly, this chapter establishes policy and guidance for the successful administration of quality control programs throughout the Marine Corps enterprise in compliance with DoD directives.

0602 PURPOSE

Per reference (a) and (j) the purpose of the quality control program is to assist commanders in identifying those human, procedural, or system errors, or potential deficiencies that adversely affect supply system work processes affecting property accountability records, and to assist in resolving identified problems.

0603 QUALITY CONTROL PROCESS IN SUPPORT OF USMC PICP

A quality control program must include a system for inspection and/or testing; a system for reporting and recording quality control data; and a system for ensuring that required corrective actions are accomplished. Marine Corps supply and storage activities must determine the degree of activity required in each phase of the quality control process and establish procedures accordingly. Major factors affecting the degree of activity in each phase include: the types of items/supplies; the type of storage provided; and the anticipated length of storage for various items. Work processes directly related to the control of physical materiel will be monitored for attained quality levels and performance evaluated on numerical goals. As directed in reference (a), all quality control programs in support of the Marine Corps PICP will include standards and testing to assess the accuracy/quality of the following work processes:

060301. Warehousing Practices.

This includes checks of storage practices, stock rotation, shelf-life management, identification of materiel in storage, mixed stock, location accuracy, and re-warehousing projects.

060302. Receiving Practices.

This includes checks of documentation, materiel identity, quantity, materiel supply condition code, timeliness of processing, and verification of daily input data to the location system.

060303. Issuing Practices.

This includes checks of legibility of issue documents; accuracy of stock selection as to identity, quantity, unit of issue, shelf life, supply condition code, type of pack (subsistence only), marking of outgoing shipments, and release to carriers.

060304. Validity of Automated Data.

This includes checks of receipt, issue, and adjustment transaction data entries against input documentation.

060305. Inventory Practices.

This includes checks of inventory counts, location surveys, location reconciliation corrective actions, causative research, and adjustments to both the accountable property records and the applicable locator records.

060306. Catalog Practices.

This includes checks of catalog change processing, accuracy, and timeliness, using the affected recorded locations as the universe.

060307. Locator File Updates.

This includes checking the accuracy of changes posted to the locator file (e.g., all additions, deletions, and changes of unit of issue, supply condition code, shelf life).

060308. SDR Processing.

This includes checks for processing timeliness and the accuracy of the SDR initiation, follow up and reply, processing timeliness, investigation research including identification and correction of supply errors, adjustment of accountable and financial records, and preparation of voucher documents.

060309. Suspended Asset Processing.

This includes checks of the timeliness in reclassifying suspended materiel (supply condition codes J, K, L, Q, and R).

0604 ASSIGNMENT OF RESPONSIBILITY

Whenever possible, quality control checks of the above work processes will include identification of the individual performing the tasks. This will facilitate the placement of responsibility for appraising and improving quality with each manager within the chain of command.

0605 COMMAND EMPHASIS

Continued command emphasis and performance review are essential for the success of the quality control program. Commanders must ensure effective organizational interrelationships among the functional elements concerned with the PICP such as: comptroller, data systems, transportation, warehousing, maintenance, quality control, and supply management. The quality control program will include provisions for initiation of corrective action when acceptable quality levels are not met.

VOLUME 4: CHAPTER 7

“QUALITY CONTROL”

SUMMARY OF SUBSTANTIVE CHANGES

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CHAPTER 7

MANAGEMENT REPORTING

0701 GENERAL

Per reference (a), Marine Corps organizations must collect and maintain performance standards and management data for all materiel for which a property accountability record is maintained. This will require a formal reporting process to higher headquarters for many key areas. Marine Corps supply activities must execute and document all reporting requirements to maintain accurate accountability, auditability, and reporting of Marine Corps property. All reporting will be executed in compliance with the guidance set forth in this publication and references (b) and (m).

0702 PURPOSE

This chapter establishes supply policy for Marine Corps management reporting requirements to facilitate internal accountability and performance assessments related to the accuracy of physical inventories; and to fulfill requirements for reporting information to higher authorities. This policy is applicable to all Marine Corps organizations.

0703 ANNUAL PHYSICAL INVENTORY CERTIFICATION

COs/AOs must execute a physical inventory of all government property within their organization on an annual basis. This includes property for which the organization has management responsibility; however, the property is not physically located within the organization. On-hand quantities and serial numbers identified during physical inventories will be reconciled against inventory data in APSRs to confirm that information in the APSR accurately reflects the actual physical inventory within the organization. As stated in Chapter 2 of this Volume, intermediate and wholesale supply activities may conduct cyclic inventories throughout the year to accomplish the 100 percent inventory requirement. Once all causative research has been conducted to resolve inventory discrepancies, and all approved inventory gain/loss adjustment transactions have been completed, the results of the inventory and Commander's Certification Letter will be prepared by the SupO/APO for signature by the CO/AO and forwarded to the next higher command echelon for information and forwarding to HQMC. At a minimum, the following points will be addressed as a result of the physical inventory:

070301. Provide a listing of inventory gain and loss transactions as a result of the inventory.

070302. State any corrective action required or initiated to reduce future variances.

0704 MONEY VALUE GAIN LOSS NOTICE (MVGL/N)

The MVGL/N within GCSS-MC, SCS, and similar APSRs contains a listing of all inventory gain and loss transactions processed at DoDAAC-level supply activities. It serves as an internal control for management of the supply account and provides the CO/AO with a complete picture of various adjustment transactions (e.g., physical inventory, administrative, miscellaneous) for the command.

Each notice must have the following statement certified by the CO/AO or acting CO/AO: "I have reviewed the documents on this notice and verify that required documents have been properly certified." MVGL/Ns will be certified within 15 days from processing of the each gain/loss transaction. This report is processed as changes occur to the account. The following APSRs have similar capabilities for obtaining inventory adjustment reports/notices:

070401. DPAS.

Inventory gain/loss transactions can be pulled from the "Increase Decrease Actions Report" within DPAS.

070402. OIS-MC.

Inventory gain/loss transactions can be pulled from the Transaction History menu within OIS-MC.

0705 ANNUAL SERIALIZED SMALL ARMS/LIGHT WEAPONS INVENTORY REPORT

Per Volume 2, Chapter 18 of reference (j) and Volume 7 of this publication, all Marine Corps activities possessing reportable small arms/light weapons must provide an annual Serialized Small Arms/Light Weapons Inventory Report, commonly referred to as the "Crane Report," to the Marine Corps Registry at the Naval Surface Warfare Center (NSWC) Crane Division, in Crane, Indiana. Owing activity COs/AOs must provide the annual serialized verification of small arms/light weapons to the Commander, NSWC. In addition to the annual inventory report, separate Crane Reports must be submitted within the time frames prescribed in Volume 7 of this publication, in all cases of small arms/light weapons accounting changes (e.g., receipts, issues, transfers, loss/recovery, or verified destruction).

0706 INVENTORY CONTROL EFFECTIVENESS (ICE) REPORT

Per reference (a), Marine Corps organizations will collect and maintain inventory accuracy performance standards and management data for organizations holding supply system stocks. This includes all wholesale and intermediate supply system assets of secondary items. ICE reporting will be accomplished utilizing DD 2338-1 "Inventory Control Effectiveness Report Ammunition," and DD 2338-2 "Inventory Control Effectiveness Report General Supplies" submitted to DC I&L (LP) on a quarterly basis. Report Control Symbol DD-4400-51 (External Report Control Symbol DD-AT&L(Q)935)) has been assigned to these reporting requirements. Instructions for completion of these forms are contained within reference (a).

0707 SEMI-ANNUAL OM&S REPORT

Per reference (c), all organizations that own or hold title to OM&S are required to report their OM&S to DC I&L (LP) on a semi-annual basis. This report assists in assessing the total dollar value of the enterprise account value and facilitates semi-annual reporting requirements to the DON. All owning organizations must certify accountability and control of OM&S by submitting a Certification Letter, signed by the CO/AO, via the chain of command.

0708 PICP MANAGEMENT REPORTING TOOL (MRT) FOR CLASS V

The purpose of the PICP MRT for Class V ammunition is to assist storage activities in tracking trends and capturing statistics to aid in process improvements. In addition, it provides PM Ammo with a method for determining the level of inventory accuracy and trend analysis for Marine Corps supporting storage activities. Storage activity managers are responsible for reporting all PICP data into the PICP MRT to facilitate management of the Class V inventory control. Data within the MRT is maintained for historical purposes and is used to generate reports for individual storage activities and for enterprise-level reports as required.

0709 MONTHLY INVENTORY REVIEW REPORT (MIRR) FOR CLASS V

The purpose of the MIRR for Class V ammunition is to evaluate each storage activity's reported inventory data against known configurations of ammunition and explosives line items and condition codes. The goal of the report is to identify and correct potential discrepancies in identification and condition code classification to improve the inventory accuracy and safety of the Class V(W) stockpile. PM Ammo develops and distributes the MIRR to each storage activity with a list of possible discrepancies. Storage activity managers review the report and provide a response that defines the problem and describes corrective action taken.

0710 MANAGEMENT REPORTING SCHEDULE

Table 7-1 below identifies the reporting destination and schedule for Marine Corps management reports discussed in this chapter.

| Report | Frequency | Notes |
|---|------------------|--|
| Annual Physical Inventory Certification | Annual | Any time during the fiscal year |
| Money Value Gain Loss Notice | As Occurring | |
| Annual Serialized Small Arms/Light Weapons Inventory Report | Annual | Any time during the fiscal year |
| Inventory Control Effectiveness (ICE) Report | Quarterly | |
| Semiannual OM&S Report | Semi-Annual | During April and October of each fiscal year |
| PICP Management Reporting Tool For Class V | As Occurring | |
| Monthly Inventory Review Report (MIRR) For Class V | Monthly | |

Table 7-1 Management Reporting Schedule