



Defense Health Agency

ADMINISTRATIVE INSTRUCTION

NUMBER 4000.02

May 9, 2022

DAD-MEDLOG

SUBJECT: Financial Liability Investigation of Property Loss

References: See Enclosure 1.

1. PURPOSE. This Defense Health Agency-Administrative Instruction (DHA-AI), based on the authority of References (a) and (b), and in accordance with the guidance of References (c) through (j), establishes the DHA's Financial Liability Investigation of Property Loss (FLIPL) procedures for documenting the loss, damage, destruction, or theft of property.

a. Describes the procedures for conducting causative research to determine the disposition of the property loss being investigated.

b. Establishes the timeline for initiating, conducting, and adjudicating loss, damage, or theft.

c. Directs the immediate reporting of Lost, Damaged, or Destroyed (LDD) government property by the individual discovering the financial loss or the individual with the most knowledge of the circumstances surrounding the financial loss. Additionally, it describes the primary participants in the investigation of the financial loss and the implementation of all approved recommendations to prevent a reoccurrence of future losses.

d. Provides a means of adjusting the accountable inventory and either releasing select individuals from accountability or establishing a debt to the government resulting from an assessment of financial liability.

2. APPLICABILITY. This DHA-AI applies to the DHA and DHA Components (activities under the authority, direction, and control of DHA), and all personnel to include assigned or attached active duty and Reserve members, members of the Commission Corps of the Public Health Service, federal civilians, contractors (when required by the terms of the applicable contract), and other personnel assigned temporary or permanent duties at DHA.

3. POLICY IMPLEMENTATION. It is DHA's instruction, pursuant to References (e) through (j), that personnel:

a. Use DD Form 200, Financial Liability Investigation of Property Loss (FLIPL), to document the circumstances surrounding the financial loss of accountable property assigned to DHA.

b. Follow established time frames for processing the DD Form 200.

c. Identify theft immediately. Investigating Officers (IO) that identify theft as the primary cause for the loss of property must immediately report this determination to local security and/or law enforcement officials. Do not wait until the DD Form 200 is complete to alert local security and/or law enforcement officials.

d. Incidents involving the loss of a pilferable item or media that may contain personal identifiable information (PII), including protected health information (PHI), must also be reported immediately to the agency or installation's Network Operations and/or Security Center or DHA Privacy Office within 24 hours, in accordance with Reference (l).

e. Clinical staff will follow all established procedures to report loss of PII/PHI, in accordance with Reference (l).

4. RESPONSIBILITIES. See Enclosure 2.

5. PROCEDURES. See Enclosure 3.

6. PROPONENT AND WAIVERS. The proponent of this publication is the Deputy Assistant Director (DAD), Medical Logistics (MEDLOG). When Activities are unable to comply with this publication the activity may request a waiver that must include a justification, to include an analysis of the risk associated with not granting the waiver. The activity director or senior leader will submit the waiver request through their supervisory chain to the DAD-MEDLOG to determine if the waiver may be granted by the Director, DHA or their designee.

7. RELEASABILITY. **Cleared for public release.** This DHA-AI is available on the Internet from the Health.mil site at: <https://health.mil/Reference-Center/Policies> and is also available to authorized users from the DHA SharePoint site at: <https://info.health.mil/cos/admin/pubs/SitePages/Home.aspx>.

8. EFFECTIVE DATE. This DHA-AI:

- a. Is effective upon signature.
- b. Will expire 10 years from the date of signature if it has not been reissued or canceled before this date in accordance with Reference (c).

9. FORMS

a. The following DoD Forms can be found at:
https://www.esd.whs.mil/Directives/forms/whs_forms/.

- (1) DD Form of 200, Financial Liability Investigation of Property Loss
- (2) DD Form 362, Statement of Charges/Cash Collection Voucher

b. The following DHA Forms can be found at
https://info.health.mil/cos/admin/DHA_Forms_Management/Lists/DHA%20Forms%20Management/AllItems.aspx.

- (1) DHA Form 127, Preliminary Causative Research
- (2) DHA Form 128, Sworn Statement

/S/
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Director

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ENCLOSURE 1

REFERENCES

- (a) DoD Directive 5136.01, "Assistant Secretary of Defense for Health Affairs (ASD(HA))," September 30, 2013, as amended
- (b) DoD Directive 5136.13, "Defense Health Agency (DHA)," September 30, 2013
- (c) DHA-Procedural Instruction 5025.01, "Publication System," August 24, 2018
- (d) United States Code, Title 10, Section 1073c
- (e) DoD Instruction 6430.02, "Defense Medical Logistics Program," August 23, 2017
- (f) DHA-Procedural Instruction 6430.02, "Defense Medical Logistics (MEDLOG) Enterprise Activity (EA)," September 27, 2018
- (g) DoD 7000.14-R, "Department of Defense Financial Management Regulation," (FMR), Volume 12, Chapter 7, "Financial Liability for Government Property Lost, Damaged, Destroyed, or Stolen," current edition
- (h) DoD Instruction 5000.64, "Accountability and Management of DoD-Owned Equipment and Other Accountable Property," April 27, 2017, as amended
- (i) DoD 7000.14-R, FMR, Volume 16, Chapters 1-4, "Department of Defense Debt Management," current edition
- (j) DoD 7000.14-R, FMR, Volume 4, Chapter 25, Table 25-2, "General Equipment," current edition
- (k) DoDM 6025.18, "Information of the Health Insurance Portability and Accountability Act (HIPAA) Privacy Rule in DoD Health Care Programs," March 13, 2019
- (l) United States Code, Title 10, Chapter 47 (also known as the "Uniform Code of Military Justice")

ENCLOSURE 2
RESPONSIBILITIES

1. DIRECTOR, DHA. The Director, DHA will:

a. Establish property management policies, standards, and performance measures that monitor and evaluate DHA-wide performance to achieve and sustain effective accountability, management, control, and accurate accounting of government property.

b. Establish and maintain a controlled environment for property accountability and an effective system of internal controls to ensure accountability and authorized use of personal property to prevent loss, damage, theft, or waste and to ensure appropriate financial reporting.

c. Develop and disseminate agency policy and procedural guidance for determining and assigning financial liability for the loss of DHA's capitalized and non-capitalized accountable general equipment.

d. Establish procedures to grant waivers to this issuance, where appropriate.

e. Ensure DHA property management goals and expectations are clearly communicated throughout the DHA.

f. Require personnel entrusted with government property to be informed of their responsibilities in writing, which includes proper stewardship as well as potential legal ramifications for misuse or loss.

g. Require personnel entrusted with government property to be trained to their level of functional responsibility.

2. OFFICE OF THE GENERAL COUNSEL (OGC) DHA.

a. The OGC DHA office must ensure a legal advisor will review the findings and recommendations for legal sufficiency where the IO recommends liability. The legal review will consider the findings and provide an opinion on the adequacy of evidence and its relationship to the findings and recommendations. This legal review must be included as part of the record with the DD Form 200 and completed before final action is taken by the approving authority.

b. In the case that a Senior Executive Service or General Officer is determined to be financially liable by the IO, the Director of the DHA Component will ensure that the FLIPL is immediately elevated to OGC at the next higher echelon to be heard and adjudicated by the next higher Senior Executive Service or General Officer in DHA leadership.

3. DAD-MEDLOG. The DAD-MEDLOG must:

a. Ensure property management policies, standards, and performance measures are established in accordance with this DHA-AI that monitor and evaluate component-wide performance to achieve and sustain effective accountability, management, control, and accurate accounting of government property.

b. Ensure policies and procedural guidance are established for determining the financial liability of property loss for DHA's capitalized and non-capitalized accountable general equipment.

c. Act as the Appellate Authority for all military treatment facilities (MTFs)/dental treatment facilities (DTFs)/other lines of business (OLB) appeals.

4. DHA MARKET, SMALL MARKET AND STAND-ALONE MTF ORGANIZATION, AND DEFENSE HEALTH AGENCY REGION DIRECTORS. The Market, Small Market and Stand-Alone MTF Organization, and Defense Health Agency Region Directors must:

a. Ensure compliance with this publication.

b. Establish property management policies, standards, and performance measures in accordance with this instruction that monitor and evaluate component-wide performance to achieve and sustain effective accountability, management, control, and accurate accounting of government property.

c. Establish and maintain a controlled environment for property accountability and effective system of internal controls to ensure accountability and authorized use of personal property to prevent loss, damage, theft, or waste and to ensure appropriate financial reporting.

d. Establish, resource, and maintain Accountable Property System of Records (APSRs) to ensure their integration with core financial and other systems and processes, particularly those for logistics and acquisition.

e. Establish metrics to assess and report overall property management maturity level.

5. APPROVING AUTHORITY. The Approving Authority must:

a. Be appointed by the Director of the MTF/DTF/OLB, and be no more than one pay grade below the Director of the MTF/DTF/OLB in the military pay grades O-4 - O-6 or civilian pay grades of General Schedule (GS)-14 - GS-15 to serve as the Approving Authority on all FLIPLs and perform the following functions:

(1) Designate the Appointing Authority in writing; the principal duties will be outlined in the appointment orders.

(2) Approve FLIPLs.

(3) Make determinations to either relieve involved parties from responsibility and/or accountability or approve assessment of financial liability against the same parties.

b. Not be below the pay grade of the appointed IO and/or the individual who could be potentially recommended for pecuniary liability.

c. If the above requirements cannot be met at the MTF/DTF/OLB, the responsibility will be transferred by the MTF/DTF/OLB Director to the next higher DHA echelon.

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

e. Establish procedures and designate a person to initiate and conduct an inquiry immediately after the loss, damage, destruction, or theft is discovered.

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

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

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

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

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

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

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

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

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

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

p. Formally notify individuals against whom they have approved financial liability.

6. APPOINTING AUTHORITY. The Appointing Authority will:

a. Be appointed by the Approving Authority and will be no more than two pay grades below the Director of the MTF/DTF/OLB, at a minimum in the military pay grade of O-4 or the civilian pay grade of GS-14, to serve as the Appointing Authority.

b. Designate an IO in writing.

c. Approve or disapprove recommendations of the Property Custodian (PC), Reviewing Authority/Accountable Property Officer (APO), FLO, or IO findings (following an investigation) and forward personal recommendations to the Approving Authority.

d. Designate in writing a civilian or military member as the Financial Liability Investigation Manager (FLIM) for the MTF/DTF/OLB. The Director for Administration (DFA) is responsible for managing the FLIPL Accountability Worksheet.

e. Approve or disapprove any requested extensions.

f. If the above requirements cannot be met by the Director of the MTF/DTF/OLB, the responsibility will be transferred to the Director of the MTF/DTF/OLB of the next higher DHA echelon.

g. Appoint a board in lieu of an FLO to conduct the investigation, if warranted. Reasons for considering appointment of a board include complexity, size, or unique type of loss due to

negligence or abuse.

h. Provide administrative guidance to the FLO or the board.

i. Review DD Form 200 for accuracy and compliance in accordance with DoD 7000.14-R.

j. Approve or disapprove DD Form 200 when there is no evidence of negligence or abuse and authorization has been delegated in writing by the Approving Authority.

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

7. FLIM. The FLIM must:

a. Be appointed by the Appointing Authority as an additional duty.

b. Be responsible to the DFA and ensure appointed IO's are actively engaged in conducting the investigation of property LDD.

c. Maintain constant contact with the IO to ensure timelines are met in order to facilitate a timely completion within the prescribed timeline. A written Letter of Lateness, as defined in Enclosure 3, paragraph 1.b, is required and must explain the reason for the delay. It must also be submitted as an exhibit to FLIM for final review by the DFA.

d. Issue FLIPL Document Number from the FLIPL Worksheet to the APO upon receipt of a complete packet to allow the property item(s) to be removed from the APSR.

e. Monitor, track, verify accuracy, and proper formatting of all DD Forms 200 until completion.

f. Maintain the FLIPL document register for DHA.

8. IO (also known as the FLO). The IO must:

a. Be appointed to investigate the circumstances, and make findings and recommendations relating to the LDD of government property listed on a DD Form 200. The principal duties will be outlined in the appointment orders; however, at a minimum, the investigation will identify: what happened, where it happened, when it happened, how it happened, and who was involved. Additionally, the IO must address any evidence of negligence, willful misconduct, or deliberate unauthorized use or disposition of the property.

b. IOs must be any DoD commissioned or warrant officer; a noncommissioned officer in the pay grade of Enlisted (E)-7, or above; or a civilian employee GS-7, or above, assigned to the activity. They may not be in the direct line of custody, accountability, or tracking of the equipment in question. Individuals so appointed will not be the APO, PC, or otherwise have any direct interest in the property being investigated.

c. If the IO discovers during the subject of the investigation that completion of the investigation requires them to examine the conduct or performance of duty of someone senior or may result in a finding and recommendation adverse to a person senior to them, the IO will report that fact to the Appointing Authority. The Appointing Authority will review the findings, excuse the IO, and designate another person (senior to the individual concerned) to serve as the IO.

d. Ensure accountability is reestablished on the property book with established procedures, if during the conduct of the investigation, property is recovered.

e. Prepare witness statements on the DHA Form 128, Sworn Statement. The servicing Office of General Counsel attorney, the member's supervisor, and the servicing Military Department legal office (for potential UCMJ actions) must be consulted before statements are taken from anyone if there is a suspected violation of Reference (1).

9. DIRECTOR, MEDLOG. The Accountable MEDLOG Officer must ensure the DD Form 200 is processed in a timely manner.

10. APO. The APO will:

a. Issue a DHA Form 127, "Preliminary Causative Research," to the PC upon notification of property LDD. Instruct the PC to return the completed DHA Form 127 within five calendar days.

b. Determine if negligence, willful misconduct, or deliberate unauthorized use or disposition of the property is suspected in the occurrence of property loss based on causative research to determine proximate cause on DD Form 200, block 12.

c. Submit DD Form 200 to the FLIM within 15 calendar days following the date of the discovery of the loss identified on the DHA Form 127. The APO will explain any delay in writing and attach the explanation to the DD Form 200 as an exhibit.

d. Notify medical maintenance to close any open/pending work orders upon receipt of the FLIPL Accountability Worksheet Document Number before removing the identified items from the APSR.

e. Reestablish the equipment accountability record in the APSR if equipment is recovered through investigation.

f. Designate custodial areas within an accountable area and delegate, in writing, a Property Manager (PM) and Property Custodian (PC) to support with property management functions for each custodial area designated. Issue custody receipts or similar documents for all property assigned to an individual or organization.

11. PC. The PC position must be assigned as an additional duty by the Department Head or endorsed by the DFA. The PC can be any assigned military pay grade of E-6 or higher or DoD civilian personnel GS-5 or above. In the event of LDD, or stolen property, take the following actions:

a. Immediately notify their respective PM (Property Manager) of the LDD.

b. Upon notification of property LDD to the PM/APO, the PC will complete DHA Form 127 and submit the completed form to the PM/APO within five calendar days.

12. DHA MEDLOG, FINANCIAL LIABILITY BOARD (FLB). The FLB must:

a. Be appointed by the Appointing Authority for the specific purpose of conducting a loss investigation. A FLB provides more resources than the IO to investigate losses that are large, complex, or unique. FLBs are not judicial. Therefore, FLB reports are purely advisory; their opinions do not constitute final determinations or legal judgments, and their recommendations are not binding upon appointing and approving authorities. Approving Authority may request from DHA MEDLOG. FLB members are:

(1) Selected based on training, experience, competence, and ability to conduct independent and objective investigations;

(2) The board Chair and a majority of the board must normally be senior in rank to the persons directly involved.

(3) The FLB will consist of a minimum of three members from the DHA MEDLOG staff, to include an appointed DoD Civilian, being of the following grades or above: civilian employee GS-7 - GS-12, Commissioned Officers, Chief Warrant Officers, or Non-Commissioned Officers E-7 - E-9.

(4) The senior member normally must be designated as the Chair.

(5) The Appointing Authority must not appoint an individual or a board member who is accountable or responsible, or has direct interest in the property, including an FLO who may have previously investigated the loss of the property.

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b. The FLB must research, develop, assemble, record, and analyze all information relative to the loss to form and clearly express consistent finding of facts, conclusions, and recommendations in accordance with References (g) and (h).

c. When requested by the Appointing Authority, a collateral function of the FLB is to afford a hearing to any person whose conduct or performance of duty may be subjected to inquiry or who has direct interest in the inquiry.

d. The FLB Chair completes their action on the DD Form 200 as the IO and recommends relief from responsibility or assessment of financial liability.

e. For additional references, see full provisions from DoD 7000.14-R, Volume 12, Chapter 7, "Financial Liability for Government Property Lost, Damaged, Destroyed, or Stolen," March 2014, as amended January 2021.

13. MTF/DTF/OLB Debt Collection Office. The Defense Finance and Accounting Service will process all debt collection(s) for Active Duty/Reserve/National Guard using DD Form 139 (Pay Adjustment Authorization). The Human Resources Office will process all debt collection(s) for government/civilian employees using DD Form 2481 (Request for Recovery of Debt Due The United States by Salary Offset) to the U.S. Government within established guidelines.

14. FINANCE AND ACCOUNTING OFFICE. The servicing Debt Collection Office will serve as the collection authority for individuals found financially liable through a completed and approved DD Form 200.

15. RESPONDENT. The Respondent is any individual found liable for the loss or damage to government property through the FLIPL process. The Respondent must be notified in writing of the decision to be held liable, which includes references listing an individual's rights, relative to a FLIPL.

ENCLOSURE 3

PROCEDURES

1. INITIATION. Upon discovery of loss, damage, destruction, or theft of government-owned property (real or personal) of any value, the first line supervisor for military, civilian, and or government contractor must conduct a general inquiry to determine if the situation warrants a more formal inquiry, i.e., an investigation. A DD Form 200 is not required for general inquiries.

a. Upon identification of a suspected LDD, the APO will provide DHA Form 127, Preliminary Causative Research to be completed by the PC within five calendar days. The DHA Form 127 will establish a date of known loss and initiate the processing of the DD Form 200. When the PC is not available to complete the DHA Form 127, the initiator will be the person with the most knowledge of the incident.

b. A FLIPL will be processed on DD Form 200 and submitted to the FLIM within 15 calendar days from the date of the discovery of the loss identified on the DHA Form 127. When a delay causes the FLIPL processing time to exceed the 75 calendar days, a written statement (Letter of Lateness) from the responsible individual explaining the extenuating circumstances will be included as an exhibit to the FLIPL.

2. FLIPL REQUIRED.

a. When one or more of the situations listed below exist, a FLIPL will be initiated.

(1) Negligence or willful misconduct is suspected as the cause, the individual does not admit liability, and refuses to make voluntary reimbursement to the Government for the full value of the loss less depreciation and/or the active duty, Reserve member, or civilian employee refuses to sign DD Form 362, Statement of Charges/Cash Collection Voucher.

(2) The value of the admitted loss or damage exceeds the individual's monthly basic pay (military) or 1/12th of the annual salary of a civilian employee.

(3) The lost or destroyed item contains, transmits, or processes PII/PHI and/or Classified Information.

(4) The lost or destroyed item is categorized as sensitive items.

(5) Loss or destruction involves public funds or other negotiable instruments and the individual does not voluntarily reimburse DHA for the loss.

(6) By higher authority or other DHA regulatory guidance.

(7) The loss or damage involves a General Services Administration (GSA) vehicle or a

vehicle that was rented due to non-availability of GSA vehicles.

(8) The loss resulted from a fire, theft, or natural disaster.

(9) All loss, damage, destruction, or theft of government-owned equipment with initial unit acquisition cost (value) of \$5,000 or greater; all sensitive, classified, or leased (capital lease) property regardless of initial acquisition cost; and any real property (see DoDI 5000.64 for more information). Investigations may also be conducted when circumstances warrant. For example, when the loss, damage, destruction, or theft of small amounts of property occur frequently enough to suggest a pattern of wrongdoing, then an investigation may be warranted.

3. FLIPL NOT REQUIRED. When one or more of the situations listed below exist, a FLIPL is not required.

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

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

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

4. RELIEF FROM ACCOUNTABILITY. When the Appointing Authority determines from the information on DD Form 200, blocks 9, 10, and 12 and attached exhibits that no evidence of negligence or willful misconduct exists, they may recommend to the Approving Authority relief from responsibility by completing blocks 13b through 13h, placing a statement in block 13b recommending all persons be relieved of financial liability.

5. TYPES OF FLIPL. There are two types of procedures that govern FLIPLs. When the cause and facts surrounding the LDD are clear and not in question, use procedures in paragraph 6, "Short FLIPL" in this Enclosure. In any case where there are questions surrounding the loss or damage, see instructions for the "Long FLIPL" in paragraph 7 of this Enclosure.

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6. SHORT FLIPL. When the Appointing Authority can establish from the information contained in blocks 9 and 10, DD Form 200, and the attached exhibits, that negligence or willful misconduct was the proximate cause of the LDD of government property, the Appointing Authority must perform the following tasks:

a. Initial notice of liability and charges: Prepare a memorandum to the Respondent stating their intent to recommend charges of financial liability without further investigation. The memorandum will include the facts on which the recommended charges of financial liability are based, computation of the actual loss, and the amount of financial liability being recommended. The memorandum will include an explanation of the Respondent's rights to seek legal assistance, if permitted by a local servicing Military Department legal office. Legal Assistance will not be provided by DHA OGC. A complete copy of the DD Form 200, to include copies of all the exhibits, will be attached to the memorandum as an enclosure. Respondent must complete blocks 16a through 16h before returning the DD Form 200 to the Appointing Authority. The charges must be computed using the criteria in Enclosure 7, "Computation of Charges."

b. Respondent Post-Notification Appeal: Upon notification that financial liability is being considered, the Respondent will have a right to submit a rebuttal statement, with assistance from a servicing Legal Assistance Office, if permitted and available from the local Military Department legal office. Legal Assistance will not be provided by DHA OGC. The Respondent has 30 calendar days to submit their rebuttal for consideration. On receipt of a rebuttal statement, the Appointing Authority must reconsider the rebuttal statement, together with any new evidence provided, or allegations of error presented by the Respondent, and make appropriate comments and attach the rebuttal statement and remarks to the DD Form 200 as exhibits. On receipt of the rebuttal statement, or upon expiration of the time allowed for the Respondent to submit a rebuttal statement, the Appointing Authority will review their decision to assign liability. The decision to approve or discharge liability will then be forwarded to the OGC for review.

c. Legal Review: Prior to forwarding the DD Form 200 with recommendations to the Approving Authority, the packet, including Respondent's appeal, must be forwarded to the OGC for a legal sufficiency review to determine whether the legal standards for liability have been met. The entire packet, including the legal review and legal recommendations, will then be forwarded to the Approving Authority.

d. Approving Authority:

(1) The Approving Authority may concur or nonconcur with the recommendations in the FLIPL. The Approving Authority will decide whether to assign financial liability to the Respondent.

(2) If the Approving Authority approves a finding of liability against the Respondent, the Respondent will have the opportunity to submit a second appeal to the DAD-MEDLOG. The DAD-MEDLOG may reverse or concur with the Approving Authority's decision. The DAD-MEDLOG may also discharge liability in whole or in part.

7. LONG FLIPL. In addition to the required FLIPL investigations in Paragraph 2 above, in any case where there are questions as to the cause of or the facts surrounding the loss or destruction or whether all the elements and liability standards have been met, an IO must be appointed. This appointment should be indicated on block 13-c of the DD Form 200. The IO will be appointed via a memorandum from the Appointing Authority and will receive a legal briefing from the OGC. The IO's responsibility is to determine the cause and value of the loss or damage of government property listed on the DD Form 200, and to determine if assessment of financial liability is warranted. That determination must be determined from the facts developed during a thorough and impartial investigation.

a. The IO must receive an initial briefing from the APO prior to beginning the investigation to better understand the terms "responsibility, culpability, proximate cause, and loss" and each term's impact upon a determination of financial liability. These terms are defined in the Glossary of this DHA-AI. The IO will also seek assistance from the OGC in understanding or seeking clarification of any term.

b. After the IO finishes the investigation, a memorandum must be prepared with attached exhibit(s) that will support and provide reasoning for liability recommendation(s). This memorandum and exhibit(s) will be forwarded to the Appointing Authority, who may elect to relieve the Respondent from liability or move forward with the recommended liability (see Enclosure 8 for packet format).

(1) Initial notice of liability and charges. If the Appointing Authority decides to find liability based on the IO's investigation, the Appointing Authority will prepare a memorandum to the Respondent stating their intent to recommend charges of financial liability. A complete copy of the DD Form 200, to include copies of all the exhibit(s) and the IO's memo, will be attached to the memorandum as an enclosure. The charges must be computed using the criteria in Enclosure 7, Computation of Charges.

(2) Respondent Appeal. The Respondent will have a right to submit a rebuttal statement, with assistance from a servicing Military Department Legal Assistance Office, if permitted and available. Legal Assistance will not be provided by the DHA OGC. On receipt of a rebuttal statement, the Appointing Authority will consider the DD Form 200 together with any new evidence provided, or allegations of error(s) presented by the Respondent, and make appropriate comments and attach the rebuttal statement and remarks to the DD Form 200 as exhibit(s). Upon receipt of the rebuttal statement, or expiration of the time allowed (30 calendar days), the Appointing Authority will review their decision to assign liability.

(3) Legal Review: Prior to forwarding the investigation packet, to include the DD Form 200 with recommendations to the Approving Authority, the packet, including the IO's findings and the Respondent's appeal, must be forwarded to the servicing DHA OGC attorney for a legal sufficiency review to determine whether the legal standards for liability have been met. The entire packet, including the legal review and legal recommendations, will then be forwarded to the Approving Authority.

(4) Approving Authority: The Approving Authority may concur or nonconcur with the recommendations in the FLIPL. The Approving Authority will decide whether to assign financial liability to the Respondent.

ENCLOSURE 4

IO DUTIES

1. GENERAL. The appointed financial liability IO will perform the responsibilities assigned as their primary duty until the financial liability IO has been properly relieved. The principal duties will be outlined in the appointment orders.

2. TASKS AND RESPONSIBILITIES

a. Prior to the commencement of the investigation, and upon receipt of the appointment memorandum, the IO will make an appointment to receive an IO brief from the MTF/DTF/OLB or MEDLOG and a legal brief with the OGC.

b. The primary purpose of the DD Form 200, is to document the circumstances surrounding the financial loss of accountable property assigned to DHA.

c. The investigation may establish the fact that individual(s) other than the Respondent is at fault. The financial liability IO must not limit an investigation to verifying statements of interested parties. Rather, the IO will perform an investigation as thoroughly as needed, in their opinion, to ensure that all facts are fully developed, the interests of the government are fully served, and the rights of the involved individuals are fully protected.

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

e. The investigation conducted by the IO is the critical phase of the process. The IO should determine the facts, not as alleged but as they occurred. The IO's recommendations will be evaluated in succeeding reviews; therefore, the recommendations must be supported by the findings and conclusions.

f. The IO should be able to decide from the findings and conclusions as to how the loss or damage occurred and whether negligence or abuse was involved.

g. After recording the findings and conclusions, the IO will make recommendations whether to assess financial liability based on this guidance.

h. A function of the IO is to afford any person whose conduct or performance of duty may be subject to inquiry or who has a direct interest in the inquiry an opportunity to have their position considered.

3. CONDUCTING INVESTIGATIONS. IOs must conduct investigations promptly. They must inform the Appointing Authority immediately of all delays experienced. In conducting the investigation, the IO must personally:

- a. Scrutinize all available evidence
- b. Interview witnesses and secure statements, ideally in writing, from individuals concerning the:
 - (1) Cause of the LDD.
 - (2) Responsibility for the LDD.
- c. Compile evidence substantiating or refuting any statement in block 9 of DD Form 200.
- d. Physically examine the damaged property, if possible, and then release it for repair or disposal. This should be done on the first day of IO appointment.
- e. Consult the Appointing Authority for guidance, when needed.
- f. Determine the amount of damage, if the property has been damaged. Determine the value of the property immediately before its damage if the property is not economically repairable. The accountable officer may be asked to assist if they have not been directly involved.
- g. Ensure that action is taken to exercise control over the property if the property is recovered during the investigation.
- h. Ensure that the total loss to the government is computed correctly.
- i. Coordinate actions with the insurance claims adjuster when the investigation may cover LDD of government property that is being, has been, or will be investigated because of attendant events by an insurance claims adjuster. This includes cases where military personnel or civilian employees, while driving a private vehicle, damage government property and have insurance to pay for part of the loss.
- j. Adhere to the following requirements:
 - (1) Give any individual against whom the IO makes a finding of financial liability a chance to examine the report of investigation after the findings and recommendations have been recorded.
 - (2) Give the individual being recommended for financial liability the opportunity to make a statement.
 - (3) Inform the individual that their statement may be used against him or her with regard to financial liability and other administrative and disciplinary actions.

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

(5) Request the individual to acknowledge their understanding of these rights by completing block 16 of the DD Form 200.

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

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

(8) Consider any new evidence received after a recommendation has been made. If the financial recommendations remain unchanged, the IO must note that the added evidence was considered and will provide a rationale for not changing the decision (e.g., no new evidence or the matters do not overcome the evidence supporting the original recommendations). The notation must be on all copies of the report immediately following the original recommendation. If the IO makes a change in the original recommendations because of the new evidence, the officer must record such change as "Amended Recommendations." These recommendations should be recorded immediately after the original recommendations.

4. CLOSING INVESTIGATIONS

a. Provide an index in accordance with Enclosure 8 and make two copies of the FLIPL.

b. Clearly tab the original FLIPL, to include the statements and exhibits, based upon the index.

c. Submit findings and recommendations in DD Form 200 (block 15(a) through (j)). If the findings are too long for the appropriate tabbed area, submit findings/recommendations in memorandum format and annotate "See attached" in block 15(a) on the form, and sign in block 15(j).

d. If the person is found liable, report findings and recommendations according to this DHA-AI.

e. Please state clearly whether IO find the individual liable or recommend they be relieved of financial liability.

ENCLOSURE 5

FLIPL CHECKLIST

Step 1 - Initiation (15 Calendar Days) LOG* - Logistics staff assists in the initiation of the DD Form 200		TIMELINE			
LOG	LDD items reported to APO.	15			
LOG	Causative Research Form Due to APO Suspend: _____.				
LOG	Initiation of DD Form 200.				
LOG	APO Prepares initial DD Form 200 and required exhibits.				
LOG	Logistics Staff review.				
LOG	Submitted to FLIM _____ Document Number _____.				
Total Days		15			
Step 2 - Investigation and Recommendation process (40 Calendar Days)					
DFA	FLIM receives DD Form 200 from APO.	10			
DFA	Date FLIPL provided to Appointing Authority _____.				
DFA	Appointing Authority review.				
DFA	Short Survey/Cash Collection. YES ____ NO ____				
DFA	Investigation Officer appointed if appropriate - Name/#: _____.				
DFA	Notify supervisor of appointment _____.				
IO	Receive Financial Liability Investigating Office brief.	30			
IO	Receive Legal Brief (contact servicing DHA OGC office).				
IO	Review DD Form 200 and begin investigation. Date: _____.				
IO	Obtain statements.				
IO	Ascertain the facts.				
IO	Determine the proximate cause.				
IO	Calculate amount of loss. (See DHA Financial Liability Investigating Officers Guide).				
IO	If financial liability is recommended, notify individual(s) being held accountable.				
IO	Five calendar days are given to allow Respondent's rebuttal statement. Suspend: _____.				
IO	Make recommendation. (Complete write up and prepare packet for final review).				
IO	Place packet in correct order.				
Total Days			55		
Step 3 - Review and Decision by Approving Authority (20 Calendar Days)					
IO	Submit completed packet to FLIM for Appointing Authority.		20		
DFA	Review, make recommendation, and sign by the Appointing Authority _____.				
OGC	DHA OGC office reviews if financial liability is recommended. Date submitted to legal: _____.				
DFA	Provide to the Approving Authority for review of recommendations.				
CoS	Decision by the Approving Authority.				
DFA	If financial liability is recommended, notify individual(s). Time Not Counted Against Restraints.				
Suspend Days to Complete FLI Total Days		75			
Step 4 - Official Notification of Financial Liability to Person(s) Responsible (30 Calendar Days)					
CoS	Date of decision by Approving Authority _____.	30			
FLIM	Notify individual(s) being charged. Date Notified _____ Responses Received _____.				
FLIM	Date notification period ends _____.				
Step 5 - Provide FLIPL to Finance and Accounting Officer/U.S. Property and Fiscal Officers for Collection (1 Day)					
FLIM	Submit finding(s) and request financial obligation to Medical Unit Human Resources for processing.	5			
Total Days		110			
LOG	DFA - Appointing Auth.	CoS - Approving Auth.	OGC - Judge Advocate	IO	FLIM - FLIPL Manager

ENCLOSURE 6

TIME LIMITS

1. It is crucial that FLIPLs be initiated and completed within the delineated time limits; therefore, IO will use the DHA FLIPL Guide to assist in the completion of the FLIPL process. Evidence, witnesses, and facts become unclear with the passing of time; therefore, any undue delays must be addressed in a separate memorandum and included with the DD Form 200. The reasons for the delay, and the possible prejudice to the Respondent, will be addressed in the legal review prior to the Approving Authority's final determination.

a. All FLIPL actions should be completed in 75 calendar days from date of known loss utilizing the DD Form 200 (see Enclosure 5, FLIPL Checklist, to assist in maintaining timelines and requirements). All open FLIPLs from the previous fiscal year register will be moved to the new FLIPL register at the beginning or the end of the new fiscal year.

b. Initiation of the DD Form 200 will be within 15 calendar days from discovery of LDD.

c. The Appointing Authority has 10 calendar days to review the DD Form 200 and appoint an IO, if necessary.

(1) If no IO will be appointed, the Appointing Authority must give notice of recommended liability to the Respondent within the 10 days.

(2) Approve or disapprove DD Form 200 when the gain or loss of inventory items is less than \$100,000 and authorization has been delegated in writing by the approving authority.

(3) If an IO will be appointed, the Appointing Authority will appoint in writing an IO within the 10 days.

d. The IO will have 30 calendar days to conduct and complete the investigation and give notice to the Respondent that liability will be assessed or discharged.

e. If an individual chooses to submit a rebuttal, they will have 30 calendar days from notification of liability to submit their arguments. They may choose to consult with a servicing Military Department Legal Assistance office, if permitted and available. DHA OGC will not provide legal assistance to a Respondent. Any delays and requests for extensions due to unavailability of Legal Assistance must be made directly to the IO, in writing. The Appointing Authority will then decide whether an extension will be granted and the length of extension.

f. Upon receipt of the rebuttal, the IO will forward the entire FLIPL back to the Appointing Authority for review. The Appointing Authority will have 5 calendar days to determine whether to assign or discharge liability. If they assign liability, the FLIPL will be forwarded to the OGC for a legal review.

g. The servicing DHA OGC attorney will submit a complete legal review to the Appointing Authority within 10 calendar days.

h. The Approving Authority will have 10 calendar days to review the FLIPL and approve or disapprove liability. Notice to the Respondent must be given within the 10 calendar days (end of 75-day time constraint).

i. If the Respondent elects to file a post-liability notification appeal, they will have 7 calendar days from receipt of the Appointing Authority's decision to submit the appeal to the DAD-MEDLOG. These 7 days are not included in the 75-day completion timeline.

j. If a post-liability notification appeal is filed, the DAD-MEDLOG will have 14 calendar days to seek a legal review, if necessary, and to notify the Respondent of their decision. These 14 days are not included in the 75-day completion timeline.

k. A delay in the process over the 75 days will require a Letter of Lateness from the Appointing Authority to explain why the FLIPL is not complete and will become an exhibit in the FLIPL.

ENCLOSURE 7

COMPUTATION OF CHARGES

1. ACTIVE DUTY, RESERVE MEMBERS, AND CONTRACTORS. Active duty and Reserve members, as well as contractors, will be liable based on the following limits per DoD 7000.14-R:

a. When willful or criminal misconduct is shown to be the cause of the loss, active duty and Reserve members, as well as, contractors will be liable for the full loss, minus any amounts charged to others.

b. Loss, damage, destruction, or theft of such property must be processed in accordance with the terms and conditions of the accountable contract or third-party agreement to which the LDD or stolen property was accountable.

c. For all other instances of LDD where willful or criminal misconduct is NOT found to be the cause but where simple negligence was the cause of the LDD, active duty and Reserve members, as well as, contractors will be liable for the actual loss or 1-month's base pay, whichever is lower.

2. FEDERAL EMPLOYEES. Federal employees will be liable for the full loss to the government, minus amounts charged to others, limited to one-twelfth (1/12) of their annual pay per DoD 7000.14-R . This is applicable regardless of the cause of the loss or level of negligence or misconduct.

3. CALCULATING LOSS. The actual loss to the Government is the difference between the value of the property immediately before its LDD and its value immediately after. The following means of calculating the actual loss must be considered in sequence:

a. If the item is repairable, the charge will be based on the actual cost of repairs.

b. If the item cannot be repaired, determine the fair value of the item after the damage. The IO will do the following:

(1) Determine the general condition of the item at the time of the loss or damage through personal knowledge, review of maintenance records, and any other means available.

(2) The commercial market will be reviewed to determine the price that similar items in similar condition have sold for in commercial transactions within the last six months.

c. When determining fair value is not possible or equitable, the IO will apply a straight-line depreciation formula by:

- (1) Determining initial cost of the property.
- (2) Subtracting the estimated salvage value of the property from the initial cost.
- (3) Determining the estimated useful life using Table 25-2 of Reference (j).
- (4) Dividing the estimated useful life (in years) into one (1) to arrive at the straight-line depreciation rate.
- (5) Multiplying the depreciation rate by the initial cost (minus the salvage value).
- (6) Property will not be depreciated below scrap value.

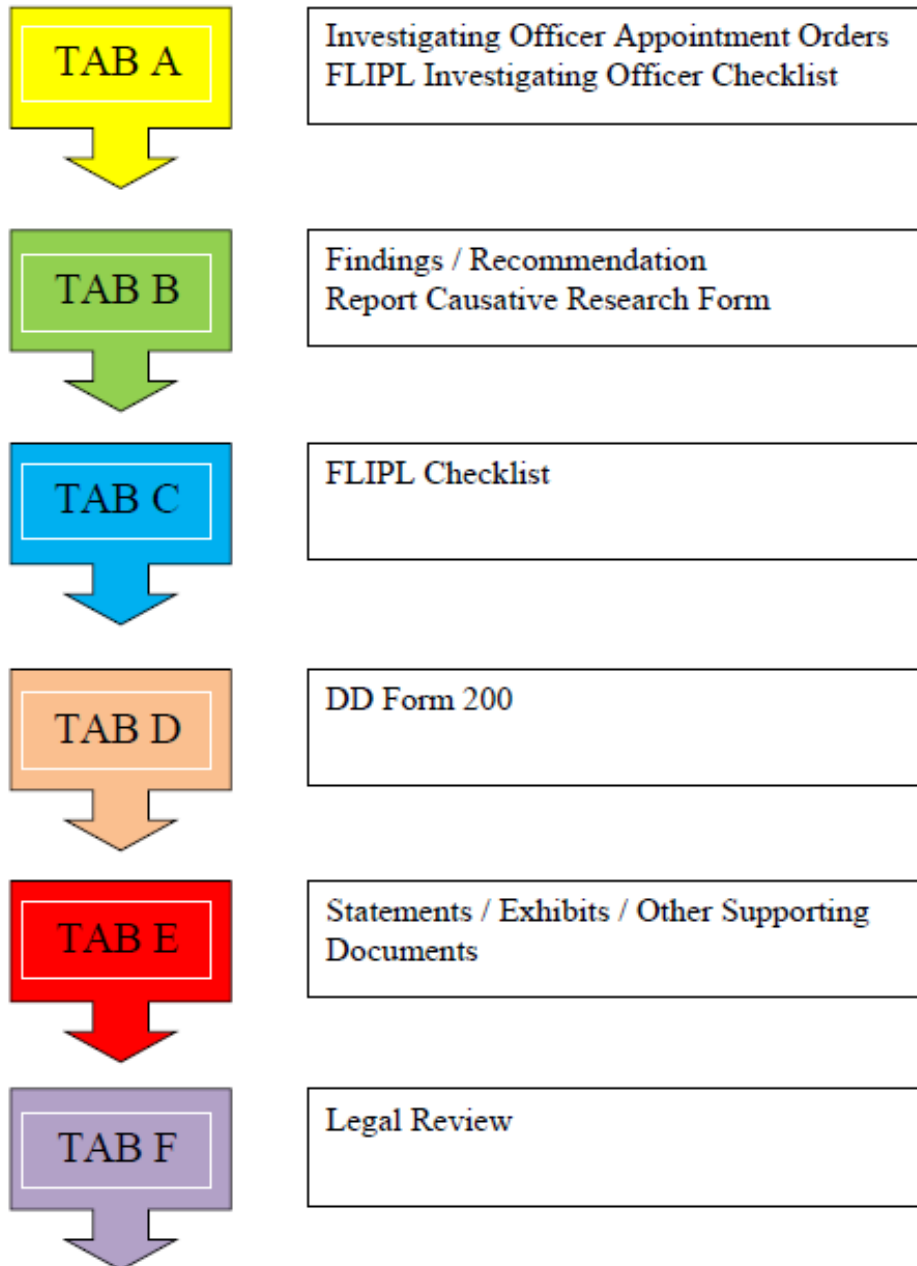
4. MORE THAN ONE INDIVIDUAL FINANCIALLY LIABLE. If more than one individual is found financially liable for the loss, damage, destruction, or theft of government property, the individuals must be collectively held liable for the loss to the government. The government cannot collect more than the total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

5. VOLUNTARY PAYMENT. Individuals may voluntarily choose to pay the government for LDD government property any time prior to involuntary collection from their pay. Individuals offering the payment do so of their own volition. The government does not seek any advantage or forgo any right by accepting a voluntary payment. An individual cannot be coerced or threatened with adverse action if payment is not voluntarily made. Individuals must be made aware of the effect of making a voluntary payment. That is, it may not be later withdrawn, avenues for relief will no longer be available, and voluntary payment does not preclude other administrative or disciplinary action. Individuals offering to pay in excess of basic pay for 1 month by military members or one-twelfth of annual pay by civilian employees must be made aware that their liability may be a lesser assessment as a result of an investigation. Voluntary payments may be made in cash, by check, or through payroll deduction.

6. DOCUMENTING CALCULATION. The IO should note in Block 15 (a) of DD Form 200 which method was used to calculate the LDD and include supporting documents to support their calculations.

ENCLOSURE 8
PACKET FORMAT

Once investigation is complete, please arrange packet in the following format:



GLOSSARY

PART I. ABBREVIATIONS AND ACRONYMS

APO	Accountable Property Officer
APSR	Accountable Property System of Record
DAD	Deputy Assistant Director
DFA	Director for Administration
DHA-AI	Defense Health Agency-Administrative Instruction
DTF	dental treatment facility
E	Enlisted
FLB	Financial Liability Board
FLO	Financial Liability Officer
FLIM	Financial Liability Investigation Manager
FLIPL	Financial Liability Investigation of Property Loss
GS	General Schedule
GSA	General Services Administration
IO	Investigating Officer
LDD	lost, damaged, or destroyed
MEDLOG	Medical Logistics
MTF	military treatment facility
OGC	Office of the General Counsel
OLB	other lines of business
PC	Property Custodian
PII	personal identifiable information
PHI	protected health information

PART II. DEFINITIONS

These terms and their definitions are for the purposes of this DHA-AI.

abuse. Willful misconduct or deliberate, abusive, or unauthorized use.

accountability. The obligation imposed by law, lawful order, or regulation, accepted by an organization or person for keeping accurate accountability.

accountable property. A term used to identify property recorded in the APSR.

accountable property record. The record contained within the APSR.

acquisition cost. The net amount of money considering both trade and cash discounts, paid for the property, including transportation and other ancillary costs.

APO. An individual who, based on their training, knowledge, and experience in property management, accountability, and control procedures, is appointed by proper authority to establish and maintain an organization's accountable property records.

appointing authority. An individual designated in writing by the approving authority to select eligible personnel as FLOs or IOs. The approving authority may also act as the appointing authority. The appointing authority approves or disapproves the recommendations of the APO, reviewing authority, FLO, or IO, and recommends actions to the approving authority. The appointing authority is normally senior to the reviewing authority, APO, IO, and FLO.

approving authority. The approving authority makes determinations to either relieve involved individuals from responsibility and/or accountability or approve assessment of financial liability. The approving authority may act as the appointing authority or designate an appointing authority in writing. The approving authority is normally senior to the appointing authority.

causative research. This is a process by which an activity can research the physical and document trail of an item as it moves through and within the requirements, supply, and transportation systems in response to an order or directive. Receipts, turn-ins, disposals, posting errors, quality issues (DD Form 200), issues, etc. can all be traced by their document trail. The FLO and APO/Property Manager use this trace and historical forms to build the history of a particular supply action to find the required item or determine where it was lost.

collective liability. Where more than one individual is held liable for a debt, either collectively or individually.

controlled inventory items. Those items designated as having characteristics which require that they be identified, accounted for, secured, segregated, or handled in a special manner to ensure their safekeeping and integrity. Controlled inventory items in descending order of the degree of control normally exercised are: classified items. Materiel which requires protection in the interest of national security.

culpability. Determination of fault.

custodial responsibility. The obligation of an individual for property in storage awaiting issue or turn-in to exercise reasonable and prudent actions to properly care for, and ensure proper custody, safekeeping, and disposition of the property are provided. Custodial responsibility results from assignment as a supply sergeant, supply custodian, supply clerk, or warehouse person. Personnel with custodial responsibility are rated by and answer directly to the accountable officer or the individual having direct responsibility for the property.

deliberate unauthorized use. Willful or intentional misuse without right, permit, or authority.

direct responsibility. The obligation of a person to ensure all Government property for which they have receipted is properly used and cared for, and that proper custody, accountability, safekeeping, and disposition are provided. Direct responsibility results from assignment as an accountable officer, receipt of formal written delegation, or acceptance of the property on-hand receipt from an accountable officer.

fair value. The price for which the property could be sold in an arm's-length transaction between unrelated parties.

financial liability. The statutory obligation of an individual to reimburse the government for LDD government property as a result of negligence or abuse.

gross negligence. An extreme departure from the course of action to be expected of a reasonably prudent person. The act is characterized by a reckless, deliberate, or wanton disregard of foreseeable consequences.

GSA. Is an independent agency of the U.S. Government. GSA supplies products and communications for U.S. Government Offices, provides transportation and office space to federal employees, and develops government-wide cost-minimizing policies and other management tasks.

inquiry. An informal process of ascertaining the facts, circumstances, and cause of the loss, damage, destruction, or theft.

investigation. A formal proceeding for determining the facts and circumstances related to loss, damage, destruction, or theft of government property; determining the present condition of such property; receiving recommendations as to disposition, retention, and further accountability for such property; or determining the responsibility for loss, gain, damage, or destruction of government property.

IO. Also known as the FLO. An individual who is appointed in writing by the appointing authority to conduct an investigation to determine responsibility for loss, damage, or destruction of government property. Individuals so appointed will not be the APO, PC. The individual should be a commissioned officer; warrant officer; enlisted member in grades E-7, E-8, or E-9; or a civilian employee GS-7 and is normally senior to the person(s) directly involved with the discrepancy.

liability. The state of being responsible or answerable for the loss, gain, damage, or destruction of government property.

loss. Unintended, unforeseen, accidental, damage, or destruction to general equipment that reduces the government-expected economic benefits of the property.

negligence. The failure to act as a reasonable prudent person would have acted under similar circumstances. Failure to comply with existing laws, regulations, or procedures may be considered as evidence of negligence.

PC. An individual appointed by the APO, who accepts custodial responsibility for property, typically by signing a hand receipt. The PC is directly responsible for the physical custody of accountable property under their control.

personal responsibility. The obligation of a person to exercise reasonable and prudent actions to properly use, care for, safeguard, and dispose of all government property in their physical possession.

pilferable items. Materiel having a ready resale value or immediate personal use or application.

probable cause. Reasonable grounds for belief.

proximate cause. The cause which, in a natural and continuous sequence of events unbroken by a new cause, produced the loss or damage. Without this cause the loss, gain, or damage would not have occurred.

research. An investigation of potential or actual discrepancies between physical count and recorded balances. The purpose of the research is to determine the correct balance and determine the cause of discrepancies.

responsibility. The obligation imposed by law, lawful order, or regulation, entrusted to an individual or organization for the management and safeguarding of government property.

sensitive items. Materiel which requires a high degree of protection and control due to statutory requirement or regulations, such as narcotics and drug abuse items; precious metals; items which are of a high value, highly technical, or a hazardous nature; and small arms, ammunition, explosives, and demolition materiel.

supervisory responsibility. The obligation of a supervisor to ensure all government property issued to, or used by, its subordinates is properly used and cared for, and that proper custody, safekeeping, and disposition of the property are provided. It is inherent in all supervisory positions and is not contingent upon signed receipts or responsibility statements.

value. The financial value of an item. Typically, the original acquisition cost or, in the case of capital equipment, the full cost or net book value.

willful misconduct. Intentional damage, destruction, or misappropriation leading to the loss of government equipment.