



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

Canc: Oct 2017

MCBul 4443
I&L LPC
05 OCT 2016

MARINE CORPS BULLETIN 4443

From: Commandant of the Marine Corps

To: Distribution List

Subj: MILITARY EQUIPMENT (ME) FINANCIAL USEFUL LIFE

- Ref:
- (a) DoD 7000.14-R, "Financial Management Regulation (FMR)," Volume 4, Chapter 6, January 2016
 - (b) Statement of Federal Financial Accounting Standards (SFFAS) 6
 - (c) Statement of Federal Financial Accounting Standards (SFFAS) 23
 - (d) Statement of Federal Financial Accounting Standards (SFFAS) 35
 - (e) OMB Circular A-136, "Financial Reporting Requirements," September 18, 2014
 - (f) Office of the Secretary of Defense (OSD) Military Equipment Valuation (MEV) Business Rules "Summary of Business Rules for Accounting for and Reporting of Military Equipment (ME), Acquisition Date and Useful Life"
 - (g) OSD Acquisition, Technology, and Logistics (AT&L) "Summary of Business Rule on Military Equipment Useful Life"
 - (h) MCO 4400.150
 - (i) MCO 5311.1
 - (j) Military Equipment Financial Useful Life Naval Message 041509Z May 2015 (Updated Annually)
 - (k) Military Equipment Financial Useful Life Recovery Schedule May 2015 (Updated Annually)
 - (l) DoD Instruction 5000.02 Operation of the Defense Acquisition System January 2015
 - (m) MARADMIN 417/15, Clarification of Document Retention Requirements to Support Marine Corps Logistics Audit Readiness, August 2015
 - (n) SECNAV M 5210.1
 - (o) SECNAVIST 5211.5E

DISTRIBUTION STATEMENT A: Approved for public release;
distribution is unlimited.

(p) 5 U.S.C. 552a

1. Purpose. This Bulletin provides policy, procedures, and defines responsibilities governing the management of Military Equipment (ME) Financial Useful Life/Recovery Period in accordance with references (a) through (m). It establishes Marine Corps policy in alignment with applicable Department of Defense (DoD) and Federal policies to achieve accurate reporting of ME depreciation expense and accumulated depreciation on the United States Marine Corps financial statements.

2. Background

a. In accordance with reference (e), the Marine Corps is required to recognize and report ME depreciation expense and associated accumulated depreciation for all ME assets with an acquisition value of \$100,000 or more. Calculating ME depreciation expense and accumulated depreciation requires use of the asset's estimated financial useful life/recovery period. Currently, the Marine Corps does not have an appropriate Automated Information System (AIS) that captures and administers estimated ME financial useful life/recovery period information necessary for accurate financial reporting.

b. To facilitate calculation of ME depreciation expense and associated accumulated depreciation, the Deputy Commandant, Installations and Logistics (DC I&L), in collaboration with the Commander Marine Corps Systems Command (MARCORSYSCOM) and affiliated Program Executive Officer Land Systems (PEO LS), developed the ME Financial Useful Life Recovery Schedule (reference (k)). The Recovery Schedule establishes a standardized process to support Military Equipment Valuation (MEV) reporting and provides an estimated financial useful life recovery period for each ME Table of Authorized Materiel Control Number (TAMCN) Item. Per reference (b), the recovery period is defined as "the normal operating life in terms of utility to the owner."

c. Definitions

(1) Military Equipment. The Office of the Under Secretary of Defense (OUSD) Acquisitions, Technology and Logistics (AT&L) defines ME as follows: "A weapon system that can be used directly by the Armed Forces to carry out battlefield missions, has an expected useful life of two or more years, is not intended for sale in the ordinary course of

business, does not ordinarily lose its identity or become a component part of another article, and is available for use of the reporting entity for its intended purpose." The Marine Corps will assign a Table of Authorized Materiel Control Number (TAMCN) to all ME. Marine Corps examples include: combat vehicles, tanks, artillery and crew serve weapons. ME also includes Marine Corps procured research and development equipment (e.g. prototypes, test gear, Engineering Development Models). Furthermore, OUSD AT&L provides the following additional information on the definition of ME:

(a) ME assets are generally functionally complete and should be valued based on the cost of the top level assembly, including the cost of the embedded items.

(b) Intangible assets, such as software, are not considered ME unless embedded in a piece of ME. In that event the cost of the intangible assets shall be included in the cost of the related ME.

(c) For financial accounting purposes, items meeting the definition of ME, but with an acquisition value less than the capitalization threshold of \$100,000 will be expensed upon purchase. For accountability purposes, these items must be formally accounted for in an accountable property system of record (e.g., Global Combat Support System - Marine Corps (GCSS-MC)).

(2) Estimated Financial Useful Life. Per references (a), (b), (f), (g), (j), and (k), financial useful life is the estimated normal operating life of an asset in terms of its utility to the Marine Corps and is inclusive of the asset sustainment strategy (maintenance that is routine in nature and does not extend the normal operating life of the asset). Estimated financial useful life must consider factors such as engineering estimates, physical wear and tear, technological changes (i.e., obsolescence), and historical information based on asset utility/usage. Estimating asset financial useful life is necessary to define the period of time to spread the expensing of a long lived asset (i.e., ME) over the asset's lifetime rather than expensing upon purchase. Engineering changes, Service Life Extension Programs (SLEPs), and other activities that may extend the financial useful life of an item will be evaluated on a case-by-case basis to determine the impact to previous financial useful life estimates and to establish the appropriate accounting/reporting treatment.

(3) Table of Authorized Materiel Control Number.

Per reference (i) the TAMCN is used to identify one or more variants for an item of equipment. Each variant is distinguished by a different National Stock Number (NSN), but shows the same Approved Acquisition Objective quantity. The current list of TAMCNs available to the Marine Corps is contained in the Total Force Structure Management System (TFSMS). Per reference (h), a TAMCN is the chief method of identifying allowance items, and is assigned by Headquarters Marine Corps (HQMC).

3. Action

a. Commander's Intent and Concept of Operations.

(1) Commander's Intent. Reference (k) provides the methodology for calculating estimated financial useful life of ME assets and provides an estimated financial useful life recovery period for each ME TAMCN item. This information will be used by the Marine Corps to calculate depreciation expense and accumulated depreciation of ME assets reported on the Marine Corps' financial statements. Additionally, supporting technologies will adjust to record ME financial useful life recovery periods identified in reference (k). This will serve as an additional internal control to ensure the accurate and consistent application of ME financial useful life information for financial reporting.

(2) Concept of Operations. Per reference (j), the Deputy Commandant, Programs and Resources (DC P&R), Deputy Commandant, Combat Development and Integration (DC CD&I), Commanding General, Marine Corps Logistics Command (MARCORLOGCOM), and Commander MARCORSYSCOM and affiliated PEO LS will adhere to the policies and guidance identified in this directive.

(a) Financial Useful Life Business Rules.

1. During the product development or acquisition phase (for assets transferred in from another Service) MARCORSYSCOM and affiliated PEO LS Program Managers (PMs) will collaborate with engineers, Subject Matter Experts (SMEs), and/or other military Services to develop financial useful life estimates for each ME TAMCN item in accordance with reference (k). In instances where the Marine Corps is the Secondary Inventory Control Activity and the transferring Service has already developed and documented a financial

useful life estimate, MARCORSYSCOM and affiliated PEO LS PMs will utilize the other Service's existing estimate.

2. Following SLEPs or engineering changes for a specific TAMCN item resulting in an enhancement or extension of the normal operating life of the asset, MARCORSYSCOM and affiliated PEO LS PMs will collaborate with engineers, SMEs, MARCORLOGCOM, and/or other military Services to develop a supplementary financial useful life estimate for the item. The supplementary estimate will be documented in an associated Acquisition Strategy for the item at the NSN level (if an entire NSN was affected) or serial number level (if only certain serial numbers within an NSN were affected). The supplementary financial useful life estimate will be used for financial reporting of the affected assets. The original financial useful life estimate developed at the TAMCN level and recorded in TFSMS will remain unaltered.

3. Per reference (k), ME financial useful life recovery periods will be documented in TFSMS.

4. For new ME TAMCN items entering the Marine Corps inventory, and assets transferred in from another Service (i.e., new procurement/acquisition/transfer in), the asset's financial useful life estimate will be documented in TFSMS via the Program Management Team Workflow process.

5. MARCORLOGCOM will coordinate with MARCORSYSCOM and affiliated PEO LS PMs for the collection and maintenance of data related to SLEPs and/or engineering changes. This includes, but is not limited to, costs associated with the design, manufacture, procurement, storage, distribution, repair parts, and labor provided by MARCORLOGCOM or subcontractors working for MARCORLOGCOM in support of SLEPs and/or engineering changes. Data shall be collected and maintained at the end item, serial number level.

6. ME TAMCN items identified for retirement/disposal (i.e., items identified in "Disposal" status within TFSMS) will be monitored. Their financial useful life estimate will be removed from reference (k) upon the Marine Corps reaching a net posture of zero for the TAMCN. Financial useful life estimates associated with these TAMCNs will remain recorded within TFSMS in "Archive" status for historical record keeping and audit trail purposes.

7. The ME Financial Useful Life Recovery Schedule will be reviewed by MARCORSSYSCOM and affiliated PEO LS PMs on an annual basis. MARCORSSYSCOM and affiliated PEO LS PMs are responsible for ensuring the accuracy of ME financial useful life information contained in reference (k) and within TFSMS.

8. Reference (k) can be located on the HQMC DC I&L SharePoint site at the following link: https://eis.usmc.mil/sites/HQMCLP/LPC/ICART/me/Military%20Equipment%20References/ME%20Financial%20Useful%20Life%20Recovery%20Schedule_May%202015.pdf and will be published on an annual basis to support current and future MEV reporting efforts.

b. Subordinate Element Missions

(1) Deputy Commandant, Installations and Logistics (DC I&L). As the Logistics AIS Manager and the Enterprise Ground Equipment Manager for the Marine Corps, DC I&L shall:

(a) Monitor the actions and requirements addressed in reference (j), provide additional guidance as required, and continue to coordinate ME financial useful life support requirements with ME PMs and SMEs.

(b) Provide the ME Financial Useful Life Recovery Schedule annually, via the automated HQMC tasking system of record, to MARCORSSYSCOM and affiliated PEO LS PMs and SMEs for review, validation, and/or updates.

(c) Ensure annual publication of the ME Financial Useful Life Recovery Schedule.

(d) Submit updates of ME TAMCN items financial useful life estimate data to the TFSMS Help Desk.

(e) Integrate ME financial useful life functions into the Logistics IT Portfolio Architecture and ensure technical and functional changes are vetted through the Logistics Portfolio Management Board (PMB).

(f) Identify and provide funding required for all phases of the software development lifecycle related to implementing approved Engineering Change Proposals associated with this policy.

(2) Deputy Commandant, Programs and Resources (DC P&R). Collaborate with DC I&L on ME financial useful life requirements to facilitate accurate financial reporting of ME.

(3) Deputy Commandant, Combat Development and Integration (DC CD&I).

(a) Collaborate with stakeholders (e.g. I&L, MARCORLOGCOM, MARCORSYSCOM) to document the functional workflows and supporting systems participating in ME financial useful life and recovery periods for inclusion in enterprise architecture products.

(b) Ensure the functional allocation baseline is established for affected Functional Area Managers.

(c) Implement system changes and capabilities within TFSMS to record ME financial useful life recovery periods identified in reference (k).

(d) Ensure that Capability Integration Officers (CIOs) provide assistance to MARCORSYSCOM and affiliated PEO-LS PMs as necessary to include accurate financial useful life information within TFSMS.

(4) Commanding General, Marine Corps Logistics Command (MARCORLOGCOM).

(a) Coordinate the collection of maintenance data related to SLEPs or engineering changes with the Logistics IT Portfolio Manager, the Logistics Functional Data Manager (LFDM), MARCORSYSCOM and affiliated PEO LS PMs. This includes, but is not limited to, costs associated with the design, manufacture, procurement, storage, distribution, repair parts, and labor provided by MARCORLOGCOM or affiliated subcontractors in support of SLEPs or engineering changes.

(b) Data shall be collected, implemented, and maintained at the end item, serial number level. Approval for the creation, modification, integration, and storage of this data will be presented to the LFDM for approval prior to implementation.

(5) Commander, Marine Corps Systems Command (MARCORSYSCOM) and affiliated Program Executive Officer Land Systems (PEO LS) Program Managers (PMs).

(a) Collaborate with engineers, SMEs, and other military Services to develop financial useful life estimates for each ME TAMCN item with an acquisition value of \$100,000 or more in accordance with reference (k). Also collaborate with engineers, SMEs, MARCORLOGCOM and other military Services to assess the impact of TAMCN item modifications on the asset's financial useful life estimate. Develop a new estimate as applicable in accordance with reference (k).

(b) Ensure each TAMCN item's financial useful life information is documented within the associated Acquisition Strategy. ME financial useful life estimates will be provided in addition to the sections required in reference (l). ME financial useful life information will be included in the Acquisition Strategy "MEV" section number thirteen and will be provided in years.

(c) Ensure all Acquisition Strategies and any additional documentation supporting the financial useful life of each ME TAMCN item is maintained in accordance with reference (m) and is readily available to support future audits and assessments.

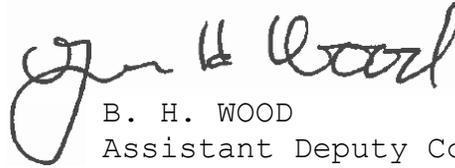
(d) Ensure Program Managers conduct annual reviews of the ME Financial Useful Life Recovery Schedule to validate and update the financial useful life of Marine Corps TAMCN items.

(e) Provide ME financial useful life information for each active TAMCN item not covered in the ME Financial Useful Life Recovery Schedule, as well as future TAMCN items introduced into the Marine Corps inventory. Verify authoritative and supporting systems are updated and accurately reflect ME financial useful life for all relevant equipment.

(f) Collaborate with DC CD&I to identify all IT system modifications required to support implementing ME financial useful life functions.

4. Reserve Applicability. This Bulletin is effective immediately and is applicable to the Marine Corps Total Force.

5. Administration. Recommendations concerning the contents of this Bulletin shall be submitted to the Commandant of the Marine Corps (CMC, LPC) via the appropriate chain of command.

A handwritten signature in black ink, appearing to read "B. H. Wood". The signature is written in a cursive style with a large initial "B" and "W".

B. H. WOOD
Assistant Deputy Commandant for
Installations and Logistics

DISTRIBUTION: PCN 10205585100