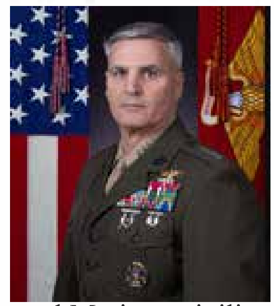
Fiscal Year 2023
Agency Financial Report

Table of Contents

MESSAGE FROM THE COMMANDANT OF THE MARINE CORPS

DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
3000 MARINE CORPS PENTAGON
WASHINGTON DC 20350-3000



As Marines, we believe in seeking responsibility and taking responsibility for our actions. Part of being responsible is being accountable to standards of performance, proficiency, and conduct. The standards governing our Fiscal Year (FY) 2023 Annual Financial Report are no different. This report reflects results from our "two-year audit" pilot with our independent public accounting (IPA) firm, Ernst & Young. During FYs 2022 and 2023, the Marine Corps improved our compliance with financial accountability requirements and bolstered the internal controls around some of our key financial information systems. Thanks to the countless hours of work from thousands of dedicated Marines, civilian Marines, and many other partners across DoD, I am proud to report that we have achieved an unmodified audit opinion for FY2023.

I want to thank our Marines and civilians for their initiative, adaptability, and dedication during this marathon of work. In addition, I am grateful for the leadership and technical support given by the Deputy Secretary of Defense, OUSD Comptroller, the Assistant Secretary of the Navy for Financial Management and Comptroller, the Defense Finance Accounting Service, the Defense Agencies Initiative (DAI) Program Office, and the Department of the Army. Our Marines and supporting organizations accomplished much during this two-year period including a migration to our new general ledger accounting system (DAI), collaborative problem solving with the OSD ADVANA team, the development of a new method to report Funds Balance with Treasury by our accounting team, implementation of new procedures for equipment valuation, and improved accountability of military equipment, real property, operating materials and supplies and ammunition. Our information technology teams validated improved system controls over our networks and key financial systems such as the Marine Corps integrated pay and personnel systems and the Global Combat Support System – Marine Corps.

This clean audit opinion is a milestone event for the Marine Corps. I believe the financial and performance data presented in this report is complete and reliable. However, we still have more work to do including improving our systems and processes to maintain our opinion and to correct many material weaknesses and deficiencies that remain. A detailed discussion of identified weaknesses and ongoing remediation efforts is disclosed in the Management's Discussion and Analysis section. The Marine Corps is committed to correcting our deficiencies and building useful, transparent financial statements to help us make effective, evidence based, resource informed decisions so that Marines have what they need to fight and win.

Christopher J. Mahoney
General, U.S. Marine Corps
Assistant Commandant of the Marine Corps

SECTION 1: MANAGEMENT'S DISCUSSION & ANALYSIS

On November 10, 1775, the Second Continental Congress established the Continental Marines — later to become the United States Marine Corps (hereafter referred to as the USMC or the Marine Corps) — which has since served in nearly every military conflict in United States history. The USMC's ability to rapidly respond on short notice to expeditionary crises has made, and continues to make a significant impact on United States National Defense Strategy. Carrying out duties given to them directly by the President of the United States, the Marine Corps serves as an all-purpose, fast-response task force, capable of quick action in areas requiring emergency intervention.

Marine tactics and doctrine tend to emphasize aggressiveness and being on the offensive. Initially created to conduct ship-to-ship fighting operations during the American War of Independence, the USMC has been central in developing groundbreaking tactics for maneuver warfare and can be credited with the development of helicopter insertion doctrine and modern amphibious assault. As a force, the Marine Corps consistently uses all essential elements of combat (i.e., air, ground, and sea) together, a trademark that allows the Marines to maintain integrated, multi-element task forces under a single command, while bringing flexibility and lethality to address ever-changing threats.

Mission and Organizational Structure

Mission

The roles and missions of the USMC are codified in (1) 10 United States Code (U.S.C.) § 5063, *United States Marine Corps: composition; functions*, (2) Public Law 80-253, 61 Stat 495, *National Security Act of 1947*, and (3) Department of Defense (DOD) Directive 5100.01, *Functions of the Department of Defense and Its Major Components*. These roles and missions are to:

- Seize and defend advanced naval bases or lodgments to facilitate subsequent joint operations;
- Provide close air support for ground forces;
- Conduct land and air operations essential to the prosecution of a naval campaign as directed;
- Conduct complex expeditionary operations in the urban littorals and other challenging environments;
- Conduct amphibious operations, including engagement, crisis response, and power projection operations to assure access;
- Develop amphibious doctrine, tactics, techniques, and equipment;
- Conduct security and stability operations and assist with the initial establishment of a military government pending transfer of this responsibility to other authority; and
- Provide security detachments and units for service on armed vessels of the Navy, protection of naval property at naval stations and bases, security at designated U.S. embassies and consulates, and performance of other such duties as the President or the Secretary of the Defense may direct.

Organizational Structure

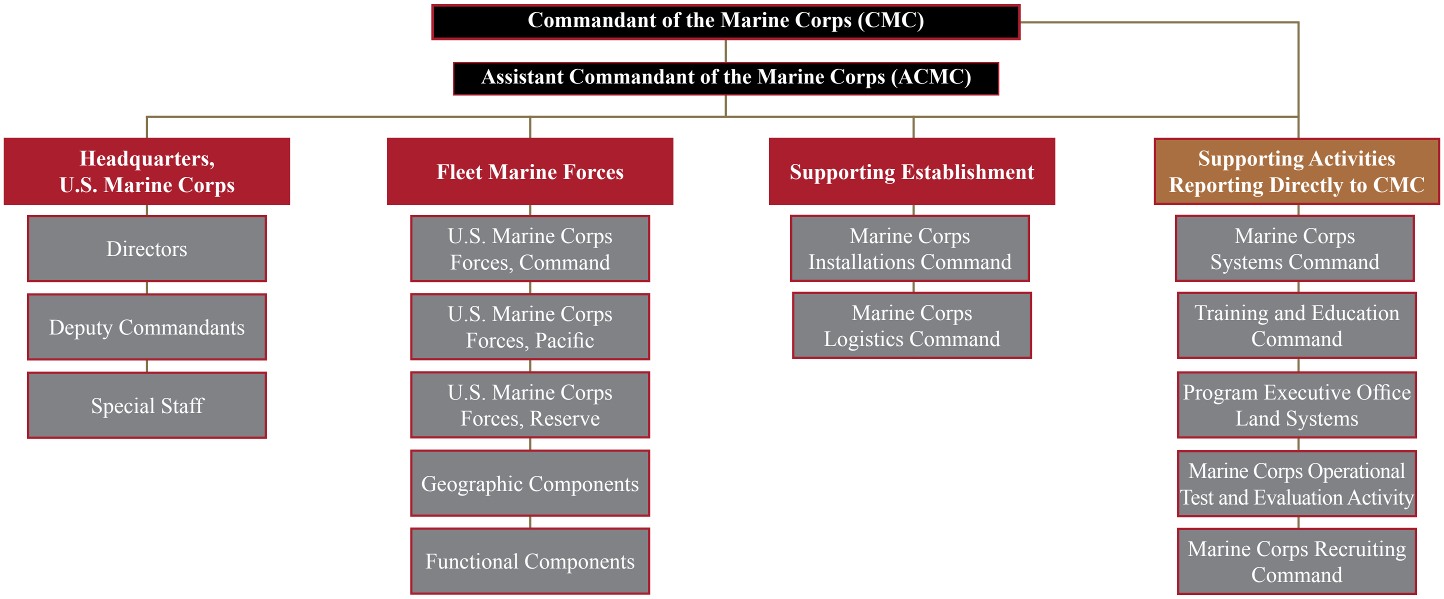


Figure 1. USMC Organizational Structure

The USMC, led by the Commandant of the Marine Corps (CMC), is a component reporting entity of the U.S. Department of the Navy (DON), headed by the Secretary of the Navy (SECNAV). The USMC is composed of Headquarters, U.S. Marine Corps (HQMC), the Fleet Marine Forces, the Supporting Establishment, and Supporting Activities reporting directly to the CMC.

Headquarters, U.S. Marine Corps

HQMC consists of directorates, deputy commandants, and special staff agencies that advise and assist in discharging the Commandant's responsibilities as prescribed by law. Under the authority, direction, and control of the SECNAV through the CMC, HQMC facilitates the general administration of the organization; supplies and equips (including research and development) the force; initiates mobilization and demobilization efforts; and assists in the execution of any power, duty, or function of the SECNAV or the CMC.

HQMC Directorates consist of the following:

- Director, United States Marine Corps Staff
- Director, Health Services
- Communication Directorate

HQMC Deputy Commandants consist of the following:

- Deputy Commandant, Manpower and Reserve Affairs
- Deputy Commandant, Plans, Policy, and Operations
- Deputy Commandant, Aviation
- Deputy Commandant, Installations and Logistics
- Deputy Commandant, Combat Development and Integration
- Deputy Commandant, Programs and Resources
- Deputy Commandant, Information

HQMC Special Staff Agencies consist of the following:

- Staff Judge Advocate to the Commandant of the Marine Corps
- Counsel for the Commandant of the Marine Corps
- Chaplain of the Marine Corps
- Sergeant Major of the Marine Corps
- Office of the Legislative Assistant to the Commandant of Marine Corps
- Inspector General of the Marine Corps
- Directorate of Analytics and Performance Optimization

HQMC is located throughout the Washington, D.C. metro area, including the Pentagon, Henderson Hall, Marine Barracks Washington, D.C., Marine Corps Base Quantico, Virginia, and the Washington Navy Yard.

Supporting Activities Reporting Directly to CMC

The following supporting activities report directly to CMC, responsible for carrying out the direction of CMC for the Marine Corps or in support of higher organizations, either internal or external to the Marine Corps, applicable to their specific mission.

Marine Corps Systems Command

The mission of Marine Corps Systems Command (MARCORSYSCOM) is to serve as the DON systems command for Marine Corps ground weapon and Information Technology system programs in order to equip and sustain Marine forces with full-spectrum, current, and future expeditionary and crisis response capabilities. Specifically, it serves as the host systems command for Marine Corps expeditionary ground weapon and IT system programs and executes statutory and regulatory authorities in support of the Navy acquisition executive and the CMC.

Marine Corps Recruiting Command

Marine Corps Recruiting Command is responsible to the CMC to find, attract, and recruit qualified individuals for the Active and Reserve components, both Officer and Enlisted, to achieve Total Force accession requirements.

Training and Education Command

The mission of Training and Education Command (TECOM), as the Marine Corps proponent for Military Occupational Specialty (MOS) individual skill training, is to analyze, design, develop, resource, implement, and evaluate standards-based individual training in order to provide combat-capable Marines and Sailors to the operating forces. It provides entry-level/skill progression training and individual augmentation to Marine Corps operating forces to meet operational contingencies.

Program Executive Office Land Systems

The mission of the Program Executive Office Land Systems (PEO LS) is to act for and exercise the authority of the Assistant SECNAV, Research, Development, and Acquisitions to directly supervise management of assigned programs, maintaining oversight of cost, schedule, and performance. The PEO LS adheres to processes, procedures, and technical authorities established by MARCORSYSCOM, but also has the authority to deviate from them in the exercise of sound business and technical judgment.

Marine Corps Operational Test and Evaluation Activity

Marine Corps Operational Test and Evaluation Activity independently plans, executes, and evaluates materiel solutions against approved warfighter capabilities/requirements under prescribed realistic conditions and doctrine to determine operational effectiveness, suitability, and survivability.

Fleet Marine Forces

The Fleet Marine Forces are the heart of the Marine Corps. They maintain a constant state of readiness through an organizational structure that enables rapid, global response by air, land, and sea. The President establishes unified combatant commands to execute broad and continuing missions at the strategic level. These combatant commands typically have geographic or functional responsibilities. Fleet Marine Forces are generally assigned to the combatant commands by the SECNAV for contingency planning as directed by the Secretary of Defense.

The Fleet Marine Forces generally operate as Marine Air-Ground Task Forces (MAGTFs), which are integrated, combined arms forces that include air, ground, and logistics units under a single commander. They provide the forward presence, crisis response, and combat power that the Marine Corps makes available to combatant commanders. MAGTFs are organized, trained, and equipped from the operating forces of Marine Forces Command (MARFORCOM), Marine Forces Pacific (MARFORPAC), and Marine Forces Reserve (MARFORRES).

U.S. Marine Corps Forces, Command

MARFORCOM commands Active Component of Fleet Marine Forces, while serving as Commanding General, Fleet Marine Forces Atlantic and directs deployment planning and execution of forces in support of service requirements. MARFORCOM also provides required Marine Corps forces to joint and combatant commanders. MARFORCOM coordinates USMC and Navy integration of operation initiatives and advises the Commander, U.S. Fleet Forces Command, on support to Marine Corps forces assigned to naval ships, bases, and installations. MARFORCOM is located in Norfolk, Virginia.

U.S. Marine Corps Forces, Pacific

MARFORPAC is the largest field command in the Marine Corps and controls over two-thirds of the USMC operational forces. MARFORPAC operates in the Indo-Asia-Pacific region, the nation's largest theater stretching from Yuma, Arizona to Goa, India. MARFORPAC commands the USMC component of U.S. Pacific Command (USPACOM), U.S. Forces Korea (USFK), and Fleet Marine Forces, Pacific. In addition, MARFORPAC could be tasked to act as a joint task force command element. The Commander, MARFORPAC performs responsibilities in support of operational and concept plans, national and theater strategic objectives, theater security cooperation, foreign humanitarian assistance, homeland defense, and force posture. MARFORPAC headquarters is located at Camp H. M. Smith, Hawaii.

U.S. Marine Corps Forces, Reserve

MARFORRES is responsible for maintaining trained units and qualified Marines readily available for duty and service in times of war, national emergency, or in support of contingency operations. During times of peace, MARFORRES provides personnel and operational tempo relief for active component forces. Similar to the active component, MARFORRES is a combined-arms force with balanced ground, aviation, and logistics combat support units. MARFORRES capabilities are managed through MARFORCOM as part of its global force management responsibilities for the CMC. MARFORRES has units located all over the United States and in Puerto Rico. MARFORRES headquarters is located in New Orleans, Louisiana.

Commander, MARFORPAC and Commander, MARFORCOM provide the geographical combatant commanders with scalable MAGTFs that possess the unique ability to project mobile, reinforceable, sustainable combat power across a range of military operations. Commander, MARFORRES provides ready and responsive reserve Marine forces and Marines who augment and reinforce active component MAGTFs in their mission accomplishment.

Figure 2 presents the geographical regions where each U.S. Combatant Command conducts operations.

Figure 2. DOD Combatant Commands

As highlighted in Figure 3, MAGTFs provide combatant commanders with scalable, versatile expeditionary forces able to assure allies, deter potential adversaries, provide persistent U.S. presence with little or no footprint ashore, and respond to a broad range of contingency, crisis, and conflict situations. A single commander leads and coordinates this combined-arms team through all phases of deployment and employment. MAGTF teams live and train together, further increasing their cohesion and fighting power. Tailored to meet combatant commanders' requirements, MAGTFs operate as an integrated force in the air, land, maritime and cyberspace domains. The naval character of MAGTFs enhances their global mobility, lethality, and staying power.

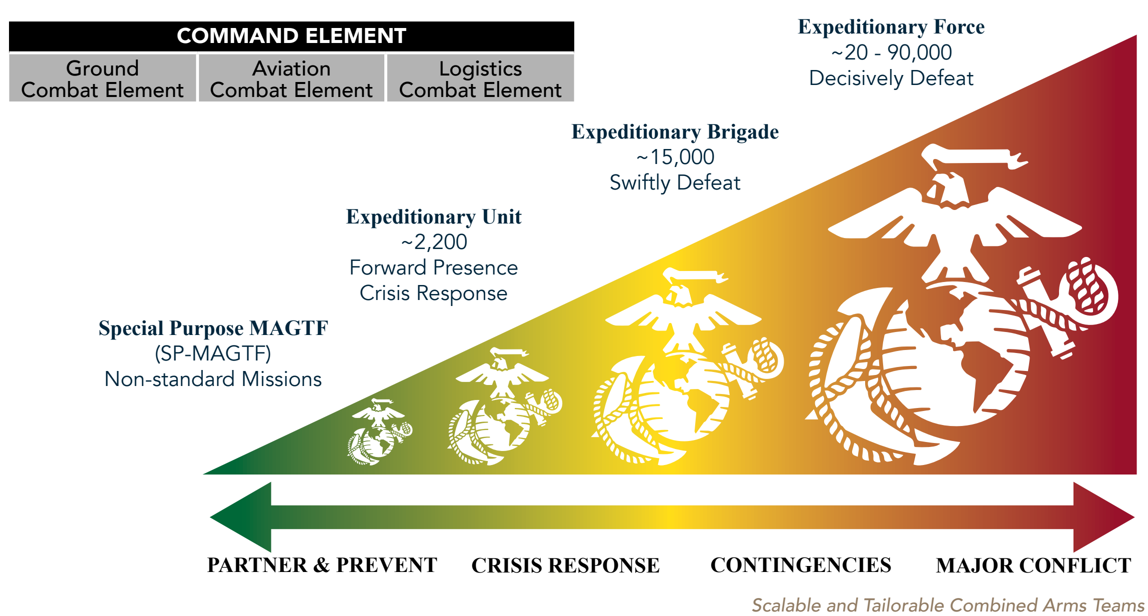


Figure 3. Types of MAGTFs

Fleet Marine Forces service components supporting the geographical combatant commands are as follows:

U.S. Marine Corps Forces, Northern Command

U.S. Marine Corps Forces, Northern Command (MARFORNORTH) is the USMC service component of U.S. Northern Command (USNORTHCOM). MARFORNORTH commands all Marine forces assigned to USNORTHCOM and advises Commander, USNORTHCOM on the proper employment and support of Marine forces. MARFORNORTH executes anti-terrorism program and force protection responsibilities, conducts homeland defense operations, and provides defense support to civil authorities. MARFORNORTH headquarters is co-located with MARFORRES in New Orleans, Louisiana.

U.S. Marine Corps Forces, Central Command

U.S. Marine Corps Forces, Central Command (MARCENT) is the USMC service component of U.S. Central Command (USCENTCOM). MARCENT commands all Marine forces assigned to USCENTCOM and conducts planning in support of Commander, USCENTCOM. MARCENT also commands Marine forces assigned to joint and multinational forces and advises joint force commanders on proper employment and support of Marine forces. MARCENT headquarters is located at MacDill Air Force Base, Florida.

U.S. Marine Corps Forces, Southern Command

U.S. Marine Corps Forces, Southern Command (MARFORSOUTH) is the USMC service component for U.S. Southern Command (USSOUTHCOM). MARFORSOUTH commands all USMC forces assigned to USSOUTHCOM and advises the Commander, USSOUTHCOM on the proper employment and support of Marine forces. MARFORSOUTH also conducts deployment and redeployment planning and execution of Marine forces assigned to USSOUTHCOM and accomplishes other operational missions as assigned. MARFORSOUTH headquarters is located in Miami, Florida.

U.S. Marine Corps Forces, Europe and U.S. Marine Corps Forces, Africa

U.S. Marine Corps Forces, Europe (MARFOREUR) and U.S. Marine Corps Forces, Africa (MARFORAF) are the USMC service components for U.S. European Command (USEUCOM) and U.S. Africa Command (USAFRICOM). MARFOREUR and MARFORAF provide Marine forces and support to USEUCOM and USAFRICOM commanders across all warfighting functions. MARFOREUR supports contingency operations in the USEUCOM area of responsibility by providing rotational forces and maintaining amphibious-oriented integration with key European allies. MARFORAF maintains crisis response capability in the USAFRICOM area of responsibility and protects U.S. personnel and facilities across the continent. MARFOREUR and MARFORAF headquarters are located in Böblingen, Germany and Stuttgart, Germany, respectively.

U.S. Marine Corps Forces, Korea

U.S. Marine Corps Forces, Korea (MARFORK) is the USMC service component for USFK and United Nations Command (UNC). It commands all Marine forces assigned to USFK and UNC and advises USFK and UNC on the capabilities, support, and proper employment of Marine forces. MARFORK supports the defense of the Republic of Korea by facilitating the rapid introduction of USMC forces onto the Korean Peninsula in order to maintain stability in Northeast Asia. MARFORK is the Marine Corps representative to the Commandant of the Republic of Korea Marine Corps. MARFORK headquarters is located in Seoul, South Korea.

U.S. Marine Corps Forces, Japan

U.S. Marine Corps Forces, Japan (MARFORJ) is the USMC service component to U.S. Force Japan (USFJ) aiding in the management of the US-Japan Alliance and maintains a posture and readiness to support regional operations in steady state, crisis and contingency. MARFORJ plans, conducts, and coordinates operations, activities, investments, and service support to the Commander, USFJ (COMUSFJ) for mission tasks, as specified in specific plans and orders as directed by Commander, United States Indo-Pacific Command (USINDOPACOM). MARFORJ assists in the employment of inter-operable capabilities, advances partner amphibious and expeditionary capabilities, and supports partner interoperability across the warfighting functions in a joint and bilateral environment. An established MARFORJ contributes to the proper alignment of Northeast Asia Command and Control to address the pacing threat and streamlines service componency as it relates to global posture. MARFORJ headquarters is located in Yokota Air Base, Japan.

Fleet Marine Forces service components supporting the functional combatant command are as follows:

U.S. Marine Corps Forces, Special Operations Command

U.S. Marine Corps Forces, Special Operations Command (MARSOC) is the USMC service component of U.S. Special Operations Command (USSOCOM). Under the direction of the Commander, USSOCOM, MARSOC deploys task-organized, scalable, and responsive Marine special operations forces worldwide in support of combatant commanders and other agencies. Over the years, MARSOC has conducted missions in over 30 different countries. Many of these missions have been focused on strengthening partner counter-terrorism capabilities, assisting with counter narco-terrorism efforts, and providing subject matter expertise and training to partner forces. In addition, MARSOC conducts missions related to foreign internal defense, special reconnaissance, and direct action. MARSOC headquarters is located at Camp Lejeune, North Carolina.

U.S. Marine Corps Forces, Cyberspace Command

U.S. Marine Corps Forces, Cyberspace Command (MARFORCYBER) is the USMC service component for U.S. Cyber Command. MARFORCYBER performs full spectrum cyberspace operations, which includes planning and direction of Marine Corps enterprise network operations, defensive cyberspace operations, and the planning and direction of offensive cyberspace operations in support of Joint and Coalition Forces. MARFORCYBER performs various functions to enable freedom of action across all warfighting domains and deny the same to adversarial forces. MARFORCYBER headquarters is located at Fort Meade, Maryland.

U.S. Marine Corps Forces, Space Command

U.S. Marine Corps Forces, Space Command (MARFORSPACE) is the USMC service component for U.S. Space Command. MARFORSPACE is focused on providing space operational support to the Fleet Marine Force while building a convergence capability to increase warfighter lethality. MARFORSPACE headquarters is located at Offutt Air Force Base, Nebraska.

Supporting Establishment

The Marine Corps Supporting Establishment consists of those personnel, bases, and activities that support the Fleet Marine Forces. This infrastructure consists primarily of 16 major bases and stations in the United States and overseas and all the personnel, equipment, and facilities required to operate them — approximately 30,000 Marines. Additionally, the Supporting Establishment includes those civilian activities and agencies that provide support to Fleet Marine Forces.

In keeping with the Marine Corps' expeditionary nature, these installations that support the Marine Expeditionary Forces are strategically located near aerial ports and seaports of embarkation and are serviced by major truck routes and railheads to allow for the rapid and efficient movement of Marines and equipment.

USMC Reporting Entity

In accordance with the Federal Accounting Standards Advisory Board Statement of Federal Financial Accounting Standards (SFFAS) No. 47, Reporting Entity, the USMC meets the definition of a component reporting entity of the DON. The Office of Management and Budget (OMB) designated the USMC as a component entity required to prepare separate financial statements. Refer to the Financial Section, Note 1.B, *Reporting Entity,* for further discussion about the USMC reporting entity composition. Disclosure entities, such as Public-Private Partnerships and Non-Appropriated Fund Instrumentalities, are discussed in Notes 19 and 20, respectively.

The primary mission and service of the USMC is to be a premier warfighting group prepared to take on challenges around the globe at a moment's notice. In line with its goal, for financial reporting purposes, the USMC defines itself as a responsibility segment and/or major program with one major output, which is military support. To execute its major program objectives, the USMC has sub-programs and related activities, managed through the establishment of performance goals and related objectives. The individual sub-program costs and related revenue, applicable to specific activities, are consolidated into the military support major program, presented on the Statement of Net Cost (SNC) as one responsibility segment.

The USMC is not required to submit the agency Annual Performance Report at its component level. Such performance reporting is conducted at the DOD department level. The following section summarizes the USMC's performance goals, objectives, and results for Fiscal Year (FY) 2023.

Analysis of Performance Goals, Objectives, and Results

In 2019, the CMC issued his *Commandant's Planning Guidance* (CPG) to provide the service with his strategic direction in parallel with the Secretary of Defense's Defense Planning Guidance. His CPG serves as the Marine Corps' authoritative guidance for Service-level planning and provides a common direction to the Marine Corps Total Force. As a result of this guidance, the Marine Corps has conducted extensive program reviews, analysis, wargaming, and experimentation to better target the equipment, training, and staffing of the force to meet anticipated and unforeseen global challenges.

While our force is capable of standing-in, alongside allies and partners, within reach of adversary weapon systems; denying the land, air, or maritime domains to an adversary; expanding maritime domain awareness for the fleet and combatant commanders; and seizing and defending key maritime terrain globally, work continues to refine our plan and acquire the personnel and equipment required to face future threats. During FY 2023 and into FY 2024, the USMC's Strategic Priorities encompass the following:

Strategic Priority #1: Force Design

Strategic Priority #2: Talent Management

Strategic Priority #3: Training and Education Modernization and Transformation

Strategic Priority #1: Force Design

The Marine Corps' Force Design 2030 is a holistic modernization of our current force, policies, tactics, weapons, and interoperability with an eye towards our future operating environment.

Force Design Goal: Invest in our force to meet our Title 10 responsibilities to train, organize, and equip to add to the DOD effort to maintain strategic advantage over peer competitors. The below objectives aim to achieve this goal and are in support of joint and naval expeditionary forces.

Objectives
• Successfully compete with peer adversaries in the maritime gray zone
• Deter, and if required, fight and win in support of a naval campaign
• Facilitate sea denial and sea control
• Win the reconnaissance and counter-reconnaissance (scouting and counter-scouting) competition
• Persist inside actively contested spaces
• Be capable of rapidly sensing, assessing, and acting upon information inside the weapon engagement zone

Figure 4. Force Design Objectives

Current Marine Corps efforts to meet our Force Design objectives include:

- Continued to invest and refine the Marine Littoral Regiment (MLR) formations within III Marine Expeditionary Force leveraging successes from our 2022 Task Force integration with Sixth Fleet. This marked achievement of our 2023 milestones and provided the Commander, U.S. Indo-Pacific Command with a purpose-built unit to counter regional threats. The MLR completed the first Service-level force-on-force training exercise designed to assess its ability to operate in a contested space. The unit also deployed to the Republic of the Philippines to participate in exercise Balikatan with joint and multi-lateral forces.

- Activated the Marine Corps Information Command (MCIC). MCIC streamlined and simplified much of the coordination required for information, intelligence, space, and cyberspace operations by realigning current relationships and structure at HQMC to an operational commander.

- Fielded Short-Range/Short Endurance Unmanned Aircraft System (UAS) as first phase of battalion level UAS capabilities. These systems support organic loitering, beyond the line-of-sight precision strike capabilities to tactical units to rapidly engage enemy forces beyond the range of direct fire weapons.

- Conducted nine wargame exercises to assess reconnaissance and counter-reconnaissance tactics and Marine Expeditionary Force (MEF) sustainment requirements during major combat operations and integrated findings into program refinements.

- Continued "The Campaign of Learning," an extensive program of experimentation, wargaming, and analysis to inform modernization over the next five years.

Strategic Priority #2: Talent Management

Marine Corps talent management is the act of aligning the talents of Marines with the needs of the Service to maximize the potential of both. The current and future environment necessitates the employment of non-traditional approaches, skill sets, and talent management systems to enable the USMC to prevail and win against peer-competitors while competing with industry and other Services to continue to attract and inspire the highest quality of individuals to serve.

Objectives
• Rebalance recruiting and retention
• Optimize the employment of talent
• Provide multiple pathways to career success
• Modernize talent management digital tools

Figure 5. Talent Management Objectives

Reorienting and reconfiguring our human resources enterprise into a talent management system is a work in progress. To deliver the personnel required to achieve our overarching force modernization objectives, we are investing in a more highly skilled, experienced, and capable force. The following highlights our progress made in 2023:

- Delivered a force more capability-matured, highly skilled, and experienced by adopting a return-on-investment focused model, shifting from a "recruit and replace" to "invest and retain" strategy.
- Synthesized personnel information through a commander-focused, transparent, and collaborative system to align individual abilities, skills, and aspirations to warfighting needs. Modernized personnel information systems and tools are a priority, and critical to realizing all talent management objectives.
- Attracted and inspired the highest quality of individuals to serve, with targeted incentives and flexibility for both the Service and Marines to best utilize talent across the Active and Reserve Components throughout the course of a Marine's career lifecycle.

To meet future demands, we are investing in technological advancements to our personnel systems to create a holistic talent management system that attracts, develops, incentivizes, and retains the skilled Marines necessary to improve our efficacy as a force. Near-term investment in modernization efforts of our human resource policies and procedures are meant to maximize the Service's return on investment of our talented Marines, resulting in cost savings in the long term. The Marine Corps enacted, expanded, and accelerated the following initiatives in 2023:

- Small Unit Leader Initiative (SULI) - The SULI allows high-performing, committed, corporals with 36 months of service who have executed a reenlistment, and are eligible for promotion to be promoted to sergeant upon the recommendation of their commanding officer. SULI is intended to empower commanders with more tools to align the talents of top-performing, mature noncommissioned officers to Marine Corps warfighting needs. Through SULI, the Marine Corps promoted 1,657 highly deserving Marines from June to August.
- Early Reenlistment Authority (ERA) - The ERA program offers reenlistments to proven, high-performing Marines up to one year earlier than normal. This provides greater career path choice and predictability for Marines and their families as well as greater unit stability and return on investment to the Marine Corps. Under ERA, the Marine Corps reenlisted 2,010 Marines ahead of the normal timeline in 2023.
- Targeted Investment Shipping Bonus – This enlistment bonus program directly increases the return on investment for the Service by starting the obligated service timeline following the awarding of primary MOS for those who receive this incentive. This results in full contract utilization in the Fleet Marine Force. The Marine Corps shipped 1,734 applicants under this program with varying MOSs and contract lengths.
- Marine Corps Graduate Education Program – Enlisted (MCGEP-E) - The MCGEP-E Pilot program opened attendance at the Naval Post-Graduate School (NPS) to selected enlisted Marines to earn a master's degree in specific programs, developing cohorts of enlisted professionals for duty in directed assignments critical to meet the challenges and complexity of the future operating environment. In 2023, the Marine Corps received 48 applications for the Marine Corps' pilot initiative for Graduate Education Program and enrolled six enlisted Marines in NPS programs.
- Commandant's Retention Program (CRP) - The CRP provided pre-approved reenlistments for top-performing Marines along with priority access to duty station and assignment options. This effort resulted in the reenlistment of over 1,500 top-tier Marines.

- Career Intermission Program - Career Intermission Program allows Marines to temporarily pause active-duty service and later resume their careers without penalty to enable career flexibility and encourage retention of experienced, talented Marines. Career Intermission Program payback was reduced to one month of obligated active service for each month of intermission. In 2023, five Marines were approved for Career Intermission Program participation.

- Officer Promotion Opt-Out - The Officer Promotion Opt-Out initiative allows certain Active and Reserve Component in-zone officer populations to opt out of consideration for promotion once, without penalty, to pursue unconventional career experiences or formal education to increase the flexibility in officer career paths. In 2023, 19 Officers were approved to opt out of promotion consideration. The potential for offering this same flexibility to enlisted Marines is being explored.

- Staff Non-Commissioned Officer Promotion Board Realignment - To better sequence promotions, assignments, and reenlistments, enlisted promotion boards were realigned for the FY 2024 cohorts. This will result in reduced disruptions to unit cohesion and reduced uncertainty to Marines and families.

- Digital Boardroom (DBR) 2.0 - DBR 2.0 increases the functionality and accuracy of information presented to board members, safeguards data, and improves this critical talent management process. The USMC is continuing to test the expansion of this tool for virtual boards, reducing travel costs associated with in-person boards, and increasing the flexibility of commands to support board member requirements. DBR 2.0 is used for all promotion and command screening boards.

- Recruiting Station Commanding Officer (RSCO) Selection Board - Officers eligible for RSCO consideration were offered two opportunities to increase career flexibility: volunteer and request removal. This change allowed officers to volunteer for command, including those not scheduled for consideration, and to request removal from consideration for one year without penalty. In 2023, four Officers volunteered for consideration and 19 Officers requested a deferral. Of the officers considered and selected, only two declined command, and no officers requested a deferral.

- Special Duty Assignment (SDA) Volunteer Incentives - The SDA Volunteer Incentives provided Active Component and Reserve Component Marines who volunteered for SDAs with their preferred duty stations. This program has seen consecutive years of increased volunteerism for recruiting, drill instructor, and Marine Security Guards (MSG) duties accounting for an overall increase in 78 percent of volunteer assignments for the FY 2024 cohort against the FY 2022 cohort. These increases minimize disruptions to Marines, families, and Fleet Marine Force units by reducing the number of Marines assigned SDAs through the Headquarters Marine Corps SDA Screening Team (HSST) list. This program also has contributed to an overall reduction in SDA schoolhouse attrition, reducing training costs and vacancies of critical billets in the supporting establishment. The following identifies the current year rate of volunteers for SDA:

  - Recruiting: 44 percent (1243 Volunteers/1544 HSST assignments)
  - Drill Instructor: 91 percent (801 Volunteers/83 HSST assignments)
  - MSG Detachment Commander: 82 percent (187 Volunteers/42 HSST assignments)

- MarineView360-Degree Leadership Review - The Marine Corps launched the MarineView360 Leadership Review pilot, a program designed as a leadership development tool that polls Marine's supervisors, peers, and subordinates to identify hidden strengths and areas for improvement.

Strategic Priority #3: Training and Education Modernization and Transformation

Force Design's transformative warfighting concepts, capabilities, and formations are only as effective as the Marines employing them. The USMC is accelerating the modernization and transformation of its training and education enterprise in alignment with Force Design while continuing to deliver on its commitment to increase the lethality of the force and sustain excellence through rigorous, repeatable standards across all foundational training and education mission areas—making, training, and educating Marines, and supporting unit and service-level training exercises. Three projects, Triumph, Trident, and Tripoli, serve as the primary vehicles for driving results.

Objectives
• Continue to make Marines and sustain a legacy of lethality and rigorous high standards
• Project Triumph: Mature the force by accelerating learning and assessment through improved technology, instructors, and wargaming. The goal is to generate a mature and cognitively agile Marine, who, while both a problem-solver and decision-maker, is most importantly a maneuverist
• Project Trident: Modernize the training and education continuum to enable "kill webs" as part of integrated joint and maritime fires in contested environments, at all echelons, and across all domains
• Project Tripoli: Integrate live, virtual, and constructive training environments to enable real-time, all-domain, and all-echelon training that is persistent and, globally available

Figure 6. Training and Education Objectives

Towards these training and education objectives, the Marine Corps has accomplished the following:

- Successfully implemented advanced learning concepts throughout our formal schools and is in the process of rapidly codifying these tenets and best practices through policy changes for wider implementation by instructors, curriculum developers, and faculty across all applicable training and education venues.
- Transformed Train the Trainer School into the Center for Learning and Faculty Development (CLFD), established an exception military occupational specialty for instructors, and documented a roadmap for their development.
- Migrated our training and education data management systems to approved cloud environments and expanded our eLearning Ecosystem to provide all Marines with continuous access to learning and collaboration tools whether they are in-resident at our schools or out in the Fleet Marine Force.
- Published a Wargaming Master Plan to expand access to wargaming across the training and education continuum and hosted our first online tournament in the new Wargaming Cloud which attracted students and faculty from across Marine Corps University, joint Professional Military Education (PME) schools, and allied PME schools to include Australia, Canada, and the United Kingdom.
- Launched a pilot for new Advanced Fires and Effects Course for Marines serving within a Division Fires and Effects Coordination Center or Fleet Maritime Operations Center.
- Implemented a new Naval Expeditionary Operations Planners Course to increase proficiency of O-5 to O-9 level staff in understanding, analyzing, and planning naval operations with an emphasis on emerging operating concepts.
- Employed joint and contracted electromagnetic spectrum operation systems in Service-Level Training Exercises (SLTE) that replicate adversary electronic warfare capabilities, such as global positioning satellite spoofing, jamming tactical radios, and direction finding. Published new doctrine, Marine Corps Warfighting Publication 8-10, Information in Marine Corps Operations.
- Revamped our process for updating Training and Readiness (T&R) manuals from a triennial schedule to on-demand to complement the Marine Essential Task / Marine Essential Task List review process for consistency, efficiency, and greater synergy.
- Informed by the largest study of our body composition standards since the 1980s, the Marine Corps fielded Bio-electrical Impedance Analysis devices across the enterprise to provide a more accurate assessment of individual body composition and provide Marines with data that will help inform their individual health and fitness decisions.
- Executed our second annual combined arms training and education conference in August, which enables synchronization across multiple commands and analysis of the potential benefits and effects of detailed, all-domain, combined arms integration to inform future Period of Instruction development.

Analysis of Financial Statements

The Marine Corps' management is responsible for the integrity of the amounts in the financial statements. Due to the interrelationships between certain accounts and financial statement line items, business events affecting the financial statements can impact multiple line items. The significant balances affecting the Marine Corps' key measures are provided in the table below:

Table of Key Measures		
Amounts in Thousands		Current FY
COSTS		
Gross Program Costs	$	32,706,272
Less: Earned Revenue		(498,433)
Net Cost of Operations	**$**	**32,207,839**
NET POSITION		
Assets:		
Fund Balance with Treasury	$	15,805,817
Advances and Prepayments		43,265
General Property, Plant and Equipment, Net		23,573,017
Inventory and Related Property, Net		6,788,441
Remaining Assets		61,380
Total Assets	**$**	**46,271,920**
Liabilities:		
Accounts Payable	$	1,474,981
Advances from Others and Deferred Revenue		19,970
Environmental and Disposal Liabilities		1,392,478
Federal Employee Benefits Payable		1,056,184
Remaining Liabilities		183,729
Total Liabilities	**$**	**4,127,342**
Net Position (Assets minus Liabilities)	**$**	**42,144,578**

Table 1. Key Financial Statement Measures

Analyses of the significant financial statement line items presented in the Table of Key Measures are shown below.

Financial Position

The USMC reported a positive Net Position, the difference between Total Assets of $46,271,920 thousand and Total Liabilities of $4,127,342 thousand, on its Balance Sheet. As of September 30, 2023, Net Position totaled $42,144,578 thousand. The USMC's largest asset balance is General Property, Plant, and Equipment (GPP&E) at $23,573,017 thousand or 50.9 percent of Total Assets followed by Fund Balance with Treasury (FBWT) and Inventory and Related Property, Net, representing an additional combined total of approximately $22,594,258 thousand or 48.8 percent of Total Assets. Significant liabilities include Environmental and Disposal Liabilities of $1,392,478 thousand, Accounts Payable of $1,474,981 thousand, and Federal Employee Benefits Payable of $1,056,184 thousand for a combined total of approximately 95.1 percent of Total Liabilities.

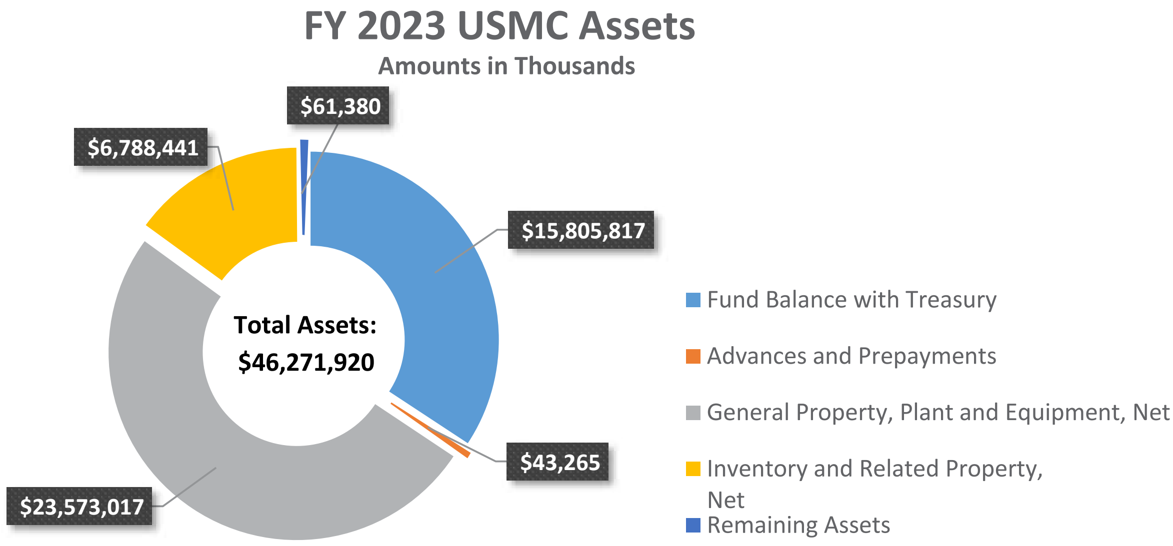


Figure 7. Analysis of Assets

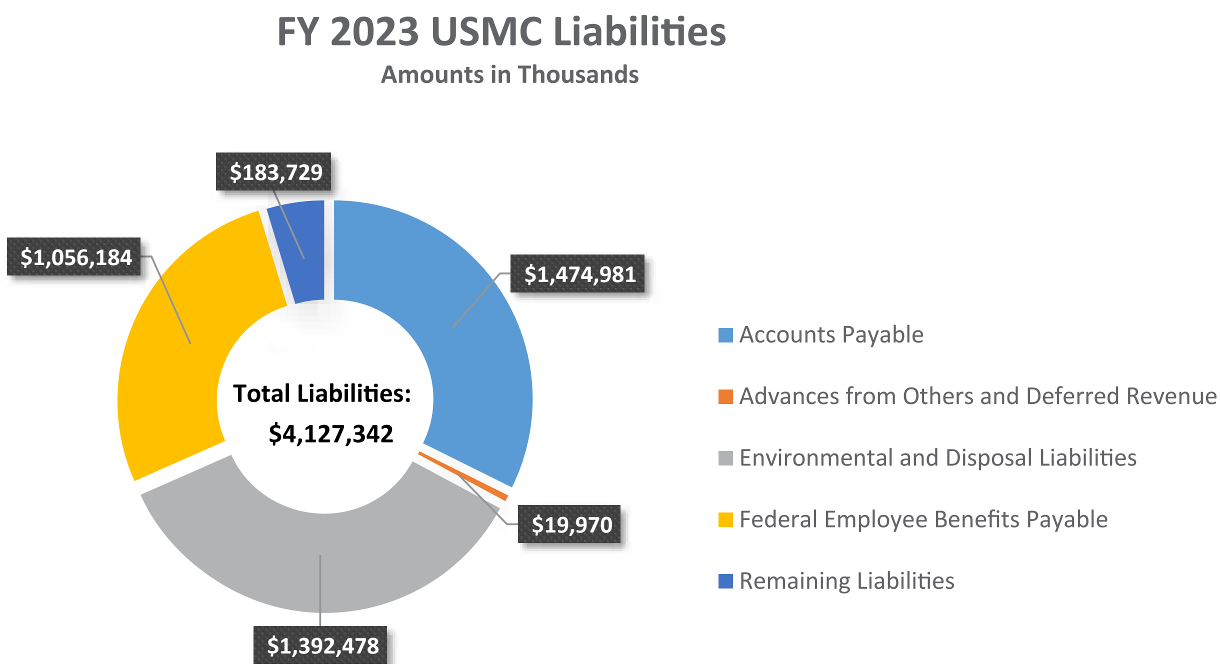


Figure 8. Analysis of Liabilities

The SNC represents the gross cost incurred by the USMC to conduct its operations less earned revenue. The USMC's Net Cost of Operations was $32,207,839 thousand in FY 2023.

The majority of USMC's budgetary resources consist of appropriated funds from Congress. These appropriations are General Funds for the purpose of military and reserve personnel pay and benefits; finance operations and maintenance; procurement of weapons, tracked combat vehicles, guided missiles and equipment, communications and electronic equipment, support vehicles, engineer and other support equipment, spares and repair parts; contributions for the Medicare Eligible Retiree Health Care Fund; and funding for research, development, test, and evaluation programs. The USMC's only Special Fund consists of dedicated collections subject to specific requirements as discussed at Note 15, *Funds from Dedicated Collections*. The USMC also generates and recognizes exchange revenue for rent and utilities reimbursement from commercial vendors and other Federal entities operating out of USMC installations, royalties from licensing and trademark agreements, leases for agriculture activities on USMC installations, and from performing reimbursable activity for Federal and non-Federal customers.

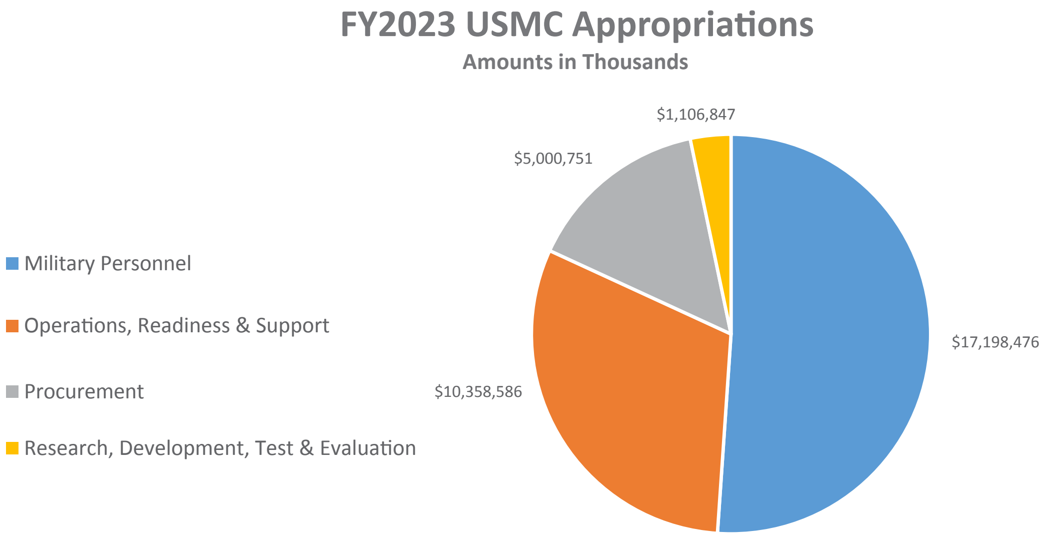


Figure 9. Analysis of Appropriations

Limitation of Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the USMC, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from the books and records of the USMC in accordance with U.S. Generally Accepted Accounting Principles and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. The financial statements should be read with the realization that they are for a component of the U.S. Government.

Fiscal Year 2023 Management Assurances

The United States Marine Corps' management is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of the *Federal Managers' Financial Integrity Act of 1982* (FMFIA). The Marine Corps conducted its assessment of risk and internal control in accordance with OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of the assessment, we can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2023, except for the following material weaknesses reported:

- Oversight and Monitoring (Entity Level Controls)
- Budget Execution & Monitoring
- General Property, Plant, and Equipment
- Inventory and Related Property: Operating Materials & Supplies
- Financial Information Systems – Access Controls/Segregation of Duties
- Financial Information Systems – Configuration Management
- Financial Information Systems – Information Technology (IT) Operations

During Fiscal Year 2023, the Department of the Navy adjudicated and confirmed one Marine Corps Anti-Deficiency Act violation case involving multiple Purpose Statute violations totaling $5.7 million. As of September 30, 2023, the Under Secretary of Defense (Comptroller) finalized the ADA violation report as required by 31 U.S.C. § 1351 and submitted it to the President of the United States via the Director, Office of Management and Budget; President of the Senate; Speaker of the House; and the Comptroller General of the United States.

The *Federal Financial Management Improvement Act of 1996* (FFMIA) requires Marine Corps' management to implement and maintain financial management systems that substantially comply with Federal financial management systems requirements, Federal accounting standards, and the United States Standard General Ledger (USSGL) at the transaction level. The Marine Corps is reporting non-compliance with the FFMIA as of September 30, 2023.

Further details regarding the material weaknesses and the status of corrective action plan activities for FMFIA and FFMIA compliance can be found within the Analysis of Systems, Controls, and Legal Compliance section of this document. The Marine Corps continues to aggressively pursue the implementation of solutions to remediate the underlying root causes of our material weaknesses and non-compliances that persist.

Christopher J. Mahoney
General, U.S. Marine Corps
Assistant Commandant of the Marine Corps

Risk Management and Internal Control Program

The Marine Corps continues to mature its Risk Management and Internal Control (RMIC) program across the enterprise to move toward full compliance with FMFIA and OMB Circular No. A-123 requirements. The RMIC program evaluates and reports on the effectiveness of internal controls throughout the organization to ensure effective operations, safeguards against fraud, waste, and mismanagement, and aids in the compliance with laws and regulations regarding Internal Controls Over Financial Reporting (ICOFR), Internal Controls Over Financial Systems (ICOFS), and Internal Controls Over Operations.

The focus of efforts in FY 2023 was on the remediation of known deficiencies in our end-to-end business processes; to include the revision of our business process documentation to reflect changes brought about by the migration to our new enterprise resource planning (ERP) system – Defense Agencies Initiative (DAI) – in FY 2022, the updating of associated policy documents, and the implementation or improvement of key internal controls.

Downgraded Material Weaknesses

The Marine Corps prioritized remediation of its material weaknesses associated with Disbursements and FBWT-Reporting; Financial Accounting and Reporting Processes; and Asset Accountability and Reporting (inclusive of General PP&E and OM&S) as they are the most consequential with respect to ensuring that the Marine Corps' financial statements are fairly presented in all material respects. The material weaknesses in Figure 10, below, warranted downgrade because associated business processes and internal controls were revamped and implemented within the new DAI operating environment by mid-FY 2023. Additionally, certain sections were realigned to new material weaknesses that better reflect the underlying conditions.

Area	Downgraded Material Weaknesses	Target Correction Year	Status
ICOFR	Financial Accounting and Reporting Processes	2028	Downgraded to Control Deficiency (CD)
ICOFR	Disbursements and Fund Balance with Treasury Reporting	2025	Downgraded to CD

Figure 10. Downgraded Material Weaknesses

On-Going Material Weaknesses

Figure 11, below, captures the material weaknesses identified by the Marine Corps during the FY 2022-2023 "two-year audit". The Marine Corps made great progress in the areas of PP&E and OM&S and the scope of those material weaknesses have been refined down to valuation deficiencies that must be addressed in the near future. Similarly, financially relevant IT systems have made great strides that will position auditors to place reliance on those systems in future audits. Conversely, the migration to DAI and the collective audit remediation efforts of the Marine Corps have identified an additional remediation item concerning financial reporting cut-off. This remediation item impacts the areas of Budget Execution and Monitoring that will require significant attention in FY 2024 and beyond.

Material Weakness	Summary Description	Corrective Actions and Status
General PP&E	The applicable accountable property system of record (APSR), GCSS-MC, does not efficiently track asset cost and depreciation and does not fully interface with DAI. This necessitates time intensive financial reporting processes that are error prone and not sustainable.	The Marine Corps developed a manual process to map contract data to military equipment assets under construction to support the asset historical cost and the completeness and accuracy of construction work in process (CWIP). The accounting policy for placing assets in service was revised to when the asset was fully assembled and transferred to the Fleet Marine Forces or other end user.
Inventory and Related Property: OM&S	GCSS-MC (Non-Ammunition OM&S) and the ammunition reporting system, Ordnance Information System (OIS-MC), do not efficiently track asset cost nor fully interface with DAI. This necessitates time intensive financial reporting processes that are error prone and not sustainable.	The Marine Corps revised its process for accounting for non-ammo to segregate spares purchased for use in the Fleet from components acquired for use in the construction or modification of existing military equipment assets. The Marine Corps enhanced its manual processes for valuing new ammunition received and calculating its weighted average cost for ammunition.

Material Weakness	Summary Description	Corrective Actions and Status
Budget Execution and Monitoring	The Marine Corps has various deficiencies in its processes and controls to properly execute, document, record and track budgetary execution, and ensure transactions are recorded in the proper accounting period. Specifically, the Marine Corps had a large volume of unmatched transactions in DAI, which impedes accurate and timely monitoring of obligated balances; estimated obligations were not reviewed timely and updated to reflect changing conditions; and monitoring of obligations was not performed timely to de-obligate underperforming obligated balances.	The Marine Corps migrated to a new ERP system, DAI, in November 2021. Over the course of the two years since then, a tremendous amount of time has been spent understanding the DAI environment and its impacts on our end-to-end business processes. During FY 2023 the Marine Corps launched a tiger team dedicated to resolving unmatched transactions, which resulted in both a significant volume of UMTs being manually cleared and updates being made to DAI to increase system match rates and prevent transactions from going unmatched on a go forward basis. The Marine Corps identified the universe of balances impacted by cutoff procedures and developed processes to identify and calculate cutoff adjustments. Further work is required in FY 2024 to formalize processes to calculate and record these adjustments timely.
Oversight and Monitoring (Entity Level Controls)	The Marine Corps lacks a comprehensive Risk Management and Internal Control (RMIC) program, that is in full compliance with OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, and which garners the time and attention of stakeholders at all levels throughout the organization.	The Marine Corps progressed in updating policies and designing a governance structure to identify risks; design and implement controls; and focus on corrective actions, enabling the effective implementation of Enterprise Risk Management (ERM) and established the design of a Fraud Risk Management Program in accordance with GAO's publication, *A Framework for Managing Fraud Risks in Federal Programs*.
Financial Information Systems – Access Controls/Segregation of Duties	The Marine Corps has not universally designed, implemented and determined the operating effectiveness of all key internal controls in the areas of access controls and segregation of duties. In addition, more broadly, the performance of IT controls are not comprehensively and formally documented – with evidence of management review – that will readily meet OMB Circular No. A- 123 requirements and allow for independent third-party review.	The Marine Corps accelerated the performance of comprehensive user account reviews for both privileged and non-privileged users, continued to apply the industry best practice National Institute of Standards and Technology (NIST) 800-53 authoritative guidance to strengthen IT controls, minimize risks, and enhance compliance and began implementation of the Naval Identity Services' Identity, Credential, and Access Management (ICAM) construct.
Financial Information Systems – Configuration Management	The Marine Corps has not implemented effective internal controls in the area of configuration management to ensure only authorized configuration changes and software programs are placed into the production environment. The Marine Corps lacks an effective management of inventory of configuration changes and a segregation between development and production environment for multiple applications.	The Marine Corps established a process to generate a complete and accurate configuration change population for the Marine Online application. Furthermore, the Marine Corps effectively designed monitoring controls over both production and database changes in Marine Online. Further work is required in FY 2024 to remediate configuration management controls and formally document them across the system portfolio.
Financial Information Systems – Information Technology Operations	The Marine Corps lacks effective internal controls surrounding system interface to ensure a complete and accurate processing of transactions. An effective system interface reconciliation and interface error handling process have not been established for multiple applications.	The Marine Corps developed a complete and accurate population of interfaces for GCSS-MC and MCTFS. A guidance over significant transactions, activities, and resources was developed for GCSS-MC. In addition, the Marine Corps established a periodic review of the population of significant interface edits and validation checks concerning GCSS-MC and made necessary updates to the corresponding policy to reflect the review process. Further work is required in FY 2024 to remediate system interface controls and formally document them across the system portfolio.

Figure 11. On-Going Material Weaknesses

System Strategy, Overview of System Framework, Synopsis of Critical Projects

The Marine Corps adopted a modernized system strategy that is committed to continuous improvement to core financial systems and associated feeder systems throughout the organization. As part of the strategy, the Marine Corps transitioned its core financial system from SABRS to DAI as of September 30, 2021. DAI is intended to transform the budget, finance, and accounting operations of most DOD Agencies to achieve accurate and reliable financial information in support of financial accountability and effective and efficient decision-making in support of the warfighter. DAI supports accounting, budget execution, and reporting for all general funds authorized within the Marine Corps and standardizes accounting processes.

In accordance with applicable requirements and standards such as the Federal Information System Controls Audit Manual, DON IT Control Standards, OMB Circular No. A-123, and FFMIA, the Marine Corps made the following progress on improving their feeder systems in addition to implementing DAI as their new general ledger system.

Significant accomplishments for FY 2023 include the following:

- Inbound/Outbound Interface Analysis. GCSS-MC, a key Marine Corps logistics Accountable Property System of Record (APSR), analyzed the usage of the Automated Interface Report (AIR) in the generation of a complete and accurate population of inbound and outbound interfaces and formally documented the analysis to enhance audit compliance.
- Audit Logging Capabilities. GCSS-MC implemented a Security Incident Event Management System (SIEM) solution, to enable and improve automation in continuous monitoring to allow for the performance and documentation of key internal controls more readily.
- Design and Implementation of Key Controls Validated. The Marine Corps Total Force System (MCTFS), a key military personnel system, was able to demonstrate that key controls were properly designed and functional, much of which was evidenced by the documented completion of numerous corrective actions in FY 2023.
- DON NIS ICAM Solution. In FY 2023, the Marine Corps began to implement the DON NIS ICAM solution to accelerate ICAM capabilities for critical financial systems which will meet the DON and the Marine Corps' strategic audit and cybersecurity goals.

Compliance with Other Key Legal and Regulatory Requirements

Federal Information Security Modernization Act

The Federal Information Security Modernization Act of 2014 (FISMA) mandates that all Federal agencies evaluate and examine the efficiency of their information security programs. Agencies must adhere to established Federal Information Processing Standards, NIST standards, and other legislative requirements which govern Federal information systems, such as the Privacy Act of 1974.

To comply with FISMA, the Marine Corps maintains a cybersecurity program designed to safeguard Marine Corps IT resources. This cybersecurity program implements and evaluates required processes and technologies that are necessary to detect, mitigate, and respond to cybersecurity vulnerabilities. threats and anticipate risks posed by technologies. The Marine Corps cybersecurity program aligns under the DON Chief Information Officer (CIO) and DOD CIO for reporting and compliance.

Anti-deficiency Act

The Anti-deficiency Act (ADA), which is codified in 31 U.S.C. §§1341(a)(1), 1342, and 1517(a), stipulates that Federal agencies may not obligate or expend funds in excess of the amount available in an appropriation, or fund, or in advance of appropriations; accept voluntary services on behalf of the Federal Government or employ personal services in excess of that authorized by law, except as it may be necessary in emergencies involving the safety of human life or the protection of property; or obligate, authorize, or expend funds that exceed an apportionment or amount permitted by a regulation prescribed for the administrative control of an appropriation. An ADA violation is a serious matter as it represents a violation of a Federal statute. A Federal employee who violates the ADA may be subject to administrative sanctions (e.g., suspension from duty without pay or removal from office) or penal sanctions (e.g., fines or imprisonment).

In keeping with the reporting requirements for violations of the Act under 31 U.S.C. §1351, the Department reports confirmed ADA violations to the President through the Director of the OMB, the Congress, and the Comptroller General of the United States.

During FY 2023, the Department adjudicated and confirmed one case involving multiple Purpose Statute violations totaling $5.7 million. The USMC inappropriately used funds budgeted for the Marine Corps Junior Reserve Officer Training Corps (MCJROTC) to support the Marine Corps National Defense Cadet Corps (MCNDCC) school programs. As of September 30, 2023, the Under Secretary of Defense (Comptroller) finalized the investigation and submitted the signed ADA transmittal letters with the final ADA violation report as required by 31 U.S.C. § 1351 to the Director, OMB; President of the United States; President of the Senate; Speaker of the House; and the Comptroller General of the United States.

To prevent recurrences of this type of violation, the USMC requires the MCJROTC program office to route all procurement requests (clearly identifying MCJROTC Schools or MCNDCC units) through the Marine Corps Budget Branch to ensure all procurements are legal, proper, and ethical. In addition, MCJROTC fund control personnel are required to take fiscal law training and maintain current certification. Further information about the Department's reported ADA violations and remedial actions taken are included in GAO's annual compilation of ADA Reports.

Digital Accountability and Transparency Act

The Digital Accountability and Transparency Act of 2014 (DATA Act) expands the Federal Funding Accountability and Transparency Act of 2006 to increase accountability and transparency in Federal spending, making Federal expenditure information more accessible to the public. The act requires that the Government adopt uniform data standards for generating and disseminating reports. In addition, it mandates that information, including award-related details, be made available on USASpending.gov. The use of these standards and data empowers stakeholders to monitor and track Federal spending more efficiently.

To ensure compliance with DATA Act reporting, the Marine Corps utilizes ADVANA, a tool from the Office of the Secretary of Defense Advanced Analytics. The Marine Corps has also upgraded its systems to capture and transmit critical data elements to the DOD financial reporting system, the Defense Departmental Reporting System, during FY 2023.

Forward-Looking Information

The USMC is executing Force Design 2030 because current and future threats call for a significantly more capable force, with new operating concepts. Advancements in sensors, signal processing, and machine learning, coupled with robotic applications, will give rise to new use cases for autonomous systems.

Future adversaries will use ground-based, long-range, precision anti-surface and air defense systems - integrated with air, maritime, cyberspace, and space strike capabilities - to deny forces access to the conflict zone. If entry is achieved, enemy extended-range, massed fires, augmented with precision munitions engaging in high payoff targets, will challenge traditional large-scale land assembly, maneuver, and sustainment. Marine formations must operate within adversary weapon engagement zones and under technical surveillance that is ubiquitous in nature. Smaller and lighter units of action must be capable of disaggregated reconnaissance and counter-reconnaissance operations.

The Marine Corps of the future will have a well-trained, well-resourced, and lethal infantry capability. Organic precision fires will provide multiple echelons of the infantry battalion with a loitering, beyond-line-of-sight precision strike capability. In combination with Tactical Unmanned Aircraft Systems, the USMC will possess a capability at the tactical level to engage an enemy beyond the range of direct fire weapons.

In 2023, the USMC brought together leading scholars in civil-military relations, demographics, and economics to assess socioeconomic trends and their impacts on the future of our all-volunteer, all-recruited Marine Corps. American societal demographic, economic, and behavioral trends are evolving rapidly. To maintain a force in readiness, the USMC will recruit future Marines from future America and will have to retain them within the context of the future workforce. These assessments will continue into 2024 and expanded to a total force, Active and Reserve, as well as civilian talent management which will be accomplished through continued deliberate strategic focus informed by projected demographic, economic, and societal trends to create and sustain a viable and lethal force for the future. As the USMC pursues a modern talent management system, USMC will continue to coordinate across HQMC and the Fleet Marine Force as well as academia and industry, to design a tailored service-level approach to strategic talent management that aligns the talents of individual Marines and civilian-Marines to better meet the Service's warfighting requirements, maximizing the effectiveness and potential of both the Service and the individual.

To generate greater lethality in our combat formations, the USMC will mature Marines' technical proficiency and leadership skills faster by presenting them with increased opportunities to think, decide, and act earlier in their careers. Marines and units will have more opportunities for training in realistic and challenging environments to gain, maintain, and enhance both proficiency and confidence in employing combined arms and new Force Design concepts and capabilities on the current and future battlefields. The USMC will continue to adopt best-of-breed approaches and tools to deliver the training and education continuum in a way that develops Marines' talents and hones the advanced skill sets they require to thrive at all levels of conflict and become bold and consequential decision-makers. The USMC will optimize how we employ the increased talent we are recruiting and maximize return on investment by accurately assessing our Marines' competencies and developing them to meet our rigorous standards, which form the foundation for all training, education, and assessment. Commanders will be properly equipped and empowered with the tools required to assess their unit's training needs, to conduct relevant, repeatable, and challenging training, and to accurately evaluate their training performance. Lastly, as an institution, the USMC will continue to increase the speed, agility, and integration of solution development and delivery processes to ensure the most relevant training and education capabilities are fielded to the Fleet Marine Force on pace with Force Design.

SECTION 2: FINANCIAL SECTION

Office of Inspector General Transmittal

OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

February 22, 2024

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/
CHIEF FINANCIAL OFFICER, DOD
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL MANAGEMENT AND COMPTROLLER)
COMMANDANT OF THE MARINE CORPS
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
AUDITOR GENERAL, DEPARTMENT OF THE NAVY

SUBJECT: Transmittal of the Independent Auditor’s Report on the U.S. Marine Corps General Fund Financial Statements and Related Notes for FY 2023 (Project No. D2022-D000FS-0067.000, Report No. DODIG-2024-060)

We contracted with the independent public accounting firm of Ernst & Young, LLP (EY) to audit the U.S. Marine Corps (USMC) General Fund Financial Statements and related notes as of and for the fiscal year ended September 30, 2023. The contract required EY to provide a report on internal control over financial reporting and compliance with provisions of applicable laws and regulations, contracts, and grant agreements, and to report on whether the USMC General Fund’s financial management systems substantially complied with the requirements of the Federal Financial Management Improvement Act of 1996. The contract required EY to conduct the audit in accordance with generally accepted government auditing standards (GAGAS); Office of Management and Budget audit guidance; and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency, “Financial Audit Manual,” Volume 1, May 2023, Volume 2, May 2023, and Volume 3, June 2023. EY’s Independent Auditor’s Reports are attached.

EY’s audit resulted in an unmodified opinion. EY concluded that the USMC General Fund Financial Statements and related notes as of and for the fiscal year ended September 30, 2023, were presented fairly in all material respects, in accordance with Generally Accepted Accounting Principles.

EY’s separate report, “Report of Independent Auditors on Internal Control Over Financial Reporting Based on an Engagement to Audit the Financial Statements Performed in Accordance with Government Auditing Standards,” discusses seven material weaknesses related to the USMC General Fund's internal controls over financial reporting.* Specifically, EY's report stated that USMC did not:

- consistently implement a formal internal control program that allows the program to fully assess the five components of internal control: an effective control environment, risk assessment, control activities, information and communication, and monitoring activities;
- design or consistently implement internal control activities for timely, complete, and accurate reporting of receipt and expenditure of public funds;
- design or consistently implement procedures, accounting policies, internal controls, and systems to appropriately report and disclose General Property, Plant, and Equipment balances within the financial statements;
- design or consistently implement procedures, accounting policies, internal controls, and systems to appropriately report and disclose Operating Materials and Supplies balances within the financial statements;
- ensure users of financial management systems were properly authorized and have proper segregation of duties within a system;
- verify that only authorized applications and software programs were placed into production; or
- ensure timely, accurate, and complete processing of information between applications.

EY's additional report, "Report of Independent Auditors on Compliance and Other Matters Based on an Engagement to Audit the Financial Statements Performed in Accordance with Government Auditing Standards," discusses two instances of noncompliance with provisions of applicable laws and regulations, contracts, and grant agreements. Specifically, EY's report describes instances in which the USMC did not comply with the Federal Financial Management Improvement Act of 1996 or the Federal Managers' Financial Integrity Act of 1982. In addition, the USMC reported in its Management Representation Letter one documented violation of the Antideficiency Act, and the USMC communicated all potential violations for FY 2023.

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* A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting that results in a reasonable possibility that management will not prevent, or detect and correct, a material misstatement in the financial statements in a timely manner.

In connection with the contract, we reviewed EY's reports and related documentation and discussed them with EY's representatives. Our review, as differentiated from an audit of the financial statements and related notes in accordance with GAGAS, was not intended to enable us to express, and we do not express, an opinion on the USMC General Fund FY 2023 Financial Statements and related notes. Furthermore, we do not express conclusions on the effectiveness of internal controls over financial reporting, on whether the USMC General Fund's financial systems substantially complied with Federal Financial Management Improvement Act of 1996 requirements, or on compliance with provisions of applicable laws and regulations, contracts, and grant agreements. Our review disclosed no instances where EY did not comply, in all material respects, with GAGAS. EY is responsible for the attached February 22, 2024 reports and the conclusions expressed within the reports.

We appreciate the cooperation and assistance received during the audit. If you have any questions, please contact me.

FOR THE INSPECTOR GENERAL:

Lorin T. Venable

Lorin T. Venable, CPA
Assistant Inspector General for Audit
Financial Management and Reporting

Attachment:
As stated

Ernst & Young LLP
1775 Tysons Blvd
Tysons, VA 22102

Tel: +1 703 747 1000
Fax: +1 703 747 0100
ey.com

Building a better working world

Report of Independent Auditors

The Commandant of the United States Marine Corps and the
Inspector General of the Department of Defense

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the United States Marine Corps General Fund (hereafter referred to as the USMC), which comprise the consolidated balance sheet as of September 30, 2023 and the related consolidated statements of net cost and changes in net position and combined statement of budgetary resources for the year then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the USMC at September 30, 2023, and the results of its net cost of operations, its changes in net position and its budgetary resources for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and in accordance with the provisions of Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and the provisions of OMB Bulletin No. 24-01 are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the USMC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Adoption of Accounting Standards

As discussed in Notes 1.J and 1.K to the financial statements, in 2023 the USMC established beginning balances for Operating Materials and Supplies (OM&S) and General Property, Plant, and Equipment (GPP&E) using deemed cost in accordance with Statements of Federal Financial Accounting Standards (SFFAS) No. 48, *Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials*, and SFFAS No. 50, *Establishing Opening Balances for General Property, Plant, and Equipment*, respectively. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* and the provisions of OMB Bulletin No. 24-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards* and the provisions of OMB Bulletin No. 24-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the USMC's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the USMC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information, as listed in the Table of Contents, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Message from the Commandant of the Marine Corps, Office of Inspector General Transmittal, Response to Independent Auditor's Report, Management and Performance Challenges, Summary of Financial Statement Audit and Management Assurances, and Appendices but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated February 22, 2024 on our consideration of the USMC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the USMC's internal control over financial

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reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the USMC's internal control over financial reporting and compliance.

Ernst & Young LLP

February 22, 2024

Ernst & Young LLP
1775 Tysons Blvd
Tysons, VA 22102
Tel: +1 703 747 1000
Fax: +1 703 747 0100
ey.com

Report of Independent Auditors on Internal Control Over Financial Reporting Based on an Engagement to Audit the Financial Statements Performed in Accordance with *Government Auditing Standards*

The Commandant of the United States Marine Corps and the
Inspector General of the Department of Defense

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*, the financial statements of the United States Marine Corps General Fund (hereafter referred to as the USMC), which comprise the consolidated balance sheet as of September 30, 2023, the related consolidated statements of net cost and changes in net position, and combined statement of budgetary resources for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 22, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the USMC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of USMC's internal control. Accordingly, we do not express an opinion on the effectiveness of USMC's internal control. We did not consider all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to preparing performance information and ensuring efficient operations.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described below and in Appendix A, that we consider to be material weaknesses.

Material Weaknesses

I. Oversight and Monitoring (Entity Level Controls)

FMFIA requires federal entities to establish internal controls, perform ongoing evaluations of the adequacy of the entity's system of internal control, and prepare related reports. The USMC has not consistently implemented a formal internal control program which allows it to fully assess the five over-arching components of internal control: Control Environment, Risk Assessments, Control Activities, Information and Communication, and Monitoring. The combination of these deficiencies results in a material weakness. The matters related to Oversight and Monitoring are further described in Appendix A.

II. Budget Execution & Monitoring

Broadly speaking, budget execution covers all aspects of documenting, authorizing, recording and reporting transactions associated with the receipt and expenditure of public funding by the USMC in a timely, complete and accurate manner. These concepts are required through various laws, such as the Federal Manager's Financial Integrity Act and the Federal Financial Management Integrity Act and guidance issued by the Office of Management and Budget (OMB) and the U.S. Department of the Treasury (Treasury). The USMC has not designed and consistently implemented internal control activities for the accurate and complete recording of funds. This includes the identification of key systems, data elements and reports used to report transactions. This also includes monitoring controls to ensure the operational effectiveness of the internal control activities associated with funds control. The combination of these deficiencies results in a material weakness. The matters related to Budget Execution and Monitoring are further described in Appendix A.

III. General Property, Plant and Equipment

General property, plant and equipment (GPP&E) is comprised of capitalized assets, with a useful life of more than two years, which includes buildings and structures, internal use software, general equipment and construction in progress. The USMC further defines general equipment into military equipment (i.e., weapons systems, components of weapons systems, and support equipment) and garrison property (i.e., office equipment and material handling equipment). The USMC has not designed or consistently implemented procedures, accounting policies, internal controls and systems to appropriately report and disclose GPP&E balances within the financial statements. The combination of these deficiencies results in a material weakness. The matters related to GPP&E are further described in Appendix A.

IV. Inventory and Related Property: Operating Materials & Supplies

Inventory and related property, inclusive of Operating Materials and Supplies (OM&S) consists of tangible personal property to be consumed in normal operations, spare or repair materials, repair parts, repair tools required for support of equipment, items removed from decommissioned equipment, and all munitions. The USMC classifies OM&S as ammunition and non-ammunition.

The USMC defines ammunition as any device charged with explosives, propellants or pyrotechnics used in connection with military operations or structural destruction. The USMC defines non-ammunition includes spare and repair parts, fuel, construction materials, clothing and textiles, medical and dental supplies and other items used to support the day-to-day operations of the USMC. The USMC has not designed or consistently implemented procedures, accounting policies, internal controls and systems to appropriately report and disclose OM&S balances within the financial statements. The combination of these deficiencies results in a material weakness. The matters related to OM&S are further described in Appendix A.

V. Financial Information Systems – Access Controls/Segregation of Duties

Access Controls involve the protection of application boundaries, user identification and authentication, account management (authorization, periodic review of access, removal of access), protection of financially significant transactions and system resources, and the monitoring of security violations impacting financial reporting activities. Segregation of Duties (SoD) controls involve the identification and authorization of SoD conflicts, prevention of incompatible activities, and monitoring of users with conflicting access (when allowable). We identified access control and SoD related deficiencies that represent a risk to the financial management information systems environment. The combination of these deficiencies results in a material weakness. The matters related to Access Controls and SoD and are further described in Appendix A.

VI. Financial Information Systems – Configuration Management

Configuration Management involves the identification and management of an information system at a given point and systematic control changes to that configuration during the system's life cycle, from the initiation of a change request to the migration of a change to production, the protection of source code, the separation of access provisioned to developers and migrators, and the procedures for monitoring changes made to the production environment. We identified configuration management-related deficiencies that represent a risk to the financial management information systems environment. The combination of these deficiencies results in a material weakness. The matters related to Configuration Management are further described in Appendix A.

VII. Financial Information Systems – IT Operations

Effective IT operations controls support the reliability of various aspects of operating the IT environment related to the complete and accurate processing of transactions and the protection of information used in that processing. IT operations involves computer job management tasks related to scheduling and running jobs (programs), monitoring the successful completion of those jobs, and detecting and addressing job failures timely. Relevant jobs may accept, process, and move data from one IT application to another via system interfaces for inclusion in financial reporting. The combination of these deficiencies results in a material weakness. The matters related to IT Operations are further described in Appendix A.

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Management's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the USMC's response to the findings identified in our engagement and described in the accompanying letter (Response to Independent Auditor's Report as listed in Table of Contents) dated February 22, 2024. The USMC's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control. This report is an integral part of an engagement to perform an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

February 22, 2024

Appendix A – Material Weaknesses

I. Oversight and Monitoring (Entity Level Controls)

The Federal Managers Financial Integrity Act (FMFIA) requires the USMC to establish internal controls in accordance with standards issued by the Government Accountability Office (GAO). As defined by GAO's *Standards for Internal Control in the Federal Government* (i.e., GAO Green Book), "An internal control system is a continuous built-in component of operations, effected by people, that provides reasonable assurance, not absolute assurance, that the entity's objectives will be achieved." [1] Guidance provided by GAO notes that internal control is not a, "one time" event, but is comprised of a series of integrated tasks carried out by the entire organization. Internal control is not a finance function, but covers all aspects of the organization, including operations, reporting, and compliance. A properly designed and implemented internal control system is "built into", not "added on to", the everyday actions of the employees supporting an organization.

An integrated internal control system is comprised of five over-arching components: Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring. Each of these five components, is further delineated into 17 principles. As defined by GAO, "If a principle or component is not effective, or the components are not operating together in an integrated manner, then an internal control system cannot be effective."[2]

The USMC has designed and implemented operational controls to procure goods and services, acquire and dispose of assets, pay the uniformed and civilian workforce, and to comply with specific laws and regulations. However, the USMC has not designed, documented and consistently implemented a set of fully integrated (i.e., operational, financial and compliance) internal controls as defined by GAO. Furthermore, the USMC has not consistently implemented a formal internal control program which allows it to fully assess the five components of internal control: Control Environment, Risk Assessments, Control Activities, Information and Communication, and Monitoring.

1. **Inadequate Control Environment**. The Control Environment is supported by principles which essentially set the tone for the entire organization. The USMC has operational controls to set the tone for the organization, to assign roles and responsibilities and to position the organization to achieve its operational goals. However, the USMC has not consistently implemented policies and procedures which address the five components of an internal control environment, inclusive of an oversight body which oversees the integrated internal controls, an organizational structure to achieve the integrated objectives, and performance criteria to hold individuals accountable for their internal control responsibilities.

2. **Inadequate Risk Assessment**. The principles associated with risk assessment include setting specific objectives for the organization and the completion of a comprehensive risk assessment

[1] GAO, Standards for Internal Control, GAO-14-704G, par. OV1.04
[2] GAO, Standards for Internal Control, GAO-14-740G, par. OV3.03

across an entity's operations, reporting and compliance functions to identify internal and external issues that could prevent an organization from achieving those objectives.

The USMC has well defined operational objectives and has identified risks associated with these objectives. However, we noted that the USMC should:

- Validate the completeness and accuracy the financially significant interface edits and validations.
- Improve the follow-up of system related Plan of Action and Milestones (POA&M) for two financially significant systems.

3. **Inadequate Control Activities**. There are several principles which support control activities. This includes the design and consistent implementation of internal controls, including controls resident within supporting information systems, to achieve the operational, reporting and compliance objectives of an entity.

   We noted several areas, where the design of control activities was incomplete and/or where the documentation of the control activities was not mapped to the corresponding risks or corresponding objectives:

   - Transaction cycles with incomplete internal control documentation or incomplete internal controls.
   - Plan of Action and Milestone (POA&M) listings could be improved.

4. **Inadequate Information and Communication**. Information and communication are supported through a series of key principles. These include internal and external communication which supports the achievement of an entity's objectives. Throughout our testing, we noted instances where the USMC has established clear lines of communication to support the completion of operational goals.

   However, across each of and the material transaction cycles, we noted that the USMC had not identified and documented the key information systems, key data points within the systems, key reports generated by the information systems, which are used to measure and assess the achievement of operational, reporting compliance objectives.

5. **Inadequate Monitoring**. The final component of an internal control system is supported by principles regarding the need to continually monitor internal controls for relevance and appropriateness as objectives and risks change in response to internal and external factors. The USMC has systematic and ad hoc programs in place to assess compliance with operational procedures.

   However, the USMC has not designed, documented, and consistently implemented monitoring controls to evaluate the performance of the USMC on a combined basis as envisioned by the

GAO Green Book. Across each of the material transaction cycles, we noted that the USMC has not consistently implemented monitoring controls to ensure the operating effectiveness of control activities.

Recommendations

The components and principles of the internal control standards envisioned within the GAO Green Book are comprehensive and span all aspects of an organization. The USMC has developed a Risk Management and Internal Control (RMIC) Program Plan. The findings noted above, and within this report evidence that the RMIC has not been consistently implemented. EY recommends:

- The USMC ensure that concepts in the RMIC be consistently implemented throughout the organization (i.e., key business process areas have addressed each of the Green Book components and principles).

- The USMC should implement the RMIC project timeline to ensure that concepts outlined in the RMIC are fully completed to support the year-end Statement of Assurance.

- The USMC should update the RMIC to require quarterly updates to the Assistant Commandant of the Marines. These updates should include, but not be limited to, an overview and timeline for the completion of key RMIC milestones, discussion of internal control or compliance deficiencies noted during the completion of the program, root cause analysis of the noted deficiencies, and a documented action plan for the remediation of any identified deficiencies.

II. Budget Execution & Monitoring

Broadly speaking, budget execution covers all aspects of documenting, authorizing, recording and reporting transactions associated with the receipt and expenditure of public funding by the USMC in a timely, complete and accurate manner. These concepts are required through various laws, such as the Federal Manager's Financial Integrity Act and the Federal Financial Management Integrity Act and guidance issued by the Office of Management and Budget (OMB) and the U.S. Department of the Treasury (Treasury).

The USMC has developed and implemented various processes to account for the receipt and expenditure of public funds. In addition, the USMC utilizes several information management systems to record and report financial management information.

During our audit, we noted several issues which could affect the USMC's ability accurately report financial information in a timely manner. For example:

- The USMC has not designed, documented and consistently implemented end-to-end internal controls over the receipt and expenditure of public funds. This includes the identification of key systems, data elements and reports used authorize, record and report the receipt and expenditure of public funds, and the monitoring controls to ensure that the designed control activities are operating as intended.

- The USMC currently utilizes the Defense Agencies Initiative (DAI) System to support accountability goals and objectives, which include the complete and accurate reporting of financial transactions within the appropriate fiscal period. During the FY23 audit, EY determined that USMC does not effectively or efficiently enter detail-level current period transactions received post-close within the appropriate fiscal period. As a result of the Defense Agencies Initiative (DAI) trial balance currently enforcing a strict period-end cutoff, interface files received after cutoff are not systemically recorded and as such, USMC must manually track and accumulate these transactions to be posted as temporary journal vouchers (JVs).

- Testing of dormant obligations identified instances in which the unliquidated obligation should have been deobligated.

- When procuring goods via Military Standard Requisitioning and Issue Procedures (MILSTRIP) the price of the goods at the time of the order, when the obligation is established in the system of record, will frequently change by the time the goods are received and the obligation is liquidated. Currently, DAI has strict transaction processing controls which are intended to ensure the integrity of the USMC's budgetary accounting. However, these strict controls are rejecting MILSTRIP transactions with very small price changes between the order and received dates. Initially, these rejected transactions are not posted into DAI and therefore the USMC is not able to comply with the timely recording of transactions. Subsequent to the rejection the USMC must track and post entries outside of the system and into the proper period which is labor intensive and increases the risk of material misstatement.

- In FY23 Q2, the USMC posted a JV to correct an abnormal balance of $14 billion caused by a MILSTRIP receipt which incorrectly recorded quantity and unit cost. While the erroneous receipt was corrected through financial reporting, a field-level abnormal balance indicates missing or ineffective controls.

- Due to current business processes the USMC is not able to produce a complete Accounts Payable transaction level detailed report and as a result the USMC must estimate Accounts Payable using an accrual methodology. The USMC's initial Accounts Payable accrual methodology did not contemplate accruals for tangible property and, as a result, the analysis was updated after the end of the fiscal year to properly include considerations for real property, general equipment and OM&S.

- USMC utilizes multiple service providers to execute fund controls. For these service providers the USMC receives a SOC 1 report covering specific service provider controls. The USMC did not perform a sufficient review and subsequent monitoring of their service provider SOC 1 reports related to fund controls. The USMC has not:

- Properly mapped each relevant Complementary User Entity Control (CUEC) to specific USMC controls.

- Identified specific USMC compensating controls for controls that could not be tested or were deemed ineffective in their service provider's SOC 1 reports.

- Performed a review and subsequent monitoring of subservice organizations utilized by service providers in the performance of the services provided to USMC.

Recommendations

Appropriately designed and consistently implemented budget execution controls effect the USMC's ability to document, authorize, record and report the status of public funds received and expended in a timely, complete and accurate manner. Therefore, we recommend that the USMC design and consistently implement:

- Internal controls over the receipt and expenditure of public funds, including key systems, data elements and key reports along with the monitoring controls to ensure the accurate, complete and timely reporting of these transactions.

- Internal controls which allow for the effective and efficient accounting of transactions to the appropriate period utilizing the standard data entry procedures as opposed to using manually tracked and manually prepared JVs.

- Internal controls to consistently monitor unliquidated obligations and the timely completion of contract close-outs to facilitate the closure or reallocation of obligations.

- Risk analysis and internal controls to allow "unmatched" obligations and disbursements within a specific risk tolerance to be processed through DAI. In conjunction with this, the USMC should develop and consistently implement internal controls to ensure compliance with OMB and Treasury budgetary accounting guidance.

- Internal controls to prevent field level posting which result in abnormal balances at the document level.

- Internal controls to ensure that quarterly accruals accurately and completely incorporate financial transactions which effect the balance sheet and the statement of net cost.

- Internal controls to evaluate service providers' reports to identify and map specific USMC controls to CUECs as well as identify complementary mitigating controls for the system and organization controls determined to be ineffective, and as needed designing and implementing the necessary CUECs.

III. **General Property, Plant and Equipment**

General property, plant and equipment (GPP&E) is comprised of capitalized assets, with a useful life of more than two years. This includes real property (i.e., buildings and structures), internal use software, general equipment which includes both military equipment (i.e., weapons systems, components of weapons systems, and support equipment) and garrison property (i.e., office equipment and material handling equipment). GPP&E also includes construction in progress for real property (funded via Operations and Maintenance appropriation) and general equipment. The USMC is currently dependent on several manual, labor-intensive controls to track and report GPP&E assets. For example, the USMC uses a multi-step process and various manual filtering techniques to prepare an Excel workbook which is ultimately used to report the value of all military equipment.

During the current fiscal year, the USMC implemented a series of internal controls to ensure that GPP&E is reported in accordance with GAAP. This includes, for example, controls to report newly acquired GPP&E assets at the actual cost to government, inclusive of costs incurred to bring the asset to its intended use.

During our testing we noted that:

- The USMC has not designed, documented or consistently implemented internal controls to ensure that GPP&E assets are accurately and completely reported within the financial records in a timely manner. This includes the identification of data elements and key reports used to report GPP&E transactions. This also includes the development and implementation of monitoring controls to ensure that control activities are operating as designed.

- The USMC currently depends on manual data calls to track and report new CIP assets, the status of existing CIP assets, and transfers out of CIP.

- The USMC is dependent on construction agents to complete and provide final documentation for real property assets which have been constructed on behalf of the USMC. We noted instances at the end of the fiscal year that the controls designed by the USMC were insufficient to ensure that assets constructively received prior to the end of the fiscal period were reported timely into the financial records.

- The USMC has not designed and consistently implemented internal controls to ensure that publicly donated assets are reported at fair market value. During the year we noted five publicly donated assets which were received by the USMC. The value of these assets was recorded using the depreciated plant replacement value (DPRV) methodology which is not an allowable valuation method for assets acquired following SFFAS No. 6 *Accounting for Property, Plant and Equipment*.

Recommendations

GPP&E assets are integrated into the day-to-day operations of the USMC, therefore, designing, documenting, and consistently implementing the policies, procedures, internal controls and systems needed to accurately report GPP&E will be challenging and require a coordinated effort across the USMC enterprise. We recommend that the USMC design and consistently implement:

- Internal controls to ensure that GPP&E asset acquisitions, disposals and construction in progress projects are accurately and completely recorded within the financial management systems. This includes the identification of data elements and reports used to report GPP&E transactions. This also includes monitoring controls to ensure the operational effectiveness of the internal control activities.

- Internal controls to ensure that GPP&E assets in CIP and the costs associated with these assets are accurately and completely reconciled and reported within the financial statements.

- Internal controls to ensure that GPP&E assets constructively received before the end of the year and all expenditures associated with constructively received or CIP projects are accurately and completely reported within the year-end financial statements.

- Internal controls to ensure that acquired assets are reported in accordance with GAAP.

Furthermore, the USMC should consider automated compilation processes which would be available through the integration of data currently used to support ME balances.

IV. Inventory and Related Property: Operating Materials & Supplies

Inventory and related property, also known as Operating Materials and Supplies (OM&S) represents items which are held for normal use in USMC operations. The USMC classifies OM&S as ammunition and non-ammunition. The USMC defines ammunition as any device charged with explosives, propellants or pyrotechnics used in connection with military operations or structural destruction. The USMC defines non-ammunition as spare and repair parts, fuel, construction materials, clothing and textiles, medical and dental supplies and other items used to support the day-to-day operations of the USMC. In addition to ammunition maintained at USMC locations, a significant amount of ammunition is held on behalf of the USMC by the Army and the Navy. The USMC reports all ammunition held by the USMC or on behalf of the USMC within the financial statements of the USMC.

The USMC has a set of internal controls to manage the acquisition, maintenance, and disposal of OM&S assets. For example, the DD-1348, "Issue Release/Receipt Document" when OM&S is receipted to an end-user or transferred out of the USMC. However, the USMC is dependent on labor-intensive processes for other key aspects of managing and accounting for OM&S. For example, the USMC currently tracks quantity and activity in one system, receipt information in another system, and purchase price information in another system. The USMC then uses data calls and Excel workbooks to calculate and track the weighted average cost of roughly 7,000 unique OM&S NSNs/NIINs. The dependence on manual processes can result in errors. For example, we noted significant "increases" to OM&S that were not purchases, but were inappropriately incorporated into the WAC calculations.

During our testing we noted that:

- The USMC has not designed, documented or consistently implemented internal controls to ensure that OM&S assets are accurately and completely reported within the financial records in a timely manner. This includes, the identification of data elements and key reports used to report OM&S transactions. This also includes the development and implementation of monitoring controls to ensure that control activities are operating as designed.

- The USMC uses a weighted average cost methodology to value all OM&S assets. During our testing we noted errors in the inputs to the weighted average cost calculations for newly acquired OM&S assets. This included errors in both the reported quantities of assets acquired as well as errors in the recorded price paid for newly acquired OM&S assets.

- The USMC relies on manual data calls, which are subject to inadvertent omissions and errors to track and report new CIP assets, the status of existing CIP assets, and transfers out of CIP.

- The USMC has identified Navy and Army internal controls to support the existence assertion associated with Navy and Army held ammunition.

    - Regarding Navy held OM&S the USMC has not obtained documentation or evidence to support the appropriate design or operational effectiveness of Navy internal controls used to track and secure USMC ammunition held by the Navy. The USMC has not designed or implemented any compensating controls to address this internal control gap with Navy held ammunition.

    - Regarding the Army held OM&S, the Army provided a Statement on Standards for Attestation Engagements (SSAE) No. 18, System and Organization Controls (SOC) Type 1 report regarding its internal controls to track and secure USMC ammunition. However, this report contained an adverse opinion, as such none of the Army's internal controls may be utilized to report and disclose ammunition balances held by the Army on behalf of the USMC. The USMC has not designed or implemented any compensating controls to address this internal control gap with Army held ammunition.

Recommendations

OM&S is a significant grouping of assets reported by the USMC. Unlike certain types of assets, such as financial investments, the OM&S assets are integrated into the day-to-day operations of the USMC. Therefore, designing and implementing the policies, procedures, internal controls and systems needed to accurately present and disclose the associated values in accordance with GAAP, will be challenging and require a coordinated effort across the USMC enterprise. We recommend that the USMC design and consistently implement:

- Internal controls to ensure that GPP&E asset acquisitions, disposals and construction in progress projects are accurately and completely recorded within the financial management systems. This includes the identification of data elements and key reports used to report GPP&E transactions. This also includes monitoring controls to ensure the operational effectiveness of the internal control activities.

- Internal controls to ensure that the acquisition cost information associated with OM&S purchases are accurately and completely recorded within the financial records of the USMC.

- Internal controls to ensure that OM&S assets in CIP and the costs associated with these assets are accurately and completely reconciled and reported within the financial statements.

- Internal controls to accurately and completely track and report OM&S inventory balances held by the Navy and the Army. This includes, but would not be limited to, developing and implementing internal controls to review and assess the results of any SOC reports received from service providers, and taking the appropriate action to compensate for any internal control weaknesses reported in a SOC report.

Furthermore, the USMC should consider automated compilation processes which would be available through the integration of data currently used to support OM&S balances.

Financial Information Systems

Based on Total Budgeted Resources, the USMC would be in the top 120 U.S. companies on the Fortune 500 list. Like other Fortune 500 companies, the USMC is dependent on a number of financial management systems to process $30+ billion in outlays annually. The financial management systems are intended to improve the overall effectiveness and efficiency of the USMC's operations and to ensure the completeness, accuracy and integrity of the USMC's financial operations. These systems are also intended to help ensure compliance with key laws and regulations, to help prevent fraud, waste and abuse, or other illegal acts.

Our testing has evidenced that the USMC's financial management systems have several design and operational control deficiencies which impedes the USMC's ability to realize the operational benefits of the automated information systems. Specifically, we are reporting three distinct material weaknesses:

- Access Controls/Segregation of Duties Controls
- Change Management Controls
- IT Operations Controls

These material weaknesses have resulted in the USMC's development and implementation of a series of labor-intensive manual work-a-round controls to ensure the completeness, accuracy and integrity of the USMC's financial operations. The nature of these manual work-a-rounds and the tools used to support these manual work-a-rounds have an inherent risk of failure, the mitigation of which may only be achieved through more labor-intensive internal controls. From a long-term sustainable perspective, the USMC should move as quickly as possible to design and consistently implement internal controls to resolve the identified information system material weaknesses.

V. Financial Information Systems - Access Controls/Segregation of Duties

Access Controls include those controls related to protecting information systems boundaries, user identification and authentication, password parameters, authorization, periodic review of access, removal of access, protecting financially significant transactions and system resources, and the monitoring of security violations. When properly implemented, access controls can validate critical systems' assets are safeguarded and logical access to sensitive computer programs and data is only granted to authorized and appropriate users. Weaknesses in such controls can compromise the integrity of sensitive data and increase the risk that such data may be inappropriately used and/or disclosed.

The identified access control weaknesses in aggregate represent a risk to the USMC financial statements, Information Technology (IT) environment, and financial applications. Absent or ineffective preventative controls and compensating detective controls expose financial systems and financial data to inappropriate access, unauthorized inputs, and inaccurate entries, resulting in significant risk to the financial statements.

Issues contributing to this material weakness, include, but are not limited to, the following:

- For one application, a complete and accurate system generated population of users were not consistently available for all information systems, or evidence to support the population of users was not provided, to include level of access granted (i.e., privileges).
- For one application, the identification of financially significant transactions and resources was not performed and lacked financial integration and approval.
- For multiple applications, initial access provisioning, modification of access, and removal of access for privileged and non-privileged users was not performed in accordance with

defined requirements, timelines, and with sufficient detail to verify access granted was commensurate with access approved and required for the users' business responsibilities.

- For four applications, access recertification/user access reviews for privileged and non-privileged users were not performed to consistently evaluate both the need for access and the level of access provisioned.

- For two applications, identification and monitoring of security violations, to include required follow-on actions, was not consistently performed.

Segregation of Duties (SoD) controls provide policies, procedures, and an organization structure to prevent one or more individuals from controlling key aspects of computer-related operations and, thereby, conducting unauthorized actions or gaining unauthorized access to financial management information systems. An effective control environment guards against a particular user having incompatible functions within a system.

The identified SoD and conflicting role weaknesses in aggregate represent a significant risk to the USMC financial statements, IT environment, and financial applications. Absent or ineffective controls around SoD allows users to circumvent processes and automated controls in place, obtain unnecessary or elevated access, and impact the integrity of financial data.

Issues which contribute to this material weakness include, but are not limited to, the following:

- A cross-application SoD analysis was not performed to determine whether conflicting roles exist across multiple applications supporting integrated business processes. Additionally, cross application SoD are not considered when provisioning user access.

- For four applications, a SoD conflict matrix, or equivalent documentation identifying access roles and permissions requiring separation, was not sufficiently documented, inclusive of all functional roles, and not mapped effectively to the system access associated with the functional roles.

- For two applications, there was an inability to prevent the assignment of conflicting roles during the access provisioning process, and for known conflicts where SoD concerns were identified, lack of documentation for business rationale, and insufficient processes for the subsequent monitoring of a user's activity.

- Two applications had privileged users (i.e. database administrators, security administrators) with the capability to complete an entire functional process by inputting, processing, and approving transactions.

Recommendations

We recommend:

- Design and consistently implement a process to generate and validate a complete and accurate population of users with access to financially significant systems.

- Identify and document the completeness and accuracy of financially significant transactions and resources. Additionally, consistently obtain approval from the appropriate level of IT and financial management to validate the listing of financially significant transactions and resources.

- Confirm initial access provisioning, modification of access, and removal of access are performed in accordance with defined requirements, timelines, and with sufficient detail to verify access granted was commensurate with access approved and required for the users' business responsibilities.

- Design and consistently implement the recertification of privileged and non-privileged users' access to evaluate the need for access and appropriateness of the access level provisioned.

- Define and consistently implement the required security violation monitoring procedures, including the frequency for which security violations should be escalated, reviewed and approved.

- Evaluate cross-application SoD to identify potential conflicts for users accessing multiple applications that support integrated business process.

- Segregate conflicting roles. In limited instances where conflicting roles are required or unavoidable, document and approve the business rationale for the conflict and consistently monitor the activity of users with conflicting roles.

- Design and consistently follow processes and controls related to user account management and SoD, including the entire life cycle from access provisioning to recertification, modification of access, inactivity restrictions, and termination procedures.

- Conduct appropriate analysis to verify functional user access is aligned to the appropriate logical permissions within the systems and consistently verify SoD are enforced.

VI. Financial Information Systems - Configuration Management

Configuration Management involves the identification and management of security features for all hardware and software components of an information system at a given point and systematically controls changes to that configuration during the system's life cycle. By implementing configuration management controls, USMC can verify only authorized configuration changes and software programs are placed into the production environment through establishing and maintaining baseline configurations and monitoring changes to these configurations. Weaknesses in such controls can compromise the integrity of sensitive data and increase the risk that such data may be inappropriately altered, used or disclosed.

The identified configuration management and change control weaknesses in aggregate represent a significant risk to the USMC financial statements, IT environment, and financial applications. Absent or ineffective controls expose financial systems and financial data to unexpected outcomes from changes, inappropriate or unauthorized changes, and application errors in production.

Issues contributing to the configuration management material weakness include, but are not limited to, the following:

- For four applications, a complete and accurate inventory of application changes, including: code changes, table structure changes, direct data changes, and configurable settings made to the production environment, was not maintained nor was approval evidence of these changes provided.

- For four applications, access to the development environment and production environment were not segregated.

- For one application, data conversion errors identified during system migration were not remediated timely.

Recommendations

We recommend:

- Design and consistently implement a process to validate a complete and accurate population of configuration changes.

- Consistently segregate access between the development and production environments.

- Consistently remediate data conversion errors timely as part of the system migration processes.

VII. Financial Information Systems – IT Operations

Effective IT operations controls support the reliability of various aspects of operating the IT environment related to the complete and accurate processing of transactions and the protection of information used in that processing. IT operations involves computer job management tasks related to scheduling and running jobs (programs), monitoring the successful completion of those jobs, and detecting and addressing job failures timely. Relevant jobs may accept, process, and move data from one IT application to another via system interfaces for inclusion in financial reporting.

The identified IT operations weaknesses in aggregate represent a risk to the USMC financial statements, IT environment, and financial applications. Absent or ineffective controls around IT operations increases the risk that issues with programs that are not scheduled correctly or do not process to completion, may not be addressed, or may be addressed inappropriately which results in the loss of financially relevant data or the ability to accurately process that data.

Issues which contribute to the IT Operations material weakness include, but are not limited to, the following:

- For two applications, the documented population of interfaces was not validated against the production environment for completeness and accuracy.
- For two applications, system configured counts (e.g. header/trailer record counts, hash comparisons, etc.) were not performed between source and target systems to validate the completeness and accuracy of financial data processing.
- For three applications, the process for handling file and transaction-level interface errors, to include tracking, reviewing, investigating, and remediating, has not been established.
- For one application, sufficient and adequate testing of interfaces was not performed prior to cutover as part of the system migration process.

Recommendations

We recommend:

- Consistently, validate a complete and accurate listing of system interfaces against the production environment.
- Consistently validate information received from a source information system is complete and accurate through system configured counts.
- Design and consistently implement a process for file and transaction-level interface error handling to include the identification, logging and monitoring, and remediation of the errors. Additionally, document remediation timelines and roles and responsibilities within the interface connection agreements.
- Consistently resolve all interface-related errors and execute all interface scripts prior to cutover during system migrations.

Ernst & Young LLP
1775 Tysons Blvd
Tysons, VA 22102

Tel: +1 703 747 1000
Fax: +1 703 747 0100
ey.com

Report of Independent Auditors on Compliance and Other Matters Based on an Engagement to Audit the Financial Statements Performed in Accordance with *Government Auditing Standards*

The Commandant of the United States Marine Corps and the
Inspector General of the Department of Defense

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements,* the financial statements of the United States Marine Corps General Fund (hereafter referred to as the USMC), which comprise the consolidated balance sheet as of September 30, 2023, and the related consolidated statements of net cost, changes in net position and the combined statement of budgetary resources for the year then ended, and the related notes (collectively referred to as the "financial statements"), and have issued our report thereon dated February 22, 2024.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the USMC's financial statements are free of material misstatement, we performed tests of the USMC's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements as well as the requirements referred to in the Federal Financial Management Improvement Act of 1996 (FFMIA). However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and the provisions of OMB Bulletin No. 24-01.

Our Report on Internal Control over Financial Reporting dated February 22, 2024, includes additional information related to the financial management systems and internal controls that were found not to comply with the requirements, relevant facts pertaining to the noncompliance and our recommendations to the specific issues presented.

FFMIA

Under FFMIA, we are required to report whether the USMC's financial management systems substantially comply with federal financial management systems requirements, applicable federal accounting standards, and the United States Standard General Ledger (USSGL) at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements. The results of tests disclosed instances in which the USMC's financial management systems did not substantially comply with federal financial management systems requirements, applicable federal accounting standards or the USSGL.

(a) Federal financial management system requirements

As referenced in the Fiscal Year (FY) 2023 USMC Statement of Assurance, the USMC identified that financial systems and financial portions of mixed systems do not substantially meet the requirements of FFMIA or OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (Circular A-123) Appendix D.

EY also identified this matter as part of the Financial Information Systems material weakness, contained in the Report on Internal Control over Financial Reporting, where we identified noncompliance with federal financial management system requirements for multiple systems. Weaknesses identified include those associated with access controls/segregation of duties, configuration management, and IT operations. These financial system deficiencies prevent the USMC from being compliant with federal financial management system requirements and inhibit the USMC's ability to prepare complete and accurate financial reporting.

(b) Noncompliance with applicable federal accounting standards

As referenced in the FY 2023 USMC Statement of Assurance, the USMC identified that the design of financial and non-financial systems does not allow the USMC to comply with applicable federal accounting standards.

(c) Noncompliance with USSGL posting logic at the transaction level

As referenced in the FY 2023 USMC Statement of Assurance, the USMC identified that the design of financial systems does not allow the USMC to comply with USSGL at the transaction level.

<u>FMFIA</u>

Federal Managers' Financial Integrity Act (FMFIA) of 1982 requires federal entities to establish internal controls, perform ongoing evaluations of the adequacy of the entity's system of internal control, and prepare related reports. The Government Accountability Office's (GAO's) *Standards for Internal Control in the Federal Government* (commonly referred to as the GAO Green Book), issued under the authority of FMFIA, establishes five components of internal control: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. To determine if an entity's internal control system is effective, the Green Book requires management to assess the design, implementation, and operating effectiveness of the five components of the entity's internal control system.

The USMC did not consistently perform test of design or tests of operating effectiveness to evaluate and monitor the control activities that would allow it to substantially comply with FMFIA and the related GAO Green Book requirements.

USMC's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the USMC's response to the findings identified in our engagement and described in the accompanying letter (Response to Independent Auditor's Report as listed in Table of Contents) dated February 22, 2024. The USMC's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on the entity's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

February 22, 2024

DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
3000 MARINE CORPS PENTAGON
WASHINGTON DC 20350-3000

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FEB 2 2 2024

Mr. John F. Short, Partner
Ernst & Young LLP
1775 Tysons Boulevard
Tysons, VA 22102

Dear Mr. Short:

SUBJECT: MANAGEMENT COMMENTS ON THE INDEPENDENT AUDITORS' REPORT ON THE UNITED STATES MARINE CORPS' FINANCIAL STATEMENT AUDIT FOR FISCAL YEAR 2023 (CONTRACT NO. GS-00F-290CA/HQ0423-21F-0002)

The Marine Corps concurs with the content of Ernst & Young's Independent Auditors' Report on the Marine Corps' financial statements for the fiscal year ending September 30, 2023. The material weaknesses identified in the report are consistent with our internal assessment of deficiencies which require our attention to remediate.

We appreciate the extensive collaboration between your team and the Marine Corps during the entirety of our two-year audit pilot. Your willingness to engage with Marines, civilians and our supporting partners across the Department of Defense provided an invaluable perspective on our ability to provide accountability and transparency to the Secretary of the Navy, the Secretary of Defense and Congress.

We look forward to taking into consideration the detail from your report as we refine our approaches to tackling and eliminating identified material weaknesses. The audit continues to help us calibrate how much progress we have made and where focus must be directed going forward.

Sincerely,

James H. Adams III
Lieutenant General
Fiscal Director
of the Marine Corps

Copy to:
Assistant Secretary of the Navy (FM&C)

Principal Financial Statements

The United States Marine Corps' (hereafter referred to as the USMC or the Marine Corps) financial statements have been prepared to report the financial position, results of operations, net position, and budgetary resources pursuant to the requirements of the *Chief Financial Officers (CFO) Act of 1990 (Public Law (P.L.) 101-576), Government Management Reform Act (GMRA) of 1994 (P.L. 103-356)*, and Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*. The statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP), as outlined by the Federal Accounting Standards Advisory Board (FASAB).

United States Marine Corps

Consolidated Balance Sheet

As of September 30, 2023

(Amounts in thousands)

ASSETS (Note 2)		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$	15,805,817
Accounts Receivable, Net (Note 5)		30,557
Advances and Prepayments		40,274
Total Intragovernmental Assets		15,876,648
Other Than Intragovernmental:		
Cash (Note 4)		9,552
Accounts Receivable, Net (Note 5)		21,271
Inventory and Related Property, Net (Note 6)		6,788,441
General Property, Plant, and Equipment, Net (Note 7)		23,573,017
Advances and Prepayments		2,991
Total Other Than Intragovernmental Assets		30,395,272
TOTAL ASSETS	$	46,271,920
Stewardship Property, Plant, and Equipment (Note 8)		
LIABILITIES (Note 9)		
Intragovernmental:		
Accounts Payable	$	238,233
Advances from Others and Deferred Revenue		313
Other Liabilities (Note 12)		52,682
Total Intragovernmental Liabilities		291,228
Other than intragovernmental:		
Accounts Payable		1,236,748
Federal Employee Benefits Payable (Note 10)		1,056,184
Environmental and Disposal Liabilities (Note 11)		1,392,478
Advances from Others and Deferred Revenue		19,657
Other Liabilities (Note 12 and Note 14)		131,047
Total Other than Intragovernmental Liabilities		3,836,114
TOTAL LIABILITIES	$	4,127,342
Contingencies (Note 14)		
NET POSITION		
Unexpended Appropriations - Funds from other than those from Dedicated Collections	$	14,202,032
Cumulative Results of Operations – Funds from Dedicated Collections (Note 15)		1,684
Cumulative Results of Operations - Funds from other than those from Dedicated Collections		27,940,862
Total Cumulative Results of Operations		27,942,546
TOTAL NET POSITION		42,144,578
TOTAL LIABILITIES AND NET POSITION	$	46,271,920

The accompanying notes are an integral part of these statements.

United States Marine Corps
Consolidated Statement of Net Cost

For the Year Ended September 30, 2023

(Amounts in thousands)

GROSS PROGRAM COSTS		
Organize, Train, and Equip Fleet Marine Forces		
Gross Costs	$	32,706,272
(Less: Earned Revenue)		(498,433)
NET COST OF OPERATIONS	$	32,207,839

The accompanying notes are an integral part of these statements.

United States Marine Corps

Consolidated Statement of Changes in Net Position

For the Year Ended September 30, 2023

(Amounts in thousands)

UNEXPENDED APPROPRIATIONS		
Beginning Balance *(Unaudited)*	$	12,141,543
Prior Period Adjustments:		
Corrections of errors (+/-)		(158,718)
Beginning Balances, as adjusted		11,982,825
Appropriations received		32,374,046
Appropriations transferred-in/out		1,433,484
Other adjustments (+/-)		(203,746)
Appropriations used		(31,384,577)
Change in Unexpended Appropriations		2,219,207
Total Unexpended Appropriations		14,202,032
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balance *(Unaudited)*		28,020,762
Prior Period Adjustments:		
Changes in Accounting Principles (+/-)		(872,605)
Corrections of errors (+/-)		1,001,845
Beginning Balances, as adjusted (Includes Funds from Dedicated Collections of $1,623 – See Note 15)		28,150,002
Appropriations used		31,384,577
Non-exchange revenue		1,931
Transfers-in/out without reimbursement (+/-)		459,025
Donations and forfeitures of property		16,457
Imputed financing from costs absorbed by others		138,629
Other (+/-)		(236)
Net Cost of Operations (+/-) (Includes Funds from Dedicated Collections of $(61) - See Note 15)		32,207,839
Change in Cumulative Results of Operations (Includes Funds from Dedicated Collections of $61 - See Note 15)		(207,456)
Cumulative Results of Operations (Includes Funds from Dedicated Collections of $1,684 – See Note 15)		27,942,546
NET POSITION	$	42,144,578

The accompanying notes are an integral part of these statements.

United States Marine Corps

Combined Statement of Budgetary Resources

For the Year Ended September 30, 2023

(Amounts in thousands)

BUDGETARY RESOURCES:		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	$	3,153,324
Appropriations (discretionary and mandatory)		33,664,660
Spending Authority from offsetting collections (discretionary and mandatory)		378,308
Total Budgetary Resources	$	37,196,292
STATUS OF BUDGETARY RESOURCES:		
New obligations and upward adjustments (total)	$	34,713,979
Unobligated balance, end of year:		
Apportioned, unexpired accounts		1,818,216
Unexpired unobligated balance, end of year		1,818,216
Expired unobligated balance, end of year		664,097
Unobligated balance, end of year (total)		2,482,313
Total Budgetary Resources	$	37,196,292
OUTLAYS, NET		
Outlays, net (total) (discretionary and mandatory)	$	31,255,756
Distributed offsetting receipts (-)		(96)
Agency Outlays, net (discretionary and mandatory)	$	31,255,660

The accompanying notes are an integral part of these statements.

Notes to the Principal Financial Statements

Note 1. Summary of Significant Accounting Policies

1.A. Basis of Presentation

These consolidated and combined financial statements have been prepared to report the financial position and results of operations of the USMC as required by the CFO Act of 1990, as amended by the GMRA of 1994, and OMB Circular No. A-136 as amended. They have been prepared from the books and records of the USMC in accordance with U.S. GAAP, promulgated by the FASAB.

The accompanying financial statements account for all resources for which the USMC is responsible, excluding the USMC Working Capital Fund (WCF) activities and account balances. The USMC WCF is separately consolidated into the U.S. Department of the Navy (DON) WCF financial statements and footnote disclosures.

Accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

1.B. Reporting Entity

The USMC reporting entity is a component of the U.S. Government. For this reason, some of the assets and liabilities reported by the USMC may be eliminated for Government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component of the U.S. Government.

The USMC is required to produce stand-alone financial statements, although it is a component reporting entity of the DON. The USMC does not have any sub-components but consolidates allocation transfer activity into its financial statements and footnotes.

The USMC receives support from other Department of Defense (DOD) entities to efficiently and effectively execute its operations as a Military Service. For example, buildings and facilities on the USMC installations are constructed by the DON's Naval Facilities Engineering Systems Command (NAVFAC) because the DON receives the Military Construction funding; the USMC uses DON aircraft, for which the Maintenance and Repair (M&R) are performed by the DON's Naval Air Systems Command (NAVAIR); healthcare services are provided to the USMC military personnel through the Military Health System led by the Defense Health Agency; and, similar to other DOD agencies, retirement benefits for active duty and reserve Marines, disability retirement benefits, and survivor benefits are all administered by the Military Retirement Fund (MRF).

The USMC also relies on third party service providers, primarily the Defense Finance and Accounting Service (DFAS) for accounting services, the Defense Logistics Agency (DLA) for certain procurement services, and the Defense Information Systems Agency for information technology goods and services.

The USMC's Non-Appropriated Fund Instrumentalities (NAFIs) are fiscal entities supported in whole or in part by non-appropriated funds (NAFs). NAFs are generated from sales and user fees charged by the NAFIs. The USMC also has public-private partnerships (P3) for military housing improvements. These P3s represent risk-sharing arrangements or transactions lasting more than five years between public and private sector entities and are disclosed in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 49, *Public-Private Partnerships: Disclosure Requirements*. The NAFIs and P3s are determined to be disclosure entities in accordance with SFFAS No. 47, Reporting Entity, and are not consolidated entities. Additional information is provided in Note 19, *Public Private Partnerships* and Note 20, *Disclosure Entities*.

1.C. Appropriations and Funds

To support its core mission, the USMC receives General Fund appropriations for active duty military and reserve personnel; Operation and Maintenance (O&M); procurement; Medicare-Eligible Retiree Health Care Fund (MERHCF) contribution, and research, development, test, and evaluation (RDT&E). These General Fund appropriations may be non-shared appropriations (i.e., the USMC only) or shared appropriations (i.e., shared with the U.S. Navy). For shared appropriations, the DON is appropriated the funding and then allocates it to the USMC for RDT&E, procurement of ammunition, military family housing operations, and other procurement, as necessary.

The USMC also reports certain special funds as discussed in Note 15, *Funds from Dedicated Collections*.

Generally, all financial activity related to allocation transfers (e.g., budget authority, obligations, outlays) are reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and budget apportionments are derived. The USMC receives allocation transfers as the child from the DON for certain operations that are excluded from the USMC's financial statements and reported back for inclusion within the U.S. Navy's financial statements. The USMC also receives allocation transfers as the child from Security Assistance programs that are excluded from the USMC's financial statements and reported back for inclusion within the Security Assistance Program financial statements.

1.D. Basis of Accounting

The USMC records transactions on the accrual and budgetary bases of accounting. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred without regard to receipt or payment of cash. The budgetary accounting principles are designed to recognize the obligation of funds according to legal requirements, which in many cases, is prior to the occurrence of an accrual-based transaction. Budgetary accounting is used for planning and control purposes, relates to both the receipt and use of cash, and is essential for compliance with legal constraints and controls over the use of Federal funds.

<u>Application of Accounting Estimates</u>. Preparation of the financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Estimates are based on

historical information applied to current conditions that may change in the future and actual results could differ materially from the estimated amounts. Estimates are made for payroll accruals, liabilities associated with the Federal Employee's Compensation Act (FECA), accounts payable, environmental liabilities, deemed cost property valuations, inventory reserves, allowance for doubtful accounts, contingent liabilities, depreciation expense, P3 contributions, and transportation of people and things-related obligations.

1.E. Revenues and Other Financing Sources

The USMC receives the majority of the funding needed to perform its mission through appropriations. These appropriations may be used within statutory limits for operating and capital expenditures. In addition to appropriations, the USMC receives exchange revenues. Exchange revenues are derived from transactions in which the Government provides value to the public or another Government entity at a price.

The USMC recognizes non-entity assets comprised of interest receivable, penalties receivable, and administrative fees receivable attributed to aged delinquent debts with the public as non-exchange revenue. Amounts from these receivables are returned to the Department of the Treasury (Treasury) upon collection and are not available to the USMC.

The USMC receives revenue from a number of sources, including commercial vendors conducting business at the USMC installations (e.g., remittances of rent or lease payments to the USMC for space on the USMC-owned property); utility payments and recycling service fees; payments from other Military Services and Executive Branch agencies, such as the State Department, which are operating out of the USMC's installations; royalties from licensing and trademarking agreements with external parties; and out leases for agricultural activities taking place on the USMC installations. Other Federal and non-Federal entities pay the USMC based on specific terms of the agreements that govern the use of the USMC facilities, often reimbursable agreements.

The USMC's budgetary resources reflect past congressional action and enable the USMC to incur budgetary obligations, but they do not reflect assets to the Government as a whole. Budgetary obligations are legal obligations for goods, services, or amounts to be paid based on statutory provisions. After budgetary obligations are incurred, Treasury will make disbursements to liquidate the budgetary obligations and finance those disbursements in the same way it finances all disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

1.F. Accounting for Intragovernmental Activities

Intragovernmental assets and liabilities are those recognized from business transactions with other Federal entities. Intragovernmental earned revenue represents collections or accruals of revenue from other Federal entities. Intragovernmental costs are payments or accruals of costs for goods and services provided by other Federal entities.

The Treasury Financial Manual (TFM), Volume 1, Part 2 – Chapter 4700, *Federal Entity Reporting Requirements for the Financial Report of the United States Government*, provides guidance for reporting and reconciling intragovernmental balances. Accordingly, the USMC performs quarterly reconciliations of its intragovernmental balances both as a buyer and a seller with reciprocal Federal trading partner balances. Any disputes over reconciliation results are resolved between the agencies in accordance with the Intragovernmental Business Rules published in Appendix 10 of TFM, Volume 1, Part 2, Chapter 4700.

1.G. Funds with the U.S. Treasury

Fund Balance with Treasury (FBWT) is maintained in the Treasury accounts. FBWT is available to pay current liabilities and finance authorized purchases. FBWT is increased by the receipt of budgetary resources (appropriations and collections), decreased by outlays, and is either increased or decreased by funds transfers. In accordance with Treasury guidelines, FBWT also decreases when appropriations are canceled due to expiration, rescission, or sequestration. The USMC's FBWT does not include fiduciary assets or funds but does include general and special funds as presented on the Balance Sheet. The disbursing offices of the USMC and DFAS process the majority of the USMC's cash collections, disbursements, and adjustments worldwide. Other agencies, such as other Military Services, the U.S. Army Corps of Engineers, and the State Department's financial services centers also process disbursements and collections on behalf of the USMC. On a monthly basis, the USMC's FBWT is reviewed and adjusted, as required, to agree with the Treasury FBWT accounts.

FBWT includes amounts for collection and disbursement transactions that are recorded in suspense accounts as a result of missing or mismatched lines of accounting or other discrepancies. The USMC shares DON suspense accounts with the U.S. Navy, and the transactions recorded therein are researched and properly reclassified pending disposition by the responsible financial managers. The USMC may have transactions in other DOD agency's suspense accounts that are also researched and properly reclassified pending disposition by the responsible financial managers. See Note 3, *Fund Balance with Treasury* for additional information.

1.H. Cash

Cash consists of cash held by disbursing officers. Disbursing officers are located at all of the USMC's installations and forward operating areas. Cash, is classified as non-entity and is restricted. See Note 4, *Cash* for additional information.

1.I. Accounts Receivable, Net

Accounts receivable from other Federal entities or the public include accounts receivable, claims receivable, and refunds receivable, net of the allowance for estimated uncollectible amounts. Allowances for uncollectible accounts from Federal entities and the public are based upon individual and group analysis of outstanding aged receivables and an allowance percentage derived based on bad debt write-offs.

See Note 5, *Accounts Receivable, Net,* for additional information.

1.J. Inventory and Related Property, Net

The USMC does not hold inventory for resale; rather, the USMC has related property known as Operating Materials and Supplies (OM&S). OM&S consists of tangible personal property to be consumed in normal operations, spare or repair materials, repair parts, repair tools required for support of equipment, items removed from decommissioned equipment, and all munitions. The USMC's

OM&S is composed of two major categories: Ammunition and Non-Ammunition. The USMC ammunition consists of any device charged with explosives, propellants, or pyrotechnics used in connection with military operations or structural destruction. Non-ammunition includes spare and repair parts, fuel, construction materials, clothing and textiles, medical and dental supplies and other items used to support the day-to-day operations of the USMC.

Based upon the type and condition of the asset, OM&S is classified as "held for use," "held in reserve for future use," "held for repair," "in development," or "excess, obsolete, or unserviceable." OM&S "held for use" consists of items that are consumed during the normal course of the USMC operations. OM&S "held in reserve for future use" consists of items not normally used in the course of the USMC operations but have more than a remote chance of being needed in the future. OM&S "held for repair" consists of materials that are not in usable condition but can be economically repaired. The USMC values these assets as a serviceable item and has established a contra-asset repair allowance account for projected repair costs. OM&S "in development" costs represent the cost incurred or value of tangible personal property in development that will be consumed in normal operations upon completion. Excess, Obsolete, and Unserviceable (EOU) OM&S consists of assets more economical to dispose of than maintain/repair and are defined as follows: 1) excess OM&S are stocks that exceed the amount expected to be used in normal operations because the amount on hand is more than can be used in the foreseeable future and do not meet management's criteria to be held in reserve for future use; 2) obsolete OM&S are no longer needed due to changes in technology, laws, customs, or operations; and 3) unserviceable OM&S are physically damaged and cannot be repaired or consumed in operations. The USMC recognizes EOU OM&S at a net realizable value of zero.

Ammunition consumption is recognized upon issuance of ammunition for training or operations from an Ammunition Supply Point. OM&S Non-Ammunition is considered consumed and expensed upon the issuance to one of the Fleet Marine Forces locations from intermediate supply facilities for use in operations to refurbish or repair an end item or support daily operations. Once items are considered issued, they are no longer financially reportable as OM&S on the Balance Sheet. The USMC applies the purchases method when OM&S is not significant in amount, considered in the hands of the end user, or it is not cost-beneficial to apply the consumption method of accounting. The purchases method provides that OM&S be expensed when purchased. On an annual basis, the USMC performs an assessment of the supply point structure to determine the appropriateness of this position and adjusts as necessary.

The USMC is making an unreserved assertion that its OM&S balances are presented fairly in accordance with U.S. GAAP. The USMC has applied deemed cost methodology in accordance with SFFAS No. 48, *Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials* to value its beginning balances as of October 1, 2022 and values subsequent OM&S procurements in compliance with SFFAS No. 3, *Accounting for Inventory and Related Property*. Due to the inherent lack of precision arising from limited information available, there may be a high uncertainty in the underlying assumptions used to establish opening balances under deemed cost methods, as prescribed by SFFAS No. 48. The USMC has considered the reasonableness of the assumptions selected, the relationship of the assumptions to the available documentation that is consistent with the methodology, and the overall reasonableness of the valuation.

<u>SFFAS No. 48 Beginning Balance Methodology Application</u>
In accordance with SFFAS No. 48, the USMC elected to establish beginning balances by using deemed cost to value OM&S assets. Deemed costs is an amount used as a surrogate for initial amounts that otherwise would be required to establish opening balances. This method applies any, or a combination of, the following valuation methods: standard price or fair value, replacement cost, estimated historical cost (initial amount), actual historical cost (initial amount), or latest acquisition cost. The USMC used the replacement cost method. Utilizing the National Stock Number (NSN)/National Item Identification Number (NIIN) and Major Organization Entity (MOE) identifiers, the USMC assembled pricing data from third party primary sources to approximate historical cost of the items. This data is collected to form a standard price list to value the assets. Such primary sources include DLA's Federal Logistics (FED LOG) data, DLA's Web Federal Logistics Information System (WebFLIS), and data from the U.S. Army's Joint Munitions Command (JMC). If pricing information was unavailable from primary sources, alternative sources for pricing information were necessary. Alternative sources include the identification of an asset with similar nature and intended use, Phrase and Federal Supply Class Code validation, and Defense Property Accountability System (DPAS) data. It was determined that due to the availability of this data, as well as the relative accuracy, this was an appropriate alternative valuation method that complied with SFFAS No. 48 guidance.

OM&S Ammunition:
To consistently align asset valuation with the SFFAS No. 48 unreserved assertion election, management elected to establish OM&S Ammunition opening balances as of October 1, 2022. The Ammunition deemed cost valuation method included a pricing allocation procedure which involved collecting applicable prices from primary sources and applying them according to NSN using the following order: 1) apply by NSN the price information from FED LOG for the USMC managed assets; 2) apply by NSN the price information from FED LOG for DLA; 3) apply by NSN the price information from FED LOG for U.S. Army managed assets on behalf of the USMC; 4) apply by NSN the price information from WebFLIS for U.S. Navy managed assets, and 5) apply by NSN price information from the JMC price list. For the NSNs that did not have pricing data, their ownership and pricing was confirmed with the Program Manager for Ammunition and JMC. For the NSNs not confirmed via JMC, their asset line items retained the price as last recorded by Program Manager for Ammunition. The final revaluation impact was recorded as a prior period adjustment due to change in accounting principle.

OM&S Non-Ammunition:
In order to consistently align asset valuation with the SFFAS No. 48 unreserved assertion election, management elected to establish OM&S Non-Ammunition opening balances as of October 1, 2022. The Non-Ammunition deemed cost valuation method included a pricing allocation procedure which involved collecting applicable prices from primary sources and applying them according to NSN

using the following order: 1) apply by NSN the price information from FED LOG utilizing the USMC MOE; 2) apply by NSN the price information from FED LOG utilizing the DLA MOE; 3) apply by NSN the price information from FED LOG utilizing the U.S. Army MOE, and 4) allocate by NSN the price information from WebFLIS utilizing the U.S. Navy MOE. For NSNs that did not have pricing data, their asset line items retained the price as recorded by respective Accountable Property System of Records (APSRs). The final revaluation impact was recorded as a prior period adjustment due to change in accounting principle.

SFFAS No. 3 Current Valuation Methodology:
Since October 1, 2022, in accordance with SFFAS No. 3, the USMC values OM&S using the consumption method of accounting valued at historical cost using the weighted average cost (WAC) flow assumption, unless purchases method conditions apply.

Weighted average is calculated at the NSN/NIIN level. The combined value of beginning balance and current year purchases is divided by the combined quantity of these categories. The resulting WAC unit price is applied to net adjustments and issuances. The total quantity issued during the reporting period multiplied by the weighted average equals the cost of goods consumed.

See Note 6, *Inventory and Related Property, Net* for additional information.

1.K. General Property, Plant, and Equipment, Net
General Property, Plant, and Equipment (GPP&E) assets are those assets that are used by the USMC in supporting its mission and consist of Real Property, General Equipment (GE), and Internal Use Software (IUS). For operational accountability purposes, GE is further categorized into Military Equipment (ME) and Garrison Equipment. GPP&E are capitalized in accordance with SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, and SFFAS No. 10, *Accounting for Internal Use Software*, when an asset has a useful life of two or more years and when the acquisition cost equals or exceeds the USMC's capitalization threshold. The USMC capitalizes improvements to existing GPP&E assets if the improvements equal or exceed the capitalization threshold and extend the useful life or increase the size, efficiency, or capacity of the asset. The USMC depreciates all depreciable GPP&E on a straight-line basis. Land, Construction in Progress (CIP), and IUS In-Development are non-depreciating assets.

The USMC is making an unreserved assertion that its GPP&E balances are presented fairly in accordance with U.S. GAAP. The USMC applied deemed cost in accordance with SFFAS No. 50, *Establishing Opening Balances for General Property, Plant, and Equipment*, to value GPP&E balances as of October 1, 2022, and values subsequent procurements and capital improvements in compliance with SFFAS No. 6.

Due to the inherent lack of precision arising from limited information available, there may be a high uncertainty in the underlying assumptions used to establish opening balances under deemed cost methods, as prescribed by SFFAS No. 50. The USMC has considered the reasonableness of the assumptions selected, the relationship of the assumptions to the available documentation that is consistent with the methodology, and the overall reasonableness of the valuation.

1.K.1 Real Property
The USMC reports Real Property within the jurisdiction of the USMC installations in its financial statements because it is the designated installation host. This includes Real Property on USMC installations funded and used by other DOD organizations. The USMC does not report assets on its installations that were funded and are exclusively used by an entity not included in the consolidated DOD financial statements. While the USMC is responsible and accountable for accepting, controlling, managing, and utilizing Real Property assets, the USMC may enter into agreements with the other Military Departments, Washington Headquarters Service (WHS), or other DOD Components that transfer the right to control the use of a USMC real property asset but does not transfer financial reporting responsibilities.

Beginning on October 1, 2022, the USMC increased the Real Property capitalization threshold from $250 thousand to $500 thousand as a prospective change. Assets included in the beginning balance were capitalized using the $250 thousand capitalization threshold.

SFFAS 50 Beginning Balance Methodology Application
In accordance with SFFAS No. 50 and the Office of the Under Secretary of Defense (Comptroller) policy, the USMC elected to establish beginning balances by using deflated plant replacement value (D-PRV) to value Real Property assets, inclusive of capital improvements.

Plant replacement value (PRV) is defined as the cost, in current year dollars, to design and construct a complete and usable notional facility to replace an existing facility at the same location. The PRV model has been developed by the DOD and is referenced within the DOD's Unified Facilities Criteria (UFC)/DOD Facilities Pricing Guide. The UFC guidance is developed as a cross-DOD document, ultimately approved and authorized by the Deputy Assistant Secretary of Defense (Construction) Office of the Secretary of Defense. The PRV model is a mathematical calculation comprised of a number of factors (assumptions). In accordance with SFFAS No. 50, the PRV was applied to all Real Property assets in the beginning balance, as proscribed within DOD's Unified Facilities Criteria (UFC)/DOD Facilities Pricing Guide and did not make modifications to the model or the inputs/variables used in the equation and the assets were then deflated to account for inflation using the placed-in-service date (PISD) and relevant cost factors.

D-PRV is calculated by multiplying PRV by price index value at the PISD divided by the price index value at September 30, 2022. Price index data is published by the Bureau of Economic Analysis. In limited instances, the USMC used the midpoint of the range for PISDs using maps and geospatial images where documentation was not available to support the specific PISD.

Real Property SFFAS No. 6 Current Valuation Methodology

Since October 1, 2022, the USMC has recorded Real Property assets and capital improvements to existing assets based on their historical cost in compliance with SFFAS No. 6.

Real Property Construction in Progress
The DON accumulates and reports Real Property CIP funded by Military Construction appropriations on the U.S. Navy's consolidated financial statements. The DON receives Military Construction funds and executes these funds to further the mission of the DON consolidated entity. When a building or other structure on a USMC Installation is completed, the DON transfers the finished product to the USMC, at which point the USMC will record the asset and report it on the USMC's financial statements. The USMC is responsible for sustainment, utilization, and operational control until the asset is disposed.

The USMC accumulates and reports Real Property CIP funded by O&M appropriations for buildings, structures, and capital improvements. The USMC uses a $500 thousand capitalization threshold for all its real property. All O&M projects equal to or greater than $500 thousand capitalization threshold are evaluated to determine if the projects meet the requirements of CIP. The USMC values its O&M Real Property CIP based on the costs incurred against the O&M projects over the threshold.

Land
The USMC has elected to apply the provisions of SFFAS No. 50, paragraph 13 to land and land rights. For purposes of financial reporting in accordance with these provisions, the USMC has fully excluded existing land and land rights from its opening balances and disclosed total acres of land. In accordance with SFFAS No. 50, the USMC expenses land and land rights acquisitions. In accordance with SFFAS No. 59, *Accounting and Reporting of Government Land*, land and land rights of the USMC are disclosed as Required Supplementary Information (RSI).

1.K.2 General Equipment
GE consists of all personal property intended to be used by the USMC to carry out battlefield missions and used by installations, bases, and stations to carry out non-battlefield essential functions. GE assets may have intangible assets included in the cost of the related equipment (e.g., software that is necessary to operate the equipment, without which, the item of GE would be unusable). The USMC's capitalization threshold is $100 thousand for GE.

The USMC may use assets to complete its mission that are reported by another DOD component. For example, except for unmanned aircraft, all aircraft used by the USMC are reported by the U.S. Navy. This reporting policy has been implemented in accordance with FASAB Technical Bulletin 2017-2, *Assigning Assets to Component Reporting Entities*.

Military Equipment
Military Equipment consists of items such as weapon systems, components of weapon systems, and support equipment that is owned by the USMC for use in the performance of military missions and training.

SFFAS No. 50 Beginning Balance Methodology Application
The USMC established opening balances on October 1, 2022 using the deemed cost methodology, in compliance with SFFAS No. 50. The USMC Military Equipment opening balance valuation methodology utilized FED LOG data administered by the Defense Logistics Information Service (DLIS) of the DLA in compliance with methods permitted by SFFAS No. 50 and Federal Financial Accounting Technical Release 18.

Asset prices obtained from FED LOG or alternative sources were used as the starting point for the deemed cost calculation. FED LOG provides essential information about supply items such as the NSN, the item name, manufacturers and suppliers (including part numbers) derived from the monthly updated Federal Logistics Information System database. The USMC selected the use of FED LOG as part of the replacement cost valuation methodology due to availability of required data and the use of a third-party, authoritative source of pricing developed and maintained by DLA. When a price is not available in FED LOG, the Marine Corps will identify an asset with similar nature and intended use as an alternative source for pricing information necessary to calculate the deemed cost.

In accordance with SFFAS No. 50, asset PISD can be estimated by calculating the midpoint of the range of years the asset may have been placed in service. The USMC utilized information in FED LOG to estimate the date range and midpoint for acquisitions associated with Military Equipment NSNs. The calculated midpoint date for each of these NSNs was assigned as the PISD for the corresponding Military Equipment assets. It was not necessary to separately identify the PISD for material improvements included in the opening balances of a base unit. All improvements included in the opening balances at deemed cost were treated as if they were placed-in-service on the date the base unit was placed-in-service. Finally, the asset was deflated back to this estimated in-service date utilizing a Consumer Price Index (CPI) factor. This set of data is the benchmark data used by the Bureau of Labor and Statistics to calculate inflation.

A model was built to calculate Deemed Cost, Depreciated Value, and Net Book Value for Military Equipment. The beginning balance for Military Equipment utilized the unit prices from DLA's FED LOG to achieve deemed cost. The military equipment revaluation impact was recorded as a prior period adjustment due to change in accounting principle.

Military Equipment SFFAS No. 6 Current Valuation Methodology
Since October 1, 2022, the USMC has recorded new items and systems based on their historical cost, including an asset's acquisition cost and other ancillary direct costs as prescribed by SFFAS No. 6. Indirect costs directly attributable to the construction specific asset are capitalizable. The USMC values all Military Equipment assets at the component item level and the assets are placed in-service upon redistribution to the end users. Estimated useful lives can range from 2 to 33 years.

Military Equipment Construction in Progress
Military Equipment that requires additional costs to bring the item to a form and location suitable for its intended use is reported as construction in progress. This includes any assembly or integration costs and the cost of any other parts and materials used in the assembly of component items into a final system. Once final assembly and integration is complete, the asset is delivered for use and reported as General Equipment.

The Military Equipment CIP population was valued under historical cost as of October 1, 2022. Assets transferred to the capital asset account prior to October 1, 2022 were valued utilizing the deemed cost methodology as applied to the Military Equipment population.

Garrison Equipment
USMC Garrison Equipment includes Garrison Property (GP) and Non-Tactical Vehicles (NTV). GP is used to provide general Government services or goods in the support of end item development, maintenance, storage, and/or to support the operations of a USMC installation and its tenant activities. GP includes, but is not limited to, office equipment, automated data processing equipment, industrial plant equipment, training equipment, special tooling, and special test equipment. NTV is used to perform transportation and automotive maintenance functions at USMC facilities. Commercially available NTV includes passenger vehicles, cargo vehicles, non-tactical material handling equipment, engineer equipment, and railway rolling stock.

SFFAS No. 50 Beginning Balance Methodology Application
The USMC established opening balances on October 1, 2022, in compliance with the deemed cost methods permitted by SFFAS No. 50 and Federal Financial Technical Release 18. Assets with PISD prior to October 1, 2022 were valued at historical cost when Key Support Documents (KSDs) were available. When this documentation did not exist, the deemed cost method of estimated historical cost was used. The first method was based on the cost of a similar asset in the DPAS, discounted for inflation since the time of acquisition. The Bureau of Labor and Statistics CPI Inflation Adjuster/Calculator was used to adjust for inflation since the time of acquisition by inputting cost of the similar asset's total cost and the unsupported asset's manufacturer model year. If a similar asset in DPAS could not be located, the second method used was the estimated cost of a similar asset outside of DPAS discounted for inflation since the time of acquisition. The method used similar asset KSD, to include but not limited to: FED LOG/WebFLIS, or a vendor's quote. If a PISD is unable to be determined, an estimate is applied by taking the midpoint of the manufacture year of the asset.

SFFAS No. 6 Current Valuation Methodology
Since October 1, 2022, the USMC accounts for Garrison Equipment acquisitions based on historical costs in accordance with SFFAS No. 6. Garrison Equipment asset depreciation periods are between 5 and 10 years based on original useful life.

1.K.3 Internal Use Software
IUS can be purchased from commercial vendors off-the-shelf, modified off-the-shelf, internally developed, or contractor-developed. IUS includes software that is: 1) used to operate programs (e.g., financial and administrative software, including that used for project management); and 2) used to produce goods and provide services (e.g., maintenance work order management). IUS does not include computer software that is integrated into and necessary to operate GE.

The USMC's capitalization threshold for IUS is $250 thousand.

SFFAS No. 50 Beginning Balance Methodology Application
The USMC established opening balances on October 1, 2022 using the prospective capitalization methodology, in compliance with SFFAS No. 50. For the prospective capitalization, the USMC elected to exclude all IUS in service, inclusive of that under development, prior to October 1, 2022. As a result, the USMC's IUS balance and accumulated amortization as of October 1, 2022 was reduced to $0.

Internal Use Software SFFAS No. 10 Current Valuation Methodology
Since October 1, 2022 IUS asset acquisitions are recorded and reported in accordance with SFFAS No. 10. Since October 1, 2022, the USMC has only recognized IUS under development based on software development phase costs. IUS estimated useful lives can range from 2 to 10 years.

See Note 7, *General Property, Plant, and Equipment, Net,* for additional information.

1.L. Stewardship Property, Plant, and Equipment
The USMC maintains Stewardship Property, Plant, and Equipment (PP&E) reflective of its rich history and aims to preserve assets and property of historical significance to educate current and future generations. The USMC performs maintenance and accountability of its heritage assets and stewardship land although such activity is not directly related to its mission execution. In accordance with SFFAS No. 59, stewardship land related disclosures for the USMC are included as RSI.

See Note 8, *Stewardship Property, Plant, and Equipment,* for additional information.

1.M. Advances and Prepayments
The USMC payments made in advance of the receipt of goods and services are recorded as advances and prepayments at the time of prepayment and recognized as expenditures/operating expenses when the related goods and services are received. The USMC makes advance payments to intragovernmental trading partners for reimbursable orders, reported on the Balance Sheet as "Intragovernmental – Advances and Prepayments". The USMC also makes advance payments to the Marines for payroll and permanent change-of-station. The USMC records these advances on the Balance Sheet as "Other than Intragovernmental - Advances and Prepayments." The USMC's advances and prepayments that are subject to refund are subsequently transferred to accounts receivable.

Public entities with which the USMC does business are required to provide advance payments for goods and services and for rent and lease payments for usage of space on the USMC's installations and facilities.

1.N. Contingencies and Environmental Liabilities
SFFAS No. 5, as amended by SFFAS No. 12, *Recognition of Contingent Liabilities Arising from Litigation*, defines a contingency as an existing condition, situation, or set of circumstances that involves an uncertainty as to possible gain or loss. The uncertainty will be resolved when one or more future events occur or fail to occur. The USMC recognizes contingent liabilities when past events occur, a future loss is probable, and the loss amount can be reasonably estimated. Financial statement reporting is limited to disclosure when conditions for liability recognition do not exist but there is at least a reasonable possibility of incurring a loss or additional losses.

The USMC's contingent legal liabilities may arise from pending or threatened litigation or claims and assessments due to events such as aircraft and vehicle accidents, property or environmental damage, and breach of contracts. The USMC applies an estimation methodology for specific legal case types where the estimated loss or reasonable loss range is not provided by the Navy legal offices. The estimated liability may be a specific amount or a range of amounts. If some amount within the range is a better estimate than any other amount within the range, that amount is recognized. If no amount within the range is a better estimate than any other amount, the minimum amount in the range is recognized and the range and a description of the nature of the contingency should be disclosed. See Note 14, *Contingencies,* for additional information.

Environmental liabilities are estimates for anticipated environmental clean-up or disposal costs for hazardous waste associated with future closure of GPP&E assets. See Note 11, *Environmental and Disposal Liabilities,* for additional information.

1.O. Accrued Leave

The USMC reports accrued unfunded liabilities for military leave and annual leave for civilians. Leave is accrued as it is earned and reduced when it is taken. Annual leave is accrued each pay period based on an employee's time of service. In accordance with the Federal leave policy established by the Office of Personnel Management (OPM), full-time employees with fewer than three years of service accrue four hours of annual leave each pay period; full-time employees with at least three years of service but fewer than 15 years of service accrue six hours of annual leave each pay period; and full-time employees with 15 years of service or more accrue eight hours of annual leave each pay period. The liabilities are recorded based on current pay rates. Sick leave for civilians is expensed as taken. See Note 10, *Federal Employee Benefits Payable,* for additional information.

1.P. Net Position

Net position consists of unexpended appropriations and cumulative results of operations (CRO). Unexpended appropriations are represented by the total of undelivered orders and unobligated balances. CRO represents the net of revenues, expenses, other financing sources, gains, and losses since inception. CRO is also reflective of the cumulative amount of prior-period adjustments made, if applicable, and the cumulative amount of donations and transfers of assets in/out without reimbursement.

1.Q. Treaties for Use of Foreign Bases

The U.S. Government enters into Status of Forces Agreements (SOFA) with foreign countries, such as Japan and the Republic of Korea. As part of these agreements, the DOD and, by extension, the USMC, are provided with economic and financial burden sharing resources (e.g., utilities, labor, construction of buildings and military barracks) to provide for the common defense and security of the foreign governments with whom the SOFAs are made. In accordance with DOD Policy, the execution of burden sharing funds are reported at the consolidated DOD level and are not reported on the USMC financial statements.

1.R. Federal Employee Benefits Payable

The USMC recognizes funded and unfunded (those not covered by budgetary resources), amounts owed to the Department of Labor (DOL) for valid claims paid under the FECA for the USMC's employees who are injured on the job, beneficiaries of employees whose cause of death relates to injury or occupational disease, or employees who have fallen ill with work-related or occupational disease. The USMC records an unfunded liability for unemployment benefits based on estimates provided by the DOL. The DOL administers the FECA program and seeks reimbursement for claims paid on behalf of the USMC, and the unemployment insurance program, which charges back amounts paid on behalf of the USMC. For financial reporting purposes, the DOL develops the actuarial liability for civilian workers' compensation benefits under the requirements of the FECA and provides it to the USMC at the end of the fiscal year. See Note 9, *Liabilities Not Covered by Budgetary Resources*, and Note 10, *Federal Employee Benefits Payable*, respectively, for additional disclosures regarding these programs.

Military retirement is accounted for in the audited financial statements of the MRF; as such, the USMC does not record any liabilities or obligations for pensions or healthcare retirement benefits. The MRF is funded through a permanent, indefinite appropriation, which finances the liabilities of DOD under military retirement and survivor benefit programs on an actuarial basis.

The USMC civilian employees participate in either the Civil Service Retirement System (CSRS), a defined benefit plan, or the Federal Employees Retirement System (FERS), a defined benefit and contribution plan. For employees covered under CSRS, the USMC contributes a fixed percentage of pay. Most employees hired after December 31, 1983, are automatically covered by the FERS. The FERS plan has three parts: a defined benefit payment, Social Security benefits, and the Thrift Savings Plan (TSP). For employees covered under FERS, the USMC contributes a fixed percentage of pay for the defined benefit portion and the employer's matching share for Social Security and Medicare Insurance. The USMC automatically contributes 1 percent of each employee's pay to the TSP and matches the first 3 percent of employee contributions dollar for dollar. Each additional dollar of the employee's next 2 percent of basic pay is matched at 50 cents on the dollar.

OPM is the administering agency for CSRS and FERS plans and, thus, reports the assets, accumulated plan benefits, and unfunded liabilities of these plans applicable to Federal employees. The USMC recognizes an imputed expense in the Statement of Net Cost (SNC) and an imputed financing source on the Statement of Changes in Net Position (SCNP) for the annualized unfunded portion of pension and post-retirement benefits as computed by OPM.

OPM administers insurance benefit programs available for coverage to the USMC's civilian employees. The programs are available to civilian employees, but employees do not have to participate. These programs include life, health, and long-term care insurance. OPM, as the administrating agency, establishes the types of insurance plans, options for coverage, premium amounts to be paid by the employees, and the amount and timing of the benefit received. The USMC has no role in negotiating these insurance contracts and incurs no liabilities directly to the insurance companies. Employee payroll withholding related to the insurance and employer matches are submitted to OPM.

The life insurance program, Federal Employee Group Life Insurance plan is a term life insurance benefit with varying amounts of coverage selected by the employee. The Federal Employees Health Benefits (FEHB) program is comprised of different types of health plans that are available to Federal employees for individual and family coverage for healthcare. Those employees meeting the criteria for coverage under FEHB may also enroll in the Federal Employees Dental and Vision Insurance Program (FEDVIP). FEDVIP allows for employees to have dental insurance and vision insurance to be purchased on a group basis. The Federal Long-Term Care Insurance Program (FLTCIP) provides long-term care insurance to help pay for costs of care when enrollees need help with activities they perform every day or have a severe cognitive impairment, such as Alzheimer's disease. To meet the eligibility requirements for FLTCIP, employees must be eligible to participate in FEHB. However, employees are not required to be enrolled in FEHB.

TRICARE is a worldwide health care program that provides coverage for Active and Reserve Component Military Service members and their families, survivors, retirees, and certain former spouses. TRICARE brings together the military hospitals and clinics worldwide with network and non-network TRICARE authorized civilian health care professionals, institutions, pharmacies, and suppliers to provide access to health care services. TRICARE offers multiple health care plans. The Defense Health Program serves as the program manager for TRICARE, providing oversight, payment, and management of private sector care administered by contracted claims processors. As such, the TRICARE portion of the health benefits actuarial liability that is applicable to the USMC is reported only on the DOD agency-wide financial statements and the MERHCF financial statements.

Note 2. Non-Entity Assets

As of September 30 (Amounts in thousands)		2023
Other than Intragovernmental Assets		
Cash	$	9,552
Accounts Receivable		212
Total Other than Intragovernmental Assets		9,764
Total Other than Intragovernmental Assets		9,764
Total Entity Assets		46,262,156
Total Assets	$	46,271,920

Non-entity assets are not available for use in the USMC's normal operations. The USMC has stewardship accountability and reporting responsibility for these non-entity assets, which are included on the Balance Sheet.

Non-entity cash represents Treasury cash provided to and held by USMC disbursing officers. The cash held by USMC disbursing officers is intended to cover immediate operational cash needs of all U.S. military branches, including the USMC, and other Federal agencies, both domestic and overseas. Cash disbursed and collected by disbursing officers is reported to Treasury, which is subsequently charged against the appropriate agencies' FBWT account or deposited into a receipt account. Cash holdings are replenished by Treasury as needed and within the guidelines specified in DOD policy.

The non-entity Other than Intragovernmental accounts receivable represents interest receivable, penalties receivable, and administrative fees receivable attributed to aged delinquent debts with the public. Once collected, non-entity receivables are deposited into the Treasury as miscellaneous receipts.

Note 3. Fund Balance with Treasury

FBWT represents funds held with the Department of the Treasury upon which the USMC can draw to pay for its ongoing operations. The USMC's FBWT primarily includes direct appropriations to the USMC and appropriations shared with the U.S. Navy. FBWT also includes special revenue funds, funding transfers, and clearing accounts.

The USMC's FBWT is reconciled monthly to the balance on record with the Treasury. Adjustments, if any, are made to account for balances in suspense accounts and parent/child funding; temporary timing differences between amounts disbursed by Treasury but not yet recorded by the USMC; and misclassified transactions.

Status of Fund Balance with Treasury

As of September 30 (Amounts in thousands)		2023
Unobligated Balance:		
Available	$	1,818,216
Unavailable		664,097
Total Unobligated Balance		2,482,313
Obligated Balance not yet Disbursed		13,445,091
Non-Budgetary FBWT:		
Clearing accounts		(6)
Total Non-Budgetary FBWT		(6)
Non-FBWT Budgetary Accounts:		
Unfilled Customer Orders without Advance		(90,800)
Receivables and Other		(30,781)
Total Non-FBWT Budgetary Accounts		(121,581)
Total FBWT	$	15,805,817

Budgetary resources within FBWT are classified as unobligated available, unobligated unavailable, and obligated but not yet disbursed. Unobligated available balance represents budgetary resources that are available for new obligations. There are no restrictions on unobligated available balances.

Unobligated unavailable balance represents budgetary resources under expired authority that are not available to fund new obligations. It also includes unobligated balances that have not been apportioned.

Obligated balance not yet disbursed represents funds that have been obligated; the balance includes goods and services not yet received, and goods and services received, but for which payment has not yet been made.

Non-budgetary FBWT includes accounts without budgetary authority, such as clearing accounts. Clearing accounts include amounts paid and collected by disbursing officers held in suspense by the Treasury, undistributed intragovernmental payments, and amounts in suspense due to lost or canceled Treasury checks.

The Non-FBWT budgetary accounts include budget authority made available to the USMC for the fulfillment of reimbursable customer orders, but where FBWT is not impacted until a cash collection is received from the customer.

In fiscal year (FY) 2023, the USMC returned $203,679 thousand ($182,589 thousand non-shared, $21,090 thousand shared) of funds to Treasury due to unused funds in expired appropriations and no amounts related to surplus from no-year appropriation.

Note 4. Cash

As of September 30 (Amounts in thousands)		2023
Cash	$	9,552
Total Cash	$	9,552

Cash is a non-entity asset held by the USMC. As non-entity assets, cash is inherently restricted, held by the USMC disbursing officers but not available to fund the USMC's normal operations.

Refer to Note 2, *Non-Entity Assets,* for additional information.

Note 5. Accounts Receivable, Net

As of September 30 (Amounts in thousands)	2023 Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net
Intragovernmental Receivables	$ 30,557	$ -	$ 30,557
Other than Intragovernmental Receivables	26,104	(4,833)	21,271
Total Accounts Receivable	$ 56,661	$ (4,833)	$ 51,828

Accounts receivable represents the USMC's claim for payment from other entities. The USMC's intragovernmental receivables include amounts due to the USMC from other Federal agencies through reimbursable orders for various goods and services, such as utilities, supplies, fuel, and transportation. The Other than Intragovernmental receivables are for claims of debts owed by separated Marines, claims of debt from vendor and contractor overpayments, claims for employee travel advance overpayments, and for utility services provided by the USMC on a reimbursable basis in relation to family housing owned and operated by private companies aboard USMC installations.

Each fiscal quarter, the USMC uses three years of historical write off data to compute the allowance percentage for the following categories of aged receivables: 91-180 days, 181-365 days, and 1-2 years. The allowance percentages are then applied to their corresponding balances by age category as of the reporting period to calculate the allowance for uncollectible accounts. The USMC recognizes a 100 percent allowance on accounts receivable greater than 2 years.

Note 6. Inventory and Related Property, Net

As of September 30 (Amounts in thousands)	2023 OM&S, Gross Value	2023 Revaluation Allowance	2023 OM&S, Net	2023 Valuation Method
OM&S Categories				
Held for Use	$ 5,706,318	$ -	$ 5,706,318	Note 1
Held in Reserve for Future Use	189,872	-	189,872	Note 1
Held for Repair	368,391	(46,648)	321,743	Note 1
In Development	570,508	-	570,508	Note 1
Excess, Obsolete, and Unserviceable	17,529	(17,529)	-	NRV
Total OM&S	$ 6,852,618	$ (64,177)	$ 6,788,441	

Legend for Valuation Methods:

Note 1: Moving Average Cost, Direct Method, Historical Cost, Replacement Price and Standard Price

NRV : Net Realizable Value

The USMC reports Ammunition and Non-Ammunition materiel as OM&S. A significant amount of ammunition is held outside of the custody of the USMC by the U.S. Army and the U.S. Navy; however, the USMC maintains the rights to the ammunition and reports the balances on its financial statements. There are no restrictions on the use of OM&S.

Criteria for Identifying the Category to which Operating Materiel and Supplies are Assigned

The USMC determines reporting categories for OM&S using condition codes assigned to individual inventory items. There are numerous condition codes used by the USMC to categorize the status of OM&S as either serviceable, unserviceable, or suspended. The Deputy Commandant, Installations and Logistics for Non-Ammunition and the Program Manager for Ammunition make OM&S determinations consistently based on a process that considers factors such as item condition, intended use, and estimated time of consumption. OM&S identified as EOU is written down to its net realizable value prior to transfer to DLA's Disposition Services.

Recognition of Prior Period Adjustments

The beginning balance revaluations from making the unreserved assertion as of October 1, 2022 resulted in the revaluation impact of $50,039 thousand decrease recognized as a prior period adjustment due to change in accounting principle in the SCNP.

The USMC recorded prior period adjustments due to correction of errors in the SCNP totaling $167,080 thousand with a net increase to the OM&S balance to recognize assets that should have been removed from the asset inventories and or included within the asset population in a prior fiscal year.

Note 7. General Property, Plant, and Equipment, Net

As of September 30 (Amounts in thousands)	2023							
	Depreciation/ Amortization Method	Service Life		Acquisition Value		(Accumulated Depreciation/ Amortization)		Net Book Value
Major Asset Classes								
Buildings, Structures, and Facilities	S/L	35, 40, or 45	$	26,211,601	$	(10,699,706)	$	15,511,895
Internal Use Software	S/L	2-5 or 10		3,656		-		3,656
General Equipment	S/L	Various		15,733,028		(10,476,911)		5,256,117
Construction-in-Progress	N/A	N/A		2,801,349		N/A		2,801,349
Total General PP&E			$	44,749,634	$	(21,176,617)	$	23,573,017

Legend for Depreciation Methods: S/L: Straight Line N/A: Not Applicable

Real Property
Real Property comprises the majority of the USMC's net GPP&E balance. The USMC recognizes a Real Property asset when a facility is constructed by NAVFAC and transferred to the USMC to inhabit and utilize. The USMC accumulates and reports Real Property CIP funded by O&M appropriations for buildings, structures, and capital improvements.

Internal Use Software
The USMC's IUS balance consists of software in-development costs.

General Equipment
Construction costs of capital GE are capitalized as CIP. Upon completion of the project and subsequent delivery to the end user, the costs are transferred to the GE account.

Restrictions on the Use or Convertibility of GPP&E, Net
For the USMC sites within and outside of the continental United States, there are no known restrictions on the use or convertibility of GPP&E.

Impaired GPP&E
Partial asset impairment is not a common occurrence in the USMC, as assets are either repaired to restore lost utility or removed from service. However, the USMC will recognize impairments for classes of assets or locations in the case of major events, (e.g., natural disasters) or if the impairment affects an entire class of assets. No impairment loss has been recognized in FY 2023 based on the criteria described above.

Deferred Maintenance and Repair
The USMC tracks and reports deferred maintenance and repair (DM&R) of its GPP&E in accordance with SFFAS No. 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*. The DM&R information for GPP&E is reported in the Required Supplementary Information section.

Recognition of Prior Period Adjustments
The beginning balance revaluations from making the unreserved assertion as of October 1, 2022 resulted in the revaluation impact of $822,566 thousand decrease recognized as a prior period adjustment due to change in accounting principle in the SCNP.

The USMC recorded prior period adjustments due to correction of errors in the SCNP totaling $865,630 thousand with a net increase to the GPP&E balance to recognize assets that should have been removed from the asset inventories and/or included within the asset population in a prior fiscal year. The USMC also recorded prior period adjustments due to correction of errors in the SCNP for $30,865 thousand to reduce GPP&E assets permanently removed from service but not yet disposed to their net realizable value, which should have been recognized in a prior fiscal year.

Note 8. Stewardship Property, Plant, and Equipment

Stewardship PP&E consists of heritage assets and stewardship land. Stewardship land is disclosed as RSI in accordance with SFFAS No.59.

Heritage Assets

Heritage assets consist of buildings, structures, and museum collections. In FY 2023, the USMC is presenting the breakout of its multi-use heritage assets from single-use heritage assets that was previously reported. The USMC's heritage assets consist of the following:

Heritage Assets

Categories	Measure Quantity	As of 9/30/2022 *Unaudited	Additions	Deletions	As of 9/30/2023
Multi-Use Heritage Sites	Each	204	-	(7)	197
Single-Use Heritage Sites	Each	90	2	(2)	90
Museum Collection Items (Objects, Not Including Fine Art)	Each	68,617*	818	(42)	69,393
Museum Collection Items (Objects, Fine Art)	Each	11,364	589	(39)	11,914

** As a result of data clean-up efforts in FY 2023, the September 30, 2022 balance was revised.*

Multi-Use Heritage Sites
Buildings and structures include assets listed on or eligible for listing on the National Register of Historic Places. The USMC uses buildings and structures classified as heritage assets, in its daily activities and includes them on the Balance Sheet as multi-use heritage assets (capitalized and depreciated). These assets are used in current operations and reported within the GPP&E balance.

Single-Use Heritage Sites
Archaeological sites considered to be single-use heritage sites include cemeteries, memorials, and other structures, and statues that meet the definition of heritage assets.

Museum Collection Items
Museum collection items are artifacts that have historical or natural significance; cultural, educational, or artistic importance (including fine art, items such as portraits and artist depictions of historical value); or significant technical or architectural characteristics.

Acquisition and Withdrawal Process
Heritage assets are primarily acquired through donations from individuals and organizations. Museum collection items are acquired through donation, purchases (seldom occurrences), and transfer. Asset withdrawals from the heritage asset population arise from the USMC deaccession process. This occurs when museum curators in charge of a given collection develop a written report detailing why the asset is subject to deaccession. The deaccession report is presented to the USMC collections committees for a vote, after which it is signed off by the Director and the object is withdrawn. The USMC then documents the transfer or disposal, and the accessioned or deaccessioned objects are updated in the heritage asset database.

Deferred Maintenance and Repair
The USMC tracks and reports DM&R of its Stewardship GPP&E in accordance with SFFAS No. 42. The methodology used to report the condition of heritage assets is based upon a combination of visual assessment of the objects, historic value to the USMC collection, and consideration of general display and storage standards for historic collections in accordance with USMC, DON, and DOD Policy. The DM&R information for heritage assets is reported in the Required Supplementary Information section.

Stewardship PP&E Obtained Through Transfer, Donation, or Devise

Stewardship PP&E through Transfers or Donation/Devise (*in physical units*)

For period ended September 30, 2023	Transfers-In	Donations/Devise	Transfers-out
Museum Collection Items (Objects, Fine Art) – in units	92	487	-
Museum Collection Items (Objects, Not Including Fine Art) – in units	196	586	-
Total	288	1,073	-

The USMC does not appraise donated heritage assets, and therefore the fair value of the donated assets are not known.

Note 9. Liabilities Not Covered by Budgetary Resources

As of September 30 *(Amounts in thousands)*	2023
Intragovernmental Liabilities	
Other	$ 35,512
Total Intragovernmental Liabilities	35,512
Other than Intragovernmental Liabilities	
Accounts Payable	12,206
Federal Employee Benefits Payable	1,054,219
Environmental and Disposal Liabilities	1,392,478
Other Liabilities	2,927
Total Other than Intragovernmental Liabilities	2,461,830
Total Liabilities Not Covered by Budgetary Resources	2,497,342
Total Liabilities Covered by Budgetary Resources	1,600,850
Total Liabilities Not Requiring Budgetary Resources	29,150
Total Liabilities	$ 4,127,342

Liabilities not covered by budgetary resources are liabilities that are not currently funded by existing budgetary authority as of the Balance Sheet date. Budgetary authority to satisfy these liabilities is expected to be provided in future-year appropriations. Liabilities covered by budgetary resources are liabilities that are funded by existing budget authority.

Intragovernmental Liabilities – Other includes liabilities to the DOL for FECA claims paid on behalf of the USMC (see Note 10, *Federal Employee Benefits Payable*, for a detailed description of the USMC's FECA liabilities). This line item also consists of unfunded liabilities related to unemployment compensation. Unemployment benefits to unemployed DOD and civilian personnel and ex-service members are paid by the DOL from the FECA within the Unemployment Trust Fund. The DOL prepares a chargeback estimate and allocation of accrued benefits for existing claims, which is recognized by the USMC as an unfunded liability. After the benefits are paid, the DOL will prepare a chargeback billing for these benefit costs to be reimbursed by the DOD. At the time the liabilities become billed and due, the liabilities move from unfunded to funded, and are then reimbursed to the DOL.

Other than Intragovernmental Liabilities – Accounts Payable is related to valid claims associated with canceled appropriations.

Other than Intragovernmental Liabilities – Federal Employee Benefits Payable consists of employee actuarial liabilities associated with the FECA and civilian and military unfunded leave. Unfunded military and civilian leave liabilities represent accrued, earned leave that will be funded in future-year appropriations. Refer to Note 10, *Federal Employee Benefits Payable*, for additional details and disclosures.

Other than Intragovernmental Liabilities – Environmental and Disposal Liabilities represent estimates related to future events that will be budgeted for when the assets generating environmental and disposal liabilities are removed from service and cleaned up in future years.

Other than Intragovernmental Liabilities – Other Liabilities consist of contingent liabilities related to pending litigations and contractual arrangements. Refer to Note 12, *Other Liabilities*, for additional details and disclosures.

Total Liabilities Covered by Budgetary Resources represent all funded liabilities, including accounts payable amounts owed to Federal and non-Federal entities for goods and services received by the USMC.

Total Liabilities Not Requiring Budgetary Resources represents non-entity liabilities required to be submitted to the Treasury upon the collection of the non-entity assets, the portion of accrued legal liabilities where any settlement payment would be processed via the Treasury Judgment Fund, and the offsetting liability for collections in clearing accounts.

Note 10. Federal Employee Benefits Payable

As of September 30 (Amounts in thousands)		2023
Other Benefits		
Federal Employee's Compensation Act	$	147,827
Unfunded Accrued Annual Leave		906,392
Employer Payroll Taxes		1,965
Total Federal Employment Benefits Payable	$	1,056,184

Federal Employee Benefits Payable consist of FECA and other benefits.

Federal Employees' Compensation Act
The FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred work-related occupational diseases, and beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the DOL and consists of two components. The first component is based on actual claims paid by DOL but not yet reimbursed by the USMC and is included within the other liabilities balance on the Balance Sheet. There is generally a two to three-year lag between payment by the DOL and reimbursement from the USMC.

The second component is the actuarial liability included in this footnote schedule that represents the estimated liability for future workers' compensation and includes the expected liability for death, disability, medical, and miscellaneous costs for approved cases. The liability is allocated between the USMC and Navy WCF-Marine Corps based on the number of civilian employees funded in each entity. The USMC's workers' compensation estimates for the future cost of approved compensation cases, which are generated from an application of actuarial procedures developed by the DOL and are considered an unfunded liability.

Other Benefits, Accrued Annual Leave
The reported balance is the USMC's accrued annual leave that is unfunded as of September 30, 2023.

Note 11. Environmental and Disposal Liabilities

As of September 30 (Amounts in thousands)		2023
Environmental Liabilities—Non-Federal		
Environmental Corrective Action	$	2,500
Environmental Closure Requirements		120,577
Asbestos		1,269,401
Total Environmental and Disposal Liabilities	$	1,392,478

The environmental liabilities for the USMC are based on accounting estimates, which require judgment and assumptions based upon information available at the time the estimates are calculated. The actual results may materially vary from the accounting estimates if agreements with regulatory agencies require remediation to a different degree than assumed for calculating the estimates. Liabilities can be further affected if investigation of the environmental sites reveals contamination levels that differ from the estimated parameters. For environmental liabilities related to closure, recognition begins on the facility built date for the associated GPP&E, and expenses are recognized fully or pro rata over the estimated useful life. When changes in estimates occur, the cumulative effects of the changes are recognized as a gain/expense and the corresponding liability is adjusted. For environmental liabilities related to corrective action, liabilities are recognized and expensed at the time the liability is estimated and decremented in the period the work execution occurs. Additional adjustments to the estimate are recognized in the period the estimate is reevaluated and estimated, and the cumulative effects of the changes are recognized as a gain/expense.

Applicable Laws and Regulations for Cleanup Requirements
Laws and regulations that impact the USMC's environmental cleanup requirements include the Clean Air Act of 1970 and the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984.

Description of the Types of Environmental Liabilities and Disposal Liabilities
USMC installations have current and ongoing Defense Environmental Restoration Program (DERP) event-driven remediation activities occurring, which hold an associated liability. These remedial actions bring known contaminated sites into compliance with the applicable environmental and Federal standards and are funded, executed, tracked, and recorded by the U.S. Navy as the executive agent of the DON. A percentage of the Environmental and Disposal Liability recorded in the U.S. Navy's Financial Statements is associated with DERP sites on USMC installations.

In addition, the USMC was party to certain Base Realignment and Closure (BRAC) activities. Congress mandated the closure of some USMC installations through the BRAC process. Once an installation is closed, the DERP liabilities for these sites are transferred to the BRAC program that is funded, executed, tracked, and recorded by the U.S. Navy as the executive agent of the DON.

The USMC reports estimated environmental liability costs, via the NAVFAC Other Environmental Liabilities (OEL) Program, for units at active USMC installations that are not a part of either the DERP or BRAC programs. USMC's OEL can stem from solid waste management unit cleanup; landfill closure; removal, replacement, retro fill, and/or disposal of polychlorinated biphenyl transformers; and underground storage tank remedial investigation and closure.

Other Accrued Liabilities – Non-DERP/Non-BRAC
The types of OEL USMC recognizes include the following:

a. Incomplete environmental cleanup at corrective action sites as of fiscal year-end

b. Projected future environmental cleanup and closure of operational Real Property

c. Future removal or remediation of friable and non-friable asbestos at active sites

Cleanup costs estimate includes the hazardous waste cleanup associated with asset closure and corrective action sites. Hazardous waste cleanup includes removing, containing, and/or disposing of; 1) hazardous waste from property; or 2) material and/or property that consists of hazardous waste at closure. Cleanup may include, but is not limited to, decontamination, decommissioning, site restoration, site monitoring, closure, and post-closure efforts.

Asbestos cleanup costs include required surveys, removal, and disposal of friable (immediate health threat) and non-friable (not an immediate health threat) asbestos-containing materials from Real Property. Asbestos-containing assets can be linear (e.g., facility pipeline systems) or non-linear (e.g., buildings). The type of asbestos and real property asset measurement are the primary factors in determining the cost liability of asbestos removal and disposal. Buildings built after 1988 (1989 facility-built date and later) were excluded from the estimates since they are presumed to be asbestos free due to the asbestos ban for use in buildings. All buildings built before 1989 (1988 facility-built date and earlier) are presumed to have asbestos, and have estimates generated. All linear assets built after 1980 (1981 facility-built date and later) were excluded from the estimates, since they are presumed to be asbestos free due to the ban on the use of asbestos in thermal systems insulation materials. All linear assets built before 1981 (1980 facility-built date and earlier) are presumed to have asbestos, and have estimates generated

USMC leverages three methodologies to estimate other environmental liabilities:

1) Manual estimates are prepared for all event- and asset-driven OEL associated with closure of certain real property (RP) asset categories (i.e., septic lagoons/settlement ponds and landfills) based primarily on published closure plans for individual assets

2) Parametric estimates are used to determine asset-driven asbestos OEL and closure OEL except for those using manual estimates for a variety of asset categories. Parametric OEL cost estimation methods extrapolate environmental liability results from a representative set of assets and apply them to the entire set of assets with similar attributes.

3) OEL Survey Costs are used in instances in which insufficient information is available to estimate an asset-driven or event-driven future cleanup action for closure OEL. Survey costs represent a cost for the OEL Program to conduct an assessment or survey of an asset or a corrective action site to develop a more detailed OEL cost estimate in the future, if required, and also consider area cost factors. Survey cost estimates are initially recognized for Radioactive Waste, Dredge Spoils, and corrective action (including Low Level Radiation) sites, and assets where required information for manual or parametric closure estimates are not available or precise (e.g., Oil Water Separators), to determine the environmental cleanup that may be required due to the nature of the sites/assets. Additionally, the General OEL Survey cost is used in lieu of parametric closure estimates when those results are less than the General OEL Survey cost.

The USMC's weapons systems utilize compounds, chemicals, and other hazardous materials for which the associated cleanup costs are routinely removed and disposed during the operating life of the system, and the costs for disposing of those materials is expensed during the period incurred.

The USMC has the potential to incur costs for restoration initiatives in conjunction with returning overseas Defense facilities to host nations. The USMC is unable to provide a reasonable estimate at this time because the extent of restoration required is not known.

Method for Assigning Estimated Total Cleanup Costs to Current Operating Periods
The USMC expensed cleanup costs for non-asbestos properties placed in service prior to October 1, 1997. For the properties that were placed in service subsequently, the USMC expenses associated environmental costs using two methods: 1) based on the remaining physical capacity for operating landfills or; 2) based over the useful life (in years) for non-landfill assets. Cleanup costs for non-asbestos properties that are removed from service are also expensed.

The USMC expenses the full environmental cost for Stewardship PP&E at the time the asset is placed in service.

For asbestos abatement, the USMC expensed all cleanup costs for properties placed in service prior to October 1, 2012 and recognizes the liability for asbestos remediation for subsequently constructed sites.

Unrecognized Cleanup Costs
The unrecognized portion of cleanup costs is the unamortized portion of closure assets, asbestos, and un-utilized landfill capacity. As of September 30, 2023, there were $112,579 thousand of unrecognized OEL.

Nature of Estimates and the Disclosure of Information Regarding Possible Changes due to Inflation, Deflation, Technology, or Applicable Laws and Regulations
Environmental liabilities can change over time because of changes in laws, regulations, technological advances, inflation, and changes to disposal plans. Costs for existing OEL estimates related to Real Property increased from applying the 2 percent inflation factor as of September 30, 2023, per the Unified Facilities Criteria DOD Facilities Pricing Guide. Regulatory changes did not affect OEL in FY 2023.

Note 12. Other Liabilities

As of September 30 (Amounts in thousands)		2023
Intragovernmental		
Disbursing Officer Cash	$	9,552
Liabilities for Non-entity Assets		212
Other Liabilities		42,918
Total Intragovernmental Other Liabilities		52,682
Other than Intragovernmental		
Accrued Funded Payroll and Leave		28,177
Contract Holdbacks		80,338
Contingent Liabilities		22,532
Total Other than Intragovernmental Other Liabilities		131,047
Total Other Liabilities	$	183,729

Of the respective current liabilities reported, $38,439 thousand in FY 2023 represent amounts not covered by budgetary resources.

Intragovernmental - Disbursing Officers' Cash and Liabilities for Non-Entity Assets
Disbursing officers' cash reported amount represents the liability to the Treasury for non-entity cash held by the USMC disbursing officers. The liability for Non-Entity Assets represents offset to the Non-Federal Accounts Receivable at Note 2, *Non-Entity Assets*.

Intragovernmental - Other Liabilities
The reported balance consists of employer contributions and payroll taxes payable, liabilities related to retirement benefits earned by military personnel not yet remitted to the MRF, and FECA reimbursements owed to the DOL for the actual claims processed under FECA.

Other than Intragovernmental - Accrued Funded Payroll and Leave
The reported amount represents the estimated liability for salaries and wages of military and civilian employees and amounts of funded annual leave, all which have been earned but unpaid.

Other than Intragovernmental - Contract Holdbacks
The amount reported represents a portion of the payments held back from vendors until the completion of contracts.

Other than Intragovernmental - Contingent Liabilities
The amount reported represents contingent liabilities related to pending litigations and contractual arrangements. See Note 14, *Contingencies*, for more information on accrued probable contingencies.

Note 13. Leases

USMC as Lessee - Capital Leases

The USMC does not have leased capital assets.

USMC as Lessee - Operating Leases

The Marine Corps leases Real Property lands, buildings and structures through a warranted Federal execution agent who has lease execution authority. The terms of Marine Corps agreements vary according to the lease terms needed by the requester and local market analysis. The Marine Corps enters into non-cancelable agreements with expiration dates. Future payments are calculated based on the terms of the agreement. An inflation factor may be applied in the future lease payment amounts, which vary for each agreement. The majority of these leases are scheduled to expire by the end of FY 2042.

USMC as Lessee – Future Payments Due for Non-Cancelable Operating Leases

As of September 30 (Amounts in thousands)	2023		
	Asset Category	Totals	
Fiscal Year	Real Property	Intragovernmental	Other than Intragovernmental
2024	$ 15,917	$ 8,103	$ 7,814
2025	14,199	7,066	7,133
2026	11,616	4,720	6,896
2027	11,007	4,720	6,287
2028	10,932	4,720	6,212
After 5 Years	41,774	4,720	37,054
Total Future Lease Payment	$ 105,445	$ 34,049	$ 71,396

USMC as Lessor - Capital Leases

The USMC does not have capital leases.

USMC as Lessor - Operating Leases

The Marine Corps may lease its Real Property lands, buildings, and structures through a warranted Federal execution agent who has lease execution authority. The terms of these agreements vary according to the requirements of the requester and market analyses. Generally, the Marine Corps enters into non-cancelable agreements with expiration dates. For certain lessees, there are statutes, policy, or regulations defining who is responsible for paying fair market rent and the entities for which that may be waived. For those required to pay fair market rent, an inflation factor may be applied to the future lease payment amounts, which vary for each agreement.

USMC as Lessor – Future Projected Receipts for Non-Cancelable Operating Leases

As of September 30 (Amounts in thousands)	2023		
	Asset Category	Totals	
Fiscal Year	Real Property	Intragovernmental	Other than Intragovernmental
2024	$ 3,055	$ -	$ 3,055
2025	2,623	-	2,623
2026	1,931	-	1,931
2027	957	-	957
2028	219	-	219
After 5 Years	83	-	83
Total Future Projected Receipts	$ 8,868	$ -	$ 8,868

Note 14. Contingencies

As of September 30, 2023 (Amounts in thousands)	Accrued Liabilities	Estimate Ranges	
Legal Contingencies:		Lower End	Upper End
Probable	$ 20,780	$ 20,780	$ 23,218
Reasonably Possible	$ -	$ 7,890	$ 23,267
Other Contingencies:			
Probable	$ 1,752	$ 1,752	$ 1,752

Legal Contingencies

The USMC is a party in various administrative proceedings and legal actions related to claims for employment matters, real estate, environmental damage, and contractual bid protests, which may ultimately result in settlements or decisions adverse to the Federal government. These proceedings and actions arise in the normal course of operations and their ultimate disposition is unknown. The DON's Office of General Counsel (OGC) and the Office of the Judge Advocate General (OJAG) reviews litigation and claims threatened or asserted involving the USMC to which lawyers devote substantial attention in the form of legal consultation or representation.

The USMC accrues contingent liabilities for legal actions where the DON OGC or OJAG considers an adverse outcome probable and the estimated amount of loss measurable. The loss is reported in the contingent liabilities line within Note 12, *Other Liabilities*. For legal cases where an adverse outcome is not deemed probable but is reasonably possible, the USMC has disclosed the estimated range of loss if it can be calculated. The USMC has certain litigations related to employment, tort, and civil cases where an adverse outcome is reasonably possible but an estimate for the range of loss cannot be made.

In the event of an adverse outcome, some of the liabilities may be payable from the Treasury's Judgment Fund. Contingent legal liabilities payable from the USMC resources are either directly paid or through reimbursement to the Judgment Fund.

The Camp Lejeune Justice Act of 2022 (CLJA) provides a cause of action to recover damages for harm caused by exposure to contaminated drinking water at Camp Lejeune, North Carolina. Claims under the CLJA began being filed in February 2023 and are expected to continue being filed through the date the statute of limitations expires. There is currently no sound basis upon which to estimate a potential liability given the infancy of the proceedings. In the event of an adverse outcome, all payments related to CLJA claims would be made by the Treasury's Judgment Fund.

Other Contingencies

Other contingencies represent contingent liabilities the USMC recognized related to existing contractual arrangements that may require future financial obligations.

Note 15. Funds from Dedicated Collections

Balance Sheet — Funds from Dedicated Collections

As of September 30 (Amounts in thousands)	2023 Wildlife Conservation, etc., Military Reservations
ASSETS	
Fund Balance with Treasury	$ 1,796
Total Assets	$ 1,796
LIABILITIES and NET POSITION	
Accounts Payable and Other Liabilities	$ 112
Total Liabilities	112
Cumulative Results of Operations	1,684
Total Liabilities and Net Position	$ 1,796

Statement of Net Cost — Funds from Dedicated Collections

For the period ended September 30 (Amounts in thousands)	2023 Wildlife Conservation, etc., Military Reservations
Gross Program Costs	$ 36
Less: Earned Revenue	(97)
Net Cost of Operations	$ (61)

Statement of Changes in Net Position — Funds from Dedicated Collections

For the period ended September 30 (Amounts in thousands)	2023 Wildlife Conservation, etc., Military Reservations
Net Position, Beginning of the Period	$ 1,623
Less: Net Cost of Operations	(61)
Change in Net Position	61
Net Position, End of Period	$ 1,684

Funds from dedicated collections are financed by specifically identified revenues and other financing sources and are provided to the Government by non-Federal sources. The funds from dedicated collections are required by statute to be used for designated activities, benefits, or purposes that must be accounted for separately from the Government's general revenues. The USMC's dedicated collections are generated from the "Wildlife Conservation, etc., Military Reservations, Navy" special fund.

Wildlife Conservation, etc., Military Reservations, Navy, 16 U.S.C. § 670
This fund provides for the development and conservation of fish and wildlife and recreational facilities on military installations. Revenues come from user fees that are charged to individuals in exchange for fishing and hunting permits. The permits allow for hunting and fishing to take place on certain USMC installations. These programs are carried out through cooperative plans agreed upon by the local representatives of the Secretary of Defense, the Secretary of the Interior, and the appropriate agency of the state in which the installation is located.

Note 16. Disclosures Related to the Statement of Net Cost

Inter-Entity Costs

The USMC has instances where goods and services are received from other Federal entities at no cost or at a cost less than the full cost to the providing Federal entity. Consistent with SFFAS No. 55, *Amending Inter-Entity Cost Provisions*, certain costs of the providing entity that are not fully reimbursed by the USMC are recognized as imputed costs in the SNC, and are offset by imputed financing sources in the SCNP. Such imputed costs and financing sources relate to 1) employee pension, post-retirement health, and life insurance benefits; and 2) losses in litigation proceedings settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified above are not included in the USMC's financial statements.

Non-Production Costs: Stewardship PP&E Related Costs

Stewardship PP&E Costs For the period ended September 30 (Amounts in thousands)	2023
Heritage Asset Acquisition Costs	$372*

**The cost is not separately distinguished and presented on the SNC due to the immateriality of amount.*

Note 17. Disclosures Related to the Statement of Budgetary Resources

Undelivered Orders at the End of the Period

As of September 30 (Amounts in thousands)		2023
Intragovernmental:		
Unpaid	$	4,279,591
Prepaid/Advanced		40,274
Total Intragovernmental		4,319,865
Other than Intragovernmental:		
Unpaid		7,584,536
Prepaid/Advanced		2,991
Total Other than Intragovernmental		7,587,527
Total Budgetary Resources Obligated for Undelivered Orders at the End of the Period	$	11,907,392

Legal Arrangements Affecting the Use of Unobligated Balances

Unobligated balances represent the cumulative amount of budget authority that is not obligated and that remains available for obligation under law, unless otherwise restricted. The use of unobligated balances is restricted based on annual legislation requirements and other enabling authorities. Funds are appropriated on an annual, multi-year, and no-year basis. Appropriated funds shall expire on the last day of availability and are no longer available for new obligations. Unobligated balances in unexpired fund symbols are available in the next fiscal year for new obligations unless specific restrictions have been placed on those funds by law. Amounts in expired fund symbols are unavailable for new obligations but may be used to adjust previously established obligations.

Permanent Indefinite Appropriations

The USMC has the MERHCFs for Active and Reserve military personnel which are permanent indefinite appropriations. The mission of the MERHCF, administered by the Secretary of the Treasury, is to accumulate funds in order to finance, on an actuarially sound basis, liabilities of DOD under uniformed services health care programs for specific Medicare-eligible beneficiaries as designated by 10 U.S.C. §§ 1111 - 1117. The funds in the MERHCF are used, in compliance with the law, to provide benefits for the Medicare-eligible member of a participating Military Service or other Uniformed Service entitled to retired or retainer pay and such member's Medicare-eligible dependents or survivors. The USMC also has a Wildlife Conservation fund which has been explained in Note 15, *Funds from Dedicated Collections*.

Explanation of Differences between the Statement of Budgetary Resources (SBR) and the Budget of the U.S. Government

(Unaudited)

(Dollars in millions)		Budgetary Resources		New Obligations & Upward Adjustments (Total)		Distributed Offsetting Receipts		Net Outlays
Combined Statement of Budgetary Resources (9/30/2022)	$	33,088	$	31,294	$	-	$	29,517
Shared Appropriations with DON included in the SBR but excluded from USMC direct appropriations presented in the President's Budget		1,491		1,258		-		1,092
Unobligated Balance Brought Forward from expired and non-expiring years included in the SBR but not included in the President's Budget		718		-		-		-
Other		-		2		-		2
Budget of the U.S. Government	$	30,879	$	30,034	$	-	$	28,423

The U.S. Government Budget amounts used in the reconciliation above represents the FY 2022 balances. The U.S. Government Budget amounts for FY 2023 will be available at a later date at https://www.whitehouse.gov/omb/budget/.

Distributed Offsetting Receipts

Distributed offsetting receipts are amounts that an agency collects from the public or from other Government agencies that are used to offset or reduce an agency's budget outlays. Agency outlays are measured on both a gross and net basis, with net outlays being reduced by offsetting receipts (and other amounts).

Note 18. Reconciliation of Net Cost to Net Outlays

As of September 30 (Amounts in thousands)	2023		
	Intragovernmental	With the public	Total
Net Cost of Operations	$ 7,978,735	$ 24,229,104	$ 32,207,839
Components of Net Cost That are Not Part of Net Outlays:			
General Property, Plant, and Equipment, net changes	-	323,381	323,381
Inventory and Related Property, net changes	-	(469,495)	(469,495)
Increase/(decrease) in assets:			
Accounts Receivable, net	(831)	(1,476)	(2,307)
Other Assets	(38,930)	(45,310)	(84,240)
(Increase)/decrease in liabilities:			
Accounts Payable	116,908	(956,983)	(840,075)
Environmental and Disposal Liabilities	-	78,621	78,621
Federal Employee Benefits Payable	-	30,263	30,263
Other Liabilities	(6,721)	606,428	599,707
Other financing sources:			
Imputed Cost	(138,629)	-	(138,629)
Total Components of Net Cost Not Part of Net Outlays	(68,203)	(434,571)	(502,774)
Miscellaneous Reconciling Items			
Transfers (in)/out without reimbursements	(460,731)	-	(460,731)
Other	-	11,326	11,326
Total Other Reconciling Items	(460,731)	11,326	(449,405)
Total Net Outlays	$ 7,449,801	$ 23,805,859	$ 31,255,660
Agency Outlays, Net (SBR)			31,255,660
Unreconciled Difference			$ -

The Reconciliation of Net Cost to Net Outlays demonstrates the relationship between the USMC's Net Cost of Operations, reported on an accrual basis on the SNC, and Net Outlays, reported on a budgetary basis on the SBR. While budgetary and financial accounting are complementary, the reconciliation explains the inherent differences in timing and in the types of information between the two during the reporting period.

The accrual basis of financial accounting is intended to provide a picture of the USMC's operations and financial position, including information about costs arising from the consumption of assets and the incurrence of liabilities. Budgetary accounting reports on the management of resources and the use and receipt of cash by the USMC. Outlays are payments to liquidate an obligation.

Components of net cost not related to net outlays include adjustments related to accounts receivable, other assets, accounts payable, environmental and disposal liabilities, Federal employee and veteran benefits payable and other liabilities line items. The majority of the Miscellaneous Reconciling Item – Other amount is comprised of prior period adjustments related to property.

Note 19. Public-Private Partnerships

Congress established the Military Housing Privatization Initiative (MHPI) in 1996 as an alternative method to help the military improve the quality of life for its military members. By using the expertise and tools afforded to private companies, the condition of Marine Corps military housing improved more expediently and effectively than the traditional Military Construction process would allow. 10 U.S.C. §§ 2871-2885 codified the Service Secretaries' MHPI authority, as modified by Pub. L. 116-92, Title XXX – Military Housing Privatization Reform (10 U.S.C. §§ 2871-2894a), Pub. L. 116-283 (FY 2021 National Defense Authorization Act (NDAA)), NDAA 2022 (P.L. 117-81), and NDAA 2023 (P.L. 117–263).

The Office of the Secretary of the Navy delegated MHPI authority to the NAVFAC, which authorized NAVFAC to enter into agreements with eligible entities from the private sector on behalf of the Marine Corps. NAVFAC selected partners through a competitive process with the intent to demolish, construct, renovate, maintain, and operate family housing for the Marine Corps.

The Marine Corps possesses the following authorities to assist in the execution of P3: direct loans and loan guarantees (10 U.S.C. § 2873), rental guarantees (10 U.S.C. § 2876), differential lease payments (10 U.S.C. § 2877), contributions (10 U.S.C. §§ 2875 and 2883), and the conveyance or leasing of land, housing, and other facilities (10 U.S.C. §§ 2875 and 2878). Based on these authorities, and after careful analysis and consideration, the Marine Corps elected to enter MHPI P3s by providing appropriated funds to the DOD MHPI program, conveying Marine Corps Real Property assets to the selected public partners and long-term leases of the underlying land, and the use of direct loans from DOD MHPI.

Detailed reports to the appropriate congressional committees on the MHPI projects are required by 10 U.S.C. § 2884 for each project, conveyance, or lease proposed; as a part of the annual budget submission; and as an annual report concerning the status of oversight and accountability. Additionally, the House Report (H.R.) 116-63, Page 23-24, accompanying H.R. 2745, the Department of Defense Appropriations Bill, 2020, directed the Service Secretaries to submit a report to the congressional defense committees detailing: 1) how the Services monitor privatized facilities at a national level; and 2) any planned upgrades to this system to improve transparency.

The expected life of each MHPI arrangement corresponds to the duration of the ground lease (generally 50 years). Negotiations between NAVFAC on behalf of the Marine Corps and the private partners established the duration of the ground lease based on the minimum duration required to ensure project success.

Responsibilities

The non-government Managing Member (also referred to as the Partner) is responsible for the management of the MHPI entity with the goal of providing adequate housing to Marine Corps military members that choose to reside in these facilities for rents set equal to the area housing allowance. In the National Defense Authorization Act for FY 2020, P.L. 116-92, Title XXX – Military Housing Privatization Reform, Congress provided notional standards and definitions for adequate housing (the Services' condition assessments shall utilize private sector housing industry construction codes and sizing standards as a basis for assessing inventory adequacy) and initiated the process to establish tenant rights and responsibilities for all DOD MHPI housing. In general, the MHPI entities are to provide services, which include the management, maintenance, and operations of the facilities over the life of the operating agreement (OA). The Partner has sole and exclusive management and control over the MHPI entity. The Marine Corps will not take part in the day-to-day management of the MHPI.

Funding

Contributions from the DOD MHPI program and the partner typically occur at the beginning of any new project, as required by the OA. During Phase I, the initial development phase, the Marine Corps entered into long-term ground leases (generally 50 years) and conveyed the associated Real Property assets (buildings, structures, and facilities) to the MHPI P3, organized as a Limited Liability Company (LLC). The Marine Corps provided a nominal amount of funding to DOD Family Housing Improvement Fund (FHIF). Once the Marine Corps funds were in the FHIF, the DOD MHPI program made direct cash contributions and loans to the LLCs at Marine Corps' request.

Cash contributions to MHPI P3 partners from the DOD FHIF requires Congressional notification (10 U.S.C. § 2883(f)). There are no contractual requirements for additional Federal contributions to the LLCs. The Marine Corps has not made any in-kind contributions/services or donations to the MHPI entities.

The Marine Corps is not required to contribute resources to the MHPI P3 beyond the initial contribution to the FHIF and has not made any such additional capital contributions, loans, or loan guarantees to the MHPI P3s. Funds to support the operations of the MHPI P3s comes from the initial capital contributed by the Marine Corps and the Partners and rental revenue received from the tenants. The Partner secures any debt incurred by the MHPI entity. The Marine Corps does not guarantee any debts incurred by the MHPI entity.

In response to certain prior downward adjustments to the housing allowance that were determined to be excessive, Congress enacted P.L. 115-91 § 603. This law requires the Marine Corps to supplement the housing allowances of the military members residing in the facilities by making direct payments to the MHPI entities (lessors) of 1 percent of the Basic Allowance for Housing (BAH) amount for the period

January 1, 2018 – December 31, 2018. The amount of BAH was calculated under section 403(b)(3)(A)(i) of the military pay statute in Title 37, U.S.C. for the area in which the covered housing existed. From September 1, 2018, to December 31, 2019, P.L.115-232 § 606 directed that payments to the MHPI entities of 5% of BAH be made monthly.

From January 1, 2020, forward, P.L.116-92 §§ 3036 and 3037 directs that payments to the MHPI entities of 2.5 percent of BAH will occur monthly for all MHPI entities. Additionally, "underfunded" projects may receive up to an additional 2.5 percent of BAH monthly at the determination of the Chief Housing Officer of the DOD and Secretary of the Navy until Congress modifies or rescinds this direction.

Pursuant to OSD Final Implementation Policy released on February 11, 2022, the Military Departments are required to pay an additional 50% of the BAH Absorption rate to projects deemed underfunded, as approved by the Chief Housing Officer (CHO).

The following table represents the current fiscal year USMC transactions in support of the MHPI Program and LLCs/Limited Partnerships (LP) through September 30, 2023 (Column 1) and the estimated aggregate total transactions from inception through the end of the P3 arrangement, where estimable (Column 2).

USMC Transactions in support of the MHPI Program and LLCs/LPs* (Amounts in thousands)	2023 (Column 1)	Aggregate over the Expected Life of the P3 (Column 2)
USMC cash transfers to DOD FHIF/ Military Unaccompanied Housing Improvement Fund (MUHIF) (Note 1)	-	$1,157,720
Real property contributions to the MHPI LLCs/LPs (Note 1)	-	$751,706
USMC direct payments to MHPI LLCs/LPs as required by § 603 and § 606 (a)(1) (actuals) (Notes 2 and 8)	$11,416	$73,496
USMC direct payments to MHPI LLCs/LPs as required by § 606 (a)(2) (actuals) (Notes 3 and 8)	$12,226	$37,068
USMC direct payments to MHPI LLCs/LPs as required by § 606 (a)(3) (actuals) (Notes 4 and 8)	-	-
USMC direct payments to MHPI LLCs/LPs as required by § 603 and § 606 (a) (1), (a)(2), and (a)(3) (current liability for invoices received but not yet paid) (Notes 5 and 8)	$21,920	$26,752
USMC estimated indirect third-party payments to MHPI LLCs/LPs (Notes 6, 7, 9, and 10)	$631,078	UNK

Note 1: *The USMC funding transfers were amounts necessary to establish the program or correct shortfalls in commitments to have housing allowances reflect local market conditions and are not expected to be recovered by the USMC. The real property contributions similarly were fully depreciated or are expected to be fully depreciated over the life of the arrangements and are not expected to have a material book value upon their return at the end of the land lease. Accordingly, no amounts are reflected in the FY 2023 USMC General Fund Balance Sheet for the assets transferred to the MHPI P3s.*

Note 2: *P.L. 115-91 § 603 and P.L. 115-232 § 606 (a)(1).*

Note 3: *P.L. 115-232 § 606 (a)(2) (as established by P.L. 116-92 §§ 3036 and 3037)*

Note 4: P.L. 115-232 § 606 (a)(3) (as established by P.L. 116-92 §§ 3036 and 3037)

Note 5: *P.L. 115-91 § 603 and P.L. 115-232 § 606 (a)(1)(a)(2), and (a)(3) (as established by P.L. 116-92 §§ 3036 and 3037)*

Note 6: *BAH provided under section 403 of title 37 to Military Members living in privatized housing. This estimate has been made based on the average count of service member occupancy actuals from the prior year multiplied by the current year weighted average BAH rate. The estimate considers varying BAH rates for each paygrade.*

Note 7: *The number of military family housing units upon which these estimated payments were made is 20,616 units in FY 2023. The number of units of military unaccompanied housing upon which these estimated payments were made is 0 in FY 2023.*

Note 8: *As provided in SFFAS No. 49, para 24.b, any potential future payments beyond the current liabilities reflected above are not estimable and are therefore not provided. This is due to there being no contractual requirement to make additional payments and the uncertainty associated with Congressional action in this area.*

Note 9: *As provided in SFFAS No. 49, para 24.b, the cumulative BAH amounts are not readily available nor supportable, therefore no estimate of the cumulative amount of BAH is provided. This disclosure requirement did not exist until FY 2019, and USMC has no way of recreating or estimating BAH payments made to individuals living in MHPI housing from program inception in FY 1996 through FY2018. USMC will report annual BAH amounts as a part of this disclosure on a go forward basis.*

Note 10: *As provided in SFFAS No. 49, para 24.b, USMC does not estimate the future amount of BAH to be paid to MHPI entities. This is due to the uncertainties associated with the number of members residing in MHPI housing year over year, the paygrade mix of members residing in MHPI housing, and the potential changes in the BAH rates which occur in the annual National Defense Authorization Acts and which are implemented through annual appropriations to the USMC. Further, it is a discretionary choice on the part of individual Service Members to live in MHPI housing. Service Members may choose to spend their BAH in MHPI housing, non-MHPI housing, or purchase housing. There is no commitment or guarantee on the part of the USMC to any MHPI entity to ensure a minimum number of military residents in MHPI housing.*

The following table represents the current fiscal year DOD transactions in support of the MHPI Program and LLCs/LPs through September 30, 2023 (Column 1) and the estimated aggregate total transactions from inception through the end of the P3 arrangement, where estimable (Column 2):

DOD Transactions in support of the USMC MHPI Program and LLCs/LPs (Note 11)* (Amounts in thousands)	2023 (Column 1)	Aggregate over the Expected Life of the P3 (Column 2)
DOD cash disbursements from the FHIF/MUHIF to MHPI LLCs/LPs	$ -	$ 1,157,720
DOD government direct loans from the FHIF to MHPI LLCs/LPs	$ -	$ 29,400

Note 11: *The financial amounts represented above are presented in the DOD's consolidated financial statement and their respective note disclosures and are not presented within the USMC's financial statements.*

Neither the Marine Corps nor the DOD are expected to make any additional cash contributions, loans, or conveyance of Real Property to the LLCs after July 1, 2023, through the end of the P3 arrangements. However, USMC continuously assesses the housing requirements at all of its installations, and USMC may determine that an additional phase within an existing MHPI arrangement best meets the needs of the USMC members. Should an additional phase be executed or a project be restructured, USMC or DOD may provide cash contributions to the arrangement as determined by the pro forma analysis. Any new phase and associated cash contributions would require Congressional notification.

The following table represents the current fiscal year MHPI Managing Member (Private Partner) contributions in support of the MHPI Program and LLCs/LPs through September 30, 2023 (Column 1) and the estimated aggregate total contributions from inception through the end of the P3 arrangement, where estimable (Column 2):

MHPI Managing Member Contributions to the MHPI LLC/LP (Amounts in thousands)	2023 (Column 1)	Aggregate over the Expected Life of the P3 (Column 2)
Cash contribution to MHPI LLCs/LPs by Managing Member	$ 1,593	$ $67,428
Value of real property and land contributed to MHPI LLCs/LPs by Managing Member	$ -	$ -

The following table represents the current fiscal year transactions of the MHPI LLC/LP as reported on the books of the MHPI entity during the entity's fiscal year and reported through September 30, 2023 (Column 1) and the estimated aggregate total transactions from inception through the end of the P3 arrangement, where estimable (Column 2):

MHPI LLC/LP Transactions (Amounts in thousands)	2023 (Column 1)	Aggregate over the Expected Life of the P3 (Column 2)
Bonds or construction loans obtained by MHPI LLCs/LPs	$ -	$ 2,069,611
Value of real property assets donated to USMC by MHPI LLC/LP	$ -	$ -
Cash transferred to USMC by MHPI LLC/LLP	$ -	$ -
Govt Direct Loan Outstanding Balance	$ -	$ 12,521
Govt Direct Loan repayments made by the MHPI LLCs/LPs to DFAS	$ 1,135	$ 16,879

There is no requirement for the private partners to make any additional contributions after October 1, 2023, through the end of the arrangements (approximately through 2050). The MHPI entities have not borrowed or invested capital based on the Marine Corps' promise to pay, either implied or explicit.

Risk of Loss and Expectation of Gain
The DOD's risk of loss is the initial cash contribution to the program; the Marine Corps' risk is failure to deliver quality housing services to Marine Corps Military personnel. The private partner's risk of loss includes the recovery of the initial cash contributions, inability to repay bonds and/or loans, and the loss of a long-term revenue source. Each MHPI OA prescribes a revenue flow "waterfall" during the life of the arrangement and upon liquidation of the arrangement. These waterfalls generally allow the Managing Partner an opportunity to earn incentives and returns for economic performance after providing a set aside of capital for the maintenance of the facilities. Should monies exist in excess of the required reserves securing or repaying the debt, the required reserves for maintenance of the facilities, and the contractual incentive payments to the Managing Partner, the excess would be returned to the FHIF at entity dissolution.

The Private Partner's potential risks are: 1) inability to recover their initial cash contributions; 2) inability of the project to repay bonds and/or loans causing a loss or restructure of the project; and 3) loss of a long-term revenue source. The Private Partner is not entitled to the return of its capital contribution, or to be paid interest on its capital contribution other than through profits of the project.

The MHPI OAs do not explicitly identify risk of loss contingencies.

The MHPI entity cash flow is dependent on congressional authorization and appropriation of BAH, which becomes a third-party payment for rent to the MHPI entity. The Marine Corps can influence but cannot control the authorization and appropriation process. Additionally, because of ongoing congressional review of the MHPI program, there may be changes to the relationship between the Marine Corps and the entity based on congressional action. In the event action is taken, the Marine Corps will disclose any related financial changes or impacts. This is potentially a remote occurrence that is not measurable at this time. Conversely, there is an expectation that the market-based rent to be received by the MHPI P3s will be sufficient to cover operating expenses, debt service, and remuneration of the Managing Partner and any excess return is retained within the individual MHPI entity long-term recapitalization/operational reserve lockbox accounts for future use by the entity.

Risk of Termination or Non-Compliance
As noted above, USMC does bear risk in the form of non-performance in that, in some cases failure of an MHPI P3 could leave it with inadequate housing alternatives for its military members. There is no requirement in any of the arrangements for the USMC to repay loans or other obligations of the MHPI P3s. In addition to the ability to dispose of assets not subject to the land leases and the ability to refinance or seek additional debt, the arrangements allow for protections for the lenders and the USMC by allowing the removal of property managers for non-performance.

In some instances, the Marine Corps provides utility services to the housing area operated by the LLC. The LLC is contractually and statutorily required to provide reimbursements for utility services provided by the Marine Corps.

Note 20. Disclosure Entities

The USMC's NAFIs are established by DOD policy and are intended to enhance the quality of life of uniformed services members, as well as retired members, and dependents of such members, and to support military readiness, recruitment, and retention. NAFI financial activity is not included in the USMC financial statements. The USMC maintains the title for fixed assets consisting of buildings and building improvements purchased using NAF for the exclusive use of NAFI operations. As of September 30, 2023, the USMC held title to such fixed assets included in the USMC's financial statements totaling $438,240 thousand.

NAFIs are generally governed by the DOD Instruction 1015.15, Establishment, Management, and Control of Non-appropriated Fund Instrumentalities and Financial Management of Supporting Resources and are identified according to Program Groups as noted below.

Marine Corps Community Services

Marine Corps Community Services (MCCS) is the name for the consolidated operations of the USMC's Morale, Welfare, and Recreation (MWR) and Exchange Services programs operated for the benefit of authorized patrons of the Marine Corps and DOD. MCCS NAFIs in the field provide active-duty military and other authorized patrons around the world with goods and services necessary for their health, comfort and convenience. Services provided include well-rounded, wholesome, athletic recreation to ensure their mental, physical and social well-being, and dining and entertainment services.

The Headquarters element of MCCS is comprised of the Business and Support Services Division and the Marine and Family Programs Division, both overseen by the Deputy Commandant for Manpower and Reserve Affairs. NAFIs are subject to directives issued by the DOD and the Commandant of the Marine Corps. The NAFIs are mostly self-supporting. The NAFIs receive program guidance from the two Divisions at Headquarters in order to provide standardized types of services. In accordance with DOD policy, the USMC has established an advisory group for NAFIs. The advisory group, the MCCS Board of Directors, chaired by the Deputy Commandant, Programs and Resources, ensures that the MCCS NAFIs are responsive to authorized patrons and to the purposes for which the NAFIs were created.

MCCS NAFIs are subject to financial audits conducted by an independent public accounting firm and have a history of clean audits. MCCS NAFIs report on the retail fiscal year, which ends on the Saturday nearest January 31. Funds appropriated to DOD and available for MWR programs are authorized by 10 U.S.C. § 2491 to be converted to NAF via the Uniform Funding Management practice and thereafter treated as NAFs and expended in accordance with laws applicable to NAF. As of September 30, 2023, MCCS NAFIs received $472,122 thousand in appropriated fund (APF) support under law and policy. MCCS NAFIs have a low-risk exposure based on the Standard & Poor's annual credit rating which views MCCS NAFIs' financial policy to be very conservative based on its lack of funded debt and relatively consistent credit metrics. MCCS NAFIs' credit rating as of September 2023 is AA-/Stable/NR.

The MCCS NAFIs consist of Program Group I - Military MWR Programs and Program Group II - Armed Services Exchange NAFIs.

Other NAFIs

Other miscellaneous NAFIs authorized by DOD and USMC policy operate outside the MCCS organization. These miscellaneous NAFIs are not included in the MCCS financial reporting but are subject to audit by the Marine Corps Non-Appropriated Fund Audit Service. Other NAFIs include Program Group III - Civilian MWR Programs and Program Group IV - Lodging Program (Billeting), and Program Group V - Supplemental Mission Funds. As of September 30, 2023, other miscellaneous NAFIs received approximately $310 thousand in APF support.

General Property, Plant and Equipment (GPP&E) Deferred Maintenance and Repairs

The Marine Corps' GPP&E with DM&R consists of ME, NTV, GP, and Real Property. The Marine Corps does not have General Equipment that are considered to be heritage assets. The General Equipment DM&R estimate includes fully depreciated assets but does not include non-capitalized assets. All Real Property assets (capital and non-capital) are included in the DM&R estimate. DM&R is a result of funding shortfalls, shifts in funding priorities, personnel limitations, and/or parts availability constraints.

Marine Corps M&R procedures involve preventive and corrective maintenance. Preventive Maintenance Checks and Services (PMCS) are periodically (i.e.., weekly, monthly, semiannual, annual and or a set hour, miles, days or rounds requirement) performed to preserve the useful life of the general property. PMCS are mandatory routine maintenance procedures for all applicable GPP&E. Maintenance Managers at all levels rank and prioritize maintenance based on mission, condition of the general property, and available resources (e.g., parts, mechanic/technician, time, facilities). Consistent with Marine Corps Order (MCO) 4400.201, maintaining serviceable condition (useful life) of an asset is required of every Responsible Officer (RO) and is in the best interest of the Marine Corps.

The following table provides the Marine Corps' GPP&E DM&R as of September 30, 2023:

GPP&E DM&R as of September 30, 2023
(Amounts in thousands)

Classification	Beginning Balance	Ending Balance
Military Equipment	$ 1,085,931	$ 935,834
Non-Tactical Vehicles	142	269
Garrison Property	552	2,467
Real Property	16,219,911*	21,569,639
Total	$ 17,306,536	$ 22,508,209

** Beginning balance for real property was revised to reflect the September 30, 2022, PRV data.*

The following are GPP&E DM&R details by category (ME, NTV, GP and RP):

Military Equipment:
The primary factor considered in determining the acceptable condition of a ME asset is the amount of repair required to maintain or bring an asset back to an issue-ready conditional status to be effectively used for its designated functional purpose. Each ME asset has a corresponding technical manual that specifies how maintenance procedures are to be performed if an asset is non-mission capable or degraded. When routine M&R procedures are not performed in the current period, the asset is assigned DM&R status.

The USMC deferred maintenance programs for ME consist of the Administrative Deadline Program (ADL), the Administrative Storage Program (ASP), training aids, ME assets that are identified with unfunded M&R, deferred depot level maintenance at Marine Corps bases and remote storage locations. The ME assets assigned to Fleet Marine Forces are enrolled into either ADL or ASP depending on the level of degradation. The assets transferred to depot-level maintenance did not have corrective maintenance performed due to various reasons such as lack of resources and mission prioritization.

The following table provide ME DM&R by category as of September 30, 2023:

Military Equipment DM&R by Category as of September 30, 2023
(Amounts in thousands)

Military Equipment DM&R Category	Beginning Balance	Ending Balance
Communications - Electronics	$ 24,276	$ 34,127
Engineer	48,299	33,503
General Supply	18,729	22,079
Motor Transport	476,305	423,449
Ordnance	518,322	420,915
Global Positioning Network Storage Program	-	1,761
Total	$ 1,085,931	$ 935,834

Non-Tactical Vehicles:
NTV assets which both require maintenance and exceed the maximum maintenance cycle time of 120 days are reported under DMR.

Garrison Property:
For GP assets the relevant DM&R policy, standardized process, and factors to determine acceptable condition standards are under development. Therefore, required maintenance is identified at the point of asset failure. The GP assets with failure require an equipment repair contract if they are not under a warranty or a service contract. When a repair contract is required and not awarded within 120 days, then the associated GP asset is classified as DM&R.

Real Property:
The primary factor considered in determining the acceptable condition of a Real Property asset is whether an asset is in a condition to be effectively used for its designated functional purpose. Assets that do not meet this criterion are considered to have DM&R. M&R needs of Real Property assets are identified primarily through the condition assessment process, which is conducted on a recurring basis depending on the asset type. All buildings, paving, bridges, and dams are inspected using the Sustainment Management Systems methodology developed by the U.S. Army Corps of Engineers Civil Engineering Research Laboratory, which provides a facilities condition index (FCI) for these assets. Other assets are assessed via local facility inspections to examine the adequacy of the facilities to meet its intended purpose. Assets inspected using both methods take the FCI to determine the asset's quality rating as follows: Q1 (Good – FCI: 100 percent – 90 percent); Q2 (Fair – FCI: 90 percent – 80 percent); Q3 (Poor – FCI: 80 percent – 60 percent); and Q4 (Failing – FCI: less than 60 percent).

The Marine Corps follows the Office of the Secretary of Defense Installation Strategic Plan goal of having facilities at a Q2 level on average. This represents an average level of 20 percent of PRV as an acceptable level of deferred maintenance. The DM&R value tables reported in the table below represent approximately 15.11 percent, 20.85 percent, and 21.89 percent of PRV for Categories 1, 2 and 3, respectively. Prioritization of maintenance needs are assigned based on the asset impact to mission critical functions, health and safety, and quality of life.

Description of RP Property Type categories:

Category 1 – Buildings, Structures, and Utilities that are enduring and required to support an ongoing mission, including multi-use Heritage Assets.

Category 2 – Buildings, Structures, and Utilities that are Heritage Assets, excluding multi-use Heritage Assets.

Category 3 – Buildings, Structures, and Utilities that are excess to requirements or planned for replacement or disposal, excluding multi-use Heritage Assets and including assets coded as Caretaker, Closed, Excess, Non-Functional, and Surplus.

RP DM&R Categories as of September 30, 2023
(Amounts in thousands)

Property Type	Beginning Balance*	Ending Balance
1. Category 1: Buildings, Structures, and Utilities (Enduring Facilities)	$ 15,675,689	$ 20,964,981
2. Category 2: Buildings, Structures, and Utilities (Heritage assets)	4,146	6,071
3. Category 3: Buildings, Structures, and Utilities (Excess Facilities or Planned for Replacement)	540,076	598,587
Total	$ 16,219,911	$ 21,569,639

** Beginning balance for real property was revised to reflect the September 30, 2022, PRV data*

United States Marine Corps
Combining Statement of Budgetary Resources

For the year ended September 30, 2023 (Amounts in thousands)	Research, Development, Test & Evaluation	Procurement	Military Personnel	Operations, Readiness & Support	2023 Combined
Budgetary Resources:					
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	$ 181,614	$ 1,371,769	$ 485,512	$ 1,114,429	$ 3,153,324
Appropriations (discretionary and mandatory)	1,106,847	5,000,751	17,198,476	10,358,586	33,664,660
Spending Authority from offsetting collections (discretionary and mandatory)	6,193	1,992	33,967	336,156	378,308
Total Budgetary Resources	$ 1,294,654	$ 6,374,512	$ 17,717,955	$ 11,809,171	$ 37,196,292
Status of Budgetary Resources:					
New obligations and upward adjustments (total)	$ 1,076,007	$ 4,763,527	$ 17,582,708	$ 11,291,737	$ 34,713,979
Unobligated balance, end of year:					
Apportioned, unexpired accounts	198,579	1,544,740	9,976	64,921	1,818,216
Unapportioned, unexpired accounts	-	-	-	-	-
Unexpired unobligated balance, end of year	198,579	1,544,740	9,976	64,921	1,818,216
Expired unobligated, end of year	20,068	66,245	125,271	452,513	664,097
Unobligated balance, end of year (total)	218,647	1,610,985	135,247	517,434	2,482,313
Total Budgetary Resources	$ 1,294,654	$ 6,374,512	$ 17,717,955	$ 11,809,171	$ 37,196,292
Outlays, Net:					
Outlays, net (total) (discretionary and mandatory)	$ 858,483	$ 3,243,408	$ 17,228,092	$ 9,925,773	$ 31,255,756
Distributed offsetting receipts (-)	-	-	-	(96)	(96)
Agency Outlays, net (discretionary and mandatory)	$ 858,483	$ 3,243,408	$ 17,228,092	$ 9,925,677	$ 31,255,660

Land & Land Rights

Land

The USMC's land consists of military installations located throughout the United States and in various locations throughout the world. USMC uses the land as part of its operations and for maintenance activities. Land supports the USMC mission and operations through equipment storage, staging, and repair; mission training; housing and dormitories; logistics and repair parts warehousing; and administrative and command buildings. Some USMC land is used as a buffer around the perimeter of the Marine Corps' installations and may be used as grazing land and forestry maintenance areas.

Land Policies

In accordance with SFFAS No. 50, the USMC continues to expense land and land rights acquisitions. In accordance with SFFAS No. 59, the USMC discloses the total acres held at the beginning of the reporting period, the number of acres purchased or disposed of during the reporting, and the number of acres held at the end of the reporting period.

Land Acreage *(in thousands)*

As of 9/30/2022	Additions	Change in Acreage	Deletions	As of 9/30/2023
1,244	10	(1)	-	1,253

Land additions and acquisitions may occur through several different methods as described by the DOD Real Property Information Model (RPIM). The acquisition cost of land includes the purchase price, broker's commission, fees for examining and recording the title, title insurance, survey costs, and any razing and removal costs less salvage proceeds. At acquisition, land is assigned an associated Land Use Code for tracking and operational purposes.

Land is considered a "non-wasting" asset, and, as such is not depreciated. Land does not wear out and does not generally require maintenance. However, land boundaries may be changed over time, encroachment may occur, and land use may change. These changes, as well as land improvements, would be expensed in accordance with SFFAS No. 50. Any changes to land acreage and related property records, from either the changes detailed above or re-measurement using improved measurement technologies, are disclosed under the 'Change in Acreage' column of the above table.

Land may be disposed as necessary, or if the land is no longer considered useful to support the USMC mission. When a disposal occurs, there is a recorded and documented transaction that removes the property from the USMC's Real Property inventory.

Land Rights

The USMC permanent land rights consist of 110 thousand acres as of September 30, 2023. The USMC has obtained easements of land through the Encroachment Partnering/Readiness and Environmental Protection Integration (REPI) program, to prevent encroachment, including incompatible development. Project funding is primarily a 50/50 cost share between the partner (eligible entity) and DOD, with funding primarily through the REPI program. Total DOD funds expended in FY2023 was $4,355 thousand.

Stewardship Land
Stewardship Land represents land owned by the Federal Government, but not acquired for, or in connection with, items of PP&E for the USMC roles or missions. Stewardship Land is any land that is associated with Heritage Assets, or land on which a military base is located, and the land is set aside for the use and enjoyment of present and future generations. Stewardship Land is not held nor used for general Government operations. The USMC strives to be a responsible steward of the land and maintains it in a way that protects human health and the environment and allows for training and support of force readiness.

Stewardship Land Policies
The USMC's stewardship land is acquired by transfer, donation, or devise. Without exception, all land provided to the USMC from the public domain, or at no cost, are classified as Stewardship Land, regardless of its use.

The USMC's stewardship land acres are as follows:

Stewardship Land Acres *(in thousands)*

Facility Code	Facility Title	As of 9/30/2022	Additions	Deletions	As of 9/30/2023
9110	Government Owned Land	1,275	-	-	1,275
Total - Stewardship Land					1,275

Once an installation determines that there is no longer a need for stewardship land, the installation submits a request to have the land removed from its accountability records. If the USMC approves of the request, the request is then sent to the DON for execution of the removal of the stewardship land from the USMC accountability records.

Stewardship Land Rights
The USMC currently has no stewardship land rights, either permanent or temporary.

SECTION 3: OTHER INFORMATION

Statement from the USMC Inspector General

DEPARTMENT OF THE NAVY
DEPUTY NAVAL INSPECTOR GENERAL FOR MARINE CORPS MATTERS/
INSPECTOR GENERAL OF THE MARINE CORPS
701 S COURTHOUSE ROAD
ARLINGTON, VA 22204

IN REPLY REFER TO
5200
IGMC
5 Oct 23

From: Deputy Naval Inspector General for Marine Corps Matters/Inspector General of the Marine Corps
To: Deputy Commandant for Programs and Resources (Attn: RFA)

Subj: MANAGEMENT AND PERFORMANCE CHALLENGES STATEMENT

Ref: (a) The Office of Management and Budget Circular A-136

1. As required by reference (a), section II.4.4, the Deputy Naval Inspector General for Marine Corps Matters/Inspector General of the Marine Corps provides the following summary of what it considers the most serious management and performance challenges facing the Marine Corps.

a. The continued transformation of the Marine Corps to optimize its ability to out-pace peer competition and remain the premier expeditionary crisis response force in the Department of Defense. Such revolutionary change requires modernization of infrastructure, systems, and programs that align with the Service's Force Design 2030 initiatives and balances the rapidity of these actions with appropriate risk management.

b. The ongoing Talent Management 2030 initiatives and accelerated modernization of programs, policies, and associated support to recruit, train, develop, and retain the human capital required for the future force.

c. Continual planning and programming for modernization of infrastructure through recapitalization, military construction, and planned and preventative maintenance to align with future force requirements and the safety and welfare of our Marines, Sailors, Civilians, and their families.

d. The astute management of healthcare and other quality-of-life resources to ensure our people receive the appropriate, timely, and thorough care required to ensure the resiliency and readiness of the force.

2. The Marine Corps continues to progress towards meeting the above challenges through ongoing initiatives and appropriate resource alignment.

3. For questions concerning this statement, please contact Col Jenny Colegate at (703) 604-4515 or email at jenny.colegate@usmc.mil.

Jason Q. Bohm

J. Q. BOHM

Summary of Financial Statement Audit and Management Assurances

The information in Tables 1 and 2 represent the results of previous independent audits and internal assessments conducted as part of the United States Marine Corps' Risk Management and Internal Control (RMIC) Program. Table 1 reflects the material weaknesses identified in the Report of Independent Auditors issued by Ernst & Young, LLP in FY 2023. The material weaknesses included in the Federal Managers' Financial Integrity Act of 1982 (FMFIA) Table 2 represents the material weaknesses identified by the Marine Corps in FY 2023. Although the material weaknesses overall are not resolved, progress has been made to resolve specific findings associated with the material weaknesses.

Table 1. Summary of Financial Statement Audit

Audit Opinion: Unmodified

Restatement: No

Material Weaknesses	Beginning Balance*	New	Resolved	Consolidated/ Disaggregated	Ending Balance
Oversight and Monitoring (Entity Level Controls)[1]	1	-	-	-	1
Budget Execution and Monitoring	-	1	-	-	1
Financial Reporting	1	-	1	-	-
Fund Balance with Treasury	1	-	1	-	-
General Property, Plant and Equipment	1	-	-	-	1
Inventory and Related Property: Operating Materials & Supplies	1	-	-	-	1
Financial Information Systems – Access Controls/Segregation of Duties	1	-	-	-	1
Financial Information Systems – Configuration Management	1	-	-	-	1
Financial Information Systems – Information Technology Operations[2]	1	-	-	-	1
Total Material Weaknesses	8	1	2	-	7

*Listed are the material weaknesses from the internal control report by Ernst and Young as a result of the Marine Corps' financial statement audit in FY 2021.

[1]Formerly referred to as "Entity Level Controls" during the FY 2021 USMC financial statement audit.

[2]Formerly referred to as "Financial Information Systems – Interface Processing" during the FY 2021 USMC financial statement audit.

Table 2. Summary of Management Assurances

Effectiveness of Internal Control Over Financial Reporting (FMFIA § 2)

Statement of Assurance Modified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Asset Accountability and Reporting	1	-	-	-	1[1]	-
General Property, Plant and Equipment	-	1	-	-	-	1
Inventory and Related Property: Operating Materials & Supplies	-	1	-	-	-	1
Budget Execution and Monitoring[2]	1	-	-	-	-	1
Financial Accounting and Reporting Processes	1	-	1	-	-	-
Disbursements and Fund Balance with Treasury Reporting	1	-	1	-	-	-
Total Material Weaknesses	4	2	2	-	1	3

[1]This material weakness is presented as "General Property, Plant & Equipment" and "Inventory and Related Property: Operating Materials & Supplies" material weaknesses.

[2]This material weakness has been renamed from "Budgetary and Business Process Controls"

Effectiveness of Internal Control Over Operations (FMFIA § 2)

Statement of Assurance Modified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Oversight and Monitoring (Entity Level Controls)	1	-	-	-	-	1
Entity-wide Cybersecurity	1	-	-	1[1]	-	-
Total Material Weaknesses	2	-	-	1	-	1

[1]This material weakness has been consolidated into 'Oversight and Monitoring (Entity Level Controls)' material weakness.

Compliance with Federal Financial Management System Requirements (FMFIA § 4)

Statement of Assurance Modified

Non-Compliance	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Financial Accounting and Reporting Systems	1	-	-	-	1[1]	-
Financial Information Systems - Access Controls/ Segregation of Duties	-	1	-	-	-	1
Financial Information Systems – Configuration Management	-	1	-	-	-	1
Financial Information Systems – Information Technology Operations[2]	-	1	-	-	-	1
Logistics Systems General Controls	1	-	-	1[2]	-	-
Personnel and Payroll Application Controls	1	-	-	1[2]	-	-
Total Non-Compliances	3	3	-	2	1	3

[1]This material weakness is presented as "Financial Information Systems – Access Controls/Segregation of Duties", "Financial Information Systems – Configuration Management", and "Financial Information Systems – Information Technology Operations" material weaknesses.

[2]These material weaknesses have been consolidated into "Financial Information Systems – Access Controls/Segregation of Duties", "Financial Information Systems – Configuration Management", and "Financial Information Systems – Information Technology Operations" material weaknesses.

Compliance with Section 803(a) of the Federal Financial Management Improvement Act

	Agency	Auditor
1. Federal Financial Management System Requirements	Lack of compliance noted	Lack of compliance noted
2. Applicable Federal Accounting Standards	Lack of compliance noted	Lack of compliance noted
3. U.S. Standard General Ledger at Transaction Level	Lack of compliance noted	Lack of compliance noted

Appendix A: Acronyms

Acronym	Definition
ACMC	Assistant Commandant of the Marine Corps
ADL	Administrative Deadline Program
APSR	Accountable Property System of Record
ASP	Administrative Storage Program
BAH	Basic Allowance for Housing
BRAC	Base Realignment and Closure
CFO	Chief Financial Officers
CIP	Construction in Progress
CLFD	Center for Learning and Faculty Development
CMC	Commandant of the Marine Corps
COMUSFJ	Commander, USFJ
CPG	Commandant's Planning Guidance
CPI	Consumer Price Index
CRO	Cumulative Results of Operations
CRP	Commandant's Retention Program
CSRS	Civil Service Retirement System
CWIP	Construction Work in Progress
DBR	Digital Boardroom
DERP	Defense Environmental Restoration Program
DFAS	Defense Finance and Accounting Service
DLA	Defense Logistics Agency
DLIS	Defense Logistics Information Service
DM&R	Deferred Maintenance and Repair
DOD	Department of Defense
DOL	Department of Labor
DON	Department of the Navy
DPAS	Defense Property Accountability System
D-PRV	Deflated Plant Replacement Value
EOU	Excess, Obsolete, and Unserviceable
ERA	Early Reenlistment Authority
ERM	Enterprise Risk Management
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FCI	Facilities Condition Index
FECA	Federal Employee's Compensation Act
FED LOG	Federal Logistics Data
FEDVIP	Federal Employees Dental and Vision Insurance Program
FEHB	Federal Employees Health Benefits
FERS	Federal Employees Retirement System

Acronym	Definition
FHIF	Family Housing Improvement Fund
FLIS	Federal Logistics Information System
FLTCIP	Federal Long-Term Care Insurance Program
FSP	Fleet Support Program
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GE	General Equipment
GMRA	Government Management Reform Act
GP	Garrison Property
GPP&E	General Property, Plant and Equipment
HR	House Report
HQMC	Headquarters, U.S. Marine Corps
HSST	Headquarters Marine Corps SDA Screening Team
ITPR	Information Technology Procurement Request
IUS	Internal Use Software
JMC	Joint Munitions Command
KSD	Key Support Document
LLC	Limited Liability Company
LP	Limited Partnership
LVC-TE	Live Virtual Constructive (LVC) Training Environment
M&R	Maintenance and Repair
MAGTF	Marine Air-Ground Task Force
MAGTF-TC	Marine Air-Ground Task Force Training Command
MARCENT	U.S. Marine Corps Forces, Central Command
MARCORSYSCOM	Marine Corps Systems Command
MARFORAF	U.S. Marine Corps Forces, Africa
MARFORCOM	Marine Forces Command
MARFORCYBER	U.S. Marine Corps Forces, Cyberspace Command
MARFOREUR	U.S. Marine Corps Forces, Europe
MARFORJ	U.S. Marine Corps Forces, Japan
MARFORK	U.S. Marine Corps Forces, Korea
MARFORNORTH	U.S. Marine Corps Forces, Northern Command
MARFORPAC	Marine Forces Pacific
MARFORRES	Marine Forces Reserve
MARFORSOUTH	U.S. Marine Corps Forces, Southern Command
MARFORSPACE	U.S. Marine Corps Forces, Space Command
MARSOC	U.S. Marine Corps Forces, Special Operations Command
MCCS	Marine Corps Community Services
MCGEP-E	Marine Corps Graduate Education Program – Enlisted

Acronym	Definition
MCIC	Marine Corps Information Command
MCO	Marine Corps Order
MCTIS	Marine Corps Tactical Instrumentation System
MD&A	Management Discussion and Analysis
ME	Military Equipment
MEF	Marine Expeditionary Force
MERHCF	Medicare Eligible Retiree Health Care Fund
MHPI	Military Housing Privatization Initiative
MLR	Marine Littoral Regiment
MOE	Major Organization Entity
MOS	Military Occupational Specialty
MRF	Military Retirement Fund
MSG	Marine Security Guards
MUHIF	Military Unaccompanied Housing Improvement Fund
MWR	Morale, Welfare, and Recreation
NAFI	Non-Appropriated Fund Instrumentality
NAF	Non-Appropriated Fund
NAVAIR	Naval Air Systems Command
NAVFAC	Naval Facilities Engineering Systems Command
NDAA	National Defense Authorization Act
NIIN	National Item Identification Number
NPS	Naval Post-Graduate School
NRV	Net Realizable Value
NSN	National Stock Number
NTV	Non-Tactical Vehicles
O&M	Operation and Maintenance
OA	Operating Agreement
OEL	Other Environmental Liabilities
OGC	Office of General Counsel
OJAG	Office of the Judge Advocate General
OM&S	Operating Materials and Supplies
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PL	Public Law
P3	Public-Private Partnerships
PEO LS	Program Executive Office Land Systems
PISD	Placed in Service Date
PMCS	Preventive Maintenance Checks and Services
PME	Professional Military Education
PP&E	Property, Plant, and Equipment

Acronym	Definition
PRV	Plant Replacement Value
RDT&E	Research, Development, Test, and Evaluation
REPI	Readiness and Environmental Protection Integration
RO	Responsible Officer
RPIM	Real Property Information Model
RSCO	Recruiting Station Commanding Officer
RSI	Required Supplementary Information
SBR	Statement of Budgetary Resources
SCNP	Statement of Changes in Net Position
SDA	Special Duty Assignment
SECNAV	Secretary of the Navy
SFFAS	Statement of Federal Financial Accounting Standards
SLTE	Service-Level Training Exercise
SNC	Statement of Net Cost
SOFA	Status of Forces Agreements
SULI	Small Unit Leader Initiative
T&R	Training and Readiness
TECOM	Training and Education Command
TFM	Treasury Financial Manual
TSP	Thrift Savings Plan
U.S.C.	United States Code
UAS	Unmanned Aircraft System
UNC	United Nations Command
USAFRICOM	U.S. Africa Command
USCENTCOM	U.S. Central Command
USEUCOM	U.S. European Command
USFJ	U.S. Force Japan
USFK	U.S. Forces Korea
USINDOPACOM	United States Indo-Pacific Command
USMC	United States Marine Corps
USNORTHCOM	U.S. Northern Command
USPACOM	U.S. Pacific Command
USSOCOM	U.S. Special Operations Command
USSOUTHCOM	U.S. Southern Command
WAC	Weighted Average Cost
WCF	Working Capital Fund
WebFLIS	Web Federal Logistics Information System
WHS	Washington Headquarters Service

Appendix B: Appropriations

Appropriations and Accounts included in the Principal Statements

General Funds	
17-0735	Family Housing Operation and Maintenance, Navy and Marine Corps
17-1001	Medicare-Eligible Retiree Health Care Fund Contribution, Marine Corps
17-1003	Medicare-Eligible Retiree Health Care Fund Contribution, Reserve Personnel, Marine Corps
17-1105	Active Duty Military Personnel – Marine Corps
17-1106	Active Duty Operation and Maintenance, Marine Corps
17-1107	Reserve Operation and Maintenance, Marine Corps Reserve
17-1108	Reserve Personnel, Marine Corps
17-1109	Procurement, Marine Corps
17-1319	Research, Development, Test, and Evaluation, Navy
17-1508	Procurement of Ammunition, Navy and Marine Corps
17-1804	Operation and Maintenance, Navy

Special Funds	
17-5095	Wildlife Conservation, etc., Military Reservations, Navy

Deposit Funds	
17-6950	Disbursing Officer Cash, Department of the Navy

Clearing Accounts	
17-3500	Collections and/or Payments Default
17-3502	IPAC Default
17-3875	Budget Clearing Account (suspense)
17-3880	Unavailable Check Cancellations and Overpayments (suspense)
17-3885	Undistributed Intragovernmental Payments

"Marines must continue to think, write, debate, innovate, and adapt to not only keep pace with the ever-changing character of warfare, but to ultimately drive it and force others to adapt to us."

For More Information
Fiscal Director of the Marine Corps

Headquarters, U.S. Marine Corps
Programs and Resources Department

https:www.hqmc.marines.mil/pandr/