



Standard Practice for Administrative Control of Property¹

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1. Scope

1.1 This practice covers the management of administratively controlled movable, durable property.

1.2 Generally, organizations should establish and maintain control of such property inventories in a manner that will strike a balance between the costs of control and the risks of sustaining incidents of lost damaged or destroyed property.

1.3 The creation and maintenance of cost effective property management systems is of vital concern, and the costs of inventory control used to identify and locate property should be continually assessed against the physical inventory results.

1.4 The cost effective and timely identification and location of property assets is a critical economic factor in the success of any organization.

2. Referenced Documents

2.1 ASTM Standards:

E 2131 Practice for Assessing Loss, Damage, or Destruction of Property²

E 2132 Practice for Physical Inventory of Durable, Moveable Property²

E 2135 Terminology for Property and Asset Management²

2.2 Other Document:

The NPMA Standard Property Book, First Edition, July 1999

3. Terminology

3.1 *Definitions*—As used in this section, the term durable and moveable property and property are synonymous.

3.1.1 *administratively controlled property*—the property assets that are controlled at the discretion of asset managers managing the inventories of individual operational units.

3.1.2 *physical inventory*—the verification of the existence, location, and quantity of property items. The process may involve verifying additional property information.

3.1.3 *property management*—a monitoring and control function, charged with assuring that organizational processes relate to the lifecycle management of property support organization objectives, represent sound business practice, and are compliant with applicable standards, policies, regulations, and contractual requirements.

3.1.4 *property records*—information retained for managing property.

3.1.5 *sensitive items (property)*—items for which, regardless of value, there is a reasonable need for extraordinary security, accountability and control. For example: firearms, portable photographic equipment, binoculars, personal digital assistants, portable power tools, portable communication equipment, portable computers, and controlled pharmaceuticals and substances.

4. Significance and Use

4.1 A physical inventory is a form of an assessment or audit. While inventories can take many forms, organizations should ensure that the information resulting from the inventory has a value to the organization, which is at least equal to, if not in excess of, the costs of conducting the inventory.

4.2 Inventories involve significant time to plan, execute and reconcile, involve significant property staff, and disrupt mission operations.

4.3 Effective property control techniques are critical to reduce or eliminate the impact of lost, damaged and destroyed property and to ensure compliance with accepted practices concerning property accounting.

4.4 The following results should be achieved as the result of an inventory:

4.4.1 Verification that property on record is on-hand in the physical location assigned, in the proper custodial area in serviceable condition, and is assigned an organization identification control number.

4.4.2 Identification of unrecorded property so that it can be reconciled to property and financial records and assigned for reuse.

4.4.3 Location and identification of missing items.

4.4.4 Reconciliation of custodial, accountable property, and financial records for miscoded, missing or items in need of repair.

¹ This practice is under the jurisdiction of ASTM Committee E53 on Property Management Systems and is the direct responsibility of Subcommittee E53.01 on Process Management.

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² *Annual Book of ASTM Standards*, Vol 04.12.

4.5 Positive inventory results when measured in accordance with Practice E 2132 are a key measure of the overall health and effectiveness of a property control system.

5. Procedure

5.1 All property should have been entered into the formal accountable records and inventories are to be performed in accordance with the administrative control thresholds of the organization.

5.2 Inventories of administratively controlled and sensitive property should be conducted periodically in accordance Practice E 2132. The inventory cycle should be based upon sound business practice as well as an evaluation of the value added by the timing of the each inventory.

5.3 Inventories should be performed by personnel other than the custodians of the property and inventory results should be independently verified.

5.4 A procedure should be established for performing an inventory and the use of the procedure should be verified.

5.5 The results of the inventory should be analyzed and discrepancies reconciled with the property records and the financial control records.

5.6 Inventory overages and shortages should be reviewed and the causes evaluated against the underlying principles of risk management, recognizing where inventory results demonstrate evidence of risk. In such cases, action should be taken to control the risks in accordance with sound economic principles and practices.

5.7 The design and implementation costs of corrective risk reduction and inventory control systems should be consistent with the cost to the organization of continued inventory discrepancies. (An ASTM Standard is being developed which has suggested ratios of property management and control costs versus inventory discrepancy cost.)

6. Acceptable Thresholds for Administrative Control

6.1 Organizations that have inventory variances of 5 % or greater are defined as “high risk” under Practice E 2131 and should set their control threshold at \$500.00.

6.2 Organizations that have inventory variances of between 2 % and 5 % are defined as “medium risk” under Practice E 2131 and should set their control threshold at \$5000.00.

6.3 Organizations that have inventory variances of 2 % or less are defined as “low risk” under Practice E 2131 and should set their control threshold at \$7500.00.

6.4 The administrative control threshold for sensitive property may be set at the level of \$2000.00 to the extent that it can be demonstrated in three successive inventories that the organization has physical and administrative control over such sensitive items.

7. Keywords

7.1 administrative; assessment; assets; audit; control; hazardous; inventory; material; property; risk; sensitive; threshold

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