

**PERSONAL PROPERTY LETTER**

**ISSUE NUMBER 970-2**

**Date February 23, 1996**



**AUTHORITY**

This Personal Property Letter (PPL) is issued by the Deputy Assistant Secretary for Procurement and Assistance Management pursuant to a delegation from the Secretary in order to provide interim guidance on personal property management matters.

**CONTENTS**

**CITATION**

**TITLE**

DOE-PMR 109-1.5106-5

Physical Inventories

- I. **Purpose**. The purpose of this PPL is to authorize deviations from DOE-PMR prescribed requirements concerning (1) the frequency of physical inventories required for precious metals and (2) the frequency and method of physical inventories required for sensitive property.
- II. **Background**. DOE-PMR 109-1.5106-5 establishes the frequency and method requirements for physical inventories of DOE-owned precious metals and sensitive property. Currently, the DOE-PMR requires:
  - A. A frequency of (1) not less than every six months for precious metals and (2) not less than every twelve months for sensitive property.
  - B. Use of the wall-to-wall physical inventory method.

Application of streamlined physical inventory requirements for precious metals and sensitive property will produce significant cost savings throughout the Department without loss of visibility and control. The deviations authorized in this PPL are also consistent with the Department's objective to reengineer its personal property management processes while maintaining the accountability and controls necessary to protect the Government's interests.

Data requested from DOE field offices was used to establish the sensitive property thresholds and exclusions found in this PPL.

III. **Guidance.** Subject to the provisions of DOE-PMR 109-1.5106-5(g), the following deviations to DOE-PMR section 109-1.5106-5 are authorized:

- A. Paragraph 109-1.5106-5(e)(4) is amended to change the frequency requirement for physical inventories of precious metals from “not less frequently than every six months” to “not less frequently than every twelve months.”
- B. Paragraphs 109-1.5106-5(e)(2) and 109-1.5106-5(j) are amended to change the physical inventory requirement for items of sensitive property (except for arms, ammunition, and military property) having an acquisition cost of \$2,000 or less as follows:
  - 1. Wall-to-wall physical inventories will be conducted “not less frequently than every third year” and, when applicable, at contract completion unless there is a follow-on contract with the same contractor. Physical inventories during the intervening years will be conducted using generally recognized and accepted methods of statistical sampling.
  - 2. If the inventory results obtained from the use of statistical sampling methods fail to meet the levels of accuracy experienced with wall-to-wall inventories completed prior to implementation of this PPL, follow-up wall-to-wall physical inventories will be conducted.

The physical inventory parameters established by this PPL will be validated by DOE field offices by comparing data collected from the most recent (i.e., calendar year 1995) wall-to-wall physical inventories for precious metals and sensitive property to data collected each year through calendar year 1998. If the data comparison shows a significant increase in losses for either category of property for any year during the three year period, appropriate changes in frequency and method of physical inventory (i.e., return to semiannual (precious metals) or annual (sensitive property) wall-to-wall inventories) will be made.

The requirement for annual or more frequent, wall-to-wall physical inventories is unchanged for all items of sensitive property having an acquisition cost of more than \$2,000, and for arms, ammunition, and military property, regardless of cost.

- IV. **Effective Date.** The guidance in this PPL is effective immediately upon release.
- V. **Expiration Date.** The guidance in this PPL will remain in effect until rescinded or amended.
- VI. **Information Contact.** For further information, contact Richard La Roche at (202) 586-8199

MEMO FOR RECORD

In an attempt to ensure that DOE interests are adequately protected, a decision was made to establish a dollar threshold above which all items of sensitive property would continue to be subject to annual (or more frequent) wall-to-wall physical inventories.

Field offices were requested to provide line item and acquisition cost data, by field site and in a specified format. In response to that request, data was received for 41 field sites (see attachment 1). A summary of the data established two thresholds as candidates for consideration:

1. Using **\$2,000** as the threshold, **55.4%** of all line items reported would be subject to random sampling while **77.7%** of the total cost of all items reported would be subject to annual wall-to-wall inventories. However, a detailed analysis of all submissions indicated that, **at this threshold, the deviation would produce undesirable results at 13 field sites:**

9 of the 41 sites would have less than 50% of their line items subject to random sampling. However, 6 of the 9 sites would have between 40 and 50% of their line items subject to random sampling.

4 of the 41 sites would have less than 50% of the total cost of their line items subject to wall-to-wall inventories. However, 3 of the 4 would have between 40 and 50% of the total cost of their line items subject to wall-to-wall inventories.

2. Using **\$3,000** as the threshold, **79.3%** of all line items reported would be subject to random sampling while **49.1%** of the total cost of all items reported would be subject to annual wall-to-wall inventories. A detailed analysis of all submissions indicated that, **at this threshold, the deviation would produce undesirable results at 22 field sites:**

0 of the 41 sites would have less than 50% of their line items subject to random sampling.

22 of the 41 sites would have less than 50% of the total cost of their line items subject to wall-to-wall inventories. However, 6 of the 22 would have between 40 and 50% of the total cost of their line items subject to wall-to-wall inventories.

Even though data was not collected for consideration of a **\$2,500** threshold, the data provided for the \$2,000 to \$3,000 range was divided in half and analyzed to see if this threshold could be a suitable alternative. Structuring the data around **this threshold produced undesirable results for 17 field sites.**

Of the three thresholds that were considered, the one that produced the best results in

terms of significantly reducing the workload and minimizing the risk to the Government was the **\$2,000** threshold.