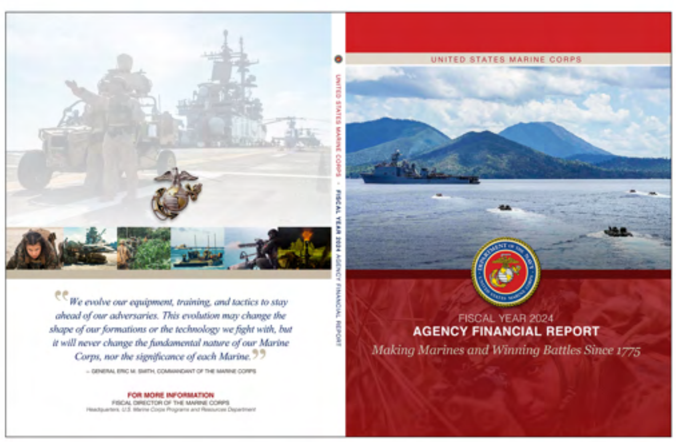
UNITED STATES MARINE CORPS

FISCAL YEAR 2024

AGENCY FINANCIAL REPORT

Making Marines and Winning Battles Since 1775

MAKING **MARINES** AND WINNING BATTLES **SINCE 1775**



U.S. MARINE CORPS FY 2024 AFR COVER PHOTO CAPTIONS: **1** U.S. Marine Corps amphibious combat vehicles conduct open water transit following a waterborne gunnery live-fire range at Naval Detachment Oyster Bay, Philippines. (U.S. Navy photo by Mass Communication Specialist 2nd Class Sang Kim); **2** A rifleman assigned to Alpha Company, Battalion Landing Team 1/5, 15th Marine Expeditionary Unit holds security with an M4 carbine during a combined reconnaissance patrol with Philippine Marines. (U.S. Marine Corps photo by Cpl. Joseph Helms); **3** Low altitude air defense gunners assigned to Marine Medium Tiltrotor Squadron (VMM) 165 (Reinforced), 15th Marine Expeditionary Unit, employ a Light Marine Air Defense Integrated System during a counter unmanned aerial system exercise aboard an amphibious assault ship. (U.S. Marine Corps photo by Cpl. Amelia Kang); **4** A noncommissioned officer conducts partnered pistol-belt drags during Marine Corps Martial Arts Program physical training. (U.S. Marine Corps photo by Cpl. Amelia Kang); **5** U.S. Marines and Sailors with Alpha Company, Battalion Landing Team 1/8, 24th Marine Expeditionary Unit (MEU) Special Operations Capable (SOC), conduct a live-fire weapons familiarization drill aboard an amphibious assault ship. (U.S. Marine Corps photo by Cpl. Elton Taylor); **6** U.S. Marines with 1st Battalion, 7th Marine Regiment, 1st Marine Division and service members of the Armed Forces of the Philippines conduct the final exercise for Archipelagic Coastal Defense Continuum in Barira, Philippines. (U.S. Marine Corps photo by Sgt. Shaina Jupiter); **7** U.S. Marine Corps Amphibious Combat Vehicles attached to Alpha Company, Battalion Landing Team 1/5, 15th Marine Expeditionary Unit, conduct waterborne operations at White Beach Naval Facility, Okinawa, Japan. (U.S. Marine Corps photo by Lance Cpl. Peyton Kahle); **8** A Gunnery Sgt. and a UH-1Y Venom crew chief with Marine Light Attack Helicopter Squadron (HMLA) 167, fires a GAU-17A minigun during a flight over the coast of North Carolina. (U.S. Marine Corps photo by Lance Cpl. Orlanys Diaz Figueroa); **9** U.S. Marines with 3d Littoral Combat Team, 3d Marine Littoral Regiment, 3d Marine Division, fire an M252A2 81mm mortar system during a live-fire training exercise at Schofield Barracks, Hawaii. (U.S. Marine Corps photo by Cpl. Malia Sparks).

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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

"Protect What You've Earned" is a guiding principle in the Marine Corps. In its simplest terms, it means that nothing is given, everything is earned, and what you have earned can be lost if constant vigilance is not paid to meeting or exceeding requirements and maintaining standards of excellence in everything you do. In Fiscal Year (FY) 2023, the Marine Corps made history by becoming the first military service to earn an unmodified audit opinion; a testament to our unwavering commitment to excellence. However, we were never under any illusions that repeating this feat in FY2024 was a guarantee. What we have learned from last year's audit is that seamless integration of our information technology (IT) systems and a robust internal control environment are crucial to sustaining audit readiness, and this has been our focus in the near term.

I am pleased to announce that the Marine Corps has achieved a second consecutive unmodified audit opinion in FY2024; a remarkable accomplishment that demonstrates our dedication to accountability and transparency. I am inspired by the countless Marines, civilian Marines, and our DoD partners who worked tirelessly to enhance transactional accountability and adapt our business practices to meet financial requirements. Among our most notable achievements in FY2024 are the initiation of a comprehensive study to integrate our enterprise resource planning system, Defense Agencies Initiative (DAI), with key feeder systems; the implementation of solutions to address access and segregation of duties control deficiencies; the allocation of new resources to remediate complementary user entity controls for DAI and key financial reporting systems; the establishment of a robust risk management and internal controls governance structure; and the increasingly efficient coordination of site visits across the globe in support of the auditor's testing efforts.

As always, audit readiness is a team effort, and I would like to extend my gratitude to our partners, including the OUSD Comptroller, the Assistant Secretary of the Navy for Financial Management and Comptroller, the Defense Finance and Accounting Service, the DAI Program Office, and the Department of the Army, for their outstanding support. We recognize that there are challenges ahead, but we remain committed to protecting what we have earned and upholding the highest standards of excellence in everything we do.

E M Smith

Eric M. Smith
General, U.S. Marine Corps
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 (U.S.) history. The Marine Corps' ability to rapidly respond on short notice to expeditionary crises has made and continues to make a significant impact on U.S. 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 Marine Corps 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 Marine Corps are codified in (1) 10 United States Code (U.S.C.) § 5063, United States Marine Corps: composition; functions, (2) Public Law (P.L.) 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
- Provide security detachments and units for service on armed vessels of the U.S. 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

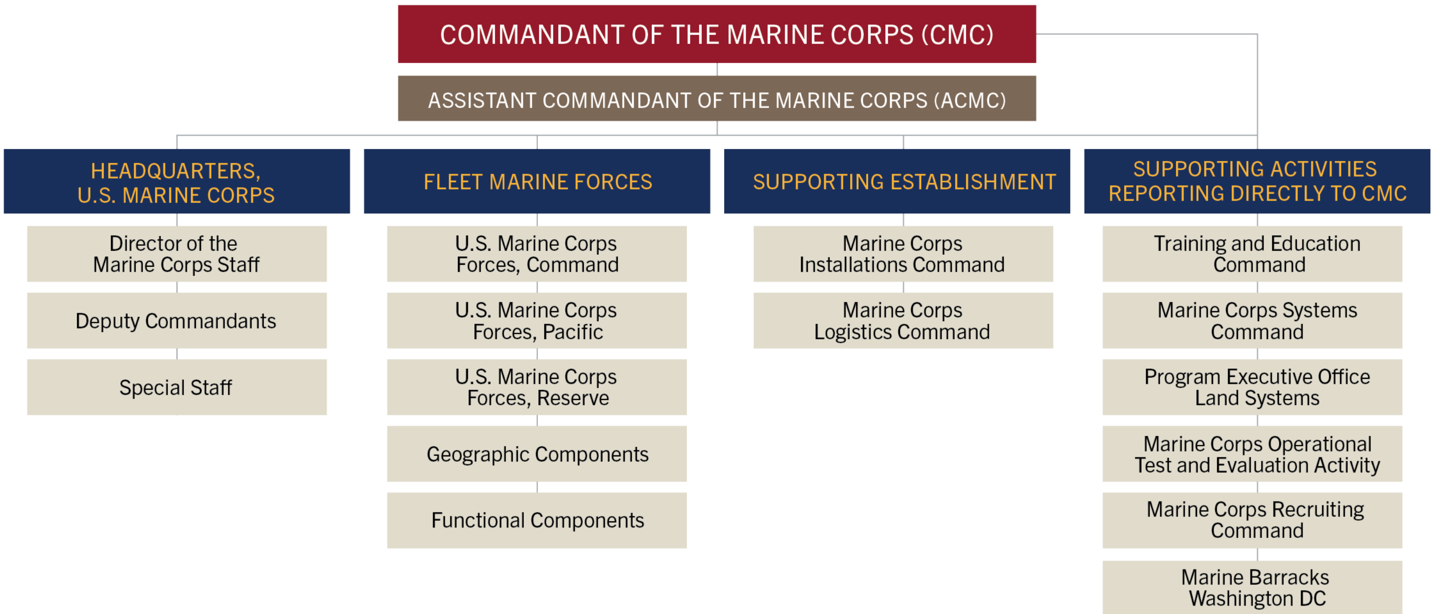

Figure 1. Marine Corps Organizational Structure

The Marine Corps, 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 Marine Corps 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 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. The Director, Marine Corps Staff directs, supervises, and coordinates HQMC staff activities and performs other duties, as directed by CMC.

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
- Director, Health Services
- Office of Marine Corps Reserve
- Office of the Legislative Assistant to the Commandant of Marine Corps
- Inspector General of the Marine Corps
- Communication Directorate
- Safety Division

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.

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 (MAGTF), 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 the Active Component of Fleet Marine Forces and activated Reserve Component Service-retained 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 the Marine Corps and U.S. 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 Marine Corps 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 Marine Corps component of U.S. Pacific Command, 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 (HQ) 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 U.S. and in Puerto Rico. MARFORRES HQ 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, and 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.

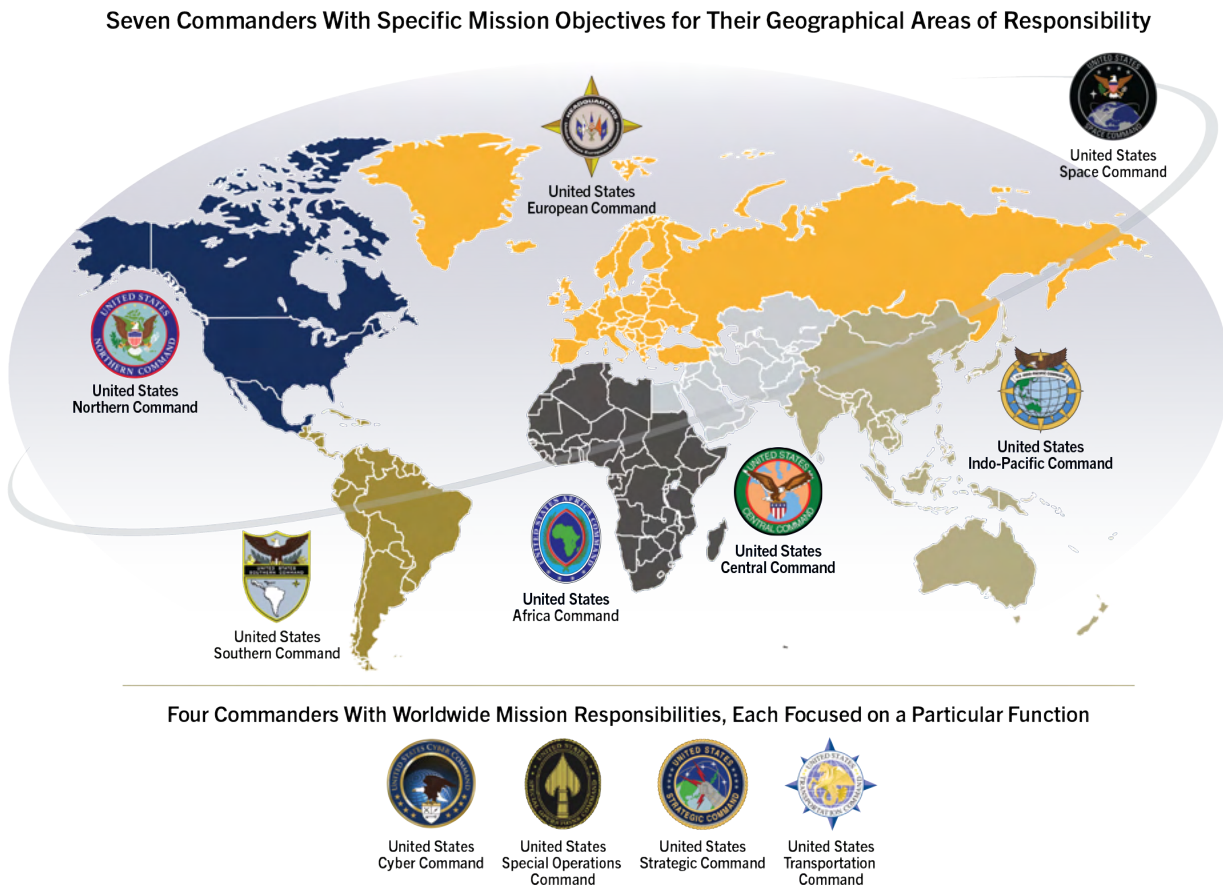

Figure 2. DOD Combatant Commands

As highlighted in **Figure 3** below, 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.

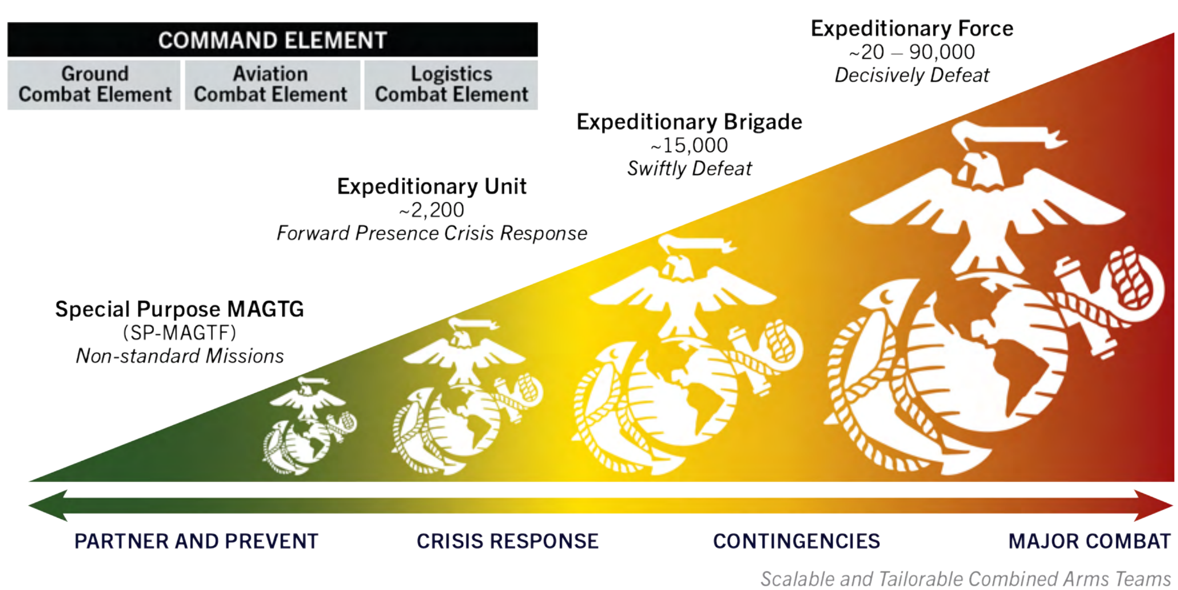

Figure 3. Types of MAGTFs

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 Marine Corps 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 HQ is co-located with MARFORCOM in Norfolk, Virginia.

U.S. MARINE CORPS FORCES, CENTRAL COMMAND

U.S. Marine Corps Forces, Central Command (MARCENT) is the Marine Corps 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 HQ is located at MacDill Air Force Base (AFB), Florida.

U.S. MARINE CORPS FORCES, SOUTHERN COMMAND

U.S. Marine Corps Forces, Southern Command (MARFORSOUTH) is the Marine Corps service component for U.S. Southern Command (USSOUTHCOM). MARFORSOUTH commands all the Marine Corps 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 HQ is co-located with MARFORRES in New Orleans, Louisiana.

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 Marine Corps 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 HQs are located in Böblingen, Germany and Stuttgart, Germany, respectively.

U.S. MARINE CORPS FORCES, KOREA

U.S. Marine Corps Forces, Korea (MARFORK) is the Marine Corps 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 the Marine Corps forces onto the Korean Peninsula to maintain stability in Northeast Asia. MARFORK is the Marine Corps representative to the Commandant of the Republic of Korea Marine Corps. MARFORK HQ is located in Seoul, South Korea.

U.S. MARINE CORPS FORCES, JAPAN

U.S. Marine Corps Forces, Japan (MARFORJ) is the Marine Corps service component to U.S. Forces Japan (USFJ) aiding in the management of the U.S.-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 interoperable 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 HQ 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 Marine Corps 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 HQ is located at Camp Lejeune, North Carolina.

U.S. MARINE CORPS FORCES, CYBERSPACE COMMAND

U.S. Marine Corps Forces, Cyberspace Command (MARFORCYBER) is the Marine Corps 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 HQ is located at Fort Meade, Maryland.

U.S. MARINE CORPS FORCES, SPACE COMMAND

U.S. Marine Corps Forces, Space Command (MARFORSPACE) is the Marine Corps 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 HQ is located at Peterson AFB, Colorado.

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 U.S. 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.

U.S. MARINE CORPS INSTALLATIONS COMMAND

The Marine Corps Installations Command (MCICOM) is the command and staff echelon responsible for providing policy, oversight, and support to all Marine Corps installations. It contributes to the Marine Corps operating forces' readiness by providing training support, mobilization and deployment support, facilities, housing, legal services, and other installation services. The MCICOM installations also support the Training and Education Command (TECOM), other U.S. Services, allied forces, DOD and Federal agencies, various other tenant organizations, and Service family members who reside at installations. It provides individual augmentation to Marine Corps operating forces to meet operational contingencies.

U.S. MARINE CORPS LOGISTICS COMMAND

The mission of Marine Corps Logistics Command is to provide worldwide, integrated logistic/supply chain and distribution management; maintenance management; and strategic prepositioning capability in support of the operating forces and other supported units to maximize their readiness and sustainability and to support enterprise- and program-level total life cycle management. The HQ group is located at Marine Corps Logistics Base (MCLB), Albany, Georgia, and MCLB Barstow, California.

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.

TRAINING AND EDUCATION COMMAND

The mission of TECOM, as the Marine Corps proponent for Military Occupational Specialty individual skill training, is to analyze, design, develop, resource, implement, and evaluate standards-based individual training 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.

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 (IT) system programs 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 U.S. Navy acquisition executive and the CMC.

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.

MARINE CORPS RECRUITING COMMAND

Marine Corps Recruiting Command (MCRC) 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. The MCRC divides the Continental U.S. into two regions: the eastern recruiting region and the western recruiting region—the former covering districts east of the Mississippi River and the latter covering districts west of the Mississippi. The two regions are divided into three districts each, each district comprising several states. The districts are subdivided into recruiting stations located in large metropolitan areas, with smaller recruiting substations covering smaller cities and rural areas.

MARINE BARRACKS, WASHINGTON, D.C.

The mission of Marine Barracks, Washington, D.C. is to provide ceremonial and special security task forces, as directed, and to maintain ready for deployment forces as a White House emergency plan augmentation force for contingency missions. Marine Barracks, Washington, D.C. also provides a security company at the naval support facility for security and protection of the President, first family, and guests to ensure the continuous security of Government and private property and the preservation of order. Marine Barracks, Washington, D.C. provides music and performs other functions as directed by the President. Located at Arlington, Virginia, Marine Barracks, Washington, D.C. is composed of a Headquarters and Support company, two rifle companies, a security company, and the Marine Corps Band. In a tactical field environment, the barracks is capable of providing a Command Element and security enforcement for the President.

MARINE CORPS REPORTING ENTITY

In accordance with the Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standard (SFFAS) No. 47, *Reporting Entity*, the Marine Corps meets the definition of a component reporting entity of the DON. The Office of Management and Budget (OMB) designated the Marine Corps as a component entity required to prepare separate financial statements. Refer to the Financial Section, Note 1.A, *Reporting Entity*, for further discussion about the Marine Corps reporting entity composition. Disclosure entities, such as Public-Private Partnerships (P3) and Non-Appropriated Fund Instrumentalities (NAFIs), are discussed in Note 19 and 20, respectively.

The primary mission and service of the Marine Corps 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 Marine Corps 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 Marine Corps 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 Marine Corps 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 Marine Corps' performance goals, objectives, and results for Fiscal Year (FY) 2024.

Strategic Goal 1. Balance Crisis Response and Modernization

OBJECTIVES

- **Continue to field Force Design equipment, units, structure, actions, and campaign of learning.**
- **Maintain unit readiness in support of "Deliberate Campaigning."**
- **Ensure crisis response and modernization efforts are appropriately funded while demonstrating accountability.**

Figure 4. Balance Crisis Response and Modernization Objectives

The Marine Corps continued to implement Force Design with the reorganization of two infantry battalions to our new Force Design Infantry Battalion structure. The structure of Third Battalion, Fourth Marines and Second Battalion, Seventh Marines are in place. The Force Design Infantry Battalions are designed to support increased dispersion and resiliency by maintaining multiple fungible command and control nodes, increased enablers, and an updated Table of Equipment. The reduced structure per Force Design Infantry Battalion afforded the compensation to support wholistic Force Design requirements. The updated Force Design Infantry Battalion phasing plan was published and implemented to support the Marine Corps' force generation requirements.

The Marine Corps has implemented plans to increase combat capacity in II Marine Expeditionary Force (II MEF). II MEF has doubled its Rotary Wing (RW) helicopter capacity in both heavy-lift and light attack helicopter squadrons. RW capacity in II MEF was forecasted to decrease to a single Marine Heavy Helicopter Squadron and Marine Light Attack Helicopter Squadron supporting three Marine Expeditionary Units (MEU), Crisis Response, and integrated Marine Aviation Ground Task Force Training requirements for II MEF units. Capacity shortfalls in RW aviation required immediate increases in both heavy lift and light attack RW capacity to meet both the MEU requirements and the ability to respond to crisis response missions. With these increases in RW capacity, II MEF RW aviation is now able to support MEU requirements while maintaining the ability to respond to crisis response missions.

The Marine Corps successfully funded its modernization priorities to become a lighter, faster, and more resilient force. These investments maintained critical Force Design modernization programs, such as Amphibious Combat Vehicle and Marine Air Defense Integrated System, on track with their planned Approved Acquisition Objective. The Marine Corps also focused on manning efforts and facility improvements to recruit and retain the best talents to generate a ready Fleet

Marine Force, enabling Joint Operations, and to meet the needs of the nation. Recruiting efforts were funded at full requirement levels to meet manning goals and prepare for FY 2025 goals. Operating forces were funded at or above the necessary levels to meet training requirements and ensure effective crisis response. Additionally, facility improvement efforts were prioritized through funding realignments, including a congressional addition to repair Camp Pendleton's Basilone Road, which was impacted by spring rainstorms and landslides that eroded the road surface, exposed utilities, and disrupted drainage.

Strategic Goal 2. Naval Integration and Organic Mobility

OBJECTIVES

— Continue to advocate for Amphibious Readiness Group/MEU.
— Maximize the potential of the Stand-In Forces and their contribution to the Joint Force.

Figure 5. Naval Integration and Organic Mobility Objectives

For our Expeditionary Mobile Base Operations, United States Ship Hershel "Woody" Williams continues to support embarked forces in support of USAFRICOM operations, activities, and investments (OAI) across East and West Africa. USS Miguel Keith and USS Lewis B. Puller continue to support USCENTCOM and USINDOPACOM to integrate Marine Corps and Naval forces.

The 15th MEU successfully deployed the first Marine Corps Amphibious Combat Vehicles in an operational environment during Exercise Balikatan in the Philippines in May 2024. The 15th MEU supported numerous key exercises and OAIs across the USINDOPACOM area of operations while operating in a disaggregated manner. The MEUs efforts show that the Marine Corps can operate across a wide area of responsibility to continue supporting allies and partners alongside our Naval partners.

The 24th MEU has been deployed and allocated to USEUCOM conducting OAIs across the Baltic and Mediterranean Seas. The 24th MEU is currently fulfilling the role of the Service's Immediate Response Force.

In June 2024, a Marine Corps VMGR-152 KC-130 aircraft landed on a newly designed expeditionary airstrip (Sledge Airfield) in Peleliu, Republic of Palau. This is the first Marine Corps fixed-wing landing on the island since WWII. The Marine Corps engineers worked with the US Air Force to construct the airfield and reinforced the Marine Corps' ability to carry out Expeditionary Advanced Base Operations and Advanced Naval Base Operations in the Second Island Chain. The Marine Corps Reserves are providing support to III MEF Stand-in-Forces in advance of a III MEF change request for personnel and equipment going into effect.

The 31st MEU and Marine Corps Unit Deployment Program continue to support Stand-in-Force efforts with rotational deployments and USINDOPACOM OAIs.

Strategic Goal 3. Quality of Life

OBJECTIVES

— Accelerate investments in wellness programs, lodging, and facilities to support our Marines and their families.
— Make better and data-driven institutional decisions and policies for our Marines and their families.

Figure 6. Quality of Life Objectives

During FY 2024, the Marine Corps made multiple efforts to improve the quality of life for the military and civilian members residing in Marine Corps facilities. The Marine Corps engaged in a pilot program to improve the speed of free high-speed Wi-Fi at select buildings and installations. Considerations to expand the faster internet speed to more locations will be made based on the feedback from the participants in the pilot program. Furthermore, the Marine Corps standardized furniture refresh to maintain a reasonable quality of furnishing at the Marine Corps barracks. The Marine Corps also initiated a pilot program to consider the feasibility of improving door locks at the buildings located at the Marine Corps installations, which will improve the security of the residents through proper access control. Lastly, the Marine Corps implemented a system to provide Marine Corps users with transparent tracking of maintenance requests with a Quick Response code.

The Marine Corps made investments in the compensation reform for Child Development Center program employees. The compensation reform provides employee discounts on the child fee to direct-care workers, contributing to the decreased employee turnover rate of 12%. Competitive wages for the Marine Corps Community Services (MCCS) staff to retain and invest in top talent and maintain a competitive edge in the workforce contributed to the decreased turnover rate of 10%.

The Marine Corps has funded and approved initiatives to renovate Marine Corps Total Fitness Warrior Athlete Readiness and Resilience Centers to enhance operational fitness levels and optimize combat readiness and resiliency for the Marines. This includes the construction of centralized Sexual Assault Prevention and Response (SAPR) team office spaces, 24/7 fitness center access, and updates to camera/surveillance equipment. The Marine Corps continued with its' investment to support Marines in the different domains of total fitness. Science-based and evidence-led practices will enhance the effort to improve Marine warfighting capability, maximize talent retention, and support modern force design requirements in a rapidly changing 21st century operating environment.

In FY 2024, the Marine Corps employed statistical modeling to forecast manpower requirements in the short- and long-term. These forecasts serve as the foundation for strategic planning aimed at shaping the future force. Leveraging improved software tools, the Marine Corps refined its assumptions, inputs, and outputs of existing models to better align them with contemporary operational environments. By improving the accuracy of these forecasts, the Marine Corps aims to predict the needs of its personnel and understand the behaviors of its Marines more effectively. This enhanced understanding will facilitate better retention outcome assessments and enable the policy development to address noted retention challenges.

The Exit and Milestone Longitudinal Survey (EMLS), which surveys Marines on why they decide to stay or leave the corps, was transitioned to a newly approved platform in FY 2024. The new platform provides a personalized survey that has drastically increased survey completion rates. The information obtained from the surveys will influence Marine Corps policy and give Marines the opportunity to provide opinion-based feedback.

In February 2024, data from the previous year EMLS was compiled into an annual report and distributed to relevant general officers for their awareness of trends and other highlights, an annual custom since the survey's 2018 inception. The EMLS data is accessible through a dashboard which provides vital operational decisions based on the real-time data. The access-controlled dashboard enables users to easily interact with historically received and cataloged responses, enabling them to pull more customized reports and conduct side-by-side comparisons of the survey responses across various demographic groups.

Strategic Goal 4. Recruit, Make and Retain Marines

OBJECTIVES

- **Maintain effective recruiters.**
- **Maintain quality of entry-level training.**
- **Modernize systems, technology, and data analyses to support recruiting, assignments, and retention.**
- **Maintain targeted retention bonuses for critical skills and quality Marines.**
- **Implement measures to prevent harmful behaviors.**

Figure 7. **Recruit, Make and Retain Marines Objectives**

Maintaining effective recruiters and leaders requires training that is timely, relevant, and effective. The Marine Corps partnered with a commercial vendor to evaluate, edit, test, and publish updates to 12 recruiting portfolio courses. The Marine Corps also conducted various working groups to update the core recruiting doctrine and updated the Basic Recruiting Course to better prepare new recruiters for recruiting duty challenges. Finally, the Marine Corps created and developed an Executive Recruiting Course to educate senior leaders on topics related to current recruiting operations and force recruiting challenges. Over 1,400 students participated in the 12 courses within the training portfolio in FY 2024.

Released in 2023, Training and Education 2030 (TE 2030) defined TECOM's vision and approach for evolving our training and education continuum to continue preparing individual Marines and units to fight and win. In FY 2024, we made significant headway with key tasks, continued issue analysis, and fortified initiatives already in progress while exploring and developing new options relative to the initial report.

The Marine Corps continued to modernize data analysis to support recruiting assignments and retention. The Marine Corps collaborated with a commercial vendor to improve the machine learning capabilities within the Retention Prediction Network (RPN), which allowed us to prediction Marines success rates during critical career milestones. Some examples of RPN use include predicting attrition at the recruit depots, attrition at Infantry Officers' Course, obligation of additional service for a Special Duty Assignment, and selection for promotion or command. RPN has thus far predicted the results of the calendar year 2024 E6-E7 and O4-O6 promotion selection boards. This model also had desirable true positive and negative rates concerning the correct classification of selects and non-selects. The machine learning techniques incorporated into RPN provided opportunities to improve the efficiency, transparency, and perceived fairness of our promotion and command screening board outcomes.

In an effort to expand recruiter contact opportunities across the target population, the Marine Corps initiated improvements to the Advertising Information Technology System (AITS). System improvements include infrastructure migration to a cloud environment and material completion of several applications and processes. These enhancements enabled key lead generation functions across the Marine Corps' target audience and increased efficiencies through a more user-friendly interface with additional high-demand in-application functions. Significant work has also been accomplished to automate testing and access controls, reducing end-to-end testing time and increasing workflow efficiencies. Over 1,000 AITS work tickets have been worked and closed in FY 2024.

To facilitate a paperless accessions process, enable cloud hosting, promote data sharing and transparency, and improve workload and manual process reduction, system flexibility, and user satisfaction, the Marine Corps began development of a rebranded system now known as the "Marine Corps Recruiting Information Support System Next". To date, the system has successfully completed 14 agile development sprints while achieving a 100% completion rate for each sprint's tasked objectives.

The Marine Corps implemented the Judge Advocate Continuation Pay (JACP) program to improve retention of Marine Corps Judge Advocates. Program payments are made in three phases depending on the officer's grade and time in service. This year the Marine Corps approved 20 officers for JACP. The Marine Corps' Aviation Bonus is a retention tool for experienced manned aviation pilots to fortify the Marine Air-Ground Task Force's aviation element. In FY 2024, the Aviation Bonus program distributed over 75% of our authorized aviation bonus program budget. The manned aviation community has 3,007 pilots or 86% of the manned aviation requirement, an increase of 3% from last year.

The Marine Corps continued to implement recommendations from the SAPR Independent Review Commission (IRC), including improvements to training, programs, and policies and new and existing workforce development. Full compliance requires significant expansion of the SAPR workforce.

In FY 2024, the Marine Corps continued to hire positions across the enterprise in support of IRC recommendations and prevention efforts. As of April 2024, 192 employees have been onboarded, and another 234 hiring actions are in process. The Marine Corps plans to continue this workforce expansion by hiring full-time civilian positions across multiple programs.

In addition to hiring actions, the Marine Corps continued updating all training associated with sexual assault to enhance implementation of prevention efforts and influence behaviors across ranks.

Strategic Goal 5. Maximize the Potential of Our Reserves

OBJECTIVES

- **Increase Reserve Component end strength.**
- **Resource Reserve affiliation and retention bonuses to ensure our Reserve recruiters and the Direct Affiliation Program are successful.**

Figure 8. Maximize the Potential of Our Reserves Objectives

The Marine Corps' Selected Reserve end strength in FY 2024 is forecasted at 32,431 Marines. This is 431 (1.35%) above the Congressional authorization of 32,000 and a successful sign of the service's planned recovery to 36,800. The 32,000 end strength came from the Marine Corps' deliberate decision to decrease its reserve Non-Prior Service (NPS) recruiting mission from ~5,500 to 3,000. This lower NPS mission was successful in allowing MCRC to increase its reserve start pool, providing higher quality reserve recruits and the potential capacity for increased missions in future years, further accelerating Selected Reserve growth.

The Marine Corps significantly increased the budget for reserve incentive and the prioritization of the Direct Affiliation Program. These initiatives enabled the affiliation of Marines from either the Individual Ready Reserve or those departing active service, stabilizing Selected Reserve end strength at a critical time and setting the foundation for annual growth in the future years.

In FY 2024, the Marine Corps increased the reserve incentive budget to over $45 million, which is a significant increase, considering it has never exceeded $10 million prior to FY 2023. This budget enabled Prior Service Recruiters to affiliate 3,979 Marines to the Selected Reserve from either the Individual Ready Reserve or those departing the active component, which was 476 (13.59%) greater than their FY 2024 mission. Additionally, active component career planners were able to seamlessly join 975 Marines to the Selected Reserve through the Direct Affiliation Program in its inaugural year of missioning, 638 (289%) more than the average of the last five FYs.

In addition to affiliation, the incentives budget increase enabled unprecedented growth in the retention and obligation of Selected Reserve Marines. Prior to the budget increase, the Marine Corps retained 1,519 reserve Marines in FY 2021 and 1,439 in FY 2022. These have increased to 2,231 in FY 2023 and 2,538 in FY 2024. The most critical success has been found in re-enlisting reserve Non-Commissioned Officers and Staff Non-Commissioned Officers (E4-E7). In the past two years, there have been 1,336 more obligated Marines in the Selected Reserve (27% increase). This increased obligation stabilizes current and future reserve end strength and bolsters the service's ability to readily provide highly trained reserve Marines to reinforce and augment active component formations.

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		Prior FY	Increase/(Decrease) $		%
COSTS							
Gross Program Costs	$	33,251,745	$	32,706,272	$	545,473	1.7%
Less: Earned Revenue		(552,812)		(498,433)		54,379	10.9%
Net Cost of Operations	$	32,698,933	$	32,207,839	$	491,094	1.5%
NET POSITION							
Assets:							
Fund Balance with Treasury	$	17,955,348	$	15,805,817	$	2,149,531	13.6%
Advances and Prepayments		70,159		43,265		26,894	62.2%
General Property, Plant and Equipment, Net		24,195,207		23,573,017		622,190	2.6%
Inventory and Related Property, Net		6,730,863		6,788,441		(57,578)	(0.8%)
Remaining Assets		61,985		61,380		605	1.0%
Total Assets	$	49,013,562	$	46,271,920	$	2,741,642	5.9%
Liabilities:							
Accounts Payable	$	1,277,047	$	1,474,981	$	(197,934)	(13.4%)
Advances from Others and Deferred Revenue		39,759		19,970		19,789	99.1%
Environmental and Disposal Liabilities		1,409,282		1,392,478		16,804	1.2%
Federal Employee and Veterans Benefits Payable		1,784,151		1,127,279		656,872	58.3%
Remaining Liabilities		147,412		112,634		34,778	30.9%
Total Liabilities	$	4,657,651	$	4,127,342	$	530,309	12.8%
Net Position (Assets minus Liabilities)	$	44,355,911	$	42,144,578	$	2,211,333	5.2%

Significant financial statement line items presented in the Table of Key Measures or within the financial statements in the Financial Section that showed substantial fluctuation from the prior year are explained below.

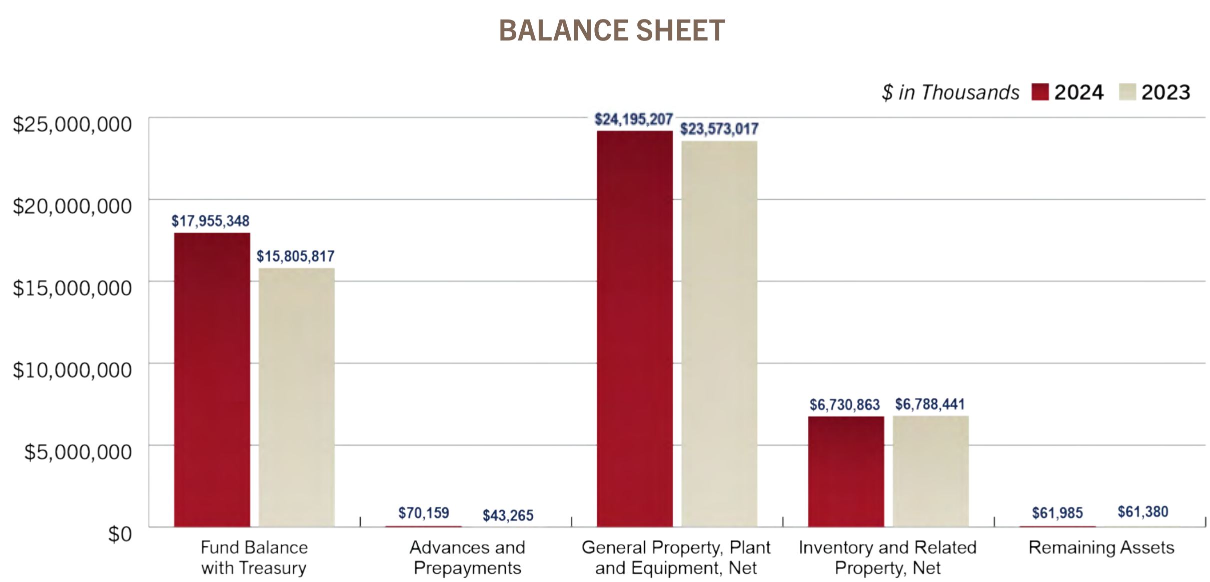

Figure 9. Analysis of Assets

The Marine Corps reported a positive Net Position, the difference between Total Assets of $49 billion and Total Liabilities of $4.7 billion, on its Balance Sheet. As of September 30, 2024, Net Position totaled $44.4 billion, an increase of 5.2% in comparison to FY 2023. While General Property, Plant, and Equipment (GPP&E) comprises the largest portion of Total Assets with a balance of $24.2 billion, the increase in Net Position is primarily attributed to the increase in Fund Balance with Treasury (FBWT). The FBWT balance of $18 billion represents the second largest portion of Total Assets and it increased by $2.1 billion in FY 2024 compared to FY 2023. The increase is attributable to the overall increase in funding in the current year and an increase in undisbursed funds from prior year funding.

Advances and Prepayments, as presented in the Table of Key Measures, include both Intragovernmental and Other than Intragovernmental balances. Intragovernmental Advances and Prepayments had a year-over-year increase of $27 million due to an increase in advances with the Department of State (State).

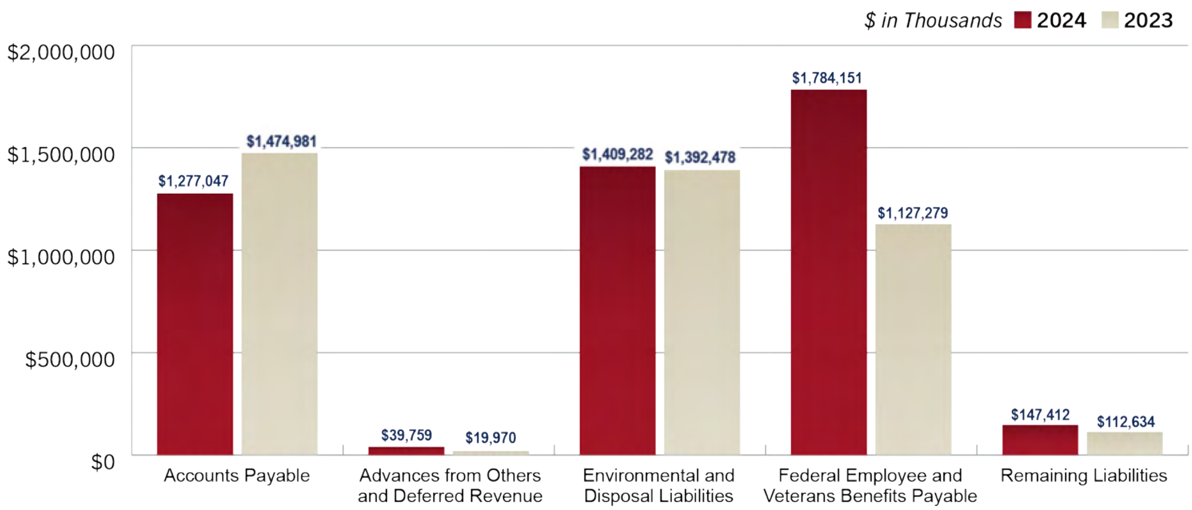

Figure 10. Analysis of Liabilities

Accounts Payable, as presented in the Table of Key Measures, includes both Intragovernmental and Other than Intragovernmental balances. Intragovernmental Accounts Payable increased $40.4 million in FY 2024 compared to FY 2023 due to increased business activities with Federal Trading Partners. Other than Intragovernmental Accounts Payable balances decreased $238.3 million in FY 2024 compared to FY 2023 due to continued refinements of accrual estimation methodologies.

Advances from Others and Deferred Revenue, as presented in the Table of Key Measures, includes both Intragovernmental and Other than Intragovernmental balances. Advances from Others and Deferred Revenue – Other than Intragovernmental increased $20 million in FY 2024 compared to FY 2023 due to Undistributed (UD) Collections impacting reimbursable order balances.

Federal Employee and Veterans Benefits Payable, which as presented in the Table of Key Measures, includes both Pension, Post-Employment, and Veterans Benefits Payable and Federal Employee Salary, Leave, and Benefits Payable, increased $656.9 million in FY 2024 compared to FY 2023 due to the timing of Military Payroll (MILPAY) disbursements at year-end. Marines were paid on October 1, 2024 in the current year and on September 30, 2023 in the prior year. Since the timing between payroll expense and disbursement crossed fiscal periods in the current year, an accrual was necessary to record the outstanding liability at year-end.

Lease Liabilities, presented as Remaining Liabilities in the Table of Key Measures, increased $55.1 million in FY 2024 compared to FY 2023 due to implementation of SFFAS No. 54, *Leases*, which establishes standards for lease accounting for Federal entities and requires the recognition of lease liabilities and right-to-use lease assets. The implementation of SFFAS No. 54 began in FY 2024; therefore, there was no lease liability recorded in FY 2023.

STATEMENT OF NET COST

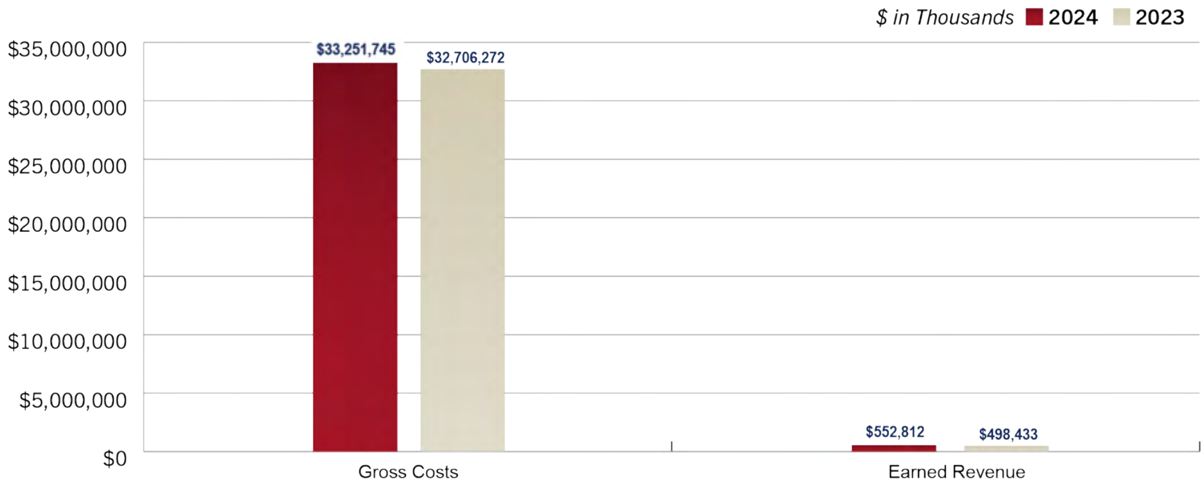

Figure 11. Analysis of Net Cost

The SNC represents the gross cost incurred by the Marine Corps to conduct its operations less earned revenue. The Marine Corps' Net Cost of Operations was $33.3 billion in FY 2024, an increase of 1.7% compared to FY 2023. Earned Revenue increased by $54.4 million in FY 2024 compared to FY 2023. This fluctuation is primarily attributable to an increase in earned service revenue from reimbursable activity.

SIGNIFICANT BUDGETARY RESOURCES

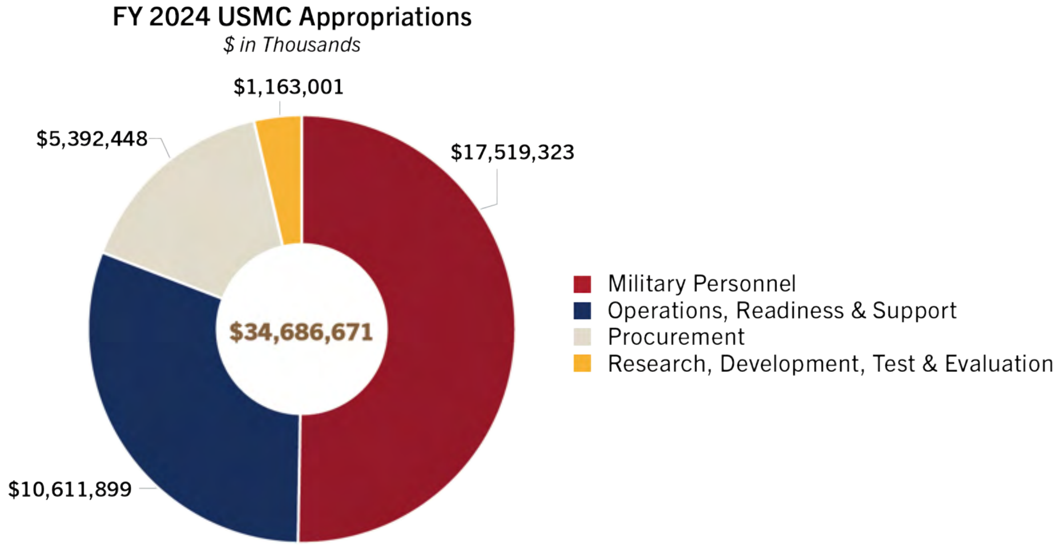

Figure 12. Analysis of Appropriations

The majority of the Marine Corps' 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 (MERHCF); and funding for Research, Development, Test, and Evaluation (RDT&E) programs. The Marine Corps' only Special Fund consists of dedicated collections subject to specific requirements as discussed at Note 15, *Funds from Dedicated Collections*. The Marine Corps also generates and recognizes exchange revenue for rent and utilities reimbursement from commercial vendors and other Federal entities operating out of Marine Corps installations, royalties from licensing and trademark agreements, leases for agriculture activities on Marine Corps installations, and from performing reimbursable activity for Federal and non-Federal customers.

LIMITATION OF FINANCIAL STATEMENTS

The principal financial statements have been prepared to report the financial position and results of operations of the Marine Corps, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from the books and records of the Marine Corps in accordance with U.S. Generally Accepted Accounting Principles (GAAP) 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.

Analysis of Systems, Controls, and Legal Compliance

Fiscal Year 2024 Management Assurances

I understand that Marine Corps' leadership is responsible for managing risks and maintaining effective internal controls 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 Office of Management and Budget (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 controls over operations, reporting, and compliance were operating effectively as of September 30, 2024, except for those areas where the following material weaknesses were noted:

- Oversight and Monitoring (Entity Level Controls)
- Budget Execution and 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 2024, there are no Anti-Deficiency Act violations to report.

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, 2024.

The path ahead for remediation of deficiencies is largely understood, yet also complex. In most cases, the downgrade or closure of these material weaknesses will be multi-year efforts. We will continue to press ahead and collaborate with DoD partners where common deficiencies are shared, to find the most efficient course. 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.

Eric M. Smith
General, U.S. Marine Corps
Commandant of the Marine Corps

Risk Management and Internal Control Program

In FY 2024, the Marine Corps instituted a "top-down" approach to assess Internal Controls Over Reporting (inclusive of financial reporting and financial systems) that applied a scoping methodology based on financial statement materiality to evaluate key business processes cyclically over a multi-FY period. Comprehensive internal control validation assessments were performed over key financial reporting controls and in-scope IT systems for the following business processes:

- Military Payroll (MILPAY)
- Civilian Payroll (CIVPAY)
- Fund Balance with Treasury (FBwT)
- Financial Statement Compilation and Reporting (FSCR)
- Contingent Legal Liabilities.

These assessments included evaluation of financial controls (inclusive of business process application controls), Information Technology General Controls, Complementary User Entity Controls (CUECs), and third-party service organization controls. A collaborative effort was undertaken with business process owners to conduct evaluations of existing business process documentation, develop and/or update risk and control matrices, conduct internal control testing (e.g., Tests of Design and Tests of Operating Effectiveness), and identify deficiencies for remediation and monitoring. The results of the assessments, including deficiencies and related recommendations, were shared with business process owners for concurrence. Assessments on business processes will continue annually as the Marine Corps works to mature its Risk Management and Internal Control (RMIC) Program.

Ongoing Material Weaknesses

Figure 13, as seen below, captures the material weaknesses identified by the Marine Corps during FY 2024.

Material Weakness	Summary Description	Corrective Actions and Status
General PP&E	The Marine Corps has not implemented systems and financial reporting processes to report and disclose General PP&E balances within the financial statements without time intensive and manual processes.	The Marine Corps performed the following corrective actions during FY 2024 to address key financial reporting complexities: • Initiated a study to identify the optimal methods to connect the Marine Corps' accounting and Enterprise Resource Planning (ERP) system, Defense Agencies Initiative (DAI) to key Accountable Property Systems of Record (APSRs) to continue progress toward a more automated financial reporting and accounting process for Marine Corps' PP&E. • Continued executing internal controls to include physical inventory controls, capital asset transaction monitoring, and APSR-to-financial-statement reconciliations. • Automated functions of Real Property internal controls for monitoring of transactions and the review of Construction in Progress (CIP) activity to improve operational efficiencies and reduce potential human error. This material weakness is estimated to be downgraded in FY 2027.
Inventory and Related Property: Operating Materials and Supplies (OM&S)	The Marine Corps has not implemented systems and financial reporting processes to report and disclose OM&S Non-Ammunition and Ammunition balances within the financial statements without time intensive and manual processes.	The Marine Corps performed the following corrective actions during FY 2024 to address key financial reporting complexities: • Initiated a study to identify the optimal methods to connect the Marine Corps' accounting and ERP system, DAI, to key APSRs to continue progress toward a more automated financial reporting and accounting process for Marine Corps' OM&S. • Improved compensating controls to identify non-ammunition acquisitions and developed an agency-wide weighted average valuation methodology, thereby reducing errors from the manual process. • Improved compensating controls to properly identify and value ammunition receipts. • Initiated an upgrade of the primary ordnance APSR, Ordnance Information System – Marine Corps (OIS-MC), to better track receipt of ammunition and to calculate the valuation of ammunition assets using the moving average cost methodology. This material weakness is estimated to be downgraded in FY 2027.

<table>
<thead>
<tr><th>Material Weakness</th><th>Summary Description</th><th>Corrective Actions and Status</th></tr>
</thead>
<tbody>
<tr>
<td>Budget Execution and Monitoring</td>
<td>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.</td>
<td>The Marine Corps has made significant progress in addressing internal control deficiencies related to Budget Execution and Monitoring. In FY 2024, the Marine Corps has:
Enhanced Undelivered Obligation (UDO) Monitoring and Controls for timely de-obligation of aged UDOs by utilizing machine learning and improved dashboards within Advanced Analytics (ADVANA), a central hub for data analytics and Artificial Intelligence (AI) solutions to the DoD enterprise, to more efficiently identify invalid UDOs.
Strengthened data governance and monitoring by developing, implementing, and documenting CUECs for key financial reporting systems, including DAI, Defense Cash Accountability System, Defense Departmental Reporting System, and ADVANA.
Developed and implemented accruals for GPP&E and OM&S CIP, Permanent Change of Station Travel and Entitlements, Defense Travel System and MILPAY. Also, the existing trading partner reconciliation process was improved to ensure timely recording of expenditures.
Continued use of interagency task forces and working groups to monitor and resolve problem disbursements, including Unmatched Transactions and UDs transactions to ensure appropriate recording of financial activity within DAI.
Completed updates of business processes narratives and risk and control matrices for budget to report activities, including FSCR and FBwT.
This Material Weakness is anticipated to be downgraded in FY 2028.</td>
</tr>
<tr>
<td>Oversight and Monitoring (Entity Level Controls)</td>
<td>The Marine Corps lacks a comprehensive RMIC program, that is in full compliance with OMB Circular 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.</td>
<td>In FY 2024, the Marine Corps updated its RMIC Program policy to clearly identify roles and responsibilities and improve communication of RMIC concepts throughout the organization. The Marine Corps also conducted an end-to-end review over the control environment of priority business processes, performed testing, and developed an approach to monitor System and Organization Controls (SOC) via SOC 1® evaluations.

Additionally, the Marine Corps updated its RMIC governance structure to provide quarterly updates on the timeline and completion of key RMIC milestones, internal control deficiencies, and planned remediation activities to address any deficiencies to the Assistant Commandant of the Marine Corps. This new structure includes an Audit Committee, Senior Management Council, and Senior Assessment Team to ensure proper oversight and monitoring in accordance with OMB Circular A-123. This material weakness is estimated to be downgraded in FY 2028.</td>
</tr>
<tr>
<td>Financial Information Systems – Access Controls/ Segregation of Duties</td>
<td>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 is not comprehensively and formally documented — with evidence of management review — that will readily meet OMB Circular A-123 requirements and allow for independent third-party review.</td>
<td>In FY 2024, the Marine Corps successfully implemented the Naval Identity Services (NIS) Identity, Credential, and Access Management (ICAM) solution to conduct user access reviews and to automate the access provisioning process for Global Combat Support System-Marine Corps (GCSS-MC). In addition, the Marine Corps implemented new processes to improve internal controls related to GCSS-MC user access provisioning, user access review, identification of Segregation of Duty (SOD) conflicts through the implementation of a SOD matrix and establishing mitigating controls around users with SOD conflicts.

Finally, the Marine Corps completed the following actions to improve processes and internal controls related to Marine Online- Document Tracking and Management Service (MOL-DTMS) and OIS-MC:
Demonstrated the generation of a complete and accurate population of MOL-DTMS users.
Identified and documented financially significant system resources, transactions, and activities for OIS-MC.
Created a SOD matrix for OIS-MC that includes all active roles and conflicts.
Demonstrated that the OIS-MC access provisioning process is operating effectively.
This material weakness is estimated to be downgraded in FY 2028.</td>
</tr>
</tbody>
</table>

Material Weakness	Summary Description	Corrective Actions and Status
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.	In FY 2024, GCSS-MC deployed Splunk and established a process to monitor and review system changes. The Marine Corps also implemented new policy and procedures to monitor and review changes made in the GCSS-MC production environment. In addition, Marine Corps Total Force System (MCTFS) successfully passed external Test of Effectiveness testing of database changes, database change monitoring, and application change monitoring without exceptions. This material weakness is estimated to be downgraded in FY 2026.
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.	In FY 2024, the Marine Corps demonstrated the generation of a population of financially significant system interface edits and validations for MCTFS. Assurance over the complete and accurate population of interface edits and validations helps ensure the integrity of the data used for financial reporting-related activities. In addition, the Marine Corps implemented policies and procedures to validate the population of all interfaces within GCSS-MC; performed a reconciliation of all financially significant system interfaces; and established a standardized policy and procedure for conducting interface handling procedures. Regarding DAI CUEC responsibilities related to resolution of interface errors, the Marine Corps drafted internal control playbooks for 10 financially material systems that interface with the DAI. The playbooks act to document the internal controls implemented to ensure that data is transmitted between the feeder system and the DAI ERP, identify control gaps noted in the design of the controls, recommended corrective actions, and the results of tests of effectiveness. This material weakness is estimated to be downgraded in FY 2026.

Figure 13. Ongoing Material Weaknesses

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

The Marine Corps continued 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 is implementing tools to enhance tracking and monitoring changes to the production environment through automation.

In accordance with applicable requirements and standards such as the Federal Information System Controls Audit Manual, DON IT Control Standards, OMB Circular A-123, and FFMIA, the Marine Corps made the following progress on improving their feeder systems.

Significant accomplishments for FY 2024 include the following:

- Financially Significant Interfaces: The Marine Corps successfully identified financially significant interfaces for GCSS-MC and established the interface error handling framework, enabling the monitoring and oversight of the timely resolution of interface errors. Additionally, the Marine Corps was able to demonstrate the completeness and accuracy of interfaces for MCTFS, enabling the identification of financially significant interfaces (as well as edits and validations)
- Audit Logging Capabilities: The Marine Corps configured the change management dashboard for GCSS-MC using a Security Incident Event Management System solution to automate and enhance the monitoring and review of changes that went into the production environment
- Test of Operating Effectiveness: The Marine Corps successfully passed external internal control testing over access provisioning, user access review, segregation of duties and change monitoring for MCTFS
- DON NIS ICAM: NIS ICAM's capabilities include, but are not limited to, automating the access provisioning workflow, facilitating periodic account recertifications, automating account terminations, and automating SOD assessments. The

Marine Corps implemented NIS ICAM to automated account provision, user access recertification, and termination process for GCSS-MC. GCSS-MC was able to complete NIS integration and the implementation of post Minimal Viable Product phases. GCSS-MC is now performing final validations within NIS prior to entering the sustainment phase. MOL is also working through NIS ICAM on-boarding steps currently. National security systems and warfighting applications are set to follow Financial Management systems' NIS adoption.

Compliance with Other Key Legal and Regulatory Requirements

Federal Information Security Modernization Act (FISMA): The 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, National Institute of Standards and Technology standards, and other legislative requirements that 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 necessary to detect, mitigate, and respond to cybersecurity vulnerabilities, threats, and anticipate risks posed by technologies. The Marine Corps cybersecurity program is aligned under the DON Chief Information Officer (CIO) and DOD CIO for reporting and compliance.

Antideficiency Act (ADA): The 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 Marine Corps, via the DON and DOD, reports confirmed ADA violations to the President via the Director of the OMB, as well as to the Congress, and the Comptroller General of the U.S. During FY 2024, the Marine Corps had no reportable violations of the ADA.

To execute appropriated funds with sound financial management practices and help prevent violations of the ADA, Marine Corps Fund Control Personnel are required to take recurring training, as identified by the Assistant SECNAV (Financial Management and Comptroller) and the Office of the Under Secretary of Defense (Comptroller) (OUSD[C]). These courses include Fiscal Law and Budget.

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.

In compliance with *DATA Act*, the Marine Corps maintained financial systems with capabilities to capture all data elements required for *DATA Act* reporting. In addition, the Marine Corps continued to perform necessary processes and controls in the areas of accounting and reporting of budgetary information to produce dependable data submitted in compliance with *DATA Act*.

Forward-Looking Information

As the war in Ukraine continues to demonstrate, the cycle from development to procurement to obsolescence in both hardware and software is lightning fast on a modern battlefield. The specific platforms delivering these capabilities will continually evolve as we encourage competition within industry and use multiple-vendor contracts whenever feasible. In the future, the Marine Corps will aggressively experiment with prototype platforms in real-world operations. Battlefields throughout history demonstrate this fact, from the first usage of a tank in combat to the current employment of first-person-view drones in Ukraine. The Marine Corps must build agility into our acquisition processes to increase the velocity of fielding key capabilities as we identify them.

Due to the nature and significance of the challenge we are modernizing to meet, many modern capabilities being developed are necessarily protected by classification. Since the beginning of Force Design, the Marine Corps has grown its classified portfolio investments, focused heavily on force modernization and future capabilities to combat the pacing threat. These investments are fundamental to Force Design and support maintaining a strategic advantage as the Marine Corps provides forward presence as the Stand-in Force (SIF) around the world. These capabilities further enhance Marine Corps' ability to fight inside the Weapon Engagement Zone, accelerate our force modernization, and keep pace with rapidly changing battlefield technologies.

The Marine Corps' Campaign of Learning and observations of current conflicts have solidified our focus on the following broad capability sets. This list is not all-encompassing of our current and future modernization investments but represents the most critical capabilities required to realize the vision of Force Design and the SIF. The Marine Corps will continue to experiment with and invest in burgeoning capabilities that are defining the modern battlefield such as Ground Based Air Defenses, including Counter-small

Unmanned Aircraft Systems (C-sUAS), our own sUAS, and loitering munitions.

- Contested Logistics and Littoral Mobility: This category encompasses the Marine Corps' Maritime Pre-Positioning Force, Global Positioning Network; interim and long-term solutions for littoral surface connectors; and myriad expanding tactical resupply capabilities, such as autonomous aerial, surface, and subsurface vehicles to close the last tactical mile.

- Enabling Joint and Coalition Command and Control (C2) and Kill Webs: Marines in the SIF, critically bolstered by our MARSOC Raiders, are the tip of the spear of the entire Joint and Combined Force. Their true value lies in what they enable the rest of the spear to do. The Marine Corps will continue to invest in capabilities and refine tactics that allow us to act as the forward element of the Joint Force —sensing, making sense, and communicating that information to any shooter. The Marine Corps will continue to pursue smaller form factor C2 nodes, intelligence community compliant field expeditionary shelters capable of providing access to higher levels of classification at the tactical level, and leverage advances in AI to enhance decision making at the tactical edge. Our Cyber Marines are already creating tremendous effects in the cyber and space domains—they will play a critical role in any future conflict.

- Long-Range Precision Fires: Lessons observed in both the Black and Red Seas have re-emphasized the effectiveness of land-based precision fires in effecting sea denial. Moreover, the Marine Corps has seen cheap, long-range, one-way attack drones used to great effect to debilitate enemies in both conflicts. The Marine Corps will continue to invest in these capabilities as they are not only our most effective deterrent in the vastness of the Pacific, but also the best way to levy an outsized cost on any adversary we face. The Marine Corps will continue to experiment with our Long-Range Missile Battery while also pursuing a smaller form factor capability in-line with our expeditionary nature.

Certain enduring priorities must persist throughout budget cycles and remain key service objectives. Barracks improvements, quality of life, recruiting, and incentive pay must possess consistent budget-share year over year commensurate with the importance of our Marines to our success.

SECTION 2: FINANCIAL SECTION

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

February 3, 2025

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 2024 and FY 2023
(Project No. D2024-D000FS-0060.000, Report No. DODIG-2025-065)

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 years ended September 30, 2024, and 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, June 2024; Volume 2, June 2024; and Volume 3, July 2024. 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 years ended September 30, 2024, and 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 the USMC General Fund did not:

- consistently implement a formal internal control program that allows the program to fully assess the five components of internal controls: (1) an effective control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) 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 that 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 General Fund's financial management systems did not comply with the Federal Financial

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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.

Management Improvement Act of 1996 and the Federal Managers' Financial Integrity Act of 1982.

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 2024 and 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 3, 2025 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.

Lorin T. Venable

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

Attachment(s):
As stated

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

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 sheets as of September 30, 2024 and 2023 and the related consolidated statements of net cost and changes in net position and combined statement of budgetary resources for the years 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, 2024 and 2023, and the results of its net cost of operations, its changes in net position and its budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and the provisions of OMB Bulletin No. 24-02 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.

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. 24-02 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. 24-02, 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, Biennial Review of User Fee Charges, 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 3, 2025 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 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 3, 2025

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 (*Government Auditing Standards*) and the provisions of Office of Management and Budget (OMB) Bulletin No. 24-02, *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, 2024, 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"), and our report dated February 3, 2025 expressed an unmodified opinion thereon.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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, 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 a 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 were not identified. We identified certain deficiencies in internal control described below and in more detail in Appendix A as Items I through VII that we consider to be material weaknesses.

Material Weaknesses

I. Oversight and Monitoring (Entity Level Controls)

The Federal Managers Financial Integrity Act (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 and monitoring 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 controls are a requirement of various laws, such as the FMFIA and the Federal Financial Management Improvement Act (FFMIA) and guidance issued by the OMB and the U.S. Department of the Treasury (Treasury). Funds control is achieved through the design and consistent implementation of internal controls, which includes the information systems used to record and process financial transactions. We noted several deficiencies regarding the USMC's documentation, authorization, recordation and reporting of financial transactions, 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. We identified several weaknesses regarding IT operations, the combination of these deficiencies results in a material weakness. The matters related to IT Operations are further described in Appendix A.

USMC's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on USMC's response to the findings identified in our audit and described in the accompanying letter (Response to Independent Auditor's Report) dated February 3, 2025. USMC's response was not subjected to the other auditing procedures applied in the engagement to audit 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2025 on our tests of USMC's compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering USMC's compliance.

Ernst & Young LLP

February 3, 2025

Appendix A – Material Weaknesses

I. Oversight and Monitoring (Entity Level Controls)

The Federal Managers Financial Integrity Act of 1982 (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* (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 seventeen 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. The USMC has updated its Risk Management and Internal Controls (RMIC) process in FY 2024 to monitor and evaluate the design and effectiveness of internal controls. In FY 2024, five business processes Civilian Payroll (CIVPAY), Military Payroll (MIPAY), Fund Balance with Treasury (FBwT), Contingent Legal Liabilities (CLL), and Financial Statement Compilation and Reporting were included in the assessment and the USMC performed fraud risk assessment procedures for CIVPAY and MILPAY. While updates were implemented in the design of the RMIC risk assessment in FY 2024 and multiyear timeline was developed, the risk assessment does not cover the assessment and monitoring of all significant areas of the USMC. Furthermore, significant areas designated for testing by USMC beyond FY 2024 are not subject to the risk assessment procedures to understand the end-to-end process or determine self-identified deficiencies in control design which could impact the ability to make progress in these areas in future years.

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. While the USMC continues to assess and improve the overall control environment, the USMC has not consistently implemented policies and procedures which address all five components of an internal control environment along with all seventeen internal control principles, across the entire enterprise.

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

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 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 has not validated the completeness and accuracy the financially significant interface edits and validations of systems supporting the presentation and disclosure of financial information.

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.

   The USMC continues to improve the internal control documentation associated with key transaction cycles. However, we noted 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 internal control objectives. Furthermore, the documentation of internal controls did not include a comprehensive inventory of the corresponding systems used to support key transaction cycles.

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 the material transaction cycles, we noted that the USMC had not:

   - Identified and documented the information systems used to support financial transactions,
   - Identified key data fields from each system which support financial transactions,
   - Identified and catalogued reports generated by the information systems and used by the USMC to ensure that accuracy and completeness of the financial statements.

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. We noted that the USMC has not consistently implemented monitoring controls to ensure the operating effectiveness of control activities.

Further, USMC utilizes multiple Service Providers to execute transactions on behalf of the USMC. For these service providers the USMC receives a System and Organizational Control 1 (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 these transactions. Specifically, the USMC has not:

- Clearly identified within each Business Process Narrative (BPN)/Internal Control Matrix that is dependent on the use of a Service Provider; the specific internal control/s performed by the Service Provider to support the specific transaction cycle, the frequency of performance for each control/s by the Service Provider.
- Designed and consistently implemented to ensure the accurate and complete performance of each internal control/s performed by the Service Provider.
- Properly mapped each relevant Complementary User Entity Control (CUEC) to specific USMC controls for each significant process; nor has the USMC ensured that the combination of internal control/s performed by the Service Provider and the CUECs performed by the USMC are sufficient to address the associated internal control risk.
- Designed and consistently implemented specific USMC compensating controls for internal controls and CUECs that could be relied upon to overcome internal control/s or CUECs 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

The components and principles internal control standards envisioned within the GAO Green Book are comprehensive and span all aspects of an organization. The USMC has developed a RMIC Program Plan to address all five internal control components and all seventeen internal control principles. 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 GAO 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.
- The USMC should:
    - Ensure that within the appropriate BPNs/Internal Control Matrices the specific internal control/s that are performed by a Service Provider are identified;
    - Obtain and review the associated SOC 1 report from each Service Provider to ensure that the relevant internal control/s were operating as designed;

- Develop and consistently implement the CUECs identified within each SOC 1 report;
- Design and consistently implement compensating controls which could be utilized to overcome internal control/s deficiencies; implement reviews and appropriate monitoring of subservice organizations
- Design and consistently implement reviews and appropriate monitoring of subservice organizations utilized by service providers in the performance of the services provided to USMC.

II. Budget Execution & Monitoring

Broadly speaking, budget execution and monitoring 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 controls are a requirement of various laws, such as FMFIA, Federal Financial Management Improvement Act of 1996 (FFMIA), 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 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.

Notwithstanding these processes, 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, as well as the monitoring controls used 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 includes the complete and accurate reporting of financial transactions within the appropriate fiscal period. During both the FY 2024 and the FY23 audit, EY determined that the DAI system has a strict period-end cutoff control. As a result of this control, interface files received after the period-end cutoff are not systemically recorded and as such, the USMC must manually track and accumulate these transactions to be posted as temporary journal vouchers (JVs) increasing the risk of material error when posting period-end transactions.
- 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 designed controls to process these transactions which is labor intensive and increases the risk of material misstatement.

- EY identified abnormal balances at the field-level. While the abnormal balances were corrected through financial reporting controls, the existence of these field-level abnormal balances is indicative of missing or ineffective controls.
- In FY 2024, EY tested 55 downward adjustment and recovery transactions. Testing indicated ineffective internal controls to properly review and monitor downward adjustment and recovery transactions.
- 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 the period-end Accounts Payable balance using an accrual methodology. This methodology, and the supporting internal controls, have not been designed, documented and consistently implemented.

Recommendations

Appropriately designed and consistently implemented 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.
- Internal controls to consistently monitor and authorize downward adjustments and recovery transactions.
- 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.

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 generally accepted accounting principles (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 Construction in Progress (CIP) assets, the status of existing CIP assets, and transfers out our CIP. Currently, the USMC has not designed and consistently implemented internal controls to accurately and completely identify costs which should be capitalized vs. costs which should not be capitalized as part of a purchase at the inception of the contract. Testing indicated that numerous corrections and adjustments were made by the USMC to accurately value CIP and the associated final assets, as new or updated information was reviewed regarding capitalizable expenditures. Testing also indicated that the existing controls are insufficient to ensure that the cost of finished assets are completing and accurately relieved from the CIP account to the finished assets account.
- 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.
- During the FY 2024 audit, we noted the inconsistent implementation of existing internal controls associated with Military Equipment, this included but was not limited to:
  - Duplicate asset records found within the ME Accountable Property System of Record (APSR);
  - Assets not being removed from the military equipment APSR in a timely manner;
  - Assets not being added to the military equipment ASPR in a timely manner;

- Asset disposals lacking the required approvals;
- Improper, incorrect or missing data plates affixed to military equipment assets.

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, from the inception of the asset contract through the final completion of the asset.
- Internal controls to ensure that GPP&E assets constructively received before the end of the year and all expenditures associated with constructively received are accurately and completely reported within the year-end financial statements.
- Internal controls regarding the addition, deletion and marking and tagging of existing military equipment assets.
- Furthermore, the USMC should consider automated compilation processes which would be available through the integration of data currently used to support military equipment 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 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. 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 yet another system; and the USMC has two systems to track critical communication equipment. The USMC utilizes data calls and Excel workbooks to calculate and track the weighted average cost of roughly 7,000 unique OM&S

National Stock Numbers/National Item Identification Numbers. In addition, we noted transactions to OM&S that were not purchases, but were inappropriately incorporated into the weighted average cost (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 key systems, 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, SOC 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.
- During the FY 2024 audit, we noted the inconsistent implementation of marking and tagging internal controls associated with OM&S non-ammunition assets.
- During the FY 2024 audit, we noted that the USMC has not designed or implemented internal controls to reconcile the AIS system used to track specific OM&S non-ammunition assets to the corresponding APSR, which resulted in errors to the APSR.

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 key systems, 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 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.
- 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 1 reports received from service providers, and taking the appropriate action to compensate for any internal control weaknesses reported in a SOC 1 report.
- Internal controls to accurately and consistently mark and tag OM&S assets.
- Internal controls to accurately and consistently reconcile systems used to track and report OM&S communication equipment in a timely and complete manner.
- 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 a top 120 company, and like the other 120 largest companies in the United States, the USMC is dependent on a number of information management systems to initiate, process, and report over $38.2 billion of budgetary resources. 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
- Configuration Management
- IT Operations

These material weaknesses significantly impede the effectiveness and efficiency of the USMC's operations, and therefore 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 sustainability 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 risk to the financial statements.

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

- 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 multiple 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.

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 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 two 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 one application, an analysis of the system level access rights and permissions tied to each role has not been performed and documented.
- For one application, where SoD conflicts are allowed and provisioned to users, there was no mitigating control to monitor the users who were assigned conflicting roles and/or permissions to detect whether unauthorized or inappropriate activities were performed by those

Recommendations

We recommend the following corrective actions related to the conditions described above:

- 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.
- 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.
- Develop and implement procedures to systemically validate all available access rights permissions. An analysis should then be performed that considers the rights and permissions associated with each role to validate all potential segregation of duties conflicts have been identified and documented and all roles are appropriately designed with the concept of least privilege.

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, the 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 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 two 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.
- For one application, policies and procedures for making changes outside of the standard System Development Lifecycle (SDLC) were not formally documented.
- For one application, configuration management monitoring procedures were not consistently followed to include documentation of investigation and resolution for change anomalies.

Recommendations

We recommend the following corrective actions related to the conditions described above:

- Design and consistently implement a process to validate a complete and accurate population of configuration changes.
- Design and document comprehensive change management policies to incorporate procedures for all change types.
- Design and document policies and procedures for monitoring changes made to the production environment to include guidance for reviewing, investigating, and remediating inappropriate changes.

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 involve 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 one application, the documented population of interfaces was not validated against the production environment for completeness and accuracy.
- For one application, a complete and accurate population of interface edits and validations has not been identified and validated.
- For one application, a process to capture and log transactional interface data transmission errors has not been identified and established.

Recommendations

We recommend the following corrective actions related to the conditions described above:

- Consistently, validate a complete and accurate listing of system interfaces against the production environment.
- Consistently validate a complete and accurate listing of interface edits and validations and that they are operating as intended.
- Design and consistently implement a process for transaction-level interface error handling to include the identification, logging and monitoring, and remediation of the errors.

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 (*Government Auditing Standards*) and the provisions of Office of Management and Budget (OMB) Bulletin No. 24-02, *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, 2024, 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"), and our report dated February 3, 2025 expressed an unmodified opinion thereon.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether USMC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements as well as the requirements referred to in the Federal Financial Management Improvement Act of 1996 (FFMIA), noncompliance with which could have a direct and material effect on the financial statements. 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. 24-02 as well as instances of noncompliance in which USMC's financial management systems did not substantially comply with the Section 803(a) requirements of FFMIA and which are described below.

<u>FFMIA</u>

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 FY 2024 USMC Management Assurances Letter, 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 2024 USMC Management Assurances Letter, 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 2024 USMC Management Assurances Letter, 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 USMC's response to the findings identified in our audit and described in the accompanying letter (Response to Independent Auditor's Report) dated February 3, 2025. USMC's response was not subjected to the other auditing procedures applied in the engagement to audit 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2025 on our consideration of USMC's internal control over financial reporting (internal control). The purpose of that 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 USMC's internal control. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering USMC's internal control.

Ernst & Young LLP

February 3, 2025

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

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FEB 0 3 2025

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 2024 (CONTRACT NO. GS-00F-290CA/HQ0423-21F-0002)

We have read and understand Ernst & Young's Independent Auditors' Report on the Marine Corps' financial statements for the fiscal year ending September 30, 2024. We have noted the conclusions reached with respect to material weaknesses are consistent with last year's report.

The professionalism displayed by the Marine Corps stakeholders and your team has again paid dividends. The open communication we share has increased our responsiveness to your inquiries and has ensured that any misunderstandings were quickly resolved.

We will examine the contents of the audit report closely as we continue to refine corrective action plans developed for our material weaknesses. Your feedback through the audit process is an integral part of ensuring that the Marine Corps remains accountable to Congress and the American public.

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' (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 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 SHEETS

As of September 30, 2024 and 2023

(Amounts in Thousands)	2024	2023
ASSETS (Note 2)		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 3)	$ 17,955,348	$ 15,805,817
Accounts Receivable, Net (Note 5)	28,693	30,557
Advances and Prepayments	67,993	40,274
Total Intragovernmental Assets	18,052,034	15,876,648
Other Than Intragovernmental Assets:		
Cash (Note 4)	15,111	9,552
Accounts Receivable, Net (Note 5)	18,181	21,271
Inventory and Related Property, Net (Note 6)	6,730,863	6,788,441
General Property, Plant and Equipment, Net (Note 7)	24,195,207	23,573,017
Advances and Prepayments	2,166	2,991
Total Other Than Intragovernmental Assets	30,961,528	30,395,272
TOTAL ASSETS	$ 49,013,562	$ 46,271,920
Stewardship Property, Plant, and Equipment (Note 8)		
LIABILITIES (Note 9)		
Intragovernmental Liabilities:		
Accounts Payable	$ 278,636	$ 238,233
Advances from Others and Deferred Revenue	82	313
Other Liabilities (Note 12)		
Liability to the General Fund of the U.S. Government for custodial and other non-entity assets (Note 12)	15,173	9,764
Benefit contributions payable (Note 12)	47,657	42,918
Other Liabilities (Note 12)	163	-
Total Intragovernmental Liabilities	341,711	291,228
Other Than Intragovernmental Liabilities:		
Accounts Payable	998,411	1,236,748
Federal Employee Salary, Leave, and Benefits Payable (Note 10)	1,581,995	936,534
Pension, Post-Employment, and Veterans Benefits Payable (Note 10)	154,499	147,827
Environmental and Disposal Liabilities (Note 11)	1,409,282	1,392,478
Advances from Others and Deferred Revenue	39,677	19,657
Other Liabilities (Note 12 and Note 14)		
Contract Holdbacks (Note 12)	69,372	80,338
Contingent Liabilities (Note 12 and 14)	7,586	22,532
Lease Liabilities (Note 12 and 13)	55,118	-
Total Other than Intragovernmental Liabilities	4,315,940	3,836,114
TOTAL LIABILITIES	$ 4,657,651	$ 4,127,342
Contingencies (Note 14)		
NET POSITION		
Unexpended Appropriations - Funds from other than Dedicated Collections	$ 16,054,074	$ 14,202,032
Cumulative Results of Operations		
Funds from Dedicated Collections (Note 15)	1,786	1,684
Funds from Other than Dedicated Collections	28,300,051	27,940,862
Total Cumulative Results from Operations	28,301,837	27,942,546
TOTAL NET POSITION	44,355,911	42,144,578
TOTAL LIABILITIES AND NET POSITION	$ 49,013,562	$ 46,271,920

The accompanying notes are an integral part of these financial statements.

UNITED STATES MARINE CORPS

CONSOLIDATED STATEMENTS OF NET COST

For the Fiscal Years Ended September 30, 2024 and 2023

(Amounts in Thousands)		2024		2023
GROSS PROGRAM COSTS				
Organize, Train, and Equip Fleet Marine Forces				
Gross Costs	$	33,251,745	$	32,706,272
Less: Earned Revenue		(552,812)		(498,433)
NET COST OF OPERATIONS	$	32,698,933	$	32,207,839

The accompanying notes are an integral part of these financial statements.

UNITED STATES MARINE CORPS

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

For the Fiscal Years Ended September 30, 2024 and 2023

(Amounts in Thousands)	2024	2023
UNEXPENDED APPROPRIATIONS		
Beginning Balances (FY 2023 Unaudited)	$ 14,202,032	$ 12,141,543
Adjustments:		
Corrections of Errors (+/-)	-	(158,718)
Beginning Balances, as Adjusted	14,202,032	11,982,825
Appropriations Received	33,239,146	32,374,046
Appropriations Transferred In/Out	1,636,702	1,433,484
Other Adjustments (+/-)	(435,368)	(203,746)
Appropriations Used	(32,588,438)	(31,384,577)
Net Change in Unexpended Appropriations	1,852,042	2,219,207
Total Unexpended Appropriations	$ 16,054,074	$ 14,202,032
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances (FY 2023 Unaudited)	$ 27,942,546	$ 28,020,762
Adjustments:		
Changes in Accounting Principles (+/-)	-	(872,605)
Corrections of Errors (+/-)	-	1,001,845
Beginning Balances, as Adjusted (Includes Funds from Dedicated Collections of $1,684 in FY 2024 and $1,623 in FY 2023 – See Note 15)	27,942,546	28,150,002
Other Adjustments (+/-)	(26)	-
Appropriations Used	32,588,438	31,384,577
Non-Exchange Revenue	239	1,931
Transfers In/Out without Reimbursement	293,138	459,025
Donations and Forfeitures of Property	-	16,457
Imputed Financing from Costs Absorbed by Others	176,261	138,629
Other (+/-)	174	(236)
Net Cost of Operations (+/-) (Includes Funds from Dedicated Collections of ($102) in FY 2024 and ($61) in FY 2023 – See Note 15)	32,698,933	32,207,839
Net Change in Cumulative Results of Operations (Includes Funds from Dedicated Collections of $102 in FY 2024 and $61 in FY 2023 – See Note 15)	359,291	(207,456)
Cumulative Results of Operations (Includes Funds from Dedicated Collections of $1,786 in FY 2024 and $1,684 in FY 2023 – See Note 15)	28,301,837	27,942,546
NET POSITION	$ 44,355,911	$ 42,144,578

The accompanying notes are an integral part of these financial statements

UNITED STATES MARINE CORPS

COMBINED STATEMENTS OF BUDGETARY RESOURCES

For the Fiscal Years Ended September 30, 2024 and 2023

(Amounts in Thousands)		2024		2023
BUDGETARY RESOURCES				
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)	$	3,097,768	$	3,153,324
Appropriations (Discretionary and Mandatory)		34,686,671		33,664,660
Spending Authority from Offsetting Collections (Discretionary and Mandatory)		450,009		378,308
Total Budgetary Resources	$	38,234,448	$	37,196,292
STATUS OF BUDGETARY RESOURCES				
New Obligations and Upward Adjustments (Total)	$	34,823,768	$	34,713,979
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts		2,867,627		1,818,216
Unexpired Unobligated Balance, End of Year		2,867,627		1,818,216
Expired Unobligated Balance, End of Year		543,053		664,097
Unobligated Balance, End of Year (Total)		3,410,680		2,482,313
Total Budgetary Resources	$	38,234,448	$	37,196,292
OUTLAYS, NET				
Outlays, Net (Total) (Discretionary and Mandatory)	$	32,289,485	$	31,255,756
Distributed Offsetting Receipts (-)		(99)		(96)
Agency Outlays, Net (Discretionary and Mandatory)	$	32,289,386	$	31,255,660

The accompanying notes are an integral part of these financial statements

Notes to the Principal Financial Statements

NOTE 1. Summary of Significant Accounting Policies

1.A. Reporting Entity

The Marine Corps reporting entity is a component of the U.S. Government. For this reason, some of the assets and liabilities reported by the Marine Corps may be eliminated for U.S. 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 Marine Corps is required to produce stand-alone financial statements, although it is a component reporting entity of the Department of the Navy (DON). The Marine Corps does not have any sub-components.

The Marine Corps 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 Marine Corps installations are constructed by the DON's Naval Facilities Engineering Systems Command (NAVFAC) because the DON receives the Military Construction funding; the Marine Corps uses DON aircraft, for which the Maintenance and Repair (M&R) are performed by the DON's Naval Air Systems Command; healthcare services are provided to the Marine Corps 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 Marine Corps 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 Marine Corps' Non-Appropriated Fund Instrumentalities (NAFIs) are fiscal entities supported in whole or in part by Non-Appropriated Funds. Non-Appropriated Funds are generated from sales and user fees charged by the NAFIs. The Marine Corps 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 Standard (SFFAS) No. 49, *Public-Private Partnerships: Disclosure Requirement*s. 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.B. Basis of Presentation

These consolidated and combined financial statements have been prepared to report the financial position and results of operations of the Marine Corps as required by the *CFO Act of 1990*, as amended by the GMRA of 1994, and OMB Circular A-136, as amended. They have been prepared from the books and records of the Marine Corps in accordance with U.S. GAAP promulgated by the FASAB.

The accompanying financial statements account for all resources for which the Marine Corps is responsible, excluding the Marine Corps Working Capital Fund (WCF) activities and account balances. The Marine Corps WCF is separately consolidated into the 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. Certain reclassifications have been made to FY 2023 financial statements, notes, and supplemental information to conform the USMC's policies and procedures in accordance with the FY 2024 Treasury Financial Manual and OMB Circular A-136.

1.C. Appropriations and Funds

To support its core mission, the Marine Corps receives General Fund (GF) 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 GF appropriations may be non-shared appropriations (i.e., the Marine Corps only) or shared appropriations (i.e., shared with the U.S. Navy). For shared appropriations, Congress issues an appropriation to the DON and the DON allocates a portion to the Marine Corps for RDT&E, procurement of ammunition, military family housing operations, and other procurement, as necessary.

The Marine Corps 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 Marine Corps receives allocation transfers as the child from the DON for certain operations that are excluded from the Marine Corps' financial statements and reported back for inclusion within the U.S. Navy's financial statements. The Marine Corps also receives allocation transfers as the child from Security Assistance programs that are excluded from the Marine Corps' financial statements and reported back for inclusion within the Security Assistance Program financial statements.

1.D. Basis of Accounting

The Marine Corps 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.

1.E. 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 Marine Corps 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 5 of the TFM, *Overall Intra-governmental Transactions Processes and General Information*.

1.F. Non-Entity Assets

The Marine Corps classified assets as either entity or non-entity. Entity assets are those that the Marine Corps has authority to use for operations. Non-entity assets are those held by the Marine Corps but not available for use in its operations. Non-entity assets are offset by liabilities to third parties and have no impact on net position. The Marine Corps recognizes non-entity assets comprised of interest receivable, penalties receivable, accounts receivable in canceled funds, 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 Marine Corps.

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

1.G. Fund Balance with Treasury

Fund Balance with Treasury (FBWT) represents the amount in the Marine Corps' account with Treasury that is available for making expenditures and paying liabilities. 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 cancelled due to expiration, rescission, or sequestration. The Marine Corps' 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 Marine Corps and DFAS process the majority of the Marine Corps' cash collections, disbursements, and adjustments worldwide. Other agencies', such as other Military Services, the U.S. Army Corps of Engineers (USACE), and the Department of State (State), financial services centers also process disbursements and collections on behalf of the Marine Corps. On a monthly basis, the Marine Corps' 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 Marine Corps 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 Marine Corps may have transactions in other DOD agency's suspense accounts that are also researched and properly reclassified pending disposition by the responsible financial managers.

Refer to 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 Marine Corps' installations and forward operating areas. Cash is classified as non-entity and is restricted.

Refer to Note 4, *Cash*, for additional information.

1.I. Accounts Receivable

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.

Refer to Note 5, *Accounts Receivable, Net*, for additional information.

1.J. Inventory and Related Property

The Marine Corps does not hold inventory for resale; rather, the Marine Corps 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 Marine Corps' OM&S is composed of two major categories: Ammunition and Non-Ammunition. The Marine Corps 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 Marine Corps.

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 Marine Corps operations. OM&S "held in reserve for future use" consists of items not normally used in the course of the Marine Corps' 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 Marine Corps 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 Marine Corps 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 Marine Corps 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 Marine Corps performs an assessment of the supply point structure to determine the appropriateness of this position and adjusts as necessary.

In Fiscal Year (FY) 2023, the Marine Corps made an unreserved assertion that its OM&S balances were presented fairly in accordance with U.S. GAAP. The Marine Corps applied a deemed cost methodology to value its beginning balances as of October 1, 2022, in accordance with SFFAS No. 48, *Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials*.

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 Marine Corps 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.

SFFAS No. 48 Beginning Balance Methodology Application
In accordance with SFFAS No. 48, the Marine Corps elected to establish beginning balances as of October 1, 2022, by using deemed cost to value OM&S assets. Deemed cost is an amount used as a surrogate for initial amounts that otherwise would be required to establish opening balances. This method applied 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 Marine Corps used the replacement cost method. Utilizing the National Stock Number (NSN)/National Item Identification Number (NIIN) and Major Organization Entity (MOE) identifiers, the Marine Corps assembled pricing data from third-party primary sources to approximate historical cost of the items. This data was collected to form a standard price list to value the assets. Such primary sources included 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, then alternative sources for pricing information were necessary. Alternative sources included 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 Marine Corps 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 Marine Corps; 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 the Program Manager for Ammunition. The final revaluation impact was recorded as a prior period adjustment due to change in accounting principle in FY 2023.

OM&S Non-Ammunition: 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 that 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 Marine Corps 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 Systems of Record (APSR). The final revaluation impact was recorded as a prior period adjustment due to change in accounting principle in FY 2023.

SFFAS No. 3 Current Valuation Methodology

Since October 1, 2022, in accordance with SFFAS No. 3, the Marine Corps has valued 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.

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

1.K. General Property, Plant, and Equipment

General Property, Plant, and Equipment (GPP&E) assets are those assets that are used by the Marine Corps in supporting its mission and consist of Real Property, General Equipment, and Internal Use Software (IUS). For operational accountability purposes, General Equipment is further categorized into Military Equipment 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 Marine Corps' capitalization threshold. The Marine Corps 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 Marine Corps depreciates all depreciable GPP&E on a straight-line basis. Land, Construction in Progress (CIP), and IUS In-Development are non-depreciating assets.

In FY 2023, the Marine Corps made an unreserved assertion that its GPP&E balances were presented fairly in accordance with U.S. GAAP. The Marine Corps applied a deemed cost methodology 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. Subsequent procurements and capital improvements are in compliance with SFFAS No. 6 for Real Property and General Equipment and SFFAS No. 10 for IUS.

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 Marine Corps 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 Marine Corps reports Real Property within the jurisdiction of the Marine Corps installations in its financial statements because it is the designated installation host. This includes Real Property on the Marine Corps installations funded and used by other DOD organizations. The Marine Corps 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 Marine Corps is responsible and accountable for accepting, controlling, managing, and utilizing Real Property assets, the Marine Corps 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 Marine Corps Real Property asset but does not transfer financial reporting responsibilities.

Real Property has a capitalization threshold of $500 thousand. In FY 2023, the Marine Corps increased the Real Property capitalization threshold from $250 thousand to $500 thousand as a prospective change effective on October 1, 2022. Therefore, for Real Property assets acquired or constructed on or after October 1, 2022, the Marine Corps uses a $500 thousand threshold. For Real Property assets acquired/developed prior to October 1, 2022, the Marine Corps used a $250 thousand threshold. Since October 1, 2022, the Marine Corps has recorded Real Property assets and capital improvements to existing assets based on their historical cost in compliance with SFFAS No. 6.

SFFAS No. 50 Beginning Balance Methodology Application
In accordance with SFFAS No. 50 and the Office of the Under Secretary of Defense (Comptroller) (OUSD[C]) policy, the Marine Corps elected in FY 2023 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 for Construction within the Office of the Assistant 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 of October 1, 2022 as proscribed within DOD's 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 was 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 Marine Corps 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 Marine Corps 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 Marine Corps Installation is completed, the DON transfers the finished product to the Marine Corps, at which point the Marine Corps will record the asset and report it on the Marine Corps' financial statements. The Marine Corps is responsible for sustainment, utilization, and operational control until the asset is disposed.

The Marine Corps accumulates and reports Real Property CIP funded by O&M appropriations for buildings, structures, and capital improvements. All O&M projects expected to equal or exceed a cost of $500 thousand are evaluated to determine if the project meets the requirements of CIP (i.e., the project is an improvement and not a repair). Once the project has concluded, the construction agent values each O&M Real Property CIP asset within a project based on the costs incurred. Assets that are equal to or greater than the $500 thousand Real Property capitalization threshold are capitalized and transferred to Real Property; any remaining CIP associated with assets within the project that fall under the threshold is expensed.

Land: The Marine Corps has elected to apply the provisions of SFFAS No. 50, paragraph 13 to land and land rights. For the purposes of financial reporting in accordance with these provisions, the Marine Corps 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 Marine Corps expenses land and land rights acquisitions. In accordance with SFFAS No. 59, *Accounting and Reporting of Government Land*, land and land rights of the Marine Corps are disclosed as Required Supplementary Information (RSI).

1.K.2 General Equipment

General Equipment consists of all personal property intended to be used by the Marine Corps to carry out battlefield missions and used by installations, bases, and stations to carry out non-battlefield essential functions. General Equipment 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 General Equipment would be unusable). The Marine Corps' capitalization threshold is $100 thousand for General Equipment.

The Marine Corps 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 Marine Corps 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 are owned by the Marine Corps for use in the performance of military missions and training.

SFFAS No. 50 Beginning Balance Methodology Application
The Marine Corps established opening balances on October 1, 2022 using the deemed cost methodology, in compliance with SFFAS

No. 50. The Marine Corps Military Equipment opening balance valuation methodology utilized FED LOG data administered by the Defense Logistics Information Service of the DLA in compliance with methods permitted by SFFAS No. 50 and *Federal Financial Accounting Technical Release 1*8.

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 Marine Corps 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 was not available in FED LOG, the Marine Corps identified 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 could be estimated by calculating the midpoint of the range of years the asset may have been placed in service. The Marine Corps 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 as of October 1, 2022 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 Marine Corps 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 Marine Corps 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 two 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 is valued under historical cost as of October 1, 2022.

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

SFFAS No. 50 Beginning Balance Methodology Application

The Marine Corps 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 a PISD prior to October 1, 2022 were valued at historical cost when Key Support Documents (KSD) 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, then 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 was unable to be determined, then an estimate was applied by taking the midpoint of the manufacture year of the asset.

SFFAS No. 6 Current Valuation Methodology

Since October 1, 2022, the Marine Corps accounts for Garrison Equipment acquisitions based on historical costs in accordance with

SFFAS No. 6. Garrison Equipment asset depreciation periods are between five, seven, 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 General Equipment. The Marine Corps' capitalization threshold for IUS is $250 thousand.

SFFAS No. 50 Beginning Balance Methodology Application
The Marine Corps established opening balances on October 1, 2022 using the prospective capitalization methodology, in compliance with SFFAS No. 50. For the prospective capitalization, the Marine Corps elected to exclude all IUS in service, inclusive of that under development, prior to October 1, 2022. As a result, the Marine Corps' 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 Marine Corps has recognized IUS under development based on software development phase costs. IUS estimated useful lives can range from two to 10 years.

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

1.L. Stewardship Property, Plant, and Equipment

The Marine Corps 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 Marine Corps 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 Marine Corps are included as RSI.

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

1.M. Leases

In accordance with SFFAS No. 54 – *Leases*, implemented by the Marine Corps in FY 2024, leases are classified as "Short-term Leases," "Intragovernmental Leases," and "Right-to-Use Leases" when the reporting entity has the right to control access to and obtain economic benefits from the use of Real Property, equipment, or other assets for a period of time as specified in the contract or agreement in exchange for consideration. Short-term leases are non-intragovernmental leases with a lease term of 24 months or less. Short-term leases and Intragovernmental lease payments are recognized as expenses based on the payment provisions of the contract and the respective payables standards. Right-to-Use leases are non-intragovernmental leases with a lease term of over 24 months. Right-to-Use leases are recorded at the present value of the future minimum lease payments. In general, the lease liability acquired under Right-to-Use leases is amortized over the term of the lease. If the agreement contains the option to transfer the title of the asset to the Marine Corps, then the asset is recorded as a purchase and depreciated according to the capital asset's useful life.

Refer to Note 13, *Leases*, for additional information.

1.N. Liabilities

Liabilities represent the probable and measurable future outflow or other sacrifice of resources as a result of past transactions or events. However, no liability can be paid by the Marine Corps absent proper budget authority. Liabilities covered by budgetary resources are funded by appropriations available as of the Balance Sheet date. Budgetary resources include new budget authority, unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year, spending authority from offsetting collections, and recoveries of unexpired budget authority through downward adjustments of prior year obligations. Liabilities are classified as not covered by budgetary resources when congressional action is needed before they can be paid.

Refer to Note 9, *Liabilities Not Covered by Budgetary Resources*, for additional information.

1.O. Advances and Prepayments

The Marine Corps 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 Marine Corps makes advance payments to intragovernmental trading partners for reimbursable orders, reported on the Balance Sheet as "Intragovernmental – Advances and Prepayments". The Marine Corps also makes advance payments to the Marines for payroll and permanent change-of-station. The Marine Corps records these advances on the Balance Sheet as "Other than Intragovernmental - Advances and Prepayments." The Marine Corps' advances and prepayments that are subject to refund are subsequently transferred to Accounts Receivable.

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

1.P. Environmental and Disposal Liabilities

Environmental and disposal liabilities are estimated costs for the anticipated remediation, cleanup, and disposal costs resulting from the use of the Marine Corps assets or operations. Consistent with SFFAS No. 6, recognition of an anticipated environmental disposal liability begins when the asset is placed into service.

Refer to Note 11, *Environmental and Disposal Liabilities*, for additional information.

1.Q. Accrued Leave

The Marine Corps 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 civilian employees with fewer than three years of service accrue four hours of annual leave each pay period; full-time civilian 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.

Military leave is accrued at the rate of 2.5 days for each month of active military service. Except for certain circumstances where the nature of the assigned duties does not allow for a normal use of earned leave or when a member is in a missing status, leave accumulated in excess of 60 days shall be lost at the end of the fiscal year.

Refer to Note 10, *Federal Employee and Veterans Benefits Payable*, for additional information.

1.R. Contingencies

The Marine Corps recognizes contingent liabilities when past events have occurred, 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 Marine Corps' 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 contract. The Marine Corps applies an estimation methodology for specific legal case types where the estimated loss or reasonable loss range is not provided by the U.S. 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, then that amount is recognized. If no amount within the range is a better estimate than any other amount, then the minimum amount in the range is recognized and the range and a description of the nature of the contingency is disclosed.

Refer to Note 14, *Contingencies*, for additional information.

1.S. Federal Employee Benefits

The Marine Corps recognizes funded and unfunded (those not covered by budgetary resources), amounts owed to the Department of Labor (DOL) for valid claims paid under the *Federal Employee's Compensation Act* (FECA) for the Marine Corps' 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 Marine Corps 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 Marine Corps, as well as the unemployment insurance program, which charges back amounts paid on behalf of the Marine Corps. 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 Marine Corps at the end of the FY.

Refer to Note 9, *Liabilities Not Covered by Budgetary Resources*, and Note 10, *Federal Employee and Veterans 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 Marine Corps 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 Marine Corps 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 Marine Corps 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 Marine Corps contributes a fixed percentage of pay for the defined benefit portion and the employer's matching share for Social Security and Medicare Insurance. The Marine Corps automatically contributes 1% of each employee's pay to the TSP and matches the first 3% of employee contributions dollar for dollar. Each additional dollar of the employee's next 2% 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 Marine Corps 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 Marine Corps' 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 Marine Corps 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 the 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.

Total Resources Integrated Care (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 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 Marine Corps is reported only on the DOD agency-wide financial statements and the MERHCF financial statements.

1.T. Revenues and Other Financing Sources

The Marine Corps 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 Marine Corps receives exchange revenues. Exchange revenues are derived from transactions in which the U.S. Government provides value to the public or another U.S. Government entity at a price.

The Marine Corps receives revenue from a number of sources, including utility payments and recycling service fees; payments from other Military Services and Executive Branch agencies (e.g., State) that are operating out of the Marine Corps' installations; and royalties from licensing and trademarking agreements with external parties. Other Federal and non-Federal entities pay the Marine Corps based on specific terms of the agreements that govern the use of the Marine Corps facilities, often through reimbursable agreements.

The Marine Corps' budgetary resources reflect past congressional action and enable the Marine Corps to incur budgetary obligations, but they do not reflect assets to the U.S. 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.U. 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 Marine Corps, 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 Marine Corps financial statements.

1.V. Use of Estimates

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 FECA, Accounts Payable, environmental liabilities, inventory reserves, allowance for doubtful accounts, contingent liabilities, depreciation expense, P3 contributions, and transportation of people and things-related obligations.

NOTE 2. Non-Entity Assets

As of September 30, 2024 and 2023 *(Amounts in Thousands)*	2024	2023
Other than Intragovernmental Assets		
Cash	$ 15,111	$ 9,552
Accounts Receivable	62	212
Total Other than Intragovernmental Assets	15,173	9,764
Total Non-Entity Assets	15,173	9,764
Total Entity Assets	48,998,389	46,262,156
Total Assets	$ 49,013,562	$ 46,271,920

The Marine Corps has stewardship accountability and reporting responsibility for non-entity assets; non-entity assets are not available for use in the Marine Corps' normal operations. The Marine Corps has stewardship accountability and reporting responsibility on behalf of other agencies for these non-entity assets, which are included on the Balance Sheet. These non-entity assets are offset by liabilities to accurately reflect the Marine Corps' net position.

Non-entity cash represents Treasury cash held by and provided to the Marine Corps disbursing officers. The cash held by the Marine Corps disbursing officers is intended to cover immediate operational cash needs of all U.S. military branches 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, account receivable in canceled funds, and administrative fees receivable attributed to aged delinquent debts with the public. Once collected, non-entity receivables are deposited into Treasury as miscellaneous receipts.

NOTE 3. Fund Balance with Treasury

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

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

Status of Fund Balance with Treasury

As of September 30, 2024 and 2023 *(Amounts in Thousands)*	2024	2023
Unobligated Balance:		
Available	$ 2,867,627	$ 1,818,216
Unavailable	543,053	664,097
Total Unobligated Balance	3,410,680	2,482,313
Obligated Balance not yet Disbursed	14,713,268	13,445,091
Non-Budgetary FBWT:		
Clearing Accounts	163	(6)
Total Non-Budgetary FBWT	163	(6)
Non-FBWT Budgetary Accounts:		
Unfilled Customer Orders without Advance	(139,159)	(90,800)
Receivables and Other	(29,604)	(30,781)
Total Non-FBWT Budgetary Accounts	(168,763)	(121,581)
Total FBWT	$ 17,955,348	$ 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.

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 cancelled Treasury checks.

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

In FY 2024, the Marine Corps returned $265,932 thousand ($229,323 thousand non-shared, $36,609 thousand shared) of funds to Treasury due to unused funds in expired appropriations and no amounts related to surplus from no year appropriations. In FY 2023, the Marine Corps returned $203,679 thousand ($182,589 thousand non-shared, $21,090 thousand shared) of funds to Treasury.

NOTE 4. Cash

As of September 30, 2024 and 2023 *(Amounts in Thousands)*	2024	2023
Cash	$ 15,111	$ 9,552
Total Cash	$ 15,111	$ 9,552

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

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

NOTE 5. Accounts Receivable, Net

As of September 30, 2024 *(Amounts in Thousands)*	2024		
	Gross Amount Due	Allowance for Estimated Uncollectible	Accounts Receivable, Net
Intragovernmental Receivables	$ 29,157	$ (464)	$ 28,693
Other than Intragovernmental Receivables	27,300	(9,119)	18,181
Total Accounts Receivable	$ 56,457	$ (9,583)	$ 46,874

As of September 30, 2023 *(Amounts in Thousands)*	2023		
	Gross Amount Due	Allowance for Estimated Uncollectible	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 Marine Corps' claim for payment from other entities. The Marine Corps' intragovernmental receivables include amounts due to the Marine Corps 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 Marine Corps on a reimbursable basis in relation to family housing owned and operated by private companies aboard the Marine Corps installations.

For the Other than Intragovernmental receivables, the Marine Corps uses three years of historical write off data to annually compute the allowance percentage for the following categories of aged receivables: 91 – 120 days, 121 – 150 days, 151 – 180 days, 181 – 365 days, and one – two 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 Marine Corps recognizes a 100% allowance for all Accounts Receivable greater than two years for both Intragovernmental Receivables and Other than Intragovernmental Receivables.

NOTE 6. Inventory and Related Property, Net

As of September 30, 2024 (Amounts in Thousands)	2024 OM&S, Gross Value	2024 Revaluation Allowance	2024 OM&S, Net	2024 Valuation Method
OM&S Categories				
Held for Use	$ 5,489,521	$ -	$ 5,489,521	Note 1
Held in Reserve for Future Use	101,118	-	101,118	Note 1
Held for Repair	402,026	(63,415)	338,611	Note 1
In Development	801,613	-	801,613	Note 1
Excess, Obsolete, and Unserviceable	58,187	(58,187)	-	NRV
Total OM&S	$ 6,852,465	$ (121,602)	$ 6,730,863	

As of September 30, 2023 (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	

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

NRV: Net Realizable Value

The Marine Corps reports Ammunition and Non-Ammunition materiel as OM&S. A significant amount of ammunition is held outside of the custody of the Marine Corps by the U.S. Army and the U.S. Navy; however, the Marine Corps 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 OM&S Are Assigned

The Marine Corps determines reporting categories for OM&S using condition codes assigned to individual inventory items. There are numerous condition codes used by the Marine Corps 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.

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

As of September 30, 2024 (Amounts in Thousands)	2024 Depreciation / Amortization Method	2024 Service Life	2024 Acquisition Value	2024 (Accumulated Depreciation / Amortization)	2024 Net Book Value
Major Asset Classes					
Buildings, Structures, and Facilities	S/L	35, 40, or 45	$ 27,140,786	$ (11,171,752)	$ 15,969,034
Internal Use Software	S/L	2-5 or 10	17,792	-	17,792
General Equipment	S/L	Various	15,793,709	(10,537,936)	5,255,773
Right-To-Use Lease Assets	S/L	Various	61,712	(7,909)	53,803
Construction-in Progress	N/A	N/A	2,898,805	-	2,898,805
Total GPP&E			$ 45,912,804	$ (21,717,597)	$ 24,195,207

As of September 30, 2023 *(Amounts in Thousands)*	2023				
	Depreciation / Amortization Method	Service Life	Acquisition Value	(Accumulated Depreciation / Amortization)	Net Book Value
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
Right-To-Use Lease Assets	N/A	N/A	N/A	N/A	N/A
Construction-in Progress	N/A	N/A	2,801,349	-	2,801,349
Total GPP&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 Marine Corps' net GPP&E balance. The Marine Corps recognizes a Real Property asset when a facility is constructed by NAVFAC and transferred to the Marine Corps to inhabit and utilize. The Marine Corps accumulates and reports Real Property CIP funded by O&M appropriations for buildings, structures, and capital improvements.

Internal Use Software

The Marine Corps' IUS balance consists of software in-development costs.

General Equipment

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

Right-to-Use Lease Assets

Right-to-Use leases are non-intragovernmental leases with a lease term of over 24 months. Right-to-Use leases are recorded at the present value of the future minimum lease payments. In general, the lease liability acquired under Right-to-Use leases is amortized over the term of the lease. If the agreement contains the option to transfer the title of the asset to the Marine Corps, then the asset is recorded as a purchase and depreciated according to the capital asset's useful life. For those assets that the Marine Corps is leasing to other entities, the Marine Corps continues to report the underlying asset, as required.

Refer to Note 13, *Leases*, for additional information.

Restrictions on the Use or Convertibility of GPP&E, Net: For the Marine Corps sites within and outside of the continental U.S., 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 Marine Corps, as assets are either repaired to restore lost utility or removed from service. However, the Marine Corps 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 was recognized in FY 2024 or FY 2023 based on the criteria described above.

Deferred Maintenance and Repair: The Marine Corps 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 RSI section.

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. The Marine Corps' heritage assets consist of the following:

Categories	Measure Quantity	As of 9/30/2022 (Unaudited)	Additions	Deletions	As of 9/30/2023	Additions	Deletions	As of 9/30/2024
Multi-Use Heritage Sites	Each	204	-	(7)	197	-	(1)	196
Single-Use Heritage Sites	Each	90	2	(2)	90	1	-	91
Museum Collection Items								
(Objects, Not Including Fine Art)	Each	68,617*	818	(42)	69,393	773	(92)	70,074
Museum Collection Items (Objects, Fine Art)	Each	11,364	589	(39)	11,914	524	-	12,438

*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 Marine Corps uses buildings and structures classified as heritage assets, in its daily activities and includes them on the Balance Sheet as multi-use heritage assets (e.g., 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. The Marine Corps does not appraise donated heritage assets; therefore, the fair value of the donated assets is not known. Asset withdrawals from the heritage asset population arise from the Marine Corps deaccession process. This process 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 Marine Corps collections committees for a vote, after which it is signed off by the Director and the object is withdrawn. The Marine Corps then documents the transfer or disposal, and the accessioned or deaccessioned objects are updated in the heritage asset database.

Deferred Maintenance and Repair: The Marine Corps 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 Marine Corps collection, and consideration of general display and storage standards for historic collections in accordance with Marine Corps, DON, and DOD Policy. The DM&R information for heritage assets is reported in the RSI section.

NOTE 9. Liabilities Not Covered by Budgetary Resources

As of September 30, 2024 and 2023 *(Amounts in Thousands)*	2024	2023
Intragovernmental Liabilities		
Other	$ 38,195	$ 35,512
Total Intragovernmental Liabilities	38,195	35,512
Other than Intragovernmental Liabilities		
Accounts Payable	38,510	12,206
Federal Employee Benefits Payable	1,076,700	1,054,219
Environmental and Disposal Liabilities	1,409,282	1,392,478
Other Liabilities	50,152	2,927
Total Other than Intragovernmental Liabilities	2,574,644	2,461,830
Total Liabilities Not Covered by Budgetary Resources	2,612,839	2,497,342
Total Liabilities Covered by Budgetary Resources	2,025,393	1,600,850
Total Liabilities Not Requiring Budgetary Resources	19,419	29,150
Total Liabilities	$ 4,657,651	$ 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 Marine Corps (refer to Note 10, *Federal Employee and Veterans Benefits Payable*, for a detailed description of the Marine Corps' 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 Marine Corps 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 cancelled appropriations.

Other than Intragovernmental Liabilities – Federal Employee and Veterans 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 and Veterans 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 and liabilities related to leases in which the Marine Corps is the lessee. Refer to Note 12, *Other Liabilities*, for additional details and disclosures. Refer to Note 13, *Leases*, for additional information.

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 Marine Corps.

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 Judgement Fund, the offsetting liability for collections in clearing accounts, and the present value of lease payments required to be paid to a lessor for the lease term that will be funded by future years' budgetary resources.

NOTE 10. Federal Employee and Veterans Benefits Payable

As of September 30, 2024 and 2023

(Amounts in Thousands)	2024	2023
Federal Employee Salary, Leave, and Benefits Payable		
Accrued Funded Payroll and Leave	$ 490,780	$ 28,177
Employer Payroll Taxes	165,457	1,965
Unfunded Accrued Annual Leave	925,758	906,392
Total Federal Employee Salary, Leave, and Benefits Payable	1,581,995	936,534
Veterans, Pensions, and Post Employment-Related Benefits		
Federal Employee's Compensation Act	150,942	147,827
Other Post Employment Benefits Due and Payable	3,557	-
Total Veterans, Pensions, and Post Employment-Related Benefits	154,499	147,827
Total Federal Employee and Veterans Benefits Payable	$ 1,736,494	$ 1,084,361

Federal Employee and Veterans Benefits Payable consist of FECA and other benefits.

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. This line item was reported under Note 12, *Other Liabilities*, in FY 2023 but is reported under Note 10, *Federal Employee and Veterans Benefits Payable* in FY 2024 to reflect the updated reporting format outlined in OMB Circular A-136.

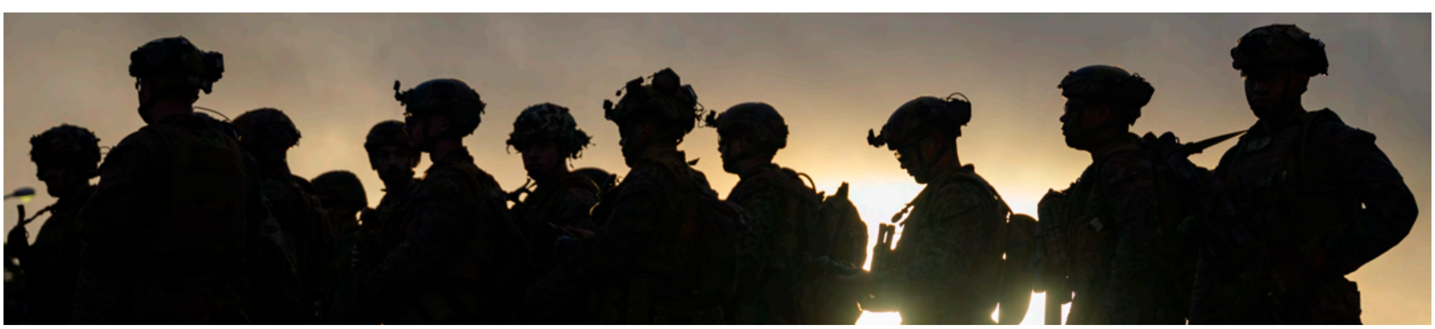
Employer Payroll Taxes: The amount reported consists of employer payroll taxes payable. Payroll taxes payable represents the employer portion of payroll taxes and benefit contributions.

Unfunded Accrued Annual Leave: The reported balance is the Marine Corps' accrued annual leave that is unfunded as of September 30, 2024.

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 Marine Corps 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 Marine Corps.

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 Marine Corps and U.S. Navy WCF-Marine Corps based on the number of civilian employees funded in each entity. The Marine Corps' 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 Post Employment Benefits Due and Payable: The FY 2024 reported amount is due to recording MILPAY accruals at the end of FY 2024 as a result of the timing of the current year payroll calendar. Marines were paid on October 1, 2024. Since the timing between payroll expense and payroll disbursement crossed fiscal periods in FY 2024, an accrual was necessary to record the outstanding liability at year-end. This did not occur in FY 2023 as Marines were paid on September 30, 2023, within the prior FY.



NOTE 11. Environmental and Disposal Liabilities

As of September 30, 2024 and 2023

(Amounts in Thousands)	2024	2023
Environmental Liabilities - Non-Federal		
Environmental Corrective Action	$ 2,523	$ 2,500
Environmental Closure Requirements	137,637	120,577
Asbestos	1,269,122	1,269,401
Total Environmental and Disposal Liabilities	$ 1,409,282	$ 1,392,478

The environmental liabilities for the Marine Corps 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 Marine Corps' 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

The Marine Corps 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 the Marine Corps installations.

In addition, the Marine Corps was party to certain Base Realignment and Closure (BRAC) activities. Congress mandated the closure of some of the Marine Corps 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 Marine Corps reports estimated environmental liability costs, via the NAVFAC Other Environmental Liabilities (OEL) Program, for units at active Marine Corps installations that are not a part of either the DERP or BRAC programs. The Marine Corps' 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 the Marine Corps recognize include the following:

a) Incomplete environmental cleanup at corrective action sites as of FY-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 cost estimates include 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.

The Marine Corps leverages three methodologies to estimate other environmental liabilities:

- Manual estimates are prepared for all event- and asset-driven OEL associated with closure of certain Real Property asset categories (i.e., septic lagoons/settlement ponds and landfills) based primarily on published closure plans for individual assets
- 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
- 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 and, if required, 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 Marine Corps' 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 Marine Corps has the potential to incur costs for restoration initiatives in conjunction with returning overseas Defense facilities to host nations. The Marine Corps 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 Marine Corps 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 Marine Corps 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.

For asbestos abatement, the Marine Corps 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. The Marine Corps expenses the full environmental cost for Stewardship PP&E at the time the asset is placed in service.

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, 2024, there was $112,024 thousand of unrecognized OEL, compared to $112,579 thousand as of September 30, 2023.

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 applied a 2.2% inflation factor as of September 30, 2024, per the Unified Facilities Criteria DOD Facilities Pricing Guide, compared to an inflation factor of 2.0% as of September 30, 2023. Regulatory changes did not affect OEL in FY 2024.

NOTE 12. Other Liabilities

As of September 30, 2024 and 2023

(Amounts in Thousands)	2024	2023
Intragovernmental Liabilities		
Disbursing Officer Cash	$ 15,111	$ 9,552
Liabilities for Non-Entity Assets	62	212
Benefits Contributions	47,657	42,918
Other Liabilities	163	-
Total Intragovernmental Liabilities	62,993	52,682
Other than Intragovernmental Liabilities		
Contract Holdbacks	69,372	80,338
Contingent Liabilities	7,586	22,532
Lease Liabilities	55,118	-
Total Other than Intragovernmental Liabilities	132,076	102,870
Total Other Liabilities	$ 195,069	$ 155,552

Of the respective current liabilities reported, $88,347 thousand in FY 2024 and $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 Marine Corps disbursing officers. The liability for non-entity assets represents an offset to the non-entity cash reported in Note 2, *Non-Entity Assets*.

Intragovernmental – Benefits Contributions: The amount reported consists of employer contributions, FECA reimbursements owed to the DOL for the actual claims processed under FECA, and liabilities related to unemployment compensation benefits.

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.

Refer to Note 14, *Contingencies*, for more information on accrued probable contingencies.

Other than Intragovernmental – Lease Liabilities: The amount reported represents the present value of lease payments required to be paid to a lessor for the lease term in leases in which the Marine Corps is the lessee, other than short-term, intragovernmental, and lease contracts that transfer ownership.

Refer to Note 13, *Leases*, for additional information.

NOTE 13. Leases

The Marine Corps has implemented the reporting standards found in SFFAS No. 54, *Leases*. Starting in FY 2024, the Marine Corps began recognizing right-to-use lease assets and corresponding lease liabilities for material non-intragovernmental, non-short-term contracts when the Marine Corps has the right to control access to and obtain economic benefits from the use of Real Property, equipment, or other assets.

In applying SFFAS No. 54, *Leases*, and SFFAS No. 62, *Transitional Amendment to SFFAS* 54, to embedded leases, the Marine Corps has elected the accommodation to prospectively apply the provisions of SFFAS No. 54, *Leases*, to lease components of new or modified contracts or agreements meeting the embedded leases eligibility criteria by the end of the accommodation period beginning October 1, 2026.

Marine Corps as Lessee – Right-to-Use Leases

The Marine Corps leases Real Property lands, buildings, and structures through the NAVFAC, a warranted Federal execution agent who has lease execution authority. The terms of the Marine Corps agreements vary according to the lease terms needed by the requestor and local market analysis. The Marine Corps enters into non-cancellable 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. All current leases are scheduled to expire by the end of FY 2038 or earlier. Most leases are paid monthly in arrears based on a fixed payment schedule. No leases contain material variable lease payment requirements. All leases have termination provisions for the Marine Corps; no leases transfer ownership or contain an option to purchase the underlying asset. The associated lease liability was calculated utilizing an appropriate Treasury discount rate related to the length of each lease. The Marine Corps' FY 2024 annual lease expense was $8,787 thousand.

Refer to Note 7, *General Property, Plant, and Equipment, Net*, for the total amount of lease assets and the related accumulated amortization and Note 9, *Liabilities Not Covered by Budgetary Resources*, for the total lease liability balance.

Marine Corps as Lessee - Future Payments for Right-to-Use Leases

(Amounts in Thousands)	Principal			Interest			Total		
Fiscal Year	Land and Buildings	Equipment	Total	Land and Buildings	Equipment	Total	Land and Buildings	Equipment	Total
2025	$ 7,009	$ 1,352	$ 8,361	$ 2,161	$ 155	$ 2,316	$ 9,170	$ 1,507	$ 10,677
2026	7,405	1,227	8,632	1,830	95	1,925	9,235	1,322	10,557
2027	7,214	785	7,999	1,500	47	1,547	8,714	832	9,546
2028	5,973	566	6,539	1,188	11	1,199	7,161	577	7,738
2029	6,502	18	6,520	905	-	905	7,407	18	7,425
2030 – 2034	16,458	-	16,458	1,361	-	1,361	17,819	-	17,819
2035 – 2039	609	-	609	71	-	71	680	-	680
Total	$ 51,170	$ 3,948	$ 55,118	$ 9,016	$ 308	$ 9,324	$ 60,186	$ 4,256	$ 64,442

Marine Corps as Lessee – Intragovernmental Leases

The Marine Corps has intragovernmental lease activities with WHS for the Marine Corps' use of the Pentagon. The Marine Corps has intragovernmental lease activities for fleet management of motor vehicles and replacements with the General Services Administration (GSA). Other agreements between the Marine Corps and GSA are regarding rent of office and storage facilities. The Marine Corps also has intragovernmental lease activities with the DLA for leases of printers and multi-function devices.

The lease expense incurred for the fiscal year ended September 30, 2024 was $124,005 thousand.

Marine Corps as Lessee — Annual Intragovernmental Lease Expense

For the Fiscal Year Ended September 30, 2024 *(Amounts in Thousands)*	2024
Land and Buildings	$ 51,263
Equipment	72,742
Total Annual Intragovernmental Lease Expense	$ 124,005

Marine Corps as Lessor – Right-to-Use Leases

As required by Title 10, all revenue from DON and Marine Corps lessor right-to-use leases is deposited into Special Treasury Fund 5189.017. The Marine Corps does not directly receive the consideration from the leases of its Real Property nor does the Marine Corps have lease execution authority. Special Treasury Fund 5189.017 is not within the scope of the Marine Corps' GF financial statements. Therefore, the Marine Corps does not report right-to-use leases when the Marine Corps is the lessor. For those assets that the Marine Corps is leasing to other entities, the Marine Corps continues to report the underlying assets. A lease receivable is required for SFFAS No. 54, *Leases*, relevant agreements; the underlying asset reporting is not indicative of Lessor accounting.

Marine Corps as Lessor – Intragovernmental Leases

The Marine Corps does not have intragovernmental lease activity as the lessor.

NOTE 14. Contingencies

As of September 30, 2024 *(Amounts in Thousands)*	2024		
	Accrued Liabilities	Estimated range of Loss	
		Lower End	Upper End
Legal Contingencies:			
Probable	$ 5,834	$ 5,834	$ 9,154
Reasonably Possible	$ -	$ 51,426	$ 52,951
Other Contingencies:			
Probable	$ 1,752	$ 1,752	$ 1,752

As of September 30, 2023 (Amounts in Thousands)	2023 Accrued Liabilities	Estimated range of Loss: Lower End	Estimated range of Loss: Upper End
Legal Contingencies:			
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 Marine Corps is a party to 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 Marine Corps to which lawyers devote substantial attention in the form of legal consultation or representation.

The Marine Corps 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 Marine Corps has disclosed the estimated range of loss if it can be calculated. The Marine Corps 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 Marine Corps 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 were filed between February, 2023 and August, 2024 and filed cases are under review by the designated legal office. There is currently no sound basis upon which to estimate a potential liability as of September 30, 2024. The potential loss is not quantifiable, and therefore associated liability is not included in the financial statements. 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 Marine Corps 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, 2024 and 2023 (Amounts in Thousands)	2024	2023
	Wildlife Conservation, etc., Military Reservations	
ASSETS		
Fund Balance with Treasury	$ 1,894	$ 1,796
Total Assets	$ 1,894	$ 1,796
LIABILITIES AND NET POSITION		
Accounts Payable and Other Liabilities	$ 108	$ 112
Total Liabilities	108	112
Cumulative Results of Operations	1,786	1,684
TOTAL LIABILITIES AND NET POSITION	$ 1,894	$ 1,796

Statement of Net Cost — Funds from Dedicated Collections For the Years Ended September 30, 2024 and 2023 (Amounts in Thousands)	2024	2023
	Wildlife Conservation, etc., Military Reservations	
Gross Program Costs	$ (3)	$ 36
Less: Earned Revenue	(99)	(97)
Net Cost of Operations	$ (102)	$ (61)

Statement of Changes in Net Position — Funds from Dedicated Collections For the Years Ended September 30, 2024 and 2023 *(Amounts in Thousands)*	2024	2023
	Wildlife Conservation, etc., Military Reservations	
Net Position, Beginning of the Period	$ 1,684	$ 1,623
Less: Net Cost of Operations	(102)	(61)
Change in Net Position	102	61
Net Position, End of the Period	$ 1,786	$ 1,684

Funds from dedicated collections are financed by specifically identified revenues and other financing sources and are provided to the U.S. 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 U.S. Government's general revenues. The Marine Corps' dedicated collections are generated from the "Wildlife Conservation, etc., Military Reservations, Navy" special fund.

Wildlife Conservation, etc., Military Reservations, U.S. 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 Marine Corps 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 Marine Corps 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 Marine Corps 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 Marine Corps' financial statements.

NOTE 17. Disclosures Related to the Statement of Budgetary Resources

Undelivered Orders at the End of the Period

As of September 30, 2024 and 2023 *(Amounts in Thousands)*	2024	2023
Intragovernmental		
Unpaid	$ 4,710,846	$ 4,279,591
Prepaid/Advance	67,993	40,274
Total Intragovernmental	4,778,839	4,319,865
Other than Intragovernmental		
Unpaid	8,016,403	7,584,536
Prepaid/Advanced	2,166	2,991
Total Other than Intragovernmental	8,018,569	7,587,527
Total Budgetary Resources Obligated for Undelivered Orders at the End of the Period	$ 12,797,408	$ 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 FY 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 Marine Corps 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 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 United States Code (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 Marine Corps 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

(Amounts in Millions)	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources (9/30/2023)	$ 37,196	$ 34,714	$ -	$ 31,256
Shared Appropriations with DON included in the SBR but excluded from Marine Corps direct appropriations presented in the President's Budget	(8,143)	(6,297)	-	(4,157)
Unobligated Balance Brought Forward from expired years included in the SBR but not included in the President's Budget	(1,500)	-	-	-
Adjustments made to the SBR after Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) submission window not included in the President's Budget	345	407		
Other				3
Budget of the U.S. Government	$ 27,898	$ 28,824	$ -	$ 27,102

The U.S. Government Budget amounts used in the reconciliation above represents the FY 2023 balances. The U.S. Government Budget amounts for FY 2024 will be available at a later date at https://www.govinfo.gov/app/collection/budget.

NOTE 18. Reconciliation of Net Cost to Net Outlays

As of September 30, 2024 *(Amounts in Thousands)*	2024		
	Intragovernmental	With the Public	Total
Net Cost of Operations	$ 8,385,872	$ 24,313,061	$ 32,698,933
Components of Net Cost That are Not Part of Net Outlays:			
General Property, Plant, and Equipment, Net Changes		622,190	622,190
Inventory and Replated Property, Net Changes		(57,577)	(57,577)
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	(1,714)	(3,090)	(4,804)
Advances and Prepayments	27,719	(826)	26,893
Other Assets	-	5,559	5,559
(Increase)/Decrease in Liabilities: Accounts Payable	(40,552)	238,338	197,786
Federal Employee Salary, Leave, and Benefits Payable	-	(645,461)	(645,461)
Pension, Post-Employment, and Veterans Benefits Payable	-	(6,672)	(6,672)
Environmental and Disposal Liabilities	-	(16,805)	(16,805)
Advances from Others and Deferred Revenue	231	(20,020)	(19,789)
Benefits Payable	(4,733)	-	(4,733)
Other Liabilities	(5,578)	(29,207)	(34,785)
Other Financing Sources:			
Imputed Cost	(176,261)	-	(176,261)
Total Components of Net Cost Not Part of Net Outlays	(200,888)	86,429	(114,459)
Miscellaneous Reconciling Items			
Transfers (In)/Out without Reimbursements		(293,138)	(293,138)
Non-Exchange Revenue		(239)	(239)
Other		(1,711)	(1,711)
Total Other Reconciling Items	-	(295,088)	(295,088)
Total Net Outlays	$ 8,184,984	$ 24,104,402	$ 32,289,386
Agency Outlays, Net (SBR)			32,289,386
Unreconciled Difference			$ -

As of September 30, 2023 (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
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 Marine Corps' 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 Marine Corps' 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 Marine Corps. Outlays are payments to liquidate an obligation.

Components of net cost not related to net outlays include adjustments related to Accounts Receivable, advances and prepayments, other assets, Accounts Payable, environmental and disposal liabilities, deferred revenue, Federal employee and veteran benefits payable, and other liabilities line items. The majority of the Miscellaneous Reconciling Item – Other amount is comprised of contra revenue for interest, penalties and administrative fees that are deemed non-entity assets, and offsets for Treasury Suspense liabilities and funding recession liabilities that do not impact net cost or net outlays.

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 the Marine Corps military housing improved more expediently and effectively than the traditional Military Construction process would allow. Title 10 U.S.C. §§ 2871-2885 codified the Service Secretaries' MHPI authority, as modified by the following P.L.:

- P.L 116-92, *National Defense Authorization Act* (NDAA) 2020, Title XXX – Military Housing Privatization Reform (now 10 U.S.C. §§ 2871-2894a)
- P.L. 116-283, NDAA 2021
- P.L. 117-81, NDAA 2022
- P.L. 117-263, NDAA 2023
- P.L. 118-31, NDAA 2024.

The Secretary of the Navy (SECNAV) delegated MHPI authority to NAVFAC, which authorized NAVFAC to enter into agreements with eligible entities from the private sector on behalf of the Marine Corps. NAVFAC selected private entities through a competitive non-FAR acquisition 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 the 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.

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 entities established the duration of the ground lease based on the minimum duration required to ensure project success. MHPI ground leases do not have an exchange of consideration, and, therefore, are not considered right-to-use leases in accordance with SFFAS No. 54, *Leases*.

Responsibilities: The non-government Managing Member (also referred to as the private entity) is responsible for the management of the MHPI entity with the goal of providing adequate housing to the 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 that include the management, maintenance, and operations of the facilities over the life of the Operating Agreement (OA). The private entity has sole and exclusive management and control over the MHPI entity. The Marine Corps does not take part in the day-to-day management of the MHPI.

Funding: Contributions from the DOD MHPI program and the private entity typically occur at the beginning of any new project and may occur as a pre-condition of follow-on phases as addressed in the OA. 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, usually 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 the Marine Corps' request.

Cash contributions to MHPI P3 LLCs/Limited Partnerships (LP) 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 initial development and sustained operations of the MHPI P3s comes from any initial capital contributed by the Marine Corps and the private entities and rental revenue received from the tenants. The capital necessary to initially construct or renovate the projects primarily comes from the issuance of third-party debt collateralized solely by the projects themselves. 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% of the Pre-Absorption 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 the Pre-Absorption 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% of the Pre-Absorption BAH will occur monthly for all MHPI entities (606(a)(1) payment). Additionally, "underfunded" projects may receive an additional monthly payment (606(a)(2) payment) at the determination of the Chief Housing Officer of the DOD and SECNAV until Congress modifies or rescinds this direction. In effect, the Marine Corps' fund for 606(a)(2) payments will equal the total of the 2.5% monthly 606(a)(1) payments for the calendar year.

From January 1, 2022 onwards, P.L. 116-283 § 2811 and P.L. 117-81 § 2811 directed that payments to the MHPI entities of 50% of the BAH Absorption rate for the area in which the covered housing exists would be made monthly. Pursuant to The Office of Secretary of Defense Final Implementation Policy, released 11 Feb 2022, the military departments are required to pay an additional monthly 606(a)(2) payment to projects deemed underfunded, as approved by the Chief Housing Officer.

Marine Corps Contributions to the MHPI Programs/Partnerships

The following table presents the Marine Corps' initial and on-going contributions in support of the MHPI Program and LLCs/LPs through the FY ending in September 30, 2024 (Column 1), the prior FY ending in September 30, 2023 (Column 2), and aggregate over the expected life of the P3, where estimable (Column 3).

(Amounts in Thousands)	FY 2024 through 9/30/2024 (Column 1)	FY 2023 through 9/30/2023 (Column 2)	Aggregate over the Expected Life of the P3 (Column 3)
Direct Cash Contributions (Note 1)	-	-	1,157,720
Real Property Contributions (Note 1)	-	-	751,706
Direct Loans Disbursed	-	-	29,400
Marine Corps direct payments to MHPI LLCs/LPs as required by § 603 and § 606 (a)(1) (actuals) (Note 2)	13,146	11,416	Not Estimable
Marine Corps direct payments to MHPI LLCs/LPs as required by § 606 (a)(2) (actuals) (Note 2)	13,950	12,226	Not Estimable
Marine Corps direct payments to MHPI LLCs/LPs as required by § 606 (a)(3) (actuals) (Note 2)	-	-	-
Marine Corps 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) (Note 2)	5,056	21,920	Not Estimable
Marine Corps estimated indirect third-party payments to MHPI LLCs/LPs (Note 3, 4, and 5)	664,092	631,078	Not Estimable

Note 1: The Marine Corps 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 Marine Corps. 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 2024 Marine Corps Balance Sheet for the assets transferred to the MHPI P3s.

Note 2: Any potential future payments beyond the amounts 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. Therefore, the cumulative total in Column 3 is not estimable.

Note 3: 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. The number of military family housing units upon which these estimated payments were made is 20,004 units in FY 2024.

Note 4: 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 the Marine Corps has no way of recreating or estimating BAH payments made to individuals living in MHPI housing from program inception in FY 1996 through FY 2018. The Marine Corps will report annual BAH amounts as a part of this disclosure on a go forward basis.

Note 5: The Marine Corps 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 Marine Corps. 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 Marine Corps to any MHPI entity to ensure a minimum number of military residents in MHPI housing.

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 October 1, 2024, through the end of the P3 arrangements. However, the Marine Corps continuously assesses the housing requirements at all its installations, and the Marine Corps may determine that an additional phase within an existing MHPI arrangement best meets the needs of the Marine Corps members. Should an additional phase be executed or a project be restructured, the Marine Corps 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.

Private Entity Contributions to the MHPI Partnerships

The following table presents the MHPI Managing Member (private entity) contributions in support of the MHPI Program and LLCs/LPs through the FY ending in September 30, 2024 (Column 1), the prior FY ending in September 30, 2023 (Column 2), and aggregate over the expected life of the P3, where estimable (Column 3).

(Amounts in Thousands)	FY 2024 through 9/30/2024 (Column 1)	FY 2023 through 9/30/2023 (Column 2)	Aggregate over the Expected Life of the P3 (Column 3)
Direct Cash Contributions	-	1,593	56,057
Value of real property and land contributed by Managing Member	-	-	-

MHPI LLC/LP Transactions

The following table presents the current fiscal year transactions of the MHPI LLC/LP as reported on the books of the MHPI entity during the entity's FY and reported through September 30, 2024 (Column 1), the prior FY ending in September 30, 2023 (Column 2), and aggregate over the expected life of the P3, where estimable (Column 3).

(Amounts in Thousands)	FY 2024 through 9/30/2024 (Column 1)	FY 2023 through 9/30/2023 (Column 2)	Aggregate over the Expected Life of the P3 (Column 3)
Govt Direct Loan Outstanding Balance	11,387	12,521	11,387
Direct Loan Payments	1,135	1,135	18,013
Bonds/Loans Obtained	-	-	2,070,210

There is no requirement for the private partners to make any additional contributions after October 1, 2024 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 the 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 entities' 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 entity 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 member and any excess return is retained within the individual MHPI entity's long-term recapitalization/operational reserve lockbox accounts for future use by the entity.

Risk of Termination or Non-Compliance

As noted above, the Marine Corps 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 Marine Corps 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 Marine Corps 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.

Other P3s

The Marine Corps conducted a review of agreements that may potentially be classified as a P3 arrangement. Our analysis supports that these contracts and agreements do not constitute a Public Private Venture/P3 and do not require disclosure under SFFAS No. 47 or SFFAS No. 49.

NOTE 20. Disclosure Entities

The Marine Corps' NAFIs are established by DOD policy and are intended to enhance the quality of life of uniformed services members, retired members, and dependents of such members, as well as to support military readiness, recruitment, and retention. NAFI financial activity is not included in the Marine Corps financial statements. The Marine Corps maintains the title for fixed assets consisting of buildings and building improvements purchased using Non-Appropriated Funds for the exclusive use of NAFI operations. As of September 30, 2024 and 2023, the Marine Corps held title to such fixed assets included in the Marine Corps' financial statements, totaling $452,435 thousand and $438,240 thousand, respectively.

NAFIs are generally governed by the DOD Instruction 1015.15, *Establishment, Management, and Control of NAFIs 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 Marine Corps' 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 (HQ) 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 HQs to provide standardized types of services. In accordance with DOD policy, the Marine Corps 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 Non-Appropriated Funds via the Uniform Funding Management practice and thereafter treated as Non-Appropriated Funds and expended in accordance with laws applicable to Non-Appropriated Funds. As of September 30, 2024 and 2023, MCCS NAFIs received estimated amounts of $569,550 thousand and $472,122 thousand, respectively, 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 30, 2024, 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 Marine Corps 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, Program Group IV - Lodging Program (Billeting), and Program Group V - Supplemental Mission Funds. As of September 30, 2024 and 2023, other miscellaneous NAFIs received approximately $324 thousand and $310 thousand, respectively, in APF support.

Required Supplementary Information

General Property, Plant, and Equipment Deferred Maintenance and Repairs

The Marine Corps' GPP&E with DM&R consists of Military Equipment, NTVs, Garrison Property, and Real Property. The General Equipment DM&R estimate includes fully depreciated assets but does not include non-capitalized assets. The Marine Corps does not have General Equipment that are considered to be heritage 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.

The 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 4400.201, maintaining serviceable condition (useful life) of an asset is required of every Responsible Officer 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, 2024:

GPP&E DM&R

As of September 30, 2024

(Amounts in Thousands)

Classification	Beginning Balance	Ending Balance
Military Equipment	$ 935,834	$ 702,208
Non-Tactical Vehicles	269	604
Garrison Property	2,467	243
Real Property	21,569,639	23,893,903
Total	$ 22,508,209	$ 24,596,958

The following are GPP&E DM&R details by category:

Military Equipment

The primary factor considered in determining the acceptable condition of a Military Equipment 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 Military Equipment 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 Marine Corps deferred maintenance programs for Military Equipment consist of the Administrative Deadline Program (ADL), the Administrative Storage Program (ASP), training aids, Military Equipment assets that are identified with unfunded M&R, deferred depot-level maintenance at the Marine Corps bases and remote storage locations. The Military Equipment 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 provides Military Equipment DM&R by category as of September 30, 2024:

Military Equipment DM&R by Category

As of September 30, 2024

(Amounts in Thousands)

Military Equipment DM&R Category	Beginning Balance	Ending Balance
Communications - Electronics	$ 34,127	$ 32,936
Engineer	33,503	30,077
General Supply	22,079	14,644
Motor Transport	423,449	350,145
Ordnance	420,915	273,806
Global Positioning Network Storage Program	1,761	601
Total	$ 935,834	$ 702,208

Non-Tactical Vehicles

NTV assets which both require maintenance and exceed the maximum maintenance cycle time of 120 days are reported under DM&R.

Garrison Property

For Garrison Property 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 Garrison Property 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 Garrison Property 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 USACE 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% – 90%); Q2 (Fair – FCI: 90% – 80%); Q3 (Poor – FCI: 80% – 60%); and Q4 (Failing – FCI: less than 60%).

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% of PRV as an acceptable level of deferred maintenance. The DM&R value tables reported in the table below represent approximately 14.95%, 3.38%, and 20.91% 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 Real 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.

Real Property DM&R Categories

As of September 30, 2024

(Amounts in Thousands)

Property Type	Beginning Balance	Ending Balance
1. Category 1: Buildings, Structures, and Utilities (Enduring Facilities)	$ 20,964,981	$ 23,280,319
2. Category 2: Buildings, Structures, and Utilities (Heritage assets)	6,071	827
3. Category 3: Buildings, Structures, and Utilities (Excess Facilities or Planned for Replacement)	598,587	612,757
Total	$ 21,569,639	$ 23,893,903

UNITED STATES MARINE CORPS

COMBINING STATEMENT OF BUDGETARY RESOURCES

For the Year Ended September 30, 2024

(Amounts in Thousands)	Research, Development, Test & Evaluation	Procurement	Military Personnel	Operations, Readiness & Support	2024 Combined
BUDGETARY RESOURCES					
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)	$ 215,420	$ 1,653,151	$ 288,999	$ 940,198	$ 3,097,768
Appropriations (Discretionary and Mandatory)	1,163,001	5,392,448	17,519,323	10,611,899	34,686,671
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	11,669	30,045	39,480	368,815	450,009
Total Budgetary Resources	$ 1,390,090	$ 7,075,644	$ 17,847,802	$ 11,920,912	$ 38,234,448
STATUS OF BUDGETARY RESOURCES					
New Obligations and Upward Adjustments (Total)	$ 1,143,268	$ 4,475,805	$ 17,698,443	$ 11,506,252	$ 34,823,768
Unobligated Balance, End of Year					
Apportioned, Unexpired Accounts	227,707	2,537,414	31,017	71,489	2,867,627
Unexpired Unobligated Balance, End of Year	227,707	2,537,414	31,017	71,489	2,867,627
Expired Unobligated Balance, End of Year	19,115	62,425	118,342	343,171	543,053
Unobligated Balance, End of Year (Total)	246,822	2,599,839	149,359	414,660	3,410,680
Total Budgetary Resources	$ 1,390,090	$ 7,075,644	$ 17,847,802	$ 11,920,912	$ 38,234,448
OUTLAYS, NET					
Outlays, Net (Discretionary and Mandatory)	$ 1,071,721	$ 4,018,897	$ 16,840,510	$ 10,358,357	$ 32,289,485
Distributed Offsetting Receipts (-)	-	-	-	(99)	(99)
Agency Outlays, Net (Discretionary and Mandatory)	$ 1,071,721	$ 4,018,897	$ 16,840,510	$ 10,358,258	$ 32,289,386

Land and Land Rights

Land

The Marine Corps' land consists of military installations located throughout the U.S. and in various locations throughout the world. The Marine Corps uses the land as part of its operations and for maintenance activities. Land supports the Marine Corps 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 Marine Corps 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 Marine Corps continues to expense land and land rights acquisitions. In accordance with SFFAS No. 59, the Marine Corps 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)

PP&E Land	Commercial Use	Conservation and Preservation	Operational	Total Estimated Acreage
Start of Prior Year	0	84	1,160	1,244
End of Prior Year/Start of Current Year	0	91	1,162	1,253
End of Current Year (As of 9/30/24)	0	91	1,170	1,261

The Marine Corps has interest in approximately 1,261 thousand acres of land as of September 30, 2024. The Marine Corps does not currently hold any land for disposal or exchange. Land is essential for the Marine Corps to carry out its mission by providing space to house and train personnel, store equipment, and conduct operations. Land is categorized into three predominant use sub-categories: Commercial Use, Conservation and Preservation, and Operational. The Marine Corps does not have any commercial use land in FY 2024.

Conservation and Preservation land sub-category includes land or land rights that are predominantly used for conservation or preservation purposes. Conservation and preservation, although closely linked, are distinct terms. Each term involves a certain type or degree of protection. Specifically, conservation is generally associated with the protection and proper use of natural resources, whereas preservation is associated with the protection of buildings, objects, and landscapes from use.

Operational land sub-category includes land or land rights predominantly used for general or administrative purposes. For example, the following functions performed by entities would be included in this sub-category: military functions include preparing for the effective pursuit of war and military operations short of war; conducting combat, peacekeeping, and humanitarian military operations; and supporting civilian authorities during civil emergencies. Other related functions include those that are administrative or other mission-related in nature.

The Marine Corps uses land, buildings, and other overseas facilities obtained through various international treaties and agreements negotiated by the State. Generally, treaty terms allow the Marine Corps to continue use of these properties until the treaties expire. There are no other known restrictions on PP&E and Stewardship land.

Land additions and acquisitions may occur through several different methods as described by the DOD Real Property Information Model. 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 Marine Corps mission. When a disposal occurs, there is a recorded and documented transaction that removes the property from the Marine Corps' Real Property inventory.

Land Rights

The Marine Corps permanent land rights consist of 119 thousand acres as of September 30, 2024, as compared to 110 thousand acres as of September 30, 2023. The Marine Corps 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 FY 2024 were $2,155 thousand, compared to $4,355 thousand in FY 2023.

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

Stewardship Land Acreage

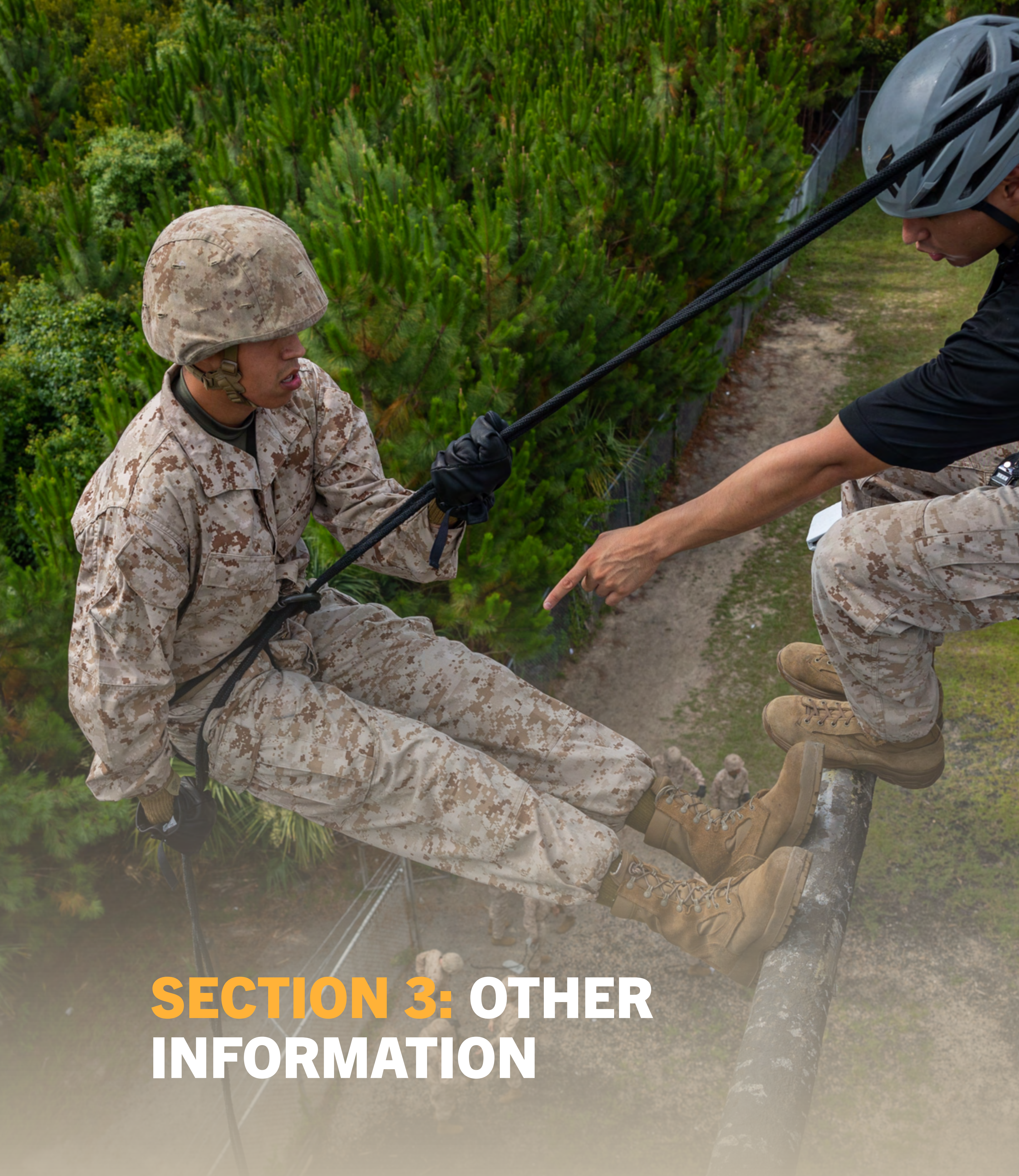
(in Thousands)

Government Owned Land Facility Code 9110	Commercial Use	Conservation and Preservation	Operational	Total Estimated Acreage
Start of Prior Year	0	0	1,275	1,275
End of Prior Year/Start of Current Year	0	0	1,275	1,275
End of Current Year (As of 9/30/24)	0	0	1,275	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 Marine Corps approves of the request, then the request is then sent to the DON for execution of the removal of the stewardship land from the Marine Corps accountability records.

Stewardship Land Rights

The Marine Corps currently has no stewardship land rights, either permanent or temporary.



SECTION 3: OTHER INFORMATION

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
9 Oct 24

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 provides the following summary of what it considers the most serious management and performance challenges facing the Marine Corps.

a. Refining and implementing Force Design and Talent Management efforts to ensure the Marine Corps is manned, trained, and equipped to compete against malign actors in current and future operating environments.

b. Synchronizing Marine Corps requirements with the U.S. Navy regarding the availability and capability of amphibious shipping to remain the Joint Force's crisis response option of choice.

c. Maintaining ruthless adherence to standards to ingrain the habits of discipline required for combat readiness while ensuring a culture of learning, dignity, and respect.

d. Prioritizing quality-of-life and infrastructure improvements to keep faith with our Marines and support retention of our best and brightest. Active communication across the Force is vital to sustaining service member trust in these efforts.

e. Facilitating efficient healthcare to ensure our Marines and their family members receive the timely and appropriate support required to sustain their resiliency and readiness.

f. Continuing to recruit, make, and retain Marines for the active and reserve components, both Officer and Enlisted to achieve Total Force accession requirements.

2. The Marine Corps continues to address the above challenges through ongoing initiatives and resource alignment. Of note, the Marine Corps Barracks 2030 project and recent Service-level requests to Congress for significant increases in funding are examples of recent efforts to improve quality of life for servicemembers. Similarly, the Service's Campaign of Learning Audit Group has been active in manpower shaping actions to ensure the Force is "right-sized" and aligned to priority efforts.

3. For questions concerning this statement, please contact Colonel David W. Walker at (703) 604-4515 or email at david.w.walker@usmc.mil, or Lieutenant Colonel Andrew R. Reaves at (703) 604-4545 or email at andrew.reaves@usmc.mil.

A. L. CHALKLEY

Biennial Review of User Fee Charges

The *Chief Financial Officers Act of 1990* (CFO Act) requires biennial reviews by Federal agencies of agency fees and other charges imposed for services rendered to individuals as opposed to the American public in general. The objective of these reviews is to identify such activities, charge fees as permitted by law, and periodically adjust these fees to reflect current costs or market value. The United States Marine Corps (Marine Corps) completed a review in Fiscal Year (FY) 2024 that identified no necessary adjustments to the current fee structure. The activities assessed relate to land leased for agricultural grazing purposes, forestry and timber sales, recyclable commodity sales, and hunting, fishing, and trapping licenses. The Marine Corps is planning to perform another review of these fees during FY 2026.

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 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 2024. 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 2024. 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
Budget Execution and Monitoring	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	1	-	-	-	1
Total Material Weaknesses	**7**	**-**	**-**	**-**	**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 2023.

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**
General Property, Plant and Equipment	1	-	-	-	-	1
Inventory and Related Property: Operating Materials & Supplies	1	-	-	-	-	1
Budget Execution and Monitoring	1	-	-	-	-	1
Total Material Weaknesses	3	-	-	-	-	3

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
Total Material Weaknesses	1	-	-	-	-	1

Compliance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Modified					
Non-Compliance	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Financial Information Systems - Access Controls/ Segregation of Duties	1	-	-	-	-	1
Financial Information Systems – Configuration Management	1	-	-	-	-	1
Financial Information Systems – Information Technology Operations	1	-	-	-	-	1
Total Non-Compliances	3	-	-	-	-	3

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
ADA	Antideficiency Act
ADL	Administrative Deadline Program
ADVANA	Advanced Analytics
AFB	Air Force Base
AI	Artificial Intelligence
AITS	Advertising Information Technology System
APF	Appropriated Fund
APSR	Accountable Property System of Record
ASP	Administrative Storage Program
BAH	Basic Allowance for Housing
BRAC	Base Realignment and Closure
C2	Command and Control
CFO	Chief Financial Officers
CIO	Chief Information Officer
CIP	Construction in Progress
CLJA	Camp Lejeune Justice Act
CMC	Commandant of the Marine Corps
COMUSFJ	Commander, U.S. Forces Japan
CPI	Consumer Price Index
CSRS	Civil Service Retirement System
C-sUAS	Counter-small Unmanned Aircraft Systems
CUEC	Complementary User Entity Controls
DAI	Defense Agencies Initiative
DATA Act	The Digital Accountability and Transparency Act of 2014
DCAS	Defense Cash Accountability System
DERP	Defense Environmental Restoration Program
DFAS	Defense Finance and Accounting Service
DLA	Defense Logistics Agency
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
EMLS	Exit and Milestone Longitudinal Survey
EOU	Excess, Obsolete, and Unserviceable
ERP	Enterprise Resource Planning
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

ACRONYM	DEFINITION
FEHB	Federal Employees Health Benefits
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act of 1996
FHIF	Family Housing Improvement Fund
FISMA	Federal Information Security Modernization Act
FLTCIP	Federal Long-Term Care Insurance Program
FMFIA	Federal Managers' Financial Integrity Act of 1982
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GCSS-MC	Global Combat Support System - Marine Corps
GF	General Fund
GMRA	Government Management Reform Act
GPP&E	General Property, Plant and Equipment
GSA	General Services Administration
HQ	Headquarters
HQMC	Headquarters, U.S. Marine Corps
ICAM	Identity, Credential, and Access Management
IRC	Independent Review Commission
IT	Information Technology
IUS	Internal Use Software
JACP	Judge Advocate Continuation Pay
JMC	Joint Munitions Command
KSD	Key Support Document
LLC	Limited Liability Company
LP	Limited Partnership
M&R	Maintenance and Repair
MAGTF	Marine Air-Ground Task Force
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

ACRONYM	DEFINITION
MARFORSPACE	U.S. Marine Corps Forces, Space Command
Marine Corps	U.S. Marine Corps
MARSOC	U.S. Marine Corps Forces, Special Operations Command
MCCS	Marine Corps Community Services
MCICOM	Marine Corps Installations Command
MCLB	Marine Corps Logistics Base
MCRC	Marine Corps Recruiting Command
MCTFS	Marine Corps Total Force System
MEF	Marine Expeditionary Force
MERHCF	Medicare Eligible Retiree Health Care Fund
MEU	Marine Expeditionary Units
MHPI	Military Housing Privatization Initiative
MILPAY	Military Payroll
MOE	Major Organization Entity
MOL-DTMS	Marine Online-Document Tracking and Management Service
MRF	Military Retirement Fund
MWR	Morale, Welfare, and Recreation
NAFI	Non-Appropriated Fund Instrumentality
NAVFAC	Naval Facilities Engineering Systems Command
NDAA	National Defense Authorization Act
NIIN	National Item Identification Number
NIS	Naval Identity Service
NPS	Non-Prior Service
NRV	Net Realizable Value
NSN	National Stock Number
NTV	Non-Tactical Vehicle
O&M	Operation and Maintenance
OA	Operating Agreement
OAI	Operations Activities and Investments
OEL	Other Environmental Liabilities
OGC	Office of General Counsel
OIS-MC	Ordnance Information System – Marine Corps
OJAG	Office of the Judge Advocate General
OM&S	Operating Materials and Supplies
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OUSD(C)	Office of the Under Secretary of Defense (Controller)
PL	Public Law
P3	Public-Private Partnerships
PEO LS	Program Executive Office Land System
PISD	Placed-in-Service Date
PMCS	Preventive Maintenance Checks and Services

ACRONYM	DEFINITION
PPA	Prior Period Adjustment
PP&E	Property, Plant, and Equipment
PRV	Plant Replacement Value
RDT&E	Research, Development, Test, and Evaluation
REPI	Readiness and Environmental Protection Integration
RMIC	Risk Management and Internal Control
RPN	Retention Prediction Network
RSI	Required Supplementary Information
RW	Rotary Wing
SAPR	Sexual Assault Prevention and Response
SBR	Statement of Budgetary Resources
SCNP	Statement of Changes in Net Position
SECNAV	Secretary of the Navy
SFFAS	Statement of Federal Financial Accounting Standard
SIF	Stand-in Force
SNC	Statement of Net Cost
SOC	System and Organization Controls
SOD	Segregation of Duty
SOFA	Status of Forces Agreements
State	Department of State
TE	Training and Education
TECOM	Training and Education Command
TFM	Treasury Financial Manual
TRICARE	Total Resources Integrated Care
TSP	Thrift Savings Plan
U.S.	United States
U.S.C.	United States Code
UD	Undistributed
UDO	Undelivered Obligation
UFC	Unified Facilities Criteria
UNC	United Nations Command
USACE	U.S. Army Corps of Engineers
USAFRICOM	U.S. Africa Command
USCENTCOM	U.S. Central Command
USEUCOM	U.S. European Command
USFJ	U.S. Forces Japan
USFK	U.S. Forces Korea
USINDOPACOM	U.S. Indo-Pacific Command
USNORTHCOM	U.S. Northern 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
MISCELLANEOUS RECOVERIES AND REFUNDS	
17-3200	Collections of Receivables from Canceled Accounts
17-3210	General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified

“We evolve our equipment, training, and tactics to stay ahead of our adversaries. This evolution may change the shape of our formations or the technology we fight with, but it will never change the fundamental nature of our Marine Corps, nor the significance of each Marine.”

– GENERAL ERIC M. SMITH, COMMANDANT OF THE MARINE CORPS

FOR MORE INFORMATION

FISCAL DIRECTOR OF THE MARINE CORPS

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