



# Department of Defense MANUAL

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USD(AT&L)

SUBJECT: DoD Supply Chain Materiel Management Procedures: Materiel Returns, Retention, and Disposition

References: See Enclosure 1

## 1. PURPOSE

a. Manual. This manual is composed of several volumes, each containing its own purpose, and reissues DoD 4140.1-R (Reference (a)). The purpose of the overall manual, in accordance with the authority in DoD Directive (DoDD) 5134.12 (Reference (b)), is to:

(1) Implement policy, assign responsibilities, and provide procedures for DoD materiel managers and others who work within or with the DoD supply system consistent with DoD Instruction (DoDI) 4140.01 (Reference (c)).

(2) Establish standard terminology for use in DoD supply chain materiel management.

b. Volume. This volume implements the policies established in Reference (c) and prescribes procedures for the DoD supply chain materiel management processes dealing with the return of materiel to the wholesale supply system and the disposition and disposal of excess, surplus, and foreign excess personal property.

2. APPLICABILITY. This volume applies to OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD (referred to collectively in this volume as the "DoD Components").

3. RESPONSIBILITIES. See Enclosure 2.

4. PROCEDURES. See Enclosure 3.

5. INFORMATION COLLECTION REQUIREMENTS. The stratification reports referred to in paragraph 6b and 6c of Enclosure 3 of this volume, and paragraph 3 of Enclosure 2 and paragraph 2 of Enclosure 3 of Volume 10, have been assigned report control symbol (RCS) DD-AT&L(SA)2539 in accordance with the procedures in ~~Directive type Memorandum 12-004 Volume 1 of DoD Manual (DoDM) 8910.01~~ (Reference (d)) ~~and DoD 8910.1 M (Reference (e))~~.

6. RELEASABILITY. **Unlimited-Cleared for public release**. This volume is ~~approved for public release and is~~ available on the Internet from the DoD Issuances Website at <http://www.dtic.mil/whs/directives>.

7. EFFECTIVE DATE. This volume *is effective February 10, 2014*.

~~a. Is is effective February 10, 2014.~~

~~— b. Must be reissued, cancelled, or certified current within 5 years of its publication to be considered current in accordance with DoDI 5025.01 (Reference (f)).~~

~~— c. Will expire effective [10 YEARS FROM PUBLICATION DATE— Directives Division will insert date upon posting to the website] and be removed from the DoD Issuances Website if it hasn't been reissued or cancelled in accordance with Reference (f).~~



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ENCLOSURE 1

REFERENCES

- (a) DoD 4140.1-R, "DoD Supply Chain Materiel Management Regulation," May 23, 2003 (cancelled by Volume 1 of this Manual)
- (b) DoD Directive 5134.12, "Assistant Secretary of Defense for Logistics and Materiel Readiness (ASD(L&MR)), May 25, 2000, as amended
- (c) DoD Instruction 4140.01, "DoD Supply Chain Materiel Management Policy," December 14, 2011
- (d) ~~Directive type Memorandum 12-004, "DoD Internal Information Collections," April 24, 2012, as amended DoD Manual 8910.01, Volume 1, "DoD Information Collections Manual: Procedures for DoD Internal Information Collections," June 30, 2014~~
- (e) ~~DoD 8910.1-M, "Department of Defense Procedures for Management of Information Requirements," June 30, 1998~~
- (f) ~~DoD Instruction 5025.01, "DoD Directives Program," September 26, 2012, as amended~~
- (ge) DoD 4160.21-M, "Defense Materiel Disposition Manual," August 18, 1997
- (hf) DoD Instruction 4160.28, "DoD Demilitarization (DEMIL) Program," April 7, 2011
- (ig) DoD Instruction 2030.08, "Implementation of Trade Security Controls (TSC) for Transfers of DoD ~~U.S. Munitions List (USML) and Commerce Control List (CCL)~~ Personal Property to Parties Outside DoD Control," ~~May 23, 2006~~ February 19, 2015
- (jh) Defense Transportation Regulation 4500.9-R, "Defense Transportation Regulations," Part II, "Cargo Movement," current edition
- (ki) Military Standard MILSTD-129, "Department of Defense Standard Practice: Military Marking for Shipment and Storage," current edition
- (lj) Defense Logistics Manual 4000.25-1, "Military Standard Requisitioning and Issue Procedures (MILSTRIP)," June 13, 2012<sup>1</sup>
- (mk) Defense Logistics Manual 4000.25, Volume 2, "Defense Logistics Management System: Supply Standards and Procedures," June 13, 2012<sup>2</sup>
- (nl) Defense Logistics Manual 4000.25-2, "Military Standard Transaction Reporting and Accountability Procedures," June 13, 2012
- (om) DoD Manual 4160.28, Volume 1, "Defense Demilitarization: Program Administration," June 7, 2011
- (pn) DoD Manual 4160.28, Volume 2, "Defense Demilitarization: Demilitarization Coding," June 7, 2011
- (qo) DoD Manual 4160.28, Volume 3, "Defense Demilitarization: Procedural Guidance," June 7, 2011
- (rp) DoD Directive 5160.65, "Single Manager for Conventional Ammunition (SMCA)," August 1, 2008
- (sq) Executive Order 13514, "Federal Leadership in Environmental, Energy, and Economic Performance," October 8, 2009
- (tr) Part 121 of Title 22, Code of Federal Regulations
- (us) Part 774 of Title 15, Code of Federal Regulations

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<sup>1</sup> Available on the internet at [www2.dla.mil/j-6/dlmsso/elibrary/manuals/dlm/dlm\\_pubs.asp](http://www2.dla.mil/j-6/dlmsso/elibrary/manuals/dlm/dlm_pubs.asp)

<sup>2</sup> Available on the internet at [www2.dla.mil/j-6/dlmsso/elibrary/manuals/dlm/dlm\\_pubs.asp](http://www2.dla.mil/j-6/dlmsso/elibrary/manuals/dlm/dlm_pubs.asp)

- (~~vt~~) Title 10, United States Code
- (~~wu~~) Section 203(j)(2) of Title 40, United States Code (also known as “The Federal Property and Administrative Service Act of 1949,” as amended)
- (~~xv~~) Section 3710(i) of Title 15, United States Code (also known as “The Stevenson-Wydler Technology Innovation Act,” as amended)
- (~~yw~~) DoD Instruction 5535.8, “DoD Technology Transfer (T2) Program,” May 14, 1999
- (~~zx~~) DoD Instruction 4140.67, “DoD Counterfeit Prevention Policy,” April 26, 2013
- (~~aa~~y) DoD Directive 5106.01, “Inspector General of the Department of Defense (IG DoD),” April 20, 2012, *as amended*
- (~~abz~~) DoD 7000.14-R, “Department of Defense Financial Management Regulations (FMRs),” Volumes 1-15, dates vary by volume
- (*aa*) *DoD Directive 7045.14, “The Planning, Programming, Budgeting, and Execution (PPBE) Process,” January 25, 2013*

ENCLOSURE 2

RESPONSIBILITIES

1. ASSISTANT SECRETARY OF DEFENSE FOR LOGISTICS AND MATERIEL READINESS (ASD(L&MR)). In accordance with Reference (b) and under the authority, direction, and control of the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)), the ASD(L&MR) oversees the return process of the supply system that administers customer returns of defective materiel, excess materiel, and materiel requiring maintenance, repair, or overhaul.

2. DIRECTOR, DEFENSE LOGISTICS AGENCY (DLA). Under the authority, direction, and control of the USD(AT&L), through the ASD(L&MR), and in addition to the responsibilities in sections 3 and 4 of this enclosure, the Director, DLA, administers:

a. Defense Material Disposition Program, including reutilization, transfer, donation, sales, loans, gifts, hazardous property disposal, and the Precious Metals Recovery Program (PMRP) as specified in DoD 4160.21-M (Reference *(ge)*).

b. Defense Demilitarization Program under the authority of DoDI 4160.28 (Reference *(hf)*).

c. DoD Trade Security Controls Program under the authority of DoDI 2030.08 (Reference *(ig)*).

3. DOD COMPONENT HEADS. The DoD Component heads:

a. Implement the procedures prescribed in this volume and ensure that supplemental guidance and procedures are in accordance with Reference (c) and this manual.

b. Establish criteria and implementing procedures and systems for managing and authorizing materiel returns to the supply system. Base the criteria, procedures, and systems on economic considerations and on the contribution of such returns to improvement of inventory performance relative to item support goals discussed in Volume 2 of this manual.

c. Ensure that returned material is fully visible to applicable managers at all levels upon initial shipment and then systemically tracked to their intended destinations.

d. Ensure that their wholesale or retail managers make a timely disposition determination on defective materiel that is under their control or reported by the using organizations.

e. Project anticipated returns of unserviceable or reparable items on an item-by-item basis. Consider such projected assets, as applicable, to approved reparable item maintenance requirements for purposes of:

- (1) Asset stratification.
- (2) Induction of unserviceable assets for maintenance.
- (3) Maintenance budget development.

f. When needed to fill an approved requirement, return unserviceable depot-level reparable items that cannot be repaired in the field to designated maintenance facilities for repair or overhaul to a serviceable condition.

g. Identify and apply appropriate controls for materiel disposition worldwide, to prevent its unauthorized use.

4. SECRETARIES OF THE MILITARY DEPARTMENTS AND THE DIRECTOR, DLA. In addition to the responsibilities in section 3 of this enclosure, the Secretaries of the Military Departments and the Director, DLA:

a. Assign and maintain demilitarization codes for all items throughout their life cycle.

b. Loan, give, or exchange documents, historical artifacts, and condemned or obsolete combat materiel as deemed appropriate to benefit DoD historical collections and associated educational programs.

c. Stratify inventories of secondary items as described in section 5 of Enclosure 3 of this volume into these categories:

- (1) Approved acquisition objective (AAO) stock.
- (2) Economic retention stock (ERS).
- (3) Contingency retention stock (CRS)
- (4) Potential reutilization stock (PRS).

d. Use the stratification to assess the ability of the secondary item inventory to meet the stated requirement and ensure that surplus inventories are kept only if warranted.

5. SECRETARIES OF THE MILITARY DEPARTMENTS. In addition to the responsibilities in sections 3 and 4 of this enclosure, the Secretaries of the Military Departments:

a. Stratify inventories of conventional *military* munitions (*to include missiles*) as described in section 6 of Enclosure 3 of this volume into these categories:

- (1) Requirements related munitions stock (RRMS).
- (2) Economic retention munitions stock (ERMS).
- (3) Contingency retention munitions stock (CRMS).
- (4) Potential reutilization and disposal stocks (PR/DS)

b. Use the stratification process to assess the ability of the conventional *military* munitions inventory to meet the stated requirement and ensure that surplus inventories are kept only if warranted.

6. COMBATANT COMMANDERS. In addition to the responsibilities in section 3 of this enclosure, the Combatant Commanders, through the Chairman of the Joint Chiefs of Staff, ensure the efficient and effective retrograde of materiel out of theater.



ENCLOSURE 3

PROCEDURES

1. MATERIEL RETURNS

a. ~~Material~~ *Matériel* managers will oversee the returns process and will:

(1) Return materiel in a timely manner to ensure that enough assets are available for use or reuse in the DoD supply chain to satisfy customer requirements. Base the decision to return materiel from supply classes I to X on economic and customer requirements considerations.

(a) Consider DoD Components assets in determining future procurement or repair requirements for items whose projected requirements depend on forecasted demands.

(b) Dispose of materiel assets that exceed approved acquisition requirements unless economic or contingency reasons support their retention.

(2) Return materiel excess to retail supply activity requirements, materiel in need of depot level repair, or defective materiel.

(a) Categorize returned or retrograde shipments automatically as to type of return; e.g., excess materiel, unserviceable materiel, defective or discrepant materiel, class of supply, or other redistribution stocks.

(b) Identify physical units of materiel by return type using appropriate tags, labels, and color codes.

(c) Coordinate with owning activities, to develop physical shipment plans for return of serviceable and unserviceable materiel to satisfy projected customer materiel requirements and applicable maintenance production schedules. Consider utilizing materiel in the disposition system to prevent the cost of procurement or to prevent the cost of repairing unserviceable items when serviceable items are available.

(d) Use standard bar codes, two dimensional symbols, radio frequency identification, or other automatic identification technology devices described in part II of the Defense Transportation Regulation 4500.9-R (Reference (~~jh~~)) and Military Standard MILSTD-129 (Reference (~~ki~~)) when returning materiel.

b. The DoD Components will use applicable logistics standard systems and data procedures as prescribed in Volume 8 of this manual to return materiel.

c. The DoD Components may implement additional materiel returns procedures:

(1) Develop analytical capabilities to assess trends in serviceable and unserviceable returns relative to volume of issues, reason for return, action taken upon return, reliability issues, and to identify discrepancies or out-of-tolerance conditions.

(2) Where possible, automatically generate return authorizations from asset management systems; however, each DoD Component will document manual processes to be used as needed.

d. The materiel manager will:

(1) Establish an asset due-in quantity upon directing materiel to be returned to a wholesale stockage or repair location.

(2) Establish an asset due-in quantity when confirmation has been received that such materiel has been shipped to a wholesale distribution or maintenance depot, whether organic or commercial.

(3) Retain a current record of all retrograde and directed returns; provide to the receiving storage activities through the use of the pre-positioned materiel receipt transactions as prescribed by Defense Logistics Manual (DLM) 4000.25-1, Volume 2 of DLM 4000.25, and 4000.25-2 (References ~~(j)~~, ~~(m)~~, and ~~(n)~~).

(4) Establish the priority for filling a requirement with serviceable material return due-in assets as second only to that of serviceable on-hand assets. Consider them before applicable unserviceable items (whether scheduled or not scheduled for repair), items on-order under contract, and items on-order for which funds have been committed, but are not yet under contract.

(5) Adjust the demand history, forecast, and all associated levels if a serviceable return can be identified to its originating requisition and was used in forecasting customer requirements. In cases where actual returns data are not available for use in the requirements process, materiel managers may use percentage factors or other applicable methods to adjust requirements until systemic deficiencies are resolved.

(6) Use serviceable returns that cannot be identified to originating requisitions to develop a serviceable return forecast. Consider forecasted returns as potential assets to offset buy or repair requirements, but only to the extent that they exceed the level of returns already counted in asset records as materiel due-in.

e. To avoid supply shortages caused by returns of serviceable or unserviceable assets that are beyond repair capabilities, the materiel managers may adjust the returns forecast by factors representing the expected likelihood of receiving such assets or the adjusted capable-of-repair rate of unserviceable returns. The materiel managers may also use these factors to limit the portion of the procurement or repair requirements that may be offset by forecasted returns.

f. DoD Components returning materiel outside of prescribed procedures are responsible and may be billed for costs incurred by the receiving activity when supply discrepancies are reported

and validated. Recoupment action by the materiel manager against the initiator may include all cost reimbursable actions performed by the receiving activity such as repackaging, marking, or disposal.

g. The materiel manager will pay the packing, crating, handling, and transportation costs associated with all directed returns. The retail owner of materiel will consider retaining, disposing, or consolidating assets to limit returns where the shipping costs exceed the value of the assets. The wholesale materiel manager will also pay storage costs incurred by the owning activity for assets identified by the manager for temporary retention. Reference (~~j~~h) addresses procedures and assigns responsibilities for performing traffic management functions initiated or sponsored by DoD activities, to include the transportation and movement of returned materiel.

h. The materiel manager may set dollar thresholds to avoid uneconomical return of assets above retail retention limits. For assets below the threshold, the owning activity will consider retaining, disposing, or consolidating those assets where the estimated return costs exceed the value of the assets.

i. The returning activity will:

(1) Provide initial materiel returns shipment status for retrograde and directed returns.

(2) Provide initial shipment status to the materiel manager for directed returns, including excess, defective, and discrepant materiel.

(3) Include passive radio frequency identification tag information in the materiel returns shipment status to the receiving activity, when materiel is destined for DLA locations.

j. Joint deployment or distribution operations centers will direct the return of materiel from theaters of operation using principles of sustainability.

## 2. RETURN OF DEFECTIVE MATERIEL

a. Managing and using organizations will verify that materiel is defective before initiating disposition actions (see Glossary for definition of defective materiel).

b. To guide wholesale or retail managers in making economically viable disposition decisions on defective materiel, the responsible DoD Components will establish criteria such as cost-to-process and cost-to-ship.

c. Using organizations should receive from materiel managers either a financial credit for the defective materiel or its free replacement, excluding *conventional military* munitions or free-issue materiel. Such financial credits should apply to defective materiel supplied either from organic stocks or through direct vendor delivery.

d. To gain restitution for defective materiel, the using organization will report the materiel to the contracting officer for appropriate action. That action may include an investigation by a defense criminal investigative organization (DCIO).

e. Using organizations may return defective materiel to a location determined by the wholesale or retail manager. Using organizations may also retain defective materiel in-place (if the using organization agrees) pending a final disposition decision by the wholesale or retail manager, or may dispose through the DLA Disposition Services. Retain defective materiel under investigation by the DCIO in place (using organization permission is not required); segregate and preserve as potential evidence until specific release or disposition authorization is received from the DCIO.

f. The appropriate materiel manager is responsible for packing, crating, handling, and transportation costs associated with all directed returns.

g. The materiel manager will clearly mark defective materiel and all associated paperwork, including the DD Form 1348-1A, "Issue Release/Receipt Document," located at <http://www.dtic.mil/whs/directives/infomgt/forms/formsprogram.htm>, with the word "defective."

h. The materiel manager will assign an appropriate condition code (and, when possible, the appropriate management code) to prevent inadvertent DoD reuse and to keep defective materiel out of commerce.

i. DLA Disposition Services will use a restricted resale provision in the surplus sales contract and indicate that the resale restriction will apply to all future sales. Procedures for defective critical safety items are in Volume 11 of this manual.

(1) The disposal procedures in Reference (~~ge~~) apply.

(2) Consistent with Reference (~~ge~~), if the appropriate host installation office (e.g., the qualified recycling program coordinator) and the local DLA Disposition Services officer determine that materiel has no commercial value, accomplish disposition through the local trash collection system as needed.

j. The DoD Components will dispose of defective materiel requiring demilitarization according to the procedures in Reference (~~hf~~), DoD Manual 4160.28, Volumes 1, 2, and 3 (References (~~em~~), (~~pn~~), and (~~qo~~)).

k. Where a warranty right exists and it is economical to do so, the DoD Components will request, from the appropriate supplier, either a replacement, refund, or credit of the defective materiel.

### 3. RETURN OF DISCREPANT MATERIEL

- a. Owning or managing organizations, in coordination with the shipping activity when appropriate, will verify that materiel is discrepant before initiating disposition actions.
- b. For discrepant materiel received at a DLA Distribution Depot, the owning or managing organization may delegate authority to provide disposition instructions for supply discrepancies to the shipping DLA Distribution Depot.
- c. The responsible DoD Components will establish criteria for disposition decisions on discrepant materiel such as the wholesale asset position, value and sensitivity of the discrepant materiel, cost-to-return, and cost-to-dispose.
- d. The receiving activity may assign an appropriate supply condition code to prevent inadvertent DoD use pending investigation or litigation.
- e. In response to a validated supply discrepancy, requisitioning activities should receive from materiel managers either a financial credit for any unacceptable discrepant materiel or its free replacement. Such financial credits apply to discrepant materiel supplied either from organic stocks or through direct vendor delivery. If return of the foreign military supply (FMS) ~~supply~~ discrepant materiel is directed by the manager, credit shall not be provided to the FMS customer until materiel is returned to U.S. Government custody.
- f. To gain restitution for supply discrepancies, the receiving organization will report the discrepancy to the DoD shipping activity or materiel manager for appropriate action using the supply discrepancy report (SDR) submitted via DoD WebSDR or an interface partner as specified in chapter 17, Supply Discrepancy Reporting of Reference (~~mk~~).
- g. Materiel managers will document transportation discrepancies reportable under chapter 210 of Reference (~~jh~~) on a transportation discrepancy report. Base claims against the commercial carrier on discrepancies such as damaged, lost, or missing items that occurred while in the carrier's possession.
- h. The responsible organization may direct return of discrepant materiel to a specified location, authorize the receiving activity to retain the discrepant materiel at no cost, or dispose locally or through the DLA Disposition Services. Upon directing a return to a DLA Distribution Depot, the responsible organization must establish a due-in and provide a prepositioned materiel receipt to the receiving activity under chapter 12 of Reference (~~mk~~).
- i. The return shipment is normally directed using the original document number. However, in this situation the transportation control number for the return shipment cannot be derived from the document number. Instead, the returning activity or shipper must construct a unique transportation control number in accordance with Appendix L in Reference (~~jh~~).
- j. The wholesale materiel manager is responsible for packing, crating, handling, and transportation costs associated with all directed returns of requisitioned materiel.

k. Based upon SDR reply guidance, the returning activity will clearly mark discrepant materiel with the words “SDR Return” and mark all associated paperwork with the words “SDR Return” including the DD Form 1348-1A.

#### 4. RETURN OF MATERIEL FOR MAINTENANCE, REPAIR, OR OVERHAUL

a. The DoD Components will:

(1) Classify the level of repair and determine eligibility for maintenance action as prescribed in Volume 2 of this manual.

(2) Use an automated capability, including automated information systems and automatic information technology where possible, to track the return of unserviceable assets to maximize the unserviceable return rate and provide visibility for expediting returns that could satisfy high-priority demands.

(3) Provide a timely return of unserviceable assets directly to a commercial repair facility when that facility is the designated maintenance facility for an item and provide visibility of the return actions to the materiel manager.

b. For all secondary items, the assigned materiel manager is the authority for approving all returns of unserviceable materiel to designated depot maintenance or wholesale distribution activities. The materiel manager will:

(1) Base the approval of unserviceable returns on:

(a) Serviceable and unserviceable on-hand asset availability against future requirements.

(b) Projected future maintenance requirements.

(c) Transportation and handling costs.

(d) Item design stability and impact of technological changes.

(e) Availability of maintenance capacity and resources.

(f) Availability and cost of manufacturing or alternative sources over the life cycle of end item applications.

(2) Employ standard procedures, including the use of pre-positioned materiel, for depot-level maintenance returns and shipment status.

(3) Establish a process for unserviceable depot reparable items to automatically approve the return of unserviceable assets considered economically repairable and code them as such in official catalog documents.

(4) Establish procedures to provide credit for serviceable and unserviceable assets returned for maintenance.

(5) Base the procedures on providing funding credit for returns, adjustments to item price in consideration of carcass value or cost to repair, or physical receipt of reparable units.

(6) In any case, establish credit return procedures to consider factors such as impact of return decisions on customer wait time, total cost of providing new materiel vice repair of unserviceable assets, warranty, and costs of managing and transporting returned assets.

c. The materiel manager may authorize the return of serviceable depot level reparable items if the purpose is to prevent operation failure through preemptive maintenance.

d. The DoD Components may establish routine procedures to return field-level reparable items to designated installations or operating-level maintenance activities.

e. The DoD Components will adjust planned maintenance requirements as changes in projected unserviceable return quantities or scheduled return times occur.

f. For each reparable item, the materiel manager will maintain an automated history of unserviceable returns by returning activity. Maintain the actual history for a period not less than 2 years, and not greater than 10 years.

## 5. MATERIEL RETENTION FOR SECONDARY ITEMS

a. The DoD Components will:

(1) Ensure that all wholesale inventory, regardless of location, is properly categorized with regard to retention and that mechanisms are in place to take proper retention, redistribution, and disposal actions against those inventories.

(2) Stratify secondary items as AAO stock, ERS, CRS, and PRS.

(3) Stratify the quantity of an item authorized for peacetime and wartime requirements to equip and sustain U.S. and allied forces as AAO, according to current DoD policies and plans. Stratify a quantity that is sufficient to support other U.S. Government agencies, as applicable.

(4) Stratify stock above the AAO level as ERS if it is more economical to retain than to dispose of and then potentially repurchase. To warrant economic retention, an item will have a reasonably predictable demand rate. If the expected demand for an item is probable but not

predictable, the item may be considered as ERS provided the managing DoD Component has a documented rationale that economically justifies retention and is available for audit purposes.

(5) Stratify stock above the AAO and ERS levels as CRS if a level has been established that is held to support specific contingencies. To warrant contingency retention, the materiel manager must be able to provide rationale to warrant contingency retention.

b. To ensure that the methodologies used to identify economic and contingency stocks are current, the DoD Components will:

(1) Periodically review and validate their associated methodologies.

(2) Conduct an annual review of cost, demand, weapon system, and other factors used in making economic and contingency decisions for ERS and CRS to ensure the factors are up to date. Senior management will attest to the validity of the factors in writing.

(3) Focus an annual review of all items with ERS on retaining only those stocks that are based on an approved economic method. Give highest review priority to ERS with the largest dollar value or largest inventory storage cube requirement.

(4) Focus an annual review of all items with CRS on retaining only those stocks that have documented rationale for retention above economic limits. Give highest review priority to CRS items with the largest dollar value or largest inventory storage cube requirement.

(a) To that end, DoD Components may choose to zero out CRS levels and restore only those stocks that continue to have the required rationale.

(b) For DoD Component managed items with CRS, DoD Components must conduct a 100 percent annual review.

(c) For DLA managed CRS with a Service request for retention, DLA will work with the Military Services to ensure that items with CRS quantities are reviewed at least once every 3 years.

(d) For DLA CRS materiel, the Commanding Officer (or designee) of the Military Services Materiel Commands' will attest in writing to the review and retention decisions of applicable DLA CRS quantities, and that the Weapon System Support Program reflects current weapon system information. The DLA Director (or designee) will attest annually in writing to the overall coordination of the CRS process with the Military Services, including execution of retention and disposition recommendations.

(5) Triennially review ERS with a validation of the methodology used to determine ERS to ensure that it accurately depicts the economic tradeoff between the costs of retaining stock and the costs of disposing of stock. DoD Components will use the Table, "ERS Assessment Checklist," to validate the methodology for setting the maximum level of ERS. The criteria for the required triennial validation fall into several categories as depicted in the Table.



Table. ERS Assessment Checklist

<b>Category</b>	<b>ERS Assessment Criteria</b>
Future demand	Is your procedure for identifying items with predictable demand credible, i.e., realistic and reliable?
	Is your procedure for identifying items with probable demand credible, documented, and available for audit?
Economic Analysis	Does your economic retention level (ERL) method quantify the maximum level of ERS based on a cost or savings trade-off?
	Are all of your assumptions documented and creditable?
	Is your final ERLs based strictly on economics?
	Is your quantification of significant costs and benefits in the ERL method documented?
	Does your ERL method discount future costs and benefits to account for the time value of money?
	Does the time horizon for your economic analysis align with the probability distribution for long term demand for your items?
	Does your ERL method provide for sensitivity testing to account for uncertainties in the future?
	Is your ERL method sufficiently documented?
	Are your ERS determinations based on ERLs that are derived from up-to-date and documented data sources?
Application	Does your application of the ERL analysis adhere to policy and, if groupings are applied, are they logical and not subjective?
	Do you apply your ERS determinations on a regular basis? Explain when you make your determinations (e.g., monthly, quarterly) and how you make your determinations (e.g., within your standard system, within a bolt-on to your standard system, outside your system).
Variables	Is the cost to store in your ERL method up-to-date and estimated with a high degree of confidence?
	Do you estimate the value of storage costs? If yes, explain how storage costs are calculated including data sources.
	Is the disposal return in your ERL method up-to-date and estimated with a high degree of confidence?
	Is the potential long-term demand in your ERL method up-to-date and estimated with a high degree of confidence?
	Are potential repurchase costs in your ERL method up-to-date and estimated with a high degree of confidence?
	Do you estimate the value of repurchase costs? If yes, explain how repurchase costs are calculated including data sources.

Table. ERS Assessment Checklist (continued)

<b>Category</b>	<b>ERS Assessment Criteria</b>
Weapon System Variables	Does your ERL method consider the remaining life of the system or item?
Reviews	Do you review and validate your ERL method at least annually?
	Do your logistics headquarters commanders or designees attest to the validity of their ERL methods in writing?
	Do you have on-going or periodic efforts to improve your long-term demand estimations?
	Do you have on-going or periodic efforts to improve your cost estimates?

c. The DoD Component heads, or their appointed designees, will provide oversight to ensure ERS and CRS reviews are conducted as prescribed in this volume and documented accordingly.

d. Materiel managers may retain wholesale stock up to the sum of the AAO, the ERS, and the CRS. Stocks above that sum are PRS and materiel managers must review them for transfer to the DLA Disposition Services within 3 months.

(1) Within 3 months of the stratification as PRS, the DoD Components will:

(a) Ensure timely disposition by completing a review to determine whether the PRS stock should be re-categorized for retention or disposed.

(b) Initiate the re-categorization as CRS, ERS, or AAO (as appropriate) or disposal actions within 1 month following the review.

(2) Materiel managers will document the disposition decisions and actions.

e. The DoD Components will:

(1) Base the methodology used to set the maximum level of ERS for an item on an economic analysis that balances the costs of retention, disposal, and potential repurchase.

(2) Consider the costs of storage capacity, potential long-term demand, potential repurchase procurement, and materiel costs in the analysis. For items essential to the operation of a weapon system, the expected life of the system and the number of systems in use should be considered.

f. The DoD Components may accomplish the analysis on an item-by-item basis, for logical commodity groupings, or for specific end-item applications.

(1) For weapon-system items, economic retention levels will depend on changes in the number of systems in use if the future demand rate per system is known and not expected to change. Use of current or greater retention levels may be warranted due to:

- (a) Change in the number of systems is due to weapon system phase out.
- (b) The future demand rates for items are expected to increase due to aging.
- (c) The possibility of diminishing manufacturing sources.

(2) For ERS, the DoD Components will focus their review of economic retention methodologies on:

(a) Use of forecasting models that take into account potential trends in demand and predicting long-term demand, based on historical data, in order to better analyze supporting retention decisions. Because repurchasing costs are the predominant cost in retention decisions, reducing the uncertainties of predicting long-term demand is important, particularly for items with little or no demand in their recent history.

(b) Improved estimates for costs used in retention decision-making.

(3) For CRS, the DoD Components will:

(a) Document CRS retention decisions and record senior management approval of CRS retention decisions.

(b) Identify CRS according to the following six categories:

- 1. CRS code C- Reclamation and cannibalization.
- 2. CRS code F- Potential security assistance; FMS Reserve.
- 3. CRS code H- Humanitarian assistance and disaster relief, includes civil emergencies.
- 4. CRS code M- Military operational necessity.
- 5. CRS code P- Item procurement and re-procurement constrained, includes diminishing manufacturing source, life-of-type (LOT) buy, non-procurable stock, unforecastable demand, performance based logistics (PBL) item.
- 6. CRS code W- Weapon system exclusion, includes weapon system modification programs, service life extension programs, and Weapon System Designator Code items.

(c) Review items unique to a weapon system that is being withdrawn from use for possible contingency retention.

(d) Base decisions to hold stocks of items with potential security assistance contingency retention on historical demand and anticipated sales from foreign non-cooperative logistics supply support arrangement customers.

(e) To help justify contingency retention for a unique item, maintain a record with the identification of the item and the weapon system. Stocks of unique items with no contingency retention may be held for up to 1 year after the phase-out of the weapon system, with a written determination (renewable annually by the commander of the applicable materiel manager) that holding the stocks is in the interest of the DoD.

(4) Since the orientation of contingency retention is different from economic retention, the DoD Components' annual review will focus on verifying that the reason for contingency retention still exists and the coding of the reason for contingency retention is correct.

g. To guard against variable demand and the associated unnecessary costs of returning and later reordering items, retail supply activities may have retention levels for demand-based items.

(1) The DoD Components may retain items at a retail supply activity up to the sum of the approved war reserve level, the requisitioning objective, and a maximum of 24 months' worth of demand at anticipated issue or wear-out rates.

(2) If the holding DoD Component does not authorize retail retention, the local retention level for an item is its requisitioning objective.

## 6. MATERIEL RETENTION FOR CONVENTIONAL *MILITARY* MUNITIONS

a. Military Departments will:

(1) Apply the procedures in this volume to all conventional *military* munitions with the Single Manager for Conventional Ammunition (SMCA) Joint Conventional Ammunition policies and procedures, which can be found on Joint Ordnance Commanders Group website at [www.us.army.mil/suite/page/631349](http://www.us.army.mil/suite/page/631349).

(a) Include ~~ammunition~~ *conventional military munitions* managed by the SMCA in accordance with DoDD 5160.65 (Reference (~~fp~~)), tactical missiles, and all other Military Department-managed conventional munitions.

(b) Exclude toxic chemical and special weapons from this requirement.

(2) Stratify all conventional *military* munitions inventories to assess the ability of the inventory to meet the stated requirement.

(3) Keep inventories above requirements only if warranted.

(4) Utilize the stratification process to provide a joint view of assets in the inventory for an extended time or long-supply position.

(5) Participate in cross-leveling activities *throughout the year, to include quarterly reviews, to optimize ensure optimization of the whole DoD inventory. Cross-leveling of conventional military munitions among Military Departments, and screening of the resource recovery and disposition (RRDA) account, is a continual process.*

(6) Use cross-leveling activities to offset individual procurements of the Military Departments in coordination with USD(AT&L).

(7) Proceed with disposal and demilitarization of only those assets that are excess to all DoD requirements in accordance with the procedures in References ~~(g)~~, ~~(om)~~, ~~(pn)~~, ~~and (qo)~~, and *(Reference (e))*.

*(a) Excess conventional military munitions will be screened by the other Military Departments before transferring to the RRDA. This will include assets that in a previous year were unclaimed by any Military Department.*

*(b) Military Departments will document that a search of the RRDA occurred, before making procurement decisions, to ensure excess items are not purchased.*

(8) Use emergency redistribution between Military Departments when necessary to accomplish *conventional military* munitions support to emerging and ongoing joint operations. Allocation of critical munitions remains a Combatant Commander's prerogative.

(9) Use the individual Military Department's current year stratification report to acquire or donate long-supply assets from the DoD inventory before procuring or disposing of assets.

(10) Establish reimbursement agreements for emergency ~~cross-leveling transfers~~ of *conventional military* munitions. Reimburse munitions in order of preference through replacement of same items, replacement with substitutes, future production of items, trade of other munitions, trade for future munitions, procurement funds, or waiver of cost by owning Military Department's Chief of Staff. The SMCA will act as the repository for such agreements and execute the agreements as appropriate.

b. At least annually, each Military Department will:

(1) Use the reporting guidance in Volume 10 of this manual and the stratification procedures for conventional *military* munitions inventory described in paragraphs 6b(2) to 6e of this enclosure.

(2) Stratify the September 30 inventory of conventional *military* munitions as:

(a) RRMS. Stratify as RRMS the inventory of munitions stock, including preferred and substitutes, applied to the total munitions requirements (TMR), individual item procurement lead time, and other elements that are applicable to internal Military Department-level inventory management during stratification. Calculate RRMS equal to TMR 5-year baseline year 1 through 5 of Defense Plan plus total procurement lead time (administrative lead time plus production time). Assets that support the TMR may be preferred or substitute munitions (in lieu of having the required number of preferred munitions). Further categorize munitions inventories that do not support the TMR to show their benefit to the Military Departments as inventories in excess of Military Department requirements.

(b) ERMS. Stratify as ERMS the inventory quantity of an item greater than the RRMS that is found through economic analysis to be more cost effective to retain for future peacetime issues, versus disposing of it and reacquiring it in the future to meet projected requirements.

1. Retain an item if it has a reasonably predictable future requirement or demand rate.

2. Calculate economic retention quantities of ERMS through use of formulas considering future requirements, disposal, and future acquisition costs versus the cost of retention.

3. Determine the need to retain ERMS based upon the projected need for the stock beyond the program objectives memorandum (POM) period.

4. Support retention of ERMS by an economic analysis of the cost to retain (including storage costs) versus the cost to procure (including disposal and demilitarization costs).

5. Cross-level ERMS assets whenever it is financially and strategically prudent to do so.

(c) CRMS. Stratify as CRMS the inventory quantity of an item greater than the RRMS that is retained to support requirements not included in the TMR calculation. CRMS assets are only available for cross-leveling if transfer of the CRMS to another Military Department will not impede the special mission or agreement for which the assets were being retained. Include assets in CRMS that are being set aside for:

1. Ceremonial activities.

2. Support to other agencies.

(d) PR/DS. Stratify as PR/DS the inventory quantity of an item that is greater than the sum of the RRMS, the ERMS, and the CRMS.

1. Consider PR/DS as excess to the requirements of an individual Military Department, but not excess to the requirement of all the Military Departments.

*2. Consider assets that in a previous year were categorized as PR/DS and therefore unclaimed by any Military Department as potentially available for RRMS, ERMS, or CRMS before categorizing as PR/DS in the new cross-leveling cycle.*

3. During the cross-leveling cycle that followed an ~~assets~~ *asset's* categorization as PR/DS ~~to~~, the PR/DS must be either:

a. Claimed by another Military Department.

b. Moved by the owning Military Department to another retention category as a result of a new requirements determination and asset stratification cycle.

c. Moved to disposal if unclaimed by another Military Department at the end of the yearly cross-leveling cycle. Disposal stock with demilitarization codes A, B, Q will go directly into the DLA Disposition Services account. Disposal stock ~~is in~~ demilitarization codes C, D, E, F, Q, and P will go into the ~~demilitarization account~~ *RRDA*.

c. The Military Departments must provide visibility of conventional munitions in their inventories according to the procedures in Volume 10 of this manual by sending their annual external stratification report to each other, including the U.S. Coast Guard when it is under the Department of the Navy, and the United States Special Operations Command.

d. Document specific ERMS and CRMS retention rational and retain internally for presentation on demand.

e. At least annually, each Military Department will create an internal stratification report that displays the Military Department's conventional munitions in categories: RRMS, ERMS, CRMS, and PR/DS. The Military Departments may also include other elements that are applicable to internal Military-Service-level inventory management.

## 7. MATERIEL RETURNS PROGRAM FOR RETAIL ASSETS

a. The DoD Components will:

(1) Use materiel from classes of supply ~~I~~ *I* to X available in the disposition system to the extent practicable to prevent the cost of concurrent procurement and disposal, or to prevent the cost of repair of unserviceable items when serviceable items are available.

(2) Report all serviceable assets or economically repairable assets above a DoD Component's retention limit at a retail supply activity to the wholesale manager for a determination as to disposition, except for Class I perishable subsistence and Class VIII medical shelf-life items.

(3) Establish criteria to guide the wholesale manager in making an economically viable decision on disposition, such as cost-to-process, cost-to-hold, cost-to-ship, and an item's inventory position relative to its requirements levels. Based on those criteria, the wholesale manager will advise the holding DoD Component to:

- (a) Return the reported assets to wholesale stocks.
- (b) Laterally redistribute the reported assets.
- (c) Temporarily retain the assets in-place.
- (d) Not return the reported assets as they are not authorized to be returned.

b. Retail Class I perishable subsistence, Class VIII medical shelf-life assets, industrial plant equipment, ~~Class V ground and surface ammunition~~, and lumber are not authorized for return.

c. As an alternative to procurement to satisfy operational requirements within the budget year, wholesale managers will:

- (1) Accept returned assets and provide a financial credit to the owning DoD Component.
- (2) Provide the financial credit at standard unit price, less the cost recovery rate.
- (3) Authorize no credit for returns of assets beyond the budget year, or to satisfy the currently unfunded portion of the war reserve requirements.
- (4) Grant financial credit for packing, crating, handling, and transportation for all directed returns, regardless of materiel credit eligibility.

d. If serviceable assets of consumable and repairable items or unserviceable-but-economically-repairable assets of repairable items exceed the local retention levels at a retail supply activity, the holding DoD Component will:

- (1) Utilize systems when available such as Plant Clearance Automated Reutilization Screening System to report the availability of the items to other co-located DoD organizations.
- (2) Report as soon as practicable, but at least quarterly, those assets to the wholesale manager.
- (3) Report full unit-of-issue quantities only.

e. Reported assets that the wholesale manager does not authorize for return or temporary retention are subject to the retail holding or disposal practices of the owning DoD Component. Unauthorized return of materiel may result in the materiel manager taking action to recoup from



the returning activity the cost of all reimbursable actions the receiving activity performs (e.g., repackaging, marking, or disposal).

f. Items obtained with only a local stock number (i.e., without a national stock number (NSN) or a catalog part-number) are not subject to the materiel returns program.

*8. GOVERNMENT INVENTORY MANAGEMENT BY CONTRACT. With respect to sustainment contracts in which the contractor manages government inventory, the buying DoD Components will:*

*a. Maintain inventories of secondary items that are managed by contractors for inventory reporting as described in DoDM 4140.01, Volume 10, Enclosure 3, Paragraph 4.*

*b. Use semiannual inventory information to assess the ability of the government inventory managed by contractors to meet requirements and ensure that inventories are kept only if warranted.*

*c. Approve written plans supporting a sustainment contract that proposes actions for the reuse or disposal of government inventory when identified by the contractor.*

*d. Assign a materiel manager to provide oversight of government inventory that is managed by contract.*

**89. MATERIEL DISPOSITION AND DISPOSAL**

a. DoD Components will transfer materiel to disposal activities with minimal packaging necessary to ensure handling, transportability, and receipt. The DoD Components will:

(1) Establish routine procedures to recover long life reusable containers with defined requirements.

(2) Use materiel available in the materiel disposition system to the extent practicable to prevent concurrent procurement and disposal, or to prevent the repair of unserviceable items when serviceable items are available.

b. The materiel managers will use reclamation instead of procurement or repair to obtain components parts or combination of parts (which can be installed or replaced only as an entity) to meet current requirements when it is timely and economical to do so. Current requirements are those within the AAO.

c. Retail supply activities will:

(1) Have visibility of assets transferred to the DLA Disposition Services and may withdraw assets for their own use.

(2) Expedite the disposal of materiel with rapid processing through reutilization, transfer, and donation screening times.

(3) Complete screening, accommodate requirements in References (~~hf~~), (~~om~~), (~~pn~~), and (~~qo~~), and then complete sales.

(4) Accomplish materiel disposition in contingency operations in accordance with the warfighter's mission and in the best interest of the U.S. Government using principles of sustainability identified in Executive Order 13514 (Reference (~~sq~~)). Unless otherwise directed, priority of disposition is:

- (a) Consume within theater.
- (b) Reutilize within DoD and other U.S. entities.
- (c) Retrograde to reset U.S. forces.
- (d) Transfer or donate to allies, partner nations, or others as approved.
- (e) Turn-in to DLA Disposition Services.

(5) Comply with the applicable laws and programs concerned with the disposition of special categories:

(a) Control and demilitarize materiel:

1. That is related to articles on the U.S. Munitions List specified in part 121 of Title 22, Code of Federal Regulations (CFR) or the Commerce Control List as specified in part 774 of Title 15, CFR (References (~~tr~~) and (~~ts~~)).

2. Found by the DoD Components to have, directly or indirectly, a significant military utility or capacity.

3. Identified in appropriate DoD Trade Security Controls

4. To the extent necessary to eliminate its functional or military capabilities as specified in Reference (~~ig~~).

(b) Notwithstanding any other provisions of law and subject to section 2576a of Title 10, United States Code (U.S.C.) (Reference (~~vt~~)), the Secretary of Defense may transfer to federal and State agencies personal property of the DoD, including small arms and ammunition that the Secretary determines is:

1. Suitable for use by the agencies in law enforcement activities, including counter-drug and counter-terrorism activities.

2. Excess to the needs of the DoD.

(c) Pursuant to section 203(j)(2) of Title 40, U.S.C. (also known as “The Federal Property and Administrative Service Act of 1949,” as amended) (Reference (~~wu~~)), certain DoD surplus personal property may be made available to Military Service educational activities to foster and encourage the educational purposes of such activities.

d. Participation in the DoD PMRP is required when an activity generates precious metal-bearing scrap or residual material, or procures or utilizes materiel requiring precious metals. Federal civilian agencies may also participate in the DoD PMRP. The DoD Components and federal civilian agencies will use materials recovered under the PMRP for authorized internal use or as government-furnished material to reduce new procurement costs.

e. The DoD Components may transfer foreign excess personal property for foreign currencies or credits, substantial benefits, or the discharge of claims resulting from the compromise or settlement of such claims, according to applicable law, when the ASD(L&MR) determines that the transfer is in U.S. interests.

f. Pursuant to section 2572 of Reference (~~vt~~), the Military Departments may loan, give, or exchange documents, historical artifacts, and condemned or obsolete combat materiel to benefit DoD historical collections and associated educational programs.

g. Pursuant to section 3710(i) of Title 15, U.S.C. (Reference (~~xv~~)) (also known as “The Stevenson-Wydler Technology Innovation Act”), a laboratory, agency, or department may donate excess research equipment to educational institutions and non-profit organizations for technical, scientific education, and research activities, according to the provisions of DoDI 5535.8 (Reference (~~yw~~)).

h. The Military Departments will assign and maintain demilitarization codes for all items throughout their life cycle. The Demilitarization Coding Management Office will conduct reviews of demilitarization codes and make or recommend code changes in concert with the respective Military Service or Defense Agency.

i. Procedures for critical safety item turn-in are in Volume 11 of this manual.

j. Procedures and responsibilities for disposal are in Reference (~~ge~~).

k. Procedures and responsibilities for demilitarization are in References (~~hf~~), (~~om~~), (~~pn~~), and (~~qo~~).

**910. COUNTERFEIT MATERIEL.** The DoD Components will:

a. Establish programs for monitoring and mitigating the risk of counterfeit materiel entering DoD supply chains according to the policy in DoDI 4140.67 (Reference (~~zx~~)).

- b. Establish and maintain capabilities to properly handle, store, and dispose of counterfeit materiel.
- c. Develop, apply, and maintain materiel management controls to detect, report, store and handle, and properly dispose of counterfeit materiel.
- d. Designate an office or individual and an alternate to act as the single point of contact and to represent its interest on all counterfeit materiel matters.
- e. In their counterfeit programs:
  - (1) Designate officials in all logistics repair, supply, and distribution centers as focal points for counterfeit materiel reporting and program actions.
  - (2) Develop and maintain performance measures to determine the effectiveness and efficiency of anti-counterfeit actions.
  - (3) Develop and maintain education and training to ensure workforce awareness of counterfeit activities.
- f. Establish and maintain capabilities for detecting counterfeit materiel using sampling techniques, materiel testing, and auditing.
- g. Work with industry and law enforcement on anti-counterfeiting measures.
- h. Investigate and obtain remedies for all confirmed cases of counterfeit items under existing fraud, waste, and abuse authorities cited in DoDD 5106.01 (Reference (~~aa~~)).

GLOSSARYPART I. ABBREVIATIONS AND ACRONYMS

AAO	approved acquisition objective
ASD(L&MR)	Assistant Secretary of Defense for Logistics and Materiel Readiness
CFR	Code of Federal Regulations
CRMS	contingency retention munitions stock
CRS	contingency retention stock
DCIO	defense criminal investigative office
DLA	Defense Logistics Agency
DLM	Defense Logistics Manual
DoDD	DoD Directive
DoDI	DoD Instruction
ERL	economic retention level
ERMS	economic retention munitions stock
ERS	economic retention stock
FMS	foreign military supply
LOT	life-of-type
NSN	national stock number
PBL	performance based logistics
PMRP	Precious Metals Recovery Program
POM	program objective memorandum
PR/DS	potential reutilization and disposal stocks
PRS	potential reutilization stock
RCS	report control symbol
<i>RRDA</i>	<i>Resource Recovery and Disposition Account</i>
RRMS	requirement related munitions stock
SDR	supply discrepancy report
SMCA	Single Manager for Conventional Ammunition
TMR	total munitions requirement
U.S.C.	United States Code
USD(AT&L)	Under Secretary of Defense for Acquisition, Technology, and Logistics

## PART II. DEFINITIONS

These terms and their definitions are for the purpose of this volume and will serve as standard terminology for DoD supply chain materiel management.

AAO. The quantity of an item authorized for peacetime and wartime requirements to equip and sustain U.S. and allied forces, according to current DoD policies and plans. That quantity shall be sufficient to support other U.S. Government agencies, as applicable.

acquisition. Obtaining logistics support, supplies, or services under an acquisition agreement or under a cross-servicing agreement. This includes purchasing (whether for payment in currency, replacement-in-kind, or by exchange for equal value), renting, leasing, or any method of temporarily obtaining logistics support, supplies, or services.

ammunition. An end item, complete round, or materiel component charged with explosives, propellants, pyrotechnics, or initiating composition for use in connection with defense or offense (including demolitions) as well as ammunition used for training, ceremonial, or non-operational purposes. This includes inert devices that replicate live ammunition, commonly referred to as dummy ammunition, which contain no explosive materials.

class of supply. A term used to divide supplies and equipment into ten easily identifiable categories of materiel that are depicted by Roman numerals, as follows:

Class I. Subsistence, including food and food-related supplies, including condiments, utensils, paper products, and bottled water.

Class II. Clothing, individual equipment, tentage, organizational tool kits, hand tools, administrative, and housekeeping supplies and equipment.

Class III. Petroleum fuels, lubricants, hydraulic and insulating oils, preservatives, liquid and compressed gases, bulk chemical products, coolants, de-icing and antifreeze compounds, together with components and additives of such products, and coal.

Class IV. Construction materials including installed equipment and all fortification or barrier materials.

Class V. Ammunition, *to include military munitions*, of all types (including chemical, biological, radiological, and special weapons), bombs, explosives, mines, fuses, detonators, pyrotechnics, missiles, rockets, propellants, and other associated items.

Class VI. Personal demand items (non-military sales items).

Class VII. Major end items. A final combination of end products that is ready for its intended use; e.g., launchers, tanks, mobile machine shop, and vehicles.

Class VIII. Medical materiel, including medical-peculiar repair parts.

Class IX. Repair parts and components including kits, assemblies and subassemblies, repairable and consumable items required for maintenance support of all equipment, excluding medical-peculiar repair parts.

Class X. Materiel to support non-military programs, such as agriculture and economic development, not included in classes I through IX.

component. In logistics, a part or combination of parts having a specific function, which can be installed or replaced only as an entity.

*conventional military munition. Ammunition or military munitions that are neither nuclear nor special weapons. The term does include conventional munitions that are part of nuclear weapons.*

CRMS. The inventory quantity of an item greater than the RRMS that will be retained to support requirements not included in the TMR calculation. Assets retained for contingencies are intended for situations other than those already considered in the war reserve materiel or the TMR requirements.

cross-leveling. The transfer of ownership of retention and potential reutilization assets between the Military Departments (including the U.S. Coast Guard) for application against a total munitions requirement shortfall. Cross-leveling does not pertain to assets designated as RRMS. Only retention level (ERMS and CRMS) and PR/DS are available for peacetime cross-leveling. Joint Chief of Staff procedures already exist ~~that pertain~~ *pertaining* to the allocation, distribution, and redistribution of RRMS in wartime. *Cross-leveling of conventional military munitions among Military Departments, and screening of the RRDA account, is a continual process.*

CRS. Stock above the approved acquisition objective and economic retention stock level, if a level has been established, that is held to support specific contingencies.

cube. When used in regard to storage requirements, the 3-dimensional space (i.e., cubic volume) available for storing materiel.

defective materiel. Materiel that, during its warranty period, fails to function properly due to design, materials, or manufacturing shortcomings. If the materiel is not covered by a warranty, it is considered defective if it fails to function properly either when initially installed or put to attempted use, or for a period of time that is substantially less than is common for similar materiel.

demand. An indication of a requirement, a requisition, or similar request for an item of supply or individual item. Demands are categorized as either recurring or non-recurring.

demilitarization. The act of eliminating the functional capabilities or inherent military design features from DoD personal property. Methods and degree range from removal and destruction of critical features to total destruction by cutting, crushing, shredding, melting, burning, etc.

Demilitarization is required to prevent property from being used for its originally intended purpose and to prevent the release of inherent design information that could be used against the United States. Demilitarization applies to materiel in both serviceable and unserviceable condition.

depot-level reparable. An item that is designated for repair at depot level, or that is designated for repair below the depot level for which condemnation authority must be exercised by the cognizant depot level repair activity.

DLM. A set of manuals that prescribe logistics management responsibilities, procedures, rules, and electronic data communications standards for use in the DoD to conduct logistics operations in functional areas such as supply, maintenance, and finance. These manuals collectively comprise the DLMS.

donation. Property under the control of a Military Department or a Defense Agency authorized for donation by statute to an authorized donor.

*ERMS. The inventory quantity of an item that remains after RRMS is calculated provided the Service can reasonably predict future usage, testing and training requirements beyond the range of RRMS. Assets categorized as ERMS are applicable to an active weapon system's purpose, its product of life-cycle support plan, and the decision to retain the asset is economically sound, based on a number of factors including but not limited to future acquisition costs, or manufacturing capabilities. The ERMS category also serves to resupply depleted RRMS assets and prevent premature or inadvertent purging of the Service's inventories of munitions planned for availability beyond the five-year Defense Plan.*

ERS. Stock above approved acquisition objective that is more economical to retain than to dispose of and then potentially repurchase.

end item. A final combination of end products, component parts, or materials that is ready for its intended use, e.g., ship, tank, mobile machine shop, or aircraft.

excess. Materiel at a retail supply activity that is excess to that activity's requirements and is subject to return to the wholesale materiel manager, redistribution within the DoD supply chain, or to disposal by DLA Disposition Services.

field-level reparable item. An item that is normally repaired below the depot level of maintenance and for which condemnation authority may be exercised below the depot level.

foreign excess personal property. U.S.-owned excess personal property that is located outside the United States and its possessions. This excludes the 50 States, District of Columbia, Puerto Rico, American Samoa, Guam, Northern Mariana Islands, the Federated States of Micronesia, the Marshall Islands, Palau, and the U.S. Virgin Islands. This property becomes surplus and is eligible for donation and sale.



government-furnished material materiel. *Property Materiel* provided by the U.S. Government for the purpose of being incorporated into or attached to a deliverable end item that will be consumed or expended in performing a contract. Government-furnished material includes assemblies, components, parts, raw and process material, and small tools and supplies that may be consumed in normal use in performing a contract. Government-furnished material does not include material provided to contractors on a cash sale basis nor does it include equipment, special tooling, special test equipment, ~~or~~ items to be repaired by commercial contractors for return to the U.S. Government, *or real property*.

inventory. 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 DoD 7000.14-R, Volume 4 (Reference (~~abz~~)). Inventory does not include tangible personal property to be consumed in normal operations, operating materials and supplies as defined by Reference (~~abz~~).

item of supply. A category of items identified by a NSN with the same form, fit, and function. The individual items (units) included in this category could be manufactured by multiple sources.

*long supply. Those items that are calculated above the AAO.*

LOT buy. A one-time procurement, when all cost effective and prudent alternatives have been exhausted, for the total future requirement of an item that is no longer expected to be produced. The procurement quantity shall be based upon demand or engineering estimates of wear out rates or item malfunction or failure sufficient to support the applicable equipment until phased out.

marking. The application of legible numbers, letters, labels, tags, symbols, or colors to ensure proper handling and identification during shipment and storage.

material. Property that may be consumed or expended during the performance of a contract, component parts of a higher assembly, or items that lose their individual identity through incorporation into an end-item. Material does not include equipment, special tooling, special test equipment, or real property.

materiel. All items necessary to equip, operate, maintain, and support military activities without distinction as to its application for administrative or combat purposes, excluding real property, installations, and utilities. Materiel is either serviceable (i.e., in an issuable condition) or unserviceable (i.e., in need of repair to make it serviceable).

materiel management. That phase of military logistics that includes managing, cataloging, demand and supply planning, requirements determinations, procurement, distribution, overhaul, and disposal of materiel.

materiel manager. Any DoD activity or agency that has been assigned materiel management responsibilities for the DoD and participating federal agencies. The term includes responsibilities performed by either wholesale materiel managers or retail materiel managers:

managing, cataloging, demand and supply planning, requirements determination and definition, procurement, distribution, overhaul and repair of reparable materiel, and disposal of materiel.

*military munition. All ammunition products and components produced for or used by the armed forces for national defense and security, including ammunition products or components under the control of the DoD, the U.S. Coast Guard, the Department of Energy, and the National Guard, as described in section 101 of Reference (w).*

NSN. The 13-digit stock number replacing the 11-digit federal stock number. It consists of the 4-digit federal supply classification code and the 9-digit national item identification number. The national item identification number consists of a 2-digit National Codification Bureau number designating the central cataloging office (whether North Atlantic Treaty Organization or other friendly country) that assigned the number and a 7-digit (xxx-xxxx) nonsignificant number. The number shall be arranged as follows: 9999-00-999-9999.

personal property. Any end item, materiel, equipment, spares, or repair parts. Property of any kind or any interest therein, except real property, records of the U.S. Government, and naval vessels of the following categories: surface combatants, support ships, and submarines.

~~POM. A 5-year projected blueprint of each organization's proposals for updating DoD programs. Each Military Department, Defense Agency, and United States Special Operations Command submits it to the Secretary of Defense for approval. The approved POM defines the programs to be supported in the Military Department and the Defense Agency described in greater detail in Reference (ab). The final product of the programming process within the DoD. The DoD Component's POM displays the resource allocation decisions of the Military Departments in response to and in accordance with planning and programming guidance, in accordance with DoDD 7045.14 (Reference (aa)).~~

PR/DS. The inventory quantity of an item that is greater than the sum of the RRMS, the ERMS, and the CRMS. The PR/DS is considered excess to the requirements of an individual Military Department, but has not yet been found to be excess to the requirement of all the Military Departments.

precious metals. Federal Supply Class 9660 items that are gold, silver, platinum, or palladium granulation and sponges, rhodium, ruthenium, iridium, and osmium recovered from items, such as photographic and X-ray film, spent photographic fixing solution, military accouterments, such as insignia, crucibles, special wires, silver cell batteries, missile and electronic scrap, turnings, desalinization kits, brazing alloys, solder, and dental scrap.

principal item. An end item or a replacement assembly of such importance to operational readiness that management techniques require centralized individual item management throughout the supply system to include items stocked at depot level, base level, and using unit level. Principal items do not include complete aircraft, ships, tanks, helicopters, other combat and tactical vehicles, intercontinental ballistic missiles, intermediate range ballistic missiles, or space vehicles.

PRS. Stock above the sum of the AAO, the ERS, and the CRS that is under review for transfer to the DLA Disposition Services.

receiving. All actions taken by a receiving activity from the physical turnover of materiel by a carrier until the on-hand balance of the accountable stock record file or in-process receipt file is updated to reflect the received materiel as an asset in storage, or the materiel is issued directly from receiving to the customer.

reclamation. The process of reclaiming required serviceable and economically repairable components and material from excess or surplus property for return to the proper supply activity, whereas the residue is processed as disposable property.

reparable item. An item of supply subject to economical repair and for which the repair (at either depot or field level) is considered in satisfying computed requirements at any inventory level.

requisition. An order for materiel initiated by an established, authorized organization (i.e., a DoD or non-DoD organization that has been assigned a DoD activity address code) that is transmitted either electronically, by mail, or telephoned to a supply source either within or external to the DoD (e.g., the General Services Administration, the Federal Aviation Administration, or other organizations assigned management responsibility for categories of materiel), according to procedures specified in References (tj) and (mk).

requisitioning objective. The maximum quantity of materiel to be maintained on-hand and on-order to sustain current operations and core war reserves. It shall consist of the sum of stocks represented by the operating level, safety level, repair cycle, if applicable, the order and shipping time, and authorized additive levels.

retail. Level of inventory below the wholesale level, either at the consumer level for the purpose of directly providing materiel to ultimate users or at the intermediate or region level for the purpose of supplying consumer levels or ultimate users in a geographical area.

retention limit. The maximum quantity of on-hand materiel that may be retained in stock, as applicable retention rules determine.

RRMS. The inventory of munitions stock, including preferred and substitutes, applied to the TMR, individual item procurement lead time, and other elements that are applicable to internal Military Department-level inventory management during stratification. The RRMS provides the Military Department with inventory support throughout the period of the POM and lead time to procure.

secondary item. An item of supply that is not defined as a principal item and includes reparable components, subsystems, and assemblies, consumable repair parts, bulk items and material, subsistence, and expendable end items, including clothing and other personal gear.

shelf-life item. An item of supply possessing deteriorative or unstable characteristics to the degree that a storage time period is assigned to ensure that it performs satisfactorily in service.

SMCA. The responsibility the Secretary of Defense assigns the Secretary of the Army for the procuring, producing, supplying, and maintaining, or renovating conventional ammunition within the DoD.

stratification process. A uniform portrayal of requirements and assets that is a computer-generated application, time-phased simulation of actions causing changes in the supply position; e.g., procurement, repair, receipt, issue, termination, and disposal of materiel.

supply chain. The linked activities associated with providing materiel from a raw material stage to an end user as a finished product.

supply source. Any federal government organization exercising control of materiel and to which requisitions are directed.

surplus property. Excess personal property not required by any federal agency as determined by the Administrator of the General Services Administration.

sustainability. Create and maintain conditions, under which humans and nature can exist in productive harmony, that permit fulfilling the social, economic, and other requirements of present and future generations.

trade security control. The controls on export, import, and demilitarization of personal property established by Reference (ig) and any similar controls established by the Department of Homeland Security.

U.S. Munitions List. A list published by the U.S. Department of State that delineates the articles, services, and related technical data designated as defense articles and defense services.

wholesale. The highest level of organized DoD supply, and as such, procures, repairs, and maintains stocks to resupply the retail levels of supply. Synonymous with wholesale supply, wholesale level of supply, wholesale echelon, and national inventory.

wholesale stock. Stock, regardless of funding sources, over which the materiel manager has asset knowledge and exercises unrestricted asset control to meet worldwide inventory management responsibilities. Synonymous with national inventory.